

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

(FIFTH LOK SABHA)

HUNDRED AND NINETY NINTH REPORT

MILO PURCHASED FROM ABROAD

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

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 159th Report (Fifth Lok Sabha) on Department of food]



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1976/Phalguna, 1897 (S)

Price : Rs. 1.10

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

Sl. No.	Name of Agent	Sl. No.	Name of Agent
ANDHRA PRADESH		MAHARASHTRA	
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.
ASSAM		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.
BIHAR		14.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-I.
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.
GUJARAT		MYSORE	
6.	Vijay Stores, Station Road, Anand.	17.	People Book House, Opp. Jaganmohan Palace, Mysore
7.	The New Order Book Company, Ellis Bridge, Ahmedabad-5.	RAJASTHAN	
HARYANA		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.
MADHYA PRADESH		UTTAR PRADESH	
9.	Modern Book House, Shiv Vilas Palace, Indore City.	20.	Law Book Company, Sardar Patel Marg, Allahabad-I.

Corrigenda to 199th Report of the Public
Accounts Committee (Fifth Lok Sabha).

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
(v)	3	4	adotped	adopted
9	L.15	Heading	inlemnity	indemnify
11	L.17	13	add "of" between the words "Department"& "Agriculture"	
13	1.22	11	intersts	interests

CONTENTS

		PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1975-76)	(iii)
INTRODUCTION	(v)
CHAPTER I	Report	I
CHAPTER II	Recommendations/Observations which have been accepted by Government	17
CHAPTER III	Recommendations/Observations which the Committee do not desire to pursue in view of the replies from Government	24
CHAPTER IV	Recommendations/Observations replies to which have not been accepted by the Committee and which require re-iteration	29
CHAPTER V	Recommendations/Observations in respect of which Government have furnished interim replies	37
APPENDIX I	News Reports from "The Economic Times" of 23-11-75 and "The Times of India" of 19-12-75	40
APPENDIX II	Summary of Main Conclusions/Observations	43

PARLIAMENT LIBRARY
(Library Assistance Service)

Central Govt Publications.

Acc. No. R. 111.111.111.111.111

Date 11/11/11

PUBLIC ACCOUNTS COMMITTEE

(1975-76)

Shri H. N. Mukerjee—*Chairman*

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 Munshi
11. Shri Narendra Singh
12. Shri Noorul Huda
13. Shri Shibban Lal Saksena
14. Shri N. K. Sanghi
15. Shri Somchand Solanki
16. Shri Mohammed 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 H. G. Paranjape—*Chief Financial Committee Officer.*

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

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Hundred and Ninety-Ninth Report on the action taken by Government on the recommendations of the Public Accounts Committee contained in their Hundred and Fifty-Ninth Report (Fifth Lok Sabha) on Department of Food.

2. On the 3rd June, 1975, an Action Taken Sub-Committee consisting of the following Members was appointed to scrutinise the replies from Government in their earlier Reports:—

Shri H. N. Mukerjee—*Chairman*

Shri V. B. Raju—*Convener*

Shri Priya Ranjan Das Munshi

Shri Darbara Singh

Shri N. K. Sanghi

Shri Rabi Ray

Shri Raja Kulkarni

Dr. K. Mathew Kurian

} *Members*

3. The Action Taken Sub-Committee of the Public Accounts Committee (1975-76) considered and adopted this Report at their sitting held on the 27th February, 1976. The Report was finally adopted by the Public Accounts Committee on the 8th March, 1976.

4. For facility of reference the conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. For the sake of convenience the recommendations/observations of the Committee have been appended to the Report in a consolidated form.

5. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Comptroller & Auditor General of India.

H. N. MUKERJEE,

Chairman,

Public Accounts Committee.

NEW DELHI;

March 9, 1976

Phalguna 19, 1897 (S)

REPORT

CHAPTER I

1.1. This Report deals with the action taken by Government on the recommendations/observations of the Public Accounts Committee contained in their 159th Report (Fifth Lok Sabha) on paragraph 27 of the Report of the Comptroller & Auditor General of India for the year 1972-73, Union Government (Civil) relating to 'Milo purchased from abroad'. The 159th Report was presented to Lok Sabha on 23rd April 1975.

1.2. Action Taken Notes in respect of all the 21 recommendations/observations contained in the Report have been received from Government, which have been categorised as follows:

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

Sl. Nos. 1, 2, 4, 5, 16, 17, 18 and 21.

- (ii) Recommendations/observations which the Committee do not desire to pursue in the light of the replies of Government:

Sl. Nos. 3, 6, 12 and 13.

- (iii) Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration:

Sl. Nos. 7, 8, 9, 10, 11 and 20.

- (iv) Recommendations/observations in respect of which Government have furnished interim replies:

Sl. Nos. 14, 15 and 19.

1.3. The Committee expect that final replies to those recommendations/observations in respect of which only interim replies have been furnished so far will be submitted expeditiously after getting them vetted by Audit.

1.4. The Committee will now deal with the action taken by Government on some of their recommendations/observations.

Quality Control and Pre-Shipment Inspection of Food grains Purchased from Abroad (Paragraphs 1.124, 1.125 and 1.127—Sl. Nos. 7, 8 and 10).

1.5. Dealing with the question of quality control and pre-shipment inspection of foodgrains purchased from abroad and the excessive reliance placed on the certificates of quality issued by the Grain Inspectors appointed by the US Government and by the Argentine Grain Board, the Committee had observed as follows in paragraphs 1.124, 1.125 and 1.127 of their Report:

“1.124 A glaring flaw in the contracts entered into by the India Supply Mission, Washington was that there was no stipulation regarding pre-shipment quality control and inspection of food supplies by independent agencies. Both in the case of USA and Argentina complete reliance was placed on the certificates of quality issued by the official inspection agencies of US Government and the Argentine Grain Board respectively. It has been stated that in regard to pre-shipment inspection of the supplies India Supply Mission was addressed by the Department of Food ‘to see what they could do to improve the situation, both at the US as well as the Argentinian end. They made requests to the Argentina Board and also the US Department of Agriculture. They could not do anything more than that’. Such an explanation only confirms the Committee’s apprehension that adequate attention was not given to the pre-shipment quality control of the foodgrains imported from abroad. The Department of Food was only anxious to purchase whatever stuff could be had. When foodgrains worth crores of rupees were being purchased and the presence of *dhatara* seeds in these foodgrains was a known fact, it was only reasonable that the India Supply Mission should have taken steps with a view to ensure that the supplies shipped to India not only conformed to the specifications of the exporting countries but also conformed to ‘our own standards and the conditions in our country, whether it is poisonous or non-poisonous’. This point was stressed by the Minister of Food & Agriculture in the Lok Sabha on the 7th March 1973.”

“1.125 The Committee regret to observe that the Department of Food as also the India Supply Mission, Washington

placed complete reliance on the paper certificates of quality issued by the Licensed Inspectors (they are not Government Inspectors and they are presumably paid by the sellers). The Committee fail to understand why the Department of Food did not consider it necessary to appoint their own inspectors for making pre-shipment inspection when there was no prohibition as such under the US law which debarred the buyers from making their own pre-shipment inspection. The Committee consider this to be a serious lapse which might have endangered the health of the consumers of contaminated milo in India. It also put the country to huge financial losses."

"1.127 In a statement made in the Lok Sabha on 2nd April 1973, the Minister of Agriculture *inter alia* stated that the India Supply Mission had been asked to make the pre-shipment inspection more strict. This only indicates that necessary precautions were not taken earlier. The Committee consider this to be a serious lapse and require fixation of responsibility and appropriate action under advice to the Committee."

1.6 In their Action Taken Notes dated 20 August 1975, on the above observations, the Ministry of Agriculture and Irrigation (Department of Food) have stated as follows:—

Sl. No. 7

"The Government do not agree with the observation made by the Committee that there was a glaring flaw in the contracts entered into by the India Supply Mission, Washington, in that there was no stipulation regarding pre-shipment quality control and inspection of food supplies by independent agencies. Under the U.S. laws it was mandatory on the part of the exporting countries that every grain exported by them be inspected by their agencies whose certificate shall be final with regard to quality. Since purchase made in the U.S. have got to be in conformity with the provisions of the U.S. laws the contracts entered into by the India Supply Mission, Washington which provided for pre-shipment inspection by the U.S. Agencies was a proper one. Since the responsibility for pre-shipment inspection was that of U.S. agencies which under the U.S. law was final, it cannot be said that adequate attention was not given to the aspect

of pre-shipment quality control of the foodgrains imported from abroad.

As soon as the presence of *Dhatura* in the milo was detected in 1973 the matter was taken up with the India Supply Mission who in turn took it up with the USDA authorities. Since under the US Specifications *Dhatura* seeds were not considered as deleterious material but were only considered as part of dockage and since purchases have to be made under US specifications it was not possible for the India Supply Mission to take steps to ensure that the supplies shipped to India conform to our own standards and the conditions in our country. As explained in detail before the Committee the only steps that could be taken was to have previous notice of shipments which contain *Dhatura* and to make arrangements in India to have the grain cleaned before it was consumed. This step was taken in that the India Supply Mission approached the USDA and tried to arrange for the inspection agencies to give information regarding the presence or otherwise of *Dhatura* in various shipments so that necessary precautionary measures could be taken in India before the grain was consumed.

The Minister of Food & Agriculture in his statement in the Lok Sabha on the 7th March did not say that India Supply Mission should have taken steps with a view to ensure that the foodgrains shipped to India not only conform to specifications of the exporting countries but also conform to our own standards and conditions in our country whether poisonous or non-poisonous, as has been mentioned by the Committee. On the contrary, the Minister in his statement made it clear that under the US specifications *Dhatura* seeds are not considered poisonous but considered foreign material and/or dockage depending upon of seed. He also made it clear that U.S. Government were themselves purchasing and supplying the same kind of milo to several countries for human consumption. It was made clear by the Minister that the purchases in USA could not be made in accordance with the specifications and standards prevalent in India but could only be made in accordance with the specifications laid down in that country."

Sl. No. 8

"As explained in reply to recommendation No. 7, it is mandatory on the part of the exporting countries that any grain exported by them be inspected by their agencies whose certificate is final in regard to quality. In Argentina such inspection is the responsibility of the Argentina Grain Board while in USA inspection is conducted by USDA inspectors or by the inspectors licensed by the USDA. Such licensed inspectors belong to the inspection agencies authorised by the USDA and not to the suppliers concerned (who are, however, responsible for the cost of inspection undertaken by the USDA inspectors or those licensed by them).

The need for pre-shipment inspection by independent inspectors appointed by the Government of India was examined in consultation with the India Supply Mission, Washington. However, the alternative of making independent inspection at the buying point was not found to be of any practical value because under US laws inspection by the inspectors licensed under US grain standards is mandatory and the analysis carried out by the US inspectors only is recognised. The appointment of a separate inspection body would therefore have become infructuous besides entailing expenditure in foreign exchange as in case of any legal dispute, the USDA inspection would have prevailed over independent inspections.

It has to be appreciated that if foodgrains had to be purchased from abroad, there was no other alternative but to buy foodgrains as per the standards and specifications of the exporting countries, and where necessary, arrange cleaning operations in India which is much cheaper than arranging it abroad. The cost of cleaning it abroad would have involved extra cost of 3 to 4 dollars per tonne and even then it could not be 100 per cent free from *dhatara* which can be completely eliminated only by hand picking. The question of having our own independent inspectors appointed for pre-shipment inspection was considered carefully but was not considered advantageous in any way as under the US laws the certificate of the US inspectors was final. The Government, therefore, do not agree with the observation that there was a serious lapse in not making arrangements

for pre-shipment inspection by our own independent inspectors.”

Sl. No. 10

“The presence of *dhatūra* in some consignments of milo received from the United States was noticed for the first time in February, 1973 and the matter was immediately taken up with ISM Washington who were requested to ensure that further shipments of milo were free from *dhatūra* and there was strict inspection and quality control and supplies fully conformed to the specifications. This problem was also referred to in the statement made by the then Minister of Agriculture in the Parliament on the 7th March, 1973. The ISM Washington had informed us in March, 1973 that they had repeated discussions with USDA authorities as well as the suppliers and had reason to expect that as a result of the complaints that have come to notice they would tighten further inspections. It has to be appreciated, as was mentioned in the statement of Minister of Agriculture on 7th March in Lok Sabha that under US Grain Standards “*dhatūra*” seeds are not considered poisonous. The Mission had also been asked to examine the question of pre-shipment inspection by independent inspection agency and they had examine the question in March, 1973. In this connection please refer to the action taken on recommendation Nos. 7 and 8.

The ISM Washington had taken up the problem regarding presence of *dhatūra* seeds in milo in February|March, 1973, with the concerned authorities in US Department of Agriculture and also with the Argentine Grain Board. The USDA and Argentine Grain Board both agreed to issue directions to their respective inspection department to exercise better control in their inspection of milo to be shipped for India. They also agreed to a departure from earlier practice to arrange the future inspection certificates to indicate the presence or otherwise of *dhatūra* seeds. This information would be sent to forewarn the receiving authorities in India about the presence of *dhatūra* seeds in a particular consignment so as to en-

able them to take suitable precaution before it is issued to the public. Therefore, the inference drawn that necessary precautions were not taken before the Minister for Agriculture made a statement in the Lok Sabha on 2nd April, 1973 is not correct. Government do not consider that there has been any lapse on the part of any one. On the contrary all possible steps were taken to deal with the situation effectively. Therefore, the question of fixing the responsibility and taking appropriate action does not arise."

1.7. In this context, the attention of the Committee had been drawn to a report which had appeared in the 30th June, 1975 issue of the 'Time' Magazine on various violations of quality control and inspection procedures by grain exporting firms, grain inspectors licensed by the US Department of Agriculture and operators of grain elevators in most major US ports, under investigation by the US Departments of Agriculture and Justice. The 'Time' report refers to a scandal threatening the US Grain Market involving (i) bribery and fraud in federally licensed grain-inspection procedures, (ii) suspected skimming of grain off export cargoes by the operators of grain elevators, and (iii) laxity by the Department of Agriculture in fulfilling its obligation to ensure the quality to US grain shipments.

1.8. The report, *inter alia*, points out that since loading delays at ports could cost ship-owners upto \$ 20,000 a day, it is often more economical for them to bribe inspectors to approve their ships than take the time to clean them. Similarly, grain companies lacking required amounts of a particular grade of grain may be tempted to resort to substitution of lower-quality grain and bribe inspectors to grade the grain falsely. The magazine also refers to a report submitted in 1973, by the office of Audit of the US Department of Agriculture, according to which, grain inspectors had often failed to notify the US Food and Drug Administration of "deleterious substances" such as poisonous mercury-treated kernels, rodent excreta and insect-damaged kernels, in grain destined for human consumption. Grand Juries in Texas and Louisiana are reported to have handed down 18 indictments during the past year, most of them against grain inspectors, five of whom, according to the magazine, had pleaded guilty to charges of accepting bribes in exchange for certifying unfit ships or "deliberately misgrading grain."

1.9. The Audit Report had apparently not spared the US Department of Agriculture either, which according to 'Time', "has much to

answer for." The magazine goes on to add that the Department's Grain Division had been found by the Office of Audit to have once held back a plan to determine uniformity in export shiploads, because of objections of a single trade organisation, whose members included large exporting companies.

1.10. The Committee regret that Government's response to their observations/recommendations contained in paragraphs 1.124, 1.125 and 1.127 of their 159th Report (Fifth Lok Sabha) is, for the most part, a reiteration of what had been stated before the Committee earlier during oral evidence and in written notes submitted to the Committee in the course of their examination of the Audit paragraph. The Committee had expected that, at least after the exposure, in the international and in the Indian press, of many alleged malpractices over the grain deals, Government would have displayed a keener awareness of the magnitude of the problem. The Committee are unhappy, to say the least, with the peculiar and almost querulous approach adopted by the Department of Food in reply to the Committee's observations.

1.11. The Committee find that the India Supply Mission, Washington, had taken up the question of the contaminating 'dhatura' seeds in the milo imported from the USA with the US Department of Agriculture only in 1973, though it is evident from a telegram sent, in March, 1973, by the Director General, India Supply Mission to the Food Secretary that the problem of 'dhatura' admixture in foodgrains shipments from the USA had arisen a number of times in the past, even as early as in the fifties. The extent of admixture per kilo was also evidently much higher in 1963 and 1964 than in 1973. Since the presence of 'dhatura' seeds in the milo implied a considerable health hazard, the Committee feel that, allegedly technical obstacles notwithstanding, it was the responsibility of Government to impress seriously and earnestly upon the US Government the need for the grain supplies conforming to Indian specifications and standards and for the acceptance of quality and inspection certificates given by independent inspectors to be appointed by the Government of India.

1.12. The Committee concede that Government had moved in the matter, to the extent possible, after the presence of 'dhatura' in the milo had been detected in the shipments which arrived in India in February, 1973 and thereafter. It is, however, evident that necessary precautions in this regard had not been taken earlier, and entire reliance had been placed for years on the so-called certificates of quality issued by the inspectors licensed by the US Department of

Agriculture. Such certificates, the Department of Food should have known, would not indicate the presence of 'dhatura' in the grain since the US Grain Standards Act does not recognise 'dhatura' as a deleterious material. The Committee are, therefore, constrained to consider that this question had been totally neglected till 1973, and that it needed, so to speak, a sort of crisis to develop before Government woke up on this issue. The Committee reiterate their earlier recommendations and require fixation of responsibility for the lapse and appropriate action thereafter.

1.13. That the malady is not merely confined to the presence of a few 'dhatura' seeds in milo purchased from abroad but is far more deepseated is evident from the recent reports of "bribery and fraud" in federally licensed grain-inspection procedures. From the startling disclosures of the Office of Audit of the US Department of Agriculture now made public, it is clear that our country has been a victim of unscrupulous grain-handling firms in the USA who, in collusion with the licensed grain inspectors, appear to have systematically manipulated grain shipments destined for human consumption. It is, therefore, not unlikely that besides sending us 'dhatura' contaminated milo, these firms have also indulged in deliberate misgrading of grain destined for India and passed off lower quality grain that was hazardous to human health. In view of shocking revelations in this regard in the world press, Government should press for a review of the existing contractual and legal provisions relating to the pre-shipment inspection and quality control of grain purchased from US firms. The Committee desire that Government should take up this question forthwith with the US Government and insist on proper grain-inspection procedures, preferably by inspectors appointed by the Government of India.

1.14. In view of the fact that a number of US grain suppliers also appear to operate from Argentina, either directly through their subsidiaries in that country or as representatives of Argentina and other foreign firms, the Committee feel that it would be necessary to review the existing procedures for inspection and quality control at the Argentine end and to take similar precautionary measures to ensure that only uncontaminated grain of the specified quality is purchased from abroad.

Failure to pursue to indemnity costs of cleaning (Paragraph 1.26—Sl. No. 9).

1.15. Commenting on the failure of the Department of Food to pursue to its logical conclusion on the offer made by two suppliers

of wheat to indemnify the India Supply Mission to the extent of 25 cents per tonne towards the actual cost of cleaning the *dhatu*-contaminated grain to India, in case the USDA inspection at the time of shipment indicated the presence of *dhatu*, the Committee, in paragraph 1.26 of the Report, had observed:

"1.26. The Committee have been informed that the India Supply Mission was able to get two suppliers of wheat to agree that if the USDA inspection at the time of shipment indicated presence of *dhatu*, the suppliers would indemnify the Mission to the extent of 25 cents per tonne towards the actual cost of cleaning in India. Although the two suppliers had offered to indemnify the Mission to the extent of 25 cents per tonne towards the actual cost of cleaning in India, the Department of Food did not pursue the matter to its logical conclusion on the assumption that the 'offer to indemnify would only mean the supplier increasing the sale price of the grain in such a way that the incidence of cleaning would ultimately be borne by the importing country itself'. The Committee deplore the casual manner in which the whole question was dealt with by the Department of Food. As matters stood, the India exchequer had to bear the cost of cleaning the *dhatu* contaminated milo that was discharged at the ports in Maharashtra and Gujarat."

1.16. In their Action Taken Note dated 20 August 1975, the Ministry of Agriculture & Irrigation (Department of Food) have stated:

"The matter has been explained in great detail during the oral evidence tendered before the Committee. However, briefly the position is as under:

"The ISM Washington was asked to explore the possibility of buying wheat/milo absolutely free from obnoxious matter. The ISM had reported that while suppliers were willing to do everything possible to provide supplies which would be free from *dhatu*, they would not be in a position to give absolute guarantee that supplies would be totally free from obnoxious wheat weeds etc. to conform to our PFA Act and Rules thereunder. It was also reported that no suppliers would be forthcoming at all if stocks totally free from obnoxious material were insisted upon because the suppliers would prefer to export their supplies to other countries which buy according to the U.S. grain specifica-

tions and standards and are known not to insist upon such condition about *dhatūra* etc. ISM Washington after hard bargaining and persuasion was able to make two suppliers of wheat to agree to the condition that if USDA, inspection at the time of shipment indicate presence of *dhatūra*, the suppliers would indemnify the Mission to the extent of 25 cent per tonne towards the actual cost of cleaning in India. In this connection it will be relevant to mention that the USA Grain Standards Act does not recognise *dhatūra* as a deleterious material and it was considered highly unlikely that the USDA inspection would indicate presence of *dhatūra* in their inspection certificates. It was considered that this would render the indemnification clause of little practical value. On the other hand the suppliers are bound to increase the sale price of grain in such a way that the incidence of cleaning would ultimately be borne by the importing country itself. This decision was taken after due consideration of all the relevant facts and Government do not agree with the observation that the matter was dealt with in a casual manner."

1.17. The Committee are of the view that having succeeded, "after hard bargaining", in persuading two suppliers to agree that if the pre-shipment inspection by the US Department of Agriculture indicated the presence of 'dhatūra', the suppliers would indemnify the India Supply Mission to the extent of 25 cents per tonne towards the actual cost of cleaning the grain in India, the Department of Food ought to have given a fair trial to the offer and assessed its effects instead of deciding, on what appears to be hypothetical grounds, that the indemnification clause would be of "little practical value." The Committee feel that such a clause in the contracts would have proved helpful to India, particularly in view of the fact that the India Supply Mission had also apparently succeeded in arranging with the US Department Agriculture requiring the inspection agencies to give information regarding the presence or otherwise of 'dhatūra' in various shipments, so that necessary precautionary measures could be taken in India before the grain was consumed. The Committee, thus, are constrained to reiterate their earlier observation that this question had not been pursued adequately and with the seriousness that it deserved. The Committee would urge Government to re-examine the whole issue carefully and persuade the suppliers to agree to the inclusion of the indemnification clause in the contracts for the supply of foodgrains.

Purchase of Foodgrains through private negotiations (Paragraph 1.128, Sl. No. 11).

1.18. Commenting on the finalisation of transactions relating to the purchase of foodgrains without inviting tenders, the Committee, in paragraph 1.128, had observed:

“Even though it was a seller's market, the Committee are surprised that no tenders even on a limited basis were invited and the transactions were finalised on the basis of private negotiations without taking due precaution to ensure that the firms with which negotiations were undertaken were not in any way inter-locked.”

1.19. The Action Taken Note dated 20 August 1975, furnished on the above observation of the Committee by the Ministry of Agriculture & Irrigation (Department of Food) is reproduced below:

“The purchase procedure adopted was evolved after careful examination particularly having regard to the fact that the foodgrains purchases had to be made in a sellers market on account of massive purchases of foodgrains having been made by the USSR and China and the quantities available for purchase being rather limited compared to the demand in various importing countries. It was the considered opinion that the primary and most important consideration was to keep our intentions in regard to quantities to be purchased completely secret. If the method of floating tenders or even limited tenders were resorted to, it would have resulted in speculative selling activities and, in the pushing up of the prices. It was in these circumstances that it was decided that it was in the best interest of the country to follow this procedure. It may be mentioned that this procedure was again reviewed in July 1973 and it was decided that considering the various pros and cons of the matter and our past experience the procedure that was being adopted was the best in the country's interest and should be continued.”

1.20. The attention of the Committee had been drawn in this connection to news reports which appeared in *'The Economic Times'* of 23 November, 1975 and *'The Times of India'* of 19 December, 1975, under the captions 'US firm cheated India: food aid' and 'Subsidiaries of three US grain firms under probe' respectively, which are

reproduced in Appendix I. The report in 'The Economic Times' points out, *inter alia*, that a former employee of the Bunge Corporation, one of the regular suppliers of grain to India, had told federal investigators of the "flagrant" cheating of poor countries receiving food aid from the US. According to 'The Times of India' report, three stevedoring companies owned by the Bunge Corporation, Cargill Inc. and Cook Industries, with whom India has entered into grain transactions in the past were under investigation for alleged waterfront corruption.

1.21. While the Committee concede the need to maintain an element of secrecy in regard to purchases of foodgrains in a sellers' market, they feel that resorting to purchases entirely through private negotiations, without taking all the necessary precautions to verify the antecedents of the firms with which negotiations are proposed, would not be a sound policy for all occasions. Before deciding upon one or the other mode of purchase, viz. through private negotiations and by inviting tenders, their comparative merits should be carefully evaluated, and the better method should be adopted. Besides, adequate care should be taken to ensure that the prices are not manipulated by the firms and their subsidiaries forming themselves into cliques. Since the operations of trans-national companies are often conducted in the most dubious ways, Government should take special precautions to counter the machinations of unscrupulous suppliers. The Committee desire that the adequacy of the existing arrangements for the purchase of foodgrains from abroad should be carefully reviewed from time to time and necessary remedial steps taken.

1.22. Now that some of the firms with which India had entered into grain transactions in the past are suspected to have indulged in various malpractices, including systematic cheating, Government would do well to suspend further dealings with these firms, particularly the Bunge Corporation, their subsidiaries and other firms with whom they may have a capital inter-locking arrangement. Lessons must be drawn from the recent disclosures of the activities of some of these firms, and Government's dealings with every foreign grain supplier should be thoroughly scrutinised. The Committee would like to know the steps so far taken to safeguard the country's interests in the light of these revelations.

Complaints against the Food Corporation of India (Paragraph 1.131, Sl. No. 14).

1.23. In paragraph 1.131 of the Report, the Committee had made the following recommendation:

“During evidence before the Committee it was made out that although the India Supply Mission could not do better because of the peculiar circumstances obtaining at that time, the Food Corporation of India and the Department of Food took all the precautions to ensure that the milo supplied to the consumers was free from *dhatūra* seeds. The Committee are not satisfied that all possible precautions had been taken in time. In this connection, it is interesting to note that in a note furnished to the Committee, the Department of Food have stated that ‘It was within the sphere of responsibility of the Food Corporation of India to ensure that the milo was cleaned before it was issued’. That this was not done is borne out by the fact that out of 7,22,236 tonnes of contaminated milo only a small quantity of 19,776 tonnes was got cleaned by the Food Corporation of India before despatch. The cleaning of the rest of the 7,02,460 tonnes of milo was therefore presumably done by the State Governments or by the consumers themselves. Further a series of instructions to State Governments for proper cleaning of milo are stated to have been issued both by the Department of Food and the Food Corporation of India but it cannot be said with certainty whether these instructions were actually implemented so as to ensure that the ultimate consumer got only *dhatūra*-free milo. As a matter of fact, from the information made available to the Committee, it is seen that the Food Corporation of India miserably failed to discharge its duties properly besides violating the Prevention of Food Adulteration Act. Complaints were received from the State Governments that the intimation regarding presence of *dhatūra* seeds in particular shipments reached the State Governments after 10 to 12 days of the despatch of contaminated milo by Food Corporation of India. The FCI was required to stamp the bags containing milo with *dhatūra* and where the milo was free from *dhatūra*, they were to give a certificate that the supply was free from *dhatūra*. It is because FCI’s failure to do this task of marking and issuing of certificates in a satisfactory manner, that the State Governments had to undertake cleaning of all the bags and this resulted in a considerable additional expenditure. The Committee recommend that complaints against the Food Corporation of India from the State Governments may be thoroughly investigated with a view to fixing individual responsibility under advice to the Committee/House.”

1.24. In their Action Taken Note dated 20 August, 1975, the Ministry of Agriculture and Irrigation (Department of Food) have replied:

“The inquiry which is being conducted by the Food Corporation of India with regard to the complaint mentioned by the Committee in paras 1.54 and 1.55 of their Report, is nearing completion and the results will be intimated to the Committee in due course. A Special Officer has been appointed to inquire into the other complaints made by the State Governments against the Food Corporation of India. On receipt of his report, further necessary action will be taken in the matter and intimated to the Committee.”

1.25. The Committee are concerned over the tardy manner in which the inquiry into the specific complaint against the Food Corporation of India, made as early as August 1973, by the Government of Maharashtra is progressing. This inquiry should be completed without further loss of time. The Special Officer appointed to enquire into the other complaints from the State Governments should also be asked to complete his investigations without delay. Action taken in the light of the Special Officer's findings should be intimated to the Committee forthwith.

Non-implementation of the assurance given to Parliament (Paragraph 1.137, Sl. No. 20).

1.26. Referring to the continued imports of milo from abroad even after an assurance given by the Minister of Agriculture in the Lok Sabha, in April 1973, that Government had decided to stop further purchases of milo, the Committee, in paragraph 1.137, had observed:

“The Committee note that the Minister of Agriculture categorically stated and assured on the Floor of the Lok Sabha on 2nd April 1973, in reply to Call Attention Motion that ‘having regard to the presence of *dhatara* seeds noticed in some consignments of milo, Government have since decided to stop any further purchase of milo’. In spite of that import of milo went on unabated till January, 1975. Since it was stated on the Floor of the House that milo will not be imported hereafter, the decision taken by the Government to import the milo even thereafter should have been conveyed to the House in a formal manner.”

1.27. In their Action Taken Note dated 20 August, 1975, the Ministry of Agriculture and Irrigation (Department of Food) have replied:

"The statement made by the Minister of Agriculture on the Floor of the Lok Sabha on the 2nd April, 1973 that 'having regard to the presence of *dhatura* seeds noticed in some consignments of milo, Government have since decided to stop any further purchase of milo' cannot be treated as an assurance. This is only a statement made by the Minister conveying the decision taken at that point of time by the Government under conditions then prevailing in regard to import of milo. However, since the position in the country continued to be difficult and in view of the drought conditions in a number of States, the position was further reviewed in June, 1973 and it was decided that in order to provide availability of grains particularly to the drought affected areas it was necessary to resume the import of milo. When this decision was taken, Parliament was not in session."

1.28. The Committee note that Parliament was not in session when the decision to resume the imports of milo was taken by Government in June 1973, in the context of the prevalence of drought conditions in a number of States. The Committee would, however, like to know whether this decision had been conveyed to Parliament after it reassembled for the monsoon session of 1973. The Committee urge that whenever it is necessary for Government to reconsider and modify assurances given to Parliament, such revised decisions, with detailed justification therefor, should be conveyed to Parliament at the first available opportunity, so that Parliament would be in a position to understand the position and express its views. This would be a healthy convention and should be scrupulously observed.

CHAPTER II
RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN
ACCEPTED BY GOVERNMENT

Recommendation

According to the Encyclopaedia Britannica, *Dhatura* is considered to be one of the few weeds that are very poisonous. In 1964 the Central Drugs Research Institute, Lucknow, had stated that 660 *dhatura* seeds are fatal for children while 6600 seeds are fatal for adults. According to the Haffkine Institute, Bombay, however, (1973), 30 seeds in one Kg. of flour constitute an effective toxic dose. The Committee note that the admixture of *dhatura* seeds in wheat purchased from the USA had been noticed from time to time since 1959 onwards. On receipt of such wheat with admixture of *dhatura* seeds the Department of Food is stated to have been taking up the question with the United States Department of Agriculture through the India Supply Mission, Washington with a view to find out an ultimate solution of the problem. In the telex sent by the India Supply Mission, Washington to the Food Secretary in March 1973, it has been stated:

“That problem of *Dhatura* admixture in foodgrains shipments from USA has arisen a number of times in the past. It arose in 1960 or earlier as also in 1963 and 1964. Agriculture Secretary recalled that problem of admixture of *dhatura* in milo imported from USA had arisen much earlier in fifties as well as when he was Food Secretary before.... In 1963 as well as 1964 extent of admixture per kilo was evidently much higher than now pointed out by you.... At our instance USDA officials have made fresh check of position and confirmed that there has not been contrary determination by them to this date.”

[Sr. No. 1 (Para No. 1.118) of Appendix No. V of 159th Report of the Public Accounts Committee (5th Lok Sabha)].

Action taken

This does not call for any action.

(M/o Agriculture and Irrigation O.M. No. G/25015/7/
75/IF. II dated 15-1-1976).

Recommendation

The Committee have been told that the India Supply Mission, Washington, pursued the matter of supply of contaminated milo with the United States Department of Agriculture and the present position was that "the USDA is still conducting feeding trials to establish tolerance limits." The Committee would like the matter to be pursued vigorously.

[Sr. No. 1 (Para No. 1.119) of Appendix No. V to the 159th Report of the Public Accounts Committee (5th Lok Sabha)].

Action taken

The India Supply Mission, Washington, has been pursuing this matter vigorously with the USDA. A copy of a letter dated 3rd June, 1975 from USDA addressed to the India Supply Mission, Washington, on the subject indicating the latest position is enclosed (Annexure).

(M/o Agriculture and Irrigation O.M. No. G/25015/7/75/IF. II dated 15-1-1976).

ANNEXURE

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESEARCH SERVICE
NATIONAL PROGRAMME STAFF

Boltsville, Maryland 20705
(Seal)

June 3, 1975.

INDIA SUPPLY WASHINGTON

JUNE 6, 1975

Washington, D.C.

India Supply Mission
2536, Massachusetts Avenue, N.W.
Washington, D.C. 20008

Gentlemen:

This is in response to an inquiry from Mr. V. K. Gupta, Assistant Director, concerning the present status of our research on jimson-weed seeds in food grains. [Ref. FP-9(1)/73].

Contamination of small grain with jimsonweed seed has been a matter of concern to a number of agencies in the U.S. Department of Agriculture. While it has been recognized for many years that jimsonweed (*Datura stramonium* L.) contains toxic alkaloids, very little information was available on the amounts present or the degree of variability among plants in various geographic locations.

In July 1973, our laboratory at Peoria, Illinois, undertook a study to determine the amount of alkaloids in seeds collected from a number of regions where jimsonweed is prevalent, and had, on occasion, been found in sorghum, soybeans and corn. Analysis of eleven samples of jimsonweed seed showed a range of 0.22—0.48 per cent total alkaloids with atropine being the Predominant component, and scopolamine at a level of 0.11 per cent or less. These samples came from Indiana, Nebraska, Illinois, Ohio, and Maryland.

Results of a similar study of seeds collected from grain shipments showed the same range of values as those previously analysed. Other parts of the plant, such as leaves, stems and burrs, were also analyzed and the total alkaloid content found to be less than 0.1 per cent.

Our most recent effort has been directed at determining the distribution of jimsonweed seed alkaloids in soybean oil and meal. We found almost precisely what was expected—that alkali refining of crude soybean oil removes almost all of the alkaloid that had previously been added to the crude oil, but a considerable portion is retained in the meal.

This is about the extent of our research on jimsonweed seed. We are, of course, continuing with our educational programme that is aimed at prevention. With the assistance of the Extension Service of the U.S. Department of Agriculture, we are asking the state experiment stations, in those states where jimsonweed is indigenous, to provide farmers with the best information available on the control of noxious weeds. We believe this effort will go a long way in helping to resolve this problem.

Enclosed is a recent article on this subject which may be of interest to you.

Sincerely,
Sd/-.....
Harry W. Hays
Staff Scientist
Enclosure

Recommendation

The Committee note that during December, 1972 to September, 1973 the India Supply Mission, Washington purchased 14.40 lakh tonnes (costing about Rs. 94.22 crores) of milo (a kind of jowar) from Argentina and the U.S.A. A further quantity of 76,000 tonnes of milo was also purchased in October, 1973, making the total purchase of 15.16 lakh tonnes between December, 1972 to October 1973. Out of the total quantity of milo received during this period the presence of *dhatara* seeds was noticed in a quantity of 7,22,236 tonnes of milo, that is about 50 per cent of the quantity imported. According to the Secretary, Department of Food an extent of *dhatara* seeds in the contaminated milo was normally about 1 to 5 seeds per kg. In one shipment it was even of the order of about 15 seeds and in an odd case the incidence was as dangerously high as 45 seeds per Kg.

[Sr. No. (Para 1.121) of Appendix No. V to the 159th Report of the Public Accounts Committee (5th Lok Sabha)].

Action taken

This does not call for any comments/action.

(M/o Agriculture and Irrigation O.M. No. G/25015/7/
75/IF. II dated 15-1-1976).

Recommendation

It was further stated that a major portion of the discharges of milo was in the ports of Maharashtra and Gujarat. The U.S. milo received at the Maharashtra and Gujarat ports happened to be contaminated. But, the quantity received in the other ports was very small. It has also been stated that in the case of Argentina the entire supply of milo was contaminated with *dhatara*. In a written note furnished to the Committee, the Department of Food have intimated that the quantity of imported milo containing *dhatara* discharge at other Indian ports was 10,714 tonnes.

[Sr. No. 5 (Para 1.122) of Appendix No. V to the 159th Report of Public Accounts Committee (5th Lok Sabha)].

Action Taken

This does not call for any action/comments.

(M/o Agriculture & Irrigation O.M. No. G/25015/7/75/IF. II
dated 15-1-1976).

Recommendation

The Committee would also like to be apprised of the final position regarding the disposal of milo refractions accumulated as a result of cleaning.

[Sr. No. 16 (Para 1.133) Appendix V to 159th Report of the Public Accounts Committee (5th Lok Sabha)].

Action Taken

In so far as Food Corporation is concerned the entire quantity of 1236 tonnes of milo refractions available in various regions as on 30-4-1974 had been disposed of. The present position regarding disposal of milo refractions by the State Governments is furnished in the annexure.

(M/o Agriculture & Irrigation O.M. No. G/25015/7/75/IF. II dated 15-1-1976).

ANNEXURE

Statement showing disposal of Refractions as a result of cleaning of contaminated milo by the State Governments

S. No.	Name of the regions	Quantity of refractions	
		Obtained	Disposed
(in tonnes)			
1	Gujarat	2528	175
2	Karnataka	Nil	Nil
3	Maharashtra	7000	2182
4	Rajasthan	Nil	Nil
5	Kerala	Nil	Nil
6	Bihar	Nil	Nil
7	West Bengal	Nil	Nil
8	Andhra Pradesh	Nil	Nil

Recommendation

From the foregoing paragraphs the Committee get an impression that all that was necessary and which could have been done was not done to safeguard the interest of the consumers. As for

the future the Committee stress that the Department of Food should take necessary steps to streamline its machinery for procurement as well as distribution so that the history of contaminated milo supply is not repeated again.

[Sr. No. 17 (Para 1.34) Appendix V to 159th Report of the Public Accounts Committee (5th Lok Sabha)].

Action Taken

The foodgrain purchases on behalf of the Government of India in the Americas are handled by the India Supply Mission, Washington who have acquired considerable expertise (and experience) in the matter of procurement of foodgrains from the Americans including inspection and shipment etc. Consistent with the conditions obtaining in our country, everything possible was done to safeguard the interest of the consumers. The various steps taken were explained to the Committee both during oral evidence and in written answers. All possible steps will continue to be taken to streamline the machinery.

[M/o Agriculture & Irrigation O.M. No. G/25015/7/75/IF. II
Dated 15-1-1976]

Recommendation

The Committee would particularly like to emphasise that urgent attention be paid to the devising of better mechanical devices for cleaning of contaminated milo. The proposal regarding issue of milo only in the form of flour also needs to be carefully examined.

[Sr. No. 18 (Para 1.135) Appendix V to 159th Report of the Public Accounts Committee (5th Lok Sabha)].

Action Taken

The Government agree that it would be desirable and advantageous if suitable mechanical means could be devised for cleaning the contaminated milo of Dhatura seeds. As already explained to the Committee, with the mechanical devices available at present it has not been found possible to clean the milo completely of Dhatura seeds, and hand-packing is unavoidable. The problem of devising a suitable machinery for cleaning the milo is being examined by ICAR and also by some private entrepreneurs and Government hope that it might be possible to develop a cleaning

equipment which would be suitable for the purpose. The question of issue of milo in the form of flour has been examined. The technical advice is that this is likely to present practical problems as the keeping quality of the flour is rather poor and bitterness is likely to develop in the continuous storage.

[M/o Agriculture & Irrigation O.M. No. G/25015/7/75/I.F. II
Dated 15-1-1976]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES OF THE GOVERNMENT

Recommendation

The Committee cannot but express their most serious concern and deprecate the casual manner in which the Department of Food has been treating this matter which could prove to be fatal to millions of people in the country. If imports of foodgrains are inescapable, the Committee desire that the Government should ensure by all possible means that the imported foodgrains distributed to masses are free from all deleterious stuff such as dhatura seeds etc.

[Sr. No. 3 (Para 1.120) of Appendix V to the 159th Report of the Public Accounts Committee (5th Lok Sabha)].

Action Taken

Government do not accept the observation that the Department of Food has been treating this matter in a casual manner. Various timely steps taken by the Government to ensure that deleterious material was removed before the grain was consumed, were explained in great detail, both during the oral evidence and the written notes furnished to the Committee. Government will continue to take steps to ensure that these instructions regarding cleaning of the grain are reiterated and strictly followed.

[Ministry of Agriculture & Irrigation O.M. No. G/25015/7/75/I.F. II
Dated 15-1-1976].

Recommendation

The Committee were given to understand that the purchase agreements entered into by the India Supply Mission with supplier countries stipulated that the milo would conform to the specifications of the exporting countries only. According to U.S. Grains Standards admixture of dhatura seeds in milo is considered only as foreign material and or dockage depending on the size of the seeds. The presence of dhatura seeds in milo imported from these

countries could not therefore be technically treated as a deleterious material so as to come under the mischief of the Prevention of Food Adulteration Act, 1954 and Rules made thereunder. According to the Ministry this created the anomalous situation whereby no legal action could be taken against the foreign suppliers even though the milo imported from those countries had considerable admixture of dhatura seeds which are considered to be poisonous and may be fatal if the number of seeds exceed a certain limit. The owner of the contaminated milo (in this case the Government of India) became liable to action under Section 5 of the Food Adulteration Act as soon as the consignments landed in India. It is unfortunate that we found ourselves in a situation where we could not insist upon the supplies being made according to the specifications acceptable to us. The predicament in which grains of second rate quality (Grade II) which were primarily used as cattle-feed in the USA had to be accepted arose primarily because of the low level of agricultural production in the country. The Committee are concerned that the Department of Food could not procure milo of a high grade or quality which would be pre-eminently suitable for human consumption and free from contamination.

[Sr. N (Para 1.123) of Appendix V to the 159th Report of the Public Accounts Committee (5th Lok Sabha)].

Action Taken

It was explained before the Committee that Grade I milo was not available in adequate quantities, besides being costly. Our need was urgent and we had no option but to purchase grade II milo. It is also to be appreciated that the fact that milo is used in USA/Argentina as feed grain does not by itself make it unfit for human consumption. In fact this grade of milo is purchased for human consumption by some other countries also. In this context it may also be mentioned that very heavy purchases by USSR and China had depleted the grain availability in the world markets and therefore considering the urgent need to feed the people of our country we had to purchase whatever suitable grain was available. It may also be stated that even if we had purchased grade I milo, the commodity would not be completely free from dhatura in view of the specifications prevalent in USA/Argentina. Enquiries made revealed that no assurance was forthcoming that supplies would be free of Dhatura even after undertaking cleaning before supplies at considerable cost in foreign exchange. Insistence on supplies according to our specification would only have resulted in the non-availability of the grain. Moreover US No. 2 yellow grain sorghum (milo) cannot be described as "second

rate" quality. In the United States milo is graded between US No. 1 to U.S. No. 4 and "sample grade" based upon maximum weight, moisture content and maximum limit of damaged kernels, broken kernels, foreign material and other grains.

[M/o Agriculture & Irrigation O.M. No. G/25015/7/75/I.F. II
Dated 15-1-1976].

Recommendation

The Committee have been informed that the milo contracts entered into by India Supply Mission with Argentina suppliers provided for supply of Argentina milo in accordance with the specifications of the Junta Nacional de Granos (Argentina Grain Board) whose certificates of quality the suppliers were required to furnish. In spite of this almost the entire consignment was found to be contaminated in one way or the other. These contracts further provided explicitly that the grain should be fit for human consumption. On the other hand, the milo contracts with US suppliers provided for supply of US Grade II yellow-grain sorghum conforming to US Grains Standards. Asked to explain the reasons for omission of a stipulation that the supply must be fit for human consumption the Secretary, Department of Food has stated: "I believe for the first time we made this purchase from Argentina. We wanted to be sure that this would be fit for human consumption. So far as USA's specification is concerned, it is meant for both (human and animal)". The Committee are unable to accept this explanation of the Secretary, Department of Food, which appears to them be over simplification of facts. Keeping in view the performance of the American suppliers in the past (1960 onwards), the Committee would have thought that the Deptt. would have taken care to introduce a positive stipulation in the contracts entered into with the American suppliers that the foodgrains should be fit for human consumption.

S. No. 12 (Para 1.29) of Appendix V to 159th Report of the Public Accounts Committee (5th Lok Sabha)].

Recommendation

From the note furnished by the Department of Food, it is seen that when the admixture of dhatura was noticed in the supplies of U.S. milo, the American suppliers started mentioning in the "document confirming the purchase" that the commodity is fit for human consumption. The Committee are of the view that such an action should have been taken earlier.

[S. No. 13 (Para 1.130) of Appendix V to 159th Report of the Public Accounts Committee (5th Lok Sabha)].

Action taken

As has already been explained to the Committee during oral evidence and in the writetn notes furnished to them that in the case of Argentina it was for the first time that the milo was purchased from that country and therefore by way of abundant caution the stipulation "fit for human consumption" was incorporated in the contracts with Argentina suppliers. The problem of presence of dhatura seeds in milo consignments in its present form came to notice in February, 1973 and the matter was taken up immediately with ISM Washington to make the US suppliers agree to the stipulation "fit for human consumption" to be included in the contracts entered into with them. Since after 1973 contracts were concluded with US suppliers only from June 1973 onwards, the stipulation that the commodity is fit for human consumption was mentioned in the "document confirming the purchase" with the US suppliers from that month only. It may be mentioned that any stipulation with cargo would be 'fit for human consumption' did not have actually alter the position in as much as the grain standards applicable for export from USA. Since according to US grains standards dhatura seeds 'jimson seeds' are not considered poisonous and they are covered under the US grain standards prescribed norms as "foreign matter" and/or "dockage".

[M/o Agriculture & Irrigation O.M. No. G/25015/7/75/I.F. II
Dated 20-8-1975]

Recommendation

The Committee note that the Minister of Agriculture categorically stated and assured on the Floor of the Lok Sabha on 2nd April, 1973 in reply to Call Attention Motion that "having regard to the presence of dhatura seeds noticed in some consignments of milo, Government have since decided to stop any further purchase of milo". In spite of that import of milo went on unabated till January 1975. Since it was stated on the Floor of the House that milo will not be imported hereafter, the decision taken by the Government to import the milo even thereafter should have been conveyed to the House in a formal manner.

[Sr. No. 20 (Para 1.137) of Appendix V to the 159th Report of the Public Accounts Committee (5th Lok Sabha)]

Action taken

The statement made by the Minister of Agriculture on the Floor of the Lok Sabha on the 2nd April, 1973 that "having regard to the presence of dhatura seeds noticed in some consignments of milo, Government have since decided to stop any further purchase of milo" cannot be treated as an assurance. This is only a statement made by the Minister conveying the decision taken at that point of time by the Government under conditions then prevailing in regard to import of milo. However, since the position in the country continued to be difficult and in view of the drought conditions in a number of States, the position was further reviewed in June 1973 and it was decided that in order to provide availability of grains particularly to the drought affected areas it was necessary to resume the import of milo. When this decision was taken Parliament was not in session.

[M/o Agriculture & Irrigation O.M. No. G/25015/7/75/I.F. II
Dated 15-1-1976].

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE/REITERATION.

Recommendation

A glaring flaw in the contracts entered into by the India Supply Mission, Washington was that there was no stipulation regarding pre-shipment quality control and inspection of food supplies by independent agencies. Both in the case of USA and Argentina complete reliance was placed on the certificates of quality issued by the official inspection agencies of US Government and the Argentina Grain Board, respectively. It has been stated that in regard to pre-shipment inspection of the supplies India Supply Mission was addressed by the Department of Food "to see what they could do to improve the situation, both at the US as well as the Argentinian end. They had made requests to the Argentina Board and also the US Department of Agriculture. They could not do anything more than that." Such an explanation only confirms the Committee's apprehension that adequate attention was not given to the pre-shipment quality control of the foodgrains imported from abroad. The Department of Food was only anxious to purchase whatever stuff could be had. When foodgrains worth crores of rupees were being purchased and the presence of dhatura seeds in these foodgrains was a known fact, it was only reasonable that the India Supply Mission should have taken steps with a view to ensure that the supplies shipped to India not only conformed to the specifications of the exporting countries but also conformed to "our own standards and the conditions in our country, whether it is poisonous or non-poisonous". This point was stressed by the Minister of Food & Agriculture in the Lok Sabha on the 7th March, 1973.

[Sr. No. 7 (Para No. 1.14) of Appendix No. V to the 159th Report of the Public Accounts Committee (5th Lok Sabha)]

Action taken

The Government do not agree with the observation made by the Committee that there was a glaring flaw in the contracts entered into

by the India Supply Mission, Washington, in that there was no stipulation regarding pre-shipment quality control and inspection of food supplies by independent agencies. Under the U.S. laws it was mandatory on the part of the exporting countries that every grain exported by them be inspected by their agencies whose certificate shall be final with regard to quality. Since purchases made in the U.S. have got to be in conformity with the provisions of the U.S. laws the contracts entered into by the India Supply Mission, Washington which provided for pre-shipment inspection by the U.S. Agencies was a proper one. Since the responsibility for pre-shipment inspection was that of U.S. agencies which under the U.S. law was final, it cannot be said that adequate attention was not given to the aspect of pre-shipment quality control of the foodgrains imported from abroad.

As soon as the presence of Dhatura in the milo was detected in 1973 the matter was taken up with the India Supply Mission who in turn took it up with the USDA authorities. Since under the U.S. specifications Dhatura seeds were not considered as deliterious material but were only considered as part of dockage and since purchases have to be made under US specifications it was not possible for the India Supply Mission to take steps to ensure that the supplies shipped to India conform to our own standards and the conditions in our country. As explained in detail before the Committee the only steps that could be taken was to have previous notice of shipments which contain Dhatura and to make arrangements in India to have the grain cleaned before it was consumed. This step was taken in that the India Supply Mission approached the USDA and tried to arrange for the inspection agencies to give information regarding the presence or otherwise of Dhatura in various shipments so that necessary precautionary measures could be taken in India before the grain was consumed.

The Minister of Food & Agriculture in his statement in the Lok Sabha on the 7th March did not say that India Supply Mission should have taken steps with a view to ensure that the foodgrains shipped to India not only conform to specifications of the exporting countries but also conform to our own standards and conditions in our country whether poisonous or non-poisonous, as has been mentioned by the Committee. On the contrary, the Minister in his statement made it clear that under the US specifications Dhatura seeds are not considered poisonous but considered foreign material and/or dockage depending upon of seed. He also made it clear that U.S. Government were themselves purchasing and supplying the same kind of milo to several countries for human consumption. It was made clear

by the Minister that the purchases in USA could not be made in accordance with the specifications and standards prevalent in India but could only be made in accordance with the specifications laid down in that country.

[M/o Agriculture & Irrigation O.M. No. G/25015/7/75/I.F. II
dated 15-1-76)

Recommendation

The Committee regret to observe that the Department of Food as also the India Supply Mission, Washington placed complete reliance on the paper certificates of quality issued by the Licensed Inspectors (they are not Government Inspectors and they are presumably paid by the sellers). The Committee fail to understand why the Department of Food did not consider it necessary to appoint their own inspectors for making pre-shipment inspection when there was no prohibition as such under the U.S. law which debarred the buyers from making their own pre-shipment inspection. The Committee consider this to be a serious lapse which might have endangered the health of the consumers of contaminated milo in India. It also put the country to huge financial losses.

[Sr. No. 8 (Para No. 1.125) of Appendix No. V to the 159th Report
of the Public Accounts Committee (5th Lok Sabha)]

Action taken

As explained in reply to recommendation No. 7, it is mandatory on the part of the exporting countries that any grain exported by them be inspected by their agencies whose certificate is final in regard to quality. In Argentina such inspection is the responsibility of the Argentina Grain Board while in USA inspection is conducted by USDA inspectors or by the inspectors licensed by the USDA. Such licensed inspectors belong to the inspection agencies authorised by the USDA and not to the suppliers concerned (who are, however, responsible for the cost of inspection undertaken by the USDA inspectors or those licensed by them).

The need for pre-shipment inspection by independent inspectors appointed by the Government of India was examined in consultation with the India Supply Mission, Washington. However, the alternative of making independent inspection at the buying point was not found to be of any practical value because under US laws inspection by the inspectors licensed under US grain standards is mandatory and the analysis carried out by the US inspectors only is recognised.

The appointment of a separate inspection body would therefore have become infructuous besides entailing expenditure in foreign exchange as in case of any legal dispute, the USDA inspection would have prevailed over independent inspections.

It has to be appreciated that if foodgrains had to be purchased from abroad, there was no other alternative but to buy foodgrains as per the standards and specifications of the exporting countries, and where necessary, arrange cleaning operations in India which much cheaper than arranging it abroad. The cost of cleaning it abroad would have involved extra cost of 3 to 4 dollars per tonne and even then it could not be 100 per cent free from dhatura which can be completely eliminated only by hand picking. The question of having our own independent inspectors appointed for pre-shipment inspection was considered carefully but was not considered advantageous in any way as under the US laws the certificate of the US inspectors was final. The Government, therefore, do not agree with the observation that there was a serious lapse in not making arrangements for pre-shipment inspection by our own independent inspectors.

(M/o. Agriculture and Irrigation O.M. No. G/25015/7/75/I.F.II,
dated 20-8-75)

Recommendation

The Committee have been informed that the India Supply Mission was able to get two suppliers of wheat to agree that if the USDA inspection at the time of shipment indicated presence of dhatura, the suppliers would indemnify the Mission to the extent of 25 cents per tonne towards the actual cost of cleaning in India. Although the two suppliers had offered to indemnify the Mission to the extent of 25 cents per tonne towards the actual cost of cleaning in India, the Department of Food did not pursue the matter to its logical conclusion on the assumption that the "offer to indemnify would only mean the supplier increasing the sale price of the grain in such a way that the incidence of cleaning would ultimately be borne by the importing country itself." The Committee deplore the casual manner in which the whole question was dealt with by the Department of Food. As matters stood, the India exchequer had to bear the cost of cleaning the dhatura contaminated milo that was discharged at the ports in Maharashtra and Gujarat.

[Sr. No. 9 (Para 1.26) of Appendix V to the 159th Report
of the Public Accounts Committee (5th Lok Sabha)]

Action taken

The matter has been explained in great detail during the oral evidence tendered before the Committee. However, briefly the position is as under.

The ISM Washington was asked to explore the possibility of buying wheat/milo absolutely free from obnoxious matter. The ISM had reported that while suppliers were willing to do everything possible to provide supplies which would be free from dhatura, they would not be in a position to give absolute guarantee that supplies would be totally free from obnoxious wheat weeds etc. to conform to our PFA Act and Rules thereunder. It was also reported that no suppliers would be forthcoming at all if stocks totally free from obnoxious material were insisted upon because the suppliers would prefer to export their supplies to other countries which buy according to the U.S. grain specifications and standards and are known not to insist upon such condition about dhatura etc. ISM Washington after hard bargaining and persuasion was able to make suppliers of wheat agree to the condition that if USDA inspection at the time of shipment indicate presence of dhatura, the suppliers would indemnify the Mission to the extent of 25 cent per tonne towards the actual cost of cleaning in India. In this connection it will be relevant to mention that the USA Grain Standards Act does not recognise dhatura as a deleterious material and it was considered highly unlikely that the USDA inspection would indicate presence of dhatura in their inspection certificates. It was considered that this would render the indemnification clause of little practical value. On the other hand the suppliers are bound to increase the sale price of grain in such a way that the incidence of cleaning would ultimately be borne by the importing country itself. This decision was taken after due consideration of all the relevant facts and Government do not agree with the observation that the matter was dealt with in a casual manner.

(M/o. Agriculture and Irrigation O.M. No. G/25015/7/75/I.F. II,
dated 20-8-75)

Recommendation

In a statement made in the Lok Sabha on 2nd April, 1973, the Minister of Agriculture *inter alia* stated that the India Supply Mission had been asked to make the pre-shipment inspection more strict. This only indicates that necessary precautions were not taken earlier. The Committee consider this to be a serious lapse and require fixa-

tion of responsibility and appropriate action under advice to the Committee.

[S. No. 10 (para 1.127) of Appendix V to the 159th Report of the Public Accounts Committee 5th Lok Sabha]

Action taken

The presence of dhatura in some consignments of milo received from the United States was noticed for the first time in February 1973 and the matter was immediately taken up with ISM Washington who were requested to ensure that further shipments of milo were free from dhatura and there was strict inspection and quality control and supplies fully conformed to the specifications. This problem was also referred to in the statement made by the then Minister of Agriculture in the Parliament on the 7th March 1973. The ISM Washington had informed us in March '73 that they had repeated discussions with USDA authorities as well as the suppliers and had reason to expect that as a result of the complaints that have come to notice they would tighten further inspections. It has to be appreciated, as was mentioned in the statement of Minister of Agriculture on 7th March in Lok Sabha that under U.S. grain Standards "dhatura" seeds are not considered poisonous. The Mission had also been asked to examine the question of preshipment inspection by independent inspection agency and they had examined the question in March 1973. In this connection please refer to the action taken on recommendation Nos. 7 & 8.

The ISM Washington had taken up the problem regarding presence of dhatura seeds in milo in February/March 1973 with the concerned authorities in US Department of Agriculture and also with the Argentina Grain Board. The USDA and Argentina Grain Board both agreed to issue directions to their respective inspection Department to exercise better control in their inspection of milo to be shipped for India. They also agreed to a departure from earlier practice to arrange the future inspection certificates to indicate the presence or otherwise of dhatura seeds. This information would be sent to forewarn the receiving authorities in India about the presence of dhatura seeds in a particular consignment so as to enable them to take suitable precaution before it is issued to the public. Therefore the inference drawn that necessary precautions were not taken before the Minister for Agriculture made a statement in the Lok Sabha on 2nd April '73, is not correct. Government do not consider that

there has been any lapse on the part of any one. On the contrary all possible steps were taken to deal with the situation effectively. Therefore the question of fixing the responsibility and taking appropriate action, does not arise.

[M/o Agriculture & Irrigation O.M. No. G/25015/7/75/I.F. II
dated 20-8-75]

Recommendation

Even though it was a seller's market, the Committee are surprised that no tenders even on a limited basis were invited and the transactions were finalised on the basis of private negotiations without taking due precaution to ensure that the firms with which negotiations were undertaken were not in any way inter-locked.

[Sr. No. 11 (para No. 1.128) Appendix V to 159th Report of the Public Accounts Committee (5th Lok Sabha)]

Action taken

The purchase procedure adopted was evolved after careful examination particularly having regard to the fact that the foodgrains purchases had to be made in a sellers market on account of massive purchases of foodgrains having been made by the USSR and China and the quantities available for purchase being rather limited compared to the demand in various importing countries. It was the considered opinion that the primary and most important consideration was to keep our intentions in regard to quantities to be purchased completely secret. If the method of floating tenders or even limited tenders were resorted to, it would have resulted in speculative selling activities and, in the pushing up of the prices. It was in these circumstances that it was decided that it was in the best interest of the country to follow this procedure. It may be mentioned that this procedure was again reviewed in July 1973 and it was decided that considering the various pros & cons of the matter and our past experience the procedure that was being adopted was the best in the country's interest and should be continued.

[M/o Agriculture & Irrigation O.M. No. G/25015/7/75/I.F. II
dated 15-1-76]

Recommendation

The Committee have been informed that a High level Purchase Team headed by the former Secretary (Shri Behl) went from New Delhi to USA for the purchase of foodgrains. The Committee desir-

ed to have relevant papers relating to (i) the visit of this High-Level Purchase Team; (ii) the purchase of milo without calling of global tenders; and (iii) selection of suppliers operating in the market for purchase of wheat and milo in the last two years in America. The Committee regret that despite a specific request to this effect, the Department of Food did not make available the relevant papers for inspection by the Committee. The papers referred to in (ii) above have been refused on the ground that it would be prejudicial to the safety and interest of the State.

[Sr. No. 21(Para No. 1.138) Appendix V to 159th Report of the Public Accounts Committee (5th Lok Sabha)]

Action taken

No comments.

[M/o Agriculture & Irrigation O.M. No. G/25015/7/75/I.F. II
dated 15-1-76]

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

During evidence before the Committee it was made out that although the India Supply Mission could not do better because of the peculiar circumstances obtaining at that time, the Food Corporation of India and the Department of Food took all the precautions to ensure that the milo supplied to the consumers was free from dhatura seeds. The Committee are not satisfied that all possible precautions had been taken in time. In this connection, it is interesting to note that in a note furnished to the Committee, the Department of Food have stated that "It was within the sphere of responsibility of the FCI to ensure that the milo was cleaned before it was issued". That this was not done is borne out by the fact that out of 7,22,236 tonnes of contaminated milo only a small quantity of 19,776 tonnes was got cleaned by the Food Corporation of India before despatch. The cleaning of the rest of the 7,02,460 tonnes of milo was therefore presumably done by the State Governments or by the consumers themselves. Further a series of instructions to State Governments for proper cleaning of milo are stated to have been issued both by the Department of Food and the Food Corporation of India but it cannot be said with certainty whether these instructions were actually implemented so as to ensure that the ultimate consumer got only dhatura-free milo. As a matter of fact, from the information made available to the Committee, it is seen that the Food Corporation of India miserably failed to discharge its duties properly besides violating the Prevention of Food Adulteration Act. Complaints were received from the State Governments that the intimation regarding presence of dhatura seeds in particular shipments reached the State Governments after 10 to 12 days of the despatch of contaminated milo by Food Corporation of India. The FCI was required to stamp the bags containing milo with dhatura and where the milo was free from dhatura, they were to give a certificate that the supply was free from dhatura. It is because of FCI's failure to do this task of making and issuing of certificates in a satisfactory manner, that the State Governments had to undertake cleaning of all the bags and this resulted in a considerable additional expenditure. The Committee recommended that complaints against the Food Corporation of India from the State

Governments may be thoroughly investigated with a view to fixing individual responsibility under advice to the Committee/House.

[Sr. No. 14 (Para 1.131) Appendix V to 159th Report of the Public Accounts Committee (5th Lok Sabha)]

Action taken

The inquiry which is being conducted by the Food Corporation of India with regard to the complaint mentioned by the Committee in Paras 1.54 and 1.55 of their Report, is nearing completion, and the results will be intimated to the Committee in due course. A special Officer has been appointed to inquire into the other complaints made by the State Governments against the Food Corporation of India. On receipt of his report, further necessary action will be taken in the matter and intimated to the Committee.

Recommendation

The Committee further note that in June 1973 the Food Corporation of India gave up cleaning of milo and informed the Maharashtra Government that as henceforth the consumers, and not the State Governments, were to clean the grains, the Corporation would not bear the charges of cleaning thereafter. In July 1973, the Government of Maharashtra told the Government of India that the Food Corporation of India should continue to reimburse the cost of cleaning and/or certify stocks as free from contamination. The Committee would like to know what was the total amount reimbursed to each of the State Governments on account of cleaning charges incurred by them. The extra expenditure incurred by the State Governments on cleaning due to late issue of Food Corporation advices, about the absence of dhatura seeds from particular consignments may also be worked out and indicated and the responsibility for this lapse fixed under intimation to the Committee.

[Sr. No. 15 (Para No. 1.132) Appendix V to 159th Report of the Public Accounts Committee (5th Lok Sabha)]

Action taken

The claims made by the State Governments on account of cleaning charges incurred by them are still under scrutiny. The amounts reimbursed to the different State Governments on this account will be intimated to the Committee in due course.

With regard to the alleged extra expenditure incurred by the State Governments on cleaning due to late issue of advices by Food Cor-

poration about absence of Dhatura seeds in particular consignments, this will be worked out after the report is received from the Special Officer whose appointment has been mentioned in the reply to Recommendation No. 14.

Recommendation

The Committee have been told that the total expenditure incurred by the Food Corporation of India on cleaning milo in which presence of dhatura was noticed was Rs. 3,99,094. Information relating to the expenditure on such cleaning incurred by the State Governments has not been furnished. This may be done without further delay.

[Sr. No. 19 (Para 1.136) Appendix V to 159th Report of the Public Accounts Committee (5th Lok Sabha)]

Action taken

The information so far received relating to expenditure on cleaning of milo by the State Governments is given below. The final figures, after verification, will be furnished to the Committee in due course.

Name of the State	Expenditure
	(Rs.)
Gujarat	3,65,695 (Feb. '73 to April '74)
Karnataka	34,700 Do.
Maharashtra	57,46,132 (Feb. '73 to August '74)
Rajasthan	Nil
Kerala	Nil
Bihar	Nil
West Bengal	Nil

NEW DELHI;
March 9, 1976
Phalgun 19, 1897 (S)

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

APPENDIX I

(Vide paragraph 1.20)

THE ECONOMIC TIMES, NEW DELHI

23-11-1975

US FIRM CHEATED INDIA: FOOD AID

FROM OUR CORRESPONDENT

WASHINGTON, Nov. 22

A former employee of the Bunge Corporation, wholesale exporters of grain, has told federal investigators about the "flagrant" cheating of poor countries receiving food aid from the U.S.

The employee said that cargoes of grain shipped to these countries were systematically short-weighed because they lacked adequate facilities to check on the weights and discover deceptions.

The employee, whose name was given as Dr. Bing A. Negrotto, said one of the company's executives had told him, "Always remember and try and look and see where the ship is going and who it's going to."

The executive, said the employee, reminded him that India lacked adequate facilities to check on cargo weights.

Then, Negrotto said, demonstrating a hammering of fists into palms, the executive told him, "Knock' em down," apparently meaning that India should be sold short.

How many thousand tons of grain India has been cheated over the years is not known, but presumably there has been some substantial losses.

Negrotto, who said he first become involved in manipulation of grain weights for the benefit of his company during the second year of his employment, asserted that he had been given what he regarded as an implied order to cheat on food aid shipments by a high company official.

The Bunge Corporation, which is a large privately held international company, was found guilty of charges of conspiring in systematic thefts of grain from export shipments and a cover-up.

Federal agents are investigating this charge made by Negrotto as well as possible frauds against the US in its grain storage programme as part of their broad inquiry into corruption in the grain industry.

The investigation began in New Orleans more than a year ago and indictments so far have involved bribery of grain inspectors, misgrading, short-weighing and thefts of grain.

The Times of India,
New Delhi
19-12-1975

SUBSIDIARIES OF THREE U.S. GRAIN FIRMS UNDER PROBE

By M. V. KAMATH

"The Times of India" News Service

WASHINGTON, December 18: Three stevedoring companies owned by large grain corporations are among the subjects of a New Orleans investigation into water-front corruption, which includes payroll adding and falsification of labour billings.

The three firms have been identified as International Grain Stevedors Inc., Rogers Terminal and Shipping Corp., and St. Johns Shipping Co., which are owned, respectively, by the Bunge Corporation, Carlgill Inc., and Cook Industries, with all of which India has done business in the past.

Following charges against the Bunge Corporation dealings with every grain supplier are being carefully scrutinised.

The three stevedoring companies are among seven or eight of their type that are apparently also under investigation. Their payrolls run into millions of dollars.

According to "the New York Times" the Bunge Corporation has denied that its subsidiary was under investigation.

Cook is reported to be one of several companies whose operations are allegedly subjects of the continuing grain industry inquiry. Cargill's name has never been linked to that inquiry and the company is not believed to be a target of the grain investigation.

A central part of the current investigation is the examination of a practice known as "ghosting", which is the listing on ships loading payrolls of longshoremen who are actually not at work or may be otherwise occupied.

The victims of such "ghosting" are ship charterers or shipowners who must pay false labour charges—and among them, it is known, is India.

RECOVERY NOT FEASIBLE

How many Indian or India-chartered ships have been made to pay false labour charges remains to be determined. But it is believed there is no way in which the money can be recovered.

So many intermediaries are involved in the whole process that it will be well high impossible to fix the blame on any one particular group.

Involved are individual longshoremen, foremen, grain elevators as well as the stevedoring companies themselves.

According to Bunge, their subsidiary is not the target of any so called "ghosting" investigation, nor have any allegations been made against the company.

A Cargill spokesman said his company knew of the waterfront inquiry and was co-operating with the investigators but added that he had no information indicating that the company's subsidiary was a target.

A spokesman for Cook Industries said his company would have no comment because its "internal investigation of all allegations made during the present grain investigation has not been completed."

APPENDIX II

Summary of Conclusions Recommendations

S. No.	Para No.	Ministry/Deptt. Concerned	Conclusions/Recommendations
1	2	3	4
1.	I.10	M/o. Agriculture and Irrigation	The Committee regret that Government's response to their observations recommendations contained in paragraphs 1.124, 1.125 and 1.127 of their 159th Report (Fifth Lok Sabha) is, for the most part, a reiteration of what had been stated before the Committee earlier during oral evidence and in written notes submitted to the Committee in the course of their examination of the Audit paragraph. The Committee had expected that, at least after the exposé, in the international and in the Indian press, of many alleged malpractices over the grain deals, Government would have displayed a keener awareness of the magnitude of the problem. The Committee are unhappy, to say the least, with the peculiar and almost querulous approach adopted by the Department of Food in replying to the Committee's observations.
2.	I.11	-do-	The Committee find that the India Supply Mission, Washington, had taken up the question of the contaminating 'dhatura' seeds in the ma milo imported from the USA with the US Department of Agri-

culture only in 1973, though it is evident from a telegram sent, in March 1973, by the Director General, India Supply Mission to the Food Secretary, that the problem of 'dhatura' admixture in food-grains shipments from the USA had arisen a number of times in the past, even as early as in the fifties. The extent of admixture per kilo was also evidently much higher in 1963 and 1964 than in 1973. Since the presence of 'dhatura' seeds in the milo implied a considerable health hazard, the Committee feel that, allegedly technical obstacles notwithstanding, it was the responsibility of Government to impress seriously and earnestly upon the US Government the need for the grain supplies conforming to Indian specifications and standards and for the acceptance of quality and inspection certificates given by independent inspectors to be appointed by the Government of India.

44

3. I. 12

—do—

The Committee concede that Government had moved in the matter, to the extent possible, after the presence of 'dhatura' in the milo had been detected in the shipments which arrived in India in February, 1973 and thereafter. It is, however, evident that necessary precautions in this regard had not been taken earlier, and entire reliance had been placed for years on the so-called certificates of quality issued by the inspectors licensed by the US Department of Agriculture. Such certificates, the Department of Food should have known, would not indicate the presence of 'dhatura' in the grain

since the US Grain Standards Act does not recognise 'dhatura' as a deleterious material. The Committee are, therefore, constrained to consider that this question had been totally neglected till 1973, and that it needed, so to speak, a sort of crisis to develop before Government woke up on this issue. The Committee reiterate their earlier recommendations and require fixation of responsibility for the lapse and appropriate action thereafter.

4.

I.13

Ministry of Agriculture
and Irrigation

That the malady is not merely confined to the presence of a few 'dhatura' seeds in milo purchased from abroad but is far more deepseated is evident from the recent reports of "bribery and fraud" in federally licensed grain-inspection procedures. From the startling disclosures of the Office of Audit of the US Department of Agriculture now made public, it is clear that our country has been a victim of unscrupulous grain-handling firms in the USA who, in collusion with the licensed grain inspectors, appear to have systematically manipulated grain shipments destined for human consumption. It is, therefore, not unlikely that besides sending us 'dhatura' contaminated milo, these firms have also indulged in deliberate misgrading of grain destined for India and passed off lower-quality grain that was hazardous to human health. In view of shocking revelations in this regard in the world press, Government should press for a review of the existing contractual and legal pro-

visions relating to the pre-shipment inspection and quality control of grain purchased from US firms. The Committee desire that Government should take up this question forthwith with the US Government and insist on proper grain-inspection procedures, preferably by inspectors appointed by the Government of India.

5. 1.14

—do—

In view of the fact that a number of US grain suppliers also appear to operate from Argentina, either directly through their subsidiaries in that country or as representatives of Argentina and other foreign firms, the Committee feel that it would be necessary to review the existing procedures for inspection and quality control at the Argentine end and to take similar precautionary measures to ensure that only uncontaminated grain of the specified quality is purchased from abroad.

6. 1.17

—do—

The Committee are of the view that having succeeded, "after hard bargaining", in persuading two suppliers to agree that if the pre-shipment inspection by the US Department of Agriculture indicated the presence of 'dhatara', the suppliers would indemnify the India Supply Mission to the extent of 25 cents per tonne towards the actual cost of cleaning the grain in India. The Department of Food ought to have given a fair trial to the offer and assessed its effects instead of deciding, on what appears to be hypothetical grounds, that the indemnification clause would be of "little practical value." The Committee feel that such a clause in the contracts

would have proved helpful to India, particularly in view of the fact that the India Supply Mission had also apparently succeeded in arranging with the US Department of Agriculture requiring the inspection agencies to give information regarding the presence or otherwise of 'dhatura' in various shipments, so that necessary precautionary measures could be taken in India before the grain was consumed. The Committee, thus, are constrained to reiterate their earlier observation that this question had not been pursued adequately and with the seriousness that it deserved. The Committee would urge Government to re-examine the whole issue carefully and persuade the suppliers agree to the inclusion of the indemnification clause in the contracts for the supply of foodgrains.

7. 1.21 Ministry of Agriculture
and Irrigation

While the Committee concede the need to maintain an element of secrecy in regard to purchases of foodgrains in a sellers' market, they feel that resorting to purchases entirely through private negotiations, without taking all the necessary precautions to verify the antecedents of the firms with which negotiations are proposed, would not be a sound policy for all occasions. Before deciding upon one or the other mode of purchase, viz., through private negotiations and by inviting tenders, their comparative merits should be carefully evaluated, and the better method should be adopted. Besides, adequate care should be taken to ensure that the prices are not manipulated by the firms and their subsidiaries forming themselves into cliques. Since the operations of trans-national companies are often conducted in the most dubious ways, Government should take spe-

cial precautions to counter the machinations of unscrupulous suppliers. The Committee desire that the adequacy of the existing arrangements for the purchase of foodgrains from abroad should be carefully reviewed from time to time and necessary remedial steps taken.

8. 1.22

—do—

Now that some of the firms with which India had entered into grain transactions in the past are suspected to have indulged in various malpractices, including systematic cheating, Government would do well to suspend further dealings with these firms, particularly the Bunge Corporation, their subsidiaries and other firms with whom they may have a capital interlocking arrangement. Lessons must be drawn from the recent disclosures of the activities of some of these firms, and Government's dealings with every foreign grain supplier should be thoroughly scrutinised. The Committee would like to know the steps so far taken to safeguard the country's interests in the light of these revelations.

9. 1.25

—do—

The Committee are concerned over the tardy manner in which the inquiry into the specific complaint against the Food Corporation of India, made as early as August 1973, by the Government of Maharashtra is progressing. This inquiry should be completed without further loss of time. The Special Officer appointed to enquire into the other complaints from the State Governments should

also be asked to complete his investigations without delay. Action taken in the light of the Special Officer's findings should be intimated to the Committee forthwith.

10 1-28 Ministry of Agriculture
and Irrigation

The Committee note that Parliament was not in session when the decision to resume the imports of milo was taken by Government in June 1973, in the context of the prevalence of drought conditions in a number of States. The Committee would, however, like to know whether this decision had been conveyed to Parliament after it reassembled for the monsoon session of 1973. The Committee urge that whenever it is necessary for Government to reconsider and modify assurances given to Parliament, such revised decisions, with detailed justification therefor, should be conveyed to Parliament at the first available opportunity, so that Parliament would be in a position to understand the position and express its views. This would be a healthy convention and should be scrupulously observed.

49

Sl. No.	Name of Agent	Sl. No.	Name of Agent
WEST BENBAL		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.
DELHI		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, Chandi Chowk, Delhi.
28.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	MANIPUR	
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.
