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

ELEVENTH LOK SABHA

MINISTRY OF CIVIL SUPPLIES, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION

[Action taken by the Government on the Recommendations/Observations contained in the Seventeenth Report of the Committee on Food, Civil Supplies and Public Distribution on Edible Oils]

EIGHTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

May, 1997 /Vaisakha, 1919 (Saka)

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Presented to Lok Sabha on 16.5.1997

Laid in Rajya Sabha on 16.5.1997

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5. Shri O.P. Arora	—	*Assistant Director*

* Ceased to be Member of the Committee *w.e.f.* 21.3.1997.

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

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

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Civil Supplies and Public Distribution (1996-97) having been authorised by the Committee to submit the Report on their behalf, present this Eighth Report on Action Taken by the Government on the recommendations/ observations contained in the Seventeenth Report of the Committee (Tenth Lok Sabha) on the subject of "Edible Oils".

2. The Seventeenth Report was presented to Lok Sabha/laid in Rajya Sabha on 7th March, 1996. The Government furnished their replies indicating action taken on the recommendations contained in the Report on 23rd September, 1996. The Draft Action Taken Report was considered and adopted by the Standing Committee on Food, Civil Supplies and Public Distribution (1996-97) at their sitting held on 14 May, 1997.

3. An analysis of the action taken by the Government on recommendations contained in the Seventeenth Report of the Standing Committee (Tenth Lok Sabha) on "Edible Oils" is given in Appendix-II.

NEW DELHI;
15 May, 1997
25 Vaisakha, 1919 *(Saka)*

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

CHAPTER I

REPORT

This Report of the Standing Committee on Food, Civil Supplies and Public Distribution deals with the Action Taken by the Government on the recommendations contained in the Seventeenth Report (Tenth Lok Sabha) on "Edible Oils".

1.2 The Report was presented to Lok Sabha/Laid on the Table of Rajya Sabha on 7th March, 1996. It contained 23 observations/ recommendations.

1.3 Action Taken Notes in respect of all the 23 observations/ recommendations contained in the Report have been received and have been categorised as follows :

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

Para Nos. 2, 7, 9, 11, 13, 17, 19, 21 and 23

(Chapter II, Total 9)

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

Para Nos. 1, 12 and 14

(Chapter III, Total 3)

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

Para Nos. 4, 5, 6, 10, 16, 18 and 22.

(Chapter IV, Total 7)

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

Para Nos. 3, 8, 15 and 20.

(Chapter V, Total 4)

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

1.5 The Committee desire that final reply in respect of the recommendation contained in Chapter V of the Report for which only interim reply has been given should be furnished to the Committee expeditiously.

1.6 The Committee will now deal with action taken by the Government on some of the recommendations.

Per Capita Consumption of Edible Oils

Recommendation No. 4

1.7 Expressing their concern over the reasons for lower level of consumption of edible oils in comparison to the world's average, the Committee recommended as follows :—

"The per capita consumption level of edible oils in India as per the norms of planning Commission is about 7 Kg. per annum which is much below the world average of 16 Kg. per annum. However, the per capita average consumption standards of the industrially advanced and affluent countries of the West and Japan etc. is 22 to 35 Kg. The Committee were surprised to note during evidence that neither the Planning Commission nor the Ministry of Civil Supplies, Consumer Affairs and Public Distribution had undertaken any survey to ascertain as to why the average per capita consumption level in the country is very low. The Committee, therefore, recommend that a survey should be conducted by the Ministry to ascertain as to why the average per capita consumption of edible oils in the country is so low as to get a clear picture of the total estimated requirement of edible oils/vanaspati."

1.8 The Ministry in their Action taken reply have stated :—

"It cannot be denied that consumption level of edible oil and facts in India is far below the average level of the world's consumption. Even the per capita consumption of 7.87 Kg. per annum targetted for projection of demand for the terminal year of the VIIIth Five Year Plan *i.e.* 1996-97 is quite below the world's average of 16 Kg.

per annum. The poor purchasing power of consumers in the country coupled with the high prices of indigenous edible oil as compared to international prices is ascribed to the low consumption of edible oil in the country in comparision with world average and the consumption levels of the developed countries.

According to recent research findings, direct and visible requirement of edible oil is now not a necessary constituent of a nutritions and healthy diet since invisible fats derived from cereals/grains, milk products, non-vegeterian foods etc. are considered sufficient to complete the essential calories intake.

It is, therefore, felt that carrying out a fresh survey to ascertain the reason for the lower level of consumption of edible oils in comparision to the world's average will not be a worthwhile exercise."

1.9 Per capita consumption is also one of the ingredients for working out the demand forecast on edible oils as stated by the Ministry in its reply to Recommendation No. 2. The demand forecast is also utilised for arriving at a decision regarding import of edible oils. The Committee has recommended that such survey will also give a clear picture of the total estimated requirement of edible oils/ vanaspati. The Committee, therefore, reiterates its recommendation that such a survey may be undertaken and its outcome intimated.

Exploitation of Secondary Sources of Edible Oils

Recommendation No. 5

1.10 Emphasising the need for stepping up the exploration of Secondary Sources of edible oil, the Committee *inter-alia* had recommended as follows :—

"The Mango Kernel and Neemseed oil are the potential sources of vegetable oils which are untapped and unexploited. The Mango Kernel has open a large potential of employment all over India. Similarly, Neem tree is a tropical of collection of these seeds. The Committee, therefore, urge upon the Union Govt. to set up an agency for promoting collection of Mango Kernel, Neem seeds and other minor seeds of tree and forest origin involving private sector with a view to boost production of edible oils and other extractions so that the country may become self-sufficient in field of production of oilseeds as well as Edible oils.

1.11 The Ministry in the Action Taken reply have Stated:—

"The secondary sources and the oilseeds of tree and foreign origin have undoubtedly immense potential the bulk of which is still untapped/exploited. Exploitation of these resources on a mass scale is bound to make the edible oils position in the country quite comfortable."

"The National Oilsseeds and Vegatable Oils Development (NOVOD) Board, a body of the Union Government under the administrative control of the Ministry of Agriculture, have been assigned the job of coordinating the activity relating to augmenting collection of oilseeds of tree and forest origin and this activity of NOVOD Board is being overseen by the representatives of the concerned Ministries including the Ministry of Civil Supplies, Consumer Affairs and Public Distribution. A number of discussions have been held to collectseeds of the trees of forest origin. It has been proposed to give advertisements in media for collection of mango kernels which are otherwise thrown away as garbage waste. The origanisations like TRIFED and State agencies are engaged in the promotion of use of edible oils from non-conventional sources like neem seeds, mango kernel etc."

1.12 The Committee are extremely distressed to note that the Government and National Oilseeds and Vegetable Oils Development Board have not taken any result oriented and concrete steps to exploit the secondary sources of edible oils and their potential still remains largely untapped. It is regretted that the National Oilseeds and Vegetable Oils Development Board which is a coordinating agency for the integrated development of oilseeds have not thought it prudent to make arrangement to collect Mango Kernel which at present is thrown away as garbage waste, to extract edible oil. The Committee are of the view that NOVOD Board and State agencies need to be activated/rejuvenated for collection, procurement, processing and marketing of oilseeds of secondary sources. As the collection of these oil bearing substances are an immense source of employment primarily to the tribals, the Government should also enhance the pattern of financial assistance, being provided to them at present, with a view to promote development of Non Traditional Oilseeds.

Setting up of an Oil Board for integrated development of Edible Oil/Oilseeds

Recommendation No. 6

1.13 Expressing their concern over non-existence of an authority for an integrated development of edible oilseeds/oil, the Committee had *inter-alia* observed as follows :—

"At present there is no single agency to plan and co-ordinate the development of the oilseeds, Vegetable oils and vanaspati industry. The Committee are of the view that vanaspati is an important sector in the vegetable oils and fat economy of the country. It is, therefore, necessary to form a comprehensive Oil Board under the Ministry of Civil Supplies, Consumer Affairs and Public Distribution. The formation of such a Board is imperative to ensure a balanced growth and development of all segments of this important sector of the economy."

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

"The National Oilseeds and Vegetable Oils Development (NOVOD) Board is already in existence under the administrative control of Agriculture Ministry which is engaged in the promotion of indigenous oilseeds and edible oils production. Since such a body is already present there does not seem to be any further need for a separate oil Board to be set up. Another Oil Board will only result in duplicity of endeavours for the same cause. This NOVOD Board is reportely making appreciable efforts in the field of oilseeds and oils. Certain areas/sectors of edible oil which are left out from the purview of NOVOD Board can be incorporated in its charter if it is found necessary for the integrated development of oils and oilseeds."

1.15 The Committee though agree with the reply of the Government that there will be duplicity if an Oil Board is created in addition to the NOVOD Board yet feel that there is a need to review the working of NOVOD Board. The Committee recommend that the Government should identify areas/sectors which can be incorporated in the charter of NOVOD Board, so as to make the Board more comprehensive and broadbased, to further its objective for an integrated development of edible oilseeds/oil industry. The Committee desire that they may be apprised of the outcome in this regard.

Production of Vanaspati/edible Oil by HVOC

Recommendation No. 10

1.16 Expressing their concern over the continuing gap between demand and supply of edible oils in the country, the Committee *inter-alia* observed as follows:—

"HVOC should concentrate its activities on the production of vanaspati/edible oils and allied products with a view to mitigate the continuing gap of edible oils between demand and supply in the country draining a huge amount of foreign exchange every year."

1.17 The Ministry in their Action Taken Reply have stated :—

"Production of vanaspati has suffered a set back during the last three years for a variety of reasons. The vanaspati industry was delicensed in July, 1991. Secondly, many State Governments have extended sales tax concessions to new vanaspati units set up in the backward/notified areas. In addition, HVOC's old plant and machinery resulted in higher cost of production per unit and inferior quality of their product. As a result, HVOC's product has lost its market. On the other hand the private competitors are large Indian companies with all modern technology and facilities as well as established markets. Thirdly, the consumer preference is gradually shifting from vanaspati to refined oils. The per capita demand of vanaspati has fallen and that of refined oils has risen. Almost 40% of capacity in vanaspati industry is lying idle in India. Fourthly, edible oil was placed under OGL by the Government of India in March, 1995. Its free import has further added to the competition."

"In view of all these factors, the revival of three vanaspati units of HVOC may not be a viable proposition."

"The loss in every vanaspati unit of HVOC is rising every year, even though the total loss of HVOC has gone down. In the year 1995-96 the loss from 3 vanaspati units of HVOC is Rs. 7.70 crores whereas the net loss of the Corporation is Rs. 6.00 crores. If the loss of vanaspati unit is set apart, the remaining units of HVOC are making positive contribution."

"The Committee constituted in the Ministry to draw up an Action Plan for revival of HVOC on long term basis observed that even after modernisation of vanaspati units, HVOC won't be able to earn profit but could set off their losses. The departmental Committee, therefore, felt that HVOC should go for diversification of their activities and take steps to raise resources for revival of HVOC with or without financial support."

"To offset its cash losses, HVOC submitted a proposal to allow it to import (and sale in the open market) oil at concessional import duty. The Department accordingly moved the CCEA but CCEA rejected the proposal early this year. Ministry of Finance was again moved for budgetary support to HVOC, but the Ministry of Finance have advised winding up, instead of considering the revival."

"In order to help HVOC to turn around, this Ministry has decided that all the States should get atleast 25% of their allocation of imported edible oil to be used in small packs, packed through HVOC. Accordingly, action has been taken. In 1995-96 HVOC has been allocated 32,000 MTs of imported Pamolein for small packs."

1.18 The Committee concur with the views of the Government that the revival of three vanaspati units of HVOC, located at Delhi, Kanpur and Amritsar is not a viable proposition. Even the Ministry of Finance with whom an action plan for revival was taken up, had rather advised to winding up. The Committee are of the view that the recently launched scheme to turn around HVOC whereby States are being supplied 25% of their allocation of imported oil in small packs, will not be able to pull these units out of red. The Committee while reinforcing their earlier recommendation made *vide* para 3.12 of Second Report (11th Lok Sabha) desire that the Department of Civil Supplies should vigorously pursue the modernisation and revival of HVOC in a fixed time frame, failing which the recommendation of the Ministry of Finance with regard to privatisation or winding up of the organisation should be accepted.

Compulsory Registration of Edible Oil Units

Recommendation No. 16

1.19 Stressing the need for registration of all the edible oil units, the Committee had recommended as follows:

"Much of the oilseed industry is in the unorganised sector. The unorganised units operate intermittently using casual labour, without employing technically qualified staff for control on quality and equipment and for testing the seeds or the oils. The Committee also observe that a major advantage available to the unorganised sector is their flexibility in operation which permits them to avoid taxed on oilseeds and oils. The Committee, therefore, recommend that the Union Government should impress upon the State Governments to ensure that atleast all the oil industries should be registered if providing of licenses to them is not feasible so as to have a strict vigilance over the operational activities of these units and also to check tax evasion".

1.20 The Ministry in their Action Taken reply have stated :

"After the deregularisation of vanaspati industry in 1991, virtually all control over edible oil and vanaspati manufacturers has ceased. However, with a view to extend the system of quality Control and quality surveillance there still exists a provision under the Vegetable Oil Products (control) Order, for enrolment of units. This provision of enrolment covers the processed Vegetable Oils meant for human consumption. The units in the organised sector are covered under the required enrolment and not the unorganised sector which has a large number of units in its ambit. The Ministry with resource an manpower available at its disposal finds it impossible to register these units in the unorganised sector."

1.21 The Committee are of the opinion that the system of quality control and quality surveillance should be strictly adhered to as these vegetable oil products are meant for human consumption. The Committee, therefore, reiterate their earlier recommendation and urge the Ministry to take up the matter of registration of units in the unorganised sector also.

Stabilization of Rates of Edible Oils and Vanaspati

Recommendation No. 18

1.22 Exhorting the Government to ensure that edible oils should be made available to the Consumers at a reasonable price, the Committee had recommended *inter-alia* as follows:—

"Union Government should advise the State Governments to keep the rates of edible oils and vanaspati within a certain range in order to keep the interests of consumers protected and the units running."

1.23 The Ministry in their Action Taken reply have stated :

"Union Government has been impressing upon the State Governments/UT Administrations from time to time to ensure that essential commodities including edible oils are made available to the consumers freely and at reasonable prices and unethical trade practices like hoarding, blackmarketing and profiteering etc. are not allowed to take the advantage at the cost of consumers interests and curbed effectively. In order to check profiteering, it has been made obligatory for manufacturers under the Packaged Commodities Rules to print the maximum prices clearly on all the items sold in packaged form. The States/UTs have also been advised to strictly enforce the provisions of the Essential, Commodities Act, 1995 and Prevention of Black marketing and maintenance of Supplies of Essential Commodities Act, 1980 so as to prevent hoarding and conditions of artificial scarcity being created by vested interests in the open market".

"Presently a number of manufacturers both national and multinationals are competing in manufacturing refined oils and the Government under its policy of decontrolling and deregulating the trade and commerce has presently no proposal to have any price control on edible oils in the open market. However, price control of the imported edible oil for PDS is likely to continue."

1.24 The Committee do not share the perception of the Government that as a result of decontrolling and deregulation in the trade and commerce of edible oils, the Government do not have any proposal to have any price control on edible oils in the open market and the price control of imported edible oils for PDS would continue. The Committee are of the opinion that the edible oils have been grouped under essential commodities and it should be the endeavour of the Government to ensure their availability at a reasonable price. The Committee, therefore, desire that the Government should ensure that all essential commodities including edible oils are made available to the consumers freely and at an affordable price and that the gap between the open sale price of edible oils and oils supplied through PDS be kept at the barest minimum.

Quality Control on Edible Oils

Recommendation No. 19

1.25 In order to simplify and rationalise quality controls that exists over edible oils, the Committee had *inter-alia* observed :

"The Vanaspati is governed by three parallel statutory quality standards *viz.* Prevention of Food Adulteration Rules Vegetable Oil Products Control Order and Bureau of Indian Standards with three sets of authorities to administer them. The Committee observe that multiplicity of orders place avoidable demands on administrative machinery and the industry adding to costs and inflationary pressures. The Committee, therefore, recommend that a Committee should be appointed to suggest rationalisation and modifications of these controls and regulations."

1.26 The Ministry in their Action Taken Reply have stated:—

"The issue of triple sets of quality control on edible oil has been examined by this Ministry in consultation with the Ministry of Health and Bureau of Indian Standards (BIS). It was found that there was no over lapping of functions in respect of the provisions of the Prevention of Food Adulteration Act and the role of BIS in exercising quality control over food products. The PFA Act endeavours to safeguard the health of consumers by laying down quality specificatons for each food item whereas the BIS, on the other hand, seeks to enforce quality control regulations through ISI mark, AGMARK etc. so as to check adulteration and prevent sub-standard food items being sold to the consumers. With regard to Vegetable Oil Products (Control) Order, the possibility of incorporating its salient features, which pertains to processing and manufactural aspects, into the PFA Act is being explored so that VOP Control Order could be rescinded if it is found feasible."

1.27 The Committee note that the Government propose to explore the possibility of incorporating the salient features of Vegetable Oil products (Control) order, into the Prevention of Food Adulteration Act pertaining to the processing and manufactural aspects. The Committee desire that Government should carry out this exercise without delay and the outcome be apprised to them.

Release and Lifting of Imported Palmolein Oil

Recommendation No. 22

1.28 Expressing their deep concern over the release and lifting of imported oil and its quality control and adulteration, the Committee had *inter-alia* observed as follows :—

"Imported palmolein oil was being allotted to those States in excess wherein edible oils were produced in abundance and the total percentage of palmolein oil allotted to and lifted by non-producing States was almost negligible. The Committee also noted that the release and lifting of imported oil was much more in the harvest season, there by affecting the interests of farmers and leakage of oil meant for PDS to oil industry. The Committee strongly recommend that non-producing State should be encouraged to lift the allotted imported oil and moreover lifting of such oil should be staggered throughout the year with a view to safeguard the interests of farmers. The Committee also recommend that Government should impress upon the States to ensure that leakage of imported oil meant for PDS is checked".

1.29 The Ministry in their Action Taken reply have stated :

"PDS is a joint responsibility of the Central and State Governments. The latter being in close touch with the consumers has greater role in actual distribution of commodities and hence for making the system a success. Central Government's role is limited to making the stocks of goods under PDS availability for lifting by States. In the above framework of the arrangements for PDS, the Central Government has to depend largely on the demand of edible oil by the States/UTs for allocating edible oil to them. The other criteria governing the quantum of allocation are availability of stock in Central Pool, *inter-se* reguirement of the States, pace of lifting of earlier allocation etc."

"This Ministry has strangely observed that the oil producing States like Andhra Pradesh Gujarat and Maharashtra has substantial demand of palmolein for PDS while the consumer States like Bihar, Uttar Pradesh Punjab, Rajasthan have nil or negligible demands."

1.30 The Committee as well as the Government have observed that the oil producing States like Andhra Pradesh, Gujarat and Maharashtra have substantial demand of palmolein for PDS while the consumer States like Bihar, Uttar Pradesh, Punjab, Rajasthan have nil or negligible demands. Strangely, the Government have not attempted to find out the cause of this disturbing phenomenon. The

Committee are of the view that in oil producing States probably the phenomenon of diversion of edible oil from PDS into open market is rampant and widespread. The Committee, therefore, reiterate their earlier recommendation and desire that Government should take result oriented steps to plug the loopholes in the diversion of edible oils.

Pattern for Funding Co-operative

Recommendation No. 23

1.31 Underlining the necessity of making cooperative a self sustaining equity, especially with regard to funding the Committee has *inter-alia* observed as follows:

"Funding by NCDC is based on the guarantee given by the States causing political/bureaucratic interference as a result of this interference cooperative movement is not developing. The Committee also note that this guarantee is obligatory as per the National Cooperative Development Corporation Act, 1962. The Committee, therefore, recommend that the Act in this regard should be amended accordingly and cooperatives should be made independent as far as funding is concerned."

1.32 The Ministry in their Action Taken reply has stated as under:—

"The Ministry of Agriculture which administers the National Cooperative Development Corporation Act, has already introduced the National Cooperative Development Corporation (NCDC) (Amendment Bill) 1995 in the Rajya Sabha on 28.8.95. After this amendment Bill is passed by the Cooperative Societies without obtaining guarantee from the Government in those cases in which security to the satisfaction of NCDC is furnished by the borrowing Cooperative Society."

1.33 The Committee are happy to note that the Government have agreed in principle to implement this recommendation of the Committee by making amendments to National Cooperative Development Corporation Act, 1962. The Committee further note that in order to make cooperatives financially independent, Government have brought out a Bill entitled "National Cooperative Development Corporation (Amendment) Bill, 1995." It has been brought to the notice of the Committee that the Bill is yet to mature into an Act. The Committee hope and trust that the said Bill will meet the demands of cooperatives and turn them into a more viable and financially sound entity.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 2

The Committee feel that no mechanism has so far been evolved in the Ministry to get a clear picture of the total demand of edible oils and the sources from which it is likely to be met. The decision to import/export edible oils is generally taken very late. The Committee, therefore, recommend that a mechanism should be evolved to get information from the States/UTs about their consumption level and consumption pattern of edible oils and the estimated production of oilseeds/edible oils in their areas well in time with a view to take advance decision about import of oil/oilseeds.

Reply of the Government

The demand projection of edible oils is made basically on the economic parameters of the Planning Commission. The assumption are :

(i) The edible oil demand estimates are based on the population and per capita consumption.

(ii) The growth in per capita consumption expenditure has been assumed @ 2.2% and 3.4% in the VIIth Plan period and VIIIth Plan period respectively.

(iii) The elasticity of demand related to growth in consumption expenditure for edible oils is 0.9376 and 0.595 for the VIIth Plan period and VIIIth Plan period respectively as given by the Planning Commission.

Method of calculation :

Growth in per capita consumption : Elasticity of Demand × per capita consumption expenditure

The demand forecast on edible oils that has been worked out on this basis for the year 1996-97 to 2000-2001 are as under:—

Year	Per capita consumption kg. per annum	Population in million	Demand in lakh MT
1996-97	8.03	938.01	75.32
1997-98	8.19	954.31	78.16
1998-99	8.36	970.60	81.14
1999-2000	8.53	986.87	84.18
2000-2001	8.70	1003.10	87.27

The import of edible oils is being resorted to by the Government as a supplemental measure to narrow the gap between demand and supply of edible oils to the extent possible.

The availability of edible oils from all the indigenous sources including the secondary and non-traditional oils largely depends on the production of oilseeds in the country. As such estimates of availability of oils are made according to the estimates of production of oilseeds projected by the Department of Agriculture & Cooperation. Though the estimates of availability based on the projections/targets of oilseeds production are made annually, these estimates are subject to frequent upward/downward revision since there are two main crops of oilseeds in the country and prospects of both crops are closely linked to a number of factors like rainfall, and other weather and climatic conditions.

Production of oilseeds/edible oils in a state cannot be taken as the stock available to meet the requirement of the consumers of that State only since edible oil and oilseeds move freely from one State to another better to say from producers State to consumers State. As such, it seems to be pragmatic to have estimates of avilability of oils on country line instead of State levels. Consumption level and pattern no doubt changes from State to State according to economic conditions and taste preference of the consumers. The Planning Commission has formulated state-wise per capita consumption estimates of oils and fats on the basis of economic parameters *i.e.* income levels of consumers (Annexure-I).

The import of selected edible oils has been allowed under OGL w.e.f. 1.3.95 keeping in view the demand and supply gap in respect of edible oils. The idea behind the said decision was to supplement the open market availability of indigenous edible oils and to ensure supply of adequate quantities of edible oil to consumers at reasonable prices throughout the year.

As regards edible oils distributed through PDS the imports are generally made in such a way so as to ensure continuous supplies to consumers during lean season/major festivals. The process for imports of edible oil for PDS is initiated around November (*i.e.* the commencement of Oil Year) by which time the firm estimates of edible oilseeds production are available. It is the effort of this Ministry to finalise the quantity of edible oils to be imported at the earliest keeping in view demand from States, past offtake, prices of edible oils in the open market etc. so that necessary authorisation can be conveyed to the STC by January positively.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96. EOP Dated : 1.8.1996.]

Recommendation No. 7

The Committee find that currently vanaspati attracts an excise duty of Rs. 15 per metric tonne whereas similar products like refined oils are exempted from this tax. This makes vanaspati expensive which is mainly consumed by the poor section of the society. The Committee, therefore, recommend that excise duty on vanaspati should be abolished.

Reply of the Government

Vanaspati has now been exempted from the excise duty in the recently introduced budget for the year 1996-97.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96. EOP Dated : 1.8.1996.]

Recommendation No. 9

The Committee regret to note that Hindustan Vegetable Oils Corporation Ltd. had purchased a plant worth-Rs. 1.8 crores. But in the changed scenario that plant became obsolete and HVOC is now ready to dispose it of just for Rs. 60 lakh. The Committee express their displeasure over the lack of farsightedness and planning shown by the Corporation causing a heavy loss. The Committee, therefore, recommend that in future due care should be taken while taking decision about the purchase of costly plants and equipments etc. in terms of its utility for a longer period. The Committee also recommend that scrap available with the Corporation should be disposed of so as to mobilise funds for the modernisation/revival programmes of the Corporation.

Reply of the Government

The plant referred to is the plant and equipment at Amritsar which was purchased in 1983-84 for setting up a 100 TPD plant. The plant had been lying idle since its purchase. As the utility of the plant become outdated, HVOC has sold the plant at scrap value. The Committee's recommendations for taking due care in purchasing costly plants and equipments in future has been carefully noted and HVOC has been advised accordingly.

HVOC has been advised to expedite action in the disposal of scrap/ obsolete plant and equipment to generate funds for revival of the Corporation.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96. EOP Dated : 1.8.1996.]

Comments of the Committee

The Committee may be apprised of the latest position regarding the funds generated by the disposal of scrap/obsolete plant and equipment and their utilisation.

Recommendation No. 11

The Committee are of the opinion that workers are the life of any industrial unit and if they are satisfied they can bring more profit for the unit. The Committee, therefore, recommend that Management-Workers relations in the various units of HVOC should be reviewed by a Committee of the Ministry of Civil Supplies, Consumer Affairs and Public Distribution and sincere efforts should be made to encourage the workers to work hard for the revival of the Corporation.

Reply of the Government

HVOC's second main activity was refining of oil. As the Government stopped importing crude oil from 1990 onwards, the large manpower earlier engaged in refining activity remained unutilised and they are getting idle wages. The Corporation has already reduced its surplus manpower at all levels from workers to managers by 26% under the voluntary retirement scheme. Even now HVOC is saddled with excessive manpower. To bring down its revenue expenditure HVOC has been advised to take steps to further cut down its manpower by taking recourse to NRF Scheme administered by Ministry of Industry. The Scheme provides for training for redeployment of employees on voluntary retirement.

Production in vanaspati units is very insignificant because of old technology, non-availability of sales tax concession and shifting of consumer preference from vanaspati to refined oils. Therefore, further investment in the vanaspati units is not considered profitable.

Keeping the above in view, steps are being taken to review the management-workers relations in the various units of HVOC and to improve upon it.

A proposal for revision of wages of workers is under consideration of the Government.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96 EOP Dated : 1.8.1996]

Recommendation No. 13

The Committee are concerned to note that out of about 145 vanaspati units in the country, around 40 vanaspati units do not produce vanaspati. Moreover, the average capacity utilisation of the total vanaspati units is only 45 per cent. The Committee also note that non-availability of raw materials, old machinery and sales tax etc. are some of the reasons for ill-health of the vanaspati industry. The Committee are of the view that since sixty-five percent vanaspati is being consumed by the economically underprivileged sections of the society and is a nutritionally balanced cooking medium consisting of facts, vanaspati industry should not be allowed to sacrifice for refined oils etc. The Committee, therefore, strongly recommend that survey should be conducted at the Central level to ascertain the causes of growing sickness in vanaspati industry and the Union Government should impress upon the concerned State Governments to set up Committee consisting of representatives of the State Ministry of Civil Supplies, Consumer Affairs and Public Distribution and the representatives of vanaspati industry among others with a view to revive the close sick units and also to increase the capacity utilisation of the functioning industries. The Union Ministry of Civil Supplies, Consumer Affairs and Public Distribution should monitor the progress made in this regard and also apprise the Committee accordingly.

Reply of the Government

(a) A few years ago a Committee under the Chairmanship of Shri B.K. Goswami, the then Secretary (CS) had examined the reasons for decline in viability of the vanaspati manufacturing units. The Committee concluded that the growing sickness of the vanaspati units was essentially due to bad management.

(b) However, it is a fact that the vanaspati industry is in bad shape. More than 1/3rd of the vanaspati units are already closed or intermittently operational. The overall capacity utilisation of the vanaspati units has also come down from around 45% (at the time the Committee examined the issue of growing sickness) to around 35%. Vanaspati Industry has also proved to be an effective instrument of growth of non-conventional oils. There is a genuine case for looking afresh into the reasons for suggesting appropriate remedial action.

A Committee will, therefore be constituted in the Department of Consumer Affairs and Public Distribution System with members from all concerned Departments/Organisations to look into the reasons for sickness of the vanaspati industry and measures to improve the functioning of the vanaspati units.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96 EOP Dated : 1.8.1996]

Comments of the Committee

The Committee are happy to note that Government hve accepted the recommendation in principle,and is in the process of constituting a Committee to look into the reasons for sickness in the vanaspati industry. The Committee desire that the outcome of this exercise should be intimated to them, as soon as possible.

Recommendation No. 17

The Committee are concerned to note that certain manufacturers are not displaying ingredients of their products on the packing of edible oils/refined oils whereas it is obligatory under the Food Adulteration Act. The Committee, therefore, recommend that Union Government should impress upon the State Governments to ensure that ingredients of the products are invariably displayed on the packings of edible oils so as to give a clear picture of the contents.

Reply of the Government

The Ministry of Health has intimated that State Governments have been advised to ensure that labels of packed food articles including edible oils invariably contain the necessary details about the type of edible oil/ingredients in keeping with the provisions of the PFA Act.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96 EOP Dated : 1.8.1996]

Recommendation No. 19

The Vanaspati is governed by three parallel statutory quality standards *viz.* Prevention of Food Adulteration Rules Vegetable Oil Products Control Order and Bureau of Indian Standards with three sets of authorities to administer them. The Committee observe that multiplicity of orders place avoidable demands on administrative machinery and the industry adding to costs and inflationary pressures. The Committee, therefore, recommend that a Committee should be appointed to suggest rationalisation and modifications of these controls and regulations.

Reply of the Government

The issue of triple sets of quality control on edible oil has been examined by this Ministry in consultation with the Ministry of Health and Bureau of Indian Standards (BIS). It was found that there was no overlapping of functions in respect of the provisions of the Prevention of Food Adulteration Act and the role of BIS in exercising quality control over food products. The PFA Act endeavours to safeguard the health of consumers by laying down quality specifications for each food item whereas the BIS, on the other hand, seeks to enforce quality control regulations through ISI mark, AGMARK etc. so as to check adulteration and prevent sub-standard food items being sold to the consumers. With regard to Vegetable Oil Products (Control) Order, the possibility of incorporating its salient features, which pertain to processing and manufactural aspects, into the PFA Act is being explored so that VOP Control Order could be rescinded if it is found feasible.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96 EOP Dated : 1.8.1996]

Recommendation No. 21

The Committee are concerned to note that studies and surveys undertaken by the Technology Mission on Oilseeds (TMO) have revealed that country loses nearly 5 lakh tonnes edible oil every year due to faulty and inefficient post-harvest handlings. The Committee are of the view that is it a significant amount of loss and saving is as good as earning or production. The Committee, therefore, recommend that more steps are required to be taken in this regard with a view to further minimise the losses so as to bridge the gap between demand and supply of edible oils in the country.

Reply of the Government

Technology Mission on Oilseeds and Pulses (TMO&P) as a part of its multi-pronged strategies of attaining self-reliance in edible oils in the shortest possible time, evolved a scheme for research and development of post-harvest technology of oilseeds during the Plan (1992–97) to find out and bridge the technology gap for input, processing, storage and other post-harvest operations of oilseeds/edible oils. CSIR is the nodal agency for this activity. As a result of research undertaken, CSIR has developed improved processing equipment like 10 TPD improved expeller, rice bran stabilizer, sunflower decorticator and improved palm oil mill etc. In order to popularise these equipment, a project entitled "Transfer of improved technology for setting up demonstration units at selected States" has been taken up from 1995-96.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96 EOP Dated : 1.8.1996]

Recommendation No. 23

The Committee noted that funding by NCDC is based on the guarantee given by the States causing political/bureaucratic interference as a result of this interference cooperative movement is not developing. The Committee also note that this guarantee is obligatory as per the National Cooperative Development Corporation Act, 1962. The Committee, therefore, recommend that the Act in this regard should be amended accordingly and cooperatives should be made independent as far as funding is concerned.

Reply of the Government

The Ministry of Agriculture which administers the National Cooperative Development Corporation Act, has already introduced the National Cooperative Development Corporation (NCDC) (Amendment Bill) 1995 in the Rajya Sabha on 28.8.95. After this amendment Bill is passed by the Parliament, NCDC would be able to provide direct funds to the Cooperative Societies without obtaining guarantee from the Government in those cases in which security to the satisfaction of NCDC is furnished by the borrowing Cooperative Society.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96 EOP Dated : 1.8.1996]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

Recommendation No. 1

The Committee observed that productivity of oilseeds in India is only 1/3rd of the international level. The Committee are of the view that this could be substantially stepped up through extension of irrigation facilities, development of dry land farming techniques, provision of protective irrigation during long dry spells, adequate and timely supply of improved quality seeds and other inputs etc. The Committee are also of the view that the research efforts also needed to be accelerated to achieve quantum-jumps in production. The Committee, therefore, recommend that efforts should be made to identify areas having greater potential and testing of soil to grow more oilseeds because of agro-climatic conditions.

Reply of the Government

There is no doubt that productivity of different oilseeds is comparatively lower in India than in advanced countries in the world. The concept that has been adopted in India relates to multiple cropping and intensive cropping, taking 3-4 crops in a year through the introduction of short duration/early maturing varieties in various oilseed crops. Contrary to it, in the advanced countries the conditions for cultivation of different oilseeds are better as far as gestation period is concerned as they possess longer winter span and they adopt extensive approach of growing these crops i.e. only one crop in a year.

Efforts have been made to increase the productivity levels of oilseed crops through multiplication and supply of superior varieties resistant to diseases and pests and responsive to use of various inputs. Efforts are being made to educate the farmers for the production and use of seeds of better varieties and encourage them to use inputs like fertilizers, pesticides, micro-nutrients in different oilseeds to increase their production. Amongst the non-monetary inputs the farmers are trained to undertake timely operations i.e. sowing, weeding, inter-cultivation, harvesting, etc. to realise the maximum benefit and increase the production.

About 75% of the area under oilseed is rainfed which is the major factor for lower productivity in India. Efforts are being made to bring maximum area under irrigated oilseeds through efficient management of water. For this purpose assistance is provided under Oilseeds Production Programme (OPP) for distribution of sprinkler sets. These sets benefit the crop in two ways, firstly they provide efficient water management and do not promote the growth of weeds. Secondly, it economises water to the extent of 40-50% which means that with the same quantity of irrigation water double the area can be irrigated.

Research efforts have been intensified in involving better varieties in different oilseed crops. A number of high yielding varieties have been developed and released for cultivation in the country. In case of castork india has got the distinction of developing the first hybrid in the world. Similarly, in sunflower also a number hybrids have been developed both by the public and private agencies and the seeds are being distributed to farmers. In addition, sunflower and mustard hybrids are in pipeline and it is hoped that release of these hybrids will give a new dimension to production of these crops.

Adoption of dry farming approach may not provide quantum jump in productivity of these crops. However, the life sowing irrigation will definitely go a long way in increasing production of oilseeds. This can be done through sprinklers provided under OPP.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96. EOP Dated : 1.8.1996.]

Recommendation No. 12

The Committee are of the view that management and economic indiscipline are the main factors responsible for the sickness of the industrial units. The Committee strongly recommend that Management should take action to streamline the functioning of HVOC and plug the loopholes with a view to minimise the continuing losses in their units.

Reply of the Government

Within the constraints under which HVOC has been working, it has been making sincere efforts to introduce well designed systems and purchase procedures which have already made some improvements in the company's working. Calcutta Unit which incurred a loss of Rs. 55.00 lakh in the year 1993-94 made a profit of Rs. 49.00 lakh in the year 1994-95 and Rs. 89.00 lakh in the year 1995-96. The Bombay unit has made profits of Rs. 121.00 lakhs in the year 1995-96 as against losses of Rs. 48.00 lakhs and Rs. 260.00 lakhs in 1994-95 and 1993-94 respectively. The Breakfast Food Unit has also shown considerable improvement. Against a loss of Rs.7.00 lakh in the year 1992-93, this unit has made a profit of Rs. 36.00 lakhs, Rs. 66.00 lakhs and Rs. 40.00 lakhs in the years 1993-94, 1994-95 and 1995-96 respectively. The Madras unit has made a profit of Rs. 1.00 lakh in the year 1995-96 as against loss of Rs. 18.00 lakhs in the year 1994-95. This unit made a profit of Rs. 20.60 lakhs in the year 1993-94.

To cut down the losses, the Corporation has also initiated several austerity measures and the establishment cost has been reduced by 25%.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96 EOP Dated : 1.8.1996]

Recommendation No. 14

The National Dairy Development Board was appointed as the implementing agency for Market Intervention Operation (MIO) in 1989 and this programme was discontinued by the Government in April, 1994 after completion of the initially stipulated five years. *The probable reasons given by NDDB for cessation of MIO was that the country had achieved near self-sufficiency in Edible Oils and further a Market Intervention Operation may also involve subsidies by Government to the Market Intervention Agency.* The Committee note that during 1992-93 and 1993-94, the quantity of edible oils imported was 0.77 and 0.79 lakh MTS and the amount spent therein was Rs. 39.44 and Rs. 51.04 crores, respectively, whereas the total amount spent on importing *edible oils during 1994-95 increased to the tune of Rs. 188.94 crores.* The estimated import is likely to increase during 1995-96.The Committee, therefore, *recommend that Government should reconsider whether relaunching of Market Intervention Operation would help in any way in reducing the quantum of imports of Edible Oils.*

Reply of the Government

The Market Intervention Operation (MIO) was a scheme for which the Government had appointed the National Dairy Development Board (NDDB) as implementing agency for an initial period of 5 years ending March, 1994. Under the Scheme, it was intended to keep the prices of edible oils *under specific price bands* prescribed for initial period of 5 years. NDDB, a an *implementing agency of the MIO failed miserably to keep the prices under the upper limits of price bands prescribed for during the last 4 years of its terms. The MIO had also a* component of import of palmolein which could not materalise,due to acute foreign exchange crunch which the country witnessed during 1990-92 and NDDB attributed this non-materialisation of import of palmolein to its failure in up keeping the objectives of the MIO. *Besides, NDDB also incurred a huge loss in this operation and claimed over Rs. 263 crores from Government towards compensation of the loss and the Government is still forced to allow it to import palmolein/edible oil at concessional rate of duty of 20% against 30% allowed for OGL imports.*

Presently edible oil (palmolein) exclusively for PDS is being imported on Government account by STC. Besides, all edible oils except a few ones are also allowed for import under OGL and NDDB is also importing edible oils as stated above. Considering the experience of the last MIO and the present arrangements of augmenting the availability of edible oils through imports, relaunching of MIO is not likely to serve any purpose except imposing a financial burden on Government by way of expenditure on subsidy/tax concession.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96 EOP Dated 1.8.1996]

CHAPTER IV

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

Recommendation No. 4

The per capita consumption level of edible oils in India as per the norms of Planning Commission is about 7 kg. per annum which is much below the World Average of 16 kg. per annum. However, the per capita average consumption standards of the industrially advanced and affluent countries of the West and Japan etc. is 22 to 35 kg. The Committee were surprised to note during evidence that neither the Planning Commission nor the Ministry of Civil Supplies, Consumer Affairs and Public Distribution had undertaken any survey to ascertain as to why the average per capita consumption level in the country is very low. The Committee, therefore, recommend that a survey should be conducted by the Ministry to ascertain as to why the average per capita consumption of edible oils in the country is so low so as to get a clear picture of the total estimated requirement of edible oils/ vanaspati.

Reply of the Government

It cannot be denied that consumption level of edible oil and fats in India is far below the average level of the world's consumption. Even the per capita consumption of 7.87 kg. per annum targetted for projection of demand for the terminal year of the VIIIth Five Year Plan *i.e.* 1996-97 is quite below the world's average of 16 kg. per annum. The poor purchasing power of consumers in the country coupled with the high prices of indigenous edible oil as compared to international prices is ascribed to the low consumption of edible oil in the country in comparision with world average and the consumption levels of the developed countries.

According to recent research findings, direct and visible requirement of edible oil is now not a necessary consitituent of a nutritions and healthy diet since invisible fats derived from cereals/grains, milk products, non-vegeterian foods etc. are considered sufficient to complete the essential calories intake.

It is, therefore, felt that carrying out a fresh survey to ascertain the reasons for the lower level of consumption of edible oils in comparison to the world's average will not be a worthwhile exercise.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96 EOP Dated 1.8.1996]

Comments of the Committee

(Please *see* Pragraph 1.9 of Chapter I of the Report)

Recommendation No. 5

The import of edible oils is draining out crores of rupees from the exchequer every year. Despite combined efforts of the Government, Technology Mission on Oilseeds, farmers, trade and industry, it has not been possible to bridge the gap between demand and supply of edible oils. In this endeavour optimum exploitation of secondary sources of edible oils needs to be encouraged. The Solvent Extraction Industry is meeting about 12% of the total demand of edible oils in the country. Minor oilseeds of tree and forest origin offer a big source for the solvent industry. The Mango Kernel and neemseed oil are the potential sources of vegetable oils which are untapped and unexploited. The Mango Kernel which are thrown away as a waste have become a very valuable source for foreign exchange earnings. The collection of Mango Kernel has open a large potential of employment all over India. Similarly, Neem tree is a tropical tree found practically all over India and there is vast potential of collection of these seeds. The Committee, therefore, urge upon the Union Governmbnt to set up an agency for promoting collection of Mango Kernel, Neem seeds and other minor seeds of tree and forest origin involving private sector with a view to boost production of edible oils and other extractions so that the country may become self-sufficient in the field of production of oilseeds as well as Edible oils.

Reply of the Government

The secondary sources and the oilseeds of tree and foreign origin have undoubtedly immense potential the bulk of which is still untapped/exploited. Exploitation of these resources on a mass scale is bound to make the edible oils position in the country quite comfortable.

The National Oilseeds and Vegetable Oils Development (NOVOD) Board, a body of the Union Government under the administrative control of the Ministry of Agriculture, have been assigned the job of coordinating the activity relating to augmenting collection of oilseeds of tree and forest origin and this activity of NOVOD Board is being overseen by the representatives of the concerned Ministries including the Ministry of Civil Supplies, Consumer Affairs and Public Distribution. A number of discussions have been held to collect seeds of the tree and of forest origin. It has been proposed to give advertisements in media for collection of mango kernels which are otherwise thrown away as garbage waste. The organisations like TRIFED and State agencies are engaged in the promotion of use of edible oils from non-conventional sources like neem seeds, mango kernel etc.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96 EOP Dated : 1.8.1996]

Comments of the Committee

(Please *see* Paragraph 1.10 of Chapter I of the Report)

Recommendation No. 6

The Committee note that at present there is no single agency to plan and co-ordinate the development of the oilseeds, vegetable oils and vanaspati industry. The Committee are of the view that vanaspati is an important sector in the vegetable oils and fat economy of the country. It is, therefore, necessary to form a comprehensive Oil Board under the Ministry of Civil Supplies, Consumer Affairs and Public Distribution for the development of this sector *i.e.* oilseed production, oil extraction industry and oil processing industry. The Committee, therefore, recommend that such an Oil Board should be set up by the Ministry of Civil Supplies, Consumer Affairs and Public Distribution. This Board can be set up on the same lines as the existing Boards for tea, coffee, rubber and Jute industries. The formation of such a Board is imperative to ensure a balanced growth and development of all segments of this important sector of the economy.

Reply of the Government

The National Oilseeds and Vegetable Oils Development (NOVOD) Board is already in existence under the administrative control of Agriculture Ministry which is engaged in the promotion of indigenous oilseeds and edible oils production. Since such a body is already present there does not seem to be any further need for a separate Oil Board to be set up. Another Oil Board will only result in duplicity of endeavours for the same cause. This NOVOD Board is reportedly making appreciable efforts in the field of oilseeds and oils. Certain areas/sectors of edible oil which are left out from the purview of NOVOD Board can be incorporated in its charter if it is found necessary for the integrated development of oils and oilseeds.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96—EOP Dated : 1.8.1996.]

Comments of the Committee

(Please *see* Paragraph 1.15 of Chapter I of the Report)

Recommendation No. 10

The Committee observe that under their diversification programme. HVOC has started manufacturing breakfast cereals like corn flakes, oats and extruded food items. The Corporation has commissioned a new plant for production of oats (a Breakfast Food Product). The Committee strongly recommend that HVOC should concentrate its activities on the production of vanaspati/edible oils and allied products with a view to mitigate the continuing gap of edible oils between demand and supply in the country draining a huge amount of foreign exchange every year.

Reply of the Government

Production of vanaspati has suffered a set back during the last three years for a variety of reasons. The vanaspati industry was delicensed in July, 1991. Secondly, many State Governments have extended sales tax concessions to new vanaspati units set up in the backward/notified areas. In addition, HVOC's old plant and machinery resulted in higher cost of production per unit and inferior quality of their product. As a result, HVOC's product has lost its market. On the other hand the private competitors are large Indian companies with all modern technology and facilities as well as established markets. Thirdly, the consumer preference is gradually shifting from vanaspati to refined oils. The per capita demand of vanaspati has fallen and that of refined oils has risen. Almost 40% of capacity in vanaspati industry is lying idle in India. Fourthly, edible oil was placed under OGL by the government of India in March, 1995. Its free import has further added to the competition.

In view of all these factors, the revival of three vanaspati units of HVOC may not be a viable proposition.

HVOC's unit-wise production of vanaspati for the last three years is as under :—

Year	Production (in MTs.)		
	Delhi	Kanpur	Amritsar
1993-94	4428	4695	7558
1994-95	2041	2937	3494
1995-96	559	650	2592

Loss in vanaspati units during the last three years is as under :—

Year	Delhi	Kanpur	Amritsar
1993-94	Not available	(–) 156.18	(–) 222.61
1994-95	Not available	(–) 238.59	(–) 236.74
1995-96	Not available	(–) 285.10	(–) 254.26

The loss in every vanaspati unit of HVOC is rising every year, even though the total loss of HVOC has gone down. In the year 1995-96 the loss from 3 vanaspati unit of HVOC is Rs. 7.70 crores whereas the net loss of the Corporation is Rs. 6.00 crores. If the loss of vanaspati units is set apart, the remaining units of HVOC are making positive contribution.

The Committee constituted in the Ministry to draw up an Action Plan for revival of HVOC on long term basis observed that even after modernisation of vanaspati units, HVOC won't be able to earn profit but could set off their losses. The departmental Committee, therefore, felt that HVOC should go for diversification of their activities and take steps to raise resources for revival of HVOC with or without financial support.

To offset its cash losses, HVOC submitted a proposal to allow it to import (and sale in the open market) oil at concessional import duty. The Department accordingly moved the CCEA but CCEA rejected the proposal early this year. Ministry of Finance was again moved for budgetary support to HVOC, but the Ministry of Finance have advised winding up, instead of considering the revival.

In order to help HVOC to turn around, this Ministry has decided that all the State should get atleast 25% of their allocation of imported edible oil to be used in small packs, packed through HVOC. Accordingly, action has been taken. In 1995-96 HVOC has been allocated 32,000 MTs of imported palmolein for small packs.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96 EOP Dated : 1.8.1996]

Comments of the Committee

(Please *see* Paragraph 1.18 of Chapter—I of the Report)

Recommendation No. 16

The Committee note that much of the oilseed industry is in the unorganised sector. The unorganised units operate intermittently using casual labour, without employing technically qualified staff for control on quality and equipment and for testing the seeds or the oils. The Committee also observe that a major advantage available to the unorganised sector is their flexibility in operation which permits them to avoid taxes on oilseeds and oils. The Committee, therefore, recommend that the Union Government should impress upon the State Governments to ensure that at least all the oil industries should be registered if providing of licenses to them is not feasible so as to have a strict vigilance over the operational activities of these units and also to check tax evasion.

Reply of the Government

After the deregularisation of vanaspati industry in 1991, virtually all control over edible oil and vanaspati manufacturers has ceased. However, with a view to extend the system of quality Control and quality surveillance there still exists a provision under the Vegetable Oil Products (Control) Order, for enrolment of units. This provision of enrolment covers the processed Vegetable Oils meant for human consumption. The units in the organised sector are covered under the required enrolment and not the unorganised sector which has a large number of units in its ambit. The Ministry with resource and manpower available at its disposal finds it impossible to register these units in the unorganised sector.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96 EOP Dated : 1.8.1996]

Comments of the Committee

(Please *see* Paragraph 1.21 of Chapter—I of the Report)

Recommendation No. 18

The Oils and Vanaspati are essential ingredients of diet and are items of mass consumption. The Committee, therefore, recommend that Union Government should advise the State Governments to keep the rates of edible oils and vanaspati within protected and the units running. The Committee also recommend that refined oils should not be treated differently to that of other edible oils in view of its increasing use amongst the general masses and it should also be ensured that the manufacturers/traders do not charge extra money from the consumers in the name of refined and double refined products.

Reply of the Government

Union Government has been impressing upon the State Governments/UT Administrations from time to time to ensure that essential commodities including edible Oils are made available to the consumers freely and at reasonable prices and unethical trade practices like hoarding, blackmarketing and profiteering etc. are not allowed to take the advantage at the cost of consumers interests and curbed effectively. In order to check profiteering it has been made obligatory for manufacturers under the Packaged Commodities Rules to print the maximum prices clearly on all the items sold in packaged form. The States/UTs have also been advised to strictly enforce the provisions of the Essential Commodities Act, 1995 and Prevention of Blackmarketing and Maintenance of Supplies of Essential Commodities Act, 1980 so as to prevent hoarding and conditions of artificial scarcity being created by vested interests in the open market.

However, this Ministry does not endorse the views of the Committee that there should be no extra charge of edible oil on account of it being refined. Refining of edible oils is essentially an industrial process which entails expenditure on inputs, plant and machinery, labour, power etc. As such, manufacturers/traders cannot be compelled to sell refined oil at the same rate of the crude oil. Presently a number of manufacturers both national and multi-nationals are competing in manufacturing refined oils and the Government under its policy of decontrolling and deregulating the trade and commerce has presently no proposal to have any price control on edible oils in the open market. However, price control of the imported edible oil for PDS is likely to continue.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96 EOP Dated : 1.8.1996]

Comments of the Committee

(Please *see* Paragraph 1.24 of Chapter—I of the Report)

Recommendation No. 22

The Committee were informed that imported palmolein oil was being allotted to those States in excess wherein edible oils were produced in abundance and the total percentage of palmolein oil allotted to and lifted by non-producing States was almost negligible. The Committee also noted that the release and lifting of imported oil was much more in the harvest season. Thereby affecting the interests of farmers and leakage of oil meant for PDS to oil industry. The Committee strongly recommend that non-production State should be encouraged to lift the allotted imported oil and moreover lifting of such oil should be staggered throughout the year with a view to safeguard the interests of farmers. The Committee also recommend that Government oil impress upon the States to ensure that leakage of imported oil meant for PDS is checked by way of getting the lifted Palmolein oil packed in small packs of 1/2 and 1 kg. by and State agency. however, the Central Government should keep a watch over this process with a view to avoid adulteration and to have quality control.

Reply of the Government

PDS is a joint responsibility of the Central and State Governments. The latter being in close touch with the consumers has greater role in actual distribution of commodities and hence for making the system a success. Central Government's role is limited to making the stocks of goods under PDS availability for lifting by States. In the above framework of the arrangements for PDS, the Central Government has to depend largely on the demand of edible oil by the States/UTs for allocating edible oil to them. The other criteria governing the quantum of allocation are availability of stock in Central Pool, *inter-se* requirement of the States, pace of lifting of earlier allocation etc.

The Ministry has strangely observed that the oil producing States like Andhra Pradesh, Gujarat and Maharashtra has substantial demand of palmolein for PDS while the consumer States like Bihar, Uttar Pradesh, Punjab, Rajasthan have nil or negligible demands. For distribution of palmolein being imported during 1996, this Ministry had obtained the demands of States/UTs and based on the demands of the States has allocated the authorised quantity of import for 1996 of 2.00 lakh MTs of palmolein in advance, to the States/UTs. as given in the statement enclosed (Annexure-II). This allocation of edible oil is almost evenly spread over the allocation period of February to October, 1996 considering the festival months during July to October, 1996. States like Maharashtra, NCT Delhi and Karnataka are already getting their full supplies in 1 kg. poly pouches. The States of Tamil Nadu, West Bengal and Orissa and UT of Lakshadweep are getting a part of their edible oil allocations packed in small pouches through their own agencies. All States/UTs were requested to explore the possibility of distributing imported palmolein through PDS in small (1 litre) packs for assurance of quality and convenience in handling etc. The response received indicates that while small packs are favoured in metropolitan areas, distribution of the same in rural and tribal areas is found difficult in view of limited purchasing power of the consumers in such regions.

Moreover transportation of edible oils packed in small pouches over long distances in difficult geographical terrain is also not possible in view of considerable leakage/loss in transit. For this reason the entire edible oil allocations to the N.E. Region is made in 15 kg. tins since the stocks have to be transported from Calcutta to Guwahati through railway rake and thereafter to various interior areas in the N.E. Region through trucks/lorries. However, the states who are lifting their allocation in loose/bulk have recently been requested to get their allocations either in small packs from the central pool or get it packed in 1 kg. pouches before distributing to the consumers.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution O.M. No. 17/2/96 EOP Dated : 1.8.1996]

Comments of the Committee

(Please *see* Paragraph 1.30 of Chapter—I of the Report)

CHAPTER V

RECOMMENDATION/OBSERVATION IN RESPECT OF WHICH REPLY OF THE GOVERNMENT IS STILL AWAITED

Recommendation No. 3

The Committee are of the opinion that the capacity utilisation of installed domestic processing capacity of vanaspati is very low. It would be advantageous from all angles to import oilseeds rather than oil itself provided that oil seeds must be insect free. This would lead to fuller utilisation of domestic processing capacity, generation of additional employment opportunities and earning of additional foreign exchange through export of extractions. Moreover, it would also lead to price stability. The Committee, therefore recommend that import of oils should slowly be dried up and undertaken only in case of unavoidable circumstances and instead oilseeds should be imported.

Reply of the Government

The issue of import of oilseeds as compared to edible oils has both plus and minus points. Some of the positive aspects are :—

(i) Import of seeds will enable better utilisation of the available capacity.

(ii) This would also help in generating employment directly or indirectly.

(iii) It help in sustaining if not improving our export market.

Negative aspects of the proposal are :—

(i) This would introduce a new dimension to the problem of import when efforts are being made by the Government to phase out edible oil import.

(ii) The bulk import of any kind of seeds into the country will attract quarantine requirements.

(iii) The import of oilseeds is beset with logistics problems namely problems of storage, transportation and processing for recovery of oil.

A decision to import edible oilseeds has invariably to be taken keeping in view the following considerations :—

(1) The oilseed should be of high oil content like sunflower or rapeseed etc. as compared to soyabean etc. which are poor in oil content for the simple reason that we need oil not cake.

(2) Necessary quarantine precautions etc. are scrupulously followed.

(3) The import of oilseeds should be timed in such a manner so as not to clash with the harvesting season and also to eliminate any possibility of the imported seed being leaked out for sowing purposes. Such an eventuality may affect/destroy the crop due to presence of diseases in the imported seed.

Since the question of import of oilseeds *vis-a-vis* edible oil is a policy matter, detailed exercise will be carried out to ascertain the best possible course before the matter is placed before the Cabinet for a decision.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution, O.M. No. 17/2/96 EOP-Dated : 1.8.1996]

Recommendation No. 8

The Committee are concerned to note that out of eight units of Hindustan Vegetable Oils Corporation Ltd. located at Amritsar, Delhi, Kanpur, Calcutta, Bombay, Hyderabad, Bangalore and Madras since 1991-92, only the units of Calcutta and Bombay have started earning profit very recently. All other units are incurring heavy losses. The Committee also note that attempts were made for merger of HVOC with undertakings like MMTC, STC and NDDB. However, the same did not materialise.The Committee further, note that the major factors leading to the losses have been attributed to reduction in import of edible oils, non-availability of Sales Tax exemption and obsolete technology and Excess manpower etc. The Committee have also been informed that modernisation/revamping programme could not be implemented due to the paucity of funds. HVOC have made repeated requests to the Government for providing adequate funds. But the Government have always shown their inability to provide funds. Now, a revival/modernisation proposal envisaging assistance of Rs. 24.20

crores from Central Government has been submitted by HVOC with a view to make its operations viable and profitable.

The Committee noted that surplus land is available with the various units of HVOC. The Committee are of the view that modernisation/ revamping programmes should not be kept pending for long for the requirement of funds and recommend that if adequate funds for this purpose are not provided by the Central Government then efforts should be made to dispose of the surplus land available with the various units of HVOC so that adequate funds for their modernisation/ revamping programmes are mobilised.

Reply of the Government

Five units of the HVOC *i.e.* Bombay, Calcutta, Bangalore, Madras and Breakfast Food Unit, Delhi have made profits in the year 1995-96 whereas three vanaspati units in Delhi, Kanpur and Amritsar are making losses since 1991-92. A note for revamping HVOC containing proposals like merger, leasing out, privatisation, budgetary support was submitted to CCEA on 14.7.1994. The CCEA advised merger of HVOC with NDDB. But NDDB did not agree to the merger proposal. Attempts of merger with MMTC/STC also failed. Ministry of Finance did not agree to extend budgetary support to reimburse its cash losses and advised privatisation or leasing out of the company. HVOC was then asked to prepare a modernisation plan. HVOC submitted a modernisation plan envisaging one time assistance of Rs. 24.20 crores consisting of Rs. 17.70 crores for modernisation of its plants and machinery and Rs. 6.50 crores for working capital requirement. Though this proposal was sent to the Ministry without the approval of the HVOC Board of Directors, the proposal was discussed in the Ministry at length at higher level in the presence of CMD. HVOC and AS & FA of the Ministry. It was observed that (1) what HVOC had submitted was only an expenditure plan whereas the modernisation plan is much more than an expenditure plan. Besides, the total outlay on the revival plan would work out to about Rs. 80.00 crores, including cost escalation, provision for revised wages etc. The modernisation plan is based on the assumption that HVOC would be able to revive its lost market; (2) a proper senstivity analysis must be made and internal rate of return calculated on the basis of such analysis. Internal rate of return at 16% shown by HVOC was not based on realistic analysis; (3) on the basis of the Supreme Court judgement relating to environmental polution, HVOC has to shift its Delhi Unit of manufacturing vanaspati outside Delhi and, therefore, it would not be proper to make further capital investment at the same location; (4) the consumer demand is shifting from vanaspati to refined oil in this background, it may not be wise to make further investment in this industry; (5) the installed capacity in HVOC for refining crude oil is virtually dormant and cannot be reactivated because it is uneconomical to import crude oil to refine and market it; (6) the modernisation plan should have unequivocal approval of the Board of HVOC.

HVOC was advised to get its modernisation proposal apprised by ICICI. HVOC has approached the ICICI and the comments of ICICI are yet to be received.

HVOC is also of the view that funds can be generated for revival/ modernisation, by selling its surplus land available in the units of HVOC. Evaluation of property of HVOC units has been got done by the Department of Revenue. However, this a policy issue having wide remifications and will be decided by the Cabinet.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution, O.M. No. 17/2/96, EOP-Dated : 1.8.1996]

Recommendation No. 15

The Committee are unhappy to note that no study or tests have been conducted so far to ascertain the period after which edible oils should be declared unit for human consumption. The Committee, therefore, recommend that since it is an item of mass consumption, a detailed study should be undertaken by the Directorate of Vanaspati,Vegetable Oils and Fats to ascertain the period after which various edible oils can be declared unfit for human consumption. The Committee also recommend that this period should also be displayed on the packages of the oils along with the date of manufacturing.

Reply of the Government

Ministry of Health, which administers the Prevention of Food Adulteration Act (PEA) has taken a decision to issue a notification under the Act whereby the manufacturers will have to indicate the best before use date on packages of all commodities including edible oils, along with the month and year of manufacture as is the practice followed internationally. The matter is in process and likely to take some more time to finalise. Thereafter the manufacturer will be given reasonable time to switch over to the new system. Efforts are also being made to separately ascertain the date of expiry of the palmolein imported and distributed to consumers under PDS. While a general study in this regard has already been conducted by the BIS in the past, the intention of the Ministry is to find out the likely period of retention of quality standards of imported palmolein in 15 kg. tins/ small pouches for different regions of the country w.r.t. climatic conditions, geographic terrain and related factors. The Directorate of Vanaspati, Vegetable Oils and Fats would be carrying out necessary survey/tests etc. in this regard and submit their report within a definite time frame.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution, O.M. No. 17/2/96, EOP-Dated : 1.8.1996.]

Recommendation No. 20

The Committee note that there is a wide disparity in sales tax on edible oils/vanaspati in the country which lead to evasion of payment of sales tax and smuggling of this essential commodity from State to State. The Committee also feel that many State Governments have also instituted a policy of granting sales tax exemption to new vanaspati units in order to accelerate the process of industrialisation. The Committee, therefore, recommend that uniform dditional excise duty in lieu of sales tax may be levied on this essential commodity.

Reply of the Government

This Department is aware of wide disparity in sales tax imposed on essential commodities from State to State. Sales tax is a basically a State subject. However, since the existing disparity in sales tax affects the consumers adversely this Ministry shall take up the matter with the Finance Ministry for an appropriate workable solution to the problem.

[Ministry of Civil Supplies, Consumer Affairs and Public Distribution, O.M. No. 17/2/96, EOP-Dated : 1.8.1996]

NEW DELHI;
15 *May*, 1997
25 *Vaisakha*, 1919 *(Saka)*

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

APPENDIX I

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 14TH MAY, 1997.

Eleventh Sitting

The Committee sat from 15.00 hrs. to 16.00 hrs. on 14th May, 1997

PRESENT

Shri Syed Masudal Hossain — *In the Chair*

MEMBERS

Lok Sabha

2. Shri Raj Keshar Singh
3. Shri Bachi Singh Rawat
4. Shri Manikrao H. Gavit
5. Smt. Chhabila Netam
6. Shri Virendra Kumar Singh
7. Smt. Sandhya Bouri
8. Shri V. Kandasamy
9. Shri D.S.A. Siva Prakasam
10. Shri Ramashray Prasad Singh

Rajya Sabha

11. Shri Onward L. Nongtdu
12. Shri K.M. Khan
13. Prof.Vijay Kumar Malhotra
14. Shri Tara Charan Majumdar
15. Shri Ram Ratan Ram

SECRETARIAT

1. Shri Krishan Lal — *Deputy Secretary*
2. Shri R.S. Kambo — *Under Secretary*
3. Shri O.P. Arora — *Assistant Director*

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

I. *Consideration and adoption of Draft Seventh Report*

3. ** ** ** **

II. *Consideration and Adoption of Draft Eighth Report*

4. The Committee considered the draft Eighth Action Taken Report on the recommendations contained in the Seventeenth Report of the Committee (1995-96) on the subject of "Edible Oils" and adopted the Report without any amendment.

5. The Committee then discussed about the tentative study tour programme of the Committee which would commence *w.e.f.* 28th May, 1997 to 4th June, 1997. The Committee approved the programme with minor amendments.

6. The Committee also decided to present/lay the Reports in both the Houses of Parliament during the current Session.

The Committee then adjourned.

** Not related to this Report.

APPENDIX II

(*Vide* Introduction of the Report)

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

(I) Total Number of Recommendations 23

(II) Recommendations/Observations which have been accepted by the Government.
Para Nos. 2, 7, 9, 11, 13, 17, 19, 21 and 23

Total 9

Percentage 39.13

(III) Recommendations/Observations which the Committee do not desire to pursue in view of the Goverment's reply.
Para Nos. 1, 12 and 14

Total 3

Percentage 13.04

(IV) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee.
Para Nos. 4, 5, 6, 10, 16, 18 and 22

Total 7

Percentage 30.43

(V) Recommendations/Observations in respect of which final reply of the Government is still awaited.
Para Nos. 3, 8, 15 and 20

Total 4

Percentage 17.40