8

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)

DEMANDS FOR GRANTS
(1999-2000)

EIGHTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April, 1999/Chaitra, 1921 (Saka)

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(TWELFTH LOK SABHA)

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

DEMANDS FOR GRANTS (1999-2000)

Presented to Lok Sabha on 22.4.1999
Laid in Rajya Sabha on 23.4.1999

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NEW DELHI

April, 1999/Chaitra, 1921(Saka)

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

Page	Para	Line		
1	2	3	4	5
10	2.33	7 (from top)	For 'my'	Read 'may'
18	2.34	5 (from bottom)	For 'machanism'	Read 'mechanism'
19	2.36	14 (from top)	For 'Miroma'	Read 'Hieram'
25	2.47	2 (from top)	For 'way'	Read 'may'
29	3.8	11 (from top)	For 'pils'	Read 'oils'
29	3.8	13 (from top)	For 'at '	Read 'of'
31	3.7	12 (from bottom)	For 'that'	Substitute 'spread'
31	3.7	11 (from bottom)	delete 'spread' before took	
32	3.7	13 (from bottom)	delete 'Control' before order'	
35	3.13	6 (from top)	For 'olis'	Read 'oils'
36	3.15	1 (from top)	For 'plam'	Read 'palm'
36	3.15	2 (from top)	For 'plam'	Read 'palm'
41	3.26	2 (from top)	For 'laying'	Read 'lying'
43	3.27(a)	19 (from top)	For 'Annexure IV & V.'	Read 'Annexure III'

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Shri Raghuvansh Prasad Singh — *Chairman*

MEMBERS

Lok Sabha

*2. Ch. Vidyasagar Rao
3. Shri Kariya Munda
4. Shri Prabhas Chandra Tiwari
5. Shri Ramchandra Veerappa
6. Shri Gangaram Koli
7. Shri Shyam Bihari Misra
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23. Shri R. Muthiah
24. Shri Akbar Ahmad Dumpy
25. Shri Ranen Barman
26. Shri Prakash Yashwant Ambedkar

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* Ceased to be Member of the Committee *w.e.f.* 9.8.1998.
** Ceased to be Member of the Committee *w.e.f.* 8.6.1998.
*** Nominated to the Committee *w.e.f.* 8.6.1998.

27. Shri Bhim Prasad Dahal
*28. Shri S.K. Bwiswmuthiary
29. Shri Satnam Singh Kainth
**30. Shri Syed Hussain
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@@45. Shri M.J. Varkey Mattathil
†46. Shri B.P. Singhal
£47. Shri D.P. Yadav
£48. Shri Sukhdev Singh Libra

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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. Smt. Manju Choudhary — *Committee Officer*

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* Ceased to be Member of the Committee *w.e.f.* 25.6.1998.
** Nominated to the Committee *w.e.f.* 17.7.1998.
@ Ceased to be Members of the Committee *w.e.f.* 4.7.1998.
@@ Ceased to be Member of the Committee *w.e.f.* 18.6.1998.
† Nominated to the Committee *w.e.f.* 31.7.1998 and ceased to be a member *w.e.f.* 15.9.1998.
*** Nominated to the Committee *w.e.f.* 16.7.1998.
£ Nominated to the Committee *w.e.f.* 11.8.1998.

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 Eighth Report on Demands for Grants (1999-2000) relating to the Ministry of Food and Consumer Affairs (Department of Sugar and Edible Oils).

2. The Committee examined/scrutinised the detailed Demands for Grants (1999-2000) of the Ministry which were laid on the Table of the House on 16th March, 1999.

3. The Committee took evidence of the representatives of the Ministry of Food and Consumer Affairs (Department of Sugar and Edible Oils) on 31st March, 1999.

4. The Committee wish to express their thanks to the Officers of the Ministry of Food and Consumer Affairs (Department of Sugar and Edible Oils) for placing before them detailed written notes on the subject and for furnishing the information to the Committee desired in connection with the examination of the subject.

5. The report was considered and adopted by the Committee at their sitting held on 8th April, 1999.

6. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;
15 *April*, 1999
25 *Chaitra*, 1921 *(Saka)*

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

PART I

CHAPTER I

REPORT

Introductory

1.1 The Demands for Grants (1999-2000) of the Ministry of Food and Consumer Affairs (Department of Sugar and Edible Oils) was laid on the Table of Lok Sabha on 16th March, 1999. Demand No. 10 of the Department of Sugar and Edible Oils contains the figures of Revenue as well as Capital Expenditure which are as follows:—

(Rs. in crores)

	Revenue	Capital	Total
Charged	—	—	—
Voted	704.12	206.39	910.51

1.2 The details of the Budget Estimates and Revised Estimates for (1998-99) as well as Budget Estimates for (1999-2000) are as under:—

Revenue Section

(Rs. in Crore)

	Major Head	1998-99 Budget			1998-99 Revised			1999-2000 Budget		
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
	1	2	3	4	5	6	7	8	9	10
Secretariat-Economic Services	3451	—	1.64	1.64	—	1.60	1.60	0.10	1.75	1.85
Food, Storage and Warehousing	2408	3.37	730.43	733.80	1.08	727.86	728.94	2.51	649.74	652.25
Industries	2852	—	0.02	0.02	—	0.02	0.02	—	0.02	0.02
Civil Supplies	3456	0.15	30.00	30.15	0.15	105.00	105.15	—	50.00	50.00
Total: Revenue Section		3.52	762.09	765.61	1.23	834.48	835.71	2.61	701.51	704.12

Capital Section

	1	2	3	4	5	6	7	8	9	10
Capital Outlay on Food, Storage and Warehousing	4408	6.61	—	6.61	4.59	—	4.59	6.39	—	6.39
Loan for Consumer Industries	6860	—	170.00	170.00	—	258.00	258.00	—	200.00	200.00
Total: Capital		6.61	170.00	176.61	4.59	258.00	262.59	6.39	200.00	206.39
Grand Total		10.13	932.09	942.22	5.82	1092.48	1098.30	9.00	901.51	910.51

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

Total Revenue Section		0.15	144.36	144.51	0.15	140.17	140.32	—	33.00	33.00
Capital Revenue Section		—	175.97	175.97	—	261.95	261.95	—	205.75	205.75
Total Recovery		0.15	320.33	320.48	0.15	402.12	402.27	—	238.75	238.75

1.3 The Head-wise demands have been discussed in the succeeding paragraphs.

CHAPTER II

SUGAR INDUSTRY

(i) Sugar Development Fund

2.1 Transfer of net proceeds of Cess on Sugar is as under:—

(Rs. in Lakhs)

Revised Estimates	Budget Estimates
1998-99	1999-2000
18,000.00	25,000.00

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

2.3 The Sugar Development Fund Act, 1982 provides that an amount equivalent to the proceeds of the duty of excise levied and collected under the Sugar Cess Act, 1982 reduced by the cost of collection as determined by the Central Government, together with any money received by the Central Government for purposes of this Act, shall, after due appropriation made by Parliament by Law be credited to the Fund.

2.4 As provided under the Sugar Development Fund Act, the Fund is to be utilised by the Government of India for the following purposes:—

(a) Payment of loans to sugar undertaking in connection with development of sugarcane in its area as per the Central Govt. Approved Schemes,

(b) Payment of loans for facilitating modernisation & rehabilitation of any sugar factory,

(c) Payment of grants for the purpose of any research project aimed at development of sugar industry,

(d) Defraying expenditure for the purpose of maintenance of buffer stock of sugar, and

(e) Defraying any other expenditure incurred for carrying out the purposes of the Act.

Payments out of Sugar Development Fund

2.5 The following provisions have been made for payments out of the Sugar Development Fund during 1998-99 and 1999-2000:—

(Rupees in lakhs)

		Revised Estimates 1998-99	Budget Estimates 1999-2000
(a)	Subsidy for maintaining the buffer stock of sugar	13300.00	2400.00
(b)	Grants-in-aid for research projects aimed at development of sugar industry	245.00	280.00
(c)	Loans for modernisation/rehabilitation of sugar mills	15800.00	17500.00
(d)	Loans to sugar mills for cane development schemes	10000.00	2500.00
(e)	Administration of Sugar Development	405.00	420.00
(f)	Expenditure on National Institute of Sugar cane and Sugar Technology (NISST), MAU	462.00	775.00
	Total	40212.00	23875.00

Disbursements

2.6 The following disbursements have been made from the Sugar Development Fund during the last three years:—

(Rupees in lakhs)

		1995-96	1996-97	1997-98
(a)	Subsidy for maintenance of buffer stock of sugar	771.92	6997.52	17748.99
(b)	Grants-in-aid for research scheme for development of sugar industry	28.29	225.00	—
(c)	Loans for modernisation/ rehabilitation of sugar mills	4605.57	5429.05	7884.13
(d)	Loans to sugar mills for cane development fund	900.54	1370.95	1479.887
(e)	Administration of Sugar Development Fund	239.40	275.14	320.32
(f)	Expenditure on National Institute of Sugar and Sugar Technology, Mau.	263.73	162.81	419.05
	Total	6809.456	14460.47	27852.377

2.7 Year-wise position of Funds sanctioned and disbursed out of SDF for different purposes since 1985-86 has been shown at Annexure-I.

2.8 Earlier provision of Rs. 397.50 crore was made in R.E. 1998-99 for meeting expenditure from SDF as indicated below:—

(Rs. in Crores)

	R.E. 1998-99
1	2
Administration of SDF	4.05
Buffer Subsidy	133.00

1	2
Grant-in-Aid	2.45
Loan for Cane Development	100.00
Loan for Modernisation	158.00
Total	397.50

2.9 There was an increase in the R.E. 1998-99 for Modernisation Loans from Rs. 70.00 crores to Rs. 158.00 crores keeping in view additional proposals for release of loans for modernisation/expansion. An amount of Rs. 149.40 crores has been spent under the scheme as on date (23.03.99). Release of the balance funds is in process. Modernisation/Expansion of sugar mills for which excess funds were asked for in RE 1998-99 was an old scheme. Further a provision of 4.62 crore was made to meet the expenditure on NISST, MAU.

2.10 Government disburses the cane development loan to sugar units in 3 instalments. The second and subsequent instalment is released only after a satisfactory utilisation certificate about achievement of the physical/financial targets is received from the sugar units duly certified by the concerned State Governments. The State Government is also required to send an impact report on the cane development scheme funded from SDF.

2.11 The B.E. for cane development loan during 1999-2000 is Rs. 25.00 crores as against Rs. 100.00 crore in 1998-99 and 75 crore in 1997-98. When the Committee asked about the reasons for drastic reduction in Budget allocation in BE 1999-2000 as sugar industry is fully dependent on cane development and sugarcane production the Ministry in the written reply submitted as under:—

"(a) A short term loan scheme for purchase of inputs for cane development was introduced w.e.f. 21.11.97. Application from sugar units for availing the loan were invited upto 31.3.98 A total number of 279 applications were received upto the last date, out of these in 13 cases the factories were under installation stage and hence did not qualify for the loan. The short term loan has been sanctioned to 251 units and disbursed to 153 units upto 23.3.99. In 55 cases, the validity period of the administrative approval has lapsed, and no request for extension has been received from the concerned sugar units.

(b) Keeping in view the position explained above the requirement of funds for the balance short term loan cases is estimated to be not very substantial during 1999-2000. The B.E. of Rs. 25.00 crores is considered adequate to meet the expenditure for cane development loan as also the remaining short term loan releases. However, more funds would be sought in R.E. if the need arises.

(c) The budget provision and expenditure for cane development loan during the last 5 years is indicated below:—

(Rs. in Crores)

	Budget. Provision	Expenditure
1993-94	40.00	37.78
1994-95	40.00	13.26
1995-96	25.00	9.01
1996-97	18.00	13.71
1997-98	75.00*	14.80
1998-99	100.00	98.80 (as on 23.3.99)

*There was less expenditure in 1997-98 as an amount of Rs. 46.39 crore was surrendered during the year as sugar units could not complete the required formalities for availing the short term loan for inputs owing to paucity of time.

It may be seen that the average requirement of funds for cane development loan is around Rs. 18.00 crores per year.

2.12 Further on being asked about the criteria adopted by the Government in disbursing the loan and monitoring thereon so that the amount really reaches to the needy farmers, the Ministry replied as under:—

"In terms of Rule 17A(1) of the Sugar Development Fund Rules, 1983 short term loan is to be sanctioned to a sugar undertaking for a period of 2 years in connection with the development of sugar cane in its area for the purchase of inputs like seeds, fertilizers and pesticides.

Disbursement of short term loan was made to sugar units subject to the following:—

(i) execution of bipartite agreement between Central Govt. and Sugar Unit,

(ii) furnishing of Bank Guarantee or creation of first, second/ extended charge on the fixed assets of the sugar units in favour of the Government of India by the IFCI,

(iii) deposit of 10% Mills Contribution in a separate no lien bank account, and

(iv) a certificate from the Controller of Accounts that there are no SDF dues outstanding against the sugar unit.

The SDF Rules as amended on 21.11.97 provides that 'the loan shall be disbursed directly to the Sugar Undertaking after it has executed a Bipartite Agreement on such terms and conditions as the Central Government may decide including provisions for monitoring, by a committee with representatives of Indian Sugar Mills Association, National Federation of Cooperative Sugar Factories Ltd., the concerned sugar mill, local State Government functionary and representatives of the sugarcane growers, of the utilisation of the loan, the progress of the scheme for which the loan is granted, repayment of the loan with interest thereon and remittance to the credit of the Fund.'

The Bipartite Agreement executed by Govt. with the Sugar Units lays down that the sugar unit shall furnish through the Monitoring Committee at the end of the sugar season relevant information about the implementation of the scheme.

The disbursement of short term loan has been made to sugar units during the current financial year 1998-99.

The sugar units are being requested to send reports about the utilisation of the short term loan and assessment of the impact of the financial assistance provided at the close of the current sugar season November, 1998 to October, 1999.

To ensure that the short term loan provided to sugar units is properly utilised the following conditions have been incorporated in the bipartite agreement executed with the sugar units:—

(i) Constitution of Monitoring Committee consisting of, *inter-alia*, representatives of the sugarcane growers.

(ii) Submission of progress reports about utilisation of loan amount at the end of sugar season.

(iii) In case of non-compliance of the submission of the said progress reports by the borrower, it will be deemed as a breach of the terms and conditions of the agreement and in that event the borrower shall be liable to refund forthwith in one instalment the entire amount of loan then outstanding together with interest thereon.

(iv) If the activities funded are foreclosed or not carried out, the unutilised funds to the credit of the borrower shall be refunded to the Central Government and the assets if any created shall be disposed of in a manner decided by the Central Government."

2.13 As per existing arrangement the cane development loan is provided to sugar undertakings who further disburse the loan to needy farmers. It has come to notice that needy farmers are not getting the loan in time. In this context, when the Committee desired to know the difficulties in directly providing the loan to farmers instead of through sugar undertaking, the Ministry in the written reply stated as under:—

"The SDF Rules provide that cane development loan shall be provided to sugar undertakings. Hence the question of providing loans to individual farmers does not arise. The issue of directly providing SDF loan to the farmers has not been taken up in the Standing Committee on SDF. On account of large number of farmers involved and spread out all over the country, it may not be practicable for the Government to directly give the loan to them. Besides there would be difficulties in obtaining securities for repayment from such large number of farmers."

2.14 Though the Ministry of Food and Consumer Affairs provide loan from SDF for cane development, modernisation/expansions and grant-in-aid for research on any aspect of sugar industry, there is wide variation in sanction and disbursement. The Ministry has contended that they are not responsible for less disbursement. In this regard, when the Committee asked what is the methodology by which Government monitor over the expenditure incurred out of SDF, the Ministry submitted as below:—

"The expenditure incurred out of SDF towards Loans for Cane Development and Modernisation, Grants-in-Aid for research project and payment of Subsidy for holding buffer stocks of sugar. The loans, grants and subsidy is disbursed to sugar units from the SDF in terms of provisions contained in the SDF Rules, 1983.

The implementation of cane development programme undertaken by sugar mills with SDF loan is monitored by the respective State Governments.

The implementation of the short term loan for inputs for cane development is to be monitored by a Committee of representatives of Indian Sugar Mills Association, National Federation of Cooperative Sugar Factories Ltd., the concerned sugar mill, local State Government functionary and representatives of the sugarcane growers. For each sugar unit receiving the loan, there will be a separate monitoring Committee.

The monitoring of the implementation of modernisation, rehabilitation/expansion project of private sugar mills is being done by IFCI. The modernisation/rehabilitation/expansion project of cooperative sugar mills are monitored by NCDC.

Grants-in-aid sanctioned for R&D Projects on Sugar are normally released in three instalments. While the first instalment is released after completion of formalities take execution of an agreement between Central Government and the Institution concerned and opening of a separate bank account, subsequent instalments are released based on proper utilisation certified by Chartered Accountant of earlier instalments and satisfactory progress of the project, which should be as per schedule and guidelines issued by the Government of India and a positive assessment report from an expert. In the case of unsatisfactory progress and violation of guidelines, the project is liable to be cancelled and the grantee institution asked to refund the entire amount of grant together with due interest thereon."

(ii) Sugar Industries below Minimum Economic Size

2.15 As on 30.09.1998, there were 229 sugar mills having capacity below Minimum Economic Size, *i.e.*, 2500 TCD. In order to encourage the sugar factories to expand their capacity to a viable level, the Government of India is providing financial assistance from the Sugar Development Fund (SDF) on soft terms both for cane development and modernisation/expansion of capacity upto a level of 5000 TCD. As on 15.03.1999, loan assistance provided from SDF for cane development and modernisation/expansion to the sugar factories is as under:—

(Rs. In crores)

	Number of cases	Amount sanctioned	Amount disbursed
Cane Development	610	657.43	388.18
Modernisation/ expansion	198	915.34	736.01

(iii) Sugar Recovery

2.16 The recovery of sugar percentage cane depends upon various factors like agro climatic conditions, variety of sugarcane, irrigation, cultural practices adopted, seed material, etc. In order to improve the quality and quantity of sugarcane, Government of India have been providing loan assistance from Sugar Development Fund on soft terms for various cane development schemes like setting up of heat treatment plants, rearing of nurseries, incentives to cultivators to switch over to improved varieties of sugarcane, irrigation schemes like digging of wells, lift irrigation schemes, etc. As on 15.03.1999, an amount of Rs. 657.43 crores has been sanctioned to the sugar mills for various cane development schemes of which, an amount of Rs. 388.18 crores has been disbursed.

2.17 Further, Deptt. of Agriculture and Cooperation of the Ministry of Agriculture has been operating a Centrally Sponsored Scheme of "Sustainable Development of Sugarcane Based Cropping System" (SUBACS) in various States. The SUBACS Schemes cover both mill and non-mill areas through various development activities in a comprehensive manner in order to increase productivity of sugarcane. The main components covered under this Scheme are as under:—

(i) Demonstration

(ii) Training

(iii) Implements

(iv) Tissue Culture Units

(v) Seed Production

(vi) Heat Treatment Plants

(vii) Evaluation/specific studies, electronic media, farmers visits, workshops, etc.

(viii) Contingency to State for POL, etc.

(ix) Drip irrigation.

2.18 There are at present 465 installed sugar factories in the country comprising 259 in the Coop-Sector, 66 in the Public Sector and 140 in the Private Sector. As on 30.09.1998, 233 new sugar factories and 236 expansion projects were under various stages of implementation. As on 30.09.1998, the licensed capacity of the sugar industry was 283.3877 lakh tonnes.

2.19 The position with regard to number of installed sugar factories and their capacity during 1994-95, 1995-96, 1996-97 and 1997-98 seasons is as under:—

Crushing Season	No. of Factories	Installed Capacity (in lakh tonnes)
1994-95	437	122.1
1995-96	447	128.4627
1996-97	453	134.593
1997-98	465	142.7525

(iv) Production of Sugar

2.20 The position regarding production, internal consumption and exports etc. during 1996-97 and 1997-98 sugar seasons was as under:—

(Quantity in lakh tonnes)

Particulars	1996-97	1997-98 (Prov.)
Carry over from previous season	79.07	66.00
Production of Sugar	129.05	128.30
Imports of Sugar	—	—
Total availability	208.12	194.30
Internal Consumption	137.92	139.80
Exports	4.19	0.80
Closing stock at the end of season	66.01	53.70

2.21 The release of sugar for sale in the open market was 93.78 lakh tonnes for 1997-98 sugar season as compared to 91.22 lakh tonnes during the previous sugar season (1996-97).

2.22 The levy-freesale ratio of sugar remained unchanged at 40:60 during the 1997-98 sugar season.

(v) Levy Price of Sugar

2.23 The All India Average Ex-factory levy sugar price calculated on the basis of BICP report of January 1997, for all the zones for the sugar season 1997-98 was announced on 17.07.1998 which was Rs. 1022.46 per qtl.

2.24 Issues prices of levy sugar which was fixed at Rs. 11.40 per kg. *w.e.f.* 01.10.1997. It has been refixed at Rs. 12.00 per Kg. *w.e.f.* 15.02.1999.

Sugarcane Prices and Sugar

2.25 The Statutory Minimum Price (SMP) of sugarcane for the sugar season 1998-99 has been fixed at Rs. 52.70 per quintal linked to a recovery of 8.5% subject to premium of Rs. 0.62 for every 0.1% increase in the recovery above 8.5%.

2.26 The Statutory Minimum Price (SMP) of sugarcane for 1997-98 season was announced in Oct, 1997 at Rs. 48.45 per quintal linked to a basic recovery of 8.5 per cent. For 1996-97 season, the (SMP) was Rs. 45.90 per quintal linked to a basic recovery of 8.5 per cent. In practice, however, actual prices paid by the sugar mills on the advice of the State Governments are substantially higher than the Statutory Price. This is clear from (Annexure II).

2.27 The sugarcane price is not being paid to farmers in time this has effect on cane development programme and other needs of sugarcane growers. As on 31.3.1999 the sugarcane areas for different years are as under:—

(Rs. in crores)

Upto	1996-97	152.34
	1997-98	145.96
	1998-99	721.06
	Total	1019.36

2.28 When the Committee desired to know about the reasons for accumulation of cane price arrears and the steps taken to recover them with interest, the Ministry furnished as under:—

> "As per the Sugarcane (Control) Order, 1966 issued by the Central Government under the Essential Commodities Act, it is obligatory on the part of all sugar mills to pay the sugarcane price to cane growers. The payment delayed beyond 14 days of delivery of sugarcane attracts interest liability @ 15% per annum for the period of delay.
>
> Accumulation of cane price arrears could be attributed to a number of factors such as financial position, high cost of

production, excessively high State Advised Cane Price, inadequate sales realisation etc. Cane purchase, cane crushing, manufacture and sale of sugar, meeting the cost of raw material, working capital requirements etc. are inter-related and continuing activities during the currency of a season. During the progress of the crushing period, when the volume of cane purchased is comparatively higher, the arrears of cane price tend to increase, which gradually get reduced substantially by the end of the season.

The responsibility for ensuring timely payment of cane price dues lies with the State Governments who have necessary powers and field organisations to enforce such payments. The Central Government on its part however, besides writing to the Chief Ministers of States has been pursuing a policy of encouraging stability and reasonable level of sugar prices in the domestic market through judicious release of free sale quota and helping deserving specific cases with higher free sale quota as measures to enable clearance of cane price dues of the farmers."

2.29 The range of wholesale prices of S-30 grade of sugar in the four principal markets in the country for the last two seasons, *i.e.* 1996-97 and 1997-98 are compared below:—

(Rs. per Quintal)

Season	Delhi	Mumbai	Calcutta	Chennai
1996-97 (1.10.96 to 30.9.97)	1260 to 1440	1225 to 1510	1350 to 1565	1200 to 1525
1997-98 (1.10.97 to 30.9.98)	1440 to 1600	1410 to 1520	1520 to 1630	1328 to 1563

(vi) Incentive Scheme

2.30 Due to steep increase in the cost of Plant & Machinery, the new and expansion projects were not providing economically viable. With a view to mitigate the hardships of the entrepreneurs involved in the execution of high cost sugar project, as well as to enable them to become viable by utilising surplus funds generated through higher free sale quota for repayment of terms loans advanced by the Central Financial Institutions and the Sugar Development Fund, an incentive scheme was formulated for new and expansion projects established at high capital cost. The scheme was announced on 06.12.1975. Subsequent schemes were announced on 15.11.1980, 4.11.1987, 26.12.1988 and 10.03.1993. The Government of India also formulated "Sugar Incentive Scheme, 1997" to provide for incentive to help entrepreneurs in setting up expeditiously, new and additional capacity for manufacture of sugar on the basis of letter of intent/licenses issued after 31.3.1994. With a view to ensure that letters of Intent do not remain unimplemented over a long period of time, a time frame of 3 years for implementation of letters of Intent has been stipulated.

2.31 As per 1997 Incentive Scheme, new sugar factories are granted incentive for Five Years at 100% in HRA (High Recovery Area) and for eight years at 100% ORA (Other Recovery Areas). Expansion projects upto 2500 TCD are granted incentive for 5 years at 85% in HRA and 100% in ORA and Expansion projects upto 5000 TCD incentive for 5 years at 80% in HRA and 90% in ORA. Projects licensed between 07.09.1990 to 31.03.1994 will have an option to avail of incentive either under 1993 scheme or the 1997 scheme.

2.32 So far, 211 incentive claims for new factories, 171 claims for expansion projects and 32 claims for restructured units have been received in the Project Cell of the Directorate of Sugar. Position as on 30.10 1998 in respect of these incentive claims is given as under:—

Particulars	New factories	Expansion Projects	Restructured Units	Total
No. of claims received	211	171	32	414
No. of claims finalised and certificate issued	192	146	30	368
Court cases	1	4	2	7
No. of claims rejected	3	10	—	13
No. of claims withdrawn	—	2	—	2
No. of incomplete claims pending	14	8	-	22
No. of claims pending for finalisation & issue of final certificate	1	1	—	2

2.33 The letter of intent for establishment of new sugar industry as well as expansion project are to be implemented within a time frame of three years from the date of issue. The sugar industry has been delicensed with effect from 31.8.1998 with the only condition of radial distance of fifteen Km. In this context, when the Committee asked whether Government is considering to withdraw incentive for any particular category of sugar mills which my be installed on the basis of letter of intents issued 2-3 years back, the Ministry replied as under:—

"The Incentive Scheme, 1997 is applicable to the letters of intent/ industrial licences issued under the Industries (Development and Regulation) Act, 1951 for establishment of new sugar factories and expansion projects after March, 1994 till the date of delicensing of the sugar industry *i.e.* 11-9-1998. At present, there is no proposal for withdrawal of any of the Incentive Schemes announced so far."

(vii) Quality Control

2.34 Sugar Inspection Section of the Directorate of Sugar is concerned with the quality control of sugar produced by Vaccum Pan Sugar Factories. For this purpose, periodical visits to sugar factories are made. Samples of sugar are drawn from the stocks of sugar held by the factories and also consignment under despatch. In case, actual grades of sugar represented by the samples are found to be inferior to the grades marked on the bags by the factories, action is taken against the erring sugar factories, as per the prescribed procedure.

2.35 In pursuance of this policy, this directorate in the financial year 1998-99 (upto 31.10.1998) have issued warnings to sugar factories in 31 cases regarding incorrect marking of grades on the sugar produced by them in terms of clause 4 (1) of Sugar (Packing & Marking) Order, 1970. During the financial year 1999-2000 about 500 inspection visits to the sugar factories are proposed to be undertaken.

2.36 When the Committee asked what are the machanism for control of quality of sugar and the latest breakthrough, if any, the Ministry in the written reply stated as under:—

"Under Clause 7 of the Sugar (Control) Order, 1966, the Central Government may prescribe the quality of sugar in terms of Indian Sugar Standards to which, all or any kind of sugar should conform at the time of delivery in pursuance of the directions issued to a producer under section 3 of the Essential Commodities Act, 1955 or Clause 5 of this Order. Accordingly, the Central Government prescribes sugar standards every year for adoption by the sugar factories in the country, till 1996-97, there were 3 grades of sugar, namely, 'L, 'M' and 'S' (Large, Medium and Small) and two colour series, namely, 29 and 30. The grain sizes of the above grades of sugar are as under:—

Grain sizes

L	—	1.7 MM
M	—	1.18 MM
S	—	600 Mircon

The above 2 colour series are arbitrary numbers and the 30 colour series is superior to 29 colour series.

In order to improve the quality of sugar, Government during 1997-98 sugar season, introduced 31 colour series which is superior to 30 colour series.

The Sugar Technology Mission (STM) of the Deptt. Of Science and Technology is undertaking trials of a Sugar Defeco Re-melt Phospho Floatation Process (DRP Process) at Saraswati Sugar Mills, Yamunanagar of Saraswati Industrial Syndicate Ltd. The technology has been provided by M/s. Tate & Lyle Process Technologies Ltd., London (UK). The process involves clarification of cane juice by the simple defecation method to produce raw sugar. The raw sugar is melted and the melt is treated by phospho floatation process using lime, phosphoric acid, flocculants and colour precipitants. The impurities are removed through aeration and separation of scum. The clarified melt is boiled to produce refined massecuite which is purged to obtain refined sugar. The refined sugar so produced will conform to international standards. As per latest available information, the trials of the new process have commenced in the Yamunanagar Sugar Factory."

(viii) Enforcement and Vigilance Cell

2.37 The functions of this cell include scrutiny of records/returns relating to sale & despatches of free sale sugar, checking of final manufacturing reports *i.e.* RT 8C received from the sugar factories, and enforcement of quality & packing of sugar with regards to the provisions of Sugar (Packing & Marketing) Order 1970.

2.38 Monthly returns on sales and despatches against freesale release Order made during the period October, 1997 to June, 1998 were analysed in E&V Cell and it was observed that 1599 factories furnished returns and 2596 factories did not furnish returns. Out of these returns received, 87 factories were found to have defaulted in despatch of freesale sugar in the prescribed period. 120 representations for condonation of lapse in the case of free sale sugar were also examined. 110 cases were condoned and the lapsed sugar quota of remaining 10 sugar factories has been converted into levy.

(ix) Import/Export of Sugar

2.39 Till 15.01.1997 the exports of sugar were being carried out under the provisions of the Sugar Export Promotion Act, 1958, through the notified export agencies, namely, Indian Sugar & General Industry Export Import Corporation Ltd. (ISGIEIC) and State Trading Corporation of India Ltd. (STC).

2.40 Through an Ordinance, The Sugar Export Promotion Act, 1958 has been repealed *w.e.f.* 15th January, 1997 and the Export of Sugar has been decanalised. Under the new system, the export of sugar is being carried out through Agricultural & Processed Food Products Export Development Authority (APEDA), under Ministry of Commerce. However, ISGIEIC would continue to handle all Preferential quota exports to EEC & USA, after obtaining Registration-cum-Allocation-Certificate (RCAC) from APEDA. Government has not placed any quantity of freesale sugar at the disposal of APEDA out of 1997-98 seasons production for commercial exports. However, a quantity of 32700.0 MT of freesale white sugar/raw sugar, out of 1997-98 season's production was placed at the disposal of APEDA for preferential quota export to EEC and USA through ISGIEIC Ltd. A small quantity of 40,000 MT of levy sugar out of 1997-98 seasons production was also exported to Nepal through STC, against 1997 Annual quota. In addition, a quantity of 8500.00 MT of raw sugar out of 1997-98 season's production has also been placed at the disposal of APEDA for export of U.S. Preferential Quota for 1998-99.

2.41 During the financial year 1997-98, a quantity of about 1.75 lakh tonnes (including preferential quota exports), pertaining to 1996-97 season's production was exported.

2.42 When the Committee desired to know about the export/import policy of sugar and the details of import/export, the Ministry in the written reply stated as under:—

> "Export of sugar has been decanalised *w.e.f.* 15.1.1997. Under the new system, the export of sugar is being carried out through Agricultural and Processed Food Products Export Development Authority (APEDA), under the Ministry of Commerce within the quantitative ceiling prescribed by Ministry of Food & C.A.. The Indian Sugar and General Industry Export-Import Corporation Ltd. (ISGIEIC) continues to handle all preferential quota exports to EEC and USA, after obtaining Registration-cum-Allocation-Certificate (RCAC) from APEDA.
>
> India has a fixed quota of 10,000 Mts. of white sugar, for EEC. In addition a quota of 1000 Mts. (white sugar equivalent) of raw sugar for export to EEC for a six year period commencing from 1.7.1995 to 30.6.2001. The U.S. quota depends upon the consumption trends in that country and varies from year to year.
>
> A small quantity of levy sugar is also exported to Nepal through State Trading Corporation of India under bi-lateral Indo-Nepal Treaty of Trade, of Ministry of Commerce.
>
> The position of sugar, exported by India during the last five financial years are as under:—

Financial year	Quantity (in lakh tonnes) including Nepal)
1994-95	0.35
1995-96	4.49
1996-97	8.49
1997-98	1.75
1998-99 (Upto Nov., 1998)	0.05

Government, keeping in view the production trends, requirement for internal consumption, and the surplus availability of freesale sugar, decides the quantity of sugar to be exported and places the same at the disposal of Directorate General of Foreign Trade (DGFT)/Ministry of Commerce/for commercial exports.

Import of sugar is allowed under Open General Licence (OGL), subject to Registration of import contracts with Agricultural and Processed Food Products Export Development Authority (APEDA).

Government imposed a basic custom duty of 5% and a countervailing duty of Rs. 850/- per tonne, on imported sugar *w.e.f.* 28th April, 1998. The basic custom duty on imported sugar has been increased from 5% to 20% w.e.f. 14.1.1999.

In the Union Budget for 1999-2000, the duty on imported sugar has further been increased from 20% to 27.5%.

Import of sugar during the last five financial years has been as under:—

Financial Year	Quantity (Lakh tonnes)	Value (Rs./Crores)
1994-95	9.76 (P)*	1208.18
1995-96	1.99 (P)	317.26
1996-97	NIL	NIL
1997-98	3.30 (P)	443.37

*It does not include the quantity of 9.84 lakh tonnes imported by private parties under O.G.L.

Import of Sugar during Financial Year 1998-99 (Upto Feb. 1999) is as under:—

(i) From April, 1998 to November, 1998	=	5,96,775.0 Mts.
(ii) From Dec. 98 to Feb., 1999	=	1,42,884.9 Mts.
Total from April, 98 to Feb., 99	=	7,39,659.9 Mts."

2.43 Cane development loan is provided to sugar units for short-term and regular schemes of cane development programmes. The short-term loan scheme was started on 21st November, 1997 to make available seeds, pesticides and fertilisers well in time to cater to the needs of farmers. A total of 251 units were sanctioned loan by Government for the aforesaid purpose and the loan were disbursed to 153 units only upto 23.3.99. Further in 55 cases the validity period of administrative approval lapsed as no request for extension of loan came from the concerned sugar units. This shows that sugar undertakings are not taking much interest in providing short-term loan to cane growers and the misery of farmers still continues. This is a great cause of concern. There is all possibility that sugar units might be charging a higher interest from farmers. The Committee, therefore, recommend that the Government should make all efforts to ensure that short-term loan must reach the needy farmers well in time at the same rate of interest as charged by the Government and sugar units be encouraged for the said purpose.

2.44 The expenditure on cane development for the last five years, does not reflect a satisfactory picture. Out of Budget provisions of Rs. 40 crore for 1994-95, the amount actually spent was only 13.26 crore. Similarly the amounts spent for 1995-96, 1996-97 and 1997-98 were Rs. 9.01 crore, 13.71 crore and 14.80 crore only out of 25 crore, 18.00 crore and 28.64 crore earmarked for the years respectively. In total, from 1986-87 to 1998-99 under this scheme the amount sanctioned was 657.43 crore and the amount disbursed was 388.18 crore which is near 60% utilisation. The year-wise utilisation are in the range of 30-50% for the last five years. Only during 1998-99 upto 23.3.99, the expenditure is 98.80 crore out of 100 crore. The Committee do not agree with the contention of the Ministry that the average requirement of fund for cane development loan is nearly about Rs. 18.00 crore per year. It is clear that the whole amount is not made available to the Sugar Undertakings for further passing on to needy farmers. This year too, the BE has been kept at Rs. 25.00 crore while the demand may be more than this. In the light of the above anomaly in expenditure of the cane development loan, the Committee are of the view that utmost efforts be made by the Government for full disbursement of sanctioned amount. If necessary sugar undertakings and the concerned State Governments must interact regularly and frequently in this regard. The technical snags coming in the way of disbursement of loans must be avoided so that the farmers are not put to any loss.

2.45 Out of 158.00 crore in RE 1998-99, for modernisation/ expansion, Rs. 157.36 crore has been spent upto 31st March, 1999 which is nearly 100% disbursement. However, since 1985-86, out of sanctioned amount of Rs. 915.34 crore only Rs. 736.01 crore could be disbursed. But it is sorry state of affairs that out of 465 installed sugar factories, about 229 sugar mills have capacity below Minimum Economic Size (MES) *i.e.* 2500 TCD. These mills are running towards sickness. Though Government of India is providing assistance out of SDF for cane development and expansion/modernisation, much is required to be done on this front. The Committee, therefore, strongly recommend that Government should make all efforts to achieve the Minimum Economic Size of 2500 TCD by these 229 sugar mills in a phased manner and the amount sanctioned out of SDF for modernisation/expansion be fully utilised so that these may be saved from plunging into sickness.

2.46 The Central Government sanctions Grant-in-Aid for research projects aimed at development of sugar industry. The amount is released in three instalments. From 1988-89 to 1998-99 Rs. 33.20 crore were sanctioned and only Rs. 18.22 crore were disbursed which is about 54%. However in 1997-98, no amount was disbursed for this purpose. The Committee desire that Government must ensure full utilisation of funds in a proper way. Research also be conducted on high yielding, disease free early maturing varieties of sugarcane with high sucrose content. Research may also be conducted on gur and khandsari so that it may remain fit for human consumption even after several months.

2.47 Cane development loan is disbursed in three instalments. The second and subsequent instalments are released only after a satisfactory utilisation certificate is received from the sugar units duly certified by the concerned State Governments. The State Government is also required to send an impact report on the cane development schemes funded from SDF. The implementation of the short term loan for inputs of cane development is to be monitored by the separate committee for each sugar unit. But it has been seen that second and third instalments are not being disbursed due to non-presentation of utilisation certificate and impact report. If the funds are being utilised properly, there would have been no problem in furnishing utilisation certificate. There is possibility of diversion of funds and other irregularities. Consequently, cane development

Programme is hindered and there may be non-availability of sugarcane which way push the Sugar mills towards Sickness and the Sugarcane growers may opt for other crops. For this, proper monitoring and liaisoning with State Governments is necessary. The Committee, therefore, strongly recommend that proper monitoring over the loans out of SDF may be strictly done and frequent liaisoning with the State Governments be made to facilitate disbursement of second and third instalments. Hence there is a great need for setting up a Coordination Cell comprising of the representatives from Central Government, State Governments and Sugar units for closely monitoring the loans of SDF.

2.48 As on 31.3.99 the total cane price arrears due to sugarcane farmers was Rs. 1019.30 crore. Out of this 152.34 crore is upto 1996-97 sugar season. For 1997-98 and 1998-99 sugar seasons, the arrears are 145.96 and 721 crore respectively. While there is provision of charging 15% p.a. interest on amount beyond 14 days of delivery of sugarcane, this provision is not being invoked and sugar undertakings are using this money for their own interest. The non-availability of funds may be taken only as an excuse because there is a provision for mortgaging of stocks of sugar with financial institutions. The accumulation of arrears should be construed as sheer negligence on the part of sugar mill owners in which the State Governments too cannot be spared. The responsibility of timely payment of cane price arrears to farmers lies with the State Governments. The Central Government too, should not remain a silent spectator on piling up a huge amount of cane arrears as the development and regulation of sugar industry is under the jurisdiction of Central Government. The Committee, therefore, strongly recommend that Central Government should ensure that cane price arrears are paid well in time with interest and regular coordination/liaison with State Governments be maintained to achieve this objective. If necessary, suitable warning may be issued to defaulting mills so that the cane arrears position improves without delay. Calculation of interest should be on the full price of sugarcane (State Advised Price) and not on the MSP.

2.49 National Cooperative Development Corporation is entrusted with the prime responsibility of development of cooperative in India. As on date, NCDC provides financial assistance to State Governments for equity participation in new sugar mills in accordance with the centrally sponsored schemes. But in the wake of continued increase in sickness in sugar mills in cooperative sectors, the aim of development of cooperative is being totally defeated and the loan earlier sanctioned is becoming a dead loan. It is hoped that NCDC is moving ahead in rehabilitation of sick sugar mills by amending their respective bye-laws/MOUs. As already much delay has happened in revival of sick Cooperative Mills, the Committee emphasise that the Government should make all efforts for directly providing term loans from NCDC to needy cooperative sick mills/ new mills by amending laws/bye-laws without further delay rather than involving State Governments. If necessary, legislation may be brought in to ensure the sick/new Sugar Mills for providing direct finance by NCDC.

2.50 Sugar production is the joint responsibility of Ministry of Agriculture and Ministry of Food and Consumer Affairs as sugar production is fully dependent on sugarcane production. Disease-free, high-yielding, early maturing varieties with high sucrose content of sugarcane is the main concern of the sugar industry. The emphasis need to be made on development of sugarcane varieties suitable for different agro-climatic-regions in the country. The disease like 'Red Rot' and 'Jhulsa' are taking toll of sugarcane in different parts of the country. The Research activity be enhanced for development of such varieties of sugarcane and necessary fund should be made available for this purpose. The Committee, therefore, recommend that Ministry of Food and Consumer Affairs should coordinate with Ministry of Agriculture and concentrate for development of high yielding, early maturing disease free varieties of sugarcane with high sucrose content. There should be arrangements for the full consumption of all the sugarcane produced in the reserved areas so that the cultivator is not put to loss. If the sugarcane is not purchased by the concerned mills, the growers should be compensated.

2.51 The subsidy in BE and RE (1998-99) for maintenance of buffer stock of sugar was Rs. 133 crore. In BE (1999-2000) the amount for the purposes is earmarked as Rs. 24 crore. The buffer stock of sugar is not like buffer stock of foodgrains. What is being done is to help mills in keeping their stock during the period of surplus. The Government had earlier informed the Committee that they were discontinuing buffer stock beyond 09.07.1998. The Committee, therefore, desire, best efforts be made to keep the buffer subsidy at barest minimum.

2.52 As the cost of plant and machinery of new as well as expansion projects are very high, the Government of India, to make them economically viable and mitigate the hardships of the entrepreneurs, have been announcing incentive schemes since 1975. The latest formulated incentive scheme is Sugar incentive scheme, 1997. With a view to ensure that letters of intent (LOIs) do not remain unimplemented over longer periods of time, a time frame of 3 years for implementation of LOIs has been stipulated. Though the private entrepreneurs have less difficulty in obtaining term loans, cooperative entrepreneurs are facing deep-rooted multiple problems. In view of the monitoring defaults by the sugar cooperatives/public sector units which have been sanctioned assistance on the strength of the State Government guarantees, Financial institutions have taken a policy decision of not considering any proposal for sanction of financial assistance to new sugar cooperatives in these States until and unless the defaults by the existing sugar cooperatives where the loans are guaranteed by these State Government are cleared. However, some financial institutions are considering the cases on merit particularly in Maharashtra but this will take more time in installation of new cooperative sugar mills. The Committee, therefore, recommend that for such deserving entrepreneurs the incentives be continued even a bit beyond three years from the date of issue of letter of intents if there is marginal delay due to no fault of their own.

2.53 From April, 1998 to November, 1998, a quantity of 5,96,775.00 Mts. and from December, 1998 to February, 1999, a quantity of 1,42,884.9 Mts. of the Sugar have been imported under OGL. The Price of open market sugar during this period remained between Rs. 14-17 per Kg. Even after increasing the duty upto 25%+10% surcharge, there has been no decline in import of sugar. The Committee desire that the Government should keep a strict watch over this phenomenon of import of sugar in the interest of consumers, industry and canegrowers. Any corrective steps if needed should be taken well in time. The import of sugar should be allowed only in the interest of consumer industry and canegrowers.

2.54 Sugar Inspection section of the Directorate of Sugar is concerned with the quality control of sugar produced by vacuum pan sugar factories. For this, periodical visits to sugar factories are made. Samples of sugar are drawn from stocks of sugar held by the factories and also consignments under despatch. Only in 31 cases warnings have been issued. The Committee, desire that frequent and periodic visits be planned for each sugar factory and the quality of sugar be maintained at all cost.

2.55 From October, 1997 to June, 1998, 1599 factories furnished the monthly returns on sales and despatches while 2596 factories did not furnish the same. This shows that rules are not strictly followed by these factories and there is no impact of E&V cell on them. It is most likely that there might have been default in despatch of freesale sugar for which they did not file the return. The Committee, therefore, strongly recommend that necessary action may be initiated against defaulting sugar factories so that they must send their monthly returns in time.

2.56 At present the monthly allocation of levy sugar to all the States/UTs is supplied at the rate of 425 gram per unit from Ist January, 1996 on the basis of 1991 census and more than 8 years have elapsed after the census of 1991 and population is increasing at the rate of 2% per annum. The population has increased substantially and the quantity of sugar allotted is becoming too meagre a quantity to supplement the sugar need of the population of the States/UTs. In addition to this, the trend of consumption of sugar has also increased with the increase in standard of living of the population. It is the persistent demand from the people that the minimum quantity per unit should be at least 500 gram. In the present sugar season the production of sugar is expected to be around 150 lakh tonnes. In addition to this, there is carry over stock of about 53 lakh tonnes. In view of the above fact, the Committee, recommend that monthly allocation of levy sugar to States should be increased in accordance with the population at the rate of 500 gram per unit. The Committee also desire that State Governments/ UTs be asked to ensure that at least the quota of 425 grams per capita reaches every Ration Card-holder.

2.57 India is second among the countries producing sugar in the world. The licensed capacity of the sugar industry is 283.388 lakh tonnes. Once planned optimally there may not be any dearth of sugar within the country and a substantial quantity may be exported too. It has come to the notice that Government is contemplating to discontinue sugar quota of Above Poverty Line (APL) families. If it is implemented, it will be most unfortunate that the country being number two in production of sugar a larger chunk of population will be deprived of a meagre quota of sugar. The lower rung of the Government employees, unorganised workers and agriculture workers will then be kept out of sugar quota and these people will find themselves in great difficulty, in procuring sugar from open market for the whole month. The Committee, therefore, desire that the sugar quota for APL population should not be discontinued so that the people above poverty line may not be deprived of their benefit and also that people who only buy sugar may not lose their ration-cards.

CHAPTER III

DIRECTORATE OF VANASPATI, VEGETABLE OILS & FATS

3.1 The Directorate of Vanaspati, Vegetable Oils & Fats of the Department of Sugar and Edible Oils assists the Ministry of Food and Consumer Affairs in the coordinated management of vegetable oils economy including production, quality control, supply and distribution, prices, internal trade and commerce of vanaspati, vegetable oils, oilcakes and meals, administration of industries.

3.2 Two main schemes under the Directorate are R&D programme and modernisation of laboratory to provide specialised services in the field of Vanaspati, Vegetable oils and Fats. In this context when the Committee asked what achievement have been made in regard to upgradation of non-edible oils to edible pils and also about storage, stability and shelf life at raw and refined edible oils, the Ministry replied as under:—

> "The net domestic availability of edible oils in the year 1998-99 has gone up to 68 lakh tonnes, an increase of about 10% over 1997-98. Around 2% of this increase is due to upgradation of non-edible oils to edible oils. Non-edible oils like rice-bran oil of industrial grade, mahua oil of industrial grade, sal fat etc. Become non-edible due to high free fatty acids because of delay in processing. By encouraging technological upgradation like physical refining, miscella refining, non-edible oils are upgraded to edible grade oils. This technological upgradation has been done in some refining and vanaspati units mostly located in Andhra Pradesh, Maharashtra, West Bengal and Madhya Pradesh.
>
> Under the Plan Scheme on R&D Programme for development of vegetable oils, the Department (DVVO&F) has funded several projects to institutes/research organisations such as Ganesh Scientific Research Foundation (GSRF), Delhi, Central Food Technological Research Institute (CFTRI), Mysore, a CSIR Organisation etc. One of the schemes funded was relating to 'Study on shelf life of refined, bleached and deodorised (RBD) Palmolein' by Ganesh Scientific Research Foundation. The objective was to study the shelf life of RBD Palmolein under the

selected conditions of temperature and humidity in one litre flexible pouches and in 15-kg tins. The results of the study indicate that the RBD Palmolein can be stored without quality deterioration upto 90 days and upto six months in one litre flexible pouches and in 15-kg tins respectively.

Another R&D scheme on 'Evaluation of storage stability and shelf life of raw and refined edible oils' has been funded for work to CFTRI, Mysore. The R&D work is yet to be completed."

3.3 In the wake of incidence of adulteration of mustard oil with argemone oil leading to dropsy case and dropsy deaths in the NCT of Delhi, an order was issued on 29 August, 1998 by NCT of Delhi banning the sale of mustard oil in loose form. It was decided that in order to ensure availability at fair prices of safe and edible oils and provide for distribution, use or consumption, in consumer's interest, an Edible Oils Packaging (Regulation) Order, 1998 has been promulgated.

The salient features of this Order are as under:—

(i) Edible Oils including edible/mustard oil will be permitted to be sold only in packed form from 15 December, 1998.

(ii) Packers will have to register themselves with a registering authority.

(iii) The packer will have to have his own analytical facilities or adequate arrangements for testing the samples of edible oils to the satisfaction of the Government.

(iv) Only oils which conform to the standards of quality as specified in the Prevention of Food Adulteration Act, 1954 and Rules made thereunder will be allowed to be packed.

(v) Each container or pack will have to show all relevant particulars so that the consumer is not misled and the packer is identified.

(vi) Edible oils shall be packed in conformity with the standards of Weights and Measures (Packaged Commodities) Rules, 1977 and the Prevention of Food Adulteration Act, 1954 and Rules made thereunder.

(vii) The State Governments will have power to relax any requirement of the packaging Order for meeting special circumstances.

3.4 The power for implementation of the Edible Oils Packaging (Regulation) Order, 1998 has been delegated to the State Governments. The packers will have to get themselves registered with the State Governments. The registration shall remain valid for three years unless suspended earlier. The order came into force with immediate effect but preparation time upto 15 December, 1998 was given under the Order after which no unpacked sale would be permitted.

3.5 The Central Government is aware that the production of edible oils is a highly decentralised industry. A substantial quantity of oil production is in the small scale or unorganised sector. The Government has identified a number of laboratories which are well-equipped. The laboratory of the Directorate of VVO&F will be a Referral Laboratory for testing edible oils and fats.

3.6 Detailed guidelines for Method of Sampling and Analysis Fats and Oils have been circulated to trade and industry as also to all States Governments and enforcement agencies for smooth and effective implementation of Edible Oils Packaging (Regulation) Order, 1998.

3.7 The adulteration of edible oils is taking up a huge toll of human health. Last year dropsy epidemic that due to adulteration spread took several lives and caused fear psychosis among the people. When the Committee desired to know what arrangements have been made for quality control and testing of vegetable oils and fats and whether there is any coordination with State Governments to avoid epidemics like dropsy which aggravates already acute shortage of edible oils in the country, the Ministry furnished the following details:—

"Some of the arrangements made for quality control and testing of vegetable oils and fats are:—

(i) Monitoring of quality of edible oil at the manufacturing stage has been made stringent and surprise checks and frequency of regular inspections increased.

(ii) State Governments have also been advised to intensify quality control measures.

(iii) The Department had set up a Coordinating Group under the Chairmanship of the Chief Director and consisting of representatives from its agencies involved in the quality test of edible oils to coordinate the methodology of collection, testing and certification of edible oil samples.

(iv) On the recommendation of the Coordinating Group, 560 laboratories with requisite analytical facilities have been identified in the whole country for the purpose of according recognition and the State Governments have been advised to accord recognition to these laboratories.

(v) In order to ensure standardisation of approach and uniformity of results, the Coordinating Group prescribed the procedure for sampling and methods of analysis for fats and oils including TLC (Thin Layer Chromatography) method for detection of argemone oil in edible oils in all testing laboratories. The State Governments as well as the vegetable oil industry have been provided with the details of the methods of testing of oil samples.

(vi) Realising that packaging is an essential requirement to protect the consumers' interest in terms of health, safety and hygiene and also to ensure that proper accountability is established in the edible oils supply chain, Government of India through the Department of Sugar & Edible Oils has promulgated the Edible Oils Packaging (Regulation) Control Order, 1998. The Order has come into force *w.e.f.* 15.12.1998. The State Governments have been empowered to implement this Order and seek suitable extension so as to ensure that all the systems are in place for proper implementation. So far Government of NCT of Delhi has started implementation of the Order in respect of mustard oil. For other oils, they have granted exemption for six months. Government of Gujarat and Government of Madhya Pradesh have granted exemption till 31.03.1999. Government of Maharashtra and Government of Tamil Nadu have already notified their registering authorities whilst West Bengal is in the process of notifying its registering authorities. Government of Tamil

Nadu has exempted groundnut oil and palmolein till 31.03.1999. For other edible oils, exemption has been granted upto 31.01.2000. Almost all the State Governments have granted exemption for operation from such Packaging Order for varying periods of time.

Going by the experience of the last couple of months, it is reasonable to believe that the arrangements made/measures taken so far should be effective in avoiding any serious consequences or epidemic like dropsy as had happened in August-September, 1998."

3.8 Vanaspati industry is subject to control by a multiplicity of authorities such as the Directorate of Vanaspati, Vegetable Oils Fats, BIS, DGHS, PFA authorities of State Government etc. Consequent upon persistent representations from the industry for elimination of multiplicity of authorities, it has been proposed to merge VOP (Control) Order, 1947 and VOP (Standards of Quality) Order, 1975 have been merged into one single Order namely Vegetable Oil Products (Regulation) Order, 1998.

3.8A. At present, there are 190 vanaspati units with an annual capacity of 3.1 lakh MT. Out of these, about 80 units are closed due to various reasons like financial crunch, mismanagement etc. Some of the measures taken up by the Government to rejuvenate vanaspati industry are as under:—

(a) Vanaspati industry has been allowed to use upto 20% expeller mustard oil in the manufacture of vanaspati in addition to 30% expeller groundnut, and sesame oil. The expeller mustard oil (20%) which was banned on 11th September 1998 was allowed again w.e.f. 5.11.98. The usage for solvent extracted and imported mustard/rapeseed oil in the manufacture of vanaspati has no limit. The vegetable oil products manufactured with mustard/rapeseed oil as an input will have to have a label/declaration that it is free from argemone oil.

(b) In order to encourage use of rice bran oil in the manufacture of vanaspati, the Unsaponifiable Matter limit has been increased to 3.4 (Maximum) in case the vanaspati manufacturer uses more than 30% rice bran oil in the manufacture of vanaspati.

(c) The basic import duty on edible oils in OGL list has been reduced from 20 to 10% which will help vanaspati industry in procuring cheap raw-material.

(d) Special Additional Duty (SAAD) of 8% which was imposed on all import including imported edible oil from 1998-99 was reduced to 4% across the board. This duty has been abolished for oils imported for the vanaspati industry.

(e) The matter regarding adverse effect of the Indo-Nepal Trade Treaty on the indigenous vanaspati industry has been taken up with the Ministry of Commerce who have had a dialogue with the Government of Nepal.

Solvent Extraction Plant

3.9 There are 850 solvent extraction plants with an annual capacity of 345 lakh Mt. In terms of "Oil bearing material" as on 31.10.1998. The production of solvent extracted oils is around 17 lakh Mt. in the year 1998-99.

3.10 *Vide* Notification No. 25 (RE-98) 97,-02, dated 15.10.1998, Government of India has placed under OGL, import of soyabean seed in spilt/cracked form, rapeseed and sunflower seed. The import of rapeseed and sunflower is subject to quarantine requirement whereas soyabean seed in spilt/cracked form can be imported without any quarantine. Besides, ricebran oil cakes and oil meals have been allowed to be imported under special Import Licence.

(i) Edible Oils

3.11 Production of oilseeds in the country has increased during this decade from 186 lakh MT in 1990-91 to 250 lakh MT in 1996-97. The potential of secondary sources of edible oils like cotton seed, copra rice bran, oil bearing materials of tree and forest origin etc. has also been exploited to a moderate extent and these sources are now contributing about 25% of the domestic vegetable oils production.

3.12 The net availability of oils from secondary/non-conventional sources during 1998-99 is estimated as under:—

Oils from secondary sources	Availability (lakh MT)
Coconut	4.9
Cottonseed	4.8
Ricebran	5.0
Sol. Extd. Oils	3.7
Tree & Forest origin	1.5

3.13 During the oil year 1998-99, the net availability of edible olis from all domestic sources is likely to be around 68 lakh MT as against the estimated demand of 82 lakh MT, leaving a shortfall of 14-15 lakh MT.

3.14 Since there has been a gap between the demand and supply for a number of years, import of edible oils has been resorted to for making this items of mass consumption easily available to consumers at reasonable prices. Edible oils remained a strictly canalised item till April 1994 when it was partially decanalised with permission to import RBD palmolein under OGL at 65% duty. Import of edible oils was further liberalised in March, 1995 with permission to import all edible oils except coconut oil, palm kernel oil, RBD Palm oil and palm stearin under OGL at 30% duty. Presently, the duty is leviable at 15%. On vegetable oil of edible grade other than coconut oil, RBD Palm oil, RBD palm Kernel oil and Palmolein.

3.15 When the Committee desired to know what short-term and long-term arrangements have been made to bridge the gap in demand and supply position of edible oils, the Ministry in their written reply stated as under:—

> "The supplemental measures taken to augment the availability of edible oils on short-term been so as to contain the prices within reasonable limit, conducive to the consumers, have been, the Government's policy of continued import of edible oils on

OGL barring a few. For oils, namely coconut oil, plam kernel oil, RBD plam stearin and RBD palm oil continue to be canalised through STC/HVOC. The import duty on edible oils has also been lowered from 25% to 15% w.e.f. 10.7.98. In the current Union Budget 1999-2000, the import duty has remained the same although, due to the surcharge it has got marginally increased to 16.5%.

In addition, Government has allowed free import of some selected oilseeds, namely, soybean in spilt/cracked form and rapeseed and sunflower subject to plant quarantine requirement. However, the import duty on these oilseeds continued to be at 45%. In the Union Budget 1999-2000, this duty has been reduced to 40%.

The various long-term measures taken by the Government to augment the production of oilseeds and hence of oils so as to bridge the gap in demand and supply of edible oils are:—

(a) Two Centrally Sponsored Schemes, namely, National Oilseeds Development Project (NODP) and Oilseed Production Thrust Projects (OPTP) which were in operation till 1989-90 have been merged during 1990-91 into a single scheme, namely, Oilseeds Production Programmes (OPP). This Scheme provides essential assistance to the States for production and distribution of quality seeds, plant protection measures including supply, of plant protection chemicals and equipments and organising demonstration of advanced technology, with particular reference to mustard, groundnut, soyabean and sunflower.

(b) A Technology Mission on Oilseeds was established in May, 1986 for harnessing the best of production, processing and management technology.

(c) Intensification of research efforts for increasing production of oilseeds.

(d) Increasing the areas under non-traditional oilseeds crops like soyabean and sunflower, exploitation of oilseeds of tree and forest origin, ricebran etc.

(e) Setting up of necessary processing and infrastructural facilities to keep pace with the production programme of oilseeds.

(f) Assistance for oil palm development.

(g) Better incentive to producers through fixation of Minimum Support Price (MSP) of major oilseeds.

(h) Identification of equipments of modernisation of processing units, custom duty concessions on imports of certain equipments."

3.16 Though production of oils from indigenous sources has increased substantially during the recent years and large quantities of edible oils are also being imported under OGL, STC continue to import RBD Palmolein on Government Account exclusively for distribution through the Public Distribution System (PDS). However, considering the availability of oil from indigenous sources and imported under OGL, a limited quantity is now imported and distributed through the PDS during the period of lean supply and festivals so as to augment the availability of oil and contain the price in the open market.

3.17 The price chart of RBD palmolein for last 5 years in international market is as below:—

(In US$ PMT)

Month/Year	1994	1995	1996	1997	1998
1	2	3	4	5	6
January	425	651	517	589	582
February	434	690	519	594	636
March	432	720	511	579	652
April	477	667	554	588	687
May	534	636	589	585	706
June	560	644	527	556	637

1	2	3	4	5	6
July	540	666	506	528	655
August	627	629	548	529	678
September	662	603	552	537	716
October	643	616	528	549	692
November	726	603	548	548	697
December	704	583	562	550	653

3.18 For the year 1998-99, it was decided to import 1.5 lakh MT of RBD Palmolein for distribution through PDS during August - November 1998. STC being canalising agency contracted for full quantity and it had been received in various parts of the country by December, 98. Government has further approved import of one lakh MT Palmolein against which 18000 MT has been contracted by STC and 6000 MT received by January 1999.

3.19 The imported palmolein is made available through PDS at subsidised rates. With a view to reduce the element of subsidy involved, the Central Issue price (CIP) of RBD Palmolein was revised w.e.f. 1.8.1998 as under:—

	C.I.P. w.e.f. 01.8.1997 Rs./PMT	Revised CIP w.e.f. 1.8.1998 Rs./PMT
Oil supplied in bulk i.e. loose	26,000	30,000
Oil supplied in 15 Kg. Tins	27,000	33,000

3.20 The allocation and lifting of imported edible oil under the PDS during the last three years as well as in the current years is indicated below:—

(Quantity in MT.)

Financial Year	Allocation	Lifting
1995-96	2,22,006	1,48,255
1996-97	1,92,835	1,79,848
1997-98	1,36,104	62,269
1998-99		
Lifting upto Dec. 98	1,66,742	1,21,792

(ii) Hindustan Vegetable Oils Corporation Ltd. (HVOC)

3.21 The Hindustan Vegetable Oils Corporation Ltd. (HVOC), a PSU under the administrative control of the Ministry of Food & Consumer Affairs was set up by taking over the management of two undertakings, namely, the Ganesh Flour Mills Company Ltd. and the Amritsar Oil Works Ltd., under the Industries Development & Regulation Act, in the years 1972 and 1974 respectively. Subsequently, these undertakings were nationalised with the main objective of sustaining and strengthening the nucleus of publicly 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. As a consequence of the nationalisation of these two undertakings, the HVOC was incorporated under the Companies Act, 1956 on 31.3.1984 as a Public Limited Company fully owned by the Government of India with equity capital of Rs. 5.00 crores. Presently, its authorised capital is Rs. 10.00 crores and paid up capital is Rs. 7.71 crores.

3.22 The Corporation has been assisting the Government of India in the supply of refined imported edible oils under the Public Distribution System. Besides, HVOC also manufacture breakfast food items like corn flakes and white oats. At present the corporation has two vanaspati manufacturing units at Kanpur and Amritsar apart from packing units at Delhi, Mumbai, Calcutta, Chennai and Bangalore and Breakfast unit at Delhi. The production of vanaspati at Kanpur and Amritsar Unit has already been discontinued because of stiff competition faced by the Corporation from newly set-up sales tax exempted vanaspati units resulting in uneconomical cost of production of vanaspati. However, both the vanaspati units have started packing of RBD Palmolein oil in bulk packs on behalf of the Govt. during the current year.

3.23 The loss in different units of HVOC can be reduced by preparing soap, cornflakes and other consumable items in different units of HVOC. When the Committee desired to know about the development in this regard, the Ministry submitted as under:—

> "The HVOC had considered soap making at Kanpur unit in 1991-92. The proposal under consideration was forward integration of vanaspati units since the by-product of Vanaspati/ Edible oils *viz.* Acid Oil/Soap Stock makes the raw material for soap making. However, after 1991-92 the Corporation has been facing severe constraints in Vanaspati business due to which the raw material for soap is no longer available with HVOC for commercial exploitation.
>
> As regards cornflakes and white oats, only one unit i.e. Break Fast Food at Kirti Nagar has the required plants and machineries for their manufacture. Due to lack of proper marketing, infrastructure and severe competition, BFF Unit is unable to achieve full capacity utilisation. Therefore, expansion to other units under present circumstances is not possible."

3.24 The HVOC has been incurring cash losses since 1991-92 due to stoppage of import of crude edible oil, reduction in the import of refined edible oil, obsolete technology in the vanaspati manufacturing units, non availability of sales tax exemption being given to the new vanaspati units and also excess manpower.

3.25 Since different units of HVOC are either operating for some months or are laying closed. Workers are being paid for no work. In this context when the Committee called for the details about how much idle wages have been paid, the Ministry stated as under:—

"Idle wages are being paid to the employees of HVOC at three of its units i.e. Kanpur, Amritsar and Delhi. The amount of idle wages paid in respect of these units since 1995-96 year-wise is as follows:

(Rupees in Lakhs)

Unit	1995-96	1996-97	1997-98	1998-99 (Upto Jan. '99)
Kanpur	166.29	179.23	215.64	200.00
Amritsar	121.02	132.20	163.37	150.00
Delhi	175.43	173.69	187.04	210.00
Total	462.74	485.12	566.05	560.00

3.26 HVOC incurred a loss of Rs. 28.21 crores as against the targetted loss of Rs. 3.60 crores during the year 1997-98. The increase in loss was mainly due to expenditure on closed units under Revival/ Disposal i.e. Rs. 8.60 crores, provision for compensation in respect of Delhi vanaspati unit and arrears of wage revision from 01.01.1992 to 30.06.1997 i.e. Rs. 18.28 crores.

3.27 When the Committee enquired of whether Government is contemplating to provide allocation of RBD Palmolein in packaged form as per the requirement of States/UTs to make different units of HVOC viable by assigning them packaging job, the Ministry in their written reply stated as under:—

"Under the present arrangement, the imported RBD Palmolein is made available from Central Pool to States/UTs for supply through the Public Distribution System (PDS), in bulk, as well as in 15 kg tins. Packing of the product in 15 kg tins is done on behalf of the Central Government by the HVOC for hilly, remote and inaccessible areas, e.g., the North East, J&K etc. As far as supply in pouches is concerned, this is done, according to their requirements, between the State Governments/UTs and HVOC. Some States are also getting their packaging done through their State Civil Supplies corporations and cooperative organisations. The decision to supply in small packs is that of the concerned State/UT who also bears the financial burden of the packaging. Government of India is already bearing the subsidy burden on supply of palmolein in bulk and in 15 kg tins to the specified areas.

There is no proposal to supply the imported RBD Palmolein at Central Government cost in packaged form only for the purpose of making HVOC units viable."

3.27(a) Statement giving targeted and actual production during the past two years in HVOC for the current financial year and also showing financial performance for the previous year and the current year are given at Annexure-IV and V.

3.28 During the last year's (1998) dropsy epidemic, much of the suffering was caused due to lack of coordination between different Departments of Central and State Governments. For example, the production of oilseeds comes under Ministry of Agrilculture, the supply, availability and price management of edible oils come under the Ministry of Food and Consumer Affairs. Further when such edible oils are adulterated, they come under the prevention of "Food Adulteration Act, 1954" implementation of which is delegated to the State Governments. The onus of responsibility of timely action shifts from one Department to another and the people of the country go on suffering miserably which is an example of sheer lack of coordination and mismanagement by the aforesaid Departments. The Government are primarily meant for the welfare of people specifically in regard to their health. It is not proper to shift the blame entirely on State Governments which is not in good taste as the people lose their lives for no fault of theirs. The Committee, therefore, strongly recommend that Ministry of Food and Consumer Affairs must form a Coordination Committee comprising of suitable representatives from other related Departments and State Governments to meet the exigencies of such serious situations and concerted efforts be made to firmly deal with them.

3.29 Government has promulgated an Edible Oils Packaging (Regulation) Order, 1998 to deal with the menace of adulteration of edible oils. This order is effective from 15 December, 1998 under which the sale of edible oils in loose form is banned. The implementation of the order is delegated to State Governments. Different State Governments have given extension upto different dates for different edible oils. The purchasing power of poor people is very less and they seldom buy more than 250 gram of edible oil at a time. They may buy a quantity of 50 to 100 grams. The packaging cost of 1 KG/litre of edible oil is estimated at Rs. 3.00. It is most likely that packaging cost of 50 ml/100 ml of edible oil may be 1 Rupee/50 paise and it will be charged from the consumers. The Committee, therefore, desire that utmost care be given to the poor people and their interest may be saved by subsidising the packaging cost.

3,30 Since adulteration was also detected in well known and reputed brands like Dhara, Kanodia, Rath, etc., which are sold in packs, faith of the people on packed edible oils and Vanaspati has eroded. If even in the National Capital of Delhi, adulteration in edible oils and Vanaspati was found, the fate of people living in farflung, hilly, inaccessible and remote areas can be well understood. Even the Prevention of Food Adulteration Act proved futile. The Committee are highly concerned about this matter and take a serious note of such a unprecedented activities of traders. The Committee, therefore, recommend that Government must make doubly sure that packed edible oils are not adulterated before delivered to consumers in future. There should also be the availability of unadulterated oil other than in the packed form so that the poor can get their quota at reasonable price. Arrangements for testing the quality of oil on sale must be made available in all districts.

3.31 The other effect of adulteration is that the prices of edible oils which was skyrocketing in September-December, 1998, has not substantially come down. While the whole sale price of some of edible oils is around Rs. 35-40/Ltr, the retail price is lying in the range of 55-60/ltr and thus they are overcharging from the consumers. The profit margin on retail price should not be more than 10% in comparison to whole-sale prices. The Committee desire that the Government should immediately make concrete efforts for curtailing the retail prices of edible oils.

3.32 Since there has been a gap between demand and supply of edible oils, import has been resorted to as a measure to make available the oils to consumers at reasonable prices. In 1998-99 about 19 lakh MT of edible oils have been imported under OGL while the gap is only to the tune of 14-15 lakh MT. The Committee desire that Government should not allow import of edible oils more than the shortage in country. In 1998-99, 1.5 lakh MT of RBD Palmolein was imported during August-November, 1998. During this period the international price of RBD palmolein was very high. The estimated fall in production of oilseeds was known to Government in February-March, 1998 itself and no advance planning was made. Later the RBD Palmolein was imported at high prices. The Committee, therefore, further recommend that timely action should be taken to import edible oils so that valuable foreign exchange is also saved.

NEW DELHI;
15 *April*, 1999
25 *Chaitra*, 1921 *(Saka)*

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

PART II

MINUTES OF THE FIFTEENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION HELD ON WEDNESDAY THE 31ST MARCH, 1999

The Committee sat from 11.00 to 13.25 hours.

PRESENT

Shri Raghuvansh Prasad Singh — *Chairman*

MEMBERS

Lok Sabha

2. Shri Gangaram Koli
3. Shri Shyam Bihari Misra
4. Shri Bhanu Pratap Singh Verma
5. Shri Ramesh Chandra Dwivedi
6. Shri Abhaysinh S. Bhonsle
7. Shri Sadashivrao Dadoba Mandlik
8. Shri Ram Raghunath Chaudhary
9. Shri Madhab Rajbangshi
10. Shri C.P. Mudala Giriyappa
11. Shri Ram Chandra Mallick
12. Shri Baju Ban Riyan
13. Shrimati A.K. Premajam
14. Shri Daroga Prasad Saroj
15. Shri R. Muthiah
16. Shri Akbar Ahmad Dumpy

17. Shri Ranen Barman

18. Shri Prakash Yashwant Ambedkar

19. Shri Satnam Singh Kainth

20. Shri Tarlochan Singh Tur

Rajya Sabha

21 Smt. Urmilaben Chimanbhai Patel

22. Shri Onward L. Nongtdu

23. Shri Lajpat Rai

24. Shri Khagen Das

25. Shri Yerra Narayanaswamy

26. Sardar Balwinder Singh Bhundar

SECRETARIAT

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

WITNESSES

Ministry of Food and Consumer Affairs
(Department of Sugar and Edible Oils)

1.	Shri R.P. Sinha	—	Secretary (S&EO)
2.	Shri C.S. Rao	—	AS&FA
3.	Shri R.N. Das	—	JS (Sugar)
4.	Smt. Sushama Nath	—	JS (Edible Oils)
5.	Smt. Kanti Deb	—	JS (Coordination)
6.	Dr. M.K. Kundu	—	Chief Director (Vanaspati)

2. At the outset, the Chairman welcomed the representatives of the Ministry of Food and Consumer Affairs (Department of Sugar and Edible Oils). The Chairman then asked the Secretary concerned to introduce his colleagues and the Secretary introduced his colleagues.

3. Thereafter, the Committee discussed with the representatives of the Ministry of Food and Consumer Affairs (Department of Sugar and Edible Oils) the various points mentioned in the List of Points. The queries of Members were resolved by the representatives. The evidence was concluded.

4. A verbatim record of the proceedings has been kept.

The Committee then adjourned.

MINUTES OF THE SEVENTEENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION HELD ON THURSDAY, THE 8TH APRIL, 1999

The Committee sat from 11.30 hours to 13.10 hours.

PRESENT

Shri Raghuvansh Prasad Singh — *Chairman*

MEMBERS

Lok Sabha

2. Shri Kariya Munda
3. Shri Prabhas Chandra Tiwari
4. Shri Gangaram Koli
5. Shri Shyam Bihari Misra
6. Shri Bhanu Pratap Singh Verma
7. Shri Ramesh Chandra Dwivedi
8. Shri Sadashivrao Dadoba Mandlik
9. Shri Ram Raghunath Chaudhary
10. Shri C.P. Mudala Giriyappa
11. Shri P. Sankaran
12. Shri Ram Chandra Mallick
13. Shri Baju Ban Riyan
14. Shri R. Muthiah
15. Shri Prakash Yashwant Ambedkar
16. Shri Tarlochan Singh Tur

Rajya Sabha

17. Shri Manohar Kant Dhyani

18. Shri Sukhdev Singh Libra

SECRETARIAT

1. Shri John Joseph — *Joint Secretary*

2. Shri Krishan Lal — *Deputy Secretary*

3. Shri P.D. Malvalia — *Under Secretary*

(I) Consideration and adoption of Draft Eighth Report.

2. The Committee considered the Draft Eighth Report on the Demands for Grants (1999-2000) relating to Department of Sugar and Edible Oils, Ministry of Food and Consumer Affairs. The Committee adopted the report with a few amendments as shown in the Appendix.

(II) Consideration and adoption of Draft Ninth Report.

3. ** ** ** **

(III) Consideration and adoption of Draft Tenth Report.

4. ** ** ** **

5. The Committee authorised the Chairman to make consequential changes arising out of the factual verification of the report by the Department of Sugar and Edible Oils, Ministry of Food and Consumer Affairs and present/lay the same in the both the Houses of Parliament.

The Committee then adjourned.

** Not related to this Report.

APPENDIX

[*See* para 2 of the Minutes of the Seventh Sitting of the Standing Committee on Food, Civil Supplies and Public Distribution (1999-2000)]

Modifications/Amendments made by the Committee on Food, Civil Supplies and Public Distribution in the Draft Eighth Report on Demands for Grants (1999-2000) relating to Department of Sugar and Edible Oils (Ministry of Food and Consumer Affairs).

Page	Para No.	Lines	Modifications/Amendments
1	2	3	4
22	2.43	17	Substitute the following in between 'in time' 'and sugar units' "at the same rate of interest as charged by the Government"
23	2.44	25	*Add after* 'regard.' "The technical snags coming in the way of disbursement of loans must be avoided so that the farmers are not put to any loss.
27	2.48	23	*Add after* 'objective' "If necessary, suitable warning may be issued to defaulting mills so that the cane arrears position improves without delay. Calculation of interest should be on the full price of sugarcane (State Advised Price) and not on the MSP."

1	2	3	4
28	2.49	16	*Add after* 'Governments.' "If necessary new legislation may be brought in to ensure protection of the interests of the sick/new sugar mills for providing direct financing by NCDC."
29	2.50	16	*Add after* 'content.' "There should be arrangements for the full consumption of all the sugarcane produced in the reserved areas so that the cultivators are not put to loss. If the sugarcane is not purchased by the concerned mills, the growers should be compensated."
48	3.30	29	*Add after* 'future.' "There should also be the availability of unadulterated oil other than in the packed form so that the poor can get the required quantity of oil at reasonable price. Arrangements for testing the quality of oil on sale must be made available in all districts."

ANNEXURE I

(Pl. *See* Para 2.7)

YEAR-WISE POSITION OF FUNDS SANCTIONED AND DISBURSED FROM SDF

(Rs. in crores)

Year	Cane Development			Modernisation			Grant in Aid		Buffer 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

1	2	3	4	5	6	7	8	9	10	11	12	13
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	170.75	124.69
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	-	-	9.01	10	49.74	46.06	-	-	0.28	7.72	49.74	63.07

1	2	3	4	5	6	7	8	9	10	11	12	13
1996-97	13	28.03	13.71	10	83.98	54.29	-	-	2.25	69.98	112.01	140.23
1997-98	128	109.04	14.80	19	157.70	78.84	9	2.54	-	177.49	269.28	271.13
1998-99 (15.3.99)	136	81.66	8433	16	154.19	139.65	2	0.46	1.68	124.14	236.31	349.80
Total	610	657.43	388.18	198	915.34	736.01	18	33.20	18.22	454.96	1605.97	1597.46

ANNEXURE II

(Pl. *See* Para 2.26)

STATEMENT SHOWING RANGE OF MINIMUM SUGARCANE PRICE NOTIFIED AND THE PRICE PAID BY THE FACTORIES IN THE DIFFERENT STATES OF THE COUNTRY

(Figures in Rs./Qtl.)

States	1992-93		1993-94		1994-95		1995-96		1996-97		1997-98	
	Min.Notified	Price Paid	Min.Notified	Price Paid	Min.Notified	Price Paid	Min.Notified	Price Paid	Min.Notified	Price Paid	Min.Notified	Price Paid
1	2	3	4	5	6	7	8	9	10	11	12	13
Uttar Pradesh	31.00 to 38.66	46.00 to 49.00	34.50 to 43.84	50.00 to 61.00	39.10 to 48.40	66.00 to 70.00	42.50 to 53.30	70.00 to 74.00	45.90 to 55.02	67.00 to 76.00	48.45 to 60.45	48.45 to 80.00
Bihar	31.00 to 37.20	45.00 to 49.00	34.50 to 41.81	53.50 to 56.50	39.10 to 47.20	66.00 to 70.00	42.50 to 52.76	71.00 to 75.00	45.90 to 52.17	55.00 to 75.00	48.45 to 56.25	54.13 to 73.50
Punjab	31.00 to 36.11	46.00 to 50.00	34.50 to 40.99	58.00 to 62.00	39.10 to 47.80	68.00 to 72.00	42.50 to 50.60	73.00 to 77.00	45.90 to 52.74	77.00	48.45 to 56.85	78.00 to 82.00
Haryana	31.00 to 38.66	46.00 to 50.00	34.91 to 43.02	56.00 to 60.00	39.10 to 47.20	66.00 to 70.00	42.50 to 48.98	70.00 to 75.00	45.90 to 51.60	76.00 to 80.00	48.50 to 55.05	78.00 to 82.00

1	2	3	4	5	6	7	8	9	10	11	12	13
Assam	31.00 to 31.36	38.25 to 45.00	34.50 to 35.31	40.00 to 45.00	39.10	46.00 to 53.00	42.50	NA	45.98	48.00 to 58.00	48.45	63.00
West Bengal	31.00 to 45.00	34.50	34.90 to 50.00	34.50	39.10	58.00	42.50	67.00	45.90	45.90	48.45	59.00 to 65.00
Orissa	32.82 to 35.38	33.55 to 45.00	34.91 to 40.18	49.88 to 50.00	39.10 to 44.16	44.16 to 60.00	42.50 to 47.90	NA	45.90 to 53.88	55.00 to 75.00	48.45 to 55.65	52.62 to 75.00
Madhya Pradesh	34.28 to 39.02	40.00 to 56.89	39.37 to 43.43	53.00 to 60.00	39.10 to 47.20	66.00 to 72.00	44.12 to 54.92	NA	49.32 to 57.30	65.00 to 73.00	52.65 to 59.85	85.73 to 87.25
Rajasthan	31.73 to 35.01	40.50 to 50.00	37.34 to 40.59	50.00 to 54.00	39.10 to 41.40	57.00 to 66.00	44.12 to 48.44	64.00 to 67.00	48.75 to 49.89	62.00 to 64.00	49.05 to 49.65	68.00 to 72.00
Maharashtra	33.92 to 47.41	31.00 to 49.65	34.50 to 53.17	36.00 to 61.00	35.00 to 66.40	46.00 to 66.00	42.50 to 68.96	45.00 to 46.00	45.90 to 72.69	46.00 to 78.85	48.50 to 79.05	52.00 to 83.00
Gujarat	31.00 to 45.22	38.00 to 71.90	34.50 to 49.92	31.00 to 50.00	39.10 to 59.80	50.00 to 73.00	42.50 to 65.92	43.50	45.90 to 65.85	61.50 to 67.50	48.45 to 69.45	45.00 to 69.45

1	2	3	4	5	6	7	8	9	10	11	12	13
Andhra Pradesh	31.00 to 41.21	36.47 to 58.32	34.91 to 46.27	39.37 to 56.33	39.10 to 53.80	46.00 to 62.15	42.50 to 58.16	48.66 to 60.00	45.90 to 61.86	52.16 to 73.70	48.45 to 65.25	55.65 to 78.22
Tamil Nadu	32.46 to 39.02	35.26 to 45.71	34.50 to 42.21	36.35 to 55.11	39.56 to 47.20	42.78 to 63.37	44.66 to 54.38	44.50 to 65.88	45.90 to 57.30	45.90 to 75.37	48.45 to 62.85	48.45 to 84.64
Karnataka	31.00 to 48.32	35.01 to 61.00	34.50 to 52.76	45.00 to 65.00	39.10 to 63.40	60.00 to 70.00	42.50 to 67.34	58.00 to 72.00	45.90 to 67.56	59.70 to 80.00	48.45 to 71.85	57.45 to 81.60
Kerala	31.00 to 31.73	38.00 to 42.50	34.50 to 36.12	NA	39.10	50.00	42.50 to 45.74	NA	48.18	60.00	49.65	NA
Pondichery	34.65 to 35.38	35.65 to 41.40	39.37 to 54.53	39.37 to 54.53	40.02 to 45.08	44.66 to 60.53	44.50 to 48.44	44.50	51.03 to 53.38	51.03 to 70.00	48.45 to 52.65	48.45
Nagaland	31.00	38.00	34.50	46.00	39.10	50.60	42.50	NA	45.90	NA	NA	NA
Goa	38.29	42.90	39.37	40.00	41.40	75.00	48.44 to 50.00	75.00	56.16	60.00 to 75.00	58.05	45.00

ANNEXURE III

(Pl. *see* Para 3.27a)

STATEMENT SHOWING PERFORMANCE-CUM-ACHIEVEMENT OF HINDUSTAN VEGETABLE OILS CORPORATION LTD.

(Figures in MT)

Sl. No.	Particulars	Installed Capacity Per annum	Target 1996-97	Actual 1996-97	Target 1997-98	Actual 1997-98	Target 1998-99	Actual upto Oct.98	Target (Prov.) 1999-2000
PHYSICAL ACHIEVEMENT									
(a)	Vanaspati	1,05,000	NIL	423	NIL	NIL	NIL	NIL	NIL
(b)	Refined Oil (Including Bulk Packing)	3,45,000	25,000	16,626	15,000	12,174	25,000	3,779	25,000
(c)	Small Packs (In pouches)	1,20,000	30,000	31,886	35,000	18156	35000	14091	45000
(d)	Breakfast Food Products	2,100	1,200	662	1,200	630	800	314	800

ANNEXURE IV

(Pl. *See* Para 3.27a)

FINANCIAL PERFORMANCE

(Rs. in crores)

		Actual 1997-98	Budget Estimates 1998-99	Actual Oct. 98	Estimate for 1999-2000
PHYSICAL PERFORMANCE					
A.	Domestic Sales	63.35	123.33	43.12	156.19
B.	Profit Before Tax	- (28.21)	- (6.20)	- (5.47)	- (3.70)
C.	Profit After Tax	- (28.21)	- (6.20)	- (5.47)	- (3.70)
D.	Dividend	-	-	-	
E.	Equity	7.71	7.71	7.71	7.71
F.	Reserves	13.64	13.64	13.64	13.64
G.	Net Worth	- (19.38)	- (25.68)	- (24.85)	(29.28)