

**PUBLIC ACCOUNTS COMMITTEE**  
**(1977-78)**

**(SIXTH LOK SABHA)**

**FORTY-SIXTH REPORT**

**DELHI MILK SCHEME**

**MINISTRY OF AGRICULTURE AND IRRIGATION**  
**(DEPARTMENT OF AGRICULTURE)**

**[Paragraph 48 of the Report of the Comptroller and  
Auditor General of India for the year 1974-75,  
Union Government (Civil)]**



*Presented in Lok Sabha on 13th December, 1977*  
*Laid in Rajya Sabha on 13th December, 1977*

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

*December, 1977 | Agrahayana, 1899 (S)*

*Price : Rs. 10.45*

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

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
<b>ANDHRA PRADESH</b>					
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8	12.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.	30
2.	G.R. Lakshminpathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94	13.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.	60
			14.	Deccan Book Stall, Ferguson College Road, Poona-4.	65
<b>ASSAM</b>					
3.	Western Book Depot, Pan Bazar, Gauhati.	7	15.	M/s. Usha Book Depot, 585/A, Chira Bazar Khan House, Girgaum Road, Bombay-2 B.R.	5
<b>BIHAR</b>					
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	37	<b>MYSORE</b>		
			16.	M/s. Peoples Book House, Opp. Jaganmohan Palace, Mysore-1	16
<b>GUJARAT</b>					
5.	Vijay Stores, Station Road, Anand.	35	<b>RAJASTHAN</b>		
6.	The New Order Book Company Ellis Bridge, Ahmedabad-6.	61	17.	Information Centre Government of Rajasthan Tripolia, Jaipur City	38
<b>HARYANA</b>					
7.	M/s. Prabhu Book Service, Nai Subzimandi, Gurgaon, (Haryana).	14	<b>UTTAR PRADESH</b>		
			18.	Swastik Industrial Works, 59, Holi Street Meerut City	1
<b>MADHYA PRADESH</b>					
8.	Modern Book House, Shiv Vilas Palace, Indore City.	13	19.	Law Book Company, Sardar Patel Marg, Allahabad-1	48
<b>MAHARASHTRA</b>					
9.	M/s. Sunderdas Gianchand 601, Girgaum Road, Near Princess Street, Bombay-2.	6	<b>WEST BENGAL</b>		
10.	The International Book House (Private) Limited 9 Ash Lane, Mahatma Gandhi Road, Bombay-1	22	20.	Granthaloka, 5/1, Ambica Mookherjee Road, Belgaria, 24 Parganas	10
11.	The International Book Service Deccan Gymkhana Poona-4	26	21.	W Newman & Company Ltd 3, Old Court House Street, Calcutta	44
			22.	Firma K.L. Mukhopadhyay, 6/1A, Banchharam Akur Lane, Calcutta 12	83
			23.	M/s. Mukherji Book House, 8B, Duff Lane, Calcutta-6	4

CORRIGENDA TO 46TH REPORT OF PUBLIC ACCOUNTS  
COMMITTEE (SIXTH LOK SABHA)

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
(i)		7	iesine G	Genesis
(i)		15	steam, coal	Steam coal
(v)		18	sitting	sittings
10	1.23	4	Delete line 4	
14	2.6	11	Rs. 6.0.80 lakhs	Rs. 66.80 lakhs
30	2.50	3	suply	supply
59	3.70	9	licence	licencee
82	4.21	6	intimted	intimated
109		23	4.82. The Committee.. ....milk	4.81. In reply to a question, the representa- tive of the Delhi Milk
109	4.83	8	dearly	clearly
112	4.90	16	be	the
136	5.43	15	of the	, the
138	5.51	15	<del>complaints</del>	<del>complainants</del>
146	5.68	6	99.65 paise	99.66 paise
146	5.68	15	Rs.	Paise
159	6.17	16	36.88%	38.88%
163	6.25	9	suitable	suitably
164	6.30	7	sayings	savings
195		2	3.66	3.67
203		21	surprise	surprised
204		12	contained	continued
204		22	case in	casein
208		7	7 may	7 May
210		21	adge	edge
212		7	feaoated	federated
212		15	commission	commission than
212		15	contractor	contractor,

**CONTENTS**

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1977-78)	(iii)
INTRODUCTION . . . . .	(iv)
<b>REPORT</b>	
CHAPTER I—INTRODUCTORY . . . . .	1
A . . . . .	1
B. Organisational set-up . . . . .	3
CHAPTER II—EXPANSION PROGRAMMES . . . . .	13
CHAPTER III—MILK PROCUREMENT . . . . .	31
CHAPTER IV—PERFORMANCE APPRAISAL . . . . .	70
A. Milk Collection and Chilling Centres . . . . .	70
B. Sourage of Milk . . . . .	84
C. Processing . . . . .	87
D. Consumption of Utilities—Steam, coal Chlorine and Caustic Soda . . . . .	112
CHAPTER V—DISTRIBUTION AND SALES . . . . .	116
A. Distribution of Milk . . . . .	116
B. Sale Price of Milk and Cost of production . . . . .	140
CHAPTER VI—WORKING RESULTS AND AN OVERALL PERFORMANCE . . . . .	149
CHAPTER VII—RELATIONSHIP BETWEEN INDIAN DAIRY CORPORATION AND DELHI MILK SCHEME . . . . .	166
CHAPTER VIII—GENERAL . . . . .	171
A. Idle Plant and Machinery . . . . .	171
B. Workshop and Transport Equipment . . . . .	181
C. Stores . . . . .	186
<b>APPENDICES :</b>	
I. Statement showing the licensed capacity and actual production of the milk product units in the organised sector located around the operation area of Delhi Milk Scheme . . . . .	195
II. Statement showing objectives of the Indian Dairy Corporation . . . . .	197
III. Statement of Conclusions/Recommendations . . . . .	199

**\*PART II**

Minutes of sittings of the Committee held on 13 and 14 July 1976 and 5 December, 1977.

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



PUBLIC ACCOUNTS COMMITTEE

(1977-78)

CHAIRMAN

Shri C. M. Stephen

MEMBERS

*Lok Sabha*

- \*2. Shri Halimuddin Ahmed
3. Shri Balak Ram
4. Shri Brij Raj Singh
5. Shri Tulsidas Dasappa
6. Shri Asoke Krishna Dutt
7. Shri Kanwar Lal Gupta
8. Shri P. K. Kodiyan
- \*9. Shri Vijay Kumar Malhotra
10. Shri B. P. Mandal
11. Shri R. K. Mhalgi
12. Dr. Laxminarayan Pandeya
13. Shri Gauri Shankar Rai
14. Shri M. Satyanarayan Rao
15. Shri Vasant Sathe

*Rajya Sabha*

16. Smt. Sushila Shanker Adivarekar
17. Shri Sardar Amjad Ali
18. Shri M. Kadershah
19. Shri Piare Lall Kureel *urf* Piare Lall Talib
20. Shri S. A. Khaja Mohideen
21. Shri Bezawada Papireddi
22. Shri Zawar Hussain

SECRETARIAT

1. Shri B. K. Mukherjee—*Joint Secretary*
2. Shri T. R. Ghai—*Senior Financial Committee Officer.*

---

\*Elected w.e.f. 29th November, 1977 *via* Sarvasree Sheo Narain and Jagdambi Prasad Yadav ceased to be Members of the Committee on their appointment as Ministers of State.

## INTRODUCTION

1. I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Forty-Sixth Report of the Public Accounts Committee (Sixth Lok Sabha) on paragraph 48 of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Civil) relating to the Ministry of Agriculture and Irrigation (Department of Agriculture) on the Delhi Milk Scheme.

2. The Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Civil) was laid on the Table of the House on 26th March, 1976. The Public Accounts Committee (1976-77) examined the paragraph relating to the Delhi Milk Scheme at their sittings held on 13 and 14 July, 1976 but could not finalise the Report on account of the dissolution of the Lok Sabha on 18 January, 1977.

3. The Public Accounts Committee (1977-78) considered and finalised this Report at their sitting held on 5 December, 1977, based on the evidence taken and the further written information furnished by the Ministry of Agriculture and Irrigation (Department of Agriculture) and Department of Industrial Development. The Minutes of the sitting of the Committee form Part II\* of the Report.

4. A statement containing conclusions/recommendations of the Committee is appended to the Report (Appendix III). For facility of reference these have been printed in thick type in the body of the Report.

5. The Committee place on record their appreciation of the commendable work done by the Chairman and Members of the Public Accounts Committee (1976-77) in taking evidence and obtaining information for this Report.

6. The Committee also place on record their appreciation of the assistance rendered to them in the examination of the subject by the Comptroller and Auditor General of India.

7. The Committee would also like to express their thanks to the officers of the Ministry of Agriculture and Irrigation (Department of Agriculture),

---

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

( vi )

Department of Industrial Development, Delhi Milk Scheme, Indian Dairy Corporation and National Dairy Development Board for the cooperation extended by them in giving information to the Committee.

NEW DELHI;  
December 9, 1977  

---

Agrahayana 18. 1899 (S)

C. M. STEPHEN,  
Chairman,  
Public Accounts Committee.

# **REPORT**

## **CHAPTER I**

### **INTRODUCTORY**

#### **A. Genesis**

Before the establishment of the Delhi Milk Scheme in 1959, the condition of milk supply to Delhi was very unsatisfactory. The milk supply in those days was made by maintaining buffaloes in the city which used to create unhygienic conditions in the localities of the city. Besides, adulteration and poor quality of milk supply was a common feature. Bulk of the milk used to be supplied by middlemen who used to bring milk from the neighbouring districts of Delhi in a very unhygienic condition besides poor quality and distribute the same in unpasteurised condition. These parties used to charge exorbitant price for the milk and consumers had to remain at their mercy as there was no alternate source to get pasteurised and wholesome milk at reasonable price. Similarly milk products like ghee, butter, ice-cream, etc. were also not of reliable quality and the same were being sold at unrealistic prices. The handling of the milk and milk products during production and distribution were far from satisfactory with regard to their quality. Consumers of the milk and milk products had no choice except to accept whatever was available in the market. In order to obviate these problems, Government of India, during the Second Five Year Plan decided to establish a composite milk plant in Delhi which should meet the requirement of milk and milk products of Delhi citizens.

1.2. The Delhi Milk Scheme started functioning in November, 1959. The object of the Scheme is to reorganise milk supply in the entire metropolitan areas of Delhi/New Delhi, with a view to increasing milk production by assuring a steady and remunerative market to the milk producers on the one hand, and supplying good and wholesome milk at reasonable prices to the consumers, on the other. The Scheme is a public utility undertaking and is to run more or less on 'no profit, no loss' basis. The Scheme is functioning as a departmental public utility undertaking of the Central Government under the Ministry of Agriculture and Irrigation (Department of Agriculture). At the inception of the Scheme in 1959, its installed handling capacity for liquid milk was 2.55 lakh litres daily. In the first phase of its expansion programme, its handling capacity was increased to 3 lakh litres of milk daily. In order to meet the balance milk demand of Delhi city, it was decided to further increase the installed capacity of the Scheme to 4.35 lakh litres of raw milk by increasing the liquid

milk distribution to 3.75 lakh litres and utilising the balance milk for the manufacture of dairy products. The Scheme processes and distributes Standardised, Special Toned and Double Toned Milk which is able to satisfy about 45 per cent of Delhi's milk requirement and manufactures and markets, more or less, the entire range of dairy products.

1.3. Although the primary concern of this Scheme is to process and distribute the maximum feasible quantities of fluid milk, the Scheme also manufactures a wide range of dairy products from the surplus milk that becomes available. In the year 1975-76, products valued at approximately Rs. 1.76 crores were sold.

The Scheme procures milk from areas in a radius of about 500 kms. around Delhi, which are located in the States of U.P., Haryana, Punjab and Rajasthan and the Union Territory of Delhi. It has established 22 Milk Collection & Chilling Centres for the testing, chilling and proper preservation of milk till it is transported to the Central Dairy in Delhi. Milk Acceptance Centres/Collection Points have been established throughout the milk shed area for the facility of farmers and milk suppliers. From the point of collection onwards, upto the Chilling Centres, the milk is kept cool with ice to preserve the quality. In the Milk Chilling Centres, the milk is kept cool with ice to preserve the quality. From the Milk Chilling Centres, the milk is transported in insulated tankers to the Central Dairy in Delhi.

1.4. For the last 4 or 5 years, the Scheme has been utilising its available installed handling capacity to the maximum in order to maintain the supplies of milk to Delhi city at the highest feasible level. At present, about 3.33 lakh litres of milk are being distributed through 1,126 milk depots spread throughout the metropolitan area of Delhi, as well as to 43 hospitals, 99 Military Units, and 269 other institutions, including schools, colleges canteens and hostels. As a welfare measure, Double Toned Milk is being supplied at a subsidised rate to the residents of Jhuggi-Jhonpri colonies and 88 social welfare centres for pre-school children and nursing mothers.

1.5. Great emphasis is being placed on quality control measures, both in respect of milk and milk products. The Scheme has a full-fledged Quality Control Branch manned by qualified and experienced scientists and technicians. Apart from the Central Quality Control Laboratory at Headquarters, there are quality control laboratories in each of the 22 Milk Collection & Chilling Centres where the raw milk is carefully tested before acceptance. The testing of milk commences at the Milk Collection and Chilling Centres in the rural areas, and, therefore, each lot of milk is subjected to a series of tests, at seven different stages, before it is finally released for distribution.

A wide range of standard tests are carried out at each stage in order to check the chemical composition, bacteriological and organoleptic qualities, acidity quality of pasteurisation and the like. For some important tests, duplicate samples are drawn and independently tested and the results compared to ensure maximum possible accuracy. Before milk is bottled or canned, it has to be certified as conforming in all respects to the standards fixed, by the Quality Control Laboratory. Even after bottling/canning of milk, sample tests are carried out to check the quality of the milk before the milk is released for distribution. The quality control branch functions round the clock, and its activities are closely coordinated with those of the Central Dairy and the Milk Collection and Chilling Centres. All the milk products are also similarly tested for quality before being released for sale. Qualified and technical staff have also been appointed for test control and sanitation work which receive close attention, and these operations are also carried out round the clock.

1.6. The Delhi Milk Scheme is presently operating an annual budget of about Rs. 22 crores. In relation to revenues, 85.5 per cent of the total revenue is derived from the sale of milk, 13.3 per cent from the sale of milk products and 1.2 per cent of the revenues are derived from miscellaneous sources. Therefore, by far the largest portion of the revenues is dependent upon the selling price fixed for the various types of milk marketed by the Scheme.

1.7. Since its inception, except for a short spell of two years (*i.e.*, 1969-70 and 1970-71), when the Scheme earned a profit, the Delhi Milk Scheme has been incurring losses year after year. The Scheme has incurred a loss of Rs. 4.14 crores during 1974-75. The losses are mainly due to the fact that Delhi Milk Scheme, with the present set up, is unable to take quick market decisions based on sound commercial principles and also cannot develop permanent links with the producers without assisting them in obtaining inputs and enhancing production. With a view to meeting the situation and to providing greater flexibility and autonomy to its day to day dealings and to liberating it from the departmental procedures in financial as well as personnel management matters, Government propose to convert the Delhi Milk Scheme into a statutory Corporation. A Bill to achieve the said object was introduced twice in Lok Sabha but it lapsed both the times on the dissolution of Fourth and Fifth Lok Sabha. The Scheme is thus continuing without the improvements which the Bill aimed at bringing forward.

## **B. Organisational Set-up**

### *Audit Paragraph*

1.8. (i) The Scheme functions as a departmental undertaking under the direct control of the Ministry of Agriculture. At the apex level, Govern-

ment have constituted a Governing Body under the Chairmanship of the Minister of State in the Ministry of Agriculture with the Chairman, Delhi Milk Scheme, as the Member-Secretary.

The Governing Body considers matters of general policy relating to the Scheme, such as procurement and distribution of milk, manufacture of milk products, general pricing policy for milk and milk products, annual budget and review of progress of the Scheme and any matter of general importance which may be referred to the Governing Body by Government.

The Governing Body functions through a Management Committee comprising the Secretary of the Ministry of Agriculture as the Chairman and five other members, one of whom is the Chairman of the Scheme and the other four are officials of the Ministry of Agriculture. The functions of the Management Committee are to provide guidance to the Chairman, Delhi Milk Scheme, in matters of policy arising out of day-to-day working of the Scheme and take decisions on important matters connected with day-to-day-working, matters of major policy required to be placed before the Governing Body and matters of general importance which may be referred to the Management Committee by the Government.

(ii) The Chairman is the Chief Executive of the Scheme and has been vested with powers for carrying out day-to-day functions. He is assisted in his duties by various Departmental Heads who have also been delegated with certain financial powers. The powers delegated to the Chairman *inter alia* include the following:

- (a) Fixation of purchase price of raw milk subject to report to Government and the Management Committee. The quantum of commission payable to the milk contractors is, however, to be fixed by Government.
- (b) Direct purchase of stores not covered by the rate/running contracts of the Director General, Supplies and Disposals, to the extent of Rs. 50,000 in each case.
- (c) Execution of civil works upto Rs. 20,000 in each case.
- (d) Entering into miscellaneous contracts such as, handling contracts, leases, etc. subject to the condition that the expenditure/income does not exceed Rs. 50,000 per annum.

1.9. The Governing Body and the Management Committee are required to meet, as often as necessary, but not less than once a quarter. During 1972-73 and 1973-74 and upto January 1975, the Governing Body had met thrice, that is, on 16-8-1973, 27-9-1973 and 29-10-1973. During the same period, the Management Committee met four times, that is, on 12-5-1972, 23-9-1972, 23-10-1972 and 25-7-1973.

(iii) In the light of the recommendation made in September 1964 by an Expert Committee appointed by Government, the latter approved in December 1969 a proposal to convert the Scheme into a statutory Corporation. A bill to this effect is yet (November, 1975) to be introduced in Parliament.

[Paragraph 48(2) of the Report of the Comptroller & Auditor General of India for the year 1974-75, Union Government (Civil)].

1.10. According to the Audit paragraph, the Governing Body and the Management Committee are required to meet as often as necessary but not less than once a quarter. But during 1972-73 and 1973-74 and upto January 1975, the Governing Body had met thrice and during the same period the Management Committee had met four times. Clarifying the position, the Ministry of Agriculture & Irrigation (Deptt. of Agriculture) has informed the Audit in April, 1976 that:

“Though the Governing Body is required to meet quarterly, the meeting is being called for as and when there is something significant for the General Body to consider, otherwise cases which require the approval of the Government are referred to in the normal course to the Government for consideration and decision. Matters which require consideration of the General Body as such do not come up thereafter. The last meeting of the Governing Body was held on 14th May 1975.”

1.11. According to Government's resolution dated 14th October, 1968, the functions of the Governing body included among other things, a review of the progress of the Delhi Milk Scheme. The intention of the Resolution was to review the progress quarterly.

1.12. Since the Management Committee and the Governing Body had last met on 25th July 1973 and 14th May 1975 respectively, the Committee desired to know the reasons for not convening a meeting at least once a quarter, as required. In this regard, Chairman, Delhi Milk Scheme, has stated during evidence:

“As far as Government decision is concerned, I am not in a position to say. I did send a proposal for convening the meeting of the Management Committee. But because all the officers who constituted the Management Committee were meeting in the plan progress review committees, it was an understanding that there was no need to have a specific meeting of the Management Committee.”



1.13. In reply to a question, the Chairman, Delhi Milk Scheme, has further added:

“The Governing Body and the Management Committee do not have any financial powers or any administrative powers as such. They function really as advisory bodies. The Management Committee is really to oversee the functioning of the Delhi Milk Scheme. As I submitted, as far as the Management Committee’s functions are concerned, they are generally discharged by the Plan Review Committee and, therefore, the gap was not felt about the meetings. And the question of what sort of forum there should be for this overseeing and reviewing the progress and so on has been under consideration. There was really no gap as such because we have been meeting very often apart from the Plan Review Committee. Otherwise also we have been meeting very often.”

1.14. In regard to Governing Body, the Chairman Delhi Milk Scheme, explained the position as under:

“It is a recommendatory body and it submits its recommendations to the Government for consideration. The Minister himself is the Chairman of the body. I would not be able to say why in the constitution of the Governing Body there is a stipulation of months. It was a long time back and I have not had a look at the relevant records. The idea seems to be that Minister would like to be advised by various knowledgeable and important persons about the various facts of the working of the Scheme particularly because—other Government departments do not have such governing bodies—this scheme has a public impact and so many people would be interested in its functioning. So it is an advisory body probably to gather public opinion about its functioning. It is really for that purpose this forum is very useful. Policy decisions can be taken only when it submits its recommendation which the Government can consider and for the last two years we have been trying to work out a system where some policy decisions could emanate.”

1.15. Asked whether the Ministry had ever brought to the notice of the Chairman, Delhi Milk Scheme, the lapse of not convening the meetings of the Management Committee and the Governing Body as frequently, as required, under the respective Regulations, the Ministry in a written note furnished to the Committee, has regretted this lapse and stated:

“It is realised that the meetings of the Governing Body and the Management Committee of the Delhi Milk Scheme were not

held as frequently as required. The lapse is regretted. However, the Chairman, DMS is being advised that in future the meetings of both the bodies are convened regularly in accordance with the regulations."

1.16. It was submitted to the Committee during evidence that as far as the Management Committee's functions were concerned, they were generally discharged by the Plan Progress Review Committee meetings. In this connection, the Committee desired to know as to when the meetings of the Plan Progress Review Committee were held during the year 1975-76. In reply, the Ministry have stated:

"Plan Progress Review meetings are conducted by the Directorate of Economics and Statistics, under the Chairmanship of Joint Secretary/Additional Secretary on quarterly basis. These meetings are attended by Chairman, Delhi Milk Scheme, and concerned officials of this Ministry.

During the year 1975-76, three such review meetings were held on 26-7-1975, 2-2-1976 and 22-4-1976. The purpose of these meetings is to review the progress made by Delhi Milk Scheme in the implementation of its Plan Programme for the quarters under review."

1.17: It has been pointed out in the Audit para that in the light of the recommendation made in September, 1964 by an Expert Committee appointed by Government the latter approved in December, 1969, a proposal to convert the Scheme into a Statutory Corporation. But a Bill to this effect had not been introduced in Parliament till November, 1975. In this regard, the Committee desired to know the reasons for the delay in the introduction of the proposed Bill. In reply the representative of the Ministry deposed:

"I will go back to the recommendations of the Expert Committee which was set up in 1964. The Committee gave this recommendation in September, 1964. Its main recommendation was that the DMS should be converted into a Company under the Company Law.

There was a lot of opposition to this idea from the employees and ultimately we were advised by the Law Ministry that if we have to provide safeguards to the employees, the proper course will be to convert it into a statutory corporation more or less on the lines of the Food Corporation of India. That has been sometime in the year 1969. As I mentioned earlier the Government did decide to introduce the Bill and did introduce it in the Fourth Lok Sabha in September, 1970."

1.18. In a written note furnished to the Committee on 13 January, 1977 the Ministry have further explained the position thus:

“A Bill to convert the Delhi Milk Scheme into a statutory Corporation was introduced on the 4th September, 1970 but that Bill lapsed with the dissolution of the Lok Sabha in December, 1970. The Delhi Milk Scheme Employees’ Union (Registered and Recognised) which was opposed to the change of the departmental status of the Delhi Milk Scheme agreed in February, 1971 to discuss the matter with the Government. At a meeting held on the 8th November, 1971 under the Chairmanship of the Minister of State in the Department of Agriculture, it was agreed by the Employees Union that the conversion into a statutory Corporation would not be objected to provided adequate safeguards/protection of service interest of existing employees was provided in the Bill.

For this purpose, the Union gave a list of 14 points on which assurances/clarifications were sought from the Government. It was also stipulated that a further discussion with the Union will take place before the Bill is introduced in the Parliament. This was subsequently confirmed by the Union in its letter of February, 1972.

Proposal for the introduction of a Bill to convert the Delhi Milk Scheme into a statutory Corporation has been considered in the light of the discussion held with the Employees Union and the points raised by it. The manner in which a working coordination could be brought about between the Central Dairy of the Delhi Milk Scheme and the new dairy plant, which had functioned in the meantime, was also considered.

After consultation with the Department concerned the Government has taken a decision in principle, that the Delhi Milk Scheme should be converted into a statutory Corporation. A Bill\* for this purpose has since been introduced in the last Session of the Parliament.”

1.19. Asked to state the reasons which prompted the Government to decide in favour of conversion of the Scheme into a statutory Corporation, the representative of the Ministry has stated during evidence:

“The main objective is really to improve operational efficiency of this organisation by giving it more flexibility in its operation. The Bill does provide that the Corporation will be autonomous

\*Bill was introduced on 1st September, 1976 but lapsed on the dissolution of the 5th Lok Sabha on 18 January, 1977.

and it will have full powers in determining the procurement and sale prices but Government has power to give directions. It is not that Statutory Corporation will be completely out of the control of Government and Government will not be able to give any direction to it."

1.20. Explaining the practical difficulties and rigours of Government directly managed Government undertaking had proved by experience to be not a very desirable arrangement, the representative of the Ministry conceded during evidence that "we can certainly say that it was not an ideal arrangement."

1.21. Explaining the practical difficulties and rigours of Government procedures and rules which come in the way of running the Delhi Milk Scheme under the present arrangements, the Chairman, Delhi Milk Scheme has further added:

"DMS is a commercial-cum-industrial undertaking which has to operate 24 hours a day and 365 days in a year without any break and we have necessarily to take very prompt and quick decisions about a number of things. We deal with perishable commodities like milk and milk-products. If we do not take quick decisions these commodities can get spoiled and damaged. We deal in large magnitudes where the slightest delay could result in serious consequences. The manoeuvrability and flexibility of this organization is most essential. For government departments which did not function as industrial or commercial undertakings, certain rules and regulations are applicable; e.g., in the CPWD and even in the Directorate of Extension in the Ministry. The latter is an organisation which promotes development and welfare; it does not do any industrial or commercial job. But these rules cannot *ipso facto* be applied to commercial undertakings. For instance, for getting some civil works done, e.g., construction of milk booths, I have first to get the Government's approval and then to approach the CPWD for doing the construction. The latter will go through their own procedure. By the time the job is done, a year might have elapsed. We are today operating about 160 vehicles. We are unable to purchase parts from the market. We have to go through the DGS&D and the DGS&D's contractors do not supply in time. There are rules that we have to go only through them. Either we have to keep the vehicles off the road or we have to change the rules. In regard to administrative matters, we cannot appoint a single person. When we open new booths, we need mates and drivers. But we cannot sanc-

tion those posts and fill them. These are the practical difficulties in running an organisation; and that is why Government agreed to take prompt action, so that in the proposed set-up quick decisions can be taken."

1.22. Asked whether the principle of making milk available at subsidised price would not be given up once the Corporation was formed, the representative of the Ministry has stated:

"I would submit that no specific decision, as such, either way has been taken. At the moment the decision is to set-up an autonomous statutory corporation; give it full freedom for determining the distribution and procurement prices. But as I submitted earlier depending on the situation Government will be able to give a direction."

1.23. In reply to another question, the representative of the Ministry stated that the Government policy decision was to run the Delhi Milk Scheme on no-profit-no-loss basis. The objective was not to earn huge Government could not do so even with its present direct control. In profits like the private concerns. He further added:

"There is a provision in the Bill empowering the Government to give directions to the Corporation. Beyond this, at this stage, it will be very difficult for me to go into the question of subsidies, whether there will be subsidy by the Government or not."

1.24. The Committee desired to know as to in what manner the proposed conversion of DMS into a statutory Corporation would effect economy and improvement in its working, particularly in areas where the Government could not do so even with its present direct control. In this regard, the Ministry in a note furnished at the instance of the Committee have submitted as under:

"In order to give greater flexibility and autonomy to the Organisation in its day to day dealings and to liberalise it from the Departmental procedure in financing as well as personnel management matters, on conversion of DMS into statutory corporation, the corporation will be free to borrow money from any Schedule Bank or any other Bank or Banking Institutions approved by the Central Government. Thus the financial position of the Corporation will improve result-

ing in economy. Further in the present set-up the Delhi Milk Scheme needs to take quick market decisions based on commercial principles and develop permanent links with producers by assisting them with inputs for enhancing milk production. This process consists of the operation in complexities. It is not possible to discharge the growing responsibilities of a Commercial Organisation like Delhi Milk Scheme as a departmental undertaking.

**1.25. The Committee note that the Delhi Milk Scheme functions as a departmental undertaking under the direct control of the Ministry of Agriculture and Irrigation (Department of Agriculture) and for its efficient working have constituted a Governing Body under the chairmanship of Minister of State in the Ministry and the Chairman, Delhi Milk Scheme as the Member-Secretary. The Governing Body considers matters of general policy relating to the Scheme, such as procurement and distribution of milk, manufacture of milk products, general pricing policy for milk and milk products, annual budget and review of progress of the Scheme and any matter of general importance, which may be referred to the Governing Body by Government. The Governing Body functions through a Management Committee comprising the Secretary of the Ministry as its Chairman and five other Members one of whom is the Chairman, DMS and the other four are officials of the Ministry. The functions of the Managing Committee are to provide guidance to the Chairman, Delhi Milk Scheme, in matters of policy arising out of day-to-day working of the Scheme and take decisions on important matters connected with day-to-day working, matters of major policy required to be placed before the Governing Body, and matters of general importance which may be referred to the Management Committee by the Government. The Governing Body and the Management Committee are required to meet as often as necessary but not less than once a quarter. The Committee, however, find that during 1972-73 and 1973-74 and upto January, 1975, the Governing Body had met thrice and the Management Committee had met four times only. The last meetings of the Governing Body and the Management Committee were held on 14 May, 1975 and 25 July, 1973 respectively.**

**1.26. The Committee are constrained to point out that the Governing Body and Management Committee which were constituted by Government to ensure efficient functioning of Delhi Milk Scheme and to resolve prob-**

lems experienced in its working failed to meet as frequently as required to transact their business. No convincing explanation has been furnished to the Committee during evidence in this regard.

1.27. The Committee cannot accept the plea that as Plan Progress Review Committee meetings were being conducted by the Department where the Chairman, Delhi Milk Scheme and other concerned officials were present, it was not found necessary to hold the meetings of the Governing Body and the Management Committee. It need hardly be pointed out that while the Plan Progress Review Committee meetings are being held in the Directorate of Statistics under the chairmanship of a Joint Secretary/ Additional Secretary, the Governing Body was required to meet under the chairmanship of the Minister himself while the Management Committee had the Secretary of the Ministry as the Chairman. The Committee feel that it was incumbent upon the Chairman of the Delhi Milk Scheme, who was the convener for the Governing Body and a Member of the Management Committee, to have moved in the matter, brought up his problems and sought guidance. The Committee note that Government have now belatedly issued directions to the Chairman, Delhi Milk Scheme to convene the meetings of these Bodies regularly in accordance with the provisions of the Regulations. The Committee would like the Secretary of the Ministry, who is a member of both the Bodies, to make sure that these Bodies meet regularly and that problems of the Delhi Milk Scheme are gone into in depth and resolved.

1.28. The Committee note that it was in 1964 that the Expert Committee appointed to review the working of the Delhi Milk Scheme recommended that it may be converted into a company. Government took five years to decide that instead of converting it into a company, it may be made into a statutory corporation. A Bill was introduced towards the end of the 4th Lok Sabha in 1970 and the 5th Lok Sabha in 1976 and on both these occasions because of the dissolution of the House the consideration of the Bill remained inconclusive. It is thus evident that though the need for putting the D.M.S. on a statutory basis in the interest of better and efficient functioning was realised eight years ago the objective has not been achieved because of the hesitant and inconclusive Government action.

1.29. The Committee stress that Government should pursue this matter conclusively so that the Delhi Milk Scheme is enabled to function efficiently and with the requisite flexibility in the interest of improving the service, reducing the overheads and cutting out the losses to the extent possible.

1.30. The Committee have no doubt that in bringing forward the legislation Government would keep in view the need for having one unified authority for procurement and distribution of milk so as to reduce the overheads and maximise the facilities available to the public particularly those belonging to poorer and weaker sections of the society.

## CHAPTER II

### EXPANSION PROGRAMMES

#### *Audit Paragraph*

The main constituent units of the Scheme are:

- (a) Milk collection and chilling centres set up for collection of milk and its chilling before transportation to the Central Dairy.
- (b) Central Dairy for processing of pasteurised milk and manufacture of milk products e.g. ghee, butter, ice-creams, etc.
- (c) Milk booths for distribution of milk.

2.2. The following is the broad classification of plant and equipment in the milk collection and chilling centres and the Central Dairy:—

#### *Milk collection and chilling centres*

- (a) Storage tanks.
- (b) Chilling equipment.

#### *Central Dairy*

- (a) Storage tanks for raw milk.
- (b) Processing equipment (e.g. pasteurisers, homogenisers, etc.) for production of pasteurised milk.
- (c) Blending tanks for reconstituting/recombining milk with fat and skimmed milk powder.
- (d) Bottling line.
- (e) Cold storage for milk and milk products.
- (f) Plant and equipment for manufacture of milk products.
- (g) Milk tankers and milk vans for collections and distribution of milk.

2.3. The initial capacity of the Central Dairy was for processing 2.55 lakh litres of milk per day. In 1966 Government approved the expansion of this capacity (known as first phase expansion) to three lakh litres per day, providing the following items of equipment and facilities:—

- (a) Additional milk Storage tanks.
- (b) Expansion of the capacity of ghee and butter sections and provision of cold storage facilities for ghee and butter.
- (c) Installation of spray drier skimmed milk powder plant and equipment for production of casein.



2.4. While initiating the proposal for second phase expansion in October, 1969, it was stated by the Ministry that a part of the equipment under the first phase expansion programme had already been installed to permit expansion of the capacity of liquid milk handling and other related sections and that installation of the remaining equipment was expected to be completed by the end of 1969. It was further mentioned that the expanded capacity was expected to be fully utilised shortly and, considering that the Scheme's milk procurement situation was much more assured, it was necessary to expand the capacity of the Central Dairy to 4.35 lakh litres per day by providing additional equipment in certain section. It was envisaged that, on completion of second phase expansion the Scheme would;

- (a) handle 3.75 lakh litres of liquid milk per day and utilise 0.60 lakh litres of milk for production of butter, ghee etc., and
- (b) earn a profit of about Rs. 32.40 lakhs on the basis of the existing margin between the cost of production and the selling price.

2.5. Based on the above proposals, Government approved in December, 1969 the second phase expansion of the Scheme at an estimated capital cost of Rs. 118.52 lakhs (including civil works of the value of Rs. 29.05 lakhs).

2.6. In February, 1971, an expert of the National Dairy Development Board also conducted a detailed survey with a view to examining the additional facilities required in the existing dairy for augmentation of daily through-put with skimmed milk powder and butter oil to be available under the World Food Programme Project No. 618 ('Operation Flood'). In order to achieve this object, the expert recommended additional equipment and facilities over and above those already sanctioned in December, 1969 for handling 3.75 lakh litres of milk per day. In August, 1971 Government accepted the above recommendation and sanctioned procurement/installation of additional equipment and facilities at a total estimated outlay of Rs. 660.80 lakhs. Out of this, machinery/equipment worth Rupees 27 lakhs (including Rupees 6.73 lakhs on account of spares and service charges) were to be procured by the Scheme through the Indian Dairy Corporation under 'operation flood'. This programme also formed part of the second phase expansion.

2.7. In connection with the implementation of above referred expansion programme, the following aspects are relevant:—

#### *First Phase Expansion*

2.8. The data relating to estimated capital outlay and the actual expenditure incurred there—against together with the schedule, if any drawn up for completion were not available. The Management, while intimating in November, 1974 the approximate dates of commissioning of

various items of equipment and machinery, stated that the handling capacity of the Central Diary had been increased with effect from April, 1969 onwards when the Scheme commenced distributing more or less 3 lakh litres of milk per day.

2.9. According to the information furnished by the Management in November, 1974 and subsequently, the dates of installation of various equipment and facilities were as follows:—

Sl. No.	Equipment/facility	Date of installation/ commissioning
• 1.	10 storage tanks of 15,000 litres capacity each	December, 1969
2.	4 storage tanks of 30,000 litres capacity each.	February, 1973
3.	Ghee and butter sections . . . . .	March, 1971
4.	Spray drier skimmed milk powder plant. . . . .	The plant was installed in December, 1972 but was commissioned in February 1975. The commissioning was held up for want of sufficient quantities of milk.
5.	Casein-plant . . . . .	January, 1973
6.	Cold storage for ghee and white butter . . . . .	June, 1972 and December, 1972
7.	Cold storage for table butter . . . . .	December, 1974
* 4	refrigerated storage tanks of 15,000 liters capacity each. . . . .	December, 1968
6	storage tanks of 15,000 liters capacity each. . . . .	December, 1969

(subsequently intimated by the Scheme to Audit)

2.10. As against the target of distribution 3 lakh litres of milk per day envisaged under the first phase expansion, the actual average distribution of milk per day was 2.57 lakh litres in 1969-70, 2.64 lakh litres in 1970-71 and 2.76 lakh litres in 1971-72. Similarly, the enhanced capacities of ghee and butter sections, etc. remained substantially un-utilised.

[In reply the Ministry have informed the Audit that though the average distribution of milk per day was less than 3 lakh litres capacity per day, the Scheme has achieved maximum distribution of 2,86,000 litres in April, 1970; 2,97,398 litres in September, 1972; 3,03,412 litres in September, 1973; 305,864 litres in October, 1974 and 3,20,657 litres in November, 1975.

The following reasons have been mentioned for the fall in average distribution per day:—

- (a) Non drawal of milk by most of Canteens, Schools, Colleges and Welfare Centres on Sunday and holidays,
- (b) Lesser drawal of milk by token holders in the last week of the month,
- (c) Non despatch of full supply of milk on account of sudden break down of the machines,
- (d) Old age of the machines which could not be expected to give performance upto optimum level.]

### *Second Phase Extension*

2.11. Neither any detailed schedules for completion and commissioning of the various items of works were drawn up by the Management nor were the figures of actual expenditure against the sanctioned estimates available.

[The Ministry have informed Audit in April 1976 that the figures of actual expenditure were available alongwith work-wise estimates]

2.12. The Memorandum for the second phase expansion put up to the Expenditure Finance Committee has envisaged that works connected with the Central Dairy would be completed by December 1970 and that benefits to the consumers would commence in the early part of 1971. A review of the progress made in this regard, however, indicated the following features:—

- (a) The majority of the items were acquired/installed/commissioned from 1973-74 to July 1975.
- (b) The items mentioned below were not acquired/executed:—

<i>Item</i>	<i>Value (Rs. in Lakhs)</i>
(i) Equipment for 5 milk collection and chilling centres. . . . .	28.85

[The Ministry have informed Audit in April 1976 that equipment for additional milk collection and chilling centres were already available with the scheme from the closed chilling centres.]

(ii) Air-conditioning unit for butter oil storage . . . . .	8.00
---	------

[It has been stated by the Ministry to Audit that the idea to construct a butter oil storage has been dropped as the Indian Dairy Corporation has decided to set up a centralised cold storage for butter oil.]

(iii) Pipe fittings . . . . .	1.66
-------------------------------	------

[The Ministry have informed Audit in April 1976 that whatever pipes were required for installation of plant and equipment have been purchased and installed]

(iv) Civil works for 7 milk collection and chilling centres. . . . . 21.00

[The Ministry have informed Audit in April 1976 that civil works were not executed for want of adequate funds and on account of ban on the construction of new buildings]

(v) Civil works for washing bay, service station for vehicles, additional butter oil melting room, extension of loading dock, roofing of scrap yard, racks in deep freeze cold store and relaying of sewer system. . . . . 6.19

TOTAL . . . . . 65.70

[The Ministry have informed Audit in April 1976 that the butter oil melting room is already in operation and the loading dock has been extended]

(c) The following items, though installed/acquired, have not been commissioned/utilised so far (November 1976);

<i>Item</i>	<i>date of installation etc.</i>	<i>Value (Rs. in lakhs)</i>
(i) Steam generators	September 1973	4.00

[Steam generators though commissioned in January, 1975 are still reported to be under trial]

(ii) Ammonia compressor	Not available	2.25
-------------------------	---------------	------

[The Ministry have informed Audit in April 1976 that all the compressors required for the expansion programme have already been procured and installed.]

(iii) Metregauge rail milk tankers	January 1971 to July 1971	15.00
(iv) 750 KVA transformer	Not available	0.50

[The Ministry have informed Audit in April 1976 that the transformer has been commissioned in August 1975]

TOTAL : . . . . . 21.75

(d) Against 250 milk booths planned under the expansion scheme, only 142 booths were completed and taken over upto July 1975.

[The Ministry have informed Audit in April 1976 that 184 milk booths were sanctioned by Government in May 1969 and December 1972. Out of these 156 milk booths have already been completed and taken over.]

- (e) 2 items of civil works of the value of Rs. 1.78 lakhs were still (July 1975) in progress.

[The Ministry have informed Audit in April 1976 that out of the two civil works one has already been completed and the other is at a very advanced stage]

2.13. The Management assigned (November 1974) the following general reasons for delay in the implementation of second phase expansion:—

- (a) Procedural delays in obtaining Government sanctions and formalities involved in the award of works by the Central Public Works Department, the National Dairy Development Board and through the Director General, Supplies and Disposals.
- (b) Involvement of three different agencies viz., the Central Public Works Department, the National Dairy Development Board and the Director General, Supplies and Disposals, in the execution of the project.
- (c) Accomplishment of the task without dislocating the normal functioning of the scheme even for a day.

2.14. The anticipation relating to the procurement of additional quantities of raw milk so as to attain the capacity of 4.35 lakh litres (3.75 lakh litres in the form of liquid milk and 60,000 litres of milk in the form of ghee, butter etc.) of milk per day have not materialised so far (November 1975). In fact, it will be seen from the details given in paragraph 4.1.2. that the procurement of raw milk was constantly on the decline even with reference to the level obtained in 1969-70. Consequently, the projections of profitability envisaged under the expansion programme could not also be attained.

[Paragraph 48(3) of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Civil)]

2.15. In a memorandum dated the 21 October 1969, submitted by the Ministry of Food, Agriculture, C.D. and Cooperation (Department of Agriculture) for consideration by Expenditure Finance Committee, it has been stated that the Central Dairy of the Scheme was installed in the year 1959 with a rated capacity of 2,55,000 litres. First phase of expansion of the Central Dairy to a capacity of 3,00,000 litres per day was approved in 1966 and broadly covered the following:

- (i) Additional milk storage facilities including 6 storage tanks of 15,000 litres capacity each, 4 storage tanks of 30,000 litres capacity each and 4 refrigerated milk storage tanks of 15,000 litres capacity each.

- (ii) Spray-drier skimmed milk powder plant with a capacity of 5 tons per day.
- (iii) Expansion of Ghee Section from a capacity of 3 tons per day to 8 tons per day.
- (iv) Expansion of Butter Section from a capacity of 2 tons per day to 4 tons per day.
- (v) Cold storage facilities for storage of 200 tons of white butter, 100 tons of table butter and 100 tons of ghee.
- (vi) Case in equipment for manufacture of 350 kgs. per day.

2.16. It was stated that a part of the equipment under this expansion programme has already been installed to permit expansion of the liquid milk handling and other related sections and installation of the rest of the equipment including the spray-drier plant was expected to be completed by the end of the year 1969.

2.17. The memorandum further stated that according to the 1971 population projection, the requirement of milk for Delhi was estimated to be 6,00,000 litres per day. With a view to meet increased demands from consumers, the Ministry proposed the second phase expansion of the Delhi Milk Scheme for having a through out of 4.35,000 litres per day (optimum capacity) from its present approved capacity of 3,00,000 litres of milk per day as follows:

Bottled milk	3,50,000 litres per da
Bulk milk	25,000 „ „ „
Spray Drier	60,000 „ „ „
	4,35,000

2.18. The requirement of additional equipment, building works, vehicles and staff for expansion of the Central Dairy to its optimum capacity of 4,35,000 litres per day was scrutinised by the Joint Commissioner (Dairy Development) and the Dairy Engineer of F.A.O. attached to the Department of Agriculture, and was found reasonable.

2.19. As regards economic implications, the memorandum stated that "an additional quantity of 1,35,000 litres of milk per day will be procured under the proposal, of which 75,000 litres will be utilised for production of liquid milk and the remaining quantity of 60,000 litres will be used for conversion to spray dried powder, butter and ghee. The powder will be utilised for reconstitution into milk in the lean summer season to maintain liquid milk supply at a steady level of 3,75,000 litres per day through the year."

2.20. The Ministry contemplated the completion of the entire expansion programme including construction work and installation of plant and machinery at the Central Dairy in about 12 to 18 months. Installation of Milk Collection and Chilling Centres in rural areas was likely to take about 12 to 24 months. It was programmed to complete the work connected with the second phase expansion of the Central Dairy by December 1970. The work relating to the setting up of the Chilling Centres was expected to be completed by the end of 1971.

2.21. A statement showing equipment required for expansion of Central Dairy of Delhi Milk Scheme and other related equipment, is appended to the Memorandum for Expenditure Finance Committee, is given in the Appendix.

2.22. The Audit paragraph mentions about (i) the delay in the commissioning of certain items which have been installed/acquired, (ii) the absence of detailed schedules for completion and commissioning of various items of works and (iii) inadequate procurement of milk.

(i) *Delay in Commissioning*

2.23. Under the first category come such items as steam generators ammonia compressor, butter oil storage, spray drier plant, etc.

2.24. The Committee enquired from the representative of the Delhi Milk Scheme whether it was a fact that the steam generators, which were commissioned in January 1975, were still under trial. The representative of the Delhi Milk Scheme has stated during evidence:

“The idea of saying that the generators are under trial is for the simple reason that formal inspection by the DGS&D through whom the equipment has been purchased has not yet been completed. Till the inspection is completed we cannot say that we have formally taken over the equipment. It is just for that reason that we have used this word. Otherwise they are in regular use. The Boiler Inspector has inspected the equipment and it has been certified as fit for use.”

2.25. As regards ammonia compressor plants, the representative of the Delhi Milk Scheme has stated during evidence that both the plants (one for chilled water and the other for milk cold-storage) have been commissioned about a year and a half ago. There was a proposal for installing an air-conditioning unit for butter oil storage at a cost of Rs. 8 lakhs. The Ministry informed the Audit in a written note that the idea to construct a butter oil storage had been dropped as the Indian Dairy Corporation had decided to set up a centralised cold storage for butter oil.

2.26. Asked whether the centralised cold storage had been set up, the Ministry have, in a written note, furnished to the Committee, stated that a butter oil cold storage was constructed by the Indian Dairy Corporation in the premises of the New Dairy Plant at Delhi and it was commissioned in June, 1976.

2.27. As regards the spray-drier plants, the Ministry have stated in a written note that the proposal to purchase the spray drier plant was initiated on the recommendations of an Expert Committee appointed by the Government of India in 1964. The recommendation of the Expert Committee was that the spray-drier plant should be installed in the milk shed area of the DMS. The main plant was installed by December, 1972, but some essential parts which were integral part of the plant had not been supplied by the firm and without these the plant could not be commissioned. It has also been stated by the Ministry that due to adverse agro-climatic and wide-spread drought conditions in the year 1973-74 the level of milk production and milk procurement was severely affected. The firm required a minimum quantity of 40,000 litres of milk per day for a number of days in order to hold the trials. Since sufficient surplus milk was not available for the purpose in the winter of 1973-74, the trials could not be conducted till the next flush season, *i.e.* winter of 1974-75. In this connection, the Committee desired to know whether the availability of sufficient milk for producing the milk powder was assessed at the time of installation of the plant. In reply, the Ministry in a written note to the Committee have stated:

“At that time (1964) the expansion programme of DMS and the setting of the second dairy plant at Delhi were apparently not in view. Besides, a number of milk product factories have been established round Delhi during the intervening years which have absorbed very substantial quantities of the surplus milk that was available in the area. In view of these developments, and the primary need to first meet the fluid milk requirements of Delhi city through the DMS as well as the second dairy plant, the availability of surplus milk for the manufacture of products, including spray-dried milk powder, has naturally been substantially reduced since then. However, all possible efforts are being made to augment the level of milk procurement and to the extent the surplus milk becomes available in the flush season, the spray-drier plant will be used as has already been done since its commissioning. This plant, therefore, is not functioning to full capacity and can only be expected to function in the winter season to the extent surplus milk after meeting the fluid milk requirements is available.”



(ii) *Absence of time Schedule*

2.28. As pointed out by Audit, under Phase I and Phase II Expansion programmes neither any detailed schedules for completion and commissioning of the various items of works were drawn up by the management nor were the figures of actual expenditure against sanctioned estimates available. The Committee desired to know the reasons for this as also how the management ensured control over the execution of works. The Ministry of Agriculture and Irrigation (Department of Agriculture) have explained the position in this regard in a written note furnished to the Committee as under:

“No centralised schedules to regulate the completion and commissioning of various items of work was maintained during the first phase expansion programme, as the works to be executed during the first phase were not too many. With the introduction of second phase expansion programme and increase in the number of projects, the completion and commissioning of the various items of project were periodically reviewed. The first review was undertaken on 15-10-73. The dates of completion and commissioning of various items forming part of the expansion programme were mentioned in the various indents, supply orders/acceptance of tenders issued for the procurement of various items. The dates of supply of various items which were interlinked, were determined by the Technical Officers assigned with the execution of expansion programme keeping in view the dates of the completion of the programme. It was also ensured to maintain proper control over the execution of work by keeping constant watch on the procurement of various items *vis-a-vis* the completion of civil works as per the dates of supply mentioned in the Indents/ATs. etc. by taking follow-up action from the files from which the procurement action was indicated. The whole expansion work was carried out under the supervision of regular staff, who were side by side looking after their normal work with a view to economise in expenditure.”

2.29. Asked further about the reasons for delay in installation and commissioning of the majority of items and whether there was only increase in cost on account of these delays, the Ministry have stated:

“The execution of various items of work mentioned in the expansion programme was to be done through the agencies of CPWD.

(for civil works) State Trading Corporation (for import of machinery and equipment against Swedish Credit) the DGS&D (for the purchase of indigenous machinery and equipment) and the IDC/NDDDB (for the procurement of certain items of dairy development). The procurement/execution of the various items involved the prior issue of expenditure sanctions from the Ministry of Agriculture. The main reasons of delay were due to the number of agencies involved in the procurement of various items of machinery and equipment and the execution of civil works. The compiled data indicating the increase in cost on account of delays is not readily available."

2.30. In a memorandum dated 21 October, 1969 prepared by the Ministry of Food, Agriculture, C.D. & Coop. for Expenditure Finance Committee it has been stated:

Full fledged expansion of the Central Dairy was not considered desirable earlier as the Scheme was facing difficulties in procurement of adequate quantities of milk. The Scheme has since been successful in consolidating its procurement position as a result of number of steps taken by it including considerable expansion of its area of procurement and implementation of 4 sets of Intensive Cattle Development Programme in its milk shed. It has evolved adequate commercial flexibility to procure adequate quantities of milk for its present requirements and expects no difficulties in ensuring procurement of the additional quantities of milk it may require for its expansion to cover larger sections of Delhi's population. In addition to assured procurement from the local sources, the Scheme has also made arrangements with the Mehsana District Cooperative Milk Producers' Union Ltd., Mehsana (Gujarat) to purchase upto 1,00,000 litres of milk per day during the flush winter season and 60,000 litres per day during summer. A start has already been made, and about 12,000 litres per day is being obtained in refrigerated rail vans taken on loan from the Fisheries Division of the Department of Agriculture. Action will be taken for purchase of 10 rail milk tankers for transport of the milk as a permanent arrangement.

In view of the comfortable procurement situation the Ministry has authorised the Delhi Milk Scheme to undertake issue of 3,00,000 litres of milk per day to cover the full capacity of the Central Dairy after the current phase of expansion. The full capacity is expected to be reached within about three months. The Scheme has a waiting list of about 1,20,000

applicants, out of which about 70,000 applications have been cleared during the last winter. The waiting list continues to expand further from day-to-day. Since the capacity of the Scheme even after first phase of its expansion is expected to be fully utilised shortly and considering that the Scheme's milk procurement situation is now very much more assured, it is necessary that expanded milk handling facilities for the Scheme should be provided without delay."

### **(iii) Procurement of Milk envisaged under Expansion Programme**

2.31. The Committee have been informed during evidence by the Chairman, Delhi Milk Scheme that the first phase expansion programme was completed in 1969-70. Actual milk distribution was planned on the basis of fresh milk procurement plans, milk powder and butter fat that would supplement the fresh milk by reconstituted milk.

2.32. The Audit Para has pointed out that the average of actual procurement of milk was far below the processing capacity of 3 lakh litres of milk per day envisaged under the first phase expansion and 3.75 lakh litres of milk per day envisaged under the second phase expansion. The Committee enquired the reasons for the low procurement of milk. The Chairman, Delhi Milk Scheme, stated during evidence:—

"The position is that in the years 1969 onwards the years 1972 and 1973 were abnormally bad climatically. The summer of 1972 was severely adverse. After that it was followed by drought conditions in the summer of 1973. The figures of agricultural production will bear it out that these two years were problematic. In most of the parts of the country the milk production fell down sharply.

Apart from those two years there are two other important factors while we consider the overall procurement position. In the peripheral areas of Delhi extending upto 300 kms. there are a string of milk product factories, which supply milk products to the whole of the country. These would include factories like Glaxo, Nestles, Vita, etc. They are situated in the peripheral areas and draw milk from areas from where DMS is drawing milk. So, there is tremendous competition for this milk. No doubt, it is very good milk producing area but because of these factories there is a lot of competition. People who make milk products have a good margin of profits and they can afford to pay a higher price than the DMS because of the selling price that we have fixed in the interest of the consumer. The competition is uneven. Earlier than 1970 it was not necessary for them to get a licence under the

Industrial Development and Regulation Act; in 1970 the Government decided that irrespective of the amount invested in those factories, they must obtain a licence and since then they have been introducing a condition in the licence that they would not procure milk from the milk shed area of the Delhi Milk Scheme but it has become difficult even to have this condition complied with. One difficulty was competition from the milk product factories; the other was the private trade who were able to pay higher prices. So whenever there was drop in milk production due to climatic or other reasons, the worst sufferers were us."

2.33. The Committee wanted to know the actual procurement of milk per day *vis-a-vis* the target of procurement fixed during 1975-76. In a written note furnished to the Committee, the Ministry have stated as follows:

"For the year 1975-76 the target fixed for daily milk procurement was 2.23 lakh litres as against which Delhi Milk Scheme procured 2.13 lakh litres of milk out of which 0.148 lakh litres were transferred to the New Dairy Plant. The Seasonal shortfall in the level of milk procurement below the milk distribution requirements is made good by reconstituting milk from butter fat and S.M.P."

2.34. The Chairman, Delhi Milk Scheme, however, agreed to the Committee's point of view that the capacity to increase the supply of milk had been restricted due to some difficulties in regard to bottling plants. The Committee further asked whether there was any programme to expand the bottling capacity. In reply the Chairman, Delhi Milk Scheme, has stated during evidence:—

"This bottling plant that we have procured this time is the first plant that is being manufactured in India at this level of performance. We are getting a bottling plant with a capacity of 24,000 bottles per hour. This is the maximum capacity plant which has been manufactured in India, for the first time. This is a high speed bottling plant, because it will improve the performance and also give a certain reserve capacity about which we have a tremendous amount of difficulty. The utilization of capacity which we have achieved is the maximum. These plants are being fabricated in India. It is natural that they want about a year's time for every plant to be completed and the DGS&D through whom these plants are being procured has allowed that time. The first plant which is under trial will be commissioned within this month. The second plant will start coming when the difficulties which are there will be

removed. We hope that by the end of this financial year, the second plant will be installed. When the third plant will come, it will replace the other two old plants."

2.35. As to the reasons, for not taking action in time to expand the bottling plant, the Chairman of Delhi Milk Scheme has stated:

"There are two aspects. One is that in 1970-71, probably, it was a little too early to replace the bottling line. The cost of these bottling plants will be Rs. 1 crore, one plant costing about Rs. 35 lakhs. Before making that order of investment, we would have to be very sure that old plants had no life left in them. In 1970-71, they would have completed 12 years which is the normal period. We thought that we should have a phased programme so that we can stretch the utilisation of plants to the maximum capacity. There was a technological assessment of the bottling plants. After that, we sent our proposals. The Government considered all those proposals and approved them. The DGS&D then proceeded with them. That was done year before last. That is being implemented. This is the fag end of the life of the old bottling plants. The machines are in regular use for all the 365 days in a year, for the last 17 years, to keep them in operation round the clock so that the milk production is not jeopardised."

2.36. Explaining further the reasons for not envisaging the replacement of bottling plants at the time of drawing up the second phase expansion programme, the Chairman, Delhi Milk Scheme further added:

"The second phase expansion programme was drawn up in 1968-69. At that time, the bottling line had not become due for replacement. The bottling plant started giving trouble about three years back. That is the time when new bottling plant procurement was finalised. In 1968-69, it was not envisaged that the bottling line would have to be replaced."

2.37. In reply to another query as to whether the present bottling plant would be able to process 3.75 lakh litres of milk per day, the Chairman, Delhi Milk Scheme has stated during evidence:

"It was not only the bottling capacity but the cold storage facilities also. Some machines, the separators and clarifiers had to be imported. There are certain connected works. The present stage is such that apart from bottling line substitution, the second line has to be put into commission. Apart from the work connected with the second line, milk separators which have to be brought from Western Europe, these things apart, there is no other problem."

2.38. Questioned about the life of the bottling lines, the Chairman, Delhi Milk Scheme informed the Committee during evidence as under:—

“There are five sets of bottling machinery and equipment each of which we call bottling lines. Three out of the five sets of bottling machinery and equipment were purchased and installed at the commencement of the Dairy in 1959. The other two were added up five or six years later. The first three sets have been in use now for over 17 years and continuous use of them has made them worn out completely. We are operating them with the utmost care. But, still, we are trying to use them well. The normal life of the bottling machinery and equipment of course depends on the way the load is put on it and the conditions in which they are operated. But normally, it is expected to last for about 12 to 13 years or so. That depends on the conditions of their working.”

2.39. Referring to the integration of operation flood programme with the second phase expansion programme of D.M.S. the Chairman, Delhi Milk Scheme has stated during evidence:

“The second phase was planned in instalments. Actually the basic second phase programme was done in 1968-69. The consolidated plan was prepared for the basic requirements of the expansion programme. After that, operation “Flood Programme” came into existence in 1970 and the Government of India appointed an expert of National Dairy Development Board as to how the operation flood programme could be integrated with the expansion programme of DMS. He submitted the report in 1971. That report was considered by the Government and the first series of sanctions started issuing from about October 1971 or so. The plan was prepared in 1968-69. At that time things as they obtained in 1971 could not probably have been anticipated in all aspects. There was a number of things which we had to supplement in order to achieve expanded capacity. Those were formulated and sent to the Government from time to time and sanctioned. All that was a continuous process and we have now completed all the works connected with the expansion programme except for bottling and procurement of some of these machines. Within this current financial year we shall be able to commission it fully. Already we have increased milk supply by 30,000 litres as a result of the expansion programme.”

2.40. From the facts mentioned in the Audit para and from the material made available to them, the Committee are led to the inescapable conclusion that the expansion programme of D.M.S. were not drawn up

properly and pushed through incoherently without settling the essential details regarding procurement of plant and machinery and ensuring the supply of the basic constituent of the scheme, namely the availability of regular and sustained supply of fluid milk. Except for some vague assumptions, the DMS were not clear as to the parameters of the whole scheme as would be evident from the following facts.

2.41. Even before the first phase of the expansion programme which was approved in 1966 to provide the Central Dairy with a capacity of 3,00,000 litres per day, had reached the final stages, the D.M.S. embarked on an ambitious programme in 1969 of having a throughput of 4,35,000 litres per day (optimum capacity) on the basis of 1971 population projections.

2.42. In their memorandum dated the 21st October, 1969, for the Expenditure Finance Committee, the Ministry stated that a part of the equipment under this expansion programme had already been installed to permit expansion of the liquid milk handling and other related sections and installation of the rest of the equipment including the spray-drier plant was expected to be completed by the end of the year 1969. The Ministry contemplated the completion of the entire expansion programme (second phase) including construction work and installation of plant and machinery at the Central Dairy in about 12 to 18 months. They stated that installation of Milk Collection and Chilling Centres in rural areas was likely to take about 12 to 24 months. It was programmed to complete the work connected with the second phase expansion of the Central Dairy by December 1970.

2.43. But the chinks in the whole scheme were soon discernible. As pointed out by Audit, the average of actual procurement of milk was far below the processing capacity of 3 lakh litres of milk per day envisaged in the first phase expansion and 3.75 lakh litres of milk per day envisaged under the second phase expansion. According to the Ministry, adverse agro-climatic conditions and competition from milk product factories in the peripheral areas of Delhi upset their calculations and the targets of procurement could not be reached. The Committee are surprised that while estimating the procurement targets, the Ministry had not taken note of these factors which inhibited the supply of fluid milk to the Central Dairy. The Committee consider this to be a serious omission.

2.44. The Chairman of the Delhi Milk Scheme during the course of his evidence has submitted that the restricting factor in the supply of milk was the failure to expand the bottling plant. It is rather strange that while submitting the proposal before the Expenditure Finance Committee, the Ministry/DMS had made no mention of the Bottling Plant which required to be refurbished and expanded.

2.45. The Committee regret that timely action was not taken by the Delhi Milk Scheme to replace the old bottling plants, particularly when they knew that the normal life of these plants was 12 years and was likely to be over by 1971. In such circumstances prudence demanded advance action for replacement of the three bottling plants in a phased manner so that their replacement could be synchronised with the completion of the second phase expansion programme. Keeping in view the fact that there was a long waiting list of about 1,20,000 applicants, and the list continued to expand further from day to day the Committee regret that D.M.S. did not take timely action to ensure a steady supply of 3,75,000 litres of milk per day throughout the year which they had envisaged under the expansion programme.

2.46. Although the second phase expansion programme was envisaged to be completed by December, 1970, the Committee find that majority of the items included in this programme were acquired|installed|commissioned during 1973-74 to July 1975. A number of items which were included in Phase I such as four storage tanks, spray drier skimmed milk powder plant, casein plant, cold storage for ghee and white butter and cold storage for table butter, were completed during the years 1972 to 1974. Several items including equipment for milk collection and chilling centres, air conditioning unit for butter oil storage, civil works for milk collection and chilling centres etc. of the total value of Rs. 65.70 lakhs were not acquired/executed. Apart from these, there are other items, such as steam generators, ammonia compressors, rail milk tankers, of the total value of Rs. 21.75 lakhs, which were installed/acquired but were not commissioned or utilised till November 1975, according to the Audit. It has also been conceded by Government that against 184 milk booths sanctioned in May 1969 and December 1972, 156 milk booths have been completed and taken over till April 1976. All these deficiencies/delays in the execution and changes/alterations at a later stage, leave no doubt in the mind of the Committee that the whole expansion programme was not properly planned and no sustained efforts were made to achieve the physical results.

2.47. One of the reasons adduced by the Ministry for their delay in the execution of various items of work during the second phase expansion programme is the procedural difficulties in obtaining Government sanctions for award of works and involvement of a number of agencies viz. the Central Public Works Department for Civil Works, State Trading Corporation for import of machinery and equipment against Swedish credit, DGS&D for the purchase of indigenous machinery and equipment and the Indian Dairy Development/National Dairy Development Corporation for the procurement of certain items of dairy development. The Committee are not at all convinced with the arguments advanced by the DMS/Ministry. While planning a project of this dimension, the Ministry/DMS should have taken a conclusive action to effect coordination between the Delhi Milk Supply



**Scheme and the other agencies which were to play their part in the execution of the project.**

**2.48. As pointed out by Audit, there were no detailed schedules for completion and commissioning of the various items of works nor were the figures of actual expenditure against sanctioned estimates available. The Committee are surprised at the statement made by the representative of the Ministry during evidence that "no centralised schedule to regulate the completion and commissioning of various items of work was maintained during the first phase expansion programme as the works to be executed during the first phase were not too many". With regard to the second phase expansion programme, the arrangement made by the Ministry to review the progress of the project appears to have been wholly inadequate. It appears to have acquiesced in repeated extensions of time for completion of various individual works. The Committee are convinced that had a time-bound programme been drawn up and a careful vigilance kept over the execution, the scheme would have proceeded at a much faster rate and completed well in time.**

**2.49. The responsibility for drawing up the detailed scheme for expansion and implementation was primarily that of D.M.S. Since, however, D.M.S. continued to be a departmental undertaking under the supervision of the Ministry of Agriculture, that Ministry should have also seen to it that an integrated scheme was drawn up and PERT chart identifying crucial areas for ensuring timely progress prepared and effective action taken to see that the scheme was implemented in an integrated manner as per a time-bound programme.**

**2.50. The Committee desire that the residual items of work relating to the second expansion programme should be expeditiously completed so that there is no let-up in the supply of fluid milk to the citizens of Delhi who are in desperate need of milk supply. The Committee further desire that a quick assessment should be made about the progress of the second phase expansion scheme with a view to plug all procedural loopholes. The Committee also desire that a periodical examination should be made of all the plants and machinery installed at D.M.S. with a view to assess their performance with reference to their installed capacity. Deficiencies, if any noticed during such inspections, should be promptly rectified.**

## CHAPTER III

### MILK PROCUREMENT

#### *Audit Paragraph*

#### **Source**

3.1. The Scheme does not have a cattle dairy of its own and procures raw milk from contractors and producers for processing into pasteurised milk and milk products. The milk shed area of the scheme has not been defined/notified, by the Government so far (November 1975). Its traditional sources of raw milk are Meerut and Bulandshahar districts in Uttar Pradesh, Gurgaon and parts of Rohtak and Karnal districts in Haryana and Bikaner and parts of Alwar and Bharatpur districts, in Rajasthan (*i.e.* the areas outside the territory of Delhi).

3.2. Procurement of milk is through the agency of contractors and the co-operatives of milk producers except in the case of Bikaner where milk is collected by the Scheme itself. The milk contractors are middlemen who collect milk from the producers. Both the contractors and the co-operatives deliver milk at milk collection and chilling centres set up by the Scheme. Raw milk is accepted at the milk collection and chilling centres on the basis of its fat and solids-not fat content and, after chilling, is transported therefrom to the Central Dairy. The milk procured in the Bikaner district is frozen and then transported to the Central Dairy by road; there being no chilling centre at Bikaner.

3.3. The Scheme also obtained condensed milk from the Mehsana District Cooperative Milk Producers Union, Gujarat during the period from 1968-69 to November 1973. Thereafter, the latter discontinued the supplies on account of their other commitments.

#### *Actual Procurement*

3.4. The table below indicates the actual procurement of milk per day *vis-a-vis* the targets of procurement fixed by the management during the years 1969-70 to 1974-75:—

Year	Milk procured in lakhs of litres per day	
	Target	Actual
1969-70	2.06	1.97
1970-71	1.81	1.72
1971-72	1.82	1.73
1972-73	1.73	1.59
1973-74	0.90	0.78
1974-75	1.86	1.50

3.5. It will be seen from above that the targets and actual procurement were constantly on the decline except in 1971-72 and 1974-75 and that shortfall with reference to the targets was the highest in 1974-75. Besides, the targets as well as actual procurement were far below the processing capacity of 3 lakh litres per day envisaged under the first phase expansion and that of 3.75 lakh litres per day under the second phase expansion. The shortfall in the procurement of raw milk was made good by the Management by the use of skimmed milk powder and butter oil as per details given below:

Year	(Quantity in tonnes)			
	Skimmed milk powder supplied under World Food Programme	Direct purchase	Total	Butter oil supplied under World Food programme
1969-70	889.70	1,624.80	2,514.50	..
1970-71	1,979.00	1,837.30	3,816.30	383.80
1971-72	3,035.00	1,325.60	4,360.60	916.80
1972-73	2,529.00	2,751.40	5,280.40	1,425.40
1973-74	4,202.31	3,556.94	7,759.25	2,085.16
1974-75	4,206.60	3,577.00	7,783.60	1,425.00

3.6. While skimmed milk powder and butter oil received as gift from the World Food Programme did not involve outgo of foreign exchange, use of skimmed milk powder by direct purchase resulted in outgo of foreign exchange of Rs. 716.70 lakhs based on average c.i.f. costs during 1972-73 to 1974-75.

3.7. The Management assigned (November 1974) the following reasons for shortfall in the procurement of milk upto 1973-74:—

- (a) As a result of adverse climatic conditions which prevailed in the summer of 1972 and were followed by widespread drought conditions till the summer of 1973, the production of milk temporarily declined steeply in the milk shed areas of Delhi Milk Scheme.
- (b) With the decline in the production and availability of vegetable oils, the demand for pure ghee and other milk products, increased significantly. This reduced the general availability of milk and level of procurement not only of the Scheme but also of many other dairy plants and milk product factories in the country.
- (c) The Scheme has to face keen competition from a number of milk product factories located in the vicinity of Delhi and private dealers who are in a position of pay higher procurement prices as milk products fetch higher unit realisation than liquid milk.

3.18. In respect of shortfall during 1974-75 the Management gave (November 1975) the main reasons as competition from private milk products plant in the milk shed areas of Delhi Milk Scheme and successive drought during the year.

3.9. In connection with procurement of milk, the following features deserve mention:—

- (a) The targets of procurement were generally fixed with reference to the performance of the preceding year and the commitments made or likely to be made by the contractors collectively. No targets were fixed in respect of co-operatives and departmental procurement. Only such of the contractors as accept the standard terms of agreement for supply of milk, are enrolled by the Management. The standard terms of contract provide for the following:
  - (i) Supply of milk during lean season (from April to October) at the rates ranging from 30 to 80 per cent of the quantity required to be supplied in the flush season (from November to March).
  - (ii) Furnishing of security deposits for due performance and the cans supplied by the Scheme.
  - (ii) Levy of penalties on an ascending scale in the event of short supplies.

3.10. The co-operative societies are exempt from payment of security deposits and levy of penalties and are also paid commission of rupee one over and above the rate payable to the contractors.

3.11. Although detailed records are maintained by the Scheme to indicate the extent of default made in the supplies of milk by each contractor and co-operative society on day to day basis, the Scheme has not compiled statistics relating to overall shortfall with reference to the overall contractual commitments. A test check of the supplies made by certain contractors in Bullandshahar and Meerut districts of Uttar Pradesh and Gurgaon district of Haryana during 1973 indicated the following position in this regard:

- (i) While the contractors of Bullandshahar and Meerut having commitments to supply ten or more than ten quintals per day fulfilled their commitments to the extent of 77.8 per cent and 42.2 per cent respectively, those having agreed to supply less than ten quintals per day over fulfilled the contractual commitments.
- (ii) The fulfilment of commitment in respect of contractors of Gurgaon was 101.3 per cent for those having agreed to supply ten quintals or more per day and 92.6 per cent for suppliers with commitment of less than ten quintals per day.
- (b) The procurement of milk in the flush season (from November to March) was also below the daily handling capacity of 3 lakh litres as indicated below:

Year	Average procurement per day (in lakhs of litre)
1970-71	2.21
1971-72	2.10
1972-73	1.99
1973-74	1.01
1974-75	2.64

- (c) The Scheme does not compile statistics relating to the procurement of milk area-wise and agency-wise. The information

compiled by the Management at the instance of Audit indicated the following position:

Area	Area-wise overall procurement (Quantity in lakh Quintals)					
	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
Bikaner (Rajasthan)	0.07	0.20	0.50	0.35	0.13	0.48
Bulandshahar (UP)	1.48	1.48	1.31	1.57	0.55	1.45
Gurgaon (Haryana)	2.75	2.52	2.37	1.98	0.93	1.14
Karnal (Haryana)	0.15	0.03	0.01	procurement discontinued w. e. f September, 1971.		
Meerut (UP)	2.75	2.29	1.99	1.96	1.07	1.68
Mathura (UP)	Departmental procurement commenced with effect from 1974-75					0.09
Sonepat (Haryana)	Do.					0.03
State Agencies	Do.					0.39
Private Agencies	Do.					0.38
<b>TOTAL</b>	<b>7.20</b>	<b>6.52</b>	<b>6.18</b>	<b>5.86</b>	<b>2.68</b>	<b>5.64</b>

Notes: 1. At Bikaner, Mathura, and Sonepat, procurement is made by the scheme departmentally. The procurement at Karnal is through co-operatives.

2. The figures for 1969-70 to 1973-74 do not include the data relating to supply of condensed milk from Mehsana.

#### AGENCY-WISE

(Quantity in lakh quintals)

Year	GURGAON				MEERUT			
	Contractors		Co-operatives		Contractors		Cooperatives	
	No.	Quantity	No.	Quantity	No.	Quantity	No.	Quantity
1969-70	N.A.	2.70	N.A.	0.05	N.A.	21.61	N.A.	0.14
1970-71	120	2.41	19	0.11	77	2.17	5	0.12
1971-72	120	2.18	48	0.19	186	1.94	15	0.05
1972-73	89	1.70	29	0.28	141	1.91	12	0.05
1973-74	N.A.	0.86	N.A.	0.07	N.A.	1.05	N.A.	0.02
1974-75	N.A.	1.14	N.A.	0.004	N.A.	1.66	N.A.	0.02

Notes: 1. The number of contractors and cooperatives in respect of Bulundshahar together with the quantities procured from these agencies separately were not compiled by the Management.

2. The data relating to number of contractors and cooperatives for 1969-70, 1973-74 and 1974-75 had also not been compiled.

3.12. The following facts emerge from the details given above:

- (i) The bulk of the supplies of raw milk is procured through the agency of contractors; supplies through cooperative societies formed an insignificant proportion of the total milk procured. Similarly, departmental procurement of milk was also negligible in 1969-70, 1970-71 and 1973-74.
- (ii) Supplies through contractors in Meerut District of Uttar Pradesh and Gurgaon district of Haryana showed constant decline in 1970-71 to 1973-74 over the data for 1969-70. However, there was some improvement in supply of milk during 1974-75.
- (iii) Overall procurement of milk from Bulandshahr district of Uttar Pradesh declined sharply to a level of 0.55 lakh quintals in 1973-74 as compared with the range of 1.31 lakh quintals to 1.57 lakh quintals procured during 1969-70 to 1972-73 and 1974-75.

There was improvement in overall procurement of milk from Bulandshahr (Uttar Pradesh) Gurgaon (Haryana), Meerut (Uttar Pradesh) and Bikaner (Rajasthan) in 1974-75 over the figures for 1973-74.

3.13. (d) Up to January 1973, the Scheme was collecting data relating to the market prices of milk and milk products through its milk collection and chilling centres. Thereafter, the data are, however being collected from the Directorate of Economics and Statistics, Department of Agriculture, New Delhi and the Bureau of Economics and Statistics, Delhi Administration.

3.14. The procurement prices paid by the Scheme ranged between Rs. 90 and Rs. 104 per quintal in 1971-72 between Rs. 95 and Rs. 110 per quintal in 1972-73, between Rs. 100 and Rs. 133 per quintal in 1973-74 and between Rs. 146 and Rs. 160 per quintal in 1974-75.

3.15. The Management stated to Audit in May 1975 that the private factories were paying more than rupees 15 to 20 per quintal to the milk suppliers over and above the basic purchase price of the scheme.

3.16. The Ministry have stated to Audit in April 1976 that till the year 1973 the purchase price of milk was being determined primarily according to the economic law of demand and supply and also taking into consideration the seasonal variations in milk production and general trend in market prices of milk and milk products etc. Since February, 1973, the prices were fixed after taking into consideration the approved wholesale/retail prices of agricultural commodities cattle feed milk and milk products, etc.

**Measures adopted to step up procurement of raw milk**

3.17. In paragraph 3.33 to 3.36 of its Sixth Report (1971-72) the Public Accounts Committee had *inter alia* recommended for taking appropriate measures to step up procurement of raw milk. The Ministry while accepting the above recommendation, apprised the Committee of certain measures adopted in this regard *vide* paragraph 1.17 of the Committee's Fifty-Seventh Report (1972-73). In November 1974, the Management also intimated to Audit the details of measures taken to augment the availability of milk for the Scheme. An appreciation of the measures intimated by the Management is made below:

<i>Description of the measures</i>	<i>Impact</i>
1. Government is considering the legal & administrative measures to prevent diversion of milk from the milk shed area of the Scheme to the product factories.	The measures are still (November 1975) under consideration.
[The Ministry have stated to Audit in April 1976 that the Ministry of Industrial Development have notified that the milk procurement areas of the Industrial Undertakings engaged in the manufacture of milk food and malted food would be governed under the Regulatory Provisions of the Industrial Regulation and Development Act, 1951 and also entering such a clause while issuing licences. As there are no provisions in the Act, to take legal action for the infringement of the licence conditions Government is considering a suitable enactment]	
2. In accordance with the provision made under the World Food Programme project No. 618 (Operation Flood), the State Governments concerned with the Scheme's milk procurement area viz., Rajasthan, U. P. Haryana and Punjab were requested to commence bulk supplies of milk to the Scheme.	This request was made during November 1973 to January 1974 by the Scheme. State Agencies of Haryana, Rajasthan and Uttar Pradesh supplied 0.99 lakh quintals, 0.13 lakh quintals and 0.16 lakh quintals of milk respectively during 1974-75.
[The Ministry have stated to Audit in April 1976, that Punjab Dairy Development Corporation has now offered to supply one tanker of milk daily of the Scheme. The transportation arrangements and other formalities are being worked out]	
3. (a) The milk procurement policy was rationalised and liberalised to encourage increased supplies of milk to the Scheme.	The rationalisation and liberalisation relate to the fixation of procurement prices after taking into account not only market rates but also prices of feed fodder, etc., increase in the commission payable to the contractors and co-operatives reduction in security deposits of the contractors, introduction of slab system of penalty as against the uniform rate and refund of penalty in case shortfall was made good. The impact of these measures could not be assessed in audit for want of data relating to default in supplies, etc., made by contractors/co-operatives in 1974-75.
(b) Increase in the average annual purchase prices of milk by 25 percent to 30 percent in 1974-75.	



Description of the measures	Impact
4. Special incentives and concessions to encourage formation of more cooperatives in the Scheme's milk shed area.	These refer to payment of higher rate of commission to the cooperatives, fixation of the percentage of supplies in lean season at a rate lower than that applicable to contractors, non-deposit of security etc. In the absence of data relating to milk supplied by the cooperatives in 1974-75, the effectiveness of this measure could not be assessed.
5. Formulation of special Scheme for cattle development and dairy extension in the milk shed area of Scheme to be financed from the funds generated under World Food Programme Projects 233 and 348.	This refers to the utilisation of funds aggregating Rs. 53.97 lakhs payable by the scheme to Government for the supply of skimmed milk powder under projects 223 and 348. The original scheme sanctioned in September 1970 for the utilisation of these funds was not implemented and a revised scheme was drawn up in April 1972. This was formally sanctioned by Government in January 1975 and aims at additional procurement of 40,000 litres of milk per day. The scheme is yet (November 1975) to be implemented.
[The Ministry have stated to Audit in April 1976 that bulk of the amount of Rs. 53.97 lakhs will be utilised by the end of March, 1976]	
6. Promulgation of Delhi, Meerut and Bulandshahr Milk and Milk products Control Order 1974 with effect from 1st April, 1974.	In earlier years, the manufacture and export of Milk and milk products outside the notified areas was prohibited from middle of May to middle of July. This period was extended under 1974 Order from 1st April to 31st July. Further ban on export of milk out of the notified areas was extended to 31st December, 1974. It is not possible to quantify the increase in supplies as a result of implementation of 1974 Order alone.
7. Commencement of departmental procurement of milk, on a large scale from the fresh areas.	The fresh areas of milk tapped during 1974-75 were Mathura (U.P.) & Sonapat (Haryana). The total milk procured from these areas during 1974-75 was only 9166 quintals and 2662 quintals respectively.
[Paragraph 48 (4.1.1.—4.1.4) of the Report of the Comptroller and Auditor General of India for the year 1974-75. Union Government (Civil)]	

### Procurement Targets

3.18. Referring to the targets fixed by the Delhi Milk Scheme to procure milk for their Dairy, the Committee desired to know the basis on which targets were fixed by them. The Chairman, Delhi Milk Scheme, has stated during evidence:

"The target is fixed for purposes of budget because we have to provide certain sums of money for procurement of milk and

milk ingredients like butter oil and skimmed milk powder. We have to anticipate how much fresh milk we can get and therefore, how much skimmed milk powder and butter oil would be required. Then, we have a fair judgement of the weather conditions that would prevail in the next year. Taking all these, we formulate a proposal and on this basis, we prepare the budget estimates and the targets are fixed. About the actual target being achieved, we have to frame these targets about six months before the commencement of the year in question. The budgets are prepared in September/October in the previous year. The year begins in April of the following year and six months before that, to judge very uncertain things like climatic conditions, what will be the price situation and all that, is a very difficult task. But still we try to exercise the best judgement.

3.19. At the instance of the Committee, the Ministry of Agriculture and Irrigation (Department of Agriculture have furnished a note stating that during 1975-76 against the target of 2.23 lac litres of milk, the Delhi Milk Scheme procured 2.13\*lac litres of milk per day. The average procurement of milk per day in the flush season (November—March) of 1975-76 was 263 lac litres. Besides this, an average quantity of 0.22 lac litres of milk per day was delivered to the Second Dairy Plant. Hence, the overall average procurement of milk in flush season was about 2.85 lac litres per day. The total quantity of milk procured during 1975-76 was 776.50 lac litres. Agency-wise figures are given below:

	Quantity in lac litres	Percentage of total procurement source-wise	
(1) Directly from farmers departmentally. . . . .	166.84	21.49	} 53.03%
(2) Cooperative Societies			
(a) Received directly by D.M.S. and through State agencies. . . . .	190.90	31.54	
(b) Diverted to Second Dairy Plant. . . . .	54.04		
(3) Milk Procured from contractors. . . . .	364.72	46.97	
TOTAL : . . . . .	776.50		

\*This includes 0.148 lakh litres diverted to 2nd Dairy

3.20. Explaining the reasons for low procurement of milk in the past, the Chairman, Delhi Milk Scheme has stated during evidence:

"The problem became very acute from 1970-71 onwards, because the capacity of the existing milk product factories expanded. One or two factories came up in the vicinity of Delhi. The position worsened in all areas. The climatic conditions were adverse and the availability of milk fell considerably. We took up the matter with our own Ministry and the Ministry of Industrial Development. For the last 4 years, there has been continuous correspondence going on; and we had a series of meetings in the Ministry of Industrial Development, with the senior officers and even with the Minister. There is active thinking as to how to prevent the milk product factories from encroaching upon the DMS's working. As a result, it was felt that they should not encroach into the DMS's milk shed. It was accepted in principle that if they do so, administrative and legal measures will be taken."

3.21. In a note dated 7 May, 1977 furnished to the Committee, the Ministry have stated that 2,25,426 litres of milk was procured during March 1977 on an average per day.

3.22. The Committee enquired about the source of procurement of milk for the Delhi Milk Scheme. In reply the Chairman of the Delhi Milk Scheme has stated during evidence:

"When the DMS came into existence in 1959 the traditional source of milk supply for the entire region including Delhi were the milk suppliers or traders. Milk producers' societies were hardly in existence then and there was very little alternative left. Subsequently, the milk producers' cooperative societies commenced under the State and Centre sponsored programmes. In the last six or seven years, some of these societies were finding it difficult to compete with the traditional milk contractors, but determined efforts made in the last few years to encourage these societies to function in an economically viable manner and face the competition of the traders, have now started yielding very good results. As far as DMS is concerned, we have taken a number of decisions to encourage these cooperative societies, give them better treatment than the other suppliers, and even reserved areas exclusively for milk procurement from the cooperatives or from the farmers, no intermediaries being involved. With

all these measures, the percentage of milk procured in 1970-71 from the cooperative societies or State agencies which was around 8 per cent of the total has, in the quarter ending March, 1976, now risen to as much as 68 per cent, which is above a ten-fold increase in percentage and a very substantial performance. We are continuing to make these efforts. The main difficulty is to put these societies on a sound economic footing. That has to be done by the State Governments concerned with the help of the Central Government and agencies like the National Dairy Development Board who are sending spearhead teams. Already we have taken a policy decision that wherever cooperatives come up to us for milk supply, we will not accept it from private agencies. We also give a number of facilities and concessions to them. I am sure the progress will be even better in future."

3.23. As mentioned earlier, the total milk procurement during the year 1975-76 was 776.50 lakh litres. The source of this procurement area-wise and district-wise is given in the following table:

State	District	Contractors	Direct from farmers through Coop. State agencies.
1	2	3	4
(Figures of milk procurement in lakh litres)			
U.P.	Meerut	108.23	29.58
	Bullandshahr	81.90	5.33
	Etah	7.34	..
	Mathura	..	68.09
	Agra	..	9.46
Rajasthan	Bikaner	..	96.13
	Bharatpur	16.19	..
	Ajmer	..	41.15
	Jodhpur	..	17.98
	Alwar	..	17.10
	Bhilwara	..	17.29
	Jaipur	..	3.22

1	2	3	4
Haryana . . . . .	Sonepat	--	8.23
	Gurgaon	124.39	..
	Ambala	--	0.38
	Rohtak	..	15.84
	Karnal	14.06	..
Punjab . . . . .	Ludhiana	--	5.16
	Jullunder	..	1.32
	Ferozepur	12.61	..
Delhi . . . . .	Delhi	--	21.48
		364.72	357.74
	Milk procured by Delhi Milk Scheme :		722.46
	Milk diverted to Second Dairy Plant :		54.04
	GRAND TOTAL :		776.50

Daily milk procurement : 2.13 lac litres.

3.24. In a written note furnished to the Committee, the Ministry of Agriculture and Irrigation (Deptt. of Agriculture) have stated that during 1975-76 the Second Dairy procured 55.71 lakh litres of milk. This whole quantity of milk was procured through cooperative societies.

#### *Procurement through Co-operatives*

3.25. During 1975-76, the Delhi Milk Scheme procured 244.94 lakh litres of milk through co-operative societies and it accounted for 31.54 per cent of the total procurement of 776.50 lac litres during the year.

3.26. The Audit has pointed out that no targets for procurement of milk through co-operatives were fixed by D.M.S. Explaining the reasons for this, the Chairman, D.M.S. has stated during evidence:

"The position at present as far as all the cooperatives that are functioning in this area are concerned is that they are giving milk either to the DMS or to the cooperative agencies or to the State Dairy Corporations like Haryana and Punjab. There all the milk of the cooperatives is being picked by the State Dairy Corporations. In U.P. the provincial Dairy Corporation is

picking up the milk from the cooperatives. There are some cooperatives who are giving milk to the private parties. Such cooperatives will have to be revamped by the State Governments. At present, the problem is that we do not have any cooperatives left, to give us milk. They gave milk either to the State agencies or to us. We have to form our own cooperatives. If there are some old, defunct ones, the possibility of reviving them is there; but it is rather remote. We have to form more cooperatives in an organized way. The Government is trying to do it during the last two years. There were the Operation Flood and other special programmes to form these cooperatives. We have given an open offer that as and when they are formed, we will pick whatever milk they have and we have given a number of concessions.”

3.27. In reply to another question, the witness has added:

“Certainly we can have a target but till now there has been so much of an uncertainty about it, because when we were developing the cooperative societies, we could not anticipate the results of the ensuing year, so far as this effort was concerned. But from now on, we would formulate a separate target for cooperative societies.”

3.28. The Committee desired to know the total number of organised cooperative societies functioning within the D.M.S. areas and how many of them were supplying milk to the Delhi Milk Scheme. The Ministry in a note furnished to the Committee have stated as under:

“The total number of organised societies functioning in the D.M.S. Shed Area is not available with us. However, the position about the supply of milk to D.M.S. by the cooperative societies in the States of Haryana, Rajasthan, Punjab and Uttar Pradesh is given below:—

- (i) *Haryana*: All the milk received from Haryana Dairy Development Co-operation is from Co-operatives Societies of the milk producers in the Distt. of Gurgaon, Rohtak, Sonapat, Karnal, Jind and Bhiwani etc.
- (ii) *Rajasthan*: The total quantity of milk being received from Rajasthan is through the Distt. Co-operatives of Bikaner, Alwar, Jodhpur, Bhilwara, Jaipur etc.
- (iii) *Punjab*: We are receiving milk from Doalla Cooperative Milk producers union, Jullundur, from their M.C.&C.C. Khatkhar-kalan and all the milk received from P.D.D.C. from their Ludhiana Plant is collected through Cooperative Societies.

(iv) *Uttar Pradesh*: Besides, Pradeshik Cooperative Dairy Federation we are receiving milk from primary/secondary cooperative societies at our M.C.&C.C. situated in the Distt. of Meerut, Bullandshar and Mathura.

(v) Recently 6 cooperative societies have been organised in cattle colonies in the Union Territory of Delhi."

3.29. When the Committee pointed out that many of the co-operative societies were benami organisations where the contractors or rich people in the countryside utilised co-operative societies for their own advantage, the Managing Director, Indian Dairy Corporation, has stated during evidence:

"We have adopted a by-law under which nobody can be a member of the cooperative society who is not a producer and has not supplied milk continuously for 200 days in a year. Secondly if any member trades in milk, he ceases to be a member of the cooperative society. In this way, the cooperative society remains as a producers' society, not a contractors' society. It is for the State Government to see that this particular by-law is adopted and enforced by the cooperative society in order to see that there is no chance of any trader or contractor coming into this type of cooperatives."

3.30. Explaining the position further, the Managing Director, Indian Dairy Corporation added:

"When we came into the picture of organising the right type of co-operative societies we found that in many of the States, in many villages and districts, there were societies which were not really producers' societies. Therefore, wherever we are organising cooperatives for the Delhi Milk Shed or other dairies in other metropolitan cities, we discuss it with the State Governments and tell them to change the by-laws. Instead of depending only on the persons who are registering the society, from I.D.C., we send a team of persons there to see that the cooperatives are formed properly. In each village, there is only one cooperative society so that there is no competition from others. These societies are federated at the district level to what are called the unions. It is two-tier system. It has proved very successful in various districts of Gujarat. We have adopted it as a model to be implemented in other States. Wherever we have so far organised these societies on this pattern, there is no problem of contractors coming in. We are persuading the State Governments to form similar societies."

3.31. The Committee enquired how far the Government had been successful in establishing producers' cooperative societies and Unions in the milk-shed of DMS and in the various Zones of the different States for the supply of milk to the Delhi Milk Scheme. In reply, the Ministry have explained the position thus:

"The establishment of producers cooperatives societies and Unions in the milk shed of DMS in the various States is a State subject and as such the DMS was not concerned with this subject. However, the respective State Governments over the last 2-3 years have made concerted efforts to organise the primary milk cooperatives and district cooperative societies of milk producers in the District of Gurgaon, Sonapat, Rohtak and Karnal which are included in the milk shed area of Delhi Milk Scheme. In Rajasthan milk cooperative societies have been organised in the districts of Bikaner, Bhilwara, Alwar, Jaipur, Jodhpur. The milk unions/cooperatives established in the aforesaid Districts have executed contracts for supply of milk to the Delhi Milk Scheme.

The Pradeshik Dairy Cooperative Federation of Uttar Pradesh under the "Operation Flood" Programme has organised milk collection through cooperative societies in Meerut District of Uttar Pradesh and has executed an agreement for supply of milk to the Delhi Milk Scheme and Mother Dairy of the Indian Dairy Corporation. Similarly milk cooperatives at village level have also been organised in Punjab & Haryana and are supplying milk to D.M.S. whenever it has been surplus to their requirement specially in Winter season.

The procurement of milk through the cooperative societies district cooperatives etc. is on the increase as would be observed from the figures of milk procured from them in the last two years.

Year	Quantity of Milk in lacs litres.
1974-75	47.99
1975-76	162.76"

3.32. The Committee enquired whether it was a fact that the same group of people come forward to supply milk as contractors, as farmers and as office bearers of the co-operatives. In reply, the Chairman of the Delhi Milk Scheme has informed the Committee as under:

"We have had cases where the cooperative office bearers have functioned practically as contractors; where the cooperatives did not have a base in the village or at the grass root levels. They function like a contractor and sell the milk to private parties



rather than to DMS, but then such cooperatives do not really serve the purpose. But probably it is difficult to find out whether the same person is functioning as contractor, farmer as also in the cooperatives."

3.33. In reply to another question, the Chairman of the Delhi Milk Scheme has mentioned the following steps taken by them to remedy the situation:

"We wrote to the State Government, Cooperative Department about this. But the real solution is that their bye-laws should be modified and they should not be permitted to do that. These cooperatives become an agency for contractors in the winter season to funnel surplus milk to the DMS. Instead of getting into agreement with us, they will funnel their surplus milk through them. They take advantage of the lenient policy that we have for cooperatives. There are cooperatives of that type, which are really not cooperatives in the real sense."

3.34. The Committee asked about the concessions given to the Co-operative societies. The Chairman of the Delhi Milk Scheme has stated:

"We give certain concessions to the cooperatives. The first concession is the higher rate of commission. We pay one rupee more to the cooperatives than the normal rate of commission. Then normally, the supplies have to keep a certain security deposit with us. They have surplus milk in winter. But they do not want to supply full quota of milk in summer because they get a better price in the open market. We tie them through a round-the-year supply contract by getting security deposit and retaining some milk price from them. For the cooperatives, we have relaxed the security deposit condition. No security deposit is taken from them. We presume that the cooperatives will try to fulfil their agreement that they will give us all the milk they handle and that they will not market it to anybody else. Thirdly, about the penalty, if they give us all the milk that they are handling, we do not levy any penalty. If the contractors do not fulfil their quota, we have a graded scale of penalty which we levy on them to prevent them from diverting milk to the open market. We do not levy any penalty on the cooperatives provided they give us all the milk they are handling."

3.35. The Audit has pointed out that in the absence of data relating to milk supplied by the co-operatives in 1974-75, the effectiveness of these measures could not be assessed.

3.36. Asked about his experience of the working of the Anand Dairies, the representatives of Indian Dairy Corporation has stated during evidence:

“The Anand pattern cooperative society has proper by-laws which eliminate not only the contractors but also other vested interests. There is a society in each village and these are federated to what is known as a Union at the district level. This is a two-tier system. The union at the district level provides the infra-structure for procuring, processing and distributing milk. The union has also a cattlefeed plant and the animal husbandry centre so that the organisation which procures milk, channelises the inputs at a lower cost. The procurement organisation meets the producer twice a day. We recommend this model, this pattern to the State Governments. Many of the State Governments had not got this type of organisation before. Naturally, there was some inhibition in the beginning. Gradually we have organised very good societies, at Bikaner, Alwar, Meerut, Ludhiana and Rohtak. When we started organising these societies, we found that the State Governments were willing to accept this pattern. The State Governments did accept it. But what happened was this. The implications of it meant that the organisation had to take over the management of the dairy and the infra-structure. That came in the way. Gradually, the State Governments are realising the benefits of forming this type of organisations. It has become quite successful.”

3.37. The Committee desired to know whether the system of procurement and distribution of milk as adopted by Anand Dairies had been adopted by the Indian Dairies Corporation. In reply, the Ministry in a note furnished to the Committee have stated:

“Anand Pattern is based on the cooperativisation of dairying. The beginning is made by defining a milkshed area having 1,25,000 milch animals distributed in villages which, on an average have 200-250 milch animals. The primary milk producers in these villages are organised into village cooperative societies. Initially these societies are provided with the capital equipment required to start the society and for the quality testing of milk. Such cooperative societies are federated into a district level cooperative Union. Bye-laws of the societies are such that only actual milk producers can become the members. For effective working of the society it employs a staff of 3—6 persons depending upon the volume of milk produced. Executive Committee of the society, consisting of nine honorary members, controls the functioning, liabilities and

assets of the society. In addition to procuring of milk the society also provides inputs like veterinary first aid, artificial insemination, milk testing and ensures daily payment of milk received on quality basis. The District Union provides active support for the activities of the primary societies. The district Union handles the function of timely transportation of milk from the societies, twice daily, through hired trucks processing and marketing of milk; and in addition provides major inputs like balanced cattle feed; liquid/frozen semen for artificial breeding of milch animals, veterinary and preventive health cover, subsidised fodder seeds, calf rearing subsidies etc. The district union owns the Dairy Plant, the Cattle Feed Plan and all other input machinery discussed above. Union also arranges the continuing and concurrent audit of the primary societies and the union with the help of State Registrar of Cooperatives. Since the Anand Pattern dairies are rural feeder balancing dairies the volume of fluid milk distributed by such dairies is limited. 'Anand Pattern' however, advocates distribution of processed milk in bulk in cans and/or through the bulk vending machines. These being the most inexpensive mode of milk distribution, are preferred to other systems including bottled milk. The Anand Pattern has been advocated by the Indian Dairy Corporation in respect of almost all the milk projects supported by them in various State."

#### **Procurement through contractors**

3.38. At present the Delhi Milk Scheme is procuring the highest quantity of milk from the Contractors as compared with other agencies. During 1975-76, as much as 364.72 lakh litres of milk was procured from the Contractors and this accounted for 46.97 per cent of the total procurement during the year.

3.39. Comparing the advantages of procurement from the Contractors as compared to other agencies, the Chairman, Delhi Milk Scheme has stated during evidence:

"The contractors have certain advantages over Government as well as cooperative organisations. They have flexibility of action. (1) they can offer prices which Government organisations or even cooperative organisations may not be in a position to offer because the prices at which they sell milk in Delhi and Meerut are such that they will be able to fetch much higher prices for that milk. (2) they are not very quality conscious. If the

milk is not very good, the contractors can buy and sell it. But the cooperative societies and State Agencies are very careful about quality. (3) they can advance loans. Most of these contractors give interest free loan. But the Government organisations cannot give such loans. Nevertheless we have been able to procure record level of milk this year and even in the previous year. We have also earmarked areas where we will not allow any contractors to supply milk to us. We will buy milk through cooperative and milk producers."

3.40. In reply to another question, the representative of the Delhi Milk Scheme has added:

"The present position is that the Delhi Milk Scheme takes care of about 45 per cent of Delhi milk requirement. As far as the other dairy is concerned, they are taking care of about 20 per cent of the requirement of milk. The balance requirement has to be met through these contractors. They have had a wholesale market in Delhi, Chandni Chowk and Joshi Road etc. They bring their milk there. They have provided retail distribution depots for the supply of milk. Then they supply milk to individual householders."

3.41. Asked to state how the contractors were able to pay attractive prices to the producers, the Chairman of the Delhi Milk Scheme has stated:

"They are selling milk at Rs. 2.50 per litre whereas we are selling it at Rs. 1.30 per litre. We buy milk from the same place. They are not quality conscious. We ensure that the quality should be good. They sell milk which is not of the right quality."

3.42. The Committee have been informed by the Ministry that in order to ensure that the milk supplied by the contractors is of the requisite quality as provided in the contracts, deduction at the prescribed scales are made from the milk price in case the Fat & SNF contents in the milk supplied are below the standard. Generally the quantities of sour milk and good milk containing either fat content below 5% or SNF content below 8%, if accepted, are paid for only on cream basis and no commission is paid in respect of such quantities. In case of contractors/bulk suppliers sour milk is being accepted four times during a month at reduced rates. However, w.e.f. 25-4-74 instead of 4 times the sour milk on penalty basis is being accepted at the fixed rate less Rs. 10/- per quintal for supply of milk equivalent to 3 days average daily supply during the calendar month and the next three days of the fixed rate less @ Rs. 15/- is accepted, while the remaining sour milk is paid on cream basis.



*Procurement from farmers Departmentally*

3.49. The Delhi Milk Scheme is procuring milk directly from farmers departmentally also. During 1975-76, as much as 166.84 lakhs litres of milk was procured departmentally.

3.50. The Committee enquired how far procurement of milk departmentally was successful. The Chairman, Delhi Milk Scheme, has stated during evidence:

“In the last year 1975-76, 21.49 per cent milk we have procured, through these departmental efforts. Two or three years earlier, it was next to zero. What we have to do is to establish collection points near the villages. We have trained staff and posted them there for this purpose. We are making payment to the farmers in the villages themselves so that they do not have to come here. We are now providing certain points from where the milk can be distributed till it is picked up by the tankers. We are trying to develop certain facilities. In two years' time, we have reached the target of about 24 per cent of our total milk supply.”

3.51. The Committee enquired whether the Delhi Milk Scheme has sought the cooperation of the people who are engaged in milk trade to supply milk to the Delhi Milk Scheme. The Chairman, Delhi Milk Scheme, has replied:—

“About all these people who are traditionally in the milk trade at the village level, the poor people, not the traders who operate as intermediaries, we have been in direct contract with them. We use their services more or less entirely for centres. We enter into contractual agreements with them for supply of small quantities of milk to us to the extent they can handle milk. It is this section of the community on which we are heavily relying for the purpose of departmental procurement. Even for cooperatives where the local primary cooperative societies are there, the milk procurement in the villages is largely done through these very people. So, both for departmental procurement as well as for cooperatives, it is this section of people who are engaged in milk production as well as in the traditional milk supply at the village level who are being involved.”

3.52. In response to a further query, the Chairman, Delhi Milk Scheme has added:

“The people who are traditionally engaged in the milk trade are supplying milk to the Delhi Milk Scheme as small contractors and bulk milk contractors. The field officers from the Headquarters furnish regular reports of visit to the milk shed area, survey conducted by them with respect to the number of milk producers/suppliers contacted and steps taken to increase the milk procurement.”

#### **National Grid Scheme**

3.53. The Committee asked how far the national grid scheme has helped in improving the procurement of milk. The Secretary, National Dairy Development Board, has stated:

“The idea of the national grid scheme is to procure milk from surplus areas and supply it to deficit areas. But there is the difficulty of seasonal imbalance. The cows and buffaloes give more milk in one season and less in other season. For this it is necessary that we should have storage arrangements. Movement facilities for bringing milk from long distances are also necessary. Over and above this, there is a need for coordination body which can coordinate all these things and also fix the price.”

3.54. In reply to another question, the Managing Director, Indian Dairy Corporation has further added:

“We have already started. During the lean season, milk will be coming from Gujarat. Maharashtra has been able to procure large quantities of milk from its rural areas. It is dependent less on Gujarat. In Gujarat, the demand is less; so milk is coming from Gujarat to Delhi twice a week. If the demand in Delhi is more, the intensity will be increased. But this is only a rudimentary part, in order to have a proper forecasting of the milk requirements during lean season in deficit areas, the quantity available in surplus areas and fixation of prices are to be determined. So far as Delhi is concerned, it is situated in the midst of a milk surplus area. As a matter of fact, 7 or 8 lakh litres of milk are already available to Delhi through a particular system. The bulk of it is obtained through traditional sources. Thus they are commanding the markets; at the moment Delhi Milk Scheme has not been able to have that command, because of various difficulties.

When the new dairy comes about, the organised dairies including Delhi Milk Scheme can have a commanding share; and if the prices are rationalized, Delhi Milk Scheme will be able to procure more milk for its dairy."

### **Milk Product Factories**

3.55. Under the Industries (Regulation and Development) Act, 1951, not only the private milk product units but also units under the public sector have been licensed to manufacture milk products like skimmed milk powder, whole milk powder, baby food and malted food etc. There are a number of units which are situated in the vicinity of Delhi Milk Scheme shed areas. According to the Audit para one of the reasons for shortfall in the procurement of milk is that the Delhi Milk Scheme has to face keen competition from these units located in the vicinity of Delhi and private dealers, who are in a position to pay high procurement prices as milk products fetch higher unit realisation than liquid milk.

3.56. The Committee desired to know the extent to which procurement of milk by Delhi Milk Scheme had been hampered during each of the last 3 years due to existence of some milk-product units in and around Delhi. In reply, the Ministry of Agriculture and Irrigation (Department of Agriculture) in a note furnished to the Committee have stated:

"It is not possible to quantify the extent to which the milk procurement of Delhi Milk Scheme was hampered as a result of drawal of milk by the various milk plants or milk product factories, located in the vicinity of Delhi. However, in November and December, 1973 it was estimated that about 1.32,000 litres of milk was being drawn by these factories per day from Delhi Milk Scheme milk shed areas."

3.57. The Committee enquired as to what steps the Ministry of Industry and Civil Supplies had taken in regard to the licensing of these units. In reply the representatives of the Ministry of Industry and Civil Supplies has stated during evidence:

"I would like to answer your question in two parts. Firstly, we have a policy for the future, and secondly, we have attempted to evolve a procedure for dealing with past cases.

In regard to the future policy, what we have been doing for some time now and what we propose to do in future is that for any party who wishes to set up any scheme for conversion of milk into milk products, whether it is condensed milk, dried milk, milk powder or any-thing else, we first of all consult the Ministry of Agriculture and also the State Government, and depend-



ing on whether or not the scheme would be operating in the milk-shed areas which are to be earmarked for supply of liquid milk to the urban population, we reject or accept the application, it is subject to very stringent conditions.

I would like to read out some of the conditions that have been imposed on parties who have been approved recently. The first condition is:

‘You will be required to undertake a specific programme of action for intensive dairy development for milk production in the areas allotted first to generate at least 50 per cent of the requirement of milk within a period of five years.’

That is to say, apart from the fact that they are not allowed to go into areas from where milk is drawn for meeting the requirements of the urban population we stipulate that they must start development of dairy farming in the areas where from they get their milk.”

3.58. The witness has further added:

“We did not in the past impose these conditions. As a matter of fact, this was not even a scheduled industry initially and there were parties who were having dairy farms and milk product units in this area even before we had the Industries (Development and Regulation) Act. As a result of this situation, milk product factories which were in existence before we even had the Industries (Development & Regulation) Act, were given permission letters to carry on their business, but at that point of time in 1951 when we did this, we did not specify any capacity. Now lately we have called these people and asked them to apply for what is called “Carry-on-Business” Licence, and in their applications these parties have asked for certain capacities. To our knowledge, in the case of some parties the application is in excess of what we would deem to be justified in terms of the requirements of the DMS and other schemes. Therefore, we, in the Licensing Committee, allowed a certain capacity to some of these parties. There is one particular instance where the party has gone on a writ petition to the High Court and has got a stay order.”

3.59. Asked whether the Delhi Milk Scheme faced any competition from Glaxo and other such big units, the Chairman, Delhi Milk Scheme, has stated:

“We had quite a lot of difficulty with the Glaxo because they were procuring milk from the DMS milk shed area, like Bulandshahr, Mathura and other places. The Glaxo has been a problem

for us. There are actually 11 factories around Delhi. Some of them were in existence before 1970. When they took a decision in 1970 to regulate the units by giving them C.O.B. licences, in respect of those which were there before 1970, there was no condition in their licences to the effect that they should not procure from DMS milk shed areas. In respect of those which came up after 1970, there is such a condition laid down. But the problem is that of enforcement. About the Glaxo, we have had many problems. There are also other factories in the vicinity of Delhi, like Muzaffarnagar, Saharanpur, Etah."

3.60. The Committee enquired whether the multi-national units like Glaxo and others requested the Department of Industrial Development for expansion of their licensed and installed capacity when there was acute shortage of baby food as well as milk in the various parts of the country and whether Glaxo was given extra facilities and chances to expand their unit. In reply, the Ministry of Industry and Civil Supplies have furnished the following note:

"M/s. Glaxo Laboratories Ltd. were the only multi-national unit operating in the milk-shed areas of DMS. They were issued an industrial licence for the manufacture of infant milk food in 1961 for a capacity of 2500 tonnes per annum. Subsequently in 1970 they sought expansion of capacity from 2500 tonnes to 4000 tonnes. In accordance with the policy then prevailing they were granted an industrial licence raising their capacity to 4000 tonnes for manufacture of baby food. No extra facilities were provided to this unit in respect of their expansion application."

3.61. The Committee desired to know when the Delhi Milk Scheme has its own milk shed areas declared, does it not *ipso facto* imply that the right in regard to milk procurement would automatically vest in Delhi Milk Scheme rather than in any other competing unit which might be doing business there. The Chairman, Delhi Milk Scheme, has stated:

"It should be like that. But it does not happen like that. The milk shed idea is that new units which obtain licences are precluded from procuring milk from that area. It is largely the old units which operate there."

3.62. The Committee further desired to know if the Delhi Milk Scheme had brought their difficulties to the notice of the Ministry of Industry and Civil Supplies. To this, the Chairman, Delhi Milk Scheme, has deposed:

"We started the process of corresponding with the Ministry of Industry as well as our own Ministry in January, 1972. But

the problem assumed acute proportions in 1972-73 and 1973-74 which were drought years when the available milk supply was drawn away by these factories. We were facing a tremendous problem of trying to maintain our milk supply. At that time, we took it up at a very high level. The Ministry of Industry convened a number of meetings with the factories. We were also there. We have been thrashing out the issues across the table. Certain agreements have been arrived at in those meetings. Both the Industry Ministry and ourselves felt that these would be acted upon by the factories. But, unfortunately, by the force of economic circumstances, they continue to intrude into the DMS milk shed areas. We have suggested that there should be an amendment to the Act so that we are able to enforce it more vigorously."

3.63. Asked if there were sufficient legal powers available to make use of, as and when required, in regard to intrusion into DMS milk shed areas, the representative of Ministry of Industry & Civil Supplies has stated during evidence:

"The Industries Development and Regulation Act at present gives inadequate legal power to Government to meet the situation. I believe the penalties are by way of a maximum fine of Rs. 5000 and an imprisonment upto six months. As far as the imprisonment is concerned, it may be in respect of the Manager and not the owner. The poor Manager may be changed. Therefore, we are proposing to bring in an amending bill in the Monsoon Session of Parliament. We propose to take certain powers in order to see that we are able to enforce conditions of the licences which are given to private parties. We have, of late, in consultation with the Department of Agriculture, woken up to the need for laying down very stringent conditions for parties who are given licences for manufacturing milk products. In so far as future cases are concerned, therefore, we can be reasonably certain that the parties approved for manufacturing milk product would not impinge upon the supply of urban milk, whether it is the DMS or any other scheme. We are hopeful that this problem would be minimised in future. It so happens that there is a hang-over of past when we did not follow this stringent policy."

3.64. Supporting the idea of amendment of the Industries (Development and Regulation) Act, the Chairman, Delhi Milk Scheme, deposed:

"The Ministry of Industrial Development is thinking of amending the Industries (Development and Regulation) Act, because the

present Act does not provide for follow-up or penal action to be taken in case the licensee defaults in complying with the licence conditions. It would be helpful if these are incorporated in the Act that he should not procure and if he does it, there should be enabling clauses for taking penal action."

3.65. A decision was taken in 1970 to regulate the units by giving them 'Carry-on Business' licences in respect of those which were there before 1970. Asked whether any new licences were given after 1970 for setting up factories in the Delhi Milk Scheme area, the representative of the Ministry of Industry and Civil Supplies has stated:

"Two licences have been given in the total area of procurement of milk by the DMS after 1970, but these licences have been given in consultation with the Ministry of Agriculture. As far as we are concerned, I must frankly confess that we do not know what particular area will be the milk shed area of the DMS; they might like to expand it from time to time. Therefore, we have to consult the Ministry of Agriculture."

3.66. According to the information furnished to the Committee by the Ministry of Industry & Civil Supplies there are the following 9 milk product units in the organised sector located in the milk shed areas of Delhi Milk Scheme:

1. M/s. Milk Commissioner,  
Location: Jind (Haryana).
2. M/s. Haryana Dairy Dev. Corpn.  
Location: Bhiwani.
3. M/s. Haryana Milk Food,  
Location: Pehowa.
4. M/s. Hindustan Lever Ltd.,  
Location: Etah (U P)
5. M/s. Glaxo Laboratories Ltd.,  
Location: Aligarh.
6. M/s. Indondan Milk Products Ltd.,  
Location: Muzaffarnagar.
7. M/s. Pradeshik Coop. Dairy  
Federation Limited,  
Location: Moradabad.
8. M/s. Dalmia Dairies,  
Location: Bharatpur.
9. M/s. Edward Keventers(s),  
Location: New Delhi.

3.67. A statement showing the licensed capacity and actual production of these units during each of the five years (1971 to 1975) is at Appendix I.

3.68. It will be seen from the above statement that even after issue of licences for additional capacity during or after 1970, several Milk Product Units in the organized sector located around the operation areas of Delhi Milk Scheme have turned out products beyond their licensed capacity. For example M/s. Milk Commissioner, Jind (Haryana) and M/s. Haryana Milkfood, Pehowa (Haryana) produced milk powder to the extent of 901 tonnes and 1009 tonnes in 1975 and 1974 respectively against their respective licensed capacity of 650 tonnes and 800 tonnes. Similarly, M/s. Hindustan Levers Limited Etah (U.P.) produced 1350 and 1234 tonnes of infant milk food during 1971 and 1972 respectively against their licensed capacity of 1000 tonnes. M/s. Glaxo Laboratories Limited, Aligarh (U.P.), a multi-national, produced 4418 tonnes of infant milk food during 1971 against their licensed capacity of 4000 tonnes.

3.69. According to the Ministry of Agriculture the supply of liquid milk to the consuming public warrants a higher priority over the manufacture of milk products as milk products mainly find their way to the higher income group of population because their price is prohibitive for the common man. To augment supply of liquid milk, colossal investment has been/is being made under the National Plans through the establishment of liquid milk processing units not only in the metropolitan cities, but also other cities/towns in the country. Besides investment under National Plans, the Indian Dairy Corporation under the 618 WFP Project (Operation Flood) has launched a massive programme for enhancing the installed capacity in the metropolitan cities of Delhi, Calcutta, Madras and Bombay. Constant intrusion into the established and well defined milk shed areas of Delhi Milk Scheme by the milk products factories has posed a great problem and the situation warrants immediate action to prevent encroachment and unless this is done, it is feared that the present dairy which had been designed to handle 4.35 lakh litres of milk per day will not be able to maintain its throughput.

3.70. To maintain continuous flow to Delhi Milk Scheme, certain conditions are stated to have already been incorporated in the industrial licences issued to various private/co-operative sector plants that milk produced in the operation flood districts, viz. Gurdaspur, Jullundur, Ferozepur, Ludhiana, Bhatinda in Punjab, Karnal, Rohtak, Gurgaon and Sonapat in Haryana, Muzaffarnagar, Meerut, Mathura, Moradabad, Bulandshahr in Uttar Pradesh, Alwar, Bharatpur and Bikaner in Rajasthan will not be collected by the milk products factories already licensed. Unfortunately, there are many instances of encroachment by the milk products manufacturing units into the milk shed areas of Delhi Milk Scheme following which the Delhi Milk Scheme is unable to maintain its committed supplies to the citizens of

**Delhi.** In order to overcome this serious situation the following measures were suggested by the Ministry of Agriculture:

- (a) Increasing the average annual purchase price of buffalo milk containing 6.5 per cent fat and 9 per cent SNF to Rs. 150/- per quintal;
- (b) Amendment of the Industries (Development and Regulation) Act, 1951 in order to enable Government to strictly enforce the licence conditions specially in relation to non-procurement of milk by licence milk products factories from the Delhi Milk Scheme milk shed areas;
- (c) Extension of the validity period of the Milk and Milk Products Control Order issued by the Government of India and Haryana Government beyond 31.7.1974 and upto 31.10.1974 in as far as the provisions for export of milk from the notified areas are concerned;
- (d) Statutorily fixing a ceiling on the selling price of skimmed milk powder, as has been done for baby food;
- (e) Ensuring statutory closure of milk products factories in the notified areas in the vicinity of large liquid milk plants during the lean season (summer months).
- (f) Prevailing upon the State Government of Uttar Pradesh, Haryana, Punjab and Rajasthan to commence bulk supplies of milk to the Delhi Milk Scheme, as envisaged in W.F.P. Project 618 (Operation Flood) and also ensuring that the State Governments concerned with the Delhi Milk Scheme shed do not divert milk from the Delhi Milk Scheme milk shed areas, as notified in the W.F.P. Project 618, for the manufacture of milk products but supply the surplus milk, after meeting the local fluid milk requirements, to the Delhi Milk Scheme.

3.71. It has been stated by the Ministry of Agriculture that with a view to sort out the various connected problems a string of meetings were held with the representatives of the concerned State Governments/milk product factories. But unfortunately no tangible result has been achieved in the identification of milk shed areas in the northern region in spite of so many meetings held at various levels. The result is that even now milk procurement continues to be erratic and rather unpredictable.

3.72. It is further stated that in the meeting held on the 19th September, 1975 under the Chairmanship of Animal Husbandry Commissioner and Ex-Officio Joint Secretary of this Department to discuss supply of milk to Delhi Milk Scheme and New Dairy Plant of Delhi from the Operation

Flood District of the States of Haryana, Punjab, Rajasthan and Uttar Pradesh, the following decisions emerged:

- (a) The Chairman, Delhi Milk Scheme may negotiate with the individual States and come to mutually acceptable terms and conditions of supply including the procurement prices and make a report at the earliest on action taken.
- (b) In the ensuing flush period, the Punjab Dairy Development Corporation will supply 8,000 to 24,000 litres of milk, the Haryana Dairy Development Corporation will supply 20,000 litres of milk while the Rajasthan Dairy Development Corporation will supply 1 lakh litres of milk. The remaining will be collected by the Delhi Milk Scheme so as to achieve its targeted capacity. One condition will be that at least 30 per cent of the milk supplies as compared to flush period will be made in the lean season as well.
- (c) The Feeder Balancing Dairies will not manufacture milk products during the lean period. After meeting their local fluid milk requirements, the balance quantities will be supplied to Delhi.
- (d) The difference in the procurement price paid for Delhi Milk Scheme is sustainable. This matter should be examined in all its aspects and a final position taken in consultation with the Indian Dairy Corporation/National Dairy Development Board—even before a Government decision regarding the new agency for managing the 2nd Dairy is finally arrived at.

3.73. The Committee enquired whether any expert of the National Dairy Development Board had undertaken any study with a view to demarcate milk shed areas among the existing milk product factories and the Delhi Milk Scheme. In reply, the Ministry have furnished the following note:

“The question of demarcating milk shed areas arose from a proposal of a private party, Haryana Milk Foods, in the State of Haryana for grant of a C.O.B. licence for manufacture of milk products. Since this could affect milk supply to Delhi Milk Scheme, an expert of the National Dairy Development Board was requested to advise the Ministry of the milk shed areas which can be assigned to this party. The expert could not take up this work as he was otherwise pre-occupied and he later left the Organisation. Meanwhile, the private party was granted a C.O.B. licence by the Ministry of Industry on the plea that the party had taken effective

steps/started production before 13.4.1971 i.e., the dated before the new licensing policy was introduced.

The Ministry of Industry did neither incorporate milk shed areas in the C.O.B. licence granted to the party nor was agreeable to incorporate the same as an additional condition unless the party makes a request for such a demarcation. A meeting, therefore, was held on 13 June, 1975 in this Ministry to discuss the demarcation of milk shed of this private party wherein the officers of Haryana Dairy Development Corporation, D.G.T.D., Ministry of Industry and the Delhi Milk Scheme were present. During the meeting, it was brought out that a proposal for demarcating milk shed areas of various plants in the State of Haryana including that of this party is under consideration of the State Government. The Government of Haryana has not yet taken a final decision in this regard."

#### Dairy Development

3.74. The work of dairy development was initiated from the time National Five Year Plans were taken up. During the First Plan (1951—56), the emphasis was on increasing production of foodgrains and only a few major scheme on dairying were taken up, that of Bombay and Calcutta. Dairy development work was also initiated in other States of Andhra Pradesh, Bihar, Madhya Pradesh, Orissa, Tamil Nadu and Uttar Pradesh. The provision of Rs. 7.81 crores made available out of savings were fully utilized. The initial step paved the way for perspective planning in the subsequent plan periods.

3.75. During the Second Plan period (1956—61), the development of dairying occupied a more significant place. The programme envisaged the establishment of 36 liquid milk plants for supply of milk to large urban consuming centres, three creameries and three milk products factories and expansion of salvage and fodder farms. The expansion of National Dairy Research Institute, Karnal and its southern Regional Stations at Bangalore and the establishment of two Regional Stations at Calcutta and Bombay to meet the industry's requirements for trained personnel and to tackle the various research programmes was also included in the Second Plan.

3.76. During this Plan period, seven liquid milk plants including the Delhi Milk Scheme were established. Pilot milk schemes as precursors to fluid milk schemes were started at eight centres. Work was taken up on the establishment of 3 creameries and two milk products factories. Four salvage farms were established. In addition, civil works of 31 liquid



milk schemes were in various stages of implementation. Out of a total provision of Rs. 17.44 crores, an amount of Rs. 12.00 crores was expended.

3.77. The throughput of milk from the organised dairies at the end of the Second Plan was 7 lakh litres on an average per day.

3.78. The physical targets for the Third Plan (1961—66) envisaged establishment of (i) 55 milk supply schemes for cities having about 1 lakh population, (ii) 8 rural creameries, (iii) 6 milk product factories, (iv) two cheese factories, (v) 4 cattle feed compounding factories and (vi) completion of spillover schemes of Second Plan. The other items included were surveys, training of technical personnel, rural dairy extension and loans for purchase of milch animals.

3.79. During this period, 30 liquid milk plants supplied liquid milk to the consuming public. 27 pilot milk schemes were in operation and the daily average throughput through the organised dairy sector increased to 13 lakh litres of milk. 4 milk product factories and 3 creameries were also commissioned. Work on the establishment of another 37 liquid milk plants was initiated.

3.80. Out of a provision of Rs. 36.04 crores, the expenditure was of the order of Rs. 33.6 crores.

3.81. The milk throughput during the end of the Third Plan increased from 7 to 13 lakh litres per day.

#### Progress during 1966—1969

3.82. There were 84 dairy plants comprising of 43 liquid milk plants, 34 Pilot Milk Scheme, 4 milk powder factories and 3 creameries up to 31-12-1967. The throughput of milk in organised dairies increased to 16 lakh litres per day. 43 other milk schemes including expansion of pilot milk schemes were in different stages of implementation. Out of a total outlay of Rs. 26.14 crores, the expenditure was 25.70 crores.

3.83. The outlay for dairy development under the Fourth Plan (1969—74) was Rs. 138.97 crores. The Plan envisaged (i) completion of 33 dairy schemes spilled over from the Third Plan (ii) establishment of 24 new fluid milk schemes in towns with a population of 50,000 and (iii) setting up of 4 milk product factories.

3.84. Additionally, the Plan providing for setting up of 64 rural dairy centres in towns having a population of less than 50,000 with a view to providing chilling and marketing facilities in isolated pockets of milk production.

3.85. At the end of the Fourth Plan the total number of dairy plants in operation was 147 comprising of 81 liquid milk plants, 16 milk product factories, 50 pilot milk schemes/rural dairy centres. Besides, 25 dairy projects were in different stages of implementation. The average dairy throughput of milk of all the dairy plants during the year 1974-75 was about 27.20 lakh litres.

3.86. The Government of India set up in 1970-71, the Indian Dairy Corporation (I.D.C.) with a share capital of Rs. 1 crore. The objects of the I.D.C. are to (i) promote dairy industry in India and (ii) receive gifts of donated skimmed milk powder and butter oil.

3.87. It has been stated that the development of dairying in the course of the various National Five Year Plans has enabled the supply of good quality pasteurised milk to the consumers in towns and cities where liquid milk plants have been set up. Alongwith the supply of fluid milk, the manufacture of dairy products has been undertaken. The country is stated to be now self-sufficient and no imports of butter, condensed milk and baby food are now being made. Only skimmed milk powder is imported to make up the shortfall in lean season production. The development of dairying has been fillip to the manufacturers of dairy plant and machinery in the country. The Committee have been informed that presently, excepting a few sophisticated items whose requirements are not large all the machinery required for dairy plants are manufactured indigenously.

3.88. The Ministry have pointed out that a special Scheme for Cattle Development and Dairy Extension in the milk shed areas of Delhi Milk Scheme to be financed from the funds generated under WFP Projects was sanctioned in September, 1970 and then a revised Scheme was drawn up in April, 1972 and formal sanction was given in January, 1976. The Committee enquired the progress made in this regard. In reply, the Ministry furnished the following note:—

“The figures of the expenditure incurred upto 30.6.76 are given below:—

Actual expenditure incurred during 1974-75 . . . . .	R	3,33,755
Actual expenditure incurred from 1st April '75 to 30th June, 1976 . . . . .	Rs.	1,67,104
Committed expenditure on items for which supply orders Acceptance of Tenders have been placed . . . . .	Rs.	17,92,350
Total Expenditure . . . . .	Rs.	<u>22 93,209</u>

Following the sanction of the Scheme for 'Cattle Development and Dairy Extension Programme by the Delhi Milk Scheme in

Kharkhauda and Sonepat areas in Rohtak District' by the Government in September 1970, the question of implementation of the Scheme including the issue of special sanctions for the different items of expenditure was discussed (October, 1971) by the then Chairman, Delhi Milk Scheme with the Ministry of Agriculture. In view of the subsequent development, and rethinking in relation to some aspects of the Project, *inter alia*, the actual requirements of DMS linked with the milk procurement programme, some modifications became necessary. Consequently the original Scheme to intensify milk procurement in Kharkhauda and Sonepat areas in Rohtak District was revised so as to extend coverage of the programme to the entire milk shed areas of DMS and help setting up of infrastructure for collection of milk through Co-operatives and the individual milk producers/farmers."

3.89. The Committee are distressed to note that the Delhi Milk Scheme which embarked on an ambitious programme in 1969 of having a throughput of 4.35 lakh litres per day are nowhere near the targets as will be evident from the figures of procurement for the last five years. The promise that was held out at the time of launching the second expansion scheme is yet to be fulfilled.

3.90. During the years from 1969-70 to 1974-75 the per day target and actual procurement were continuously on the decline, except in 1971-72 and 1974-75. The position was somewhat precarious in 1973-74 when the target and actual procurement (0.90 lakh litres and 0.78 lakh litres, respectively) were the lowest with reference to the target and actual procurement in 1969-70 (2.06 lakh litres and 1.97 lakh litres, respectively). Though the procurement picked up in 1975-76, when both the target and the actual procurement were the highest with reference to the position in 1969-70 (the procurement being 2.13 lakh litres against the target of 2.23 lakh litres), it was still nowhere near achieving the processing capacity of 3 lakh litres per day envisaged under the first phase expansion and that of 3.75 lakh litres per day under the second phase expansion scheme. The Committee have been informed on 7 May 1977 that in March 1977, the average per day procurement of milk was 2.25 lakh litres. The Committee are unhappy with the unsatisfactory trend in the procurement of milk in the wake of two expansion programmes of the Scheme.

3.91. The Committee find that instead of making serious efforts to tide over the situation, Government/Delhi Milk Scheme authorities preferred to make good the shortfalls in procurement of raw milk by the use of skimmed milk powder and butter oil. While skimmed milk powder and butter oil received as gift from the World Food Programme Aid did not

involve outgo of foreign exchange, the use of skimmed milk powder by direct purchase resulted in the outgo of foreign exchange of Rs. 716.70 lakhs (based on average c.i.f. cost) during the period 1972-73 to 1974-75. The use of skimmed milk powder directly purchased has increased progressively from 1625 tonnes in 1969-70 to 3577 tonnes in 1974-75. The Committee feel that had the Delhi Milk Scheme taken concerted steps to achieve the targeted procurement which was the sine-qua non for effective functioning of the Delhi Milk Scheme, the country would have been spared the outgo of valuable foreign exchange.

3.92. The Committee note that the procurement of milk is confined to places in U.P., Rajasthan, Haryana, Punjab and Delhi and the sources of procurement are contractors, cooperatives and individual farmers from whom the Delhi Milk Scheme purchases milk departmentally. The targets of procurement are generally fixed with reference to the performance of the preceding year and the commitments made or likely to be made by the contractors collectively. What has surprised the Committee most is the fact that no specific targets were fixed in respect of cooperatives and departmental procurements, as they note that during the years from 1969-70 to 1975-76 the procurement through these sources has varied not only from year to year but from place to place as well. For instance, the procurement from Bikaner rose from 7 lakh litres in 1969-70 to 35 lakh litres in 1972-73, fell to 13 lakh litres in 1973-74 and then rose to 96 lakh litres in 1975-76. Similarly, in Mathura, the procurement rose from 9 lakh litres in 1974-75 to 68 lakh litres in 1975-76.

3.93. The Committee need hardly point out that such a wide variation in targets and actual procurement not only leads to uncertainty and fluctuation in the supply of milk to the consumers but is bound to render the installed capacity idle at certain times, thereby enhancing the overhead expenditure of procurement of milk per litre. The Committee would, therefore, like to emphasise that there is an imperative need to fix targets for procurement of raw milk from various sources particularly the milk producers, cooperatives and centres so as to ensure an un-interrupted flow of milk for processing and supply to the consumers. The Committee need hardly point out that concerted and determined efforts would have to be made both at organisational and field levels if the targets fixed for procurement from cooperatives and milk producers are to be achieved.

3.94. The Committee regret that the procurement of milk through the Cooperative Societies has been very insignificant. This is evident from the fact that during 1975-76 the Delhi Milk Scheme procured 244.94 lakh litres (which accounts for 31.54 per cent of the total procurement during the year) through Cooperatives. The entire quantity of 174.69 lakh litres

procured from Etah in Uttar Pradesh, Bharatpur in Rajasthan, Gurgaon and Karnal in Haryana and Ferozpur in Punjab was procured from contractors.

3.95. The Committee regret that even after 17 years of its establishment, the Delhi Milk Scheme has to depend for its procurement largely on the contractors, as compared to other agencies viz. cooperatives and direct from farmers departmentally, as they note that during 1975-76 as much as 364.72 lakh litres of milk, which accounted for 46.97 per cent of the total procurement, was procured from contractors alone. The procurement was mainly confined to Meerut and Bulandshahr Districts of Uttar Pradesh and Gurgaon District in Haryana, which together accounted for 314.52 lakh litres out of total procurement of 364.72 lakh litres through contractors during 1975-76. While the contractors may have an edge over other agencies as they have flexibility of action and can offer competitive prices for their milk, it cannot be gainsaid as has been conceded by the Chairman, Delhi Milk Scheme during evidence that they are not quality conscious and are prone to slippages in their contractual commitments. As pointed out by the Audit, the contractors of Bulandshahr and Meerut in U.P. having commitments to supply ten or more quintals per day fulfilled their commitments to the extent of 77.8 per cent and 42.2 per cent only respectively. Some idea of short and faulty supply by the contractors can be had from the fact that the quantum of penalty imposed on them rose from Rs. 2.94 lakhs in 1971-72 to Rs. 9.45 lakhs in 1975-76.

3.96. The Committee are unable to understand why milk procurement from contractors was continued in Bulandshahr and Meerut Districts during 1975-76 when policy decision had been taken that wherever Cooperatives come up for milk supply, milk will not be accepted from the private agencies. The Committee are also concerned to note that in many villages and districts there were mushroom cooperative societies which were not really milk producers' societies. Such societies functioned somewhat like contractors and diverted sale of milk to private parties to the detriment of assured supplies for the Delhi Milk Scheme. The Committee have been informed that the Indian Dairy Corporation insist on adoption of a bye-law by milk producers cooperative society under which nobody who is not a milk producer and has not supplied milk continuously for 200 days in a year, can be or remain a member. The Committee see no reason why the Delhi Milk Scheme/Government cannot insist on the incorporation of this bye-law by the cooperatives which desire to supply milk to the Delhi Milk Scheme.

3.97. The Committee need hardly stress that it should be the endeavour of Government to organise, in consultation with the State Governments/Indian Dairy Corporation, the right type of Cooperative Societies so that

the milk requirements of Delhi Milk Scheme are met by and large through this source. In this connection, the Committee have been given to understand during evidence that the Anand pattern of Cooperative Society have under their bye-laws eliminated not only the contractors but also other vested interests. There is a Society in each village and these are federated to what is known as a Union at the district level. This is a two-tier system. The Union at the district level provides the infrastructure for procuring, processing and distributing milk. The Committee see no reason why this Anand pattern of Cooperative Society which has been found to function effectively in the interest of milk producers and consumers should not be developed uniformly in the entire milk shed area of Delhi Milk Scheme.

3.98. The Committee note that a number of concessions, such as higher rate of commission than that applicable to the contractor relaxation of security deposit condition and no penalty if the entire milk handled though less than the agreed quantity is supplied, have been given to cooperatives. There are, however, no data available with the Delhi Milk Scheme to indicate the impact of these concessions on the procurement of milk through cooperatives. The Committee would like to urge that the DMS/Ministry should make a careful study of these and other concessions extended to the cooperatives to see as to how far these have achieved the desired objectives. In the light of this study, DMS/Ministry may consider whether any more and if so, what concessions are needed to step up procurement of milk through the cooperative system. The Committee, in fact, desire that people, particularly those who are traditionally engaged in the milk trade at the village level, may be encouraged to set up cooperative societies so that they may get reasonable return for their milk. In any case, the Committee would like that there should be an institutional arrangement which is mutually satisfactory both to the D.M.S. and the cooperatives.

Apart from the unsatisfactory and undependable supply of milk by contractors, the Government/Delhi Milk Scheme should address themselves to the basic issue whether milk should not be procured from cooperatives and milk producers only and the contractors who act as middlemen eliminated. The Committee would like to point out that the Mother Dairy operating largely in the same area have been able to procure the entire quantity of 55.71 lakh litres of milk in 1975-76 through the cooperatives.

3.99. The Committee note that the procurement of milk direct from the farmers has risen to about 21.49 per cent of the total procurement in 1975-76 through departmental efforts although two or three years earlier it was hardly a significant source. While the Committee appreciate these efforts they would, nevertheless like to emphasise that intensive efforts should be made to develop genuine cooperatives of milk producers and

make them the main source of procurement. For supplies procured departmentally direct from producers, the Committee would like to be assured that not only good quality milk is procured but its cost of \_\_\_\_\_ per unit is economical as compared to milk procured through genuine cooperatives of producers. The Committee would also urge that in the matter of payment to the producers, care should be taken that no intermediaries are involved.

3.100. One of the main reasons for shortfalls in the procurement of milk has been the keen competition which Delhi Milk Scheme had to face from a number of milk product factories located in the vicinity of Delhi and private dealers, who are in a position to pay higher procurement prices because of the higher returns as compared to liquid milk. The Committee have been informed during evidence that it was only in 1970 that a decision was taken to give COB (Carry-on-business) licences in respect of those units which were there before 1970 and that there was no condition in their licences to the effect that they should not procure from Delhi Milk Scheme milk shed areas. In respect of those which came up after 1970, such a condition has been prescribed.

3.101. The Committee are distressed to find that despite the issue of licences in or after 1970, several milk product units in the organised sector located around the operation areas of Delhi Milk Scheme have turned out products beyond their licensed capacity in violation of the provisions of the licence. For example, it will be seen from the statement at Appendix I that M/s. Milk Commissioner, Jind (Haryana) and M/s. Haryana Milk Food, Pehwa produced milk powder to the extent of 901 tonnes and 1009 tonnes in 1975 and 1974 respectively against their licensed capacity of 650 tonnes and 800 tonnes respectively. Similarly, M/s. Hindustan Lever Limited, Etah (U.P.) produced 1350 and 1234 tonnes of Infant Milk during 1971 and 1972 respectively against their licensed capacity of 1000 tonnes. M/s. Glaxo Laboratories Limited, Aligarh (U.P.), a multi-national, produced 4418 tonnes of Infant Milk Food during 1971 against their licensed capacity of 4000 tonnes. All this goes to indicate that no follow-up action was taken to enforce strictly the provisions of the licences issued to the Units concerned. The Committee deplore this casualness on the part of the authorities concerned.

3.102. The Committee are unhappy to record that although the Ministry of Agriculture/Delhi Milk Scheme were aware of the problem of competition by these industrial units, no serious efforts were made to resolve the problem. It is rather strange that the Ministry of Industry and Civil Supplies which is responsible for granting of licences to the Industrial Units for milk products were not aware, as confessed by their representative during evidence, of the milk shed areas of the Delhi Milk Scheme. What

has surprised the Committee is the fact that since 1972 correspondence has been going on between the Ministry of Agriculture and Irrigation and Ministry of Industry and Civil Supplies to curb the functioning of milk product factories but no tangible measures, legal or administrative, have been taken so far to prevent diversion of milk from the milk shed areas of Delhi Milk Scheme to the milk product factories.

3.103. The Committee feel that one of the effective steps to restrict the procurement of milk by the Milk Product Factories can be to demarcate the milk shed areas of Delhi Milk Scheme. For this purpose, the cooperation of the States which fall within the milk shed areas of Delhi Milk Scheme is necessary. The Committee have been informed that the question of demarcating milk shed areas was considered on 13 June 1975 at a meeting of officers of Haryana Dairy Development Corporation, DGTD, Ministry of Industry and the Delhi Milk Scheme and since then a proposal for demarcating milk shed areas of various plants in the State of Haryana has been under consideration of the State Government. The Committee would like the Ministry of Agriculture to examine the matter in depth in consultation with the Ministry of Industry and Civil Supplies and the State Governments concerned and finalise the proposal of demarcating milk shed areas for each processing unit in and around Delhi expeditiously

3.104. The Committee would like Government to study the problem in depth and devise a durable solution by which the Delhi Milk Scheme, which has been operating in this milk shed areas since 1959, is enabled to get on assured basis the targeted supply of milk. The Committee would like to be informed in detail of the concrete measures taken in this behalf and the results achieved.

3.105. The Committee welcome the idea of National Grid Scheme sponsored by the Indian Dairy Corporation to procure milk from surplus areas for supply in the deficit areas. The Committee expect the Delhi Milk Scheme to take full advantage of the National Grid Scheme and make good their shortfalls in the lean period through the Grid Scheme and thus save on the use of imported skimmed milk powder



## CHAPTER IV

### PERFORMANCE APPRAISAL

#### A. Milk Collection and Chilling Centres

##### *Audit Paragraph*

4.1. The Scheme has established since its inception 22 centres, each having a handling capacity of 150 quintals of milk per day, for collection and chilling of raw milk. Out of these, 7 centres (Bahadurgarh, Alipore, Najafgarh, Bawana, Sonapat, Kharkhoda and Sampla) were closed between January 1965 and September 1971 on account of uneconomic operation and non-availability of milk. While total capital expenditure incurred on the plant and machinery of these centres was Rs. 17.43 lakh (depreciated value not available), the expenditure incurred on the land and buildings and other ancilliary works was not known. The remaining 15 centres (viz., Baghpat, Ballabgarh, Dadri, Dankaur, Gulaothi, Kama, Kithore, Massuri, Muradnagar, Niwari, Palwal, Pilhkuwa, Pilana, Sardhana and Sohna) were functioning on 30th November, 1974.

4.2. In this connection, the following aspects are relevant:

- (i) The Public Accounts Committee in paragraph 3.37 of its Twenty-Seventh Report (1967-68) had recommended that the Management should find alternative avenues of utilising the building and machinery of the closed centres. A Committee of officers was constituted on 14th September, 1974 by the Management to submit a Report regarding items of machinery and equipment already transferred from these centres and items still lying in the centres together with the recommendations for their transfer or disposal. The Committee submitted its Report on 21st September, 1974. The Report as well as the report on action taken thereon were called for in October, 1974 but are still (November, 1975) awaited.
- (ii) Out of 15 running centres, Sohna worked to capacity during 1971-72 to 1973-74, Palwal in 1971-72 and 1972-73 and Muradnagar in 1971-72. The capacity of other centres remained under-utilised between 3.19 per cent and 92.57 per cent in 1971-72, between 17.69 per cent and 92.30 per cent in 1972-73 and between 44.17 per cent and 98.16 per cent in 1973-74.

Even on the basis of utilisation of capacity in the flush season, it was observed that six centres (Sohna, Palwal, Pilana, Dadri,

Palwal and Muradnagar) in 1972-73 and only one centre (Sohna) in 1973-74 worked to capacity. The capacity of other centres remained under-utilised between 26.1 per cent and 92.2 per cent in 1971-72, between 25.8 per cent and 86.3 per cent in 1972-73 and between 42.1 per cent and 94.9 per cent in 1973-74.

- (iii) The average quantity of milk handled per man per day at all the centres taken together declined from 11.92 quintals in 1969-70 to 3.78 quintals in 1973-74. Taking into account the data for the flush season only, the quantity handled per man per day came to 14.70 quintals in 1969-70 and 5.79 quintals in 1973-74. The Management stated (November 1974) that the deployment of staff at centres was being arranged on the basis of norms fixed in September, 1974. The details of redeployment of staff actually carried out in accordance with these norms are, however, awaited (November, 1975).

[Paragraph 48(4.1.5) of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Civil)]

4.3. The Public Accounts Committee in their 27th Report (Fourth Lok Sabha) commented on the utilisation of buildings and machinery of the closed milk collection and chilling centres. The Committee made the following recommendation in paragraph 3.37 of the Report:

"The Committee feel that before opening such centres in future, the Delhi Milk Scheme should carry out a detailed survey of the area covered to ensure that milk will be available in sufficient quantities so that cases of such avoidable expenditure do not recur. The Committee also desire that the Delhi Milk Scheme should find alternative avenues of using their buildings at places where the centres have been closed down. The machinery should also be transferred early to other places where the new centres are to be set up."

4.4. In their action taken note\*, the Ministry of Agriculture stated as follows:

"The plant and machinery installed at Bawana, Najafgarh, Bahadurgarh and Alipur will be shifted to Bhadus, Punhana

\*Vide PAC 82nd Report (Fourth Lok Sabha--1968-69)

in Gurgaon District where land has been acquired for establishing Chilling Centres and to Mahajan in Bikaner. Since the capacity of Mahajan Centre is being planned double that of other Centres two sets of equipment will be shifted to that place. Plant and machinery has not been installed at Sampla. As regards disposal of buildings at Bawana, Alipur and Najafgarh, their availability is being intimated to the various Ministries, Attached and Subordinate offices of the Government of India and the Delhi Administration. On hearing from interested Departments further action will be taken."

4.5. In April 1974, a Committee of officers was appointed by the Delhi Milk Scheme to go into the question of utilisation of the closed chilling centres. The Committee submitted its report on 20 September, 1974 wherein it made the following observations:

- "(i) For the purpose of these recommendations, it has been assumed that future policy of the Government is likely to be on the lines that milk will be purchased directly from various State Governments operating in the field where DMS is procuring milk at present.
- (ii) The second assumption is that present trend of competition from the private traders/factories will continue and there is not much chance of our getting the milk in the areas where the six closed MC&CCS are located."

Based on the above assumptions, our recommendations are as follows:

- (a) *Najafgarh Alipur and Bawana*.—These are within the Union Territory of Delhi and so close to the city that there is hardly any prospect of collecting milk in these areas. Besides, it is understood that the local farmers do not give their milk for sale.
- (b) *Kharkhoda and Bahadurgarh*.—These two centres although outside the Union Territory and are so close to Delhi that there is little or no chance of collecting sufficient milk to justify the operation of the chilling centres.

It does not appear to be conceivable, in the near future, that these areas so close to Delhi will be flooded with milk which spill over to these closed centres.

- (c) *Sonepat*.—This chilling centre is in the heart of the city of Sonepat and there is no prospect of getting any milk because all of the milk in the area is likely to be consumed within the town itself.

There has been considerable talk about the opening of new chilling centres where the equipment from closed chilling centres could be possibly used. From what has been indicated at (ii) above, there appears to be little possibility that any new chilling centres could be successfully established in the existing milk shed areas of DMS.

In view of the above point, the Committee are of the view that no purpose will be served by keeping these equipments any more with us. We have no option but to dispose these off as quickly as we can. The building may also be disposed off."

4.6. On receipt of the above, the Chairman, Delhi Milk Scheme, sent a memorandum No. 11-10/73-PD&CC dated the 26th September, 1974 to the Committee of Officers pointing out that the Committee of Officers had not formulated their proposals in a practical manner. In this memorandum the Chairman of the Delhi Milk Scheme has explained the position as follows:—

"Although it is one of the objectives of WFP Project 618 that the State Governments concerned with the milk shed areas of metropolitan city dairies, including DMS, will arrange to procure and supply surplus milk in bulk to the metropolitan city dairies, it does not preclude the city dairies from making their own supplementary arrangements for milk procurement. As far as the DMS is concerned, there are 4 different State Governments concerned with its milk shed, and none of them have yet commenced supplying milk in bulk to the DMS, because they are unable to procure adequate quantities of milk even to meet their own requirements for their dairy plants and milk product factories. It is not likely that the position will improve substantially in the course of the next 2 or 3 years, although efforts are being made to persuade the State Governments to commence such bulk supplies. In the initial phase, the direct procurement of milk by the D.M.S will be supplemented by the supplies from the respective State Governments, if and when undertaken. Till such time as the State Governments have organised their infrastructural and procurement facilities to such an extent, that they can take over the responsibility for the uninterrupted supply of milk to the DMS even from the present milk shed area of the DMS (which is about 1/3rd of the milk shed area that has been notified under WFP Project 618 and, therefore, supplies from the new areas can be commenced in the first instance by the State Governments, and then only will the ques-

tion of taking over the responsibility for the supplies of milk from the present milk shed areas of the DMS arise). DMS will have to continue direct procurement. A decision to this effect was also taken in a meeting that was convened by the previous Agriculture Secretary in 1972. In these circumstances we will have to go ahead with our plans to establish additional milk collection and chilling centres in such parts on the milk shed where adequate quantities of milk are available, and the present chilling centres cannot handle it. The Procurement Branch had recommended that, apart from the chilling centres that have already been temporarily established at Bhadus, Punahana and Kama, one may be established at urangabad in District Bulandshahar. The former 3 MC&CCs will also have to be suitably strengthened if additional quantities of milk have to be handled there.

- (ii) The question of preventing the intrusion of neighbouring milk product factories into the DMS milk shed was referred to the Government long back, and the matter is under the active consideration of the Ministries of Agriculture and Industrial Development, and the question of making appropriate legal provisions for the purpose is also being examined. It cannot, therefore, be presumed that this competition with milk product factories will continue unabated in future years. Regarding private traders, it may be observed that one of the objectives of Operation Flood is that the expanded capacity of the existing Central Dairy of the DMS together with the Second Dairy, would be in a position to meet more or less the entire fluid milk requirements of Delhi city. In that event, private traders will not be in a position to market their milk of doubtful hygienic and chemical quality at a higher prices than those fixed by the DMS, as they are doing at present, and it is also, therefore, the presumption that the milk that is presently being handled by private traders will eventually be channelised to the DMS, thus augmenting its procurement. This, in fact, is one of the important presumption of WFP Project 618.

In view of the above elucidations, we will have to continue to plan for the procurement of augmented quantities of milk for the existing, as well as the Second Dairy, and the infra-structural facilities for the purpose will have to be developed including chilling centres. If at a future date, it is decided to entrust the responsibility of milk procurement from the existing milk shed areas of the DMS to the respective State

Government, the milk collection and chilling centres, and other facilities that have been developed by the DMS till that time, will also naturally be transferred to the respective State Governments, and the investment will, therefore, be fully utilised, and not wasted, for even the State Governments will require these facilities to organise milk procurement in this area.

In view of the above clarifications, the plans to strengthen and establish regular MC&CCs at Bhadus, Punhana and Kama, and establish a MC&CC at Aurangabad (unless the Procurement Branch have some re-thinking regarding the availability of milk in these areas) will, for the present, remain unchanged, and machinery, equipment and stores required for the purpose will have to be arranged according to the plans. It is to be considered by the Committee whether it would be financially and administratively desirable to dispose of the machinery, equipment and stores available at the closed MC&CCs, and buy new ones, or retain these for use at the above chilling centres."

4.7. Regarding commissioning of closed milk collection and chilling centres, the Chairman of the Delhi Milk Scheme has further stated:

"I have separately indicated that efforts should be made to re-commission one of the closed MC&CCs in Haryana State. The remaining 2 closed MC&CCs in Haryana can only be commissioned when the Government of Haryana, or the local cooperative institutions agree to commence supplies of milk to the DMS as, under the orders of the Ministry of Agriculture, the districts of Rohtak, Karnal and Sonapat have been reserved for the procurement of milk through cooperative institutions, about three years back. Correspondence in that behalf with the Government of Haryana and Cooperative Milk Union, Rohtak, as well as the Project Director of ICDP-Rohtak-Karnal is already being undertaken from the Procurement Branch, but the outcome is still not clear. From the latest discussions that the Manager (Procurement) had with the Director of Animal Husbandry, Haryana, it appears that it will yet take some time for them to commence substantial supplies of milk from the aforesaid area. There is, however, a reasonably good likelihood of receiving more milk from this area in the near future and, therefore, we cannot straight-away take a decision to disband these 3 centres. Regarding the centres in Delhi State, the position is nebulous at present.

since it is much economical for the milk producers/suppliers of the area to sell milk directly in the Delhi Market at a much higher price than the prevalent price in more rural areas. The Committee however, should carefully assess the position in the light of the above clarifications and see whether we should finally decide to close down these centres. The Manager (Procurement) may also be associated with these discussions. If it is so decided, it has to be examined to what extent the machinery, equipment and stores that are available at these centres in Delhi State would be required for purposes of strengthening/Commissioning the additional M. C. &CCs referred to above, as also for strengthening the facilities at other MC&CCs and for replenishment of the machinery and equipment that has become worn out and needs to be replaced. It may also be observed that the Committee has not at all touched on the question of the reserves that should be maintained for substituting discarded machinery and equipment of the operational MC&CCs, and to serve as stand-by, specially in cases in which takes a long time to procure additional machinery and equipment. Further, no mention has been made of the machinery, equipment and stores articles that are available at the closed MC&CCs, which would be required for the main Central Dairy and, therefore, should be brought to headquarters for use. These aspects should also be examined very carefully.

Revised proposals and recommendations of the Committee may now please be formulated in the light of the above clarifications/observations, and sent to me very expeditiously, as the matter has already been considerably delayed."

4.8. Based on the guide-lines given by the Chairman *vide* his Memorandum No 11-10/73-PD&CC dated the 26th September, 1974 and further instructions given to them, the Committee met again on 22nd January, 1975 to review the position. The Committee of Officers then made the following observations:—

- “(a) There is little or no prospect of the Delhi Territory centres being commissioned. As a consequence the entire equipment at these centres mainly Alipur, Najafgarh and Bawana is available for setting up 3 new complete chilling centres. (The equipment removed from these centres has by and large been ordered out to make good the deficiency. The plant can be ordered after a formal decision).

- (b) Sonapat chilling has already been commissioned and it is expected that it may continue to function. (The upto-date position seems to be that the handling may not be to the full capacity.)
- (c) Regarding 2 chilling centres of Rohtak District namely Bahadurgarh and Kharkhoda there are possibilities of commissioning them.
- (d) Kama centre is likely to be closed in near future. This will release the equipment taken from the closed chilling centre and help to complete them.
- (e) There are distinct possibilities of having permanent chilling centres over the next few years at Aurangabad, Punhana and Bhadus."

4.9. Based on the position indicated above: the Committee of Officers recommended the following course of action:—

- (i) The equipment at Delhi Territory idle centres need not be disturbed. This equipment should be kept for commissioning the new permanent centres at Aurangabad, Punhana and Bhadus since it is not considered technically advisable to sell the machinery now and purchase it later. If, however, it is felt to be administratively more convenient then only the equipment may be disposed of now and fresh equipment purchased later.
- (ii) As pointed out earlier we have already taken action to make good/repair the equipment removed from the idle centres. There might be some marginal purchases to be made at the time of establishing the new permanent centres. These purchases could be made at that time.

*Note.*—If Kama centre is to be replaced by another temporary centre or more temporary centres are to be set up, the equipment will have to be purchased for that purpose. (Till such time as the new permanent centres are set up the equipment from the Delhi Territory Centres could continue to be used for these temporary centres.)"

4.10. The latest position regarding the utilisation/disposal of the machinery and equipment of the closed milk collection and chilling centres, as stated by the Ministry is given below.

4.11. The Milk Collection and Chilling Centre at Sonapat has already been commissioned and is functioning regularly.



4.12. For the commissioning of the Milk Collection and Chilling Centres at Bahadurgarh and Kharkhoda (Haryana), negotiations are affoot with the officers of Haryana Government Cooperative Milk Unions of Rohtak and Karnal districts and there appears to be a good possibility of procuring milk supplies from there. As soon as arrangements for the procurement of adequate quantities of milk from these areas are finalised immediate steps will be taken to commission the idle Milk Collection and Chilling Centres at Bahadurgarh and Kharkhoda.

4.13. The machinery and equipment of the remaining three idle centres viz, Bawana, Najafgarh and Alipur have been partly utilised for the establishment of MC&CCs at Mathura and Bikaner and the balance machinery and equipment are proposed to be utilised for strengthening the MC&CCs at Bhadus and Punhana and for setting up a new MC&CC at Aurangabad. It may be administratively, technically and financially desirable to retain the machinery and equipment available at the closed MC&CCs for utilisation for strengthening the aforesaid MC&CCs and setting up new MC&CCs as indicated above.

4.14. Regarding the setting up of the centres at Punhana, Bhadus and Aurangabad, the position has been indicated as under:—

- (i) Temporary arrangements have already been made at Punhana for the collection of milk and this has been functioning for over a year now. As now substantial quantities of milk are being procured from there, action is being taken to have this centre further strengthened with augmented milk reception and chilling facilities.
- (ii) Collection of milk at Bhadus has since started by making temporary arrangements. This centre will further be strengthened as soon as increased quantities of milk are available in the area.
- (iii) Action for the acquisition of land by the Government of Uttar Pradesh for setting up a new centre at Aurangabad is in an advanced stage.

4.15. The Committee pointed out that the Delhi Milk Scheme had established their milk collection centres on the road sides with the result that the people from remote places were not in a position to bring milk to these centres and enquired whether any arrangement existed to collect milk from such people. The Chairman, Delhi Milk Scheme, has stated during evidence that the milk collection and chilling centres had been set up on road sides so that milk might be collected easily and brought quickly to the Central Dairy of the Delhi Milk Scheme. He has added that villagers who brought milk from far away places to the collection centres were paid transportation charges.

4.16. Asked about the energising of the milk collection and chilling centres, the Chairman of the Delhi Scheme has stated during evidence:—

“Regarding the energising of the milk collection and chilling centres, the main problem that we were experiencing was the acute power shortage in U.P. and Haryana. In 1973-74 and even earlier they used to cut off power for twelve hours and supply it to industries in the neighbouring areas. But these problems have been solved: we have taken direct power connections and have also provided our own generating sets at the chilling centres so that we can have alternative methods in the event of power failure. About the milk collection centres, we are constantly reviewing the milk that we get at each centre. It varies from season to season according to the production of milk products in the neighbouring areas. We close down such centres in summer where we find they don't get enough milk. So, we keep regulating these centres constantly.”

4.17. At the instance of the Committee, the Ministry of Agriculture and Irrigation (Department of Agriculture) have in a note dated 26th July, 1977 stated the latest position regarding functioning of the milk collection and chilling centres set up by the Delhi Milk Scheme:—

“Out of the seven closed centres, the two at Najafgarh and Bawana have been recommissioned *w.e.f.* 17th September 1976 and 17th October 1976 respectively. The capacities of these centres is similar to other centres *viz.* handling of 150 quintals of milk per day. During the year, the maximum and minimum utilisation has been as follows:

Najafgarh	136%	93%
Bawana	94%	64%

The economics of these centres have not been worked out.

Out of the 15 centres, two centres, namely, Kama and Pilkhuwa have since been closed down *w.e.f.* 1st February 1975 and 27th March 1975 respectively. Kama centre had to be closed down, as per the agreement with M/s Dalmia Dairy, under which DMS would not collect milk in the Delhi Milk Scheme milk shed area in Gurgaon, Pilkhuwa centre had to be closed down due to fall in milk collection in the area as also due to proximity of Massuri & Gulaothi conveniently handled.

Another centre at Mathura was, however,, started w.e.f. 18th August 1975.

The maximum and minimum utilisation of the remaining centres during the year 1976-77 has been as follows:

Baghpat . . . . .	66%	16%
Ballabgarh . . . . .	86%	54%
Dadri . . . . .	89%	38%
Dhankaur . . . . .	76%	30%
Gulaothi . . . . .	94%	22%
Kithore . . . . .	72%	14%
Massuri . . . . .	51%	10%
Muradnagar . . . . .	64%	8%
Niwari . . . . .	18%	8%
Palwal . . . . .	69%	24%
Pilana . . . . .	49%	8%
Sardhana . . . . .	52%	16%
Sonha . . . . .	65%	17%
Mathura . . . . .	191%	104%

The economics of these centres have not been worked out."

4.18. With regard to the policy about maintenance and opening of new centres for milk collection and chilling, the Ministry have stated as follows:—

"Since the Delhi Milk Scheme has been purchasing milk in the open market in competition with other purchasers it has been difficult for it to secure its total requirement of raw fresh milk and has been utilising skimmed milk powder and at times butter oil to meet the requirement of fluid milk in the Delhi city. Mobilising raw fresh milk has, therefore, been its utmost concern. The main considerations for opening of new centres has been the availability of adequate quantities of milk around the place of opening of the centre. However, it may be mentioned that the D.M.S. did not open new centre except at Mathura.

The Chilling Centres were established in the initial stages (1959—1963). The guidelines, if any, on the basis of which chilling centres were established are not available. However, it may

be stated that the main criteria would have been the availability of adequate quantity of raw milk, besides availability of power, sweet water, easily accessible road etc."

4.19. About the coordination maintained between the Delhi Milk Scheme and State authorities and others concerned, the Ministry have stated:—

"Delhi Milk Scheme and the Ministry of Agriculture, Government of India remain in constant touch with the organised dairy organisations in the neighbouring States and State Governments. As a matter of fact, the D.M.S. is receiving raw milk supplies from the District Co-op. Milk Unions of Rajasthan organised under the Rajasthan Dairy Development Corporation, Pradeshik Dairy Cooperative Federation, U.P. Distt. Cooperative Milk Union, Meerut. Supplies of milk in the past year have also been received from Haryana Dairy Development Corporation and Punjab Dairy Development Corporation."

4.20. The Committee note that 7 collection and chilling centres located in Bahadurgarh, Allpur, Najafgarh, Bawana, Sonapat, Kharkhoda and Sampla were closed between January 1965 and September 1971 on account of uneconomical operation and non-availability of milk. Besides the expenditure on land, building and other ancillary works, the expenditure incurred on the plant and machinery of these centres was Rs. 17.43 lakhs. It has, however, been stated on 26 July 1977 that of the closed centres, the milk collection and chilling centres at Najafgarh and Bawana were recommissioned w.e.f. 17-9-1976 and 17-11-1976 respectively. The Committee have further been informed on 26 July 1977 that two more milk collection and chilling centres at Kama and Pilkhuwa had to be closed down w.e.f. 1-2-1975 and 27-3-1975 respectively. Kama centre was closed down as per agreement with M/s Dalmia Dairy under which the Delhi Milk Scheme would not collect milk in the Delhi Milk Scheme milk shed area in Gurgaon. Pilkhuwa centre had to be closed down due to fall in milk collection in the areas as also due to proximity of Massuri and Gulaothi centres where the milk collected in this area could be conveniently handled.

4.21. The Public Accounts Committee in their 27th Report (4th Lok Sabha) (April 1968) had recommended that the Delhi Milk Scheme should find alternative avenues of using the buildings of the closed milk collection and chilling centres and that the machinery available at these centres should be transferred early to other places where the new centres were to be set up. In reply to the recommendation, the Department of Food and Agriculture informed the Committee in 1969 that "the plant and machinery installed at Bawana, Najafgarh, Bahadurgarh and Allpur will be shifted to Bhados.

**Punhana in Gurgaon District where land has been acquired for establishing chilling centres and to Mahajan in Bikaner. Since the capacity of Mahajan Centre is being planned double that of the other centres two sets of equipment will be shifted to that place. Plant and machinery has not been installed at Sampla. As regards disposal of buildings at Bawana, Alpur and Najafgarh, their availability is being intimated to the various Ministries, attached and subordinate offices of the Government of India and the Delhi Administration. On hearing from interested Departments further action will be taken."**

**4.22. It is evident from the Audit Report that during the period 1969 to 1971 some more chilling centres had been closed. It is also seen from the reply of the Ministry quoted in paragraph 4.60 of the Report that the proposal of the Scheme to set up a Milk Collection and Chilling Centre at Mahajan in Bikaner, has not materialised. The Committee regret that despite the assurances given by the Government to the Public Accounts Committee, the milk collection and chilling centres remained closed for four years and longer periods and conclusive action to put surplus plant and machinery to alternative uses was not taken by Milk Scheme. It was only in April 1974 that a Committee of Officers was constituted to go into the question of utilisation of the machinery available with the closed milk collection and chilling centres. The Committee of Officers submitted its report on 20 September 1974 and recommended the disposal of the plant and machinery quickly as there was little possibility of establishing new centres in the existing milk-shed areas of Delhi Milk Scheme. Since the recommendations of the Committee were based on certain assumptions, the Chairman, Delhi Milk Scheme, issued fresh guidelines to the Committee of Officers on 26 September 1974 and ordered for a review. The Committee again met on 22 January, 1975 and submitted another report on 24 January 1975 wherein they recommended the utilisation of the plant and machinery for commissioning of new centres and for strengthening the existing ones.**

**4.23. The note of the Chairman, Delhi Milk Scheme, had clearly made out the points for the reconsideration of the committee of officers. The Committee feel that normally the Committee of Officers should have ascertained facts instead of making recommendations on assumptions. It is surprising that although the Chairman's guidelines were given on the 26th September 1974, the Committee of Officers, for reasons unknowns took four months to meet again and consider the matter de novo. It is all the more surprising that within two days of their meeting they finalised their report and reversed their earlier recommendations. Even these recommendations do not appear to be conclusive as these were recommended for utilization of**

plants and machinery for commissioning of new centres and for strengthening the existing ones. This shows that the Committee did not bestow proper consideration which they should have to the issues involved. The Committee would like to be assured that the examination of the issues were thorough and adequate. They would also like to know the reasons for not taking follow-up action in regard to utilisation and disposal of the plant and machinery soon after the closure of the centres during 1965—71.

4.24. According to the information furnished to the Committee, the Milk Collection and Chilling Centre at Soanpat has already been commissioned and efforts are being made to recommission the centres at Bahadurgarh and Kharkhoda. As non-utilisation of machinery purchased at heavy capital cost constitutes a recurring loss, the Committee would like the Ministry/Delhi Milk Scheme to ensure that arrangements for proper utilisation of the assets of the closed milk collection and chilling centres are finalised without delay and implemented in entirety. They would also like to impress that in future before setting up such centres, Delhi Milk Scheme should ensure that raw milk is available in adequate quantity in the areas of collection and the centres do have proper handling and chilling capacities.

4.25. The Committee are surprised to find that Government have not worked out the economics of the various milk collection and chilling centres set up by the Delhi Milk Scheme. In the absence of such an exercise the Committee are unable to understand how the Delhi Milk Scheme ensured that the centres were functioning in the best financial interest of Government. In fact, the Committee note that except milk collection and chilling centre at Mathura, all other centres were working far below their installed capacity. The maximum and minimum utilisation of some centres during 1976-77 has been below economic level. These cases are of (i) Massuri (51 per cent and 10 per cent), (ii) Niwari (18 per cent and 8 per cent), Pilana (49 per cent and 8 per cent) and Sardhana (52 per cent and 16 per cent). In view of the fact that a number of milk collection and chilling centres had to be closed down in the past due to their uneconomic operation, the Committee desire that Government should work out economics of all the centres without any loss of time and take timely action to improve their working, where necessary. It is also proper that Government should clearly lay down policy about location and running centres in consultation with the State authorities and others concerned.

## B. SOURAGE OF MILK

### Audit Paragraph

4.26. The table below indicates the procurement of milk and sourage of milk during the last four years:—

(Quantities in lakhs of litres)

	Total procure- ment of milk	Sour Milk	Percentage of sour milk to total procure- ment of milk
1971-72 . . . . .	632.19	26.98	4.3
1972-73 . . . . .	580.17	29.29	5.05
1973-74 . . . . .	284.77	28.38	9.9
1974-75 . . . . .	546.73	54.33	9.9

4.27. The sourage of milk was higher in the winter season as compared to the lean season during 1971-72, 1972-73 and 1974-75.

4.28. The Management stated (November, 1974) that sourage was due to prolonged interruptions in power supply at milk collection and chilling centres and breakdown of vehicles etc.

[The Ministry have subsequently informed the Audit in April 1976 that they have taken remedial measures like provision of generators in all the Centres and addition of milk tankers.]

*Omission to convert sour skimmed milk into butter-milk powder with a view to fetch higher unit realisation.*

4.29. Although the quantity of sour skimmed milk available with the Scheme has been much less than the capacity (18,000 litres per day) of the Milk Drying Plant yet large quantities of sour skimmed milk were disposed of by the Scheme as such and not converted into butter-milk powder.

4.30. As the sale of butter-milk powder fetches a higher unit realisation, the Scheme suffered a loss of revenue of Rs. 2.62 lakhs on 6,69,154 Kgs. of sour skimmed milk sold as such during the period from July, 1972 to March, 1974. The data for the earlier period were not available.

4.31. The Management gave (November, 1974) the following reasons for selling sour skimmed milk in liquid form:

- (a) Receipt of sour milk in excess of the available capacity of the Drying Plant on some occasions.

(l) Break-down or failure of the Milk Drying Plant.

(c) Non-availability of steam due to coal shortage or failure of boiler plants.

4.32. No data seem to be available with the Management in support of the above contention.

[Paragraph 48 (4.1.6 and 4.2.3(v) of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Civil).]

4.33. The Ministry have informed the Committee that during 1975-76, 58.52 lakh litres of sour milk (including 11.21 lakh litres purchased as sour milk) was received at the Central Dairy of the Delhi Milk Scheme as against the existing handling capacity of 33,000 litres of milk per day.

4.34. The Committee desired to know the quantity of sour milk utilised by the Delhi Milk Scheme (during each the years 1973-74 to 1975-76) in production of milk products etc. and that sold out to outside parties. In reply, the Ministry have stated:—

“(i) The entire quantities of sour milk received in each of the above three years were processed by the DMS and the fat content was extracted as and when the sour milk was received in the Central Dairy. The fat extracted from the sour milk alongwith fat obtained from the surplus raw milk etc. were processed for the manufacture of ghee. After separating the fat content from the sour milk, the balance quantities of sour skimmed milk were utilised in the production of powder and casein etc.

(ii) The sour milk is not sold out to the outside, parties as such, but it is sold after separating the fat when it is called sour skimmed milk. The figures indicating the year-wise and the party-wise sale of sour skimmed milk during each of the three years from 1973-74 to 1976-77 are indicated below:—

Name of the parties to whom the sour skimmed milk was sold.	(All figures in Kes.)			
	1973-74	1974-75	1975-76	1976-77
1. M/s. Foremost Dairies Ltd., Saharanpur.	5,58,468	18,80,237	6,33,580	..
2. M/s. Dalmia Dairies, Bharatpur.	..	3,43,165	30,24,611	14,35,228
3. M/s. Infant Milk Food, Moradabad.	..	..	15,187	..
4. Haryana Food Plant.	98,548	..	..	..
<b>Total:</b>	<b>6,57,016</b>	<b>22,23,402</b>	<b>36,73,378</b>	<b>14,35,228</b>



4.35. The Committee enquired the reasons for not utilising sour milk fully by the Delhi Milk Scheme itself. The Chairman, Delhi Milk Scheme, has stated during evidence:

“To the extent that our plants can take it up, we try to utilise sour milk, when sour milk happens to be received because of electricity failure in our chilling centres or because of transport break-downs of trucks that bring in milk; that is the standing instruction and practice also. We extract the cream and make ghee and the non-fat milk is converted into powder. We have got drying plants and we do not sell the milk at all. But some times because of large scale electricity failure or other problems of that type, we have very much more sour milk than we can possibly dry in our plants. Sour milk deteriorates fastly; it becomes acidic and unfit for human consumption. A few years ago we were facing a tremendous problem of disposal of sour milk and nobody was prepared to buy it from us. Three or four years ago we floated tenders and some factories came up with offers in response to those open tender notices. We have contractual agreements with those parties during the last three years; the contracts are entered into on an annual basis of open tender system.”

4.36. The Committee asked why sour milk was not retained in refrigerated tankers. The representative of the Delhi Milk Scheme has replied that the capacity of such tankers was limited.

4.37. The Committee are perturbed over the increasing trend insourage of milk as they note that it has increased from 26.98 lakh litres in 1971-72 to 58.52 lakh litres in 1975-76. The reasons adduced for the sourage of milk are prolonged interruptions in power supply at milk collection and chilling centres and break-down of vehicles etc. The Committee note that the Delhi Milk Scheme has since taken remedial measures in this regard by providing generators in all the Centres and additional milk tankers for transportation of milk to the Central Dairy. Since sourage of milk reduces to that extent the availability of pasteurised milk, the Committee need hardly emphasise that concerted measures should be taken to ensure that the percentage of sourage milk with reference to the total procurement is kept to the minimum or at least to the norms which may be determined on the basis of past experience of normal years.

4.38. The Committee are distressed to note that on account of inadequate capacity of handling of sour skimmed milk (milk left after separating the fat for production of ghee), the Delhi Milk Scheme had to sell 6.57 lakh litres of sour skimmed milk in 1973-74 and 22.23 lakh litres in 1974-75

and 36.73 lakh litres in 1975-76 to outside parties according to contracts entered with them. Since the sale of butter milk powder fetches a higher price than sour skimmed milk, it is but proper that the Ministry should examine the feasibility of acquiring additional capacity for milk drying so that more sour skimmed milk is converted into butter milk powder. The Committee would like to be informed of the action taken in this behalf.

4.39. The Committee would like to point out that one of the Dairies M/s. Dalmia Dairies, Bharatpur have increased the intake of sour skimmed milk by nearly 9 times in 1975-76 as compared to 1974-75. The Committee would like the Ministry/Delhi Milk Scheme to find out as to how this and other processing Dairies who purchase sour skimmed milk are able to utilise it to economic advantage with a view to see whether by providing some additional/balancing equipment the Delhi Milk Scheme could not utilise the entire or at least the bulk of sour milk for processing, thus cutting down on the losses.

4.40. It is not clear to the Committee as to how sour milk is purchased by the Delhi Milk Scheme specially when it has been stated that there is not enough capacity available to handle even the milk which turns sour either in the process of collection or transport. This aspect needs to be gone into with a view to see that sour milk is not purchased unless it is absolutely essential and economic to do so in the overall interest of the plant.

### C. Processing

#### *Working of Bikaner Centre*

##### *Audit Paragraph*

4.41. The table below indicates the procurement of cow's milk from Bikaner Centre, the average procurement per day, loss of fat and milk in transit and the handling cost on collection and transportation of milk to the Central Dairy, for the years 1971-72 to 1974-75:—

	1971-72	1972-73	1973-74	1974-75
Total procurement during the year (in lakhs of kgs.)	50.32	35.38	12.71	47.82
Average procurement per day (in lakhs of kgs.)	0.138	0.096	0.034	0.031
Average loss of fat in transit (percentage)	4.00	4.47	2.69*	N.A.
Average loss of milk in transit (percentage)	2.76	2.12	N.A.	N.A.
Average handling cost per kg. (in paise)	14.5	19.9	45.00	N.A.

\*Up to October 1973 only.

4.42. The following observations are made on the working of the Bikaner Centre:—

- (a) In reply to paragraph 3.85 of the Public Accounts Committee's Twenty-Seventh Report (1967-68), the Ministry had stated (November, 1968) that lean procurement of nearly one lakh litres of cow milk per day could be built up in this area and action for setting up a balancing station (mainly for chilling and storage) within two years to handle this quantum was in hand. These anticipations have not, however, materialised so far (November, 1975).
- (b) Due to constant downward trend in procurement of milk from Bikaner, the handling cost per kg. of the milk procured rose steeply up to 1973-74, thereby adversely affecting the economical working of the centre.
- (c) The losses of fat and milk intransit from Bikaner centre to the Central Dairy were much higher than those sustained in other centres, as per details given below:—

Year	Average loss of fat in transit		Average loss of milk in transit	
	Bikaner centre	Other centres	Bikaner centre	Other centres
1971-72	4%	0.73%	2.76%	0.08%
1972-73	4.47%	0.79%	2.12%	0.14%

The Management stated (November, 1974) that a Committee of Officers had been appointed to go into the question of handling and transit losses for Bikaner milk. The report of the Committee is awaited (November, 1975).

- (d) In January, 1968 the Management Committee of the Scheme decided to sell milk to Rajasthan Go Seva Sangh, Bikaner on the basis of procurement price plus 21.5 paise per litre to cover the handling charges (excluding overheads) for distribution in Bikaner city on no profit no loss basis. As the cost of handling the milk at Bikaner (excluding overheads) was higher than the rate of 21.5 paise per litre, the Scheme suffered a loss of Rs. 0.91 lakh on the sale of milk to Sangh during the period from April, 1969 to December, 1973.

[The Ministry have informed the Audit in April 1976 that the Scheme did not work on the principle of no profit no loss basis and that there was inevitable difference because of the policy of not charging the overheads on establishment, freezing and transport charges incurred by Delhi Milk Scheme. It is seen from the proceedings of the Management Committee that while they had decided to forego that overhead charges of 3.9 paise the balance reduction of 2.6 paise out of the total estimated cost of 28 paise was to be effected by economics in freezing and by foregoing handling charges.]

*Process for the production of pasteurised milk*

4.43. The Scheme in the past supplied liquid pasteurised milk of various grades viz., standard milk with 5 per cent fat content (4.5 per cent from 10th October 1971), cow milk with fat content ranging from 3.6 to 5 per cent, toned milk with 3 per cent fat content and double toned milk with 1.5 per cent fat content. With effect from 5th November 1973, however, only special toned milk with 3.5 per cent fat content and doubled toned milk with 1.5 per cent fat content is being supplied. The solids-not-fat content of special toned milk is 8.5 per cent and that of double toned milk 9 per cent.

4.44. Raw milk has an average fat content of 6.5 per cent and solids-not-fat content of 9 per cent. Raw milk received at the Central Dairy is pumped into raw milk storage tanks. Depending upon the quantum of raw milk available and the commitment to supply different grades of pasteurised milk, decision is taken to add skimmed milk powder to make good the solids-not-fat content and butter oil/white butter to make up the fat content. For this purpose, reconstituted skimmed milk is prepared with skimmed milk powder and water, and white butter/butter oil is added thereto to make it re-combined milk. The reconstituted skimmed milk or re-combined milk is then added to the raw milk to prepare the required grade of liquid milk. Raw milk, reconstituted skimmed milk and re-combined milk are pasteurised in the pasteurisers before being pumped to the blending tanks. Milk in the blending tanks is tested as to fat and solids-not-fat contents and then pumped to the bottling line for bottling. Bottled milk is sent to the cold storage for distribution.

*Product-mix and utilisation of capacity*

4.45. The Scheme's main product is bottled milk. The Scheme is also equipped to produce ghee, table butter, roller dried milk powder, casein, ice-cream and sterilised flavoured milk. The output of these items during

the last five years is given below:—

	(Figures in lakhs)				
	1970-71	1971-72	1972-73	1973-74	1974-75
Milk (in litres)	1,003.21	1,058.34	1,098.34	1,086.73	1,133.18
Ghee (in Kgs.)	3.07	3.59	6.74	0.18	5.66
Table butter (in Kgs.)	1.16	0.90	0.41	0.07	0.51
White butter in Kgs)	6.72	8.86	13.35	3.50	10.37
Butter milk Powder (in Kgs.)	2.63	3.19	2.51	1.63	1.60
Sterilised milk (Number of bottles)	0.82	0.86	1.47	2.08	6.46
Casein (in Kgs.)	Nil	Nil	0.04	0.04	0.07
Ice-cream (number of cups and bars)	0.69	0.74	0.77	1.07	0.80

In this connection, the following observations are made:—

- (a) Out of the total turnover of Rs. 12.29 crores in 1972-73 and Rs. 11.85 crores in 1973-74 the sale value of liquid milk was Rs. 11.11 crores approx.), and Rs. 11.58 crores (approx.) respectively. The sale of ghee, butter and other products thus constituted about 96 per cent and 2.3 per cent during 1972-73 and 1973-74 respectively.
- (b) The Scheme does not work out the cost of and contribution by different products in formulating its product pattern.
- (c) While quantum of milk processed in 1973-74 was marginally lower than that of 1972-73, the production of ghee, butter and butter milk powder in 1973-74 showed a steep decline owing to inadequate supplies of raw milk. The production of milk, ghee and butter, however, picked up in 1974-75.
- (d) As mentioned earlier, the processing capacity of the Central Dairy was to increase from 3 lakh litres per day to 3.75 lakh litres per day on completion of second phase expansion.

Although all the essential equipment to handle 3.75 lakh litres of milk per day have been installed by 1974-75, the existing capacity is reckoned by the Management at 3 lakh litres per day only. The actual processing during 1970-71 to 1974-75 was 2.75 lakh litres, 2.90 lakh litres, 3.01 lakh litres, 2.97 lakh litres and 3.10 lakh litres per day respectively.

(e) The capacity of bye-product plants was grossly underutilised, as per details given below:—

Name of Plant	Rated capacity per day	Percentage of capacity utilised				
		1970-71	1971-72	1972-73	1973-74	1974-75
1	2	3	4	5	6	7
Butter Manufacturing Plant	4000 kgs. per day	32.1	68.6	94.2	24.5	74.54
Ghee Manufacturing Plant	8000 kgs. per day	10.5	12.3	23.0	0.63	19.40
Casein Plant	750 Kgs. per day	Nil	Nil	1.6	1.6	2.44
Ice-Cream Plant	57,60,000 cups and bars per year	1.20	1.30	1.34	1.86	1.41

(f) It was noticed that, on account of low procurement, generally the quantum of fat in the raw milk was less than the quantity of fat required for preparing the pasteurised milk, on an overall basis. This shortfall is made good by use of butter oil. In spite of this phenomenon, it was noticed that in 1972-73 and 1974-75 there was large scale diversion of fat in the raw milk for the manufacture of ghee and in its place butter oil was used for producing the pasteurised milk. Comparative economics (including foreign exchange implications) of the substitution of fat in raw milk by butter oil in the production of pasteurised milk and use of fat in the raw milk for production of ghee had not been worked out by the Management.

4.46. It was explained (July 1975) by the Management that the main reason for this diversion was sufficient quantity of butter oil, which had to be consumed on priority basis to avoid spoilage. It may be mentioned, in this connection, that the Scheme had not installed the air conditioning unit for butter oil storage provided in the second phase expansion at an estimated cost of Rs. 8 lakhs (refer paragraph 3). Had this been done, the problem of spoilage, if any, might not have arisen.

[The Ministry have further informed the Audit in April 1976 that apart from the reasons already mentioned in the para an increase in the consumption of skimmed milk powder and butter oil mainly results from decline in the availability of fresh milk. It has further been stated that no ghee is produced during the lean season.]

### Processing efficiency

4.47. (i) *Loss of fat in processing at the Central Dairy—Non-fixation of process/ transit losses* was commented upon in paragraph 80 of Central Government Audit Report (Civil), 1970. In June 1970, the Management fixed a norm of 1 per cent for loss of fat (from the stage of receipt of raw milk at the Central Dairy to the stage loading of milk bottles and cans in the milk vans as well as transfer of bye-products to the distribution branch) during the period from April to September and 2.5 per cent from October to March, subject to an overall limit of 2 per cent for the whole year.

4.48. In July 1971, Government decided that accounts be maintained separately at the Central Dairy of milk handled for fluid consumption and of fat utilized for milk and milk products. Subject to this, the norm for handling losses was fixed at 1 per cent for milk handling and for fat at 2 per cent of fat utilized with effect from 1st August 1971.

[The Ministry have informed the Audit in April 1976 that norms fixed earlier were not realistic and workable in the present context of the working in the Delhi Milk Scheme.]

4.49. It will be seen from the data given below that actual fat loss was in excess of the above norms during 1970-71 to 1972-73—

Year	Norms in terms of percentage fixed by the Scheme	Actual percentage of fat loss	Quantity and value of fat loss in excess of norms (Quantity in Kgs. & value in lakhs of rupees)	
			Quantity	Value
1970-71	April to Sep.	3.8	64,255	13.91
	October to March	4.6	54,104	
1971-72	2	4.5	1,26,586	14.07
1972-73	2	4.8	1,59,236	16.91

Note: Value shown in the last column is based on the estimated pooled cost of fat per Kg.

4.50. The Management attributed (November, 1974) the increase in fat losses to the following factors:—

- Increased use of butter oil for reconstitution of milk on account of decline in availability of raw milk.
- Progressive decline in the condition and performance of milk handling machinery and equipment due to continuous use.
- Leakage of butter oil from tins during transportation.

(d) Sticking of butter oil to the side of the tins, while pouring out in the hoppers.

4.51. The Management have, however, stated (November, 1974) that a more efficient system for handling of butter oil was being arranged which would reduce losses to some extent.

4.52. The maintenance of fat utilisation account has been dispensed with from December, 1973 onwards on account of paucity of staff according to Management. An exercise was made in Audit to find out the overall fat available in raw milk and butter oil and its utilisation in 1973-74 and 1974-75. On this basis, the fat which remained to be accounted for, represented 6.5 per cent approximately of the total fat available in 1973-74 and 7.8 per cent in 1974-75, as per details given below:—

	1973-74	1974-75
	(In lakh Kgs.)	
Fat available in raw milk, butter oil, etc.	42.24	50.04
Fat utilised in the production of pasteurised milk and milk products	39.47	46.10
Fat remaining unaccounted for	2.75	3.94

NOTE:—Fat in raw milk has been computed on the basis of average fat content of 6.5 per cent in buffalo milk and 4 per cent in cow milk.

[The Ministry have informed the Audit in April 1976 that the unaccounted fat during 1973-74 and 1974-75 worked out to 0.49 lakh kgs. and 0.92 lakh kgs. only and these were within the norm fixed by Government. The main reason for the discrepancy between the figures worked out in Audit and those worked out by the Ministry now is on account of adoption of average fat content in buffalo milk as 6.5 per cent by Audit and as 6 per cent by Ministry.]

(ii) Loss of milk in processing at the Central Dairy.

4.53. As against the norm of 1 per cent fixed by Government in July, 1971, and effective from 1st August, 1971, the overall actual handling loss of all grades of milk was stated to be about 1.5 per cent in 1970-71 and 1971-72, 2.07 per cent in 1972-73 and 3.05 per cent in 1973-74. The increasing percentage of loss was attributed by the Management to the decline in the condition and performance of the plant and equipment.

[The Ministry have informed the Audit in April 1976 that the norm of 1 per cent loss is generally fixed for the dairies which are only pasteurising and bottling milk as it is.]



(iii) *Ineffective control over losses of fat and milk in process*

4.54. The following observations are made on norms and determination of loss of fat and milk in process:—

- (a) Norms have not been fixed stage-wise (e.g. separately up to the bottling stage and from bottling to handling/loading in vans) in respect of milk, nor separately for milk and milk products in respect of fat, with the result that areas of excessive loss were not identifiable to take suitable remedial action.
- (b) In the absence of determination of stage-wise losses both in regard to milk and fat, the loss of fat exhibited represented only the difference between the total quantity of fat available and the quantity utilised in the manufacture of milk products and pasteurised milk taken together. Similarly, losses of milk represented the difference between the calculated production based on the intake of various types of milk and ingredients such as, skimmed milk powder and butter oil and the quantities released for distribution.
- (c) The account of inputs for processed milk suffered from the following shortcomings:—
  - (1) Water for reconstitution was taken through flow metres which were subject to considerable variations.
  - (2) As the storage tanks were not calibrated and the flow rate was not constantly maintained, the quantity of raw milk drawn for processing into pasteurised milk was shown according to the rated capacity of the plants, which was likely to vary from the actual intake.

As the theoretical inputs formed the basis for computing the output in terms of the standard formulae, the authenticity of the figures of output could not be verified.

- (d) Production of milk products commences after intake of cream from the milk-processing unit. Although the accounts indicated the intake of cream and the yields obtained, there was no weighing of cream before it was handed over to the Product Section and the intake was calculated on the basis of the rated capacity of the plant for separation of cream. The Management could not, therefore, ascertain the actual yield of fat from cream and the extent to which it varied from the standard yields with a view to taking proper remedial action.

(iv) *Loss of fat in the milk received back from the Milk Depots, All Day Milk Stalls, etc.*

4.55. It will be seen from the data given below that the fat losses in the milk received back from depots, etc. had been on the increase during the period from 1970-71 to 1973-74 (Upto October, 1973):—

Year	Total quantity of fat returned (Kgs.)	quantity of fat lost (Kgs.)	Percentage of fat lost
1970-71	68,496	5,083	7.4
1971-72	59,486	5,024	8.4
1972-73	32,683	3,612	11.05
1973-74	9,499	1,120	11.9

4.56. The Management stated in July, 1974 that retrieval of fat from returned milk was affected by aging of milk in bottles and that the percentage loss of fat was high partly on account of handling of smaller quantities of returned milk and partly on account of malpractices by the drivers, mates, etc. who sometimes tampered with the quality of the milk returned.

[The Ministry have informed the Audit in April 1976 that a large number of returned milk bottle get uncapped while in transit to and from dairy and the milk spills over *en route*.]

(v) *Breakage of bottles*

4.57. Against the norm of 1 per cent breakage of bottles, the actual breakage of bottles during the period from 1969-70 to 1974-75 has been constantly in excess of the norm and showed a rising trend from 1970-71 onwards, as detailed below:—

Period	Actual breakage of bottles Figures in lakhs	Percentage of breakage in excess of the norm of 1 per cent.
1969-70	29.44	0.62
1970-71	20.50	0.08
1971-72	24.97	0.26
1972-73	29.50	0.42
1973-74	31.93	0.56
1974-75	33.80	0.65

4.58. The Management stated (July, 1974) that the excess breakages were due to the progressive decline in the condition and performance of bottling plant and equipment unsatisfactory condition of flooring and careless handling by the workers, malpractices pilferages, etc. The Management further stated in November 1974 that remedial measures as well as action to replace the bottling line had been initiated. It was stated in May, 1975 that revision of norm from 1 per cent to 1.5 per cent had been taken up with Government.

[Paragraph 48 (4.1.7, 4.2.1 and 4.2.3(i), (ii), (iii), (iv) and (vi) of the Report of the Comptroller and Auditor General of India) for the year 1974-75, Union Government (Civil)]

4.59. At the instance of the Committee, the Ministry have furnished the following information on the procurement of milk from Bikaner Centre:—

- (i) Total procurement (all directly from farmers through departmental arrangements) during the year 1975-76 was 64,33,040 litres. The average procurement per day was 17,577 litres. Besides this, 32,28,451 litres of milk (8,821 litres average per day) was supplied from Bikaner areas by the North Rajasthan Dugdh Utpadak Sahakari Sangh, Regional Cooperative Society, in the above year.
- (ii) The average loss of milk and fat in transit was 1.01 per cent and 2.76 per cent respectively during 1975-76 from Bikaner Centre to Central Dairy of Delhi Milk Scheme. Such analysis had not been made for the year 1974-75.
- (iii) The average handling costs for the collection and transportation of milk from the rural areas to the Bikaner Centre and including the cost of maintaining and operating the Centre is Rs. 22.21 per quintal for 1974-75 and Rs. 29.02 per quintal for the year 1975-76.
- (iv) The total procurement of milk from Bikaner Centre from April 1976 to 8 September 1976 (Centre was closed w.e.f. 9 September 1976) was 33632.68 Qtls. and the percentage of loss of milk and fat in transit from Bikaner to Delhi was 0.17 and 3.12 respectively."

4.60. In Action Taken Note on paragraph 3.85 of 27th Report (1967-68) of Public Accounts Committee the Ministry had informed in November 1968 that action for setting up a balancing station (mainly for chilling and storage) in Bikaner within 2 years was in hand. But according to the Audit Para the anticipation had not materialised till November, 1975. The Com-

mittee desired to know whether any final decision had been taken in this regard. In reply, the Ministry have stated:—

“A balancing station at Bikaner and a Milk Collection and Chilling Centre at Mahajan, was to be set up by the Delhi Milk Scheme and preparatory work was done by the Delhi Milk Scheme in the form of acquisition of land and machinery and equipment (including a cheese plant) for the same purpose. Subsequently, the State Government expressed a keen desire to set up the balancing station and the Milk Collection and Chilling Centre with funds allocated by the Indian Dairy Corporation to the State Government under WFP 618 (Operation Flood). Taking into consideration the desire of the State Government, it was agreed that the State Government may set up the balancing station and Milk Collection and Chilling Centre with its own resources subject to:—

- (a) Reimbursement of cost of land (together with expenditure on development) to the Delhi Milk Scheme.
- (b) Purchase of equipment and machinery that the Delhi Milk Scheme had purchased for the balancing station and the Milk Collection and Chilling Centre.
- (c) Assurance of regular supply of milk to the Delhi Milk Scheme.

Later, the possibility of Delhi Milk Scheme setting up a balancing station at Mathura (U.P.) was explored on consideration that Delhi Milk Scheme was processing substantial quantity of milk from Mathura district and this could provide conditions favourable to the setting up of a balancing station. It was also proposed to put up a cheese plant at Mathura. The State Government was requested in February, 1976 to agree to the proposal. The final views of the State Government have not become available.”

4.61. Asked whether the balancing station set up by the State Government at Bikaner would convert the surplus milk into powder and supply the same to the Delhi Milk Scheme. The Chairman of the Delhi Milk Scheme has replied:—

“To the extent Delhi Milk Scheme requires they will supply the milk in the flush season and the surplus milk will be converted into powder and butter fat and they will supply the constituents in the lean season. The balancing station is a pasteurisation unit. The quality of milk will improve and the conservation of milk in the form of milk powder will be necessary in future when we augment the milk procurement from other areas including Bikaner. In winter we do have sufficient amount of surplus milk

and we have to curtail milk procurement and tell the suppliers that for a week they should not exceed 125 per cent of their contracted quantity. In such a situation we can take that milk and conserve it."

4.62. In connection with the extra-ordinary losses of milk in transit from Bikaner to Central Dairy during 1968-69, the Public Accounts Committee (1971-72) in para 4.32 of the Sixth Report (Fifth Lok Sabha) observed as follows:—

"The Scheme has sustained an extra-ordinary loss of milk in transit from Bikaner during 1968-69. The loss subsequent to September 1968, is not susceptible of assessment as the weighbridge is stated to have gone out of order in October, 1968. While the peculiar conditions under which milk is procured and transported from Bikaner may warrant a slightly increased loss over the norm of 1 per cent fixed by the Scheme—which, however, is not borne out by the low percentage of loss during 1966-67, such high percentage of loss in 1968-69 cannot be regarded as incapable transit loss. The Committee were informed during evidence that some theft could not be ruled out although there was no specific case brought to the notice of the Scheme. The Committee would like an investigation to be undertaken into the circumstances that led to such extra-ordinary losses during 1968-69 and appropriate action taken against the officials concerned. The Committee hope that the weighbridge would be repaired and brought into use forthwith and that care would be taken to ensure that it does not go out of order."

4.63. In pursuance of their recommendation, the Delhi Milk Scheme set up on 6 January 1972 a Committee of Officers to investigate into the losses and to fix responsibility for the losses on the persons concerned. This Committee of Officers submitted its report in August 1975. The observations of the Committee are reproduced below:

"The Committee feel that in a matter of this type, where sizeable losses of milk had occurred frequently, the then M(CD) should have brought this to the notice of the erstwhile Chairman then and there and placed the facts of the case before him so that in the interest of Government such losses could be avoided by prompt instructions at the highest level in the organisation. The then Manager, Bikaner Centre (Shri A. S. Choudhary) also should have brought this to the notice of the Chairman directly indicating the quantities reported to have been short received in the DMS as and when he actually got back the despatch vouchers in DMS from No. 31, specially when it was taken up by

I.A. Section in their letter No. DMS/IA.IIMC&CC/14 dated 4-5-1968 in respect of differences between the quantities of milk purchased at Bikaner Centre and that received at the Central Dairy during the month of March, 1968.

The pilferage of milk could have taken place when the milk was placed in the brine tanks, in specially designed cans for a period of 36 hours in the Rampuria Ice Factory at Bikaner. When the can was designed, provision for a lid for that can could have been made in such a way that after the milk is poured into the cans to the extent of 60 litres, the lid could be locked by the DMS staff on duty at the Ice Factory before putting each can into position in the brine tank. The locking arrangement, would have prevented possible pilferage of milk from each can when the milk in it was in a liquid state and was left in the premises of a third party without any watch and ward. The reason why no such locking arrangement for each can was made at that time, is not clear. In reply to a reference made by the erstwhile members of this Committee, the M(CD) stated that the variation could occur due to less despatch of milk than shown by Manager, Bikaner. When specifically asked to substantiate this point, M(CD) showed his inability and admitted that it was one of his presumptions. Now the Committee is inclined to conclude that there might have been short despatch of milk from Bikaner to Delhi although, according to records the quantity despatched might have been higher.

In the course of the enquiry, the officers of the Bikaner Centre pointed out that their efforts to get additional watchman for looking after the milk when in cans in the brine tanks in the Rampuria Ice Factory had been in vain. The existence of one chokwidar in the night as a guard outside the closed gate from which the DMS staff operated was obviously not sufficient for keeping a watch on the milk which was left inside the cans in the brine tanks at that factory as the workers of the Rampuria Ice Factory could have access to that place from within the factory itself. The Manager, Bikaner Centre could have pointed out the difficulty of keeping watch and ward in these circumstances and moved the then Chairman for executing a contract with Rampuria Ice Factory in such a way that when the milk was placed in the cans in the brine tanks there would be a watchman or two stationed by the DMS authorities right inside the Ice Factory so as to keep a vigil throughout day and night. When transporting large quantities of frozen milk in cans in the luggage van at Bikaner, the Manager, Bikaner could have suggested for approval of the Chairman for despatching a responsible official

of his office every time the milk cans had to be sent from Bikaner to Delhi. This could at least have made such a person responsible for safe custody and transit of the items in question from Bikaner to Delhi, especially when this excess supply of milk in cans had to be placed in the Guard's compartment and not in the sealed van.

As already indicated in the previous paragraphs, the weighing of the frozen milk in cans on receipt in the Central Dairy could not be done on the weighbridge which was out of order from October, 1969. As an alternative, therefore, this weighing had to be got done in the Dharam Kanta at Najafgarh. The Committee personally checked up the difference in weight between the Weighment as shown in the weighbridge in the Central Dairy and that shown in the machine at the Dharam Kanta, Najafgarh and found that in respect of vehicle No. FJE-4043, the weighbridge showed the weight of that vehicle as 5670 kgs. while at the Dharam Kanta its weight was shown as 5645 kgs. Thus, even in the weighing of one vehicle used in the transport of frozen milk from Bikaner to Delhi, there was a difference in weight of as much as 25 kgs. even though that vehicle was taken straight from the weighbridge of the Central Dairy to the Dharam Kanta right before our eyes. This is a factor which has, therefore, to be taken into account when arriving at the conclusions about the differences in the weight of milk stated to have been despatched from Bikaner and that stated to have been received at Delhi at that time.

The Committee has not been able to lay its hands on any orders or instructions issued by the Chairman of the DMS at that time with a view to tackling this problem. The Committee has not been able to find this out directly from the former Chairman of the DMS.

The conclusion, therefore, seems to be irresistible that on the one side the then Manager (GD), M(P) and Chairman individually and collectively could have taken certain steps to reduce, if not eliminate, the losses of milk in transit from Bikaner to Delhi but beyond pointing out the short receipt of milk from time to time and beyond asking for additional chowkidars or other staff for the Bikaner Centre, thought does not seem to have been bestowed on the basic considerations involved in this matter such as the provision of some lid with lock in each can beneath the two holes on either side of the can so that the cans could be lifted from the brine tank with ease by the manual-cum-electric operated crane in the Rampuria Ice Factory nor has there been any

specific attempts made by the authorities then to provide for a person to specially accompany the cans with the milk in the course of their transit from Bikaner to Delhi. This is based on the experiment which we conducted on 26/9/74 when we were at Bikaner to check up for ourselves the procedure followed in the collection of milk from the villages around Bikaner and in its despatch from Bikaner to Delhi. We sent our employee (Shri D. S. Dehiya, Asstt. Manager) of the DMS with the lorry carrying the load of 105 cans of 60 ltrs. each *i.e.*, 6300 Kgs. from Bikaner to Delhi. On arrival at DMS premises, the quantity of 6290 Kgs. was delivered and the loss in transit was only 10 Kgs. The idea of despatching the frozen milk from Bikaner to Delhi through the tankers appears to have been taken up as a solution to the problem but for certain reasons beyond the control of DMS, the same has not been implemented so far. So, to prevent extraordinary losses of milk in transit from Bikaner to Delhi, the possibility of sending by turn an employee of that office with the lorry carrying the milk to Delhi may be considered.

It is difficult in such a case of this type to fix responsibility on officers who had to tackle the day to day problems whether at the Bikaner Centre or in the DMS. The Committee feel that had the concerned officers brought this to the notice of the Chairman as a routine from day to day whenever such losses were noticed then some means could have been devised for checking the same. It is perhaps because of the large loss of milk which occurred when it was being transported by rail that the method of transport was changed from rail to road in July, 1972. This, for instance, is a measure which could have been taken earlier right in 1968-69."

4.64. Regarding the action taken by Government on the findings of the above Committee, the Committee have been informed on 6 October, 1976, as follows:—

"The officers concerned have been asked to furnish the necessary explanation/clarifications in pursuance of the recommendations by the Enquiry Committee."

4.65. The Committee desired to know the reasons for exceeding the limit of normal loss of milk in transit from Bikaner to Central Dairy of the Delhi Milk Scheme. The Chairman, Delhi Milk Scheme, has stated in evidence:—

"In Bikaner, the collection of milk is done entirely departmentally. That is we do not have any intermediaries; we collect the entire quantity of milk from the farmers through our own agencies; we



bring the milk from the distant places which are sixty or seventy miles away from Bikaner. It is brought in our trucks. In the transport there is a lot of spilling of milk from the can. The milk is brought from the villages to the Bikaner city. About three years back, we were freezing the milk. The milk is frozen into slabs in the ice factories. We used to pour out the milk from the ordinary milk cans into the containers. It is done by freezing the milk in the ice factory. The milk was loaded in the railway wagon and then brought from Bikaner to Delhi. It was unloaded at the Delhi Railway Station and then taken to the collection unit. In the collection units, in the ice factory, the milk is poured out into the containers from the ordinary milk cans and it is frozen. In the handling of milk from Bikaner and bringing it to Delhi, loss of milk was there. Three years back we tried to bring the milk by road and we found that the loss was not so much if it was brought by road. By the time we brought the milk from the collection centres to the Central Dairy directly through road, we found that the handling losses had been reduced. At that stage, the cost also had come down. So we decided to switch over to bringing it by road."

4.66. The Committee asked since when the Delhi Milk Scheme were facing this problem, why action was not taken to bring it to the notice of the Ministry. The Chairman, of the Delhi Milk Scheme had replied:—

"As I said we have been trying to introduce better methods of handling the milk so that we can rectify this situation. You very correctly mentioned that there was a problem and a study should have been made earlier and that we should have brought this matter earlier. About the fat handling equipment there are various uncertain factors. Regarding the handling of milk, it is very difficult to fix any specific norm as such. But, I am consulting my colleagues and we are trying to explore what types of norms could be fixed. As I said it is very difficult to fix norms specifically for the fat handling equipment. It depends upon how the milk is collected. As regards Bikaner, as I mentioned, the areas are very far flung and we have made a study of it—that study is under processing. We are trying to see whether we can further improve this situation."

4.67. The Committee wanted to know the overall actual handling loss of all grades of milk during the years 1974-75 and 1975-76 against the

norm of one per cent fixed by Government in 1971. The Ministry have stated:—

“Such analysis was not conducted in the year 1974-75 on account of paucity of staff; as such, accurate figures cannot be furnished. However, the percentage of loss worked out to 5.19 per cent on the assumption that average percentage of fat in buffalo milk is 6.3 per cent. (This percentage is on the basis of rates provided in the budget estimates) as per details given below:—

(1974-75)

Fat Received	Fat utilised (in lakh Kgs.)	Shortage	Percentage
48.78	44.25	2.53	5.19

The percentage of loss during the year 1975-76 is 5.34 per cent as below:

(1975-76)

Fat Received	Fat utilised (in lakh Kgs.)	Shortage	Percentage
52.37	49.58	2.79	5.34

4.68. In another note furnished to the Committee, the Ministry have indicated the quantum of loss of fat in the milk returned by the milk depots during 1974-75 and 1975-76:—

Year	Fat available in the returned milk	Fat actually received at the Centre	Fat losses
(Figures in Kilograms)			
1974-75	187.58	175.62	11.96
1975-76	191.93	187.38	14.55

It would be observed that the quantitative losses of about 12 Kgs. in 1974-75 and about 15 Kgs. in 1975-76 as compared to the quantity of fat of about 4000 Mts. distributed in the processed milk in the above years are quite negligible.

The fat losses in the returned milk are due to the following reasons:—

1. Sticking of fat to the caps of the bottles and inside the bottles.
2. Curdling of returned milk (in which case no fat recovery is possible).
3. Sourage of processed milk on receipt back at the Central Dairy which results in fat losses.
4. De-capping of milk bottles, enroute which results in spillage of milk and the loss of fat which remains floating at the surface of the milk.
5. Breakage of bottles filled with milk in the process of handling en route and at the Depots."

4.69. The Committee pointed out that against the norms in terms of percentage fixed for the loss of fat during processing in the Central Dairy, the loss of fat in processing had been higher and enquired the reasons. The Chairman, Delhi Milk Scheme, has stated as follows during evidence:—

"The norm for fat loss at the Central Dairy is 2 per cent. Again, the norm has been fixed on an estimate basis. We have been checking up with several dairies and also with the National Dairy Development Board. There are no norms as such fixed for losses, stage-wise. I do not think any of the other dairies or plants have got it. We have asked for the views of the National Dairy Development Board; and they have told us that National Dairy Research Institute is carrying out certain trials and are working on this problem. As far as the actual handling losses are concerned, they are due to various factors. The more the quantity of butter oil that is used which comes from abroad, in tins—and more is the fat loss. The National Dairy Research Institute is working on it and it has not submitted any recommendation so far."

He has added:—

"The losses depend on a number of factors. One is the extent to which butter oil is used. Butter oil is imported and the stock-ing of the butter oil is done in tins. Despite the sealing of the tins, the spillage of butter oil is there from leaky tins, when they come from Bombay to Calcutta and then to Delhi. Then we have the machines where fat is utilised; their condi-tion is also important in this connection. There is also some difficulty in regard to computation. There is no accurate method of computation. In the mechanical process, it is diffi-cult to estimate how much of milk or cream has gone from

one stage to another. There are flow-meters for this purpose, which are not made in this country. There are imported ones. The meters that we have, have started giving trouble. They are not repairable locally. We have again imported them. In regard to the process loss within the dairy, it is difficult to estimate how much loss is there from stage to stage. We have to make an overall accounting. There is also the human error, *i.e.*, mistakes in reading the fact of loss at various stages. But the fat losses depend on the extent of reconstitution of milk. In the case of reconstituted milk, naturally because it is solid fat, the losses are more than in the case of liquid milk. The condition of the plant and machinery and the handling conditions also play a part."

4.70. The Ministry had stated to the Audit in April, 1976 that the norms fixed earlier were not realistic in the present condition of the working of the Delhi Milk Scheme. Enquired if the norms had been revised according to the present conditions, the Chairman, Delhi Milk Scheme, deposed:—

"We have referred this matter to the Government and final decision of the Government is awaited."

4.71. In reply to a question, the representative of the Delhi Milk Scheme has stated:—

"The norms for fat losses, I understand, have not been worked out by any of the dairies including the Amul Plant. A study is going on in the National Dairy Research Institute about this matter. After the study results are available to us, we would be able to fix up the norms. So, we would be guided by the results of the National Dairy Research Institute."

4.72. The Committee enquired how the increased use of butter oil could increase the fat loss. The Chairman of the Delhi Milk Scheme has deposed:—

"We maintain the plant and equipment to the best of our ability. But the problem is that during 24 hours' use, we have only a limited time available for repairing and overhauling them. The machines are used for 2 or 2½ shifts a day. They also have to be cleaned. The time available is short. Moreover, there are problems inherent in the handling of butter oil. It comes in containers and these containers sometimes start leaking. The fat comes out of the containers in the process of handling them. The fat in the containers is melted and poured out; still some fat sticks to the sides of the lines. It

is difficult to remove a thing like fat from a container entirely. Then, the process of mixing of the butter oil, after it is reconstituted into milk, requires handling of pure fat. While the loss of fat in milk is only 6 per cent, here it is 100 per cent. So, the quantity of loss goes up if you increase the use of butter oil."

4.73. The Committee asked whether the problem of sticking of butter oil to the tins had been examined by any expert or any opinion had been obtained from abroad. The Secretary, National Dairy Development Board, has said during evidence:—

"Butter oil is being used in the four dairies of Calcutta, Bombay, Delhi and Madras. We have no information about its use abroad for reconstitution of milk. As to what extent this can be used and what would be the loss, the figures are not available, but it is a fact that stickiness would remain in the tins, and this would result in a loss."

4.74. In a written note subsequently sent by the Ministry, the position has been explained as follows:—

"The problem of sticking of butter oil to the tins was not examined by any outside expert. However, our own engineers/experts examined it in consultation with the officers of the N.D.D.B. and the experts of the Ministry of Agriculture informally. On the basis of these discussions with the aforesaid officers, a draining tray with steam injection for melting butter oil and to facilitate its easy removal from the tins was devised. The draining tray was installed/commissioned in December, 1974."

4.75. The Committee pointed out that the Ministry had informed the Audit that the norm of one per cent loss of milk in processing was generally fixed for the dairies which were only pasteurising and bottling milk as it was and enquired the basis on which norm of one per cent was fixed by Government. The Chairman of the Delhi Milk Scheme has stated during evidence:—

"We have tried to collect this information and most of the dairies have not yet fixed the handling losses, but provisionally, they have fixed one per cent on the basis of milk. Some of the dairies have fixed on the basis of fat content. For instance, product plants which manufacture butter and milk powder, they go on the basis of loss on account of fat. As far as the liquid milk plants are concerned, they generally go on the basis of liquid milk itself. They fix up one

per cent; but in some cases, it is more, in some other cases, it is less. It depends upon the individual conditions prevailing in a particular dairy. Efforts are being made that it should be within one per cent."

4.76. The Committee asked whether the Delhi Milk Scheme had worked out the actual percentage of loss. The representative of the Delhi Milk Scheme has stated:—

"We go on actual basis. The problem here is that milk is made into two types of products. It is used in fluid form also. We fix up the norms in terms of fluid milk. We have to take into consideration how much fat it contains. It contains different amounts of fat and SNF, may be 10 per cent or 5 per cent. The fluid milk has to be broken up into constituents of fat and SNF. No Dairy has worked out the actual norms for the fat losses. Exercises are being carried out by the NDRI. As and when we are advised by them, we can fix tangible norms. We had also consulted the N.D.D.B. They indicated that there was no such fixed norm. It requires trials. The norm that has been fixed is arbitrary. It is not based on any trials. It is fixed at one per cent. But in actual practice, it may not come to one per cent. It depends on product-mix, how much SNF is there, how much sour milk is there and all that."

4.77. In reply to a question, the Chairman, Delhi Milk Scheme, has further stated:—

"What is absolutely essential is keep a careful watch on the losses, both of fat and SNF. If we can get guidelines to determine the optimum level at which losses should be pegged, then those guidelines will help us in studying our internal working of the scheme in every dairy plant and improving the performance wherever it is found to be necessary. I do not think any absolute yardstick can be laid down because there are so many indeterminate factors, the quality of the milk, the operation through which it is put, the products that are made, the condition of the plant and machinery, etc. But these guidelines will be useful in determining, locating and improving the performance of the dairy plant. We would like to look forward to guidelines from the N.D.R.I."

4.78. Asked whether any review was made of the losses, the representative of the Delhi Milk Scheme has said:—

"We have been reviewing the fat losses from year to year. We have tried to study the matter in depth and locate the rea-

sons for fat losses and reduce the fat losses to the extent possible. This has been a continuous exercise. It was not the optimum losses, it was the maximum level of loss at each stage of operation. That norm is difficult to fix because there are so many variables. We have to have a constant watch on this and have certain guidelines to see that corrective measures are taken in time. Monitoring is done regularly. But as far as fixing up of any rigid norm is concerned, it may be difficult. Guidelines possibly is the only answer to it."

4.79. Explaining the steps taken to minimise the losses, the Chairman of the Delhi Milk Scheme has stated before the Committee:—

"We have taken a number of measures. The method of estimating the fat content in fluid milk was such that there was some scope of error in that. There are various methods of doing it. We have introduced a system according to which we do not go below the norm fixed in the various enactments. We have tried to fix the norms and methods in such a way that we do not cross the limit to a substantial extent. That rigid method of testing has reduced the outgo of fat in the milk to the extent that the method has become more accurate. About the plant and machinery which was responsible for fat losses, to a large extent, these have been replaced. Some are in the process of being replaced. As soon as the new plant and machinery is installed, the losses will be reduced. For butter oil handling, we have an elaborate exercise done with the assistance of the National Dairy Development Board. Improving the methods of handling butter oil very significantly will reduce the extent to which fat losses take place and will also facilitate the handling of butter oil. As regards the estimation of fat content in the raw milk as well as processed milk, even at the village level, we have had careful checks and we make a regular daily exercise to cross-check at headquarters. We are importing flow meters which will measure the amount of milk which goes into various tanks, from one tank to another, from one process to another, and which will give us actual idea of fat content. We have taken a number of measures in this direction."

4.80. The Committee asked the reasons for breakage of bottles in excess of the norm of one per cent. The Chairman of the Delhi Milk Scheme has stated:—

"There are 2 or 3 factors responsible for bottle breakages. First of all, the norm was fixed on a trial basis. There was no ex-

perience behind it. It was operative for one year. We studied the extent of bottle breakage. According to the figure of the other large dairies, one bottle breakage is not excessive. It is within 1.5 per cent. Many dairies have got a higher percentage. During the international Dairy Congress held here—which I attended—I came to know that in the European countries—U.K. and others—the number of rotations to which their bottles are subjected is 18 per cent to 20 per cent. It means 5 per cent bottle loss. Now here it is only 1.5 per cent. There is another factor. We do not have breakage only inside the dairy. We also have it enroute. The bottles are taken in vans to the booths. We have the distribution in the booths and bottles return from the booths. We have norms for the entire process of distribution and handling. Some of the dairies have norms only for the dairy proper. They are related only to factors concerning the dairy. But here it is the route breakage i.e. when the crates are carried to booths there can be breakages because of rattling; then during handling at the booths, loading and unloading also, breakage can arise. The entire operation is taken into consideration. The losses are both dairy and distribution-based."

**4.82.** The Committee are unhappy to note that procurement of milk Scheme has clarified that the quality of bottles was good. The breakage of bottles was due to handling and mechanised failure.

4.82. The Committee are unhappy to note that procurement of milk from Bikaner Centre had been on constant decline upto 1973-74 though it started picking up from 1974-75 onwards. The procurement had gone down to 12.71 lakh litres in 1973-74 as against the quantity of 50.32 lakh litres of milk procured in 1971-72. This downward trend had not only affected the supply of milk but had also increased the handling cost of milk from 14.5 paise per kilogram in 1971-72 to 45 paise per kilogram in 1973-74.

**4.83.** The Committee are also perturbed to find that the losses of fat and milk in transit from Bikaner Centre to the Central Dairy were much higher than those sustained in other Centres. The average loss of fat in transit from Bikaner Centre was as high as 4.47 per cent in 1972-73 compared to 0.79 per cent from other Centres. Similarly, the average loss of milk in transit from Bikaner Centre was 2.12 per cent in 1972-73 while the average loss of milk in transit from other Centres was 0.14 per cent. This clearly indicates the uneconomic working of the Centre then. Losses of fat and milk had, in fact, occurred earlier also and this Committee in



their 6th Report (Fifth Lok Sabha) (1971-72) had stressed the need for conducting an investigation of the circumstances leading to the extraordinary losses in transit during 1968-69. No worthwhile action appears to have been taken by the Ministry in this regard. However, in January, 1972, a Committee of Officers was appointed by the Chairman, Delhi Milk Scheme, to probe into the losses of milk in transit from Bikaner Centre. This Committee of Officers had very adversely commented upon the functioning of the Bikaner Centre including the role of the officers responsible for the execution of the job. The Committee are surprised that though the report was submitted by the Committee of Officers in August, 1975 till now no conclusive action appears to have been taken in pursuance of the observations made by it.

So far the concerned officers have only been asked to furnish the necessary explanations/clarifications. The Committee would like the Ministry/Delhi Milk Scheme to finalise all actions on the report without loss for further time and apprise this Committee of it together with the steps taken to avoid recurrence of such situations in future.

4.84. To their great surprise the Committee have learnt from a note furnished by the Ministry of Agriculture and Irrigation (Department of Agriculture) on 7 May, 1977 that the Bikaner Centre had been closed since 9 September, 1976 as during the course of evidence no indication about the likely closure of the Centre was given by the representatives of the Ministry and the Delhi Milk Scheme. What has surprised the Committee more is the closure of the Centre has come at a time when it had shown some improvement in the procurement of milk which had picked up from 47.82 lakh litres in 1974-75 to 64.33 lakh litres in 1975-76 and the average loss of milk and fat in transit had gone down to 1.01 per cent and 2.78 per cent respectively. The Committee would like to be apprised of the imperative reasons which prompted the Government to close down the Bikaner Centre and the alternate arrangements made in this regard.

4.85. The Committee note that Delhi Milk Scheme had sold milk to Rajasthan Go Sewa Sangh Bikaner from April, 1969 to December, 1973, for distribution in Bikaner city on the basis of procurement price plus 21.5 paise per litre to cover the handling charges (excluding the overheads). As the cost of handling the milk in Bikaner was higher than the rate of 21.5 paise per litre, the Delhi Milk Scheme had to suffer a loss of Rs. 0.91 lakhs for the above sale. The Committee would like to know the circumstances under which the milk was sold to the Sangh at a loss, particularly at a time when the procurement of milk from Bikaner was showing a downward trend and the milk was required for the dairy in Delhi.

4.86. The Committee note that the capacity of bye-products plants of the Delhi Milk Scheme, namely, butter manufacturing plant, ghee manufacturing plant, casein plant, and ice-cream plant was grossly under utilised since 1970-71. The percentage of capacity utilised per day during 1973-74 was significantly low as the utilisation of different plants during that year was (i) butter manufacturing plant 24.5 per cent; (ii) ghee manufacturing plant 0.63 per cent; (iii) casein plant 1.6 per cent and (iv) Ice-cream plant 1.86 per cent. In this connection, the Committee would like to be apprised whether the capacities of these plants were fixed on any particular production pattern taking into account the processing capacity of the Central Dairy and if so, the reasons for not following that pattern.

4.87. The Committee note that for increased production of ghee of 6.74 lakh kilograms in 1972-73 and 5.66 lakh kilograms in 1973-74, fat was diverted from raw milk and to make up the resultant shortfall of fat large quantities of butter oil was used up for preparation of pasteurised milk. This step had to be taken as the air-conditioning unit for butter oil storage provided for in the second phase expansion at an estimated cost of Rs. 8 lakhs had not been installed. Had this been done, the Committee feel, the problem of spoilage might not have arisen. The Committee would like the Delhi Milk Scheme to work out the comparative economics (including foreign exchange implications) of the substitution of fat in raw-milk by butter oil in the production of pasteurised milk and use of fat in the raw milk for production of ghee so that butter oil for production of ghee is used economically, judiciously and also keeping in view health considerations.

4.88. The Committee are perturbed to find that loss of fat and milk in processing at the Central Dairy had been much more than the norms fixed by the Delhi Milk Scheme. It is noted that the actual percentage of loss of fat in excess of the norms was 3.8 per cent in April to September and 4.6 per cent in October to March in 1970-71, 4.5 per cent in 1971-72 and 4.8 per cent in 1972-73. The reasons for the increase in the fat losses as explained by the Delhi Milk Scheme are: (i) increased use of butter oil for reconstitution of milk on account of decline in availability of raw-milk; (ii) progressive decline in the condition and performance of milk handling machinery; (iii) leakage of butter oil from tins during transportation; and (iv) sticking of butter oil to the side of tins while pouring out in the hoppers.

4.89. Similarly, the Committee find that as against the norm of 1 per cent fixed by Government in July, 1971 and effective from August 1, 1971, the overall actual handling loss of all grades of milk was about 1.5 per cent in 1970-71 and 1971-72, 2.07 per cent in 1972-73 and 3.05 per cent in 1973-74. The increasing percentage of loss is attributed to the decline in the condition of performance of the plant and equipment.

4.90. The Committee had been informed during evidence that despite taking a number of measures, such as replacement of plant and machinery, better handling of butter oil in consultation with the National Dairy Development Board, daily checks at village level and cross-checks at headquarters, import of flow-meters to give an actual idea of fat etc., losses continued to occur and the National Dairy Research Institute is carrying certain trials and working on the problem. The Committee feel that National Dairy Research Institute should have been asked to thoroughly investigate and suggest remedial measures in this regard. The Committee would like the Ministries/Delhi Milk Scheme to place before NDRI all the facts and figures leading to loss of fat and milk in various stages of processing so that the problem is studied thoroughly and suitable solution found without further delay. The Committee hope that after the problem is resolved, necessary guidelines would be laid down for application of the results of study. The Committee would like to be informed of the necessary steps taken in this regard so as to reduce losses both in fat and milk to be minimum.

4.91. The Committee are unhappy to note that the maintenance of fat utilisation account has been dispensed with from December 1973 on account of paucity of staff. The Committee do not accept this plea and would like to stress that since the compilation of this important data helps in determining the quality of milk, it is imperative that this should be maintained properly and regularly.

4.92. The Committee are perturbed to note that against the norm of 1 per cent of breakage of bottles, the actual breakage of bottles has been constantly in excess of the norms and showed a rising trend in 1970-71 onwards. It is noted that the percentage of breakage in excess of norm has progressively risen from 0.08 per cent in 1970-71 to 0.65 per cent in 1974-75. The reasons for breakage of bottles are stated to be progressive decline in the condition and performance of bottling plant and equipment, unsatisfactory condition of flooring, careless handling by the workers, malpractices, pilferages etc. Since the breakage of bottles has been both inside the Dairy and en route to and from Depots, the Committee would like the Delhi Milk Scheme authorities to maintain separate figures for breakages of bottles both at the Dairy and Depot levels so that the losses are analysed for suitable remedial measures. The Committee also desire that separate and revised norms may be fixed for breakages during both these processes in the light of past experience.

#### **D. Consumption of Utilities—Steam, Coal, Chlorine and Caustic Soda**

##### *Audit Paragraph*

4.93. No norms have been fixed by the Management for exercising control over the consumption of the following items of utilities. An analysis of

the consumption of these items indicated that the consumption thereof varied considerably, *vide* details given below:—

	1969-70	1970-71	1971-72	1972-73	1973-74
Average consumption of steam coal at milk collection and chilling centres per 1 lakh litres of milk chilled	2.4	2.2	1.2	1.4	3.1
	(figures in tonnes)				
Average consumption of chlorine per 1 lakh bottles handled in the Central Dairy	4.2	6.8	8.4	5.9*	4.6**
	(figures in Kgs.)				
Average consumption of caustic soda per 1 lakh bottles washed.	47.9	52.4	62.8	64.1	63.1
	(figures in Kgs.)				

[The Management have informed the Audit in June, 1976, that formal norms have been fixed in regard to consumption of Chlorine in March, 1976]

[Paragraph 48 (4.2.3. (vi)) of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Civil)]

\*7.3 Kgs. in 1972-73.

\*\*6.6 Kgs. in 1973-74

(Subsequently intimated by the Ministry to Audit).

4.94. Pointing to the fluctuation in the average consumption of steam coal, chlorine and caustic soda from year to year, the Committee enquired whether any decision had been taken as to what should be the average consumption of these items. The Chairman, Delhi Milk Scheme, has stated:—

“As for these figures that you read out (from Audit paragraph), there were slight misunderstanding when the auditors had taken these figures. The percentage of chlorine differs from variety to variety. For example, sodium hydrochloride contains certain percentage of chlorine. These percentages vary according to the variety. As far as norms part is concerned, we have laid down norms and yardsticks regarding usage. As far as chlorine is concerned, we increase its frequency in order to improve the hygienic conditions. So, it depends upon the frequency of usage because a number of plants have to be cleaned. Of course, the price depends on the strength. The price

factor is also taken care of. In these things, one has to take all these factors. So, norms have been prescribed. For others also, norms have been prescribed. Records are maintained as to how these are used."

4.95. The Committee asked whether reasons of the excess use of these items had been found out. The representative of the Delhi Milk Scheme has said:—

"One would get that impression. But if we analyse it, we will find that it is not the consumption that has gone up. It has gone up only to the extent that additional plant and machinery have been installed and they have to be cleaned. The frequency of use has also gone up."

4.96. In reply to a question, the Chairman, Delhi Milk Scheme, has further stated:

"The frequency of cleaning plant and machinery should not be linked up with production, when the same quantity of milk is being produced. The number can go up without the production going up. We have better facilities to handle milk. It will improve handling and improve quality of milk, but the production may not go up. There is no direct linkage. It is important no doubt. When the frequency increase, it automatically increases the consumption of chlorine. But there are norms for using these chemicals."

4.97. The Committee pointed out that average consumption of caustic soda per one lakh bottles washed was 47.9 Kgs. in 1969-70 and 62.8 Kgs. in 1971-72 and enquired the reason for the steep rise. The Chairman, Delhi Milk Scheme, has stated:—

"The strength varies from 47 per cent to as much as 67 per cent and even more depending on the manufacturer's grading, and we buy on the basis of strength."

4.98. The Committee desired to know the average consumption of steam coal at milk collection and chilling centres per one lakh litres of milk chilled, average consumption of chlorine per one lakh bottles handled in the Central Dairy and average consumption of caustic soda per one lakh bottles washed during 1974-75 to 1976-77. In reply, the Ministry have stated as follows:

"The requisite information is not being compiled in the desired form."

**4.99. The Committee note that average consumption of steam coal, chlorine and caustic soda varied widely during 1969-70 to 1973-74. No satisfactory explanation had been advanced for this variation. The Committee desire that a thorough study should be made regarding utilisation of these items and norms fixed by the Delhi Milk Scheme at the earliest in consultation with experts. The Committee need hardly emphasise that all out efforts should be made to effect economy and savings in the consumption of steam coal, chlorine and caustic soda so as to reduce losses.**

**4.100. The Committee regret that Government/Delhi Milk Scheme have not maintained statistics regarding average consumption of steam coal, chlorine and caustic soda from 1974-75 onwards. Since such statistics are vital for ascertaining the rate of consumption of these articles over a given number of units as also for the purpose of provisioning of their supply etc., it is suggested that such statistics may be maintained.**

**CHAPTER V**  
**DISTRIBUTION AND SALES**

**A. Distribution of Milk**

*Audi Paragraph*

*Arrangement for distribution*—Milk is distributed through a chain of depots located in the various parts of the metropolitan area. These depots are usually manned by students who are appointed as Senior Depot Agents and Depot Agents on part time basis; the remuneration of a Senior Depot Agent is Rs. 2.25 per day and that of a Depot Agent Rs. 1.15 per day.

5.2. For the despatch of milk from the Central Dairy to the Depots, the entire complex is divided into a number of routes which are served by a fleet of vans. The maximum load capacity of a van is 300 crates or 6,000 bottles.

5.3. The table below indicates the data relating to the number of milk depots, quantity of milk distributed, number of routes operated and the fleet strength of vans during the years 1970-71 to 1974-75:—

Year	Number of Depots at the end of the year			Quantity of milk distributed per day		Total number of routes		Total	Total number of vans as at the end of the year
	Morning	Evening	Total	(in lakh litres)		Morning	Evening		
1	2	3	4	5	6	7	8	9	
1970-71	516	443	959	2.64	(inclusive of bulk supplies for which separate figures were not available)	73	45	118	113
1971-72	570	451	1021	2.76	Do.	73	45	118	121
1972-73	600	453	1053	2.89	Do.	77	46	123	123
1973-74	625	460	1085	2.89	Do.	77	46	123	148
1974-75	638	465	1103	2.93	Do.	78	46	124	158

Note: For sale of milk products, the scheme had 13 All Day Milk Stalls and 1 Milk Bar as on 31-3-1975.

(The Committee have been informed by the Ministry on 7 May, 1977, that as on 12-11-75 3,50,000 litres of milk was being distributed per day at present).

The Management have no compiled data with them relating to total route-Kilometres involved, route-Kilometres required to be performed per van, the number of depots to be served per van and the actual deployment of vans. In the absence of this information, it could not be examined in Audit whether the fleet strength was appropriate and whether the vans were being utilised effectively.



#### 5.4. Effectiveness of the system of distribution—

- (a) Actual supplies of milk to consumers are made against cash payments on the basis of metal tokens issued by the Schemes, which indicate the number of depot as well as the number of bottles authorised to be drawn. For this purpose, the scheme maintains a register indicating the tokens issued and the quantity authorised thereon depot-wise. The record so maintained is not, however, up-dated to take into account cancellation, inter-depot transfers, etc. of tokens. As on a particular date, it is not, therefore, possible to ascertain the total number of tokens in circulation with a view to gauge the extent of demand represented by these tokens. Again no exercise was made up to October, 1973 to assess the number of tokens presented for drawl of milk so as to determine the requirement of milk for each depot and ensure, as far as possible, equitable supply of milk to each depot in the context of overall supply.

5.5 According to information furnished by the Scheme in March, 1975, the total number of tokens issued by the Scheme was 4,49,860 up to 31st March, 1972, 4,59,201 up to 31st March, 1973 and 4,63,944 up to 31st March, 1974. The surveys conducted by the Scheme in August/September, 1973 and October, 1974 however, placed the number of tokens in circulation at 2,92,778 and 2,70,052 respectively. There was thus wide disparity between the two sets of figures which indicates that assessment of demand for milk as a whole for all the depots as well as for each individual depot was made only on *ad hoc* basis.

5.6. The Management have stated (March, 1975) that they were earlier following the practice of determining the requirement of milk of each depot on the basis of indents sent by the Senior Depot Agents which were periodically cross checked by Field Officers. It has further been stated that a system of maintaining depot-wise register indicating the changes in the quota of supply on account of issue of new tokens and cancellation and transfer of existing token has been introduced with effect from December, 1974.

(The Ministry have informed the Audit in April, 1976, that the authenticated list of valid tokens has been prepared and affixed in the new Master Token Register).

5.7. (b) There was no regular system of carrying out a check of the unauthorised tokens presented to the depots for drawal of Milk. In this connection, the Management have stated (March 1975) as follows:

- (i) In the past, checking of milk tokens with reference to the ration cards was got conducted through the Assistant Milk Distribution Officers only in case of such depots where complaints about short supply/mal-distribution of milk were persistent.
- (ii) In order to a eliminate unauthorised and bogus tokens, an intensive drive was undertaken in the course of last year and a half and, as a result of completion of such checking at 876 depots, 17,335 unauthorised and bogus tokens had been seized and cancelled. This drive is still continuing.

[The Ministry have stated to Audit in April 1976 that physical verification with or without ration cards has been completed in all the 1138 milk depots and 656 depots have been checked with ration cards and tokens have been reserialised. As a result of checking 27478 tokens have been cancelled.]

5.8. (c) In order to avoid mal-distribution of milk at depots, the senior Depot Agents are required to maintain ticklers showing the tokens presented, the quantities authorised and issued. The intention is to eliminate double drawal, irregular drawal on original/duplicate/triplicated tokens. Instructions also exist not to make any sale to non-token holders and to ensure that no token holder is denied milk altogether. The effectiveness of these instructions and the extent to which genuine demand was fulfilled could not be examined in Audit in the absence of relative records required to be maintained in the depots; documents, if any, bearing evidence of inspection of such records were also awaited at the time of finalisation of this Report (November 1975).

5.9. (d) The number of complaints regarding the functioning of milk depots, as furnished by the Scheme showed that these had gone up more than 100 per cent in four or five years, as per data given below:—

Year	No. of complaints
1969-70	843
1970-71	986
1971-72	1164
1972-73	1604
1973-74	1705
1974-75	1876

5.10. The complaints related broadly to non-supply of milk to the token holders, unauthorised supply of milk to non-token holders, short supply, late opening and early closing of depots, rude behaviour, black marketing, backdoor supply, change of seals between different grades of milk bottle, non-returning of balance money etc. It was stated that the complaints were investigated by the field officers of the Scheme and necessary action taken.

*Demand satisfaction*

5.11. (a) The requirement of milk in Delhi was estimated by the National Dairy Development Board at 6 lakh litres per day on the basis of 1971 population projection (43.76 lakhs) and 7 lakhs litres per day on the basis of 1976 population projection (55.27 lakhs). In 1970-71, the Scheme supplied 2.64 lakh litres of milk per day, which represented about 44 per cent of the demand assessed by the Board in 1970-71.

5.12. (b) 1,11,782 applications for issue of new milk tokens were pending with the scheme as on 31st March 1975. The age-wise break-up of the applications and the quantum of milk asked for by the applicants has not been compiled by the Scheme. The Scheme has its own system of categorising the applicants for determining the priority for issue of tokens, subject to availability of milk.

[Paragraph 48(4.3) of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Civil)].

5.13. Since the Audit para gives the information upto 1974-75 at the instance of the Committee, the Ministry of Agriculture and Irrigation (Deptt. of Agriculture) have furnished the following figures regarding the quantity of milk distributed the total number of routes covered (Morning and evening) and the total number of milk vans at the end of 1975-76 and 1976-77:

Year	Quantity of milk distributed	Average per day
<i>(a) Quantity of milk distributed</i>		
1975-76	11,33,45,748 litres	3.10 lakhs litres
1976-77	12,14,93,198 litres	3.35 lakhs litres
<i>(b) Number of Routes covered</i>		
As on 31-3-1976	Morning 78 Evening 46	
As on 31-3-1977	Morning 82 Evening 48 Special 2	
<i>(c) Total number of vans</i>		
1975-76	97 vans	
1976-77	99 vans	

5.14. A study on Delhi Milk Market was conducted in May-June, 1970, jointly by Staff Members of National Dairy Development Board and the Indian Dairy Corporation at the request of the Delhi Milk Scheme in collaboration with the officers concerned. Some salient features of the study are given below:—

1. The study indicates that 97 per cent of the household in Delhi City regularly purchase, on average 1.6 litres of milk daily. The very poor can afford less than of this quantity while the higher income segment households buy nearly one-and-a-half times the average quantity. On a *per capita* basis the higher income segment consumes nearly six times the quantity available to the very poor.
2. The total quantity of liquid milk purchased in Delhi for domestic consumption is some 827 thousand litres daily—230 gms/capita/daily including non-buyers, which is nearly 1.6 times the national average of 140 gms/capita daily.
3. Delhi City's average milk price is 129 paise per litre. Non-dairy buyers from the very poor and poor income segments buy costlier @ 143—150 paise/litre vs. 136 paise per litre by higher income segments.
4. The higher income segment consisting of 22 per cent of the households accounts for 34 per cent of the milk purchased in Delhi City for domestic consumption. The percentage shares of the market claimed by the very poor, poor and middle income segment households is 1.7, 27.4 and 36.8 respectively.
5. Nearly a third of milk purchasers make use of credit facilities. The very poor avail it the least—and pay a higher price. Households from the poor income segment enjoy more of monthly credit facility.
6. It is generally believed that Delhi is a buffalo milk market. Our evidence based on the analysis of milk samples collected from various sample households does not, however, support this contention. Delhi appears to be more of a cow or standard milk market.
7. In Delhi, the Dairy Milk customers come mostly from the middle and higher income segments (80 per cent). However, only a fourth of the total city milk buyers patronise dairy as the only source of milk. Some people buy milk from two sources including the dairy at different times and

prices. Nearly a third of the households purchase milk only from traditional vendors. Nearly 2/3rd of all purchasing households buy milk both morning and evening. More milk is bought from the Dairy supply than non-Dairy—1.8 litres daily vs. 1.19 litres.

5.15. The Committee desired to know whether Government had studied the distribution systems prevalent at places other than Delhi with a view to imbibe and accept the merits inherent therein where milk distribution system was in operation. In this connection, the Committee referred to the following recommendation made in the 83rd Report of the Committee on Public Undertakings (5th Lok Sabha—April 1976) and enquired as to what action had been taken by the Government thereon:—

“The Committee recommended that Government Corporation should immediately go into the economics and operational efficiency of the various distribution systems and determine their merits and de-merits with reference to each of the four cities, viz. Bombay, Calcutta, Delhi and Madras, which are to be served by Mother Dairies. They would like the Government to examine whether, instead of introducing one flat system in the whole city, it would not be better to introduce different systems in different parts of the city after taking into account the over-all preference of the people of each locality, the layout of the locality, operational expenses and efficiency and other relevant factors. They need hardly point out that whatever system is chosen for any locality, it should be operable at the maximum of efficiency with the minimum of overheads so that milk of good quality may become available to the common man at the most competitive prices....”

5.16. In reply, the representative of the Ministry has stated:

“After the receipt of this report, we have set up one Committee under the Chairmanship of our Joint Dairy Development Commissioner. They are going into this question of distribution system, particularly, under the Operations Flood—what we call ‘bulk-vending system’. We are expecting the report of that Committee shortly.”

5.17. Asked if Government had tried to evaluate the experience of distribution systems in Bombay, Madras and Calcutta, the representative of the Ministry has stated:

“In the MDS the distribution of milk is through the bottles. Their expansion in the distribution system has been on those

lines. But, with the other dairy coming up, we are thinking of the alternative system of tetrapak or polythene pouches in addition to the bulk vending system."

5.18. The Committee enquired whether the Delhi Milk Scheme had studied the distribution system as it existed in England, Nigeria or in Kenya where the shopkeepers, who wanted to sell the milk, approached the main distribution areas, may be in the headquarters, and sold their supplies at the shops. The Chairman of the Delhi Milk Scheme has stated that the system is in vogue in most advanced countries because it is very convenient. In this connection, he has further stated:

"We have given careful thought to that system earlier for our Delhi Milk Scheme too. The basic difficulty is that we are selling the milk at about 65 per cent of the market price and if we involve the intermediaries in the distribution process—the shopkeepers and other people, agents etc.—they will only black market the milk and they will not give that to the token-holders. We have only to rectify this situation—either we have sufficient milk to give to the whole of Delhi or we have a pricing policy whereby the price of milk is the same, more or less. Then only we can think of the intermediaries who will give the milk to the token-holders. There is another problem. That is the price disparity should be removed. We have a limited quantity of milk which we can only give to the token-holders if we give that to the intermediaries, there is no guarantee that they will give that to token-holders. They may sell that to others but will not go to the token-holders at all."

He has further added:

"In most advanced countries there are three different distribution systems. There is tetrapak sterilised milk which can be kept upto six months. We are also trying to work that scheme here. That milk is intended to be sold through grocery shops and super-markets. That is the type of milk which is available off the shelf and that is possible when a situation of plenty would come. The second is polythene containers in which we can market pasteurized milk. This milk is the same as bottle milk but it is less prone to pilferage than bottle caps. That milk can be given to shops. As regards the bottled supply they have a system whereby they have various agencies which take responsibility for various areas.

They take the milk from the dairy and distribute it. These agencies have their own vehicles and other facilities. They have cold storage facilities which our people here may not have."

5.19. Regarding the tetrapak milk, the Committee on Public Undertakings has made the following observations in their 83rd Report (5th Lok Sabha—April 1976):

"The Committee are informed that Tetrapak milk because of its long life can be stored and transported without refrigeration. It is stated that it is tamper-proof and because of its long keeping quality without the need of any refrigeration, the consumers can pick up a few days requirements at a time. The long life milk in Tetrapak can reach distant and secluded areas where milk is not locally available and can also help the formation and operation of national milk grid. During Indo-Pak war in 1971, it is stated, large quantities of Tetrapak milk processed and packed at Baroda Dairy was used by army in border areas and it did not deteriorate for several weeks. It is claimed that it is possible to distribute in one shift nearly 6000 to 8000 litres of milk in Tetrapak as compared at 2000 litres in bottles and thus it will be possible to effect considerable reduction in recurring costs on transport. It is also stated that manufacture of Tetrapak paper does not involve any imported raw materials. As regards the danger of pollution, the Corporation states that pollution in plastic packets of other commodities is much more than Tetrapak system and Tetrapak is not going to contribute seriously to pollution problems as the paper degenerates. The Corporation feels that armed with this facility it would be able to feed rurally produced milk directly into the cities and the cities would not have to be exclusively depend on the urban dairies for milk supplies. In view of this, the fear expressed by the Ministry that introduction of Tetrapak would make the country more and more dependent on milk powder and butter oil is not quite clear.

The Committee note that the Corporation has approached the Ministry again in 1975 to reconsider its proposal to purchase Tetrapak machines, set up laminating plant and make country self-sufficient in this field. The Committee feel that the IDC's proposal to market Tetrapak milk, alongwith other systems of marketing milk, which, it is stated, will increase

the self life of milk and open city markets all over the country to the rural produced milk, deserves a second look. They suggest that the proposal may be studied against in depth and its economics, utility and consumer acceptability evaluated with a view to arriving at an early decision in the long range and largert interest of producers and consumers of milk."

2.20. Explaining the advantages of sterilised milk or pasteurised milk, the Secretary, National Dairy Development Board has stated during evidence:

"Once the sterilised milk is possible, it can be marketed and the greatest advantage would be that sterilised milk can be packed in the milk production areas itself, namely, our dairy in Ludhiana can pack sterilised milk and it can be marketed in Delhi city. As far as the pasteurised milk is concerned it has to be processed through city milk plant. Both the milks have their advantages. Sterilised milk has a slight burnt flavour and it may not be accepted as is the case with pasteurised milk. Once both are available, the biggest advantage of sterilised milk is that it can be produced, packed and sent directly for distribution, from the production areas to the city market."

5.21. The Committee asked whether any decision on the proposal to set up a unit for manufacture Tetrapak paper as recommended by the Committee on Public Undertakings had been taken. The representative of the Ministry has stated:

"After the receipt of that report, we have been actively considering the recommendations in regard to this matter. First with regard to the point why in the context of the DMS we did not refer to the alternative systems of distribution, my submission is that for the maximum handling capacity of 3.75 lakh litres the DMS have corresponding distribution arrangement through bottling that much capacity. When you came to the second part, we would have come to details about the alternative systems. As I said we are actively considering the proposal for setting up a packing station in Delhi essentially through satchet filling, polythene bags. On the tetrapack recommendation given by the Committee on Public Undertakings, we did organise interministerial group on this and at one stage some apprehensions were expressed regarding the pollution problem. We have gone into the matter again; we have gone into the techno-economic aspects of the three distribution systems and we have come to the conclusion that this proposal must be revived and we are doing our best to have it processed quickly."



5.22. The Committee asked whether tetrapak could be manufactured in this country. The Joint Secretary of the Ministry has stated:

“Yes. The IDC proposal involves, apart from the import of machines, import of paper initially for certain requirements. The proposal is to have collaboration with the principal so that the Indian Dairy Corporation themselves could later on manufacture this paper in the country.”

5.23. In a note subsequently furnished at the instance of the Committee the Ministry have indicated the advantages and disadvantages of various systems of distribution of milk with particular reference to tetrapak system and polythene pouches system as under:

*“Milk Cans:*

This is a conventional system of milk distribution through cans of 40 litres or 20 litres capacities. The smaller dairies carry on retail distribution of milk to the consumers through such cans but the larger dairies in organised sector use such cans mainly for the institutional supplies like hostels, hotels, hospitals, canteens or any other bulk consumers. This is the cheapest system of distribution of milk found so far. The main drawback of this system for retail sales is that the quality of the milk can be tampered which may not assure standard quality of milk delivered to the consumers.

*Milk Bottles:*

Distribution of milk through bottles has been a universal practice by the dairies in the organised sector almost all over the world. But major shift from bottles to other systems has taken place since the last decade. The most popular containers for distribution of milk are preferred on single service basis. The main problem in marketing milk in bottles is their re-collection, washing, cleaning etc. This involves installation of huge bottle washing and filling machines, large size of building, huge transport fleet, huge stocks of bottles and crates and breakages of filled bottles in the process of handling at various stages and the worst defect under this system is that the bottles are not tamper proof. The complaints are often lodged with the Milk Schemes that the milk bottles are tampered and the consumers do not always get the quality of milk put out by the dairies. Disposal of broken glass bottles on the premises create insanitary conditions as the same have to lie till the glass scrap is lifted by the contractors. This causes a kind of pollution in the premises.

*Single Service Containers:* ;

*(a) Polythelene pouches:*

The system is comparatively a new to the industry but the same is picking up faster because of the convenience it has offered to the dairies as well as to the consumers. In this case the capital cost on the filling

**machines is much lower.** The size of the building is considerably reduced, haulage of dead load is reduced, transportation fleet is reduced and other overheads are also much lower. The consumers do not have to carry empty bottles while purchasing the milk. Such containers are convenient to the consumers in carrying their milk requirement. Generally, only pasteurised milk is being handled in such containers but efforts are being made to handle sterilised milk also. These containers are tamper proof as the same are completely sealed by heat sealing machine on the fillers. Consumers are assured of quality of milk put out by the dairies.

**(b) Tetra Pak:**

This is a system which is in use for nearly two decades. But because of its cost it has been limited mainly to the affluent countries who could afford to pay the higher cost for such containers. The first country which adopted the method of distribution of pasteurised milk in such containers was Sweden. Initially, only pasteurised milk was handled but the process has now been so developed that even the sterilised milk can be handled successfully. Sterilised milk has the advantage over pasteurised milk that it can last for three to four weeks without any refrigeration but the pasteurised milk has always to be stored under low temperature *i.e.*, under refrigerated conditions. Tetra Pak has been tried out in this country on experimental basis in Baroda Dairy and was found to be acceptable by certain strata of the society which could afford to buy their milk requirement in such expensive containers. Efforts are being made that after certain modifications, sterilised milk on large scale could be marketed in India and it is likely to have good future for sale of milk from rural areas to the long distance urban areas particularly the cities which do not have milk production in their hinterlands.

**Bulk Vending System:**

Under this system milk is sold through bulk vending units installed in the consuming centres. The consumers have to bring their own containers and collect their milk supplies from these vending units. This system has been tried out in Delhi and Madras and has been found quite popular. But this system has certain limitations due to which it has to be matched along with other systems as well *i.e.*, in congested areas *viz.* narrow roads, milk cannot be served by the present bulk vending units installed in Delhi and Madras because the milk tankers which are supposed to refill the bulk vending units cannot pass through narrow lanes and by-lanes etc. etc. Under this system, if proper quantity and quality has to be ensured by the consumers their personal efforts to come to the vending booths and collect their milk supplies cannot be avoided. The consumers drawing their milk through servants or middlemen are likely to suffer from quality/quantity or both. However, it is observed that the majority of the consumers draw

their milk themselves and, therefore, there does not seem to be any apprehension regarding the quality or quantity of milk vended through these booths.

Tetrapak system is not in vogue any where in India at present. The polythene Pouch system is being tried in Madras and Bombay.

5.24. The Ministry of Agriculture and Irrigation (Department of Agriculture) have further furnished the following note on sterilised milk indicating its economic feasibility and scope for marketing under Indian conditions.

*"Sterilization of milk:* Clarified standardised milk is sterilized by Ultra High Temperature (UHT) process in the vacuum Therm Instantaneous Sterilization (VTIS) plant. Sterilization of milk involves heating the milk sufficiently high to destroy micro organisms. This is achieved by injecting steam directly into the milk and raising its temperature to 140°C 150°C and holding it at that temperature for 2—4 seconds followed by rapid cooling. Cooling is done under vacuum whereby the water contributed by condensation of steam is removed from the milk. The Milk is homogenized and further cooled to 30—35°C by a plate heat exchanger and stored in an aseptic storage tank until packaging. All the process equipment coming in contact with milk is thoroughly sterilized by live steam before processing of milk is started. All the operations throughout the pre-sterilization of plant and sterilization of milk are accurately controlled by electronic devices. The homogenizer and the plate cooler are provided with steam jackets to eliminate the risk of contaminating the product through the atmosphere.

*Make milk available in remote areas—*Long life milk in Tetra Pak would be the most convenient form of fluid milk for consumption in secluded areas where transportation is difficult and milk is scarce. This becomes of great advantage to defence services in case of emergency. Large quantities to aseptic Tetra Pak milk were provided to the defence forces for trial purposes during the last Indo-Pak War. The results of these trials were extremely satisfactory. Market surveys conducted in 1972-73 at Bombay and Baroda towns as well as tests conducted on the suitability of the Tetra Pak milk have established that the Tetra Pak can very well stand the summer temperatures. The average keeping quality of this milk was found to be 15 days without refrigeration.

The Plant which was set up in Baroda for packing milk in Tetra Pak was for demonstration-cum-Trial purposes. The proposal to extend the scope of marketing Tetra Pak milk to other places is still under consideration. The processing Plants as well as packing material for the Tetra Pak shall have to be imported from abroad and set up in various States."

5.25. Regarding the functioning of the depots the Committee enquired as to how it was ensured that token-holders were given full quota of milk. The representative of the Delhi Milk Scheme has replied in evidence:

"Firstly we have devised the forms where the token numbers are printed. He has to write the number of bottles he has given on each token. That can be cross-checked with the token-holders to find out whether they have received it. The Field Officers are supposed to do this cross-checking. Secondly, the Depot Advisory Committees and the Local Associations are very vigilant about this particular aspect that no unauthorised person gets milk and the legitimate token-holder gets his due share. Actually, in order to ensure this we have formed these local associations. They are cooperating with us in the fullest measure. Upto 3 bottles we ensure that the token-holder gets his full quota. For more than 3 bottles, it depends upon the availability of milk supply."

5.26. Subsequently in a written note dated the 7th May, 1977 the Ministry have stated:

"An individual token holder can draw the number of bottles as per milk token in his possession. Delhi Milk Scheme has introduced a tickler system at its milk booths which shows the token numbers and the quantity of milk. The token number is ticked by the Depot staff when the token is presented for the drawal of milk. In case of short supply from the Central Dairy, porportionate cut is imposed on the token for more than three bottles."

5.27. The Audit para points out that there was no regular system of carrying out a check of unauthorised token presented to the depots for drawal of milk. In this regard the Committee enquired as to how the Delhi Milk Scheme ensured that milk was not distributed to the non-token holders. The Chairman, Delhi Milk Scheme, has stated:

"We have 1126 depots and they distribute milk within the short time of one hour. It is not possible to keep a track of all those depots from Shahdra to Palam as to what is happening there.

We have already recounted the measures taken for checking any malpractice. All this was done with a view to elicit local voluntary help which we have received in a good measure in a large number of depots and the various problems have been very largely solved. It is the local volunteers and the committee members who will help the depot people and also see that they do not resort to any malpractice. This system has very much stabilised the milk distribution."

5.28. In reply to a question, the Chairman, Delhi Milk Scheme, has explained that during the last two and a half years they checked tokens issued by them with the ration cards of the token holders and allotted new serial numbers and prefixed 'R' on tokens. Those who did not get their tokens checked up, their tokens became invalid. In this way they were also able to determine the genuine requirements of the token holders at a particular depot. The Committee asked as to why such checking was not done earlier. The representative of the Delhi Milk Scheme has stated:

"It is for the first time that this exercise has been undertaken. There are two aspects of this problem. We hope to meet Delhi's liquid milk requirement in the next two or three years depending on how the net work of the second dairy comes up. After that it may not be necessary to have a token system at all. Or that it may be that the need for such a check may not be there. Today the problem is that of price differential and of shortage of milk supply. If we are able to meet these, then there may not be any need for tokens."

5.29. The Committee wanted to know whether by increasing the distribution from one hour to two hours, any check could be exercised on anti-social elements. The Chairman, Delhi Milk Scheme, had said:

"The anti-social elements are active in a few depots. There are 30 or 40 of them where they are particularly active. In the normal depots also the milk distribution takes place within 45 minutes. There is no difficulty about the milk distribution but the problem is that whatever system we may adopt, with the price differential these things are bound to be there. So, to obviate that, we have associated the token holders to maintain a day-to-day watch. That has proved very beneficial."

5.30. Referring to a news report in a section of Press to the effect that the milk of the Delhi Milk Scheme was finding its way in the open market at enhanced rates, the Committee enquired as to what steps had been taken

to check such mal-practice. The Chairman, Delhi Milk Scheme has stated:

“There has already been much progress regarding depot advisory committee being formed where only the token holders are represented by representatives. They all assist in the distribution of milk. With such rationalisation of the distribution system of milk, it is possible to decide as to who will get the milk first, when he should get it, so that the last man does not go without getting the milk.”

\*\*

\*\*

\*\*

\*\*

“There have been cases which have been brought to our notice that this milk is being sold at a premium price. Our controlled price for the milk is 65 paise per bottle but it is being sold at a premium. We have detected those cases where the milk has been sold at a premium of four annas or thirty-paise a bottle. In those cases we have cancelled the tokens and the depot staff are removed from service. There have been cases reported wherein the agents of the token-holders privately manage to take bulk of milk from the depots. These are home delivery men who deliver the milk at the door steps. They take the milk in bulk by collecting fifty or sixty tokens from the token holders and they distribute the milk to them. They try to restrain two or three more bottles from the ones collected and try to sell the extra bottles to them at a certain premium. There have been cases of this type. We have asked the token holders to cancel the agencies of these home delivery men. So, we have detected cases of this type and have taken action. The basic problem remains as I said because of the price differential.”

5.31. It has been stated by the Chairman, Delhi Milk Scheme, during evidence that about 1000 to 1200 bottles are returned by the depots unsold every day. The Committee enquired why the unsold milk at milk depots was not disposed of at the milk depots itself as there was a great demand for it by non-token holders. The Chairman of the Delhi Milk Scheme has explained:

“If we were selling at nearabout the market rate, we can do that. If we allow the staff to sell away that milk, there may be cases in which they may charge excessive price or more price. They might be tempted to sell the to non-token holders. They might say, ‘We have sold it to non-token holders because the token-holders did not come in time.’ That may happen.”

5.32. Elaborating the position, the Chairman, Delhi Milk Scheme, has further stated:

“We bring these bottles back and reprocess the milk for distribution. The milk is not lost; it is retrieved. The problem is that this milk, in the process of sales and coming back to the dairy, turns sour and it cannot be used for liquid milk supply again; it has to be converted into a product and, because some of this milk may happen to contain butter-oil, it would result in loss of fat. The quantity, however, is very small: it is about 500 to 1000 litres out of 3 lakh litres to be sold every day, which comes to about 1.2 per cent.”

5.33. In regard to disposal of milk in uncapped bottles, the representative of the Delhi Milk Scheme has stated:—

“From each depot we get just one or two bottles. The total return for the whole of the city of uncapped bottles would be hardly 300 to 400 bottles. These are re-processed and we send them elsewhere. As for hospitals, we are making regular supplies to them and we are meeting the genuine demands of the poorer sections. It is a very insignificant part of the supplies that we get back.”

5.34. The Committee pointed out that in spite of the efforts made for improving the present system of distribution, the number of complaints lodged with the Delhi Milk Scheme has been increased year after year since 1969-70. Asked about the reasons therefor, the Chairman, Delhi Milk Scheme, has stated:—

“The reasons for increase in the number of complaints are two-fold. One is that the number of token-holders has increased very extensively. During the same period the total quantity of milk distributed has increased substantially. Secondly the prevailing market price for milk has increased very substantially over this period and the difference between the DMS price and the market price has increased very substantially. With the wide gap between the two prices, the temptation to sell milk to unauthorised persons has increased during this period. The major amount of complaints that we received relates to short supply of milk to token-holders and supply of milk to non-token holders. This takes place because the staff at that depot are tempted to probably either make some money or give it to their friends or urban pressure of anti-social elements give milk to people who do not have tokens. So this temptation to sell milk has increased during this period and the major portion of the complaints relates to this aspect and complaints about other aspects are very

few. Then, as I said the number of correct complaints during the year is 3 per day. Out of 3 lakhs token-holders, three complaints per day is not very large. Even then we make inquiries into those complaints and we take prompt action to remedy whatever problem they are facing.”

5.35. The Committee have been informed that 2131 and 2019 complaints were registered in 1975-76 and 1976-77 respectively with the Delhi Milk Scheme. When enquired about the action taken on them, the Chairman, Delhi Milk Scheme, has further stated:—

“The average number of complaints would come to about 3 per day, when we are distributing milk to approx. 2.95. lakh token-holders per day. The percentage of complaints is very small. Whatever complaints we get, we make prompt enquiries. I carry out personal review every week and we normally try to satisfy them within 3/4 days.”

5.36 The Committee desired to know whether apart from the action taken on the complaints received by the Delhi Milk Scheme, there was any machinery to check up the difficulties faced by the people. To this, the representative of the Delhi Milk Scheme has stated:

“We have Distribution Officers. Apart from the Manager, there are Deputy Managers, Milk Distribution Officers and Asstt. Milk Distribution Officers. They are field officers. They regularly carry out inspection of the milk depots. According to the standing orders they should inspect 7-8 depots by surprise every day. Instructed by the next senior officer he goes and inspects the depot. The depot numbers are kept secret and in this way each depot is inspected once in every 8-10 days.”

In reply to another question, he has stated:

“We have devised an inspection form. I have personally devised this wherein information is sought as to how many token-holders did he talk to, what are their grievances and are they satisfied with the quality, etc.”

5.37. The Committee enquired the authority to whom the public should report their complaints in regard to non-supply or irregular supply of milk by the depot manager. In reply, the Ministry have stated as follows:

“Delhi Milk Scheme has set up a Complaint Cell having telephone number 585428 which functions round the clock.”



5.38. Asked to state the number of applications pending as on 31st March, 1976, for issue of milk tokens and the system for receipt and disposal of applications, the Ministry have, in a written note, stated that—

“As on 31-3-1976, the number of applications pending for issue of milk tokens was 1,20,249.

The applications are received by post/deposited by the applicants in the box provided for the purpose in the record cell. These are registered category-wise and intimations to this effect are sent through the Registration Cards showing registration No. and the name of the category under which registered. The applications were reviewed last in 2/72 when milk tokens in bulk were issued. The next review will be carried out as and when the additional quantities of milk are available for distribution.”

5.39. Questioned about the basis on which new tokens were issued; the age-wise break-up of the applications; and the basis for categorising the applications for determining the priority for issue of tokens, the Ministry have stated:

“As a rule tokens are issued on the basis of applicants as per the priorities in various categories, except in certain deserving cases of medical, grave and pressing circumstances.

The age-wise break-up of the applications is given below:

Category	Date of the oldest application	No. of applications
1. Medical . . . . .	1-3-72	7691
2. Defence . . . . .	1-3-72	6001
3. Govt. Servants . . . . .	1-11-71	20204
4. Special . . . . .	1-11-71	3367
5. General . . . . .	1-11-69	71340
6. V. I. P. . . . .	1-11-71	11626
		<hr/> 1,20,249 <hr/>
No. of applications pending as on . . . . .	31-3-75	1,09,782
Addition during the year . . . . .		10,467
No. of applications pending on . . . . .	31-3-76	1,20,249

The data relating to the quantum of milk asked for by the applicants is not readily available.

The applications are categorised under different categories such as V.I.P., Defence, Personnel, Medical, Government employees etc. keeping in view **the status of the recommending authority**. No policy has been laid down, however, the quantity is determined by the Chairman on the merits of the application."

5.40. Referring to the number of 1,09,782 applications for issue of new tokens pending as on 31 March, 1975, as pointed out by Audit, the Committee desired to know the action being taken to dispose of the same. The Chairman, Delhi Milk Scheme, has stated:

"The problem can be solved by increasing the capacity and by handling more milk. There are certain categories like patients of heart diseases, etc. to which we give preference. Otherwise, for general categories, we issue tokens in a chronological order."

5.41. Referring to the Audit comments that the Management had not compiled data with them relating to total route-kilometres involved, route-kilometres required to be performed per van, the number of depots to be served per van and the actual deployment of vans, the Committee enquired the reasons for not compiling such data relating to the utilisation of fleet and how in the absence thereof the Management ensured the effective utilisation of the fleet. In reply, the Ministry have stated,

"The vehicles are taken on charge in the Stores Ledgers before the same are handed over to the Transport Section. After the handing over, these are got registered with the transport Authorities and the registration books give all the particulars of the vehicles. The History Sheets and Job Cards give the frequency and quantum of repair carried out on the vehicles. After the vehicle has completed successfully its span of life, it is condemned by a Committee of Technical Officers and disposed of thereafter. Vehicle-wise statement showing consumption of petrol/diesel is prepared in the Tool Room. In cases, when the milo-metres are not in working order, proper checking with regard to the consumption of POL is also done with reference to the distance of each route for milk distribution which is pre-determined. Road tests are conducted by the Transport Inspectors periodically and the vehicles are attended to for removal of the defects found by them. Further checks are also exercised while the vehicles are on road for milk procurement/distribution duty. Entries in the Log Books are made as per columns provided therein. Efforts are, however, made to provide milo-metres on the vehicles as early as possible."

**5.42. The Delhi Milk Scheme has since its inception adopted the system of supply of milk through bottles. While 2.64 lakh litres of milk were distributed per day at an average, the figures went up to 2.93 lakh litres in 1974-75 and to 3.60 lakh litres in May 1977 according to latest figures furnished by the Ministry. A study conducted by the National Dairy Development Board in May-June 1970 had revealed that 97 per cent of the household in Delhi city regularly purchase on an average 1.6 litres of milk daily and that non-dairy buyers from the very poor and poor income segments buy costlier milk.**

**In view of this, it is imperative that the Delhi Milk Scheme should make all-out efforts to increase the supply of milk so that people in the lower income brackets are enabled to purchase milk from the Delhi Milk Scheme at comparatively less prices.**

**5.43. The Committee have been informed that the Government have under consideration the various systems of distribution of milk, viz. (i) Polythelene pouches and (ii) Tetra Pak, which are at present in vogue in most of the advanced countries. In India, Tetra Pak system is not in vogue anywhere at present. The Polythelene Pouch system is, however, being tried in Madras and Bombay. In this connection, the Committee on Public Undertakings have already recommended in their 83rd Report (Fifth Lok Sabha—April 1976) that “the proposal to market Tetra Pak milk along with other systems of marketing milk which, it is stated, will increase the shelf life of milk and open city markets all over the country to the rural produced milk, deserves a second look. They suggest that the proposal may be studied again in depth and its economics, utility and consumer acceptability evaluated with a view to arriving at an early decision in the long range and the larger interests of the producers and consumers of milk.” Regarding action taken on the above recommendation of the Committee have been informed by the representative of Government during evidence that “we have gone into the techno-economic aspects of the three distribution systems and we have come to the conclusion that this proposal (Tetra Pak system) must be revived and we are doing our best to have it processed quickly.” The Committee hope that a decision in the matter would be taken without loss of further time.**

**5.44. The Committee would also like the Government to examine whether instead of introducing one flat system in the whole city, it would not be better to introduce different systems, in the first instance, taking into account the overall preference of the people in each locality/area. The Committee on Public Undertakings in their above report have also urged that whatever system is chosen for any locality, it should be operable at the maximum of efficiency with the minimum of overheads so that milk of good quality is available to the common man at the most competitive prices.**

5.45. The Committee note that about 1000 to 1200 bottles are returned by the depots unsold every day and that in this process the milk turns sour and has to be converted into a product as otherwise it would result in loss of fat. The Committee would urge that a depot-wise record may be maintained of the bottles returned unsold by the depots daily so that the position is reviewed every week and future supplies are made to the depots on the basis of an average number of bottles issued during the previous week.

5.46. The Committee are distressed to note that no proper and upto-date record was maintained of the total number of live tokens depot-wise, nor was any exercise made upto October 1973 to assess the number of tokens presented for drawal of milk so as to determine the requirement of milk for each depot in the context of overall supply. The wide disparity between the two sets of figures is evident from the fact that total number of tokens issued by Delhi Milk Scheme was 4,49,860 upto 31 March 1972, 4,59,201 upto 31 March 1973 and 4,63,944 upto 31 March 1974, but the survey conducted in August/September 1973 and October 1974 placed the number of tokens in circulation at 2,92,778 and 2,70,052 respectively.

5.47. The Committee note that for issue of milk tokens there are already 1,20,249 applications pending with the Delhi Milk Scheme as on 31 March 1976. Whereas the oldest applications pending in the general category relate to November 1969, the applications pending in other categories are as old as November 1971/March 1972. No review of the applications has been carried out since February 1972. The Committee suggest that while issuing milk tokens, the requirements of at least those of the applicants who are not in possession of any token so far and who belong to weaker sections of the society should be borne in mind.

5.48. The Committee note that with effect from December 1974 a depot-wise register indicating the changes in the quota of supply on account of issue of new tokens has been introduced. They trust that a suitable procedure would be evolved to ensure that these registers are maintained properly and are scrutinised frequently by senior officials, who should sign the registers after perusal and scrutiny.

5.49. The Committee are distressed to learn during evidence that Scheme had detected some case where the milk was found to have been sold at a premium of 25 to 30 paise a bottle and that in such cases tokens were cancelled and the depot staff removed from service. The Committee need hardly emphasise that systematic measures may be taken to improve the working of the depots so as to ensure that the distribution of milk right from the stage the bottles leave the Central Dairy to the stage of their final distribution at the depots is free from taint of any mal-practice.

5.50. The Committee have been informed that there are 30 to 40 problem depots where the anti-social elements are active. The Committee are happy to note that with the formation of Advisory Committees by the representatives of the token holders the position has stabilised and the various problems in a large number of depots have been solved. The Committee would, however, like to impress that field officers and other senior officials of the Scheme should pay visits more frequently to such depots and enlist the active assistance of the Advisory Committees for better distribution of milk and nipping all irregular practices in the bud.

5.51. The Committee need hardly point out that the working of a public utility service like the Delhi Milk Scheme has to be judged by the extent of satisfaction afforded to the beneficiaries. Judging from the increasing trend in the number of complaints the Committee cannot but come to the conclusion that the functioning of the booths is far from satisfactory and needs to be looked into so as to effect improvements. They would, therefore, urge that a detailed survey of the depots may be conducted periodically with a view to identify the difficulties of the beneficiaries and to take speedy remedial measures. The Committee would suggest that every depot should maintain a complaint box, wherein all written complaints concerning the functioning of the booth may be dropped by the token holders. The keys of the complaint boxes may be kept by the Milk Distribution Officers in their custody, who should arrange to collect all the complaints, register them and initiate action thereon. The complaints should be looked into without loss of time and the complaints apprised of the action taken in definitive terms.

5.52. The Committee have been informed that with a view to preventing malpractices in the distribution of milk, the Delhi Milk Scheme conducted a physical verification of the tokens and, as a result of intensive drive conducted, it was possible to cancel as many as 27,478 bogus tokens recently. They would also urge that such verification of tokens should be made at least once a year.

5.53. The Audit has pointed out that though instructions exist to ensure that no token holder is denied milk altogether, no relative records were available to indicate the effectiveness of these instructions and the extent to which genuine demand of the token holder was fulfilled. During evidence the Committee have been informed that upto 3 bottles a token holder is ensured full quota and for more than 3 bottles it depends upon the availability of milk supply. The Committee consider that in order to check maldistribution of milk, it is of paramount importance that the depot manager invariably maintains the ticklers showing the tokens presented, quantities authorised and issued and that such ticklers should be checked and countersigned by the field officers during their surprise visits.

5.53. The Committee would also like the Delhi Milk Scheme to consider the feasibility of displaying at some prominent place at the depot a board showing the supplies received (in bottles), the number of token holders with total requirements registered, etc. This will help in creating confidence among the token holders that their requirement beyond 3 bottles is not being reduced at the discretion of the depot manager.

5.55. The Committee are concerned over the increasing trend of complaints received by Delhi Milk Scheme. They note that the number of complaints has increased from 843 in 1969-70 to 2131 in 1975-76, though it has slightly come down to 2019 in 1976-77. The Committee consider that the number of complaints would be much more as it is well known that most persons do not go to the extent of formally recording a complaint in writing. The complaints broadly relate to non-supply of milk to token holders, unauthorised supply of milk to non-token holders, late opening and early closing of depots, rude behaviour, black marketing, back door supply, change of seals of milk bottles, non-returning of balance money, etc. What has surprised the Committee more is the fact that in spite of such a large number of registered complaints, no effective procedure appears to have been evolved to deal with them systematically or conclusively.

5.56. The Committee are surprised to note from the Audit Para that whereas the quantity of milk distributed per day was the same *viz.*, 2.89 lakhs litres during 1972-73 and 1973-74 and the total number of routes during these years was also the same, *viz.*, 123, the total number of milk vans had increased from 123 in 1972-73 to 148 in 1973-74. Similarly, they find that against 124 total routes during 1974-75, the total number of vehicles had increased to 158. However, the Committee find that with lesser number of 97 vans covering 124 routes DMS were able to distribute 3.10 lakh litres of milk per day during 1975-76 and with 99 vans covering 132 routes the milk distributed during 1976-77 was 3.35 lakh litres per day. The Committee would like to be explained the reasons for wide difference between the routes, both morning and evening milk distributed and the total number of vehicles held during 1972-73 to 1976-77, particularly when the Delhi Milk Scheme could distribute 3.35 lakh litres of milk per day with only 99 vans during 1976-77.

5.57. What has distressed the Committee more is the fact that the Delhi Milk Scheme has no compiled data with them relating to total route-kilometres involved, route-kilometres required to be performed per van, number of depots to be served per van and the actual deployment of vans. The Committee are unable to understand as to how in the absence of these vital details, the Scheme is able to keep a careful watch on deployment of the vehicles to the best interests of the Undertaking and keep an effective check on the operational and maintenance cost of the vehicles. The Committee

would like this matter to be gone into in depth by the Scheme Ministry with a view to provide institutional checks on the operational and maintenance cost of the vehicles and to take effective measures for their optimum utilisation. The Committee would like to be informed of the concrete measures taken in pursuance of these recommendations within six months.

#### **B. Sale Price of Milk and Cost of Production**

##### *Audit Paragraph*

5.58. In paragraph 3.29 of its 27th Report (1967-68 April 1968), the Public Accounts Committee had recommended that Government should evolve a more business like procedure for reviewing the sale price of milk *vis-a-vis* the purchase price and overhead charges so that the former could be suitably adjusted to ensure that the Scheme runs on a no-profit no-loss basis, as far as possible.

5.59. As actual cost and contribution by each product are not worked out, these do not play any role in determining the product pattern. The table indicates the sale price as well as estimated cost of the various grades of milk and milk products marketed by the Scheme from 1968-69 onwards, *i.e.*, after the recommendation made by the Public Accounts Committee in April 1968:—

Grade of Milk	Sale Price			Estimated cost of production (including cost of procurement)					
	12-2-69	10-10-71	5-11-73	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
1	2	3	4	5	6	7	8	9	10
(figures in paise perlitre)									
<b>MILK</b>									
Standardised 5 per cent fat	116	discontinued from 10-10-71	..	not available <sup>3</sup>	113·01	119·20 (upto 9-10-71) <sup>2</sup>	..	..	..
4·5 per cent fat (introduced from 10-10-71) <sup>1</sup>	..	116	Supply discontinued from 5-11-73 and special toned milk introduced	Do. <sup>3</sup>	..	113·71 (from 10-10-71)	114·84	..	..
Cow's milk	116	116	Do.	Do. <sup>3</sup>	..	not available <sup>4</sup>	..	..	..
Toned 3 per cent fat	84	84	Do. <sup>3</sup>	Do.	84·47	98·44	99·66	..	..
Double toned 1·5 per cent fat	60	60	70	Do.	65·83	84·76	86·02	109·29	128·96
Special toned 3·5 per cent fat	..	—	130	Do.	..	..	..	130·06	153·49



	1970-71	1971-72	1972-73	1973-74	1974-75	1970-71	1971-72	1972-73	1973-74	1974-75
<b>MILK PRODUCTS</b>										
Ghee (per 1 kg. tin in rupees)	14	14.50 (w.c.f. 94-9-71)	14.50	21 (w.c.f. 5-11-73)	25 (w.c.f. 24-12-74)	11	12.75	13.96	16.58	19.56
Butter (per 100 gms. packed in rupees)	1.30	1.30	1.30	1.90 (w.c.f. 5-11-73)	2.30 (w.c.f. 24-12-74)	0.91	N.A.	1.19	1.48	1.66

In this connection, following observations are made :—

- (i) The estimated cost of production of special toned milk, toned and double toned milk was higher than the sale price in all the years. Further, the estimated cost of special toned and double toned milk rose sharply in 1974-75. The data relating to estimated cost of production of Cow milk had not been furnished. The Management have stated (November 1974) that the selling prices of various types of milk and milk products fixed in February, 1973—had been revised by Government in the interest of the consumers till 5th November, 1973 except for a marginal reduction of 0.5 percent in the fat content of standardised milk and an increase of the selling price of ghee from Rs. 14 to Rs. 14.50 effected in 1971-72. It may be mentioned in this connection, that sale prices fixed in November, 1973 were further revised upwards from December, 1974 in respect of ghee and butter.
- (ii) Although the Scheme has a Cost Accounts Branch, preparation of cost sheets was discontinued from 1969-70. Instead, estimated cost was being compiled since 1969-70 after taking into account ad hoc increases over the cost for 1968-69.

5.60. In the absence of compilation of actual cost for each grade of milk and milk products, the authenticity of the estimated cost adopted as the basis for fixation of sale price could not be verified in Audit. It was also noticed that the estimated cost compiled by the Management was under-estimated on account of the following factors:—

- (a) No periodical review of the estimated cost was made in the light of procurement prices of raw milk which showed continuously an upward trend.
- (b) Fat and solid non fat content in milk as passed by the Quality Control were higher by an extra margin of 0.1 per cent. This was not taken into account while working out the estimated cost.
- (c) The fat loss in process was taken at 1 per cent whereas, the norm fixed was 2 per cent and the actual loss was still higher.
- (d) The estimated solid-non fat loss in process taken at 1 per cent was much lower than the actual loss.

5.61. The Management stated (November 1974) that proposals sent to Government in 1972 or strengthening the Cost Accounts Section were yet to be sanctioned by the latter and that work was being managed with the available staff which was inadequate.

[Paragraph 48(4.4) of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Civil)]

Since the Audit Para gives information upto 1974-75, the Ministry at the instance of the Committee have furnished the following figures of estimated cost of production (including cost of procurement) of milk and milk products for the years 1975-76 and 1976-77:

	(figures in paise per litre)	
	1975-76	1976-77
<i>Toned Milk</i>		
3% Fat . . . . .	..	180.84
<i>Double Toned Milk</i>		
1.5% Fat . . . . .	144.26	154.48
<i>Special toned milk</i>		
3.5% Fat . . . . .	175.87	190.91
<i>Special milk</i>		
4.5% Fat . . . . .	..	198.83
Ghee (Per 1 kg. tin in rupees) . . . . .	23.31	25.39
Butter (Per 100 grammes in rupees) . . . . .	1.98	2.02

5.62. The Committee have been informed during evidence by the Chairman of the Delhi Milk Scheme that the prices of milk and milk products were revised in November 1973 and a proposal for further revision of prices has been under the consideration of Government since May, 1974. The Committee asked the reasons for not taking a decision in the matter so far. In reply, the Ministry have stated:

"It was felt that any increase in the price of liquid milk of Delhi Milk Scheme will create a chain reaction resulting in all round increase of prices on all items of milk and milk products. In the circumstances, it was decided to decrease the fat content of Delhi Milk Scheme milk from 3.5 per cent to 3.0 per cent in order to meet part of the losses incurred by Delhi Milk Scheme."

5.63. With regard to fixation of selling price of milk in future, the Chairman, Delhi Milk Scheme has stated:

"A decision has been taken to have dual pricing two types of milk will be sold at different prices. In that case there would not be much loss. The Government is very actively considering such a system and I think a decision would be taken shortly."

Clarifying further he added:

"The matter has been referred to the governing body. It has already made some recommendations which are under the consideration of the Government. The entire system is thought of the government is thinking of changing the entire system as such and of having a dual pricing policy and of ensuring, that if the people want more milk, they will have to pay a little more—milk will be of a better type. These are under consideration. I expect that the Government would take a final view very shortly. The reasons for the increase is on account of the increase in the purchasing price of milk powder."

5.64. Supplementing the information, the representative of the Ministry of Agriculture has added:

"This proposal we have been considering right from 1975. Now we are busy with two or three alternative systems. The principle remains the same—dual pricing—what type of milk and at what price should it be available these are the alternatives which we are considering at the moment. But the basic principle of dual pricing remains the same which

means that upto a limited extent, that is, two bottles per day, we may supply to each family at subsidised price. But what should be fat content and what should be the price and what should be the additional requirements of milk for this purpose and what exactly should be the fat content in milk are the issues which are engaging our attention."

5.65. Subsequently, the Ministry in a note furnished to the Committee have stated:

"A proposal in regard to the adoption of two-axis pricing policy for the milk marketed by the Delhi Milk Scheme was considered but did not find favour. The system is in vogue only in Bombay City."

5.66. The Committee pointed out that at present milk was being sold by the Delhi Milk Scheme and Mother Dairy at two different rates viz., Rs. 1.30 and Rs. 2.00 per litre respectively and enquired the reasons for keeping two, different rates. In reply, the Ministry have stated:

"The quality of the milk sold by the Mother Dairy and Delhi Milk Scheme is quite different. The Mother Dairy sells standard milk containing 4.5 per cent fat, whereas Delhi Milk Scheme sells Toned Milk containing 3.0 per cent fat. The rate had to be kept distinct according to the quality.

In order to achieve complete coordination between the activities of the two dairies in the capital, a Committee has been constituted under the Chairmanship of Joint Secretary in charge of Dairy Division in the Department of Agriculture. This Committee, among others consists of Chairman, General Manager of the two dairies along with other concerned officers. Important decisions like the purchase and sale price of milk by the two dairies will be finalised by this Committee."

5.67. The Committee wanted to know the steps taken by the Delhi Milk Scheme to streamline the accounting system in order to have better control over various elements of costing as also whether there was any proposal to strengthen the Cost Accounts Section of the Scheme. In reply, the Ministry have stated:

"For the present the Delhi Milk Scheme is being run as a departmental Commercial-cum-Industrial Undertaking within the frame work of Government rules, regulations and financial accounting procedure. Under the present administrative arrangements, only cost estimates are compiled. The streamlining of accounting system in order to have better control

over various elements of costing would require the introduction of a sophisticated costing system and maintenance of accounts fully on commercial basis. This would not be practicable as long as the Delhi Milk Scheme functions as a Government Department. The Delhi Milk Scheme is proposed to be converted into a Statutory Corporation and the effective sophisticated costing system would be introduced after the Corporation is set up. A Bill for the conversion of Delhi Milk Scheme into a Corporation has already been introduced. There is no proposal to strengthen the Cost Accounts Section for the present."

5.68. The Committee find that the estimated cost of production of milk has risen year after year as compared to its sale price. They note that standardised milk (5 per cent fat) was sold upto 9 October 1971 at 116 paise per litre as against estimated production cost of 119.20 paise per litre. Similarly, toned milk (3 per cent fat) was sold at 84 paise per litre against estimated production cost of 99.65 paise per litre in 1972-73. Double toned milk (1.5 per cent fat) is being sold with effect from 5 November 1973 at 70 paise per litre as against estimated production cost of 86.02 paise per litre in 1972-73, 109.29 paise per litre in 1973-74 and 128.96 paise per litre in 1974-75. Similarly, special toned milk (3.5 per cent fat) is at present on sale at 130 paise per litre against its estimated production cost of 153.49 paise per litre in 1974-75. The Committee are however surprised to note the alarming increase in the estimated cost of production (including cost of procurement) of milk during 1976-77, as they find that these costs have increased to Rs. 180.84, 154.48, 190.91 per litre of toned milk, double toned milk, special toned milk respectively. As has been pointed out by Audit, the selling prices of various types of milk fixed in February 1969 had not been revised by Government in the interest of consumers till 5 November, 1973 except for a marginal reduction of 0.5 per cent in the fat content of standardised milk in October 1971. The Committee find that even the prices that were fixed in November 1973 were on the basis of estimated and not actual cost of production.

5.59. The Committee are distressed to note from the observations of the Audit that in the absence of compilation of actual cost for each grade of milk and milk products, the authenticity of the estimated cost adopted as the basis for fixation of sale price could not be verified. It was also noticed by the Audit that the estimated cost compiled by the Scheme was under-estimated on account of the fact that (i) no periodical review of the estimated cost was made in the light of procurement prices of raw material which showed continuously an upward trend; and (ii) the fat loss in process was taken at 1 per cent whereas the norm fixed was 2 per cent and the actual loss was still higher.

5.70. The Committee regret to note from the Audit Para that although the Delhi Milk Scheme has a Cost Accounts Branch, preparation of Cost Sheets was discontinued from 1969-70 and instead, estimated cost is being compiled since then after taking into account ad hoc increased over the cost for 1968-69. The Committee would like the Government to investigate as to why the preparation of Cost Sheets was discontinued and how in the absence of compilation of actual cost for each grade of milk and milk products, the Delhi Milk Scheme are in a position to fix the sale prices of milk and milk products. The Committee feel that costing is particularly necessary for ghee, and other dairy products, like Ice cream, Butter etc., and that there should be no occasion for loss in their production. The Committee would like to have a detailed explanation for the lapses and the remedial action that is contemplated.

5.71. The Committee further regret to note that proposals for strengthening the cost accounts Section of the Scheme were sent to Government in 1972 and nothing has been done so far in this behalf. The Committee are not convinced of the Ministry's plea that the streamlining of the present accounting system in order to have better control over various elements of costing would require the introduction of a sophisticated costing system and maintenance of accounts and would be possible only after the Scheme is converted into a Statutory Corporation. The Committee feel that streamlining of procedure can be effected even without bringing in costly machines. They would, therefore, like the Government to review in consultation with Costing Unit of Ministry of Finance the existing accounting system urgently in order to identify the shortcomings and to take remedial measures in this behalf.

5.72. The Committee note that at present two different agencies, viz. Mother Dairy and Delhi Milk Scheme are selling milk in Delhi at two different prices, viz. Rs. 2 and Rs. 1.30 per litre, respectively, the fat content of milk marketed by the former is 4.5 per cent and of the latter 3 per cent. The Committee have been informed that in order to achieve co-ordination between the activities of the two dairies, a committee has been constituted in the Ministry of Agriculture which would, inter alia, decide the purchase and sale prices of milk by the Delhi Milk Scheme and Mother Dairy. The Committee cannot but point out the long time that has already elapsed in tackling these issues and desire that these should be conclusively resolved within six months of the presentation of the Report and the Committee informed.

5.73. The Committee have been informed during evidence that there was a proposal to revise the sale price of milk in May, 1974 but nothing was done in this direction as Government felt that any increase in the price of milk would create a chain reaction resulting in all-round increase in prices of all items of milk and milk products. Instead, the fat content of special toned milk, which is the main supply to consumers, was decreased from 3.5

per cent to 3 per cent to meet part of the losses incurred by the Delhi Milk Scheme. The Committee note that in spite of that, the estimated cost of production of special toned milk increased from 130.06 paise per litre in 1973-74 to 153.49 paise per litre as against the sale price of 130 paise per litre in 1974-75. The Committee desire that the whole question of fixation of prices of milk may be examined thoroughly so as to analyse the reasons for the increase in the cost of processing and distribution of milk and take remedial measures to minimise them.

## CHAPTER VI

### WORKING RESULTS AND AN OVERALL PERFORMANCE

#### *Audit Paragraph*

#### **Working Results**

The working results of the scheme for the five years ending March 1974 are given below:—

(Rupees in lakhs)

	1969-70	1970-71	1971-72	1972-73	1973-74
Government capital at the close of the year	927.12	305.17	350.24	315.11	313.28
Block assets (Gross)	429.79	481.84	489.04	523.26	560.54
Turnover:	1,114.71	1,091.00	1,146.19	1,228.94	1,185.12
Profit (+)/ Loss (—) after charging interest on Government capital	(+73.34)	(+11.23)	(—)66.92	(—)83.89	(—)221.50
Interest on Government capital	44.25	12.25	15.72	11.77	18.07

Notes:— (i) Simplified *proforma* accounts for 1972-73 are given in Appendix IX (not reproduced). *Proforma* Accounts for 1973-74 were received in July 1975 from the Management and are under audit\* (December 1975). The figures for 1973-74 are, therefore, provisional.

(ii) In para 80 of the Central Government Audit Report (Civil) 1970, it was mentioned that the figures of sales, shown in the *proforma* accounts, were worked out by analysing remittances and were not based on the daily sales statements. In Para 11.5 of its Sixth Report (1971-72), the Public Accounts Committee recommended the evolving of a suitable procedure for ensuring correctness of the figures of sales shown in the *proforma* accounts. With effect from 1972-73, the scheme has compiled the figures of sales on the basis of daily sales statements received from the Depots, realisations on account of casual supplies and sales on credit, etc. No consolidated quantitative accounts of product-wise sales have, however, been compiled with a view to ensure correctness of the figures of sales computed in the above manner.

6.2. Except for the years 1969-70 and 1970-71, the scheme had been incurring losses since inception to 31st March 1974. The cumulative loss up to 31st March 1974, after adjusting the profits earned in

\*Audit since completed intimated, by the office of the C & AG on 16-11-1977.



1969-70 and 1970-71 amounted to Rs. 705.42 lakhs. The trend towards profitability achieved in 1969-70 and 1970-71, was mainly due to the cost of production being lower than the sale price of milk fixed in February 1969. This trend could not be continued subsequently.

6.3. According to the Management, the main reasons for incurring losses in 1971-72 and 1972-73 were increase in the price of raw milk and milk ingredients and other stores articles, increase in wages and cost of services without corresponding increase in the selling prices of its products, which had remained static since February 1969 but for marginal increase in the price of ghee and reduction in fat content of standard milk from 5 per cent to 4.5 per cent from 10 October 1971.

6.4. The Scheme incurred a loss of Rs. 83.89 lakhs in 1972-73. While the incidence of increase in the price of raw milk and skimmed milk powder in 1972-73 over 1971-72, as worked out by the Management, amounted to Rs. 30.83 lakhs, the incremental impact of higher incidence of wages and services had not been quantified. Against the extra expenditure of Rs. 30.83 lakhs on the purchase of raw milk and skimmed milk powder, the extent of savings made in 1972-73 on account of reduction in the fat content and increase in the price of ghee in October, 1971—worked out to Rs. 41.50 lakhs and Rs. 3.20 lakhs respectively. Further, the losses were contributed by the following factors:—

- (a) Uneconomical working of the Bikaner Centre and higher percentage of loss of fat and milk in transit at this centre.
- (b) High percentage of loss of fat and milk in process at the Central Dairy.
- (c) Loss of fat in the milk received back from milk depots and stalls.
- (d) Excessive breakage of bottles.
- (e) Higher incidence of cost of collection on account of under-utilisation of the capacity of a number of milk collection and chilling centres.
- (f) Rising trend of consumption of petrol, diesel, engine oil, steam coal, chlorine and caustic soda.
- (g) Idle plant and equipment.

6.5. According to the *pro forma* Accounts submitted for audit, the loss for the year 1973-74 works out to Rs. 221.50 lakhs indicating further deterioration in the results of working of the scheme. This represents about 19 per cent of the total turnover. According to the Scheme, the main factors responsible for the loss in 1973-74 were:

- (a) increase in the price of commercially imported skimmed milk powder from Rs. 5,400 per tonne in 1972-73 to Rs. 8,300

per tonne in 1973-74, involving an additional expenditure of Rs. 103.73 lakhs;

(b) increase in the procurement price of milk in 1973-74 over 1972-73 resulting in extra expenditure of Rs. 68.05 lakhs; and

(c) steep increase in the prices of diesel, petrol, oil and lubricants (amount not quantified).

6.6. It may be mentioned, in this connection, that, as against the extra expenditure referred to above, the Scheme had discontinued the supply of standard milk @ Rs. 1.16 per litre with 1.5 per cent fat content with effect from 5th November, 1975 and introduced special toned milk @ Rs. 1.30 per litre with 3.5 per cent fat content. The savings on this account have not been quantified by the Management.

### Overall Performance

6.7. The table below sums up the salient statistics relating to the working of the Scheme mentioned in the various paragraphs of the Report:—

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
1. Capital invested (Rs. in crores)	4.89	4.98	5.73	5.70	5.95	..
2. Turnover Milk (Rs. in crores)	11.15	10.91	10.62	11.11	11.58	..
Milk products (Rs. in crores)	..	..	0.84	1.18	0.27	..
3. Profit/Loss (Rs. in lakhs)	(- ) 175	(- ) 11	(- ) 67	(- ) 84	(- ) 22	..
4. Capacity for handling of milk per day (in lakh litres)	3	3	3	3	3	3.75
5. Average procurement of raw milk per day (in lakh litres)	1.97	1.72	1.73	1.59	0.78	1.50
6. Average distribution of pasteurised milk per day (in lakh litres)	..	2.64	2.76	2.89	2.89	2.93
7. Production of ghee (in lakh kgs.)	..	3.17	3.59	6.74	0.18	5.66
8. Purchase price of milk with an average 6.5 per cent fat content (Rs. per quintal)	95	102	90 to 104	95 to 100	100 to 133	146 to 160

1969-70 1970-71 1971-72 1972-73 1973-74 1974-75

<b>9. Sale price of pasteurised milk :</b>						
(a) Standard milk with 4.5 per cent fat (introduced from 10-10-1971) (Paise per litre)	..	..	116	116	116 (discontinued from 5-11-1973)	..
(b) Toned milk with 3 per cent fat (Paise per litre)	84	84	84	84	84 (discontinued from 5-11-1973)	..
(c) Doubled toned milk with 1.5% fat (Paise per litre)	60	60	60	60	70 (with effect from 5-11-1973)	70
(d) Specially toned milk with 3.5% fat. (Paise per litre)	..	..	..	..	190 (with effect from 5-11-1973)	130
<b>10. Sale price of ghee (per kg.)</b>						
	..	14	14.50 (w.e.f. 24-9-71)	14.50	21 (w.e.f. 5-11-73)	25 (w.e.f. 24-12-74)
<b>11. Consumption of—</b>						
(a) Skimmed milk powder under W. F. P. (in tonnes)	890	1979	3035	2529	4202	4807
(b) Skimmed milk powder commercial purchase (in tonnes)	1625	1837	1306	2751	3557	3577
(c) Butter oil W.F.P. supplies (in tonnes)	..	284	917	1425	2085	1885

6.8. In the background of above data, the following highlights of the working of the Scheme deserve mention:

(i) Capital invested in Delhi Milk Scheme at the end of 1973-74 was Rs. 5.95 crores. During the last three years ending 1973-74, the annual turnover of the Scheme, ranged between Rs. 11.5 crores and 12.3 crores. The Scheme, for the first time, earned a profit of Rs. 73 lakhs in 1969-70 followed by a profit of Rs. 11 lakhs in 1970-71, mainly on account of increase of sale-price from 104 paise per litre of standard milk with 5 per cent fat content to 116 paise per litre of standard milk effective from February, 1969. Thereafter, it incurred losses of Rs. 67 lakhs in 1971-72, Rs. 84 lakhs in 1972-73 and Rs. 2.2 crores in 1973-74. As there was no change in the sale-price of special toned milk (introduced from 5th November, 1973) during 1974-75 and the procurement price of raw milk rose sharply in 1974-75 the loss in 1974-75 is likely to be more assuming the same level of production efficiency and prices of other inputs:

[The Audit have intimated that the Delhi Milk Scheme had incurred a loss of Rs. 4.14 crores during 1974-75].

The Delhi Milk Scheme has intimated to Audit in February, 1976 as follows:

"Since the cost of production was higher than the sale price it was but natural that the scheme should incur losses. This has been brought to the notice of the Government from time to time.

(ii) Procurement of raw milk ranged between 53 and 66 per cent of handling capacity of 3 lakh litres per day during 1969-70 to 1972-73 and 26 per cent in 1973-74. In 1974-75 procurement worked out to 41 per cent of the expanded capacity of 3.75 lakh litres per day despite substantial increase in procurement price of milk referred to in item (v) below. Against this, average distribution of pasteurised milk ranged between 88 and 96 per cent of the capacity during 1969-70 to 1973-74 and 78 per cent of the capacity in 1974-75.

[The Ministry have stated to Audit in April, 1976 that the present dairy of Delhi Milk Scheme is not equipped to handle more than 3 lakh litres of milk per day in optimum conditions and that the target of 3.75 lakh litres of milk created under the Second Phase. Expansion could not be achieved as the bottling lines are yet to be replaced.]

In view of milk procurement falling below the level of capacity the Scheme had to consume increasing quantities of skimmed milk

powder and butter oil (except in 1974-75) to meet its commitment for the supply of pasteurised milk. During the three years 1972-73 to 1974-75, the Scheme used each year 1400 to 2100 tonnes of butter oil and 2500 to 4200 tonnes of skimmed milk powder under the World Food Programme. In addition, in each of those three years, the Scheme purchased directly 2800 to 3600 tonnes of skimmed milk powder imported through the Indian Dairy Corporation (a Government Company). Thus supply of milk by the Scheme has been entailing an annual outgo of free foreign exchange to the extent of Rs. 2.4 crores on an average in recent years. Besides, the purchase price of commercial skimmed milk powder was raised from Rs. 5400 per tonne in 1972-73 to Rs. 8300 per tonne in 1973-74 leading to increased cost of production of pasteurised milk with consequent increase in loss, despite the fact that sale price of special toned milk in 1973-74 was increased by about 60 per cent over that of 1970-71 (on fat basis).

(iii) The turnover of milk in value constituted between 91 per cent and 98 per cent of the total turnover and the milk products accounted for the balance. Again, the standard/special toned milk constituted about 67 per cent of the turnover of milk.

(iv) Despite the procurement of raw milk being lower than capacity, the Scheme produced 6.74 lakh kgs. and 5.66 lakh kgs. of ghee in 1972-73 and 1974-75 respectively. This was made possible by diversion of fat in the raw milk towards preparation of ghee and use of butter oil in lieu thereof in preparation of liquid milk. The sale price of ghee during the period from September 1971 to October 1973 was Rs. 14.50 per kg. This was raised to Rs. 21 per kg. with effect from 5th November, 1973 and to Rs. 25 from 24th December, 1974. It appears that up to November, 1973 the sale price of Delhi Milk Scheme ghee was lower than the market price. After the price was raised to Rs. 25 per kg. the Scheme had been experiencing difficulty in the sale of ghee. The stock of ghee as on 30th September, 1974 and 30th September, 1975 was of the order of 1,334 kgs. and 69,622 kgs. respectively.

(v) The procurement price of raw milk paid by the Scheme has been on the increase; the price paid in 1974-75 being 25 to 30 per cent higher than that paid in 1973-74. According to the Management, the milk product factories situated in the vicinity of Delhi were paying prices ranging from Rs. 15 to 20 per quintal over that paid by the Scheme. It is understood from Management that 6 such factories were located within a radius of 160 kms. from Delhi.

(vi) While the Scheme is not in a position to procure raw milk at the rates offered by a Mother Dairy with an ultimate capacity of 4 lakh litres per day has been set up by the Indian Dairy Corporation (a Govt.

Company) at Patpar Ganj, Delhi with the assistance available under the World Food Programme Project No. 618 (Operation Flood). This dairy is reported to be under trial production and is at present (September, 1975) handling 25,000 litres of pasteurised milk per day. The requirement of raw milk for this dairy is being met by the Uttar Pradesh Pradeshik Co-operative Dairy Federation Limited, Meerut. The price paid for raw milk is Rs. 2 approximately per litre with 6 to 7 per cent fat content as against the price range of Rs. 1.46 to Rs. 1.60 per litre (6.5 per cent fat content) paid by the Scheme. The sale price fixed by the Mother Dairy is Rs. 2.20 per litre (5 per cent fat) as against Rs. 1.30 per litre with 3.5 per cent fat charged by the Scheme.

(vii) Apart from the inadequacy of the margin between the procurement price of milk (including other ingredients) and the selling price of milk to absorb other elements of cost of production and distribution cost, other factors contributing to the loss were processing inefficiencies like loss of fat and milk in process, excessive breakage of bottles, etc. and high cost of collection and chilling on account of low volume of procurement.

[Paragraph 48(5) of the Report of the Comptroller & Auditor General of India for the year 1974-75, Union Government (Civil)].

6.9. When asked to intimate the latest information the Ministry of Agriculture and Irrigation (Deptt. of Agriculture) have furnished the following figures regarding capital invested, turnover of milk and milk products, loss suffered by the Delhi Milk Scheme, etc., during 1975-76 and 1976-77:

Capital invested	1975-76	1976-77
	(Rs. in crores)	
Turnover . . . . .	4.99*	Accounts under preparation
Milk . . . . .	14.77*	Do.
Milk Products . . . . .	1.76*	Do.
Profit/Loss . . . . .	5.77 Loss	Do.

\*Un-audited Accounts.

Capital invested	1975-76	1976-77
Capacity for handling of milk per day (in lakh litres) . . . . .	3.75	3.75
Average procurement of Raw Milk per day (in lakh litres) . . . . .	1.97	2.25
Purchase price of Milk with an average 6.5% Fat (Rs. per qtl.) . . . . .	142 to 200	150 to 215
Losses incurred by Delhi Milk Scheme . . . . .	576.78 lakhs (un-audited accounts)	the accounts are under compilation.

6.10. Stressing the need for the Delhi Milk Scheme to function on a 'no-profit no-loss' basis, the Committee in their Sixth Report (Fifth Lok Sabha—1971-72) had observed as under:

“The Committee in their Twenty-Seventh Report (Fourth Lok Sabha) took note of the fact that the Delhi Milk Scheme was incurring losses since its inception up to 31st March, 1967. The Committee are disturbed to find that the working results for the subsequent years 1967-68 and 1968-69 have also disclosed losses. The biggest ever loss of Rs. 146.71 lakhs was incurred during 1967-68. The cumulative loss up to 31st March, 1969 amounted to Rs. 417.68 lakhs. The Committee see no justification for losses in a Project of this kind which elsewhere has been found to be profitable for example Kaira District Cooperative Milk Scheme. The Government should keep a close watch on the Scheme taking expert advice as and when necessary as it is of prestigious importance being located in the Capital of the country. The Committee trust that Government would make fullest use of the expertise on the subject available in the country. During evidence the Committee were informed that the Scheme expected to show profit during 1969-70 partly due to rationalisation of procedures and control over incidental costs and partly due to increase in sale price given effect to from 22nd February, 1969. The Committee subsequently understood from Audit that the proforma accounts for the

year 1969-70, as made available to them, showed a net profit of Rs. 73.34 lakhs. In this connection, the Committee would like to be apprised of the extent of profit arising from the operational efficiency and that accruing from increase in the sale price effective from the 22nd February, 1969, or lower cost of procurement of milk separately. The Committee hope that with the increase in turnover and better control over expenditure losses would be wiped off and the Scheme would be able to function on a 'no profit no loss' basis."

6.11. In their 57 Report (5th Lok Sabha) (1972-73), the Committee had noted that the National Dairy Development Board had been entrusted with the task of studying in detail the various sections of the Delhi Milk Scheme and to suggest ways and means of improving its working in order to effect economy wherever possible. The Committee had hoped that, on the basis of the recommendations to be made by the National Dairy Development Board, Government would take appropriate action to ensure that the Scheme functioned on a 'no profit no loss' basis.

6.12. The Committee enquired whether the question of revision of selling price of milk with a view to eliminate the continuing heavy losses suffered by the Delhi Milk Scheme was considered by its Governing Body. The Chairman, Delhi Milk Scheme, has stated during evidence:

"The prices of DMS products were revised in February 1969 on the previous occasion. Due to the upward revision of the prices and putting those on an economic level in 1969-70 and 1970-71, the DMS made marginal profits; these were the only two years since the inception of this Scheme when there was some profit. In 1971-72, when the proforma accounts were prepared, it was observed that the Scheme had run into losses....The Governing Body took a decision in about 1973 that the prices should be revised and it was approved by the Government. From 5th November, 1973, the prices were revised....These prices were fixed on the basis of the prices and expenditure in 1972-73 as well as the prices of the main raw materials used by us. This position, however, did not continue up to 1974-75. As we all know, there was rather steep increase in the price levels all round. So, the basis on which we had fixed the prices in 1973 no longer held good after that year and we had to again come up with a proposal for further price revision straightaway or for some system whereby we could demolish the losses that would be incurred if we did not do something about it....



These matters did come up before the Governing Body in 1975 and they made certain recommendations which, again, are under the consideration of Government. Unless we take a final decision on what should be done about the earlier proposal which was sent in 1974, we cannot progress."

6.13. The Committee desired to know the additional income derived as a result of revision of prices of milk products on 5th November, 1973. In reply, the Ministry have furnished the following note:

"The prices of milk and milk products were raised on 5-11-73 not to derive additional income but to operate on 'no profit, no loss' basis. Had we not stopped production and distribution of Standard Milk, toned milk and Cow Milk and introduced Special toned milk in their place and fixed the selling prices of Special Toned Milk and Double-toned milk at Rs. 1.30 and Re. 0.70 per litre respectively the Scheme would have suffered additional loss of about Rs. 136.90 lakhs during 1973-74. With the revision of selling prices of milk products such as Ghee, Butter etc. with effect from 5-11-73 the Scheme was able to earn a marginal income of about 1.27 lakhs during the above period."

6.14. The Committee pointed out that in view of heavy losses it was apprehended that block capital of Delhi Milk Scheme might be washed away. Enquired if the Delhi Milk Scheme had received any guidance from Government to improve its financial condition, the Chairman of the Delhi Milk Scheme has stated:

"As far as the DMS is concerned, the selling price of milk is of course fixed by Government. 70 to 80 per cent of our expenditure is on purchasing of milk and nutrients, that is, butter oil and skimmed milk powder and 13% or so is on purchases of stores and operations, that is the purchase of stores for plant and maintenance of machinery etc. and for operating the machinery transport system and chilling centre and everything. It comes to about 92 to 93%. Another 4% is on interest and on depreciation. This is the normal accounting procedure. So 92% of our expenditure is based entirely on cost of raw materials that we use and the stores and services that are required for operating the scheme. These are entirely governed by the prevailing market prices under the agricultural and industrial conditions and the cost of services on which really we can exercise very little control. These are major segments

of our expenditure. We have kept down only a very small portion to the minimum—on our overheads and establishment charges—just about 2 per cent our annual expenditure.”

6.15. Asked if Government were willing to give funds to DMS to make good the losses, the representative of the Ministry of Agriculture, has stated:

“Government have gone into this question and as I was submitting we have various alternatives under our consideration. We are trying to follow the principle of dual pricing now. One of the exercises which we have been considering is the cost of production of the special toned milk which we are selling is Rs. 1.70 per litre. One idea is we should reduce the fat content and bring it to normal toned milk and continue to sell at the price of Rs. 1.30 per litre.”

6.16. Enquired as to how the reduction in fat content in the special toned milk would affect the health aspect, the representative of the Ministry has stated:

“It is quite all right from health standard point of view. In certain areas they are going by double toned that is 1.5%.”

6.17. In reply to a question, the Chairman, Delhi Milk Scheme, has stated that in the last five years they had increased purchase price of milk from Rs. 97 to about Rs. 160 per quintal which was more than 60 per cent increase. The Committee wanted to know the reasons for this increase. In reply, the Ministry have furnished the following note:

“Following the successive droughts in the years 1971-72 and 1972-73, the production of crops feed, fodder and foodgrains suffered seriously due to the adverse climatic condition. The availability of feed, fodder and foodgrains became scarce. This resulted in steep increase in the price index of the agricultural commodities. The price index of foodgrains (as compared to the index of June, 69) went up by 17.88% in June, 1972; 39.07% in June, 1973; 89.17% in June, 1974 and 99.09% in June, 1975. The price index of ‘all commodities’ over the index prevalent in June, 1969 registered an increase of 15.19% in June, 1972; 36.88% in June 1973; 78% in June 1974 and 81.61% in June, 1975. Keeping in view the increase in prices as well as market trends during the six years milk procurement rates were increased suitably from time to time so as to provide a remunerative return to the milk producers and to make dairying an economically feasible activity for the farmers. However, no specific amount was included in the prices as an incentive to the farmers to produce more milk.”

6.18. Explaining the net loss and profit on sale of milk and milk products, the Chairman, Delhi Milk Scheme has stated:

“We have separate costing for milk and milk products. There is no loss on milk products. Last year we sold milk products worth Rs. 1.76 crores in value and we made a net profit of about Rs. 22 lakhs. But in respect of milk, the actual cost price of special toned milk that we distribute works out to Rs. 1.68 per litre but we sell it at Rs. 1.30 per litre, we incur a loss of 0.38 paise. The Second Dairy is not running at a loss because they are selling milk at Rs. 2. When they are fully operational, a view on their pricing will be taken.”

6.19. Asked if both the dairies combine how it would affect the situation. To this, the Chairman, Delhi Milk Scheme has stated:

“The no-loss situation will occur only when the pricing is done in such a way between the two dairies and the product mix so decided that in the overall situation there is no loss. It depends upon what type of milk they will distribute, what will be the price for milk products. The whole thing will have to be considered together.”

6.20. Asked whether costing was being done properly and whether there was any scope to reduce the expenses, the Chairman, Delhi Milk Scheme, has stated:

“Costing is subject to audit every year, proforma accounts are presented to the Accountant General and it is audited. We have a qualified Cost Accounts Officer of the Finance Ministry with us. We revised the milk price in 1973 and this price revision was based on the cost estimates of 1972-73 proforma accounts and the price of milk and milk ingredients at that time. It was estimated by the Governing Body, and the Government that the average purchase price of buffalo milk should be Rs. 1.30 per litre. Instead of Rs. 1.30 we had to purchase milk at a higher price because of the general price increase and the extra expenditure that we have incurred in 1973-74 just on account of the purchase price of milk was Rs. 68.05 lakhs compared to Rs. 146 lakhs in 1974-75. It has been the increase in the purchase price of milk only. Similarly for skimmed milk powder the increase in the purchase price was of the order of Rs. 87 lakhs in 1973-74 and in 1974-75 Rs. 162 lakhs. The increase in the price of milk and milk powder account for the entire loss of the Delhi Milk Scheme. The prices of stores and services have also increased. Partly due to economic utilisation of resources and probably due to improvement in efficiency and also economies of scale the per

unit cost may go down; these three factors have really resulted in reducing the per unit cost but the other two factors, milk and milk powder account for the entire loss."

6.21. Asked to state the steps taken to streamline accounting system in order to have better control over various elements of costing, the Chairman, Delhi Milk Scheme has stated:

"The cost accounts system in the DMS was started with a view to have overall commercial accounting system; we had a qualified Cost Accounts Officer but the staff that was provided was not so well qualified to enable us to take to more sophisticated costing exercises. We had gone before the Government with a proposal to strengthen this section so that we may take to more sophisticated costing exercises and develop a management information system to feed the management with information regularly on various aspects of costing so that corrective measures might be taken in time. Basic costing exercises are done; records are maintained and ledgers are maintained and the annual proforma accounts are prepared and got vetted by the Accountant-General. But what we would really like to have is a management information system where detailed costing exercises are undertaken stagewise, operation-wise, so that we know in time where to apply the corrective measures. For that trained staff is required but in view of the need for economy, etc. Government had not so far agreed to this proposition."

6.22. The Committee desired to know the average purchase price of milk together with handling cost per quintal during the last five years. The Ministry have furnished the following information:

"The average purchase price of buffalo milk and the cost of handling per quintal of milk are given below:—

Year	Weighted average purchase price per quintal	Estimated cost handling per quintal of milk
	Rs.	Rs.
1971-72 . . . . .	100.70	9.50
1972-73 . . . . .	103.41	10.00
1973-74 . . . . .	128.68	10.17
1974-75 . . . . .	158.55	15.38
1975-76 . . . . .	159.41	Accounts not yet finalised.

By and large the milk procurement rates increased in keeping with the increase in the price index of Agricultural commodities which registered an increase of 81.61% from June, 1969 to June, 1975 and the market trends.

The increase in the cost of handling of milk was due to the general hike in prices of stores, spares, petrol, diesel oil etc., increase in the rates of ice, service charges including transport charges due to the unprecedented increase in the rates of petrol oil and lubricants, enlargement of the area from which the milk is procured, and increase in the rates of salary and wages etc. due to the implementation of the recommendation of the 3rd Pay Commission and the grant of Dearness Allowance."

6.23. At the instance of the Committee, the Ministry have furnished a note stating that the following major steps have been taken by Government to improve the efficiency of Delhi Milk Scheme in processing of milk and to effect economies in cost:

- (i) The replacement of old bottling lines by the new bottling lines of higher capacities.
- (ii) The replacement of old clarifiers/separators by new units which are more sophisticated and modern.
- (iii) The replacement of old stillage trucks and bottle crates.
- (iv) Increasing milk procurement by collecting milk from State Agencies and other Co-operatives to reduce the use of skimmed Milk Powder.
- (v) With more intake of milk and availability of fat the production of Ghee which is more economical product is also being increased.
- (vi) Steps are being taken to reduce to overhead cost by restricting the overtime allowance.
- (vii) By introducing more accurate testing methods and cross checks the margin allowed for the Fat and SNF percentages in the processed milk have been lowered, thus resulting in considerable savings in the consumption of Fat and SNF although the quality of the milk marketed continues to be of the prescribed standards.
- (viii) Detailed instructions have been issued regarding the regulations and checking of the quantities of detergents, pesticides and other chemicals used by Scheme in order to avoid any excessive consumption or wastage.

The probable benefits/economies cannot be worked out at this stage in respect of items at S. Nos. i to viii, as the same can only be known after the various proposals are implemented.”

**6.24. The Committee are distressed to note that the Delhi Milk Scheme, which was expected to function on 'no profit no loss' basis has been incurring losses year after year since its inception except during 1969-70 and 1970-71. The cumulative loss upto 31 March, 1974 after adjusting the profits earned in 1969-70 and 1970-71 amounted to about Rs. 7.05 crores. The loss during 1974-75 and 1975-76 was Rs. 4.14 crores and Rs. 5.77**

**crores (subject to Audit) respectively. Though the accounts for 1976-77 are stated to be under compilation, the Committee feel that the losses during 1976-77 will be greater as compared to earlier years as the cost of production (including cost of procurement) of milk was significantly higher during this year, while the sale price of milk was stationary. Expressing anxiety over the losses, the Committee in their Sixth Report (Fifth Lok Sabha—1971-72) had hoped that "with the increase in turnover and better control over expenditure, losses would be wiped off and the Scheme would be able to function on a 'no profit no loss' basis. The Committee are unhappy to point out that precious little has been done by the Government during all these years to reduce the losses. According to Audit, losses were inter alia contributed by uneconomical working of the Bikaner Centre and high percentage of losses of fat and milk in process at the Central Dairy, excessive breakage of bottles, higher incidence of cost of collection on account of under-utilisation of the capacity of a number of milk collection and chilling centres, rising trend of consumption of petrol, diesel, engine oil, steam coal, chlorine and caustic soda and idle plant and equipment. The Committee by and large have dealt with these aspects elsewhere in the report and given their recommendations.**

**6.25. The Committee consider that the reason for the loss sustained by the Delhi Milk Scheme is due to the marked difference between procurement and sale prices of milk. It has been submitted to the Committee that there has been a general increase in the price index of all commodities over the index prevalent in June 1969, registering an increase of 15.19 per cent in June, 1972; 38.88 in June, 1973; 78 per cent in June 1974; and 81.61 per cent in June, 1975. While keeping in view the increase in prices as well as market trend over the years, the milk procurement rates were increased suitable from time to time to provide a remunerative return to the milk producers. The Delhi Milk Scheme has been bringing their worsening position to the notice of Government from time to time but the latter instead of moving swiftly allowed the things to drift.**

6.26. Another reason which accounts for a major portion of losses is the increase in the prices of skimmed milk powder. It has been stated that the increased price of the skimmed milk powder was of the order of Rs. 87 lakhs in 1973-74 and Rs. 162 lakhs in 1974-75. The Committee are of the view that unless some effective measures are taken to increase the procurement of milk and reduce the expenditure on over-heads for collection and processing of milk, it may not be possible to reduce the losses to an appreciable extent. The Committee, therefore, would like to urge that all-out efforts should be made to tap more sources for the procurement of milk at most reasonable costs.

6.27. The Committee have been informed during evidence that the no-loss situation would occur only when the pricing is done in such a way between the Delhi Mother Dairy and the Delhi Milk Scheme and the product mix so decided that in the overall situation there was no loss. The Committee have already emphasised elsewhere in this Report that conclusive action should be taken within six months of the receipt of the Report of the Committee of Officers which has been appointed to decide the purchase and sale prices of milk by both the Dairies.

6.28. The Committee note that the Delhi Milk Scheme had incurred a loss of Rs. 83.89 lakhs in 1972-73. While the incidence of increase in the price of raw milk and skimmed milk powder in 1972-73 over 1971-72 amounted to Rs. 30.83 lakhs the incremental impact of higher incidence of wages and services had not been quantified.

6.29. Similarly, the Committee find that the savings effected by the discontinuance of supply of standard milk at the rate of Rs. 1.16 per litre with 4.5 per cent fat content with effect from 5 November 1973, and introduction of special toned milk at the rate of Rs. 1.30 per litre with 3.5 per cent fat content later reduced to 3 per cent has not been quantified. The Committee need hardly point out that Government should have carefully worked out the financial implications of reducing the fat contents in two stages and kept a careful watch to see the extent to which this had actually helped in reducing the losses.

6.30. The Committee have been informed that Government have taken a number of steps to improve the efficiency of Delhi Milk Scheme in processing of milk to effect economies in cost. These steps inter alia include replacement of old bottling line, clarifiers/separators, stillage trucks and bottle crates, increasing milk procurement to reduce the use of Skimmed Milk Powder, increase in production of Ghee which is more economical, reduction in overhead cost by restricting the overtime allowance, savings in consumption of fat and SNF, etc. The Committee would like the Gov-

ernment to take conclusive action to enforce these improvements vigorously so as to effect all possible economies consistent with maintenance of quality expected of a Government undertaking dealing with vital supplies of milk.

6.31. The Committee also urge that concerted measures should be taken to (i) improve procurement from the earmarked milk-shed areas, (ii) develop high-yielding cattle (iii) improve procurement arrangements through rationalisation and economy in procurement operations.



## CHAPTER VII

### RELATIONSHIP BETWEEN INDIAN DAIRY CORPORATION AND DELHI MILK SCHEME

The Indian Dairy Corporation was incorporated as a wholly Government-owned Company on 13 February, 1970 mainly to implement "India WFP Project 618" (Operation Flood) under the World Food Programme of the United Nations. The Project which had a duration of 5 years (1970 to 1975) and which has since been extended for a period of 2 years up to the end of June 1977, aims at the improvement of milk marketing by enabling the organised dairy sector to obtain a commanding share of the markets in the four major cities of Bombay, Calcutta, Delhi and Madras and at speeding up dairy development by increasing milk procurement and production in the rural areas which supply milk to the four major cities. The main objectives of the Corporation according to its Memorandum and Articles of Association are contained in the statement at Appendix II.

7.2. Situated on a 18-acre plot at Patparganj (Delhi), the New Dairy with the capacity for processing 4,00,000 litres of milk per day, has been built at a cost of Rs. 300 lakhs, imported equipment representing Rs. 80 lakhs. In addition, it is expected that the 200 vending units proposed to be established in the Delhi city will cost Rs. 171 lakhs.

The Mother Dairy is designed to receive fresh milk (from the Milk Grid), pasteurise, standardise, and homogenise milk. The Dairy is also designed to augment fresh milk supplies with milk recombined from skimmed milk powder and fat. The Dairy sells pasteurised and homogenised milk containing 4.5 per cent fat and 8.5 per cent solids non-fat, at Rs. 2.00 per litre. They pay to the farmers —Rs. 1.89 per litre. The new Dairy was commissioned in December, 1974.

7.3. Explaining in brief the functions of the Indian Dairy Corporation, the Managing Director of the Indian Dairy Corporation has stated during evidence:—

"They are dealing with dairy development, development of Operation Flood programmes by tackling the problems of four milk markets in India at Delhi, Bombay, Calcutta and Madras. These are the four major consumption centres, the milk sheds of which cover ten States. For instance, Delhi's market is being linked up with Rajasthan, Western U.P., Punjab and Haryana; similarly, Calcutta is being linked up with Bihar

and Eastern U.P., Madras is linked up with Tamil Nadu and the rural areas of Andhra Pradesh, while Bombay is linked up with the rural areas of Maharashtra and Gujarat. In these ten States, selected areas have been taken up for the development of Anand pattern society, so that there will be at least one such organisation in each of these States."

7.4. The Committee have been informed during evidence that when the second dairy plant came into existence, it did not have any procurement agencies of its own. The Delhi Milk Scheme, therefore, had to divert a portion of its own milk supplies to see that the D.M.S. diverted 54.04 lakh litres of milk to the Mother Dairy from Rajasthan and Uttar Pradesh during 1975-76.

7.5. Explaining the present sources of procurement of milk of the new dairy, the Secretary, National Dairy Development Board, has stated:—

"The new dairy is collecting milk from Meerut, Punjab and Rajasthan as also from Gujarat. From Gujarat the present collection is about 60,000 litres all through the organised dairy public sector or cooperatives only."

7.6. The Committee were informed that the Delhi Milk Scheme were in a position to take care of about 45 per cent of Delhi's milk requirements. Enquired as to how the Delhi Milk Scheme would be able to meet the entire demand of milk of the people of Delhi, the Chairman, Delhi Milk Scheme, has stated:—

"The second dairy which has already constructed a large number of depots and milk is easily available at an economic price will supplement the DMS distribution. Ultimately, both the dairies together will supply more or less the entire requirement of Delhi. That is the planning and already a lot of progress has been made in the sense that the second dairy and DMS between themselves will supply about 7 lakh litres. The second dairy plant is spreading their distribution network and I think within the next two years the position will improve very substantially."

7.7. The Committee asked whether the Indian Dairy Corporation paid the same procurement price of milk as is paid by the Delhi Milk Scheme. The Chairman, Delhi Milk Scheme, has stated:—

"They are adopting DMS price; but give Rs. 5/- extra. They had raised the difference a little more. Then we discussed the matter; and Government took a policy decision that there should be price parity between the two Delhi plants. That is the latest situation."

7.8. In reply to a question, the representative of the Delhi Milk Scheme, has stated:—

“It is most essential to have complete parity and coordination between the two dairies, as far as the procurement and distribution are concerned. Government has actually issued a directive that there should be price parity. In regard to coordination also, Government is taking necessary measures. There is adequate coordination now between the two dairies. In pricing also, a fair amount of parity is there.”

7.9. The Committee pointed out that Government had issued the order that there should be complete parity and not ‘a fair amount of parity’. The representative of the Ministry of Agriculture has stated as follows:

“A problem of this type had arisen about 2 months back; and we in the Ministry had to intervene. We called the representatives of both the dairy plants and sorted the problem out. We are in frequent touch with both the units. The milk shed is really common. There are lots of operational problems.”

7.10. Referring to the quality of milk supplied both by the Mother Dairy and the Delhi Milk Scheme, the Ministry of Agriculture have explained the position, in a written note, thus:—

“The quality of milk sold by the Mother Dairy and Delhi Milk Scheme is quite different. The Mother Dairy sells standard milk containing 4.5 per cent fat, whereas Delhi Milk Scheme sells toned milk containing 3.0 per cent fat. The rate had to be kept distinct according to the quality.

“In order to achieve complete coordination between the activities of the two dairies in the Capital, a Committee has been constituted under the Chairmanship of Joint Secretary in-charge of Dairy Division in the Department of Agriculture. This Committee, among others, consists of the Chairman/General Manager of the two dairies along with other concerned officers. Important decisions like the purchase and sale price of milk by the two dairies will be finalised by this Committee.”

7.11. Regarding the future co-ordination between the D.M.S. and the Delhi Mother Dairy and their Management and Control, the Committee of Public Undertakings has in its 83rd Report (5th Lok Sabha— 1975-76) made the following recommendations:—

“The Committee need hardly point that now when there are two public sector dairies in Delhi, Government will have to take steps to avoid duplication of efforts and overlapping of func-

tions, arrange judicious location of booths in all parts of the city and ensure equitable distribution of milk among all sections of people. They are of the opinion that one integrated organisation to manage and control the affairs of both the DMS and the Delhi Mother Dairy will not only go a long way in achieving these objectives, but will also make it possible for the Management to keep the overheads on staff and fuel costs on transportation low, guard against unwholesome competition among milk producers and give them a fair deal, achieve economies of scale and pass on the benefits of low costs to the consumers. Needless to say, the integrated management of the two dairies will be able to bring about optimum utilisation of the bottling capacity of DMS and the storage capacity of the New Dairy. The Committee stress that Government should not lose any more time in taking a decision on the structure of the integrated agency to run the two dairies in larger interests of the consumers and producers. If, however, the two dairies have to remain as separate units for some time till the organisational structure of one integrated agency is finalised, the Committee would like the Government to make some suitable functional arrangements to bring together the heads of the two dairies so as to ensure coordination in their activities and integration in their planning during the interim period."

**7.12. The Committee find that the Delhi Milk Scheme as well as the Mother Dairy run by the Indian Dairy Corporation continue to operate in Delhi as two separate entities. In this connection, the Committee would like to recall the recommendation made by the Committee on Public Undertakings in their 83rd Report (April, 1976) to the effect the Government should take steps to avoid duplication of efforts and overlapping of functions between the two Dairies, arrange for judicious location of booths and ensure equitable distribution of milk among all sections of people. The Committee had further expressed the opinion that one integrated organisation to manage and control the affairs of both the Delhi Milk Scheme and the Delhi Mother Dairy would go a long way in achieving these objectives and would also make for reduction in overhead expenditure on staff, transport, etc. The Committee regret that in spite of the urgency of the problem, no concrete measures have yet been taken by the Government in the matter except setting up a coordination committee with a Joint Secretary of the Department of Agriculture as Chairman and on which are represented the Chairman/General Manager of the two dairies along with the other concerned officers. It is also understood that the two Dairies have been asked to maintain parity and coordination in the matter of procurement and distribution of milk. The fact, however, remains that while the**

**Mother Dairy procures its milk from the cooperatives, Delhi Milk Scheme is still largely dependent for its supply on contractors. There is also a marked difference in the fat content and the sale price of milk as also in the manner of vending. The Committee feel that now that both the systems have been in the field for a considerable period, it should be possible for Government to take a firm decision in the matter. At any rate, there should be complete coordination in the matter of procurement and distribution of milk in the best public interest. The Committee would like to be informed of the concrete measures taken by the Government specially in the matter of procuring milk increasingly from the cooperatives of milk producers and in opening of new distribution booths so as to make milk available in areas which are predominantly inhabited by weaker sections of the society.**

## CHAPTER VIII

### GENERAL

#### A. Idle Plant and Machinery

##### *Audit paragraph*

8.1. (a) Plant and machinery (details given below) were lying idle as on 30th June 1975 from the date of acquisition:—

Sl. No.	Description	Year of acquisition	Cost (Rs. in lakhs)	Remarks
1	Machinery and equipment for balancing station at Bikaner.	1964*	18.36	The balancing station at Bikaner is yet (November 1975) to be set up. In addition to the cost of the equipment an expenditure of Rs. 2.60 lakhs was incurred on acquisition of land and its development.
2	Automatic recrating and decrating machines.	1965	7.43	These items were also reported in paragraph 80(7) of Central Government Audit Report (Civil 1970 and commented upon in paragraph 7.15 to 7.17 of the Sixth Report of the Public Accounts Committee (1971-72). The Management informed Audit in November 1974 that recrating and decrating machines had been partly damaged by fire in 1971 and that technical experts of National Dairy Development Board had inspected the machines with a view to utilise/dispose of various parts of the machines. The report of the National Dairy Development Board is awaited (November 1975).
3	Milk evaporating plant . . . . .	1963	1.68	
4	Cheese plant . . . . .	1965	3.80	
5	Railmilk tankers . . . . .	1970-71 and 1971-72	10.27	Regarding acquisition of tankers refer sub-paragraph (b) below.
TOTAL			41.54	

\*1971 (subsequently intimated by Audit)

### Rail Milk Tankers

8.2. In paragraph 4.33 of its Sixth Report (1971-72—July 1971), the Public Accounts Committee had recommended that, in view of the dwindling procurement of cow milk from Bikaner and the proposal to instal a cheese plant there, Government should make sure of the economics of procuring tankers of 21,000 litres capacity for transport of milk from Bikaner.

8.3. In reply to the above recommendation, the Ministry *inter alia* stated [Chapter III, page 46 of Fifty-Seventh Report of the Public Accounts Committee (Fifth Lok Sabha) 1972-73] that there was adequate justification for procuring 5 rail milk tankers, each of 21,000 litres capacity, for transport of milk either from Bikaner or from Jodhpur or from Mehsana, where adequate milk was available but could not be transported to Delhi for want of rail milk tankers.

8.4. The five tankers procured by the Scheme at a cost of Rs. 5.30 lakhs through the Director General, Supplies and Disposals were received between January 1971 and July 1971. Owing to the failure of the Contractor to fabricate the under-frames required for these tankers, the work of fabrication was entrusted in September 1971 to the Railways at a cost of Rs. 4.97 lakhs as against the contractors accepted quotation of Rs. 2.31 lakhs.

8.5. While the under-frames were under fabrication, the Scheme informed the Railways in August 1973 that these would no longer be required as the railway siding at Patel Nagar had not been provided. The Railways did not, however, agree to suspend the fabrication at that late stage. The fabrication of under-frames is yet (November 1975) to be completed.

8.6. In view of the fact that the setting up of a balancing station to step up procurement of milk from Bikaner has not materialised so far (November 1975) and supplies from Mehsana have stopped with effect from December, 1973, the tankers are unlikely to be utilised.

[The Ministry have stated to Audit in April 1976 that these tankers are meant not only for collection of milk from Bikaner but also for collection from other centres which are linked by meter gauge railway. It is further stated that as soon as the complete rail milk tankers are received by the Delhi Milk Scheme these will be put to use]

[Paragraph 48(4.5) of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Civil)].

8.7. Referring to the automatic decrating and recrating machines, the Public Accounts Committee (5th Lok Sabha) (1971-72) in their Sixth Report noted that these machines had not been put to use and efforts were made by the management to dispose them of. A reference was made to the manufacturers who made reference to their worldwide distributing agencies. Some response was received from the firms but ultimately the deal did not go through. The Committee therefore desired to know the progress made in regard to the utilisation of the machines.

8.8. In their 57th Report (5th Lok Sabha) (1972-73), the Ministry informed the Committee as under:

“While the question of utilisation of the automatic decrating and recrating machine was being reviewed in Delhi Milk Scheme a fire took place on 28th July, 1971 in the transport shed of Central Dairy where the wooden crates containing parts of these machines had been stored. As a result of this fire, some crates were burnt and many parts of the 4 sets of decrators and recrators got damaged. The Police authorities who were asked to investigate the causes of the fire including as to whether there was any possibility of a ‘mischief’, reported on 6th May, 1972 that after investigation they had closed the case as they do not suspect criminal act on the part of any person.

Immediately after the fire, a Committee had also been constituted by the Chairman, Delhi Milk Scheme comprising Senior Dairy Engineer, Transport Engineer and Controller of Stores to assess the damage to the recrating and decrating machines as a result of the fire. According to the Committee, the loss would be of the order of about Rs. 2 lakhs. Ministry have advised the Chairman, Delhi Milk Scheme to get examined the damages caused to the decrating and recrating machines by the Experts Team of N.D.D.B. and also to obtain their advice regarding the repair|utilisation|disposal of the machines. The matter was referred to the N.D.D.B. in April, 1972. When the Expert Team of N.D.D.B. visited Delhi Milk Scheme in June, 1972, they were again requested to examine the machines and advise on the repair|utilisation|disposal thereof. Further action will be taken on receipt of their recommendations.”

8.9. At the instance of the Committee, the Ministry of Agriculture have furnished a copy of the Report of the technical experts wherein the following observations/conclusions have been made:—



### *Observations*

“The relevant information gathered by the team revealed that the automatic decrating, recrating and crate stackers were purchased by DMS in the year 1965. Out of these, seven cases were burnt while storage in July, 71 at the dairy premises and found severely damaged. The various components, particularly of the crating and decrating machines, viz., motors nylon sockets for holding the bottles, aluminium parts, electrical wiring, air-cylinders etc. were considerably damaged. All these equipments were visually examined and found not usable unless and until thoroughly overhauled, repaired and the important components are replaced. The crate stackers were, however, found intact.

Further, it is found that one out of 4 decrates and 2 out of 4 re-crates are also not affected by fire though they have got partially corroded during storage at site. The DMS authorities are using GI wire crates and plastic crates and substantial numbers of these crates are not fit for any mechanical handling, particularly for operation of crating, decrating and crate stacking.

It was further observed that out of 5 nos. of bottling plant under operation, 3 nos. are in considerably deteriorated condition. It was also learnt from the DMS officials that these are being replaced by new plants for which they have already issued indents.

The crating, decrating and stacking machine received by Delhi Milk Scheme are not in production now by the original manufacturer and from the records it was gathered that the manufacturer has also informed DMS that this model has now become obsolete.

### *Conclusions*

The team, after discussion with the officials of DMS subsequent to the visual inspection of the above items, could draw the following conclusions.

These items, now being obsolete, would be difficult to be operated since obtaining the spare parts would be extremely difficult. Further more, the type of crate being used in DMS would not be suitable for any mechanical handling and could ultimately lead to severe breakage of bottles and/or complete stoppage of production. The 2 stackers available alone cannot be installed and found adequate to cater to the bottling

plants and in such case the whole bottling plant layout may have to be changed too. As mentioned above, the condition of substantial portion of these machines is very bad. The overhauling, repair and reconditioning of the same would involve considerable expenditure and foreign exchange specially so if DMS have to obtain parts, (parts may not be available) as well as technical experts from the original manufacturers in abroad.

All these facts lead to the conclusion by the team that the decrating, recrating and stacking machines referred to above should not be considered for use at this stage and the same could be disposed of accordingly."

8.10. Asked to state the latest position in this regard, the Chairman, Delhi Milk Scheme, has stated during evidence as follows:

"The crating machine was used for sometime; it was commissioned with the plant itself in 1959; then it gave a lot of mechanical trouble; some of it was replaced and some machines were procured in 1964 or 1965. The trouble with imported machines is that no spare parts are available to put them in order once something goes wrong. We found that the working of the crating and decrating machines was not satisfactory and so it was decided not to use these machines. At one stage a lot of effort was made to get the manufacturers take back those machines or arrange for their resale somewhere but by that time they had changed the design of those machines and they said that there would be no buyers for those machines. We have now decided to cannibalise them and use the parts which could be used and sell away the rest which could not be used."

8.11. As regards the Cheese Plant, the Public Accounts Committee (5th Lok Sabha) (1971-72) in their 6th Report on Delhi Milk Scheme observed as under:

"A Cheese plant procured on a high priority basis at a cost of Rs. 3.80 lakhs in the year 1965 is yet to be installed. The Committee are not fully convinced of the soundness of the original proposal to instal the plant in Delhi. It is not clear as to why the order for it could not be cancelled when the Kurien Committee recommended the cancellation in 1964. The Committee note that the Scheme expects to instal the plant at Bikaner as per the alternative suggestion of the Kurien Committee, in about two years' time. It was admit-

ted during evidence that the plant might become obsolete on account of delay in its installation. The Committee hope that such instances of bad planning will not recur."

8.12. In their Action Taken Notes, the Ministry stated, *vide* 57th Report (5th Lok Sabha) (1972-73) as under:

"The Cheese Plant purchased in 1964 was originally intended to be installed at Central Dairy and the order for the cheese plant was placed by the D.G.S.&D. on M/s. Vulcan Trading Co. on 23rd March, 1964. However, an Expert Committee presided over by Dr. Kurien advised in August, 1964 that it would be best if the order for the cheese plant could be cancelled without any financial implications. If this was not possible then the cheese making equipment could be installed at Bikaner. Procurement action was, however, at an advance stage. Delhi Milk Scheme could not succeed in getting the order cancelled or postponed as the firm had informed that they are awaiting shipping advice from the Manufacturer. The matter was considered by the Management Committee in its 15th Meeting held on 6th November, 1964 and it was decided that since the order had been placed, equipment might be allowed to come. It was decided to instal the plant at Bikaner. Nearly all the machinery and equipment for the Bikaner Balancing Station have since been procured. With the introduction of the Operation Flood Programme State Governments/State Cooperatives would operate the feeder balancing Station located in that State.

The question as to whether the Delhi Milk Scheme or the Government of Rajasthan should set up the Balancing Station at Bikaner is yet to be decided.. As soon as a final decision regarding the agency which would undertake this project is taken, it will be possible to establish the Balancing Station and also to instal the cheese plant.

In view of the foregoing clarifications, the plant and machinery in question could not be installed due to circumstantial and technical factors and no person can be held responsible on this account. The Government are, however, looking into the circumstances about the soundness of the original proposal to instal the Cheese Plant in D.M.S. and will fix responsibility if the initial planning is found to be unsound."

8.13. As regards commissioning of cheese plant the representative of the Delhi Milk Scheme, has stated during evidence:

“We have a cheese plant and the idea was to put it up in the milk shed area to link up with the balancing station of the Delhi Milk Scheme. The original idea was to put it up at Bikaner. But the State Government had also decided to put up a cheese plant there. Now, we have decided to put it up at Mathura and U.P. Government’s concurrence is awaited. Along with cheese plant, we need pasteurisation units also. These facilities we wanted to develop not in Delhi but in the milk shed areas because it saves transportation and handling costs.”

8.14. Commenting on the purchase of milk evaporating plant, the Public Accounts Committee in paragraph 7.16 of their Sixth Report (5th Lok Sabha) had observed as follows:

“It is unfortunate that the Scheme went in for such a sophisticated equipment as milk evaporating plant on the advice of a foreign expert without examining its immediate utility and consequently the equipment had not been put to use since 1962-63. The Committee need hardly stress that recommendations of foreign experts should henceforth be carefully sifted by the National Dairy Development Board/Indian Dairy Corporation to ensure their suitability under the present Indian conditions.”

8.15. The Ministry of Agriculture had furnished the following reply to the above recommendation of the Committee in 1972:

“The milk evaporating plant was actually installed and commissioned in the year 1963, but on account of the excessively high water consumption, its use was discontinued. When the total handling capacity of DMS was increased as a part of this expansion programme, it was proposed to instal another milk evaporator. As such, it was felt that a water recirculation system should be developed for both the evaporators to economise on costs and make the proposition more practical. Action has already been initiated, the water recirculation system has been installed and both the evaporators are expected to be commissioned in about 6 months time.

Action to procure new items of machinery and equipment is now generally being taken by Delhi Milk Scheme on the advice

of experts attached to the National Dairy Development Board/Indian Dairy Corporation, as well as United Nations Experts assigned to India.”

8.16. The Ministry of Agriculture and Irrigation (Deptt. of Agriculture) informed the Committee on 26 July, 1977 as follows:

“The milk evaporating plant has not been commissioned so far because it has not been possible to arrange the spare parts of the requisite quality. Efforts are being made in this direction.”

8.17. As regards the rail milk tankers, Audit has stated that 5 tankers procured by the Delhi Milk Scheme at a cost of Rs. 530 lakhs were received between January, 1971 and July, 1971. The fabrication of the under frames for the tankers was entrusted to the Railways in September, 1971 at a cost of Rs. 497 lakhs. In August, 1973, however, the Delhi Milk Scheme informed the Railways that the under-frames under fabrication were no longer required as the railway siding at Patel Nagar had not been provided. The Railways, however, did not agree to suspend the fabrication work at that late stage. In November, 1975, the fabrication was still to be completed.

8.18. The Committee desired to know whether the matter regarding suspension of the work was discussed with the Railway Board, the Ministry of Agriculture have stated in a written note:

“In November, 1972, the Railway Authorities informed Delhi Milk Scheme that a Mass Rapid Transit System in Delhi area was being developed and it was possible that the MRTS tracks may traverse Patel Nagar Yard between the Delhi Milk Scheme premises and the existing station building. In view of this the provision of MG siding on the Delhi Milk Scheme premises was not considered feasible.

The Chairman, Delhi Milk Scheme discussed the whole issue of suspension of fabrication of under-frames by the Railway with Shri R. C. Sethi, Joint Director, Mech. Engineering(W), Railway Board. As per the then Chairman's note dated 17-9-73, recorded in file No. 2-1|68-ST|Vol. II it appears that he was informed by Shri Sethi of Railway Board that the Railway Board had already acted on our earlier request for fabrication of under frames and the Golden Rock Workshops of the Southern Railway had already manufactured 5 M.G. under-frames and instructions had also been issued by the Railway Board to despatch these to the Bikaner Workshop of the Railways for mounting of the tanks. In view of the advanced

stage of the manufacture of the under-frames it appears that Shri Sethi did not agree to the suspension of fabrication proposed by DMS. Therefore, the Railway Board was allowed to go ahead with the remaining work for completing the rail milk tanker *vide* office letter No. F. 2-1/68-ST/Vol. II, dated 24.9.73.

In this connection it may be mentioned that the then Chairman discussed the matter at length with the Additional Secretary (P) of Ministry of Agriculture and Irrigation and Dr. Kurien, Chairman I.D.C. at about the same time, and on a note dated 17-9-73 in file No. 2-1/68-ST/Vol. II, the Chairman recorded that Dr. Kurien expressed the view that D.M.S. may proceed to have the under-carriages fabricated and rail milk tanks mounted on these as planned and if and when D.M.S. finds that it could not be in a position to utilise these rail milk tankers any further there should be no difficulty at all in transferring these rail milk tankers to I.D.C. who were planning to arrange for rail milk tanker, on All India basis for the movement of milk. This understanding was also conformed by the Managing Director, I.D.C. Baroda *vide* his letter No. PROF/DMS/11744, dated 27th September, 1973."

8.19. About the completion of work of fabrication of underframes, the Ministry of Agriculture have stated the following in a note furnished to the Committee:

"Two milk tankers were delivered to Delhi Milk Scheme on 12th October, 1976 and are already in use. The work regarding the mounting of the tank bar barrels on the remaining 3 under-frames is in progress in the Railway Workshop at Bikaner."

8.20. The Committee desired to know the reasons for the delay in the completion of work of fabrication of remaining three milk tankers. In reply, the Ministry have furnished the following note:

"The railway workshop at Bikaner could not handle fabrication of all the five tankers at a time. They took up fabrication of these tankers after they had completed the first two tankers."

8.21. The Committee enquired the actual use to which the rail milk tanker already fabricated had been put to and the economics and financial implication thereof. The Ministry have stated:

"The rail milk tankers are required for transportation of milk from Bikaner as well as from all metre gauge stations in the milk

shed area such as Alwar, Ajmer, Jodhpur & Bhillwara. At present the milk is being transported from Bikaner only, but efforts are being made to utilise the tankers for transportation of milk from other metre gauge stations, and as such economics will be worked out later on."

8.22. The Committee are distressed to note that several items of plant and machinery costing Rs. 41.54 lakhs have been lying idle with the Delhi Milk Scheme since their acquisition. They find that more than a decade has passed since the automatic recrating and decrating machines, milk evaporating plant and cheese plant were acquired by the Delhi Milk Scheme and have not been put to use for one reason or the other. In this context it is relevant to mention that the Public Accounts Committee in their Sixth Report (Fifth Lok Sabha) had also stressed the need for utilisation of these machines. The Committee note that despite the fact that the technical experts of the National Dairy Development Board who had inspected the automatic recrating and decrating machines in March 1975 and recommended their disposal, nothing tangible has been done in this behalf.

8.23. The Committee note that although the Ministry had intimated to them in 1972 that the milk evaporating plant would be commissioned in about six months, they are surprised to find from the information furnished to the Committee in July 1977 that it has not been commissioned so far for lack of spare parts. The Committee would like to be informed of the specific steps taken to expedite the commissioning of the plant. The fact that the plant has been lying idle since 1963 and the Delhi Milk Scheme were carrying on without it all these years, gives rise to the doubts in the mind of the Committee whether the purchase of the evaporating plant was absolutely necessary.

8.24. The Committee note that the Delhi Milk Scheme failed to establish the cheese plant at Bikaner. They also note that efforts are being made to establish it at Mathura and that the sanction of the Government of Uttar Pradesh is awaited.

8.25. The Committee note that five rail milk tankers requisitioned at a cost of Rs. 10.27 lakhs were originally required for carrying milk from Bikaner. Since railway siding at Patel Nagar premises of the Delhi Milk Scheme was not being provided, the Delhi Milk Scheme now intend to utilise these tankers not only for collection of milk from Bikaner but also from other centres which are linked by metre gauge railway. The Committee deplore the failure of the Ministry to establish an effective liaison with the Railway Board in the matter of the provision of the Railway siding at Patel Nagar. They feel that before awarding the contract to the Railways for the manufacture of under-frames of the tankers, the Delhi Milk Scheme should have ascertained from the Railway Board the position of pro-

vision of railway sidings facilities at Patel Nagar. The Committee note that two milk tankers which were delivered to the D.M.S. by the ~~1971-72~~ are already in use. They hope the remaining three tankers would also be refurbished soon and put to use.

#### B. Workshop and Transport Equipment Audit Paragraph

8.26. The Scheme is maintaining two workshops, one for repair and maintenance of vehicles and the other for repair and maintenance of the plant and equipment in the Central Dairy. The staff strength of the Transport and Central Dairy Workshops, as on 31st March 1974, was 134 and 155 respectively.

8.27. The total expenditure incurred on maintenance of dairy plant and equipment and transport vehicles for the years 1969-70 to 1973-74 was as follows:—

	(Rupees in lakhs)				
	1969-70	1970-71	1971-72	1972-73	1973-74
(i) Maintenance of dairy plant and equipment	3.49	4.89	5.07	6.98	9.80
	Expenditure was not booked separately.				
(ii) Maintenance of transport Vehicles	..	..	11.88	9.08	13.60

8.28. In this connection, the following observations are made:—

(a) As on 31st March 1974, the Scheme had a fleet of 21 \*read milk tankers and 148 vans for transportation of milk from milk collection and chilling centres to the Central Dairy and from Central Dairy to the milk depots. The data relating to the date of acquisition, mileage run, consumption of petrol/diesel, expenditure on maintenance and repairs, date of condemnation, etc. of each tanker and van were not maintained by the Scheme. As a result no control could be exercised by the Management on the expenditure on repairs and maintenance, premature condemnation, etc.

The Ministry intimated to the Audit in April 1976 that data relating to date of acquisition, mileage run, consumption of petrol/diesel and date of condemnation are maintained.

(b) The job orders/job cards maintained by the Management only indicated the estimated requirement of materials for carrying out repairs/

\*16 Road milk tankers (Subsequently informed by Audit).



maintenance/overhauling of transport vehicles and plant and equipment. Estimates for the requirement of labour were not given in the job orders/job cards. Again actual cost of each job indicating the cost of materials labour and other items is not being worked out.

(c) The cards maintained for the purpose of watching utilisation of tyres did not indicate mileage covered by a particular tyre so as to find out whether or not mileage obtained was reasonable and replacement had not been made prematurely.

(d) No standards for consumption of petrol/diesel/engine oil had been laid down. An analysis of the overall consumption of petrol, diesel and engine oil indicated that average consumption per 1,000 kilometres was constantly on the increase over the data for 1971-72, as per details given below:—

	1971-72	1972-73	1973-74
	(in litres)		
Average consumption of petrol per 1000 kms. . . . .	128.9	164.2	187.6
Average consumption of diesel per 1000 kms. . . . .	296.4	311.3	331.0
Average consumption of engine oil per 1000 kms. . . . .	9.5	11.4	16.2

[Paragraph 48 (4.6) of the Report of the Comptroller & Auditor General of India for the year 1974-75, Union Government (Civil)].

8.29. At the instance of the Committee, the Ministry of Agriculture and Irrigation (Deptt. of Agriculture) have furnished the following figures regarding the total expenditure incurred on maintenance of dairy plant and equipment and transport vehicles during 1974-75 and 1975-76:

	1974-75		1975-76	
	Rs.		Rs.	
R & M Vehicles . . . . .	12,12,532		20,05,865	
Plant (Excluding factory building) . . . . .	9,77,017		13,32,687	
<b>TOTAL . . . . .</b>	<b>21,89,549</b>		<b>33,38,552</b>	

8.30. The Ministry have also indicated the average consumption of diesel, petrol and engine oil per 1000 kms. during 1974-75, 1975-76 and 1976-77 as under:—

Year	HSD/Per thousand Kms.	Petrol/Per thousand Kms.	Engine Oil/per thousand Kms.
1974-75	296.7	133.8	10.06
1975-76	190.5	145.8	13.01
1976-77	304.4	149.6	9.04

[Accounts for 1975-76 and 1976-77 have not yet finalised]

8.31. The Committee desired to know the number of break-downs of the various plants and equipments of the Delhi Milk Scheme during each of the last three years and the total man-hours lost as a result thereof. The Ministry of Agriculture in a note furnished to the Committee have stated:—

“The plant and machinery installed in Central Dairy consist of various units meant for processing liquid milk as well as for the manufacture of milk products. In order to ensure the distribution of processed milk uninterruptedly round the year, the break-down of the various plant and equipment during the last 3 years were only of the running type which has to be attended to promptly to keep the plants running. However, some units of the plant, such as clarifiers, separators and some storage tanks etc. could not be used effectively due to various break-downs which occurred from time to time. Their non-functioning, by and large, had not hampered or dislocated the supply. On the by-products manufacturing side, some of the plants, like spray drier and roller drier had not run regularly and remained idle for repairs from time to time. The break-downs in them were also of running nature. These units were put to use after repairs. The details of the lay-offs during the last three years have not been maintained.”

8.32. The Committee have been informed that the expenditure on repair and maintenance of plants and machinery including expenses on factory building during the year 1974-75 was Rs. 9.77 lakhs and that accounts for the year 1975-76 were not yet finalised.

8.33. Asked to state the reasons for the rising trend in the expenditure on repair and maintenance of plants and machinery, the Chairman of the Delhi Milk Scheme has stated during evidence thus:

“There are two or three reasons. One is the general increase in the price of industrial raw materials and also increase in the

cost of services like electricity, water supply, etc. Then wages and other things also steeply increased. It has started coming down but upto last year prices increased sharply. The other reason is this. The old plants naturally require much greater maintenance than the new ones and they also start using up more lubricants and other problems are there."

8.34. The Committee asked about the reasons for non-compilation of data relating to utilisation of transport fleet and enquired how in the absence of such data the Management ensured the effective utilisation of the fleet. In reply, the Ministry have stated:

"The vehicles are taken on charge in the Stores Ledgers before the same are handed over to the Transport Section. After the handing over, these are got registered with the Transport Authorities and the registration books give all the particulars of the vehicles. The History Sheets and Job Cards give the frequency and quantum of repair carried out on the vehicles. After the vehicle has completed successfully its span of life, it is condemned by a Committee of Technical Officers and disposed of thereafter.

Vehicle-wise statement showing consumption of petrol/diesel is prepared in the Tool Room. In cases, when the milometers are not in working order, proper checking with regard to the consumption of POL is also done with reference to the distance of each route for milk distribution which is predetermined. Road tests are conducted by the Transport Inspectors periodically and the vehicles are attended to for removal of the defects found by them. Further checks are also exercised while the vehicles are on road for milk procurement/distribution duty. Entries in the Log Books are made as per columns provided therein. Efforts are however, made to provide milometers on the vehicles as early as possible."

8.35. The Committee enquired from what date the data relating to date of acquisition of road milk tankers, mileage run, consumption of petrol/diesel etc. was maintained by the Delhi Milk Scheme. The Ministry have explained the position as under:

"The dates of acquisition of the road milk tankers are available in the Stores Ledgers wherein the horses/prime movers and the Chassis are taken on charge as and when received in Delhi Milk Scheme. This procedure has been in vogue since the inception of the Scheme. From the dates the tankers are put in use, the mileage run and the consumption of petrol/diesel

are indicated in the Log Books from time to time in respect of each journey undertaken by the Road Milk Tankers. The issue of Petrol/Diesel is made in the Issue Vouchers and the entries are simultaneously made in the Log Books. The condemnation of vehicles is done in accordance with the provisions of the Staff Car Rules framed by the Government of India and the approval of the Government of India in the Ministry of Agriculture to this effect is obtained. The particulars of road milk tankers condemned from time to time are available in the relevant files maintained by the P.D. & C. Cell of the Scheme.

The particulars of spare parts issued for the repairs of vehicles are available in the Job Cards and the History Sheets maintained for the vehicles. The estimated expenditure incurred on the repairs of each vehicles can be worked out from these records. The total expenditure incurred on the repairs and maintenance of the vehicles is available in the Proforma Accounts for each financial year. However, the expenditure on the repairs and maintenance of each vehicle indicating the spare parts fitted to them and the expenditure by way of labour charges has not been worked out in respect of each vehicle as this would involve enormous labour and time.

8.36. The Committee are concerned to note the rising trend year after year in expenditure in the workshop maintained by Delhi Milk Scheme for repair and maintenance of the plant and equipment. They find that the expenditure has progressively risen from Rs. 3.49 lakhs in 1969-70 to Rs. 13.32 lakhs in 1975-76. The disturbing feature is that though at times there have been break-downs in some units of the plant, such as clarifiers, separators, some storage tanks and on the by-products manufacturing side, some plants like spray driers and roller driers had remained idle for repairs, the Delhi Milk Scheme had not maintained any details for such lay-offs. The Committee need hardly emphasise that complete record of the lay-offs of the plants and equipments showing the number of break-downs, total number of man-hour lost and the losses suffered as a result thereof should be properly maintained so that the precise reasons of break-downs could be identified for conclusive action to avert their recurrence.

8.37. The Committee learn that the Delhi Milk Scheme are maintaining another workshop for repair and maintenance of vehicles, both for milk tankers and vans meant for transportation of milk from milk collection and chilling centres to the Central Dairy and from the Central Dairy to the milk depots. The Committee are unhappy to note that the data relating to petrol/diesel, expenditure on maintenance and repairs, date of condemnation etc. of each tanker and van were not maintained by the Delhi Milk Scheme. Similarly, the records maintained for the purpose of utilisation of tyres do not indicate mileage covered by a particular van.

8.38. Yet, another matter of concern pointed out by the Audit is that the expenditure on the repairs and maintenance indicating the spare parts fitted to the vehicles and the expenditure by way of labour charges has not been worked out by the Delhi Milk Scheme in respect of each vehicle, ostensibly on the ground that 'this would involve enormous labour and time'.

8.39. The Committee are further unhappy to note that no standards of consumption of petrol/diesel/engine oil have been laid down. It is, however, observed from the Audit report that the average consumption of petrol/diesel/engine oil per 1000 km. was continuously on the increase during the years 1972-73, and 1973-74 as compared to 1971-72.

8.40. Besides the above shortcomings another disturbing feature which has come to light is the improper maintenance of records about their functioning. As pointed out by the Audit, the records maintained do not indicate actual repairs/maintenance/over-hauling of transport vehicles and plant and equipment. The actual cost of each job indicating the cost of materials, labour and other items as also not being worked out.

8.41. The Committee need hardly emphasise that the deficiencies and short-comings pointed out by the Audit should be looked into urgently for remedial action. In particular, the Committee urge that utmost economy should be effected in the expenditure on repairs/maintenance/over-hauling in both the workshops and in the use of petrol/diesel etc. so that the heavy losses now being sustained by the Delhi Milk Scheme are brought down to the minimum by reducing over-head expenditure.

8.42. The Committee would also like to be informed of the institutional arrangements made to monitor and check effectively the operational and maintenance expenditure on the transport vehicles.

#### C. Stores

##### Audit Paragraph

8.43. The following table indicates the inventory holdings of the Scheme for the years 1969-70 to 1972-73:—

	(Rupees in lakhs)				
	1969-70	1970-71	1971-72	1972-73	1973-74
Closing balance of Stores/spares	15.16	45.82	57.04	70.93	64.20
Consumption during the year :					
(i) Butter oil	..	38.02	88.65	37.84	203.29
(ii) Skimmed milk powder	53.26	128.15	196.24	258.85	487.61
(iii) Other stores and spares:	96.43	59.28	66.65	77.46	77.51
	149.69	245.45	351.54	474.15	768.41
Closing balance in terms of months consumption	1.2	2.4	1.9	1.6	1.0

- (a) According to the special stores verification undertaken at the instance of Government in October 1970, a difference of Rs. 35.49 lakhs was found between the figures of closing stock as per general ledger and the ground balance as physically verified. The difference was not adjusted after investigation/reconciliation but was shown under the head 'Stores Adjustment Account' on the liability side of the Balance Sheet as on 31st March 1971. A further amount of Rs. 8.79 lakhs and Rs. 0.49 lakh was credited to the above head in 1971-72 and 1972-73, respectively.

The report of special stores verification team was stated (July 1975) by the Management to be available with the Ministry of Agriculture and Irrigation. The Ministry, however, informed Audit in October 1975 that the Report may be had from the Scheme to whom a copy had been given as back in 1970. The Report is still awaited (November 1975). The details of further additions to Stores Adjustment Account in 1971-72 and 1972-73 are also awaited (November 1975). As a result, the correctness of the adjustment made could not be verified in Audit. The huge credit balance in the 'Stores Adjustment Account' is, however, indicative of lack of control with regard to accountal of receipt and issue of stores.

8.44. The Ministry stated (February 1975), in this connection, as follows:—

“Regarding addition of further amount of Rs. 8,78,527.87 to the Stores Adjustment Account for the year 1971-72, it may be stated that this amount is again the result of differences between the figures as arrived at in the Stores Control Account of General Ledger with Quantity Ledgers of various stores carried out up to 31-3-1972. It is only when relevant C.R. Vrs./Cl. Vrs./Missing R. Vrs./I. Vrs. are finally approved and finalised that the details of working out the amount in question would be made available to Audit. Instructions in this regard have been simultaneously issued to the Controller of Stores to expedite finalisation of the required documents after due investigation of the shortages and excesses.”

(b) According to the Manual of Accounting Procedure, physical verification of all articles is required to be conducted twice a year. No physical verification of stock of coal was, however, conducted since inception to March 1970. The physical verification conducted in March 1970 and further scrutiny conducted in September 1971 revealed a shortage of 1,777,735 tonnes valued at Rs. 1.33 lakhs. Although the Ministry of

Agriculture had asked the Management in May, 1970 to investigate the shortages and fix responsibility, final action in this regard had not been taken so far (November 1975).

(c) A test check of stores ledgers of transport and dairy engineering stores indicated that 584 items (details given below) valued at Rs. 3.60 lakhs had been lying unutilised for over three years as on 30th June, 1975.

(Rupees in lakhs)

Particulars	Total No. of items	Value
Motor transport stores . . . . .	153	0.63
Dairy engineering stores: . . . . .	431	2.97
	584	3.60

Survey of these items with a view to taking action for their disposal/ utilisation has not been conducted by the Management so far (November 1975).

[The Ministry intimated the Audit in April, 1976, that regular branch-wise reviews have been undertaken from 1973]

[Paragraph 48 (4.7) of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government Civil.]

8.45. The report of the Team of Special Physical Verification was submitted to Government on 31 May 1971. The Team had made the following important observations:—

- (i) Proper assets register showing the full description of assets and their location has not been maintained.
- (ii) Quantity balances in the stores ledgers had not been reconciled with those in accounts ledgers.
- (iii) Various items of stores had not been classified properly.
- (iv) Ledger balances could not be accepted as correct as there are numerous corrections, erasers, overwritings and interpolations, etc.
- (v) Minus balances were observed in a number of cases and discrepancy pointed out in earlier physical verification had not been adjusted.

- (vi) Receipt of bottles had been taken short to the extent of percentage permitted to cover handling losses in transit instead of actuals and in the accounts for bottles it was noticed that when issue of 5000 bottles only had been made the balances have been reduced by 10,000 bottles.
- (vii) There were missing folios in the ledger.
- (viii) Ad hoc weight of issue of aluminium foils was recorded instead of the actuals.
- (ix) The condition of automatic crating and decrating machines and autoclaves appears to be deplorable.
- (x) Additional purchases have been made in respect of some items even when the stock held were the maximum prescribed.

8.46. To tone up the organisation and improve the working of the Delhi Milk Scheme, the Team had suggested the following measures:—

- (i) The stores should be organised into homogenous and rational units.
- (ii) A separate milk products/by products stores should be organised under the distribution section.
- (iii) Stores items should be classified giving full description of items and their part number.
- (iv) Proper standing instructions should be laid down regarding care and maintenance of items stored so that they do not deteriorate during storage.
- (v) Periodical review of slow moving items should be made and the unwanted/obsolete items should be disposed of immediately.
- (vi) All material received should be inspected and taken on charge within 24 hours of receipt.
- (vii) Irregular practices like issues without proper indents, direct issues from the receipt section, fractional issues of materials which come in inconvenient/standard packings should be discontinued.
- (viii) To prevent unauthorised drawal of stores kept in the open without the knowledge of store-keeper, sorts in the open should be kept in proper enclosures under the control of store-keeper.
- (ix) Maximum, minimum and ordering levels should be prescribed on realistic basis and reviewed annually.



- (x) A three tier system of physical verification, viz. perpetual verification by internal audit, monthly surprise verification by the Controller of Stores and Stores Officers and annual verification by technical officers nominated by the Chairman may be introduced.

8.47. The Committee desired to know the action taken by Government in pursuance of the various recommendations/suggestions made by the Special Stores Verification Team. The Ministry, in a note furnished to the Committee, have stated:

“The contents of the Report may be divided into two parts, namely, observations made on physical verification and suggestions/recommendations made. As a result of physical verification, quantitative difference between the balances as per quantity ledgers of various stores and those found on verification as physically and actually existing/available were noticed. The net increase in value due to excesses and shortages noticed worked out to Rs. 1,73,712/- as per details given below:—

Stores:	No. of items of discre- pancy	Excess	Shortage
Dairy Engineering Store . . . . .	140	1,72,680	19,033
M.T.Store . . . . .	52	21,510	17,309
C.T.O. Stores . . . . .	21	36,050	105
		<u>2,10,240</u>	<u>36,537</u>

**Net Rs. 1,73,712**

Proposals for reconciliation of excesses/shortages received from the Controller of Stores have been examined. Out of above only 451 items of Dairy Engineering, 51 items of M.T. Stores and 3 items of C.T.O. Godown are now outstanding and are under further examination.

As a result of verification, difference in value as on 31-3-71 between the figures appearing in the Stores Control Account of General Ledger maintained by the Scheme for the purpose of exhibition in the balance sheet and the values as per Price Store Ledger were also noticed because upto the accounting year 1969-70 the value of current assets of the Scheme at the close of the year was being exhibited in the Balance Sheet on the basis of figures arrived at in the Store Control Account of

the General Ledger without reconciliation with Priced Store Ledger. The cumulative effect of the above non-reconciliation resulted in appreciation of value of stores items as on 31-3-71 to the extent of Rs. 35,49,054. To adjust this existing difference and in order to bring it at level with the value of physically available stores items, corresponding liability head namely Store Adjustment Account has been opened. A proposal of merging the Store Adjustment Account with prior period adjustment account is under consideration. Regarding suggestions/recommendations it is stated that most of them have been examined."

8.48. The Committee enquired the reasons for not conducting the physical verification of stock of coal since the inception of the Scheme upto March 1970. The Ministry of Agriculture have in a note explained the position as follows:—

"Physical verification of coal since the inception of the Scheme to the year 1970 could not be done for the following reasons:

- (i) The Physical Verification Unit of Delhi Milk Scheme came into existence only in the year 1970 and hence there was no staff for undertaking this job effectively prior to 1970.
- (ii) There was only one coal yard wherein substantial ground balances of coal were dumped. In order to carry out the physical verification of the balances, the coal was required to be loaded in the trucks for weighing at the weighing scale and thereafter to be stored in a space apart from the one where the coal used to be dumped. After the entire weighing, the coal was required to be re-transferred to the coal yard. All this process was expensive and time-consuming. In view of these difficulties and for want of staff the physical verification of coal could not be carried out upto March 1970. A decision to construct a new Coal Yard has now been taken and the matter has been referred to the CPWD."

8.49. It has also been stated by the Ministry that the shortage of coal was investigated by a Committee of Officers consisting of Personnel Officer, Store Officer (Ply) and Accounts Officer (Estt.)

8.50. The Committee referred to the Audit paragraph wherein it had been mentioned that 584 items of transport and dairy stores valued at Rs. 3.60 lakhs had been lying un-utilised for over three years as on 30 June, 1975 and enquired the action taken by the Delhi Milk Scheme to utilise/

dispose of those items. The Ministry of Agriculture have furnished the following note:

“584 items of transport and Dairy Stores lying unutilised for over 3 years (as on 30-6-75) have been included in the Audit Report for disposal. In this connection, it may be stated that all the items do not have the same frequency of consumption and hence all of the aforesaid items are not essentially excess/surplus to our requirements. However, lists of 1780 slow-moving items of Transport and Dairy Engineering Stores have already been prepared and sent to the Technical Officers. Incharge of the Transport and Dairy Engineering Branches during May, 1975 and June, 1976, respectively and the same are under consideration of the aforesaid Technical Officers. Based on the recommendations of the aforesaid officers, action for disposal of such items as are certified to be actually surplus or excess to the requirements will be taken as per Government rules/regulations. The recommendations of the Officers are awaited.”

8.51. The Committee note that the special verification of stores of Delhi Milk Scheme conducted in October 1970 revealed difference of Rs. 35.49 lakhs between the figures of closing stock as per general ledger and the ground balance as physically verified. They are surprised to note that this difference was not adjusted after investigation/reconciliation but was shown under the head 'Stores Adjustment Account' on the liability side of the Balance Sheet as on 31 March, 1971. A further amount of Rs. 8.79 lakhs and Rs. 0.49 lakhs of which details are not known was again credited to the above head in 1971-72 and 1972-73, respectively. The Committee deplore the manner in which the accounts of the Delhi Milk Scheme a commercial organisation, were maintained all these years. Instead of taking swift action to reconcile the differences, the Authorities took recourse to the method of showing the stores, which could not be reconciled, under a head entitled "Stores Adjustment Account". The Committee agree with the observations made by the Audit that the huge credit balance in the 'Stores Adjustment Account' is indicative of lack of control with regard to accountal of receipt and issue of stores.

8.52. The Report of the Team of Special Physical Verification, which examined the position of the stores in the Delhi Milk Scheme, has revealed gross irregularities in regard to the maintenance of the stores ledgers. The Team had observed that proper assets register showing that full description of assets and their location had not been maintained. Quantity balances in the stores ledgers had not been reconciled with those in accounts ledgers.

According to the Team, the ledger balances could not be accepted as correct as there were numerous corrections, erasers, overwritings and interpolations, etc. Minus balances had been observed in a number of cases and discrepancy pointed out in earlier physical verification had not been adjusted. The Special Physical Verification Team had made a number of suggestions for effecting improvement in the maintenance of accounts. The more important of them related to periodical review of slow moving items and disposal of unwanted/obsolete items; classification of stores giving full descriptions of items and part numbers issue of proper standing instructions regarding care and maintenance of items stored; maintenance of stores kept in the open in proper enclosures under the control of storekeeper; and a three tier system of physical verification, viz. continuous verification by internal audit, monthly surprise verification by the Controller of Stores and Stores Officers and annual verification by Technical Officer nominated by the Chairman. The Committee would like to be informed about the action taken on the various suggestions/recommendations made by the Special Physical Verification Team.

8.53. The Committee are also perturbed to find that no physical verification of stock of coal has been made since inception to March 1970 while such verification was required to be conducted twice a year as per the provisions of the Manual of Accounting Procedure. They are not convinced that the physical verification prior to the period 1970 could not be conducted for paucity of staff. They further note that the physical verification of stock of coal conducted in March 1970 and further scrutiny conducted in September 1971 revealed a shortage of 1,778 tonnes of coal valued at Rs. 1.33 lakhs. The Committee would like the Ministry to fix responsibility for the lapse in not undertaking a physical verification of the stock of coal since inception of the Scheme upto March 1970 which they are required to do under the provisions of the Manual of Accounting Procedure. The Committee would also like the Ministry to take conclusive action against the officers concerned who were found responsible for the shortage detected in the stock of coal after the physical verification conducted in March 1970 and in September 1971. The Committee would also like to know whether the deficiencies have since been re-conciled.

8.54. The Committee note that lists of 1780 slow-moving items of Transport and Dairy Engineering Stores have been prepared and sent to the Technical Officers during May 1975 and June 1976 respectively, for certifying about their actually being surplus or excess to the requirements and that further action for their disposal would be taken on receipt of the report of the officers. The Committee feel concerned about the large number of items of stores lying unutilised. The Committee would like to know the total value of such stock and the period and reasons for their remaining

unutilised. They would also like to be apprised about the recommendations made by the Committee of Technical Officers appointed to go into the matter and the conclusive action taken by the Ministry in pursuance of those recommendations/suggestions by rationalise the inventories and ensure that these are not burdened by acquiring stores far in excess of known requirements.

NEW DELHI;

*December 9, 1977*

*Agrahayana 18, 1899(S)*

C. M. STEPHEN,

*Chairman,*

*Public Accounts Committee.*

**APPENDIX I**

*(Vide paragraph Nos. 3-66 and 3-101 of the Report*

*Statement showing the licensed Capacity and actual production of the product units in the organised sector located around the operation area of the Milk Schemes  
(In tonnes)*

NAME OF THE UNIT AND LOCATION	Date of Incl. licence	YEAR	INFANT MILK FOOD		MILK POWDER		CONDENSED MILK	
			Licensed capacity	Production	Licensed capacity	Production	Licensed capacity	Production
1	2	3	4	5	6	7	8	9
1 M/s. Milk Commissioner (Haryana) Location : Jind	17-4-70	1971	1500	..	650	465	..	..
		1972				773		
		1973				785		
		1974				873		
		1975				901		
2 M/s. Haryana Darg Dev Cord Kocation Bhawan	30-8-72	1972-73	..	..	..	..	2000	59
		1973-74						693
		1974-75						723
		1975-76						966
3 M/s. Haryana Milkfood Location : Pehowa	2-11-72	1971	1200	..	800	696	1000	20
		1972		..		675		180
		1973		11		912		23
		1974		120		1009		..
		1975			71		904	

	1	2	3	4	5	6	7	8	9
4	M. S. Hindustan Lever Ltd. Location : Etah (UP)	13-7-71	1971 1972 1973 1974 1975	10000	1350 1234 977 831 815	2386	748 869 167 513 286	445 (Malted Milk Food)	..
5	M/s. Glaxo Laboratories Ltd. Location : Aligarh	3-7-70	1971 1972 1973 1974 1975	4000	4418 3618 2784 3106 3270	..	..	..	..
6	M. S. Indian Milk Products Ltd. Location : Muzaffar-nagar	5-10-59 & 12-8-60	1971 1972 1973 1974 1975	..	..	..	..	1080	811 867 1394 1000 50
7	M. S. Pradeshik Coop. Dairy Federation Ltd. Location : Moradabad	17-4-65	1971 1972 1973 1974 1975	2000	573 822 1009 634 553	2000	529 933 764 602 281	..	..
8	M. S. Dalmia Daires, Location : Bharatpur	3-6-72 & 6-4-65	1971 1972 1973 1974 1975	..	..	1350	..	..	..
9	M/s. Edward Keventer (s) Location : New Delhi	8-5-74	..	..	..	..	667 857 1151	..	..

(Production figures are not being reported).

Note : ① Within the overall capacity of milk powder.

② This capacity is under dispute.

## APPENDIX II

(Vide paragraph No. 7.1 of the Report)

### *Statement showing objectives of Indian Dairy Corporation*

- (1) To promote the dairy industry in India.
- (2) To assist the State Governments and other organisations including co-operative societies and private bodies interested in the promotion of Dairy Industry to meet the requirements of milk and milk products of the vulnerable groups such as nursing and expectant mothers and the pre-school children in special and of all others in general in urban areas and in the first instance in the towns of Delhi, Bombay, Calcutta and Madras.
- (3) To promote and develop cattle husbandry for increased milk production through the provision of such technical inputs as improving the productivity in cattle by cross-breeding and other means, artificial and natural breeding services, irrigation and other facilities for fodder production, milling plants for production of ready made concentrate and mineral mixture, supply of improved fodder, seeds and cuttings, establishment of disease control and veterinary aid centres hospitals, clinical and investigational laboratories and calf rearing centre, and all other things of any kind or nature whatsoever, including establishment of a net work milk procurement system to provide the necessary economic incentive for increased milk production.
- (4) To promote the removal from urban areas of high yielding milch cattle and calves preventing thereby their premature destruction, their resettlement in rural areas through provisions for land utilities, and irrigation, stabling, fodder production, feed compounding, calf rearing, health and breeding services, organising sale of milk to dairy plants and all other things of any kind or nature whatsoever required for the purpose.
- (5) To assist in developing and expanding the capacity and operations of the existing dairies in the towns of Delhi, Bombay, Calcutta and Madras and other urban and rural areas.
- (6) To assist in establishing and expanding the processing and handling capacity of liquid milk plants chilling centres, feeder dairies, balancing dairies and all other facilities of any kind whatsoever required for increasing the processing and handling capacity of milk in the aforesaid four towns and in any other urban or rural areas.



(7) To assist in setting up plants for producing and processing milk products, and re-inforcing agents.

(8) To assist in the manufacture and marketing of skimmed milk powder, butter oil and other milk products and bye-products thereof, fodder and feeds, plant and machinery, and other articles or things of a character similar or analogous to the foregoing or any of them or connected therewith.

(9) To assist in erecting or producing storage and transport facilities for milk and milk products, fodder and feeds.

(10) To act as agent of the Central Government for negotiating with the World Food Programme and other international and foreign agencies for obtaining skimmed milk powder, butter oil and other milk products, cattle feed, breeding cattle, chemicals, machinery and any other things likely to foster the objects of the Company either by way of gift or on other terms to take delivery of and deal with the same. To transfer at valuation approved by the Central Government and against immediate or deferred payment all or any of such imported commodities to State Governments or other organisations and to account to the Central Government for the proceeds received on transfer.

(11) To do all things necessary or advisable for carrying out the above objects and in particular to obtain and furnish advice, projects, programmes, skilled advisors, training facilities for training personnel, finance by way of grants or loans, assistance in designing, erecting and operating dairies and other plants and to consult National Dairy Development Board on all their technical and scientific aspects.

### APPENDIX III

#### Conclusions/Recommendations

Sl. No.	Para No.	Ministry/Department Concerned	Conclusions/Recommendations
1	2	3	4
1	1.25	Deptt. of Agriculture	The Committee note that the Delhi Milk Scheme functions as a departmental undertaking under the direct control of the Ministry of Agriculture and Irrigation (Department of Agriculture) and for its efficient working have constituted a Governing Body under the chairmanship of Minister of State in the Ministry and the Chairman, Delhi Milk Scheme as the Member-Secretary. The Governing Body considers matters of general policy relating to the Scheme, such as procurement and distribution of milk, manufacture of milk products, general pricing policy for milk and milk products, annual budget and review of progress of the Scheme and any matter of general importance, which may be referred to the Governing Body by Government. The Governing Body functions through a Management Committee comprising the Secretary of the Ministry as its Chairman and five other Members one of whom is the Chairman, DMS and the other four are officials of the Ministry. The functions of the Managing Committee are to provide guidance to the Chairman, Delhi Milk Scheme, in matters of policy arising out of day-to-day working of the Scheme and

take decisions on important matters connected with day-to-day working matters of major policy required to be placed before the Governing Body, and matters of general importance which may be referred to the Management Committee by the Government. The Governing Body and the Management Committee are required to meet as often as necessary but not less than once a quarter. The Committee, however find that during 1972-73 and 1973-74 and upto January, 1975, the Governing Body had met thrice and the Management Committee had met four times only. The last meetings of the Governing Body and the Management Committee were held on 14 May 1975 and 25 July 1973 respectively.

2

1:26

Deptt. of Agriculture

The Committee are constrained to point out that the Governing Body and Management Committee which were constituted by Government to ensure efficient functioning of Delhi Milk Scheme and to resolve problems experienced in its working failed to meet as frequently as required to transact their business. No convincing explanation has been furnished to the Committee during evidence in this regard.

3

1:27

-do-

The Committee cannot accept the plea that as Plan Progress Review Committee meetings were being conducted by the Department where the Chairman Delhi Milk Scheme and other concerned officials were present, it was not found necessary to hold the meetings of the Governing Body and the Management Committee. It need hardly be pointed out that while the Plan Progress Review Committee meetings are being held in the Directorate of Statistics under the chairmanship of a Joint Secretary/Additional Secretary, the Governing Body was required to meet under the

chairmanship of the Minister himself while the Management Committee had the Secretary of the Ministry as the Chairman. The Committee feel that it was incumbent upon the Chairman of the Delhi Milk Scheme, who was the convener for the Governing Body and a Member of the Management Committee, to have moved in the matter, brought up his problems and sought guidance. The Committee note that Government have now belatedly issued directions to the Chairman Delhi Milk Scheme to convene the meetings of these Bodies regularly in accordance with the provisions of the Regulations. The Committee would like the Secretary of the Ministry, who is a member of both the Bodies, to make sure that these Bodies meet regularly and that problems of the Delhi Milk Scheme are gone into in depth and resolved.

4 1:28 -do-

The Committee note that it was in 1964 that the Expert Committee appointed to review the working of the Delhi Milk Scheme recommended that it may be converted into a company. Government took five years to decide that instead of converting it into a company, it may be made into a statutory corporation. A Bill was introduced towards the end of the 4th Lok Sabha in 1970 and the 5th Lok Sabha in 1976 and on both these occasions because of the dissolution of the House the consideration of the Bill remained inconclusive. It is thus evident that though the need for putting the D.M.S. on a statutory basis in the interest of better and efficient functioning was realised eight years ago the objective has not been achieved because of the hesitant and inconclusive Government action.

5 1:29 -do-

The Committee stress that Government should pursue this matter conclusively so that the Delhi Milk Scheme is enabled to function efficiently

1	2	3	4
			and with the requisite flexibility in the interest of improving the service, reducing the overheads and cutting out the losses to the extent possible.
6	1.30 Department of Agriculture		The Committee have no doubt that in bringing forward the legislation Government would keep in view the need for having one unified authority for procurement and distribution of milk so as to reduce the overheads and maximise the facilities available to the public particularly those belonging to poorer and weaker sections of the society.
7	2.40 -do-		From the facts mentioned in the Audit para and from the material made available to them, the Committee are led to the inescapable conclusion that the expansion programme of D.M.S. were not drawn up properly and pushed through incoherently without settling the essential details regarding procurement of plant and machinery and ensuring the supply of the basic constituent of the scheme, namely the availability of regular and sustained supply of fluid milk. Except for some vague assumptions, the DMS were not clear as to the parametres of the whole scheme as would be evident from the following facts.
8	2.41 -do-		Even before the first phase of the expansion programme which was approved in 1966 to provide the Central Dairy with a capacity of 3,00,000 litres per day, had reached the final stage, the D.M.S. embarked on an ambitious programme in 1969 of having a throughput of 4,35,000 litres per day (optimum capacity) on the basis of 1971 population projections.

9. 2.42 -do-
10. 2.43 -do-
11. 2.44 -do-

In their memorandum dated the 21st October, 1969, for the Expenditure Finance Committee, the Ministry stated that a part of the equipment under this expansion programme had already been installed to permit expansion of the liquid milk handling and other related sections and installation of the rest of the equipment including the spray-drier plant was expected to be completed by the end of the year 1969. The Ministry contemplated the completion of the entire expansion programme (second phase) including construction work and installation of plant and machinery at the Central Dairy in about 12 to 18 months. They stated that installation of Milk Collection and Chilling Centres in rural areas was likely to take about 12 to 24 months. It was programmed to complete the work connected with the second phase expansion of the Central Dairy by December, 1970.

But the chinks in the whole scheme were soon discernible. As pointed out by Audit, the average of actual procurement of milk was far below the processing capacity of 3 lakh litres of milk per day envisaged in the first phase expansion and 3.75 lakh litres of milk per day envisaged under the second phase expansion. According to the Ministry, adverse agro-climatic conditions and competition from milk product factories in the peripheral areas of Delhi upset their calculations and the targets of procurement could not be reached. The Committee are surprised that while estimating the procurement targets, the Ministry had not taken note of these factors which inhibited the supply of fluid milk to the Central Dairy. The Committee consider this to be a serious omission.

The Chairman of the Delhi Milk Scheme during the course of his evidence has submitted that the restricting factor in the supply of milk was the

1	2	3	4
			failure to expand the bottling plant. It is rather strange that while submitting the proposal before the Expenditure Finance Committee, the Ministry/DMS had made no mention of the Bottling Plant which required to be refurbished and expanded.
12.	2.45	Department of Agriculture	<p>The Committee regret that timely action was not taken by the Delhi Milk Scheme to replace the old bottling plants, particularly when they knew that the normal life of these plants was 12 years and was likely to be over by 1971. In such circumstances prudence demanded advance action for replacement of the three bottling plants in a phased manner so that their replacement could be synchronised with the completion of the second phase expansion programme. Keeping in view the fact that there was a long waiting list of about 1,20,000 applicants, and the list contained to expand further from day to day the Committee regret that D.M.S. did not take timely action to ensure a steady supply of 3,75,000 litres of milk per day throughout the year which they had envisaged under the expansion programme.</p>
13.	2.46	-do-	<p>Although the second phase expansion programme was envisaged to be completed by December, 1970, the Committee find that majority of the items included in this programme were acquired/installed/commissioned during 1973-74 to July 1975. A number of items which were included in Phase I such as four storage tanks, spray drier skimmed milk powder plant, case in plant, cold storage for ghee and white butter and cold storage for table butter, were completed during the years 1972 to 1974. Several</p>

items including equipment for milk collection and chilling centres, air-conditioning unit for butter oil storage, civil works for milk collection and chilling centres etc., of the total value of Rs. 65.70 lakhs were not acquired/executed. Apart from these, there are other items, such as steam generators, ammonia compressors, rail milk tankers, of the total value of Rs. 21.75 lakhs, which were installed/acquired but were not commissioned or utilised till November 1975, according to the Audit. It has also been conceded by the Government that against 184 milk booths sanctioned in May 1969 and December 1972, 156 milk booths have been completed and taken over till April 1976. All these deficiencies/delays in the execution and changes/alterations at a later stage, leave no doubt in the mind of the Committee that the whole expansion programme was not properly planned and no sustained efforts were made to achieve the physical results.

14.

2-47

-do-

One of the reasons adduced by the Ministry for their delay in the execution of various items of work during the second phase expansion programme is the procedural difficulties in obtaining Government sanctions for award of works and involvement of a number of agencies viz., the Central Public Works Department for Civil Works, State Trading Corporation for import of machinery and equipment against Swedish credit, DGS&D for the purchase of indigenous machinery and equipment and the Indian Dairy Development/National Dairy Development Corporation for the procurement of certain items of dairy development. The Committee are not at all convinced with the arguments advanced by the DMS/Ministry. While planning a project of this dimension, the Ministry/DMS should have taken a conclusive action to effect coordination between the



1	2	3	4
15.	2.48	Department of Agriculture	<p>Delhi Milk Supply Scheme and the other agencies which were to play their part in the execution of the project.</p> <p>As pointed out by Audit there were no detailed schedule for completion and commissioning of the various items of works nor were the figures of actual expenditure against sanctioned estimates available. The Committee are surprised at the statement made by the representative of the Ministry during evidence that "no centralised schedule to regulate the completion and commissioning of various items of work was maintained during the first phase expansion programme as the works to be executed during the first phase were not too many." With regard to the second phase expansion programme, the arrangement made by the Ministry to review the progress of the project appears to have been wholly inadequate. It appears to have acquiesced in repeated extensions of time for completion of various individual works. The Committee are convinced that had a time-bound programme been drawn up and a careful vigilance kept over the execution, the scheme would have proceeded at a much faster rate and completed well in time.</p>
16.	2.49	-do-	<p>The responsibility for drawing up the detailed scheme for expansion and implementation was primarily that of D.M.S. Since, however, DMS continued to be a departmental undertaking under the supervision of the Ministry of Agriculture, that Ministry should have also seen to it that an integrated scheme was drawn up and PERT chart identifying crucial areas for ensuring timely progress prepared and effective action taken to see that</p>

the scheme was implemented in an integrated manner as per a time-bound programme.

17. 2.50 -do-

The Committee desire that the residual items of work relating to the second expansion programme should be expeditiously completed so that there is no let-up in the supply of fluid milk to the citizens of Delhi who are in desperate need of milk supply. The Committee further desire that a quick assessment should be made about the progress of the second phase expansion scheme with a view to plug all procedural loopholes. The Committee also desire that a periodical examination should be made of all the plants and machinery installed at D.M.S. with a view to assess their performance with reference to their installed capacity. Deficiencies, if any noticed during such inspections, should be promptly rectified.

18. 3.89 -do-

The Committee are distressed to note that the Delhi Milk Scheme which embarked on an ambitious programme in 1969 of having a throughput of 4.35 lakh litres per day are nowhere near the targets as will be evident from the figures of procurement for the last five years. The promise that was held out at the time of launching the second expansion scheme is yet to be fulfilled.

19. 3.90 -do-

During the years from 1969-70 to 1974-75 the per day target and actual procurement were continuously on the decline, except in 1971-72 and 1974-75. The position was somewhat precarious in 1973-74 when the target and actual procurement (0.90 lakh litres and 0.78 lakh litres, respectively) were the lowest with reference to the target and actual procurement in 1969-70 (2.06 lakh litres and 1.97 lakh litres, respectively).

Though the procurement picked up in 1975-76, when both the target and the actual procurement were the highest with reference to the position in 1969-70 (the procurement being 2.13 lakh litres against the target of 2.23 lakh litres), it was still nowhere near achieving the processing capacity of 3 lakh litres per day envisaged under the first phase expansion and that of 3.75 lakh litres per day under the second phase expansion scheme. The Committee have been informed on 7 May 1977 that in March 1977, the average per day procurement of milk was 2.25 lakh litres. The Committee are unhappy with the unsatisfactory trend in the procurement of milk in the wake of two expansion programmes of the scheme.

20.

3.91

Department of  
Agriculture

The Committee find that instead of making serious efforts to tide over the situation, Government/Delhi Milk Scheme authorities preferred to make good the shortfalls in procurement of raw milk by the use of skimmed milk powder and butter oil. While skimmed milk powder and butter oil received as gift from the World Food Programme Aid did not involve outgo of foreign exchange, the use of skimmed milk powder by direct purchase resulted in the outgo of foreign exchange of Rs. 716.70 lakh (based on average c.i.f. cost) during the period 1972-73 to 1974-75. The use of skimmed milk powder directly purchased has increased progressively from 1625 tonnes in 1969-70 to 3577 tonnes in 1974-75. The Committee feel that had the Delhi Milk Scheme taken concerted steps to achieve the targeted procurement which was the *sine-qua-non* for effective functioning of the Delhi Milk Scheme, the country would have been spared the outgo of valuable foreign exchange.

208

21. 3.92 -do-

The Committee note that the procurement of milk is confined to places in U.P., Rajasthan, Haryana, Punjab and Delhi and the sources of procurement are contractors, cooperatives and individual farmers from whom the Delhi Milk Scheme purchases milk departmentally. The targets of procurement are generally fixed with reference to the performance of the preceding year and the commitments made or likely to be made by the contractors collectively. What has surprised the Committee most is the fact that no specific targets were fixed in respect of cooperatives and departmental procurements, as they note that during the years from 1969-70 to 1975-76 the procurement through these sources has varied not only from year to year but from place to place as well. For instance the procurement from Bikaner rose from 7 lakh litres in 1969-70 to 35 lakh litres in 1972-73, fell to 13 lakh litres in 1973-74 and then rose to 96 lakh litres in 1975-76. Similarly, in Mathura, the procurement rose from 9 lakh litres in 1974-75 to 68 lakh litres in 1975-76.

22. 3.93 -do-

The Committee need hardly point out that such a wide variation in targets and actual procurement not only leads to uncertainty and fluctuation in the supply of milk to the consumers but is bound to render the installed capacity idle at certain times, thereby enhancing the overhead expenditure of procurement of milk per litre. The Committee, would therefore, like to emphasise that there is an imperative need to fix targets for procurement of raw milk from various sources particularly the milk producers, cooperatives and centres so as to ensure an un-interrupted flow of milk for processing and supply to the consumers. The Committee need hardly point out that concerted and determined efforts would have to be made

---

1	2	3	4
23.	3.94	Department of Agriculture	<p>both at organisational and field levels if the targets fixed for procurement from cooperatives and milk producers are to be achieved.</p> <p>The Committee regret that the procurement of milk through the Co-operative Societies has been very insignificant. This is evident from the fact that during 1975-76 the Delhi Milk Scheme procured 244.94 lakh litres (which accounts for 31.54 per cent of the total procurement during the year) through Cooperatives. The entire quantity of 174.69 lakh litres procured from Etah in Uttar Pradesh, Bharatpur in Rajasthan, Gurgaon and Karnal in Haryana and Ferozepur in Punjab was procured from contractors.</p>
24.	3.95	-do-	<p>The Committee regret that even after 17 years of its establishment, the Delhi Milk Scheme has to depend for its procurement largely on the contractors, as compared to other agencies viz. cooperatives and direct from farmers departmentally, as they note that during 1975-76 as much as 364.72 lakh litres of milk, which accounted for 46.97 per cent of the total procurement, was procured from contractors alone. The procurement was mainly confined to Meerut and Bulandshahr Districts of Uttar Pradesh and Gurgaon District in Haryana, which together accounted for 314.52 lakh litres out of total procurement of 364.72 lakh litres through contractors during 1975-76. While the contractors may have an edge over other agencies as they have flexibility of action and can offer competitive prices for their milk, it cannot be gainsaid as has been conceded by the Chairman, Delhi Milk Scheme during evidence that</p>

they are not quality conscious and are prone to slippages in their contractual commitments. As pointed out by the Audit, the contractors of Bulandshahr and Meerut in U.P. having commitments to supply ten or more quintals per day fulfilled their commitments to the extent of 77.8 per cent and 42.2 per cent only respectively. Some idea of short and faulty supply by the contractors can be had from the fact that the quantum of penalty imposed on them rose from Rs. 2.94 lakhs in 1971-72 to Rs. 9.45 lakhs in 1975-76.

24

3-96

-Do-

The Committee are unable to understand why milk procurement from contractors was continued in Bulandshahr and Meerut Districts during 1975-76 when policy decision had been taken that wherever Cooperatives come up for milk supply, milk will not be accepted from the private agencies. The Committee are also concerned to note that in many villages and districts there were mushroom cooperative societies which were not really milk producers' societies. Such societies functioned somewhat like contractors and diverted sale of milk to private parties to the detriment of assured supplies for the Delhi Milk Scheme. The Committee have been informed that the Indian Dairy Corporation insist on adoption of a bye-law by milk producers cooperative society under which nobody who is not a milk producer and has not supplied milk continuously for 200 days in a year, can be or remain a member. The Committee see no reason why the Delhi Milk Scheme/Government cannot insist on the incorporation of this bye-law by the cooperatives which desire to supply milk to the Delhi Milk Scheme.

211

26

3-97

-Do-

The Committee need hardly stress that it should be the endeavour of Government to organise, in consultation with the State Governments/

---

Indian Dairy Corporation, the right type of Cooperative Societies so that the milk requirements of Delhi Milk Scheme are met by and large through this source. In this connection, the Committee have been given to understand during evidence that the Anand pattern of Cooperative Society have under their bye-laws eliminated not only the contractors but also other vested interests. There is a Society in each village and these are feenerated to what is known as a Union at the district level. This is a two-tier system. The Union at the district level provides the infrastructure for procuring, processing and distributing milk. The Committee see no reason why this Anand pattern of Cooperative Society which has been found to function effectively in the interest of milk producers and consumers should not be developed uniformly in the entire milk shed area of Delhi Milk Scheme.

27

3-98

Department of  
Agriculture

The Committee note that a number of concessions, such as higher rate of commission that applicable to the contractor relaxation of security deposit condition and no penalty if the entire milk handled though less than the agreed quantity is supplied, have been given to cooperatives. There are, however, no data available with the Delhi Milk Scheme to indicate the impact of these concessions on the procurement of milk through cooperatives. The Committee would like to urge that the DMS/Ministry should make a careful study of these and other concessions extended to the cooperatives to see as to how far these have achieved the desired objectives. In the light of this study, DMS/Ministry may consider whether any more and if so, what concessions are needed to step up

procurement of milk through the cooperative system. The Committee, in fact, desire that people, particularly those who are traditionally engaged in the milk trade at the village level, may be encouraged to set up co-operative societies so that they may get reasonable return for their milk. In any case, the Committee would like that there should be an institutional arrangement which is mutually satisfactory both to the D.M.S. and the cooperatives. Apart from the unsatisfactory and undependable supply of milk by contractors, the Government/Delhi Milk Scheme should address themselves to the basic issue whether milk should not be procured from cooperatives and milk producers only and the contractors who act as middle-men eliminated. The Committee would like to point out that the Mother Dairy operating largely in the same area have been able to procure the entire quantity of 55.71 lakh litres of milk in 1975-76 through the cooperatives.

The Committee note that the procurement of milk direct from the farmers has risen to about 21.9 per cent of the total procurement in 1975-76 through departmental efforts although two or three years earlier it was hardly a significant source. While the Committee appreciate these efforts they would, nevertheless like to emphasise that intensive efforts should be made to develop genuine cooperatives of milk producers and make them the main source of procurement. For supplies procured departmentally direct from producers, the Committee would like to be assured that not only good quality milk is procured but its cost of procurement per unit is economical as compared to milk procured through genuine cooperatives of producers. The Committee would also urge that in the matter of payment to the producers care should be taken that no intermediaries are involved.



4

3

2

1

Department of  
Agriculture  
Department of  
Industrial  
Development

29 3.100

One of the main reasons for shortfalls in the procurement of milk has been the keen competition which Delhi Milk Scheme has to face from a number of milk product factories located in the vicinity of Delhi and private dealers, who are in a position to pay higher procurement prices because of the higher returns as compared to liquid milk. The Committee have been informed during evidence that it was only in 1970 that a decision was taken to give COB (Carry-on-business) licences in respect of those units which were there before 1970 and that there was no condition in their licences to the effect that they should not procure from Delhi Milk Scheme milk shed areas. In respect of those which came up after 1970, such a condition has been prescribed.

30 3.101

-do-

The Committee are distressed to find that despite the issue of licences in or after 1970, several milk product units in the organised sector located around the operation areas of Delhi Milk Scheme have turned out products beyond their licensed capacity in violation of the provisions of the licence. For example, it will be seen from the statement at Appendix I that M/s. Milk Commissioner, Jind (Haryana) and M/s. Haryana Milk Food, Pehwa produced milk powder to the extent of 901 tonnes and 1009 tonnes in 1975 and 1974 respectively against their licensed capacity of 650 tonnes and 800 tonnes respectively. Similarly, M/s. Hindustan Lever Limited, Etah (U.P.) produced 1350 and 1234 tonnes of Infant Milk during 1971 and 1972 respectively against their licensed capacity of 1000 tonnes. M/s. Glaxo Laboratories Limited, Aligarh (U.P.) a multinational, produced 4418 tonnes of Infant Milk Food during 1971

against their licensed capacity of 4000 tonnes. All this goes to indicate that no follow-up action was taken to enforce strictly the provisions of the licences issued to the Units concerned. The Committee deplore this casualness on the part of the authorities concerned.

31. 3.202 -do-

The Committee are unhappy to record that although the Ministry of Agriculture/Delhi Milk Scheme were aware of the problem of competition by these industrial units, no serious efforts were made to resolve the problem. It is rather strange that the Ministry of Industry and Civil Supplies which is responsible for granting of licences to the Industrial Units for milk products were not aware as confessed by their representative during evidence, of the milk shed areas of the Delhi Milk Scheme. What has surprised the Committee is the fact that since 1972 correspondence has been going on between the Ministry of Agriculture and Irrigation and Ministry of Industry and Civil Supplies to curb the functioning of milk product factories but no tangible measures, legal or administrative, have been taken so far to prevent diversion of milk from the milk shed areas of Delhi Milk Scheme to the milk product factories.

32. 3.103 -do-

The Committee feel that one of the effective steps to restrict the procurement of milk by the Milk Product Factories can be to demarcate the milk shed areas of Delhi Milk Scheme. For this purpose, the cooperation of the States which fall within the milk shed areas of Delhi Milk Scheme is necessary. The Committee have been informed that the question of demarcating milk shed areas was considered on 13 June, 1975 at a meeting of officers of Haryana Dairy Development Corporation, DGTD, Ministry of Industry and the Delhi Milk Scheme and since then a propo-

1	2	3	4
			sal for demarcating milk shed areas of various plants in the State of Haryana has been under consideration of the State Government. The Committee would like the Ministry of Agriculture to examine the matter in depth in consultation with the Ministry of Industry and Civil Supplies and the State Governments concerned and finalise the proposal of demarcation milk shed areas for each processing unit in and around Delhi expeditiously.
33.	3.104	Department of Agriculture	The Committee would like Government to study the problem in depth and devise a durable solution by which the Delhi Milk Scheme, which has been operating in this milk shed area since 1959, is enabled to get on assured basis the targeted supply of milk. The Committee would like to be informed in detail of the concrete measures taken in this behalf and the results achieved.
34.	3.105	-do-	The Committee welcome the idea of National Grid Scheme sponsored by the Indian Dairy Corporation to procure milk from surplus areas for supply in the deficit areas. The Committee expect the Delhi Milk Scheme to take full advantage of the National Grid Scheme and make good their shortfalls in the lean period through the Grid Scheme and thus save on the use of imported skimmed milk powder.
35.	4.20	-do-	The Committee note that 7 collection and chilling centres located in Bahadurgarh, Alipur, Najatgarh, Bhavana, Sonapat, Kharkhoda and Sampla were closed between January, 1965 and September, 1971 on account of uneconomical operation and non-availability of milk. Besides

the expenditure on land, building and other ancillary works, the expenditure incurred on the plant and machinery of these centres was Rs. 17.43 lakhs. It has, however, been stated on 26th July, 1977 that of the closed centres, the milk collection and chilling centres of Najafgarh and Bawana were recommissioned w.e.f. 17th September, 1976 and 17th November, 1976 respectively. The Committee have further been informed on 26th July, 1977 that two more milk collection and chilling centres at Kama and Pilkhuwa had to be closed down w.e.f. 1st February, 1975 and 27th March, 1975 respectively. Kama centre was closed down as per agreement with M/s. Dalmia Dairy under which the Delhi Milk Scheme would not collect milk in the Delhi Milk Scheme milk shed area in Gurgaon. Pilkhuwa centre had to be closed down due to fall in milk collection in the area as also due to proximity of Massuri and Gulaothi centres where the milk collected in this area could be conveniently handled.

36

4.21

-do-

The Public Accounts Committee in their 27th Report (4th Lok Sabha) (April, 1968) had recommended that the Delhi Milk Scheme should find alternative avenues of using the buildings of the closed milk collection and chilling centres and that the machinery available at these centres should be transferred early to other places where the new centres were to be set up. In reply to the recommendation, the Department of Food and Agriculture informed the Committee in 1967 that "the plant and machinery installed at Bawana, Najafgarh, Bahadurgarh and Alipur will be shifted to Bhadus, Punhana in Gurgaon District where land has been acquired for establishing chilling centres and to Mahajan in Bikaner. Since the capacity of Mahajan Centre is being planted double that of the other centres two sets of equipment will be shifted to that place. Plant

and machinery has not been installed at Sampla. As regards disposal of buildings at Bawana, Alipur and Najafgarh, their availability is being intimated to the various Ministries, attached and subordinate offices of the Government of India and the Delhi Administration. On hearing from interested Departments further action will be taken."

37

4.22

Department of  
Agriculture

It is evident from the Audit Report that during the period 1969 to 1971 some more chilling centres had been closed. It is also seen from the reply of the Ministry quoted in paragraph 4.60 of the Report that the proposal of the Scheme to set up a Milk Collection and Chilling Centre at Mahajan in Bikaner, has not materialised. The Committee regret that despite the assurances given by the Government to the Public Accounts Committee, the milk collection and chilling centres remained closed for four years and longer periods and conclusive action to put surplus plant and machinery to alternative uses was not taken by Milk Scheme. It was only in April, 1974 that a Committee of Officers was constituted to go into the question of utilisation of the machinery available with the closed milk collection and chilling centres. The Committee of Officers submitted its report on 20th September, 1974 and recommended the disposal of the plant and machinery quickly as there was little possibility of establishing new centres in the existing milk-shed areas of Delhi Milk Scheme. Since the recommendations of the Committee were based on certain assumptions, the Chairman, Delhi Milk Scheme, issued fresh guide-lines to the Committee of Officers on 26th September, 1974 and ordered for a review. The Committee again met on 22nd January,

38

4.23

do.

1975 and submitted another report on 24th January, 1975 wherein they recommended the utilisation of the plant and machinery for commissioning of new centres and for strengthening the existing ones.

The note of the Chairman, Delhi Milk Scheme, had clearly made out the points for the reconsideration of the Committee of officers. The Committee feel that normally the Committee of Officers should have ascertained facts instead of making recommendations on assumptions. It is surprising that although the Chairman's guidelines were given on the 26th September, 1974, the Committee of Officers, for reasons unknown took four months to meet again and consider the matter *de novo*. It is all the more surprising that within two days of their meeting they finalised their report and reversed their earlier recommendations. Even these recommendations do not appear to be conclusive as these recommended for utilization of plants and machinery for commissioning of new centres and for strengthening the existing ones. This shows that the Committee did not bestow proper consideration which they should have to the issues involved. The Committee would like to be assured that the examination of the issues were thorough and adequate. They would also like to know the reasons for not taking follow-up action in regard to utilisation and disposal of the plant and machinery soon after the closure of the centres during 1965—1971.

39

4.24

do.

According to the information furnished to the Committee, the Milk Collection and Chilling Centre at Sonepat has already been commissioned and efforts are being made to recommission the centres at Bahadurgarh and Kharkhoda. As non-utilisation of machinery purchased

at heavy capital cost constitutes a recurring loss, the Committee would like the Ministry/Delhi Milk Scheme to ensure that arrangements for proper utilisation of the assets of the closed milk collection and/chilling centres are finalised without delay and implemented in entirety. They would also like to impress that in future before setting up such centres. Delhi Milk Scheme should ensure that raw milk is available in adequate quantity in the areas of collection and the centres do have proper handling and chilling capacities.

The Committee are surprised to find that Government have not worked out the economics of the various milk collection and chilling centres set up by the Delhi Milk Scheme. In the absence of such an exercise the Committee are unable to understand how the Delhi Milk Scheme ensured that the centres were functioning in the best financial interest of Government. In fact, the Committee note that except milk collection and chilling centre at Mathura, all other centres were working far below their installed capacity. The maximum and minimum utilisation of some centres during 1976-77 has been below economic level. These cases are of (i) Massuri (51 per cent and 10 per cent), (ii) Niwari (18 per cent and 8 per cent), Pilana (49 per cent and 8 per cent) and Sardhana (52 per cent and 16 per cent). In view of the fact that a number of milk collection and chilling centres had to be closed down in the past due to their uneconomic operation, the Committee desire that Government should work out economics of all the centres without any loss of time and take timely action to improve their working, where necessary. It is also pro-

per that Government should clearly lay down policy about location and running centres in consultation with the State authorities and others concerned.

41      4.37      Department of Agriculture      The Committee are perturbed over the increasing trend in sourage of milk as they note that it has increased from 26.98 lakh litres in 1971-72 to 58.52 lakh litres in 1975-76. The reasons adduced for the sourage of milk are prolonged interruptions in power supply at milk collection and chilling centres and break-down of vehicles etc. The Committee note that the Delhi Milk Scheme has since taken remedial measures in this regard by providing generators in all the Centres and additional milk tankers for transportation of milk to the Central Dairy. Since sourage of milk reduces to that extent the availability of pasteurised milk, the Committee need hardly emphasise that concerted measures should be taken to ensure that the percentage of sourage milk with reference to the total procurement is kept to the minimum or at least to the norms which may be determined on the basis of past experience of normal years.

42      4.38      do.      The Committee are distressed to note that on account of inadequate capacity of handling of sour skimmed milk (milk left after separating the fat for production of ghee), the Delhi Milk Scheme had to sell 6.57 lakh litres of sour skimmed milk in 1973-74 and 22.23 lakh litres in 1974-75 and 36.73 lakh litres in 1975-76 to outside parties according to contracts entered with them. Since the sale of butter milk powder fetches a higher price than sour skimmed milk, it is but proper that the Ministry should examine the feasibility of acquiring additional capacity for milk drying so that more sour skimmed milk is converted into butter milk powder.



1	2	3	4
			The Committee would like to be informed of the action taken in this behalf.
43	4.39	Department of Agriculture	The Committee would like to point out that one of the Dairies M/s. Dalmia Dairies Bharatpur have increased the intake of sour skimmed milk by nearly 9 times in 1975-76 as compared to 1974-75. The Committee would like the Ministry/Delhi Milk Scheme to find out as to how this and other processing Dairies who purchase sour skimmed milk are able to utilise it to economic advantage with a view to see whether by providing some additional/balancing equipment the Delhi Milk Scheme could not utilise the entire or at least the bulk of sour milk for processing, thus cutting down on the losses.
44	4.40	do.	It is not clear to the Committee as to how sour milk is purchased by the Delhi Milk Scheme specially when it has been stated that there is not enough capacity available to handle even the milk which turns sour either in the process of collection or transport. This aspect needs to be gone into with a view to see that sour milk is not purchased unless it is absolutely essential and economic to do so in the overall interest of the plant.
45	4.82	do.	The Committee are unhappy to note that procurement of milk from Bikaner Centre had been on constant decline upto 1973-74 though it started picking up from 1974-75 onwards. The procurement had gone down to 12.71 lakhs litres in 1973-74 as against the quantity of 50.32

lakh litres of milk procured in 1971-72. This downward trend had not only affected the supply of milk but had also increased the handling cost of milk from 14.5 paise per kilogram in 1971-72 to 45 paise per kilogram in 1973-74.

46

4.83

do

The Committee are also perturbed to find that the losses of fat and milk in transit from Bikaner Centre to the Central Dairy were much higher than those sustained in other Centres. The average loss of fat in transit from Bikaner Centre was as high as 4.47 per cent in 1972-73 compared to 0.79 per cent from other Centres. Similarly, the average loss of milk in transit from Bikaner Centre was 2.12 per cent in 1972-73 while the average loss of milk in transit from other Centres was 0.14 per cent. This clearly indicates the uneconomic working of the Centre then. Losses of fat and milk had, in fact, occurred earlier also and this Committee in their 6th Report (Fifth Lok Sabha) (1971-72) had stressed the need for conducting an investigation of the circumstances leading to the extraordinary losses in transit during 1968-69. No worthwhile action appears to have been taken by the Ministry in this regard. However, in January 1972, a Committee of Officers was appointed by the Chairman, Delhi Milk Scheme, to probe into the losses of milk in transit from Bikaner Centre. This Committee of Officers had very adversely commented upon the functioning of the Bikaner Centre including the role of the officers responsible for the execution of the job. The Committee are surprised that though the report was submitted by the Committee of Officers in August 1975 till now no conclusive action appears to have been taken in pursuance of the observations made by it.

1	2	3	4
---	---	---	---

So far the concerned officers have only been asked to furnish the necessary explanations/clarifications. The Committee would like the Ministry/Delhi Milk Scheme to finalise all actions on the report without loss of further time and apprise this Committee of it together with the steps taken to avoid recurrence of such situations in future.

47	4.84	Department of Agriculture	<p>To their great surprise the Committee have learnt from a note furnished by the Ministry of Agriculture and Irrigation (Department of Agriculture) on 7 May, 1977 that the Bikaner Centre had been closed since 9 September, 1976 as during the course of evidence no indication about the likely closure of the Centre was given by the representatives of the Ministry and the Delhi Milk Scheme. What has surprised the Committee more is the fact that the closure of the Centre has come at a time when it had shown some improvement in the procurement of milk which had picked up from 47.82 lakh litres in 1974-75 to 64.33 lakh litres in 1975-76 and the average loss of milk and fat in transit had gone down to 1.01 per cent and 2.78 per cent respectively. The Committee would, like to be apprised of the imperative reasons which prompted the Government to close down the Bikaner Centre and the alternate arrangements made in this regard.</p>
----	------	---------------------------	--

48	4.85	do.	<p>The Committee note that Delhi Milk Scheme had sold milk to Rajasthan Go Sewa sang. Bikaner from April 1969 to December 1973 for distribution in Bikaner city on the basis of procurement price plus 21.5 paise per litre to cover the handling charges (excluding the over-</p>
----	------	-----	--

heads). As the cost of handling the milk in Bikaner was higher than the rate of 21.5 paise per litre, the Delhi Milk Scheme had to suffer a loss of Rs. 0.91 lakhs for the above sale. The Committee would like to know the circumstances under which the milk was sold to the Sangh at a loss, particularly at a time when the procurement of milk from Bikaner was showing a downward trend and the milk was required for the dairy in Delhi.

49            4.86            do.

The Committee note that the capacity of bye-products plants of the Delhi Milk Scheme, namely, butter manufacturing plant, ghee manufacturing plant, casein plant, and ice-cream plant was grossly under utilised since 1970-71. The percentage of capacity utilised per day during 1973-74 was significantly low as the utilisation of different plants during that year was (i) butter manufacturing plant 24.5 per cent; (ii) ghee manufacturing plant 0.63 per cent; (iii) casein plant 1.6 per cent; and (iv) Ice-cream plant 1.86 per cent. In this connection, the Committee would like to be apprised whether the capacities of these plants were fixed on any particular production pattern taking into account the processing capacity of the Central Dairy and if so, the reasons for not following that pattern.

50            4.87            do.

The Committee note that for increased production of ghee of 6.74 lakh kilograms in 1972-73 and 5.66 lakh kilogram in 1973-74, fat was diverted from raw milk and to make up the resultant shortfall of fat large quantities of butter oil was used up for preparation of pasteurised milk. This step had to be taken as the airconditioning unit for butter oil storage provided for in the second phase expansion at an estimated cost

of Rs. 8 lakhs had not been installed. Had this been done, the Committee feel, the problem of spoilage might not have arisen. The Committee would like the Delhi Milk Scheme to work out the comparative economics (including foreign exchange implications) of the substitution of fat in raw-milk by butter oil in the production of pasteurised milk and use of fat in the raw milk for production of ghee so that butter oil for production of ghee is used economically, judiciously and also keeping in view health considerations.

51            4.88    Department of Agriculture

The Committee are perturbed to find that loss of fat and milk in processing at the Central Dairy had been much more than the norms fixed by the Delhi Milk Scheme. It is noted that the actual percentage of loss of fat in excess of the norms was 3.8 per cent in April to September and 4.6 per cent in October to March in 1970-71, 4.5 per cent in 1971-72 and 4.8 per cent in 1972-73. The reasons for the increase in the fat losses as explained by the Delhi Milk Scheme are: (i) increased use of butter oil for reconstitution of milk on account of decline in availability of raw-milk; (ii) progressive decline in the condition and performance of milk handling machinery; (iii) leakage of butter oil from tins during transportation; and (iv) sticking of butter oil to the side of tins while pouring out in the hoppers.

52            4.89            -do-

Similarly, the Committee find that as against the norm of 1 per cent fixed by Government in July 1971 and effective from August 1, 1971, the overall actual handling loss of all grades of milk was about 1.5 per

cent in 1970-71 and 1971-72, 2.07 per cent in 1972-73 and 3.05 per cent in 1973-74. The increasing percentage of loss is attributed to the decline in the condition of performance of the plant and equipment.

The Committee had been informed during evidence that despite taking a number of measures, such as replacement of plant and machinery, better handling of butter oil in consultation with the National Dairy Development Board, daily checks at village level and cross-checks at headquarters, import of flow-metres to give an actual idea of fat etc., losses continued to occur and the National Dairy Research Institute is carrying certain trials and are working on the problem. The Committee feel that National Dairy Research Institute should have been asked to thoroughly investigate and suggest remedial measures in this regard. The Committee would like the Ministries/Delhi Milk Scheme to place before NDRI all the facts and figures leading to loss of fat and milk in various stages of processing so that the problem is studied thoroughly and suitable solution found without further delay. The Committee hope that after the problem is resolved, necessary guidelines would be laid down for application of the results of study. The Committee would like to be informed of the necessary steps taken in this regard so as to reduce losses both in fat and milk, to the minimum.

The Committee are unhappy to note that the maintenance of fat utilisation account has been dispensed with from December 1973 on account of paucity of staff. The Committee do not accept this plea and would like to stress that since the compilation of this important data helps in determining the quality of milk, it is imperative that this should be maintained properly and regularly.

55 4'92

Dept. of Agriculture

The Committee are perturbed to note that against the norm of 1 per cent of breakage of bottles, the actual breakage of bottles has been constantly in excess of the norms and showed a rising trend in 1970-71 onwards. It is noted that the percentage of breakage in excess of norm has progressively risen from 0.08 per cent in 1970-71 to 0.65 per cent in 1974-75. The reasons for breakage of bottles are stated to be progressive decline in the condition and performance of bottling plant and equipment, unsatisfactory condition of flooring, careless handling by the workers malpractices, pilferages etc. Since the breakage of bottles has been both inside the Dairy and *en route* to and from Depots, the Committee would like the Delhi Milk Scheme authorities to maintain separate figures for breakages of bottles both at the Dairy and Depot levels so that the losses are analysed for suitable remedial measures. The Committee also desire that separate and revised norms may be fixed for breakages during both these processes in the light of past experience.

56 4'99

Do.

The Committee note that average consumption of steam coal, chlorine and caustic soda varied widely during 1969-70 to 1973-74. No satisfactory explanation had been advanced for this variation. The Committee desire that a thorough study should be made regarding utilisation of these items and norms fixed by the Delhi Milk Scheme at the earliest in consultation with experts. The Committee need hardly emphasise that all out efforts should be made to effect economy and savings in the consumption of steam coal, chlorine and caustic soda so as to reduce losses.

57 4.10.77

Deptt. of Agriculture

The Committee regret that Government/Delhi Milk Scheme have not maintained statistics regarding average consumption of steam coal, chlorine and caustic soda from 1974-75 onwards. Since such statistics are vital for ascertaining the rate of consumption of these articles over a given number of units as also for the purpose of provisioning of their supply etc., it is suggested that such statistics may be maintained.

58 5.42

Do.

The Delhi Milk Scheme has since its inception adopted the system of supply of milk through bottles. While 2.64 lakh litres of milk were distributed per day at an average, the figures went up to 2.93 lakh litres in 1974-75 and to 3.60 lakh litres in May 1977 according to latest figures furnished by the Ministry. A study conducted by the National Dairy Development Board in May-June 1970 had revealed that 97 per cent of the household in Delhi city regularly purchase on an average 1.6 litres of milk daily and that non-dairy buyers from the very poor and poor income segments buy costlier milk.

In view of this, it is imperative that the Delhi Milk Scheme should make all-out efforts to increase the supply of milk so that people in the lower income brackets are enabled to purchase milk from the Delhi Milk Scheme at comparatively less prices.

59 5.43

Do.

The Committee have been informed that the Government have under consideration the various systems of distribution of milk, viz. (i) Polythelene pouches and (ii) Tetra Pak, which are at present in vogue in most of the advanced countries. In India, Tetra Pak system is not in vogue anywhere at present. The Polythelene Pouch system is, however, being



tried in Madras and Bombay. In this connection, the Committee on Public Undertakings have already recommended in their 83rd Report (Fifth Lok Sabha—April 1976) that “the proposal to market Tetra Pak milk along with other systems of marketing milk which, it is stated, will increase the shelf life of milk and open city markets all over the country to the rural produced milk, deserve a second look. They suggest that the proposal may be studied again in depth and its economics, utility and consumer acceptability evaluated with a view to arriving at an early decision in the long range and the larger interests of the producers and consumers of milk.” Regarding action taken on the above recommendation the Committee have been informed by the representative of Government during evidence that “we have gone into the techno-economic aspects of the three distribution systems and we have come to the conclusion that this proposal (Tetra Pak system) must be revived and we are doing our best to have it processed quickly.” The Committee hope that a decision in the matter would be taken without loss of further time.

60 5-44

Deptt. of Agriculture

The Committee would also like the Government to examine whether instead of introducing one flat system in the whole city, it would not be better to introduce different systems, in the first instance, taking into account the overall preference of the people in each locality/area. The Committee on Public Undertakings in their above report have also urged that whatever system is chosen for any locality, it should be operable at the maximum of efficiency with the minimum of overheads so that milk of good quality is available to the common man at the most competitive prices.

61 5.45 Deptt. of Agriculture

The Committee note that about 1000 to 1200 bottles are returned by the depots unsold every day and that in this process the milk turns sour and has to be converted into a product as otherwise it would result in loss of fat. The Committee would urge that a depot-wise record may be maintained of the bottles returned unsold by the depots daily so that the position is reviewed every week and future supplies are made to the depots on the basis of an average number of bottles issued during the previous week.

62 5.46 Do.

The Committee are distressed to note that no proper and up-to-date record was maintained of the total number of live tokens depot-wise, nor was any exercise made upto October 1973 to assess the number of tokens presented for drawal of milk so as to determine the requirement of milk for each depot in the context of overall supply. The wide disparity between the two sets of figures is evident from the fact that the total number of tokens issued by Delhi Milk Scheme was 4,49,860 upto 31 March 1972, 4,59,201 up to 31 March 1973 and 4,63,944 upto 31 March 1974, but the survey conducted in August/September 1973 and October 1974 placed the number of tokens in circulation at 2,92,778 and 2,70,052 respectively.

63 5.47 Do.

The Committee note that for issue of milk tokens there are already 1,20,249 applications pending with the Delhi Milk Scheme as on 31 March 1976. Whereas the oldest applications pending in the general category relate to November 1969, the applications pending in other categories are as old as November 1971/March 1972. No review of the applications has been carried out since February 1972. The Committee suggest that while issuing milk tokens, the requirements of at least those of the applicants who are not in possession of any token so far and who belong to weaker sections of the society should be borne in mind.

1	2	3	4
64	5.48	Deprt. of Agriculture	<p>The Committee note that with effect from December 1974 a depot-wise register indicating the changes in the quota of supply on account of issue of new tokens has been introduced. They trust that a suitable procedure would be evolved to ensure that these registers are maintained properly and are scrutinised frequently by senior officials, who should sign the registers after perusal and scrutiny.</p>
65	5.49	Do.	<p>The Committee are distressed to learn during evidence that Scheme had detected some cases where the milk was found to have been sold at a premium of 25 to 30 paise a bottle and that in such cases tokens were cancelled and the depot staff removed from service. The Committee need hardly emphasise that systematic measures may be taken to improve the working of the depots so as to ensure that the distribution of milk right from the stage the bottles leave the Central Dairy to the stage of their final distribution at the depots is free from tint of any mal-practice.</p>
66	5.50	Do.	<p>The Committee have been informed that there are 30 to 40 problem depots where the anti-social elements are active. The Committee are happy to note that with the formation of Advisory Committees by the representatives of the token holders the position has stabilised and the various problems in a large number of depots have been solved. The Committee would, however, like to impress that field officers and other senior officials of the Scheme should pay visits more frequently to such depots and enlist the active assistance of the Advisory Committees for better distribution of milk and nipping all irregular practices in the bud.</p>

2532

67 5.51 Do.

The Committee need hardly point out that the working of a public utility service like the Delhi Milk Scheme has to be judged by the extent of satisfaction afforded to the beneficiaries. Judging from the increasing trend in the number of complaints the Committee cannot but come to the conclusion that the functioning of the booths is far from satisfactory and needs to be looked into so as to effect improvements. They would, therefore, urge that a detailed survey of the depots may be conducted periodically with a view to identify the difficulties of the beneficiaries and to take speedy remedial measures. The Committee would suggest that every depot should maintain a complaint box, wherein all written complaints concerning the functioning of the booth may be dropped by the token holders. The keys of the complaint boxes may be kept by the Milk Distribution Officers in their custody who should arrange to collect all the complaints, register them and initiate action thereon. The complaints should be looked into without loss of time and the complainants apprised of the action taken in definitive terms.

68 5.52 Do.

The Committee have been informed that with a view to preventing malpractices in the distribution of milk, the Delhi Milk Scheme conducted a physical verification of the tokens and, as a result of intensive drive conducted, it was possible to cancel as many as 27,478 bogus tokens recently. They would also urge that such verification of tokens should be made at least once a year.

69 5.53 Do.

The Audit has pointed out that though instructions exist to ensure that no token holder is denied milk altogether, no relative records were available to indicate the effectiveness of these instructions and the extent to

1	2	3	4
---	---	---	---

which genuine demand of the token holder was fulfilled. During evidence the Committee have been informed that upto 3 bottles a token holder is ensured full quota and for more than 3 bottles it depends upon the availability of milk supply. The Committee consider that in order to check mal-distribution of milk, it is of paramount importance that the depot manager invariably maintains the ticklers showing the tokens presented, quantities authorised and issued and that such ticklers should be checked and counter-signed by the field officers during their surprise visits.

70      5.54      Deptt. of Agriculture

The Committee would also like the Delhi Milk Scheme to consider the feasibility of displaying at some prominent place at the depot a board showing the supplies received (in bottles), the number of token holders with total requirements registered, etc. This will help in creating confidence among the token holders that their requirement beyond 3 bottles is not being reduced at the discretion of the depot manager.

71      5.55      Do.

The Committee are concerned over the increasing trend of complaints received by Delhi Milk Scheme. They note that the number of complaints has increased from 843 in 1969-70 to 2131 in 1975-76, though it has slightly come down to 2019 in 1976-77. The Committee consider that the number of complaints would be much more as it is well known that most persons do not go to the extent of formally recording a complaint in writing. The complaints broadly relate to non-supply of milk to token holders, unauthorised supply of milk to non-token holders, late opening and early clos-

72. 5.56 -do-

ing of depots, rude behaviour, black marketing, back door supply, change of seals of milk bottles, non-returning of balance money, etc. What has surprised the Committee more is the fact that in spite of such a large number of registered complaints, no effective procedure appears to have been evolved to deal with them systematically or conclusively.

The Committee are surprised to note from the Audit Para that whereas the quantity of milk distributed per day was the same viz. 2.89 lakh litres during 1972-73 and 1973-74 and the total number of routes during these years was also the same, viz., 123, the total number of milk vans had increased from 123 in 1972-73 to 148 in 1973-74. Similarly, they find that against 124 total routes during 1974-75, the total number of vehicles had increased to 158. However, the Committee find that with lesser number of 97 vans covering 124 routes DMS were able to distribute 3.10 lakhs litres of milk per day during 1975-76 and with 99 vans covering 132 routes the milk distributed during 1976-77 was 3.35 lakh litres per day. The Committee would like to be explained the reasons for wide difference between the routes, both morning and evening, milk distributed and the total number of vehicles held during 1972-73 to 1976-77, particularly when the Delhi Milk Scheme could distribute 3.35 lakhs litres of milk per day with only 99 vans during 1976-77.

73. 5.57 -do-

What has distressed the Committee more is the fact that the Delhi Milk Scheme has to compile data with them relating to total route-kilometers involved, route-kilometres required to be performed per van, number of depots to be served per van and the actual deployment of vans. The Committee are unable to understand as to how in the absence of these vital

details, the Scheme is able to keep a careful watch on deployment of the vehicles to the best interests of the Undertaking and keep an effective check on the operational and maintenance cost of the vehicles. The Committee would like this matter to be gone into in depth by the Scheme/Ministry with a view to provide institutional checks on the operational and maintenance cost of the vehicles and to take effective measures for their optimum utilisation. The Committee would like to be informed of the concrete measures taken in pursuance of these recommendations within six months.

74. 5.68 Department of Agriculture

The Committee find that the estimated cost of production of milk has risen year after year as compared to its sale price. They note that standardised milk (5 per cent fat) was sold upto 9 October 1971 at 116 paise per litre as against estimated production cost of 119.20 paise per litre. Similarly, toned milk (3 per cent fat) was sold at 84 paise per litre against estimated production cost of 99.65 paise per litre in 1972-73. Double toned milk (1.5 per cent fat) is being sold with effect from 5 November 1973 at 70 paise per litre as against estimated production cost of 86.02 paise per litre in 1972-73, 109.29 paise per litre in 1973-74 and 128.96 paise per litre in 1974-75. Similarly, special toned milk (3.5 per cent fat) is at present on sale at 130 paise per litre against its estimated production cost of 153.49 paise per litre in 1974-75. The Committee are however surprised to note the alarming increase in the estimated cost of production (including cost of procurement) of milk during 1976-77, as they find that these costs have increased to Rs. 180.84, 154.48, 190.91 per litre of toned

milk, double toned milk, special toned milk respectively. As has been pointed out by Audit, the selling prices of various types of milk fixed in February 1969 had not been revised by Government in the interest of consumers till 5 November 1973 except for a marginal reduction of 0.5 per cent in the fat content of standardised milk in October 1971. The Committee find that even the prices that were fixed in November 1973 were on the basis of estimated and not actual cost of production.

75. 5.69 -do-

The Committee are distressed to note from the observations of the Audit that in the absence of compilation of actual cost for each grade of milk and milk products, the authenticity of the estimated cost adopted as the basis for fixation of sale price could not be verified. It was also noticed by the Audit that the estimated cost compiled by the Scheme was under-estimated on account of the fact that (i) no periodical review of the estimated cost was made in the light of procurement prices of raw material which showed continuously an upward trend, and (ii) the fat loss in process was taken at 1 per cent whereas the norm fixed was 2 per cent and the actual loss was still higher.

76. 5.70 -do-

The Committee regret to note from the Audit Para that although the Delhi Milk Scheme has a Cost Accounts Branch, preparation of Cost Sheets was discontinued from 1969-70 and instead, estimated cost is being compiled since then after taking into account *ad hoc* increases over the cost for 1968-69. The Committee would like the Government to investigate as to why the preparation of Cost Sheets was discontinued and how in the absence of compilation of actual cost for each grade of milk and milk products, the Delhi Milk Scheme are in a position to fix the sale prices of milk



1	2	3	4
			<p>and milk products. The Committee feel that costing is particularly necessary for ghee, and other dairy products, like Ice cream, Butter etc., and that there should be no occasion for loss in their production. The Committee would like to have a detailed explanation for the lapses and the remedial action that is contemplated.</p>
77.	5.71	Deptt. of Agriculture	<p>The Committee further regret to note that proposals for strengthening the cost accounts Section of the Scheme were sent to Government in 1972 and nothing has been done so far in this behalf. The Committee are not convinced of the Ministry's plea that the streamlining of the present accounting system in order to have better control over various elements of costing would require the introduction of a sophisticated costing system and maintenance of accounts and would be possible only after the Scheme is converted into a Statutory Corporation. The Committee feel that streamlining of procedure can be effected even without bringing in costly machines. They would, therefore, like the Government to review in consultation with Costing Unit of Ministry of Finance the existing accounting system urgently in order to identify the shortcomings and to take remedial measures in this behalf.</p>
78.	5.72	-do-	<p>The Committee note that at present two different agencies, viz., Mother Dairy and Delhi Milk Scheme are selling milk in Delhi at two different prices, viz. Rs. 2 and Rs. 1.30 per litre, respectively, the fat content of milk marketed by the former is 4.5 per cent and of the latter 3 per cent. The Committee have been informed that in order to achieve co-ordination bet-</p>

ween the activities of the two dairies, a committee has been constituted in the Ministry of Agriculture which would, *inter alia*, decide the purchase and sale prices of milk by the Delhi Milk Scheme and Mother Dairy. The Committee cannot but point out the long time that has already elapsed in tackling these issues and desire that these should be conclusively resolved within six months of the presentation of the Report and the Committee informed.

79. 5.73 -do-

The Committee have been informed during evidence that there was a proposal to revise the sale price of milk in May, 1974 but nothing was done in this direction as Government felt that any increase in the price of milk would create a chain reaction resulting in all-round increase in prices of all items of milk and milk products. Instead, the fat content of special toned milk, which is the main supply to consumers, was decreased from 3.5 per cent to 3 per cent to meet part of the losses incurred by the Delhi Milk Scheme. The Committee note that in spite of that, the estimated cost of production of special toned milk increased from 130.06 paise per litre in 1973-74 to 153.49 paise per litre as against the sale price of 130 paise per litre in 1974-75. The Committee desire that the whole question of fixation of prices of milk may be examined thoroughly so as to analyse the reasons for the increase in the cost of processing and distribution of milk and take remedial measures to minimise them.

80. 6.24 -do-

The Committee are distressed to note that the Delhi Milk Scheme, which was expected to function on 'no profit no loss' basis has been incurring losses year after year since its inception except during 1969-70 and 1970-71. The cumulative loss upto 31 March, 1974 after adjusting

the profits earned in 1969-70 and 1970-71 amounted to about Rs. 7.05 crores. The loss during 1974-75 and 1975-76 was Rs. 4.14 crores and Rs. 5.77 crores (subject to Audit) respectively. Though the accounts for 1976-77 are stated to be under compilation, the Committee feel that the losses during 1976-77 will be greater as compared to earlier years as the cost of production (including cost of procurement) of milk was significantly higher during this year, while the sale price of milk was stationary. Expressing anxiety over the losses, the Committee in their Sixth Report (Fifth Lok Sabha—1971-72) had hoped that 'with the increase in turnover and better control over expenditure, losses would be wiped off and the Scheme would be able to function on a 'no profit no loss' basis. The Committee are unhappy to point out that precious little has been done by the Government during all these years to reduce the losses. According to Audit, losses were *inter alia* contributed by uneconomical working of the Bikaner Centre and high percentage of loss of fat and milk in process at the Central Dairy, excessive breakage of bottles, higher incidence of cost of collection on account of under-utilisation of the capacity of a number of milk collection and chilling centres, rising trend of consumption of petrol, diesel, engine oil, steam coal, chlorine and caustic soda and idle plant and equipment. The Committee by and large have dealt with these aspects elsewhere in the report and given their recommendations.

ment and sale prices of milk. It has been submitted to the Committee that there has been a general increase in the idle index of all commodities over the index prevalent in June 1969, registering an increase of 15.19 per cent in June, 1972; 38.88 in June, 1973; 78 per cent in June 1974; and 81.61 per cent in June, 1975. While in view the increase in prices as well as market trend over the years, the milk procurement rates were increased suitably from time to time to provide a remunerative return to the milk producers. The Delhi Milk Scheme has been bringing their worsening position to the notice of Government from time to time but the latter instead of moving swiftly allowed the things to drift.

82      6.26      Do.

Another reason which accounts for a major portion of losses is the increase in the prices of skimmed milk powder. It has been stated that the increased price of the skimmed milk powder was of the order of Rs. 87 lakhs in 1973-74 and Rs. 162 lakhs in 1974-75. The Committee are of the view that unless some effective measures are taken to increase the procurement of milk and reduce the expenditure on over-heads for collection and processing of milk, it may not be possible to reduce the losses to an appreciable extent. The Committee, therefore, would like to urge that all-out efforts should be made to tap more sources for the procurement of milk at most reasonable costs.

83      6.27      Do.

The Committee have been informed during evidence that the no-loss situation would occur only when the pricing is done in such a way between the Delhi Mother Dairy and the Delhi Milk Scheme and the product mix so decided that in the overall situation there was no loss

1	2	3	4
			The Committee have already emphasised elsewhere in this Report that conclusive action should be taken within six months of the receipt of the Report of the Committee of Officers which has been appointed to decide the purchase and sale prices of milk by both the Dairies.
84	6.28	Deptt. of Agriculture	The Committee note that the Delhi Milk Scheme had incurred a loss of Rs. 83.89 lakhs in 1972-73. While the incidence of increase in the price of raw milk and skimmed milk powder in 1972-73 over 1971-72 amounted to Rs. 30.83 lakhs the incremental impact of higher incidence of wages and services had not been quantified.
85	6.29	Do.	Similarly, the Committee find that the savings effected by the discontinuance of supply of standard milk at the rate of Rs. 1.16 per litre with 4.5 per cent fat content with effect from 5 November 1973, and introduction of special toned milk at the rate of Rs. 1.30 per litre with 3.5 per cent fat content later reduced to 3 per cent has not been quantified. The Committee need hardly point out that Government should have carefully worked out the financial implications of reducing the fat contents in two stages and kept a careful watch to see the extent to which this had actually helped in reducing the losses.
86	6.30	Do.	The Committee have been informed that Government have taken a number of steps to improve the efficiency of Delhi Milk Scheme in processing of milk to effect economies in cost. These steps <i>inter alia</i> include replacement of old bottling line, clarifiers/separators, stillage trucks

and bottle crates, increasing milk procurement to reduce the use of Skimmed Milk Powder, increase in production of Ghee which is more economical, reduction in overhead cost by restricting the overtime allowance, savings in consumption of fat and SNF, etc. The Committee would like the Government to take conclusive action to enforce these improvements vigorously so as to effect all possible economies consistent with maintenance of quality expected of a Government undertaking dealing with vital supplies of milk.

87      6.31      —Do.—

The Committee also urge that concerted measures should be taken to (i) improve procurement from the earmarked milk-shed areas, (ii) develop high-yielding cattle, (iii) improve procurement arrangements through rationalisation and economy in procurement operations.

88      7.12      —Do.—

The Committee find that the Delhi Milk Scheme as well as the Mother Dairy run by the Indian Dairy Corporation continue to operate in Delhi as two separate entities. In this connection, the Committee would like to recall the recommendation made by the Committee on Public Undertakings in their 83rd Report (April, 1976) to the effect that Government should take steps to avoid duplication of efforts and overlapping of functions between the two Dairies, arrange for judicious location of booths and ensure equitable distribution of milk among all sections of people. The Committee had further expressed the opinion that one integrated organisation to manage and control the affairs of both the Delhi Milk Scheme and the Delhi Mother Dairy would go a long way in achieving these objectives and would also make for reduction in overhead expenditure on staff, transport, etc. The Committee regret that in

spite of the urgency of the problem, no concrete measures have yet been taken by the Government in the matter except setting up a coordination committee with a Joint Secretary of the Department of Agriculture as Chairman and on which are represented the Chairman/General Manager of the two dairies along with the other concerned officers. It is also understood that the two Dairies have been asked to maintain parity and coordination in the matter of procurement and distribution of milk. The fact, however, remains that while the Mother Dairy procures its milk from the cooperatives, Delhi Milk Scheme is still largely dependent for its supply on contractors. There is also a marked difference in the fat content and the sales price of milk as also in the manner of vending. The Committee feel that now that both the systems have been in the field for a considerable period, it should be possible for Government to take a firm decision in the matter. At any rate, there should be complete coordination in the matter of procurement and distribution of milk in the best public interest. The Committee would like to be informed of the concrete measures taken by the Government specially in the matter of procuring milk increasingly from the cooperatives of milk producers and in opening of new distribution booths so as to make milk available in areas which are predominantly inhabited by weaker sections of the society.

The Committee are distressed to note that several items of plant and machinery costing Rs. 41.54 lakhs have been lying idle with the Delhi Milk Scheme since their acquisition. They find that more than a decade

has passed since the automatic recrating and decrating machines, milk evaporating plant and cheese plant were acquired by the Delhi Milk Scheme and have not been put to use for one reason or the other. In this context it is relevant to mention that the Public Accounts Committee in their Sixth Report (Fifth Lok Sabha) had also stressed the need for utilisation of these machines. The Committee note that despite the fact that the technical experts of the National Dairy Development Board who had inspected the automatic recrating and decrating machines in March, 1975 and recommended their disposal, nothing tangible has been done in this behalf.

90      8:23      Deptt. of Agriculture

The Committee note that although the Ministry had intimated to them in 1972 that the milk evaporating plant would be commissioned in about six months, they are surprised to find from the information furnished to the Committee in July, 1977 that it has not been commissioned so far for lack of spare parts. The Committee would like to be informed of the specific steps taken to expedite the commissioning of the plant. The fact that the plant has been lying idle since 1963 and the Delhi Milk Scheme were carrying on without it all these years, gives rise to the doubts in the mind of the Committee whether the purchase of the evaporating plant was absolutely necessary.

91      8:24      —Do.—

The Committee note that the Delhi Milk Scheme failed to establish the cheese plant at Bikaner. They also note that efforts are being made to establish it at Mathura and that the sanction of the Government of Uttar Pradesh is awaited.

92      8:25      —Do.—

The Committee note that five rail Milk tankers requisitioned at a cost of Rs. 10.27 lakhs were originally required for carrying milk from Bika-



ner. Since railway siding at Patel Nagar premises of the Delhi Milk Scheme was not being provided, the Delhi Milk Scheme now intend to utilise these tankers not only for collection of milk from Bikaner but also from other centres which are linked by meter gauge railway. The Committee deplore the failure of the Ministry to establish an effective liaison with the Railway Board in the matter of the provision of the Railway siding at Patel Nagar. They feel that before awarding the contract to the Railways for the manufacture of under-frames of the tankers, the Delhi Milk Scheme should have ascertained from the Railway Board the position of provision of railway sidings facilities at Patel Nagar. The Committee note that two milk tankers which were delivered to the D.M.S. by the Railways are already in use. They hope the remaining three tankers would also be refurbished soon and put to use.

93

8-36

Deptt. of Agriculture

The Committee are concerned to note the rising trend year after year in expenditure in the workshop maintained by Delhi Milk Scheme for repair and maintenance of the plant and equipment. They find that the expenditure has progressively risen from Rs. 3.49 lakhs in 1969-70 to Rs. 13.32 lakhs in 1975-76. Th disturbing featur is that though at times there have been break downs in some units of the plant, such as clarifiers, separators, some storage tanks and on the by-products manufacturing side, some plants like spray driers and roller driers had remained idle for repairs, the Delhi Milk Scheme had not maintained any details for such lay-offs. The Committee need hardly emphasise that complete record of the lay-offs of the plants and equipments showing the number of break-

downs, total number of man-hour lost and the losses suffered as a result thereof should be properly maintained so that the precise reasons of break-downs could be identified for conclusive action to avert their recurrence.

- |    |      |                       |  |
|----|------|-----------------------|--|
| 94 | 8:37 | Deptt. of Agriculture | The Committee learn that the Delhi Milk Scheme are maintaining another workshop for repair and maintenance of vehicles, both for milk tankers and vans meant for transportation of milk from milk collection and chilling centres to the Central Dairy and from the Central Dairy to the milk depots. The Committee are unhappy to note that the data relating to petrol/diesel, expenditure on maintenance and repairs, date of condemnation etc. of each tanker and van were not maintained by the Delhi Milk Scheme. Similarly, the records maintained for the purpose of utilisation of tyres do not indicate mileage covered by a particular van. |
| 95 | 8:38 | Do.                   | Yet, another matter of concern pointed out by the Audit is that the expenditure on the repairs and maintenance indicating the spare parts fitted to the vehicles and the expenditure by way of labour charges has not been worked out by the Delhi Milk Scheme in respect of each vehicle, ostensibly on the ground that 'this would involve enormous labour and time'.  |
| 96 | 8:39 | Do.                   | The Committee are further unhappy to note that no standards of consumption of petrol/diesel/engine oil have been laid down. It is, however, observed from the Audit report that the average consumption of petrol/diesel/engine oil per 1000 km. was continuously on the increase during the years 1972-73, and 1973-74 as compared to 1971-72.  |

1	2	3	4
97	8.40	Deptt. of Agriculture	Besides the above shortcomings another disturbing feature which has come to light is the improper maintenance of records about their functioning. As pointed out by the Audit, the records maintained do not indicate actual repairs/maintenance/over-hauling of transport vehicles and plant and equipment. The actual cost of each job indicating the cost of materials, labour and other items is also not being worked out.
98	8.41	Do	The Committee need hardly emphasise that the deficiencies and shortcomings pointed out by the Audit should be looked into urgently for remedial action. In particular, the Committee urge that utmost economy should be affected in the expenditure on repairs/maintenance/over-hauling in both the workshops and in the use of petrol/diesel etc. so that the heavy losses now being sustained by the Delhi Milk Scheme are brought down to the minimum by reducing over-head expenditure.
99	8.42	Do.	The Committee would also like to be informed of the institutional arrangements made to monitor and check effectively the operational and maintenance expenditure on the transport vehicles.
100	8.51	Do.	The Committee note that the special verification of stores of Delhi Milk Scheme conducted in October, 1970 revealed difference of Rs. 35.49 lakhs between the figures of closing stock as per general ledger and the ground balance as physically verified. They are surprised to note that this difference was not adjusted after investigation/reconciliation but was shown under the head 'Stores Adjustment Account' on the liability

side of the Balance Sheet as on 31st March, 1971. A further amount of Rs. 8.79 lakhs and Rs. 0.49 lakhs of which details are not known was again credited to the above head in 1971-72 and 1972-73 respectively. The Committee deplore the manner in which the accounts of the Delhi Milk Scheme a commercial organisation, were maintained all these years. Instead of taking swift action to reconcile the differences, the Authorities took recourse to the method of showing the stores, which could not be reconciled, under a head entitled "Stores Adjustment Account". The Committee agree with the observations made by the Audit that the huge credit balance in the 'Stores Adjustment Account' is indicative of lack of control with regard to accountal of receipt and issue of stores.

101

8.52

Deptt. of Agriculture

The Report of the Team of Special Physical Verification, which examined the position of the stores in the Delhi Milk Scheme, has revealed gross irregularities in regard to the maintenance of the stores ledgers. The Team had observed that proper assets register showing the full description of assets and their location had not been maintained. Quantity balances in the stores ledgers had not been reconciled with those in accounts ledgers. According to the Team, the ledger balances could not be accepted as correct as there were numerous corrections, erasers, over-writings and interpolations, etc. Minus balances had been observed in a number of cases and discrepancy pointed out in earlier physical verification had not been adjusted. The Special Physical Verification Team had made a number of suggestions for effecting improvement in the maintenance of accounts. The more important of them related to periodical review of slow moving items and disposal of unwanted/obsolete items; classification of stores giving full description of items and part numbers.

---

1

2

3

4

---

issue of proper standing instructions regarding care and maintenance of items stored; maintenance of stores kept in the open in proper enclosures under the control of storekeeper; and a three tier system of physical verification, viz. continuous verification by internal audit, monthly surprise verification by the Controller of Stores and Stores Officers and annual verification by Technical Officer nominated by the Chairman. The Committee would like to be informed about the action taken on the various suggestions/recommendations made by the Special Physical Verification Team.

102

853

Deptt. of Agriculture

The Committee are also perturbed to find that no physical verification of stock of coal has been made since inception to March, 1970 while such verification was required to be conducted twice a year as per the provisions of the Manual of Accounting Procedure. They are not convinced that the physical verification prior to the period 1970 could not be conducted for paucity of staff. They further note that the physical verification of stock of coal conducted in March, 1970 and further scrutiny conducted in September, 1971 revealed a shortage of, 1,778 tonnes of coal valued at Rs. 1.33 lakhs. The Committee would like the Ministry to fix responsibility for the lapse in not undertaking a physical verification of the stock of coal since inception of the Scheme upto March, 1970 which they were required to do under the provisions of the Manual of Accounting Procedure. The Committee would also like the Ministry to take conclusive action against the officers concerned who were found responsible for the shortage detected in the stock of coal after the physi-

250

cal verification conducted in March, 1970 and in September, 1971. The Committee would also like to know whether the deficiencies have since been re-conciled.

103

8'54

Do.

The Committee note that lists of 1980 slow-moving items of Transport and Dairy Engineering Stores have been prepared and sent to the Technical Officers during May, 1975 and June, 1976 respectively, for certifying about their actually being surplus or excess to the requirements and that further action for their disposal would be taken on receipt of the report of the officers. The Committee feel concerned about the large number of items of stores lying un-utilised. The Committee would like to know the total value of such stock and the period and reasons for their remaining unutilised. They would also like to be apprised about the recommendations made by the Committee of Technical Officers appointed to go into the matter and the conclusive action taken by the Ministry in pursuance of those recommendations/suggestions to rationalise the inventories and ensure that these are not burdened by acquiring stores for in excess of known requirements.

251

