

**PUBLIC ACCOUNTS COMMITTEE**  
**(1975-76)**

(FIFTH LOK SABHA)

**HUNDRED AND SEVENTY-FOURTH REPORT**

**CASH ASSISTANCE**

**MINISTRY OF COMMERCE**

[Paragraphs 30 and 31 of the Report of the  
Comptroller and Auditor General of India for the  
year 1972-73, Union Government (Civil)]



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*April, 1976/Vaisakha, 1898 (S)*

*Price: Rs. 1.10 Paise*

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

Sl. No.	Name of Agent	Sl. No.	Name of Agent
<b>ANDHRA PRADESH</b>		<b>MAHARASHTRA</b>	
1.	Andhra University General Co-operative Stores Ltd., Waltair (Visakhapatnam).	10.	M/s. Sunderdas Gianchand, 601. Girgaum Road, New Princess Street, Bombay-2.
2.	G.R. Lakshmiapaty Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	11.	The International Book House, (Private) Limited, 6, Ash Lane, Mahatma Gandhi Road, Bombay-1.
<b>ASSAM</b>		12.	The International Book Service, Deccan Gymkhana, Poona-4.
3.	Western Book Depot, Pan Bazar, Gauhati.	13.	Charles Lambert & Company, 10, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.
<b>BIHAR</b>		14.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	15.	Deccan Book Stall, Fergusson College Road, Poona-4.
5.	M/s. Crown Book Depot, Upper Bazar, Ranchi.	16.	M. & J. Services, Publishers Representatives, Accounts & Law Book Sellers, Bahri Road, Bombay-15.
<b>GUJARAT</b>		<b>MYSORE</b>	
6.	Vijay Stores, Station Road, Anand.	17.	People Book House, Opp. Jaganmohan Palace, Mysore.
7.	The New Order Book Company, Ellis Bridge, Ahmedabad-6	<b>RAJASTHAN</b>	
<b>HARYANA</b>		18.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.
8.	M/s. Prabhu Book Service, Nai Subzi Mandi, Gurgaon.	19.	M/s. Usha Book Depot, 585 A, Chitra Bazar, Tripolia, Jaipur.
<b>MADHYA PRADESH</b>		<b>UTTAR PRADESH</b>	
9.	Modern Book House, Shiv Vilas Palace, Indore City.	20.	Law Book Company, Sardar Patel Marg, Allahabad-1.

**CORRIGENDA TO 174TH REPORT OF PAC ( 5TH LOK SABHA)  
PRESENTED ON 30.4.1976.**

---

<u>Page</u>	<u>Page</u>	<u>For</u>	<u>Read</u>
(1)	5	Report	Export
2	2	intelligence	Intelligence
5	28	1973-74.	1973-74,
9	2	rovided	provided
12	37	3, 15	1, 15
17	32 to 40	For the figures given under the head 'Walnuts in Kernels' may be read under the head 'Walnuts in shell' and the figures under the first column of the head 'Walnuts in Shell' may be read under the Head 'Walnut in Kernels'	
19	31	desire	desired
29	10	AR, 4	AR 4
29	29	for the exist'ng words after the word imported	read 'raw jute/mesta
32	24	doubted have for	doubtful how far
33	6	he	the
33	6	libre	fibre
36	23	rupee we	rupee. We
42	6	specielly	especially
42	13	reliastion	realisation
43	25	grantnig	granting
44	11	ont	not
45	15	flats	fiats

45 307 (4)  
9-7-76

## CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE . . . . .	(iii)
INTRODUCTION . . . . .	(v)
REPORT . . . . .	I
CHAPTER I Report of Walnuts . . . . .	I
CHAPTER II Cash Assistance for Import of Raw Jute Fibre . . . . .	26
APPENDIX I Copy of the letter dated 19-7-1968 from the Commissioner for Planning and Development & Secretary to J. & K. Government, Planning addressed to the Joint Secretary in the Ministry of External Trade & Supplies . . . . .	35
APPENDIX II Copy of a letter dated 8-6-70 from the Director of Industries & Commerce, J. & K. Government to the Director in the Ministry of Foreign Trade . . . . .	37
APPENDIX III Main Conclusions/Recommendations . . . . .	39

PUBLIC ACCOUNTS COMMITTEE

(1975-76)

CHAIRMAN

Shri H. N. Mukerjee

MEMBERS

2. Shri T. Balakrishniah
3. Shri Chandulal Chandrakar
4. Shri Chandrika Prasad
5. Shri Darbara Singh
6. Shri C. C. Gohain
7. Shri Pampan Gowda
8. Shri Raja Kulkarni
9. Shri Shyam Sunder Mohapatra
10. Shri Priya Ranjan Das Munsii
11. Shri Narendra Singh
12. Shri Noorul Huda
13. Shri Shibban Lal Saxena
14. Shri N. K. Sanghi
15. Shri Somchand Solanki
- \*16. Shri Mohammod Usman Arif
- \*17. Shrimati Pratibha Singh
- \*18. Shri V. B. Raju
19. Shri Gulabrao Patil
- \*20. Shri T. K. Srinivasan
- \*21. Dr. K. Mathew Kurian
22. Shri Rabi Ray

SECRETARIAT

Shri Avtar Singh Rikhy—*Additional Secretary*

Shri H. G. Paranjpe—*Chief Financial Committee Officer.*

Shri N. Sunder Rajan—*Senior Financial Committee Officer.*

---

\*Ceased to be Members of the Committee consequent on retirement from Rajya Sabha  
w.e.f. 2-4-1976.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this One Hundred and Seventy-Fourth Report on Cash Assistance—Paragraphs 30 and 31 of the Report of the Comptroller & Auditor General of India for the year 1972-73, Union Government (Civil).

The Report of the Comptroller & Auditor General of India for the year 1972-73, Union Government (Civil) was laid on the Table of the House on 30th April, 1974. The Committee (1974-75) considered Audit Paragraph 30 at their sitting held on the 5th July, 1974 (AN).

On 20th August, 1974, a Sub-Committee consisting of the following Members was appointed to undertake a detailed examination of the question of cash assistance and other incentives for export performance during the years 1970—73 with reference to paragraphs 28, 29 and 30 of the Report of the Comptroller & Auditor General of India for the year 1972-73, Union Government (Civil):

Shri Jyotirmoy Bosu— <i>Chairman</i>	
Shri T. N. Singh— <i>Convener</i>	
Shri Sasankasekhar Sanyal	} Members
Shri P. Antony Reddi	

The Sub-Committee examined Audit Paragraphs 28 and 29 at their sittings held on 8th January and 14th January 1975 (AN). The Sub-Committee, however, did not examine paragraph 30.

The Committee (1975-76) considered and finalised this Report at their sitting held on 28th April, 1976 based on the evidence taken and further information furnished by the Ministry of Commerce. The minutes of the sittings of the Committee form Part II\* of the Report.

For facility of reference the conclusions recommendations of the Committee have been printed in thick type in the body of the Report.

---

\*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library).

(vi)

For the sake of convenience, the recommendations|observations of the Committee have also been reproduced in a consolidated form in Appendix III.

The Committee place on record their appreciation of the commendable work done by the Public Accounts Committee (1974-75) in taking evidence and obtaining information for the Report.

The Committee also place on record their appreciation of the assistance rendered to them in the examination of the Audit Paragraphs by the Comptroller & Auditor General of India.

The Committee would also like to express their thanks to the officers of the Ministry of Commerce for the cooperation extended by them in giving information to the Committee.

H. N. MUKERJEE.

*Chairman,*

*Public Accounts Committee.*

NEW DELHI;

*April 29, 1976.*

Vaisakha 9, 1898 (S).

# I

## EXPORT OF WALNUTS

### *Audit Paragraph*

1.1. Walnuts are grown in Kashmir, Himachal Pradesh, Uttar Pradesh and Punjab. Kashmir walnuts are noted for their quality. Annual production of walnuts in the country has recently been around 12,000 to 14,000 tonnes.

1.2. Walnut is a traditional export commodity. Walnut kernels are exported mainly to United Kingdom, United States of America, Canada, Australia and Japan. Walnuts in shells are exported mainly to United Kingdom, Japan, Italy, East Germany, Poland, Czechoslovakia and Yugoslavia. Presently there are 5 principal exporters of walnuts (of which four are in Delhi and one is at Jammu). Exports of walnuts (including exports under barter deals) during 1966-67 to 1972-73 were as follows:

	Kernel	In shell	Total	Value (Rs. in crores)
	(Tonnes)			
1966-67	2,006	2,879	4,885	1.84
1967-68	1,579	1,825	3,404	1.50
1968-69	2,548	2,758	5,306	2.84
1969-70	1,460	1,189	2,649	1.72
1970-71	1,661	1,451	3,112	1.47
1971-72	1,414	1,866	3,280	1.51
1972-73	1,735	2,987	4,722	2.84

1.3. The exporters of walnuts had been representing since October 1966 for cash assistance for their exports. In support of their claims for cash assistance the Processed Food Export Promotion Council forwarded to Government in March 1968, information furnished by one of the registered exporters about its exports of walnut kernels in March 1968. According to that information, the exporter would lose 34 paise per kilogram on its export, f.o.b. realisation being Rs. 5.14 against cost of Rs. 5.48. The trade did not then intimate cost per kilogram of walnut in shell exported. The matter remained under consideration of Government for quite some time.



According to the statistics published by the Director General, Commercial intelligence and Statistics, in June 1969, the average *f.o.b.* realisation from export of walnut kernel in 1968-69 was Rs. 7.92 per kilogram which was Rs. 2.44 more than the cost (Rs. 5.48) intimated to Government. According to those statistics, the average *f.o.b.* realisation from walnut in shell was Rs. 2.97 per kilogram. The cost of walnut in shell had not been intimated by the trade. Without checking up with the published statistics, Government sanctioned in March 1970 cash assistance of 10 per cent of *f.o.b.* realisation for walnut kernel and walnut in shell exported (excluding those under barter deals) in February and March 1970.

1.4. In March 1970 the trade requested Government to sanction the cash assistance with retrospective effect from October 1969 (walnut season starts around October) instead of from February 1970. This was rejected by Government in May 1970 as "cash assistance is given by way of an incentive to push up exports and in that context, perhaps, giving retrospective effect to decisions relating to the grant of cash assistance may not be very meaningful." On further representation (June 1970) from the trade cash assistance of 5 per cent of *f.o.b.* realisations for exports (other than exports under barter deals) during October 1969 to January 1970 was sanctioned in January 1971 although it could have been known by then from statistics published by the Director General, Commercial Intelligence and Statistics, that average *f.o.b.* realisation during that period per kilogram of walnut kernel was Rs. 9.68.

1.5. A test-check of the records available in the office of the Joint Chief Controller of Imports and Exports, New Delhi, showed that during October 1969 to January 1970 monthly average *f.o.b.* realisation per kilogram was between Rs. 8.48 to Rs. 10.54 for walnut kernels and Rs. 2.80 to Rs. 3.51 for walnut in shell, which were substantially higher than the cost of Rs. 6.16 and Rs. 2.42 respectively intimated by the trade in April 1971. According to the Director General, Commercial Intelligence and Statistics, average *f.o.b.* realisation in 1969-70 for walnut kernel was Rs. 8.94 per kilogram which was Rs. 3.46 more than the cost intimated in March 1968. The *f.o.b.* realisation was Rs. 3.52 per kilogram for walnut in shell.

1.6. In January 1971, the same month in which cash assistance for the back period October 1969 to January 1970 was sanctioned, cash assistance of 10 per cent of *f.o.b.* realisations was also extended for 1970-71. This, too, was done without consulting the published statistics and the information available in the records of the Joint Chief Controller of Imports and Exports, New Delhi. A test-check of the cash assistance vouchers available in the office of the Joint Chief

Controller of Imports and Exports, New Delhi, showed that monthly average f.o.b. realisation for walnut kernel during 1970-71 was between Rs. 5.65 and Rs. 10.74 per kilogram. The lowest price of Rs. 5.65 was prevalent only in February 1971 when only 274 tonnes were exported out of 1,661 tonnes exported during that year. In the other months it was Rs. 7.09 and above. Monthly average f.o.b. realisation of walnut in shell was Rs. 2.24 per kilogram in February 1971, while in other months it was between Rs. 2.78 to Rs. 3.21. According to the Director General, Commercial Intelligence and Statistics, the average f.o.b. realisation in 1970-71 was Rs. 6.48 per kilogram for walnut kernel and Rs. 2.71 for walnut in shell which were also higher than the cost of Rs. 6.16 and Rs. 2.42 respectively intimated by the trade in April 1971.

1.7. In April 1971 the trade requested continuance of cash assistance beyond March 1971 intimating that cost per kilogram was Rs. 6.16 for walnut kernel and Rs. 2.42 for walnut in shell as against f.o.b. realisation of Rs. 5.25 and Rs. 2.04 respectively. The Ministry of Finance pointed out in August 1971 to the then Ministry of Foreign Trade that, according to the official statistics, the f.o.b. realisations were much more than those intimated by the trade and that figures furnished by the trade were based only on a few consignments picked by the trade and suggested (in June 1972) that the trade should produce authentic evidence showing f.o.b. realisation in 1971-72. In August 1972 the trade furnished the following information:

	Cost	F.O.B realisation	Loss
(Rupees per kilogram)			
<i>Walnut Kernel</i>			
Firm 1	7.24	5.88	1.36
Firm 2	6.84	6.00	0.84
Firm 3	6.73	5.84	0.89
<i>Walnut in shell</i>			
Firm 1	3.22	2.50	0.72
Firm 2	3.18	2.68	0.50

1.8. The information furnished by the trade was based on cost and f.o.b. realisation for export of a small quantity (52 tonnes of walnut kernels and 70 tonnes of walnut in shells) of the total export. According to the Director General, Commercial Intelligence

and Statistics, f.o.b. realisation per kilogram during 1971-72 was Rs. 6.47 for walnut kernel and Rs. 3.17 for walnut in shell.

1.9. While the matter remained under consideration of Government it was known from the statistics published by the Director General, Commercial Intelligence and Statistics between September 1972 and January 1973 that during April 1972 to August 1972 average f.o.b. realisation per kilogram was Rs. 8.29 for walnut kernel and Rs. 3.83 for walnut in shell which were substantially higher than the costs intimated by the trade in August 1972 and there was no loss on exports. However, without consulting these published statistics, in February 1973 cash assistance was sanctioned for 3 years from October 1972 at the rate of 5 per cent of f.o.b. realisation plus additional 2½ per cent if exports exceed the previous 12 months' exports by at least ten per cent. No cash assistance was sanctioned for exports during April 1971 to September 1972. The Ministry stated (December 1973) that f.o.b. realisation during April 1972 to September 1972 was not taken into account while sanctioning (in February 1973) cash assistance from October 1972 as that was off season period for walnuts.

1.10. Cash assistance paid for export of walnuts in 1969-70 was Rs. 5.13 lakhs and that for 1970-71 was Rs. 2.77 lakhs.

1.11. As compared with previous years export of walnuts declined in 1969-70 and 1970-71 when cash assistance was admissible and recovered, although slightly, in 1971-72 when cash assistance was not available. The fall in export is stated to be due to fall in production resulting in high prices in the country and deterioration in quality, complaints about which were received from importers. India's principal competitor (China) in export of walnut is stated to be reputed for strict adherence to contracts and consistence in quality.

1.12. In September 1973 Government reconsidered the question of continuing cash assistance on export of walnut in the light of worldwide short production of various edible nuts this year and a sharp rise in the prices of nuts including walnuts and suspended the assistance from 1st October 1973.

1.13. Indian walnuts fetch comparatively lower prices in the export markets. The price differential is attributed to poor grading, excess of foreign matter and incidence of worm infestation, although compulsory quality control has been introduced from September 1963.

[Paragraph 30 of the Report of the Comptroller & Auditor General of India for the year 1972-73, Union Government (Civil)]

1.14. The Committee learnt from Audit that exports of walnuts during the period from 1961-62 to 1965-66 were as follows:

Year	Quantity in tonnes	
	Total Exports	
1961-62	.	5,448
1962-63	.	5,144
1963-64	.	5,614
1964-65	.	4,884
1965-66	.	4,220

1.15. Cash assistance to promote export of walnuts from the country had been given by Government from time to time as follows:

Period	Extent of assistance
October 1964 to 6 June 1966	. 10% of f.o.b. realisations.
February to March 1970*	. 10% of f.o.b. realisations.
October 1970 to March 1971 . . .	. 10% of f.o.b. realisations.
April 1971 to September 1972	. No cash assistance.
October 1972 to September 1973**	. 5% of f.o.b. realisations plus an additional 2 1/2% if exports exceeded the previous 12 months' exports by at least 10%.

\*Sanctioned in March 1970. Subsequently, on further representation, cash assistance of 5% of f.o.b. realisations on exports during October 1969 to January 1970 was sanctioned in January 1971.

\*\*This had been initially sanctioned in February 1973 for 3 years from October 1972. On reconsideration in September 1973, assistance suspended from October 1973.

1.16. The following table, furnished at the Committee's instance by the Ministry of Commerce, indicates the production figures of walnuts for the State of Jammu & Kashmir during 1966-67 to 1973-74. worked out on the basis of the estimates of walnut production in the State furnished by the Directorate of Horticulture, Planning and Marketing, Government of Jammu and Kashmir, Srinagar:

Year	Quantity in Tonnes			
	In shell	Kernels	Shell equivalent of Kernels	Total in Shell
1966-67	7631	3539	7857	15,468
1967-68	5005	2389	5304	10,309
1968-69	6315	4315	9579	15,894
1969-70	3904	2435	5406	9,310
1970-71	7683	3066	6806	14,489
1971-72	6909	2579	5725	12,634
1972-73	7074	3583	7821	14,895
1973-74	5111	2840	6305	11,416

In this connection, the Ministry of Commerce also informed the Committee that all-India production figures for walnuts were not compiled by the Directorate of Economics and Statistics, Ministry of Agriculture and that the normal average annual production of walnuts in the country was estimated to be around 12,000 to 14,000 tonnes, the State of Jammu & Kashmir being the major producer of exporter of walnuts.

1.17. The Committee enquired into the reasons for the grant of cash assistance from October 1964 and its withdrawal subsequently with effect from the date of devaluation (5 June 1966). A representative of the Ministry of Commerce stated in evidence:

“After the devaluation, we thought that our product should compete with the other products. But actually, we found that it was not possible because of two or three reasons. The first one was that there was a local levy with the result that the prices went up and therefore there was no incentive for the traders to export their products outside the country. On top of it, the amount which we used to get from Afghanistan also declined to some extent. There was some diversion for purposes of internal consumption. Therefore, the main reasons are: (1) stiff

competition from China. (2) enhancement of local levy and taxation; (3) enhancement of prices of packing cases; (4) lesser import of dry fruits; and (5) enhancement in freight rates."

In a note furnished subsequently in this regard, the Ministry of Commerce indicated the following reasons for the grant of assistance during this period:

"Pakistan was offering scheme of bonus to its exporters, whereby they were entitled to 20 per cent import licences on their exports including this commodity. They had, therefore, a competitive edge over the Indian exporters and they were under-cutting the prices offered by Indian exporters. It became, therefore, necessary for the Government to offer some incentive to the exporters to fight this competition.

In addition, China was also undercutting the Indian prices. Walnuts produced in China are of superior quality. A survey conducted by our Commercial Representative in Canada indicated that the declining trend of imports of walnuts from India rose out of the lower prices quoted by China and Pakistan. The offtake of Indian walnuts by Canada in 1961 was of order of \$ 1.23 million which fell to \$ 0.8 million in 1962. During the same period, China had increased her export from \$ 1.4 million to approximately \$ 1.56 million.

Since the devaluation of rupee w.e.f. 6-6-1966 was in itself a major step for assisting our export, continuation of cash assistance on export was not considered necessary at that time and therefore the cash assistance on export of walnuts also was withdrawn."

1.18. The cash assistance withdrawn following devaluation had been reintroduced in March, 1970 in respect of the exports made in February and March, 1970 and the Audit paragraph points out that the cash assistance had been sanctioned without any check of the actual f.o.b. realisations with reference to the published statistics of the Director General, Commercial Intelligence and Statistics. The Committee learnt from Audit that the Ministry of Commerce had stated (December 1973) that "the factors contributing to the rise in costs of exporters were considered in depth at various levels in Government and were then discussed at a meeting of senior officials of the Administrative Ministry and the Ministry of Finance with the

exporters. Taking into account all the factors and the considerable drop in exports during 1969-70, it was considered necessary to grant assistance on walnut exports if we were to push up exports of the commodity.”

1.19. The Ministry had also informed Audit (December, 1973) as follows:

“The cost data furnished by Processed Foods Export Promotion Council in March, 1968 had become obsolete by February 1970 when the decision to grant cash assistance on walnut exports was taken. A whole lot of changes had taken place between March, 1968 and March, 1970 and . . . costs of walnuts had substantially jumped up due to fresh levies by the Kashmir Government, substantial rise in packaging costs, higher freights rates due to closure of Suez Canal, higher internal prices and holding back of walnut stocks by Kashmir producers. As such, even the higher f.o.b. realisation of 1968-69 and 1969-70 did not compensate the exporters for their steeply risen cost of procurement.”

1.20. The Committee desired to know whether before deciding to grant cash assistance for the export of walnuts, Government had examined the cost structure and actual realisations. The representative of the Ministry of Commerce stated in evidence:

“Yes, Sir, we did it so far as the second period of 1972 is concerned.”

When asked why such determination had not been done when cash assistance was reintroduced in March, 1970 after devaluation, the witness replied:

“I would only recall that this was not based on the normal principles of f.o.b. realisation; this was based on two necessities. The first one was to see that the internal consumption was reduced, and the second was that export should be encouraged. I would only like to recapitulate that the incentive of 10 per cent was not considered to be too high for earning foreign exchange through this export. We had, in an earlier instance, prior to 1969, rejected all claims for cash assistance on the basis of f.o.b. realisation.”

He added:

“We had depended on different grounds altogether in this particular case. Here, we did not rely on the differential between the f.o.b. realisation and the costing. It was more on the grounds of making our own goods competitive compared to our other competing sources and also to ensure that there is a certain amount of sustained effort in regard to export and to maintain the level of exports.”

1.21. In view of the fact that relevant data relating to f.o.b. realisations on walnut exports during 1968-69 were available with the Director General, Commercial Intelligence and Statistics in June, 1969, which would have provided reliable information on the prevailing cost structure, prices, etc., the Committee asked why this had been lost sight of. The witness replied:

“As I mentioned, there are two points which have to be kept in mind as to why we did not do it. One was the relevant data in question were not germane for a decision on this issue. The f.o.b. realisation in earlier years also had no relevance.”

He added:

“I would only try to submit that in 1969-70 we did not go into the question of cost at all. There was a qualitative need for maintaining the market with reference to the competition.”

Clarifying the position further, the witness stated:

“The figures of the DGCIS are certainly authoritative and they are entitled to be consulted and given great weight. We always consult them. In this particular case, both for reasons of policy and for the reason that the data were not relevant for deciding this issue, there was no need to refer to them.”

1.22. Drawing attention to the fact that the export of 5,306 tonnes achieved during 1968-69 was the highest during any of the previous years, the Committee enquired into the justification for introducing cash assistance in 1969-70. The representative of the Ministry of Commerce replied:

“1968-69 was a peculiar year when we had certain extraneous and fortuitous circumstances in our foreign trade, and



5,306 tonnes were sold because our main competitor—China, was out of action, in the Foreign Trade sphere, during that year. But it reviewed in the next year.”

1.23. The Committee asked whether the Ministry had relied merely on the information supplied by the exporters and not on the published statistics and information supplied by the Chief Controller of Imports & Exports. The witness replied:

“I would like to draw a distinction. In 1970, the circumstances and the arguments were different. In 1972, when cash assistance was given f.o.b. realisation and costing played a part and we had taken this into account.

He added:

“In 1972, when we went into this re-fixation, we took care to consult the statistics and also the costing and that was very much kept in view and very much taken into consideration. In 1970, because, as I mentioned, of the different circumstances, we had to sustain our exports and see that the losing ground was not lost further.”

1.24. Since Government had informed Audit in December, 1973 that the cost data collected in March, 1968 had become obsolete by February, 1970 when a decision to grant cash assistance was taken, the Committee desired to know why fresh data on the cost of export had not been obtained and compared with the f.o.b. realisations reported by the Director General, Commercial Intelligence and Statistics before sanctioning the cash assistance. The Committee also desired to know the basis on which this matter was discussed at different level before the assistance was sanctioned, when the basic data was not available and how Government could decide on the need for and the quantum of cash assistance without any comparison of cost with f.o.b. realisations. In a note furnished to the Committee in this regard, the Ministry of Commerce stated:

“As stated in the evidence, the rationale for the decision to grant cash assistance taken in February, 1970 was not on the basis of f.o.b. prices and costs. The primary fact was a sharp decline in export that had occurred during October-November, 1969 as compared to October-November, 1968. It had also been brought to the notice of Government by the Processed Food Export Promotion Council that the internal prices of walnuts and walnut kernels had increased during April-November, 1969 from the same

period of the previous year very much sharply compared to the slight increase in f.o.b. realisations of walnuts and walnut kernels. The retentive power of walnut growers and primary merchants had increased due to advances made from Cooperative institutions, leading to increased internal prices. The reasons for the adverse export prospects were found to be the following:

- (a) There was a sharp increase in Ocean freight from Bombay to U.K. which was almost double. Similarly the Ocean freight from Bombay to USA and Canada had also gone up by from Rs. 66.64 per quintal to Rs. 148.80 per quintal. These increases were not matched by increase in unit realisations.
- (b) Internal Octroi and Taxes imposed by J&K Government and others had considerably increased prices. For instance, a new Nagrota tax of Rs. 5.40 per quintal was imposed, the octroi at Delhi had increased from 0.80 per quintal to Rs. 2/- per quintal. The truck freight from Srinagar to Jammu, from Jammu to Delhi and from Delhi to Bombay had also increased. All these factors together had increased the total cost of transportation from Jammu to Bombay from Rs. 32.34 per quintal to Rs. 46.98 per quintal. Again packing cost had also gone up to Rs. 2/- and Rs. 12/- per 50 kgs. for walnuts and kernels.
- (c) The import of other dry fruits from Afghanistan had gone down and shortages of dry fruits like almond and pistachio had led to an additional demand of walnuts whose prices were pushed up.
- (d) China had emerged as a major exporter of walnuts and was under-cutting exports of India in U.K. and other Western markets. The prices offered by China were extremely low and in all probability subsidised.

Internal price data is verifiable through Marketing Intelligence service whereas the FOB cost data is not. The problem was one of diverting walnuts from internal sales to exports.

The cash assistance was granted in February, 1970 for the period February, 1970 onwards. The data on f.o.b. realisation from October, 1969 onwards (i.e. the start of the season) could not be available at that time (February).

1970). The rate of cash assistance was arrived at having regard to the high incidence of freight, and having regard also to the fact that this product enjoyed a cash assistance of 10 per cent previously."

1.25. Since the underlying idea behind the grant of cash assistance for 1969-70 appeared to be to deter internal sales which fetched higher prices than exports, the Committee asked whether the question of levying an excise duty on walnuts consumed internally had ever been considered, which would have been an obvious remedy. The representative of the Ministry of Commerce replied in evidence:

"This is a sensitive agricultural product."

When the Committee pointed out that this had been done in the case of sugar, the witness replied:

"...there were certain other internal levies by Government which made it more competitive. Therefore, we could not burden it with additional taxation. During the period in question, there was already an increase of the order of Rs. 16.18 per quintal through the local taxes themselves, namely, Nagrotta tax, Jam Will, Octroi Lakhampur and Delhi Octroi and Customs duty. Therefore, we felt that it would not be feasible to have a higher additional duty on it."

1.26. The Committee asked whether before granting cash assistance, any consultations had been held with the Directors of Horticulture of the J & K Government or the Himachal Pradesh Government. The witness replied:

"We have consulted the Jammu and Kashmir Government. The Jammu and Kashmir Government themselves have brought to our notice the need for some assistance."

1.27. The Ministry of Commerce furnished, at the Committee's instance, a copy of the letter dated 19 July, 1969 from the Commissioner for Planning and Development and Secretary to the J&K Government, Planning on the subject addressed to the Joint Secretary in the Ministry of External Trade & Supplies, which is reproduced in Appendix I.

1.28. It would be seen from paragraph 3.15 that the cash assistance sanctioned initially in respect of the exports during February and March, 1970 had been, on further representation, subsequently extended, in January, 1971, though at the reduced rate of 5 per cent

to exports made during October, 1969 to January, 1970. The Committee learnt from Audit in this connection that while conceding, in December 1973, that 'as a matter of principle, Government is not in favour of giving cash assistance with retrospective effect' and that in the context of the fact that cash assistance is given by way of an incentive to push up exports, 'giving retrospective effect to such decisions is, of course, not very meaningful', the Ministry of Commerce had, however, stated as follows:

"In regard to walnuts, it was recognised that there was room for taking a special decision in view of the fact that walnut crop comes in October and the decision which Government had taken was almost in the middle of the walnut trading season. Giving effect to the decision from a date from the middle of the season would result in the benefit accruing to some, while denying to some others, who had exported produce of the same crop during the same season. After very thorough and careful consideration, and as a compromise, Government finally agreed to grant of cash assistance on walnut exports effected between 1st October, 1969 to January, 1970."

1.29. The Committee enquired into the factors that compelled the Government to concede retrospectively 5 per cent cash assistance on exports effected between October, 1969 and January, 1970, after initially declining to entertain the demand. The representative of the Ministry of Commerce replied in evidence:

"In the first instance, Government declined to accede to the request because of the normal principle that it can only be prospective. Subsequently, the trade again brought to the notice of the Government and this was also strongly endorsed by the Jammu and Kashmir Government that it is inequitable to deny the benefits to those people who have been exporting walnuts particularly in the first part of the season and merely restrict it to the people who come at the fag end of the season."

When asked whether this decision was based only on the concepts of equity and justice and not taken on the basis of actual exports, the witness replied:

"Exports had also taken place."

In this connection, the Ministry of Commerce furnished to the Committee a copy of a letter dated 8 June, 1970 from the Director of

**Industries & Commerce, J & K Government addressed to the Director in the Ministry of Foreign Trade, pleading for giving effect to the cash incentive with effect from October 1969 instead of from 1 February, 1970, which is reproduced in Appendix II.**

1.30. The Audit paragraph points out that in January 1971, when cash assistance at 5 per cent of f.o.b. realisations was sanctioned retrospectively for the period October, 1969—January, 1970, cash assistance of 10 per cent of f.o.b. realisations was also extended for 1970-71, without consulting the published statistics and the information available in the records of the Joint Chief Controller of Imports and Exports. When asked whether the cost structure and actual realisation were examined before deciding to sanction cash assistance, the representative of the Ministry of Commerce replied:

“Yes, Sir; we did it so far as the second period of 1972 is concerned.”

1.31. The Committee desired to know when the Ministry had come across some reliable data in regard to the cost structure. The witness stated:

“On 2nd May, 1972, we had an inter-ministerial meeting when it was considered that we should collect additional data and information from the trade in order to find out what exactly are the realisations. At that time, we asked them for attested documentation. It was brought to our notice on 17th June, 1972 that a bank-attested invoice should be called for.”

When asked whether no data had been collected after March 1968 when the Processed Food Export Promotion Council forwarded to Government some information furnished in this regard by one of the registered exporters, the witness replied:

“We had relied on the unit value realisation. But I would like to add one more explanation. In 1967, we collected some data; in 1971, we could not collect any data and similarly in 1972-73, we could collect some data for verification.”

1.32. The Committee enquired into the reasons for Government not relying upon the figures of f.o.b. realisations reported by the Director General of Commercial Intelligence and Statistics and for not ascertaining the relevant information from the records available

with the Joint Chief Controller of Imports and Exports. The witness replied:

"So far as this question is concerned, actually, there is a time lag between the information that is collected by the DGCIS and the relevant period for which the information is required. The time lag is usually about six months which is accounted for by the DGCIS having to collect the data from the Customs. The Customs base themselves on the shipping documents and therefore there is no minimum synchronisation of the period for which the data can be available from the DGCIS, and the data which is relevant for deciding the issue."

1.33. The Committee learnt from Audit that the Ministry of Commerce had stated as follows in December 1973:

"The question of extending cash assistance on walnut exports beyond 31st March, 1971 was taken up by Ministry of Commerce with the Ministry of Finance in February 1971, but the matter could not be resolved due to difficulties in reconciling the f.o.b. realisation since worked out on the basis of Director General, Commercial Intelligence and Statistics publications and figures furnished by the Trade. After prolonged examination and numerous discussions, it was decided in an Inter-Departmental meeting that the contradiction between the figures regarding f.o.b. realisation supplied by Trade and Director General, Commercial Intelligence and Statistics figures should be looked into and the trade should be asked to furnish necessary proof in support of the correctness of their figures. As according to the Trade, it was not practicable for them to furnish and for Government to process the information relating to all shipments of walnuts during 1971-72, because these shipments ran into several hundreds of varying value and the examination and bank attestation of all documents, like invoices in different currencies, bills of lading, insurance documents etc. relating to these shipments would be too enormous a task to be accomplished in a reasonable period of time, it was agreed that a sample check should be undertaken with reference to exports of three or more major exporters in regard to their exports during 1971-72, showing shipment-wise exports, f.o.b. realisation for each shipment, bank attested invoices or other documents in support thereof etc. The Trade members accordingly furnished representative invoices of their exports during

1971-72. The original invoices, information relating to costs etc. were studied by the Government."

1.34. Since no cash assistance had been sanctioned during 1971-72 obviously because such assistance was not justified on the basis of the figures reported by the trade and the f.o.b. realisations reported in published statistics, the Committee enquired into the basis for sanctioning, in February 1973, cash assistance for a period of three years from October, 1972 although on the basis of the published statistics relating to the period, April—August, 1972, no cash assistance was justified. The representative of the Ministry of Commerce stated in evidence:

"In 1969-70 when the volume went down, we resorted to the cash assistance. We see the impact of cash assistance in the increase, during 1970-71, to 3112 tonnes. It is true that the cash assistance had stopped on 31st March, 1971. It was not there between 1st April, 1971 and 1st October, 1972. There has been an increase; but it will be noted that the increase has been somewhat marginal viz. 3280 tonnes as against 3112 tonnes, attained in 1970-71, which means an increase only of 168 tonnes over the previous year. We started resuming that assistance during the 1972 walnut season; and when we did it, the figure went up to 4722 tonnes, i.e. by 1500 tonnes. This would reveal that the magnitude of the increase is directly correlated to the availability of cash assistance."

He stated further:

"When we started resuming cash assistance in 1972-73, we went into the various data and cross-checked them. There were reasons for our not accepting the recommendations of the trade."

Elaborating the position further, the witness stated:

"In 1971-72, when we continued to examine this question, we collected a great deal of data, along with those furnished by the trade. We scrutinised them and found that there was no case for granting assistance. Therefore, we rejected the proposal."

When asked in this context whether Government had found fault with the recommendations of the trade, the witness replied:

"We critically scrutinised the estimates; we compared them with the statistics. The f.o.b. realisation, as given by the trade, was higher than that given by the Directorate. Therefore, it is evident that they did not have any benefit."

1.35. From the correspondence exchanged between the J & K Government and the Government of India furnished to them by the Ministry of Commerce, the Committee found that the question of extending the cash assistance during the 1972-73 walnut season had been discussed at the Third meeting of the Standing Committee on Walnuts held in Srinagar on 9 and 10 August, 1972. The relevant extract from the minutes of the meeting is reproduced below.

“The exporters and the representatives of J & K Government once again strongly emphasised that the decision in relation to grant of cash assistance to the export of walnuts should be expedited. The declining trend in the exports was mainly due to the rising domestic prices and the fact that without cash assistance, the export trade would result in losses to the exporters. It was pointed out that due to declining exports, a number of parties dealing with export of walnut were winding up their business. If action was not taken immediately owing to the competitive position which China was establishing, the position of India in the export of walnuts trade will move from bad to worse.”

1.36. The following statement furnished, at the Committee's instance, by the Ministry of Commerce indicates the export prices and the domestic prices of walnuts during the years 1966-67 to 1973-74:

Year	**Export prices of walnuts and walnut kernels f.o.b. Bombay per kg.		*Domestic wholesale prices of in-shell walnuts prevailing in Bombay—per kg.	
	Walnuts in shell	Walnut in kernels	Walnuts in Shell	
	Prices in Rupees		Prices in Rupees	
April—May 1966	.	No export	4.03	} 3.92
June—March, 1966-67	.	2.45	5.73	
1967-68	.	2.70	6.40	4.81
1968-69	.	2.97	7.91	5.08
1969-70	.	3.52	8.94	6.53
1970-71	.	2.71	6.49	7.25
1971-72	.	3.17	6.47	6.06
1972-73	.	3.91	9.60	6.57
1973-74 (April-Feb.)	.	6.16	12.55	8.14

\*Source: Bulletin on “agricultural situation in India” published by the Directorate of Economic and Statistics, Ministry of Agriculture, Government of India, New Delhi—August issues. For 1973-74, Bulletin for August being not available yet, issues for other months have been consulted for arriving at the annual average price.

\*\*Source: Director General of Commercial Intelligence and Statistics, Calcutta, (Export statistics books).  
Domestic prices for walnut Kernels are not published.



In this connection, the Ministry of Commerce stated that the figures presented by them in respect of walnuts in shell, would bear out the following:

“During 1967-68 and 1968-69, the difference in domestic prices and export prices was unfavourable for export by Rs. 2.11. During 1966-67, the export prices were only unfavourable by Rs. 1.47 per kg. and thus exports were further discouraged by the prevailing high domestic prices in 1967-68 and 1968-69. Claims for cash subsidy from 1966 onwards were preferred from exporters of walnuts. The situation worsened in 1969-70 when the export prices were unfavourable by Rs. 3.00 per kg. compared to domestic prices. Cash subsidy was given in this year and continued in 1970-71 when the internal price had further increased to make the price for exports more unattractive and unfavourable by Rs. 4.54 per kg. In 1971-72, domestic price came down and export price went up and the Government withdrew the subsidy. During 1972-73 the subsidy was revived as increase in export prices and fall in domestic prices that occurred in 1971-72 still did not diminish the unfavourable difference in prices appreciably.

The export price during 1973-74 increased sharply from below Rs. 4 per kg. to above Rs. 6 per kg. This is in consonance with our decision to discontinue cash assistance.”

1.37. The Committee drew attention to the analysis made by Audit that as compared with the previous years, exports of walnuts declined in 1969-70 and 1970-71 when cash assistance was admissible and recovered, although slightly, in 1971-72 when cash assistance was not available and desired to know how this phenomenon could be explained. The representative of the Ministry of Commerce stated in evidence:

“I would like to invite your attention to this. The starting point was 1969-70, when exports were at a low ebb of 2,649 tonnes. This emphasised the necessity for cash assistance. Cash assistance was introduced in 1969-70. In 1970-71, in the following year, export figure was 3112 tonnes. There was a significant increase in the volume of exports. Again, in 1971-72, the figure reached was 3280 tonnes. In 1972-73, the total figure was 4722 tonnes. From this, it will be seen that there is a certain amount

of co-relation between the availability of cash assistance and the growth in the volume of exports.”

1.38. When the Committee asked whether the steps taken to recover lost ground in walnut exports had succeeded in achieving the desired objective, the witness replied:

“Yes, Sir. The loss occurred in the year 1967-68 was largely due to certain circumstances. In fact, if you take the overall quantity exported during the decade 1953-54 to 1964-65, it has been of the order of about 5,000 tonnes but if you compare the figures for 1967-68 with the figures for 1968-69, you will find that there has been a decline, that is, from 4885 tonnes to 3404 tonnes. That was due to some external circumstances. Again, in the year 1969-70, it fell down to 2649 units. The need for taking certain special steps was felt and as a result incentive was given to the exporters. Now, there has been a progressive increase since last year. The figures for 1970-71, 1971-72 and 1972-73 are 3112, 3280 and 4722 tonnes respectively.”

As regards the figures for 1973-74, enquired into by the Committee, the witness stated:

“In the year 1973-74, there was a decline in regard to the total quantity, that was about 2241 tonnes. But then the unit value realisation was far high. It was Rs. 11,345 per tonne as against the original unit value realisation of about Rs. 4,000 or so per tonne and therefore in terms of the total value, we did not lose very much. We lost only about Rs. 0.30 crore. As against Rs. 2.8 crores in 1972-73, our total value realisation was about Rs. 2.54 crores in 1972-73.”

1.39. The Committee desire to know the reasons for the decline in exports in 1973-74 and the remedial measures, if any, taken to improve the situation. In a note, the Ministry of Commerce stated:

“As per the data published by the Directorate of Commercial Intelligence & Statistics, the export figures for 1973-74 amounted to 3746 tonnes valued at Rs. 3.75 crores. These are lower in quantity and higher in value than the exports during the last year 1972-73 of 4722 tonnes for Rs. 2.84 crores. According to the trade, the reason of decline in

exports is chiefly due to the withdrawal of the scheme of cash assistance with effect from 1-10-1973 which deprived the assistance to the export trade for the crucial period of exports. It will be seen that the export prices still are unfavourable compared to the internal prices for walnut in shell, though the gap has narrowed down compared to the previous years. The decline in exports could be related to some extent to the decline in production also, as according to the production figures the production during 1973-74 was 23 per cent lower than in 1972-73."

1.40. The Audit paragraph also points out that the fall in exports was stated to be due to the fall in production resulting in high prices in the country and deterioration in quality, complaints about which were received from importers. In this connection, the Committee's attention was drawn to the following extract from an article on 'Export prospects of Minor Forest Products' which appeared in the 'Foreign Trade Review' (Volume VIII, No. 1, April-June, 1973) published by the Indian Institute of Foreign Trade:

"The fall in the quantum and value of our exports of walnuts in the recent years has been mainly due to fall in production resulting in high prices in the country. Exports have also been affected due to deterioration in quality for which complaints from the importers, particularly from those in the United Kingdom, were received. The United Kingdom has been the major buyer of Indian walnuts, the other important markets being the United States of America, Canada and Australia. In recent years, the East European countries have also imported large quantities of walnuts. India's principal competitor in the world market for walnut is China. China's hold on the United Kingdom market stems from its strict adherence to the contracts and lack of any complaints regarding its products."

1.41. The Committee enquired into the steps taken to eliminate the complaints in regard to the deterioration in the quality of walnuts exported from India. The representative of the Ministry of Commerce replied:

"So far as the quality control and steps taken for improving the quality are concerned, I would submit that we have taken two or three distinct steps. In the first place, there is a quality Control Inspection before the goods are sent to the foreign market. In the second place, we have also

graded the various kinds of walnuts and Agmark standardisation and specifications have been introduced. There has been substantial increase in the graded Agmark quality of walnuts. The following figures would show the increase in the export of walnuts in the year 1972-73. For the year 1970-71, we have exported 3112 tonnes. In 1972-73, it has gone up to 4722 tonnes and again, I may submit, walnut grading and marketing techniques have also been further improved. Fumigation has been made obligatory. In addition to that, we have got a report recently made for instructing the grading and marketing for In-shell and shell-walnut under Agmark specification, by the Ministry of Agriculture. It sets out not only the procedure for applying Agmark standardisation but also for processing technique regarding quality fumigation and prophylactic treatment."

1.42. When asked whether any appreciable improvement in market demand had been noticed after these steps had been taken, the witness replied:

"So far as the quality Control Inspection is concerned, there has been a significant improvement. For instance, I would like to give some figures. As against the total quantity of 12,074 tonnes of walnuts graded and Agmarked for the period 1970-71 to 1972-73, complaints have been received only in respect of consignments totalling about 33 tonnes showing less than 0.3 per cent of the total quantity graded. It will be seen that so far as the Quality Control and Specifications are concerned, this has been effective."

1.43. The Committee desired to know whether the grant of cash assistance had benefited the growers and, if so, to what extent. In a note, the Ministry of Commerce stated:

"Information has been sought from the Government of Jammu and Kashmir and Ministry of Agriculture in this regard."

**1.44. The Committee note that the cash assistance of 10 per cent of f.o.b. realisation allowed on the exports of walnuts from October, 1964 and discontinued on devaluation of the Rupee (6 June, 1966) was revived by Government in March 1970 and made applicable to the exports (excluding those made under barter deals) during February-March, 1970. The decision had been taken on the basis of representations from the trade and the recommendations of the Processed Food Export Promotion Council which, in turn, were based**

on the data relating to the export of walnut kernels in March 1968 furnished by one of the five principal exporters in the country. It had been claimed, on the basis of this data, that the exporter would lose 34 paise per kilogram on his exports of walnut kernels, the f.o.b. realisation being Rs. 5.14 against the cost of Rs. 5.48. However, according to the published statistics of the Director General, Commercial Intelligence & Statistics, the average f.o.b. realisation from the exports of kernels in 1968-69 was Rs. 7.92 per kilogram (Rs. 2.44 more than the cost of Rs. 5.48 intimated by the trade to Government). The exporter had also not furnished any details in regard to exports of walnut in shell, while, according to the statistics of the Director General, the average f.o.b. realisation from such exports was Rs. 2.97 per kilogram.

1.45. Even though the data compiled by the official agency indicated that the f.o.b. realisations were more than the cost intimated by the trade, the actual f.o.b. realisations had not been taken into account by Government in arriving at the decision to grant cash assistance and in determining the quantum of assistance for the period February-March, 1970. Reliance had been placed instead on the details furnished by the trade, on the ground that the data relating to f.o.b. realisations 'were not germane for a decision on this issue'. It has been stated that during this period the problem was one of diverting walnuts from internal sales to exports and that the cash assistance had been sanctioned 'more on the grounds of making our own goods competitive compared to our other competing sources and also to ensure that there is a certain amount of sustained effort in regard to export and to maintain the level of exports'. The 'considerable drop' in exports of walnuts during 1969-70 and the consequent need to 'push up' exports of the commodity have been cited as factors necessitating the grant of cash assistance. However, according to Government's own admission, the exports of 5,306 tonnes achieved in 1968-69 were entirely on account of certain 'extraneous and fortuitous circumstances', with China, India's main competitor in walnut trade, being out of the picture. Besides, internal production of walnuts had also fallen by about 40 per cent in 1969-70.

1.46. The Committee, therefore, apprehend that Government were unduly alarmed by the decline in exports during 1969-70 and cash assistance was resorted to on an ad hoc basis, without a scientific evaluation of the costs and f.o.b. realisations. Even conceding that there could be some justification for cash assistance, the Committee are of the view that since the quantum of assistance had been linked to f.o.b. realisations, Government ought to have proceeded on the basis of a precise cost-benefit analysis. In the absence of such an

analysis, it is not clear to the Committee how the need for cash assistance had been ascertained by Government. It is also not clear why the quantum of assistance had been fixed at 10 per cent of the f.o.b. realisation for February-March 1970 and subsequently extended, in January 1971, at 5 per cent of the f.o.b. realisation in respect of the exports made during October 1969—January 1970.

1.47. The Commerce Ministry has explained that the cost data furnished by the Processed Food Export Promotion Council in March 1968 had become obsolete by February 1970 when the decision to grant cash assistance on walnut exports was taken and that 'a whole lot of changes' had taken place between March 1968 and March 1970. This sounds vague and the Committee would stress that the Ministry should have obtained fresh data relating to the cost of exports and compared them with the f.o.b. realisations reported by the Director General, Commercial Intelligence & Statistics. A similar exercise should have been carried out in January 1971, when cash assistance of 5 per cent of f.o.b. realisation had been sanctioned retrospectively for the period October 1969—January 1970, especially in view of the fact that the Ministry could have known by then from the statistics of the Director General, Commercial Intelligence & Statistics that the average f.o.b. realisation during that period per kilogram of walnut kernel was Rs. 9.68. This should not have been difficult since there are only a limited number of walnut exporters and the market is also a small one, and the relevant data could have been obtained and correlated with the f.o.b. realisations with a view to ensuring that the assistance was, in fact, justified. Considering the fact that according to the records available in the office of the Joint Chief Controller of Imports & Exports, the monthly average f.o.b. realisation per kilogram of walnut exported during October 1969—January 1970 was between Rs. 8.48 and Rs. 10.54 for walnut kernels and Rs. 2.80 and Rs. 3.51 for walnut in shell, which were, in fact, substantially higher even than the cost of Rs. 6.16 and Rs. 2.42 respectively intimated by the trade as late as April 1971, the Committee are doubtful about the justification for this assistance. Government's handling of this issue seems to have been unsatisfactory.

1.48. The Committee also find that cash assistance of 10 per cent of f.o.b. realisations had been sanctioned, in January 1971, in respect of the exports made during the walnut season 1970-71 (October—March), without consulting the published statistics and the information available in the records of the Joint Chief Controller of Imports & Exports. Here again, the Committee are concerned to observe that the actual f.o.b. realisation for walnut kernel during 1970-71

ranged between Rs. 5.65 and Rs. 10.74 per kilogram (the lowest price of Rs. 5.65 being prevalent only in February 1971, when only 274 tonnes had been exported) and that for walnut in shell was Rs. 2.24 per kilogram in February 1971 and ranged between Rs. 2.78 to Rs. 3.21 in the other months. When these realisations are compared with the cost reported by the trade in April 1971, it is evident that there had been no loss on exports justifying the grant of cash assistance. In this connection, it is significant that when an attempt was at long last made, in August 1971, to correlate the f.o.b. realisations intimated by the trade with those available in the published statistics, it had been found that no cash assistance was justified for the period from April 1971 to September 1972. The Committee are unhappy that a similar exercise was not carried out before sanctioning cash assistance in respect of the exports made during the earlier periods. The entire approach of Government appears to have been entirely 'ad hoc' and by no means correct throughout. This is very much to be regretted and must not recur.

1.49. The basic defect in the system of granting cash assistance seems to be that there is no effective machinery available with Government to concurrently evaluate and review the market trends, the f.o.b. realisations and the impact of various kinds of assistance given for export Promotion, so that necessary changes and adjustments could be effected promptly as soon as wide fluctuations came to notice. Consequently, the assistance given from time to time has had little or no relevance to the realities of the situation at a given point of time and more often than not, such assistance proved to have been not only a drag on the exchequer but in the result infructuous. The Committee, therefore, desire that a suitable machinery for a concurrent review of the relevant factors should be devised so as to ensure that the trade does not derive undue benefits from the fact that all the relevant information may not be readily available to the administrative Ministry concerned.

1.50. The Committee have been informed that there is usually a time lag of about six months between the information that is collected by the Director General, Commercial Intelligence & Statistics and the relevant period for which the information is required. This is not a very satisfactory arrangement. That this should be so despite the introduction of mechanical compilation in the Directorate is a matter for concern. The Committee desire that the existing arrangements for the collection and dissemination of information relating to commercial intelligence and statistics should be critically reviewed and necessary corrective measures taken without delay so that the information system serves as an aid to decision making.

1.51. Viewed in retrospect, it would appear that the main factors contributing to the fall in exports of walnuts were lower internal production, deterioration in the quality of Indian walnuts and the increase in internal consumption. In such circumstances, cash assistance could hardly make any impact. Unfortunately, no steps had apparently been taken to increase production and regulate suitably the internal market. In determining the quantum of assistance, the internal profitability should have also been taken into account. A policy of promoting exports at any cost without taking the necessary corresponding steps to control internal prices and consumption and to increase production does not appear sound. What is required is an integrated and coordinated approach to the entire question and not a propensity towards ad hoc and piece-meal-fiats.

1.52. The Committee are concerned about the complaints regarding deterioration in the quality of walnuts exported from India, as reported by the Indian Institute of Foreign Trade. This kind of thing has affected our exports adversely. The Committee note that certain steps are said to have been taken by Government in this regard. Such steps should be properly enforced and the position carefully and constantly kept under watch.



## II

### CASH ASSISTANCE FOR IMPORT OF RAW JUTE FIBRE

#### *Audit Paragraph.*

2.1. Consequent on devaluation of Indian Rupee, Government approved in October 1966 payment of *ad hoc* cash assistance to the jute industry for import of raw jute|mesta with a view to increase production, avoid unemployment, stabilise prices of jute goods and step up exports. The rates of assistance per tonne were Rs. 500 for jute and Rs. 250 per mesta and jute cuttings imported. Under this scheme, 57 mills were granted cash assistance of Rs. 694.94 lakhs during 1966-67 to 1970-71 for import of about 2.27 lakh tonnes of raw jute|mesta. The imports were made during June 1966 to March 1967.

2.2. One of the conditions prescribed for grant of *ad hoc* cash assistance was as follows:

“The imported fibre acquired wholly or substantially out of Government grants-in-aid would not without prior sanction of the Central Government be disposed of or encumbered or utilised for purpose other than for the manufacture of jute for export. The Jute Commissioner shall satisfy himself regarding the fulfilment of this condition and shall give a certificate to this effect to Audit.”

The Jute Commissioner has neither verified the condition of export performance nor furnished the requisite certificate to Audit even six-seven years after import of raw jute|mesta. The Ministry stated (February 1974) that it had not been possible for the Jute Commissioner to ascertain the extent to which the mills had exported jute goods made out of the subsidised imported jute as the mills had not submitted to him relevant documents, authenticated by the Central Excise and Customs department, showing that they had exported jute manufactured from imported jute fibres|mesta.

2.3. The following further facts have also been noticed:—

- (i) About 150 tonnes of raw jute|mesta imported during June 1966 and March 1967 for which cash assistance of Rs. 0.38 lakh was paid by the Jute Commissioner were sold by one mill without approval of Government. The Ministry

stated (February 1974) that the Ministry of Law was being consulted to find out whether any action could be taken against the mill.

- (ii) Cash assistance of Rs. 0.74 lakh was paid to thirty mills for about 228 tonnes of raw jute|mesta which were not actually received. Of Rs. 0.74 lakh, Rs. 0.25 lakh only had been refunded by nineteen mills by September 1973. The Ministry stated (February 1974) that the Jute Commissioner had already initiated action for recovery of the balance Rs. 0.49 lakh.
- (iii) Cash assistance was admissible for four different grades of mesta, viz., super, 'A', 'B' and 'C'. Seven mills were paid cash assistance of Rs. 3.68 lakhs for import of about 1,470 tonnes of jute|mesta which were shown in the shipping documents and invoices as of grades 'C' and above, but they had actually imported mesta of quality inferior to 'C'. The Ministry intimated (February 1974) that Rs. 5,703 had been recovered and action was being taken for recovery of the balance.
- (iv) Payment for jute|mesta imported by the mills was made in foreign exchange. Claims for refund on account of short-receipt, inferior quality of fibres etc. were realised in foreign exchange by three mills only. Two more mills were reported to have preferred their claims in foreign exchange aggregating £ 4,147 (rupee equivalent: Rs. 88,266). Nine mills claimed between December 1966 and March 1971 Rs. 6.17 lakhs from the foreign suppliers/local brokkers in rupee instead of foreign currency, of which Rs. 2.03 lakhs had been received by five mills. Thus, failure to claim the refund in foreign exchange by these nine mills resulted in loss of foreign exchange to the country. The amount of loss of foreign exchange in the cases of remaining forty three mills could not be assessed as the information which the Jute Commissioner had called for from these mills in May 1972 had not been furnished (November 1973). The Ministry stated (February 1974) that the mills had claimed refund in foreign exchange or in Indian currency depending on the terms and conditions of the contracts.

[Paragraph 31 of the Report of the Comptroller and Auditor General of India for the year 1972-73. Union Government (Civil)].

2.4. One of the conditions prescribed for the grant of *ad hoc* cash assistance to the jute industry for the import of raw jute or mesta was that the imported fibre acquired wholly or substantially out of Government grants-in-aid was not to be disposed of or encumbered or utilised for purposes other than for the manufacture of jute goods for export, without the prior approval of the Central Government. The fulfilment of the condition by the beneficiary mills was to be watched by the Jute Commissioner who was to furnish a certificate to this effect to Audit. The Audit paragraph, however, points out that the Jute Commissioner had neither verified the condition of export performance nor had furnished the requisite certificate to Audit, even six to seven years after the subsidised imports had been effected.

2.5. According to the Audit paragraph, the Ministry of Commerce had stated in February 1974, it had not been possible for the Jute Commissioner to ascertain the extent to which the mills had exported jute goods made out of the subsidised imported jute as the mills had not submitted to him the relevant documents, authenticated by the Central Excise and Customs departments, showing that they had exported jute goods manufactured from imported jute fibres or mesta. The Committee enquired whether the relevant documents had since been received and, if not, the action taken to obtain them. The Committee also desired to know whether it was now feasible, after the lapse of a considerable period of time, to obtain information from the available records. In a written reply, the Ministry of Commerce stated:

“The Jute Commissioner had finalised the procedure for issuing utilisation certificates as per the conditions laid down in Government’s letter No. 8(3)Tex.(D) 66, dated the 31st May, 1967, which *inter alia* required the mills to submit evidence on the basis of AR 4 forms duly completed and authenticated by the Central Excise and Customs authorities in February 1972. The Jute Mills could not comply with this procedure prescribed in view of the fact that 70 per cent of the mills did not directly export the goods manufactured and it is the shippers who took care of exports. The mills had represented to the Jute Commissioner their difficulties, and the whole question on the basis of which the Jute Commissioner would satisfy himself that the conditions prescribed while giving cash assistance have in fact been fulfilled, was reconsidered in the Ministry of Commerce in consultation with the Ministry of Finance. After re-examining all aspects of the matter

it was decided in July 1974 that the Jute Commissioner could issue utilisation certificates taking into account the following matters:

- (i) Chartered Accountant's certificate verifying particulars given by the individual jute mills on the basis of the RG. 1 Register maintained by them.
- (ii) An analysis of the overall consumption of raw jute and production and despatch of jute goods of each of the mills during the relevant period, and
- (iii) A test check of AR, 4 forms available with the Excise authorities in respect of exports.

The R.G. 1 register is a permanent record where entries are authenticated by excise authorities. At the relevant period when the raw jute was imported and production for export had taken place, officers of the Excise Department were posted in the mills and they had authenticated the entries in the RG. 1 register.

On the basis of these instructions, the Jute Commissioner has already issued utilisation certificates on full in respect of 27 out of 57 mill companies. In respect of 18 other mills, utilisation certificates covering all but a small quantity have been issued. While it should be possible to obtain information from the records in almost all the cases, there have been three cases where records have been destroyed by fire or floods. These are Budge Budge, Delta and Chevaid. In these cases the mills have been asked to produce collateral evidence. The matter is being actively pursued by the Jute Commissioner."

2.6. In one case, about 150 tonnes of imported raw jute, for which cash assistance of Rs. 0.38 lakh was paid, had been sold by a mill without Government's approval and the Ministry of Commerce had informed Audit that the Ministry of Law was being consulted to find out whether any action could be taken against the mill. The Committee enquired about the advice of the Ministry of Law in this case and the action taken on the basis of that advice. In a written note furnished to the Committee in this regard, the Ministry of Commerce replied:

"The entire amount has been recovered on 24-5-1974. The Ministry of Law who were consulted in the matter have

opined that no further action can be taken against the mills."

2.7. The Audit paragraph also points out that cash assistance of Rs. 0.74 lakhs was paid to 30 mills for about 228 tonnes of raw jute mesta which were not actually received and that out of this amount only Rs. 0.25 lakh had been refunded by 19 mills by September 1973. The Committee desired to know why cash assistance had been paid on quantities not actually received and whether the balance amount of Rs. 0.49 lakh had since been recovered from the remaining 11 mills. In a written reply, the Ministry of Commerce stated:

"Cash assistance had been paid on the basis of weights recorded at the time of imports. Audit figures of weight were on the basis of weight at the mills. There were small differences in the weights due to shrinkage, transit loss etc. and assistance given on this have been recovered from the mills. In this case also the remaining 0.49 lakh have been recovered."

2.8. As regards the payment of cash assistance of Rs. 3.68 lakhs to seven mills who had actually imported mesta of quality inferior to grade 'C', the Committee learnt from Audit that the Jute Commissioner had intimated, in November 1967, as follows:

"We have admitted claims for grant of cash assistance on import of Thai mesta only in those cases where we have been satisfied after examination of relevant documents that the goods imported and actually received and taken into stock are of 'C' grade and grades above 'C'."

In view of this statement by the Jute Commissioner, the Committee desired to know how it was found subsequently that certain quantities of imported mesta were of quality inferior to grade 'C'. In a written reply, the Ministry of Commerce stated:

"With regard to the quality of mesta imported there were only 3 grades. There are a number of characteristics which go into the making of a particular grade like the colour of the jute, the quality of the fibre etc. Even within a grade there are possibilities of differences in these particular characteristics. At the time of import there was no grade inferior to 'C' grade at all. However, within 'C' grade, on the basis of differences in colour etc., certain quantities were classified as claimable 'C' grade."

This would mean that they continue to be 'C' grade but to be considered as quantities in respect of which a claim could be preferred. The cash assistance was in any case payable so long as it fell within the 'C' grade. It is only in two cases that mesta supplied could not be classified as mesta and fell into the category known as habijabi and inferior cutting. This is in regard to National Co. and the Reliance Jute Mills who had been paid Rs. 3309 and Rs. 2394 as cash assistance and in both these cases the cash assistance has been recovered."

2.9. Yet another aspect highlighted by Audit was that while payments for jute or mesta imported were made in foreign exchange, claims for refund on account of short receipt, inferior quality of fibres, etc., had been realised in foreign exchange by three mills only. Two more mills had been reported to have preferred their claims in foreign exchange while nine others had claimed refunds from the foreign suppliers or local brokers in rupee instead of foreign currency. Since the failure to claim refunds in foreign exchange resulted in loss of foreign exchange to the country, the Committee asked whether Government could not insist that all refunds should be asked for in foreign exchange. The Committee also enquired into the refunds claimed by the remaining mills in rupees and in foreign currency. In a note furnished to the Committee, the Ministry of Commerce replied:

"The jute was imported mostly through local brokers. The responsibility for claiming of refund etc. is that of the brokers and if they have not done it the matter is one of violation of foreign exchange regulations. The Jute Commissioner does not have the machinery to go into this.

The Jute Commissioner, however, has made a reference to the Reserve Bank of India, in respect of 57 mills with facts and figures. He had requested them to make such verifications as they can to see if any violation of the foreign exchange regulations has been made and take action as required. From the facts that Jute Commissioner has been able to ascertain, 35 mill companies had preferred claims out of which 16 had preferred claims partly in rupees and partly in foreign exchange. Three mills had preferred claims entirely in foreign exchange out of which one had preferred the claim directly with the ex-

porter. 16 had preferred through brokers, entirely in rupees. The Reserve Bank of India has been furnished all these facts."

2.10. The Committee are perturbed over the delay on the part of the Jute Commissioner in verifying the export performance of 57 jute mills which had been granted ad hoc cash assistance to the extent of Rs. 694.94 lakhs on the imports of raw jute or mesta made by them between June 1966 and March 1967 and also in furnishing the requisite utilisation certificates to Audit, even after the lapse of six to seven years. Apparently, the jute mills could not comply with the procedure prescribed for the submission of necessary evidence of export performance on the basis of AR-4 forms duly completed and authenticated by the Central Excise and Customs authorities, in view of the fact that 70 per cent of the mills did not even directly export the goods manufactured. It was only after simplifying the procedure, in July 1974, that the Jute Commissioner appears to have been in a position to issue utilisation certificates in full in respect of 27 of the 57 mills and partly in respect of 18 other mills. The Committee are unable to condone the apparent failure to have the modalities worked out in all essential details before the grant of cash assistance. Further, the Committee would like to know why it had taken Government some eight years to revise, with only partial success, the procedure in this regard.

2.11. The Committee are doubted have for the simplified procedure could be considered adequate, especially in the light of the lapse of a considerable time after the imports and the reliance now laid on the certificates of Chartered Accountants who have been entrusted with the task of verifying the particulars furnished by the individual jute mills. It is clear to the Committee that sufficient care had not been exercised to devise initially a fool-proof system of verifying the export performance of the mills which had been paid cash assistance on their imports. The Committee, therefore, desire that the circumstances leading to the predicament under review should be examined in detail forthwith and responsibility fixed for the failure to safeguard adequately the interests of Government.

2.12. Vigorous and concerted efforts should also be made by the Jute Commissioner, after satisfying himself thoroughly of the claims of export performance made by the mills, to issue utilisation certificates in full in respect of the 18 mills for whom only partial certificates are yet to be issued. The Committee would particularly like special attention to be paid to the three mills whose records are

alleged to have been destroyed by fire or floods and the utilisation certificates issued only after a proper check and verification. The Committee would await a further detailed report in this regard.

2.13. The Committee find that even though one of the conditions prescribed for the grant of ad hoc cash assistance to the jute industry stipulated that he imported libre acquired wholly or substantially out of Government grants-in-aid was not to be disposed of without Government approval, about 150 tonnes of imported raw jute/mesta, for which cash assistance of Rs. 0.38 lakh was paid, had been sold by a mill without obtaining the necessary approval and that the Ministry of Law have opined that apart from recovering the cash assistance paid to the mill, no further legal action can be taken. The Committee are of the view that such a situation could have been avoided if adequate penal measures for the violation of the conditions of grant of cash assistance had been provided for. The Committee would like to know if Government had contemplated, and asked legal advice about, the provision of penal clauses in the conditions governing the grant of cash assistance in order to prevent recipients from abusing such grant and/or vitiating its purpose by exploitation of alleged loopholes. The Committee recommend that adequate safeguards be made a built-in feature of the conditions so that misuse of the facility of subsidised imports may be stringently penalised and effectively prevented.

2.14. Another aspect which causes serious concern to the Committee is the apparent violation of Foreign Exchange Regulations by some mills in claiming refunds on account of short receipt, inferior quality of fibres, etc. in rupees instead of in foreign currency. Since the failure, on the part of the mills, to claim refunds in foreign exchange has resulted in loss of valuable and scarce foreign exchange to the country, the Committee desire that all such cases should be investigated by the Reserve Bank of India, in consultation with the Enforcement Directorate, on the basis of the facts and figures stated to have been furnished by the Jute Commissioner and appropriate action taken against the delinquents. The Committee urge strongly that since these cases are now almost a decade old, the investigations should be completed as expeditiously as possible and the Committee informed of the progress made and the concrete action taken against the delinquents.

2.15. The Committee find from the Audit paragraph that seven mills were paid cash assistance of Rs. 3.68 lakhs for import of about 1,470 tonnes of jute/mesta which were shown in the shipping documents and invoices as of grades 'C' and above, but they had actually



imported mesta of quality inferior to grade 'C', for which no cash assistance was admissible. The Ministry had informed Audit (February 1974) that Rs. 5,703 had been recovered and action was being taken for the recovery of the balance. The Committee would like to be informed whether the balance amount of Rs. 3.62 lakhs has since been recovered and whether the circumstances in which the assistance had been irregularly paid have been looked into with a view to fixing responsibility for the lapse.

NEW DELHI:  
APRIL 29, 1976  
Vaisakha 9, 1898(S)

H. N. MUKERJEE,  
Chairman.  
Public Accounts Committee.

## APPENDIX I

### ANNEXURE III (a)

#### GOVERNMENT OF JAMMU & KASHMIR PLANNING DEPARTMENT

S. K. Sahgal, I.A.S.,  
Commissioner for Planning and Development  
and Secretary to J&K Govt., Planning,  
Civil Secretariat, Srinagar, Kashmir, J&K.

D.O. No. Ind-28/69-Ps.  
Srinagar,  
the 19th July, 1969.

Dear Shri Bannerji,

As you must be aware, our State is the principal exporter of walnuts both shelled and unshelled from India. We are, however, worried about the declining quantum of our exports in the past few years. The following figures of exports in the last six years will indicate that the quantum of exports has been reduced from over 5,000 tonnes to around 3,000 tonnes annually. We further learn that in the year 1968-69 there has been a sharp decline even in the value of exports of Rs. 75—lakhs only

Year	(Quantity in tonnes)	(F.O.B. Value in Rs.)
1962-63	5,144	1,28,32,000
1963-64	5,614	1,48,67,000
1964-65	4,885	1,37,06,000
1965-66	4,220	1,21,40,000
1966-67	4,884	1,84,37,000
1967-68	3,360	1,51,00,000

Recently we have enquired into the matter in great detail and our feeling is that the main reason for this decline in exports is the closure of the Suez Canal, which had a twofold impact. Firstly as

the walnuts are required to reach the U.K. and other Western Markets well before Christmas, the closure of the Suez Canal has resulted in putting sharp limitations on the time of despatch. Our crop comes into market in the middle of September and after processing and grading etc. it has to reach the port towns by the middle of October at the latest to catch the Christmas market. This has put a premium on quick transport and our exporters have had to resort to road transport from our State to the Port towns resulting in very high transport charges (as compared to the rail transport used earlier).

Secondly as walnuts have to be shipped by a longer route the sea freight charges have also gone up. This has discouraged the trade from vigorously entering the export market where, as you know, our main competitor is China.

In order to ensure, therefore, that the level of exports of walnuts is maintained, if not increased, we feel that it is very necessary to compensate the exporters sufficiently for the increased transport costs, since it is not feasible, nor within the control of the Government, to reduce the road transport charges or the increased sea freight charges. The State Government are, therefore, of the view that the Government of India should consider revival of the cash assistance scheme which was in vogue for walnut exporters till devaluation of the rupee we feel that a cash assistance of 10 per cent of the F.O.B. value of the exports would be necessary to sufficiently compensate the exporters for the increased transport costs. The Union Government may also consider the grant of higher cash assistance to those exporters who export walnuts by air, as we feel that if air transport is encouraged the present volume of exports can be increased.

It is requested that the matter may kindly be considered at the earliest convenience and the necessary decision taken well in time to enable our exporters to improve their performance during the forthcoming walnut season commencing in September, 1969.

With kind regards,

Yours sincerely,

Sd/-

(S. K. Sahgal)

Shri A. C. Benerji,  
Joint Secretary,  
Ministry of External Trade & Supplies,  
Government of India, Udyog Bhavan,  
New Delhi.

## APPENDIX II

### ANNEXURE III (b)

#### DIRECTORATE OF INDUSTRIES & COMMERCE JAMMU AND KASHMIR GOVERNMENT

W. S. Tambe, IAS  
Director.

D.O. No. HC/215/399  
Srinagar, the 8th June, 70.

Dear Shri Modawal,

You may recall that at the meeting held last September at Srinagar to consider various measures of promotion exports from the State of Jammu and Kashmir during the visit of Shri K. B. Lall, it was agreed among other things that the Government of India could consider the grant of cash incentive of walnut exports, keeping in view the increase in the transportation costs.

We understand that the Central Government has now agreed to provide a cash incentive to the extent of 10 per cent on the f.o.b. export value of walnuts from 1-2-1970. While this decision is to be welcome, I have to point out that the bulk of the exports of walnuts take place in the period Oct.—Jan. According to the figures which we have collected (as per enclosed statement) are more than 94.00 lakhs worth of exports occurred in the period October, 69—January, 70, as compared to exports of only Rs. 42.48 lakhs in the period Feb.—April, 1970. The grant of incentive from 1-2-1970 will thus deprive the exporters from receiving the incentive for the major portion of the exports and this is bound to adversely effect the trade.

It is also felt that the grant of such an incentive mid-way between the exporting season will create an anomalous position and result in discrimination between different exporters.

I have already sent you a telegram in this regard (copy of which is enclosed for ready reference) and I would again request you that decision to provide cash incentive on the export of walnuts (the

need for which has already been appreciated by you) should be given effect from Oct. 69 instead from 1st Feb. 1970. We expect that this is likely to encourage a substantially increased level of export of walnuts from the State in the forth-coming season.

With kind regards,

Yours sincerely,

Sd/-

(W. S. Tambe)

Shri C. N. Modawal,  
Director,  
Ministry of Foreign Trade,  
Government of India,  
New Delhi.

The following are the figures of walnut exports from October, 1969 to April, 1970.

October 1969.	Rs. 1,26,321/-
November 1969.	Rs. 29,09,740/-
December 1969.	Rs. 29,82,036/-
January 1970.	Rs. 34,00,000/-
Total:	<u>Rs. 94,18,097/-</u>
February 1970.	Rs. 16,66,499/-
March 1970.	Rs. 10,59,746/-
April 1970.	Rs. 15,22,376/-
Total:	<u>Rs. 42,48,621/-</u>
Grand total from October 1969 to April, 1970. }	Rs. 94,18,097/-
	<u>Rs. 42,48,621/-</u>
	Rs. 1,36,66,718/-

### APPENDIX III

#### Main Conclusions/Recommendations

Sj. No.	Para No.	Ministry Concerned	Recommendation/conclusion
1	2	3	4
1	1.44	Ministry of Commerce	The Committee note that the cash assistance of 10 per cent of f.o.b. realisation allowed on the exports of walnuts from October 1964 and discontinued on devaluation of the Rupee (6 June 1966) was revived by Government in March 1970 and made applicable to the exports (excluding those made under barter deals) during February-March 1970. The decision had been taken on the basis of representations from the trade and the recommendations of the Processed Food Export Promotion Council which, in turn, were based on the data relating to the export of walnut kernels in March 1968 furnished by one of the five principal exporters in the country. It had been claimed on the basis of this data, that the exporter would lose 34 paise per kilogram on his exports of walnut kernels, the f.o.b. realisation being Rs. 5.14 against the cost of Rs. 5.48. However, according to the published statistics of the Director General, Commercial Intelligence & Statistics, the average f.o.b. realisation from the exports of kernels in 1968-69 was Rs. 7.92 per kilogram

1	2	3	4
			(Rs. 2.44 more than the cost of Rs. 5.48 intimated by the trade to Government). The exporter had also not furnished any details in regard to exports of walnut in shell, while, according to the statistics of the Director General, the average f.o.b. realisation from such exports was Rs. 2.97 per kilogram.
2	1.45	Ministry of Commerce	<p>Even though the data compiled by the official agency indicated that the f.o.b. realisations were more than the cost intimated by the trade, the actual f.o.b. realisations had not been taken into account by Government in arriving at the decision to grant cash assistance and in determining the quantum of assistance for the period February-March 1970. Reliance had been placed instead on the details furnished by the trade, on the ground that the data relating to f.o.b. realisations 'were not germane for a decision on this issue'. It has been stated that during this period the problem was one of diverting walnuts from internal sales to exports and that the cash assistance had been sanctioned 'more on the grounds of making our own goods competitive compared to our other competing sources and also to ensure that there is a certain amount of sustained effort in regard to export and to maintain the level of exports'. The 'considerable drop' in exports of walnuts during 1969-70 and the consequent need to 'push up' exports of the commodity have been cited as factors necessitating the grant of cash assistance. However, according to Government's own admission the exports of 5,306 tonnes achieved in 1968-69 were entirely on account of certain 'extraneous</p>

and fortuitous circumstances', with China, India's main competitor in walnut trade, being out of the picture. Besides, internal production of walnuts had also fallen by about 40 per cent in 1969-70.

3        I.46        —do—

The Committee, therefore, apprehend that Government were unduly alarmed by the decline in exports during 1969-70 and cash assistance was resorted to on an *ad hoc* basis, without a scientific evaluation of the costs and f.o.b. realisations. Even conceding that there could be some justification for cash assistance, the Committee are of the view that since the quantum of assistance had been linked to f.o.b. realisations, Government ought to have proceeded on the basis of a precise cost-benefit analysis. In the absence of such an analysis, it is not clear to the Committee how the need for cash assistance had been ascertained by Government. It is also not clear why the quantum of assistance had been fixed at 10 per cent of the f.o.b. realisation for February-March 1970 and subsequently extended, in January 1971, at 5 per cent of the f.o.b. realisation in respect of the exports made during October 1969—January 1970.

4        I.47        -do-

The Commerce Ministry has explained that the cost data furnished by the Processed Food Export Promotion Council in March 1968 had become obsolete by February, 1970 when the decision to grant cash assistance on walnut exports was taken and that 'a whole lot of changes' had taken place between March 1968 and March 1970. This sounds vague and the Committee would stress that the Ministry should have obtained fresh data relating to the



cost of exports and compared them with the f.o.b. realisations reported by the Director General, Commercial Intelligence and Statistics. A similar exercise should have been carried out in January 1971, when cash assistance of 5 per cent of f.o.b. realisation had been sanctioned retrospectively for the period October 1969—January 1970, specially in view of the fact that the Ministry could have known by then from the statistics of the Director General, Commercial Intelligence and Statistics that the average f.o.b. realisation during that period per kilogram of walnut kernel was Rs. 9.68. This should not have been difficult since there are only a limited number of walnut exporters and the market is also a small one, and the relevant data could have been obtained and correlated with the f.o.b. realisations with a view to ensuring that the assistance was, in fact, justified. Considering the fact that according to the records available in the office of the Joint Chief Controller of Imports and Exports, the monthly average f.o.b. realisation per kilogram of walnut exported during October 1969—January 1970 was between Rs. 8.48 and Rs. 10.54 for walnut kernels and Rs. 2.80 and Rs. 3.51 for walnut in shell, which were, in fact, substantially higher even than the cost of Rs. 6.16 and Rs. 2.42 respectively intimated by the trade as late as April 1971, the Committee are doubtful about the justification for this assistance Government's handling of this issue seems to have been unastisfactory.

The Committee also find that cash assistance of 10 per cent of f.o.b. realisations had been sanctioned, in January 1971, in respect of the exports made during the walnut season 1970-71 (October-March), without consulting the published statistics and the information available in the records of the Joint Chief Controller of Imports and Exports. Here again, the Committee are concerned to observe that the actual f.o.b. realisation for walnut kernel during 1970-71 ranged between Rs. 5.65 and Rs. 10.74 per kilogram (the lowest price of Rs. 5.65 being prevalent only in February 1971, when only 274 tonnes had been exported) and that for walnut in shell was Rs. 2.24 per kilogram in February 1971 and ranged between Rs. 2.73 to Rs. 3.21 in the other months. When these realisations are compared with the cost reported by the trade in April 1971, it is evident that there had been no loss on exports justifying the grant of cash assistance. In this connection, it is significant that when an attempt was at long last made, in August 1971, to correlate the f.o.b. realisations intimated by the trade with those available in the published statistics, it had been found that no cash assistance was justified for the period from April 1971 to September 1972. The Committee are unhappy that a similar exercise was not carried out before sanctioning cash assistance in respect of the exports made during the earlier periods. The entire approach of Government appears to have been entirely 'ad hoc' and by no means correct throughout. This is very much to be regretted and must not recur

The basic defect in the system of granting of cash assistance seems to be that there is no effective machinery available with

---

Government to concurrently evaluate and review the market trends, the f.o.b. realisations and the impact of various kinds of assistance given for export promotion, so that the necessary changes and adjustments could be effected promptly as soon as wide fluctuations came to notice. Consequently, the assistance given from time to time has had little or no relevance to the realities of the situation at a given point of time and more often than not, such assistance proved to have been not only a drag on the exchequer but in the result infructuous. The Committee, therefore, desire that a suitable machinery for a concurrent review of the relevant factors should be devised so as to ensure that the trade does not derive undue benefits from the fact that all the relevant information may not be readily available to the administrative Ministry concerned.

44

7. 1.50 Ministry of Commerce

The Committee have been informed that there is usually a time lag of about six months between the information that is collected by the Director General, Commercial Intelligence and Statistics and the relevant period for which the information is required. This is not a very satisfactory arrangement. That this should be so despite the introduction of mechanical compilation in the Directorate is a matter for concern. The Committee desire that the existing arrangements for the collection and dissemination of information relating to commercial intelligence and statistics should be critically reviewed and necessary corrective measures taken without

delay so that the information system serves as an aid to decision making.

8. 1.51 —do—

Viewed in retrospect, it would appear that the main factors contributing to the fall in exports of walnuts were lower internal production, deterioration in the quality of Indian walnuts and the increase in internal consumption. In such circumstances, cash assistance could hardly make any impact. Unfortunately, no steps had apparently been taken to increase production and regulate suitably the internal market. In determining the quantum of assistance, the internal profitability should have also been taken into account. A policy of promoting exports at any cost without taking the necessary corresponding steps to control internal prices and consumption and to increase production does not appear sound. What is required is an integrated and coordinated approach to the entire question and not a propensity towards *ad hoc* and piece-meal flats.

9. 1.52 —do—

The Committee are concerned about the complaints regarding deterioration in the quality of walnuts exported from India, as reported by the Indian Institute of Foreign Trade. This kind of thing has affected our exports adversely. The Committee note that certain steps are said to have been taken by Government in this regard. Such steps should be properly enforced and the position carefully and constantly kept under watch.

10. 2.10 —do—

The Committee are perturbed over the delay on the part of the Jute Commissioner in verifying the export performance of 57 jute

mills which had been granted *ad hoc* cash assistance to the extent of Rs. 694.94 lakhs on the imports of raw jute or mesta made by them between June 1966 and March 1967 and also in furnishing the requisite utilisation certificates to Audit, even after the lapse of six to seven years. Apparently, the jute mills could not comply with the procedure prescribed for the submission of necessary evidence of export performance on the basis of AR-4 forms duly completed and authenticated by the Central Excise and Customs authorities, in view of the fact that 70 per cent of the mills did not even directly export the goods manufactured. It was only after simplifying the procedure, in July 1974, that the Jute Commissioner appears to have been in a position to issue utilisation certificates in full in respect of 27 of the 57 mills and partly in respect of 18 other mills. The Committee are unable to condone the apparent failure to have the modalities worked out in all essential details before the grant of cash assistance. Further, the Committee would like to know why it had taken Government some eight years to revise, with only partial success, the procedure in this regard.

46

11.

2.11

Ministry of Commerce

The Committee are doubtful how far the simplified procedure could be considered adequate, especially in the light of the lapse of a considerable time after the imports and the reliance now laid on the certificates of Chartered Accountants who have been entrusted with the task of verifying the particulars furnished by the individual

jute mills. It is clear to the Committee that sufficient care had not been exercised to devise initially a fool-proof system of verifying the export performance of the mills which had been paid cash assistance on their imports. The Committee, therefore, desire that the circumstances leading to the predicament under review should be examined in detail forthwith and responsibility fixed for the failure to safeguard adequately the interests of Government.

12. 2.12 —do—

Vigorous and concerted efforts should also be made by the Jute Commissioner, after satisfying himself thoroughly of the claims of export performance made by the mills, to issue utilisation certificates in full in respect of the 18 mills for whom only partial certificates are yet to be issued. The Committee would particularly like special attention to be paid to the three mills whose records are alleged to have been destroyed by fire or floods and the utilisation certificates issued only after a proper check and verification. The Committee would await a further detailed report in this regard.

13. 2.13 —do—

The Committee find that even though one of the conditions prescribed for the grant of *ad hoc* cash assistance to the jute industry stipulated that the imported fibre acquired wholly or substantially out of Government grants-in-aid was not to be disposed of without Government's approval, about 150 tonnes of imported raw jute/mesta, for which cash assistance of Rs. 0.38 lakh was paid, had been sold by a mill without obtaining the necessary approval and that the Ministry of Law have opined that apart from recovering the cash assistance paid to the mill, no further legal action can be taken. The

Committee are of the view that such a situation could have been avoided if adequate penal measures for the violation of the conditions of grant of cash assistance had been provided for. The Committee would like to know if Government had contemplated, and asked legal advice about, the provision of penal clauses in the conditions governing the grant of cash assistance in order to prevent recipients from abusing such grant and/or vitiating its purpose by exploitation of alleged loopholes. The Committee recommend that adequate safeguards be made a built-in feature of the conditions so that misuse of the facility of subsidised imports may be stringently penalised and effectively prevented.

14.

2.14

Ministry of Commerce

Another aspect which causes serious concern to the Committee is the apparent violation of Foreign Exchange Regulations by some mills in claiming refunds on account of short receipt, inferior quality of fibres, etc. in rupees instead of in foreign currency. Since the failure, on the part of the mills, to claim refunds in foreign exchange has resulted in loss of valuable and scarce foreign exchange to the country, the Committee desire that all such cases should be investigated by the Reserve Bank of India, in consultation with the Enforcement Directorate, on the basis of the facts and figures stated to have been furnished by the Jute Commissioner and appropriate action taken against the delinquents. The Committee urge strongly that since these cases are now almost a decade old, the investigations should be completed as expeditiously as possible and the Committee

informed of the progress made and the concrete action taken against the delinquents.

15.

2.15

—do—

The Committee find from the Audit paragraph that seven mills were paid cash assistance of Rs. 3.68 lakhs for import of about 1,470 tonnes of jute/mesta which were shown in the shipping documents and invoices as of grades 'C' and above, but they had actually imported mesta of quality inferior to grade 'C', for which no cash assistance was admissible. The Ministry had informed Audit (February 1974) that Rs. 5.703 had been recovered and action was being taken for the recovery of the balance. The Committee would like to be informed whether the balance amount of Rs. 3.62 lakhs has since been recovered and whether the circumstances in which the assistance had been irregularly paid have been looked into with a view to fixing responsibility for the lapse.

49



Sl. No.	Name of Agent	Sl. No.	Name of Agent
<b>WEST BENGAL</b>		32.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.
21.	Grantholoka, 5/1, Ambica Mookherjee Road, Belgharia, 24-Paraganas.	33.	Bahree Brothers, 188, Lajpat Rai Market, Delhi-6.
22.	W. New Man & Company Ltd., 3, Old Court House Street, Calcutta.	34.	Jayna Book Depot, Chhapparwala Kuan, Karol Bagh, New Delhi.
23.	Firma K. L. Mukhopadhyay, 6/1-A, Banchharam Akrur Lane, Calcutta-12.	35.	Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi.
24.	Mrs. Manimala, Buys & Sells, 128, Bow Bazar Street, Calcutta-12.	36.	People's Publishing House, Rani Jhansi Road, New Delhi.
25.	M/s. Mukerji Book House, Book Seller, 8B, Duff Lane, Calcutta.	37.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.
<b>DELHI</b>		38.	Hind Book House, 82, Janpath, New Delhi.
26.	Jain Book Agency, Connaught Place, New Delhi.	39.	Book Well, 4, Sant Nirankari Colony, Kingsway Camp, Delhi-9.
27.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	40.	M/s. Saini Law Publishing Co., 1899, Chandni Chowk, Delhi.
28.	Atma Ram & Sons. Kashmere Gate, Delhi-6.	<b>MANIPUR</b>	
29.	J. M. Jaina & Brothers, Mori Gate, Delhi.	41.	Shri N. Chaob Singh, News Agent, Ram Lal Paul High School Annexe, Imphal.—MANIPUR.
30.	The Central News Agency, 23/90, Connaught Place, New Delhi.		
31.	The English Book Store, 7-L, Connaught Circus, New Delhi.		

---

© 1976 BY LOK SABHA SECRETARIAT

PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF  
BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED BY THE GENERAL  
MANAGER, GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI.

---

