

COMMITTEE ON PUBLIC UNDERTAKINGS (1967-68)

NINTH REPORT

(FOURTH LOK SABHA)

CENTRAL WAREHOUSING CORPORATION

(MINISTRY OF FOOD AND AGRICULTURE)

(DEPARTMENT OF FOOD)



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COMMITTEE ON PUBLIC UNDERTAKINGS

(1967-68)

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INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Ninth Report on the Central Warehousing Corporation.

2. This Report is based on the examination of the working of the Central Warehousing Corporation upto the year ending 31st March, 1967. The Committee took the evidence of the representatives of the Corporation on the 20th December, 1967 and that of the Ministry of Food and Agriculture, (Department of Food) on the 21st December, 1967.

3. The Report was adopted by the Committee on the 21st March, 1968.

4. The Committee wish to express their thanks to the officers of the Ministry of Food and Agriculture and the Central Warehousing Corporation for placing before them the material and information that they wanted in connection with their examination. They also wish to express their thanks to the non-official organisations/individuals who, on request from the Committee, furnished their views on the working of the Corporation.

NEW DELHI;

March 25, 1968.

Chaitra 5, 1890 (Saka).

D. N. TIWARY,

Chairman,

Committee on Public Undertakings.

HISTORICAL BACKGROUND

Scientific storage and warehousing are recognised as important adjuncts of proper marketing. With a view to regeneration of rural India, the need for warehousing was particularly felt especially after enlargement of credit facilities including recognition of warehouse receipts for the purpose. It was with this end in view that the Reserve Bank of India recommended, initially, in 1944 to all the State Governments to enact legislation for the setting up and supervision of warehouses.

2. Recommendations of a general nature for the establishment of warehouses in the country had been made earlier by a number of committees and commissions. It was only after 1944 that a few State Governments passed the requisite legislation, but no warehouses were set up anywhere in the country.

3. The Rural Banking Enquiry Committee, 1949, appointed by the Government of India at the instance of the Reserve Bank of India, also emphasised the importance of storage and warehousing in relation to rural credit and rural banking. It recommended active participation by the state in certain spheres of cooperative activity and more particularly for the purpose of promoting warehousing on a country-wide scale. As a result of the recommendations made by this Committee, the Agricultural Produce (Development and Warehousing) Corporations Act was passed by Parliament in 1956. This Act provided for the establishment of the National Co-operative Development and Warehousing Board, the Central Warehousing Corporation and a State Warehousing Corporation in each State.

4. The Central Warehousing Corporation was initially constituted by the Government of India on the 2nd March, 1957, but started functioning only in July of that year. The subsidiary bodies in the States viz. the State Warehousing Corporations came into being in the various States on different dates later on.

5. It was decided by the Government in 1962 that it would be in the interest of better functioning of the two inter-dependent bodies i.e. the Central Warehousing Corporation and the National Co-operative Development and Warehousing Board to function independently under separate enactments. Accordingly the Act of 1956 was repealed and replaced by two new enactments. The Warehousing

Corporations Act, 1962 enlarged the scope and sphere of storage by authorising the Central Warehousing Corporation to store certain industrial produce and 'notified commodities' in addition to agricultural produce.

Functions

6. The functions of the Central Warehousing Corporation as given in the Warehousing Corporations Act, 1962 are:

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

Objects.

7. The main objects of the Central Warehousing Corporation are as under:—

- (i) Creation of a negotiable paper to provide an instrument for expansion of credit through commercial banks for the benefit of producers, dealers and others who might be connected with rural economy.
- (ii) Decreasing waste and losses in storage by promoting and developing warehousing and scientific storage facilities by themselves and also through the State Warehousing Corporations.
- (iii) Assistance in orderly marketing by introduction of standard grade specifications and the warehouse receipts.

*'Prescribed' means as prescribed by Rules made under the Act.

- (iv) Training of personnel to run warehouses under the scheme.
- (v) Assistance to Government and Government-sponsored organisations in the scheme of price support and/or price control.

Examination by the Estimates Committee

8. The working of the Central Warehousing Corporation was examined by the Estimates Committee (1960-61) in their 128th Report presented to Parliament in March, 1961. A report on the action taken by Government on this Report was contained in the 8th Report of the Estimates Committee (1962-63).

II

TARGETS AND ACHIEVEMENTS

A. Setting up of Warehouses

9. The details of targets and achievements regarding setting up of general warehouses in the country during the Second Five Year Plan and Third Five Year Plan periods by the Central Warehousing Corporation are as follows:—

Period	Target	Achievement	Shortfall
Second Five Year Plan (1956-57/1960-61)	100	40	60
Third Five Year Plan (1961-62/1965-6)	100 (including 40 set up during 2nd Plan).	42	18
Proposal for Fourth Five Year Plan	100 (including 82 set up during 2nd & 3rd Plan periods).	..	..

10. Yearwise progress made by the Corporation in setting up new warehouses from 1957-58 onwards is indicated below:—

Year	No. of ware- houses added during the year	No. of ware- houses at the year end
<i>Second Five Year Plan Period</i>		
1957-68	..	7
1958-59	3	10
1959-60	17	27
1960-61	13	40
<i>Third Five Year Plan period</i>		
1961-62	20	60
1962-63	18	78
1963-64	7	85
1964-65	..	85
1965-66	(-2)	82
		(General)
		18
		(Special)

11. It will be seen that the target of setting up of general warehouses in the country by the Central Warehousing Corporation during the Second Five Year Plan was 100 as against which only 40 warehouses were opened during that period. The target for the Third Five Year Plan period was retained at 100 warehouses but only 42 warehouses could be added during the plan period thus reaching a total of 82 warehouses. This works out to an average addition of 9 warehouses every year over a period of 9 years of the working of the Corporation.

12. In the Fourth Five Year Plan period it was proposed to add only 18 warehouses thus reaching a total of 100 warehouses during a period of about 14 years.

13. The following reasons have been assigned for the shortfall in warehouse targets during the Second and Third Five Year Plan periods and for fixing very low target for the Fourth Five Year Plan period by the Corporation:—

Second Five Year Plan.—The Corporation had been established one year after the start of Second Five Year Plan and the organisation started working effectively from a much later date and in view of a number of other unforeseen factors, the target of 100 warehouses could not be achieved. The Corporation had revised the target of warehouses to be set up during the Second Five Year Plan to 40, which they have achieved.

Third Five Year Plan.—Because of establishment of the Food Corporation of India through which the surplus produce is now supposed to be channelled, it was not possible to achieve the target of opening general warehouses at 100 centres by the end of Third Five Year Plan. However, instead of general warehouses, crash programme warehouses, have been established at 21 centres which exceed the shortfall of 18 centres in general warehouses.

Fourth Five Year Plan.—In view of the fact that the total number of centres at present considered of all India importance suitable for setting up Central warehouses is about 100 only, the target of the number of centres was not increased for the Fourth Five Year Plan period. The programme envisaged was, therefore, to gradually replace the hired accommodation by constructed accommodation at the general warehouses.

14. During evidence, the Managing Director of the Central Warehousing Corporation stated that the higher target in setting up gene-

ral warehouses could not be achieved as funds were not made available to them by the Government during the last three years owing to a ban imposed on construction of new buildings in October, 1965. Besides, the Corporation had closed down a large number of warehouses during the last two years because they had proved uneconomical in their working.

15. The Committee regret to note that the Central Warehousing Corporation has not made much headway in setting up general warehouses in the country during 12 years of its existence. Even the modest target laid down for the five years ending 1960-61 had not been fulfilled by the end of that period and is now expected to be achieved in the Fourth Plan period. The progress made by the Corporation in setting up new warehouses during the years 1963-64 to 1965-66 has also been extremely slow as is evident from the fact that 78 general warehouses at the end of the year 1962-63 could only be increased to 82 at the end of 1965-66. The Committee would suggest that the Corporation should make an intensive survey in consultation with the Agricultural Marketing Societies, Central/State Government authorities etc., with a view to locating new centres of All-India importance and extending warehousing facilities where necessary.

B. Storage capacity

16. In terms of storage capacity, the progress made by the Corporation was as follows:—

Year	Capacity added during the year (Thousand tons)	Total capacity at year end (Thousand tons)
<i>Second Five Year Plan</i>		
1957-58	.	7.0
1958-59	8.3	15.3
1959-60	28.7	44.0
1960-61	35.0	79.0
<i>Third Five Year Plan</i>		
1961-62	44.5	123.5
1962-63	56.6	180.1
1963-64	69.0	249.1
1964-65	(-)42.3	206.8
1965-66	94.8	301.6
		(General)
		(Thousand Tons)
Capacity at the end of Second Five Year Plan	.	79.0
Capacity added during Third Five Year Plan	.	222.6

17. The Estimates Committee, which examined the working of the Corporation during the year 1960-61, was informed that during the Third Five Year Plan period the Central Warehousing Corporation had a programme of setting up 35 warehouses for ordinary storage and 20 warehouses for specialised storage with a total storage capacity of 4.25 lakh tons. But it will be noticed from the above table that during the Third Five Year Plan period the Corporation could add only 2.23 lakh tons to their capacity which comes to 52 per cent of the promised target. This, however, does not include additional capacity of 2.89 lakh tonnes added under the Crash Programme for storage of foodgrains on behalf of the Madras and Andhra Pradesh Governments.

18. The Committee are unhappy to note that the undertaking regarding addition of storage capacity given to their predecessor Committee remains un-fulfilled and the targets fixed for the Third Five Year Plan are still to be achieved. The obvious lesson is that future targets should be more realistically framed and every effort made to achieve them.

C. Occupancy

19. Occupancy of the general warehouses depends on cropping seasons and flow of marketable surplus in the Mandis. A large portion of marketable surplus is offered for storage immediately after harvest and is gradually consumed as the time passes. The average occupancy of the warehouses of the Corporation for the last seven years was as follows:—

year	Occupancy (%)
1960-61	62
1961-62	63
1962-63	70
1963-64	53
1964-65	44
1965-66	72
1966-67	79

20. It will be seen from the above that there had been steep decline in the business during the years 1963-64 and 1964-65. The reasons attributed by the Corporation for this decline are as follows:—

- (i) Due to critical food situation in the country, the prices of agricultural produce ruled 30 per cent higher. Because of attractive prices, both producers and traders preferred to dispose of their stocks.

- (ii) A number of States had embarked upon procurement of foodgrains and stored departmentally instead of using warehouses.
- (iii) The Central and State Governments released the buffer stocks to arrest the soaring prices. As a result of this, percentage of government stocks held by the Corporation came down.
- (iv) Beginning from the year 1963 severe credit curbs were imposed by the Reserve Bank of India against warehouse receipts. The State Bank of India also adopted a policy of credit squeeze.

21. The Committee were informed that the following steps were taken by the Corporation to overcome the above setbacks:—

- (i) A detailed study of the business at each centre coupled with visits by senior officers. This resulted in closure of 10 warehouses.
- (ii) Introduction of concessional storage charge for stocks deposited during lean season months.
- (iii) Special incentive awards to field staff in the form of high occupancy allowances during lean months.
- (iv) New warehouses were set up only after a thorough survey of potential in consultation with agricultural marketing and cooperative organisations.
- (v) Close and intense liaison with state governments at high levels.
- (vi) Reservation of facilities and special concessional rates for cooperatives.
- (vii) Negotiations were started with the Reserve Bank of India to relax the credit curbs. The Reserve Bank of India later on agreed to exempt advances against warehouses receipts in respect of warehouses started on or after 1.1.1961 from the purview of credit control.

22. The Committee trust that as a result of the above steps the occupancy ratio of the warehouses will be maintained at a higher level in future.

D. Percentage of Deposits

23. The Warehousing Corporation at the Centre and similar institutions in the States were started with a view to provide scientific

storage to the agriculturists and protect them from low prices that prevail at the time of harvest with the help of loans available from the banks against receipts issued by the Warehousing Corporation so that the farmers could tide over their financial problems and sell their produce so stored in the warehouses at a remunerative rate later on when favourable circumstances reappear.

24. The percentage of deposits from the various categories of depositors during the last 5 years was as follows:—

Percentage of deposits of various classes at warehouses of the Central Warehousing Corporation

Particulars	1962-63	1963-64	1964-65	1965-66	1966-67
	%	%	%	%	%
1. Government					21
2. Food Corporation & other Government Organisations	34	16	39	42	15
3. Private Parties	66	84	61	58	64
Percentage of private depositors					
(i) Producers	16	13	8	4	5
(ii) Cooperatives	3	10	18	37	30
(iii) Merchants	81	77	74	59	65

26. It will be seen from the above table that the percentage of deposits from private parties was 64% at the end of 1966-67 while the balance of the deposits i.e. 36% was from Government, Food Corporation and other Government organizations.

It is, however, noticed that of the private depositors, as much as 65 per cent was from merchants while the percentage of deposits from Co-operatives and producers was only 30 and 5 per cent respectively. Further the percentage of deposits of commodities from producers had come down from 16% in 1962-63 to 5% only in 1966-67.

27. The Committee desired to know the reasons for such a downward trend as also for the comparatively low percentage of deposits from cooperatives and producers. It was stated that the scheme of developing warehousing facilities in the public sector was thought of on a three tier system namely, the cooperatives functioning at village

level, the State Warehousing Corporations at markets of local importance at talukas and tehsil levels and the Central Warehousing Corporation functioning in markets of all India importance. It was, therefore, not possible for the producer, to reach the terminal market where the Central Warehousing Corporation was operating. With the small/average size holdings the farmer did not find it economical to bring his produce to the big cities. The original conception of the scheme also did not envisage that the farmer would directly utilize the central warehouses.

28. The Committee obtained the figures of percentages of deposits from the cooperatives and producers in the State Warehousing Corporations. These are given below:—

Name of the State	As on 31-3-1964		As on 31-3-1965		As on 31-3-1966	
	Pro-ducers	Coop.	Pro-ducers	Coop.	Pro-ducers	Coop.
Andhra Pradesh	38	..	25	..	4.80	..
Assam	3.49	4.44	0.20	1.90		0.80
Bihar	9.05	0.19	8.17		3.60	1.10
Gujarat	11.00	3.00	3.00		3.40	4.60
Kerala	12.16	2.96	3.26	3.09	14.50	0.50
Madhya Pradesh	9.00	3.31	5.57	6.29	0.70	70.40
Maharashtra	5.60	5.10	3.60	8.60	1.30	43.70
Madras	10.48	3.25	7.36	4.27	0.80	0.40
Mysore	29.13	0.82	17.40	2.14	1.10	33.20
Punjab	0.07	2.02	2.34	8.46	1.10	49.00
Orissa	4.01	21.02	3.00	8.00	6.30	19.00
Rajasthan	0.17	7.11	0.43	0.57		4.00
U.P.	0.23	0.86	0.48	4.47	1.60	6.30
West Bengal	10.67	2.39	0.23	2.86	0.10	4.20

29. It will be seen that while there were no deposits from producers in the States of Assam and Rajasthan, the percentage of deposits in the State Warehousing Corporations of West Bengal, Madhya

Pradesh, Madras, Mysore, Punjab and Uttar Pradesh were negligible as on 31-3-1966. Similarly while there were no deposits from cooperatives in the State Warehousing Corporation of Andhra Pradesh, the percentage of deposits from this category was very meagre in the State Warehousing Corporations of Assam, Bihar, Kerala, Madras, Rajasthan, Uttar Pradesh and West Bengal. The performance of the State Corporations where this development should have been faster on account of their operations being nearer to the producing areas is thus not encouraging. Even the percentage inclusive of the deposits from the cooperatives in most of the State Warehousing Corporation is very low.

30. Thus the facilities provided by the Central Warehousing Corporation appear to have been availed of mainly by the merchants. It is the farmer/producer who needs warehousing facilities in a greater measure and needs to be protected against distress selling of the stocks or from exploitation by middlemen. The Committee are of the view that further efforts are needed to attract deposits from producers and cooperatives for whose benefits these facilities were originally contemplated. .

..

III

OPENING OF NEW WAREHOUSES

A. Market Survey

31. The time taken by the Central Warehousing Corporation to judge the potentiality and prepared a final survey of the centre for opening of a new warehouse depends on the size of the market and trading operations carried out and the time taken by various departments of the Government and other organisations to supply the necessary data. Usually for completion of a survey report, a period of 3 to 6 months is sufficient, but in some cases it has taken more time depending on factors referred to above.

32. In case of doubtful possibilities a beginning is made with a smaller capacity and that too in a hired accommodation and final decision for retention of a warehouse or otherwise is taken after seeing its actual performance.

33. The following centres were suggested by the undermentioned authorities for setting up warehouses:—

Centre	Suggested by	Year in which suggestion was made
<i>Himachal Pradesh</i>		
1. Simla	Hill Commissioner, Punjab	
2. Paonta	Registrar, Co-operative Society, Himachal Pradesh	1961
3. Joginder Nagar	Registrar, Co-operative Society, Himachal Pradesh	1961
4. Solan	Lt. Governor, H.P.	1961
<i>Tripura</i>		
5. Maharaiganj	Secretary, Department of Co-operation	1961
<i>Manipur</i>		
6. Imphal	Manipur Administration	1961

34. So far warehouses have not been set up at any of these centres. These centres have now been included in the list of centres to be considered for opening of general warehouses during the Fourth Five Year Plan period.

35. Although a period of 7 years has elapsed since suggestions for opening of warehouses at these centres were made, no concrete steps have been taken in the matter. Such inordinate delays reflect adversely on the efficiency of the Corporation. The Committee recommends that the Corporation should undertake a review of all the above mentioned centres suggested by various authorities and take steps to open warehouses there if considered economically viable.

B. Construction of Warehouses

36. The Corporation has stated that all such centres, where survey reports showed a clear potential market, the construction of warehouses was started almost side by side with the hiring of godowns to run the warehouses in the intervening period. In a few cases where there was a clear potential but godowns of suitable type were not available, construction was taken up straightaway. In cases of centres where potential was not firmly indicated, the construction of warehouse was taken up after testing the ground for sometime.

37. Of the 82 general warehouses, the Corporation had completed construction of warehouses of various capacities at 27 centres. Out of these 27 centres only at 14 centres there was no hired accommodation.

38. The capacity added by construction of new warehouses during the last 9 years was as follows:—

	(Thousand Tons)
1957-58	Nil
1958-59	Nil
1959-60	3.7
1960-61	7.9
1961-62	24.1
1962-63	10.9
1963-64	20.1
1964-65	39.4
1965-66	19.7

39. The capacity of Central Warehouses (constructed and hired) in various States as on 31st May, 1966 was as follows:—

(Tonnes)

State	Const- ructed/ owned	Hired	Total
1. Andhra Pradesh	24,762	13,236	37,998
2. Assam	5,000	1,158	6,158
3. Bihar		3,300	3,300
4. Gujarat	8,000	10,427	18,427
5. Kerala	8,160	10,089	18,249
6. Madhya Pradesh	10,000	11,697	21,697
7. Madras	8,360	8,669	17,029
8. Maharashtra	24,200	41,959	66,159
9. Mysore	9,900	10,054	19,954
10. Orissa	2,000	6,449	8,449
11. Punjab		15,692	15,692
12. Rajasthan	15,400	3,005	18,405
13. Uttar Pradesh	10,000	6,429	16,429
14. West Bengal . . . . .	..	31,545	31,545
15. Delhi . . . . .	..	4,140	4,140
	1,25,782	1,77,849	3,03,631

40. From the above table, the percentage of owned accommodation to total available capacity works out at 41 per cent at the end of 1965-66 which was the last year of the Third Five Year Plan period.

41. It will be seen that the tempo of construction had been very slow during the 11 years of working of the Corporation. Asked about the reasons the Managing Director stated during evidence that the construction of warehouses at some centres was decided upon after practically working at them for sometime. Besides there was a ban

on construction since October, 1965 due to which the Corporation was unable to go ahead with the construction programme although they had acquired land at some centres. During discussion with the Committee, the Secretary, Department of Food stated that the matter had been taken up for removal of ban on construction. It is, however, noticed that the Corporation added over 1,900 tons of capacity by constructing new warehouses in 1965-66.

42. The Committee note that the Corporation had stated in 1961 that fair expansion of business was not possible in hired accommodation. This was primarily due to the non-availability of suitable hired accommodation at reasonable rents and whatever godowns were available were scattered in an area. Further standard scientific storage normally expected in one's own scientifically constructed godowns could not be achieved in hired godowns.

43. During the Fourth Five Year Plan period, the Corporation expects to construct warehouses at 50 more centres with a total capacity of 2 lakh tonnes at the rate of about 40,000 tonnes at 10 centres in each year of the Plan period. Thus at the end of the Fourth Five Year Plan period, total constructed capacity is expected to be over 368,900 tonnes at 86 centres. In case of Plan holiday for one or two years, the figure should pro-rata increase. This will leave 45,000 tonnes of hired accommodation at 14 centres at the end of the period.

44. In a review of storage costs made on the basis of actual expenditure incurred upto the end of the year 1964-65, the following figures were arrived at:—

	<i>Hired accommodation</i>	<i>Constructed accommodation</i>
Cost of storage per bag per month (bag being standard bag of foodgrain weighing 2½ maunds i.e. 93.30 kgs. and measuring upto 6 cu. ft.)	(3,000 tonnes capacity on 65% occupancy). 20.38 paise	5,000 tonnes capacity on 75% occupancy. 14.39 paise
Storage charges proposed	22.00 paise	22.00 paise
Margin of profit	1.62 paise	7.61 paise

NOTE: In the case of hired accommodation the Corporation has, based on past experience, worked out costs on the basis of 3000 tonne capacity, (average) at 65% occupancy (average) because higher occupancy is difficult to achieve.

45. It is, however, seen that in the case of constructed accommodation, the margin of 7.61 paise includes provision for depreciation and repairs on constructed accommodation, but does not include return on capital investment. This margin of 7.61 paise works out to 4.8 per cent on total investment on cost of land, construction and equipment. If cost of construction of warehouses is to be met out of loans given by Government or banks, the return of 4.8 per cent would not be sufficient even to meet the interest charges on capital invested. It follows that the profitability of constructed warehouses after providing for return on capital investment is no better than that of hired warehouses.

46. According to the present proposals of the Corporation, only 14 new warehouses are to be opened during the next five years while existing 50 warehouses using hired accommodation are to be moved into their own buildings which will be constructed during this period. Thus there would be only 14 centres at which addition to the storage capacity of the Corporation will be made. This target is very low considering that several more viable centres exist.

47. Since the return on investments on constructed warehouses is going to be low and also the fact that losses have been incurred in the operation of a large number of warehouses in the past, the Committee suggest that the programme of construction of warehouses should be taken up in a phased way after examining thoroughly the business potential at each centre so that warehouses may not have to be closed down in future due to low occupancy. In view of this the Corporation should concentrate more on opening of new centres where accommodation is hired in the first instance.

C. Time taken in construction

48. A statement showing the warehouses constructed together with their capacities and time taken in completion is given below:—

Sl. No.	Name of the Centre	Capacity in Tonnes	Time taken in completion	
			Year	Months
1	2	3	4	
1	Adoni	5,000	1	4
2	Duggirala	2,000	1	6
3	Guntur	3,500	1	0
4	Jangaon	3,000	1	1
5	Warangal	8,362	6	4
6	Gauhati	5,000	2	3
7	Ahmedabad	5,000	1	6

1	2	3	4
8	Nadiad	3,000	1 4
9	Cochin	3,000	1 4
10	Kozhikode	5,160	1 5
11	Bhatapara	5,000	1 11
12	Morena	5,000	4 8
13	Kumbakenam	3,500	1 0
14	Madurai	4,860	1 5
15	Amravati	5,300	4 0
16	Gondia	3,600	2 8
17	Nagpur	5,000	1 1
18	Sangli	5,800	2 10
19	Davangere	4,900	2 3
20	Gadag	5,000	2 11
21	Mangalore	5,000	2 0
22	Bargarh	2,000	1 11
23	Jaipur Road	3,000	3 4
24	Hanumangarh	5,400	1 6
25	Kota	5,000	4 3
26	Sriganganagar	5,000	4 3
27	Chandausi	10,000	1 3
28	Dubri	5,000	2 9
29	Jorhat	5,000	2 10

49. It will be noticed that the time taken in construction of these warehouses has ranged from 1 year to 6 years. The Committee discussed this matter with the Managing Director of the Corporation and were informed that no target dates were laid down in the Project Reports for construction of warehouses. The agency employed for the construction of warehouses was the C.P.W.D. Wing attached to the Food Ministry, who have their own time schedule for execution of works. Asked whether C.P.W.D. adhered to the time schedule drawn by them, the Managing Director stated that by and large there was delay of 6 months to one year beyond the schedule laid down by them. In the case of construction of crash programme warehouses in Madras State, they had deviated from this normal practice and entrusted them to the State P.W.D. The work regarding construction of cold storage at Hyderabad had been given to a private contractor. In both the cases the progress had been much faster as compared to C.P.W.D.

50. Asked as to why the Corporation did not utilize the agency of the National Buildings Construction Corporation, the Engineering Adviser of the Corporation informed the Committee that construction through the National Buildings Construction Corporation would

have been expensive as they undertook the work on cost—plus basis and not on the basis of open competitive tender.

51. The Committee regret to note that while there is not much difference in capacities of the warehouses, the time taken in completion of construction ranges from 1 year 4 months to over 6 years. The reply of the Corporation that the delay in construction was due to the C.P.W.D. who have their own time schedule for execution of works reflects no credit to the Corporation nor on the construction agency. The time taken in the construction of a large number of warehouses is unduly long. Such delays hamper the business of the Corporation. Before construction is taken up target dates should be laid down for completion and adhered to.

52. The Ministry of Works, Housing and Supply should look into the causes of delay from 6 months to one year in the construction of warehouses by C.P.W.D. and lay down suitable remedial measures. The Committee would like to be informed of the measures taken.

53. The Committee understand that National Buildings Construction Corporation go in for open tendering and the information with the Corporation is not upto date. Therefore, before taking up new construction, the Corporation should send tender notices to N.B.C.C. and other parties.

D. Warehouses in Bombay City

54. Bombay is one of the most important commercial centres of the country. It is a terminal market where wagons of foodgrains, pulses and oilseeds come from other States and upcountry areas, for consumption in the State as well as for export. In spite of the above factors, which amply establish the necessity of opening general warehouses in Bombay city on high priority, the Central Warehousing Corporation has not yet set up any general warehouse there.

55. The Government of Maharashtra decided to introduce statutory rationing in Greater Bombay with effect from March, 1966 and in November 1965, they invited the Central Warehousing Corporation to set up one organisation for receipt, storage, standardisation and issue of bags on an agency basis for them. The terms and conditions were finally agreed upon in February, 1966. As per agreement, the Government of Maharashtra placed at the disposal of the Corporation the following three godowns in Bombay city:—

	(Capacity in 000 tonnes)
Borivli	30·32
J. Shed.	10·35
New Parel	4·80

56. Asked about the reasons for not opening their own warehouses in Bombay, the Corporation has stated that no suitable godowns were available. Efforts were made to get godowns on rent or procure a piece of land from the Port Trust Bombay, but it met with no success. The Corporation was also unable to utilise the godowns of Maharashtra State Government for stocks of other depositors as they were started on agency basis for the benefit of the State Government.

57. The Corporation has, however, stated that it would consider the feasibility of retaining these godowns for the purpose of general warehouses in the event of discontinuance of rationing in Bombay.

58. The Committee are surprised to note that even after a period of 11 years of its establishment, the Corporation has not been able to set up a general warehouse in Bombay, where business potential was assured. The Committee recommend that the Corporation should hire, purchase or construct godowns in suitable centres in the Bombay city for the purpose of opening general warehouses. They should not depend only upon the continuity or otherwise of rationing in Bombay which, being done on an agency basis, stands on a different footing than commercial warehousing facility to be provided for the traders and producers.

E. Cold Storages

59. The Corporation at present plans to have two cold storages one at Calcutta and the other at Hyderabad. Both the cold storages were expected to be completed in early 1968.

60. It was noticed that Darbhanga (Bihar), Dessesa (Gujarat), Nasik (Maharashtra) and Kharagpur (West Bengal) were selected as centres for opening of cold storages during the Third Five Year Plan period. The Managing Director stated during evidence that these centres were investigated and it was found that it would not be possible to retain them on economic grounds. He, however, added that the Department of Agriculture had suggested some more centres and these were being investigated. In reply to a query, it was stated that wherever cold storages were necessary and financially viable, the private sector had already entered the field. The only places they are not entering is where there would be no profits. The Corporation wants financial guarantee before constructing godowns at such centres as a promotional activity.

61. The opening of cold storages in the public sector should be regarded as an important part of development of warehousing facilities in the country. The business potential of the various centres

should be examined and cold storages opened wherever adequate facilities do not exist.

F. Closure of Warehouses

62. It is seen that during the last few years, the Corporation had closed fifteen warehouses. The Corporation has stated that it was rarely that a warehouse was commercially remunerative right from the very beginning. In a rural area a warehouse might take even 10 years in becoming remunerative, while a warehouse in rural area with some commercial bias or a warehouse in an urban area might require five to seven years to become commercially remunerative. If, however, a potentially remunerative warehouse does not become commercially remunerative even after such a period, it has to be closed down unless the Government wanted it to be continued for rendering warehousing facilities to a particular area.

63. The reasons for closure of 15 warehouses are analysed below:—

- (a) Three warehouses which were started at the instance of State Governments had to be closed as the State Governments concerned did not fulfil their commitments.
- (b) One warehouse at Sirsi was started at the instance of Totagarh Co-operative Society. It had to be closed as the Society itself entered into warehousing business.
- (c) *One warehouse was handed over to the Food Corporation of India.
- (d) One warehouse had been closed because of its proximity with the Sino-Indian border.
- (e) The warehouse (at Saharanpur) had to be closed due to credit curbs imposed by the Reserve Bank of India.
- (f) The following 8 warehouses had been closed because of poor business prospects:
 1. Dalsingsarai.
 2. Kapadwanj.
 3. Fatehpur.
 4. Burdwan.
 5. Purulia.
 6. Annamali.
 7. Darbhanga.
 8. Tenali.

*At the time of factual verification, the Corporation had informed as follows :—

“The warehouse has not been handed over to the F.C.I. It has been closed after the construction of crash programme warehouse at Tadepalligudem (A. P.) for the use of Food Corporation of India.”

64. The Committee understand that as a sequel to extremely bad business during the years 1963-64 and 1964-65, the Corporation undertook detailed study of business at each centre, which resulted in closure of 10 centres. It was also then decided that new warehouses were to be set up only after thorough survey of potential in consultation with agricultural marketing and co-operative organisations.

65. During evidence before the Committee, the Managing Director stated that no loss has accrued to the Corporation on account of closure of warehouses as, excepting the one at Cooch Behar, all other godowns were in hired accommodation. The Cooch Behar warehouse purchased by them had been requisitioned by military authorities in 1962 and was still in their occupation.

66. The number of warehouses closed during the last few years would indicate that the surveys conducted by the Corporation were not very realistic. A closure not only entails certain infructuous expenditure but is also a set back to the reputation of the Corporation. The Committee recommend that the setting up of a warehouse at a particular centre should be preceded by a critical examination of the possibility of the centre and it should not merely be taken up because it has been recommended by some authority or society. In case a warehouse is opened at the behest of some authority, a guarantee in writing against losses should be obtained before undertaking the venture.

IV

ROLE OF OTHER STORAGE AGENCIES

A. Government Warehouses

67. From the information supplied by the Corporation, it is seen that at 33 centres the Central Government/State Governments were also having hired godowns at places where the Central Warehousing Corporation is running warehouses. At 23 centres, the Central/State Governments have constructed godowns after the Central Warehousing Corporation's warehouses were set up there. It is reported that at 9 centres, Government stocks have been gradually withdrawn and stored in their own newly constructed warehouses. (See Appendix I).

68. The Corporation has stated that the occupancy of their warehouses has suffered at practically all the centres where Central/State Governments or even Public Undertakings have constructed godowns after a warehouse had been set up there by the Corporation. In some centres, the development of warehousing capacity to a profitable limit became difficult because of Government procuring the marketable surplus and storing it in their own godowns thus reducing the potential for general warehouses. Particular instances of the centres at Bhavnagar, Rajkot, Ahmedabad, Jeypore, Raipur, Amravati and Gondia have been quoted in this behalf.

69. The Committee enquired the reasons for Central/State Governments making separate arrangements for storage of buffer stocks instead of utilizing the facilities already provided by the Central and State Warehousing Corporations. In their reply the Ministry of Food and Agriculture have stated as follows:—

“In centres like Bhavnagar, Calcutta, Masulipatnam and Madras, the requirements of Food Department are for storage of imported foodgrains and the godowns are essentially hired from Port Trusts which have their godowns near the Wharfs.

In centres like Tadepalliguadem, Cochin and Delhi, the C.W.C. set up its warehouses only from storage godowns made available to it by the Food Department. It would be seen

that there is no case where Food Department had constructed/hired godowns in duplication of facilities already provided by the C.W.C. . . . The Food Corporation have not constructed godowns at any other centres (except Trichur) where the C.W.C. have set up their own warehouses. The Food Corporation of India is utilising the Central and State Warehousing Corporations' godowns to the extent considered operationally convenient in all the States. The hiring of accommodation is generally necessitated on account of non-availability of space with the C.W.C. at the time when the Food Corporation desires to have storage accommodation at the above Centres.

70. Asked as to why the State Governments were not patronising the warehouses of the Central Warehousing Corporation, the Committee were informed that some State Governments considered that storage charges of the Corporation were high. Some of the State Governments had also argued that there was saving on establishment costs to them by utilising the staff for looking after storage along with other duties on procurement. However when the cost of storages on the basis of expenditure actually incurred by them had been worked out, it was found to be higher than the charges fixed by the Central Warehousing Corporation. Some of the instances are given below:—

- (i) The Government of Bihar worked out the costs of storage for three years from 1957-58 to 1959-60 when they were getting storage done through private agencies. It was revealed that at the prevalent rates of storage charges, that Government would have saved nearly Rs. 8 lakhs had they stored with the Warehousing Corporations.
- (ii) The Maharashtra Government worked out their costs for the three centres viz. Gondia, Sangli and Amravati where they are storing departmentally. It was found that the Government costs worked out to 36.60 paise per bag per month in case of Gondia and 56.70 paise in case of Sangli. In comparison to this, the costs of storage in the Central Warehouses worked out to only 22.05 paise for Gondia to 36 paise for Sangli.

71. During evidence the Managing Director stated that the Corporation had not been given monopoly of storage by Government.

The Central/State Governments had given 70 to 80% of storage work to private agencies on account of their rates being cheaper and the Central Warehousing Corporation was not able to compete with them. The quality of storage offered by the private agencies was poor and resulted in loss ranging from 2 per cent to 3 per cent. However, the Departments did not bother about the losses and bad stocks were either written off or issued for consumption.

72. The Committee are of the view that godowns should not be set up by a multiplicity of agencies like the Central Warehousing Corporation, the Central/State Governments and any other public undertaking 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 will have to keep the required equipment and staff for such services. The operation of warehouses at the same centre by different Government agencies is, therefore, uneconomical. It is also desirable that Government Departments/Public Undertakings should increasingly patronise the Central Warehousing Corporation for their storage.

73. The Committee recommend that at places where the Corporation has 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 Corporations. Since the Central Warehousing Corporation subscribes fifty 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 line in the interest of efficiency and economy.

B. Crash Programme Warehouses

74. The Central Warehousing Corporation has constructed four crash programme warehouses with 2 lakh tonnes capacity at 4 centres' in the Madras State and 17 warehouses with capacity of 2.87 lakhs tones in Andhra Pradesh, for the exclusive use of the Food Corporation of India and the State Governments. The total estimated cost of such Crash Programme Warehouses in Madras State is Rs. 280.00 lakhs and in Andhra Pradesh Rs. 499.25 lakhs. This was met out of the funds made available to the Corporation by the Government of India on loan.

75. The Committee understand that the question of ownership of these warehouses had been deferred for a period of two years from the date of completion. Asked about the reasons, the Corporation has stated as follows:—

“..After the Food Corporation of India was established on 1-1-1965, the Department of Food, Government of India took a decision to transfer its own storage accommodation to this new Corporation. It seems that as a result of this decision, the Food Corporation of India considered that the crash programme constructions which were put up mainly for its use should be transferred to its ownership instead of the Warehousing Corporation managing only this accommodation on behalf of the Food Corporation of India. However, as the Central Warehousing Corporation had taken up this construction of its own account, further discussions were held on 4th March, 1965 by the then Minister of of Food and Agriculture and it was then decided that for the initial period of 2 years at least these crash programme godowns should continue to be in the ownership of the Central Warehousing Corporation. However, because of this decision, the question of ownership was not decided but left to be discussed afresh after a period of two years.”

76. The Committee also discussed this matter during evidence. Explaining the reasons for keeping the decision pending for two years, the Secretary, Department of Food stated that these warehouses had been taken up for construction before the Food Corporation of India came into being and as such the Government wanted some time to watch before deciding upon their ownership. He added that it had since been decided to handover the warehouses to the Food Corporation of India.

77. The figures of occupancy of these crash programme warehouses are given below:—

(% of occupancy)

Year	Highest average	Lowest average	(Average)
1965-66	79	19	49
1966-67	76	6	33

78. The occupancy of the above warehouses depends on the procurement programmes and policies of the Food Corporation of India/State Governments. The Central Warehousing Corporation has no control over the occupancies in these centres. In regard to warehouses in Andhra Pradesh, the Corporation has been able to secure payment on the presumed basis of 100 per cent occupancy from the Food Corporation of India. Similar guarantee from the State Government of Madras in respect of warehouses in that State has been sought.

79. The Committee were informed that the estimated expenditure on fixed items of costs involved in running these warehouses in Madras was estimated to be Rs. 42 lakhs annually. This included the costs of establishment, depreciation, repairs, local taxes and insurance of buildings and return on capital investment required to be paid as interest on loans advanced for their construction and costs on items of contingent nature. The actual occupancy of these warehouses during the year 1966-67 had been 33 per cent only. The storage charges that had been proposed for these warehouses were 20 paise per bag per month, out of which 17.58 paise was to cover the expenditure on fixed items of costs. The net loss on 35 per cent occupancy had worked out to Rs. 25 lakhs for the year 1966-67.

80. During evidence, the Managing Director of the Corporation stated that originally when the scheme for crash programme warehouses was framed, the intention was that the Food Corporation of India would give 100 per cent guarantee for both these areas. Subsequently, the Food Corporation of India was not allowed to operate in Madras State and as such it did not give any guarantee for the warehouses opened in that State.

81. On the question of loss on operation of these warehouses, the Secretary, Department of Food stated during evidence that the loss was due to low occupancy and would have been suffered by any

agency which held the warehouses. In the present case, the Warehouses were owned by the Central Warehousing Corporation and so it had to bear the losses.

82. Asked whether these warehouses could be used for storage of other commodities instead of keeping them vacant during idle periods the Managing Director stated that the situation of these warehouses did not offer scope for large custom in commodities other than foodgrains. Fertilizers and seeds could fill up the gap to some extent. Attempt was being made to attract these commodities from various manufacturers and distributors of seeds like National Seeds Corporation of India.

83. Since the occupancy of the warehouses under the crash programme is low, other sources of income, besides foodgrains, will have to be tapped to make them viable. No particular effort seems to have been made in that direction, perhaps due to the reasons that the question of their ownership was left open for two years or because the Corporation desires to be paid on the basis of 100 per cent. occupancy. The Committee feel that the ownership of all the warehouses owned or financed by the Central Government should be with one body i.e. Central Warehousing Corporation, which should work on commercial basis.

C. Storage by the Food Corporation of India.

84. The primary function of the Food Corporation of India as prescribed in section 13 (1) of the Food Corporation Act, 1964, is to undertake the purchase, storage, movement, transport, distribution and sale of foodgrains and other foodstuffs. Storage is thus one of the functions of the Corporation. The Corporation started functioning with effect from the 1st January, 1965.

85. The Central Government have during the years 1965 and 1966, transferred their storage depots in most of the States to the Food Corporation of India. The storage capacity at the disposal of the Food Corporation of India at the end of 1966-67 was 11.56 lakh tonnes and 85,500 tonnes was under construction.

86. The Ministry of Food & Agriculture in a communication dated the 10th June, 1959 addressed to all the State Governments had clarified the role of the Warehousing Corporations. It was stated therein that the policy of the Government was that fullest use should be made of the services of the Warehousing Corporations for storage of foodgrains. It was also envisaged that as the volume of internal purchases increased, the Government of India would make

increasing use of the storage facilities available with the Central and State Warehousing Corporations.

87. During evidence the Committee enquired as to why the functions of storage of foodgrains could not wholly be entrusted to the Central Warehousing Corporation. The Chairman of the Food Corporation of India stated that in his view, it was not possible to isolate warehousing from procurement and handling of foodgrains. He felt that entrusting of warehousing operations to any other agency would deprive the F. C. I. of enough control over the operations of storage and movement. Further, the guiding factors determining the location of godowns of the Food Corporation of India and the Central Warehousing Corporation would be different. While the Central Warehousing Corporation would prefer the Centres where multiple custom was available. The F.C.I. would like to locate their godowns at places which were convenient for receipt and despatch, and for long term storage of foodgrains. It was stated that the F.C.I. intended to set up large storage godowns which under ordinary circumstances would not be profitable to the Central Warehousing Corporation. The Food Secretary endorsed the views of the Chairman of the Food Corporation of India and added that entrusting of storage of foodgrains to the Central Warehousing Corporation would hinder the flexibility of operations particularly in emergency conditions.

88. This has been further elaborated in the following reply received from the Department of Food, Government of India:—

“..The Warehousing Corporation were not set up for utilisation of the storage accommodation for Government foodgrains. Their essential purpose is primarily to provide not merely scientific storage accommodation for the producers but also extend thereby through the Warehouse Receipts, a facility of cash credit. Custom from Government or from the Food Corporation of India should be theoretically only incidental and not the main purpose. If the Warehousing Corporations have to depend largely on the custom from the Government/Food Corporation of India they would be proceeding on wrong lines. They are to concentrate on the producers and by suitable propaganda and attractive rates carry the message of scientific storage to the vulnerable sector.”

89. The Committee also enquired about the practice obtaining in foreign countries in regard to the procurement storage and distribution of foodgrains. From the information supplied by the

Corporation, it appears that in U. S. A. warehouses are owned by private warehousemen who act as agents to the Commodity Credit Corporation constituted by the Department of Agriculture for the purpose of storage, handling and despatch of wheat. In Canada, private warehousing companies operate as agents to the Wheat Board for the purpose of storage and handling etc. In Australia also the Wheat trade is handled by a Wheat Board, and all storage and handling on behalf of the Wheat Board is done by another Government sponsored organisation called the Wheat Elevators' Board.

90. It is thus seen that in these countries the function of warehousing has been developed through a separate Government organisation or through private agents. The Committee enquired during evidence whether the same practice could be adopted in India. The Secretary, Department of Food stated that in the context of Indian conditions he was doubtful if the system obtaining in Australia would yield better results.

91. It has been argued by the Central Warehousing Corporation that the storage of foodgrains in between procurement and distribution is a distinct and separate function. Since it is a specialised operation in the chain of marketing operations, the corporation could play the warehouseman's role to the Food Corporation of India and at the same time continue to discharge the function of warehousing for the general public as envisaged under the Act. It has been further stated that the foodgrains constitute 60 per cent of the storage commodity and if the stocks procured by the Food Corporation of India are stored in their own godowns, it is obvious that the potential for warehousing will be reduced.

92. When the question of setting up of the Food Corporation of India was under consideration in Parliament, the Minister incharge had stated that the F.C.I. would be expected to fully utilise the facilities of Central and State Warehousing Corporations. The Committee, therefore, feel that in the interest of overall national economy, utmost co-operation between the two Corporations is called for.

93. They have recommended in para 72 of this Report that with a view to avoid multiplicity of storage agencies, the storage work should be handled by one specialised agency.

94. The Committee are of the view that storage of foodgrains by the Central Warehousing Corporation can be expected to have the following advantages:—

- (i) The average occupancy of the warehouses of the Central Government and the Food Corporation of India is stated

to have been below 40 per cent during the last year. The changes in procurement policy of the Government and the fluctuating agricultural situation in the country do not admit of any guarantee for the continual minimum occupancy for all times. If the warehouses are operated by the Central Warehousing Corporation, it would be possible to store commodities on behalf of State Governments, other Public Sector Undertakings, large producers etc. Central Warehousing Corporation's cost of storage will thus be lower, while on the other hand the Central Government/Food Corporation of India etc. will be paying for the space actually used by them.

- (ii) If the procurement, storage and distribution is done by the same agency, it may not be possible to exercise adequate check to ensure whether the foodgrains brought for storage are of the standard quality or that they have not deteriorated during storage or that infested grains are not issued for consumption.
- (iii) Storage of foodgrains under Departmental management, as in the case of Central Government warehouses, may be a burden on the public exchequer while the Central Warehousing Corporation or any other agency would have to work on commercial basis and give good return.
- (iv) Scientific storage by independent agencies, namely the Central Government, the Food Corporation of India and the Central Warehousing Corporation will add to expense as it would lead to triplication of material and services.

95. The Food Corporation of India should be asked to work out its cost of storage and if it is found to be higher than the cost at which the Central Warehousing Corporation is operating, there is no reason why the storage work should not be entrusted to the Central Warehousing Corporation. This will also result in reduction of the storage charges of the Central Warehousing Corporation. The Committee have no doubt that entrusting of storage work to one agency would result in overall efficiency and economy.

REORGANISATION OF CENTRAL WAREHOUSING CORPORATION

96. At a meeting held on the 11th November, 1965 to discuss economy measures, the Committee of Secretaries decided that the future of the Warehousing Corporations should be reviewed by the Food Secretary in the light of their working so far and that the possibility of merging their functions with the Food Corporation of India or any other organisation, should be examined.

97. In pursuance of the above decision, a meeting was held on the 19th August, 1966 under the Chairmanship of Food Secretary. The meeting was attended by the representatives of the Department of Food, Ministry of Finance, Planning Commission, Food Corporation of India, Central Warehousing Corporation and National Cooperative Development Corporation. The Minutes of the meeting are at Appendix II. The Deputy Governor, Reserve Bank of India who had been invited to attend the meeting had sent a letter containing their views. The letter is also reproduced at Appendix III.

98. The views expressed at the meeting are summarised below:—

- (i) The Food Secretary who initiated the discussion stated that broad issues for consideration in this context would be (a) the objectives for which the Central Warehousing Corporation had been established (b) whether these objectives were being fulfilled and if not, whether there were prospects of these being achieved in the near future; (c) whether the F.C.I. could take over from Central Warehousing Corporation for achieving these objectives; and (d) if not, whether the State Warehousing Corporations were in a position to do so.
- (ii) The Managing Director of the Central Warehousing Corporation, Shri C. S. Ramachandran, stressed the fact that the scientific storage through the Central Warehousing Corporation and State Warehousing Corporations had greatly helped in the minimisation of losses from damage and deterioration due to pests, moisture etc. and that on

a modest estimate the saving to the nation in the year 1965-66 would not be less than Rs. 6 crores on this account, thus fully justifying the existence of the Corporations.

- (iii) The Deputy Director-General in the Department of Food (Shri K. D. N. Singh) stated that the storage of grain in between procurement and distribution could be conceived of as a separate function, provided it was clearly recognised that the Central Warehousing Corporation or any other storage agency was functioning on behalf of the Food Corporation of India and under its direction. Operationally no difficulties were being experienced in the 'Crash Programme' godowns being operated by the Central Warehousing Corporation on behalf of the Food Corporation of India in Andhra Pradesh and Madras. The Warehouseman role of the Food Corporation of India could as well be discharged by the Central Warehousing Corporation.
- (iv) The view of the Reserve Bank of India as contained in the letter dated the 17th August, 1966 from the Deputy Governor (Shri M. R. Bhide) was that the merger of Central Warehousing Corporation with any other organisation would not result in any economy because some specialised staff for running the Corporations and the Warehouses would still be needed. Further, the object of developing the warehouse receipt as an instrument of credit would have to be given up if the Warehousing Corporations are merged with the Food Corporation of India or the National Cooperative Development Corporation as it would be difficult for these institutions to promote development of warehousing activities in addition to their respective statutory functions. The representative of the Planning Commission (Shri N. K. Bhojwani) and the Managing Director, Central Warehousing Corporation supported the views of the Reserve Bank of India.
- (v) The Chairman, Food Corporation of India (Shri K. T. Chandy) said that the Food Corporation of India was mainly concerned with the acquisition of buffer stocks. It was for them to decide on the location of godowns required for holding stocks, their size and operation and these functions could not be delegated to any other organisation. He said that there was no objection to the present functions of the Central Warehousing Corporation being transferred to the State Warehousing Corporations. The Food Corporation of

India on their part would be willing to take over all Central Warehousing Corporation godowns where more than 60% of the business is in the foodgrains.

- (vi) The Secretary, National Cooperative Development Corporation (Shri S. S. Puri) had no comments to offer regarding the future of Central Warehousing Corporation. He, however, expressed the possibility that in the event of liquidation of Central Warehousing Corporation, National Cooperative Development Corporation could take over some of the functions of Central Warehousing Corporation, such as those which were promotional or financing.
- (vii) The Food Secretary felt that the rural producer had to be assisted in getting a fair price for his produce and easy credit when required. If the State Warehousing Corporations, and Cooperative Societies could ensure this there might not be need for a Central Warehousing Corporation since the storage functions could be taken over by the Food Corporation of India and the State Warehousing Corporations. The issue, therefore, was whether the State Warehousing Corporations were in a position to take over the present promotional and storage functions of Central Warehousing Corporation.

99. The matter was, thereafter discussed by the Board of Directors of the Central Warehousing Corporation on the 17th and 18th October, 1966 under the Chairmanship of Shri A. L. Dias, Secretary, Department of Food. After detailed discussions, it was unanimously considered that the warehousing scheme as a promotional and developmental activity must be continued at any cost. As regards the agency for carrying out this scheme, the consensus was that it was too early to consider abolition or merger of the Central Warehousing Corporation because the State Warehousing Corporations were not in a position to take up this scheme on their own without any Central guidance. Besides, even if it was considered that the Warehousing Scheme should be wholly entrusted to the State Warehousing Corporations in the future and that the State Warehousing Corporations would be in a position to operate the Scheme successfully (which is doubtful), still there would always be a need for some sort of central organisation to coordinate, to control, to regulate and to advise the State Warehousing Corporations in the matter of finance, policy, business and technical activities.

100. During discussion with the Committee, the Secretary, Department of Food stated that the review of the Central Warehousing Corporation entrusted to him by the Economy Committee of Secre-

taries in 1965 related not only to effect improvements in the working of the Corporation, but also to examine whether it was a redundant organisation and whether there was overlapping of functions with other allied agencies such as Food Department, Central/State Governments and the Food Corporation of India. In regard to the improvement in its working he informed the Committee that they had made two or three reviews which had resulted in Central Warehousing Corporation making some profits during 1966-67. In regard to the other point, i.e. future of the Central Warehousing Corporation, the Secretary stated that while the Government was inclined to continue the warehousing facility in the country as provided in the Warehousing Corporations Act, no final decision as to whether to continue the Central Warehousing Corporation in its present form or whether the warehousing functions should be performed by the State Warehousing Corporations had been taken yet.

101. Regarding entrusting all the warehousing functions to the State Warehousing Corporations, the Central Warehousing Corporation has stated that the set up will neither be economic nor effective for the following reasons:—

- (a) Some central unit either under National Cooperative Development Corporation or under the Department directly will have to coordinate the work of the various State Warehousing Corporations and look after their financing etc. Such a set up cannot be recommended on grounds of economy as its annual budget may well be of the same order as the average losses the Central Warehousing Corporation has incurred. As time progresses, the Central Warehousing Corporation is very likely to cover its losses from commercial operations and run the service for State Warehousing Corporations without any cost to the Nation. The above set up will also have little practical experience as they will not be running any warehouse and their approach is bound to be academic.
- (b) The overhead costs of the Central Warehousing Corporation as compared to the performance of the State Warehousing Corporations for the year 1965-66 for which figures were available, (see Appendix IV) show that in comparison to an expenditure of 0.16 paise per tonne per month for the Central Warehousing Corporation, the expenditure of various State Warehousing Corporations varied from Rs. 0.16 to Rs. 1.25 and Rs. 9.00 per tonne per month in case

of Orissa. In the case of Madhya Pradesh only this cost was 0.14 paise. If the benefit of occupancy of the Central Warehouses in each State was also given to the State Warehousing Corporations assuming that their overhead will not increase with this additional work, their overhead costs still work out to be higher in most of the cases. (See Appendix V). It has, however, to be taken into account that as soon as the technical and commercial guidance of the Central Warehousing Corporation is removed, the State Warehousing Corporations are bound to increase their expenses by employing senior technical and commercial staff at the headquarters.

- (c) The present development of the State Warehousing Corporations also does not justify the step as they have been farther from the achieving of objectives than the Central Warehousing Corporation. Not only the percentage of producers and cooperatives is smaller at their warehouses, their efficiency in storage has been poorer and they have also sustained heavy losses. Their nearness to the warehouses has not been effective in preventing frauds or developing efficient inspection services. The record of Central Warehousing Corporation is much better in these matters.

102. In regard to the National Cooperative Development Corporation taking over promotional role, the Central Warehousing Corporation has stated as follows:

“The Government of India took a decision to wind up the National Co-operative Development and Warehousing Board in 1962 and transferred its financing and promoting function to the Central Warehousing Corporation by enactment of the Warehousing Corporations Act, 1962. Since then the Corporation, in addition to having its own commercial programme, has been practically guiding and developing the facilities through State Warehousing Corporations. To revert back again to the setting up of a mere financing and promoting body either with the National Cooperative Development Corporation or with the Department direct will mean putting the hands of the clock back. Since the National Cooperative Development Corporation did not operate any godowns directly, it may not be appropriate for them to take over a large business organisation.”

103. Considering all aspects of the matter the Committee are of the view that the abolition of the Central Warehousing Corporation and distribution of its functions between the State Warehousing

Corporations, National Cooperative Development Corporation, and the Food Corporation of India is not likely to serve the purpose of developing warehousing facilities in the country. It will be seen from para 111 that till 1964-65, all the State Warehousing Corporations, barring the Punjab had shown substantial losses. The progress of business of these Corporations since their inception has also been poor.

104. In view of this background, it is unlikely that the State Warehousing Corporations would be able to take over the Central Warehouses and operate them efficiently. Taking over of some of the functions of the Central Warehousing Corporation by the National Cooperative Development Corporation or Food Corporation of India is also not likely to result in fulfilling the aim of providing credit to agriculturists, traders etc. against warehousing receipts. The Committee feel that there is need to develop warehousing schemes by increasing the scope of operations of the Central Warehousing Corporation and by centralisation of operations in the country.

VI

RELATIONSHIP BETWEEN CENTRAL AND STATE WAREHOUSING CORPORATIONS

105. The Agricultural Produce (Development and Warehousing) Corporations Act, 1956 as also the Warehousing Corporations Act, 1962 envisaged a system of central warehouses at places of all India importance and state warehouses at markets of state and district importance.

106. Under the Act of 1962, the Central Warehousing Corporation exercises the following powers over the State Warehousing Corporations:

- (i) The Central Warehousing Corporation nominates five directors on the Board of Directors of a S.W.C. (the remaining five directors are nominated by the State Government).
- (ii) The C.W.C. gives approval to the appointment of Chairman of the Board of Directors of S.W.Cs. (the actual appointment is made by the State Government).
- (iii) The C.W.C. gives approval to the appointment of Managing Directors of S.W.C. (the actual appointment is made by the State Government).
- (iv) The salary and allowances of the Managing Director of a S.W.C. are fixed by the State Government in consultation with the C. W. C.
- (v) The Board of Directors of the S.W.C. is guided by such instructions on questions of policy as may be given to them by the State Government or the CWC.
- (vi) S.W.C. can acquire and build godowns and warehouses with the approval of the C.W.C.

107. Apart from the exercise of these powers, the Central Warehousing Corporation advises the State Warehousing Corporations in respect of fixation of storage charges, grading of stocks, etc. wherever such advice is sought by them. Training of staff employed by

the State Warehousing Corporations is also undertaken by the Central Warehousing Corporation who conducts combined training courses and refresher courses annually.

108. As regards financial participation, section 19 (2) of the Warehousing Corporations Act lays down that the share capital of the State Warehousing Corporations shall be subscribed by the Central Warehousing Corporation and the State Government on 50:50 basis. The Central Warehousing Corporation's investment in the shares of State Warehousing Corporations as on the 31st March, 1967 was Rs. 297.75 lakhs. Besides, under the provisions of section 16 (2) (a) of the Act, the Central Warehousing Corporation had advanced loans to State Governments aggregating Rs. 44.72 lakhs for the purpose of enabling them to subscribe to the share capital of the State Warehousing Corporations.

109. Upto the end of the year 1965-66, the total number of warehouses set up by the 14 State Warehousing Corporations was 570 (including 107 sub-warehouses) with a total storage capacity of 880,500 tonnes. Out of this the total storage capacity in owned godowns as on 31st March, 1966 stood at 176,404 tonnes at 103 centres. The average occupancy of all the State Warehousing Corporations in 1965-66 was 66 per cent.

110. Statewise, the number of warehouses as on 31-3-1966 was as follows:—

	No. of State Warehouses
1. Andhra Pradesh	37
2. Assam	32
3. Bihar	19
4. Gujarat	60
5. Kerala	23
6. Madras	32
7. Madhya Pradesh	49
8. Mysore	39
9. Maharashtra	48
10. Punjab	72
11. Orissa	13
12. Rajasthan	55
13. Uttar Pradesh	59
14. West Bengal	32

Working results of SWC's

111. A statement showing the net profit and loss account of State Warehousing Corporations from the year 1957-58 onwards is given below:

S. No.	Name of S. W. C.	(Figures in thousands of Rupees)								
		1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65	
1	2	3	4	5	6	7	8	9	10	
1	Andhra Pradesh	No business.	-9.3	-43.9	-59.7	-5.9	+78.1	-48.1	+13.5	
2	Assam	Do.	-4.5	-4.7	+47.9	+52.2	+19.4	+3.9	-43.4	
3	Bihar	Do.	-4.5	-93.7	-163.7	-211.9	-300.8	-265.9	Not available	
4	Gujarat	No business.	No business.	No business.	-3.7	+13.2	+1.9	-80.7	Do.	
5	Kerala	Do.	Do.	-5.6	-41.5	-44.5	-67.2	-88.8	-91.4	
6	Madhya Pradesh	Do.	-32.3	-82.1	-11.7	+0.5	-128.2	-297.5	-185.0	
7	Madras	Do.	+9.8	-48.0	-89.6	-62.8	-83.0	-126.3	-60.2	
8	Maharashtra	Do.	-5.7	-14.4	-67.2	+66.6	-91.9	-129.0	-110.3	

1	2	3	4	5	6	7	8	9	10
9	Mysore	No business	-24.7	-45.3	-56.5	-26.1	-87.5	-125.7	-292.4
10	Orissa	Do.	+1.5	+11.3	+30.3	+20.8	-29.9	-23.4	Not available.
11	Punjab	Do.	-7.8	-2.4	+55.2	+126.2	+96.9	+126.9*	Do.
12	Rajasthan	Do.	+12.2	-13.7	-101.6	-18.3	+22.1	-8.2	Do.
13	Uttar Pradesh	Do.	-18.0	+6.5	+9.7	-20.0	+39.4	-25.3	Do.
14	West Bengal	Do.	+8.7	-48.5	-25.6	-153.3	-153.1	-39.6	Do.

*Provisional.

112. It will be seen that the performance of the State Warehousing Corporations in general shows only losses, barring the Punjab State Warehousing Corporation which has made profits during the years 1960-61 to 1963-64.

113. The losses have been incurred inspite of the fact that the share of Government deposits in the State Warehousing Corporations has been substantial and the average occupancy was 66 per cent during the year 1965-66. In Bihar, Assam and Madras the percentage of Government deposits with the State Warehouses was 70 per cent at the end of the year 1965-66. In Assam and West Bengal, it was in the range of 90 per cent. In Maharashtra and Madhya Pradesh the cooperatives were the agents for Government and including their deposits the percentage works out to about 70 per cent.

114. The State Warehousing Corporations are autonomous bodies under the administrative control of the respective State Governments. The Warehousing Corporations Act, 1962 envisaged a kind of dual control over the State Warehousing Corporations i.e. by the State Government as well as by the Central Warehousing Corporation as is evident from the provisions in the Act in the matter of appointment of Board of Directors, Chairman, Managing Director, financial participation in equal proportion, approval of budget, programme of activities etc.

115. The Committee have no doubt that the State Warehousing Corporations have an important role to play in the development of warehousing in the country. However, the continual losses incurred by almost all of them year after year call for greater control over the working of these Corporations.

116. The Committee find that under the Warehousing Corporations Act, 1962 sufficient powers have been given to the Central Warehousing Corporation for looking into the progress of the State Warehousing Corporations. However, it appears that beyond subscribing to the share capital of the S.W.Cs., it has not effectively contributed towards improvement in the working of the State Warehousing Corporations. The losses by the S.W.Cs. are indirectly reflected in the accounts of the Central Warehousing Corporation on account of the latter's investment in the shares of the former. The Central Warehousing Corporation should, therefore, exercise greater supervision on their working directly or through its nominees on the Board of Directors of the State Corporations. Besides, only such persons as are able to devote sufficient attention to the work of a State Warehousing Corporation should be nominated on the Board

of Directors of a State Warehousing Corporation. The Central Warehousing Corporation should also be more vigilant while approving the appointments of Chairmen and Managing Directors of the State Warehousing Corporations.

117. As stated earlier, the performance of the State Warehousing Corporations has not been encouraging. The Committee hope that these Corporations would take energetic steps to spread warehousing in markets of local importance in their respective States.

118. The Committee find that out of about Rs. 3·00 crores invested by the State Governments in the share capital of the State Warehousing Corporation, the loans granted by the Central Warehousing Corporation to State Governments for subscribing to the share capital of the State Warehousing Corporations under Section 16 (2) (a) of the Warehousing Corporations Act, 1962 constituted as much as Rs. 44·72 lakhs.

119. The Committee feel that when the Act envisaged share of equity capital in equal proportion, the State Governments should be able to provide funds from their own resources instead of taking loans from the Central Warehousing Corporation. In the view of the Committee, except in exceptional cases, the Central Warehousing Corporation should not be normally required to advance loans to State Governments for the purpose of investing in the State Warehousing Corporations, so that the Central Warehousing Corporation is not put to this additional financial burden. The Committee hope that the Central Warehousing Corporation will keep this in view while considering future requests for loans from the State Governments.

120. Section 19 of the Warehousing Corporations Act, 1962 provides that the Share Capital of the State Warehousing Corporations is to be subscribed by the Central Warehousing Corporation and respective State Government on 50:50 basis.

121. The total amount subscribed as on 31-3-1967 by the Central Warehousing Corporation was Rs. 299·75 lakhs as under:

S. No.	Name of State Warehousing Corporation	Amount (Rs. in lakhs)
1	2	3
1	Andhra Pradesh	14·85
2	Assam	21·00
3	Bihar	13·00
4	Gujarat	10·00

5	Kerala	20.90
6	Madras	32.00
7	Mysore	38.00
8	Madhya Pradesh	20.00
9	Maharashtra	34.50
10	Orissa	11.00
11	Punjab	21.50
12	Rajasthan	16.50
13	Uttar Pradesh	15.50
14	West Bengal	29.00
TOTAL		297.75

122. The amount of the share capital is disbursed to the State Warehousing Corporation in a lump sum as and when approved. The Committee enquired how the Corporation ensured that the share capital subscribed towards the State Corporations was utilized by them on the warehousing activities. In reply the Committee were informed as follows:

“The funds are allotted for warehousing activities only and the auditors audit their accounts. The auditors’ reports are received by the Central Warehousing Corporation and put up to its Board of Directors/Executive Committee after proper examination. So far there has been no instance of funds having been utilized for any purpose or activity which is not permitted under the provisions of the Warehousing Corporations Act, 1962 or Rules framed thereunder by the respective State Governments.”

123. It was noted by the Committee that the Orissa State Warehousing Corporation, in which the Central Warehousing Corporation’s share is Rs. 11 lakhs, had been investing substantial amount of its paid-up capital in banks ever since its inception in 1958-59. The amount invested as on 31st March, 1967 amounted to Rs. 10.70 lakhs. On an enquiry, the Central Warehousing Corporation stated that this fact had come to their notice as far back as 1961-62 and since then no further share capital has been contributed to the share capital of Orissa State Warehousing Corporation. There is no provision in the Act for refund of capital once subscribed. It was further stated that the Bihar State Warehousing Corporation had also

invested a sum of Rs. 1.66 lakhs, in 4½ per cent Bihar State Development Loan, 1972. Such investments were permitted under Section 29 of the Warehousing Corporations Act, 1962. which states—

“A Warehousing Corporation may invest its funds in the securities of the Central and State Government or in such other manner as may be prescribed by the appropriate Government”.

121. The Committee feel that there is hardly any justification in accumulation of funds with the State Warehousing Corporation, when these are actually not required by them. In the absence of any phased programme of warehousing activity, the capital provided to these Corporations would find its way to the banks or get invested on long term basis in the State Government schemes. Moreover, since most of the State Corporations are running at a loss, the Central Warehousing Corporation does not get any return on its investment although it is required to pay guaranteed dividend to the Central Government.

125. The Committee would, therefore, recommend that the Corporation should review the procedure regarding subscribing towards the share capital of the State Warehousing Corporations with a view to releasing the same according to actual requirements.

VII

FINANCIAL POSITION

A. Working Results

126. The working results of the Corporation since its inception are given below:

Year	Net loss(—) profit (+) (excluding guaranteed dividend) (thousand rupees)
1957-58	—121·5
1958-59	—430·5
1959-60	—269·3
1960-61	—219·9
	1041·2
1961-62	—203·3
1962-63	—220·2
1963-64	—612·2
1964-65	—1379·0
1965-66	—409·5
	2824·0
1966-67	(+)135·1
	(—)2589·1

127. It will be seen that a loss aggregating Rs. 10·41 lakhs was incurred from the years 1957-58 to 1960-61. This loss was covered by the grant of subsidy of an equivalent amount from the National Cooperative Development and Warehousing Board. A loss aggregating Rs. 28·24 lakhs has been incurred by the Corporation from 1961-62 to 1965-66. The total loss incurred during a period of nine years was thus Rs. 38·65 lakhs.

128. The table below indicates the receipts and expenditure of the Corporation for the last four years:

Receipts	(Rs. in lakhs)			
	1963-64	1964-65	1965-66	1966-67
(a) Warehousing Receipts .	20.67	20.39	54.65	105.20
(b) Interest on Bank Account	1.34	1.63	1.58	6.93
(c) Dividends on shares held in the State Warehousing Corporations	0.11			0.17
(d) Miscellaneous receipts (including profit on sale of assets)	0.40	0.75	0.65	5.27
TOTAL	22.52	22.77	56.88	117.57
<i>Expenditure</i>				
(a) Warehouses .	21.72	27.42	49.86	105.04
(b) Headquarters	6.92	9.14	11.11	11.18
TOTAL	28.64	36.56	60.97	116.22
Net loss (—)/Profit (+)				
Total receipts minus Total expenditure.	(—)6.12	(—)13.79	(—)4.09	(+)1.35

129. The following table shows the number of warehouses showing profits and the number of warehouses showing losses for the last three years:—

Year	No. of general warehouses at the end of the year	No. of general warehouses	
		Earning Profit	Showing loss
1963-64	85	18	67
1964-65	85	17	68
1965-66	82	36	46
1966-67 (Provisional)	80	56	24

130. Asked about the reasons for a large number of warehouses still sustaining losses, the Committee were informed that it was only rarely that a warehouse was commercially remunerative from

the very beginning and it took a period of 5 to 10 years before becoming commercially remunerative. A general warehouse of the Central Warehousing Corporation normally covered its expenditure in the field at a capacity of 1,500 tonnes provided an average occupancy of about 75 per cent was achieved for the whole year. At some potential centres suitable godowns were not available to bring the capacity to a profitable level. The warehouses that had not functioned for sufficiently long periods had to pass through the phase of losses. Even some centres which showed profits might in an odd year show loss due to general agricultural situation and certain other factors beyond the control of the Corporation.

131. During evidence, the Managing Director of the Corporation stated that recently a review of all the 24 warehouses showing losses had been made which showed that 14 out of these had started earning profits. Two of them had been recommended for closure. In the case of remaining eight centres there were difficulties in obtaining additional accommodation and unless their capacity was developed to viable units, they would not prove economical.

B. Subversions from Government

132. Under Section 5(1) of the Warehousing Corporations Act, 1962, the shares of the Central Warehousing Corporation have been guaranteed by the Central Government as to the payment of annual dividend at such minimum rate as may be fixed by the Central Government. The rate of dividend so fixed has been 3½ per cent per annum. Since the Corporation has not earned sufficient profits, it could not declare any dividend so far out of its profits. As a result the Central Government have paid to the Corporation subventions as mentioned below to meet the guaranteed dividend:—

(Rs. lakhs)

Year	Amount paid on account of guaranteed dividend
1959-60	4.0
1960-61	7.1
1961-62	6.7
1962-63	8.8
1963-64	11.4
1964-65	15.3
1965-66	19.2
1966-67	26.1

133. The total subvention drawn till the 31st March, 1967 comes to Rs. 98·63 lakhs. As these subventions are repayable under section 30(2) of the Warehousing Corporations Act, 1962 the aggregate amount of loss incurred by the Corporation so far comes to Rs. 125·52 lakhs (Rs. 26·89 lakhs and Rs. 98·63 lakhs). These dues do not include a loss of Rs. 10·41 lakhs incurred from the years 1957-58 to 1960-61 which was met from subsidy given by the National Co-operative Development and Warehousing Board.

134. Asked about the reasons for incurring losses continuously for 9 years, the Corporation has stated that in a competitive enterprise playing promotional and developmental role, losses in the initial years were inevitable. The slow pace of construction also set a limit to developing an economic capacity quickly. Out of the total losses incurred, losses for the years 1963-64 and 1964-65 amounted to Rs. 19·91 lakhs. These years happened to be particularly bad years for warehousing due to scarcity conditions and high prices resulting in withdrawal of stocks by depositors as well as Government which reduced the storage potential considerably. Besides, the credit curbs imposed by the Reserve Bank of India from January, 1963 also affected the business of the Corporation.

135. During evidence, the Committee discussed with the Ministry the question of losses sustained by the Corporation since its inception. The Secretary, Department of Food stated that the warehousing was originally conceived as a promotional activity for the benefit of producers and farmers. Further there was drought in the country in the last few years and the State was engaged in the procurement of foodgrains. These factors had prevented the producers and agriculturists from availing of the facilities offered by the Central Warehousing Corporation. Regarding the steps taken by the Government to check the losses, the Secretary informed the Committee that in pursuance of the directive issued by the Secretaries Committee, they undertook a review in 1965 and introduced certain measures to improve the working of the Corporation. This initial review helped in enabling the Central Warehousing Corporation to attract larger volume of business. Further the Central Warehousing Corporation was given certain portion of the foodgrains trade which was handled by the Government and the Food Corporation of India. These steps as also the general improvement in business have resulted in a marginal profit to the Corporation during the year 1966-67.

136. The financial position that emerges from the working of the Corporation is far from satisfactory. Although it has shown a small profit during the year 1966-67, under the existing provisions of the Warehousing Corporations Act, 1962, the Corporation will have to wipe off the existing losses of the order of Rs. 27 lakhs and then make sufficient profits to repay the subventions received from the Government which stood at about Rs. 99 lakhs at the end of 1966-67 and would increase from year to year. After meeting these liabilities, the Corporation will be expected to pay dividend out of its own profits.

137. It is seen that the receipts from warehouse charges during the years 1965-66 and 1966-67 also include receipts from crash programme warehouses operated by the Corporation on behalf of the Food Corporation of India and the State Government. Mainly due to these operations, the total receipts from warehouse charges/increased from Rs. 20·39 lakhs in 1964-65 to Rs. 54·65 lakhs in 1965-66 and Rs. 105·20 lakhs in 1966-67. The Committee were informed during the evidence that a decision had been taken to transfer the ownership of the crash programme warehouses to the Food Corporation of India. When this decision is implemented, annual receipt from warehouses would be reduced accordingly.

138. The Committee feel that with the present uneconomic scale of operations of the Central Warehousing Corporation coupled with its responsibility to subscribe to the share capital of the State Warehousing Corporations, without any expectations of satisfactory return from them, the Central Warehousing Corporation may not be able to reach break-even stage in the foreseeable future. There are obvious limits to earnings from storage charges because of competition from private storage agencies. It follows that if the Corporation is to make profits or pay dividends envisaged in the Act, its operations would have to be broadbased so that with a large turnover the element of profit also increases. The Committee hope that with the increase in its business and avoidance of unnecessary duplication of warehouses by multiple governmental agencies as recommended by them, this would be achieved.

C. Outstandings

139. It was noticed that in regard to warehousing facilities extended to Government organisations, including Public Undertakings and State Governments, there were heavy amounts outstanding against

them. A statement showing the amounts outstanding against Government Departments, Cooperative Societies and private organisations is given below:—

Value of bills outstandings

	(Rupees)		
	As on 31-3-65	As on 31-3-66	As on 31-3-67
			(Provisional)
1. Government Departments (including Government undertakings and Commercial concerns)	8,73,689.10	11,32,909.25	54,04,450.50*
2. Co-operative Societies	4,042.35	6,851.89	35,846.79*
3. Private organisations . . . . .	..	..	..
	8,77,731.45	11,39,761.14	54,40,297.29

(i) Bills outstanding for less than six months—Rs. 22,56,393.73.

(ii) Bills outstanding for more than six months—Rs. 22,52,881.35.

(iii) Bills outstanding for more than one year—Rs. 9,31,022.21.

140. The Corporation has stated that credit facility is afforded to Government Departments and Public Sector Undertakings. Such facility is not usually allowed to Co-operative societies. In the case of traders or a private depositor, storage charges are realised in cash at the time of withdrawals of stocks whether in part or in full against a warehouse receipt.

141. It will be seen that the outstandings from the Government and Public Undertakings had increased from Rs. 11.33 lakhs as on 31st March, 1966 to Rs. 54 lakhs as on 31st March, 1967. The Committee desired to know the names of defaulters and reasons for such heavy outstandings. The Managing Director informed the Committee that the position was easing now as the Food Corporation of India which owed as much as Rs. 29 lakhs had passed their bills. The other major defaulter was Civil Supplies Department, Madras State, which owed Rs. 9 lakhs. The West Bengal Government had to pay Rs. 4.85 lakhs. The Corporation was pursuing the matter with the State Governments of Madras and West Bengal.

*These figures are provisional since annual accounts for the year 1966-67, have not so far been compiled.

142. The Committee were informed that normally all storage charges were required to be paid within a month of presentation of bills. As against this the Government had been taking not less than 3 months and in some cases bills were pending for even three years.

143. The Committee feel that a credit limit of 30 days or a maximum of 45 days whichever is considered proper, should be fixed for all the Government Departments, Public Undertakings and cooperative societies. All outstandings beyond this period should carry interest at the Bank Rate. The Committee are of the view that charging of interest will make the defaulting departments more vigilant in making payments promptly. In cases where delays take place on account of disputed bills, the Storage and Inspection Officers might be entrusted with the job of chasing claims in areas within their jurisdiction.

D. Bank Advances

144. One of the fundamental objectives for the setting up of the Warehousing Corporations was to expand commercial credit by creation of a negotiable paper, i.e. Warehouse Receipt on the pledge of which credit could be given by commercial banks. In the year 1958, taking the above background into consideration, the Reserve Bank of India agreed to exempt the warehouse receipts from the purview of credit control then prevailing. The State Bank of India also agreed to charge preferential rates of interest which were $\frac{1}{2}$ per cent to 1 per cent less than their usual rates of advances.

145. From the year 1963-64, the Reserve Bank of India imposed credit curbs on advances against warehouse receipts, particularly in respect of foodgrains. The Corporation has stated that as a result of these restrictions, the percentage of advances on foodgrains taken against warehouse receipts declined progressively.

146. The matter was taken up with the Reserve Bank of India who then agreed to exempt from purview of credit control the warehouses established on or after the 1st January, 1961. This exemption was given in the month of February, 1964. However, during the months of March—August, 1964 further directives were issued according to which the margin to be retained against warehouse receipts was increased from 25 per cent to 40 per cent in the case of foodgrains and 50 per cent in the case of oilseeds. The matter was again taken up with the Reserve Bank of India for reducing the margins and exempting all warehouses for at least a period of five

years from their inception, from all credit controls so that the warehouses have a reasonable chance to develop. The Reserve Bank of India, however, could not agree to these relaxations.

147. The Committee were informed that the State Bank of India had also been following a policy of severe credit squeeze. As a result, the State Bank of India's percentage share of advances in the total advances against warehouse receipts by scheduled banks declined from 33 per cent in April, 1964 to 11 per cent in April, 1966. This credit squeeze by the State Bank of India had largely been due to malpractices at certain warehouses of the State Warehousing Corporations. Because the Corporations did not make good the losses when the advances were defaulted and there were no adequate stocks to cover the advances, the State Bank of India had sought a written guarantee from the Corporation in respect of quality and quantity of goods covered by the Warehouse receipts or return of value thereof in the event of any mishap. The Corporation has agreed to the guarantee being given subject to the approval of Government.

148. The Corporation has represented to the Committee that unless remedial measures are adopted to improve this position, the Warehousing Scheme may experience a severe set-back and it may be difficult to bring the Corporations to stable economic level. To build up a stable business, it was therefore, essential to attract private deposits into warehouses to the maximum extent and this depends on availability of institutional credit against warehouse receipts.

149. The Corporation has also stated that storage of surplus produce is done after the harvest. Imposition of curbs against warehouse receipts indirectly gives incentive to private and underground storage which results in increased storage losses on the one hand and becomes an easy instrument for the hoarders to create circumstances of artificial scarcity in the country on the other, because such storage is not open to public eye. The following suggestions have been made by the Corporation in this respect:

- (a) Warehouses may be exempted for a period of at least 5 years from their inception from all credit curbs so that the warehouses have a reasonable chance to develop.
- (b) Even if certain overall limits on advances have to be kept, their level for key loans should be progressively reduced and level of advances against warehouse receipts correspondingly increased year after year.

- (c) The scheduled banks could be induced to provide credit against warehouse receipts at preferential rates of interest if the Reserve Bank of India agrees to discount their bills of advances against warehouse receipts at lower rates of interest than charged by the Reserve Bank of India from scheduled banks on other forms of credit as is being done in the case of co-operative banks.

150. The Committee hope that while reviewing its credit policy, Government and the Reserve Bank of India would give due consideration to the suggestions of the Corporation for relaxation of credit curbs, for liberalisation of limits on advances and for provision of credit at lower rates of interest against warehouse receipts.

VIII

ORGANISATION AND PERSONNEL

151. The Head Office of the Central Warehousing Corporation is situated in New Delhi. During the period from March to June, 1967, the Corporation has created five Zonal Offices at Madras, Nagpur, Bombay, Calcutta and Delhi. Besides there are Branch Offices at Bombay and Hyderabad functioning since March and October, 1966 respectively. These Zonal Offices inspect the warehouses in their zones, act as a liaison between the Superintendents and the headquarters, help settling rent of warehouses and develop the business of the various centres. The Branch Office at Bombay attends to the work of storage and handling of ration foodgrains in the Bombay city rationing area on behalf of the Government of Maharashtra on agency basis. The Branch Office at Hyderabad attends to the work of Crash Programme Warehouses operated on behalf of the Food Corporation of India in the States of Andhra Pradesh and Madras.

A. Chairman

152. Section 7(4) of the Warehousing Corporations Act, 1962 provides that the Board of Directors shall have a Chairman who shall be appointed by the Central Government from among the Directors. The Secretary, Ministry of Food and Agriculture (Department of Food) is one of the six directors nominated by the Central Government under rule 3 of the Central Warehousing Corporation Rules, 1963. The rules do not specifically provide that the Secretary, Department of Food shall be the Chairman of the Corporation, but being the senior most officer of the Ministry, he has always been the Chairman of the Corporation.

153. The Estimates Committee have on several occasions expressed the inadvisability of associating senior most Secretariat Officer on the Board of Directors of Public Undertakings. They have pointed out that (1) the practice leads to blurring of responsibilities of the Secretary of the Ministry who has to advise the Minister on matters of policy while at the same time, as a member of the Board, he has to share responsibility for the execution of those policies and (ii) it is not possible for such an official to give sufficient attention to the affairs of the undertakings in addition to performing this normal duties.

154. The Committee on Public Undertakings have in para 183 of their 23rd Report on Indian Airlines Corporation, presented in April, 1966, made the following observation:

“ . . . However hard a person works objectively and balances the two interests, when interests conflict, it is not possible to take a detached view. In fact in the formulation of a decision within the Ministry, the officials of the Ministry are likely to assume that the views of the Corporation have the approval of the senior most executive of the Ministry and as such their views are likely to be biased. Another drawback in such an arrangement is that if the presence of a senior most officer of the Ministry on the Board hampers the autonomous functioning of the Corporation and does not provide sufficient incentive to its Chief Executive to take independent decision, howsoever he may try to do so.”

155. The Committee also drew attention to the decision taken by the Government in 1961 that “no Secretary of a Ministry Department shall be a member of any Board” and desired to know the specific reasons which necessitated the continued appointment of the Food Secretary as Chairman of the Corporation. The reply furnished to the Committee is reproduced below:—

“Under the Warehousing Corporations Act, 1962 the C.W.C. is to have a Managing Director who is the chief executive of the Corporation to carry out the policies approved by the Board of Directors. The Chairman of the Corporation is thus not burdened with the day to day activities of the Corporation. The Chairman presides over the meetings of the Board of Directors. It is considered that it would be advantageous for the Corporation, specially in the initial periods, to have the benefit of official association in the person of the Food Secretary as Chairman for guidance”.

156. During evidence the Food Secretary stated that official association with the Corporation provided him an opportunity to bring about coordination between the various agencies dealing with storage, procurement and distribution of foodgrains. When asked whether after a lapse of ten years, the Government still felt the necessity of associating Food Secretary with the Corporation, it was stated that as the Corporation had not made much headway, the official association was necessary and would have to be continued till such time as the Corporation was able to stand on its own legs.

157. From the information available, it appears that barring a few exceptions, all the public undertakings have either combined the

post of Chairman and Managing Director or are having Chairman who is not the head of the administrative Ministry.

158. The Committee feel that there is no reason why an exception should be made in the case of the Central Warehousing Corporation. Under the present arrangement neither the Corporation can take independent decisions on matters coming within its purview nor the Secretary of the Ministry can take an objective view of the proposals emanating from the Corporation. In the opinion of the Committee, the purpose of associating the Food Secretary in the Corporation for bringing about coordination between the various agencies engaged on storage work namely the Department of Food and Food Corporation of India has not been achieved to any perceptible extent. The Committee recommend that the practice of appointing the Secretary as the Chairman of the Corporation should be discontinued. They also suggest that the desirability of combining the posts of Chairman and Managing Director, as recommended by the Estimates Committee in their 52nd Report on Personnel Policies of Public Undertakings (para 12), should be examined.

159. The Committee are also not much impressed with the suggestion that Food Secretary should be associated with the Corporation till it is able to stand on its own legs. The Food Secretary has been Chairman of the Corporation since its inception i.e. 11 years. It is a time long enough for Food Secretary to have put the Corporation on its legs.

B. Managing Director

160. The present Managing Director of the Corporation (Shri C. S. Ramachandran) was appointed in August, 1964. In April, 1966 he was transferred as Adviser to the Planning Commission and is drawing his salary from the Commission. He, however, continues to hold additional charge of the post of Managing Director of the Corporation.

161. During evidence, the Managing Director admitted that he was not able to devote full attention to the affairs of the Corporation. The Committee discussed this matter with the Secretary, Department of Food and desired to know the difficulties in appointing a full time Managing Director. The Food Secretary admitted the delay, but added that Government intended to appoint a full-time officer as Managing Director soon. The Committee hope that this would be done without further delay

C. Financial Adviser

162. The Committee learnt that the present Financial Adviser of the Corporation is a retired Government Official. He was employed by the Corporation about 6 years ago.

163. The Estimates Committee in their 52nd Report (1963-64) discussed the question of re-employment of the retired personnel in the Public Undertakings and observed as follows:

“The Committee agree that there might be cases where it is inevitable to re-employ retired technical personnel, in the national interest to isolated specialised posts for a specific period, if persons of requisite knowledge and experience are not otherwise available. But they do not approve of this practice being followed indiscriminately and retired personnel being employed even for non-technical secretarial jobs. The Committee hope that Government would keep this aspect in view while laying down broad principles to be followed by public undertakings in the employment of retired personnel”.

164. In view of the above recommendation, the continuation of a retired person for over six years as Financial Adviser of the Corporation should be reviewed.

D. Staff

165. The strength of the staff at the Head Office Branch Offices and warehouses has been as follows during the last four years:

	31-3-1964	31-3-1965	31-3-1966	31-3-1967
<i>Headquarters</i>				
Officers	14	16	16	17
Staff (Ministerial & Technical)	96	108	115	121
Subordinates	23	29	31	27
	133	153	162	165
<i>Branch Offices</i>				
Officers	—	—	—	6
Staff (Ministerial & Technical)	—	—	—	17
Subordinate	—	—	—	6
				29
<i>Warehouses</i>				
Warehousemen/Superintendents	84	90	89	94
Jr. Superintendents	—	—	—	2
Staff (Ministerial & Technical)	135	131	200	401
Subordinate Staff	233	252	339	488
GRAND TOTAL	452	473	630	985

E. Advisory Committees

166. In pursuance of the decision taken in January, 1961, the Corporation has set up an Advisory Committee at each of the general warehouses for suggesting ways and means to the Superintendents for (i) increasing custom at warehouses (ii) removing difficulties of depositors regarding facilities from banks (iii) popularising grading of agricultural commodities being done at warehouses and (iv) reviewing the publicity arrangements at the warehouses and to suggest measures for stepping up publicity. These Committees consist of representatives of the Regulated Market Committees, the Cooperative Marketing Societies, influential agriculturists, local bodies and leading scheduled banks functioning at the centre.

167. A statement showing the number of warehouses and the Advisory Committees set up during the last six years is given below:

Year	No. of general Warehou- ses.	No. of Advisory Commis- sion- tees
1961-62	60	30
1962-63	77	53
1963-64	83	72
1964-65	85	77
1965-66	82	77
1966-67	80	75

168. The Committee are informed that of the 75 Advisory Committees functioning at various centres during the year 1966-67, 45 Committees never met during the year. Of the remaining 30 Advisory Committees, 23 Committees met only once and the remaining 7 Committees met twice or thrice during the year. The Corporation has given the following reply explaining the reasons why these Committees have not held meetings regularly:—

“Advisory Committees are informal bodies and their recommendations are not binding on the Corporation. The

Corporation has to take decisions in the background of the overall policy on the recommendations of the Advisory Committee. The members nominated on these Committees are from different walks of life and it is not always possible for them to agree on a particular date of meeting. It is difficult to arrange meeting on the dates suitable to all the Members. Further the Members nominated on these Committees are not paid any remuneration or any travelling allowance. These are some of the factors which ultimately lead to lack of quorum and the meetings are off and on adjourned.

In the initial stages of the Corporation, Advisory Committees were helpful in the progress of business but as the work has shown improvement and suitable procedures have been laid down, their effectiveness has reduced."

169. It appears to the Committee that the officers and staff of the Corporation at the various centres have not shown initiative in calling meetings of the Advisory Committees periodically. This, in fact, may be one of the reasons why the Corporation has not succeeded in enlisting the support of the traders and producers in the matter of utilisation of warehousing facilities in a greater measure. The Committee suggest that the Corporation should devise measures to activate these Advisory Committees and also enlist their support in publicising the warehousing scheme and making it more widely known in their respective areas.

F. Age limits for direct recruitment

170. The following minimum age limits have been prescribed for direct recruitment of staff in case of certain categories of posts:

Name of the post	Scale of pay	Qualifications	Minimum age limit
	Rs.		
(1) Assistant Engineer	350—900	Graduate in Civil Eng. with 3 years experience	35—45
(2) Publicity Officer	350—800	Graduate with 5 years experience.	Do.
(3) Accountants	270—575	Graduate/Chartered Accountant with 3 years experience.	Do.
(4) Assistants	210—530	Graduate with 3 years experience.	25—35
(5) Sectional Officer	180—380	Diploma in Civil Engineering.	Do.

171. It will be seen that minimum age limits prescribed for initial appointment in respect of all the above categories are on the high side. Asked about the basis of fixing such high age limits, the Committee were informed that barring the Sectional Officer, the age limits of all the other categories were prescribed in consultation with the Ministry of Home Affairs and that these also compared favourably with the age limits laid down by Government Departments/Public Undertakings for similar and comparable posts. In the case of a Sectional Officer the minimum age had been kept slightly on the higher side in order to get persons with sufficient experience. As per instructions in the matter of recruitment prescribed by the Board of Directors, discretion to relax the age limits in suitable cases has been given to the Chairman for Class II posts and to the Managing Director for class III and IV posts.

172. The Committee feel that there may be some justification for taking persons of higher age in view of the qualifications and experience required for such posts. But to keep the minimum age at the present level would mean depriving the younger persons with initiative and drive from entering the service of the Corporation. The fixation of minimum age so high also deprives the Corporation of training and moulding young men to suit its own particular requirements and method of working. The Committee suggest that the desirability of reducing the minimum age limit should be examined.

G. Personnel on Deputation

173. The number of persons who are on deputation from Government Departments to the Corporation is as follows:

Category	Strength as on 31-3-1967	No. on deputation
<i>Head Office</i>		
Officers	17 (including one retired Officer employed by C.W.C.)	10 (including the Managing Director).
Staff (Ministerial and Technical)	121	17
<i>Branch Offices</i>		
Officers	6	4
Class III Officers	16 (Ministerial and Technical)	5

174. It will be seen that in the Officers' cadre both at the Head Office and the Branch Offices, the majority is on deputation from Government Departments. On a scrutiny of the list of deputationists, it has been observed that some of them are on deputation for a considerably long time as indicated in the following instances.

Post held in C. W. C.	Date from which on deputation
(1) Storage Adviser	17-12-59
(2) Administrative Officer	12-9-62
(3) Assistant	29-10-59
(4) Stenographer	4-8-61

Apart from these few examples, there are a number of other persons who are on deputation to the Corporation for a period ranging from 3 to 4 years.

175. The Committee do not approve of employment of deputationists from the Government Departments in the Corporation for very long periods. Apart from the avoidable extra expenditure by way of deputation allowance, the personnel who are permanently on the staff of the Corporation have no incentive left to better themselves. The deputationists themselves may have no stakes in the efficiency or success of the Corporation. The Committee feel that a person taken on deputation, if found suitable to the requirements of the Corporation should be permanently absorbed in the organisation within a period of 2 or 3 years or returned to the parent office.

H. Training of Personnel

176. One of the objectives of the Corporation is to train the personnel to run warehouses for the whole scheme. The Corporation has so far trained a total of 898 personnel to man the warehouses of the Central Warehousing Corporation and the State Warehousing Corporations through twelve All India training courses each of four to six weeks duration conducted from time to time. The theoretical portion of the training covers subjects such as (1) marketing (2) grading (3) scientific storage of agricultural and other commodities (4) cooperation (5) price trend (6) business accounts (7) personnel management (8) administration (9) public relations

(10) banking (11) insurance (12) first aid (13) fire fighting and other allied subjects which give a general background for field work.

177. During the training period eminent persons in respective fields of specialization are invited to deliver lectures. Over 150 scientific notes on grading and storage, preservation of agricultural and other commodities and other allied subjects are supplied to the candidates under training. The practical training includes visits to various places like local grain markets, cold storages, foodgrain laboratories.

178. It is however, seen that warehousing has not been included as a subject in any University Curricula. The Committee are of the view that warehousing should be included as an essential and integral part of the study in Agricultural Colleges. They suggest that the matter should be taken up with the University authorities.

179. The Committee also recommend that the Corporation should make suitable arrangements at the Headquarters to keep abreast of the developments in warehousing techniques that are taking place in the more advanced countries. These new techniques should be brought to the notice of the heads of Branch and Zonal Offices and the State Warehousing Corporations for application. The field staff could also report their difficulties and experiences to the headquarters for guidance. Besides, refresher courses should be given to persons who have once been trained after regular intervals so that knowledge of latest advanced techniques can be imparted to them.

IX

MISCELLANEOUS

A. Losses of Foodgrains by Rats

180. Considerable damage to foodgrains is caused by rats in the field and later in storage and transit. 'Field rats' which are different from 'Domestic rats' cause damage to grains in the field, storage and transit. Different estimates have been made about the population of rats. An expert Committee on losses of Foodgrains constituted by Government recently estimated that the population of domestic rats is in excess of the human population. On this basis, they have worked out the loss to foodgrains during post harvest handling caused by domestic rats at 2.5 per cent of the production. Damage by field rats varies between 2-3 per cent.

181. Present estimate of possible losses on an average basis amounts to about 9.33 per cent. Qualitative damage caused by insects is quantamised on the basis that each affected kernel has on an average lost half its value in terms of food value.

182. The said Expert Committee have *inter-alia* made the following recommendations:

- (i) Legal provisions relating to disinfection measures to be adopted by Roller Flour Mills, Grain stockists and Rice Millers should be rigidly enforced. Similar steps should be taken to ensure adoption of pesticidal measures by Food Processing Industries (including oil extraction units, bakeries etc.), all industrial establishments, goods sheds of railways and ports.
- (ii) Availability of suitable receptacles, storage structures, grain handling equipment and pesticides is very necessary in ensuring damage free handling of grain. Government should take steps that would promote manufacture and distribution of these at reasonable prices. Farmers not in a position to pay the price of the receptacles should be supplied these on a long term basis. Government should also either themselves set up consulting agencies or encourage setting up of consulting agencies for advising on designing of storage and grain handling by Cooperatives, Corporations etc.

183. During evidence, the Managing Director claimed that losses in the Corporation's warehouses on account of pests and rats were negligible (about 0.005 per cent) as against the normal accepted losses of 10 to 15 per cent in the country.

184. The Committee are informed that the Corporation had chalked out a scheme to take up the fumigation and disinfestation service of the stocks in private godowns on payment. The rates are 15 paise per standard bag upto one quintal for disinfestation and 15 paise for 6 cft. space for empty space fumigation. During evidence the Managing Director stated that Fumigation and Disinfestation Service envisaged the treatment of private stocks with the pesticides and other scientific methods at a nominal charge through their own trained staff. It was expected that this scheme would help in arresting the deterioration of commodities to the extent of 75 per cent. The Committee understand that the Corporation had suggested to the Government to prescribe this service as one of the functions of the Corporation..

185. Judging from the enormity of loss of foodgrains on account of rats and pests in the country, the Committee feel that while the Central Warehousing Corporation should continue its efforts in this direction the Government might examine the feasibility of setting up of a Central Agency on the pattern of National Malaria Eradication Scheme for destruction of rodents, rats and other pests and carrying out disinfestation and fumigation service on an all India basis.

B. Case of Fraud

186. Loans are advanced by the scheduled banks to the depositors of goods in the warehouses on their pledging the Corporation's Warehouse receipts. The quantum of the loan to be advanced by the banks depends on the quantity and quality of the goods mentioned in the receipt.

187. A complaint was received by the Corporation in December, 1963 that the Warehouseman (since designated as Superintendent) at Hyderabad in collusion with some depositors had issued receipts with incorrect details of the quantity and quality of stocks. A departmental investigation conducted in March, 1964 disclosed that the realisable value on sale of the goods would fall short of the amount advanced by Rs. 4 lakhs. The Superintendent of the Warehouse was charge sheeted and placed under suspension on the 20th March, 1964. The case was handed over to the police who after investigation had filed 17 charge sheets against the accused persons including the Superintendent of the Warehouse. The matter is pending in the court.

188. Three banks were involved in this fraud. The Corporation has settled the case with the State Bank of India by making good its loss. Court cases are pending in respect of the other two banks namely the Canara Bank and the Central Bank of India.

189. The Committee are informed that a warehouseman who is in charge of a centre is responsible for completing and signing the warehouse receipt issued to the depositors. The scrutinising and counter-signing of a receipt by any other officer is not possible.

190. Regarding the steps taken by the Corporation to avoid recurrence of frauds of this nature, the Committee are informed that Storage and Inspection Officers during their inspection scrutinize duplicate copies of the warehouse receipts and check actual stocks in the warehouse as per such duplicates. This is further verified from the banks where warehouse receipts are pledged. Zonal offices in the North, South, East, West and Central have also been set up recently. Floater Fidelity Insurance Policy has also been taken to cover frauds by any of the field employees.

191. The Committee consider it unfortunate that fraud of this nature and magnitude was committed at one of the warehouses of the Corporation. Such incidents tend to lower the reputation of the Corporation. Besides they are a pointer to lacunae in the procedural checks and control existing in the organisation. The Committee hope that with the setting up of the Zonal Offices in 1967, inspection of warehouses would be undertaken more often so that recurrence of such incidents is eliminated.

C. Vigilance Cases

192. The Committee understand that there were 4 vigilance cases during the 10 years of working of the Corporation and all these were referred to the police.

193. The Central Warehousing Corporation having set up 82 general warehouses spread over most parts of the country has maximum dealing with the public particularly the trading community. In addition to the foodgrains, various other commodities such as spices, dry fruits etc. are stored in the warehouses of the Corporation. Further, the warehousemen have full powers in the matter of issue of warehouse receipt and gradation of commodities on the basis of which advance is taken by the depositors from the banks. Whatever rules one may have, there is very large field of discretion. There is thus a possibility of employees being influenced by unfair considerations. In the absence of strict vigilance, the possibilities

of over-valuing, over-weighting and pilferage of stocks in piecemeal cannot be ruled out.

194. The Committee hope that the Corporation will streamline the vigilance organisation at the Zonal offices to check malpractices at the warehouses.

CONCLUSION

195. The Central Warehousing Corporation was created to undertake the work of scientific storage of agricultural produce and other notified commodities in the country and thereby extend through the warehouse receipt an easy credit facility to the depositors.

196. An important point which engaged the attention of the Committee during the course of examination was the future of the Corporation, which had been under review since 1965. The Committee have considered this issue at length in the light of material placed before them and have come to the conclusion that the proposal to abolish this Corporation and distribute its functions between the State Warehousing Corporations, National Cooperative Development Corporation and the Food Corporation of India are not likely to serve the purpose of developing warehousing scheme in the country. Indeed, there is a need to develop warehousing scheme by increasing the scope of operations of the Central Warehousing Corporation and centralisation of warehousing operations in the country which are at present being carried out by different agencies. One of the reasons which weighed with the Committee in arriving at this conclusion had been the fact that the present age is of specialisation and division of labour and whatever the resources any agency might command, it cannot undertake all the required operations. It has to depend for certain services on other agencies. It is, therefore, imperative that storage is recognised as a specialised function and handled by one agency.

197. In regard to actual operations of the Corporation, the Committee after a study of its working feel that its performance leaves much to be desired. It has not only made slow progress and sustained losses, but has also taken too long a period to become commercially viable. There is thus considerable scope for improvement. With this view, the Committee have made certain observations/recommendations in the paragraphs *supra*. Some of the important ones are:

- (i) The Corporation has not made much headway in setting up general warehouses in the country. The modest target laid down for the five years ending 1960-61 had not been fulfilled by the end of that period and is now expected to be achieved in the Fourth Plan Period. (Para 15).

- (ii) The Market Surveys conducted by the Corporation in the past for judging the business potential of centres have not proved to be realistic and this has resulted in closure of several warehouses. (Para 66).
- (iii) Percentage of deposits from producers and cooperatives in the Central and State warehouses has not been encouraging. (Para 30).
- (iv) The multiplicity of warehouses by the Central Warehousing Corporation and various other agencies at the same centre is not desirable. The work of warehousing should be centralised and coordinated. (Paras 72-73).
- (v) The ownership of all the warehouses owned or financed by the Central Government should be with one body i.e. Central Warehousing Corporation which should work on commercial basis. (Paras 83, 92—95).
- (vi) The Central Warehousing Corporation should exercise greater supervision on the working of the State Warehousing Corporations directly or through its nominees on the Board of Directors. (Paras 115—117).
- (vii) The procedure regarding subscription towards the share capital of the State Warehousing Corporations should be reviewed. (Paras 124-125).
- (viii) The operations of the Corporation should be broadbased so that with a larger turnover the element of profit also increases. (Para 138).
- (ix) The association of the Secretary, Department of Food as Chairman of the Corporation should be discontinued. (Paras 158-159).
- (x) The vigilance organisation at the Zonal Offices should be streamlined. (Para 194).

D. N. TIWARY,

Chairman,

*Committee on Public
Undertakings.*

NEW DELHI;

March 25, 1968.

Chaitra 5, 1890 (Saka).

APPENDIX I

(See para 67)

(i) The Central/State Governments were using hired godowns at godowns at the following places where Central Warehousing Corporation has warehouses:—

Andhra Pradesh:

1. Warangal
2. Duggirala
3. Nandyal.

Assam:

4. Gauhati
5. Dhubri.

Bihar:

6. Patna.

Gujarat:

7. Surat
8. Jamnagar
9. Bhavnagar.

Kerala:

10. Trichur
11. Quilon.

Madhya Pradesh:

12. Indore
13. Jabalpur
14. Bhopal.

Madras:

15. Madras
16. Coimbatore.

Maharashtra:

17. Amravati
18. Kolhapur
19. Akola
20. Nagpur.
21. Nasik
22. Yeotmal.

Orissa:

23. Jeypore.

Punjab:

24. Moga

25. Abohar

26. Mansa

27. Amritsar.

Haryana:

28. Sonapat

29. Marwana.

Rajasthan:

30. Kota.

Uttar Pradesh:

31. Banda

32. Rampur.

West Bengal:

33. Calcutta.

(ii) At the following places, the Central/State Governments have constructed godowns after the Central Warehousing Corporation's warehouses were set up there:—

Andhra Pradesh:

1. Warangal (+)

2. Hyderabad

3. Nandyal.

Assam:

4. Gauhati (+)

Gujarat:

5. Nadiad (+)

6. Baroda

7. Rajkot (+)

8. Jamnagar

9. Ahmedabad. (+)

Kerala:

10. Kozhikode (+)

11. Quilon.

Madhya Pradesh:

12. Raipur.

Madras:

13. Madras.

Maharashtra:

14. Amravati (+)

15. Gondia (+)

16. Sangli (+)

17. Kolhapur (+)

18. Akola

19. Yeotmal.

Punjab:

20. Amritsar.

Rajasthan:

21. Sriganganagar (+)

22. Hanumangarh. (+)

West Bengal:

23. Sainthia.

NOTE: At places marked (+), the Central Warehousing Corporation has own constructed godowns.

(iii) In the following places, Government stocks have been gradually withdrawn and stored in their own newly constructed warehouses after these have been completed:

Gujarat:

1. Nadiad

2. Rajkot

3. Ahmedabad

4. Jamnagar.

Kerala:

5. Quilon.

Maharashtra:

6. Gondia

7. Kolhapur

Punjab:

8. Amritsar

West Bengal:

9. Sainthia

APPENDIX II

(See para 97)

Minutes of the Meeting held on the 19th August, 1966 at 3 P.M. in the Committee Room of the Food Ministry to discuss the future of the Central Warehousing Corporation.

The meeting was held under the Chairmanship of Shri A. L. Dias, Food Secretary. The following were present at the meeting:—

Department of Food:

1. Shri J. A. Dave, Director General of Food.
2. Shri K. D. N. Singh, Deputy Director General (I).
3. Shri R. Ramaswamy, Deputy Secretary (Storage).
4. Shri Devaki Nandan Goyal, Under Secretary (Storage).

Ministry of Finance (Food):

1. Shri S. Vasudevan, Financial Adviser.
2. Shri Mangal Behari, Deputy Financial Adviser.

3. Planning Commission:

1. Shri N. K. Bhojwani, Chief (Food).
2. Shri Madhava Das, Director (Cooperation).

Food Corporation of India:

Shri K. T. Chandy, Chairman.

Central Warehousing Corporation:

1. Shri C. S. Ramachandran, Managing Director.
2. Shri S. K. Chatterjee, Chief Executive Officer & Secretary.
3. Shri W. K. Gharpurey, Financial Adviser.
4. Shri N. N. Dutt, Engineering Adviser.
5. Shri V. K. Garg, Business Adviser.

National Cooperative Development Corporation:

Shri S. S. Puri, Secretary.

Food Secretary in his opening remarks said that they had to consider the future of the CWC and the broad issues for consideration in this context would be (a) the objectives for which the CWC had been established; (b) whether these objectives, were

being fulfilled and, if not, whether there were prospects of these being achieved in the near future; (c) whether the FCI could take over from the CWC for achieving these objectives; and (d) if not, whether the State Warehousing Corporations were in a position to do so.

Food Secretary pointed out that as far as the present discussions were concerned, the financial and economy aspects should be assumed as being incidental.

Food Secretary also informed the meeting that Shri M. R. Bhide, Deputy Governor, Reserve Bank of India, who had been invited to attend, had sent a detailed letter containing their views. This letter was read out in the meeting. A copy of the letter is attached.

Managing Director, CWC (Shri Ramachandran) said that as regards the extent to which the CWC was fulfilling its objectives, the factual position had been brought out in the agenda note and the supplementary note which had been circulated. He expressed the view that it would be incorrect to assume that the improvement in the CWC's business was solely due to the storage of Government foodgrains. He fully supported the views brought out in the RBI letter which gave a fair picture of the position. He said that the storage charges in private godowns and CWC warehouses were more or less the same, without taking into account the far superior and scientific storage provided in the CWC Warehouses. He particularly stressed the fact that scientific storage through the CWC and SWCs had greatly helped in the minimisation of losses from damage and deterioration due to pests, moisture, etc. and that on a modest estimate, the saving to the nation last year would not be less than Rs. 6 crores on this account thus fully justifying the existence of the Corporations. So far as the FCI was concerned, their primary function would be procurement. As regards the NCDC, since they did not operate any godowns, directly, it may not be appropriate for them to take over a large business organisation.

Shri Puri (NCDC) said that the NCDC was a promotional/financing agency and had no commercial activities. As for the liquidation or otherwise of CWC the NCDC had no views to offer but if liquidation of the CWC was decided upon, it would be possible for the NCDC to take over some of the functions such as taking of shares in the SWCs etc. which were promotional or financing. As regards the commercial/warehousing activities, while the cooperative sector had godowns, these were basically different in concept and could

not be considered as public Warehouses. The cooperative societies in many cases, directly gave pledge loans as against advances on warehouse receipts. He was of the view that the NCDC could, at best, only take over a part of the functions of the CWC.

Shri Bhojwani (Planning Commission) while generally agreeing with the views of the Reserve Bank of India wished to know the relationship existing between FCI and CWC.

Shri Chandy (FCI) said that the intention was that the godowns taken up for construction under the crash programme in Madras and Andhra Pradesh should be transferred to the FCI after an initial period of two years. The FCI, therefore, was interested in these godowns. As regards the godowns of the SWCs, these were of primary interest to the local agriculturist. Shri Chandy added that the FCI was mainly concerned with the acquisition of buffer stocks. The provision of credit for the rural producer was not their legitimate function. So far as godowns are required for holding stocks this activity had to be carried out by the FCI themselves. It was for them to decide on the location of such godowns, their size and operation. These functions could not be delegated to any other organisation. He was, therefore, firmly of the view that storage on behalf of the FCI cannot be handed over to the CWC, but there was no objection to the present functions of the CWC, being transferred to the State Warehousing Corporations. The FCI on their part would be willing to take over all CWC godowns where more than 60% of the business is in foodgrains.

Shri K.D.N. Singh pointed out that the FCI would have the two-fold role of procurement and distribution of grain. The storage of grain in between procurement and distribution could, however, be conceived of as a separate function, provided it was clearly recognised that the CWC or any other storage agency was functioning on behalf of the FCI and under its direction at whichever level was specified by FCI. Operationally, no difficulties were being experienced in the "Crash-programme" godowns being operated by the CWC on behalf of the FCI in Madras and Andhra Pradesh. The "Warehouseman" role of the FCI could as well be discharged by CWC, who would, on the one hand, be acting for FCI in respect of grain storage and on the other, be discharging their other functions as enjoined in the warehousing legislation.

Food Secretary felt that the rural producer had to be assisted in getting a fair price for his produce and easy credit when required. If the SWCs/cooperative societies can ensure this, there may not be need for a CWC since the storage functions can be taken over by the

FCI and the SWCs. In this connection, Food Secretary pointed out that for the next 10 years, in any case, we would have State trading in foodgrains and it may be necessary for foodgrains storage to be controlled directly by the FCI. The real issue, in his view was, therefore, whether the SWCs were in a position to take over the present promotional and storage functions of the CWC.

Managing Director, CWC felt that this could, in any case, be ascertained only if an inquiry is carried out by a competent team.

In conclusion, Food Secretary thanked those attending the meeting and stated that the various issues would be further gone into and a final decision taken, bearing in mind the different views expressed at the meeting.

APPENDIX III

(See Para 97)

Copy of D.O. No. ACD Plan 553/PR 72-66/67 dated the 17th August, 1966 from Shri M. R. Bhide, Deputy Governor, Reserve Bank of India, Bombay, addressed to Shri A. L. Dias, Secretary, Department of Food.

FUTURE OF THE CENTRAL WAREHOUSING CORPORATION

I have received a communication from your Department inviting me to attend a meeting to be held on the 19th instant under your Chairmanship to decide on the future of the Central Warehousing Corporation. As the Central Board of the Reserve Bank is meeting on the same day I regret I shall not be able to attend the meeting convened by your Department. I would, however, like to convey our views on the proposals contained in the Agenda note.

2. The meeting now convened is for the purpose of deciding whether the Central Warehousing Corporation should be wound up or merged with the Food Corporation of India or the National Co-operative Development Corporation or continued as separate body. I am afraid that these proposals have been suggested without adequately appreciating the purpose behind the setting of the Central and State Warehousing Corporations. It would not be correct to construe the role of Warehousing Corporations as merely that of warehousing agents to government or other agencies. They have an important role to play in developing storage facilities on a scientific basis and popularising the use of warehouse receipts as negotiable paper. The need for establishing licensed warehouses and the importance of developing warehouse receipts was stressed first by the Agricultural Finance Sub-Committee as early as in 1945.

The Committee felt that the receipt issued by such warehouses would constitute a first class security and would open out an important avenue for commercial banks to provide finance to agriculture both to the producers and the dealers. Thus, apart from contribution to smooth and orderly marketing of agricultural produce, the system

of licensed warehouses would not only increase the volume of finance available to agriculturists but would also cheaper credit. The Committee also felt that from the point of view of agricultural marketing, warehouses might be considered as extensions of the system of transport and planning the locations of warehouses must be done as part of planning the extension and improvement of transport facilities. However, in view of the high cost of construction etc. the Committee recommended that the State itself should undertake the planning and construction of warehouses and the warehouse system should be operated by a public Corporation in order to provide for better and more economic management.

3. The Committee of Direction of the All India Rural Credit Survey, while endorsing the views expressed by the Gadgil Committee made detailed recommendations for initiating a country wide programme of warehousing development and pursuant to these recommendations the Agricultural Produce (Development and Warehousing) Corporation Act was passed in 1956 providing for the establishment of the National Co-operative Development and Warehousing Board, the Central Warehousing Corporation and the State Warehousing Corporations.

4. The record of the working of the Central Warehousing Corporation would not seem to justify its winding up or merger with the Food Corporation of India or the National Cooperative Development Corporation. As at the end of May, 1966, the Central Warehousing Corporation had 82 general warehouses with a total capacity of 3.04 lakh tonnes (owned and hired) as against 1.28 lakh tonnes capacity at the end of June, 1962. In addition, the Corporation had constructed 18 special warehouses on a priority basis for storage of stocks of the Food Corporation with a total capacity of 3.42 lakhs tonnes. As regards occupancy of these warehouses, the position was unsatisfactory only during 1964-65 and to a lesser extent in 1963-64. The occupancy rate was lowest in July-September, 1964 reaching 30%. There has, however, been a steady improvement since then, the average occupancy during 1965-66 being 72%. The occupancy rate during May 1966 for which details are available was as high as 93%. It would, therefore, seem that the poor occupancy during 1964-65 constituted a passing phase and basically, the Corporation is in a position to attract adequate custom.

Although the share of Government in the commodities deposited in the warehouses of the Corporation had gone up to some extent during 1965-66 as compared to earlier years, its share still constituted less than half of the total deposits (42% in the quarter ended March,

1966). The share of rural producers and co-operatives has been steadily going up and stood at 41% of non-government deposits at the end of March, 1966 as compared to 11% at the end of June, 1962.

5. As a result of various measures taken to popularise Warehouse Receipts and to make them increasingly acceptable to banks as security for advances (including several exemptions allowed by the Reserve Bank for such advances from the selective credit control measures), the advances made by scheduled banks have been increasing over the years. As against the level of Rs. 5.69 crores as on 31-3-1961, the advances increased to Rs. 16.25 crores as on 28.2.1966. The negotiability of warehouse receipts could be further improved if certain obstacles which now stand in the way of their ready acceptability by commercial banks are removed. These difficulties have largely arisen as a result of malpractices of warehousemen in some of the warehouses of the Corporations. Because the Corporation did not make good the losses when the advances were defaulted and there was no adequate stocks to cover the advances, the State Bank of India has approached the State Governments to ensure that the corporations made good the losses. So far, no undertaking of this nature has been given and the matter is understood to be under consideration by the Ministry.

6. It is observed that the issue of the future of the Corporation came up at a meeting of Secretaries held in November, 1965 to discuss economy measures and which suggested that the possibility of merging their functions with the Food Corporation of India or any other organisation should be examined. If the proposal for merger is conceived in the interest of economy, I am afraid it may not serve any real purpose. Some specialised staff for running the Corporations and the warehouses would still be needed and their merger with any other agency is hardly likely to result in any economy in expenditure. It is also not as though the expenditure involved in the functioning of the Central and State Warehousing Corporations is uneconomic. In fact the agenda note itself mentions that the overheads in the case of the Central Warehousing Corporation is not unduly high.

7. It would be clear that the object of developing the warehouse receipt as an instrument of credit would have to be given up if the warehousing corporation are merged with the Food Corporation or National Cooperative Development Corporation as it would be difficult for these institutions to promote development of warehousing activities in addition to their respective statutory functions. It is to be hoped that the intention is not to do away with warehouse receipts altogether. This apart, if the warehousing corporations are expected

to provide storage facilities to (1) the Food Corporation, State Trading Corporation etc. (2) the State and Central Governments when they undertake procurement operations and (3) co-operative marketing institutions to meet their increasing requirements of storage, it is difficult to visualise how the Food Corporation or the National Co-operative Development Corporation can co-ordinate these activities better than what the Corporations (both Central and State) can themselves do as independent agencies. Moreover, the proposals contained in the agenda note refer only to the question of the merger of the Central Warehousing Corporation with another institution. The Central Warehousing Corporation has an important role in promoting the development of the State Warehousing Corporations and the latter would be deprived of this support and guidance in the event of such merger.

8. As regards the alternate proposal for merger of the Corporation with the National Co-operative Development Corporation, it may be mentioned that till 1963, there was only one statutory organisation, viz., the National Cooperative Development and Warehousing Board which performed the functions of the present National Cooperative Development Corporation and also provided finance, guidance etc. to the Central and State Warehousing Corporations. The present demarcation of functions as between the National Cooperative Development Corporation and the Central Warehousing Corporation reflected recognition of the distinctive functions of these two bodies. There is no particular advantage in bringing these two types of activities once again under common control.

9. For these reasons, we would strongly urge the continuance of the Central Warehousing Corporations as a separate organization. What is needed to improve the business of the warehousing corporations is perhaps not a change in ownership or management but better service and salesmanship in regard to existing storage facilities and also a vigorous programme of construction of more warehouses and ensuring adequate occupancy.

APPENDIX IV

[See Para 101 (b)]

Statement showing the expenditure on storage per ton per month of the State Warehousing Corporations during the year 1965-66

S. No.	Name of Corpn.	Capacity (in thousand tonnes)	Stocks (held in thousand tonnes)	Head-quarters expenditure (in thousand rupees)	Expenditure per tonne per month on actual occupancy (in rupees)
1	2	3	4	5	6
1.	Central Warehousing Corporation . . .	590.9	491.1	931.1	0.16*
<i>State Warehousing Corporations</i>					
1	Andhra Pradesh	73.9	64.9	182.9	0.28
2	Assam	44.9	31.1	113.2	0.30
3	Bihar	15.9	8.6	128.6	1.25
4	Gujarat	24.0	20.0	111.0	0.46
5	Kerala	19.6	7.6	77.2	0.85
6	Madhya Pradesh	175.5	109.2	183.0	0.14
7	Maharashtra	91.3	63.6	199.0	0.26
8	Madras	80.1	57.2	108.4	0.16
9	Mysore	41.1	20.4	77.3	0.31
10	Punjab	134.3	97.0	288.5	0.25
11	Orissa	8.7	0.7	86.4	9.84
12	Rajasthan	45.5	29.8	128.7	0.36
13	Uttar Pradesh	70.5	39.7	226.0	0.47
14	West Bengal	113.1	29.8	171.2	0.48

*This figure also includes the expenditure that the CWC incurred in running Advisory services for the State Corporations and to look into their finances and programmes of activities as per the provisions of the Warehousing Corporations Act, 1962. If the expenditure is taken out this figure would be much lower.

APPENDIX V

[See Para 101. (b)]

Statement showing the expenditure on storage per tonne per month of the State Warehousing Corporations after giving them the benefit of occupancy of the Central Warehouses in each state for the year 1965-66.

Name of Corporation	Stocks held			Head- quarters expen- diture (in thousand rupees)	Expen- diture per tonne per month (in rupees)
	State Whs. (in thousand tonnes)	Central Whs.	Total		
(1)	(2)	(3)	(4)	(5)	(6)
1. Andhra Pradesh	64.9	31.6	96.6	182.9	0.16
2. Assam	31.1	5.7	36.8	113.2	0.26
3. Bihar	8.6	1.9	10.5	128.6	1.02
4. Gujarat	20.0	19.6	39.6	111.0	0.23
5. Kerala	7.6	12.4	20.0	77.2	0.32
6. Madhya Pradesh	109.2	21.0	130.2	183.0	0.12
7. Maharashtra	63.6	62.5	126.1	199.0	0.13
8. Madras	57.2	15.3	72.5	108.4	0.12
9. Mysore	20.4	19.9	40.3	77.3	0.16
10. Punjab	97.0	10.9	107.9	288.5	0.22
11. Orissa	0.7	1.7	2.4	86.4	3.00
12. Rajasthan	29.8	12.6	42.4	128.7	0.25
13. Uttar Pradesh	39.7	16.0	55.7	226.0	0.34
14. West Bengal	29.8	28.8	58.1	171.2	0.25
Central Warehousing Cor- poration					0.16

APPENDIX VI

Summary of Conclusions/Recommendations

S. No.	Reference to the Para No. in the Report	Summary of Conclusion/ Recommendations
(1)	(2)	(3)
1	15.	The Committee regret to note that the Central Warehousing Corporation has not made much headway in setting up general warehouses in the country during the 12 years of its existence. Even the modest target of 100 warehouses laid down for the five year ending 1960-61 had not been fulfilled by the end of that period and is now expected to be achieved in the Fourth Plan period. The progress made by the Corporation in setting up new warehouses during the years 1963-64 to 1965-66 has also been extremely slow as is evident from the fact that 78 general warehouses at the end of the year 1962-63 could only be increased to 82 at the end of 1965-66. The Committee would suggest that the Corporation should make an intensive survey in consultation with the Agricultural Marketing Societies, Central/ State Government authorities etc., with a view to locating new centres of All-India importance and extending warehousing facilities where necessary.
2	18.	The Committee are unhappy to note that the undertaking regarding addition of storage capacity given to their predecessor Committee remains un-fulfilled and the targets fixed for the Third Five Year Plan are still to be achieved. The obvious lesson is that future targets should be more realistically framed and every effort made to achieve them.

(1)	(2)	(3)
3	22.	The Committee trust that as a result of the steps taken by the Corporation to overcome the setbacks in business during 1963-64 and 1964-65, the occupancy ratio of the warehouses will be maintained at a higher level in future.
4	30.	The percentage of deposits from Producers had gone down from 16 per cent in 1962-63 to 5 per cent in 1966-67. The facilities provided by the Central Warehousing Corporation appear to have been availed of mainly by the merchants. It is the farmer/producer who needs warehousing facilities in a greater measure and needs to be protected against distress selling of the stocks or from exploitation by middlemen. The Committee are of the view that further efforts are needed to attract deposits from producers and cooperatives for whose benefits these facilities were originally contemplated.
5	35.	Although a period of 7 years has elapsed since suggestions for opening of warehouses at certain centres in some Union Territories were made, no concrete steps have been taken in the matter. Such inordinate delays reflect adversely on the efficiency of the Corporation. The Committee recommend that the Corporation should undertake a review of all the above mentioned centres suggested by various authorities and take steps to open warehouses there, if considered economically viable.
6	46-47	According to the present proposals of the Corporation, only 14 new warehouses are to be opened during the next five years while existing 50 warehouses using hired accommodation are to be moved into their own buildings which will be constructed during this period. Thus there would be only 14 centres at which addition to the storage capacity of the Corporation will be made. This target is very low considering that several more viable centres exist.

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Since the return on investments on constructed warehouses is going to be low and also the fact that losses have been incurred in the operation of a large number of warehouses in the past, the Committee suggest that the programme of construction of warehouses should be taken up in a phased way after examining thoroughly the business potential at each centre so that warehouses may not have to be closed down in future due to low occupancy. In view of this the Corporation should concentrate more on opening of new centres where accommodation is hired in the first instance.

- 7 51—53. The Committee regret to note that while there is not much difference in capacities of the warehouses, the time taken in completion of construction ranges from 1 year 4 months to over 6 years. The reply of the Corporation that the delay in construction was due to the C.P.W.D. who have their own time schedule for execution of works reflects no credit to the Corporation nor on the construction agency. The time taken in the construction of a large number of warehouses is unduly long. Such delays hamper the business of the Corporation. Before construction is taken up target dates should be laid down for completion and adhered to.

The Ministry of Works, Housing and Supply should look into the causes of delay from 6 months to one year in the construction of warehouses by C.P.W.D. and lay down suitable remedial measures. The Committee would like to be informed of the measures taken.

The Committee understand that National Buildings Construction Corporation go in for open tendering and the information with the Corporation is not upto date. Therefore, before taking up new construction, the Corporation should send tender notices to N.B.C.C. and other parties.

(1)	(2)	(3)
8	58.	<p>The Committee are surprised to note that even after a period of 11 years of its establishment, the Corporation has not been able to set up a general warehouse in Bombay, where business potential was assured. The Committee recommend that the Corporation should hire, purchase or construct godowns in suitable centres in the Bombay city for the purpose of opening general warehouses. They should not depend only upon the continuity or otherwise of rationing in Bombay which, being done on an agency basis, stands on a different footing than commercial warehousing facility to be provided for the traders and producers.</p>
9	61.	<p>The opening of cold storages in the public sector should be regarded as an important part of development of warehousing facilities in the country. The business potential of the various centres should be examined and cold storages opened wherever adequate facilities do not exist.</p>
10	66.	<p>During the last few years, the Corporation has closed fifteen warehouses. The number of warehouses closed during the last few years would indicate that the surveys conducted by the Corporation were not very realistic. A closure not only entails certain infructuous expenditure but is also a set back to the reputation of the Corporation. The Committee recommend that the setting up of a warehouse at a particular centre should be preceded by a critical examination of the possibility of the centre and it should not merely be taken up because it has been recommended by some authority or society. In case a warehouse is opened at the behest of some authority a guarantee in writing against losses should be obtained before undertaking the venture.</p>
11	72-73.	<p>The Committee are of the view that godowns should not be set up by a multiplicity of agencies</p>

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(3)

like the Central Warehousing Corporation, the Central/State Governments and any other public undertaking 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 will have to keep the required equipment and staff for such services. The operation of warehouses at the same centre by different Government agencies is, therefore, uneconomical. It is also desirable that *Government Departments/Public Undertakings should increasingly patronize the Central Warehousing Corporation for their storage.*

The Committee recommend that at places where the Corporation has 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

(1)	(2)	(3)
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to the Warehousing Corporations. Since the Central Warehousing Corporation subscribes fifty percent 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 Corporation fall in line in the interest of efficiency and economy.

12 83. Since the occupancy of the warehouses under the crash programme is low, other sources of income, besides foodgrains, will have to be tapped to make them viable. No particular effort seems to have been made in that direction, perhaps due to the reasons that the question of their ownership was left open for two years or because the Corporation desires to be paid on the basis of 100 per cent occupancy. The Committee feel that the ownership of all the warehouses owned or financed by the Central Government should be with one body i.e. Central Warehousing Corporation which should work on commercial basis.

13 92—95. When the question of setting up of the Food Corporation of India was under consideration in Parliament, the Minister-in-charge had stated that the F.C.I. would be expected to fully utilise the facilities of Central and State Warehousing Corporations. The Committee therefore feel that in the interest of overall national economy, utmost co-operation between the two Corporations is called for.

They have recommended in para 72 that with a view to avoid multiplicity of storage agencies, the storage work should be handled by one specialised agency.

The Committee are of the view that storage of foodgrains by the Central Warehousing Corpora-

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tion can be expected to have the following advantages:—

- (i) The average occupancy of the warehouses of the Central Government and the Food Corporation of India is stated to have been below 40 per cent during the last year. The changes in procurement policy of the Government and the fluctuating agricultural situation in the country do not admit of any guarantee for the continual minimum occupancy for all times. If the warehouses are operated by the Central Warehousing Corporation, it would be possible to store commodities on behalf of State Governments, other Public Sector Undertakings, large producers etc. Central Warehousing Corporation's cost of storage will thus be lower, while on the other hand the Central Government/Food Corporation of India etc. will be paying for the space actually used by them.
- (ii) If the procurement, storage and distribution is done by the same agency, it may not be possible to exercise adequate check to ensure whether the foodgrains brought for storage are of the standard quality or that they have not deteriorated during storage or that infested grains are not issued for consumption.
- (iii) Storage of foodgrains under Departmental management, as in the case of Central Government warehouses, may be a burden on the public exchequer while the Central Warehousing Corporation or any other agency would have to work on commercial basis and give good return.

(1)	(2)	(3)
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(iv) Scientific storage by independent agencies, namely, the Central Government, the Food Corporation of India and the Central Warehousing Corporation will add to expense as it would lead to triplication of material and services.

The Food Corporation of India should be asked to work out its cost of storage and if it is found to be higher than the cost at which the Central Warehousing Corporation is operating, there is no reason why the storage work should not be entrusted to the Central Warehousing Corporation.

This will also result in reduction of the storage charges of the Central Warehousing Corporation. The Committee have no doubt that entrusting of storage work to one agency would result in overall efficiency and economy.

14 103-104 Considering all aspects of the matter the Committee are of the view that the abolition of the Central Warehousing Corporation and distribution of its functions between the State Warehousing Corporations, National Cooperative Development Corporation, and the Food Corporation of India are not likely to serve the purpose of developing warehousing facilities in the country. It will be seen from para 111 that till 1964-65, all the State Warehousing Corporations, barring the Punjab had shown substantial losses. The progress of business of these Corporations since their inception has also been poor.

In view of this background, it is unlikely that the State Warehousing Corporations would be able to take over the Central Warehouses and operate them efficiently. Taking over of some of the functions of the Central Warehousing Corporation by the National Cooperative Development Corporation or Food Corporation of India is also

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(3)

not likely to result in fulfilling the aim of providing credit to agriculturists, traders etc. against warehouse receipts. The Committee feel that there is need to develop warehousing schemes by increasing the scope of operations of the Central Warehousing Corporation and by centralisation of operations in the country.

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115—117. The Committee have no doubt that the State Warehousing Corporations have an important role to play in the development of warehousing in the country. However, the continual losses incurred by almost all of them year after year call for greater control over the working of these Corporations.

The Committee find that under the Warehousing Corporations Act, 1962 sufficient powers have been given to the Central Warehousing Corporation for looking into the progress of the State Warehousing Corporations. However, it appears that beyond subscribing to the share capital of the S.W.Cs., it has not effectively contributed towards improvement in the working of the State Warehousing Corporations. The losses by the S.W.Cs. are indirectly reflected in the accounts of the Central Warehousing Corporation on account of the latter's investment in the shares of the former. The Central Warehousing Corporation should, therefore, exercise greater supervision on their working directly or through its nominees on the Board of Directors of the State Corporations. Besides, only such persons as are able to devote sufficient attention to the work of a State Warehousing Corporation should be nominated on the Board of Directors of a State Warehousing Corporation. The Central Warehousing Corporation should also be more vigilant while approving the appointments of Chairman and Managing Directors of the State Warehousing Corporations.

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(3)

The performance of the State Warehousing Corporations has not been encouraging. The Committee hope that these Corporations would take energetic steps to spread warehousing in markets of local importance in their respective States.

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The Committee feel that when the Warehousing Corporations Act, 1962 envisaged share of equity capital in equal proportion between the State Government and the Central Warehousing Corporation, the State Governments should be able to provide funds from their own resources instead of taking loans from the Central Warehousing Corporation. In the view of the Committee, except in exceptional cases, the Central Warehousing Corporation should not be normally required to advance loans to State Governments for the purpose of investing in the State Warehousing Corporations, so that the Central Warehousing Corporation is not put to this additional financial burden. The Committee hope that the Central Warehousing Corporation will keep this in view while considering future requests for loans from the State Governments.

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124-125.

The Committee feel that there is hardly any justification in accumulation of funds with the State Warehousing Corporations, when these are actually not required by them. In the absence of any phased programme of warehousing activity, the capital provided to these Corporations would find its way to the banks or get invested on long term basis in the State Government schemes. Moreover, since most of the State Corporations are running at a loss, the Central Warehousing Corporation does not get any return on its investment although it is required to pay guaranteed dividend to the Central Government.

The Committee would, therefore, recommend that the Corporation should review the procedure

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regarding subscribing towards the share capital of the State Warehousing Corporations with a view to releasing the same according to actual requirements.

- 18 138 The Committee feel that with the present un-economic scale of operations of the Central Warehousing Corporation coupled with its responsibility to subscribe to the share capital of the State Warehousing Corporations, without any expectations of satisfactory return from them, the Central Warehousing Corporation may not be able to reach break even stage in the foreseeable future. There are obvious limits to earnings from storage charges because of competition from private storage agencies. It follows that if the Corporation is to make profits or pay dividends envisaged in the Act, its operations would have to be broadbased so that with a large turnover the element of profit also increases. The Committee hope that with the increase in its business and avoidance of unnecessary duplication of warehouses by multiple governmental agencies as recommended by them, this would be achieved.
- 19 143. The Committee feel that a credit limit of 30 days or a maximum of 45 days whichever is considered proper, should be fixed for all the Government Departments, Public Undertakings and cooperative societies. All outstandings beyond this period should carry interest at the Bank Rate. The Committee are of the view that charging of interest will make the defaulting departments more vigilant in making payments promptly. In cases where delays take place on account of disputed bills, the Storage and Inspection Officers might be entrusted with the job of chasing claims in areas within their jurisdiction.
- 20 150. The Committee hope that while reviewing its credit policy, Government and the Reserve Bank
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of India would give due consideration to the suggestions of the Corporation for relaxation of credit curbs, for liberalisation of limits on advances and for provision of credit at lower rates of interest against warehouse receipts.

- 21 158-159. The Committee feel that there is no reason why an exception should be made in the case of the Central Warehousing Corporation. Under the present arrangement neither the Corporation can take independent decisions on matters coming within its purview nor the Secretary of the Ministry can take an objective view of the proposals emanating from the Corporation. In the opinion of the Committee, the purpose of associating the Food Secretary in the Corporation for bringing about coordination between the various agencies engaged on storage work namely the Department of Food and Food Corporation of India has not been achieved to any perceptible extent. The Committee recommend that the practice of appointing the Secretary as the Chairman of the Corporation should be discontinued. They also suggest that the desirability of combining the posts of Chairman and Managing Director, as recommended by the Estimates Committee in their 52nd Report on Personnel Policies of Public Undertakings (Para 12), should be examined.

The Committee are also not much impressed with the suggestion that Food Secretary should be associated with the Corporation till it is able to stand on its own legs. The Food Secretary has been Chairman of the Corporation since its inception i.e. 12 years. It is a time long enough for Food Secretary to have put the Corporation on its legs.

- 22 161. The Managing Director of the Corporation is working part time since April, 1966. The Committee hope that a full time Managing Director would be appointed without further delay.

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23	164.	The continuation of a retired person for over six years as Financial Adviser of the Corporation should be reviewed.
24	169.	It appears to the Committee that the officers and staff of the Corporation at the various centres have not shown initiative in calling meetings of the Advisory Committees periodically. This, in fact, may be one of the reasons why the Corporation has not succeeded in enlisting the support of the traders and producers in the matter of utilisation of warehousing facilities in a greater measure. The Committee suggest that the Corporation should devise measures to activate these Advisory Committees and also enlist their support in publicising the warehousing scheme and making it more widely known in their respective areas.
25	172.	The Committee feel that there may be some justification for taking persons of higher age in view of the qualifications and experience required for certain categories of posts. But to keep the minimum age at the present level would mean depriving the younger persons with initiative and drive from entering the service of the Corporation. The fixation of minimum age so high also deprives the Corporation of training and moulding young men to suit its own particular requirements and method of working. The Committee suggest that the desirability of reducing the minimum age limit should be examined.
26	175.	The Committee do not approve of employment of deputationists from the Government Departments in the Corporation for very long periods. Apart from the avoidable extra expenditure by way of deputation allowance, the personnel who are permanently on the staff of the Corporation have no incentive left to better themselves. The deputationists themselves may have

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stakes in the efficiency or success of the Corporation. The Committee feel that a person taken on deputation, if found suitable to the requirements of the Corporation should be permanently absorbed in the organisation within a period of 2 or 3 years or returned to the parent office.

27. 178-179. It is seen that Warehousing has not been included as a subject in any University Curricula. The Committee are of the view that warehousing should be included as an essential and integral part of the study in Agricultural Colleges. They suggest that the matter should be taken up with the University authorities.

The Committee also recommend that the Corporation should make suitable arrangements at the Headquarters to keep abreast of the developments in warehousing techniques that are taking place in the more advanced countries. These new techniques should be brought to the notice of the heads of Branch and Zonal Office and the State Warehousing Corporations for application. The field staff could also report their difficulties and experiences to the headquarters for guidance. Besides, refresher courses should be given to persons who have once been trained after regular intervals so that knowledge of latest advanced techniques can be imparted to them.

28. 185. Judging from the enormity of loss of foodgrains on account of rats and pests in the country, the Committee feel that while the Central Warehousing Corporation should continue its efforts in this direction, the Government might examine the feasibility of setting up of a Central Agency on the pattern of National Malaria Eradication Scheme for destruction of rodents, rats and other pests and carrying out disinfestation and fumigation service on an all India basis.
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| 29. | 191. | The Committee consider it unfortunate that a fraud involving issue of receipts with incorrect details and of the value of about Rs. 4 lakhs was committed at one of the warehouses of the Corporation. Such incidents tend to lower the reputation of the Corporation. Besides they are a pointer to lacunae in the procedural checks and control existing in the organisation. The Committee hope that with the setting up of the Zonal Offices in 1967, inspection of warehouses would be undertaken more often so that recurrence of such incidents is eliminated. |
| 30. | 194. | The Committee hope that the Corporation will streamline the vigilance organisation at the Zonal Offices to check malpractices at the warehouses. |
| 31. | 196-197. | An important point which engaged the attention of the Committee during the course of examination was the future of the Corporation, which had been under review since 1965. The Committee have considered this issue at length in the light of material placed before them and have come to the conclusion that the proposal to abolish this Corporation and distribute its functions between the State Warehousing Corporations, National Cooperative Development Corporation and the Food Corporation of India are not likely to serve the purpose of developing warehousing scheme in the country. Indeed, there is a need to develop warehousing scheme by increasing the scope of operations of the Central Warehousing Corporation and centralisation of warehousing operations in the country which are at present being carried out by different agencies. One of the reasons which weighed with the Committee in arriving at this conclusion had been the fact that the present age is of specialisation and division of labour and whatever the resources any agency might command it cannot undertake all the required operations. It has to depend for certain services on other agencies. It is, therefore, imperative |

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that storage is recognised as a specialised function and handled by one agency.

In regard to actual operations of the Corporation, the Committee after a study of its working feel that its performance leaves much to be desired. It has not only made slow progress and sustained losses, but has also taken too long a period to become commercially viable. There is thus considerable scope for improvement.

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