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STANDING COMMITTEE ON
FOOD, CIVIL SUPPLIES AND
PUBLIC DISTRIBUTION
(1996-97)

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MINISTRY OF FOOD

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DEMANDS FOR GRANTS
(1996-97)

FIRST REPORT



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LOK SABHA SECRETARIAT
NEW DELHI

August, 1996/Bhadra, 1918 (Saka)

FIRST REPORT
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SUPPLIES AND PUBLIC DISTRIBUTION
(1996-97)

ELEVENTH LOK SABHA

MINISTRY OF FOOD

DEMANDS FOR GRANTS (1996-97)

Presented to Lok Sabha on.....September, 1996
Laid in Rajya Sabha on.....September, 1996



LOK SABHA SECRETARIAT
NEW DELHI

August, 1996/Bhadra, 1918 (Saka)

Price : Rs. 22.00

Parliamentary Publications
Central Govt. Publications
App. No. 95285
11-9-96

(6)

lc
328.3657R
N6.1;5

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Eighth Edition) and printed by Jainco Art India 13/10, W.E.A., Sarswati Marg, Karol Bagh, New Delhi-110005.

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COMPOSITION OF THE STANDING COMMITTEE
ON FOOD, CIVIL SUPPLIES AND
PUBLIC DISTRIBUTION

(1996-97)

Chairman

Shri R.L. Bhatia

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(iii)

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SECRETARIAT

1. Dr. A.K. Pandey — *Additional Secretary*
2. Smt. Roli Srivastava — *Joint Secretary*
3. Shri Krishan Lal — *Deputy Secretary*
4. Shri R.S. Kambo — *Assistant Director*

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Civil Supplies and Public Distribution (1996-97) having been authorised by the Committee to submit the Report on their behalf, present this First Report on Demands for Grants (1996-97) relating to the Ministry of Food.

2. The Committee examined/scrutinised the Detailed Demands for Grants (1996-97) of the Ministry which were laid on the Table of the House on 25th July, 1996.

3. The Committee took evidence of the representatives of the Ministry of Food on 12th August, 1996.

4. 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 to the Committee desired in connection with the examination of the subject.

5. The report was considered and adopted by the Committee at their sitting held on 21st August, 1996.

6. 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;
August 26, 1996
Bhadra 4, 1918 (Saka)

R.L. BHATIA,
Chairman,
Standing Committee on Food, Civil
Supplies and Public Distribution.

CHAPTER 1

REPORT

Introductory

1.1 The Demands for Grants of Ministry of Food were laid on the table of Lok sabha on 25 July, 1996. Demand No 37 of the Ministry contains the figures of Revenue as well as Capital Expenditure which are as follows :—

(Rs. in crores)

	Revenue	Capital	Total
Voted	6115.24	94.68	6209.92
Charged	.05	—	.05

1.2 The details of the Budget Estimates, Revised Estimates for 1994–95 and 1995–96 as well as Budget Estimates for 1996–97 are as under:

Revenue Section

(Rs. in crores)

Sl. No.	Major Head	Items	Plan/ Non-plan	1994-95		1995-96		1996-97		Total
				BE	RE	BE	RE	BE	RE	
1.	3451	Secretariat Eco Services	Plan	0.27	0.27	0.25	0.25	0.25	0.22	
			Non-plan	4.98	5.26	5.50	6.00	6.25	6.25	6.47
2.	2408	Food, Storage & Warehousing	Plan	1.76	1.76	2.20	1.85	2.67	2.67	
			Non-plan	4228.05	3527.95	5414.38	5665.25	6106.15	6108.82	
		Total	Plan	2.03	2.03	2.45	2.10	2.89	2.89	
			Non Plan	4233.03	5333.21	5419.88	5671.25	6112.40	6115.29	

2

Capital Section

(Rs. in crores)

Sl. No.	Major Head	Items	Plan/ Non-plan	1994-95		1995-96		8	9
				BE	RE	BE	RE		
1.	4408	Capital outlay on Food Storage and Warehousing	Plan	26.97	26.97	26.13	23.95	26.68	
			Non-plan	—	—	—	—	—	

2. 6860	Loans for consumer Industries	Plan	—	—	—	—	—	—
		Non-plan	140.00	110.00	140.00	95.00	68.00	68.00
		—	—	—	—	—	—	—
		—	—	—	—	—	—	—

Total	Plan	26.97	26.97	26.13	23.95	26.68
	Non-plan	140.00	110.00	140.00	95.00	68.00

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

Plan	1994-95		1994-95		1995-96		1995-96		1996-97		Total
	Plan	Non Plan	Revised Estimate	Non-Plan	Budget Estimate	Non-Plan	Revised Estimate	Plan	Non Plan	Budget Estimate	

Revenue Section

—	—	35.25	—	35.25	0.50	25.50	—	25.65	—	82.50	82.50
---	---	-------	---	-------	------	-------	---	-------	---	-------	-------

Capital Section

—	—	14.75	—	144.75	7.03	140.00	—	99.85	—	76.02	76.02
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The Head-wise demands have been discussed in succeeding paragraphs.

CHAPTER II

FOOD SUBSIDY

2.1 Major Head: 2408

Food Storage and Warehousing Sub-Major Head C.I, Food

Food subsidy is paid to the Food Corporation of India for reimbursement of (i) the difference between the economic cost of foodgrains and their issue price and (ii) carrying cost of buffer stocks. The economic cost comprises procurement price and procurement incidentals for indigenously procured foodgrains as well as distribution incidentals comprising movement, storage, handling, interest charges etc.

2.2A statement showing the fund requirements projected by Ministry of Food, the provision approved by Ministry of Finance and subsidy payment to Food Corporation of India from 1993-94 onwards are as under :—

(Amount in Rs. crores)				
Details	1993-94	1994-95	1995-96(RE)	1996-97(BE)
1	2	3	4	5
Consumer Subsidy (excluding shortages)				
Wheat	1578.00	1486.00	1937.00	1988.00
Rice	1485.00	784.00	1643.00	1865.00
Carrying Cost of Foodgrains (excluding shortages)	1197.00	1795.00	1723.00	1421.00
Sub Total	4260.00	4065.00	5303.00	5274.00
Subsidy on :				
Coarse grains	1.00	—	—	—
Sugar	—	591.00	315.00	—
Provision for reimbursement of charges in Sale of Paddy & Rice	—	—	75.00	—
Arrears of Previous Years	1448.00	523.00	264.00	—
Suggested Provision	N.A.	5598.00	6157.00	5474.00
Provision approved by Ministry of Finance	5700.00	5100.00	5500.00	5774.00 (incl. Rs. 300 crores for increase in MSP, if any)
Subsidy paid to F.C.I.	5700.00	5100.00	5305.63	1770.59 (till 30.6.96)

1	2	3	4	5
Outstanding towards unregularised shortages	774.00	728.00	768.00	799.00
later increased to Rs. 5884 crores. including subsidy on :				
Sugar	—	591.00	345.33	414.29
Fertilisers :	162.66	—	—	—

Fresh B.E. proposal from F.C.I. containing revised figures is presently under examination.

2.3 The supplementary grant for food subsidy for 1994-95 was Rs. 1100 crores and in 1995-96, it was Rs. 250 crores. The increase is attributed to the following:-

1994-95	Subsidy on sugar	Rs. 600 crores
	Transit and storage losses	Rs. 150 crores
	Arrears to FCI	Rs. 350 crores
		<u>Rs. 1100 crores</u>
1995-96	Subsidy on sugar	Rs. 250 crores

2.4 The following reasons have been attributed by the Ministry for increase in the bill under Food subsidy head.

- (i) Delay in neutralising the increase in Minimum Support Prices by correspondingly increasing the Central Issue prices;
- (ii) Higher level of Buffer Stocks due to higher level of procurement and relatively lower level of off-take;
- (iii) Increase in freight rates;
- (iv) Progressive departmentalisation of labour;
- (v) Progressive switching over to 50 Kg. Packaging and
- (vi) Transit and Storage shortages.

Delay in neutralising the increase in Minimum Support Price.

2.5 Due to delay in revising the Central Issue prices as soon as Minimum Support Prices are increased, food subsidy bill is increasing.

Ministry of Food gave following reasons for delay in increasing the Central issue prices:-

The MSPs are announced by the Government on the eve of kharif/Rabi season after considering the recommendations of CACP. Ordinarily, the revision of Central Issue Price (CIP) should be synchronised with the revision in MSP. But, actual revision of CIP is effected after taking into other factors, such as the impact of the such revision on the rate of inflation, the open market prices of foodgrains, impact on the offtake of foodgrains for PDS and the imperatives of making available foodgrains at an affordable price to consumers, especially the weaker sections of the society. In the context of aforesaid facts, the CIPs of wheat and rice have not been revised after February, 1994.

2.6 Asked during evidence as to what alternative mechanism the Government proposed to evolve for offsetting the food subsidy bill which has been rising due to delay in neutralising the increase in Minimum Support Price by correspondingly increasing the Central Issue Price. In reply, Secretary, FP&D stated as under:

“Sir, factually it is correct that it is concerned with the Central Issue Price of both wheat and rice and sugar also. I may mention here that the Central Issue Price have not been revised after 1st February, 1994. By this time three revisions in wheat and two in rice have technically become due. The food subsidy, as rightly pointed out in the write-up, is made up of mainly two items. As to what is consumer subsidy, the difference between the economic price and the price at which these are issued is one. The second is the carrying cost to the F.C.I. for maintaining buffer stock. We did take a number of steps in the last two years so as to have a check on the food subsidy finally payable to the F.C.I. It is a matter of satisfaction that in spite of the fact that the C.I.P. (Central Issue Price) was not raised, the level of food subsidy—I can not exactly tell in crores of rupees—but the level has remained more or less constant. In 1994-95 it was Rs. 5,100 crore; in 1995-96 it was Rs. 5,306 crore which includes subsidy on sugar. This is hardly an increase of four per cent in one year whereas even the rate of inflation is six per cent or seven per cent and in certain matters it may be more also.”

Buffer Stocking Norms

2.7 The stock position of foodgrains in the Central Pool as on 1st July, 1996 were as under as compared to the minimum buffer stocking

norms prescribed for 1st July:-

(in lakh MTs)

As On	Stock in Position			Buffer Stocking Norms		
	Rice	Wheat	Total	Rice	Wheat	Total
1.7.96	129.60	143.40	273.00	92.00	131.00	223.00
1.7.95	164.43	192.21	356.64	92.00	131.00	223.00

From the above, it is noted that stocks in position as on 1.7.1995 and 1.7.1996 were much higher than the Buffer stocking norms.

2.8 Alarmed at the excessive buffer stock position of foodgrains, when the Committee pointed out as to why the Government had departed from the earlier policy, of keeping bufferstocks for one year requirement, Secretary Food Procurement & Distribution during his evidence before committee stated:—

“It is right that keeping old rice and wheat in stock is not in the public interest and it is a burden on the exchequer. F.C.I. estimates howmuch old stock is available. Efforts are made to dispose it on priority basis. Practically, rice procured two and three years earlier, remains marketable and fit for human consumption. But several times State Governments have refused to lift such rice stock.

Now, F.C.I. has to face the difficulty as the rice is not of C&D category. If it is of that category, it may be given to animals. The State Government also refused to take the Stock. We cannot force them to take the rice. If once it is declared “not fit for human consumption”, there is a provision to dispose it for animal food. As long as it is of A&B category, we are helpless. Sometimes we face movement constraint. It is right that a large quantity of rice has been procured in Punjab. Therefore, the rice that three years earlier is lying there in the stores. The main reason for this problem is non-availability of adejuate no rakes. We have raised this issue before the Parliamentary Committee for providing more rakes so that we are able to send the rice to Assam and other States. On this, we have been told that Railways have shortage of rakes and whatever are available, used to transport cement, coal and fertilizers etc. So F.C.I. is not getting more than 18-20 rakes per day due to which the rice has accumulated there for more than three years.

2.9 The Committee was also apprised of that the total quantity of old rice and wheat stood at 24 and 55 lakh tonnes.

2.10 When the Committee asked the manner in which new and old stocks were to be cleared, Secretary Food Procurement and Distribution Stated:—

“The concessions for issue from fresh stocks, have been allowed for exports only. Otherwise there is a provision in PDS and open sale for “first come, first out.” Thus, the foodgrains procured in 1994 will be released first and then that of procured 1995.”

2.11 Asked further to give the reasons for not procuring less quantities of foodgrains so as to keep buffer stocks only as per the required norms, Secretary, F.P. & D. stated:

“Sir, I will have only two submissions. The regulation of the actual procurement could be by two mechanisms. One is the procurement price. If the procurement price is kept at a higher level, then the farmers instead of going to the traders, will sell their produce to the FCI and other State agencies. For regulating the actual procurement minimum support price could be fixed, once the minimum support price is fixed neither the FCI nor the State agencies can refuse to buy the foodgrain whether it is one quintal or ten quintals.”

2.12 The Committee pointed out that production of foodgrains in the country which is 190 million tonnes as on date is expected to go beyond 200 million tonnes by the end of century and asked as to whether Ministry of Food was well-equipped to meet the demands of storage, purchase, distribution and transportation of such a huge quantity of foodgrains. In reply, Secretary, FP & D stated:—

“If the production further goes up, whether there will be corresponding increase in the procurement level or not. Sir, we are not sure about it. There may be higher production, there may be higher inflation in the trade channels and we would like that our procurement remained as some sort of supplemental effort. Eighty five per cent of the total foodgrain production goes in the open market. We procure only 12 million tonnes of wheat out of 60 million tonnes, which is only 20 per cent of the total production. We procure 13 million tonnes of rice out of 80 million tonnes which is only 15 per cent of the total production. What I mean to say is that our procurement effort is only supplemental to an extent of about 15 to 18 per cent. So, if the production goes up in the normal course then it should go more towards the private traders and we would ensure the minimum buffer stock.”

2.13 He further added:—

“The second question is whether We are prepared both financially and organisationally for tackling very huge procurement of foodgrains. As per our experience, during the year 1995–96 storage level is going to be 35.6 million tonnes. We had a policy decision as to what is going to be the minimum buffer required for maintaining the PDS. It varies from 15 million tonnes to 22 million tonnes on different dates of the year. As on July, the buffer stock should be of the order of 23.3 million tonnes, if we want to maintain our PDS. The new task force is there. They are trying to recommend the buffer stock of around 24 or 25 million tonnes. The Government, as I believe, is prepared to ensure the minimum buffer requirement for the country to ensure that the PDS requirement is met. Then, some buffer should be maintained to meet the natural catastrophe in the form of flood and drought. We are fully geared up for this.”

Steps taken/proposed to be taken to reduce buffer stocks

2.14 To ensure higher off-take of foodgrains from the central pool, the following steps are stated to have been taken by Government:—

(i) *PDS/RPDS*

Reasonable demands of States/UTs for additional allocations of rice and wheat for PDS/RPDS including quotas for flood relief/festival quotas etc. are being met. The demands for additional allocations including regular monthly allocations of rice and wheat for PDS are decided on month to month basis taking into account the overall availability of stocks in the Central Pool, relative needs of various States/UTs, offtake trend, market availability, capacity of Railways to move the stocks and other related factors.

2.15 The allotment and lifting of wheat and rice under PRS RPDS during the last four years is given in the following Table.

(Figs. in Million Tonnes)

Year	Wheat		Rice		Total	
	Allotment	Lifting	Allotment	Lifting	Allotment	Lifting
1992-93	9.2	7.5	11.4	9.5	20.6	16.8
1993-94	9.6	5.9	12.4	8.9	22.0	14.8
1994-95	10.8	4.8	13.3	8.0	24.1	12.8
1995-96	11.3	5.3	14.6	9.5	25.9	14.8

2.16 From the Statement given below showing projected requirement and off-take in the Revamped Public Distribution System (RPDS) for the years 1994-95 and 1995-96, it is noted that the off-take was about 38% and 47% respectively for the years 1994-95 and 1995-96.

**OFFTAKE OF WHEAT AND RICE UNDER REVAMPED PDS
DURING 1994-95 AND 1995-96 (P)**

(Prepared on 08.08.1996)

(In .000 Tonnes)

Sr. No.	States/UTs	Projected Requireme	1994-95			1995-96		
			Rice	Wheat	Total	Rice	Wheat	Total
1.	Andhra Pradesh	653.04	849.50	11.70	501.20	567.00	13.70	580.70
2.	Arunachal Pradesh	110.04	82.70	13.60	96.30	90.60	5.40	96.00
3.	Assam	130.80	18.90	0.90	19.80	56.80	1.30	58.10
4.	Bihar	784.00	19.50	115.80	135.30	14.60	94.50	109.10
5.	Gujarat	543.00	117.00	178.90	295.90	128.20	211.80	340.00
6.	Himachal Pradesh	7.32	2.10	7.00	9.10	2.780	8.00	10.70
7.	Jammu & Kashmir	43.80	0.00	0.00	0.00	0.00	0.00	0.00
8.	Karnataka	1001.20	284.20	116.50	400.70	418.80	99.40	518.20
9.	Kerala	333.00	98.30	19.60	117.90	171.00	53.20	224.20
10.	Madhya Pradesh	832.80	118.60	99.50	218.10	142.10	91.50	233.60
11.	Maharashtra	770.04	99.90	148.80	284.70	139.40	251.70	391.10
12.	Manipur	31.20	27.50	0.10	27.60	28.80	2.40	31.20
13.	Meghalaya	143.37	112.60	24.40	137.00	163.20	27.70	190.90
14.	Mizoram	103.79	79.80	16.80	96.60	93.70	23.30	117.00
15.	Nagaland	130.40	75.90	59.30	135.20	70.70	19.90	90.60
16.	Orissa	804.00	166.40	44.00	210.40	309.90	42.50	352.40
17.	Rajasthan	1084.10	11.10	438.70	449.80	6.50	423.00	429.50
18.	Sikkim	19.44	18.70	3.90	22.60	30.60	7.40	38.00
19.	Tamil Nadu	274.32	1.60	0.00	1.60	1.00	0.00	1.00
20.	Tripura	50.96	51.30	0.00	51.30	59.50	0.00	59.50
21.	Uttar Pradesh	584.00	0.00	0.00	0.00	64.30	90.90	155.20
22.	West Bengal	381.00	124.30	91.50	215.80	111.50	95.20	206.70
23.	A & N Islands	3.31	0.00	0.00	0.00	0.00	0.00	0.00
24.	D & N Haveli	7.08	0.00	0.00	0.00	1.10	0.70	1.80
25.	Daman & Diu	6.63	1.80	0.10	1.90	0.70	0.20	0.90
26.	Lakshadweep	6.72	6.70	0.10	6.80	0.00	0.00	0.00
27.	Haryana	258.70	3.40	26.40	29.80	4.80	56.40	61.20
TOTAL		9098.06	2011.80	1453.60	3465.40	2677.50	1620.10	4297.60

(P) = PROVISIONAL

Jawahar Rojgar Yojna (JRY)

2.17 A quantity of 12 lakh tonnes of foodgrains comprising 6.5 lakh tonnes of wheat and 5.5 lakh tonnes of rice has been allotted for Jawahar Rojgar Yojna (JRY) for the year 1996–97. The off-take of rice and wheat during 1995–96 was 1.19 and 0.81 lakh tonnes respectively. The Ministry of Rural Areas and Employment (Deptt. of Rural Employment and Poverty Alleviation) are the nodal Ministry for JRY.

Nutrition Programme (NP)

2.18 As against 1.00 lakh MTs of wheat released for wheat based Nutrition Programme (NP) every year, a quantity of 1.5 lakh MTs of wheat has been allotted for this scheme for 1996–97. The off-take of wheat under this Scheme during 1995–96 was only about 0.70 lakh MTs. The Department of Human and Child Development are the nodal Department for this Scheme.

Supply of wheat to Modern Food Industries (I) Ltd./its Franchised Units

2.19 The Scheme to supply wheat at concessional rate of Rs. 1,000 per MT less than the CIP for PDS was launched by the former Prime Minister in October, 1994 earmarking 1.87 lakh tonnes of wheat to be issued during first year—1.5 lakh MTs wheat for Bread Manufacturing and the remaining 0.37 lakh MTs of wheat for production of energy foods. The supply of wheat was subject to reduction, in the price of bread by 50 paise for 800 grams loaf and 25 paise for 400 grams loaf; and keeping the price of energy food frozen during the period of supply of wheat at concessional rate. Later on, the Government also decided to release 2358 MTs wheat per month from February, 1995 for Bread Manufacturing to the Franchised units of MFIL at par with MFIL and subject to the same terms and conditions. The Government have extended the scheme upto 31st October, 1996.

2.20 Details of wheat issued to MFIL and its franchised units during the last two years, alongwith the subsidy involved, are given below:—

Year	Quantity of wheat issued in MTs	Subsidy with respect to economic cost of wheat	Subsidy with respect to PDS Price
1994–95	77,000	19.25 crores	7.70 crores
1995–96	73,000	19.10 crores	7.30 crores

2.21 In reply to a question as to whether Government proposed to provide subsidised foodgrains to non-PSUs bread making units as well, Ministry stated that:

“The scheme has not been extended to the bakeries in the private sector. There are nearly 65,000 bread manufacturing units spread all over the country. Subsidy involved in allocating wheat to all the units will be very high and the Government is not able to spare financial resources at present. In addition, the Government does not have any mechanism to monitor proper utilization of wheat by these units and to ensure the corresponding reduction in the prices to the consumers.”

2.22 On the price of bread being manufactured by private bakeries and proposal of Government to give subsidised foodgrains to them as well, Secretary, (FP&D) during his evidence before the Committee stated as under:—

“Even today, the price of bread of private Bakery is Rs. 9.00-9.50 whereas Modern Bread is priced at Rs. 7-7.50. So far as its implementation is concerned, the officers from the Ministry of Food Processing Industry can tell more. Though they have some franchised units, but the label on the paper they roll on bread is of Modern Industries. The private bakeries all over the country are around 65,000 are not provided this facility. They have filed a petition in a High Court seeking this concession but till date no order has been passed on that. The Government is of the view that private bakeries are scattered all over the country and it would be difficult to regulate the selling price of their breads. The Government will act according to the order of the courts”.

Supply of concessional foodgrains to SC/ST/OBC Hostels

2.23 A permanent scheme had been launched by the former Prime Minister for supply of rice and wheat to SC/ST/OBC Hostels at RPDS rates throughout the country subject to the condition that 2/3rd number of inmates of a hostel should belong to these categories. The yearly estimate of foodgrains required for this Scheme throughout the country has been estimated at 2.45 lakh MTs by the Ministry of Welfare. The Ministry of Civil Supplies, CA & PD is the nodal Ministry for this Scheme.

During 1994-95 financial year, a quantity of about 2,000 MTs of wheat and 52,000 MTs of rice was lifted under this scheme. During 1995-96, a quantity of about 4,000 MTs of wheat and about 99,800 MTs of rice has been lifted.

(vi) Supply of concessional foodgrains for employment generation for rural areas/urban areas

2.24 It was decided by Government in October, 1994 that a quantity of 5 lakh tonnes of foodgrains (rice and wheat) per annum, for a period

of 5 years, will be earmarked for issue at concessional rate of Rs. 1,000 per MT lower than the Central Issue prices for PDS. Out of this, 3.5 lakh tonnes was meant for rural areas and the balance 1.5 lakh tonnes for urban areas.

A quantity of about 2,000 tonnes of wheat and about 1,000 MTs of rice was lifted under the scheme during 1994–95. During 1995–96, a quantity of 8,100 MTs of wheat and 7,900 MTs of rice has been lifted. The Ministry of Rural Areas and Employment is the nodal Ministry of scheme under rural areas.

The scheme regarding supply of foodgrains for employment generation in urban areas has been dropped because the Department of Small Scale Industries, who were the nodal Department for scheme in urban areas, did not find it practicable.

Mid-day meals scheme

2.25 The Food Corporation of India has also been supplying foodgrains to States/UTs for the Mid-day meals scheme commenced by the Ministry of Human Resources Development (Department of Education) from 15th August, 1995. While the foodgrains are supplied free to the States/UTs, the Food Corporation of India recovers the economic costs of the foodgrains supplied from the Ministry of HRD. A quantity of 1,75,700 MTs wheat and about 2,98,200 MTs of rice has been lifted under the scheme during 1995–96. The scheme which was started in the Primary Schools in RPDS/EAS blocks (2368) during 1995–96, is to be extended to all other L.F.L blocks (2005) during 1996–97 and to all primary schools in the country (828) blocks and 3,000 old Nagarpalikas during 1997–98. As per estimate of the Ministry of HRD, a quantity of 15.7 million tonnes of foodgrains (6.2 million MTs of wheat and 9.5 million MTs of rice) is likely to be issued under the scheme during 1996–97.

2.26 Besides above, the following steps have also been taken by Government to control the food subsidy budget.

Open Sale of foodgrains in the domestic market and for export

Domestic

2.27 In view of the comfortable stock position of wheat and rice and with the objective of containing open market price of foodgrains within reasonable limits and ease the storage capacity crunch, the Govt. of India permitted FCI to undertake open sale of wheat and rice w.e.f. October 1995 and January 1994 respectively. Open market sales are being effected at the prices fixed for various States/Centre separately on month to month

the sale of rice has been rather poor. During the year 1995–96 the open sale of wheat was to the tune of 64.34 lakh tonnes and that of rice to the tune of 6.37 lakh tonnes.

In addition to meeting the above stated objectives, the Open Sale Scheme has helped in reducing the burden of subsidy to some extent as the Open Sale is effected at the Prices, which are higher than the Central issue Prices though below economic cost.

The quantity of wheat and rice sold under Open Sale since 1993–94 and onwards are given below:—

(Fig. in lakh MTs)

Year	Quantity Sold	
	Wheat	Rice
1993–94	28.56	0.17
1994–95	50.29	4.54
1995–96 (P)	64.34	6.37

Open sale of Wheat & Rice for the purpose of Export

2.28 Govt. of India, Ministry of Food permitted, FCI to export or sell for the purpose of export a quantity of 3.00 million tonnes of rice and 2.5 million tonnes of wheat during the year 1995–96. Department of F P & D has also constituted a committee consisting Chairman and MD of FCI, representatives of Finance, Department of F P & D and Railway Ministries as member to examine all aspects including price, modality etc. and decide/recommend to the Ministry of Food. Department F.P. & D for final decision on these matters.

The following quantities of wheat and rice was sold during the period 1.4.95 to 31.3.96.

(Figs. in million Tonnes)

Commodity	Target	Qty. Allotted	Qty. Lifted
Wheat	2.5	0.5	0.08
Rice	3.0	1.6	1.5

2.29 The administrative and miscellaneous costs involved in procurement and distribution of foodgrains is being controlled to contain food subsidy budget.

2.30 Steps are also being taken to bring down excessive stock level in the Central Pool to manageable levels.

2.31 Elaborating further on the above steps taken by Government to control the food subsidy budget, Secretary, FPD during his evidence before the Committee stated as under:—

“Firstly, for the first time the F.C.I. was directed to issue or rather sell rice and wheat for export at much higher price than the Central Issue Price meant for the Public Distribution System. It is a matter of great pride for the country that during the last year 1995-96 India became the second largest exporter of non-basmati rice exporting five million tonnes for the whole country out of which the F.C.I.’s contribution was one-third.

Secondly, we did take upon sale of wheat and rice in the open market outside the P.D.S. also at a higher price. This price was not as high as that of export. By these two methods the excessive stocks which have been added in the last two years were brought down substantially which will be shown later.

As on 1.7.1995 the public stocks in the country were of the order of 35.6 million tonnes. This year on the same date, 1.7.1996, the level of stocks has been brought down to 27.5 million tonnes. By reducing the excessive stocks we have reduced the carrying cost which could have been a burden to the F.C.I.

Thirdly, The Government has taken a number of welfare schemes. You are aware of the mid-day meal scheme. Apart from that we are issuing foodgrains to the Modern Food Industries Limited for distribution in SC/ST hostels etc., at much cheaper rate. All this is done with a view to reduce the stock and thereby reducing the carrying cost.

Fourthly a number of administrative measures were taken to have as much of check as possible without adversely affecting the operational efficiency of the F.C.I. Wherever frills existed we admitted and tried to keep them under control.

These are the four major measures by which the burden of food subsidy was attempted to be kept at the same level. Otherwise this would have gone much higher.”

Request of State Government Agencies for Foodgrains

2.32 While on the one hand offtake of rice and wheat under scheme of open sale of foodgrains in the domestic market and for export was not

adequate, the Committee noted that request of State Government agencies for supply of more quantity of foodgrains was not acceded to.

2.33 During evidence the Committee pointed out that request of State Government Corporation of West Bengal to purchase 25,000 tonnes of wheat from Food Corporation of India was turned down and asked the Secretary, Food Procurement and Distribution to give the reasons for selling the wheat to traders but not accepting the request of State Government Corporation for selling the wheat to them. In reply, the Secretary stated:

“There is no bar in selling wheat or rice under the open market sale schemes to the State Government Corporations. Last time when the Government of Tamil Nadu was in difficulty, the Government authorised the Food Corporation of India to sell about 50,000 tonnes of rice to Tamil Nadu which they have already lifted from Andhra Pradesh and Madhya Pradesh. Again, we have allocated 35,000 metric tonnes for the next three months, that is, July, August and September, because their Kuruval crop had failed. Technically speaking there is no bar. But the only question which arises is that the open sale is permissible only after meeting 100 per cent PDS requirements. We try to keep two months’ requirements of PDS at various places”.

2.34 Under the open sale scheme, the Food Corporation of India is under instruction not to sell more than 100 metric tonnes.

2.35 When the Committee enquired as to how the requirement of bulk consumers especially Government Agencies are met, the Secretary clarified.

2.36 “If any State Corporation wants foodgrains in bulk quantity as the Tamil Nadu Civil Supplies Corporation did, the Food Corporation of India will not be able to decide at their level. Probably this will have come to the Government. They will not be able to take their own decision at their level”.

He further added:—

2.37 “The Open Sale Scheme was meant to shed off excess stock. It is mainly to see that the prices do not shoot up very abnormally. After considering a number of factors we are able to cover a maximum number of traders and *chakki* people and it is also to see that one applicant cannot purchase more than the prescribed quantity. In West Bengal, there is hardly open sale of the order of 15,000 to 28,000 tonnes. If we give 35,000 tonnes to one organisation the normal trade will absolutely go dry. If a request from the Government of West

Bengal comes for some welfare scheme, we shall definitely give highest priority”

Timely Lifting of Foodgrains by States/UTs

2.38 The Committee desired to know the liabilities which States/UTs have to bear in the even of non lifting of food stocks. In reply, Ministry of Food in a note furnished to the Committee stated that

“There is no liability on the States/UTs for not lifting 100% of the allocation. But if some States/UTs fail to lift a reasonable percentage of foodgrains months after months allotted, the Govt, considers refixation of monthly allocation. The movement of foodgrains is also planned, *inter alia*, on the basis of actual lifting.”

Progressive Departmentalisation of Labour

2.39 Asked by the Committee as to how far the progressive departmentalisation of labour has contributed to rise in food subsidy, Ministry of Food in a note furnished to the Committee stated as under:—

“There have been demands by labour unions for departmentalisation in all depots of FCI. The FCI has been adopting inter-mediary systems which are economical instead of departmentalisation which is the costliest system. Due to abolition of contract labour on notifications issued by Ministry of Labour or due to court judgements or for industrial peace certain depots are brought under departmental system.”

2.40 It would be seen from below that handling cost under departmental system has been increasing every year. The details for handling cost for last three years have been as under:

Year	No. of departmental workers	Wages amount in crores
1993-94	23109	103.60
1994-95	23109	193.5
1995-96 (E)	23959	250.00

The Corporation has estimated that full departmentalisation of FCI depots would result in additional expenditure of Rs. 800 crores (approximately) per year.

Impact on food subsidy on account of switching over to 50 KG. packing.

2.41 The additional payment on account of switch-over to 50 kg. bags for handling 21 million tons. of procurement is estimated at Rs. 315 crores per annum.

Additional cost arises from:

- (a) Usage of two gunnies for 1 qtl. packing. While the packing has been reduced to 50% per bag, the gunny size cannot be reduced to half. Stitching cost per quintal also goes up.
- (b) The labour has to make two trips instead of one, resulting in increase in handling charges. During 1995-96 about 5% of procurement of wheat was done in 50 kg. bags by FCI. Thus the additional financial impact was of the order of Rs. 16 crores (approximately) for 1995-96 towards 50 kg. packing and handling.

2.42 The Secretary, Food Procurement and Distribution also informed the Committee that 50 kg. packaging had been introduced in Punjab and Harayana. This was being done in spite of the fact that the handling and packaging cost was much higher in respect of the 50 kg. bags. It was higher by around 48 per cent. Just for the welfare of the labour, the Government had decided that in spite of the higher cost involved in this in terms of gunny bags, stitching and handling, we should switch over to this system.

Transit and Storage Shortage

2.43 The position of total foodgrains shortages in transit and storage from 1992-93 to 1994-95 are given below:—

Transit Shortage

Year	Quantity (Million tonnes)	Value (Rs. Crores)	% on quantity moved
1992-93	0.35	149.73	1.65
1993-94	0.26	126.26	1.21
1994-95	0.23	115.86	1.18

Storage Shortage

Year	Quantity (Million tonnes)	Value (Rs. Crores)	% on quantity moved
1992-93	0.15	73.60	0.38
1993-94	0.16	87.94	0.37
1994-95	0.16	95.85	0.40

Total Shortage

Year	Quantity	Value	Quantity in Million Tonnes
			Value: Rupees Crores
			% of shortages on purchases & sales on quantity basis
1992-93	0.50	244.25	1.28
1993-94	0.42	214.69	0.95
1994-95	0.39	211.71	0.93

2.44 Regarding road transit shortages, there is a provision in the Agreement of Transport Contracts that in case of road transit losses, recoveries are made at two times of issue price of foodgrains and three times in case of sugar. Wherever transit shortages are observed, these are recovered from road transport contractors. In case of theft/pilferages in such movement, FIRs are also lodged wherever cases come to notice. However, in case of rail movement as the Railways provide qualified RRs no such recoveries are made. FCI, however, lodges claims in respect of shortages observed in 'Seal' tampered wagons.

2.45. percentage of total shortage constitutes about 4.68% of the food subsidy. The details are as follows:—

	Rs./crores
Total shortage incurred during 1994-95	211
Subsidy paid to FCI	4509
Percentage of shortages to subsidy	4.68%

2.46 A table indicating the extent of shortages to be regularised at the end of past few years is given below:

Statement of Un-regularised Shortages

Year	Rs./Crores			
	Opening Balance	Shortages during the year	Regularisation	Pending regularisation
1991-92	661.39	215.69	195.47	681.61
1992-93	681.61	215.68	168.24	729.05
1993-94	729.05	205.57	160.58	774.04
1994-95	774.04	200.96	246.64	728.36

2.47 The quarterly and yearly targets are fixed for regularisation to reduce the outstanding unregularised shortages and the same are reviewed/monitored periodically in Food Corporation of India, and Ministry of Food.

2.48 Asked during evidence to indicate the mode of checking pilferage by human being, Secretary, Department of Food Procurement stated that vigilance Deptt. of Food Corporation of India takes action to check pilferage and Distribution 403, 296, 267 and 268 crores respectively of pilferages were detected from 1993 to 1996.

2.49 Asked as to how many senior officers were implicated in these cases, Secretary promised to furnish the information later.

Major Head: 4408

Food Storage and Warehousing

2.50 From the preliminary material furnished to the Committee, it is noted that the public distribution system requires massive procurement and storage of foodgrains throughout the country for equitable distribution of foodgrains in the country is not yet fully achieved due to the following reasons:—

- (a) Inadequate storage facilities available in the procurement areas to cope up with the bumper production and marketable surplus noticed in a short span of 45 to 90 days.
- (b) Insufficient transport facilities available to move the marketable surplus to the needy areas in such a short period.

- (c) Chronic deficit and low quantity of foodgrains stock available in hilly and terrain areas of the country.
- (d) Non-development and introduction of bulk handling and transport facilities of foodgrains.

2.51 To overcome the above deficiencies, the following micro level requirements to fill in the storage gap and to improve the handling and transport system in the country have been discussed:—

(a) *Storage Gap in Procurement Areas:* Government agencies, on an average mop up every about 22 to 24 million tonnes of foodgrains which works out to about 12.5% of the total production. Mostly rice/paddy, wheat and to some extent coarse grains are procured under levy and price support operations. The period of procurement is very short. It varies from 30 to 45 days in case of paddy and wheat and about 90 days in case of levy, rice in each season (Kharif and Rabi).

In procurement areas, rice is stored in the covered godowns and due to inadequate covered accommodation available, most of the paddy and wheat are stored in the open which is called as covered and plinth storage (CAP). CAP storage has got its own merits and demerits, specially in case of paddy, if stored for a long period, it may lead to heavy loss in terms of breakage, etc. during milling in summer months.

Major foodgrain procuring States are Punjab, Haryana, U.P., M.P., and A.P. (rice only). More than 10% of the marketable surplus is contributed by these five States into Central Pool. As procurement is a seasonal work limited to a very short period, the surplus stock has to be accommodated in the procurement areas awaiting transportation to the consuming regions a sizeable storage capacity commensurate with the size of procurement is required to be created in order to save the foodgrain from damage and deterioration.

As the span of procurement period is so short and the volume so heavy, particularly in the States of Punjab and Haryana, it is not possible for the Railways to transport the procured foodgrains within this limited period to the consuming regions which are as far as around 2800 Kms. in certain cases. Road transport has been found to be quite unsuitable and costly in view of the long lead involved. It is resorted to for the movements within the State or movement to the neighbouring States where distance is less and rail infrastructure is not available. So far as Railways are concerned, their capacities are also stretched to the maximum as they have to cater to the demands of other sectors also which are equally important for the national economy. Moreover, through there has been an increase in carrying capacity of the wagons deployed by the

Railways, the increase has not been commensurate to the demands of national economy which requires the development of bulk transportation and handling facilities in certain areas.

Monthly movement/planning of foodgrains is arranged by FCI in consultation with Railways. On an average 1.8 million tonnes of foodgrains are planned for movement from surplus to the needy areas of the country every month. However, on account of various demands on Railways, the actual materialisation figure is of 1.35 million tonnes per month which is about 75% of the total movement planned during the month. At this rate, it is possible to evacuate around 17 million tonnes only out of 22 million tonnes of procured stocks every year, leaving a balance of 5 million tonnes as carry over stocks in procurement areas. To overcome this requirement of storage space in procurement areas, there is a micro level need to develop another five million tonnes of storage capacity in the 9th Five Year Plan so that the quality and quantity of surplus foodgrain stocks procured are safely stored and preserved.

(b) *Development of Right Type of Transport:* Movement of foodgrains by road or rail has got its own disadvantages:—

- (i) Quantity carried in each unit will be less by 40% when bag transportation is compared with bulk.
- (ii) Bagged cargo needs more time to load or unload the consignment.
- (iii) It completely depends on labour requirements and is mostly during day working hours.
- (iv) Investment on bagging material is very high.

To overcome all the above major bottlenecks in movement of foodgrains, bulk movement either in trucks or in wagons will be more advantageous and economical. For this, bulk carrying trucks of capacity of 20 to 60 tonnes and wagons of capacity of 80 to 100 tonnes are to be designed with mechanical loading and unloading facilities both at procurement and distribution areas. Many of the American, Western and Australian countries are already following this system of bulk handling and transportation of foodgrains. The technology is already available in the world and the same is to be adopted to suit to local requirements. This will completely overcome the additional micro level 5 million tonnes of requirements of storage gap due to bottlenecks noticed in handling and transportation of bagged cargo.

(c) *Chronic Deficit Areas:* Due to various reasons, the movement of foodgrains to some of the needy areas is severely hampered and adequate quantities of buffer and operational stocks could not be built up, thus

hampering the issue of foodgrains under various Government schemes. The identified areas are J&K, N.E. Frontier Zones, hilly and terrain areas of Maharashtra, M.P. and Karnataka besides certain deficit pockets in South and West Zones for wheat. In these areas, the lead noticed to carry foodgrains from the base depot/godown to the distribution areas varies from 150 to 250 kms. To reduce the same, there is need of developing infrastructure for construction of godowns of various capacities in these areas so that the foodgrains are issued to the needy persons under various Government schemes. The storage gap noticed in all these areas will work out to about 1 million tonnes and the same has to be fulfilled in the coming 9th Five Year Plan period.

(d) Bulk Handling and Transportation to Build up Buffer and Operational Stocks: There are some areas where weather is favourable for successful storage and preservation of buffer stocks like Rajasthan, Gujarat, Hilly and terrain areas of Maharashtra, M.P., Karnataka, etc. Even in deficit areas like J&K and N.E. Frontier Zone, the storage of foodgrains as buffer as well as for operational requirements is a must. There is need to develop bulk storage capacities in all these areas to an extent of 1 million tonne so that foodgrains from surplus procurement areas will be moved in bulk and stored successfully in all such favourable and needy areas. These centres will not only hold and act as buffer holding centres but also cater to the monthly needs of foodgrains to each region. Some such centres are to be identified so introduced from procurement areas to these centres for storage and distribution.

In the changed scenario, at present, foodgrains are also sold to some of the bulk consumers like roller Flour Mills, Traders, etc., who are also lifting the foodgrains in bagged condition. By introducing and establishing bulk handling transportation and storage system in some of these needy areas, the requirement of these bulk consumers may also be met in bulk instead of bags which will speed up the operations, besides it reduces the cost of various operations.

2.52 In nutshell, there is a storage gap of 5 million tonnes in the procurement areas and 1 million tonnes in the needy and distribution areas if it can be analysed under micro level requirements of storage space for the next 9th Five Year Plan. If Railway movement can be rationalised and bulk handling, transportation and storage is introduced, the storage gap of 5 million tonnes in the procurement areas can be neglected/eliminated. However, the micro level requirement of one million tonne of bulk or bagged storage in certain areas is a must which may be taken care in the ensuing 9th Five Year Plan period.

Budgetary Outlay for Construction of Storage Godowns by FCI

2.53 While there is an acute shortage of storage capacity, particularly at microlevel, the budgetary outlay for the year 1996-97 has been reduced as indicated below.

(Rs. in Crores)		
1995-96 (BE)	1995-96 (RE)	1996-97 (BE)
18.26	18.26	17.86

2.54 Asked to give the reasons for reducing the budgetary outlay for the year 1996-97, and the proposals of Government to meet storage requirements with reduced budgetary support, Ministry of Food in a note stated as under:—

The storage construction programme originally formulated and recommended to the Planning Commission for the year 1996-97 envisaged creation of an additional capacity of 3.24 lakh tonnes with an outlay of Rs. 65.40 crores. Initially, the Planning Commission, in one of the meetings, had tentatively agreed to an outlay of Rs. 30 crores. In view of resource constraint, the Planning Commission finally agreed to a net budgetary support for the annual plan (1996-97) at a level of Rs. 17.86 crores only. This reduced outlay will be adequate only for an additional capacity of 50,000-60,000 tonnes of godowns.

The Government got an exercise conducted under which 40 RPDS districts were identified in which, at present, there are no public sector godowns. The Ministry, therefore, decided to earmark at least Rs. 4 crores out of Rs. 17.86 crores for construction of godowns in these RPDS districts. The Government has given clearance to the FCI for constructing godowns in 10 tribal RPDS districts during 1996-97.

A separate exercise is in progress on the modernisation of storage facilities in the FCI. Various new technologies like Vacuum Processed Storage System, Vertical silos etc., are being evaluated. In addition, the Food Corporation of India also take godowns on hire from private entrepreneurs and from State agencies. There was an ARDC (now NABARD) scheme under which the entrepreneurs were entitled to loans and FCI used to enter into agreements with such entrepreneurs for keeping foodgrains for a minimum prescribed period.

Out of a total capacity of 25.4 million tonnes available with FCI, 11.5 million tonnes available with FCI, 11.5 million tonnes belong to the hired category.

2.55 The details of targets fixed-physical and financial *vis-a-vis* achievement in the year 1993-94, 1994-95 and 1995-96 for construction of godowns are as under :

Year	Physical in lakh tonnes		Financial (Rs. in crore)	
	Target	Achievement	Approved outlay	Total expenditure
1993-94	0.86 0.76 (Revised)	0.76	19.00	12.05
1994-95	0.67	0.46	21.00	22.79
1995-96	1.43	1.18	18.26	20.29

There are monthly reviews in FCI and Quarterly Review in the Ministry of Food to monitor the progress of physical and financial targets.

2.56 Asked to give the reasons for variations between targets and achievement, Ministry of Food in its note stated as under :

“The reasons for variations between the targets and achievements are highlighted below yearwise :

Annual Plan for 1993-94

The original plan proposal formulated by the FCI for 1993-94 envisaged completion of work for a capacity of 1.37 lakh tonnes at an outlay of Rs. 24 crores. The outlay that was sanctioned subsequently was Rs. 22 crores. This was further reduced to Rs. 19 crores during the course of the year. Keeping in view the reduced outlay and also considering the certain new starts contemplated during the year did not really take off, the physical target had to be reduced and was fixed at 0.86 lakh tonnes. After taking into consideration the unprecedented heavy rains which resulted in land slides at hairabi and the non-vacation of the stay brought by the defaulting contractor at Dankuni, the target was revised as 0.76 lakh tonnes. This revised target of 0.76 lakh tonnes was realised in full and an expenditure of Rs. 12.05 crores was incurred.

Annual Plan for 1994-95

The storage construction programme during 1994-95 envisaged completion of works for a capacity of 1.04 lakh tonne at an outlay of Rs. 27.00 crores. The outlay that was sanctioned was Rs. 21.00 crores.

Keeping in view this reduced outlay and also considering that some of the new starts did not really take off as envisaged, the physical target was reduced to 0.67 lakh tonnes for the year.

Due to law and order problem in Mizoram, the progress of works at Bhairabi and Aizwal under execution by FCI and the works at Lawngtlei by NBCC have suffered resulting in suspension of the works for a period of over 2/3 months. As regards Bellery, the balance works relating 10,000 MT capacity godowns could be awarded only in January, 95 at the risk and cost of the defaulting contractor. A capacity of 0.46 lakh tonnes could be realised and an expenditure of Rs. 22.79 crores was incurred.

Annual Plan 1995-96

The annual plan proposal formulated by the FCI for 1995-96 envisaged creation of a capacity of 2.48 lakh tonnes of covered accommodation and 0.60 lakh tonnes of convertible plinth at an estimated outlay of Rs. 35 crores. The proposal was approved by the Department of Food and forwarded to the Planning Commission for consideration. On account of the resource crunch the Planning Commission imposed a severe cut in the outlay which was reduced to Rs. 18.26 crores consequently the capacity proposed for construction was also reduced to 1.43 lakh tonnes of covered accommodation.

The reduction in the outlay necessitated revision of annual plan proposal for Rs. 27 crores, which was approved by the Board of Directors.

As against the physical target of 1.43 lakh tonnes a capacity of 1.18 lakh tonnes was realised. The shortfall of 0.25 lakh tonnes is due to dropping the proposed conversion of convertible plinths into godowns at Raibareilly (20,000 MT), slow pace in the progress of work at Kullu (1670 MT) due to several factors and non-resumption of work by NBCC at Lawngtlei in Mizoram (3340 MT). As against the outlay of Rs. 18.26 crores sanctioned by the Planning Commission and the Ministry of Food and Rs. 27 crores approved by the Board of Directors an expenditure of Rs. 20.29 crores was incurred."

2.57 The Committee note that Government has to spend a colossal amount of funds for food subsidy. Thus, while during the year 1994-95, Budget for food subsidy was Rs. 5100 crores, this amount swelled to Rs. 5500 crores during the year 1995-96. Of various reasons cited by Ministry of Food for increase in food subsidy bill, delay in neutralising the increase in Minimum Support Price by correspondingly increasing of the Central Issue Prices is one of the major causes for hefty increase of food subsidy bill.

2.58 The Committee are constrained to note that since 1994, the food subsidy bill has increased by more than a 1000 crores of rupees yet Central Issue Price (CIP) of wheat and rice have not been revised after February, 1994. Even though during evidence, Secretary, Food Procurement of Distribution himself admitted that by this time three revisions in wheat and two in rice have technically become due. The Committee are not satisfied with the contention of Ministry of Food that actual revision of CIP is effected after taking in other factors such as the impact of such revision on the rate of inflation, the open market prices of foodgrains, impact on the off-take of foodgrains for PDS and the imperatives of making available foodgrains at an affordable price to consumers etc., for not revising the CIP of wheat and rice for some than two years now. The Committee are of the view that Ministry of Food should evolve a mechanism to periodically review these factors so that revision of CIP is synchronised with the revision in MSP. The Committee desire that Central Issue Price of wheat and rice may now be revised with promptness so that our food subsidy bill are not further inflated.

2.59 Higher level of Buffer Stock is another major cause of continuous rise in food subsidy bill. The Committee are constrained to note that total Buffer-Stocks of wheat and rice in position as on 1.7.1996 and 17.7.96 were more by 55% and 22.4% respectively *vis-a-vis* the buffer stocking norms. Keeping such a huge quantum of buffer stocks is also resulting in building up of old stocks of wheat and rice as the Committee find that as much as 24 lakh and 5 lakh tonnes of rice and wheat have been lying in godowns of FCI for more than 2 years. No wonder that the rice and wheat lying for such a long duration might have perished or become unfit for human consumption by now and thus lead to further losses in terms of money. The stocks which have been become unfit for human consumption should not be released for PDS.

2.60 The Committee, therefore, strongly recommend that FCI should take expeditious steps to first clear all the older stocks of wheat and rice lying in buffer stocks. The Government should also consider the staggering of procurement of wheat and rice/paddy with graded compensation, in order to bring down inventory and ease storage pressure.

2.61 To ensure higher off-take of foodgrains from the Central Pool, Ministry has taken steps to allot foodgrains under many welfare schemes viz JRY, Nutrition Programme, Supply of concessional foodgrains to SC/ST/OBC hostel, employment generation for rural areas/urban areas, Mid-day Meals Scheme and additional allocation for PDS/

revamped PDS. The Committee are, however, constrained to note that all these laudable schemes meant for the welfare of poorest of the poor are not being implemented in right earnest as the percentage of off-take of foodgrains under these schemes is very meager. Thus, the Committee find that actual lifting of wheat and rice under PDS/RPDS was merely 38% and 47%, respectively for the years 1994-95 and 1995-96. Similarly, off-take of wheat under Nutrition programme during 1995-96 was only 0.70 lakh MTS as against a total allotment of 1.00 lakh MTS. The position in respect of other schemes is no better.

2.62 The Committee feel that the twin purpose of these schemes is being completely defeated as not only are the poor and needy persons being deprived of their benefits but Government has also to carry extra burden in the form of storage and maintenance of foodgrains which it need to off-take expeditiously.

2.63 The Committee, therefore, urge upon the Ministry of Food to take all possible steps to enhance the off-take of wheat and rice under all these schemes so that the benefits of all these schemes is reached to the actual beneficiaries and the burden on the Government in terms of higher food subsidy, storage of foodgrains etc. could be avoided and reduced to the barest minimum.

2.64 The Committee note that Government has also taken steps in the form of open sale of wheat and rice for domestic market and for their export to bring down the food subsidy budget, to contain open market price of foodgrains within a reasonable limit and to ease the storage capacity crunch. The Committee however, find that while the offtake of wheat under open sale scheme has been stated to be quite satisfactory, the position is not that rosy in so far as the open sale of rice is concerned. Under the scheme of open sale of wheat and rice for the purpose of export, the actual quantity of rice and wheat lifted was 0.08 and 1.05 MTs out of a targets of 2.5 MTs and 3.0 MTs, respectively during the period from 1.4.95 to 31.3.96. While the Committee appreciate the efforts made by Food Corporation of India to dispose of stock of wheat and rice, they feel that a lot of efforts are still required to increase the sale and wheat of rice under the above two schemes. The Committee, therefore, desire that FCI should find out and try all the ways and means to maximise the outgo of wheat and rice under these two schemes.

2.65 The Committee also desire that Government should also take measures to impress upon the farmers/cultivators the need to produce wheat and rice having export potential and for enhancing the quality of production of wheat and rice comparable with the best in the world

so that our sales do not lag behind on account of poor quality. For this purpose all help in the form of counselling, incentives for good quality production etc. may be provided to farmers/cultivators. FCI should also procure wheat and rice for international market by offering higher procurement price to farmers. As the lack of infrastructural facilities have also been instrumental in depressing our export of foodgrains, the Committee would like the FCI to take steps to strengthen the infrastructural machineries. The Ministry of Food should also approach the proposed newly created Infrastructural Development Financial Company for allocation of funds to strengthen their infrastructural machineries.

2.66 The Committee find that there exist a wide gap between off-take and actual supply of foodgrains from Central Pool for PDS. Against an allocation of 22, 24 and 26 million tonnes, the actual lifting was of the order of 14,13 and 15 million tonnes, during the years 1993-95. Strangely, there is no liability on the States/UTs for not lifting 100 percent of their allocation. However, if some States/UTs are unable to lift a reasonable percentage of foodgrains month after month, the Central Government should consider re-fixation of their monthly allotment.

2.67 As the implementation of Public Distribution System is the joint responsibility of Central Government, and State Governments, it is imperative that Centre and State Governments should act in tandem so that actual lifting of foodgrains by all the State Governments is in conformity with the allocations made to them. The inequitable relationship between allotment and off-take has caused an unavoidable strain on the PDS. The Committee, therefore, desire that Ministry of Food should urge upon the State Governments to guarantee a minimum lifting of foodgrains for smooth functioning of the systems.

2.68 While the targets fixed for off-take of wheat and rice under open sale scheme for exports and open sale scheme were not realised fully, the Committee find that Food Corporation of India is under instruction not to sell more than 100 MTs. of foodgrains under the open sale schemes to any individual or State Government Agency.

2.69 Thus the Committee find that the request of the West Bengal State Government Corporation for purchase of wheat has not been agreed to by Food Corporation of India. The Committee are unable to understand the rationale behind fixing such a restriction in the case of State Government Corporation when huge stocks of foodgrains are lying at the disposal of Food Corporation of India.

2.70 The Committee would like the Government to examine this aspect of putting limit of 100 Mts. on Sale of Foodgrains *de'novo* so that not only excessive stocks of food grains in possession of Food Corporation of India cleared but the requests from State Government Corporations for supply of more foodgrains are fully acceded to.

2.71 The Committee note that under the scheme of supply of wheat to Modern Food Industries Ltd./its Franchised units, wheat is supplied at concessional rates to Modern Food Industries/its Franchised units so that prices of bread/energy food produced by them are cheaper than the prices of bread/energy food produced by other bakeries in private sector. The scheme was initiated in 1994 and the subsidy outgo since then is to the tune of Rs. 38 crores. The Committee find that due to resource constraints as also lack of mechanism to monitor proper utilisation of wheat by the private bread manufacturing units, similar facility has not been extended to them whose number is nearly 65,000 all over the country. The case for extending a similar facilities to these private units is pending in a High court. The Committee would like the Ministry to take appropriate steps in this regard in the light of Judgement by the Hon'ble High Court.

2.72 The Committee have observed that transit and storage shortages constitute about 4.68% of the food subsidy and were Rs. 211 crores during 1994-95. While the percentage of transit shortages have come down from 1992-93 to 1994-95, percentage of storage shortages increased during the year 1994-95 *vis-a-vis* 1993-94 thereby indicating that more efforts are needed to reduce losses occurred on account of storages. The Committee, therefore, desire that concerted efforts be made by FCI to reduce losses which are increasing year after year on account of storage. FCI should also strengthen its vigilance machinery so that the cases of pilferages are reduced to barest minimum. The Committee note that from the years 1993 to 1996 403, 246, 247 and 268 cases of pilferage were detected by FCI. The Committee would like to be apprised of the action taken by FCI on all these cases.

2.73 The Committee note that the equitable distribution of foodgrains in the country under PDS is not achieved fully due to inadequate storage facilities available in the procurement areas and insufficient transport facilities available to move the marketable surplus to the needy areas in a short period. The Committee were informed that due to inability of Railways to provide adequate number of wagons during procurement season, only 75% of total procured foodgrains could be evacuated from producing States to consuming areas. There exist storage gap of 5 million tonnes in the procurement areas and 1 million tonnes in the needy and distribution areas under micro level requirements of storage space for the next Ninth Five Year Plan.

2.74 The Committee are constrained to note that despite the acute shortage of storage capacity, the Budget Estimates for construction of storage godowns during 1996-97 have been reduced to Rs. 17.86 crores as against the Revised Estimate of 18.26 crores during 1995-96. The Committee desire that Ministry of Food should impress upon the Planning Commission, the imperative need of allocation of more funds for construction of storage godowns. The Committee are also unhappy that targets fixed for construction of storage godowns from the years 1993-94 to 1995-96 were not achieved fully. They would like the FCI to make all concerted efforts to achieve the full targets in this area. The Committee find that out of a budget of Rs. 17.86 crores earmarked for construction of godowns for the year 1996-97, Rs. 4 crores have been earmarked for construction of godowns in 40 RPDS blocks, which do not have even a single public sector godown. The Committee desire that FCI should chalk out a plan to construct godowns in all the 40 RPDS districts identified in a time bound manner.

2.75 The Committee have also observed that conventional type of storage godowns are still practised in FCI while world-over, modern and scientifically built bulk storage godowns are prevalent. The Committee feel that the process of modernisation of godowns cannot wait any further. The Committee, therefore desire that FCI should introduce state-of-the art technology in construction of godowns and movement of foodgrains and recommend that bulk storage system such as Vertical Silos and Vacuum Storage Processed System be commissioned in producing States. The bulk movement of foodgrains in cargoes should also be introduced. This will not only meet the much needed requirements of storage space in producing States but also facilitate smoother movement of foodgrains from such States. The Committee also recommend that FCI should strengthen the infrastructure machinery and construct conventional storage godowns in consuming States especially in chronic deficit areas such as hilly, terrain and inaccessible places. The Committee also recommend that FCI should strive to involve the participation of private agencies in construction activities.

CHAPTER III

SUGAR DEVELOPMENT FUND

3.1 Source Under the Sugar Cess Act, 1982, a cess of Rs. 14.00 per quintal is being collected on all sugar produced by any sugar factory in India.

During the period from 1982-83 to 1995-96 (upto 29.02.1996) a cess amount of Rs. 1778.73 crores has been collected and as on 31.03.1996, an amount of Rs. 1656.00 crores has been transferred to the Sugar Development Fund. During 1995-96 Rs. 130.00 Crores were Transferred to Sugar Development Fund.

3.2 Objective of S.D.F. As provided under the Sugar Development Fund Act, the Fund has to be utilized by the Government of India for the following purposes:—

- (a) Making loans for facilitating the rehabilitation and modernisation of any sugar factory.
- (b) Making loans for the undertaking of any scheme for development of sugarcane in the area in which any sugar factory is situated.
- (c) Making grants for the purpose of any reasearch project aimed at development of sugar industry.
- (d) Defraying any other expenditure for the purpose of the Act.
- (e) Defraying expenditure for the purposoe of building up and maintenance of Buffer Stock with a view to stabilising price of sugar.

3.3 Asked to indicate the acutal utilisation of money out of Sugar Development Fund during 1995-96, Secretary, Ministry of Food during evidence stated :—

“The financial year 1996-97 has just begun. Prior to passing of budget we depend on Vote on Account. There are two or three items, on which expenditure is incurred from Sugar Development Fund. The expenditure is incurred firstly on Mill, secondly on modernisation of Buffer stock and thirdly on loans for Sugar cane development.”

3.4 Asked further to indicate the number of application for loan received from each State, number of applications recommended for grant

of loans and the amount of loan sanctioned out of Sugar Development Fund to each State, Secretary, (Food) further stated as under:—

“Let me answer you first because you have asked for total Statewise information. I am unable to give you the information now. However, I will certainly provide this information to you. Further, you have asked about sugar development fund. The first thing in this regard is that the cess is levied on the Sugar Industry and therefore it can be utilised only for the purpose for which it is levied. S.D.F. has been created for the development of Sugar Industry. I had said earlier also, that it cannot be given directly. I first mentioned modernisation and rehabilitation. If a factory is not in working condition, the sugarcane of that area can not be utilised properly. Therefore, if the factory is modernised or its crushing capacity is enhanced, the farmers will be benefitted. and whatever loan is given, it is given to factory because, as I have submitted, this expenditure to the farmers is incurred on the factory, on the industry . It is presumed that if they grow good quality of sugarcane, it will be beneficial for them as well as for the farmers. Regarding the questions of giving directly to the farmers, it is not so. Assistance is given through the organisations functioning under the Indian Council of Agricultural Research to develop new variety of sugarcane. Instead of giving assistance directly to farmers, loans is also given through the State Agency to develop cane.

You have asked about the actual expenditure for 1995-96. I have a statement showing the expenditure of Rs. 67 crores and 33 lacs. And as I have told, we hope, more expenditure would be incurred as some claims are lying pending. Ultimately it is all spent on the development of crushing capacity of the industry”.

3.5 On being asked as to why only 67 crors had been spend out of a total budget of Rs. 130 crores earmarked for Sugar Development Fund during 1995-96, Secretary, (Food) Stated:—

“As I have said, the time for making expenditure is still there. The provison for Rs 71.25 crores rupees has been made as claims are still being received which are to be cleared. As soon as we receive the claims, we will clear them. But there is one problem, if the factory does not repay the loans it takes from S.D.F. that remains outstanding, this creates problem for us. There is, however, no monitoring system to assess which facilities have been provided to the farmers by the

factory. Mr. Chairman has just said that the Committee will like to know what is our objective in this regard. Basically, the factory and the farmer interests are related to each other. If the farmer does not make available sugarcane, then the factory will not run. Therefore, it is expected that the factory will work for his development. We call the factory people and ask them about the steps being taken by them for the development of the farmers. But there is no provision for regular monitoring."

3.6 Expressing the view that utilisation of Sugar Development Fund was not adequate due to certain cumbersome procedures, the Committee asked the Food Secretary as to whether Ministry of Food was taking any step to simplify the procedure so that Sugar Development Fund could be fully utilised. In reply, Secretary, stated:—

"Briefly, I can say—yes, we are. Our attempt all the time is to simplify the procedures. As and when we come across difficulties we do simplify the procedures".

3.7 He further added:—

"As I said, we will try to simplify the procedures. I cannot guarantee that all the funds will be utilised because the funds utilisation is not entirely on our account. It depends also on the information being furnished.

I will give you an example. We have been, for the last six months, trying to modernise a number of mills which are below 2,500 TCD capacity. We have made detailed enquiries. We have sent teams to look into the working of these mills and tried to come up with suggestions. I am sorry to say that in several cases, people are not forthcoming to give information. I may spend six months in trying to get these proposals but, if I do not get them there is no way I can spend money on them. There might have been delays on our part also, it is possible.

What I am trying to say is, that it is our constant endeavour to simplify the procedures, to try to give maximum money out of the SDF because after all it is meant for the development of the industry consequently and the farmers. That is what we are here for. But I cannot give an assurance that all the money will be spend."

Expenditure on Administration of Sugar Development Fund

3.8 Expenditure on Administration of Sugar Development Fund since 1993-94 was as under:—

Expenditure on Administration			
Year	Salaries & Office contingencies	Agency Commission	Total
1993-94	0.11 Crores	1.85 Crores	1.96 Crores
1994-95	0.05 Crores	1.83 Crores	1.88 Crores
1995-96	0.07 Crores	2.33 Crores	2.40 Crores

3.9 Asked to give the reasons for increase in expenditure on Administration from Rs. 1.96 crores in 1993-1994 to Rs. 2.40 crores in 1995-96, Ministry of Food in its note furnished to the committee stated as under:-

“The expenditure on administration includes the salary of the staff working in SDF Division, office contingency items used in the SDF Division and Agency Commission paid to IFICI and NCDC. It will be seen that the expenditure on account of salary and office contingency was reduced in 1994-95. The increase in the expenditure on account of salary & office contingency in 1995-96 is very meagre which is due to increase in DA and Interim Relief. Similarly the payment of Agency Commission in 1994-95 was reduced but increased in 1995-96 because as per the Agency Agreement, Commission to the IFICI and NCDC is paid @ 0.5% per annum on the outstanding SDF loans disbursed comprising principal and interest to be recovered from the sugar undertakings, and these amounts so disbursed from SDF as also amounts due for recovery have been increasing yearly. As these are obligatory expenses, scope for austerity measures for reduction of administrative expenditure is very little.”

Loans for Modernisation/rehabilitation

3.10 The Committee were informed that for modernisation/rehabilitation purposes 153 sugar mills were sanctioned Rs. 519.47 crores during the period from 1985-86 to 1995-96 (31.03.1996). During the same period Rs. 463.32 crores were disbursed.

Loan for Cane Development

3.11 During the period from 1986-87 to 1995-96 (upto 31.3.1996) 333 Sugar Undertakings were sanctioned loans worth Rs. 438.60 crores.

Grants for Research Project

3.12 The period from 1988-89 to 1995-96 (upto 31.03.1996) a total amount of Rs. 30.20 crores were sanctioned to 4 organisation/institutions (for 9 schemes) for undertaking R&D work in various aspects of sugar industry. An amount of Rs. 14.29 crores was disbursed to these organisation/institutions during the same period.

grant-in-aid of Rs. 22.78 crores to the Indian Council of Agricultural Research for implementation of a project on "Adaptive Research on Sugarcane" for a period of 5 years commencing from 1.10.89 was also made.

Cane Arrears

3.13 In reply to Starred Q. No. 71 answered on 15 July, 1996, Minister of Food and Civil Supplies, Consumer Affairs and Public Distribution informed the Rajya Sabha that as on 15.5.1996, the reported arrears of cane prices relating to crushing season were about Rs. 45.78 crores.

3.14 Asked by the Committee as to what special steps Central Government proposed to take to liquidate cane arrears as development and regulations of sugar industry was the concern of Central Government. In reply, Ministry of Food in its note stated as under :—

"It is obligatory on the part of all sugar mills to pay the Statutory Minimum Price (SMP) for sugarcane to growers. However, the prices payable to the growers are the State Advised Prices of sugarcane, which are much higher than the SMP. The responsibility for ensuring timely payments of cane price dues lie with the State Governments which have the necessary powers and field organisations to enforce such payment. Central Government keeps a watch on the cane prices dues payable to farmers.

3.15 The following measures have been taken with view to rendering assistance to the sugarcane growers in the matter of clearance of their cane price dues by the sugar factories for 1995-96 season:—

- (i) Grant of late crushing incentive to sugar factories at 75% on production of sugar achieved between 15.4.1996 and 31.5.1996 and at 100% on production achieved by crushing cane between 1.6.1996 and 30.9.1996, as against the normal free-sale quota of 60%.

- (ii) Creation of 5 lakh tonnes of buffer stock of sugar for a period of one year w.e.f. 10.1.1996.
- (iii) A quantity of 10 lakh tonnes of free-sale sugar has been notified for export.
- (iv) The Reserve Bank of India (RBI) has issued revised Guidelines to the banks to enable the sugar factories to draw more credit from the banks, *vide* I.B.I Circular No. IECD No. 1/08.12.01./96-97 dated 1st July, 1996.

3.16 During the course of evidence before the Committee, Secretary (Food) elaborating the steps taken to wipe out cane arrears stated as under :

“As I have just submitted, cane payment is done in two ways—one by paying statutory minimum price and the other is on profit sharing basis. According to rules, the farmers must get statutory minimum price at the time of procurement. In the method of payment on profit sharing basis, 50 per cent is given to farmers and 50 per cent remains due to factories. As far as I know, the payment of statutory minimum price has been made. As far the arrears of farmers, State advisory price is taken into account. There is much difference in State advisory price. Today we take statutory minimum price at Rs. 42.50 at 8.5% recovery. It is Rs. 50 in U.P. and Rs. 2 is levied as purchase tax. In all SAP comes to nearly Rs. 74-75. There is a difference of about Rs. 30 on one quintal of cane. These Rs. 30 are to be borne when cane is purchased. Suppose 10 kg. sugar is made out of one quintal sugarcane. Out of this 10 kg. sugar, 4 kg is sold based at the cane price of Rs. 42.50. From the remaining 6 kg sugar, we have to make up the differential on a loss of Rs. 30 per quintal of Cane. The farmers can be compensated by increasing the realisation by supplying sugar to the market. If there is no increase in supply in local market then sugar should be exported. When the sugar will be exported it will not come in the local market. When we got a chance, we tried to supply it to local market. We are making further efforts. The P.D.S. rate of sugar in the market is Rs. 9.05”.

3.17 Asked further to elaborate the steps being taken by Government to liquidate the cane arrears due on sugar mills. Secretary, Ministry of Food stated :—

“In the scheme we have formulated, increase in buffer stock and exports are examined also. We are thinking how it should be increased for free sale sugar.”

3.18 Sugar Development Fund is *inter-alia* utilised for making loans for facilitating the rehabilitation and modernization of any sugar factory, making loans for the undertaking of any schemes for development of sugarcane in the area in which any sugar factory is situated. As on 31.3.96 an amount of Rs. 1656.00 crores were transferred to the Sugar Development Fund. During 1995-96 Rs. 130.00 crores more were transferred to Sugar Development Fund . However, actual utilisation of funds out of Sugar Development Fund so far during the year 1995-96 has been Rs. 67.00 crores only.

3.19 The Committee note that utilisation of Sugar Development Fund for intended purposes is not adequate due to certain cumbersome procedures, non furnishing of full information by Sugar industries as also due to lack of monitoring on the part of Ministry of Food.

3.20 The Committee desire that Ministry of Food should take adequate steps to simplify its procedure for sanction of loans out of Sugar Development Fund so that all the loans applications pending with it are cleared with due promptitude. Ministry of Food should also tighten its monitoring machinery to ensure that the loans sanctioned out of Sugar Development Fund are actually utilised for intended purposes only.

3.21 The Committee note that as on 15.5.1996 arrears of cane price dues for crush season 1994-95 were to the tune of Rs. 45.78 crores. While the responsibility for timely payments of cane price dues to farmers lies with the State Government, the Committee are of the view that role of Central Government in liquidating the cane arrears is no lesser as development and regulation of sugar industry is concern of Central Government. The Committee however, find that presently Central Government merely keeps a watch on the cane price due payable to farmers which is not enough keeping in view the piling up of huge amount of cane arrears.

3.22 The Committee find that of late Central Govt. has taken some steps with a view to rendering assistance to the sugarcane growers in the matter of clearance of their cane price dues by the Sugar Factories. The Committee hope that these steps would help in clearing the Cane Arrears.

3.23 The Committee however, desire that Ministry of Food should have a close coordination with State Governments to ensure that cane price dues are paid well in time by sugar factories to growers. Ministry of Food should also take appropriate action against the sugar factories which do not pay cane price due to growers in time.

CHAPTER IV

POST HARVEST OPERATIONS

4.1 The increase in production of foodgrains creates additional demands on the improvement of Post Harvest Operations in the pre-marketing and post-marketing storage. Storage of foodgrains occupies a prominent place both in pre-marketing and post-marketing stages. The Storage & Research Division of the Ministry of Food aims at minimising losses during Post Harvest Operations through improved techniques of foodgrains storage, pest control and their extension. All these activities of this Division form S & T Component for the Eighth Plan period. The various activities can be divided under four headings.

- (a) Applied research on problems relating to foodgrains storage and preservation.
- (b) Development of designs of improved storage structures, code of practices for grains preservation, disinfection techniques, fabrication of proto-type, data collection, testing and standardisation of the grain quality.
- (c) Technology transfer through training, extension and publicity with a view to improve farm level storage conditions in particular.
- (d) Financial and technical help to the Central and State Govt. organisations handling foodgrains at various levels.

4.2 For carrying out Post Harvest activities, the Ministry of Food is operating a network of six Indian Grain Storage Institutes (IGSI), 17 Save Grain Campaign teams (SGC) and 3 Quality Control Cells (QCC), besides the Central Grain Analysis Laboratory (CGAL) at the Headquarters.

4.3 The Revised Estimates for 1995-96 and Budget Estimates for 1996-97 for Post Harvest Operations were as under :

(Rs. in lakhs)

	Revised Estimates 1995-96	Budget Estimates 1996-97
Plan	170.00	210.00
Non-Plan	419.00	447.00
	589.00	657.00

4.4 To minimise losses during post harvest operations, Department of Food has taken steps for improving techniques of foodgrains storages, pest control and extension work. S & T division of Ministry of Food *inter-alia* undertakes applied research on problems relating to foodgrains storage and preservation, development of designs of improved storage structure, technology transfer through training extension and publicity etc.

4.5 All these activities being undertaken by Ministry of Food are laudable and need to be further intensified so that post harvest losses could be minimised. The Committee would, however, like the Ministry of Food to undertake Social Auditing of these schemes to assess the actual utilisation by farmers of all the research work done and new techniques developed by storage and Research Division of the Ministry of Food and the impact of these techniques in reducing the post harvest losses.

CHAPTER V

EXPENDITURE IN LAST QUARTER OF A FINANCIAL YEAR

5.1 The following Table shows the quantum and percentage of amount spent in each quarter of the financial year 1993-94, 1994-95 and 1995-96 for plan and non-plan is as under :

Plan	% of total expenditure 1993-94		% of total expenditure 1994-95		% of total expenditure 1995-96		
	BE/RE	Actuals	BE/RE	Actuals	BE/RE	Actuals	
Ist Quarter		0.28	1.33	0.22	1.95	3.26	16.39
IInd Quarter		0.44	2.09	5.46	548.57	0.46	2.31
IIIrd Quarter		0.33	1.58	0.04	0.35	7.28	36.60
IVth Quarter		19.97	95.00	5.52	49.13	8.89	44.76
Total	25.20	21.02	29.00	11.24	26.03	19.89	
Non-Plan							
Ist Quarter		1070.97	18.37	1390.19	25.91	1380.74	24.63
IInd Quarter		903.78	15.40	1070.25	19.94	1419.61	25.54
IIIrd Quarter		1212.53	20.64	1106.26	20.61	1315.25	23.66
IVth Quarter		2679.52	45.57	1799.59	33.54	1444.28	25.97
Total	5589.92	5867.00	5443.21	5365.36	5766.25	5559.00	

5.2 Asked as to what mechanism had been evolved by the Ministry to ensure that budgetary outlays was evenly spread throughout the year, Ministry of Food stated :

“The Quarterly Review and monitoring of expenditure *vis-a-vis* the budget provision is carried out. All efforts are made to ensure that the expenditure is spread evenly throughout the year. In case of the plan expenditure, expenditure is, however relatively higher in the last quarter. This is due to late receipt of the proposals and time taken in screening and finalisation thereof.”

5.3 The Committee find that percentage of expenditure spent on plan activities was as high as 95% during last quarter of 1993-94. The percentage of expenditure during last quarters of 1994-95 and 1995-96 was 49.13% and 44.76% respectively. In case of expenditure for non-plan activities to the maximum amount is being spent during last quarter only. One of the reasons indicated by Ministry Food for higher percentage of spending in last quarter is late receipt of the proposals and time taken in their screening and finalisation.

5.4 The Committee need not emphasis the imperative need of evenly spending of funds for timely completion of projects. The Committee feel that excess spending in the last quarter would only result in time and cost over run of projects. The Committee therefore desire that Ministry of Food should stream line the procedures for receipt of proposals, their screening and finalisation on a regular and timely basis so that percentage of expenditure spent in all the four quarters is uniform.

NEW DELHI;
August 26, 1996
Bhadra 4, 1918 (Saka)

R.L. BHATIA,
Chairman,
Standing Committee on Food, Civil
Supplies and Public Distribution.

PART B
FIRST SITTING

**MINUTES OF THE SITTING OF THE COMMITTEE
HELD ON 12 AUGUST, 1996**

The Committee sat from 11.00 hrs. to 13.00 hrs. and 14.30 hr. to 18.30 hrs. on 12 August, 1996.

PRESENT

Shri R.L. Bhatia — *Chairman*

MEMBERS

Lok Sabha

2. Shri Shyam Bihari Misra
3. Shri Gangaram Koli
4. Shri Raj Kesar Singh
5. Shri Nakli Singh
6. Dr. Amrit Lal Bharati
7. Shri Manharan Lal Pandey
8. Shri Vidya Sagar Sonkar
9. Shri Chitubhai D. Gamit
10. Shri Madhaba Sardar
11. Shri Syed Masudal Hossain
12. Smt. Sandhya Bouri
13. Shri V. Kandasamy
14. Shri D.S.A. Shiva Prakasam
15. Smt. T. Sharda
16. Shri Shivaji Kambli
17. Shri Ramashray Prasad Singh
18. Shri Bhrahmanand Mandal

Rajya Sabha

19. Shri Venod Sharma
20. Shri Dawa Lama
21. Shri P. Soundararajan
22. Dr. Ramendra Kumar Yadav 'Ravi'
23. Shri Joyanta Roy
24. Shri Tara Charan Majumdar

Secretariat

1. Smt. Roli Srivastava — *Joint Secretary*
2. Shri Krishan Lal — *Deputy Secretary*
3. Shri R.S. Kambo — *Assistant Director*

WITNESSES

Ministry of Food

1. Shri S.P. Jakhanwal, Secretary (FP & D)
2. Shri Arun Sinha, Secretary (Food)
3. Shri M. Shankar, JS & FA
4. Shri Surendra Kumar, JS (Food)
5. Shri Navin Kumar, Jt. Secretary (Sugar)
6. Smt. Sushma Nath, Joint Secretary
7. Smt. Savita Anand, Dir. (D & R)
8. Shri G.P. Bhatti, Dir. (FCI)
9. Dr. Sone Lal, JC (S & R)
10. Shri R.P. Singhal, Chief Director (Sugar)
11. Smt. S. Kacker, Dir. (SDF)
12. Shri Deepak Khandakar, D.S. (Sugar)
13. Shri G.P. Gupta, Controller of Accounts (Food)
14. Shri M.P. Varshney, Director (Finance)

Food Corporation of India

15. Shri Prabhat Kumar, Chairman
16. Shri M.D. Asthana, M.D.
17. Shri G. Mohan, Executive Director (Fin.)
18. Shri Ajay, E.D. (General)
19. Shri V.K. Bhise, E.D. (S)

General Warehousing Corporation

20. Maj. Gen. Kulwant Singh, M.D.

** ** **

At the outset, the Chairman welcome the Members of the Committee and explaine din detail the historic background, scope and functions of Standing Committees. The text of the innaugrual speech is reproduced in Annexures. The Chairman then welcomed the representaties of Ministry of Food (Deptt. of Food) at the first sitting of the Committee. The Committee thereafter proceeded to discuss with the representatives of Ministry of Food (Department of Food) the various points arising out of List of Points.

2. In the afternoon session, the Committee discussed with the representatives of Ministry of Food (Department of Food Procurement & Distribution) various points arising out of List of Points. Clarifications sought by Members were replied to by the witnesses.

*** *** ***

3. A verbatim record of the proceeding had been kept.

The Committee then adjourned.

** Not related to this Report.

SECOND SITTING

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 21ST AUGUST, 1996

The Committee sat from 11.30 hrs. to 12.30 hrs. on 21st August, 1996.

PRESENT

Shri R.L. Bhatia — *Chairman*

MEMBERS

Lok Sabha

2. Shri Shyam Bihari Misra
3. Shri Gangaram Koli
4. Shri Raj Kesar Singh
5. Shri Nakli Singh
6. Dr. Amrit Lal Bharati
7. Shri Manharan Lal Pandey
8. Shri Vidya Sagar Sonkar
9. Smt. Chhabila Netam
10. Shri V. Kandasamy
11. Smt. Phoolan Devi
12. Shri D.S.A. Shiva Prakasam
13. Shri Rajkumar Wanglcha
14. Shri Brahmanand Mandal
15. Shri Ramashray Prasad Singh

Rajya Sabha

16. Prof. Vijay Kumar Malhotra
17. Dr. Ramendra Kumar Yadav 'Ravi'
18. Shri Tara Charan Majumdar

Secretariat

1. Smt. Roli Srivastava — *Joint Secretary*
2. Shri Krishan Lal — *Deputy Secretary*
3. Shri R.S. Kambo — *Assistant Director*

I. Consideration and adoption of Draft 1st Report

2. The Committee considered the draft First Report on Demands for Grants (1996-97) relating to Ministry of Food. The Committee adopted the report without any amendment.

II. Consideration and adoption of Draft Second Report

** ** **

4. The Committee authorised the Chairman to make consequential changes arising out of the factual verification of the reports by the concerned Ministries and present/lay the same in both the Houses of Parliament, during the current session.

The Committee then adjourned.

** Not related to this Report.

PART C

ANNEXURE

(Vide Para I of Minutes dt. 12.8.1996)

Inaugural Speech by Chairman, FCS & PD Committee,
Shri R.L. Bhatia, delivered on the occasion of the
First Sitting of the Committee

Friends and Colleagues,

I am greatly delighted to welcome you to this first meeting of the newly constituted Committee on Food, Civil Supplies, Consumer Affairs & Public Distribution.

2. As most of us are new to this Committee, it will be in fitness of things that we talk about the background, scope and functions of the Standing Committee System.

3. The introduction of Departmentally Related Standing Committee System was a historic step in Parliamentary Democracy striving for better Legislative surveillance over the Executive, covering the entire spectrum of administration for an in-depth and continuous scrutiny. Earlier owing to paucity of time, very often the Demands for Grants of Ministries/ Departments got guillotined year after year without any discussion. This was weakening Legislative surveillance over the Executive. So there was need of comprehensive Committee System for an in-depth scrutiny. Thus came into existence the Departmentally Related Committee System in the Parliament. The under lying refrain of the examination by these Committees was not to duplicate the functions being undertaken by the existing Parliamentary Committees and other institutions performing audit investigative functions etc. In fact, these Committees were rather to go into the basic issues affecting the very basis of the functioning of a particular Ministry or a Department. The Committee were to examine the philosophy on which a particular Ministry/Department's entire functioning hinges upon. These Committees were to assess the broad policy which the Ministry were following in the direction of achieving the desired philosophy. They were scrutinising threadbare, the plans and projects made in this regard as also the manner in which they were being implemented, to make the goals set out in the philosophy achievable.

4. The main functions assigned to Standing Committees, *inter-alia* includes consideration and examinations of Detailed Demands for Grants

of Ministries/Deptts. and make reports, thereon. Reports on Demands for Grants have been forbidden to suggest anything of the nature of cut motions. Besides this, the Committee also examine Bills, Annual Reports and National basic long term policy of Ministry/Deptts. The Secretariat of the Committee has already circulated a brochure which describes in brief the composition, functions and procedure followed by Departmentally Related Standing Committees. I hope and trust that by now Honourable Members would have gone through and found it interesting.

The experiment of Standing Committee System has been welcomed by one and all. It has brought a clear picture of the Executive and the Legislature. The initial inertia shown by Executive towards this Committee System has since evaporated and now, the response of the Executive is very encouraging. The Hon'ble Members have taken the Committee System in right earnest and always come well prepared for the Committee meetings. The seriousness with which the Members have participated in the functioning of this Committee is evident from the fact that within a span of one and a half year this Committee had been able to present 17 reports to the Parliament.

6. Before I conclude, I would urge all of you to take an active interest in the working of the Committee and act as a watchdog over the functioning and Finance of the Executive. I am sure by our labour and co-operative efforts, the Committee would become more effective and we shall continue to maintain the well-established tradition of working in a non-partisan spirit and arrive at unanimous decisions as far as possible, on all issues coming up before the Committee. I would request the Hon'ble members to share their considerable experience, expertise and insight on various fields. I would also welcome any suggestions which you might like to offer for effective improvement of the working of the Committee.

Thanking all of you.