

SECOND REPORT
**STANDING COMMITTEE ON FOOD,
CIVIL SUPPLIES AND PUBLIC
DISTRIBUTION**
(1993-94)

TENTH LOK SABHA

**ANNUAL REPORT OF THE MINISTRY OF FOOD
(1992-93)**



*Presented to Lok Sabha on 10th December, 1993
Laid in Rajya Sabha on 10th December, 1993*

**LOK SABHA SECRETARIAT
NEW DELHI**

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COMPOSITION OF THE STANDING COMMITTEE ON FOOD,
CIVIL SUPPLIES AND PUBLIC DISTRIBUTION
(1993-94)

Prof. Ram Kapsc — CHAIRMAN

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3. Shri G. Devaraya Naik
4. Shri Naranbhai Jamlabhai Rathva
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Rajya Sabha

31. Shri Sunder Singh Bhandari
32. Shrimati Mira Das
33. Shri B.V. Abdulla Koya

*Resigned. Ceased to be member of the Committee w.e.f. 14th June, 1993.

(iv)

34. Maulana Asad Madni
35. Shri Sudhir Ranjan Majumdar
36. Shri Moolchand Meena
37. Shri Tara Charan Majumdar
38. Shri Venod Sharma
39. Shri Jagannath Singh
40. Shri Tindivanam G. Venkatraman
41. Shri Ramendra Kumar Yadav 'Ravi'
42. Shri Ratna Bahadur Rai

SECRETARIAT

1. Shri G.L. Batra — *Additional Secretary*
2. Shri Satish Loomba — *Deputy Secretary*
3. Shri K.L. Anand — *Under Secretary*

INTRODUCTION

1. The Chairman of the Standing Committee on Food, Civil Supplies & Public Distribution (1993-94) having been authorised by the Committee to submit the Report on their behalf, present this Second Report on the Annual Report (1992-93) of the Ministry of Food.

2. The Annual Report of the Ministry of Food has been examined by the Committee under Rule 331 E(1)(c) of Rules of Procedure and Conduct of Business in the Lok Sabha.

3. The Committee have undertaken a selective analysis of the Annual Report of the Ministry of Food and have concentrated mainly on procurement of foodgrains and coarsegrains, import of foodgrains, licensing and vigilance of sugar industries and cost control.

4. The Committee took evidence of the representatives of the Ministry of Food on 14th, 15th and 29th June 1993. The Committee wish to express their thanks to the officers of the Ministry of Food for the cooperation extended to them in giving information to the Committee.

5. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type.

6. The Committee considered and adopted the Report at their sittings held on 17th Sept. and 1st Oct. 1993.

NEW DELHI;
1 December, 1993

10 Agrahayana, 1915 (Saka)

RAM KAPSE,
*Chairman,
Standing Committee on
Food, Civil Supplies &
Public Distribution.*

CHAPTER I

PROCUREMENT OF FOODGRAINS

A. Introductory

Management of the food economy of the country is the primary responsibility of the Ministry of Food. The main functions of the Ministry are:

- (i) Formulation & Implementation of national policies on procurement, import, movement, distribution & stocking of foodgrains;
- (ii) Provision of storage facilities for the maintenance of central reserves of foodgrains & promotion of scientific storage.
- (iii) Fixation of statutory minimum prices of sugarcane payable by sugar factories, development & regulation of the sugar industry (including training in sugar technology, fixation of price of levy sugar & its supply for PDS and regulation of supply of free sale sugar).
- (iv) Nutrition extension & development/popularisation of subsidiary protective food with a view to improving nutritional standards.
- (v) Entering into treaties & agreements with foreign countries in regard to trade & commerce in foodgrains & certain food stuffs.

1. The main constituents of the Government's Food Management Policy are procurement of foodgrains, storage, movement, public distribution & the maintenance of buffer stocks.

2. At present free movement of wheat & levy free rice is permissible throughout the country. There is no levy on wheat anywhere in the country. However, rice is procured under the statutory levy imposed by the State Governments on rice millers/wholesale traders.

B. Procurement Prices

3. The first step in the procurement of foodgrains is the fixing of minimum support prices. The minimum support price is fixed by the Ministry of Agriculture on the recommendation of the Commission for Agricultural Cost & Prices (CACP).

4. After the minimum support prices are announced by the Ministry of Agriculture, these prices are intimated by the Department of Agriculture & Cooperation to all State Governments/UTs. The Ministry of Food also repeats these prices to States/UTs and FCI.

5. According to the Ministry of Food, the time schedule for submission of Report by CACP and announcement of the prices by Government in respect of major Rabi/Kharif crops is as under:

Commodity	Sowing period in major states	Suggested date for submission of commission's Report each year	Date of announcement of prices by Govt.
Kharif Crops			
Paddy, Jowar, Bajra, Maize, Ragi.	Junc-October	February	15th April
Rabi Crops			
Wheat, Barley	October-December	June	16th August

6. Whereas the dates of announcement of minimum support prices for rabi & kharif cereals during the last three years by the Government of India are as under:

Year	Rabi Marketing Season (April-March)	
	Date of announcement	
1990-91	1.9.1989	
1991-92	6.11.1990	
1992-93	17.3.1992	
	Kharif Marketing Season (October-September)	
1990-91	19.6.1990	
1991-92	20.9.1991	
1992-93	30.1.1992	

7. When asked about non declaration of procurement prices well in advance of the harvest, the Ministry stated that the Ministry of Food was responsible only for extending price support to paddy, wheat and coarse-grains to farmers through the agency of Food Corporation of India. The support prices of foodgrains (wheat, paddy and coarsegrains) are however, fixed by the Ministry of Agriculture (Deptt. of Agriculture & Cooperation) on the recommendations of Commission for Agricultural Costs and Prices (CACP). As such, it is for the Ministry of Agriculture to take timely action for declaring the procurement prices well in advance of the harvest.

C. Procurement of Foodgrains

8. A quantity of 63.80 lakh tonnes of wheat had been procured by FCI/ State agencies during 1992-93 Rabi marketing season upto 12.3.93 as against 77.52 lakh tonnes which had been procured during the corresponding period of the previous Rabi Season of 1991-92.

9. Asked about the reasons for low procurement, the Ministry has stated that lower or higher procurement depends on farmer's decision to sell to Food Corporation of India and the State agencies. Other reasons for lower wheat procurement during the current Rabi marketing season are primarily attributable to the higher level of open market prices as compared to the minimum support price fixed by the Govt., increased purchases by traders this year; lesser arrivals of wheat in mandies in the major wheat procuring states of Punjab, Haryana, UP, etc.

(i) Purchase Centres

10. With a view to provide adequate and effective price support efforts in all the traditional support pockets, the Ministry has decided to open and operate more number of centres during 1993-94 Rabi marketing season. 8034 purchase centres have been operated for procurement of wheat as compared to 7166 centres operated last year.

11. In order to ensure adequate monitoring of the working of the procurement centres, Control Rooms have been set up in the Ministry of Food, Krishi Bhavan, New Delhi and in FCI headquarters, New Delhi, to monitor implementation of the price support scheme for Rabi foodgrains under which FCI and the associated state procuring agencies are meant to procure foodgrains conforming to Fair Average Quality (FAQ) at the stipulated support price/procurement price as the case may be. Any report of distress sales is immediately sent to the concerned agencies (state Govts.) for making an enquiry and taking remedial action. With a view to ensure that existing purchase centres continue to function smoothly and efficiently, continuous supervision is exercised. Frequent visits by senior officers from vigilance is also done. Appropriate action is also taken against the employees involved in irregularities both by the FCI and the State Governments.

(ii) Delayed Procurement

12. There has been delay in the procurement of foodgrains in certain areas specifically in UP. On being asked about the reasons for delay in procurement of foodgrains from UP, the Ministry in their note has stated that, some difficulty was felt by Govt. of UP and State procuring agencies in managing procurement of wheat under price support scheme on account of late placement of indent for supply of gunny bags. The Govt. of UP placed their first indent for 42,100 bales on 6th Feb., 1993 and a second indent for 21,000 bales as late as 20th March, 1993 whereas the indents should have been placed by FCI State procuring agencies to DGS&D in the month of November/December, 1992 to the Rabi Marketing Season 1993-94.

13. In order to cope up with the emergent situation and to ensure that wheat procurement did not suffer, the State Govt. was allowed to resort to open market purchase of about 21,000 bales, the orders for which were placed by them on 12th April, 1993. Besides the

open market purchases of gunny bags, further steps were also taken to ensure availability of gunny bags like diversion of 3000 gunny bags meant for FCI to UP; requesting Railways to organise movement of gunny bags in full rakes etc.

D. Procurement of Coarsegrains

14. NAFED under the Ministry of Agriculture & Cooperation from 1985-86 marketing season had been the nodal agency for procurement of coarse cereals. From the Kharif marketing season of 1989-90, however, the FCI has been entrusted with the task of conducting price support operation for coarse cereals in Punjab, Haryana & UP, while the NAFED continued its procurement operation in other states. From 1990-91 Rabi marketing season, FCI has been made solely responsible for the procurement of Rabi & Kharif coarsegrains throughout the country.

15. NAFED was discontinued as a procurement agency for coarsegrains on the recommendation of the Commission for Agricultural Costs & Prices (CACP) who in their report for the Kharif crops of 1989-90 season, had *inter-alia* recommended that the FCI should also handle coarse cereals in the same way it handles rice and wheat. It was felt that unlike FCI, NAFED does not have infrastructure to give effective price support to the poor farmers. Similarly NAFED does not have an assured outlet and built-in system for the disposal of coarsegrains procured by it. Certain deficiencies were also noticed in NAFED's operations, such as, non-procurement of coarsegrains which related to rain damaged and discoloured stocks of bajra in a few parts of the country. Accordingly, the proposal of the Deptt. of Agriculture and cooperation to transfer completely from NAFED to FCI the procurement work relating to price support operations of coarse cereals from the Rabi 1990-91 marketing season and thereafter was approved by the Govt. on 8.3.90 and FCI designated the nodal agency since 1990-91 marketing season.

16. When asked about the low/negligible procurement of Coarsegrains, the Ministry has stated that coarsegrains are generally grown by farmers in small quantities in rain-fed areas and mostly for self-consumption. Only small quantities are marketed and the prices of FAQ coarsegrains usually rule well above the Minimum Support Price (MSP). Coarsegrains are also procured like wheat and paddy under price support by FCI at Minimum Support Price and is totally on voluntary basis. All such price support operations are being conducted by FCI in conjunction with appropriate agencies of the concerned state governments, viz. state Cooperative Agricultural Marketing Federations, viz. State Civil Supplies Corporation, etc. TRIFED has been appointed as sub-agent of FCI to procure coarse cereals because of their strong presence in tribal areas.

17. During the year 1990-91 Kharif marketing season, a quantity of 2.03 lakh tonnes of coarsegrains was procured. During 1991-92, only negligible quantity (below 500 tonnes) was procured due to higher open market prices.

18. The Ministry further added that the procurement of coarsegrains during the current Karif marketing season 1992-93 has been much higher as compared to the negligible procurement last year. A quantity of 3,79,298 tonnes of coarsegrains (excluding 4,05,163 tonnes of Hybrid Jowar of lower specifications purchased at the rate of Rs. 215/- per quintal by Maharashtra Government) has been procured as on 28-5-93 in the current 1992-93 Kharif marketing season. A quantity of 1391 MT of coarsegrains (barley) has been procured as on 28-5-93 in the current Rabi marketing season 1993-94. The record procurement of coarse cereals during the current year clearly highlights the effective price support to the farmers by FCI and other agencies.

19. Regarding utilisation of 4,05,163 tonnes of Jowar of lower specifications procured in Maharashtra during 1992-93 Kharif season, the Ministry has stated that since Rabi 1990-91, when the responsibility for providing price support to coarse cereals was transferred to FCI, the Government of Maharashtra has been working as an agent of the FCI for extending price support to coarsegrains including Jowar.

20. Hybrid Jowar is grown in Maharashtra in the Kharif season. During the year 1992-93, there were heavy and unseasonal rains in the second/third week of October, 1992 in most parts of the State. The standing Jowar crop got exposed to rains and as a result of which the grains got discoloured ranging between 15% and 40%. Since this type of Jowar failed to satisfy the Fair Average Quality specifications, purchase of such Jowar could not be effected under the price support scheme at the minimum support price of Rs. 240/- per quintal. The estimated production of Kharif Jowar is 50.36 lakh tonnes. There were representations from the farmers and the people's representatives that the cultivators were forced to sell such jowar at distress prices and that the state government should intervene and help the farmers. In order to avert this situation, the State Govt. took a decision to purchase blackened/discoloured jowar at the reduced support price of Rs. 215/- per quintal subject to the jowar conforming to Prevention of Food Adulteration Act (PFA) standards.

21. A total quantity of 4.01 lakh tonnes of blackened/discoloured jowar has been purchased by the State Govt. Assessing a 5% storage losses, the net figure comes to 3.81 lakh tonnes till the close of the procurement season. An amount of about Rs. 112/- crores has been spent by the State Govt. on the procurement of blackened/discoloured jowar.

22. As far as disposal of this jowar is concerned, since blackened/discoloured jowar conforms to PFA standards and is fit for human consumption, efforts have been made to sell some of this jowar through the Public Distribution System. The retail selling price of blackened/discoloured jowar has been fixed at Rs. 1.75 per kilo as against the retail

selling price of Rs. 2.20 per kilo fixed for the Fair Average Quality jowar in the normal P.D.S. areas. However, since a very large quantity of FAQ jowar is available for distribution to the card-holders through the PDS, the discoloured jowar is not moving out. As a matter of fact even the jowar procured under the price support scheme is also not moving.

23. When it became apparent that it would be necessary to dispose of the blackened/discoloured jowar by any conceivable method, a plan for the export of about 1.25 lakh MTs has been prepared and the Government of India (GOI) has been requested to accord sanction for the export upto 2 lakh MTs. Sanction from the GOI is still awaited. Similarly, efforts were made to sell the jowar domestically and so far arrangements in respect of 1.82 lakh MTs have been made.

24. The State Govt. is also considering the possibility of permitting the private institutions/individuals having dairy/poultry/piggery business or in the feed manufacturing business, to purchase blackened/discoloured jowar upto 1,000 MTs at Rs. 160.55 per quintal.

25. According to the Ministry the prospects for disposal of jowar of non-FAQ quality at this stage is not quite certain. Even assuming that the plan prepared by the State Govt. for the disposal of 3.81 lakh MTs of discoloured jowar is successful, it is expected that the Govt. would suffer a cash loss of about Rs. 56 crores.

E. Procurement of Rice

26. Upto 12.3.1993 a quantity of 112.02 lakh tonnes of rice has been procured during 1992-93 kharif marketing season as compared to 88.29 lakh tonnes procured during the corresponding period last year.

27. The Committee pointed out during evidence that specially in U.P., not much publicity was given to procurement prices by FCI. Secondly, cases of corruption by Thekedars and FCI officials in unloading goods in godowns have also been noticed. Replying to a query from the Committee whether any steps had been taken by the Ministry in this regard, a representative of the Ministry Stated:—

“As far as ‘Thekedars’ for rice is concerned, we are aware that this problem is there to some extent. There is one unique system in U.P. where such system of Thekedars is prevalent in that state. This system is not anywhere else in the country. We have been trying to improve it and bring it at par with other States like A.P., Maharashtra, West Bengal etc. But, somehow, it has not been possible to overcome this procedure.”

28. A number of representations were received from various Rice Millers Association viz. Punjab Rice Millers, Haryana Rice Millers Association and Andhra Pradesh Rice Millers Association before commencement of the current year 1992-93 kharif marketing season,

demanding increase in the procurement prices of levy rice on account of increase in the mandi labour charges, electricity tariff, processing and milling charges etc. The Haryana Rice Millers Association demanded increase in the percentage of broken rice in the quality specifications or rice from the existing 23% to 35%. They also demanded that out-turn ratio for superfine variety be reduced from 65% to 62%. The Haryana Rice Millers Association and the Andhra Pradesh Rice Millers Association also demanded parity with Punjab in fixation of transportation forwarding charges and procurement prices. All these representations were duly considered before fixation of the procurement prices of levy rice for the 1992-93 kharif season as well as fixation of the transportation, forwarding charges and procurement prices for the various States. Since the statutory taxes payable on purchase of paddy by millers and the out-turn ratios adopted for conversion of cost of paddy into the cost of rice differ from State to State, it is not possible to grant parity for one State with the other in the matter of fixation of procurement prices of levy. Further, the States have been classified into two groups — Group 'A' comprising the States where percentage of levy is 60% or more, viz. Punjab, Haryana, U.P., Rajasthan, Chandigarh and Delhi and Group 'B' comprising other States where levy percentage on rice is upto 60% for the purpose of regulating the non-statutory expenses at paddy stage, viz. Transportation cost of paddy from mandi to the mill premises, mandi labour charges, milling charges, gunny depreciation and some margin for quality.

29. Representations have been made by the Rice Millers Associations during 1992-93 raising various issue including fixation of the procurement price of levy rice, the quality specifications of rice, system of delivery of paddy by FCI to rice millers for custom-milling and increase in the rates of custom-milling etc., which are under the consideration of the Ministry of Food.

F. Procurement Operations in Tribal Areas

30. According to the Ministry of Food, it has been decided that the TRIFED (Tribal Development Federation of India Ltd.) under the Ministry of Welfare will procure foodgrains in tribal areas. These procurement operations will be undertaken at support prices. Foodgrains thus, procured by TRIFED will be handed over to FCI. Thus, services of TRIFED have been availed in the procurement of foodgrains for the Central Pool *w.e.f.* Kharif 1989-90 in view of their strong presence in such areas. The quantities procured by TRIFED during the three years 1989-90 to 1991-92 were:—

(In Million Tonnes)

	Paddy	Wheat	Jowar
1989-90	68	—	1264
1990-91	628	142	2090
1991-92	179	552	—

31. The Ministry further stated that the quantities procured by TRIFED were not substantial. However, entire stocks conforming to uniform specifications have been handed over to FCI.

32. As regards procurement done by TRIFED in 1992-93, the witness stated during evidence that there was no procurement of jowar and bajra by TRIFED in 1992-93, whereas procurement of Maize was 2585 million tonnes.

33. When asked about the reasons for nil or such low procurement done by TRIFED, the Secretary, Ministry of Food stated during evidence that, "the general impression is that in most tribal areas the holdings are extremely small and the production per hectare is very low. Whatever is produced, 95% is retained for house consumption. That is why the overall procurement is less."

G. Import of Foodgrains

34. The building up and maintenance of buffer stocks has been an important plank of the national food policy. These stocks are maintained primarily to ensure stability in supplies and prices over the entire year and to provide food security to the country.

35. According to the decision taken by the Govt. on 4th Jan., 1991, the size of the minimum stocks to be maintained by the public agencies in the country should be as under:

Total Minimum Stocks

(Million tonnes)

Date	Wheat	Rice	Total
1st April	3.7	10.8	14.5
1st July	13.1	9.2	22.3
1st Oct.	10.6	6.0	16.6
1st Jan.	7.7	7.7	15.4

36. The stock position as furnished by the Ministry, in the Central Pool as on 1st June, 1990, 1991 and 1992 was as under:

Stock as on	Quantity in lakh tonnes
1st Jan. 1990	56.11
1st Jan. 1991	92.69
1st Jan. 1992	52.77

37. When asked about steps taken by the Ministry to ensure adequate buffer stocks, the Ministry has stated that it is basically through procurement that adequate buffer stocks are built and maintained. While all

possible measures to maximise procurement are undertaken it may become necessary, once in a few years, to partly replenish buffer stocks through imports, especially when such stocks are badly drawn down and procurement is low on account of high open market prices and decline in production.

37. Thus, in January, 1992 Government decided to go in for import of wheat. The stock position of wheat on 1st Jan., 1992 was 52.77 lakh tonnes.

38. Justifying the decision to import wheat, the Secretary of the Ministry informed the Committee that 9 lakh tonnes of wheat per month were required for PDS. When the procurement starts, it takes about two months for the new grain to be brought to the FCI godowns. Therefore during these two months the PDS has to be fed from the existing stocks in the Central Pool. The requirement of wheat during the first five months of 1992 i.e., from January, 1992 to May, 1992 at the rate of 9 lakh tonnes per month was 45 lakh tonnes against the stock of 52.77 lakh tonnes on 1st January, 1992. If the base level stock of 1 million tonnes is taken into account, the stock of wheat which was actually available on 1st January, 92 was only 52.77 lakh tonnes.

39. The stock position of wheat was 56 lakh tonnes in January, 1990, which was almost the same as on 1st Jan., 92. However, the Government did not resort to import that time. According to the Ministry, the import was not resorted to in 1990 as there was no increase in the price of wheat during 1989-90 and the price of wheat had remained fairly steady. The procurement of wheat during 1990 was also expected to be enough and this expectation was also fulfilled by the procurement of 118 lakh tonnes of wheat.

40. The Committee desired to know why decision to import wheat was taken in 1992 and not in 1991, when the opening stocks of wheat were around 53 to 56 lakh tonnes. The Ministry have stated that the circumstances under which the Ministry of Food had to go in for some balancing import of wheat in 92-93 as given by the Ministry are as under:

1. Low opening stocks of wheat as on 1.4.92: 2.2 million tonnes as against buffer norm of 3.7 million tonnes;
2. Increased PDS requirement of about 9 million tonnes, inclusive of additional two million tonnes due to the inclusion of more than 1700 blocks under the revamped PDS comprising Tribal, hilly, drought prone and desert areas;
3. Fall in foodgrains production by about 9 million tonnes in crop year 1991-92;
4. Sharp rise in the wholesale price index for wheat. The WPI of wheat increased by 48% between May, 1991 and Jan., 92;

5. Low level of Government procurement in 1992 of wheat of only 6.38 million tonnes against the annual PDS requirement of 9 million tonnes.

41. Asked why despite the high production of wheat for the last few years, the Ministry had to import wheat, the Secretary, Ministry of Food, has stated during evidence that "there is a difference of opinion between the Ministries of Food and Agriculture. There is not much increase in the country's total production of wheat. Increase in country's production relates to only Punjab and Haryana. The Secretary also stated that we have to get additional production from other areas of the country and spread the green revolution, which is not done."

42. The Ministry further stated in their written reply that during the last four years, the production has almost stagnated at a level of 170 million tonnes except in 1990-91 when it increased by about 6 million tonnes.

43. The unevenness in production has its impact on open market prices, which in turn, influence the extent of procurement for the Central pool for maintaining the PDS and Food Security of the country. On the other hand, the demand for foodgrains is estimated to be rising by about 3% per annum due to increase in population and rise in income. In such a situation, the Government is forced to resort to import of Foodgrains.

44. When asked by the Committee whether the decision to import wheat was justifiable, the Secretary categorically stated during evidence that it was absolutely necessary to go for imports, if the Govt. wished to maintain the price line.

45. In order to control high market price of wheat, the Committee was informed by the Ministry during evidence that supply of wheat from FCI is done to PDS and secondly to flour mills. The Committee pointed out that wheat to flour mills is given at concessional rate whereas small chakki owners do not benefit from this. The flour mills sell this wheat at higher prices making considerable profit in the bargain. The Committee wished to know if there was any check on the prices of the wheat sold by flour mills in open market and they were informed that there was no check. They were also informed that the imported wheat distributed through PDS, while wheat procured through FCI was given to traders and mill owners. This was a conscious decision in order to maintain the price line, the Secretary further agreed to the point that there should be a system to sell the product at a lesser rate in the market in order to control market price. The Secretary agreed that there should be some step taken in this regard so that the benefit goes directly to the consumers.

H. Sugar

46. The details of sugar production, consumption and stock during 1990-91 and 1991-92 seasons are as under:

(in lakh tonnes)

	1990-91	1991-92 (Provisional)
Carry over from previous season	21.78	33.03
Production of sugar	120.47	132.77
Imports	—	—
Total availability	142.25	165.80
Internal consumption	107.15	111.63
Exports	2.07	5.83
Closing stocks	33.03	48.34

47. The production of sugar during the current 1992-93 season i.e. from 1.10.92 totalled 51.16 lakh tonnes upto 31.1.93 as against 55.22 lakh tonnes during the corresponding period last season. It is expected to go upto about 120 lakh tonnes by the end of the season.

48. The Central govt. with a view to providing incentives to the sugar industry allotted higher free sale quota as well as excise duty concessions. The Committee desired to know if this had affected the amount of levy sugar available for distribution through PDS maintenance of buffer stocks. In response, the Ministry stated that the monthly levy sugar quota for most of the states/UTs are allotted on uniform norms.

49. The levy quotas have also been substantially increased over the period of time since 1979. Thus on account of the increase in production, the incentive provided by the Government to the sugar industry have not affected the availability of sugar for the PDS. During the year 1992 the Government did not maintain any buffer stock of sugar. However, the carry-over stocks at the beginning of the sugar year 1992-93 was 48.34 lakh tonnes as against 33.03 lakh tonnes at the beginning of the sugar year 1990-91. In view of the high carry-over stock at the beginning of this season, Government have decided to create a buffer stock of 5 lakh tonnes of sugar w.e.f., 1.4.93 to be maintained with the sugar factories.

Licensing & vigilance in Sugar Industry

50. The Central Govt. announced on 8.11.91 the guidelines for licensing of new units and expansion of the existing sugar factories for the sugar year 1991-92 and the Eighth Five Year Plan (1992-93 to 1996-97).

51. As on 31.12.92, the aggregate capacity of the sugar industry covered by Industrial Licences and letter of intent was 175.96 lakh tonnes comprising 411 sugar factories. During the crushing season 92-93 the installed annual sugar production capacity is expected to go up by about 7.86 lakh tonnes by way of commencement of 9 more new sugar factories and the completion of 20 expansion projects. The number of sugar factories installed is thus expected to go upto 420 by the end of 1992-93 season. It has been stated that an Enforcement and vigilance cell is in operation since July 1986, in the Directorate of Sugar, to ensure strict compliance by sugar factories of the various statutory orders. The Cell scrutinises sale records, despatches of free sale records, quality etc. In this context, it is striking to note that during the period from 1.1.92 to 21.12.92 just one sugar factory & two fair price shops were visited for this purpose.

52. Details of visits and inspections carried out by the vigilance cell since 1986 year-wise are as under:

	1986	1987	1988	1989	1990	1991	1992
No. of factories/ fair price shops visited	22	48	122	259	19	16 factories + 4 FPS	1 sugar factory + 2 FPS
No. of showcase notices issued relating to sales/despatch of freeseale sugar	—	—	301	735	—	44 (only December)	392
No. of warning letters issued	—	—	262	174	—	—	—
No. of prosecutions launched	—	—	57	—	—	—	—

53. The Government has already liberalised the restriction on sugar factories regarding additions and alterations in their plant and machinery. The sugar factories can now undertake additions and alterations without any premission from the Directorate within the parameters of the licensed installed capacity. As a result of this, much of the vigilance work has been reduced and the Department had voluntarily surrendered three posts of Inspecting Officers (IOs) on 10th June, 1992.

54. The Ministry has also stated that it is proposed that during the remaining period of 1993, the visits by the concerned Deputy Director would be stepped up.

55. When asked during evidence that despite Ministry's liberalisation of restriction, why the Ministry is planning to step up the visits of Deputy Director, a representative of the Ministry stated that this aspect is related to the inspection of quality marketings, weighment of bags, etc. There is a third aspect too. When a release order is issued, the mill has to despatch so much of sugar in a month. It has to be scrutinised whether the mill has complied with this order or not. Now, inspections regarding quality

control, etc. have increased in number. The price of the levy sugar is decided on certain parameters such as the size of the crystal, whiteness of the sugar and so on. If the mill deliberately misrepresents any of the parameters with a view to getting a higher price for a lower quality levy sugar, then it is a very serious offence under the Essential Commodities Act and the inspections are carried out to check that no misrepresentation and mis-categorisation is done by the mill. In that area of inspections, the Department is still continuing its activity and they intend to energise and increase these inspections even more.

CHAPTER II

COST CONTROL

56. The Food Corporation of India procures foodgrains for the Central Pool at prices fixed by the Government of India. The foodgrains (wheat & Rice) procured are released by Food Corporation of India through Public Distribution System as well as for National Rural Employment Programme and other sanctioned relief schemes at the issue prices fixed by Government in accordance with the allocations made by the Govt. of India. The Central issue price is less than the Food Corporation of India's economic cost and the difference between the two is reimbursed to the Corporation by the Central Govt. as consumer subsidy as a deliberate welfare policy of the Govt. The expenditure incurred by the Food Corporation of India on maintenance of buffer stock of foodgrains on behalf of the Central Govt. is also reimbursed to the Corporation by the Central Government.

57. During the year 1992-93, Rs.2500 crores were provided in the budget estimates to meet the food subsidy. The amount has further been increased to Rs.3000 crores in the current year. As mentioned in Annual Report of the Ministry the FCI has been drawing up annual action plan to reduce its operational cost. The cost reduction plan operational since 1986-87 is found to be ineffective as the savings level are very low.

58. The Committee desired to know about the steps the Ministry proposes to take to curtail the pressure on the subsidy bill, rather than excluding certain sectors of the society from the purview of the PDS. The Ministry have stated that the scope for cost reduction in FCI's operations is limited. The total cost of FCI which are more or less beyond its control comprises naked cost of grains, interest payable to banks, railway freight and other transportation cost and expenses of purchase tax/mandi levies as also gunnies which work out to 80% of the total cost. The balance, only around 20%, relates to costs like labour & handling costs, storage cost and shortages. Notwithstanding this, genuine effort are being made to reduce cost as far as possible.

59. The Ministry further added that increase in food subsidy is mainly attributable to increase in procurement cost of grains, partial passing on of the increased costs to PDS consumers, increase in interest changes, increased costs to PDS consumers, increase in freight rates, wage revision etc.

60. When asked about the progress made in controlling 20% of the cost, the witness stated during evidence that, "there are three areas under our control. One is the handling cost & there has been escalation in this also.

The second one is the storage cost & the third one is the aspect of shortages." The witness further added that,

"We are trying to target the FCI. Each year we make a plan. What invariably happens is, there is always an offsetting element which tends to build it up. We should try to work to a shortage of one percentage of total purchases plus sales."

61. Further in their written note, the Ministry stated that FCI has taken/has been taking steps to reduce its operational cost. Some of these steps are listed below:

1. Movement of Foodgrains direct from Mandi point to issue point thereby avoiding intermediary movements.
2. In order to reduce transit and storage shortages machine stitching of bags was encouraged.
3. Avoidance of use of hooks by labourers.
4. Strengthened security measures.
5. Steps to mill the paddy quickly.
6. Improvement in weightment facilities by providing weight-bridges.
7. Stricter quality control and enforcement of specifications.

62. In spite of vigorous efforts made by the Corporation, increase in the controllable costs could not be avoided due to the following reasons:—

1. Increase in diesel rates.
2. General inflationary effect and around increase in rates, in mandi/ Handling Transport contractors.
3. Increase in interest rate.
4. Increase in storage charges payable to CWC/SWC/State Govts./ Agencies.
5. Impact of revision of pay-scales of Depot staff on IDA pattern.
6. Payment of additional D.A. instalments to employees/ labourers.
7. Progressive departmentalisation of depot labourers.

63. The Committee enquired during evidence that the expenses borne by FCI are borne by private traders also but still they earn profit whereas despite priorities in certain fields, the FCI is not earning profit. To this, the Secretary, Ministry of Food deposed as under:

“I agree that private traders have their own efficiency by which they decrease their expenditures. Whereas in FCI, there are more expenses on staff. Thus, I agree when you say that, there are chances of decreasing expenditure and for this we should always try”.

CHAPTER III

Observations and Recommendations

64. The Committee have observed that the support price for kharif and rabi have never been announced in time resulting in less procurement of foodgrains. The Committee was informed that the support price used to be announced at the time of sowing of grains but this practice was changed. The Committee have not been informed of the reasons for this change of practice. The Committee are of the view that if the support prices are announced at the time of sowing, it will provide better incentives to the farmers. Although the Ministry of Food has no direct role to play in the announcement of support prices, the Committee would like the Ministry to take up the matter with the Ministry of Agriculture with a view to ensure that the support prices are always announced on the dates recommended by CACP.

65. The Committee feel that one of the reasons for less storage of foodgrains by farmers is that they can not preserve the stocks for a long time as they do not have adequate storage facility. In order to avoid this, the Committee recommend that FCI or some other agency should provide storage space near every purchase centre for which farmers can pay nominal rent to the Government and can keep their stocks & sell whenever they so want. Efforts should also be made to extend credit to the farmers against the stock stored by them in FCI storage space godowns.

66. The Committee note that 8034 purchase centres were opened during 1993-94 rabi marketing season against 7166 centres opened last year. It is a matter of concern to the Committee that even after opening of more centres the procurement of wheat has been less than last year. The reasons cited by the Ministry for low procurement i.e. farmer's decision to sell voluntarily to FCI and higher level of market prices are not convincing. The Committee feel that one of the reasons for low procurement is the inefficient working of these centres. There are complaints of malpractices at these centres. Although steps have been taken up by the Ministry like setting up of control room in Krishi Bhawan, supervision of the Centres and visits by senior officers from Vigilance, yet the Committee feel that these measures have not produced the desired result and unless there is a strict and close monitoring and vigil there cannot be any improvement. The Committee, therefore, recommend that the existing set up for monitoring may be reviewed with a view to enforcing strict and close monitoring of the purchase centres. Efforts should be made by the Ministry to ensure that the wheat is procured by these centres well in time and there is a better liaison between the farmers and procurement officers.

67. Due to non-availability of gunny bags in U.P., the procured foodgrains could not be stored in time. The Committee have been informed that the indent for the gunny bags by the U.P. Government was placed very late with the result that the gunny bags could not be made available in time. The Committee fails to understand why timely action was not taken for placing the indent by the U.P. Government. The Committee recommend that in order to avoid such situations in future the Ministry of Food should ensure that the indent for gunny bags be placed by all the concerned State Governments in time and Ministry of Food should also try to maintain proper stocks of gunny bags in advance in order to avoid any delay in procurement of food grains.

68. The Committee have been informed that since 1985 NAFED has been the nodal agency for procurement of coarsegrains. From 1990 rabi marketing season, this job has been taken away from the NAFED and entrusted to FCI. It is not clear to the Committee why it took more than 5 years for the Ministry to take this decision. The Committee trusts that there would not be any difficulty in the procurement of coarsegrains by FCI now that it has been entrusted to FCI.

69. The Committee are pained to find that 4.01 lakh tonnes of blackened Jowar was purchased by the Government of Maharashtra for Rs. 112 crores. Although this was done to give relief to the farmers, no timely efforts have been made to dispose of Jowar resulting in a big loss to the State Government. The State Govt. is considering the possibilities of selling this Jowar to private institutions/individuals having Dairy/Poultry/Piggery Dwellers but according to the Ministry, the prospect for disposal of Jowar is not quite satisfactory. The Committee would like to be apprised of the total loss to the State Govt. due to purchase of blackened Jowar and recommend that serious efforts should be made to dispose of Jowar so as to avoid loss to the Govt.

70. The Committee have been informed that at present there is no parity in the fixing of procurement prices of levy price. While the Committee do agree with the Ministry that as the statutory taxes payable on purchase of paddy by millers differ from State to State, there will be disparity in the fixing of prices. Efforts at the same time should be made to keep the disparity in the fixing of procurement prices at the barest minimum. The Committee recommend that States should be persuaded to have a uniform rate of taxes charged on the purchase of paddy.

71. The Committee are concerned to note that there have been malpractices indulged in by Thekedars in unloading of rice in FCI godowns in U.P. The Committee also find that the Thekedari system is prevalent only in U.P. and not in other States. The Committee fails to understand why this system has been allowed to exist in U.P. The Committee recommend that in order to avoid malpractice and corruption, this

system should be immediately abolished. The Committee should be informed of the progress made in this regard.

72. At present apart from supplying wheat for PDS, FCI also supplied wheat to flour mills, bread manufacturers etc. While wheat is given to flour mills at a concessional rate the flour mills are selling flour in the open market at a higher price making considerable profit in the bargain. The Committee find that there is no check on the price the flour mills charge on their product. The Committee also find that while the wheat is supplied by FCI to flour mills, this is not being done in the case of small chakki owners from where the lower strata of society who migrate to large cities in search of employment and who are not issued ration cards meet their daily requirement of flour. In order to give relief to such segment of society the Committee recommend that small chakki owners may also be brought within the purview of such facility and they may also be supplied wheat at the same rate as is allowed in the case of flour mills.

73. In Jan. 1992, the Government of India decided to go in for import of wheat. The reasons which weighed with the Government to resort to import were (1) stock position of wheat on 1st Jan. 1992 was 52.77 lakh tonnes (2) sharp rise in the wholesale price index and (3) fall in foodgrains production by about 9 million tonnes in the year 1991-92. The stock position of wheat was 50 lakh tonnes in Jan. 1990 also, but the Government did not resort to import at that time. The Committee are not convinced by the reasons advanced by the Ministry for import of wheat in 1992 and strongly feel that there were some other considerations which the Ministry do not want to share with the Committee. The Committee are also unhappy to find that no specific import policy has been laid down in regard to import of wheat and edible oil. The Committee would like the Ministry to review the circumstances under which import was resorted to and apprise the Committee of the same. The Committee also recommend that a clear-cut import policy may be laid down and import resorted to only when it is absolutely necessary, to save precious foreign exchange reserves.

74. The Committee have been informed that cost of establishing a new sugar unit and also for carrying out expansion of the existing unit is very high and the Central Financial Institutions are finding it difficult to advance term loans to enterprenures/sugar factories. In view of this, the Committee have serious reservations as to whether setting up of a new unit or expansion programme can be undertaken. The Committee recommends that efforts should be made to make available loans so that the setting up of new units for expansion or modernisation of the existing plant is not hampered on this account.

75. During the period from 1st Jan. 1992 to 21st Dec. 1992 the enforcement and vigilance cell in the Directorate of Sugar carried out checks only in one sugar factory and 2 Fair Price Shops. The Committee have been informed that as the restrictions on the sugar factories regarding

addition or alteration in their plants have since been liberalised, the vigilance work has been reduced and already 3 posts of Inspecting Officers (IOs) have been surrendered. At the same time, the Ministry have stated that they have planned to step up the visits of Deputy Director, Vigilance. The Committee have not been able to reconcile the contradictions in the two statements. The Committee recommend that the working of the enforcement and Vigilance Cell in the Directorate of Sugar may be reviewed in the light of liberalisation of restrictions on the sugar units.

76. The Committee note that the operational cost of FCI is quite high and although steps have been taken to reduce the operational cost yet no tangible results have been achieved. Even the operational cost of traders with less facilities than the FCI is much lower. It is, therefore, not clear why FCI cannot reduce its operational cost. The Committee recommend that this question may be gone into carefully and steps taken to reduce the operational cost of FCI. They also note that FCI propose to reduce its additional expenses and reduce its group 'D' staff. The Committee have been given to understand that large quantities of foodgrains have either been damaged or lost during transit. Instances of theft have also been noticed by the Committee. The Committee hope that this aspect will also be looked into by the Ministry to reduce operational cost of FCI.

NEW DELHI;
 1 December, 1993

 10 Agrahayana, 1915(S)

RAM KAPSE,
 Chairman,
 Standing Committee on Food,
 Civil Supplies and Public Distribution.

PART II

STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION

*Minutes of the Sitzings of the Committee held on 14th, 15th and
29th June 1993.*

The Committee sat from 1500 hrs. to 1630 hrs. on 14th June 93,
1100 hrs. to 1330 hrs. on 15th June 93, and 1100 hrs. to 1300 hrs. on
29th June, 1993.

PRESENT

Prof. Ram Kapsc — *Chairman*

MEMBERS

Lok Sabha

- \$2. Dr. (Smt.) Padma
- @3. Shri A. Jayamohan
- \$4. Shri Bijoy Krishna Handique
- *@5. Shri Gopi Nath Gajapathi
- 6. Shri Naresh Kumar Baliyan
- 7. Shri Shyam Bihari Mishra
- \$8. Shri Lal Babu Rai
- \$9. Shri Shashi Prakash
- 10. Shri Ram Awadh
- @11. Shri Syed Masudal Hossain
- \$12. Shri Ramchandra Marotrao Ghangare
- 13. Shri Manoranjan Sur
- *@14. Shri Chhotey Singh Yadav
- 15. Shri Birsingh Mahato

Rajya Sabha

- \$16. Smt. Mira Das
- 17. Shri Sudhir Ranjan Majumdar
- 18. Shri Tara Charan Majumdar
- \$\$@19. Shri Moolchand Meena
- \$20. Shri Tindivanam G. Venkatraman
- *21. Shri Ramendra Kumar Yadav 'Ravi'

SECRETARIAT

- 1. Smt. Revathi Bedi — *Deputy Secretary*
- 2. Shri Haripal Singh — *Under Secretary*

Witnesses

1. Shri Tejendra Khanna, Secretary (Food)
2. Shri R. Narayanan, Chairman, FCI
3. Shri Tirlochan Singh, Additional Secretary (Food) & Managing Director, FCI
4. Shri M. Seetharam, Additional Secretary & Financial Adviser, M/o Food.
5. Shri N.P. Nawani, Joint Secretary, M/o Food.
6. Shri S.K. Tripathi, Joint Secretary, M/o Food.
7. Shri A.B. Nagraze, Chief Director (Sugar), M/o Food.
8. Shri R.N. Tewari, Joint Secretary, M/o Food.
9. Dr. G.K. Girish, Joint Commissioner (SR), M/o Food.
10. Shri Ajai, Executive Director (Storage), FCI.

The Committee discussed with the representatives of the Ministry of Food, the various points arising out of the List of Points, and their replies by the Ministry.

The Committee then adjourned.

@Not present on 14.6.1993

*Not present on 15.6.1993

\$Not present on 29.6.1993

STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND
PUBLIC DISTRIBUTION

*Minutes of the Sitzings of the Committee held on 17th Sept. 93 and
1st Oct. 93.*

The Committee sat from 1500 hrs. to 1615 hrs. on 17th Sept. 93 and
11.00 hrs. to 13.00 hrs. on 1st Oct. 93.

PRESENT

Prof. Ram Kapse — *Chairman*

MEMBERS

Lok Sabha

- *2. Shri G. Devaraya Naik
3. Shri Ram Prakash Chaudhary
4. Shri A. Jayamohan
- *5. Shri Bijoy Krishna Handique
- *6. Shri Gopi Nath Gajapathi
- *7. Shri Naresh Kumar Baliyan
- *8. Shri Shyam Bihari Mishra
9. Shri Lal Babu Rai
10. Shri Shashi Prakash
- *11. Shri Ram Awadh
- *12. Shri Syed Masudal Hossain
13. Shri Ramachandra Marotrao Ghangare
14. Shri Manoranjan Sur
- *15. Dr. (Smt.) K.S. Soundaram
16. Shri Chhote Singh Yadav
- **17. Shri Birsingh Mahato

Rajya Sabha

18. Shri Sunder Singh Bhandari
19. Smt. Mira Das
20. Maulana Asad Madni
21. Shri Tara Charan Majumdar

SECRETARIAT

1. Smt. Revathi Bedi — *Deputy Secretary*
2. Shri Haripal Singh — *Under Secretary*

* Not present on 17th Sept. 1993.

** Not present on 1st Oct. 1993.

The Committee considered and adopted the Draft Report on Annual Report of Ministry of Food with certain modifications.

The Committee authorised the Chairman to finalise the Draft Report in the light of the certain modifications and present the same to the House.

The Committee then adjourned.