5

STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION

(1998-99)

TWELFTH LOK SABHA

MINISTRY OF FOOD AND CONSUMER AFFAIRS (DEPARTMENT OF SUGAR AND EDIBLE OILS)

[Action Taken Report on Second Report of the Committee on Demands for Grants (1998-99) of the Ministry of Food and Consumer Affairs (Department of Sugar and Edible Oils)]

FIFTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 1998/Agrahayana, 1920 (Saka)

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STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (1998-99)

(TWELFTH LOK SABHA)

MINISTRY OF FOOD AND CONSUMER AFFAIRS (DEPARTMENT OF SUGAR AND EDIBLE OILS)

[Action Taken by the Government on the Recommendations contained in the Second Report of the Committee on Food, Civil Supplies and Public Distribution on Demands for Grants (1998-99) of the Ministry of Food and Consumer Affairs (Department of Sugar and Edible Oils)]

Presented to Lok Sabha on 21 December, 1998
Laid in Rajya Sabha on 21 December, 1998

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CORRIGENDA TO THE FIFTH REPORT (TWELFTH LOK SABHA) OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (1998-99).

Page	Para	Line	For	Read
(iii)	—	16	Shri Sadashivrao Daboda Mandlik	Shri Sadashivrao Dadoba Mandlik
3	1.7	2	Majority	majority
3	1.7	2	Eastern	eastern
3	1.8	15	specified	specific
4	1.9	21	holds	hold
6	1.11	15	delete 'the' before loan	
7	1.13	14	came	cane
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11	—	18	HOVC	HVOC
11	1.22	3 (from bottom)	delete 'the' before Kanpur	
12	1.23	11 (from bottom)	meets	meet
18	—	9	qualify	quality
18	—	14 (from bottom)	falling	failing
19	—	16	add "recommendation of" before the Committee"	
19	—	5 (from bottom)	only	very
20	—	4	from	form
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30	—	10 (from bottom)	Majority	majority
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2. Shri Kariya Munda
3. Shri Prabhas Chandra Tiwari
4. Shri Ramchandra Veerappa
5. Shri Gangaram Koli
6. Shri Shyam Bihari Mishra
7. Shri Aditya Nath
8. Shri Bhanu Pratap Singh Verma
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25. Shri Bhim Prasad Dahal
26. Shri Satnam Singh Kainth
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Rajya Sabha

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37. Shri D.P. Yadav
38. Shri Sukhdev Singh Libra

SECRETARIAT

1. Shri G.C. Malhotra — *Additional Secretary*
2. Shri John Joseph — *Joint Secretary*
3. Shri Krishan Lal — *Deputy Secretary*
4. Shri P.D. Malvalia — *Under Secretary*
5. Shri Santosh Kumar — *Reporting Officer*

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Civil Supplies and Public Distribution (1998-99) having been authorised by the Committee to submit the Report on their behalf, present this Fifth Report on Action Taken by the Government on the Recommendations/ Observations contained in the Second Report of the Committee (Twelfth Lok Sabha) on "Demands for Grants" (1998-99) of the Ministry of Food and Consumer Affairs (Department of Sugar and Edible Oils).

2. The Second Report was presented to Lok Sabha on 10th July, 1998. The Government furnished their replies indicating action taken on the recommendations contained in the Report on 26th November, 1998. The Draft Action Taken Report was considered and adopted by the Standing Committee on Food, Civil Supplies and Public Distribution (1998-99) at their sitting held on 17th December, 1998.

3. An analysis of the action taken by the Government on recommendations contained in the Second Report of the Standing Committee (Twelfth Lok Sabha) on "Demands for Grants" (1998-99) is given in Appendix II.

NEW DELHI;
18 *December*, 1998
27 *Agrahayana*, 1920 (*Saka*)

RAGHUVANSH PRASAD SINGH,
Chairman,
Standing Committee on Food, Civil Supplies and Public Distribution.

CHAPTER I

REPORT

1.1 This Report of the Standing Committee on Food, Civil Supplies and Public Distribution deals with the Action Taken by the Government on the recommendations contained in the Second Report (Twelfth Lok Sabha) on Demands for Grants (1998-99).

1.2 The Report was presented to Lok Sabha/laid on the Table of Rajya Sabha on July 10, 1998. It contained 20 observations/ recommendations.

1.3 Action Taken Notes in respect of all the 20 observations/ recommendations contained in the Report have been received and categorised as follows:—

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

Para Nos. 2.72, 2.73, 2.74, 2.77, 2.80, 3.48, 3.49, 3.50 and 3.51.

(Chapter II, Total = 9)

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

Para Nos. 2.71, 2.76, 2.79 and 2.81.

(Chapter II, Total = 4)

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

Para Nos. 2.70, 2.71A, 2.75, 2.83 and 3.52.

(Chapter IV, Total = 5)

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited :

Para No. 2.78 and 2.82.

(Chapter V, Total = 2)

1.4 The Committee desire that the final replies in respect of the recommendation for which only interim replies have been given by the Government should be furnished to the Committee expeditiously.

1.5 The Committee strongly 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.

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

Sick Sugar Industry

Recommendation (Para No. 2.70)

1.7 Advocating the need of starting the closed sugar mills expeditiously so as to meet the increasing demand of population within the country, the Committee had recommended as under:—

> Old and obsolete technology is a curse for Sugar Industry in the country. About half of the units in the industry were established 25-30 years ago. A sizeable number of Sugar Mills are sick and lying closed for years. Their technology has become unviable in the current pace of modernisation found in the new Sugar Mills. Outdated technology is resulting in increase in production cost and loss of capacity due to slow operations, especially in the matter of crushing. Hence, the Committee desire that the entrepreneurs should be encouraged to go in for the modernisation of sugar mills. This should be achieved in a phased manner by sanctioning the necessary finances out of Sugar Development Fund as well as from financial institutions. Loans for modernisation/rehabilitation are provided to the extent of 50% of the total project cost by Financial Institution in addition to 10% of the total project cost given by promoters. It has been noticed that from 1985-86 to 1997-98, 177 Sugar Mills have been sanctioned loans amounting to Rs. 680.73 crore, out of which Rs. 575.96 crore were disbursed. However, there has not been any substantial improvement in the status of sugar industry. Its impact on total production is also not visible. The largest number of old units are still in existence in the States of Andhra Pradesh, Bihar,

Madhya Pradesh, Rajasthan and West Bengal. In case of U.P., Majority of old plants are located in Eastern UP. In this regard, the Committee desire that such measures may be initiated by the Government so that sugar mills are not forced to become closed and those which are closed be opened by making all efforts and knowing the factors of closure. More funds should be made available for modernisation/rehabilitation/revival of Sugar Mills out of the Sugar Development Fund and the State Governments may also be requested to encourage sugar entrepreneurs and ensure a proper monitoring of the administration of the Fund.

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

The Ministry provides funds at concessional rate of interest from the Sugar Development Fund to Sugar Undertakings for purpose of modernisation/rehabilitation of its plant and machinery. Any sugar undertaking which is approved by specified financial institution like the IFCI, IDBI, IIBI, NCDC & ICICI for financial assistance under its relevant scheme for purpose of rehabilitation/ modernisation of its plant and machinery is normally eligible for loan from the SDF. Sugar Undertakings which are sponsored by the Technology Information Forecasting & Assessment Council (TIFAC) and approved by the financial institutions are also eligible for loan from the SDF.

The sugar undertakings irrespective of their sectors *i.e* Pvt./PS/ Coop. are kept informed from time to time through their two apex bodies *viz.*, ISMA and NFCSF about the guidelines/ provisions regarding the sanction of loans from the Sugar Development Fund for modernisation/rehabilitation. The State Governments and the financial institutions are also kept informed of the matter so that any sugar undertaking is able to seek financial assistance from the Sugar Development Fund.

As has been observed by the Committee, technology upgradation is of crucial importance. The matter of technology upgradation has been taken up by the Sugar Technology Mission and covers factories selected from the old to partially modern to nearly modern factories. The Deptt. had also invited proposals from about 48 factories which are below the Minimum Economic Size (MES) levels. However out of the 48, only about 12 factories have come up with their proposals for modernisation & expansion of capacity up to 2500 TCD. Out of these, a few factories, have been sanctioned SDF loan.

In the current financial year loan for modernisation from the SDF have already been sanctioned in the case of 5 sugar undertakings. Eleven more cases have been considered for grant of loan. This position is in keeping with the Committee's desire that entrepreneurs should be encouraged to go in for modernisation.

Causes for closure vary from sugar mill to sugar mill and generally relate to uneconomic size of the factories, out-dated machinery, low availability of cane, financial difficulties, mis-management and mis-appropriation of fund, among other things. Measures to revive sugar mill will, therefore vary from mill to mill depending upon the situation. As and when viable rehabilitation scheme is drawn up and approved by the respective authority, funds from SDF for partly financing the rehabilitation proposals are made available. In 1994-95 and 1995-96, two mills were given loan from SDF under this category.

1.9 The Committee observe that though several steps have been taken by the Government in regard to re-opening of closed/sick sugar units, the result seems to be negligible. The Ministry have stated that measures to revive Sick Sugar Mills vary from mill to mill and one formula does not holds good for all. However, it may be true to some extent to say that the factors relating to closure of sugar mills vary from mill to mill and even may be from State to State but it is not fully correct because the main factors of closure of almost all the sugar mills are broadly common. The causes for not coming forward for expansion and modernisation of sugar mills upto the capacity of 2500 TCD have not been furnished. It is not known as to why only 12 such sugar factories, out of 48 factories has so far turned up for the purpose which is a matter of serious concern. The Committee, therefore, again strongly recommend that concerted efforts for revival of all other closed sugar mills must be taken up on propriety basis by offering the mill owners more incentives to encourage them and simultaneously to create such circumstance for them which may compel them to re-open their units so that the interest of workers, farmers etc. is protected and production of sugar be increased.

Assistance to Cane Growers

Recommendation (Para No. 2.71A)

1.10 Realising the non-availability of money for purchase of good quality seeds, fertilizers and pesticides and to check misappropriation of the same by Sugar Undertakings, the Committee had recommended:—

> Under Rule 17A of the SDF Rules, 1983, the Central Government also sanctions loan from SDF to sugar undertakings to assist cane growers in purchase of seeds, fertilizers and pesticides. Though 186 sugar units were sanctioned loans under this scheme, no amount could be disbursed. This is a serious lapse. Modalities should be worked out and enforced to ensure that the sanctioned amount do reach the cane growers. The Committee recommend that the applications for loan for farmers be dealt with by a central agency and requisite amount be finalised and sanctioned in respect of each sugar mill. Cheques should be sent in the name of farmers through the concerned sugar undertaking. The Committee also recommend that the farmers be given training of sugarcane production and good quality of seeds be made available to farmers on the basis of their agro-climatic zone consideration. The Government should also ensure that variation in recovery by different sugar mills be minimised. All efforts be made for higher recovery by all mills.

1.11 The Ministry in their Action Taken reply have stated as under:—

> With a view to giving a boost to production of sugarcane in the country, Government introduced a new short term loan scheme for purchase of inputs for sugarcane development. The scheme was notified on 21.11.1997. Being a new scheme as also because time was short necessary formalities could not be completed by the sugar units to whom loan was sanctioned so as to facilitate disbursement of the loan amount during 1997-98. As such no expenditure could be incurred under the scheme during the said financial year. However, considerable disbursement has been made during 1998-99. Upto 15.10.1998 an amount of Rs. 50.00 crores has been released to 87 sugar units by way of short term loan for cane development.
>
> Loan for cane development activities is sanctioned to sugar units by the Standing Committee on SDF. Besides the Secretary incharge of the Deptt. of Sugar and Edible Oils in his capacity as Chairman, the Secretaries of Agriculture and Finance Ministries and the Planning Commission and representatives of organisations

dealing with the sugar industry are Members of the Committee. The cane development loan from SDF is passed on to the beneficiaries *i.e.* the cultivators by the sugar units for pursuing various cane development schemes, Demonstration of advanced technology and better cane management practices so as to ensure optimum utilisation of existing resources is also undertaken by the Sugar Units in the area of operation of the factory. Farmers' training and better seed inputs are covered by schemes operated by the Department of Agricultural & Cooperation to whom this recommendation is being sent. As regards the recommendation made by the Committee for delivery of cheques in the name of the farmers it may be stated that the same is not possible because the SDF Rules provide for payment of cane development loan to sugar undertakings and not farmers.

At present cane development the loan is being provided for Moist Hot Air Treatment Plants, Seed Nursery, Incentives to cultivaters for switching over to improved varieties of sugarcane, Pest Control Measures, Irrigation schemes, Ratoon Management, Setting up Tissue Culture/Biological Control/Soil Testing Laboratory, Computerisation of cane management and Building of feeder roads.

The objective of giving cane development loan to sugar units is to assist in increasing the area under sugarcane cultivation, improving the yield, cane production, availability and recovery percentage."

1.12 The Committee do not at all agree with the reply of the Government that issuing the cheque of loan for fertilizers, seeds and pesticides is not possible in the name of farmers as SDF Rules provide for payment of cane development loan to Sugar Undertakings and not to farmers. The Government have adopted a very lengthy, exhaustive and difficult process for advancing loan to farmers under different schemes as stated above causing great hardships to the farmers in getting benefit of loan at the time of great need and hence it needs to be simplified urgently so that farmers may not be discouraged and even be deprived of this facility which is only meant for them and not for sugar undertakings. The Committee, therefore, strongly recommend that either SDF Rules be amended or simplified to ensure that loan for purchase of seeds, fertilisers and pesticides must be delivered to the needy farmers well in time.

Research and Development Activities

Recommendation (Para No. 2.73)

1.13 Advocating the need for Research and Development Activities for improving quality of sugar, gur and Khandsari, the Committee had recommended :

> The Central Government sanctions grants-in-aid to established institutions connected with the sugar industry for carrying out research aimed at promotion and development of any aspect of sugar industry. It has been noticed that during the period from 1988-89 to 1997-98, an amount of Rs. 30.76 crore was sanctioned for this purpose but only Rs. 16.54 crore representing just over 50% of the sanctioned amount were disbursed. The performance on this front is not at all satisfactory and requires to be improved. The scheme can have a direct bearing on came production and improved quality of sugar produced in the country. The Committee recommend that R & D activities be streamlined. Research may also be conducted on Gur and Khandsari so that it may remain fit for human consumption even after quite some time.

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

> Amounts towards grant-in-aid sanctioned during the period from 1988-89 to 1998-99 (upto 30.9.98) was **Rs. 33.20** crores but only Rs. 17.83 crores (more than 50% of the sanctioned amount) were disbursed. The reason for lower discoursement as compared to the sanctioned amount is primarily due to the fact that the amount sanctioned is always higher as it indicates the full amount of grant-in-aid whereas the amount disbursed pertains to only either first or second or third instalment or so as the case may be. Therefore in any given year there is a difference between the amount sanctioned and the amount disbursed. There is no direct correlation between the amount sanctioned and disbursed in a given year. The amount sanctioned during a particular year may not be disbursed in the same year. The research project are to be completed in specified period (3 yrs., 4 yrs. or 5 yrs. as the case may be) as per the implementation schedule of the Institution/ Organisation, from the date of release of Ist instalment. Further, the grants-in-aid from SDF is subject to the detailed terms & conditions. The Ist instalment is released on execution of necessary

bond & completion of other related formalities and the subsequent instalment is released only on the production of utilisation certificate and satisfactory progress report of the research study. The Institutions/Organisations to whom the entire SDF grants-in-aid has not been disbursed so far have not yet completed the required formalities.

The research project for which grants-in-aid sanctioned/being sanctioned from the SDF also includes those schemes which have a direct bearing on cane production and improved quality of sugar produced in the country.

1.15 The Ministry have remained completely silent about the research on gur and Khandsari. Gur is also one of the essential commodities of the masses living in villages and is largely consumed by the poor population in urban areas also, specially under BPL category throughout the country. The Committee, therefore, again recommend that research activity may also be conducted on gur and Khandsari so that it may remain fit for human consumption for a longer period. Adequate funds for this purpose should also be made available.

Recommendation (Para No. 2.75)

1.16 To stress more on fundamental research and teaching in the National Sugar Institute (NSI), Kanpur, the Committee had recommended:—

The National Sugar Institute (NSI), Kanpur is engaged in providing training and diploma courses for the personnel required in sugar industry. The physical and financial targets and their achievement set for the Institute in the 8th Five Year Plan was not satisfactory. Even in 1996-97 and 1997-98, the achievement was only 50% and 50% respectively. Such slow progress leads to cost overruns and necessitate increased budgetary support in subsequent years. This also frustrates the very objective of the scheme for improving sugar production. The Committee recommend that it should be converted into a Registered Society as per the recommendation of the Mahajan Committee. The society should have a Governing Body with an eminent person as its Chairman and members drawn from CSIR, ICAR and TIFAC including representatives from Apex organization of Industry and nominee of Ministry of Food & Consumer Affairs. The main focus of activities of the Institute should be targeted on teaching and fundamental research and its courses be revised to cope up with the changes in technology trend in the industry.

Similarly, the NISST, Mau was to be completed within 3 years from 1993-94. The project has not been completed as yet. The Committee, therefore, desire that all such schemes/projects be completed within time.

1.17 The Ministry in their Action Taken reply has furnished below:—

The Standing Committee has recommended that the National Sugar Institute should be converted into a registered society as per the recommendation of the Mahajan Committee. The processing of the recommendations of the Mahajan Committee, including the one referred to by the Parliamentary Standing Committee, is not yet complete. Regarding the Committee's recommendation that the society should have a Governing B ody, the present position is that the Sugar Institute has an Advisory Board with due representation from ICAR, TIFAC and the apex sugar organisations both in the private and cooperative sectors, NCDC and also representatives from the Central Government.

Regarding NISST, Mau, action has been taken to sanction and release funds so that the project activities of NISST, Mau, which have already been delayed, are completed within the shortest possible time as desired by the Standing Committee. The progress of work is also being closely monitored.

1.18 The Ministry of Food and Consumer Affairs have replied that at present NSI, Kanpur has an Advisory Board with due representation from ICAR, TIFAC, Central Government and apex Sugar Organisations both in private and cooperative sectors. The Committee had recommended the conversion of NSI, Kanpur into a registered society which is yet required to be done and which is meant for enhancing the focus on teaching and fundamental research. The Committee, therefore, reiterate that NSI, Kanpur be converted into registered Society as per the recommendation.

Increase in per capita allocation of sugar per month

Recommendation (Para No. 2.83)

1.19 Keeping in view the increasing population and increasing trend of consumption of sugar, the Committee had recommended:—

> The monthly allocation of levy sugar is 425 gram per capita at present on the basis of 1991 census and is effective from 01.01.96 and it should be raised to 500 grams per capita. However, there is pressing demand from the public that it is too meagre a quantity. Secondly, the population has increased substantially during the period since 1991. In view of the above fact, the Committee recommend that monthly allocation of levy sugar to States should be increased in tune with the growth in population. There is also the need to allocate 500 grams per capita. There is a widespread complaint by the Ration-Card holders that Fair Price Shops are not providing full quota of 425 grams to them. The Committee, therefore, desire that State Govts./Uts be asked to ensure that at least the present quota of 425 grams per capita reaches the Ration-Cardholders.

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

> Even though the levy, freesale ratio of sugar produced by the factories continues to be 40:60, in actual effect, the accrual of levy sugar works out only to about 32% due to allowance of higher freesale percentage to new factories as also existing ones under expansion, as an incentive. Keeping this in view, if levy sugar is allocated @ 500 grams per month per person taking even 1991 census as basis, the annual requirement of levy works out to 54.1 lakh tonnes (52.6 lakh tonnes for PDS and 1.5 lakh tonnes for APO & Para-Military Forces). To obtain 54.1 lakh tonnes of levy sugar, a production of 169.06 lakh tonnes of sugar, is required every season. As production of sugar has remained much below that level in the past seasons, it has not been possible to increase the per person per month quantity of levy sugar at 500 gms. As such, at present there appears no possibility for effecting any upward revision in levy quota of States/UTs either in terms of per capita availability or present population.
>
> As regards non-availability of full quota *i.e.* 425 gms. per month to all card holders, it may be stated that since the quota is being

released as per the 1991 census, obviously, the sugar at the same scale cannot be made available to the present population. Besides, States/UTs are adopting their own norms depending upon their priorities and local circumstances.

1.21 The Committee are not satisfied with the reply of the Government that there appears no possibility for effecting any upward revision in levy quota of States/UTs either in terms of per capita availability or present population. The Government have expressed their inability to procure 54.1 lakh tonnes of sugar for this purpose and has expressed low production as one of the reasons. However, due to indifferent policy of the Government during the last few years, the farmers had to burn sugarcane in their field. Such negligence and mismanagement have discourged Indian farmers to cultivate sugarcane. The Committee, therefore, reiterate that all efforts be made to allocate levy sugar at the rate of 500 gms. per capita by increasing production and enhancing the percentage of levy against sugar factories.

Modernisation of HOVC

Recommendation (Para No. 3.52)

1.22 Expressing their deep concern over the continuous losses occurring in different units of HVOC and to solve the problem of idle wages, the Committee had recommended:—

> The HVOC has been incurring cash losses since 1991-92. The vanaspati units of Amritsar, Kanpur and Delhi are closed. In 1997-98 the number of loss making units of HVOC has increased in comparison to their number in 1996-97. The management of these closed units are giving wages to their idle staff and workers. The loss has been increasing day by day and no concrete steps have been taken to solve the problem. The modernisation plans chalked out by ICICI could not be implemented so far. The Ministry of Finance has also branded the figure in this modernization plan as unrealistic and has not granted any loan. Now, the only way of revival/modernisation of these units is to sell the scraps and excess land at different units of HVOC particularly at the Kanpur and Amritsar Units. The Commitee therefore, recommend that all efforts should be made to make the units of HVOC viable so that workers may not remain idle

and a profit margin at least equivalent to their wages bill be obtained. If possible the preparation of soap, cornflake, white oat other consumable items be taken up by units of HVOC, including the closed one's at Amritsar, Kanpur and Delhi. If this is not possible the units may be disposed of as recommended by Disinvestment Commission.

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

After the refusal of the Ministry of Finance to grant the funds as loan required for modernisation of the vanaspati manufacturing plants at Amritsar and Kanpur, this Ministry re-examined the modernisation proposal in its totality and keeping into consideration the future prospects of the vanaspati industry in the country as a whole, which does not appear promising, and arrived at the conclusion that modernisation proposals were not economically viable and expenditure made on this project may prove infructuous. This Ministry, has therefore, decided to drop the proposal of partially modernisation of the vanaspati plants at Amritsar and Kanpur.

Delhi Vanaspati Unit (DVU) of HVOC is one of the 168 industries closed in the national capital in persuance of the decisions of the Supreme Court in the case M.C. Mehta v/s. Union of India and Others w.e.f 30th November, 1996. Since the management of HVOC has decided not to relocate the closed DVU elsewhere, the workers of this Unit are to be retrenched on payment of retrenchment compensation on the scale provided in the above judgement of the Supreme Court. The Government has approved retrenchment of 218 workers of the DVU and mortgage followed by sale of the land of the DVU to meets the funds required for payment of retrenchment compensation.

The issue of acceptance or otherwise of the recommendations of the Disinvestment Commission on HVOC is under consideration of the Government. Meanwhile, the Government, as a step to avoid recurrence of the crisis of adulteration of mustard oil which resulted in the outbreak of the dropsy epidemic causing loss of a number of lives in the recent past, has issued the Edible Oils Packaging (Regulation) Order, 1998 which prohibits sale of edible oils in unpacked form. The implementation of this Order from 15th December, 1998 is likely to create a lot of packaging jobs particularly for the consumer packs. In the changed scenario of marketing of edible oils, it is now being examined whether the units of HVOC would harvest any share of the considerable packaging activity in the country and make themselves economically viable. In the meantime, the Kanpur unit of HVOC has been made operational for packaging of imported palmolein oil supplied through PDS in U.P. Similarly, the Amritsar unit of HVOC has also been made operational for packaging imported palmolein oil supplied through PDS in Delhi, Himachal Pradesh and Jammu & Kashmir. The final view on this matter will be taken into consideration while deciding on the recommendations of the Disinvestment Commission on HVOC.

1.24 The Committee are not satisfied with the pace of development done in regard to modernisation/revival of different units of HVOC. HVOC was formed with the main objective of sustaining and strengthening the nucleus of public owned or controlled units required for ensuring supply of wholesome vanaspati and refined oils to the public at reasonable prices under the Public Distribution System. With the dropping of the proposal for partial modernisation of the vanaspati plants at Amritsar and Kanpur, the Department of Sugar and Edible Oils will have no vanaspati unit at their hand and this step will further push the country under the monopoly of private manufacturers. The packaging job may be taken up in view of Edible Oil Packaging (Regulation) Order, 1998 which is to be effective from 15th December, 1998. The preparation of soap, cornflakes, white oat etc. must be taken up by the Government to enable the workers to be employed during the remainder of the year when there is no packaging work. The Committee, therefore, reiterate their earlier recommendation and desire that all steps be taken to make the different units of HVOC viable.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 2.72)

The SDF (Amendment) Rules, 1995 provide that the specific schemes for upgradation of technologies of any sugar undertaking sponsored by TIFAC under the scheme 'Mission Mode Project' on sugar production technology of Department of Science and Technology, shall normally be eligible for loan subject to financial appraisal of the project by the Financial Institution. The loan from SDF for upgradation of technology is provided to the extent of 30% of the project cost by the Financial Institution and 60% of the project cost by SDF. This is provided at a concessional rate of 6% simple interest per annum. Only a very small number of projects have been given loans under this scheme, even though a large number of plants are running much below their capacity. The Committee recommend that all efforts be made to conduct a national survey for the purpose of identifying the project that can come under this scheme vis-a-vis their viability and repayment capacity. This will enhance the capacity of the sugar units to match the international standards.

Reply of the Government

The Technology Information Forecasting & Assessment Council (TIFAC) under the Department of Science and Technology jointly with this Ministry has set up a mission mode project of sugar technology. This project which was for a period of 5 years from 1993-98 have subsequently been recommended for extension for a further period of 5 years by the Steering Committee of the Sugar Technology Mission in a meeting held on 25.8.98. This will strengthen efforts to cover and identify projects where technology upgradation is required.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt 26.11.1998]

Recommendation (Para No. 2.73)

The Central Government sanctions grants-in-aid to established institutions connected with the sugar industry for carrying out research aimed at promotion and development of any aspect of sugar industry. It has been noticed that during the period from 1988-89 to 1997-98, an amount of Rs. 30.76 crore was sanctioned for this purpose but only Rs. 16.54 crore representing just over 50% of the sanctioned amount were disbursed. The performance on this front is not at all satisfactory and requires to be improved. The scheme can have a direct bearing on cane production and improved quality of sugar produced in the country. The Committee recommend that R&D activities be streamlined. Research may also be conducted on Gur and Khandsari so that it may remain fit for human consumption even after quite some time.

Reply of the Government

Amounts towards grant-in-aid sanctioned during the period from 1988-89 to 1998-99 (upto 30.9.98) was Rs. 33.20 crores but only Rs. 17.83 crores (more than 50% of the sanctioned amount) were disbursed. The reason for lower disbursement as compared to the sanctioned amount is primarily due to the fact that the amount sanctioned is always higher as it indicates the full amount of grant-in-aid whereas the amount disbursed pertains to only either first or second or third instalment or so as the case may be. Therefore in any given year there is a difference between the amount sanctioned and the amount disbursed. There is no direct co-relation between the amount sanctioned and disbursed in a given year. The amount sanctioned during a particular year may not be disbursed in the same year. The research project are to be completed in specified period (3 yrs., 4 yrs. or 5 yrs. as the case may be) as per the implementation schedule of the Institution/Organisation, from the date of release of Ist instalment. Further, the grants-in-aid from SDF is subject to the detailed terms and conditions. The Ist instalment is released on execution of necessary bond and completion of other related formalities and the subsequent instalment is released only on the production of utilisation certificate and satisfactory progress report of the research study. The Institutions/ Organisations to whom the entire SDF Grants-in-Aid has not been disbursed so far have not yet completed the required formalities.

The research project for which grants-in-aid sanctioned/being sanctioned from the SDF also includes those schemes which have a direct bearing on cane production and improved quality of sugar produced in the country.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt 26.11.1998]

Comments of the Committee

(Please *see* para 1.15 of Chapter I)

Recommendation (Para No. 2.74)

The licensed capacity of sugar undertakings was 277.83 lakh tonnes on 30.9.97. However, the installed capacity is only 134.59 lakh tonnes. Thus, there is a gap of about 142.00 lakh tonnes between licensed capacity and installed capacity of sugar manufacturing units. Today, the demand of sugar is increasing at the rate of 6 lakh tonnes per year with increase in population and standard of living. The population of India was 86.32 crores in 1991-92, it has been projected at 93.42 crores in 1995-96. It may be about 100 crores in the next census. Though the installed capacity has been increasing since 1993-94, it is still not satisfactory especially in view of a much higher licensed capacity and the growth in population. The committee, therefore, desire that all efforts be made to realise the licensed capacity of sugar industry so that the increasing demand for the product may be fully met by indigenous production.

Reply of the Government

The following measures are being taken to realise the licensed capacity of sugar industry for increasing the installed capacity:—

(i) The sugar industry has been delicensed. Earlier a close monitoring of letter of intent issued for establishment of new sugar factories and expansion in the existing sugar mills was being undertaken, for which they were being asked to submit the progress reports on quarterly basis. If the progress in implementation of the projects was not found satisfactory, the entrepreneurs were being issued show cause notices. In cases where there was no progress the LOIs were being cancelled or being treated as lapsed.

(ii) The Government of India are providing financial assistance at a concessional rate of interest for expansion of capacity upto 5000 TCD and sugar cane development from Sugar Development Fund (SDF).

(iii) Government of India provides incentives to new and expansion units in the form of extra free sale sugar quota over and above the normal free sale quota under the various incentive schemes. The incentive schemes prescribed certain period for implementation of the project. If the project is not completed in time the incentive quantum gets reduced to the extent of delay in the implementation of the project. If the delay is beyond a stipulated period as specified in the scheme applicable to the entrepreneur, incentive would be denied.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt 26.11.1998]

Recommendation (Para No. 2.77)

The Government has already spent a sum of Rs. 291 crore in the name of Buffer Subsidy. While this leads to an assumption that there is an actual Buffer Stock of 5 lakh tonnes of sugar. But this buffer is not like the Buffer Stock of wheat and rice maintained by the Government. Actually there is no buffer. What is being done is to help the mills in keeping their stock during the period of surplus. The Government should, therefore, take such steps as to ensure that any assistance or subsidy given to mill owners in this regard is kept to the minimum.

Reply of the Government

Government has taken a decision discontinuing the buffer stock beyond 09.07.1998. Thus, subsidy on buffer stock is being discontinued with effect from this date.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt 26.11.1998]

Recommendation (Para No. 2.80)

The Sugar Inspection Section of the Directorate of Sugar is concerned with the quality control of sugar produced by Vacuum Pan

Sugar factories. During the period 1.1.1997 to 30.9.97, 86 sugar factories were checked. From January, 1996 to July 1997, 4313 factories furnished returns on sales and despatch while 3633 factories did not furnish such returns. The Committee recommend that Enforcement and Vigilance activities should be increased so that on the one hand the factories file the return in time and on the other they do not compromise on the quality of sugar.

Reply of the Government

As regards enforcement and vigilance activities for qualify of sugar, the Inspecting Officers (Sugar), in the Directorate of Sugar, Ministry of Food & Consumer Affairs, pay periodical visits to sugar factories to draw super samples with a view to check the quality of sugar manufactured by the sugar mills.

During the period 1.1.98 to 30.7.98, 169 sugar factories were visited by the Inspecting Officers(S) and sugar samples were drawn from the stocks of sugar held by the factories and also from the consignment under despatch. These samples were analysed by the Grading Committee of the Directorate of Sugar by visual comparison of the samples under examination with the sealed sample supplied by N.S.I., Kanpur. The samples found as failing in grain size by the Grading Committee are forwarded to NSI, Kanpur for analysis. The analysis of NSI, Kanpur is taken as final. The samples falling in colour for second time during course of the same season are also sent to NSI, Kanpur. Necessary action is taken against the defaulting sugar factories under the provisions of the Sugar Packing and Marking Order, 1970.

As regards returns of freesale sugar and sales and despatches a circular was sent to all sugar factories on 30.4.97, for sending returns in time. Now there is considerable improvement in furnishing of returns by sugar factories.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt 26.11.1998]

Recommendation (Para No. 3.48)

The production of oilseeds during 1997-98 was estimated at 250 lakh tonnes. However, the actual production was only 237 lakh tonnes. This yields only 68 lakh tonnes of edible oil while our anticipated demand of edible oil will be around 82 lakh tonnes. Thus, the

Committee envisage a deficit of 14-15 lakh tonnes. of edible oils. The per capita consumption of edible oils has also gone up to around 9 kg. per annum and there is all possibility of further increase in the demand for edible oils. The Committee, therefore, strongly recommend that the Ministry of Food and Consumer Affairs should coordinate their activities with the Ministry of Agriculture so that the country may obtain self-sufficiency in oilseeds production. In this regard adequate incentives and inputs should be provided to farmers and they should be encouraged to cultivate oilseeds. TMO (Technology Mission on Oilseeds) may also be requested to discover new high yielding varieties of oilseeds. TMO may be assisted/co-ordinated in this regard.

Reply of the Government

The Department of Agriculture and Cooperation, which is concerned with increasing production of oilseeds as well as developing high yielding varieties of oilseeds has been apprised of the Committee with the request to take appropriate follow-up action in pursuance of these recommendations of the Committee. This Department will remain in touch with the Department of Agriculture and Cooperation and Technology Mission on Oilseeds and Pulses (TMOP) and extend them all possible assistance and coordination as and when asked for.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt 26.11.1998]

Recommendation (Para No. 3.49)

Today, there are 836 solvent extraction plants with an annual capacity of 340.3 lakh tonnes, but the capacity utilisation is only in the range of 30.35%. During 1995-96, the production of solvent extracted oils including oils from other secondary sources was 19.5 lakh tonnes. To augment this capacity, it would be desirable that the Government may import oilseeds instead of edible oil. This will provide not only employment to labour but solvent extraction units will also be able to achieve full capacity utilisation and will thus be able to reduce their losses. The Government, too, will have to spend only less foreign exchange. The Committee, therefore, recommend that the Government should streamline their activity towards import of oilseeds instead of oil. In this regard, the Ministry of Finance may be contacted for exemption of import duty on oilseeds.

Reply of the Government

With a view to increase availability of edible oils and also to utilise the huge capacity of extraction of oils from oilseeds presently available in the country, the Government has recently decided to allow import of soyabean seed in split from, sunflower seed and rapeseed subject to the plant quarantine requirements, under OGL. Formalities in this regard are being processed in the Ministry of Commerce which is to notify the import of soyabean seed, sunflower seed and rapeseed under the OGL shortly. Once the notification in the matter of import of oilseeds under the OGL is issued, the matter of levying of customs duty on import of oilseeds will be settled in consultation with the Ministry of Finance to ensure that there exists a balance between the interests of consumers and processors on one hand while on the other, the interest of the farmers of the country producing oilseeds, with the ultimate objectives of attaining self-sufficiency in edible oils.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt. 26.11.1998]

Recommendation (Para No. 3.50)

Edible oil production from secondary sources has raised upto 20 lakh tonnes in 1997-98 from the level of 13.25 lakh tonnes in 1990-91. This amounts to 25% of the total domestic vegetable oil production. Still there lies considerable scope to raise the potential of extracting edible oils from secondary/non-traditional sources. Rice bran, cottonseeds, mangoseeds, neemseeds, oilseeds of tree and forest origin, oilcakes are the secondary/non-conventional sources. The Committee desire that for oilseeds of tree and forest origin including mangoseeds and neemseeds, an incentive which may range from Rs. 1 to Rs. 2 per kg. may be announced so that the collection of such seeds may be encouraged.

Reply of the Government

The National Oilseeds and Vegetable Oils Development (NOVOD) Board, which is a body under the administrative control of the Ministry of Agriculture have been entrusted with the responsibility of coordinating the activities relating to augmenting collection of oilseeds of tree and forest origin. The Ministry of Agriculture have, therefore, been apprised of this recommendation of the Committee with the request to take appropriate follow-up action. This Ministry will remain in touch with the Ministry of Agriculture in connection with the matter.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt. 26.11.1998]

Recommendation (Para No. 3.51)

The production of edible oils from all sources was about 67 lakh tonnes during 1997-98 while the accepted demand is of about 82 lakh tonnes. Thus, there is a gap of 14.15 lakh tonnes of edible oils. The demand of edible oil is growing at a faster pace due to growth in population and improvement in the standard of living of the people. The present per capita consumption of oils and fats in India around 7.5 kg. per annum which is much below the world average of 15.00 kg per annum. To maintain the availability of edible oils on comfortable level, the Government has included import of edible oil under OGL with 25% import duty. A small quantity of Edible Oil is also imported by STC on Government account for supply to States/ UTs for Public Distribution System. In 1995-96 and 1997-98, the lifting of allocated edible oils has been 66.78% and 24.17% only. The Committee, therefore, recommend that Government should strive the decrease the import duty on edible oils on Government account from 25% to 15% and should also ensure total lifting of edible oils once allotted. Failure to lift the quota should entail the curtailment of the quota of respective States/UTs.

Reply of the Government

In view of the rising trend in the prices of edible oils in the country for which the increased cost of imported edible oils, mainly due to substantial increase in the prices of edible oils in the international market was one of the factors, then Government reduced the basic import duty by 10% i.e. from 20% to 10% in July, 1998. Hence, with the issuance of the notification of the Ministry of Finance dated 10 July, 1998, the effective rate of import duty on edible oils has come down from 25% to 15% (Basic duty 10% plus surcharge 5%) This structure of import duty is applicable to the imports being made by traders under OGL as well as the import being made by the STC on Government account for the PDS.

As regards the distribution of edible oil under PDS, the Government decided to import 1.5 lakh M.Ts. of RBD Palmolein by the STC to meet the requirement of the States/UTs. under the PDS for the festival months of August to November, 1998. The approved quantity of 1.5 lakh M.Ts. which is being imported by STC, has almost entirely been allocated to all the 27 States/UTs. which had placed their demand for edible oils, for the months of August to November, 1998. The State Governments/U.T. Administrations have already been informed that their quota of edible oils would lapse if they fail to lift their quota within the period of validity. Lifting of oil under the PDS is presently in process and this Department is closely monitoring the pace of lifting.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt. 26.11.1998]

CHAPTER III

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

Recommendation (Para No. 2.71)

Loan is advanced from SDF to Sugar Mills for the development of sugarcane under the schemes of setting up heat treatment plants, rearing of nurseries, incentives to cultivators to switch over to improved varieties of sugarcane, small and minor irrigation projects like digging of wells, deepening of existing wells, construction of K.T. weirs and River Lift Irrigation. The main purpose is to make adequate cane available to the sugar undertakings so that the production of sugar increases. Loan is advanced from SDF upto 90% of the total cost of the scheme subject to a maximum of Rs. 3.00 crore per unit. Loan is advanced at concessional rate of simple interest of 9% per annum. During the period 1986-87 to 1997-98, 363 sugar undertakings have been sanctioned Rs. 503.06 crore but only about 60% of the fund amounting to 297.60 crore were disbursed. This is much below the targeted amount. In addition to this, there has been wide variation in sanctioned amount and the amount disbursed during the period 1986-87 to 1997-98. In some of the years like 1987-88, 1998-89, 1989-90, 1991-92 and 1996-97 the disbursed amount is much below the sanctioned amount, however in 1990-91, 1992-93, 1993-94, 1994-95 and 1995-96 the disbursed amount was more than sanctioned amount out of Sugar Development Fund. There seems to be *prima-facie* irregularity. The Committee are unhappy at this state of affairs and desire that all efforts should be made to disburse the full sanctioned amount so that the purpose of the scheme is achieved.

Reply of the Government

I. The reason for lower disbursement as compared to the sanctioned amount is primarily due to the fact that the amount sanctioned is always higher as it indicates the full amount of cane development loan i.e. upto maximum limit of Rs. 3.00 crores whereas the amount disbursed is only the concerned instalment (either first, second or third as the case may be) and is as such approximately one third of the sanctioned loan amount. Therefore, in any given year there is bound to be a gap between amount sanctioned and amount disbursed.

II. In terms of the Sugar Development Fund Rules, 1983 after loan is sanctioned from the SDF for cane development activities it is the responsibility of the sugar units to complete certain formalities/ requirements to facilitate the disbursement of the funds. This Ministry cannot release the loan instalments, if the

(a) factory has not signed the bipartite/tripartite agreement with Central and State Government

(b) the supporting documents like proof about deposit of 10% Mills contribution in Bank, State Government Guarantee in the case of Cooperative Mills and Bank Guarantee in the case of Private Mills and creation of second charge by IFCI to secure the loan are not submitted

(c) if the factory has outstanding dues towards the Sugar Development Fund or the Levy Sugar Price Equalisation Fund

(d) if a satisfactory utilisation certificate has not been received from the State Government regarding utilisation of the previous instalment of loan.

All sugar units who have not availed the loan amount sanctioned and due to their Mills for cane development programmes are reminded from time to time to expedite completion of formalities necessary for release of the amount. The assistance of the State Governments concerned as well as organisations like Indian Sugar Mills Association Ltd. and National Federation of Cooperative Sugar Factories Ltd. is also sought to expedite the release of funds against cane development loans sanctioned to sugar units.

III. As regards the reasons for variation in amount sanctioned and disbursed in different years it may be submitted that lower disbursement as compared to the amount sanctioned in any given year is due to the position explained at I above. The Committee has stated that during the years 1990-91 to 1995-96 the disbursed amount was higher than the sanctioned amount. It may be stated that only during the years 1990-91 and 1995-96 the funds released exceeded the sanctioned amount as indicated in the statement enclosed (Annexure-I). There is no direct co-relation between the amount sanctioned and disbursed in a given year. The amount sanctioned during a particular year may not be disbursed in the same year. The validity of the Administrative Approval for cane development loan is for a period of 4 years within which the instalments have to be availed. The validity period is extended wherever such requests are received from sugar units. On the same lines the amount disbursed in a given year may not relate to a sanction issued in the same year. Hence the variations.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt. 26.11.1998]

ANNEXURE-I

YEAR-WISE POSITION OF LOANS AND GRANTS SANCTIONED AND DISBURSED FROM SDF

(Rs. in crores)

Year	Cane Development			Modernisation			Grant in Aid			Subsidy		Total
	No. of Cases	Amount Sanctioned	Amount Disbursed	No. of Cases	Amount Sanctioned	Amount Disbursed	No. of Cases	Amount Sanctioned	Amount Disbursed	Amount Disbursed	Amount Sanctioned	Amount Disbursed
1	2	3	4	5	6	7	8	9	10	11	12	13
1983-84	—	—	—	—	—	—	—	—	—	8.00	—	8.00
1984-85	—	—	—	—	—	—	—	—	—	36.52	—	36.52
1985-86	—	—	—	2	1.79	1.79	—	—	—	16.53	1.79	18.32
1986-87	37	45.89	21.42	5	4.46	4.46	—	—	—	10.65	50.35	36.53
1987-88	64	70.10	27.87	8	5.89	5.89	—	—	—	0.86	75.99	34.62
1988-89	63	77.34	27.66	24	48.09	37.17	1	0.45	0.12	0.38	125.88	65.33
1989-90	82	84.90	64.67	25	62.25	57.89	4	23.60	2.11	0.02	170.00	124.69

1	2	3	4	5	6	7	8	9	10	11	12	13
1990-91	21	26.54	46.20	18	54.42	50.38	1	6.05	5.55	—	87.01	102.13
1991-92	21	31.00	10.40	29	133.57	39.13	—	—	0.08	—	164.57	49.61
1992-93	17	36.16	17.07	15	69.19	92.78	—	—	4.52	—	105.35	114.37
1993-94	22	50.71	37.78	11	55.19	77.50	—	—	0.16	1.21	105.90	116.65
1994-95	6	16.06	13.26	6	34.88	50.27	1	0.10	1.47	1.46	51.04	66.46
1995-96	—	—	9.00	10	49.74	46.06	—	—	0.28	7.72	49.74	63.07
1996-97	13	28.03	13.71	10	83.98	54.29	—	—	2.25	69.98	112.01	140.23
1997-98	128	123.87	14.76	19	149.30	78.84	9	2.54	—	177.49	275.71	271.09
1998-99 (upto 30.9.98)	108	73.26	50.00	5	40.00	60.85	2	0.46	1.29	87.46	111.11	199.60
Total	582	663.86	353.80	187	792.75	657.30	18	33.20	17.83	418.28	1486.45	1447.22

Recommendation (Para No. 2.76)

Rs. 86.14 crores and Rs. 689.69 crores are outstanding as on 15.4.1998 as cane arrears for the year 1996-97 and 1997-98 respectively. The accumulation of dues of farmers may force the farmers to opt for other cash crops leading to shrinkage of area under cane cultivation and consequent shortage of sugar. The Committee, therefore, recommend that Mill owners be encouraged to take loans against their stock and pay the cane-arrears.

Reply of the Government

Industry has since been requested to implement the recommendation of the Committee.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt. 26.11.1998]

Recommendation (Para No. 2.79)

In 1996-97, 8.49 lakh tonnes of sugar valued at Rs. 1108.03 crores was exported. In 1997-98, on the other hand, only 1.75 lakh tonnes of sugar, valued at Rs. 240.60 crores was exported. The committee recommend that sustained efforts must be made to ensure the continued presence of good quality Indian sugar in the International Market.

Reply of the Government

Keeping in view the production trends, requirement for internal consumption, prices of sugar in the domestic market and surplus availability of free sale sugar etc. Government, from time to time, decides the quantity of sugar to be exported.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt. 26.11.1998]

Recommendation (Para No. 2.81)

A large number of sugar producing countries in the world produce different varieties of sugar. There is a considerable scope for improvement in sugar quality, particularly for those sections of industry which by virtue of the location are well placed to export to the world market. Domestic demand for high quality sugar may also increase.

Presently, we have S-30 variety of sugar. A new quality of sugar called S-31 has also been developed. However, much is required to be done on this front. The sugar supplied through PDS is also of inferior quality. The Committee recommend that all efforts be made to improve the quality of sugar produced and sold in the country.

Reply of the Government

The Sugar Technology Mission (STM) has been jointly launched by the Department of Science and Technology and Ministry of Food, Government of India, *inter-alia,* with the following objectives:

(i) Increase in production of better quality of sugar at reduced cost (through introduction of efficient technologies) and also to enable higher export potential after meeting increasing domestic requirements.

(ii) Efficient utilisation of by-products thus adding value addition to sugar industries.

In order to fulfil the above mentioned objectives, STM has constituted the following Committees:

(i) *Steering Committee* : This Committee has been constituted on 19.10.93 with Secretary (Food) as its Chairman and Secretary, Deptt. of Science & Technology as its Co-chairman. The function of the Steering Committee is to review and monitor the progress of the projects, facilitate technological upgradation of the sugar factories and ensure coordination among the Ministries/Departments, Sugar Industry Organisations and Financial Institutions.

(ii) *Mission Advisory Committee* : This Committee has been constituted on 11.10.93 and is headed by Dr. Gowarikar, Ex-Scientific Adviser to the Prime Minister The function of this Committee is to render technical advice to the projects.

(iii) *Empowered Sugar Mission Group* : This Group was constituted on 8.10.93 and is headed by Secretary, Department of Science and Technology. Its function is to accord necessary administrative and financial approval to the projects undertaken by STM.

The National Sugar Institute (NSI) is also playing a vital role in improving the quality of sugar. Firstly, NSI has prescribed three grades of sugar, i.e. large, medium and small depending upon the size of grain. In addition, they have also fixed the three colour schemes, i.e. S-21, S-30 and S-31. The NSI has also carried out research works relating to improvement in storage condition of sugar in godowns maintenance of suitable PH of syrup *i.e.* 5.4 to stop slow caramelisation in sugar bags. Maturity-wise harvesting of sugarcane to improve recovery as also keeping quality of sugar. At present, the National Sugar Institute has taken up the work of improvement in sugar colour suiting its requirement and acceptance in export market.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt. 26.11.1998]

CHAPTER IV

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

Recommendation (Para No. 2.70)

Old and obsolete technology is a curse for Sugar Industry in the country. About half of the units in the industry were established 25-30 years ago. A sizeable number of Sugar Mills are sick and lying closed for years. Their technology has become unviable in the current pace of modernisation found in the new Sugar Mills. Outdated technology is resulting in increase in production cost and loss of capacity due to slow operations, especially in the matter of crushing. Hence, the Committee desire that the entrepreneurs should be encouraged to go in for the modernisation of sugar mills. This should be achieved in a phased manner by sanctioning the necessary finances out of Sugar Development Fund as well as from financial institutions. Loans for modernisation/rehabilitation are provided to the extent of 50% of the total project cost by Financial Institutions in addition to 10% of the total project cost given by promoters. It has been noticed that from 1985-86 to 1997-98, 177 Sugar Mills have been sanctioned loans amounting to Rs. 680.73 crore, out of which Rs. 575.96 crore were disbursed. However, there has not been any substantial improvement in the status of sugar industry. Its impact on total production is also not visible. The largest number of old units are still in existence in the States of Andhra Pradesh, Bihar, Madhya Pradesh, Rajasthan and West Bengal. In case of U.P., Majority of old plants are located in Eastern UP. In this regard, the Committee desire that such measures may be initiated by the Government so that sugar mills are not forced to become closed and those which are closed be opened by making all efforts and knowing the factors of closure. More funds should be made available for modernisation/rehabilitation/revival of Sugar Mills out of the Sugar Development Fund and the State Governments may also be requested to encourage sugar entrepreneurs and ensure a proper monitoring of the administration of the Fund.

Reply of the Government

The Ministry provides funds at concessional rate of interest from the Sugar Development Fund to Sugar Undertakings for purpose of modernisation/rehabilitation of its plant and machinery. Any sugar undertaking which is approved by specified financial institution like the IFCI, IDBI, IIBI, NCDC & ICICI for financial assistance under its relevant scheme for purpose of rehabilitation/modernisation of its plant and machinery is normally eligible for loan from the SDF. Sugar Undertakings which are sponsored by the Technology Information Forecasting & assessment Council (TIFAC) and approved by the financial institutions are also eligible for loan from the SDF.

The sugar undertakings irrespective of their sectors i.e Pvt./PS/ Coop. are kept informed from time to time through their two apex bodies *viz.* ISMA and NFCSF about the guidelines/provisions regarding the sanction of loans from the Sugar Development Fund for modernisation/rehabilitation. The State Governments and the financial institutions are also kept informed of the matter so that any sugar undertaking is able to seek financial assistance from the Sugar Development Fund.

As has been observed by the Committee, technology upgradation is of crucial importance. The matter of technology upgradation has been taken up by the Sugar Technology Mission and covers factories selected from the old to partially modern to nearly modern factories. The Deptt. had also invited proposals from about 48 factories which are below the Minimum Economic Size (MES) levels. However out of the 48, only about 12 factories have come up with their proposals for modernisation & expansion of capacity up to 2500 TCD. Out of these, a few factories, have been sanctioned SDF loan.

In the current financial year loan for modernisation from the SDF have already been sanctioned in the case of 5 sugar undertakings. Eleven more cases have been considered for grant of loan. This position is in keeping with the Committee's desire that entrepreneurs should be encouraged to go in for modernisation.

Causes for closure vary from sugar mill to sugar mill and generally relate to uneconomic size of the factories, out-dated machinery, low availability of cane, financial difficulties, mis-management and mis-appropriation of fund, among other things. Measures to revive sugar mill will, therefore vary from mill to mill depending upon the situation. As and when viable rehabilitation scheme is drawn up and approved by the respective authority, funds from SDF for partly financing the rehabilitation proposals are made available. In 1994-95 and 1995-96, two mills were given loan from SDF under this category.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt. 26.11.1998]

Comments of the Committee

(Please *see* Para No. 1.9 of Chapter I)

Recommendation (Para No. 2.71A)

Under Rule 17A of the SDF Rules, 1983, the Central Government also sanctions loan from SDF to sugar undertakings to assist cane growers in purchase of seeds, fertilizers and pesticides. Though 186 sugar units were sanctioned loans under this scheme, no amount could be disbursed. This is a serious lapse. Modalities should be worked out and enforced to ensure that the sanctioned amount do reach the canegrowers. The Committee recommend that the applications of loan for farmers be dealt with by a central agency and requisite amount be finalised and sanctioned in respect of each sugar mill. Cheques should be sent in the name of farmers through the concerned sugar undertaking. The Committee also recommend that the farmers be given training of sugarcane production and good quality of seeds be made available to farmers on the basis of their agro-climatic zone consideration. The Government should also ensure that variation in recovery by different sugar mills be minimised. All efforts be made for higher recovery by all mills.

Reply of the Government

With the view to giving a boost to production of sugarcane in the country, Government introduced a new short term loan scheme for purchase of inputs for sugarcane development. The scheme was notified on 21.11.1997. Being a new scheme and also because time was short necessary formalities could not be completed by the sugar units to whom loan was sanctioned so as to facilitate disbursement of the loan amount during 1997-98. As such no expenditure could be incurred under the scheme during the said financial year. However, considerable disbursement has been made during 1998-99. Upto 15.10.1998 an amount of Rs. 50.00 crore has been released to 87 sugar units by way of short term loan for cane development.

Loan for cane development activities is sanctioned to sugar units by the Standing Committee on SDF. Besides the Secretary incharge of the Deptt. of Sugar and Edible Oils in his capacity as Chairman, the Secretaries of Agriculture and Finance Ministries and the Planning Commission and representatives of organisation dealing with the sugar industry are members of the Committee. The cane development loan from SDF is passed on to the beneficiaries *i.e.* the cultivators by the sugar units for pursuing various cane development schemes, Demonstration of advanced technology and better cane management practices so as to ensure optimum utilisation of existing resources is also undertaken by the Sugar Units in the area of operation of the factory. Farmers' training and better seed inputs are covered by schemes operated by the Department of Agricultural & Cooperation to whom this recommendation is being sent. As regards the recommendation made by the Committee for delivery of cheques in the name of the farmers it may be stated that the same is not possible because the SDF Rules provide for payment of cane development loan to sugar undertakings and not to farmers.

At present cane development the loan is being provided for Moist Hot Air Treatment Plants, Seed Nursery, Incentives to cultivators for switching over to improved varieties of sugarcane, Pest Control Measures, Irrigation schemes, Ratoon Management, Setting up Tissue Culture/Biological Control/Soil Testing Laboratory, Computerisation of cane management and Building of feeder roads.

The objective of giving cane development loan to sugar units is to assist in increasing the area under sugarcane cultivation, improving the yield, cane production, availability and recovery percentage.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt. 26.11.1998]

Comments of the Committee

(Please *see* Para No. 1.12 of Chapter I)

Recommendation (Para No. 2.75)

The National Sugar Institute (NSI), Kanpur is engaged in providing training and diploma courses for the personnel required in sugar industry. The physical and financial targets and their achievement set for the Institute in the 8th Five Year Plan was not satisfactory. Even in 1996-97 and 1997-98, the achievement was only 50% and 50% respectively. Such slow progress leads to cost overruns and necessitate increased budgetary support in subsequent years. This also frustrates the very objective of the scheme for improving sugar production. The Committee recommend that it should be converted into a Registered Society as per the recommendation of the Mahajan Committee. The Society should have a Governing Body with an eminent person as its Chairman and members drawn from CSIR, ICAR and TIFAC including representatives from Apex organizations of Industry and nominee of Ministry of Food & Consumer Affairs. The main focus of activities of the Institute should be targeted on teaching and fundamental research and its courses be revised to cope up with the changes in technology trend in the industry.

Similarly, the NISST, Mau was to be completed within 3 years from 1993-94. The project has not been completed as yet. The Committee, therefore, desire that all such schemes/projects be completed within time.

Reply of the Government

The Standing Committee has recommended that the National Sugar Institute should be converted into a registered society as per the recommendation of the Mahajan Committee. The processing of the recommendations of the Mahajan Committee, including the one referred to by the Parliamentary Standing Committee, is not yet complete. Regarding the Committee's recommendation that the society should have a Governing Body, the present position is that the Sugar Institute has an Advisory Board with due representation from ICAR, TIFAC and the apex sugar organisations both in the private and cooperative sectors, NCDC and also representatives from the Central Government.

Regarding NISST, Mau, action has been taken to sanction and release funds so that the project activities of NISST, Mau, which have already been delayed, are completed within the shortest possible time as desired by the Standing Committee. The progress of work is also being closely monitored.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt. 26.11.1998]

Comments of the Committee

(Please *see* para 1.18 of Chapter I)

Recommendation (Para No. 2.83)

The monthly allocation of levy sugar is 425 gram per capita at present on the basis of 1991 census and is effective from 01.01.96 and it should be raised to 500 grams per capita. However, there is pressing demand from the public that it is to meagre a quantity. Secondly, the population has increased substantially during the period since 1991. In view of the above fact, the Committee recommend that monthly allocation of levy sugar to States should be increased in tune with the growth in population. There is also the need to allocate 500 grams per capita. There is a widespread complaint by the Ration-Card holders that Fair Price Shops are not providing full quota of 425 grams to them. The Committee, therefore, desire that State Govts./UTs be asked to ensure that at least the present quota of 425 grams per capita reaches the Ration Card-holders.

Reply of the Government

Even though the levy, freesale ratio of sugar produced by the factories continues to be 40:60, in actual effect, the accrual of levy sugar works out only to about 32% due to allowance of higher freesale percentage to new factories as also existing ones under expansion, as an incentive, Keeping this in view, if levy sugar is allocated @ 500 gms per month per person taking even 1991 census as basis, the annual requirement of levy works out to 54.1 lakh tonnes (52.6 lakh tonnes for PDS and 1.5 lakh tonnes for APO & Para-Military Forces). To obtain 54.1 lakh tonnes of levy sugar, a production of 169.06 lakh tonnes of sugar, is required every season. As production of sugar has remained much below that level in the past seasons, it has not been possible to increase the per person per month quantity of levy sugar at 500 gms. As such at present there appears no possibility for effecting any upward revision in levy quota of States/ UTs either in terms of per capita availability or present population.

As regards non-availability of full quota *i.e.* 425 gms per month to all card holders, it may be stated that since the quota is being released as per the 1991 census, obviously, the sugar at the same scale cannot be made available to the present population. Besides, State/UTs are adopting their own norms depending upon their priorities and local circumstances.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt. 26.11.1998]

Comments of the Committee

(Please *see* Para No. 1.21 of Chapter I)

Recommendation (Para No. 3.52)

The HVOC has been incurring cash losses since 1991-92. The vanaspati units of Amritsar, Kanpur and Delhi are closed. In 1997-98 the number of loss making units of HVOC has increased in comparison to their number in 1996-97. The management of these closed units are giving wages to their idle staff and workers. The loss has been increasing day by day and no concrete steps have been taken to solve the problem. The modernisation plans chalked out by ICICI could not be implemented so far. The Ministry of Finance has also branded the figure in this modernization plan as unrealistic and has not granted any loan. Now, the only way of revival/modernisation of these units is to sell the scrapes and excess land at different units of HVOC particularly at the Kanpur and Amritsar Units. The Committee, therefore, recommend that all efforts should be made to make the units of HVOC viable so that workers may not remain idle and a profit margin at least equivalent to their wages will be obtained. If possible the preparation of soap, cornflake, white oat and other consumable items be taken up by units of HVOC, including the closed one's at Amritsar, Kanpur and Delhi. If this is not possible the units may be disposed of as recommended by Disinvestment Commission.

Reply of the Government

After the refusal of the Ministry of Finance to grant the funds as loan required for modernisation of the vanaspati manufacturing plants at Amritsar and Kanpur, this Ministry re-examined the modernisation proposal in its totality and keeping into consideration the future prospects of the vanaspati industry in the country as a whole, which does not appear promising, and arrived at the conclusion that modernisation proposals were not economically viable and expenditure made on this project may prove infructurous. This Ministry, has, therefore, decided to drop the proposal of partially modernisation of the vanasapati plants at Amritsar and Kanpur.

Delhi Vanaspati Unit (DVU) of HVOC is one of the 168 industries closed in the national capital in pursuance of the decisions of the Supreme Court in the case M.C. Mehta *v/s*. Union of India and Others *w.e.f* 30th November, 1996. Since the management of HVOC has decided not to relocate the closed DVU elsewhere, the workers of this Unit are to be retrenched on payment of retrenchment compensation of the scale provided in the above judgement of the Supreme Court. The Government has approved retrenchment of 218 workers of the DVU and mortgage followed by sale of the land of the DVU to meet the funds required for payment of retrenchment compensation.

The issue of acceptance or otherwise of the recommendations of the Disinvestment Commission on HVOC is under consideration of the Government. Meanwhile, the Government, as a step to avoid recurrence of the crisis of adulteration of mustard oil which resulted in the outbreak of the dropsy epidemic causing loss of a number of lives in the recent past, has issued the Edible Oils packaging (Regulation) Order, 1998 which prohibits sale of edible oils in unpacked form. The implementation of this Order from 15th December, 1998 is likely to create a lot of packaging jobs particularly for the consumer packs. In the changed scenario of marketing of edible, it is now being examined whether the units of HVOC would harvest any share of the considerable packaging activity in the country and make themselves economically viable. In the meantime, the Kanpur unit of HVOC has been made operational for packaging imported palmolein oil supplied through PDS in U.P. Similarly, the Amritsar unit of HVOC has also been made operational for packaging imported palmolein oil supplied through PDS in Delhi, Himachal Pradesh and Jammu & Kashmir. The final view on this matter will be taken into consideration while deciding on the recommendations of the Disinvestment Commission on HVOC.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt. 26.11.1998]

Comments of the Committee

(Please *see* Para No. 1.24 of Chapter I)

CHAPTER V

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

Recommendation (Para No. 2.78)

The Mahajan Committee has recommended complete decontrol of sugar. It has given two years for phasing out control. It has further recommended that supply of sugar through PDS be discontinued when complete decontrol become effective. In this context, the Committee disagree with decontrol of sugar and desire that PDS must not be discontinued. The purpose of PDS which was meant to cater to the needs of the weaker section of people must be kept in mind and they must not be deprived of this facility as there are still 32 crores of people living below poverty line who will not be able to buy this essential commodity at open market price.

Reply of the Government

Government has not taken a decision on the recommendations of the Mahajan Committee on decontrol of sugar. The observation of the Standing Committee on the recommendations of the Mahajan Committee on decontrol of sugar will be given due consideration by the Government while taking a decision in this matter.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt. 26.11.1998]

Recommendation (Para No. 2.82)

At present the statutory minimum price of sugarcane is Rs. 48.45 per quintal linked to basic recovery of 8.55 for 1997-98 without any consideration of its sucrose content. On account of this, the farmers are not enthused to cultivate high sucrose yielding variety. The Committee, therefore, recommend that Research activities be oriented towards increasing sucrose content of sugarcane and the results be passed on to the farmers. As a follow up action sugar mills must also be encouraged to open testing laboratories at the centres.

Reply of the Government

The Department of Sugar and Edible Oils has forwarded the recommendation of the Committee as contained in para 2.82 to the Indian Council of Agricultural Research (ICAR) in order to elicit the views of the Indian Institute of Sugarcane Research, Lucknow to orient research activities toward increasing sucrose content in sugarcane.

The Department of Sugar and Edible Oils has also forwarded the recommendations of the Committee to the Sugar Technology Mission (STM) of the Ministry of Science & Technology. Further action will be taken on receipt of the responses of ICAR and STM.

[Ministry of Food & Consumer Affairs O.M. No. 14-13/98-Coord. dt. 26.11.1998]

NEW DELHI;
18 *December*, 1998
27 *Agrahayana*, 1920

RAGHUVANSH PRASAD SINGH,
Chairman,
Standing Committee on Food, Civil Supplies and Public Distribution.

APPENDIX I

MINUTES OF THE SEVENTEENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION HELD ON THURSDAY THE 17TH DECEMBER, 1998

The Committee sat from 15.15 to 16.15 hours.

Shri Raghuvansh Prasad Singh — *Chairman*

MEMBERS

Lok Sabha

2. Shri Kariya Munda
3. Shri Prabhas Chandra Tiwari
4. Shri Ramchandra Veerappa
5. Shri Gangaram Koli
6. Shri Shyam Bihari Mishra
7. Shri Ramesh Chandra Dwivedi
8. Shri Sadashivrao Dadoba Mandlik
9. Shri Ram Raghunath Chaudhary
10. Shri Madhab Rajbangshi
11. Shri C.P. Mudala Giriyappa
12. Shri R. Muthiah
13. Shri Akbar Ahmad Dumpy
14. Shri Prakash Yashwant Ambedkar

Rajya Sabha

15. Smt. Urmilaben Chimanbhai Patel
16. Shri Manohar Kant Dhyani
17. Shri Lajpat Rai
18. Shri Khagen Das
19. Shri Yerra Narayanaswamy
20. Shri Kushok Thiksey
21. Shri Sukhdev Singh Libra

SECRETARIAT

1.	Shri John Joseph	—	*Joint Secretary*
2.	Shri Krishan Lal	—	*Deputy Secretary*
3.	Shri P.D. Malvalia	—	*Under Secretary*

1. Consideration and adoption of Draft Fifth Report.

2. The Committee considered the draft Fifth Report on Action Taken by the Government on the recommendations contained in their Second Report on Demands for Grants (1998-99) relating to Ministry of Food and Consumer Affairs (Department of Sugar and Edible Oils) and adopted the report without any amendment.

II. Consideration and adoption of Draft Sixth Report.

3. ** ** **

III. Consideration and adoption of Draft Seventh Report.

4. ** ** **

5. The Committee then authorised the Chairman to make grammatical and consequential chages arising out of the factual verification of the reports by the concerned Ministries and present/lay the same in both the Houses of Parliament.

6. ** ** **

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 RECOMMENDATION CONTAINED IN THE FIFTH REPORT OF STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (TWELFTH LOK SABHA)

(i)	Total Number of Recommendations	20
(ii)	Recommendations/Observations which have been accepted by the Government :	
	Para Nos. 2.72, 2.73, 2.74, 2.77, 2.80, 3.48, 3.49, 3.50 and 3.51	
	Total	9
	Percentage	45
(iii)	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply:	
	Para Nos. 2.71, 2.76, 2.79 and 2.81	
	Total	4
	Percentage	20
(iv)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:	
	Para Nos. 2.70, 2.71, 2.75, 2.83 and 3.52	
	Total	5
	Percentage	25
(v)	Recommendations/Observations in respect of which final reply of the Government is still awaited:	
	Para Nos. 2.78 and 2.82	
	Total	2
	Percentage	10