

TWELFTH REPORT
STANDING COMMITTEE ON
FOOD, CIVIL SUPPLIES AND
PUBLIC DISTRIBUTION
(1995-96)

(TENTH LOK SABHA)

MINISTRY OF FOOD

DEMANDS FOR GRANTS

(1995-96)



9 MAY 1995

Presented to Lok Sabha on _____

Laid in Rajya Sabha on _____

LOK SABHA SECRETARIAT
NEW DELHI

May, 1995/Vaisakha, 1917 (Saka)

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Part II

Minutes of sittings held on 10, 17 and 26 April, 1995

**COMPOSITION OF THE STANDING COMMITTEE ON FOOD,
CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (1995-96)**

Shri Shyam Bihari Misra— CHAIRMAN

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4. Shri N.J. Rathava
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6. Dr. (Smt.) Padma
7. Shri A. Jayamohan
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44. Smt. Chandra Kala Pandey

SECRETARIAT

1. Shri S.N. Mishra — *Additional Secretary*
2. Smt. Roli Srivastava — *Joint Secretary*
3. Shri T.R. Sharma — *Deputy Secretary*
4. Shri A.S. Chera — *Assistant Director*

INTRODUCTION

1, Chairman of the Standing Committee on Food, Civil Supplies & Public Distribution (1995-96) having been authorised by the Committee to submit the Report on their behalf, present this Twelfth Report on Demands for Grants (1995-96) relating to the Ministry of Food.

2. The Committee took evidence of the representatives of the Ministry of Food on 10th and 17th April, 1995.

3. The Committee wish to express their thanks to the officers of the Ministry of Food for placing before them the detailed written notes on the subject and for furnishing the information the Committee desired in connection with the examination of the subject.

4. The Report was considered and adopted by the Committee at their sitting held on 26 April, 1995.

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

NEW DELHI ;
4 May, 1995

14 Vaisakha, 1917 (Saka)

SHYAM BIHARI MISRA,
Chairman,
Standing Committee on Food,
Civil Supplies and Public Distribution.

REPORT
CHAPTER I

Introductory

The Demands for Grants of Ministry of Food were laid on the Table of Lok Sabha on 28 March, 1995. Demand No. 37 of the Ministry contains the figures of Revenue as well as Capital Expenditure which is as follows :

(Rs. in crores)

	Revenue	Capital	Total
Voted	5422.28	166.13	5588.41
Charged	.05	—	.05

1.2 The details of actual revenue and capital expenditure for the year 1993-94, the budget estimates, revised estimates for 1994-95 and budget estimates for 1995-96 of the Ministry are as under :

Revenue Section								(Rs. in crores)
Sl. No.	Major Head	Items	Plan/ Non-plan	1993-94 Actual	1994-95 BE	RE	1995-96 BE	Total
1.	3451	Secretariat Eco Services	Plan	—	0.27	0.27	0.25	
			Non-Plan	4.75	4.98	5.26	5.50	5.75
2.	2408	Food, Storage & Warehousing	Plan	1.49	1.76	1.76	2.20	
			Non-Plan	5746.95	4228.05	5327.95	5414.38	5416.58
		Total	Plan	3.97	2.03	2.03	2.45	
			Non Plan	5917.13	4233.03	5333.21	5419.88	5422.33

Capital Section								(Rs. in crores)
Sl. No.	Major Head	Items	Plan/ Non-plan	1993-94 Actual	1994-95 BE	RE	1995-96 BE	Total
1.	4408	Capital outlay on Food Storage and Warehousing	Plan	19.00	21.00	21.00	18.26	
			Non-plan	—	—	—	—	
2.	6860	Loans for Consumer Industries	Plan	—	—	—	140.00	
			Non-Plan	115.27	140.00	110.00	140.00	
3.	7601	Loans and Advance to State Govt. (Charged)	Plan	0.2	—	—	—	
			Non-Plan	—	—	—	—	
		Total	Plan	19.64	26.97	26.97	26.13	
			Non-Plan	115.36	140.00	110.0	140.0	

1.3. The details of recoveries adjusted in accounts in reduction of expenditure for revenue and capital section are as under :

Plan	1993-94	1994-95		1994-95		1995-96		Total
	Actual	Budget		Revised		Budget		
	Non-Plan	Plan	Non Plan	Plan	Non-Plan	Plan	Non-plan	
Revenue Section								
—	3.33	—	35.35	—	35.25	—	25.50	25.50
Capital Section								
—	115.36	—	144.75	—	144.75	7.03	140.00	14.7

1.4. The Head-wise demands have been discussed in succeeding paragraphs :—

**MAJOR HEAD-2408 (FOOD, STORAGE & WAREHOUSING)
SUB-MAJOR HEAD C I-FOOD**

A. FOOD SUBSIDY

1.5 One of the main non-plan expenditure incurred by the Ministry of Food is on Food Subsidy. The Revised Estimates (R.E.) of expenditure for 1994-95 shows a net increase of Rs. 1100 crores, as compared to Budget Estimates (B.E.). The B.E. for 1994-95 which was Rs. 4000 crores rose to Rs. 5100 crores (R.E.). The B.E. of 1995-96 shows an increase of Rs. 150 crores over the R.E. of 1994-95. Whereas R.E. for 1994-95 was Rs. 5100 crores, the B.E. for 1995-96 has been of the order of Rs. 5250 crores.

1.6 The genesis of food subsidy is that Food Corporation of India purchases wheat and paddy and coarsegrains from the producers and levy rice from the millers at the support prices notified by G.O.I from time to time. These grains are issued to (a) public through Public Distribution System (b) revamped PDS/ Integrated Tribal Development Project and (c) for rural employment programmes and other relief schemes, at issue prices fixed by Government. The issue prices fixed by Government do not, as a matter of social policy cover the full costs incurred by the Corporation on the procurement, movement, storage and distribution. In other words, the issue prices for the foodgrains are subsidised as a matter of policy. The difference between the economic cost and issue price is reimbursed as consumer subsidy. The Corporation also carries buffer stocks to ensure availability of adequate foodgrains as an insurance against seasons of poor harvest due to failure of monsoons or other vagaries of nature. The carrying charges of buffer stocks are also reimbursed by the Government to the Corporation.

1.7 The consumer subsidy and the carrying charges of buffer stocks paid and payable to the Corporation for the year 1991-92

to 1994-95 (R.E.) are as under :

Year	Sales Qty.	Consumer subsidy on sales	Average buffer (Average stocks -Operational stocks (4 months off-take)	Carrying cost of buffer stocks	Total subsidy	Provided for in GOI Budget
	Lakh tonne	Rs./cr.	lakh tonnes	Rs./cr.	Rs./cr.	Rs./cr.
1991-92	213.63	2890.91	55.80	432.74	3323.65	2850.00
1992-93	179.50	3223.77	43.48	450.69	3674.46	2785.28
1993-94	186.46	3174.99	106.29	1245.34	4420.33	5537.14
1994-95	188.15	2736.00	165.90	1719.00	4455.00	5100.00

(RE)

1.8 The Corporation incur procurement incidentals comprising of purchase tax, mandi charges, market fee, commission to Katcha Arthias, Market Cess and Auction fee, Mandi Labour charges, forwarding charges, Internal movement (from Mandi to godowns near the Mandi). In addition to these the cost of storage charges, interest and administrative charges are also reimbursed to the State Govts. and their procuring agencies in respect of take-over of wheat/rice and which they procure and store at the rates fixed by the Govt. of India. The cost of gunny incurred by the Corporation/reimbursed to the millers, the rates for which is fixed either by Jute Commissioner or by the Govt. of India is also included as part of procurement incidentals.

1.9 The handling cost incurred by the Corporation in distribution operations mainly comprises transportation costs, interest charges, godwon rent, handling expenses at the time of receipt and issue of foodgrains, administrative costs and storage and transit shortages.

1.10 The economic cost of wheat and rice and the per qtl. subsidy is given as under :

Economic Cost—Wheat

	(Rs./Qtl.)			
	1991-92	1992-93	1993-94	1994-95
Pooled cost of grain	211.20	285.51	325.31	343.96
Procurement incidental charges	68.95	73.05	73.04	82.91
Carrying cost paid to agencies	18.74	16.52	16.24	17.62
Distribution cost	91.90	120.02	117.44	117.96
Economic cost	390.79	504.110	532.03	562.45
Sales realisation	251.68	279.36	355.88	398.98
Subsidy	139.11	224.74	176.15	163.47

Economic Cost—Rice

	(Rs./Qtl.)			
	1991-92	1992-93	1993-94	1994-95
Pooled cost of grain	372.45	433.72	500.40	553.20
Proc. incidental charges	32.69	31.53	40.25	44.36
Distribution cost	91.90	120.02	124.45	126.44
Economic cost	497.04	585.27	665.10	724.00
Sales realisation	365.58	442.40	500.42	598.22
Subsidy	131.46	142.87	164.68	125.78

1.11 The procurement incidentals incurred by the Corporation on wheat and rice over the last few years is given as under :—

Purchase Incidentals

(a) Wheat

(Rs./Qtl.)

	1991-92	1992-93	1993-94	1994-95 (R.E.)
1. Statutory charges, Mandi charges, taxes, cost of gunnies	32.52	36.18	41.57	50.37
2. Labour forwarding & Transport	9.29	11.96	11.31	10.77
3. Storage & Interest to agencies and prior year expenses	21.72	18.62	15.30	15.73
4. Administrative charges of agencies	5.23	5.71	4.68	5.91
5. Others	0.19	0.58	0.18	0.13
Total	68.95	73.05	73.04	82.91

(b) Rice (including paddy)

1. Statutory charges taxes, gunnies cost	22.35	21.21	28.39	31.65
2. Labour & Transport charges	5.35	5.61	6.62	8.54
3. Storage & Interest expense + previous year expenses	3.65	2.66	2.98	8.54
4. Administrative cost	1.34	2.05	2.26	1.78
Total	32.69	31.53	40.25	44.36

1.12 In case of wheat, while the statutory charges and cost of gunnies increased by Rs. 17.85 per qtl. during 1991-92 to 1994-95 the over all increase was only Rs. 13.96 per qtl. The incidence of charges due to increase in MSP, increase in cost of gunnies and normal inflationary increase in expenses were the main cause of the increase in procurement incidentals. For rice the changes were on account of the major increase of Rs. 9 per qtl. approx, on costs of statutory charges. Moreover, there has been an increase in transportation cost during 1994-95 due to increased forwarding charges for rice allowed by Govt.

(Rate Rs. /Qtl.)

	1991-92		1992-93		1993-94 (Act.)		1994-95 (RE)			
	Distri- bution cost	Buffer cost	Distri- bution cost	Buffer cost	Distri- bution cost	Buffer cost	Distri- bution cost		Buffer cost	
							wheat	rice	wheat	rice
Freight	29.35	—	32.24	—	50.22	41.82	6.99	51.02	50.22	—
Handling	9.56	7.23	11.17	8.51	10.70	10.69	8.02	11.84	11.67	8.86
Storage charges	7.81	24.27	12.53	40.13	8.11	8.07	24.32	6.94	6.89	20.80
Interest	29.30	34.28	39.95	36.70	33.06	42.96	62.97	33.16	36.00	61.90
Transit Shortage	6.70	—	7.93	—	5.03	6.74	1.13	4.90	8.89	—
Storage Shortages	1.78	6.17	2.22	7.66 (-)	0.63	3.23	5.52(-)	0.51	2.22	4.22
Admn.overheads.	7.40	5.60	13.98	10.65	10.95	10.94	8.21	10.81	10.55	7.84
Total	91.80	77.55	120.02	103.65	117.44	124.45	117.16	117.96	126.44	103.62

1.13 The reasons for increase in distribution cost are : —

(a) Corporation has to transport foodgrains over long haulage to consuming/buffer stocking centres with average lead of around 1500 KMs. Freight rates were revised upwards by 54% during 1993-94 by the railways.

(b) Corporation has to maintain and incur interest for 4 months on operational stocks. In addition dues from the Government is also financed from the banking sector on which FCI incurs interest charges.

(c) Handling labour charges are determined by the contract rates obtained through tender. With progressive departmentalisation of labour, the labour costs are increasing.

(d) Shortages is one of the major controllable items of expenditure. Corporation is continuously trying to reduce the incidence of shortages.

(e) The Corporation is controlling the administrative costs by following a ban on recruitment of resultant entry level posts and has been reducing its staff strength by around 800 persons yearly though the work load has increased. Thus the increase in establishment cost is mainly due to payment of D.A. and impact of annual increments etc.

1.14 The variance in budget estimates between 1994-95 (RE) and 1994-95 (BE) is that Food subsidy has been projected at Rs. 4352 crores in the 1994-95 budget estimates, against the present estimates of Rs. 4455/- crores. The major reasons for this are as under : —

1. The issue price of rice to neutralise support price increase during Kharif 1994, contemplated from 1.10.94 was withdrawn. The increase in issue price was around Rs. 60/- per qtl. Due to non-realisation at increased rates for six months, the subsidy per quintal has gone up around Rs. 30/- per quintal.
2. The realisation under open sale scheme under wheat has been scaled down since stocks are sold at prices very near to CIP to hold the price line. Thus, the realisation assumed at higher level in the budget estimate has been brought down in the revised estimates. The increase in subsidy to wheat due to above variance is Rs. 22.73 per quintal.

3. Lower volume of sales (188 lakh tonnes against 200 lakh tonnes) assumed earlier, has pushed up level of buffer to 166 lakh tonnes from 155 lakhs tonnes, increasing buffer carrying cost.

1.15 The higher levels of procurement and lower off-take has increased the stock levels. Due to this the capacity utilisation has gone upto 84% (thereby decreasing the per qtl. cost of storage as could be seen from the table below : —

Lakh Tonnes						
	Procurement Wheat		Year Rice	%age	Stocks held	Sales
1991-92	77.53	92.4	1990-91	66	189.01	102
1992-93	63.80	117.9	91-92	58	197.98	197
1993-94	128.35	136.52	1992-93	53	138.62	172
1994-95	118.68	188.84	1993-94	77	241.63	177
			1994-95 (Est)	84	307.49	143

Position of Buffer Holding

1.16. The following minimum level of stocks have been prescribed during as year :

(Qty. in lakh Tonnes)			
Date	Rice	Wheat	Total
Ist April	108	37	145
Ist July	92	131	223
Ist October	60	106	166
Ist January	77	77	154
Average	84	88	172

1.17. Against this the average stock holding with Food Corporation India as well as with the State Governments and their Agencies during 1994-95 is expected to be as under :

(Qty. in lakh tonnes)

Wheat	Rice	Total
113	145	258

1.18. Thus, the FCI and other Public Agencies would be holding stocks in excess of the norms to the extent of 86 lakh tonnes (258-172). The buffer carrying cost per annum is estimated to be around Rs. 103.622 per qtl. The carrying cost on 86 lakh tonnes over the minimum stock level norms prescribed by the Government~~s~~ would work out to Rs. 891 crores during 1994-95. This includes around Rs. 300 crores in respect of stocks held by the State Governments and their Agencies. The additional subsidy would be, therefore Rs. 891 crores.

1.19. Higher volume of procurement in the recent past as well as lower off-take due to easy availability of grains has increased the level of stock holding with the Corporation. The value of the average stock holding the Corporation is expected to be around Rs. 12300 crores during, 1994-95. Out of this, value of buffer stocks has been projected at Rs. 9100 crores. Against this, the Government has given a soft loan of Rs. 1200 crores plus Rs. 280 crores as equity capital. Out of the loan of Rs. 1200 crores the Government has recently transferred Rs. 300 crores as equity to strengthen the equity base of the Corporation. thus the Corporation has to resort to bank borrowings to finance the buffer of over Rs. 1480 crores. The higher level of stock holding thus resulted in increased incidence of interest charges as well as storage charges for the Corporation. The carrying cost during 1994-95 is projected at Rs. 1719 crores against Rs. 1245 crores incurred during 1993-94.

1.20. In order to reduce the incidence of buffer carrying cost, the Government has allowed sale of stocks in open at prices above the CIP. A High Power Committee is fixing the prices for open sale of stocks. From April 94 to January 95, the Corporation has sold a quality off 36.59 lakh tonnes consisting of wheat 33.89 lakh tonnes and rice 2.70 lakh tonnes. By effecting sales over the CIP, the Corporation saved a subsidy of Rs. 120 crores for wheat and Rs. 5.16 crores for rice. Issues under

open sales are continuing. The effect of these not only resulted in savings in subsidy when compared to issues as per CIP as indicated above but has also helped in maintaining price levels in the open market. The Government has also authorised sales of stock for export through MMTC and STC. Orders have also been issued by Government for sale of paddy stocks in open.

1.21. The Committee note that there has been hefty upswing in food susidy bill of the Central Government. Last year, the rise in Budget and Revised Estimate was of the order of Rs. 1100 crores. There has also been sharp increase in consumer subsidy for foodgrains carried by public agencies. Given that Government is saddled with foodgrains stock of over 25 million tonnes, the consumer subsidy for wheat and rice is now a whopping Rs. 171.20 and Rs. 137.90 for quintal. For wheat the economic cost is pegged at Rs. 572 per quintal (excluding storage and transit losses), with purchase and procurement cost at Rs. 457.00 per quintal. For rice, economic cost is Rs. 738.10 with purchase cost at Rs. 622 per quintal. The off-take of foodgrains from Central pool has been abysmally low due to narrowing of price differential between PDS prices and open market price, thus substantially raising the subsidy bill. To contain subsidy, the Committee, recommend that off take should be stepped up. In this regard, increased allocations under RPDS and other anti-poverty employment generation programmes by using commodity as wage component for participants, may be considered.

1.22. The Committee note that foodgrains production of 182 million tonnes in 1993-94 was higher by 2 million tonnes as compared to 1992-93 level. The procurement of foodgrains also continues to expand. A record level of stocks of foodgrains are presently held by public agencies. With prospects of bright Rabi crop season, there is every likelihood of further increase in procurement thereby putting considerable pressure on storage. The Committee, therefore, recommend that staggered procurement with graduated price structure should be introduced to ease the storage problem.

1.23. The Committee are happy to note that the stocks of foodgrains held by public agencies are overflowing. As against minimum norms of 15 million tonnes, 30 million tonnes of foodgrains were stocked with public agencies, thereby incurring additional subsidy to the tune of Rs. 891 crores. The Committee note that commercial rate of interest is charged for financing buffer stocks. The

Committee are of the view that buffer stocking is an insurance against unscrupulous rise in price and ensuring remunerative price to farmers and supply of subsidized foodgrains to vulnerable sections of society is a national commitment. To serve this commitment, the Committee therefore, recommend that soft loans should be provided to finance buffer stock.

1.24. Currently a large part of food subsidy does not go either to the producers or the consumers but towards the management of the procurement and distribution structure of Food Corporation of India and Public Distribution System. The Committee are of the opinion that inspite of massive procurement, distribution and storage activities undertaken by the Corporation, their operating cost is on the high side. The Committee, recommend that in order to evaluate and rationalize their cost structure, an in-depth study should be commissioned on this aspect of the matter.

B. OPEN SALE OF FOODGRAINS

Open Sale of Wheat :

1.25. In view of the comfortable stock position of wheat, Ministry of Food had authorised FCI to sell wheat in the open market. The primary objectives of the open sale of wheat were as under :—

- (i) to release much needed storage space for the ensuing procurement season for paddy/rice ;
- (ii) to reduce the carrying costs of stocks held by FCI ;
- (iii) to exercise, as a measure of market intervention, a sobering influence on the open market prices of wheat in the lean season ; and
- (iv) to reduce, to some extent, the requirement of food subsidy.

1.26. FCI was initially authorised to sell 30 lakh tonnes of wheat in the open market from October, 93 to April, 94. Additional authorisation is being allowed from time to time in consultation with the Ministry of Finance. Since October, 1993 FCI has been authorised

to sell 110 lakh MT of wheat upto July, 1995 in the open market. A quantity of about 79 lakh MT of wheat have already been sold by FCI since October, 1993 to April, 1995.

1.27. Besides off loading the surplus stocks in the open market the scheme was also instrumental in controlling the inflationary trend and the increase in the market price of wheat has been only 10% during the period October, 1993 to March, 1995. From March 1994 to March 1995, the prices have declined by 0.7%. So far, these sales had the effect of reducing food subsidy by about Rs. 290 crores with reference to Central Issue Price. Thus, the objectives aimed at the time of initiation of the scheme have been achieved.

Open Sale of Rice :

1.28. After attaining a fair degree of success in the open market sale of wheat both in terms of augmentation of open market availability and stabilisation of prices, a similar effort was initiated in organising open market sale of rice during January, 94. FCI was authorised to sell 15 lakh tonnes of fine and superfine rice. Open sale of rice is being continued in all the States on almost similar lines as those of wheat. So far FCI have been able to sell only 4.69 lakh tonnes of rice upto March, 95.

1.29 Though the prices in open market sales scheme are higher than the PDS issue prices, they are lower than the economic costs of FCI. Thus, the corporation has not earned any profit on the sale of wheat and rice in the open market.

1.30 A multi-media publicity campaign was launched to attract traders, Roller Flour Mills owners. and other bulk purchaser to avail benefit of open sale scheme. Under the scheme the initial eligibility was 100 metric tonnes. Later on, it was reduced taking into consideration, the needs of small traders. For metropolitan areas it was 10 metric tonnes and small towns/ rural areas, it was 5 metric tonnes. However, this media drive did not find favour with small traders who wanted wheat upto 10 quintals. When asked why the publicity blitz failed to enthuse small traders, Secretary, MOF stated:

“They (FCI) have done a lot and more needs to be done.”

1.31 The prices in open market Sale Scheme are higher than PDS issue price but lower than economic cost incurred by FCI. The bulk of wheat was purchased by Roller Flour Mills and they were selling wheat products *i.e.* Atta, Maida and Suzi in the market. The Committee pointed out during evidence that RFMs were selling atta at an exorbitant rates, even though they had been supplied wheat at concessional rates.

1.32 The Committee note that open market sale of foodgrains was primarily undertaken to reduce carrying cost, to bring down the inventory level of stocks and to stabilise the price-line. The Food Corporation of India could sell 79 lakhs metric tonnes of wheat against an authorised limit of 110 lakhs metric tonnes. The sale scheme of rice, however, did not pick up and only 4.69 lakh tonnes against an authorised limit of 15 lakh tonnes were sold. The Committee learnt that Roller Flour Mills made bulk purchase and small traders could not reap the benefit of the scheme due to inadequate publicity. The Committee therefore, recommend that FCI should re-orient their marketing strategy by launching an aggressive multi-media publicity blitz in far-flung areas so that the benefit under the scheme could be realised by small traders also.

1.33 The prices fixed under this scheme were higher than PDS issue price but lower than economic cost, thereby involving an element of subsidy. It came out during evidence that the Roller Flour Mills who had been supplied wheat at subsidised rates were selling Atta, Maida & other bye-products of wheat at exorbitant rates, thus negating the very purpose of this scheme. The Committee, therefore, recommend that corrective steps should be taken to protect the interests of consumers by passing the necessary relief to them.

C. EXPORT OF FOODGRAINS

1.34 The Ministry of Food agreed to a proposal of the Ministry of Commerce to allow export of superior variety of Wheat (Durum) upto a maximum quantity of 3 lakh tonnes from the open market during the year 1993-94, subject to a Minimum

Export Price (MEP) of US\$ 160 PMT (FOB) which was continued in 1994-95. This MEP limit has been removed with effect from 23-9-1994. The Government also released a quantitative ceiling of 5 lakh tonnes for export of Non-Durum Wheat without setting any MEP during the year 1994-95. The Food Corporation of India has also been authorised to export wheat from its stocks within the said export ceiling at prices not below the Central Issue Price of Wheat for the Public Distribution System. Food Corporation of India has also been authorised to sell initially 50,000 MTs. of wheat from the Central Pool at the prevailing open sale price, to the State Trading Corporation for the purpose of export.

1.35 Explaining the export undertaken the last year, the Secretary informed that except Basmati, no worth mentioning export could take place. Now, Cabinet has given permission to export 20 lakh tonnes of rice and 25 lakh tonnes of wheat in 1995-96. This will be in commercial account and no subsidy element would be involved. The prices would be fixed on the basis of demand in international market.

1.36 When asked about details of export undertaken on Government account for wheat & rice, the Ministry in a note stated that no commercial export of wheat and rice has been undertaken on Government account since 1993. However, small quantities of rice have been supplied to Nepal on a no-profit-no-loss basis as a gesture of goodwill to a friendly neighbouring country.

1.37 The export potential of Indian wheat is not too favourable as we produce soft wheat which is quoted at \$100 tonne as against hard wheat traded at \$ 160-180 tonnes . To a question whether the Government propose to explore new international markets to undertake export, it was informed that the export and import policy in respect of foodgrains is decided by Ministry of Commerce.

1.38 When the Committee desired to know incentives given to produce hard variety, the Secretary informed that the market price of hard wheat generally rule higher than support price. Enough quantity of this variety is not being produced. He further informed that as far as PDS is concerned, the Government

want average nutritive quality. It is not the Government policy to give encouragement to one type of wheat variety.

1.39 FCI is undertaking export from its stock at price not less than the open market sale for the purpose of export. It is less than the economic cost and hence an element of subsidy is involved.

1.40 When the Committee wanted to know the level of quality of Indian and International wheat, a representative of the Ministry stated:

"We purchase wheat on uniform specification basis. In USA it has 6 grades. The supply is grade based. We do not have grading system. We do not have a system to meet different grades".

1.41 When asked whether Government propose to introduce grade system for foodgrain, the Secretary, MOF, stated that "We do not have any scheme on this subject. There is an urgent need to educate the farmers to produce wheat of different grades. We will have to think over it."

Supplementing further, MD, FCI deposed :

"The international price of wheat is related to certain specifications. The most important specification is the protein content. When FCI procures wheat, they do not give same weightage to protein content as is given in the international market. Our gluten content is 10-11% whereas what is required is 12-13%. So when it comes to direct export transaction, it would be difficult to guarantee the specification in the international market. The international price is influenced not only by price consideration but also rate at which loading takes place at port because international buyer is conscious of time factor."

1.42 The Committee are satisfied to learn that FCI has been authorised to undertake export of wheat and rice which was till now an exclusive domain of STC and MMTC. However, the export potential of Indian wheat is not so bright as we happen to produce soft wheat having low international demand which consequently affects the export price. Moreover, Indian

wheat is not able to match the specifications of the international market. The Committee are of the opinion that in order to earn precious foreign exchange, there is a need to improve the marketability potential of Indian wheat. The Committee, therefore, recommend that Government should evolve a package of incentives for stimulating the production and export of hard wheat. The infrastructural facilities available at Ports needs to be augmented. Extension of fiscal incentives to traders undertaking export should also be considered. At the same time, Committee would emphasise that efforts should be made to produce quality wheat conforming to the international standards.

D . SHORTAGES OF FOODGRAINS

1.43 During operation of procurement, storage, movement and distribution of foodgrains certain shortages occur due to reasons such as multiple handling of consignments, transshipment, long period of storage, natural drilage etc. The shortages have been classified as under :

(a) Storage Shortages

1.44 The shortages that occur during storage and worked out on the quantity issued (Sales + transfer out) is termed as storage shortages. In each depot storage losses are required to be computed stackwise. Such storage losses represents the difference between the quantity received and quantity issued whether by transfer out or by sale under PDS.

(b) Transit Shortages

1.45 Transit shortage is the one that occurs during transport/movement of foodgrains. It is worked out on the quantity transported and received at a particular depot monthwise. Hence the quantity received during the month and difference between the despatch weight and receipt weight is treated as the transit loss/gain.

1.46 The statement of accounts of above shortages are received at Regional Office and examined by Regional Storage/

Transit Loss Committee constituted by Regional Manager and headed by Senior Regional Manager. This Committee examine in detail the reasons of losses and if satisfied that the losses are genuine/reasonable, then the Committee recommend for write-off. Wherever it is observed that losses are not genuine, the appropriate authority is asked to take disciplinary action against the officials concerned who are responsible for such losses.

1.47 The powers to write-off the storage and transit losses at various levels are indicated below :

Competent authority to write off	Transit loss	Storage Loss		
		Wheat	Rice	Paddy
AM(D)	—	—	1%	1.5%
DM	1%	1%	1.5%	3.0%
SRM/RM	5%	5%	—	—
ZM	10%	10%	—	—
MD	Full powers	Full powers	—	—

1.48 The storage and transit losses in terms of quantity, percentage and value for the last 3 years are as under : —

Transit Shortage

Years	Qn. (Million-tonnes)	Value Rs. crores	% on quantity moved
1989-90	0.24	67.86	1.28
1990-91	0.34	110.27	1.67
1991-92	0.41	146.53	1.88
1992-93	0.35	149.73	1.65
1993-94	0.26	126.26	1.21

Storage Shortage

Years	Qn. (Million-tonnes)	Value Rs. crores	% on quantity issued
1989-90	0.06	20.03	0.17
1990-91	0.12	45.71	0.29
1991-92	0.18	73.17	0.39
1992-93	0.15	73.60	0.38
1993-94	0.16	87.94	0.37

1.49 The steps taken by Food Corporation of India to curtail losses are as under :

- (a) Strict enforcement of specifications during procurement of foodgrains
- (b) Installation of weighbridges in all FCI godowns for capacity of 5000 tonnes and above and installation of in-motion wagon weighbridges.
- (c) Avoidance of movement of foodgrains in open wagons.
- (d) Ensuring strict quality control measures during procurement and storage.
- (e) Improvement in size and quality of gunnies.
- (f) Encouraging machine stitching of bags.
- (g) Regular physical verification of stocks.
- (h) Ensuring upto date maintenance of depot records.
- (i) Immediate follow up action on squad reports.
- (j) Deployment of CISF in vulnerable depots.

1.50 When the Committee asked whether transit and storage losses and losses due to misappropriation etc. are reflected differently, the MD, FCI stated : —

“The figures of storage and transit losses includes misappropriation, pilferage, theft, fire etc. But these are shown as transit losses. Obviously, the motive is not very clear. We are at starting point of the case. Whether the employees concerned are really guilty or not can be determined on the basis of inquiries.”

Elaborating further, he informed :

“Out of 545 cases, there are 298 disciplinary cases related to losses viz. transit, storage and also misappropriation of foodgrains which means a higher percentage to accounted under this head.”

1.51 The losses on account of theft, fire, pilferage, misappropriation etc. for the last five years, is an under : —

(Amount in Lakhs)

Financial Year	Amount (Rs.)
1989-90	12.91
1990-91	154.73
1991-92	87.95
1992-93	91.54
1993-94	290.38

1.52 Asked whether any inquiry is conducted to probe the matter, the Ministry in a note stated that as and when complaints with regard to misappropriation of foodgrains, missing of wagons trucks loaded with foodgrains and sugar are received from various sources such as Public, VIPs, Internal Audit, FCI Vigilance set-up etc., prompt action is taken and investigation is done departmentally or wherever needed through CBI and disciplinary

action is taken against the individuals concerned, if they are found guilty of the charges on completion of disciplinary proceedings. In addition to above, the Corporation periodically identifies high loss depots, monitors their performance on month basis, regular surprise checks are conducted and other necessary actions are taken to bring the losses within the reasonable limits. As a result of investigation and surprise checks, the cases where it is found that the losses are attributable to misappropriation by the employees are referred to the Vigilance for taking appropriate action against the delinquent officials. As on 31.12.1994, as against 545 cases pending, as many as 298 cases were initiated on account of misappropriation of foodgrains by the FCI officials including those, who were found responsible for normal transit and storage losses. Details of these cases are given as under : —

1. Acceptance of illegal gratification/ possession of disproportionate assets	16
2. Misappropriation of foodgrains	212
3. Defaultation of Accounts/misappropriation	47
4. Shortages/Transit Storage losses	86
5. Misappropriation of dead stocks/construction	29
6. Purchase of sub-standard stocks	71
7. Irregularities in the award of H&T contracts	15
8. Administrative lapses/misc.	69
	<hr/>
	545
	<hr/>

1.53 The number of regular/surprise checks carried out in FCI during the last 5 years is as follows : —

Year	Regular Checks	Surprise Checks	Total
1990	1353	342	1695
1991	1027	766	1793
1992	1265	828	2093
1993	1189	643	1832
1994	1495	1175	2670

1.54 Investigation and finalisation of cases is a regular process undertaken with a view to curb the misappropriation and losses by the officials. The details of the major and minor penalty cases finalised during the last 5 years are given below : —

Year	Opening Balance		T o t a l			No. of cases initiated			T o t a l			No. of cases finalised			T o t a l		Closing Balance	Total
	Maj	Min	Maj	Min	T	Maj	Min	T	Maj	Min	T	Maj	Min	T				
1990	469	169	638	253	293	546	205	231	436	517	231	748						
1991	517	251	748	265	346	611	205	294	499	577	283	860						
1992	577	283	860	206	329	535	181	272	453	602	340	942						
1993	602	340	942	304	391	695	352	512	864	554	219	773						
1994	554	219	773	233	382	615	369	474	843	418	127	545						

1.55 The details of punishment imposed on the delinquents during the last 5 years is as under : —

Nature of Penalty Imposed	1990	1991	1992	1993	1994
I. Dismissal/Removal/ Compulsorily retired	13	12	14	10	8
II. Reduction in rank	17	23	18	27	26
III. Reduction in time scale of pay	38	45	41	38	28
IV. Withholding of increment/ recovery from pay	148	173	166	397	332
V. Withholding of promotion	13	20	3	1	17
VI. Censure	71	87	69	190	164
Total	300	360	311	663	575

1.56 The Committee are pained to observe unabated rise in transit and storage shortages. In the year 1989-90, shortages valuing Rs. 87.89 crores (Rs. 67.86 crores as transit and Rs. 20.03 crores as storage shortages) shot up to an astronomically high figure of Rs. 214.20 crores (Rs. 126.26 crores as transit and 87.94 crores as storage shortages) in the year 1993-94. The losses incurred on account of misappropriation by employees, theft etc., forming part of shortages also rose from Rs. 13 lakhs to Rs. 2.9 crores during the same period. Every year, food subsidy contains a substantial portion as shortages. For instance, in the year 1993-94, the subsidy of Rs. 4420 crores included Rs. 159 crores as shortages. The subsidy and shortages for the years 1994-95 and 1995-96 are Rs. 4455 and Rs. 5413 and Rs. 215 and Rs. 222 crores respectively. The Committee are not satisfied with the various preventive and administrative actions taken, as shortages continue to surmount. The Committee are of the view that losses incurred on account of shortages are draining the precious resources and recommend that concerted and result oriented efforts should be made to reduce these avoidable losses.

E. SUGAR IMPORT

1.57 The food subsidy bill rose by Rs. 638 crores owing to import of sugar undertaken to meet the requirement of P.D.S. However, due to late arrival of imported sugar, FCI prayed for cancellation of balance quantity of sugar. When asked what is the justification for imports, when the purpose and relevance, especially the late import, had made the whole transaction infructuous, the Ministry submitted that "Sugar production reached a record level of 134.11 lakh tonnes during 1991-92 sugar season and thereafter declined to 106.09 lakh tonnes during 1992-93 sugar season. The production during 1993-94 season further declined and was of the order of 98.12 lakh tonnes (provisional) in order to contain the prices of sugar and ensure its adequate availability at reasonable prices, it was decided to allow import of sugar under Open General Licence (OGL) and a *suo-motu* statement to this effect was made by the Minister of State for Food in Parliament on 15th March, 1994. No customs and additional customs duty was to be levied on such imports. It was expected that this measure would help augment domestic supply and keep the open market prices of sugar under check. Further, in order to augment the availability of sugar for PDS, it was also decided that public agencies like STC and MMTC would also undertake import of sugar under OGL. Various measures were also taken in order to facilitate the import of sugar under OGL. Ministry of Surface Transport agreed to provide priority for berthing of vessels containing imported sugar.

1.58 Ministry of Railways also ensured adequate availability of covered wagons for transportation of this sugar to the consuming inland destinations. Weekly stipulation for sale of indigenous free sale sugar was imposed as against the earlier stipulations on a fortnightly basis. Besides above, the imported sugar was kept free of restrictions relating to stock holding limits and turn over period.

1.59 Under the above facility a quantity of about 9.84 lakh tonnes was imported by private parties and 9.77 lakh tonnes by STC and MMTC as per following details. The above quantity of imported sugar was released during the months of September

1994 to January 1995 as under : —

(in tonnes)			
S. No.	Month	Qty. Imported by STC & MMTC (arrival at ports)	Qty. released for PDS
1.	June, 1994	30,034	
2.	July, 1994	67,600	
3.	August, 1994	2,29,900	
4.	September, 1994	1,32,550	1,00,000
5.	October, 1994	2,95,000	2,65,247.8
6.	November, 1994	1,96,596	2,58,366.8
7.	December, 1994	25,815	2,80,000.0
8.	January, 1995	NIL	73,317.2
		9,77,495	9,76,931.8

1.60 It takes about two months for the unloading of ships, transit, storage, loading in wagons and subsequent movement thereof and distribution to fair price shops etc. With the above measure, the wholesale prices of S-30 Grade of sugar in the 4 principal markets of the country which ranged between Rs. 1350-1630 per quintal in May, 1994 declined to Rs. 1178-1270 per quintal in December, 1994 due to sufficient availability of sugar in the market. With the help of the quantity imported by STC/MMTC, the levy sugar releases from the months of September, 1994 onwards could be maintained at the stipulated level.

1.61 The Sugar prices spurted to Rs. 18-20 per kg in free market during the months of March-May 1994. There was acute shortage of sugar in P.D.S. When asked to explain, the Secretary deposed :

“In the overall context, the sugar was required by us towards the later half of the season in the months of August, September and October when our existing stocks would have

reached a low levels. They have been fully used in the distribution system. We had enough sugar upto the months of September and October. The Stock which was received by way of import, was received in time keeping in view the needs of PDS. about other conclusion in the international Market about rise and fall of prices, these are unpredictable at times. "

1.62 When asked at what time the impending shortage for domestic use was first visualised and how much was stock in hand and shortage envisaged for levy and non-levy sugar account, it was informed that the proposal to import sugar to bridge the gap in availability of sugar during 1993-94 season was put up by the Ministry as one of the options (the other being to reduce releases) in January, 1994. The opening stock on 1.10.94 was estimated at that time at 8.31 lakh tonnes. The requirement of sugar for the initial $2\frac{1}{2}$ months of 1994-95 season was estimated at 27.50 lakh tonnes comprising of approximately 17.50 lakh tonnes of free sale and 10 lakh tonnes for levy. Thus, with the carry over stock of 8.31 lakh tonnes, the shortfall in the availability was estimated at 19 lakh tonnes.

1.63 Given below are the details of Month end stocks of Indigenous sugar during 1993-94 season.

Month	(Provisional)		(Lakh Tonnes)
	Levy	Free	Total
1	2	3	4
October, 1993	3.82	16.18	20.00
November, 1993	3.40	15.62	19.02
December, 1993	5.97	23.13	29.10
January, 1994	9.50	32.95	42.45
February, 1994	12.32	40.20	52.52

1	2	3	4
March, 1994	13.49	44.43	57.92
April, 1994	12.15	43.34	55.49
May, 1994	9.12	39.44	48.56
June, 1994	5.97	34.49	40.46
July, 1994	2.68	29.21	40.46
	+2.50 (Loan)	(-) 2.50 (Loan)	
	—	—	
	5.18	26.71	31.89
August, 1994	2.09	21.58	23.67
September, 1994	1.79	16.54	18.33

1.64 The Committee note that although MMTC and STC imported 9.77 lakh tonnes of sugar for PDS requirement, there was no justification whatsoever for it, as against levy requirement of 42-45 lakh tonnes in the sugar season 1993-94, the indigenous stocks were to the order of 72 lakh tonnes. The Committee are also of the opinion that had MMTC and STC contracted sugar in the months of December-January, when international prices of sugar were steady, instead of May-June 1994, when prices were ruling high, the loss to the exchequer of Rs. 638 crores incurred on imports could have been avoided.

F. STORAGE & WAREHOUSING

MAJOR HEAD 4408

AA. Capital Outlay on Food, Storage and Warehousing

AA (2)-Storage and Warehousing

1.65 A three tier system of storage pattern namely the Central Warehousing Corporation (CWC) providing storage space at all centres of all India importance, the State Warehousing Corporations (SWCs) at centres of State and District level importance and the Cooperatives at the Taluk/Village level is in operation. The Food Corporation of India (FCI) has been constructing godowns to meet

the storage requirements of foodgrains for buffer and operational stocks.

1.66 The cost of construction of godowns by FCI is fully met by Government of India through budgetary resources. The details of physical & financial targets as well as achievements in respect of storage capacity during 1993-94, 1994-95 as well as targets for 1995-96 are as under :

		Physical (in lakh tonnes)	Financial (in crores)
1993-94			
(a)	Target	0.86	19.00
(b)	Achievement	0.76	19.58
	(Actual)		
1994-95			
(a)	Target	1.04	21.00
(b)	Achievement	0.52	21.00
	(likely)		
1995-96			
	Target	1.43	18.26

1.67 The Ministry in a note submitted to the Committee informed that the Working Group on Storage and Warehousing for the 8th Five Year Plan had recommended that although no additional storage capacity was required for foodgrains during the 8th Five Year Plan on micro level basis, some additional capacity would, however, have to be constructed for foodgrains storage on micro level basis to take care of regional imbalances and the need to create adequate capacity in remote, hilly and other inaccessible areas. The additional capacity required for this purpose was assessed to be 8.23 lakh tonnes. Out of this, it was recommended that FCI may construct 4.23 lakh tonnes and CWC and State Warehousing Corporations 2.00 lakh tonnes each.

1.68 The year-wise details of the capacities constructed so far by FCI is given below : —

1992-93 : — The outlay approved for 1992-93 for the construction programme of corporation was Rs. 27.49 crores. The physical target was 2.32 lakh tonnes. The capacity actually realised was 1.92 lakh tonnes at an expenditure of Rs. 30.99 crores. The shortfall in physical achievement was mainly due to initial delay in recommencement of works by M/s. NPCC. The construction activity was also effected due to difficult working conditions prevailing in J&K and North East areas.

1993-94 :— An outlay of Rs. 22.00 crores was approved for the construction programmes of the FCI for 1993-94. The physical target was 1.37 lakh tonnes. Rs. 3.00 crores was diverted from the outlay of FCI for setting up National Institute for Sugarcane and Sugar Technology (NISST) at Man in Uttar Pradesh. Capacity of 0.86 lakh tonnes was proposed to be realised with the reduced outlay of Rs. 19.00 crores. The physical target was further reduced to 0.76 lakh tonnes after taking into consideration the unprecedented heavy rains which resulted in land slides at Bhairabi and the non-vacation of the stay brought by the defaulting contractors. The revised target of 0.76 lakh tonnes was achieved at a cost of Rs. 19.58 crores.

1994-95 :— The Corporation had proposed construction of additional capacity of 1.04 lakh tonnes during 1994-95 with an outlay of Rs. 27.00 crores. However, the outlay actually approved for the year is Rs. 21.00 crores, the physical target was not changed. The Corporation expect to construct capacity of 0.67 lakh tonnes during the year. A capacity of 0.07 lakh tonnes has been realised upto August, 1994 at a cost of Rs. 6.57 crores.

1.69 When asked how FCI propose to bridge gap between capacity required and that realised, the Secretary, Ministry of Food, stated that "the difference between the capacity we have and what capacity is needed is not a such a large. However, there are areas where this problem is more manifest than in other areas. During the 8th Plan the strategy was to provide new storage in areas which were cut off or hilly. Some

construction took place in those areas. We have been providing adequate plan resources to Food Corporation of India to take up storage programme for this.

Elaborating further, the M.D., FCI stated :

" We have done our best to augment our storage capacity to meet the present situation arising out of accumulation of stocks. This is how our capacity utilisation increased in the last 2 years. It was 53% in 1992-93. In 1993-94 it went to 77% and in 1994-95 it is expected to be 84%. Owned capacity will not be to same extent as that of hired capacity. In the last 3 years, the hire capacity increased in case of private party from 27.32 lakhs as on 1.11.92 to 33.19 lakh tonnes as on 1.11.94."

1.70 When the Committee enquired about modes of hiring of godowns M.D., FCI, deposed :

" There are different modes of hiring. One of the modes of hiring is on occupancy basis and other on guarantee basis. In case of occupancy, we pay for the period for which the stocks are stored in the godowns. In case of guarantee basis, hiring costs have to be paid for hired period, whether stocks are stored or not. We take godowns of ARDC on lease for 5 years and thereafter we get extension for one year. So far as private godowns are concerned, it would be for one year and it could be renewed depending upon the circumstances. But now the question of guarantee is assuming importance. We wanted to increase the storage capacity for both 'capped' and 'covered' storage."

1.71 Detailing and achievements, he further informed :

"We are able to hire additional capacity to the extent of 6 lakhs tonne in the last two years. In the case of cover and plinth also the hired capacity increased from 9.89 lakh tonnes as on 1.11.92 to 36.43 lakh tonnes on 1.11.94. So when it comes to hiring there is more of flexibility. But, we now find that the response to our need, to our advertisement our efforts, etc. is not very encouraging. We have issued a number of advertisements for hiring covered space but except in Maharashtra and in Gujarat,

the response was poor. The response to hire more capacity in procuring region has not yielded the desired results. As a matter of fact, for 'cap' we have given a guarantee of business for 3 years plus 2 and in the case of 'cover' six plus 2, but still the response was not adequate.

1.72 When the Committee enquired about reasons for capacity shortfall M.D., F.C.I. stated :

"FCI has been facing a problem and achievements on account of certain new trends which have surfaced in the last 3 to 4 years. One is the increase in production in certain states like MP, AP and Orissa. The storage capacity needs to be increased. Secondly, the operational needs arising out of conversion of metre gauge into broad gauge routes. This has also changed our perception. In the 8th Five Year Plan as against the original planned capacity of 1 million tonnes, we will be able to achieve 6.6 lakh tonnes at the end of 8th Plan because of various constraints including paucity of funds."

1.73 Asked how the operational needs of North-Eastern States, which lack transport infrastructure and is cut off from main-land during monsoon season would be met, the MD, FCI deposed :

"As far as North-Eastern region is concerned, the problem is for reaching the stock. Reaching of stocks upto Guwahati is comparatively easy. The problems arises in centres like Manipur and Tripura. What we have planned is to identify the centres which are suitable for additional storage capacities. Places like Agartala in Tripura, Dimapur in Nagaland, have been identified as centres suitable for additional storage capacity."

1.74 He also informed that hilly centres other than North-Eastern States have also been identified and includes places like Simla Kullu and Chamba (Himachal Pradesh), Ram Bagh, Baramula and Kishtwar (J&K) New Tehri and Satpur (UP).

Supplementing further, the Secretary, MOF stated:

"There are some problem of moving large stocks from North-East and from other areas to the consuming areas. There are problems of availability of wagons, loading capacity by FCI, unloading at place of destination etc. There is the problem of gunny bags also. These are all constantly reviewed by us with a view to meeting our efficiency level, Everyday, we move 20 racks from North-East. Unless we do it we will not be able to meet the requirement. We are constantly sorting out the problems subject to availability of godown facility and capacity. As there are problems with North-East, we have same difficulties regarding Kashmir. These are two places where we have to maintain a balance between the requirement and availability because of further problem of transport etc."

1.75 In every block there are godowns of state agencies owned by cooperative marketing society which generally remain unused. When Committee desired to know whether it is possible to give priority to those godowns over that of private parties, the Secretary stated "it is good suggestion and we should give priority to them".

1.76 The Working Group of Storage and Warehousing for Eighth Plan had recommended the creation of additional capacity by FCI at micro level basis to take care of regional imbalances and the need to create adequate capacity in remote, hilly and other inaccessible area. In the Eighth Plan period against an original planned capacity of 10 lakh tonnes, the actual achievement would not be more than 6.6 lakh tonnes. The Committee are of the view that in the context of burgeoning stock levels of foodgrains, emerging new procurement areas, change in operational needs such as uniguage Railways Network and initial inertia shown by private parties in leasing their godowns on hiring basis, the storage shortages will persists. The Committee are of the opinion that P.D.S. in North-Eastern and other locationally disadvantageous areas is very precarious and apprehend that if regional imbalances are not removed, there is every likelihood of collapse of PDS. Moreover, under RPDS in FCI/CWC operated areas, neither State Governments nor Ministry of Civil Supplies, Consumer Affairs and Public Distribution are constructing

godowns, The Committee, therefore, recommend that FCI should strive to achieve the targets set forth by Planning Commission in all the States and North Eastern and other hilly areas in particular. As the private parties have not evinced keen interest in leasing their godowns, the Committee recommend that FCI should review their hiring and de-hiring policy to enthruse them. To overcome resource crunch coming in way of realising capacity, private participation in godowns construction activities under BOT (Built Own and Transfer) basis should be explored. To attract private participation land and finance should be made available to them at concessional rates.

1.77 The Committee also note that certain centres have been identified in hilly, inaccessible and disadvantageous areas, where FCI propose to construct godowns in the year 1994-95 to maintain regular and continuous flow of P.D.S. items. The committee are not the view that availability of suitable sites and clearance from environment and forest angles, pose main challenges in constructing godowns in these areas. The Committee hope and trust that these problems would be sorted out before the commencement of civil works and godowns constructed with in the stipulated time frame.

1.78 The Committee note that in the context of mounting stock level of foodgrains, lower off-take and high procurement of foodgrains, there is a storage constraint. At present, FCI is hiring capacity from Central Warehousing Corporation, State Warehousing Corporations and ARDC/private bodies, but the hired capacity is inadequate to meet the demand in full. It also came out during evidence that godowns of Agricultural Marketing Cooperative Societies which exist at block levels, generally remain vacant. The Committee, therefore, recommend that FCI should hire these godowns to make good the shortfall.

1.79 The Committee also note that godowns are presently hired from private parties on short term basis. The Committee are of the opinion that for ensuring business guarantee for a longer duration and need to curtail escalation costs incurred on hiring/de-hiring, a review of hiring/de-hiring process is required. The Committee therefore, recommend that godowns should be hired on long-term basis.

G. POST HARVEST OPERATIONS

1.80 The increase in production of foodgrains brings in its wake additional demand for improvement of Post Harvest Operations (PHO). In order to have benefits of increased production, it becomes imperative that post harvest losses, both at the pre-marketing and post-marketing stage are reduced to the minimum level. It is being done through improved methods of storage of foodgrains, pest control and extension work. The various activities under PHO are grouped as under : —

- (i) R&D work
- (ii) Development of improved storage structures, code of practices for grain preservation, standardisation of grain quality etc.
- (iii) Extension work for improvement in farm level storage.
- (iv) Financial and technical help to Central/State agencies handling foodgrains.

1.81 The above functions are carried out through six Indian Grain Storage Institutes (IGSI), 17 Save Grain Campaign (SGC) Teams, 3 Quality Control Cells (QCC) and a Central Grain Analysis Laboratory (CGAL) at the head-quarters.

(A) Research & Development and Extension and Coordination

1.82 Under the Research & Development the following projects were proposed during 8th Five Year Plan period :

- (i) Introduction of newer propylactic chemicals in place of Malathion and DDVP to which the stored grain insect pests have developed resistance ;
- (ii) Introduction of better fumigants, development of lighter fumigation covers, replacement of timber crates;
- (iii) Effective bird and psocid control methods;
- (iv) Non chemical insecticides for stored grains;

- (v) Introduction of single dose anti-coagulants;
- (vi) Study on resistance by stored grain insects;
- (vii) Storage problems of other agricultural commodities of durable nature;
- (viii) Introduction of bulk storage techniques;
- (ix) Introduction of cleaners, graders and dryers;
- (x) Assessment of losses at farmers, traders, cooperative and cooperative levels ;
- (xi) Safe moisture limits in various climatic zones and problems associated with high moisture contained in newly harvested crops.

1.83 The above projects were to be taken up at IGSI, Hapur and its five field stations located in different parts of the country. They were also to ensure better coordination between the R&D Organisations and user agencies.

1.84 It was also proposed to strengthen and equip laboratory facilities at IGSI, Hapur and its five field stations, and Central Grain Analysis Laboratories (CGAL) at headquarter by procuring essential laboratory equipments.

Farm Level Storage—Development of nucleus Villages

1.85 The Working Group Of Storage Warehousing has recommended a minimum investment of Rs. 6.16 crores for improving farm level storage condition during the 8th Five Year Plan.

1.86 One of the main projects under this programme was development of nucleus villages as demonstration units. A nucleus village would be one "in which at least 30% storage structure are improved upon and atleast 10% of the total storage structure available in the village are modern storage structures such as metal bin, pusa bin & pucca kothi".

1.87 The various items of work under this programme and their outlays for 8th Five Year Plan are as under :—

	Rs. in crores 8th Five Year Plan allocations
(i) Loan to State Government for provision of 25,000 metal storage bins	2.00
(ii) Provision of 1,11,600 non metallic storage structures	1.00
(iii) Development of nucleus villages	1.00
(iv) Stipendiary training to	
(a) 71,250 farmers @ Rs. 150/- per head	1.10
(b) 1,00,000 volunteers @ Rs. 75/- per head	0.75
(c) 1,500 artisans @ Rs. 500/- per head	0.11
(v) Publicity	0.15
(vi) Technical workshop at IGSI/3 seminar at SGC office per year	0.05
Total	6.16

1.88 The above projects were in addition to the various activity already undertaken with non-plan funds through the existing 17 SGC teams. The publicity programmes were to have multi-media outlet with the assistance of DAVP & printing press at IGSI, Hapur.

1.89 The Central investment of Rs. 6.16 crores for improvement of farm level storage were to be matched by an equal amount to be invested by the farmers for purchase of metal bins and construction of non-metal storage structures. The

investment by the Government in real terms were to be only around 50% of the investment as the amount for sale of metal bins were to be fully recovered from the farmers. In addition, the farmers were to incur expenditure towards construction of non-metallic storage structures also. However, for these storage structures the inlet and outlet and water proof material etc. were to be supplied free of cost by the extension organisation. The cost benefit ratio of the investment worked out to be more than 12% per annum to the farmers as well as the country.

Development of Scheduled Castes and Scheduled Tribes—Tribal Sub-plan

1.90 The Post Harvest Operations are targeted at the farmers, traders and other foodgrain storage agencies as a whole. It may therefore, not be possible to indicate the flow of the benefits specifically for the Scheduled Castes and Scheduled Tribes to whom the benefits of the schemes would nevertheless be available.

Employment opportunities created by the scheme

1.91 The scheme apart from minimising Post Harvest Storage losses of foodgrains were to help in promoting small scale industries and entrepreneurs in the country involved in production and supply of various required inputs thereby indirectly generating employment opportunities in the rural and other sectors.

RCC AND METALLIC BINS

1.92 Explaining the salient features of Reinforced Cement Concrete (RCC) and metallic bins, the Ministry in their note stated the reinforced cement concrete bins (RCC) and metal bins are the modern scientific storage structures and are moisture and rodent proof with a facility to carry out fumigation of the grain stored in the storage structures. The capacity of different types of bins (metallic and non-metallic) being used at farm level ranges from 1 quintal to 200 quintals (approx.) capacity. The choice of the farmer for a metallic and non-metallic bin depends upon the availability of foodgrains with him, his financial status and

the capacity to withhold the stocks/climatic conditions/agricultural practices in the region. The metallic structures are generally used for indoor storage whereas non-metallic bins are utilised for outdoor storage in general. The metallic storage structures can be shifted from one place to the other depending upon the requirements whereas, the reinforced concrete cement bins cannot be shifted. The loading and unloading of the bin can be done with ease in both the types of bin. The capacity of the metallic bin (indoor) remains upto 10 quintals whereas the capacity of reinforced concrete bin can go upto 20 tonnes.

1.93 The cost of the bin (metallic and non-metallic) depends upon the availability of raw material, the labour cost, transportation/installation charges vary from State to State depending upon the price prevailing in that area. More or less, its running cost in both the cases is almost the same. Metallic bin cost Rs. 1350 per tonne whereas RCC bin cost Rs. 1500 per tonne.

1.94 Explaining the procedure for obtaining loans for construction of storage bins, the representative informed that Central Govt. provide loan to the States for a period of 5 years and the rate of interest is 11.75%. The States which repay this loan within the stipulated period, no interest is charged and the amount of loan is converted with subsidy. Those States which are unable to pay this amount, the rate of interest for them is raised by 2.75%.

1.95 When asked what efforts have been made to popularise the storage bin scheme, the Secretary, Ministry of Food stated :

“This point as to how to popularise the existing schemes still remains. The amount available is Rs. 2 crores for the entire country. What is the demonstration effect we can make out of this 2 crores. Basically, Sir, rather than this being passed on as loan to individuals, what we should do is to strengthen the capacity of the State organisations involved in making storage bins for sale to individuals. Many State Agro-Industry Corporations have stopped doing these activities because they are short of money. Can we regulate the scheme to see that money goes towards these organisations.”

1.96 Describing the nucleus village concept, the Ministry stated that the project was introduced in the Eighth Five Year Plan with outlay of Rs. 1 crore. A nucleus village is described as one in which at least 30% of storage structures are improved upon and at least 10% available storage structures are modern structures like metal bins, RCC bins and pucca kothies, etc. The expenditure during the first two years of the 8th Plan has been only Rs. 0.13 crore for developing 802 nucleus villages. In 1994-95, due to overall reduction in the outlay, the funds were made available to the tune of Rs. 10 lakhs at RE stage. The expenditure during the 8th Plan is expected to be around Rs. 0.65 crore against the original projection of Rs. 1 crore. During the year 1994-95 upto December, 1994, 310 nucleus villages have been developed against the target of 400 villages.

The performance of plan schemes till now are as under :

1. Construction of buildings at IGSI stations, machinery & equipments/material and supplies etc.

1.97 Construction of engineering work shop, hostel, seminar hall and staff quarters for 3 field stations, viz. Jorhat, Jabalpur and Udaipur is to be completed during the 8th Five Year Plan. Work at Jorhat is in the process of completion and construction of residential quarters at IGSI Udaipur has started. The spill over construction at IGSI stations, comprising office and laboratory buildings at Jorhat and Udaipur, staff quarters at Hapur, workshop buildings at Hyderabad and press building at Hapur has been completed.

1.98 The 8th Plan provision for this scheme is Rs. 2.97 crores out of which Rs. 2.09 crores has already been spent during 1992-93 and 1993-94. This also includes expenditure of Rs. 0.11 crore on machinery and equipment/material and supplies etc. The outlay for 1994-95 is Rs. 0.08 crores. The entire provision of Rs. 2.97 crores would be spent during the 8th Plan.

2. Improved farm level Storage

1.99 Under this scheme, the aim is to improve storage structures at the farm level by providing loan/subsidy to the

State Governments and through extension inputs. The programme-wise details are given below :

(i) Loan to State Govts. for metal storage bins :

1.100 A provision of Rs. 200 crores has been made for providing loans/subsidy to the State Govt. for supply of metal storage bins to the farmers during the 8th Plan. The response of the State Govts. has not been encouraging as they have desired liberalisation of the terms and conditions for the loan approved by M/o Finance. As such the expenditure during the years 1992-93, 1993-94 has been only Rs. 0.40 crores.

1.101 In view of the poor response from the State Govts. the provision under this item for the entire 8th Plan is proposed to be reduced from Rs. 2.00 crores to Rs. 0.90 crores only. This also includes subsidy to be reimbursed to the State Govts., equivalent to the amount of interest incurred by them on the loan.

(ii) Extension inputs

(a) Provision of non-metallic storage structures

Under this programme assistance in the form of inputs such as outlets, inlets, polythene are provided to the farmers for non metallic storage structure. The assistance has been raised from Rs. 250/- to Rs. 300/- per structure on account of hike in market rates. However, as the revision in rates was affected only towards the end of 1992-93, the expenditure during the first two years is only Rs. 0.22 crores against 8th Plan provision of Rs. 1.00 crore. Provision for this item is also proposed to be reduced to Rs. 0.75 crores, looking at the pace of expenditure. A total of 50626 storage structures have been improved at farmer premises so far.

(b) Development of nucleus villages :

This is a new programme which become operative only towards the fag end of the 1992-93. A nucleus village is described as one in which at least 30% storage structure are improved upon and at least 10% available storage structures are

modern structures like metal bin, Pusa bin and pucca kothi. The expenditure during the first two years of the 8th Plan has been only Rs. 0.13 crore for developing 802 nucleus villages. In 1994-95, due to overall reduction in the outlay, no provision has been made for this item. The expenditure during the 8th Plan is expected to be around Rs. 0.65 crore against the original projection of Rs. 1.00 crore.

(c) Training : Stipend is paid to farmers/volunteers artisans for training in improvement in farm level storage. Besides the stipend, honorarium/inputs are also provided to State Govts./volunteers. Against the 8th Plan provision of Rs. 1.96 crores the expenditure during the first two years is only Rs. 0.71 crores. The total expenditure during the 8th Plan is likely to be round Rs. 1.47 crores. 28,757 farmers, 39,943 volunteers and 302 artisans have been trained during 1992-93 & 1993-94.

(d) Publicity : Expenditure on publicity through wall-hangings/posters/leaflets and seminars etc. has been only Rs. 0.05 crore against the provision of Rs. 0.20 crore. The total expenditure during the 8th Plan is likely to be around Rs. 0.30 crores.

Overall expenditure on improvement in farm level storage activities is likely to be around Rs. 4.16 crores against the provision of Rs. 6.16 crores for the entire 8th Plan.

3. Infrastructure support/other facilities

A provision of Rs. 2.87 crores has been made for this purpose for the 8th Plan. The expenditure during the first 2 years is Rs. 0.87 crore only. The entire provision of Rs. 2.87 crores is likely to be spent during the 8th Plan period.

EXPENDITURE ON POST HARVEST OPERATIONS

1.102 The outlay approved for the post-harvest operations for the entire 8th Plan period was Rs. 12.00 crores, against Rs. 38.40 crores proposed by the Ministry. In view of the reduced allocation certain programmes like provision of storage pesticides honorarium/input to State Governments and volunteer agencies were not taken up.

1.103 The expenditure in respect of Post Harvest Operations during the year 1992-93 and 1993-94 was Rs. 2.78 crores and

Rs. 1.69 crores against the respective outlays of Rs. 8.01 crores and Rs. 4.00 crores. Although the Planning Commission had approved an outlay of Rs. 8.01 crores for 1992-93, the Ministry had restricted the outlay to Rs. 3.60 crores on account of the fact that the total outlay approved by the Commission for the 8th Plan for Post Harvest Operations was only Rs. 12.00 crores against Rs. 38.40 crores proposed by the Ministry. The shortfall in the expenditure has been mainly for the reason that response from the State Governments for availing loan for providing, metal storage bins to farmers has been poor. The State Governments have desired liberalisation of the terms and conditions for the loan as laid down by the Ministry of Finance. Further another important programme relating to development of nucleus villages could start only towards the end of 1992-93.

1.104 The expenditure anticipated during 1994-95 is Rs. 1.48 crores against outlay of Rs. 1.26 crores.

1.105 The Committee note that under Post Harvest Operations, various schemes are being run by network of Indian Grain Storage Institutes, Save Grain Campaign Teams and Quality Control Cells and Central Grain Analysis Laboratories, in an effort to reduce post harvest losses. The Committee are perturbed to note that a meagre amount of Rs. 12 crores was approved by Planning Commission in operating these schemes against an initial requisition of Rs. 38 crores. The amount was further reduced to Rs. 10 crores. As a result "Development of Nucleus villages as Demonstration unit, an import plan scheme could take off only at the fag and of 1992-93. Further plan schemes such as loans to State Governments for storage bins/pesticides also suffered for want of adequate resources. The Committee are of the firm view that the sacrosanct task to prevent storage losses at farm stage cannot be accomplished by this highly depressed allocation. The Committee therefore, recommend that more funds should be made available for all the schemes under Post Harvest Operations so that these do not suffer on account of resource crunch.

1.106 The metallic and Reinforced Concrete Cement (RCC) bins are modern scientific storage structure. The Committee are of the view that when the Govt. Agencies are struggling to find accommodation for country's bumper crop, the relevance and

role of RCC and metallic bins assume greater importance. Although States were financially assisted for fabricating and sale of metal storage bins but the scheme did not make much headway. It came out during evidence that many State Agro. Industries Corporations hitherto involved in making storage bins, stopped these activities for want of adequate resources. The Committee view this with concern and recommend that steps should be taken popularise the use of metallic and RCC bins which will not only prevent post harvest losses at farm stages but also provide necessary relief to FCI and other public agencies involved in procurement and stocking of foodgrains.

NEW DELHI ;
4 May, 1995

14 Vaisakha 1917, (Saka)

SHYAM BIHARI MISRA,
Chairman,
Standing Committee on Food,
Civil Supplies & Public Distribution.

Part-II

STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION

Minutes of the sitting of the Committee held on 10th April, 1995.

The Committee sat from 11.00 Hours to 13.30 Hours and 15.00 Hours to 15.30 Hours on 10th April, 1995.

PRESENT

Shri Shyam Bihari Misra — CHAIRMAN

MEMBERS

Lok Sabha

2. Shri N.J. Rathava
3. Dr. (Smt.) Padma
4. Shri Bijoy Krishna Handique
5. Shri K.J.S.P. Reddy
6. Shri Gopi Nath Gajapathi
7. Shri Naresh Kumar Baliyan
8. Dr. Ramkrishna Kusmaria
9. Shri Kabindra Purkayastha
10. Shri Lal Babu Rai
11. Shri Ram Awadh
12. Shri Syed Masudal Hossain
13. Shri Ramchandra Marotrao Ghangare
14. Shri Manoranjan Sur
15. Shri Birsingh Mahato

Rajya Sabha

16. Shri Sunder Singh Bhandari
17. Shri Moolchand Meena
18. Shri. G.Y. Krishnan
19. Shri Jagannath Singh
20. Shri Ramendra Kumar Yadav "Ravi"
21. Shri Kanaksinh Mohansinh Mangrola

SECRETARIAT

- | | | |
|-------------------------|---|-----------------------------|
| 1. Shri S.N. Misra | — | <i>Additional Secretary</i> |
| 1. Smt. Roli Srivastava | — | <i>Joint Secretary</i> |
| 2. Shri A. S. Chera | — | <i>Assistant Director</i> |

WITNESSES

MINISTRY OF FOOD

- | | |
|------------------------|--------------------|
| 1. Shri R.V. Gupta | Secretary |
| 2. Shri Kamal Pandey | AS & FA |
| 3. Shri Surendra Kumar | Joint Secretary |
| 4. Smt. Sushma Nath | Joint Secretary |
| 5. Shri M.P. Varshney | Director (Finance) |
| 6. Smt. S. Kacker | Director |

FOOD CORPORATION OF INDIA

- | | |
|-----------------------|------------------------|
| 1. Shri Prabhat Kumar | Chairman |
| 2. Shri A.V. Gokak | Managing Director |
| 3. Dr. S.N. Sharma | Executive Director (C) |
| 4. Shri V.K. Bhise | Executive Director (G) |

- | | |
|------------------------|-------------------------------------|
| 5. Shri K. Ramchandran | Executive Director (F) |
| 6. Shri J.N. Tripathi | Executive Director (T) |
| 7. Shri K. Pandithurai | Excutive Director (Engg.) |
| 8. Shri G. Mohan | Additional Financial Adviser (Cost) |

CENTRAL WAREHOUSING CORPORATION

- | | |
|---------------------------|-------------------|
| 1. Shri K. Sanjeeva Reddy | Chairman |
| 2. Shri R.N.Das | Managing Director |
| 3. Shri A.P. Mathur | General Manager |

2. In the forenoon session, the Committee discussed with the representatives of Ministry of Food, Food Corporation of India and Central Warehousing Corporation, the various points arising out of List of Points which were replied to by the witnesses. A verbatim record of proceedings was kept.

3. In the afternoon session, when the Committee was deliberating, the Members were informed about the sad demise of Shri Morarji Desai, former Prime Minister of India. The Committee adjourned without transacting any further business, as a mark of respect to the departed leader, after observing silence for a short while.

Minutes of the sitting of the Committee held on 17th April, 1995.

The Committee sat from 11.00 Hours to 15.00 Hours on 17th April, 1995.

PRESENT

Shri Shyam Bihari Misra — CHAIRMAN

MEMBERS

Lok Sabha

2. Shri. V. krishna Handique
3. Shri Bijoy Krishna Handique
4. Shri K.J.S.P. Reedy
5. Shri Naresh Kumar Baliyan
6. Shri Kabindra Purkayastha
7. Shri Ram Awadh
8. Shri Ramchandra Marotrao Ghangare
9. Dr. (Smt.) K.S. Soundaram

Rajya Sabha

10. Shri Nagmani
11. Shri G.Y. Krishnan
12. Shri Jagannath Singh
13. Shri Ramendra Kumar Yadav 'Ravi'
14. Smt. Chandra Kala Pandey

SECRETARIAT

1. Smt. Roli Srivastava — ***Joint Secretary***
2. Shri A.S. Chera — ***Assistant Director***

WITNESSES

MINISTRY OF FOOD

- | | |
|------------------------|---|
| 1. Shri R.V. Gupta | Secretary |
| 2. Shri Kamal Pandey | Additional Secretary
and Financial Advisor |
| 3. Shri Surendra Kumar | Joint Secretary |
| 4. Smt. Sushma Nath | Joint Secretary |
| 5. Smt. S. Kaker | Director |

FOOD CORPORATION OF INDIA

- | | |
|------------------------|--|
| 1. Shri Prabat Kumar | Chairman |
| 2. Shri A.V. Gokak | Managing Director |
| 3. Dr. S.N. Sharma | Executive Director (C) |
| 4. Shri V.K. Bhise | Executive Director (G) |
| 5. Shri K. Ramchandran | Executive Director (F) |
| 6. Shri K. Pandithurai | Executive Director (Engg.) |
| 7. Shri G. Mohan | Additional Financial
Advisor (Cost) |

CENTRAL WAREHOUSING CORPORATION

- | | |
|---------------------------|-------------------|
| 1. Shri K. Sanjeeva Reddy | Chairman |
| 2. Shri R.N. Das | Managing Director |
| 3. Shri A.P. Mathur | General Manager |

2. At the outset, the Committee adopted the following resolution on the sad demise of Shri Morarji Desai, the former Prime Minister of India :

“ The Standing Committee on Food, Civil Supplies and Public Distribution record its profound sorrow and sense of national loss at the sad demise of Shri Morarji Bhai Desai, the former Prime Minister of India and beloved leader of the nation. Shri Desai worked all his life for the progress and prosperity of his people. He had endeared himself to all the countrymen by his sincerity, great humility, simple living and high thinking. He gave a magnificent, courageous and firm lead to the country. The Committee pays its homage to the departed leader and offers condolence to the bereaved family. The Committee further expects the nation to pledge itself to carry forward his work of national integrity and international amity and peace”.

3. Thereafter, the Members of the Committee stood in silence for a short while in memory of the departed leader.

4. The Committee, then proceeded to discuss with the representatives of the Ministry of Food, Food Corporation of India and Central Warehousing Corporation , the various points arising out of List of Points which were replied to by the witnesses.

5. A Verbatim record of the proceeding was kept.

The Committee then adjourned.

STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND
PUBLIC DISTRIBUTION

Minutes of the sitting of the Committee held on
26th April, 1995.

The Committee sat from 15.00 Hours to 16.00 Hours on
26th April, 1995.

PRESENT

Shri Syed Masudal Hossain — *In the Chair*

MEMBERS

Lok Sabha

2. Shri Bijoy Krishna Handique
3. Shri Gopi Nath Gajapathi
4. Shri Naresh Kumar Baliyan
5. Dr. Ramkrishna Kusmaria
6. Shri Kabindra Purkayastha
7. Prof. Ram Kapse
8. Shri Ramchandra Marotrao Ghangare
9. Shri Chhote Singh Yadav
10. Shri Birsingh Mahato

Rajya Sabha

11. Shri Sudhir Ranjan Majumdar
12. Shri Tara Charan Majumdar
13. Shri Ghufran Azam

14. Shri Jagannath Singh
15. Shri Tindivanam G. Venkatraman
16. Shri Kanaksinh Mohansinh Mangrola
17. Smt. Chandra Kala Pandey

SECRETARIAT

1. Smt. Roli Srivastava — Joint Secretary
2. Shri A. S. Chera — Assistant Director

2. The Committee, in the absence of chairman of the Committee chose Shri Syed Masudal Hossain, M.P. to act as Chairman for the sitting in terms of Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

I. Consideration and Adoption of Draft Twelfth Report.

3. The Committee, considered the draft Twelfth Report on Demands for Grants (1995-96) relating to Ministry of Food adopted the Report with the following amendments :—

Para No. 1.76

Add "to attract private participation, land and finance should be made available to them at concessional rates," in the last.

4. The Committee authorised the Chairman to make consequential changes arising out of the factual verifications of the Report by the Ministry of Food and present/lay the same in both the Houses of Parliament.

The Committee then adjourned.