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

ELEVENTH LOK SABHA

MINISTRY OF FOOD

DEMANDS FOR GRANTS (1997-98)

FIFTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1997/Vaisakha, 1919 (Saka)

SC
28.3657R
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SUPPLIES AND PUBLIC DISTRIBUTION
(1996-97)

(ELEVENTH LOK SABHA)

MINISTRY OF FOOD

DEMANDS FOR GRANTS (1997-98)

Presented to Lok Sabha on

27 MAY 1997

Laid in Rajya Sabha on

27 MAY 1997



सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April, 1997/Vaisakha, 1919 (Saka)

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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 National Printers, New Delhi.

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

CHAIRMAN

Shri R.L. Bhatia

MEMBERS

Lok Sabha

2. **Shri Shyam Bihari Misra**
3. **Shri R.C. Veerappa**
4. **Shri Gangaram Koli**
5. **Shri Raj Keshar Singh**
6. **Shri Nakli Singh**
7. **Shri Bachhi Singh Rawat**
8. ***Dr. Amrit Lal Bharati**
9. **Shri Chattar Singh Dabar**
10. **Shri Manharan Lal Pandey**
11. **Shri Vidya Sagar Sonkar**
12. **Shri Chhitubhai 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**

*Ceased to be Member of the Committee w.e.f. 21.3.97.

23. Shri D.S.A. Siva 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 Ghufuran Azam
33. Shri Moolchand Meena
34. Shri Vinod 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 | — | <i>Additional Secretary</i> |
| 2. Smt. Roli Srivastava | — | <i>Joint Secretary</i> |
| 3. Shri Krishan Lal | — | <i>Deputy Secretary</i> |
| 4. Shri R.S. Kambo | — | <i>Under Secretary</i> |
| 5. Shri O.P. Arora | — | <i>Assistant Director</i> |
| 6. Shri Hoti Lal | — | <i>Committee Officer</i> |
| 7. Shri Santosh Kumar | — | <i>Reporting Officer</i> |

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

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

INTRODUCTION

1, 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 Fifth Report on the Demands for Grants (1997-98) relating to the Ministry of Food.

2. The Committee examined/scrutinised the Detailed Demands for Grants (1997-98) of the Ministry which were laid on the Table of the House on March 20, 1997.

3. The Committee took evidence of the representatives of the Ministry of Food on 1st April, 1997.

4. The Committee wish to express their thanks to the officers of 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 April, 1997.

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;
28 April, 1997

8 Vaisakha , 1919 (Saka)

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

REPORT

CHAPTER I

INTRODUCTORY

The Ministry of Food is entrusted with the primary responsibility of management of the Food economy of the country. It is concerned with the formulation of policies concerning sugar industry and regulatory and development aspects thereto. The storage, acquisition and construction of godowns for foodgrains and sugar also comes within the ambit of Ministry of Food. It is also responsible for implementation of the scheme of minimum support price to the producers of wheat, paddy and coarse grains and the distribution of foodgrains from the Central Pool. The main functions of the Ministry are as under:

- (i) formulation and implementation of national policies on procurement, import-export, movement, distribution and stocking of foodgrains;
- (ii) provision of storage facilities for the maintenance of Central reserves of foodgrains and promotion of scientific storage;
- (iii) fixation of statutory minimum prices of Sugarcane payable by sugar factories, development and regulation of sugar Industry (including training in the field of Sugar Technology), fixation of price of levy sugar and its supply for PDS and regulation of supply of free sale sugar;
- (iv) entering into treaties and agreements with foreign countries in regard to trade and commerce in foodgrains and certain notified foodstuffs.

1.2 In carrying out its various functions, the Ministry is assisted by its attached and subordinate offices, namely the Directorate of Sugar, National Sugar Institute, Save Grain Campaign Offices, Indian Grain Storage Institute and its field Stations, two Public Sector Undertakings, viz. the Food Corporation of India (FCI) and the Central Warehousing Corporation (CWC).

Analysis of Demands for Grants

1.3 The Demands for Grants of Ministry of Food were laid on the Table of Lok Sabha on March 20, 1997. Demand No. 38 of the Ministry contains the figures of Revenue as well as Capital Expenditure which are as follows:

(Rs. in Crores)

	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>
Charged	0.05	--	0.05
Voted	7733.59	112.24	7845.83

1.4 The details of the Budget Estimates, Revised Estimates for 1996-97 and Budget Estimates for 1997-98 are as under:

	Major Head	1996-97 Budget			1996-97 Revised			1997-98 Budget		
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
REVENUE SECTION										
Secretariat-Economic Services	3451	0.22	6.25	6.47	0.16	6.50	6.66	0.20	7.00	7.20
Food, Storage and Warehousing	2408	2.67	6106.15	6108.82	2.67	6281.65	6284.32	4.24	7722.00	7726.24
	Charged	--	0.05	0.05	--	0.05	0.05	--	0.05	0.05
	Voted	2.67	6106.10	6108.77	2.67	6281.60	6284.27	4.24	7721.95	7726.19
Grants-in-aid to State Governments	3601	--	--	--	--	--	--	0.20	--	0.20
Total Revenue Section		2.89	6112.40	6115.29	2.83	6288.15	6290.98	4.64	7729.00	7733.64
	Charged	--	0.05	0.05	--	0.05	0.05	--	0.05	0.05
	Voted	2.89	6112.35	6115.24	2.83	6288.10	6290.93	4.64	7726.95	7733.59
CAPITAL SECTION										
Capital Outlay on Food Storage and Warehousing	4408	26.68	--	26.68	23.54	--	23.54	27.24	--	27.24
Loans for Consumer Industries	6680	--	68.00	68.00	--	68.00	68.00	--	85.00	85.00
Total Capital Section		26.68	68.00	94.68	23.54	68.00	91.54	27.24	85.00	112.24
GRAND TOTAL		29.57	6180.40	6209.97	26.37	6356.15	6382.52	31.88	7814.00	7815.88

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

Major Head	1996-97 Budget			1996-97 Revised			1997-98 Budget		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
REVENUE SECTION									
Food Storage and Warehousing	2408	--	-82.50	--	-75.50	-75.50	--	-61.43	-61.43
CAPITAL SECTION									
Capital Outlay on Food Storage and Warehousing	4408	--	-8.02	--	-4.88	-4.88	--	-6.30	-6.30
Loans for Consumer Industries	6860	--	-68.00	--	-68.00	-68.00	--	-85.00	-85.00
Total Capital Section		--	76.02	--	-72.88	-72.88	--	91.30	-91.30
Total Recovery		--	-158.52	--	-148.38	-148.38	--	-152.73	-152.73

1.6 The Actual Plan Expenditure on different Heads from 1992-93 to 1995-96 and BE, RE, Actual spent upto December, 1996 for 1996-97 as well as BE (1997-98) are given as under:

Major Head	Actual 92-93	Actual 93-94	Actual 94-95	Actual 95-96	B.E. 1996-97	R.E. 96-97	Actuals upto 12/96	B.E. 97-98
<i>I. Plan</i>								
1. Secretariat	—	—	0.13	0.06	0.22	0.16	—	0.20
2. FCI Investment	21.49	19.00	10.00	18.26	17.86	17.86	13.50	20.00
3. National Instt. of Sugarcane & Sugar Technology Mau	—	—	—	0.12	0.50	0.50	0.16	1.43
4. Others	2.67	1.49	0.12	0.09	8.02	4.88	—	6.30
	0.55	0.44	0.84	1.17	2.17	2.17	0.74	2.81
	0.70	—	0.15	0.19	0.80	0.80	—	0.94
5. Nutrition & other Schemes	0.89	—	—	—	—	—	—	—
Total Sugar Development Fund	31.80	21.02	11.24	19.89	29.57	26.37	14.40	31.88
<i>II. Non-Plan</i>								
1. Secretariat	4.11	4.76	5.05	5.65	6.25	6.50	4.46	7.00
2. Food Subsidy	2800.00	5537.14	5100.00	5377.31	5884.00	6066.00	4146.12	7500.00
3. Transfer to SDF	120.00	200.00	185.00	130.00	130.00	130.00	130.00	150.00
4. SDF Transactions								
(a) Administration	0.97	1.96	1.88	2.40	2.75	2.75	0.07	2.90
(b) Buffer Stock	—	1.21	1.47	7.72	71.25	70.00	36.24	50.00
(c) Grants in Aid	4.52	0.16	1.47	0.29	8.00	2.25	—	7.10
(d) Loans for modernisation	92.78	77.50	13.26	46.06	50.00	50.00	36.08	60.00
(e) Loans for Cane Dev.	17.07	37.78	50.27	9.01	18.00	18.00	12.38	25.00
Others	115.34	118.61	68.35	65.48	150.00	143.00	84.97	145.00
6. Nutrition & others Schemes	7.08	6.49	6.96	8.01	10.15	10.63	6.44	12.00
Total Non-Plan	1.19	—	—	—	—	—	—	—
Deduct Expenditure met from FCI	3047.72	5867.00	5365.36	5586.45	6180.40	6356.15	4371.99	7814.00
Non-Plan Net of Recoveries	115.34	116.65	68.74	65.69	158.52	148.38	46.45	152.73
	2932.38	5750.35	5296.62	5520.76	6021.88	6207.77	4325.54	7661.27

1.7 The Head-wise demands have been discussed in succeeding chapters.

CHAPTER II

FOOD MANAGEMENT

(i) Food Subsidy

Major Head: 2408

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

Subsidy payable to Food Corporation of India on Foodgrains Transactions.

Food Corporation of India (FCI) purchases foodgrains for the Central pool at procurement prices fixed by Government from time to time. These grains are issued to (a) public through public distribution system (b) revamped PDS/ Integrated Tribal Development Projects and (c) for rural employment programme and other relief schemes, at issue price fixed by Government. The difference between the economic cost and the issue price is reimbursed to the Corporation as food subsidy. The economic cost of foodgrains consists of three elements, (1) minimum support price, (2) procurement incidentals and (3) distribution cost. The minimum support price of various foodgrains has increased every year since 1992-93. Similarly, procurement incidentals has also increased. Procurement incidentals consist of statutory charges, cost of gunny bags, labour and transportation charges, storage and interest charges and administrative charges to State Government. Because of cost escalation and inflation cost of all these elements went up. The third element of economic cost i.e. distribution cost consists of freight, handling expenses, storage charges, interest, storage and transit shortage and establishment charges of FCI.

2.2 the details of food subsidy paid since 1988-89 is as under:

<i>Year</i>	<i>Actual release to FCI Amount in crores</i>
1988-89	2200
1989-90	2476
1990-91	2450
1991-92	2850
1992-93	2800
1993-94	5700
1994-95	5100
1995-96	5377
1996-97	6024 (As on 25.3.97)

2.3 The break-up Food subsidy for 1996-97 is given below:

1. Food Subsidy is paid to Food Corporation of India and others for reimbursement of :

(a) The difference between the economic cost of food-grains and their issue prices for undertaking central operations relating to procurement, storage, movement and distribution of foodgrains.

(b) Carrying cost of buffer stocks.

(c) Storage and transport losses.

Total provision (a), (b) and (c)

for 1997-98 is to the extent of

Rs. 5166 crores

2. Subsidy payable on account of sugar subsidy:

(i) Sugar Subsidy to State agencies, FCI, etc.

Rs. 790 crores

(ii) Payment of price differential on account of

the Supreme Court decision in the Malprabha case

Rs. 84 crores

(iii) Additional subsidy for sugar imported in 1995

Rs. 26 crores

Provision for 1996-97 is to the extent of

Rs. 900 crores

Total Food Subsidy 1996-97

Rs. 6066.00 crores

2.4 Sugar Subsidy paid during the last two years in compliance of the Supreme Court judgement are as follows:

1995-96

Rs. 71.68 crores

1996-97

Rs. 66.18 crores

Rs. 137.86 crores

2.5 The Budget Estimates for Food Subsidy for 1997-98 has been plugged at 7500 crores. Important parameters on which the subsidy estimate has been framed for 1997-98 are:

(In lakh tonnes)

	Wheat	Rice
Procurement	127.00	130.00
Offtake	120.00	132.00
Average buffer stock	--	60.29

(Rate per quintal in Rupees)

Purchase cost and procurement incidental (Pooled cost)	550.64	718.69
Distribution cost*	120.99	145.80
Total Economic cost*	671.63	864.49
Sale Realisation (Average)	433.58	625.07
Consumer Subsidy*	238.05	239.42

Details	Distribution cost		Carrying cost
	Wheat	Rice	
Freight	55.25	36.89	--
Handling	17.58	19.62	14.93
Storage	9.58	17.12	53.24
Interest	24.16	56.03	86.24
Administrative overhead	14.42	16.14	12.27
	120.99*	145.80*	166.68*

*Excludes storage and transit losses.

The provision also includes Rs. 500 crores as sugar subsidy to FCI/State Agencies, etc.

2.6 The supplementary Grants for Food Subsidy for 1995-96 and 1996-97 are as under:

1995-96	Subsidy on Sugar	Rs. 250.00 crores
1996-97	Subsidy on Foodgrains & Sugar	Rs. 175.69 crores

2.7 The Economic cost, sales realization, consumer subsidy and carrying cost of wheat and rice are shown in the following table:

Fiscal Year	Foodgrains Subsidy							
	Rupees per quintal							
	Economic cost		FCI/Average Sales Realization		Consumer Subsidy		Carrying Cost	Total Food Subsidy
Wheat	Rice	Wheat	Rice	Wheat	Rice	(Wheat & Rice)	(Rs. crores)	
1991-92	390.79	497.04	251.68	365.58	139.11	131.46	77.55	2850
1992-93	504.10	585.27	279.36	442.40	224.74	142.87	103.65	2800*
1993-94	532.03	665.10	355.88	500.42	176.15	146.68	117.16	5537
1994-95	551.17	694.71	407.89	600.75	143.28	93.96	125.46	5100*
1995-96(RE)	563.57	746.72	415.87	610.70	147.70	136.02	131.44	5343*
1996-97(RE)	618.14	814.70	422.74	622.74	195.40	191.96	144.50	6114*

*Inclusive of sugar subsidy.

2.8 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 Price by correspondingly increasing the Central Issue prices;
- (ii) Higher level of Buffer Stocks due to higher level 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.

2.9. When asked during evidence the reasons for quantum jump in Food Subsidy Bill, the Secretary FP&D stated as under:

"so far as food subsidy is concerned, it will be seen that the main reason for changes in the food subsidy arises from the fixation of MSP, the price given to the farmers and the fixation of the Central Issue Prices at which we give it to the States. The difference between the two largely accounts for the subsidy since there has been no change in the CIP since February, 1994, you will see that the food subsidy has been going up."

2.10 Secretary (Food) explaining the subsidy outgo on sugar supplemented as under:

"There are two kinds of subsidies. One is the general subsidy on sugar on account of difference between in the ex-factory price and the consequent purchase price of levy sugar and the issue price which has already been reflected. I think Rs. 500 crores has been provided for in this year's budget."

2.11 Asked whether the Ministry has made any provision in the budget 1997-98, for payment of price differential accrued on account of court decision (Malaprabha Case), the representative of Department of Food clarified:

"Our own calculation seems to suggest that whatever we have worked out earlier may not be upset by the recent court judgment. This is the reason because we have cleared most of the cases and we have hardly anything which is required to be paid. *Prima facie*, our position is that the difference is not going to be anything much on this account. If there is a small amount, that can be adjusted from the total Budget subsidy."

(ii) Procurement of Foodgrains

2.12 The Procurement of foodgrains is one of the Central pillars of food policy. It serves the twin purposes of providing remunerative price of farmers there by avoiding chances of distress sale of foodgrains at price below support price fixed by Govt. and also enthuse the farmer to increase production and build public stocks of foodgrains. Procurement operations are carried out by FCI and State agencies. The quantities of Rice and Wheat procured for Central Pool during the last three marketing seasons are as under:-

(Figs. in lakh tonnes)

Marketing Year	Rice (Including paddy in terms of rice)	Wheat
1994-95	134.03	118.69
1995-96	98.79	123.27
1996-97	94.23*	81.82**

(*upto 5.3.1997)

(**upto 3.3.1997)

2.13 Minimum Support Prices fixed by the Government for procurement of wheat and paddy during the last three marketing seasons are as under:—

(Rate: Rs./per qtl.)

Year	Paddy			Wheat
	Common	Fine	Superfine	
1994-95	340	360	380	350
1995-96	360	375	395	360
1996-97	380	395	415	380

2.14 Procurement prices of wheat, paddy and coarsegrains fixed for the year. 1996-97 Rabi/Kharif Marketing Season were as under:—

(Rs. per qut.)

Commodity	Procurement Price
Wheat	380.00
<i>Paddy</i>	
Common	380.00
Fine	395.00
Supefine	415.00
<i>Coarsegrains</i>	
Jowar, Ragi and Bajra	310.00
Maize	320.00
Barley	295.00

2.15 Procurement prices of wheat and barley for the forthcoming 1997-98 Rabi Marketing Season have also been fixed at Rs. 415.00 and Rs. 305.00 per quintal respectively.

2.16 Asked what contingent plan have been drawn to step up Rabi procurement operations, the Minsitry in a note submitted to the Committee stated that the rabi marketing season normally starts from 1st of April every years. With a view to maximising procurement and extending the benefit of the new Minimum Support Price (MSP) to the farmers, it has been decided that the procurement season this year (1997) would start from 17th March, 1997. In a meeting of Food Secretaries of wheat procuring States held on 29.1.1997, arrangements for procurement in the forthcoming season were reviewed. The need for opening of adequate number of procurement centres, publicity about the minimum support price operations, quick payment to the farmers and effective control and monitoring system to check distress sale have been emphasised.

2.17 In order to maximise procurement of rice for Central Pool, the Central Government took a decision not to allow exemption from levy on any variety of non-basmati rice in the kharif marketing year 1996-97. In order to encourage

collection of more rice through levy in 1996-97 season, the Central Government announced an increase in the price of levy rice in the range of 8 to 9% as against the increase of 5 to 5.5% in the Minimum Support Price of paddy. This has resulted in collection of a total quantity of 98.27 lakh tonnes of rice for Central Pool as on 21st March, 1997, as against 80.06 lakh tonnes on the same date in the previous marketing season.

2.18 Elaborating the various steps that Government have taken to reach farmers for undertaking procurement operation, the Secretary (FP&D) informed:

“As regards the publicity of Minimum Support Price, I would like to submit that whatever price is fixed, we publicise it through television, radio and newspaper. We have also asked that the MSP should be mentioned at every market. The farmers also face a problem regarding that quality of rice and wheat. They bring the foodgrains on tractors and then they are told that the foodgrains is not of proper quality. For this, along with MSP, we also instruct them about the quality of the foodgrains that it should be properly dried and leaned out and give information through television and newspapers in this regard. We have also asked the State Governments to inspect the markets before the start of procurement season to see whether all the facilities are available there. You have given a valid suggestion and we are paying attention on it. The farmer should get proper price in time and the quality and weight of the foodgrains is also not affected. We take all the measures for the welfare of the farmers. This year we have given instructions that in smaller markets, payments should be made the same day. If the farmer brings his foodgrains in the morning, his payment should be cleared by evening. This will not possible in big markets like Karnal and Khanna. There are the payment will be made in 48 hours.

2.19 When asked what steps Government propose to take for operating minimum support price schemes in non-traditional areas such as Bihar, Bengal, Assam etc., Secretary (FP&D) clarified:—

“I would like to tell you about procurement. The Central Government and we made a lot of efforts to start procurement in the entire state and if not possible, especially in surplus and command areas. You will be happy to know that we had a meeting with the Food Minister in November December last, where it was decided to open 100 centres of FCI at Gandak, Chandan Bahua etc. Only 370 tonnes of foodgrains was procured there. Even then, we have given orders that all the expenses incurred on the staff there will be born by us, but we should also get foodgrains for procurement. We also want to go in the field. If the FCI is not so active at any place, we are ready to do this work through NAFED in Bihar, Bengal, Assam and at all the places wherever there is no procurement. This will be in our benefit, because then we will not have to send foodgrains from Punjab. But inspite of all our concern, this did not happen. I would request the hon'ble members to help us in this regard.”

Procurement of Coarsegrains

2.20 It is the committed policy of Government to provide foodgrains at reasonable prices to vulnerable sections of society. As open market prices of coarsegrains generally rule much higher than minimum support price, not much of coarsegrains is procured. The price differential between coarsegrains and other grains is substantial. When the Committee desired to know whether Government propose to raise the prices of coarsegrains in order to check diversion of foodgrains from PDS to open market, the Ministry in a note furnished to the Committee stated as under:—

“Coarsegrains are procured mainly in the Western States under price support. There has been no procurement of coarsegrains during 1995-96 and 1996-97 kharif marketing season. In the current marketing seasons, only a quantity of 9433 tonnes of coarsegrains have so far been procured. The reasons for such small procurement of coarsegrains are short shelf life of coarsegrains and market prices generally ruling higher than the MSP. The State Govts. have been requested to procure coarsegrains at MSP for local distribution within the State. In view of small procurement of coarsegrains for Central Pool and the fact that coarsegrains are command mostly by the poorest sections, it has not been necessary to effect any revision in its Central Issue Prices.”

(iii) Buffer Stocks

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

2.22 The Government in December, 1990, fixed the level of minimum stocks to be maintained by the public agencies on different dates of a year as under:—

(in million tonnes)			
<i>Date</i>	<i>Wheat</i>	<i>Rice</i>	<i>Total</i>
1st April	3.7	10.8	14.5
1st July	13.1	9.2	22.3
1st October	10.6	6.0	16.6
1st January	7.7	7.7	15.4

2.23 The position of food stocks (wheat and rice) in the Central Pool continued to be comfortable during 1996-97 (upto September '96) and remained in excess of minimum norms laid under buffer stocking policy. Thereafter, the stock of wheat went down lower than the buffer stock norms, even though the total stock of wheat and rice taken together remained above the norm. The following table gives provisional stock position in the Central Pool *vis-a-vis* minimum buffer norms.

(in million tonnes)

Date	Wheat		Rice		Total	
	Actual Stock	Minimum Buffer norms	Actual Stock	Minimum Buffer norms	Actual Stock	Minimum Buffer norms
1.1.1996	13.15	7.7	15.41	7.7	28.56	15.4
1.4.1996	8.17	3.7	13.97	10.8	22.14	14.5
1.7.1996	13.95	13.1	12.88	9.2	26.83	22.3
1.10.1996	10.36	10.6	9.34	6.0	19.70	16.6
1.1.1997	6.90*	7.7	12.94*	7.7	19.84*	15.4

*(Provisional)

2.24 The actual stock position of foodgrains (Wheat and rice) on different dates from 1989 to 1997, monthwise is given in Annexure-I.

2.25 When the Committee enquired about the prospects of procurement of wheat in view of dwindling food stocks, Chairman, FCI deposed as under :

“If the production is what is expected today and if God is kind and nothing adverse takes place in the next 20 days or so, the production in Punjab and Haryana is going to be very high. Our expectation is even that if there is no revision of MSP the procurement is not going to be less than 4 to 5 million tonnes. If production is more than our expectation, then the procurement could even exceed six million.

As on 1st April, we estimate that our stock position will be somewhere around 2.7 million tonnes. Our buffer norm lays down that it should be 3.7 million tonnes. That means we shall have about one million tonne less than what we ought to have as on 1st April, 1997. The PDS requirement alone would be of the order of eight million tonnes and if there is offtake of that volume, then we should have at least a procurement of the order of about 10 million tonnes so that it can take care of the requirement during the current year. It takes care of one million tonnes shortfall and also one million tonnes extra to play with other schemes and so. Last year the production which the Agriculture Ministry has stated, was of the order of 62.5 million tonnes as against a little above 65 million tonnes the year before. Our expectation is that on the country basis the production this year is going to be of the order of 65 to 66 million tonnes. That was the latest estimate which was formed out some time in the middle of March when there was a meeting with the Chief Secretaries of the four major wheat growing States from where the procurement is size able. Indications are that in Punjab and Haryana, the things are a little better. If the production in Punjab and Haryana goes beyond our expectation, then there is no way that procurement would be less than six million tonnes, but if it remains that level or below that and if the MSP is not revised, then, in that case, our estimate is that we will end up with about 4 to 5 million tonnes. Haryana may give another 1.8 million tonnes or so.

Looking to the scenario in Madhya Pradesh where it is less than average production, the prices have come down drastically in the last one week. A situation may emerge in Punjab and Haryana and the northern portion of Rajasthan that prices by the middle of April may come down to something like Rs.500 or may be even below that. That will be a very encouraging sight for us. So, we are prepared for 10 million tonnes of procurements. But we have to contend with whatever is the emerging situation”.

2.26 Asked whether Government intend to debar traders, middlemen from procurement operation, as they tend to hoard and artificially jack up the prices in the market, Secretary (FP&D) avered:—

“At the moment, the Government is not for monopoly purchase. I am using the word ‘monopoly’ consciously. It is a scheme of minimum support to the farmers. At the moment, the Government does not probably intend to create a monopoly for the FCI or for the State Food procuring agencies. This may discourage the farmers. If the support price is such and the farmers are not getting their price, then there is a fall back position. The farmer has made this much of investment and he must get that much of return.

So far as the interests of the consumers as against the interests of the hoarders are concerned, the MSP should always be productive enough. There was enough procurement. At times, it was more and the FCI procured. But in a year of shortage or in 3 year of drought when the crops have failed this situation can arise which had arisen last year to some extent which the Hon’ble Chairman has mentioned. We did get in touch with the two major wheat and rice producing States as to what could be done to discourage these tactics. They are against any restriction especially on the trade of wheat and rice.”

2.27 Asked what steps Government propose to take to restrict traders in procuring foodgrains, he further added :—

“We have taken steps in that direction. We had removed all controls in September, 1994 because of the difficulty pointed out by the Hon’ble Committee and the Chairman. That order has been withdrawn and the States have been given power that if they so like, they can introduce stock limits, and most of the States have now done it, except Punjab, U.P. has done it. Rajasthan has done it. Madhya Pradesh has done it. If they want, they can have restrictions on movement also. But instead of doing it from the Central Government, we have tried to involve the State Governments. If they like, they can review the situation at their own level and if the situation so demands, they can introduce our policy of September, 1994 which has been withdrawn.

Most of them have done it. Punjab has not done it because they feel that because of a lot of surplus, their farmer will be getting a raw deal if they do it”

2.28 Supplementing further Chairman, FCI stated as under :

“The capacity of the trader or the miller to buy in large quantities in terms of lakhs of tonnes is just not there because the amount of money which is involved and the amount of transportation which is involved are enormous. One lakh tonnes means hundred of crores of rupees. How will he generate so much money?”

As a matter of fact, if we look at the profile of last year what we will find is that the FCI because of its operations and because of the open sale which we had started in 1993 and to some extent in 1994 and 1995, the trader has been marginalised. The percentage of mandi arrivals which had been purchased by other than FCI had come down to even 3 to 5 per cent in the year before last. Earlier it used to be of the order of 14 to 15 per cent. Now our PDS for which the FCI is mainly responsible, caters to only a proportion of the total consumption needs in the country. Therefore, there has to be an outlet which can maintain the balance. If the volume of trade is totally disrupted, this creates an imbalance in the system, and much of what has happened last year was perhaps the cumulative effect of the last two-three years. The question then arises that if already the prices are high, if the traders are also and the millers are also buying, then what will FCI do? I can agree that it is a matter which requires deep consideration, but, at the same time, are we prepared to change the role of procurement to some sort of a monopoly procurement or even canalised type of procurement?

Once we say that millers will be there but traders will not be there, we are making a distinction. How is the miller going to purchase? He will not purchase directly, he will purchase through his agent.

I shall beg to submit that this will be a discrimination between two classes of private purchasers, whether they are purchasing on behalf of X, Y or Z. Supposing millers take away some portion and the FCI takes away the balance, how is the general public which does not depend on the PDS, going to get wheat?”

(iv) Import of Wheat

2.29 In view of the fact that the production of wheat in the country during 1995-96 and procurement of wheat during 1996-97 were lower by 3.1 million tonnes and 4.1 million tonnes respectively and that the prices were rising. Government, in December, 1996, decided to import upto 2.00 million tonnes of wheat to augment availability of wheat in the country. Upto 14th February, 1997 STC has executed contracts for import of wheat to the tune of 17.54 lakh MT from

Australia, Canada and Argentina including exercising supply of 5% more quantity as per details given below:

	Date of Contracting	Source	Quantity (Lakh Mt)	Price (US \$) Per Mt	
1.	10.12.96	Australian Wheat Board	10.00	148	(FOB)
2.	11.12.96	Canadian Wheat Board	2.50	152.50	(FOB)
3.	31.1.97	Australian Wheat Board	1.25	156.00	(FOB)
4.	4.2.97	Argentina	1.00	173.00	(C&F)
5.	14.2.97	Australia Wheat Board	2.00	156.00	(FOB)
			16.75		
			+ .79		
			17.54		

2.30 The landed price of imported wheat is Rs. 6.22 per kg. whereas procurement price has been fixed at @ Rs. 415 per quintal. This development has not enthused the farmers to contribute their marketable surplus in Central Poo. Asked whether any crisis management strategy has been evolved, Secretary, (FP&D) clarified:—

“It is a very difficult question because some of the proposals are at the highest levels. I cannot say what will be the final decision. But so far as the contingency plan is concerned, the Government is fully aware of all the possibilities.

Ten lakh tonnes of imported wheat will be arriving by the end of March 1997. The STC has also contracted against 1996-97 decision for about 17.4 lakh tonne, that is about six lakh tonnes will be procured by April, 1997. That will all be there in the market.

So far as the decision to import during 1997-98 is concerned, the Honourable Finance Minister had assured the House that if there was any necessity the Government would not hesitate to import. But probably the imports cannot take full care of our requirement. Nor will the government like that our full domestic requirement should be met by imports possible should be done to motivate the farmers to off-load their wheat. All MSP programmes should be seriously taken up. There have been high level discussions. I do not want to go beyond that. There were discussions at the executive level and at the political level. Something may come out of them.”

(v) Movement of Foodgrains

2.31 Smooth movement of foodgrains from surplus regions to deficit areas in the country is a decisive factor in the efficient food management of the country.

Since surplus lies mainly in far North West. (Mainly Punjab & Haryana) of the country while deficit areas are spread all over average distance between surplus and deficit areas is of the order of 1500 kms. the Corporation is almost entirely dependent upon the Railways. Transportation by roads, therefore, cannot contribute much in this regard. The Corporation therefore, undertakes approximately 93% of movement by rail.

2.32 The average daily demand and supply of specials during the last few years is indicated below:

Year	Average daily demand of rakes		Average rakes supplied		Total rakes	
	Northern Sector	Other Sectors	Northern Sector	Other Sectors	Demand	Supply
1993-94	19.1	9.5	15.8	9.2	28.6	25.0
1994-95	18.7	9.3	13.4	8.2	28.0	21.6
1995-96	25.0	11.0	17.8	6.0	36.0	23.8
1996-97	29.2	7.9	21.6	6.3	37.1	27.9

2.33 The above table would indicate that there has been a steady increase since 1994-95 in supply of specials for movement of foodgrains. This has helped immensely in evacuating the surplus foodgrains which had been lying in the North for the past few years. For the past six months, the average daily supply of rakes has been as much as 33 rakes with 24 from Northern Sector and 9 rakes from other sectors. Concerted efforts by the Corporation and the Railways have enabled them to come up to the expectations in largely meeting the emergent demands of the deficit States.

2.34 The Movement Plan for each region is formulated by the Corporation every month. Stock available in the godowns at the beginning of the month is taken into account to avoid criss-cross movement. In some cases, secondary movement becomes inevitable on account of inescapable factors like labour problem, agitation of truckers or law and order problems, non-availability of rakes for movement to specific areas etc. Since the corporation has also to keep buffer stocks, movements in such circumstances are made to the huge buffer complexes maintained by the corporation. The railways are able to give more specials for Gujarat and Maharashtra. While this has helped to clear the surplus in the North, it has resulted in certain secondary movement of transportation to the consuming areas. The position is monitored at the top management level by elaborate discussions with the zonal managers and Senior Regional Managers in monthly meeting chaired by Chairman, FCI, and addressed by Managing Director and other Executive Directors etc.

2.35 Close coordination is also maintained with the Railways in respect of these items as the plan which is made for movement of next month is sponsored by the Railways after due deliberation taking into account their potential of supplying rakes. Department of FP&D also coordinates with Railways and FCI at appropriate level.

2.36 Thus, though the problem of shortage of wagons and allied problem of movement exist on account of capacity constraints of railways, increasing the carrying capacity of the Railways on the congested routes/terminals is the main corrective measure.

2.37 When the Committees asked about the corrective measures taken to improve smooth movement of foodgrains, the Secretary FP&D stated as under:—

“You will be very happy to note that there has been a substantial improvement in the movement of foodgrains by the railways. Two years back, it used to be only 14 rakes per day on an average which was brought to 19 last year and this year we are ending with about 21 to 22 rakes per day. Similarly, there is an improvement in the quantity of foodgrains moved. This year for PDS foodgrains alone, we shall be moving around 20 million tonnes of wheat and rice and this apart, there will be certain other items meant for open sale and for other welfare schemes. There has been a tremendous improvement because of the coordination with the Railways. There is no officer of the railways in the Ministry. There used to be a weekly meeting between me and the Member (Traffic) Railway Board. There used to be almost a daily coordination meeting between the Executive Director (Traffic) of FCI and the Executive Director (Traffic) of Railway Board and representatives of this department. It has given very good results.

You will also be happy to note that there has been a record achievement in the movement of foodgrains to the south. At the moment we are moving seven to eight rakes per day. Their maximum was eight. Now because of Balharshah construction, they are almost reaching that level. So far as the four southern states are concerned, viz. Tamil Nadu, Kerala, Karnataka and Andhra Pradesh, we are moving almost 15,000 to 16,000 tonnes per day”.

2.38 Asked how does the Government propose to ensure that imported wheat is moved expeditiously from ports to consuming areas, the Secretary (FP&D) stated:—

“Because of the imported wheat, the whole of the coastal States will now be served except some portion of Maharashtra, etc. and the imported wheat has been substantial. So far as the movement plan is concerned, a task force has been created under my Chairmanship in which the Railway Board is represented, the Port Authorities are represented and the FCI people are represented and we used to meet almost every month to take into account as to what goes on when the ship is arriving, when it will be unloaded and the wheat will go to what destination. Up-till-now, we have not come across any major problem. I would like to say only one thing that the total number of rakes required will not go down. Only the number of rakes required for movement from Punjab and to the South will go down. Only the structure will change. It is not from the North but from South to South or Western Coast to the inland areas of India. We had asked the FCI

to look into it whether the movement has been made directly from the ports. There was a lot of practical problem. The Port Authorities are not willing to allow the private contractors to enter into the security zone of the ports. Then, finally it was found that probably FCI will have to move wheat from the Port areas to their own godowns and thereafter to the Railways and then to the destinations. Take for example, when we take JNPT, there it arrives in bulk. It was bagged there and then taken over to the nearest FCI depot and from there, it was moved to the destination.”

2.39 When the Committee asked whether FCI has drawn any plan to move the stock directly from mandis to consuming areas, the Secretary, Food Procurement and Distribution informed as under:

“So far as taking foodgrains from the mandis directly to the consuming area is concerned, this is not happening on a very large scale because it is very difficult to coordinate. When the wheat arrives, it arrives in heaps and mountains. Probably, so many rakes cannot be provided for that. Khanna can very hardly handle one rake per day. If the arrival is 40,000, then probably, it will not be able to handle. We have to shift it to the nearest FCI godown and thereafter, depending on the availability of the rakes by the Railways, move it to the consuming areas.”

(vi) Distribution of Foodgrains

2.40 The foodgrains are distributed to States and/or their nominees, under following programmes/schemes:

(a) Public Distribution System

2.41 FCI makes available stocks of foodgrains at the nearest consuming centres for running the PDS by the State Governments. The monthly allocation and the Central Issue Price are fixed by Government of India. In most of the States, stocks are lifted by the State Government or their nominees such as State Civil Supplies Corporation, Wholesalers, etc., for further issue to the FPS Dealers. The scale of ration and consumer issue price are decided by the concerned State Governments.

2.42 The allotment and lifting of wheat and rice under PDS and 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	11.5	9.3	20.7	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
1996-97	7.8	6.0	11.2	8.2	19.0	14.2

2.43 When the Committee asked the inequitous relationship between allocation and lifting of foodgrains, Secretary FP&D stated:

“Posting of wheat in the market is the main reason behind it and holders do not have a capacity of more than four months. If we accept these two points, then the main reason behind this appears to be that wheat was not available in the market in required quantity. So far as PDS is concerned, we have raised the allocations from 60 lakhs tonnes to 85 lakhs tonnes. But if their requirement is for marriage and for any other purpose they have to buy from the market.”

2.44 He further added:

“I will like to quote an instance of a wheat lifting of rice only 10 per cent. It is not possible to keep on increasing the allotment. Allotment was increased in 1996-97 and accordingly, lifting has also increased. Several times, there is shortage of wheat and rice with FCI. The need is for common rice, but there is availability of fine rice. There was 71-72 per cent increase in rice and wheat in 1996-97. During 1996-97 near about 11 1/2 to 12 million tonnes of rice and 8.5 million tonnes of wheat was lifted through PDS.”

2.45 When the Committee enquired the reasons for non-lifting of grains substantially even during the period of wheat crises, the Chairman FCI stated:

“For the month of January, 1997 the off-take was of 867 lakh tonnes as against the allocation of 920 lakh tonnes. In 1994-95, the off-take was 45 to 50 per cent, as you have noticed. As far as wheat is concerned, on average basis, the off-take upto November and December, 1996 went upto 75 per cent. Even after December, it is still going on. It cannot be cent per cent as it is not possible operationally.”

2.46 Secretary FP&D elaborating the procedure adopted by Government in releasing food stocks to States, deposed as under:

“We adopt a very sympathetic attitude towards the State Governments in this regard. We give them a period of 60 days for lifting. Besides that FCI officials also do have discretionary powers. If stock is not available with FCI, even then a time of 15 days is given. If there is strike or any other problem, even then extension of some days is given. In North-East, where there is problem of transportation extension of two months is given. Although, we are not much liberal in this regard. There will be no account, if we now giving the rice that was due three months back. Ration card holders are not aware that the stock has gone to market. So, these facts are kept in mind while giving extensions. No one is going to consume the double quantity of rice in one month. He will consume according to his general need.”

2.47 When the Committee wanted to know the reasons for disproportionate allocation during harvesting as compared to lean season, the Secretary (FP&D) clarified as under:

“In the month of April, we ask every State how much allocation will be needed for each month. There is an average requirement of 2 lakh 10 thousand tonnes of rice in Andhra Pradesh, but we do not allocate that much. When new stock comes, 1.60 lakh tonnes of rice is given which gradually increases to 2.20 lakh tonnes. Similarly, there is difference in allocation to West Bengal. Sometimes 80 thousand tonnes of wheat is allocated and some time it is increased to 1.10 lakh tonnes. Besides this, several other States say that more allocation should be provided to them.

On the policy front we shall welcome your suggestion that during the harvesting period the allocation should be less and during the lean period the allocation should be more.

According to our policy, PDS in every area should have a stock of two months and in emergency, it should be of 30 days. If a State has a stipulated allocation of one lakh tonnes, it is our efforts to send two lakh tonnes of stock there. But we do not provide for the year at a time. We issue orders two months before. The stock for the month of April will be given in February so that it is lifted within the next 60 days.”

(b) Revamped PDS

2.48 The scheme was introduced from June 1992 through which the identified 1775 blocks were made benefited with a reduced price of Rs. 50 than the PDS. These blocks were inclusive of earlier ITDP (Integrated Tribal Development Programme) blocks where the foodgrains were issued at specially subsidised rates since 1985-86. The fair price shops operating in RPDS areas is reported to be 1,02,264 out of which 54,500 FPSs have been brought under the door stop delivery scheme. The details of offtake during 1992-93 to 1995-96 and 1996-97 (Upto Dec., 96) are given as under:

(Fig in million tonnes)

<i>Year</i>	<i>Wheat</i>	<i>Rice</i>	<i>Total</i>	
1992-93	1.53	1.97	3.50	
1993-94	1.78	2.37	4.15	
1994-95	1.79	2.57	4.36	Provisional
1995-96	1.62	2.68	4.30	Provisional
1996-97	1.70	2.36	4.06	Provisional

2.49 Wheat and Rice are being distributed under RPDS at the following rates w.e.f. 1.2.94:—

	(price per quintal)		
	Central Specially Issue Price Under PDS	End Subsidised Central Issue Price for the RPDS Areas	Retail Price Under RPDS
	Rs.	Rs.	Rs.
Rice			
Common	537.00	487.00	521.00
Fine	617.00	567.00	529.00
Superfine	648.00	598.00	623.00
Wheat	402.00	352.00	377.00

(c) *Jawahar Rozgar Yojana*

2.50 During the Seventh Five Year Plan (1984-85 to 1989-90) two wage employment programmes *viz.* National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Scheme (RLEGP) were in operation in the country. From April 1989 (i.e. last year of the Seventh Plan) both these programmes were merged into a single rural employment programme known as Jawahar Rozgar Yojana (JRY). The primary objective of the JRY continues to be the generation of additional gainful employment for the unemployed and under employed persons in the rural areas. Under the scheme, 90-100 days of employment per person in backward district are provided. People below the poverty line constitute the target group under the JRY. Preference is given to the members of scheduled castes and scheduled tribes for employment. 30% of the employment opportunities under the Yojana are expected to be earmarked for women.

2.51 Government of India, Ministry of Rural Areas and Employment has introduced the scheme and the foodgrains are being released on payment basis at the Central Issue Price fixed by the Government of India, Ministry of Food from time to time. Details of allocation *vis-a-vis* lifting during the year 1992-93 onwards as under:

Year	Wheat		Rice	
	Allotment	Lifting	Allotment	Lifting
1992-93	6.50	2.02	5.50	0.80
1993-94	6.50	1.49	5.50	1.16
1994-95	6.35	1.43	4.81	0.78 (P)
1995-96	7.04	0.81	5.90	1.19 (P)
1996-97	3.58	0.36	3.00	0.25 (P)

(Figs. in lakh tonnes)

(d) SC/ST Backward Class Hostels

2.52 Government of India has introduced a scheme for release of wheat and rice to SC/ST and Backward hostels at the rate applicable for revamped Public Distribution System i.e. Rs. 50 per quintal less than the PDS. The details of quantities allotted/lifted by the State Governments/UTs are as under:

(Fig. in '000 tonnes)

Year	Allotment			Lifting		
	Wheat	Rice	Total	Wheat	Rice	Total
1994-95 (Oct-March)			84*	0.8	30.0	30.8
1995-96	74	171	245	4	99.8	103.8
1996-97			245	3	81.0	84.0

(e) Foodgrains to below Poverty Line Families

2.53 This scheme was introduced by Government of India for release of wheat and rice to small food processing units run by the families which are below poverty line at the rate Rs. 100 per qtl. lower than the PDS. The allotment is 5.00 lakh tonnes per annum for five years. The details of quantities lifted are as under:

(Fig. in '000 tonnes)

Year	Lifting	
	Wheat	Rice
1994-95	2.24	0.50
1995-96	8.10	7.90
1996-97	5.00	10.00

(f) Mid-day Meal (National Programme of Nutrition Support to Primary Education)

2.54 The Government of India have introduced Mid-Day Meal Scheme National Programme of Nutrition Support to Primary Education in Primary Schools in 2368 Employment Assurance Scheme (EAS)/Revamped PDS Blocks/Low Female Literacy Block w.e.f. 15th August, 1995. Under the scheme every child be entitled for 3 kgs wheat/rice per month @100 grams per day. The foodgrains are issued by FCI to the nominees of the District Collectors without charging any cost from them. However, FCI raise monthly bills for claiming the economic cost of foodgrains supplied to each State/UT during the month. Strict instructions have been issued to the issuing authority that good quality of foodgrains be issued under the scheme. During 1995-96 a quantity of 1.92 lakh tonnes of wheat and 3.43 lakh tonnes of rice totaling 5.35 lakh tonnes was issued under this scheme. During 1996-97 (Upto Dec. 96) 6.87 lakh MT issued out of which 2.60 lakh MT is wheat and 4.27 lakh MT is rice.

(g) Nutrition Programme

2.55 The scheme of wheat-based nutrition programme was launched w.e.f. November 1986. This scheme of nutrition enables to provide supplementary nutrition to the children upto 6 years of age and expectant/nursing mothers in various States. Under the scheme, the wheat is used for preparing various foods including Ready to Eat nutritious food for use in school feeding programme. The scheme has been formulated, implemented and monitored by the Department of Women and Child Development. The requirements of foodgrains meant for this scheme are allotted by the Ministry of Food. Since 1986-87 a quantity of 1.00 - 1.15 lakh tonnes of wheat has been allotted to Department of Women and Child Development. During 1996-97, a quantity of 1.5 lakh tonnes of wheat has been placed at their disposal. The wheat is supplied to them at the Central issue price prevailing from time to time.

2.56 The off-take under the scheme had been as under during 1992-93 to 1996-97:

(in lakh tonnes)	
Year	Quantity Lifted
1992-93	0.94
1993-94	0.37
1994-95 (P)	0.67
1995-96 (P)	0.70
1996-97 (P)	0.78

(h) Open Market Sale Scheme for (Export)

2.57 Ministry of Food permitted, FCI to export or sell for the purpose of export a quantity of 2.00 million tonnes of rice and 2.5 million tonnes of wheat during the year 1995-96. The period was extended upto 30.6.96. The ceiling fixed for rice was subsequently increased from 2.00 million to 3.00 million tonnes. Government of India, Ministry of Food has also constituted a high level committee consisting of the Chairman and Managing Director of FCI, representatives of Ministry of Finance, Department of FP&D and Railway Board as members to examine all aspects including price, modalities of allocation etc. and decide/recommend to the Ministry of FOOD, (Deptt. of FP&D) for final decision on these matters.

2.58 Within the above authorisation, Ministry of Food has authorised FCI to export/or sell for the purpose of export, 5.00 lakh MTs each of wheat and rice (fine and superfine) during the year 1996-97 including carry over commitments of 1995-96.

2.59 The following quantities of wheat and rice were sold during the years 1995-96 and 1996-97 (upto 31.12.96)

(Fig. in million tonnes)

Year	Commodity	Authorisation Ceiling	Qty. Allotted	Qty Lifted
1995-96	Non-durum Wheat	2.50	0.50	0.08
	Rice*	3.00	1.60	1.50
1996-97 (Upto 31.12.96)	Non-durum Wheat	0.50	0.50	0.40
	Rice*	0.50	0.06	0.05

*Only fine and superfine varieties.

(i) *Open Sale (Domestic)*

2.60 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 Government of India permitted FCI to undertake open sale of wheat and rice w.e.f. October, 1993 and January, 1994 respectively. Open market sales are being effected at the prices fixed for various States/Centres within ceiling on month to month basis. While offtake of wheat under open sale has been quite substantial, the sale of rice has been rather poor. During the year 1995-96 the open sale of wheat was to the tune of 63.38 lakh tonnes and that of rice to the tune of 6.37 lakh tonnes.

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

2.62 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)	63.38	6.37
1996-97 (P)	36.33	2.37

2.63 With the approval of CCEA, FCI has been authorised to sell 55 lakh tonnes of wheat in open market for domestic use 1996-97. Keeping in view the lower procurement of wheat and increased offtake under PDS. FCI has been

directed that it should plan domestic open sale of wheat during 1996-97 in such a way that the total sale under the scheme does not exceed 45 lakh tonnes. However, the Ministry is prescribing monthly ceiling which is as under:

	(Quantity in lakh tonnes)
July 96	4.00
August, 96	3.50
Septemeber, 96	4.00
October, 96	4.00
Novemeber, 96	5.00
December, 96	6.00
January, 97	6.00
February, 97	6.00
March, 97	6.00

2.64 Expressing the concern over non-availability of Railway wagons for expeditions movement of foodgrains specially under PDS and open sale scheme, when the Committee enquired the reasons therefore, the Chairman, FCI clarified:

It is our foremost responsibility to provide the PDS according to their needs. There were two schemes, for open sale. One was Statewise and the other was open sale Punjab Scheme, which was implemented in the start of December. So far as first scheme is concerned, efforts were made to provide in the open market from State themselves. But due to some reason, if the stock become short of the requirement of PDS, we were not able to provide there.

So far as Uttar Pradesh and Rajasthan is concerned, under the open scheme, foodgrains were provided from the godowns till January. Since there was shortage of stock and more quality was to be moved for South after January, 27 racks from North were moved in one day. Demands were also being made from West Bengal and other States. That is why, we are not able to provide for domestic sale every where in UP. If you are talking about open sale, UP was also provided from there till January. Stock was also provided at many places in Rajasthan.

According to need, 27 rakes were moved, but rakes the requirement was for more. The requirement was for 33 rakes. Two years ago, this number was 14 and last year, it was 18, but it was not possible to provide 33 rakes this year. In spite of this, foodgrains had to be provided to the PDS. Keeping this in view, it was decided that wherever it is possible to provide in open sale, it should be given."

2.65 The Secretary (FP&D) supplemented:

"I would like to submit another point. There was increase in price of wheat in 1996-97. Allocations to PDS and lifting has also increased. 60 lakh tonnes of wheat was lifted for PDS in 1995-96. For 1996-97, 85 lakh tonnes were lifted, out of which 25 lakh tonnes were lifted under the PDS scheme. More racks were needed for this large quantity of wheat. Most of the people were given the facility to lift from there only, so that FCI do not have to bear more freight charges."

2.66 The price fixed under open sale of wheat and subsidy estimated thereon have been shown in Annexures II and III respectively when the Committee asked the reasons for fixing different price under open sale scheme, the Chairman FCI stated:

“The prices of open sale of wheat have been revised a number of times. In December it was revised. On 4th February, it was revised in certain manner whereby the difference of Rs.3,000 came about. The fixation of prices were not based only on transportation. But that apart, the basic reason was that the Ministry had to take into account the position that the open sale wheat should be as far as possible on the economic cost. At the same time, since the procurement was coming hearer, it was decided not to revise the prices of open sale wheat in the procurement centres. Subsequently, after reconsideration the prices have been revised. The prices have been reduced substantially. The position is that as on 1st April, there was no open sale wheat available to us. What would be the position after 1st April is not clear”.

2.67 Secretary (FP&D) supplemented as under:

“As on 31st March, 1997 the price in Punjab was Rs.4,900 and in Tiruvananthapuram it was Rs.6,800. So, the difference is only Rs.1,900 not Rs.2,500. Out of Rs. 1,900, transportation accounted for Rs. 1,100. The subsidy would be reduced, but it would not be eliminated altogether. The point is that in 1995-96 wheat and rice were disposed of because there was enough stock. During 1996-97, the total amount of subsidy has come down substantially. It may not be correct to say that the Government has incurred losses in the open sale. It is because if wheat was not disposed of in 1995-96 that wheat would have been carried forward in 1996-97 and the carrying cost of FCI was Rs.140 per quintal. So, this point may be kept at the back of the mind while taking a view on subsidy or loss. Technically speaking, it is not a case of loss”.

2.68 Details of cases of irregularities in allotment of wheat to Roller Flour Mills detected during the last one year is as under:

S.No.	State	Gist of the	Action taken
1.	2.	3.	4
1.	Kerala	A case of issue of wheat to a non-functional RFM has been detected.	Disciplinary proceedings against the delinquent officials have been initiated.
2.	West Bengal	Wheat had been issued to five Roller Flour Mills beyond the prescribed ceiling during July 96.	The Joint Manager (PO) who had issued wheat to the RFMs in excess had been shifted from the post of JM(PO).

1.	2.	3.	4.
3.	Orissa	Wheat had been issued to some parties/RFMs in excess of the prescribed ceiling	Disciplinary proceedings under major penalty have been initiated against the delinquent officials on account of violation of instructions at the time of sale of wheat under open sale scheme in Orissa.
4.	Haryana	A case has been registered against the then SRM, FCI Haryana on 6.1.97 by the Distt. Police authorities at Rohtak. The main allegation in the FIR is that illegal gratification was demanded for allotment of wheat under open sale schemes by the agents of SRM FCI, Haryana. The FIR names the SRM, FCI, Haryana and two other FCI officials apart from the private traders.	Two FCI officials and three others have been arrested. The FCI officials have also been placed under suspension. The service of the then SRM, FCI, Haryana have been repatriated to his parent cadre. The matter has been taken up with CBI for investigation.

(vii) State Food Corporation

2.69 Food Corporations Act, 1964, Article 17, Chapter IV provides for establishment of State Food Corporation after consultation with the Government of State. The Capital of such SFCs shall be ten crores of rupees as the Central Government may after consultation with the FCI, fix. Such capital shall be provided:—

- (a) by the Central Government after due appropriation made by Parliament by law for the purpose; and
- (b) by the Food Corporation of India.

in such proportion and subject to such terms and conditions as may be determined by the Central Government.

270. When asked during evidence whether Government propose to constitute State Food corporations with a view to fillip to decentralisation process, the Chairman, FCI stated:—

“The Food Corporation Act does provide for the setting up of the State Food Corporations. It is not that they have to be set up. After all, being a very sensitive subject the State Governments have not been very keen to set

up the State Food Corporations under the Food Corporation Act. There are other Corporations; there is a Bihar State Food Corporation. But even that is not under this Act. The reasons, perhaps, are obvious. In the sixties, concerted efforts were made and the States were asked about it but the response was very very meagre. We can only speculate. Perhaps the Honourable Members may not agree to share the speculation part of it. And no State Government came forward to set up the Food Corporation under the Food Corporation of India”.

“The Act does empower a member from the FCI to be on the management of the State Food Corporation. FCI and the Central Government could also contribute to the capital of the State Food Corporation”.

2.71 When the Committee asked during evidence the degree of independence and autonomy of SFCs, the Chariman, (FCI) stated as under:—

“I can give the example of Warehousing Corporation. It is more or less on par. But most of the State Governments have set up State Warehousing Corporations.”

2.72. The Secretary (Food) supplemented further as under:—

“Since the Chairman, FCI has referred to the Warehousing Corporation, I would like to say a few words. It is true that there are various State Warehousing Corporations and there is also a Central Warehousing Corporation. What has happened is that it has resulted sometime in these competing with each other. The kind of linkage one would have thought should have emerged has not so far emerged. In the case of Food Corporation, they have a more active role to play than in case of Central Warehousing Corporation, which is basically a storage organisation and also doing business on behalf of the Food Warehousing Corporation of India. Here perhaps the interaction or the capacity to move stock from one place to another depends upon the FCI upon the requirements.

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(viii) Storage and Warehousing

2.73 A three tier system of storage pattern namely the Central Warehousing Corporation (CWC) providing storage space at all Central of all India importance, the State Warehousing Corporation (SWCs) at centres of district level importance and the cooperatives at the taluk /village level has been in operation. The Food Corporation of India (FCI) has also been constructing godowns to meet the storage requirements of foodgrains for buffer and operational stocks.

2.74 The budgetary allocation for FCI are as under:—

(Rs. in crores)		
1996-97 (BE)	1996-97 (RE)	1997-98 (BE)
17.68	17.86	20.00

2.75 The year-wise total outlay in the Eighth Five Year Plan for construction of godowns is given below:—

(Rs. in crores)	
Year	Outlay
1992-93	27.49
1993-94	19.00
1994-95	21.00
1995-96	18.26
1996-97	17.86
	Rs. 103.61

2.76 The financial outlay for construction of godowns as proposed by Ministry and Sanctioned by Planning Commission is as under:

(Rs. in crores)			
Year	Budget Estimate	Revised Estimate	Actual Expenditure
1992-93	27.49	27/89	30.99
1993-94	22.00	19.00	12.05
1994-95	21.00	21.00	22.79
1995-96	18.26	18.26	20.29
1996-97	17.86	17.86	13.48
1997-98	20.00	—	(Upto Dec. '96)

2.77 BE, RE and actual expenditure since 1992-93 for construction of godown are given below:—

(Rs. in crores)		
Year	Financial outlay proposed by the Ministry	Financial outlay sanctioned by the Planning Commission
1992-93	27.00	27.49
1993-94	24.00	22.00/19.00
1994-95	27.00	21.00
1995-96	35.00	18.26
1996-97	36.00	17.86

2.78 The capacity to be created during 1996-97 in RPDS and Non-RPDS are as under:—

S.No.	Centre/State/Capacity	Capacity in '000T	
		Physical	Target
VIII Plan			
(i)	<i>Centres approved in the Annual Plan 1995-96</i>		
	(a) <i>Non-RPDS areas</i>		
	1. Kulhu/H.P./167 (HA)		1.67
	(b) <i>RPDS areas</i>		
	1. Srinagar/J&K/5.00		1.67
(ii)	<i>New Starts during 1996-97</i>		
	(a)		
	1. Dhamora/UP/35.00 (Rail fed)		10.00
	2. Roza/UP/20.00		10.00
	(b) <i>RPDS areas</i>		
	1. Udipi/Karnataka/10.00 (TSP)		10.00
		Total	33.34
		Say	0.33 lakh tonnes
		TSP	10.00
		—	0.10 lakh tonnes
	Non-RPDS areas	—	0.21 lakh tonnes
	RPDS areas	—	0.12 lakh tonnes

2.79 However, only 0.02 lakh tonnes capacity could be created upto January, 1997, as against targets of 0.33 lakh tonnes.

2.80 The table below indicates the physical and financial targets as well as achievement in respect of storage capacity during 1995-96 and 1996-97 as well as targets for 1997-98:—

	FCI		CWC		SWCs	
	Physical	Financial	Physical	Financial	Physical	Financial
	(in lakh tonnes)	(in crores of Rs.)	(in lakh tonnes)	(in crores of Rs.)	(in lakh tonnes)	(in crores of Rs.)
	1	2	3	4	5	6
1995-96						
Target	1.43	18.26	0.90	21.00	1.45	3.00
Achievement (Actual)	1.18	25.34	1.09	17.04	1.91	2.06
1996-97						
Target	1.49	35.00	1.00	28.00	2.50	2.10
Achievement (Likely)	0.33	17.86	1.40	—	2.50	2.50
1997-98						
Target	1.60	35.00	1.40	32(27.00) (+5.00) (For land)	2.00	2.20

** Investment by CWC in SWCs by way of share capital.

2.81 Over a period of time sizeable scientific storage/warehousing capacity has been developed by these public agencies and they are implementing plans to increase it further. While the capacity available with FCI is used mainly for storage of foodgrains that with CWC and SWCs is used for storage of foodgrains as also certain other items. The following table will show the position of covered storage/warehousing capacity available with the public agencies during the last few years.

(In lakh tonnes)						
Agencies	As on 31.3.94			As on 31.3.95		
	Owned	Hired	Total	Owned	Hired	Total
FCI	122.50	87.14	209.64	122.96	103.83	226.79
CWC	49.49	16.42	65.91	50.66	18.47	69.13
SWCs	67.46	22.01	89.47	69.38	21.36	90.74

Agencies	As on 31.3.96			As on 31.12.96		
	Owned	Hired	Total	Owned	Hired	Total
FCI	124.14	82.52	206.66	124.13	68.81	192.94
CWC	51.30	18.45	69.75	51.73	13.33	65.06
SWCs	73.97	34.34	108.31	77.74	34.54	112.28

2.82 The total covered capacity available with the Food Corporation of India for storage of foodgrains including the capacity hired from Central Warehousing Corporation and State Warehousing Corporations was 192.94 lakh tonnes as on 31.12.96. The hired capacity with the Food Corporation of India was 68.81 lakh tonnes as on 31.12.96. The break-up of the hired capacity available with the FCI as on 31.12.96 was as follows:—

		Capacity (in lakh tonnes)
(i)	Private godowns built under Agricultural Refinance Development Corporation (ARDC) assisted Scheme	24.80
(ii)	Central Warehousing Corporation	13.11
(iii)	State Warehousing Corporation	16.43
(iv)	State Governments	8.33
(v)	Others	6.14
Total		68.81

2.83 The FCI, constructed a storage capacity of 1.18 lakh tonnes for foodgrains during 1995-96 to take care of the regional imbalances and the need to create adequate capacity in the remote, hill and other inaccessible areas, additional storage capacity expected to be realised by FCI during the year 1996-97 was 0.33

lakh tonnes. Details of the storage capacity constructed by FCI, CWC and SWCs during 1995-96 and planned expected to be constructed by these agencies during 1996-97 are given in the table below:—

(In lakh tonnes)

Agency	Year	
	1995-96	1996-97
FCI	1.18	0.33
CWC	1.09	1.40
SWCs	1.91	1.08
Total	4.18	2.81

2.84 Of the total capacity of 192.94 lakh tonnes with FCI as on 31.12.96 a capacity of 4.85 lakh tonnes is in the form of silos/flat bulk warehouses.

(ix) Central Warehousing Corporation (CWC)

2.85 CWC constructs and acquires godowns and warehouses for the storage of agricultural produce and implements and other notified commodities. It also subscribes to the share capital of State Warehousing Corporations for the objectives mentioned above. No Budget provision has been made and the expenditure is to be met from its internal and extra budgetary resources.

2.86 For the year 1997-98, the Ministry has earmarked an amount of Rs. 34.20 crores for warehousing (32 crores for warehousing and 2.20 crores for contribution to share capital of State Warehousing Corporation). The Planning Commission has approved the earmarked amount.

2.87 The Corporation had 459 warehouses with total storage capacity of 69.50 lakh MTs at the end of Nov., 1996. As on 31.8.1996 the storage capacity of the Corporation was 70.19 lakh MTs of which 51.43 lakh MTs was owned, 13.79 lakh MTs hired and 4.97 lakh MTs in open storage. However at the end of the financial year 1996-97, the Corporation had expected to have 468 warehouses with a total capacity of 70.25 lakh MT. During the year 1996-97 the average capacity available with CWC was estimated to be around 70.17 lakh MTs and 71.22 lakh MTs have been estimated for 1997-98.

2.88 When the Committee asked above the percentage of achievement of plan targets (both in the physical and financial terms) during the plan period, the Ministry in a note submitted as below:—

“Except for the year 1992-93 and 1993-94 Plan targets have been achieved at more than 100% for physical targets. There was no slow progress.

Achievements year-wise are provided below :

Year	(Rs. in crores)			
	Physical (in lakh MT)		Financial	
	Target	Achievement	Target	Achievement
1992-93	2.05	0.81 (40%)	27.00	21.76 (81%)
1993-94	1.40	1.10 (79%)	23.00	24.93 (108%)
1994-95	0.70	0.86 (123%)	14.00	18.51 (132%)
1995-96	0.90	1.09 (121%)	21.00	17.04 (81.14%)
1996-97	1.00	1.40*(140%)	27.90	27.90*(100%)

*Expected.

The reasons for shortfall in physical achievement during these years are:—

- (i) fall in custom bonded warehouses business.
- (ii) less demand for construction and space for fertilizers.
- (iii) lower utilisation of space by Food Corporation of India (FCI).
- (iv) the excess expenditure against financial targets for 1993-94 was on account of land acquisition for future construction.
- (v) less expenditure against the financial target for 1995-96 was on account of partial utilisation of provision made for purchase of land, wooden crates and lorry weight-bridges.”

2.89 The average capacity utilisation during the year 1995-96 was 56.57 lakh MTs *i.e.* 81%. It was estimated to be around 55.64 lakh MTs. *i.e.* 79% in 1996-97 and 60.01 lakh MTs. *i.e.* 84 % have been estimated for 1997-98.

2.90 A net profit of the Corporation for the year 1995-96' was Rs.60.98 crores as against Rs. 38.00 crores in 1994-95. Profit expected during 1996-97 and that projected for 1997-98 is Rs. 80.62 crores and Rs. 83.00 crores respectively.

2.91 The Planning Commission had set up a Working Group on “Strengthening of Agricultural Infrastructure, Warehousing, Marketing, Packing, Rural Godowns, Rural Markets etc. for assessing the need for additional storage requirements during the Ninth Five Year Plan under the Chairmanship of Secretary, Rural development. The Main Working Group had set up a Sub-Group on “Strengthening of Agricultural Infrastructure” which also included need for creation of additional storage capacity during the IXth Ninth 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 deliberations in different meetings of this Sub-Group. After considering all aspects the Sub-Group recommended construction of additional storage capacity for general warehousing to the tune of 8.20 lakh tonnes by Central Warehousing Corporation and 11.40 lakh tonnes by State Warehousing Corporations respectively at a total cost of Rs. 356.43 crores. The Report of the main Working Group is under consideration of the Planning Commission.

2.92 Recently, the Government have given their assent to a new list of industries whereby joint venture with up to 40% foreign equity will be cleared automatically. Among other things, it includes storage and warehousing service, warehousing of agro-products with refrigeration. Certain areas have also been identified for private sector investment through leasing out of assets and construction and creation of additional assets such as construction and operation of container terminals, construction of specialised cargo berths, warehousing, Container Freight Stations and storage facilities. On being asked how does Central Warehousing Corporation propose to refurbish their activities in view of stiff competition from foreign investors and private sector, the Ministry- replied as under:

“The primary objective of Central Warehousing Corporation is to try to bridge gaps in rural and urban areas. Its objective is not to entirely replace private initiative but to supplement it and ensure that wherever the need arises for bulk storage of foodgrains; and other commodities which would provide impetus in development of the area. CWC would be prepared to make godown. In the field of storage, CWC has been working in consultation with Food Corporation of India and other State Warehousing Corporations. It is also planning to develop cold storage at appropriate places. CWC has also developed facilities for containerised movements of goods, CWC is developing facilities for bulk storage and handling of foodgrains and other goods including provision of custom bonded warehouses. CWC has been able to achieve all these through its own generated resources”.

2.93 When the Committee pointed that as CWC has moved away from their basic goal of providing warehousing facilities to farmers to high tech areas, how does Corporation will be able to protect the interests of farmers, the Ministry in a note submitted as under:

“During the years 1991-92 to 1996-97 Central Warehousing Corporation has been utilising 60% to 70% of its total storage capacity for agricultural produce. Thus, the bulk of its capacity is being utilised by Central Warehousing Corporation for the agriculture sector.

The Corporation provides special facilities at concessional rates of storage to the farmers wherein 30% rebate is allowed. Warehousing Receipt issued by Central Warehousing Corporation is also honoured by the banks for grant of loans to farmers against the stocks kept in Corporation's godowns.

For the benefit of farmers the Corporation has two schemes for the farming community, *i.e.* Farmers' Extension Service (FESS) and Disinfestation Extension Service (DESS). Under the Farmers' Extension Service Scheme, technically qualified persons of the Corporation visit remote villages for educating farmers on storage of their produce in a scientific manner by giving demonstrations. Under the Disinfestation Extension Service Scheme the Corporation takes up disinfestation service at the door-step of farmers and traders. Special emphasis is given by running special training courses

for the SC/ST class of farmers. Special campaigns are also organised from time to time for the welfare of farmers belonging to the SC/ST community in order to assist them in preserving their agricultural produce.”

2.94 When the Committee expressed the imperative need of at least one godown either of FCI, CWCs, SWCs owned or hired in each revenue district, the Chairman FCI stated as under :

“In accordance with this initiative was taken under RPDS and godowns for storage were built. But the annual allocation to us was so little, that not much progress has been achieved there. But the fact that a godown not available in every revenue district, it means that the entire establishment does not have storage capacity it is very difficult to accept this as policy. It will not be possible to ensure that every revenue district of the country will have a godown FCI. But in the far-flung areas, where we have to keep stock, it has been our effort to construct some godowns there at the earliest and have taken an initiative alongwith CWC in this regard. But unfortunately, due to resource constraints, our annual plan allocation is getting reduced so much that we have not been able to do much in this regard.”

2.95 Secretary (Food) further supplemented :

“Sir, I would like to submit in this regard that there is a chain of godowns, which it has been proposed what facilities should be there for distribution and storage of stock in any particular area. But so far as distance is concerned, it is certainly a criteria, but what has to be basically seen is the capacity of godown and its location wise distribution. So far as capacity is concerned, there should be an entire chain of godowns including FCI , Central Warehousing Corporation and that of the States. Special distribution should be made for the hilly areas. The resource constraint in FCI is due to the budgetary support. But so far as Central Warehousing Corporation is concerned, it can be done through internal budgetary support. If these people are agree to work with us, we will do it.”

2.96 When the Committee pointed out the tardy progress of constructing godowns even in RPDS districts, the Secretary (FP&D) stated:

“On this very issue, I would like to assure the Hon’ble Committee that tribal areas or RPDS areas as we call it, they stand on a higher footing from the viewpoint of godowns and supply. We have the figures with us. It has given how the RPDS offtake has gone up. Last year, in four States, we have identified 40 districts where there is no public sector godown, whether it is FCI or CWC or State Warehousing Corporation. We approached the Planning Commission. There should at least be one public Sector godown so that we can ensure that grains reach those districts. You have also supported this in the last meeting. We had taken it up with the Planning Commission that these 40 districts should be covered in a phased programme”.

2.97 The Committee have observed that food subsidy bill is on the increase during the last couple of years. For instance the food subsidy bill which was Rs. 5377 crores in 1995-96 rose to Rs. 6066 crores in 1996-97 and is likely to inflate to Rs. 7500 crores in 1997-98. The Ministry have informed that the factors associated with the steep hike in food subsidy include delay in neutralising the increase in Minimum Support Price by corresponding increase in Central Issue Price, higher level of buffer-stock due to higher level of procurement and relatively lower level of off-take, increase in freight rates, progressive departmentalisation of labour, progresssive switching over to Rs. 50 kg packaging and transit and storage shortages. The Committee are not convinced with all the reasonings put forth by the Ministry in effecting rise in subsidy bill, as the considerable decline in procurement of wheat and consequent buffer, did not reflect the change in subsidy position. Committee further note that as much as Rs. 7000 crores have been earmarked to meet the requirement of Targeted Public Distribution System and more funds are likely to flow as the Targetted Public Distribution System gets into motion.

2.98 The Committee are of the view that the Public Distribution System ought to protect the interest of the vulnerable section of society, especially those living below poverty line. At times, subsidies have accrued to those who are not perceived as the real beneficiaries. The Committee further note that as a result of hike in the Minimum Support Price of wheat and provision of bonus to farmers, the subsidy position is likely to be further aggravated. The Committee, therefore, recommend that in order to contain subsidy bill at a reasonable level, CIP should be increased forthwith under Public Distribution System, barring the beneficiaries under the category of "Below Poverty Line" (TPDS). The Committee further recommend that the sugar subsidy be also rationalised in the manner outlined in Para 3.43 of this Report.

2.99 The Committee note that the procurement operation of foodgrains has been restricted to certain States only. For instance, only States like Punjab, Haryana, M.P. and Uttar Pradesh contribute major share of wheat in the Central Pool. Neo-and emerging procurement areas have also come up in Orissa. The Committee desire that Union Government should take result oriented steps to promote procurement in non-traditional states like Bihar, West Bengal and Assam where marketable surplus to do exist. There is an urgent need to tap them. Surplus/command areas of a State should be identified for the purpose and given infrastructural support. The publicly blitz should be carried out aggressively. The Central Government should secure the assistance of State Governments in this endeavour.

2.100 The procurement price of wheat for 1997-98 Rabi Marketing Season has been fixed at Rs. 415 per quintal. In order to maximize procurement of wheat, an additional incentive in the form of bonus @ Rs.60 per quintal has been announced entailing an additional burden to the tune of Rs.900 crores or so. The Committee are of the view that bonus for wheat farmers is the direct outcome of mismanagement of foodgrains policy. On the one hand the country

is importing wheat whose landed price at ports is Rs.6222 per tonne and on another hand, the Indian farmer are being offered Rs. 4750 per tonne as procurement price. The Indian farmers perceive the landed price of imported wheat to be the benchmark for procurement price in the Indian market. The Committee are of the view that the foodgrain policy had in fact worked at a cross purpose. Neither the provision of food security to consumers at reasonable and affordable price has been met, nor the farmers contended with the price bargain. By raising the price, the Government has only raised the level beyond which wheat price will not fall. The Committee desire that Government should find out ways and means to promote production as well as procurement of wheat. In this context, the Committee desire that Government should further liberalise and increase the quantum of farm subsidy available for various inputs. The credit flow to farm sector should be increased and simultaneously the lending rates be reduced. The rates of electricity charges and water should be reduced. The subsidy available for fertilizers, pesticides, weedicides, seeds and farm implements should be increased.

2.101 The Committee are of the opinion that in order to sustain the food security, it is imperative that stocks of foodgrains are augmented. It is in this context that the Committee recommend that Government should discourage traders from stocking foodgrains through the instrument of credit management and time/stock ceilings on speculative sensitive wheat and wheat products. Placing wheat and wheat products under Open General Licence will be another option available with the Government to swell their inventory.

2.102 The coarsegrains are one of the staple food of a vulnerable section of population predominantly in the tribal areas of Western States. They are procured under price support scheme. There has been actually no procurement during 1995-96 and 1996-97 marketing season as the open market price had been ruling much higher than MSP. The Committee are of the opinion that Western States must be impressed upon the imperative need to distribute coarsegrains under Public Distribution System. It will not only curtail food subsidy bill to a large extent as the difference between CIP of coarsegrain and other grains is substantial but would also reduce dependency of Public Distribution System on traditional foodgrains. At the same time, the Government should also promote the production of coarsegrains, especially in rainfed areas for meeting the demand.

2.103 The foodgrains from Central Pool are utilised for allocation to States/UTs for distribution under PDS and other social welfare schemes. Allocations are made on month to month basis taking into account the overall availability of foodgains in central pool, the relative needs of various States, off-take trend, market availability etc. There exists a wide variation between actual allocation and lifting. For instance, in 1993-94, 1994-95, 1995-96 and 1996-97, the off-take was 67%, 53%, 57% and 70% respectively. The Committee note that in none of the years, the allocation has been cent percent or near. The Committee was informed that demand projections by the States have been

inflated and unrealistic. The Committee urge that Central Government should impress upon the States to send a realistic demand and to lift the allocated foodgrains. The Committee also desire that in order to provide flexibility in the management of food policy, the Central Government should allocate foodgrains to States on long term periodicity basis rather than monthly basis. The Committee further note that at present no consideration is given to demand during harvesting season and lean season. As a result, sometimes, a larger allocation is effected during harvesting season and a lower allocation in the lean season. The Committee, therefore, recommend that due regard/reliance should be placed/given to demand during these Periods.

2.104 The open sale of wheat was undertaken w.e.f. January, 1993 with the primary aim to contain market price in open market within a reasonable limit and ease storage capacity crunch. The scheme was seen as a means to reduce subsidy burden, as under the scheme the prices effected were higher than CIP but lower than economic cost. During the years from 1994 to 1996, the subsidy outgo under the scheme was Rs.339,602 and 960 crores, respectively. The food scenario, just year ago, was one of overflowing godowns. As against 7.7 million tonnes of rice on 1.1.1996, the Central Pool had 15.4 million tonnes and as against 7.7 million tonnes of wheat, there was 13.1 million tonnes of wheat on the same date. The grains were not being lifted by Government agencies because of storage problem, FCI resorting to open sale, a sharp decline in off-take from PDS in several States and Government sanctioning large scale exports of foodgrains of the order 2.5 million tonnes. The mid-day meal was also conceived as a means to offload the surplus stocks.

2.105 In the Rabi marketing year 1996-97, inspite of appreciable fall in production of wheat to the tune of 4.1 MT and consequent fall in procurement by 3.1 MT, the export of wheat continued leading to steep rise in price of wheat in domestic market. The wheat stock position became so precarious that the central agencies had just 50 lakh tonnes in February, 1997 as against 115 lakh tonnes in the same period in 1996. In spite of such adversaries, the open sale scheme continued and instead of protecting the consumers from price rise had in fact aggravated the position further so much so that country became net importer from net exporter. It was brought to the notice of the Committee that whereas the unscrupulous traders created artificial scarcity by hoarding wheat, the official offency charged with the implementation of open sale scheme frittered away precious wheat stocks to the roller flour mills and exporters. Even non-existent Roller Flour Mills were allotted wheat. This led to steep rise in price of wheat in open market and negated the very purpose for which open sale scheme (domestic) was initiated. The instrumentality of imports as a price stabilising mechanism did not yield rich dividend due to considerable time lag between contract and delivery of wheat and the approaching new crop. The Committee are of the opinion that subsidy on account of open sale scheme, which ought to have been for containing price in the open market, had been used to enrich the traders and exporters. The

Committee view this with concern and desire that a detailed probe be instituted in the matter and they may be apprised of its outcome.

2.106 The Food Corporation of India Act 1964 envisages constitution of State Food Corporations. The capital of such Corporation is to be borne by FCI and Central Government. The Committee are not convinced with the reply of the Government that due to resources crunch coupled with network of FCI, it has not been considered worthwhile to set up State Food Corporations. Further, State Governments have also set up State Civil Supplies Corporations for distribution of foodgrains in the State. The Committee are of the view that FCI enjoys near monopoly in procurement, storage and distribution of foodgrains in Central Sector, with no competing organisation. In order to impart competition, efficiency and decentralisation, the constitution of State Food Corporation at State levels and FCI at apex level is the necessity. The Committee, therefore, recommend that State Food Corporations should be set up on the lines of State Warehousing Corporations, expeditiously.

2.107 The Committee note that the Central Warehousing Corporation stores food grains and has made foray into non-agricultural activities in the field of Industrial Warehousing, Custom Bonded Warehousing, Container Freight Stations and Air Cargo Complexes. The further note that the Corporation is doing pioneer work in the industrial sector and the income generated from these activities is being utilised to cross subsidise its efforts in the agricultural sector. The Corporation is a profit earning venture and has earned a profit of Rs. 38 and 61 crores in the years 1994-95 and 1995-96 and is expected to return home with aggregate profit of at Rs.81 crores. The Corporation, therefore, does not rely on any budgetary support from Government for its activities and has adequate internal resources and can look upon institutional funding for meeting their requirement.

2.108 The Committee are of the view that Central Warehousing Corporation should go in for state of the-art technology in the field of construction of godowns and warehouses both for foodgrains and other notified commodities. Induction of appropriate new technology in bulk handling, movement and storage of these commodities and setting up of modern facilities specially at Ports, hinterland as well as in producing and consuming areas should be taken up expeditiously. CWC with enormous resources at their disposal is capable of translating these realms into reality and is in a Position to fulfil them. For encouraging vegetable and other perishable horticultural produces, both for local and export purpose, CWC should set up a chain of cold storages throughout the length and breadth of the country.

2.109 The Committee further note that Government have given their assent to a new list of industries whereby joint venture with up to 40% equity are to be cleared automatically. Among other things it includes storage and warehousing services, warehousing of agro-products with refrigeration. Certain areas a have identified for private sector investment through leasing

out of assets and construction, and creation of additional assets such as construction and operation of container terminals, construction and creation of specialised cargo berths warehousing, Container Freight Stations and storage facilities. The Committee are of the opinion that with the opening of this vital sector of economy to private as well as foreign participants, the business of Corporation may undergo a sea change. The Committee, therefore, recommend that renewed efforts should be made to tap the potentials available in these areas. The Committee further desire that CWC should continue to play a vital and pivotal roles in agrarian economy by constructing godowns, procuring foodgrains and other notified commodities from farmers and carry on other activities in agricultural field in the country. The Corporation should not venture into the setting up of warehouses abroad at this juncture as this will be in violation of Warehousing Corporation Act, 1962.

2.110 In the areas lacking basic storage infrastructure such hilly, inaccessible and remote areas, CWC should co-ordinate with Food Corporation of India and its sister agencies like State Warehousing Corporation and Civil Supplies Corporation to meet the requirement of infrastructure. This should be in tandem with the scheme of Department of Consumer Affairs and Public which gives Central assistance to the States for setting up of godowns in RPDS areas. CWC should also provide the technical assistance and consultancy requirement of the State in this regard.

2.111 The total storage capacity available for foodgrains with FCI on 1.10.96 was 238.23 lakh tonnes with utilisation of 40% only. To assess the need of additional storage requirement during the Ninth Five Year Plan, the working group set up by the Planning Commission had come to the conclusion that storage capacity available in the country at macro level is sufficient. But there is a need for creation of some additional storage capacity at micro level especially in hilly, inaccessible and remote areas. The Government has also decided to complete this work in 40 RPDS districts of the country in phased manner. The Committee was informed that Government plan to set up a godown in every revenue district of the country. The Committee have noted the tardy progress in construction of godowns by FCI. For instance, in the year 1996-97 as against target of creating 0.33 lakh tonnes capacity only. 0.02 lakh tonnes was realised. The Committee desire that Government should gear up their machinery and ensure that the targets setforth are realised.

CHAPTER III
SUGAR INDUSTRY

3.1 The position regarding production, exports/internal consumption etc. during 1994-95 and 1995-96 sugar seasons was as under :-

(In lakh tonnes)

Particulars	1994-95	1995-96 (Provisional)
Carry over from previous season	21.93	54.95
Production of sugar	146.43	164.29
Imports of sugar	6.74	0.42
Total availability	175.10	219.66
Internal consumption	119.74	130.01
Exports	0.41	8.87
Closing stock	54.95	80.78

3.2 The policy of partial control with a dual pricing mechanism for sugar was continued during 1996-97. The installed sugar factories and their capacity during 1992-93, 1993-94, 1994-95 and 1995-96 seasons are as under :-

Crushing Season	No. of factories	Installed capacity in lakh tonnes
1992-93	420	109.4
1993-94	429	116.00
1994-95	437	122.1
1995-96	447	128.4627

(i) Sugar Development Fund

3.3 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.

3.4 During the period from 1982-83 to 1996-97 (upto 30.11.1996) a cess amount of Rs. 1920.78 crores has been collected and as on 31.12.1996 an amount of Rs. 1786.00 crores has been transferred to the Sugar Development Fund.

3.5 As provided under the Sugar Development Fund Act, the Fund has to be utilised 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 sugar cane in the area in which any sugar factory is situated.
- (c) Making grants for the purpose of any research project aimed at development of sugar industry.
- (d) Defraying any other expenditure for the purpose of the Act.
- (e) Defraying expenditure for the purpose of building up and maintenance of Buffer Stock with a view to stabilising price of sugar.

3.6 The year-wise sanction and disbursement of loans from the Sugar Development Fund is given below :-

(Rs. in Crores)

Year	Cane Development		Modernisation		Grant-in-aid		Total	
	Sanctioned	Disbursed	Sanctioned	Disbursed	Sanctioned	Disbursed	Sanctioned	Disbursed
1985-86	-	-	1.79	1.79	-	-	1.79	1.79
1986-87	45.89	21.42	4.46	4.46	-	-	50.35	25.88
1987-88	70.10	27.87	5.89	5.89	-	-	75.99	33.76
1988-89	77.34	27.66	48.09	37.17	0.45	0.12	125.88	64.95
1989-90	84.80	64.67	62.25	57.89	23.60	2.11	170.65	124.67
1990-91	26.54	46.20	54.42	50.38	6.05	5.55	87.01	102.13
1991-92	31.00	10.40	133.57	39.13	-	0.08	164.57	49.61
1992-93	36.16	17.07	69.19	92.78	-	4.52	105.35	114.37
1993-94	50.71	37.78	55.19	77.50	-	0.16	105.90	115.44
1994-95	16.06	13.26	34.88	50.27	0.10	1.47	51.04	65.00
1995-96	-	9.00	49.74	46.06	-	0.28	49.74	55.34
1996-97	20.68	12.58	22.74	36.08	-	-	43.52	48.66
(31-12-96)								
Total	459.28	287.91	542.21	499.40	30.20	14.29	1031.69	801.60

3.7 The following is the break up disbursements/provision made out of Sugar Development Fund since 1993-94 :-

(Rupees in Lakhs)					
	1993-94	1994-95	1995-96	Revised Estimates 1996-97	Budget Estimates 1997-98
(a) Subsidy for maintenance of buffer stock of sugar.	120.82	146.49	771.92	7000.00	5000.00
(b) Grants-in-aid research schemes for development of sugar industry.	16.05	146.83	28.29	225.00	710.00
(c) Loans for modernisation/ rehabilitation of sugar mills.	7750.062	5026.596	4605.576	5000.00	6000.000
(d) Loans for sugar mills for cane development schemes.	3777.81	1326.134	900.54	1800.00	2500.00
(e) Administration of Sugar Development Fund.	196.13	188.18	239.40	275.00	290.00
(f) Expenditure on National Institute of Sugar and Sugar Technology, Mau.	-	11.67	187.00	538.00	773.00
	11860.872	6845.90	6732.726	14,838.00	15,273.00

3.8 Rule 16(i) of the Sugar Development fund rules, 1983 provides that any sugar undertaking, which is approved by a financial institution for assistance under its relevant scheme for modernisation and rehabilitation for the purpose of rehabilitation/modernisation of its plant and machinery, shall normally be eligible for a loan under this Rule.

3.9 Loan is provided from the SDF for modernisation/rehabilitation normally as per the following pattern :-

- (i) Financial Institution : - 50% of the total project cost in case of non-MRTP companies and 35% in case of MRTP companies.
- (ii) Promoters :- 10% of the total project cost in case non-MRTP companies and 15% of MRTP companies.

3.10 Loan sanctioned for modernisation/rehabilitation is disbursed in two equal instalments. Second instalment of loan is disbursed only on submission of utilisation/progress report duly certified by Chartered Accountants and forwarded by the concerned Financial Institution.

3.11 Loan for modernisation/rehabilitation is given at a concessional rate of 9% simple interest per annum. Loan is repayable in a maximum period of 13 year including a period of moratorium of eight years.

3.12 For modernisation/rehabilitation purposes 156 sugar mills have been sanctioned Rs. 542.21 crores during the period from 1985-86 to 1995-96 (31.12.1996). During the same period Rs. 499.40 crores have been disbursed.

3.13 BE, RE (1996-97), Actual Expenditure Incurred and BE (1997-98) are given as under :-

			In crores
1996-97 (BE)	1996-97 (RE)	Actuals (upto Dec. 96)	1997-98 BE
50	50	36.08	60

3.14 On being asked how Government propose to ensure that actual expenditure in 1997-98 is as far as possible near to BE 1997-98, the Ministry is their note has stated as under :-

"Till date the actual expenditure has been Rs. 43.53 crores. The balance amount will be released shortly. So there will be no variation between RE and actual expenditure.

We have proposals worth Rs. 145.00 crores at various stages of finalisation and no difficulty is anticipated in exhausting the budget provision for 1997-98."

3.15 Loan is advanced from SDF to the Sugar Undertakings for the development of sugarcane, mainly for the following schemes :-

- (i) Setting up of heat treatment plants.
- (ii) Rearing of Nurseries.
- (iii) Incentives to cultivators to switch over to improved varieties of sugarcane.
- (iv) Small and minor irrigation project like digging of wells, deepening of existing wells, construction of Kolhapur Type Weir (K.T. Weirs) and River Lift Irrigation (RLI) Scheme.

3.16 The Financial assistance is available for one or more of the above schemes. The main purpose is to make adequate cane available to the sugar undertakings so that production of sugar increases.

3.17 Loan is advanced from SDF for undertaking various cane development schemes as per the following pattern :-

- | | |
|------------------------|--------------------------------------|
| (i) SDF | 90% of the total cost of the scheme. |
| (ii) Sugar Undertaking | 10% of the total cost of the scheme. |

3.18 Loan for Cane Development Scheme is disbursed normally in three annual instalments. Second and subsequent instalments of loans are disbursed on receipt of utilisation certificate/progress report from the concerned State Government who acts as the moitoring agent for these schemes.

3.19 Loans is advanced at a concessional rate of simple interest of 9% per annum and repayment of loan is to be made within 7 years, including a period of moratorium of three years. During the period from 1986-87 to 1995-96 (upto 31.12.1996) 343 sugar undertakings has been sanctioned Rs. 459.28 crores and have been disbursed Rs. 287.90 crores.

3.20 Asked what are the reasons for low utilisation of fund earmarked under SDF for cane development scheme, the Ministry is a note submitted to the Committee stated as under :-

"The recovery of Sugar Development Fund (SDF) dues was less than 75% in the states of Andhra Pradesh, Karnataka, Maharashtra, Uttar Pradesh, Haryana, Punjab, West Bengal, Bihar, Madhya Pradesh, Gujarat, Pondicherry and Assam and hence it was decided not to sanction Cane Development loan. Subsequently this restriction was removed in the year 1996-97 so that more number of cases could be considered.

Several cases were to become due for release of second and third instalments under Cane Development and modernisation and a number of applications requesting for release of funds had been anticipated."

3.21 The BE/RE to (1996-97, actual amount transacted and BE 1997-98 for Cane Development are as follows :-

(Rs. in crores)			
1996-97 BE	1996-97 RE	Actual Amount spent upto Dec. 1996	1997-98 BE
150	143	85	145

3.22 When asked what steps the Government propose to take to ensure that more sugar units are encouraged to go us for Cane Development Scheme, the Ministry in its note furnished to the Committee Stated as under :-

3.23 The following steps are proposed to be taken to ensure that more and more sugar units go in for cane development :-

- (1) Enhancing the S.D.F. loan ceiling.

- (2) Including additional schemes like roads in factory areas, pesticides, fertilizers etc. for the purpose of extending SDF assistance.
- (3) The 100% Bank Guarantee proposed to be relaxed in respect of private sector factories.

3.24 The monitoring of the implementation of the cane development schemes is done by the State Government. Loan for cane development to mill is normally released in 3 instalments. Subsequent Instalments are released only after the concerned State Govt. recommends that the previous instalment has been utilised by the sugar mills for the purpose for which it has been released.

Grants-in-Aid

3.25 The actual for Grants-in-aid were Rs. 28.3 lakhs in the year 1995-96. The BE and RE for 1996-97 was of the order of Rs. 8 crores and 2.25 crores. The Budget Estimate for 1997-98 have been placed at Rs. 7.10 crores. When the Committee enquired about the purpose and reasons for quantum jump in the BE/RE 1996-97 as compared to actuals of 1995-96, the Ministry in a note submitted to the Committee stated that the grants-in-aid is being budgeted for making payment to established institutions connected with the Sugar Industry for carrying out research aimed at promotion and development of any aspect of sugar industry.

3.26 The reasearch proposals are required to be considered by a Standing Research Advisory Committee (SRAC) of the Development Council for Sugar Industry established under Section 6 of the Industries (Development and Regulation) Act, 1951. Thereafter the proposals as are recommended by SRAC are placed before the Standing Committee of Sugar Development Fund (SDF) for approval to be finally approved by the Minister of Food. The tenure of the previous SRAC expired in June, 1995. The new SRAC was to be reconstituted. Meanwhile, a number of research proposals had come. Anticipating SRAC will be reconstituted in time and the proposals received would be placed before this Committee, in addition to the committed liability of about Rs. 11.00 crores in respect of earlier research proposals, a budget provision of Rs. 8.00 crores was made during 1996-97. However the SRAC could not be reconstituted in time and no release could be made. Accordingly, RE 1996-97 was reduced to Rs. 2.25 crores anticipating that some new proposals taken before the reconstituted SRAC will get through and will be finally cleared by the Standing Committee. The Standing Committee in its meeting on 19.3.1997 deferred all the research proposals till the next meeting. Accordingly, the entire funds for grants-in-aid during 1996-97 has been surrendered.

3.27 The Committed liabilities of the earlier approved research projects and the several proposals at hand were instrumental in demanding higher budget provision under grand-in-aid during 1997-98 as compared to RE 1996-97. There will be no expenditure under this head in the year 1996-97.

(ii) Cane Arrears

3.28 The arrears of sugarcane price payable to growers relating to the sugar seasons 1993-94, 1994-95 and 1995-96 on an All-India were as under :-

(Figures in crores)

Year	Total price payable	Cane price paid	Balance cane price payable at the end of season	%age of arrears on total price payable
1993-94	5667.87	5612.12	55.75	1
1994-95	8696.66	8567.34	129.32	1.5
1995-96	10522.67	10014.44	508.23	4.8

3.29 Statement showing the State-wise breakup of cane price payable, paid, arrears, etc. are at Annexures IV, V and VI.

3.30 Under the Sugarcane (Control) Order, 1966 (amended in 1983) if the sugarcane purchased is not paid for within 14 days of delivery of sugarcane at the rate agreed to between the purchaser and the sugarcane grower/sugarcane growers cooperative society or that fixed as Statutory Minimum Price an interest becomes payable. The interest element is attracted only when an agreed price/ Statutory Minimum Price is not paid. Within 14 days of delivery of sugarcane unless there is a written agreement to the contrary. Some States also have similar statutory provisions of their own. Ensuring timely payment of cane price by the sugar factories is primarily the responsibility of the State Governments who have to the necessary powers and field organisations to enforce such payments. Information regarding State-wise amount of interest paid to sugarcane growers is not available. As per the information furnished by U.P. State Government, for crushing season 1995-96, out of the total cane dues amounting to Rs. 3,456 crores, a sum of Rs. 3,421 crores (98%) has been paid till 13.02.1997, leaving a balance of Rs. 35.00 crores which is 1.04% of the total dues.

3.31 When the Committee asked about the arrears payable to sugarcane growers and interest accrued thereon, the Secretary (Food) stated as under :-

"Before I answer the question of arrears, I would like to clarify one position. While we work out the figures which take into account the Advisory Price fixed by the State Governments, really the arrears can be paid on the basis of the Statutory Minimum Price and the price which is payable. You know that in the case of Allahabad High Court judgement, they have already declared that the State Advised Price payable for sugar in the State of Uttar Pradesh as illegal. But we compute it on the basis of the State Advised Price which is very much higher than the Statutory Minimum Price. I will explain the position. The fact remains that the aspect of outstanding dues cannot become a reason for prosecution or taking action against the industrialists. They are certainly guilty if they do not pay the Statutory Minimum Price to the sugarcane farmers.

Now, I would like to come to the arrears position. The position of arrears up to 15.2.1997 all over India is 31.13 per cent. As I mentioned earlier, when I mentioned about the dues, I have taken into account the price which may have been fixed at Rs. 72 or Rs. 71 fixed in Uttar Pradesh or Rs. 76 or 80 fixed in Haryana and Punjab or something like that. So, this is the position of arrears. There is one other thing which I would like to mention in this case. It is not that I am justifying why the arrears are there or the position. There should not be any arrears. But I would like to submit to this Committee that in order to take a balanced view of the whole situation, it is also necessary to see that in the case of sugarcane industries, the production of sugar from cane takes place in a period of five or six months. But the disposal of the sugar stock takes place in a year or sometimes over a year and a half. In fact, the sugar produced in 1956-96 is still continuing with us. We started this with a backlog of 80 lakh tonnes of sugar. So, what I am trying to say is that the pricing mechanism envisaged under the Sugar Control Order is such that the part payment would be made immediately on production of sugar and subsequent payment would be made as and when the realisation takes place. The Sugar Control Order itself prescribed this thing.

3.32 On being asked whether there exist any time limit for payment of arrears, Secretary (Food) stated :-

"It depends upon demand. Sometimes, stocks have been sold by the units. It does happen in the case of Maharashtra which has a cooperative structure where farmers themselves own the factories. What is happening is that the payment to the farmers is being made in three installments. In the first instalment, the Statutory Minimum Price is paid. Anyone who

does not pay that is certainly liable to be prosecuted. Second time, it is paid as and when the release takes place. Maharashtra is able to pay this price if not more price than is being stipulated in the case of Uttar Pradesh. In case of Uttar Pradesh also, this time, an agreement seems to have been arrived at among the State Government, the farmers and the industry saying that the price would be paid in two instalments. Rs. 62/- is paid initially and the rest is to be paid subsequently. I can give you the State-wise figures."

3.33 Expressing their concern over the mounting cane arrears, when the Committee asked to manner in which position can be eased, the Secretary (Food) stated as under :-

"Let me just give you the figures. In 1994-95, it was 16.9 per cent. In 1995-96, it was 23.4 per cent. In 1996-97, it is 31.1 per cent. The year 1993-94 was a bad year for sugar production. There were ups and downs in the case of sugar. The price of sugar ruled pretty high. As a result of that, the year 1994-95 was kind of promising year for the sugar industry. They were prepared to pay a higher price for the sugar for the sugar cane which was available. In 1994-95, we produced 146 lakh tonnes of sugar as a result of this, but since the prices were ruling high at that point of time, there was a momentum. As a result of that. In 1995-96 also, the production of sugar reached the peak level of 164 tonnes.

But by that time, what was happening was that the financial situation which was very strong at the end of 1993-94 which enabled the industry to take care of 146 lakh tonnes of production was getting somewhat eroded in 1995-96 when the sugar production was taking place and as a result of that, arrears started mounting up. Now in the current year 1996-97, we have already got two years of surplus production. What is happening is, the stock continues to accumulate. We started the year with eight million tonnes of sugar stock in hand. That is a kind of inventory on which they have to make the investment. We have also started this year with the hope that we would be able to have a good production. For the production of sugar this year, the sugarcane was already cultivated last year. It was affected because of non-availability of price to the farmers and, therefore, last year, factories were running right up to July or August and as a result of that, it has gone down and the factories were paying the same amount of price for sugarcane. What was happening was that viability was further eroded give factories continued to pay the price to the farmers. In this background, the question of price arrears has to be

seen. It is unfortunate that this question of price arrears creates a situation which we are witnessing this year."

3.34 He further added :-

"The Government's capacity to help is somewhat limited in that matter. We can think in terms of finding opportunities of fast sale of sugar. But that can primarily be on the export front. Sale on export front depends upon the demand in export market and the quality that we can offer s also the price that is available. From 1995 onwards, we have been able to export not more than a million and a lakh tonnes of sugar domestically about we have been selling 1138 lakh tonnes. In the case of wheat and rice, we have two streams of sale. One is from the Public Distribution System and the other is free sale. We can give more in the Public Distribution System. But the more we give through the Public Distribution System, the greater will be its effect on reducing the price. Once the price is reduced, it adversely affects credit & profitability."

3.35 Sugar industry is facing liquidity crunch. Recently hike in excise duty on molasses, a by-product of sugar has been proposed. When the Committee asked the impact it would have on the financial health of sugar industry, the Ministry in a note furnished as under :-

3.36 The hike in excise duty on molasses affects sugar units in U.P. and other parts of the country. A representation in this regard has been sent to the Ministry of Finance for reconsidering the excise duty.

(iii) Export of Sugar

3.37 The Sugar Export Promotion (Repeal) Ordinance, 1997 has been promulgated on 15.1.1997 thereby decanalising the export of sugar. Consequently, it is not mandatory for all the sugar manufacturing units to export. However, it would encourage production of export quality sugar, at least by some manufacturing units and competition among exporters of sugar. Private parties have already participated in Tender Enquiry floated by APEDA on 17.2.1997.

3.38 The past three sugar seasons have been a growth in sugar exports as follows :-

S.L. No.	Sugar Season (Oct.-Sept.)	Sugar exported (in lakh tonnes) (Prov.)
1.	1993-94	0.75
2.	1994-95	0.41

1	2	3
3.	1995-96	8.92
4.	1996-97 (upto Jan., 1997)	2.92

(iv) Constitution of high powered committee on Sugar Industry

3.39 The Central Government have set up a high powered Committee under the Chairmanship of Shri B.B. Mahajan, Retd. Food Secretary with following terms of reference :-

- (i) To study the development and growth of sugar industry in India *vis-a-vis* other sugar-producing countries.
- (ii) To study the laws and rules and regulations relating to sugar, sugarcane and sugar industry in India and other sugar-producing countries.
- (iii) To suggest modifications, amendments or repeal of any existing law and controls with a view to ensure healthy growth and development of the sugar industry, and building healthy relationship between the farmers and the industry.
- (iv) To suggest ways and means to increase production and efficiency through modernisation so that sugar is available to the general public at reasonable prices.
- (v) To suggest methods for increasing productivity of sugarcane and ways to ensure fair and remunerative prices to sugarcane growers.

3.40 The Committee is required to submit their report to Government within a period of six months.

3.41 The Committee are perturbed to note the rising trends in cane arrear position. The arrear which was 1.1% of total price payable in 1993-94 rose to 1.5% and 4.8% in the years 1994-95 and 1995-96 respectively. At the end of crushing season 1995-96, the arrears payable were of the order of Rs. 508.23 crores. As many as 114 sugar mills had not paid cane prices dues relating to 1996-97 season to the extent of Rs. 733.56 crores. Although the responsibility for ensuring timely payments of cane price dues lies with the State Government, who have the necessary powers and field organisations to enforce it, the role of the Central Government cannot be either overlooked or minimised. The Committee desire that Government should ensure that cane arrears are altogether wiped out as it is neither in the interest of farmers nor sugar entrepreneurs. In this context, the Committee desire that

in the event of any sugar entrepreneur failing to pay cane arrears within the close of that particular sugar season, the advantages accrued to a sugar mill on account of Command Area should be withdrawn.

3.42 The Committee are of the opinion that cash-strapped sugar industry need some more sops as the recently announced measures to improve financial health of the industry has not yielded the desired results. The proposed hike in excise duty on molasses, an important by-product of sugar industry, will further aggravate the liquidity crunch. It is in this context that the Committee desire that Government should review their excise structure. The Committee have observed that State Advised Price (SAP) of sugarcane has been declared as null and void by recent pronouncement of courts. However, the Committee have noted that sugar entrepreneurs are still paying State Advised Prices which are much higher as compared to Statutory Minimum Price (SMP) of sugarcane. Even after declaration of SAP as null and void, the sugar entrepreneurs are still paying a price which is nearer to SAP. The Committee, therefore, desire that SMP should be suitably stepped up and it should be in the vicinity of SAP.

3.43 The Committee note that the share of sugar amongst different commodities supplied through PDS was around 25% and the subsidy outgo involved as Rs. 790 crores in the year 1996-97. The Committee desire that Government should undertake an exercise to rationalise sugar subsidy bill. It is in this context, the Committee recommend that the concept of dual rationing for the beneficiaries under the category of below poverty line and above poverty line may also be extended to this Commodity on the line of Targetted Public Distribution System. The Committee further recommend that scale of distribution of sugar should be pruned and Central Issue Price be revised, barring the beneficiaries under the category of below poverty line. Simultaneously, the Government should also consider the feasibility of supplying alternate sweetening agents such as gur and khandsari through the network of PDS.

3.44 The Committee note that decanalisation of sugar export was conceived as a means to promote healthy competition amongst sugar exporters. Before decanalisation, sugar exports were undertaken under the Sugar Export Promotion Act, 1958 and profits and/or loss on exports shared equally amongst the manufacturing mills on *pro rata* basis linked to production under the supervision and control of Indian Sugar and General Industries Import Export Corporation (IS & GIIEC). Consequent upon decanalisation, it is not mandatory for all the sugar manufacturing units to export. However,

in all likelihood it would encourage production of export quality sugar, at least by some manufacturing units and competition among exporters of sugar. The mounting stock of more than 80 lakh tonnes and sluggish demand in international market, may depress our exports. The Committee recommend that ways and means should be found to push up the exports without resorting to undercutting of prices and also by maintaining the quality of international specifications. It is in this context, the Committee recommend that Government should fix a floor price for export purpose in order to avoid undercutting of prices.

3.45 The Committee appreciate that Government have set up a high powered Committee to examine the development and growth of sugar industry *vis-a-vis* other sugar producing countries and suggest changes, if any, in the existing law and control governing the industry. The Committee are of the opinion that sugar industry is one of the most over-regulated and excessively control industry in the country, as everything from location of a mill to price of raw and finished product and even distribution is determined by the Government. The Committee, hope and trust that the high powered Committee will be able to meet the aspirations and reconcile the interests of producer, consumer and industry alike.

CHAPTER IV

BUDGETARY CONTROLS

The Ministries/Departments are required to prepare their Budget Estimates/ Revised Estimates by Major/Sub-Major head, Minor head, sub-head and detailed head of account, as per instructions contained in General Financial Rules, keeping in view expenditure trends over the previous years. Due attention to consideration of economy must be paid and while all inescapable and foreseeable expenditure are provided for, care should be taken that the estimate is not influenced by under optimism. The Committee examined certain parameters of the budgetary process. Their details are as under :-

(i) Saving under Grants

4.2 Saving in the grants or appropriation indicate that the expenditure could not be incurred as estimated, anticipated and planned. Large scale saving is an indicative of poor budgeting or shortfall in performance.

4.3 Statement showing the budgeted grant, saving and percentage of savings is given below :-

(In crores of Rs.)

Year	Total budgeted amount	Savings	Savings as % of total budgeted amount
1993-94	6118.13	61.94	1.01
1994-95	5502.32	123.65	2.25
1995-96	5839.28	229.75	3.93

4.4 The Reasons for non-utilisation of budgeted amounts are as under :-

1993-94

- (i) There was a saving of a sum of Rs. 60.79 crore towards payment of subsidy for maintenance of buffer stock of sugar due to receipt of less entitled applications than anticipated.
- (ii) There was a saving of a sum of Rs. 72 lakh due to slow pace of construction by C.P.W.D. of the National Institute of Sugarcane and Sugar Technology, Mau.

- (iii) A sum of Rs. 41 lakh could not be spend by National Sugar Institute, Kanpur due to delay in delivery of machine and equipment.

1994-95

- (i) There was a saving of Rs. 23.52 crore towards payment of subsidy to maintenance of buffer stock of sugar.
- (ii) There was a saving of Rs. 6.53 crore due to less receipt of proposals for grant-in-aid from Research Institutes etc. for research on sugar/sugarcane.
- (iii) Less investment of Rs. 11 crore in FCI.
- (iv) Less expenditure of Rs. 77 crore as loans for modernisation/rehabilitation of sugar mills and cane development due to receipt of less/incomplete proposals.
- (v) There was a saving of about Rs. 4 crore in NISST, Mau due to slow construction by CPWD.
- (vi) There was a saving of about Rs. 1.60 crore under secretariat proper, Directorate of Sugar, N.S.I., Kanpur, NISST, Mau, SGC Offices & IGMRIs. This saving was mainly due to saving in salary on account of non filling up of posts, delay in delivery of machines & equipments, less expenditure on foreign travel & economy measures.

(ii) Recoveries in reduction of expenditure

4.5 The Demands for Grants are for the gross amount of expenditure *i.e.* inclusive of recoveries arising from use of stores etc. procured in past or expenditure transferred to other Departments or Ministries. The excess/shortfall in recoveries indicate inaccurate estimation of recoveries and defective budgeting.

4.6 The Committee was informed that the recoveries are deducted from Sugar Development Fund on account of the expenditure incurred on maintenance of buffer stocks of sugar, loans for modernisation/rehabilitation of sugar mills, loans for cane development, grant-in-aid to Research Institutions, administration of S.D.F. and National Institute of Sugarcane and Sugar Technology, Mau. The expenditure for these activities is budgeted on the basis of actual requirement, which may vary from the budgeted transfer recoveries depending on the fund's balance position. For example in 1996-97, budgeted expenditure on SDF related transactions was Rs. 158.52 crores against which a sum of Rs. 130 crore was transferred to SDF. The balance was met from the opening balance of SDF.

(iii) Surrender of Savings

4.7 Savings in a Grant is to be surrendered as soon as these are foreseen without waiting for last day of the year. Delayed surrender of funds deprive the Government to transfer the funds to other needy sector.

1995-96

- (i) There was a saving of Rs. 122.69 crore under food subsidies on account of non-payment of claims of FCI for regularised shortages due to non-production of auditors' certificate by FCI.
- (ii) There was a saving of Rs. 8.00 crore in subsidy claims for maintenance of buffer stock of sugar and Rs. 7.00 crore in Grant-in-aid for Research Institutes etc. on research relating to sugar/sugarcane due to less receipt of proposals or incomplete proposals.
- (iii) There was a saving of Rs. 85 crore due to receipt of less number of applications/incomplete proposals for modernisation/rehabilitation of sugar mills and cane development.
- (iv) There was a saving of Rs. 4.52 crore due to slow pace of construction of NISST building by CPWD. There was a further saving of Rs. 52 lakh due to same reason in N.S.I.
- (v) There was a saving of a sum of Rs. 2.02 crore due to non-filling up of posts in Sect., Dte. of Sugar, NISST Mau, Offices of SGC, IGMRI, non-payment of advance to DAVP.

4.8 Asked to explain as how do the Ministry monitor the expenditure, the Ministry in a note stated that every effort is made to surrender the entire savings well in time. However, in exception cases, due to reasons beyond control, some cases of non surrendering have happened such as in 1995-96, against the total grant of Rs. 5839.28 crores, an amount of Rs. 8.00 crores which works out to only 0.14% could not be surrendered.

4.9 Nevertheless Ministry is following all the economy instructions issued by Ministry of Finance etc. to monitor the expenditure in order to have an effective control on it. Such measures include regular monitoring of the expenditure against the budgeted appropriation from time to time. From the ensuing year, monthly cash flow will be monitored. All the schemes—Plan and Non-Plan, are being carefully reviewed, scrutinised and evaluated to determine their continued relevance. Monthly monitoring of recoveries of loans and advance is carried out scrupulously.

4.10 The Committee note that savings in grants or appropriation indicating that the expenditure could not be incurred as estimated, anticipated

and planned. Large scale savings is an indicative of poor planning or shortfall in performance. The examination by the Committee have revealed that as much as Rs. 62 crores, 125 crores and 230 crores were saved in the years 1993-94, 1994-95 and 1995-96 respectively. The reasons attributed for large scale savings includes less receipts of applications for sugar subsidy and maintenance of buffer stock of sugar, less receipt of proposal for grants in aid from R&D Institute on sugar/sugarcane, less receipt of application on account of modernisation/rehabilitation/development of sugar/sugarcane industry, less progress of construction work in National Institute of Sugarcane and Sugar Technology (Mau) and National Sugar Institute, Kanpur and delay in delivery of machinery and equipment in the Institutes. The Committee further note that savings which were 1.01% of the total budgeted amount to the tune of Rs. 62 crores in the year 1993-94 have risen to Rs. 124 crores representing 2.25% and Rs. 230 crores representing 3.93% of the saving as percentage of the total budgeted amount in the years 1994-95 and 1995-96, respectively. The Committee have come to the irresistible conclusion that Ministry are not following the economic instructions issued by Ministry of Finance (Deptt. of Expenditure) faithfully and scrupulously. Further, the monthly review meetings undertaken to prioritise the activities and schemes both on plan and non-plan side in order to determine their continuance/relevance has not yielded the desired result as the savings are increasing unabated. It appears that while framing the estimates due note is not taken of current trend and past expenditure. The Committee are of the view that the budgetary exercise undertaken by the Ministry is far from realistic. The Committee, therefore, recommend that the instructions of the Ministry of Finance should be followed scrupulously in order to exercise more stringent and effective control over Budget. Regular monitoring of expenditure against the budgeted appropriation should be done without fail. It is in this context that the Committee recommend that due care and caution should be exercised while framing estimates and monthly cash flow should be monitored closely.

CHAPTER V

FOREIGN TRAVEL EXPENDITURE

In 1995-96 Rs. 28.3 lakhs were incurred on foreign travel expenses. The BE and RE for the year 1996-97 was 20 lakhs. A Budget provision of Rs. 25 lakhs have been made in the year 1997-98.

5.2 When the Committee asked whether the Ministry had sought assistance from Indian Mission Abroad in regard to participation in foreign meeting so as to reduce the expenditure, the Ministry in a note stated as under :-

"In the cases where either senior level representative from this Ministry is essential or technical expertise is needed in the meetings/conferences/symposium/workshop, etc. held abroad, the officers of this Ministry are deputed abroad. The delegates from Indian Missions abroad are also requested to participate in the meeting/conferences/symposium/workshop, etc. abroad so as to reduce the expenditure on this head. On seven occasions, no officer of this Ministry was sent and representatives of Indian Missions abroad were requested to participate."

5.3 Asked the need to earmark Rs. 5 lakh for NISST, Mau, on this head in the year 1997-98, although the institute is still in formative stage, the Ministry informed the Committee as under :-

"A provision of plan expenditure of Rs. 5 lakhs has been made for the National Institute of Sugarcane and Sugar Technology, Mau, for the year 1997-98 for foreign travel. The Institute has already started organising some training programmes and it is expected that some foreign visits for seminars, conferences etc. may be necessary."

5.4 The Committee note that the Ministry of Food incurred Rs. 28 lakhs on meeting expenditure relating to foreign travels by the officers of the Ministry of Food. The Budget Estimates and the Revised Estimates for the year 1996-97 were at the level of Rs. 20 lakhs. In the current Budget a provision of Rs. 25 lakhs have been made. The close scrutiny by the Committee revealed that as many as on 16 occasions, the officers from Ministry were deputed for international conferences, symposium, workshops etc. during the year 1995-96. Whereas only on Seven occasions officers from Indian Mission Abroad/representatives in FAO participated during the year

1996-97. The argument of the Ministry that officers of the Ministry are deputed abroad only in cases where either senior level officers of the Ministry are essential or where technological expertise is needed, is hardly convincing. It is still strange that as much as Rs. 5 lakhs have been earmarked under this Head for National Institute of Sugarcane and Sugar Technology, Mau, which is still in formative stage. The Committee are of the view that expenditure on non-plan activities especially where precious foreign exchange is involved should be kept at barest minimum. It is in this context, the Committee recommend that Ministry of Food should invariably depute representatives from FAO and or they should seek the assistance from Indian Mission Abroad for such international meets.

NEW DELHI;
28, April, 1997

8, Vaishakha, 1919 (Saka)

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

NINTH SITTING

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 1ST APRIL, 1997

The Committee sat from 11.00 hrs. to 13.45 hrs. on 1st April, 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 Manharan Lal Pandey
7. Shri Vidya Sagar Sonkar
8. Shri Manikrao H. Gavit
9. Smt. Chhabila Netam
10. Shri Virendra Kumar Singh
11. Shri Pitambar Paswan
12. Shri Syed Masudal Hossain
13. Smt. Sandhya Bouri
14. Smt. Phoolan Devi
15. Shri D.S.A. Siva Prakasam
16. Shri Shivaji Kambli
17. Shri Ramashray Prasad Singh

Rajya Sabha

18. Shri Onward L. Nongtdu
19. Shri K.M. Khan
20. Prof. Vijay Kumar Malhotra
21. Shri Joyanta Roy
22. Shri Tara Charan Majumdar
23. Shri Ram Ratan Ram

SECRETARIAT

- | | | |
|---------------------|---|---------------------------|
| 1. Shri Krishan Lal | — | <i>Deputy Secretary</i> |
| 2. Shri P.S. Kambo | — | <i>Under Secretary</i> |
| 3. Shri O.P. Arora | — | <i>Assistant Director</i> |

WITNESSES

Department of Food

1. Shri Arun Sinha, Secretary (FOOD)
2. Shri B.N. Sen. AS&FA
3. Shri Navn Kumar, Jt. Secretary (Sugar)
4. Smt. Sushma Nath, Jt. Secretary (Admn.)
5. Smt. S.N. Kacker, Director (Sugar)
6. Shri Deepak Khandekar, Dy. Secretary (Sugar)
7. Shri R.P. Singhal, Chief Director (Sugar)
8. Maj. Gen. Kulwant Singh, Managing Director, CWC.
9. Shri G.P. Gupta, Controller of Accounts

Department of Food Procurement and Distribution

1. Shri S.P. Jakhanwal, Secretary (FP&D)
2. Shri B.N. Som, F.A.
3. Shri K.M. Sahni, J.S. (Food)
4. Shri Devvarma, B.K. Dir. (BP)
5. Shri C.S. Chauhan, Dir. (Movt.)
6. Shri S.C. Gupta, D.S. (P)

Food Corporation of India

1. Shri K.K. Sinha, Chairman (FCI)
2. Shri Ajay, ED (G&S)
3. Shri B.B. Bali, ED (C)
4. Shri G. Mohan, ED (F)
5. Shri J.N. Tripathi, ED (T)
6. Shri A.S. Chhabra, M (P&R)
7. Shri K. Pandithurai, ED (Engg.)

2. At the outset, the Chairman welcomed the members of the Committee and representatives of Ministry of Food and asked the Secretaries concerned to introduce their colleagues. Both the Secretaries then introduced their colleagues. Thereafter the Committee proceeded to discuss with them various points arising out of List of Points. The evidence was concluded.

3. As the evidence was concluded, the Committee decided not to meet on 2nd April, 1997. Accordingly, the sitting of the Committee scheduled for that day was cancelled.

4. A verbatim report of the proceeding was kept.

The Committee then adjourned.

TENTH SITTING

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 21ST APRIL, 1997

The Committee sat from 15.00 hrs. to 17.00 hrs. on 21st April, 1997.

PRESENT

Shri R. L. Bhatia – Chairman

MEMBERS

Lok Sabha

2. Shri Shyam Bihari Misra
3. Shri Gangaram Koli
4. Shri Raj Keshar Singh
5. Shri Nakli Singh
6. Shri Bachi Singh Rawat
7. Shri Chhatar Singh Dabar
8. Shri Manharan Lal Pandey
9. Shri Vidya Sagar Sonkar
10. Shri Manikrao H. Gavit
11. Smt. Chhabila Netam
12. Shri Syed Masudal Hossain
13. Smt. Sandhya Bouri
14. Shri V. Kandasamy
15. Shri Shivaji Kambli
16. Shri Ramashray Prasad Singh
17. Shri Om Parkash Jindal

Rajya Sabha

18. Shri Moolchand Meena
19. Shri Venod Sharma
20. Shri K.M. Khan
21. Shri Tara Charan Majumdar

APPENDIX

[See Para 4 of the Minutes of the tenth sitting of the Standing Committee of Food, Civil Supplies & Public Distribution (1996-97)]

Modifications/Amendments made by the Committee on Food, Civil Supplies & Public Distribution in the Fifth Report on Demands for Grants (1997-98) of the Ministry of Food.

Para	Line(s)	Modifications/Amendments
1	2	3
2.100	17	<i>Add</i> "The Committee desire that Government should find out ways and means to promote production as well as procurement of wheat. In this context, the Committee desire that Government should further liberalise and increase the quantum of farm subsidy available for various inputs. The credit flow to farm sector should be increased and simultaneously the lending rates reduced. The rates of electricity charges and water should be reduced. The subsidy available for fertilizers, pesticides, weedcides seeds and farm implements should be increased."
3.41	11	<i>Add</i> "The Committee desire that Government should ensure that cane arrears are altogether wiped out as it is neither in the interest of farmers nor sugar enterpreneurs. In this context, the Committee desire that in the event of any sugar enterpreneur failing to pay cane arrears within the close of that particular sugar season, the advantages accrued to a sugar mill on account of Command Area should be withdrawn."
3.42	7-8	<i>Delete</i> "The Statutory Minimum Price of sugarcane should also be suitably stepped up." <i>Add</i> "The Committee have observed that State Advised Price (SAP) of Sugarcane has been declared as null and void by recent pronouncement of courts. However, the Committee have note are that sugar enterpreneurs are still paying State Advised Prices which are much higher as compared to

1	2	3
		Statutory Minimum Price (SMP) of sugarcane. Even after declaration of SAP as null and void, the sugar enterprenuers are still paying a price which is nearer to SAP. The Committee, therefore, desire that SAP should be suitably stepped up and it should be in the vicinity of SAP."
3.43	8-9	<p><i>Delete</i> "It is in this context, that the Committee desire that scale of distribution of this commodities should be pruned and Central Issue Price be revised. Simultaneously, the Government should also consider the feasibility of supplying alternate sweetening agents such as gur and khandsari through network of PDS.</p> <p><i>Add</i> "It is in this context, the Committee recommend that the concept of dual rationing for the beneficiaries under the category of below poverty line and above poverty line may also be extended to this Commodity on the line of Targetted Public Distribution System. The Committee further recommend that scale of distribution of sugar should be pruned and Central Issue Prices be revised, barring the beneficiaries under the category of below poverty line. Simultaneously, the Government should also consider the feasibility of supplying alternate sweetening agents such as gur and khandsari through the network of PDS."</p>
3.44	16	<i>Add</i> "It is in this context, the Committee recommend that Government should fix a floor price for export purposes in order to avoid undercutting of prices."

ANNEXURE I

(Vide Para 2.24 of Chapter II of the Report)

**STOCK POSITION ON FIRST DAY OF THE MONTH FROM 1989
ONWARDS (CENTRAL POOL) (STOCKS HELD BY FCI
AND STATE AGENCIES)**

Position as on 26.2.1997

(In lakh tonnes)

Year	Schemes	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1989	Rice	40.93	42.72	41.95	38.62	36.35	33.97	29.01	23.53	18.17	15.37	26.10	41.05
	Wheat	44.40	40.65	34.08	23.14	41.10	94.02	92.27	88.18	82.85	75.88	69.90	62.64
	C. Grains	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
	Total	85.34	83.38	76.04	61.77	77.46	128.00	121.29	111.72	101.03	91.06	96.01	103.70
1990	Rice	56.45	68.39	71.89	70.59	67.77	65.93	60.32	54.15	47.54	43.60	56.49	70.52
	Wheat	56.11	48.29	41.10	34.62	62.11	125.54	128.67	125.11	119.80	115.71	108.92	102.55
	C. Grains	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.02	Neg.	Neg.	0.01	0.01
	Total	112.57	116.69	113.00	105.23	129.90	191.49	189.01	179.28	167.34	159.31	165.42	173.08
1991	Rice	86.56	99.52	105.49	102.07	102.15	97.47	89.76	81.64	73.19	53.82	69.84	77.8
	Wheat	92.37	80.59	68.88	55.98	74.42	114.41	108.22	99.98	91.39	83.98	73.78	52.3
	C. Grains	0.01	0.01	0.01	0.01	0.01	0.01	0.00	Neg.	Neg.	0.00	Neg.	Neg.
	Total	178.94	180.12	174.38	158.06	176.58	211.89	197.98	181.62	164.58	147.89	143.62	141.0
1992(P)	Rice	86.26	89.15	91.80	88.64	85.47	80.76	73.68	65.35	56.20	50.73	60.11	68.8
	Wheat	52.77	41.96	31.53	22.06	45.43	71.74	64.82	57.18	50.67	43.69	41.25	36.9
	C. Grains	Neg.	0.00	0.01	Neg.	0.00	0.00	Neg.	0.00	0.00	0.00	0.00	0.0
	Total	139.03	131.11	123.34	110.70	130.90	152.50	138.50	122.53	106.87	94.42	101.36	106.7
1993(P)	Rice	85.17	96.33	97.70	99.31	99.32	98.23	92.73	84.37	77.98	72.21	82.57	91.9
	Wheat	32.79	29.02	26.78	27.39	72.67	143.80	148.89	147.20	142.36	136.65	129.35	120.3
	C. Grains	0.01	0.01	0.01	0.00	Neg.	0.01	0.01	0.01	0.01	0.01	0.01	0.0
	Total	117.97	125.36	124.49	126.70	171.99	242.04	241.63	231.58	220.35	208.87	211.93	212.3
1994(P)	Rice	11.73	126.40	133.52	135.46	136.97	138.91	132.61	127.34	120.12	108.66	154.38	164.
	Wheat	108.23	95.48	82.28	69.98	106.80	164.03	174.88	169.69	163.96	155.82	149.78	142
	C. Grains	Neg.	0.00	0.00	0.00	0.00	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
	Total	219.96	221.88	215.80	205.44	243.77	302.94	307.49	297.03	284.08	264.48	304.16	307
1995(P)	Rice	174.24	184.36	184.98	180.82	176.80	174.74	164.43	154.51	139.26	130.00	153.38	152
	Wheat	128.77	115.76	101.69	87.20	113.78	190.70	192.21	185.58	180.82	169.46	159.32	145
	C. Grains	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	0.00	Neg.	Neg.
	Total	303.01	300.12	286.67	268.02	290.58	365.44	356.64	340.09	320.08	299.46	312.70	298
1996(P)	Rice	154.9	160.80	161.87	139.72	136.11	134.64	128.82	117.66	104.60	93.40	116.00	120
	Wheat	131.47	114.88	99.36	75.80	117.51	174.75	139.49	129.49	116.00	103.60	94.40	83
	C. Grains	Neg.	Neg.	Neg.	Neg.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
	Total	285.56	275.68	261.23	215.52	253.62	282.39	268.31	247.15	220.60	197.00	211.40	203
1997(P)	Rice	129.40	135.20										
	Wheat	*69.00	50.80										
	C. Grains	0.00	0.00										
	Total	198.40	186.00										

ANNEXURE II

(Vide Para 2.66 of Chapter II of the Report)

PRICES FIXED FOR OPEN SALE OF WHEAT

Sl. No.	Name of Centre	Rate : Rs./Per MT	
		4.2.1997	10.3.1997
1	2	3	4
1.	Guwahati	7500	6500
2.	Bombay	7400	6450
3.	Nagpur	7400	6400
4.	Indore	7200	6250
5.	Gwalior	6000	5550
6.	Raipur	7400	6400
7.	Ahmedabad	7300	6350
8.	Surat	7300	6350
9.	Cuttack	7400	6450
10.	Bhubneshwar	7400	6450
11.	Patna	6500	5900
12.	Calcutta	7400	6450
13.	Siliguri	7400	6450
14.	Delhi	5000	5000
15.	Chandigarh	4900	4900
16.	Lucknow	5400	5300
17.	Kanpur	5400	5300
18.	Ranchi	7000	6200
19.	Madras	7800	6700
20.	Coimbatore	7800	6750
21.	Madurai	7800	6750
22.	Cochin	7900	6800
23.	Trivandrum	7900	6800

1	2	3	4
24.	Hyderabad	7500	6500
25.	Vishakhapatnam	7500	6550
26.	Bangalore	7700	6700
27.	Mysore	7700	6700
28.	Belgaum	7700	6650
29.	Jaipur	5200	5150
30.	Shimla	5031	5050
31.	Jammu	5200	5100
32.	Srinagar	5300	5150
33.	Varanasi	6000	5650
34.	Bareilly	5000	5000

ANNEXURE III

(Vide Para 2.66 of Chapter II of the Report)

**THE SUBSIDY ESTIMATED ON SALE OF FOODGRAINS
IN OPEN MARKET**

Details	1993-94		1994-95		1995-96	
	Wheat	Rice	Wheat	Rice	Wheat	Rice
1. Quantity sold (rounded to lakh tonnes)	29	0.2 (Neg.)	51	5	64	6.36
2. Realisation per quintal (in rounded Rupees)	415	651	433	637	434	646
3. Economic Cost in Rupees per qtl. (rounded)	532	665	551	695	584	763
4. Estimated subsidy per qtl.	117	14	118	58	150	117
5. Estimated subsidy (Rupees in crores)	339	0.3 (Neg.)	602	29	960	74

Had the Corporation not resorted to open sale for reduction of stock levels, carrying cost would have been incurred on these stocks. The *yearly* carrying cost of foodgrains was as under:—

Year	Rs./qtl.	Cost involved if the stocks were carried over for one year (in crores of rupees)
1993-94	117.16	342
1994-95	125.46	702
1995-96	140.84	991

ANNEXURE IV

(Vide Para 3.29 of Chapter III of the Report)

STATEMENT SHOWING THE STATEWISE POSITION OF CANE PRICES PAYABLE, PRICE PAID AND BALANCE OUTSTANDING FOR CANE PURCHASED DURING 1993-94 SEASON AS WELL AS ARREARS OF CANE PRICE (END OF SEASON)

State	Total price payable for cane purchased during 1993-94 (end of season)	Cane price paid (end of season)	Balance cane price payable (end of season)	%age of balance price payable over total payable
1	2	3	4	5
Punjab	20641.06	20639.06	2.00	0.01
Haryana	17247.81	17239.77	8.04	0.05
Rajasthan	855.38	853.36	2.02	0.24
West UP	56972.17	56603.01	369.16	0.065
Central UP	60881.92	60055.44	826.48	1.36
East UP	36265.56	35706.12	559.44	1.54
Total UP	154119.65	152364.57	1755.08	1.14
Madhya Pradesh	2085.25	2037.52	47.73	2.29
South Gujarat	49456.72	49396.67	60.05	0.12
Saurashtra	2991.63	2991.63	0.00	0.00
Total Gujarat	52448.35	52388.30	60.05	0.11
South Maharashtra	74991.75	74579.57	412.18	0.55
North Maharashtra	24459.88	24202.43	257.45	1.05
Cent. Maharashtra	62987.51	62926.10	61.41	0.10
Total Maharashtra	162439.14	161708.10	731.04	0.45
North Bihar	15489.37	14902.91	586.45	3.79
South Bihar	0.46	0.00	0.46	100.0
Total Bihar	15489.83	14902.91	586.92	3.79
Assam	266.49	266.49	0.00	0.00
Andhra Pradesh	30724.23	30187.27	536.96	1.75

1	2	3	4	5
Karnataka	47255.31	45608.51	1646.80	3.48
Tamil Nadu	58751.71	58532.13	119.58	0.20
Kerala	230.14	175.78	54.36	23.62
Orissa	1236.34	1236.34	0.00	0.00
West Bengal	323.45	323.28	0.17	0.05
Nagaland	82.13	57.71	24.42	29.73
Pondicherry	2137.89	2137.89	0.00	0.00
Goa	452.74	452.74	0.00	0.00
All India	566786.90	561211.73	5575.17	0.98

ANNEXURE 1'

(Vide Para 3.29 of Chapter III of the Report)

STATEMENT SHOWING THE STATEWISE POSITION OF CANE PRICES PAYABLE, PRICE PAID AND BALANCE OUTSTANDING FOR CANE PURCHASED DURING 1994-95 SEASON AS WELL AS ARREARS OF CANE PRICE (END OF SEASON)

(Figures in lakh Rs.)

State	Total price payable for cane purchased during 1994-95 (end of season)	Cane price paid (end of season)	Balance cane price payable (end of season)	%age of balance price payable over total payable
1	2	3	4	5
Punjab	24370.78	24870.16	0.00	0.00
Haryana	23434.32	23305.91	128.41	0.55
Rajasthan	1178.26	1049.10	129.16	10.96
West UP	78800.58	78800.56	0.00	0.00
Central UP	98507.18	97219.39	1287.79	1.31
East UP	63528.52	60375.64	3152.88	4.86
Total UP	240836.26	236395.59	440.67	1.84
Madhya Pradesh	3734.88	3486.58	248.30	6.85
South Gujarat	44327.72	44327.72	0.00	0.00
Saurashtra	2095.21	1995.93	99.28	4.74
Total Gujarat	46422.93	46323.65	99.28	0.21
South Maharashtra	87897.60	87721.15	176.44	0.20
North Maharashtra	55606.94	55091.57	515.37	0.93
Cent. Maharashtra	120000.19	119774.26	225.93	0.19
Total Maharashtra	263504.73	262586.99	917.74	0.35
North Bihar	25304.03	23584.07	1719.96	6.80
South Bihar	0.00	0.00	0.00	0.00
Total Bihar	25304.03	23584.07	1719.96	6.80
Assam	411.03	411.02	0.01	0.00
Andhra Pradesh	52092.39	51486.77	605.62	1.16

1	2	3	4	5
Karnataka	66603.31	64427.48	2175.83	3.27
Tamil Nadu	112730.59	110264.70	2465.81	2.19
Kerala	279.68	278.97	0.71	0.25
Orissa	2658.20	2658.20	0.00	0.00
West Bengal	781.40	781.35	0.05	0.01
Nagaland	0.00	0.00	0.00	0.00
Fondicherry	4027.13	4026.69	0.44	0.01
Goa	1296.71	1298.71	0.00	0.00
All India	869666.01	856734.02	12931.99	1.49

ANNEXURE VI

(Vide Para 3.29 of Chapter III of the Report)

STATEMENT SHOWING THE STATEWISE POSITION OF CANE PRICES PAYABLE, PRICE PAID AND BALANCE OUTSTANDING FOR CANE PURCHASED DURING 1995-96 SEASON AS WELL AS ARREARS OF CANE PRICE (END OF SEASON)

(Figures in lakh Rs.)

State	Total price payable for cane purchased during 1995-96 (end of season)	Cane price paid (end of season)	Balance cane price payable (end of season)	%age of balance price payable over total payable
1	2	3	4	5
Punjab	49521.04	44708.00	4813.04	9.72
Haryana	35776.83	34170.13	1598.70	4.47
Rajasthan	2232.43	2063.44	168.99	7.57
West UP	112525.44	105140.29	7385.15	6.56
Central UP	141471.44	132638.19	8833.25	6.24
East UP	68618.46	59006.80	9611.66	14.01
Total UP	322615.34	296785.80	25830.06	8.01
Madhya Pradesh	6775.07	5475.36	1299.71	19.18
South Gujarat	68887.84	57699.52	1188.32	1.73
Saurashtra	4902.92	4756.52	146.40	2.99
Total Gujarat	73790.76	72456.04	1334.72	1.81
South Maharashtra	152903.91	152849.94	53.97	0.04
North Maharashtra	40749.73	39179.05	1570.68	3.85
Cent. Maharashtra	111960.22	111552.84	407.38	0.36
Total Maharashtra	305613.86	303581.83	2032.03	0.66
North Bihar	27935.21	24700.03	3235.18	11.58
South Bihar	0.00	0.00	0.00	0.00
Total Bihar	27935.21	24700.03	3235.18	11.58
Assam	439.15	429.49	9.66	2.20
Andhra Pradesh	49614.60	48430.33	1184.37	2.39

1	2	3	4	5
Karnataka	69134.68	64722.88	4411.80	6.38
Tamil Nadu	98458.60	93811.85	4646.75	4.72
Kerala	134.55	134.55	0.00	0.00
Orissa	4249.68	4197.91	51.77	1.22
West Bengal	709.84	504.38	205.46	28.94
Nagaland	0.00	0.00	0.00	0.00
Pondicherry	3940.44	3948.44	0.00	0.00
Goa	1316.35	1316.35	0.00	0.00
All India	1052257.23	1001444.19	50823.04	4.83