

3

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

ELEVENTH LOK SABHA

MINISTRY OF FOOD

*[Action Taken Report on First Report of the Committee on
Demands for Grants (1996-97) of the Ministry of Food]*

THIRD REPORT



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1997/Phalguna, 1918 (Saka)

THIRD REPORT

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

(ELEVENTH LOK SABHA)

MINISTRY OF FOOD

*[Action Taken by the Government on the Recommendations contained
in the First Report of the Committee on Food, Civil Supplies
and Public Distribution on Demands for Grants (1996-97)
of the Ministry of Food]*

Presented to Lok Sabha on.....

21 MAR 1997

Laid in Rajya Sabha on.....

21 MAR 1997



LOK SABHA SECRETARIAT
NEW DELHI

March, 1997/Phalguna, 1918 (Saka)

FCS & PD No. 03

Price : Rs. 20.00

© 1997 BY LOK SABHA SECRETARIAT

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., Saraswati Marg, Karol Bagh, New Delhi-110005.

CONTENTS

| | PAGE |
|---|-------|
| COMPOSITION OF THE COMMITTEE | (iii) |
| INTRODUCTION | (v) |
| CHAPTER I Report | 1 |
| CHAPTER II Recommendations/Observations which have been accepted by the Government | 12 |
| CHAPTER III Recommendations/Observations which the Committee do not desire to pursue in view of the Government replies | 23 |
| CHAPTER IV Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee | 31 |
| CHAPTER V Recommendations/observations in respect of which final replies of the Government are still awaited. | 37 |

APPENDICES

| | |
|--|----|
| I. Minutes of the sitting of the Standing Committee on Food, Civil Supplies & Public Distribution (1996-97) held on 17th March, 1997 | 38 |
| II. Analysis of Action Taken by the Government on the Recommendations contained in the First Report of the Standing Committee on Food, Civil Supplies and Public Distribution (Eleventh Lok Sabha) | 40 |

COMPOSITION OF THE STANDING COMMITTEE ON FOOD,
CIVIL SUPPLIES & PUBLIC DISTRIBUTION (1996-97)

Shri R.L. Bhatia — *Chairman*

MEMBERS

Lok Sabha

2. Shri Shyam Bihari Misra
3. Shri R.C. Veerappa
4. Shri Gangaram Koli
5. Shri Raj Kesar Singh
6. Shri Nakli Singh
7. Shri Bachi Singh Rawat
8. Dr. Amrit Lal Bharati
9. Shri Chattar Singh
10. Shri Manharan Lal Pandey
11. Shri Vidya Sagar Sonkar
12. Shri Chitubhai D. Gamit
13. Shri Manikrao H. Gavit
14. Shri Nivrutti Sherkar
15. Smt. Chhabila Netam
16. Shri Madhaba Sardar
17. Shri Virendra Kumar Singh
18. Shri Pitambar Paswan
19. Shri Syed Masudal Hossain
20. Smt. Sandhya Bouri
21. Shri V. Kandasamy
22. Smt. Phoolan Devi
23. Shri D.S.A. Shiva Prakasam
24. Smt. T. Sharda
25. Shri Shivaji Kambli

26. Shri Ramashray Prasad Singh
27. Shri Ghanshyam Chand Kharwar
28. Shri Brahmanand Mandal
29. Shri Om Parkash Jindal
30. Shri Rajkumar Wanglcha

Rajya Sabha

31. Shri Onward L. Nongtdu
32. Shri Ghufran Azam
33. Shri Moolchand Meena
34. Shri Venod Sharma
35. Shri K.M. Khan
36. Prof. Vijay Kumar Malhotra
37. Shri Dawa Lama
38. Shri P. Soundararajan
39. Dr. Ramendra Kumar Yadav Ravi
40. Shri Joyanta Roy
41. Shri Tara Charan Majumdar
- *42. Shri Ram Ratan Ram
- **43. Shri Manohar Kant Dhyani

SECRETARIAT

1. Shri S.N. Mishra — *Additional Secretary*
2. Smt. Roli Srivastava — *Joint Secretary*
2. Shri Krishan Lal — *Deputy Secretary*
3. Shri R.S. Kambo — *Under Secretary*
4. Shri O.P. Arora — *Assistant Director*

* Nominated to the Committee *w.e.f.* 29.08.1996.

** Nominated to the Committee *w.e.f.* 13.12.1996.

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 Third Report on Action Taken by the Government on the recommendations/Observations contained in the First Report of the Committee (Eleventh Lok Sabha) on "Demands for Grants" 1996-97 of the Ministry of Food.

2. The First Report was presented to Lok Sabha on September 9, 1996. The Government furnished their replies indicating action taken on the recommendations contained in the Report on 13th December, 1996 and 18th February, 1997. The Draft Action Taken Report was considered and adopted by the Standing Committee on Food, Civil Supplies and Public Distribution (1996-97) at their sitting held on 17th March, 1997 .

3. An analysis of the action taken by the Government on recommendations contained in the First Report of the Standing Committee (Eleventh Lok Sabha) on "Demands for Grants" (1996-97) is given in Appendix II.

NEW DELHI;
17 March, 1997
26 Phalgun, 1918 (Saka)

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

CHAPTER I

REPORT

1.1 This Report of the Standing Committee on Food, Civil Supplies and Public Distribution deals with the Action Taken by the Government on the recommendations contained in the First Report (Eleventh Lok Sabha) on Demands for Grants (1996-97).

1.2 The Report was presented to Lok Sabha/Laid on the Table of Rajya Sabha on September 9, 1996. It contained 29 observations/recommendations.

1.3 Action Taken Notes in respect of all the 29 observations/recommendations contained in the Report have been received and have been categorised as follows :—

- (i) Recommendations/Observations which have been accepted by the Government.

Para Nos. 2.57, 2.59, 2.61, 2.62, 2.63, 2.66, 2.68, 2.69, 2.70, 2.71, 3.18, 3.21, 3.22, 3.23, 4.4, 4.5, 5.3, 5.4 (Deptt. of Food)

(Chapter II, Total = 18)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply.

Para Nos. 2.64, 2.72, 2.73, 3.19, 3.20, 5.4 (Deptt. of FP&D)

(Chapter III, Total = 5)

- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee.

Para Nos. 2.58, 2.60, 2.65, 2.67, 2.74, 2.75

(Chapter IV, Total = 6)

- (iv) Recommendations/Observations in respect of which final reply of the Government is still awaited.

(Nil, Chapter V)

1.4 The Committee need hardly emphasise that utmost importance should be given to the implementation of recommendations accepted by the Government. In cases where it is not possible for the Government to implement the recommendations in their letter and spirit for any reason, the matter should be reported to the Committee in time with reasons for non-implementation.

1.5 The Committee will now deal with action taken by the Government on some of the recommendations :—

Revision in CIP

Recommendation (Para No. 2.58)

1.6 Expressing their concern over the mounting food subsidy bill due to non-revision of Central Issue Price, the Committee had observed :—

“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 and 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 more 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 is not further inflated.”

1.7 The Ministry in their Action Taken reply have stated :—

“The Government has decided to revise CIPs from 1st June, 1997. The prices under new Streamlined PDS *vis-a-vis* current

CIP are as under :—

| | | Rice | | | Wheat |
|------------------------------|--------------------------|--------|--------|-----------|--------|
| | | Common | Fine | Superfine | |
| CENTRAL ISSUE PRICE | | | | | |
| (i) | Below Poverty Line (BPL) | 400.00 | 400.00 | — | 300.00 |
| (ii) | Above Poverty Line (APL) | 600.00 | 700.00 | 800.00 | 525.00 |
| EXISTING CENTRAL ISSUE PRICE | | | | | |
| | w.e.f. 1.2.1994 | 537.00 | 617.00 | 648.00 | 402.00 |

However, in case any State is ready to implement the new scheme w.e.f. 1.2.1997 or any subsequent date, the revised CIP stipulated under the scheme would apply from that date for APL and BPL categories. Till then, the current CIP would continue to apply.

It has also been decided that normally the Central Issue Prices (CIP) of wheat and rice will be about 50% of the economic cost for the *below* poverty line population, and about 90% of the economic cost for the *above* poverty line population. Since every hike in the Minimum Support Prices of wheat and paddy will increase the economic cost of wheat and rice, the new formula for revision of CIP will help in prompter revision of CIP.

1.8 The Committee note that Central Issue Price of wheat and rice were not revised after February, 1994. However, a beginning is being made by the Government to effect a change in Central Issue Price w.e.f. June, 1997 and simultaneously introducing dual pricing for foodgrains, one for people below poverty line and other for consumers above poverty line. The Committee are constrained to note that the inordinate time lag between prices payable and prices paid for commodities supplied through PDS leads to swelling of subsidy bill. The Government have not reacted to the recommendation of the Committee for making a suitable permanent

mechanism to ensure that with every revision in MSP of agricultural commodities, a corresponding revision in Central Issue Price is also effected. The Committee reiterate their earlier recommendation and desire that such a mechanism should be evolved without much delay.

Staggering of Procurement

Recommendation (Para No. 2.60)

1.9 Exhorting the Government to introduce staggered procurement, in order to bring down inventory and ease storage pressure, the Committee had observed :—

“FCI should take expeditious steps to first clear all the older stocks of wheat and rice laying 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.”

1.10 The Ministry in their Action Taken reply have *inter-alia* stated :—

In view of higher levels of procurement particularly during 1993-94 and 1994-95 Rabi/Kharif season, the proposal for having staggered procurement was considered by the Government in February, 1996. It was, however, not approved.

Incidentally, the position has changed considerably since 1994-95. In view of lesser procurement of rice in 1995-96 Kharif Marketing season and of wheat in 1996-97 Rabi marketing season, disposal of stocks through open sale and increased off-take of foodgrains, the stock levels have come down considerably relieving thus the pressure on storage system.

1.11 The Committee note that Government did not resort to staggered procurement of foodgrains in the years 1993-94 and 1994-95 despite heavy procurement in these seasons. However, due to appreciable fall in procurement in the year 1995-96, there was no justification for this move. The Committee are of the view that staggering mechanism, is not only a means to reduce inventory but an effective instrument to ease storage pressure. The Committee, therefore, reiterate their earlier recommendation and desire that Government should after taking into consideration certain vital factors

such as requirement, availability, production, stock level, storage capacity available, off-take position/demands of foodgrains from States etc., introduce staggering mechanism in procurement of foodgrains during bumper crop season. In the event of drop in procurement, such an action could be avoided.

Strengthening of Infrastructural Machinery

Recommendation (Para No. 2.65)

1.12 Realising the bottleneck in export of foodgrains due to lack of infrastructural facilities, the Committee had observed :—

“Government should take measure 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.”

1.13 The Ministry in their Action Taken reply have stated :—

“Building up and/or strengthening of infrastructural machinery to facilitate export is the concern of Ministry of Commerce and Ministry of Surface Transport to whom the recommendations were communicated for implementation.”

“The Ministry of Commerce have since informed that the Agricultural and Processed Food Products Export Development Authority (APEDA) has already approached the Ministry of Surface Transport for lease of land for construction of a berth on nomination basis and that a proposal in this regard has also been included in the 9th Plan proposals of APEDA.”

The Ministry of Surface Transport have also separately advised the Chairman of all major port trusts to approach the newly created Infrastructural Development Financial company for allocation of funds to strengthen the infrastructural machineries.

1.14 The Committee are happy to note that Government have accepted to implement the recommendation of the Committee in principle and are taking steps to build up and strengthen the infrastructural machinery to facilitate exports of agro products. Whereas Ministry of Commerce through APEDA have approached the Ministry of Surface Transport for use of land for construction of berth, the Ministry of Surface Transport has advised the Chairmen of all major Port Trusts to approach the newly created Infrastructural Development Financial Company for allotment of funds so as to strengthen the infrastructural facilities. The Committee, therefore, desire that the Ministry should monitor the position closely and apprise the Committee about the outcome of APEDA and Port Trust proposal in regard to development of infrastructure.

1.15 The Committee at the same time express their unhappiness over the vague and incomplete reply furnished by the Government. The Committee had made a number of suggestions. However, the Government have reacted only to the development of infrastructural facilities and did not think it prudent enough to furnish any comment on important aspects like incentives for production of wheat and rice having export potential. Further, the note of the Ministry is also silent about the advise of the Committee to procure foodgrains for international market. The Committee disapprove the casual and indifferent attitude of the Government and desire that Government should spell out their mind in this regard. The Committee also wish to emphasise that in future each and every aspect of a recommendation should be studied in depth and comments be offered on each and every aspect raised by the Committee.

Lifting of Foodgrains

Recommendation (Para No. 2.67)

1.16 The inequitious relationship between allotment and off-take position of foodgrain took the Committee to observe :—

“As the implementation of Public Distribution System is the Joint responsibility of Central Government and the State Government, it is imperative that Centre and State Government should act in

tandem so that actual lifting of foodgrains by all the State Governments is in conformity with the allocation 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 Government to guarantee a minimum lifting of foodgrains for smooth functioning of the system."

1.17 The Ministry in their action Taken reply have stated :—

The Ministry of Civil Supplies, Consumer Affairs and Public Distribution which is the nodal Ministry for monitoring implementation of the PDS, has been requested to take necessary action to improve implementation including optimum lifting of foodgrains by States/UTs, allotted to them every month.

1.18 At present the Ministry of Food and Ministry of Civil Supplies and Public Distribution are two separate Ministries dealing with allied and closely related subjects such as procurement, distribution and monitoring of essential commodities. In the instant case, the Ministry of Food has passed the onus of monitoring the implementation of PDS to Ministry of Civil Supplies, Consumer Affairs and Public Distribution. The Committee are of the view that had the two Ministries been under one head, such a situation would have been avoided. It is in this context that the Committee are in total agreement with the observation made by Gian Prakash Committee Report (1993-94) that "separation of two Ministries Ministry of Food & Ministry of Civil Supplies and Consumer Affairs adversely affects close coordination and hence these should be separate departments under common Ministry." The Committee, therefore, recommend that Government should merge these two Ministries under one umbrella so as to exercise closer surveillance over pursuing of food policy more effectively.

Construction of Storage Godowns

Recommendation (Para No. 2.74)

1.19 Emphasizing the need to construct storage godowns especially in RPDS districts, the Committee had observed :—

The Budget Estimates for construction of storage godowns during 1996-97 have been reduced to Rs. 17.86 crores as against the Revised

Estimates of 18.26 crores during 1995-96. The Committee desire that Ministry of Food should impress upon the Planning Commission 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 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.

1.20 The Ministry in their Action Taken reply have stated :—

The Ministry of Food had suggested plan allocations of Rs. 65.40 crores in the Annual Plan 1996-97 for construction of godowns by FCI etc. The Planning Commission agreed only for an allocation of Rs. 17.86 crores of which Rs. 4 crores was earmarked for construction of godowns in the 40 RPDS districts. The Ministry of Food requested Planning Commission to review this allocation and agree to raise it to Rs. 30 crores in view of the directive of PMO to have one FCI operative godown (owned or hired) in each of the RPDS districts. The Planning Commission supported the proposal but regretted its inability to increase allocation at that stage.

FCI is making efforts for acquisition of land in the RPDS blocks for construction of godowns. FCI plans to construct 14000 tonnes of storage capacity in the RPDS areas in 1996-97. The plan to cover more RPDS districts will be continued in the 9th Five Year Plan.

1.21 The Committee are unhappy to note that Planning Commission had drastically reduced the plan allocation for construction of storage godowns. Whereas the Ministry had suggested a plan allocation of 65 crores in the Annual Plan 1996-97, the Planning Commission pegged it at 30 crores. Although the Planning Commission did support the proposal, it agreed to give only 17.8 crores of which Rs. 4 crores were exclusively for construction of

godowns in 40 RPDS districts. The Committee are unable to understand the rationale of Planning Commission in drastically curtailing the earmarked amount when it is the committed policy of the Government to make available foodgrains to consumers at affordable prices and that too in far-flung, inaccessible, inhabited and hilly areas (RPDS districts). The Committee are of the view that with such a meagre plan allocation, the Government will not be able to run the PDS smoothly and efficiently. The Committee, therefore, desire that financial constraint should not come in the way of ameliorating the condition of consumers especially living below poverty line. The Committee, therefore, reiterate their earlier recommendation and desire that plan allocation for the purpose should be suitably increased in deference to the desire expressed by the Committee.

State of the art technology in the movement and storage

Recommendation (Para No. 2.75)

1.22 Underlining the urgency in bringing about reforms in warehousing activities, the Committee had observed as follows :—

“The 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 fully terrain and inaccessible places. The Committee also recommend that FCI should strive to involve the participation of private agencies in construction activities”.

1.23 The Ministry in their Action Taken reply have stated :—

As regards the introduction of the state-of-the-art technology in construction of godowns and bulk movement of foodgrains,

it is pertinent to mention that the modernisation of grain handling, storage and transportation cannot be brought about by setting up isolated bulk storage installations here and there. It has to be an integrated system right from the procurement stage in the market yards and storage in the collection centres, through an efficient network of bulk rail transportation to the distribution centres for storage and subsequent distribution to the deficit areas. In order to accomplish the objective of grain handling in bulk form, radical changes are necessary in the present system in the light of huge capital investment required for having new facilities and infrastructure in place.

The bulk storage installations held by the FCI at various centres are to the tune of 0.5 million tonnes. These are in the form of vertical silos both of RCC and steel construction, large diameter and low height RCC bins and flat bulk warehouses. All these installations except the low height RCC bins have been provided with mechanised handling facility with capacities ranging from 100 T to 250 T per hour. These installations are intended to receive, handle and store grain in bulk form.

The suggestion that FCI should strengthen the infrastructure machinery and construct conventional storage godowns in consuming States has been noted.

FCI has a total covered storage capacity of 19.64 million MT of which 3.21 million MTs have been hired from private parties, which works out to 16.34% of the total covered storage capacity.

1.24 The Committee are in total agreement with the argument put forth by the Government that radical changes are necessary in the present system in order to introduce state-of-the-art technology in construction of godowns and movement of grains in bulk. No doubt, this will entail huge capital investment. But the Government have neither shown their inclination towards achieving of this mammoth task nor spelt out any concrete plan of action in furtherance of this objective. The Committee are of the view that systematic changes have to be brought out, only then malfeasance in procurement and distribution of foodgrains can be corrected. The Committee, therefore, recommend that Government should go in for modernisation of their warehousing activities and also approach Infrastructural Development Finance Company or any other financial organisation for meeting their credit requirement in this regard.

1.25 The Committee do appreciate that Government have taken note of suggestion of the Committee that FCI would strengthen the infrastructural machinery and construct storage godowns in consuming States. However, the Ministry's note is silent over involvement of private agencies in construction of godowns. The Committee are of the view that cash-trapped FCI can augment their capacity further, if private agencies are motivated to involve themselves in construction activities. The Committee, while reiterating their earlier recommendation desire that FCI should secure their participation in this field.

Post Harvest Operations

Recommendation (Para No. 4.5)

1.26 Underlining the need to assess the new schemes run under post harvest operations, the Committee had observed :—

“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.”

1.27 The Ministry in their Action Taken reply have stated :—

“A Committee is being appointed to undertake social auditing of the schemes to assess the actual utilisation by the farmers of all the research work done and impact thereof in reducing post harvest losses.”

1.28 The Committee appreciate that in order to undertake social auditing of schemes run under post harvest operations, the Government propose to constitute a Committee. The Committee desire that they may be apprised of the outcome of above exercise.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 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.

Reply of the Government

Food subsidy is payable to FCI on the difference between the (i) Economic Cost incurred by the F.C.I. and Average Sales realisation and (ii) Carrying Cost of Buffer Stock. During 1994-95, out of total provision of Rs. 5100 crores, an amount of Rs. 4509 crores was released to FCI as Subsidy on Foodgrains transactions. During 1995-96, though the total expenditure of food subsidy (including subsidy on sugar) went up to Rs. 5343 crores only. Rs. 4960 crores were utilised on account of foodgrain transactions. Therefore, the increase in subsidy on foodgrain transaction was approximately 10%, which is to be viewed in the context of the increase in minimum support prices to farmers.

In addition to rise in M.S.P. major causes, as pointed out earlier, for the increase in foodgrain subsidy, are as follows :—

- (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.

Of the above, the major controllable item of expenditure is transit & storage shortages. Monthly releases of Food Subsidy to FCI are made exclusive of shortages. Only after such shortages are regularised after due process and certified by the Statutory Auditors are such regularised shortages reimbursed to FCI. Constant efforts are made by FCI to reduce the outstandings of unregularised shortages.

Insofar as the administrative costs are concerned, F.C.I. is controlling expenditure on this Head by not filling up vacancies arising out of retirement/deaths, etc.

The CIP of wheat and rice were last revised w.e.f. 1.2.1994. The MSPs are announced by the Government on the eve of Kharif/Rabi season after considering the recommendations of CACP. Revision of CIP is effected after taking into account vital factors such as the impact of the 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 were not revised since 1.2.1994. The Government considered the restructuring of PDS with a focus on the poor and revision of CIP as detailed in reply to Para 2.58.

[Ministry of Food, O.M.No. G—20017/5/96-AC Cell
dated 18th February, 1997]

Recommendation (Para No. 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.

Reply of the Government

The total stock of *wheat* on 1.10.96 has come down to 10.3 million tonnes which is 2.8% less than the buffer stocking norm of 10.6 million tonnes.

The total stock of *rice* as on 1.10.96 was 9.34 million tonnes which is 56% more than buffer stocking norm of 6 million tonnes. The actual buffer stocks *vis-a-vis* buffer stocking norms have thus come down considerably. Buffer stocking norms for the 9th Five Year Plan period are expected to be higher than the existing norms.

Rice stocks of only A and B category are issued under PDS and other schemes. FCI preserves foodgrains by resorting to prophylactic and curative treatment on a regular basis. Foodgrains stored scientifically in modern silos can be stored for longer periods also without any damage or deterioration in quality.

The stocks which become unfit for human consumption are not issued under PDS and other welfare schemes. Such stocks are disposed of as per prescribed procedure.

[Ministry of Food, O.M.No. G—20017/5/96-AC Cell
dated 18th February, 1997]

Recommendation (Para. No. 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 hostels, 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 meagre. 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, offtake 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.

Reply of the Government

The respective Ministries/Depts. have been requested to take necessary steps to improve implementation of these schemes to ensure maximum off-take of foodgrains allotted.

The Deptt. of CA&PD who are concerned with implementation of PDS/RPDS have informed that they impressed upon all States/UTs to take steps for increasing the off-take in their respective States/UTs'.

During the year 1996-97 (upto Nov. 96), the off-take as percentage of allotment under PDS to States/UTs was much higher:—

| | (In lakh tonnes) | | |
|-------|------------------|----------|------------|
| | Allotment | Off-take | off-take % |
| Wheat | 67.77 | 51.10 | 75.4% |
| Rice | 98.34 | 72.54 | 73.8% |

[Ministry of Food, O.M. No. G—20017/5/96-AC Cell dated 18th February, 1997]

Recommendation (Para No. 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.

Reply of the Government

The Ministries/Departments concerned have been requested to take all possible steps to improve the implementation of various programmes.

[Ministry of Food, O.M. No. G—20017/5/96-AC Cell dated 18th February, 1997]

Recommendation (Para No. 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.

Reply of the Government

The Ministries/Departments concerned are taking all possible steps to improve implementation of various welfare schemes/programmes so that off-take of foodgrains allotted for them improves. As indicated in ATN to recommendation in para 2.61, the off-take of wheat and rice under PDS has improved considerably during the year 1996-97.

[Ministry of Food, O.M. No. G—20017/5/96-AC Cell
dated 18th February, 1997]

Recommendation (Para No. 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 per cent of their allocation. However, if some States/UTs are unable to lift a reasonably percentage of foodgrains months after months, the Central Government should consider re-fixation of their monthly allotment.

Reply of the Government

The trend of off-take remains a major deciding factor, for fixing the allotment of foodgrains to States/UTs. The suggestion has, however, been noted.

[Ministry of Food, O.M. No. G—20017/5/96-AC Cell
dated 18th February, 1997]

Recommendation (Para No. 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.

Reply of the Government

No targets are fixed for Open Sale of wheat/rice for export; only upper ceilings are decided by Government.

Wheat procurement during 1996-97 was lower by about 41 lakh tonnes as compared to previous year, mainly due to less production of *wheat*. As such the stock position of wheat was not comfortable and restrictions/ceilings were fixed on the open sale of wheat.

There are no restrictions on Sale *for export* to any individual or State Government agency. Subject to overall authorization not being exceeded.

[Ministry of Food, O.M. No. G—20017/5/96-AC Cell
dated 18th February, 1997]

Recommendation (Para No. 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.

Reply of the Government

Based on the discussions in the Standing Committee meeting, in August, 96 FCI was directed to give preference in sale of wheat to State Civil Supplies Corporations. The procedure for sale of wheat under open market sale scheme (domestic) was reviewed in December, 1996. Instructions have been issued to FCI to accord highest priority to State Sponsored Institutions for sale of wheat in the open market without any upper limit, however, within the over all monthly ceiling of open sale in a State/UT fixed by FCI. On the suggestion received from a few State Governments, it has been decided that the entire quantity of wheat allocated for different States under OMSS (D) be allotted to the respective State Governments/UTs. for distribution through District Collectors. Instructions have accordingly been issued to FCI and the State Governments/UT Administrations. However, the system of allotting through 3 member-committee consisting of (a) SRM, FCI of the region (b) Director, Food and Civil Supplies and (c) Joint Manager (Accounts) continues in those States/UTs where States/UTs are not willing to undertake sale of wheat under OMSS (D).

The Government had withdrawn all quantitative restrictions on open sale of wheat in Punjab State. The intending purchasers from any part of the country could purchase unlimited quantity of wheat from FCI godowns located in Punjab. (January-1997)

[Ministry of Food, O.M. No. G—20017/5/96-AC Cell
dated 18th February, 1997]

Recommendation (Para No. 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 only excessive stocks of foodgrains in possession of Food Corporation of India cleared but the requests from State Government Corporation for supply of more foodgrains are fully acceded to.

Reply of the Government

The action taken has been explained above in reply to recommendation in para 2.69.

[Ministry of Food, O.M. No. G—20017/5/96-AC Cell
dated 18th February, 1997]

Recommendation (Para No. 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 similar facilities to these private units is pending in the 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.

Reply of the Government

The Scheme of supply of wheat at concessional rates to MFIL and its franchised units was valid only upto 31.10.96. This has not been extended beyond 31.10.96.

[Ministry of Food, O.M. No. G—20017/5/96-AC Cell
dated 18th February, 1997]

Recommendation (Para No. 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.”

Reply of the Government

The above observation of the Committee is true. The actual expenditure during 1995-96 is Rs. 67.33 crores.

[Ministry of Food, O.M. No. G—20017/5/96-97—Budget
dated 13th December, 1996]

Recommendation (Para Nos. 3.21, 3.22 & 3.23)

3.21 The Committee note 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 Government 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.

Reply of the Government

The arrears of cane price are at the highest level during the peak months of the season, namely, December-March which gradually tend to decrease and reach a minimum level at the end of the season.

The cane price arrears relating to 1994-95 season were about 45.78 crores as on 15.5.1996 which got reduced to Rs. 25.84 crores as on 30.9.1996 representing only 0.03% of the amount payable.

As per the Sugarcane (Control) Order, 1966 issued by the Central Government under the Essential Commodities Act, it is obligatory on the part of the sugar mills to pay the Statutory Minimum Price (SMP) for the sugarcane to the growers. However, the price actually paid by the sugar mills is much above the SMP being based on the State Advised Price (SAP). It is generally seen the arrears of the cane price are mostly on account of the gap between the SMP and SAP. Thus, the responsibility for ensuring the payment of sugarcane price dues mostly lies with the State Governments which have the necessary powers and field organisations for the purpose. Central Government on its part advise them from time to time to clear the arrears of sugarcane price through letters addressed to State Government authorities at higher level. In addition to close monitoring and taking up the matter with the State Governments from time to time, the Central Government took following measures so as to enable the sugar factories to liquidate the cane arrears of 1995-96 season:

- (i) Late crushing incentive in the form of 100% freesale sugar quota on production achieved by sugar mills by crushing sugarcane from 1.6.1996 to 30.9.1996 was granted.
- (ii) The buffer stock of 5 lakh tonnes out of the freesale sugar for a period of one year from January, 1996 during the season 1995-96 has been increased to 10 lakh tonnes.
- (iii) For commercial export of freesale sugar, a quantity of 12.25 lakh tonnes stands notified.
- (iv) As a special concession, RBI has decided that with effect from July, 1996 for a period of 6 months, the methodology of valuation of stocks of freesale sugar (including buffer stocks) charged to banks shall be modified to the extent of adoption of higher of the average price realised in the preceding 3 months (moving average) or the current market price instead of the lower of the two, which was being

adopted earlier. It is proposed to move the RBI for extending the aforesaid special concession beyond December, 1996 upto the end of the sugar season 1996-97 to help improving the liquidity of sugar mills.

[Ministry of Food, O.M. No. G—20017/5/96-97—Budget dated 13th December, 1996]

Recommendation (Para No. 4.4)

To minimise losses during post harvest operations, Deptt. 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.

Reply of the Government

To minimise losses during post harvest operations, Deptt. of Food has taken steps for improving techniques of foodgrains storages, pest control and extension work. These are the continuing, programme being implemented by the S&R Division, S&T Division of this Ministry.

[Ministry of Food, O.M. No—G—20017/5/96—Ac Cell dated 18th February, 1997]

Recommendation (Para No. 4.5)

Post Harvest Operations

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.

Reply of the Government

A Committee is being appointed to undertake social auditing of the schemes to assess the actual utilisation by the farmers of all the research work done and impact thereof in reducing post harvest losses.

[Ministry of Food, O.M. No. G—20017/5/96-Ac Cell dated 18th February, 1997]

Recommendation (Para No. 5.3 & 5.4)

5.3. The Committee find that percentage of expenditure spent on plan activities was as high as 95% during the 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, the maximum amount is being spent during last quarter only. One of the reasons indicated by Ministry of Food for higher percentage of spending in last quarter is late receipt of the proposals and the time taken in their screening and finalisation.

5.4. The Committee need not emphasise 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 streamline 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.

Reply of the Government

In respect of Plan Schemes as desired by the Committee, all out efforts are being made to streamline the procedure for receipt of proposals, their screening and finalisation on a regular and timely basis, so that the percentage of expenditure spent in all the four quarters is uniform.

As regards non-plan expenditure, this uniformity cannot be maintained as Food Subsidy to FCI on foodgrains transactions are made after every month on ad-hoc basis after deduction of 5%. This deducted amount along with other amounts that become due are paid to FCI on production of audited accounts in the last quarter of the year. Moreover, many a time Supplementary Demands (final batch) for additional funds are voted by Parliament in the last quarter of the year.

[Ministry of Food, O.M. No. G—20017/5/96-97—Ac Cell
dated 18th February, 1997]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation (Para No. 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 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 of wheat and 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.

Reply of the Government

The open sale of *wheat* in 1996-97 has been 21.2 lakh tonnes (provisional) upto November, 1996. The quantity of wheat sold under the scheme in 1995-96 was 63.38 lakh tonnes. The quantity of wheat to be sold has to be restricted in 1996-97 keeping in view the stock position *vis-a-vis* prescribed buffer stocking norms.

The open sale of *rice* has been 1.98 lakh tonnes (provisional) during 1996-97, upto November, 1996. The absence of organised group of buyers, increased availability of rice in the market following good paddy harvest, lower market prices in States as compared to the prices in open market sale of rice by FCI are the main reasons for lower sale

of rice. Efforts are, however, being made to increase the volume of sale of rice in the market.

[Ministry of Food, O.M. No. G-20017/5/96-Ac Cell
dated 18th February, 1997]

Recommendation (Para No. 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.

Reply of the Government

As a result of various measures taken by the Corporation, the total shortage as percentage of turn-over has come down from 1.90 in 1991-92 to 0.93 in 1994-95. Efforts will be continued to continue this downward trend, particularly reduction of the losses on account of storage.

Vigilance Division of the FCI have been strengthened by forming vigilance squad at the HQ. Deptts./Rail Heads incurring above normal losses have been identified, and regular/surprise checks have been stepped up.

Incidentally, it is mentioned that the number of cases shown during the year 1993 to 1996 are 403, 246, 247 and 268, but the correct number as reported by FCI is 403, 298, 267 and 268 respectively. Further all these cases are not related to pilferages only. These cases are related to mis-appropriation of foodgrains and shortages/transit storage losses.

Regarding action taken by the FCI on all these cases it is mentioned that this is a continuous process and it is difficult to specifically furnish

the action taken in these particular cases. However, nature of penalty imposed during 1993 to 1996 (upto July) is as under:—

| Name of Penalty | | 1993 | 1994 | 1995 | 1996 (Upto July) |
|-----------------|--|------|------|------|---------------------|
| (i) | Dismissal/Removal/ Compulsorily retired. | 10 | 8 | 19 | 11 |
| (ii) | Reduction in rank | 27 | 26 | 19 | 15 |
| (iii) | Reduction in time Scale of Pay | 38 | 28 | 50 | 23 |
| (iv) | Withholding of increment/recovery from pay | 397 | 332 | 252 | 186 |
| (v) | Withholding of promotion | 1 | 17 | 23 | 2 |
| (vi) | Censure | 190 | 164 | 91 | 100 |
| | | 663 | 575 | 454 | 337 |

[Ministry of Food, O.M. No. G-20017/5/96-Ac Cell
dated 18th February, 1997]

Recommendation (Para No. 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 tonne in the needy and distribution areas under mico level requirements of storage space for the next Ninth Five Year Plan.

Reply of the Government

Coordination with Railways has resulted in substantial improvement in the availability of rakes as under:—

| Year | Average Rake/day |
|------|-----------------------|
| 1995 | 17.3 |
| 1996 | 20.5 |
| 1997 | 25.7 (upto 16.1.1997) |

Huge quantities of foodgrains are procured in procurement areas within a short span of about 2 months in the procurement season. The foodgrains so procured are kept in CAP storage which is a scientific and cost-effective method of temporary storage, till their transportation to the consumption areas.

As on 1.10.96 FCI had a total capacity of 238.23 lakh tonnes with utilisation of 48%. Thus, the storage capacity at macro level as on 1.10.96 is sufficient.

For assessing the need for additional storage requirements during the IXth Five Year Plan, Planning Commission had set up a working Group on "Strengthening of Agricultural Infrastructure, Warehousing, Marketing, Packing, Rural Godowns, Rural Markets" under the chairmanship of Secretary, Rural Development. The main Working Group had set up a Sub-Group on "Strengthening of Agricultural Infrastructure" which also assessed the need for creation of additional storage capacity during the IXth Five Year Plan, under the chairmanship of Agricultural Marketing Adviser, Ministry of Rural Areas & Employment. The representatives of Ministry of Food, Food Corporation of India and Central Warehousing Corporation were actively involved in the deliberations in different meetings of this Sub-Group. After considering all aspects, the Sub-Group came to the conclusion that storage capacity available in the country at macro level is sufficient but there is necessity for creation of some additional storage capacity at micro level essentially in the hilly in-accessible and remote areas. It recommended creation of additional storage capacity to the tune of

7 lakh tonnes (including spill over) during the IXth Five Year Plan as under:—

| | | |
|-----|--|---------------|
| I | Hilly/Remote/Inaccessible areas | 4 lakh tonnes |
| II | RPDS areas | 1 lakh tonnes |
| III | Bulk handling capacity at micro level in heavy procurement areas | 2 lakh tonnes |
| | | 7 lakh tonnes |

[Ministry of Food, O.M. No. G-20017/5/96-Ac Cell dated 18th February, 1997]

• **Recommendation (Para No. 3.19)**

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.

Reply of the Government

The utilisation of the loan sanctioned from Sugar Development Fund is being monitored by the concerned State Government in case of Cane Development loan and by Industrial Finance Corporation of India (IFCI) and National Cooperative Development Corporation (NCDC) in case of modernisation loan as per Agency Agreement with these financial Institutions. Loan for Cane Development to Mills is normally released in three instalments and for modernisation in two instalments. Subsequent instalments are released only after the concerned Agency/State Govt. recommends that the pervious instalment has been utilised by the Sugar Mills for the purpose for which it had been released. In case of Cane Development loan, after the utilisation of the full loan amount, the State Government sends on "Impact Report" stating the position of utilisation of the loan and achievement of the physical & fiscal targets & objectives of the project.

[Ministry of Food, O.M. No. G-20017/5/96-Ac Cell dated 18th February, 1997]

Recommendation (Para No. 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.

Reply of the Government

To simplify procedures the Ministry of Food has taken the following steps:—

1. An embargo had been imposed on sanction of fresh State Government Guaranteed Cane Development loan in respect of those States where the Sugar Development. Fund dues recovery was less than 75%. This embargo has now been removed.
2. As recovery of old SDF/LSPEF dues was proving to be a Major bottleneck, preventing sugar mills from availing SDF loan (167 mills as on 30.6.96), the Ministry of Food has created a system by which these dues can be adjusted against the 1993 buffer subsidy claims and differential levy sugar price claims.
3. Ministry has also taken the decision to delink these dues from the buffer subsidy claims, for the current buffer stock created from 9.1.96, with the result that payment made on these claims has gone up substantially, as is clear from the figures given below:—

| Year | No. of Claims | Payment made (Rs. in lakhs) |
|----------------------------|---------------|--------------------------------|
| 1993-94 | 10 | 120.82 |
| 1994-95 | 10 | 146.49 |
| 1995-96 | 78 | 771.92 |
| 1996-97 (as on 6.12.96) | 309 | 2584.00 |

4. Also to expedite payment of Buffer Subsidy Claims the following steps have been taken:—
- (i) Checklist consisting of clear cut guidelines for preparing buffer stock claim was enclosed at the time of issuing circular.
 - (ii) The units are invited time to time to discuss their problem. If any, regarding filing of buffer subsidy claims.
 - (iii) Reminders are being issued regularly for timely submission of Buffer Stock claims/documentation.
5. The SDF Rules have been amended to help the industry to adopt new technology for STM (Sugar Technology Mission) sponsored cases.
6. Calculation of SDF component of the modernisation loan has been simplified further.
7. The private units were finding it difficult to submit open ended Bank Guarantee, the same has now been limited to 99 Months.
8. The validity period of Cane Development loans has been increased from two to four years.

The system in practice, of monitoring of SDF Loans, has been submitted in Para 3.19.

The Ministry of Food sent a team to verify facts in a complaint case. In few cases where the utilisation of the cane development loan has not been as envisaged the amount so involved is also being recovered. Similarly in case of default, the amount is being recovered by revoking the Bank Guarantee. Also Financial Institutions have been fully authorised to initiate legal action against defaulter mills.

[Ministry of Food, O.M. No. G-20017/5/96-Ac Cell
dated 18th February, 1997]

Recommendation (Para No. 5.4)

The Committee need not emphasise 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 streamline 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.

Reply of the Government

Bunching of expenditure in last quarter of the financial year takes place due to the fact that the progress of work generally picks up only during the last two quarters. During the first two quarters, preparatory works are commenced but the bulk of the work is completed only after the monsoon period is over.

All concerned have however been instructed to furnish proposals early to ensure that budget is utilised evenly throughout the year.

[Ministry of Food, O.M. No. G-20017/5/96-Ac Cell
dated 18th February, 1997]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Para 2.58)

The Committee are constrained to note that since 1994, the food subsidy bill has increased by more than a 100 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 and 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 more 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.

Reply of the Government

The Government has decided to revise CIPs from 1st June, 1997. The prices under new streamlined PDS *vis-a-vis* current CIP are as under:—

| | | Rice | | | Wheat |
|-------------------------------------|--------------------------|--------|--------|-----------|--------|
| | | Common | Fine | Superfine | |
| <i>Central Issue Price</i> | | | | | |
| (i) | Below Poverty Line (BPL) | 400.00 | 400.00 | — | 300.00 |
| (ii) | Above Poverty Line (APL) | 600.00 | 700.00 | 800.00 | 525.00 |
| <i>Existing Central Issue Price</i> | | | | | |
| w.e.f. | | | | | |
| 1.2.1994 | | 537.00 | 617.00 | 648.00 | 402.00 |

However, in case any State is ready to implement the new scheme w.e.f. 1.2.97 or any subsequent date, the revised CIP stipulated under the scheme would apply from that date for APL and BPL categories. Till then, the current CIP would continue to apply.

It has also been decided that normally the Central Issue Prices (CIP) of wheat and rice will be about 50% of the economic cost for the *below* poverty line population, and about 90% of the economic cost for the *above* poverty line population. Since every hike in the Minimum Support Prices of wheat and paddy will increase the economic cost of wheat and rice, the new formula for revision of CIP will help in prompter revision of CIP.

[Ministry of Food, O.M. No.-G-20017/5/96-Ac Cell
dated 18th February, 1997]

Comments of the Committee

(Pl. see Para No. 1.8 of Chapter-I)

Recommendation (Para No. 2.60)

The Committee, therefore, strongly recommend that FCI should take expeditious steps to first clear all the older stocks of wheat and rice laying 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.

Reply of the Government

As a matter of policy, FCI issues stocks under PDS/Welfare Schemes on First-In-First-Out (FIFO) principle provided such stocks are of category "A" or "B".

In view of higher levels of procurement particularly during 1993-94 and 1994-95 Rabi/Kharif season, the proposal for having staggered procurement was considered by the Government in February, 1996. It was, however, not approved.

Incidentally, the position has changed considerably since 1994-95. In view of lesser procurement of rice in 1995-96 Kharif Marketing season and of wheat in 1996-97 Rabi marketing season, disposal of stocks through open sale and increased off-take of foodgrains, the stock levels have considerably relieving thus the pressure on storage system.

[Ministry of food, O.M. No. G-20017/5/96-Ac Cell dated 18th February, 1997]

Comments of the Committee

(Pl. see Para No. 1.11 of Chapter-I)

Recommendation (Para No. 2.65)

The Committee also desire that Government should also take measure 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.

Reply of the Government

Building up and/or strengthening of infrastructural machinery to facilitate export is the concern of Ministry of Commerce and Ministry of Surface Transport to whom the recommendations were communicated for implementation.

The Ministry of Commerce have since informed that the Agricultural and Processed Food Products Export Development Authority (APEDA) has already approached the Ministry of Surface Transport for lease of land for construction of a berth on nomination basis and that a proposal in this regard has also been included in the 9th Plan proposals of APEDA.

The Ministry of Surface Transport have also separately advised the Chairman of all major port trusts to approach the newly created

Infrastructural Development Financial company for allocation of funds to strengthen the infrastructural machineries.

[Ministry of Food, O.M. No. G-20017/5/96-Ac Cell dated 18th February, 1997]

Comments of the Committee

(Pl. *see* Para No. 1.14 and 1.15 of Chapter-I)

Recommendation (Para No. 2.67)

As the implementation of Public Distribution System is the Joint responsibility of Central Govt., and the State Govts. it is imperative that Centre and State Govts. 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 inequities 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 Govts. to guarantee a minimum lifting of foodgrains for smooth functioning of the system.

Reply of the Government

The Ministry of CS, CA & PD which is the nodal Ministry for monitoring implementation of the PDS, has been requested to take necessary action to improve implementation including optimum lifting of foodgrains by States/UTs, allotted to them every month.

[Ministry of Food, O.M. No. G-20017/5/96-Ac Cell dated 18th February, 1997]

Comments of the Committee

(Pl. *see* Para No. 1.14 and 1.15 of Chapter-I)

Recommendation (Para No. 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 Estimates of 18.26 crores during 1995-96. The Committee desire that Ministry of Food should impress upon the Planning Commission, 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 been 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.

Reply of the Government

The Ministry of Food had suggested plan allocation of Rs. 65.40 crores in the Annual Plan 1996-97 for construction of godowns by FCI etc. The Planning Commission agreed only for an allocation of Rs. 17.86 crores of which Rs. 4 crores was earmarked for construction of godowns in the 40 RPDS districts. The Ministry of Food requested Planning Commission to review this allocation and agree to raise it to Rs. 30 crores in view of the directive of PMO to have one FCI operative godown (owned or hired) in each of the RPDS districts. The Planning Commission supported the proposal but regretted its inability to increase allocation at that stage.

FCI is making efforts for acquisition of land in the RPDS blocks for construction of godowns. FCI plans to construct 14000 tonnes of storage capacity in the RPDS areas in 1996-97. The plan to cover more RPDS/Districts will be continued in the 9th Five Year Plan.

[Ministry of Food, O.M. No-G-20017/5/96-Ac Cell
dated 18th February, 1997]

Comments of the Committee

(Pl. see Para No. 1.21 of Chapter-I)

Recommendation (Para No. 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 fully, terrain and inaccessible places. The Committee also recommend that

FCI should strive to involve the participation of private agencies in construction activities.

Reply of the Government

As regards the introduction of the state-of-the art technology in construction of godowns and bulk movement of foodgrains, it is pertinent to mention that the modernisation of grain handling, storage and transportation cannot be brought about by setting up some isolated bulk storage installations here and there. It has to be an integrated system right from the procurement stage in the market yards and storage in the collection centres, through an efficient net-work of bulk rail transportation to the distribution centres for storage and subsequent distribution to the deficit areas. In order to accomplish the objective of grain handling in bulk form, radical changes are necessary in the present system in the light of huge capital investment required for having new facilities and infrastructure in place.

The bulk storage installations held by the FCI at various centres are to the tune of 0.5 million tonnes. These are in the form of vertical silos both of RCC and steel construction, large diameter and low height RCC bins, and flat bulk warehouses. All these installations except the low height RCC bins have been provided with mechanised handling facility with capacities ranging from 100 T to 250 T per hour. These installations are intended to receive, handle and store grain in bulk form.

The suggestion that FCI should strengthen the infrastructure machinery and construct conventional storage godowns in consuming States has been noted.

FCI has a total covered storage capacity of 19.64 million MT of which 3.21 million MTs have been hired from private parties, which works out to 16.34% of the total covered storage capacity.

[Ministry of Food, O.M. No. G-20017/5/96-Ac Cell
dated 18th February, 1997]

Comments of the Committee

(Pl. *see* Para Nos. 1.24 & 1.25 of Chapter-I)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT
OF WHICH FINAL REPLIES OF GOVERNMENT
ARE STILL AWAITED

—NIL—

NEW DELHI;
17 March, 1997
26 Phalguna, 1918 (Saka)

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

APPENDIX I

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 17TH MARCH, 1997

The Committee sat from 15.00 hrs. to 16.00 hrs. on 17th March, 1997.

PRESENT

Shri R.L. Bhatia — *Chairman*

MEMBERS

Lok Sabha

2. Shri Shyam Bihari Misra
3. Shri Raj Keshar Singh
4. Shri Nakli Singh
5. Shri Bachi Singh Rawat
6. Shri Vidya Sagar Sonkar
7. Shri Manikrao H. Gavitt
8. Smt. Chhabila Netam
9. Shri Virendra Kumar Singh
10. Shri Syed Masudal Hossain
11. Smt. Sandhya Bouri
12. Shri Ramashray Prasad Singh

Rajya Sabha

13. Shri Onward L. Nongtdu
14. Shri Tara Charan Majumdar
15. Shri Ram Ratan Ram
16. Shri Manohar Kant Dhyani

APPENDIX II

(Vide Introduction of the Report)

Analysis of Action Taken by the Government on the recommendations contained in the First Report of Standing Committee on Food, Civil Supplies and Public Distribution (Eleventh Lok Sabha).

| | |
|--|-------|
| (i) Total Number of Recommendations | 29 |
| (ii) Recommendations/Observations which have been accepted by the Government. Para Nos. 2.57, 2.59, 2.61, 2.62, 2.63, 2.66, 2.68, 2.69, 2.70, 2.71, 3.18, 3.21, 3.22, 3.23, 4.4, 4.5, 5.3, 5.4 (Deptt. of Food) | |
| Total | 18 |
| Percentage | 62.06 |
| (iii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply. Para Nos. 2.64, 2.72, 2.73, 3.19, 3.20, 5.4 (Deptt. of FP & D) | |
| Total | 5 |
| Percentage | 17.24 |
| (iv) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee. Para Nos. 2.58, 2.60, 2.65, 2.67, 2.74, 2.75 | |
| Total | 6 |
| Percentage | 20.70 |
| (v) Recommendations/Observations in respect of which final reply of the Government is still awaited. | |
| | Nil |