

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1974-75)**

(FIFTH LOK SABHA)

SIXTY-SIXTH REPORT

NATIONAL SEEDS CORPORATION LTD.

(MINISTRY OF AGRICULTURE AND IRRIGATION)
(Department of Agriculture)



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1975/Vaisakha, 1897 (S)

Price : Rs. 4.90

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C O R R I G E N D A

SIXTY SIXTH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (5TH LOK SABHA) ON NATIONAL SEEDS CORPORATION LIMITED.

<u>Page No.</u>	<u>Para No.</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
14.	2.15	(Table)	Against item "Wheat" under heading "Requirement of Foundation Seed"	35,628 5,628
20.	2.28	8	programmed programmes	
23.	2.39	11	Rs.669 lakhs	Rs.69 lakhs
		(sub-para)		
23.	2.40	6	to firm	no firm
25.	2.44	3	average	acreage
27.	2.50	3-4	State Govern-ments Farm or private farms situated near about State Governments/Research Institutes.	State Govern-ments private farms situated near about State Govts Farms, Research Institutes.
43	2.89	4	Delete the word "revised"	
46	2.102	8		95 97
70	2.115	last line	218 lakhs	2.18 lakhs
65	3.25	(Table)	Against item "Kharif Summer 1970" under heading Actual (Col.3)	468 458
68	3.35	18	still	till
74	3.50	(Table)	Against item "Total" in 1971-72	2490 3490 ...2.

<u>Page No.</u>	<u>Para No.</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
80.	4.3	5	further	further
			also	sale
85	4.22(table)		<u>Insert</u> "30	against item
			(iii) "Vegetables etc." under	
			heading "Revised rates per acre"	
86	4.26	3	firms	farms
97	6.5(item)	3	50.55	52.55
			(ii)	
102	7.1 (table)		Item under	1,724 1,734
			heading "Rs.	
			in lakhs Quintals"	
			in 1969-70 foundation"	
			and 1971-72 -	7099 7079
			1972-73	5714 5614
			(against total)	
102	"		Item under heading	1971 1970-71
102	"		"Realisable value"	
			in 1970-71	5.47 4.47
114	8.8	6	considering	considering
116	8.11	8	of equal	or equal
122	9.13	2	(30.5 per cent)	(80.5 per cent.)
130	10.7	2	ever	over
132	10.1(Table)		Against item	
			"Gross Block"	
			in 1970-71	79.47 79.67
134	11.8	3	116.381	116.38
136	11.14(sub-para)	2-3	norms. The norms	
			Committee also	for
			recommen ^d that	produc-
			the Corporation should	tion
				of
			different crops	
			under ideal conditions	
			so that	
141	1-	7	Collection	Collection

<u>Page No.</u>	<u>Para No.</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
143	11.45	2	<u>Delete</u> "an"	
147	11.53	4	recommended	recomm end.
153	12-19(table)		Under heading "acreage in per S.P.A" - Khariff & Rabi in 1972-73 162- 182 102 101	
153	<u>Note</u>	2-3	1000 acres	100 acres
160	13.6	1	14.4	13.4
170	item(xii)	5	sales	sales
"	"	8	46.5	56.5
171	-	Date	April 24, 1975	April 24, 1975
186	2.50	5	Govern- Govern- ments/ ment Farms Farms,	
193	2.136& 2.137	4	<u>Insert</u> 'on' in the beginning	
217	9.14	7	515	5.15
221	11.8	3	Rs84.28	Rs84.28 laks
225	11.45	2	<u>Delete</u> 'an' in between the words 'seeds' and 'increased'	
229	12.25& 12.26	2	365	865

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1974-75)

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3. Shri T. H. Gavitt
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Shri Avtar Singh Rikhy —*Additional Secretary.*

Shri M. A. Soundararajan—*Chief Financial Committee Officer.*

Shri K. S. Bhalla—*Senior Financial Committee Officer.*

*Elected w.e.f. 28-11-74 in the vacancy caused by appointment of Shri H. M. Trivedi as Minister.

COMPOSITION OF STUDY GROUP ON SEEDS
(1974-75)

1. Shri R. P. Yadav—*Convener*
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4. Shri Jagdish Prasad Mathur
5. Shri T. H. Gavit
6. Dr. Sankta Prasad
7. Shri C. K. Jaffer Sharief

INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to present the report on their behalf, present this Sixty-sixth Report on National Seeds Corporation Limited.

2. This Report of the Committee is based on the comprehensive appraisal of the working of National Seeds Corporation Ltd. as contained in the Report of the Comptroller and Auditor General of India for the year 1969-70—Central Government (Commercial) Part VI—and also on an examination in depth of the working of the National Seeds Corporation Ltd. upto the year ending 31st May, 1974.

3. The Committee on Public Undertakings took evidence of the representatives of the National Seeds Corporation Ltd. on the 6th, 7th and 12th August, 1974 and of the Ministry of Agriculture (Department of Agriculture) on the 13th September, 1974.

4. The Committee on Public Undertakings considered and finalised the Report at their sitting held on the 19th April, 1975.

5. The Committee wish to express their thanks to the Ministry of Agriculture and Irrigation (Department of Agriculture) and the National Seeds Corporation Ltd. for placing before them the material and information they wanted in connection with the examination of the National Seeds Corporation Ltd. They wish to thank in particular the representatives of the Ministry and the Undertaking who gave evidence and placed their considered views before the Committee.

6. The Committee also place on record their appreciation of the assistance rendered to them by the Comptroller and Auditor General of India in connection with the examination of National Seeds Corporation Limited.

NEW DELHI;
April 24, 1975.

NAWAL KISHORE SHARMA,
Chairman,

Vaisakha 4, 1897 (Saka)

Committee on Public Undertakings.
(i)

INTRODUCTORY

A. Historical Background

1.1. The interest in seed improvement programme in India dates back to the report of the Royal Commission on Agriculture (1926). The seed improvement programme got further impetus with the advent of the Five Year Plans. In the first Five Year Plan, the use of improved seed was made the basis of calculation for additional production of foodgrains. The Second Five Year Plan estimated that 10 per cent of the original target of additional production of foodgrains would be raised by the use of improved seeds. A coordinated Maize Improvement Programme was started in collaboration with the Rockefeller Foundation in 1957 and the research undertaken was instrumental in the evolution of some high-yielding hybrids, the yield was estimated 50 per cent higher compared to the existing local varieties. Due to the combined efforts of the Indian Council of Agricultural Research the Indian Agricultural Research Institute and the State Governments, some high-yielding hybrids of maize adapted to India were released in 1961. In the interest of increasing food production, it was considered necessary that the cultivation of these hybrids should be taken up on a countrywise scale.

1.2. Keeping in view the problems associated with large scale production of hybrids and other improved seeds, the Government of India approved in May, 1961 a scheme which, *inter alia*, envisaged the following:—

- (i) A Central Seeds Corporation should be set up as a Corporation under the Companies Act, 1956 to promote the production of improved seeds in the country, by giving financial aid, affording technical guidance, establishing suitable production and marketing organisations and sponsoring training programme in collaboration with the Central and State Governments and other interests.
- (ii) The Corporation was to be supported by a number of units for the production of foundation seeds and certified seeds of double cross maize and *jowar* hybrids and improved seed of other foodgrains, edible oil seeds and green manures.

- (iii) A foundation seed organisation was to be set up under the Corporation to have full control over the production, movement and supply of foundation seeds to the agencies which would produce the certified seeds. During the Third Five Year Plan, four units, each of 500 acres, were to be set up for the production of foundation seeds of hybrid maize and one or two units for hybrid jowar.
- (iv) The Corporation was restrained from undertaking the production of seeds of self-pollinated crops like wheat and rice for which the responsibility had been placed on the State Governments. However, in 1965-66, it was allowed to deal with paddy seeds. Further, with a view to ensure that the high yielding varieties programme in respect of wheat and paddy crops did not suffer for lack of quality seeds, the Government asked the Corporation in December, 1967 to examine the question of renewal and replacement of seeds of these self-pollinated crops and accordingly it prepared in August, 1968, a programme for the production of wheat seeds—multiplication of paddy seeds was being done since 1965.
- (v) The production, distribution and marketing of certified seeds was to be arranged through certified seed agencies. These agencies were to be as far as possible, co-operative, or failing that, select individuals, or controlled joint stock concerns in the private sector. These agencies, if necessary, were to be provided with funds, by the Company as grant-in-aid or loan.

The exact relationship between the proposed Corporation and the certified seed agencies was not spelt out in the scheme. In March, 1963 i.e. before the formation of the Corporation, the Government, however, decided that so far as production and marketing of certified seeds were concerned, the Corporation should function merely in an advisory and financing capacity.

1.3. The National Seeds Corporation Ltd. was registered as a Company on the 19th March, 1963 and all the assets and liabilities of the Improved Seed Cell of the Indian Council of Agricultural Research were taken over by it. The Corporation started functioning in July, 1963.

B. Objectives

1.4. According to the Memorandum of Association, the main objects of the Corporation are:—

- (i) to carry on in India the production of, and to enter into contracts for distribution and selling of agricultural seeds,
- (ii) to carry on the business of establishing seed farms, and
- (iii) to undertake by inspections and by other means, seed quality control measures in all phases of the seed business carried on by, on behalf of or in cooperation with the Corporation.

1.5. The National Seeds Corporation (NSC) took up the production of foundation seeds of hybrid maize in the beginning and subsequently of sorghum, *bajra* and other crops to feed the seed production agencies in the State. Later the NSC also entered the field of certified seeds production and functioned as a Certification Agency in such State where the State Governments did not set up their own Certification Agency. During the 11 years of its existence, the Corporation has expanded its activities for seed production, processing, testing, training and distribution all over the country. Currently it is having 96 offices including three farms at Hempur (U.P.), Nandikotkur (Andhra Pradesh) and Sainj, Kulu (H.P.), for producing seeds and looking after seed production of about 210 varieties of 70 crops.

1.6. Asked whether the Corporation has been able to fulfil the objectives for which it was set up in July, 1963, it was stated by the Ministry of Agriculture that while the Memorandum of Association of the Corporation may set out a large number of objectives, in so far as the principal objectives were concerned the Corporation has been successful in achieving these objectives.

1.7. Asked about the exact role played by the Corporation in the matter of production and use of good seeds and production and marketing of foundation and certified seeds *vis-a-vis* other agencies engaged on this work, the Ministry, in a written reply stated that in so far as the question of seed production and distribution was concerned, the NSC had to be viewed as an important source of foundation seed production and as an agency to supplement the efforts of other good quality/certified seed production agencies, be that at the State or national level. In the present context of limited availability of certified seeds for implementation of the various Government programmes, the role of the NSC would have

to be kept flexible so that it could meet the expectations of being a promoter of use of good quality seeds and development of proper seed production programmes. It was added "the precise role of NSC in the matter of seed production agencies and distribution has to be separately defined which is being done."

1.8. The Committee pointed out that the Administrative Reforms Commission had made a recommendation that "Government should make a comprehensive and clear statement on the objectives and obligations of public undertakings. This statement should lay down the broad principles for determining the precise financial and economic obligations of the enterprises in matters such as creation of various reserves, the extent to which enterprises should undertake the responsibilities of self-financing, the anticipated returns on the capital employed, and the basis for working out national wages structures and pricing policies. These governing principles should be formulated in consultation with the public enterprises."

The aforesaid recommendation was accepted by the Government.

1.9. The Committee asked whether in the light of experience gained so far by the Corporation it was proposed to modify the objectives and obligations set forth in the scheme of May, 1961, the Corporation, in a written reply after evidence, stated as under:—

"Yes, The objectives and obligations of the Corporation as they are now, were formulated before the receipt of the recommendations of the Administrative Reforms Commission. The modification of objectives and obligations of the Corporation in the light of ARC's recommendations, has not yet been considered by the Corporation."

1.10. In this connection during the evidence the Secretary of the Department of Agriculture added:—

"The Corporation was set up later in 1963 and it had to start within its parameters which are defined in the Memorandum of the Association of the Corporation itself. In the light of the experience gained so far which included distribution of responsibilities for all the tasks envisaged in the scheme as approved in 1961 between the National Seeds Corporation and the seeds certifying agencies of the State Governments and the Central Government, the matter has been under review by the Seed Review Team and also by the National Commission on Agriculture, and

we have been trying to learn from past mistakes and adjust our programme and procedures according to the experience gained up-to-date and best possible projections for the immediate future.

The objectives of the NSC set up in 1963 were not separately defined or laid down as distinct from their Memoranda and the Articles of Association. I believe the idea of assigning specific objectives to the public sector undertakings was a subsequent one in the light of which work has been done. Considering the limitations under which the NSC had to function for the production of foundation material for hybrid seeds and for the foundation seeds and also later the certified seeds for the self-pollinated crops, the task facing the country as a whole has become too complex. But NSC has done what it could."

1.11. The Committee note that while according to Government the Corporation has been able, by and large, to achieve the principal objectives for which it was set up in July, 1963, Government have not so far defined the precise role of the Corporation vis-a-vis the other agencies engaged in the work of production, marketing and certification of seeds. The Committee are also surprised to note that though it is now more than eleven years since the Corporation has been functioning, it has not formulated a statement of objectives and obligations. In this connection the Committee wish to invite the attention of Government to their recommendation contained in paragraph 1.44 of their 40th Report 1973-74 on 'Role & Achievements of Public Undertakings' wherein they had inter-alia recommended that micro objectives, both financial and economic of each public undertaking should be set out and presented to Parliament. The Committee recommend that in the present context of limited availability of certified seeds it is high time that Government should precisely lay down the objectives and obligations of the Corporation and bring them before the Parliament so that the Corporation is left in no uncertainty about its goals and functions.

C. Coordination

1.12. The National Seeds Corporation Ltd. is one of the three All India Seed Producing Organisations, the other two being the State Farms Corporation of India Ltd. (SFCI) and the Tarai Development Corporation, for taking up production of the quality seeds. These three Organisations supplement the efforts of the State Departments of Agriculture, quasi-Government agencies and seed producers.

1.13. When asked as to what steps had been taken to ensure co-ordination between NSC and SFCI, the Managing Director of the Corporation stated during evidence that NSC was now having a large area with the State Farms Corporation which would be utilised for the purpose of both multiplication of foundation seeds and certified seed production. But, somehow or other, there were a number of bottlenecks standing in the way of seed multiplication on these farms, like proper development of land, low rate of seed multiplication ratio, which meant, low average yield, lack of assured irrigation etc. So far, there were some lacunae. But recently, the Corporation had entered into negotiations and the State Farms Corporation had also agreed to multiply the foundation seeds and produce certified seeds under the supervision of NSC in areas where it would be possible to do so.

1.14. He added that the coordination was done at two levels. One was that periodically the officers of the NSC and SFCI were meeting jointly to discuss the programmes and the problems. In addition to this overall coordination was being done by the Secretary of the Agriculture Department. He was inviting officials periodically of both the organisations in order to review the developments.

1.15. When the attention of the representative of the Ministry was drawn to the statement of reasons given by NSC for not taking up the production of foundation seeds at Central Farms of SFCI, as given in the appendix of the Audit Report, 1969-70, the Secretary, Department of Agriculture stated as under:—

“I admit quite frankly that the two corporations under the same Ministry were functioning more or less at cross purpose, and this was not a satisfactory arrangement. The NSC had expertise for producing high quality seeds, but it had very little or no land. The SFCI had land but was not attending to the production of quality seeds as such. In the allotment of land of SFCI to the NSC, there have been bickerings between the two; and the Ministry has been hurt by these differences. That is why we have now decided to knit them very closely together. The organisation producing high-quality seeds ought to have land squarely under its control at least for producing good part of its seed production.

The NSC was set up in 1963. The SFCI was set up in 1969. The differences between the two came squarely to the

notice of the Ministry... may be earlier, even before... in November, 1972".

1.16. The Committee invited the attention of the Ministry to their recommendation contained in paragraph 1.14 of their 54th Report (1973-74) on State Farms Corporation and desired to know the progress made to demarcate clearly the roles of NSC & SFCI and in finalisation of arrangements for coordination so as to ensure a judicious management of the expertise available with NSC and the optimum utilisation of the Farms in possession SFCI. The Ministry stated in a written reply that a draft paper had been prepared on the role of SFCI and NSC which was under the consideration of Government.

1.17. Asked about the specific steps taken by Government to bring about a collaborative relationship between NSC and SFCI it was stated that:—

"a Committee has been set up under the Chairmanship of Secretary (Agri.) to review the seed production programmes of both the Corporations and also secure close coordination between the activities of the two Corporations in the field of seed production. The Government have decided that the expertise of the NSC and the availability of lands with SFCI are utilised for organising seed production programme. One of the measures taken in this direction is that NSC would get the foundation seeds produced on the lands of SFCI. The SFCI have also undertaken production of certified seeds for NSC on contract basis."

1.18. In reply to a question whether the Government could not issue a Directive to both the Corporations when their efforts to bring about a substantial coordination between the two Corporations had proved unsuccessful, the representative of the Ministry stated that instead of issuing a directive, it was found better if these organisations' programmes were drawn up and discussed in a Committee headed by the Secretary (Agr.) and this had been done from 1973 onwards.

1.19. Asked about the opinion of the Government as to whether merger of these two Corporations would not be better in the long

run, the Secretary, Department of Agriculture stated during evidence as under:—

“It is difficult to express an opinion off-hand on such a question with a very broad sweep... Initially the State Farms Corporation of India came into existence for managing the state farms which had sprung up here and there largely due to other factors, namely, land reclamation, farm machinery having become available etc. Since the National Seeds Corporation has developed the expertise of seed processing and storage and the State Farms Corporation of India happens to have a very substantial area of land in so far as National Seeds Corporation required land under its direct control instead of taking away other peoples' land, it would be better to use fraction of the SFCI's land. Yet the SFCI has to discharge its other functions of running these farms on commercial basis. Therefore, the separate identity of two Corporations is being continued but a very close link up between the two by having common directors etc. has already been partly implemented and the rest is likely to be implemented shortly. If it is found at a latter stage that the objectives which a national level organisation should serve will be attained better by merging the two, it will be open to Government to take that decision”.

1.20. The Secretary, Department of Agriculture further added that “the difficulty in making merger straightway is that there are large number of objectives of NSC which are sufficiently wide and diverse and also there are a number of objectives for the State Farms Corporation. The combined Corporation should be capable of attending to this very important work of development and production of foundation and certified seeds but the combined Corporation would have to do other things also which may become too much. Then the two organisations have grown up; they have their own staff and structural problems. For these reasons we have so far taken only the first step of letting the two have their separate identity and separate function.... The next possible and desirable step of bringing about further togetherness of these organisations by a merger or by having a holding company which might have these two subsidiaries these questions are under detailed examination. Certain blueprints, have been prepared and it is now for the Govt. at higher level to make a choice between the different alternatives both with regard to what is to be done ultimately and with regard to the phasing or the time taken by which these changes should be brought about.”

1.21. In spite of the recommendation of the Committee on Public Undertakings in their 54th Report (1973-74) on State Farms Corporation of India that role of SFCI and NSC should be clearly demarcated and arrangements for coordination finalised early so as to ensure a judicious management of the expertise with the NSC and optimum utilisation of the farms under the SFCI, the Committee regret to note that NSC and SFCI were functioning 'more or less' at 'cross purposes'. As admitted by the Secretary, during evidence this was not a satisfactory arrangement. The Committee are informed that a draft paper has been prepared on the role of SFCI and NSC which is under consideration of the Government. The Committee are also informed that, to bring about a collaborative relationship between the two undertakings, a committee has been set up under the chairmanship of the Secretary of Agriculture to review the seed production programmes of both the Corporations and to secure close coordination between their activities in the field of seed production. It has also been stated that one of the measures taken in this direction is that NSC should get the foundation seeds produced on the lands of SFCI and SFCI have also undertaken production of certified seeds for NSC on contract basis. Though the separate identity of the two Corporations is being continued a very close link up between the two by having common directors etc. has already been partly implemented. The Secretary of the Ministry has also stated during evidence that "If it is found at a later stage that the objectives which a national level organisation should serve will be attained better by merging the two it will be open to Government to take that decision."

1.22. The Committee would like to be informed of the results of coordination effected in terms of actual seeds produced and distributed to meet the farmers' requirements.

II

PRODUCTION PERFORMANCE

2.1. There are three stages of seed production viz. (a) Breeder seeds, (b) Foundation seeds & (c) certified seeds. The breeder seed constitutes the basis of all further seed production. The breeder seed needed for the production of foundation seed is obtained by the National Seeds Corporation from the various Research Institutes. Foundation seed is multiplied either from breeder or nucleus seed. When foundation seed is further multiplied by one stage it is called "certified seed" which term is widely used to denote the commercial seed and which is sold to the farmers for raising crops.

A. Gap between demand and supply

According to the Draft Fifth Five Year Plan Documents "the Fourth Plan had visualised coverage of nearly 72 million hectares under the improved seeds, about 25 million hectares under High Yielding Varieties HYV programme and 15 million hectares under multiple cropping, about 8 million hectares in assured rainfall areas and 24 million hectares in dry areas. For the accomplishment of this programme, the Fourth Plan visualised four main components, namely supply of breeder stock, adequate arrangements for provision of improved seeds, arrangement for seed processing and storage and seed certification. The progress in respect each of these components has, on the whole, been far from satisfactory. "While the three principal agencies, namely National Seeds Corporation, the Tarai Development Corporation and the State Farms Corporation of India have expanded their operations during the Fourth Plan period, significant gaps continued to exist in the arrangements for supply of adequate foundation and certified seeds".

2.3. Asked as to what extent the National Seeds Corporation Ltd. was responsible for significant gaps in the arrangements for supply of foundation and certified seeds and how it was proposed to meet this gap, the Managing Director of NSC stated during evidence that till 1971, there was no gap in regard to the supply of foundation seeds. After that, there were certain difficulties. The demand of some of the crops was built up so much that they were not able to cope with the supply. They were now approaching all

the concerned organisations to indicate their demand one year in advance.

2.4. In so far as the Certified seeds are concerned it was the responsibility of the State Government to take up production of the certified seeds in order to meet the seed demands of all stores. Unfortunately, there were certain States where certified seed production could not be taken up on account of agro-climatic conditions. In those States, some organisations had to come forward to make certified seeds available. At present the NSC was meeting the demand of certified seeds upto 8—10 per cent.

B. Assessment of requirements of Seeds

2.5. Earlier there was no systematic arrangements for assessing the requirements of foundation seed and the estimates were based on discussion in Zonal Conference and NSC's own estimates. Since the targets were not always realistic and reliable the NSC now evolved a system of advance indents from State Governments and private producers.

2.6. Till 1970-71, the Corporation was in a position to meet, by and large, all the seed demands placed on it, be that of certified or foundation seeds. In fact, the Corporation carried surpluses of foundation seeds of maize and sorghum. The seed industry has been subject to cycles of surpluses and shortages and from 1972-73 onwards there have been some shortages in meeting seed requirements. This primarily arises on account of inadequate data collection in respect of estimation of seed requirements and seed production programmes and a surplus in one year may be result in curtailment of seed production programme in such a way as to create the problems of shortages in the following years. The National Seeds Corporation carrying as it did surpluses of foundation seeds in many crops, for some years, was confronted with the situation that it could not meet foundation seed requirements in 1972-73. The foundation seed production programmes of the Corporation have been stepped up and for this year while some shortages were found, by and large, it was able to fulfil most of the demands placed on it. The seed production programmes are being further stepped up in the current year.

2.7. Asked as to why the assessment of requirements of foundation seeds was started late, the Managing Director of NSC stated during evidence that after 1967 there had been no significant production of foundation seed in respect of hybrid seed because they had to carry their stock. It was only from 1972 that major production was taken

up based on the demand of assessment. It was being done by the Ministry of Agriculture. They were holding Zonal Conferences. They were discussing with the State Governments. Each State was giving its demand. In addition NSC was holding Regional Conferences and they had regional offices all over the country.

2.8. As regards the assessment of requirements of certified seeds, it was stated by NSC that the assessment of requirements for the country as a whole, the same was made by the Ministry of Agriculture.

2.9. In this connection the Ministry stated that the requirements of foundation seeds depended upon requirements for certified seeds. There was no difficulty in assessing the requirements of certified seeds of cross pollinated crops because the seed replacement was annual in this case. In the case of self-pollinated crops, it had been found difficult by the State Government to work out the precise requirements of certified seeds of different varieties of crops because the seed replacement was recommended once in 4 or 5 years and in most cases this replacement was not done by the farmers or the required seeds were arranged through exchange with other farmers. It was considered that the seed requirements could be worked out between 5 to 10 per cent of the total seed requirements for the area which was put under high yielding varieties. However, most of the State Governments were getting the seed requirements produced through a system of registered growers, no precise information of the requirements of certified seeds over and above the seeds available within the State either under the contract growers programme or otherwise was available. In view of these difficulties, it was not possible to work out the total requirements of foundation seeds for the entire country during the 4th Plan period. The Government did not lay down any targets for production of foundation seeds by the NSC. Considering, however, the demands for foundation seeds on the NSC, the Government had found that by and large the NSC was in a position to fulfil the demand of foundation seeds for most of the certified seed production programme.

2.10. As far as certified seeds are concerned, the Ministry stated the National Seeds Corporation is just one of the many agencies producing certified seeds and therefore it cannot be stated that the Corporation has contributed in a significant manner to the gap that exists between demand and supply. The Corporation has met the seeds demands placed on it."

2.11. One of the principal reasons contributing to the gaps in the supply of seeds lay in the fact that there was no precise estimation of seeds requirements and a co-ordinated approach towards production of quality/certified seeds. The Government of India had therefore, been organising periodic zonal conferences with representatives of the State Governments and the all-India Seed Producing Organisations so that a co-ordinated view could be taken of the seed requirements and arrangements for production of these seeds. As a result of these efforts, the State Governments had now initiated estimation of seeds requirements variety-wise in respect of different crops and for collecting information on the seed production programmes being organised. The State Governments had also decided to strengthen the seed production machinery within the States and many of the State Governments were contemplating establishment of States Governmental seed production and distribution agencies. The NSC had also vastly expanded its production of both foundation and certified seeds and similar efforts were being made by the other two All India Seed Producing agencies viz. SFCI and T.D.C. It was the assessment of the Ministry that for 1975-76 the seed demands placed by the State Governments on the seed production agencies etc. would be met.

2.12. On the basis of information collected at the zonal conferences, it would appear that there would be shortages in meeting the foundation and certified seed requirements in respect of different varieties of paddy like Pusa 2-21, Bala, Cauvery, Wheat (Sonalika) Sorghum (CSH-I), Bajra-HB-3 and maize Deccan hybrid and HIM-123. The National Seeds Corporation had decided to enlarge its production programmes of these varieties so as to make larger quantities of such seeds available.

2.13. The Committee desired to know whether the Ministry of Agriculture communicated to NSC the total requirements of HYV seeds in the country during 4th Plan and if so, what action was taken by NSC. The Corporation stated in a reply after evidence that during 1966-67, the NSC participated in the discussions held by Government of India with various State Governments for finalising HYVP targets. On the basis of these targets, the foundation and certified seed production programme was approved by the Board of Directors of NSC for 1966-67 to 1970-71 in their 24th Meeting held in February, 1967. The Corporation produced foundation seeds in accordance with these targets, but the targets were not achieved and this resulted in accumulation of heavy stocks of foundation seeds of hybrids. Since then the production was being organised on the basis of the demand assessment made by the Corporation from season to season. Though

the certified seed production was restricted in the plan approved by Board in 1967, the private agencies engaged in certified seed production were not able to meet the demand of these seeds. Therefore, in the national interest, the Corporation had been producing certified seeds also on the basis of its demand assessment from season to season.

2.14. The Committee asked about the total demand of such seeds during the 5th plan and to what extent NSC proposed to meet the requirements. The Corporation in a note after evidence stated that during discussion with the Seed Division of Ministry of Agriculture, the following targets of coverage under high yielding varieties programme for the final of Fifth Five Year Plan i.e. 1978-79 have been indicated:—

Maize	1.00	Million hectares
Sorghum	2.50	„ „
Bajra	5.00	„ „
Paddy	16.50	„ „
Wheat	15.00	„ „
TOTAL	40.00	

2.15. The total requirement and the effective demand of certified and foundation seeds in brief works out as under:—

Crop	HYVP target for 1978-79 m. hec.	Seed requirement (tonnes)	Anticipated requirement of cert. seed (tonnes)	Requirement of foundation seed (tonnes)
Maize	1.0	16,000	15,000	107
Sorghum	3.5	30,000	24,850	240
Bajra	5.0	20,000	18,500	160
Paddy	18.0	5,40,000	48,500	530
Wheat	12.5	12,50,000	1,38,000	35,628

2.16. The Committee enquired whether the Ministry informed the NSC about the total requirements of the country during 5th plan. In a reply after evidence the Corporation stated that it had not received any firm indication from the Ministry of Agriculture regard-

ing the quantum of foundation and certified seeds that the NSC should produce during 5th Five Year Plan.

2.17. In this connection, the Ministry stated in a reply after evidence that the minimum order of requirements of certified seeds to be used by the end of the Fifth Five Year Plan in 1978-79 had been estimated at 1,01,000 tonnes of wheat, 45,000 tonnes of paddy, 19,000 tonnes of maize, 24,000 tonnes of sorghum and 20,000 tonnes of bajra. The foundation seeds requirements for producing the above quantities of certified seeds would be:—

1. Maize	200	tonnes
2. Sorghum	288	„
3. Bajra	160	„
4. Paddy	450	„
5. Wheat	4000	„

2.18. The Committee regret to note that though the Corporation was set up as early as 1963 there was no systematic arrangement for assessing the foundation seeds till 1967 and the estimates were based on discussions in Zonal Conferences and the Corporation's own estimates. It has been stated that during 1966-67, the Corporation participated in the discussion held by the Government of India with the State Governments for finalising the HYVP targets and on the basis of these targets the programme of foundation and certified seeds was approved by the Board of Directors, in February, 1967 for the period 1966-67 to 1970-71. The targets framed on the basis of these requirements could not be strictly adhered to with the result that there was heavy accumulation of seeds in hybrid. The Committee have given their recommendations in regard to certified and foundation seeds elsewhere in this report.

The Committee were informed that from 1973 there had been some difficulties in meeting the seed requirements primarily because of inadequate data collection in respect of estimation of seed requirements since the requirements of foundation seeds depended on requirements of certified seeds. The Committee were also informed that the State Governments found it difficult to work out the precise requirements of certified seeds of different varieties of self-pollinated crops while there was no difficulty in assessing the requirements of certified seeds of cross pollinated crops. Moreover, the State Governments were getting their seed requirements produced through the

registered growers with the result that no precise information about the requirements of certified seeds over and above the seeds available with the State Governments either on the contract growers programme or otherwise was available. The Committee were informed that in view of this it was not possible for Government to work out the requirements of seed although according to Government by and large the Corporation was in a position to fulfil the demand of foundation seeds for most of the certified seeds programmes.

2.19. In regard to certified seeds it was stated that since NSC was one of the many agencies producing certified seeds the Corporation had by and large met the demand. The Ministry have, however, admitted that one of the principal reasons which contributed to the gaps in supply of the seeds lay in the fact that there was no precise information of the seeds requirements nor coordinated approach towards production of quality certified seeds. The Committee are constrained to observe that inspite of the Corporation being in existence for over 10 years, as admitted by the Ministry, there was no scientific method of assessing the requirements of both foundation and certified seeds in a realistic manner.

The Committee were informed that Government of India have since 1972-73 been organising periodical conferences with the representatives of the State Governments and All India seeds producing organisations so that a coordinated view could be taken of the seeds requirements and arrangements for production of seeds.

2.20. The Committee recommend that in the interest of making the appropriate quality and requisite quantity of seeds available to the farmers in time, Government should evolve a method by which a realistic assessment of the requirements of different varieties of seeds is made and also take steps to precisely demarcate the responsibility of State Governments and All India seeds producing organisations, like the State Farms Corporation and Tarai Development Corporation in order to ensure a coordinated approach towards production of quality seeds of the required varieties and making them available to the farmers.

2.21. The Committee note that although the requirements of foundation and certified seeds for 5th Plan have been worked out by the Corporation after discussion with the Seed Division of the Ministry of Agriculture as 107 tonnes, 240 tonnes, 160 tonnes, 530 tonnes and 5628 tonnes for maize, sorghum, bajra, paddy and wheat respectively, the foundation seeds requirements according to the Ministry are stated to be 200 tonnes, 288 tonnes, 160 tonnes, 450 tonnes and 4,000 tonnes.

respectively for the aforesaid varieties. The Committee are unable to understand the wide variations in the seed requirements of the aforesaid varieties which are stated to have been finalised after discussion with the Ministry. Similar variations are also noticed in regard to the requirements of certified seeds. The Committee would, therefore, like that the Ministry should work out the firm requirements of foundation and certified seeds and communicate the same to the Corporation, so that the Corporation may plan its production programmes on a realistic basis.

C. Foundation Seeds

2.22. The targets for the production of foundation seeds were fixed by the Corporation on the basis of the requirement of certified seeds which in turn depends upon the estimated coverage of the total cultivated area with hybrid seeds of maize, bajra and sorghum. In February, 1964, the Corporation considered it advisable to produce foundation seeds sufficient not only for the next year's sowing but also to cover 50 per cent of the needs for the second year following in order to avoid any contingency of non-availability of foundation seeds due to crop failure or fall in yield. The table below indicates the targets fixed for the production of foundation seeds (including 50 per cent. buffer stock) and the acreage therefor, the actual acreage, the production and sale of foundation seeds of hybrid maize, bajra and sorghum during 1966-67 to 1973-74:—

Year	Targets		Actuals		Actuals	Sale
	Acreage	Production	Acreage	Production	Average	(Quintals)
	(Quintals)	(Quintals)	(Quintals)	(Quintals)	Yield	
					(Quintals)	
1	2	3	4	5	6	7
<i>Maize</i>						
1966-67	1620	2240	1355	2977	2.19	951
1967-68	3140	3790	1293	4853	3.75	1134
1968-69	3156	3834	385	1071	2.78	900
1969-70	3780	4590	77	284	3.68	498
1970-71	101	546	86	301	3.50	402.59
1971-72	304	1099	212	682	3.21	414.06
1972-73	408	1615	357	930	2.60	779.93
*1973-74	722	2480	485	2000		968.38
<i>Sorghum</i>						
1966-67	1900	3700	1870	2974	1.59	941
1967-68	2123	5650	1702	8597	5.05	1441

*Estimated.

1	2	3	4	5	6	7
1953-63	1919	5050	477	2127	4.44	1840
1969-70	2570	6650	3	2	0.65	271
1970-71	11	22	11	18	1.63	319.29
1971-72	136	605	65	353	5.43	651.65
1972-73	104	586	97	380	3.91	281.49
*1973-74	1234	4500	803	2260	—	1356.81
<i>Bajra</i>						
1966-67	370	290	223	337	1.51	33
1967-68	544	955	320	718	2.24	200
1968-69	598	1035	255	622	2.59	265
1969-70	715	1237	26	69	2.65	206
1970-71	170	120	60	103	1.71	266.85
1971-72	371	737	239	507	2.12	414.57
1972-73	394	682	317	606	1.91	554.05
*1973-74	442	824	323	708	—	812.50

*Estimated.

2.23. The targets for the production of foundation seeds as mentioned above were fixed by the Corporation in February, 1967 and were based on the estimated coverage of the total cultivated area with hybrid seeds and the quantity of certified seeds required therefor during the 4th Five Year Plan ending 31st March, 1971. Further a cushion of 50 per cent. was added to avoid any contingency of non-availability due to crop failure or fall in yield.

2.24. A perusal of the data given in the above table (in so far as figures relating to the years upto 1969-70 are concerned) indicates that:

- (i) The actual production of foundation seeds of maize during 1966-67 and 1967-68, of sorghum during 1967-68 and of bajra during 1966-67 was more than the estimated requirements despite the cultivation of an area much less than the targeted acreage.
- (ii) The actual yield per acre of all the three seed crops varied divergently from the yield estimated in fixing the targets.
- (iii) The actual sales of foundation seeds during all the years were much less than the requirements as estimated by the Corporation.

2.25. As a result, there was an accumulation of 15,304 quintals of foundation seeds (5,601 quintals of maize, 8,702 quintals of sorghum and 1,001 quintals of bajra) valued at Rs. 69.29 lakhs as on 31st December, 1969.

2.26. The Management stated (November, 1970) as follows:—

- (i) "The Corporation had no alternative but to plan production on the basis of official targets. It had also no data to apprehend at that time that national targets laid for High Yielding Varieties Programme which was taken up only from beginning of 1966 will not be fully achieved in respect of all the crops.....It is not the Corporation which has allowed the stocks to be produced without proper business judgement but because of the linking of the Corporation's activities to the country's development programme which has not been realised in the manner envisaged....."
- (ii) "Production in 1967-68 of sorghum foundation seed exceeded targetted production mainly because of a very good season for seed production which upset the calculation of yield per acre. We had planned production of only 1,702 acres and our average expected rate of yield per acre was 2 quintals. In actual practice, the yield came to nearly 5 quintals per acre and as the Corporation is contracting for foundation seed on the basis of taking the entire yield of area contracted, there was no alternative but to take over the entire seed production even though it was above the targetted production. In case of maize, the excess in production is also mainly due to the same reasons."

2.27. In January, 1970, the Board of Directors desired that the matter regarding the excessive inventories of foundation seeds should be reported to the Government indicating in detail the circumstances under which these had been accumulated and they should be requested to indicate the action to be taken in this regard. Accordingly, the Ministry was informed in April, 1970 that the production of foundation seeds of hybrid maize, sorghum and bajra was arranged by the Corporation on the basis of the targets fixed by Government in 1966 under the High Yielding Varieties Programme envisaging coverage of 19.5 million acres of the cultivated area with hybrid seeds by 1970-71 (maize—4.5 million acres, sorghum—7 million acres and bajras—8 million acres) and that due to non-achievement of these targets by

the State Governments, the Corporation had been compelled to carry huge surplus stocks of foundation seeds of these varieties. It was further stated that these stocks, if sold otherwise than as foundation seeds, would entail a loss of Rs. 37 lakhs. The Government was, therefore, requested to intimate whether action for the disposal of these stocks should be taken on these lines and if so, the extent of assistance which the Government would be giving to the Corporation to make up the loss.

2.28. In September, 1970 the Ministry informed the Corporation as follows:—

“There is nothing on our files to show that Government issued any directives or advice regarding the quantity of seed to be produced nor is there anything to suggest that National Seeds Corporation Limited were to be guided in their seed production programme merely by high yielding varieties targets and programmed indicated by the states or discussed with the Central Team meetings. It was always presumed that the National Seeds Corporation Limited being an autonomous Corporation would determine appropriate seed production programmes in the light of whatever information was available. It is felt however that in any specific cases where the State Governments made clear cut demands on the National Seeds Corporation but later refused to accept the seed, we should examine to what extent Government can meet losses suffered by the National Seeds Corporation Limited.”

2.29. The Corporation had already approved the condemnation of 2,821 quintals of foundation seeds of hybrid varieties (1,769 quintals of maize, 1,017 quintals of sorghum and 35 quintals of bajra) valued at Rs. 11.96 lakhs during the year 1970-71.

2.30. In this connection, the following facts deserve mention:—

- (i) In February, 1967 when the targets of production of foundation seeds were approved by the Board of Directors, the Management had informed that the targets of production had been worked out in consultation with the Ministry of Agriculture and that the actual production would be taken up on the basis of firm indents from State Governments. etc. with a reserve of 50 per cent to meet the unforeseen contingencies.

2.31. The Ministry, however, informed in May, 1971 that no formal indents in writing were received from the State Governments and the production of foundation seeds was based upon the targets indicated by the State representatives in the conference and during the discussions.

- (ii) It appears from the Ministry's records that a targets of 12 million acres (4 million acres each for maize, sorghum and bajra) for coverage with hybrid seeds was fixed in 1966 by the Government of India for the period from 1966-67 to 1970-71. This is stated to have been used for all correspondence and references including the Action Committee meetings which were attended by the representative of the Corporation also. The basis on which the targets of 19.5 million acres for coverage with hybrid seeds during this period was assumed by the Corporation for assessing the requirements of foundation seeds is not clear.
- (iii) The estimated requirements of certified seeds for the country as assumed by the Corporation to arrive at the targets of production of foundation seeds are more than those assumed for estimating the quantity of certified seeds to be produced by it, as mentioned in the subsequent paragraph.

2.32. Asked as to basis on which it was reported to the Board in February, 1967 that targets of production had been worked out in consultation with the Ministry, the Managing Director stated during evidence that the assessment was made by the Team of Ministry of Agriculture regarding the requirement of seeds of high yielding varieties. Based on that and also from the information they got from the Regional Managers about the marketing intelligence, they formulated the programme for seed multiplication.

2.33. The Corporation further stated in a reply after evidence that the actual production was not undertaken on the basis of firm indents from State Governments because at that time such a practice had not been established. If the National Seeds Corporation had waited for receipt of firm indents before finalising its production programme, the entire High Yielding Varieties Programme would have received a serious set back. Therefore, targets were set on the basis of discussions held with the representatives of State Governments and Ministry of Agriculture.

2.34. Regarding the basis for adopting a reserve of 50 per cent to meet the unforeseen contingency, the Corporation stated that the

basis for adopting the reserve of 50 per cent in the targets was basically their past experience regarding shortfall in achievements of production targets and possibilities of contingencies like crop failures and other natural hazards.

2.35. While referring the Ministry's reply that "production of foundation seeds was based on the targets indicated by the State representatives in the conference and during discussion," the Committee enquired whether the minutes of the Conference and discussions were available in support of their contention. The Corporation stated in a written reply that "the minutes of the conference and discussions could be available with the Ministry as these Conferences were organised by them."

2.36. In this connection, the Ministry stated in a reply after evidence that in the meeting of the Board of Directors of the National Seeds Corporation, held on the 6th and 7th February, 1967, approval had been sought for the Fourth Five Year Plan Programme of the NSC. In this meeting, a detailed programme on foundation seed production during the years 1966-67 to 1970-71 had been indicated. In working out seed production programme, the note had taken into account the need for building up reserve stocks to the extent of 50 per cent to meet any unforeseen contingencies in production. It had not been possible to locate any specific file containing records of discussions with the officers of the National Seeds Corporation had with representative of the Ministry of Agriculture in regard to the targets of coverage under different crops.

2.37. In their subsequent reply, the Ministry stated that "the precise date at which time the target of 12 million acres was fixed for coverage under maize, sorghum and bajra and when it was decided to raise the targets to 19.5 million acres were required to be ascertained on the basis of old records which are not readily available. Efforts had been made to locate any records showing the basis of the revised target of 19.5 million acres but it has not been possible to trace any such records.

2.38. The Committee note that the targets of acreage under maize have increased from 1620 acres in 1966-67 to 3780 acres in 1969-70 and correspondingly the production targets have also increased from 2240 quintals to 4590 qtls. during this period. The targets of acreage under sorghum have increased from 1900 acres in 1966-67 to 2527 acres in 1969-70 and the production targets have also increased from 3700 qtls. to 6650 qtls. Similarly in the case of

bajra the targets of acreage have increased from 370 acres in 1966-67 to 715 acres in 1969-70 and the production targets have also increased from 290 qtls. to 1235 qtls.

2.39. The Committee also note that the actual production of foundation seeds of maize during 1966-67 and 1967-68, of sorghum during 1967-68 and bajra during 1966-67 was more than the target of production inspite of the cultivated acreage being less than the targetted acreage. The Committee were informed that the targets of production of foundation seeds were fixed by the Corporation in February, 1967 and were based on the estimated coverage of the total cultivated area with hybrid seeds and the quantity of certified seeds required therefore, after providing a cushion of 50 per cent to avoid any contingency of non-availability of seeds due to crop failure or fall in yield.

The Committee note that the targets of production were fixed on the basis of a decision of the Corporation in February, 1964 to produce foundation seeds sufficient not only for the next years's sowing but also to cover 50 per cent of the needs for the second year following in order to avoid any contingency of non-availability of foundation seeds due to crop failure or fall in yield. The Committee regret to observe that these targets of production had not been reviewed year to year on the basis of actual production and off-take during the year and the balance available at the end of the year, with the result that there was an accumulation of 15304 qtls. of foundation seeds valued at Rs. 669 lakhs as on 31st December, 1969. The Committee have given their recommendations regarding accumulation of these seeds and their condemnation elsewhere in this Report.

2.40. The Committee also note that though in February, 1967 when the targets of production of foundation seeds were approved by the Board, it was stated by the Management that the targets were worked out in consultation with the Ministry and actual production would be taken up on the basis of firm indents from State Governments, to firm indents in writing were received from the State Government because such a practice was not stated to be there at that time and production was based on the targets indicated by State representatives in the Conference and during discussions.

The Committee were informed that it had not been possible to locate any specific file containing the record of discussions which the officers of the NSC had with the representatives of the Ministry.

2.41. The Committee also note that on the basis of Board's decision in January, 1970 the Ministry were informed in April, 1970 that the production of foundation seeds of hybrid maize, sorghum and bajra was arranged by the Corporation with reference to targets fixed by the Government under the High Yielding Variety Programme which envisaged coverage of 19.5 million acres of cultivated area with hybrid seeds by 1970-71 and because of non-achievement of these targets by the State Governments, the Corporation was compelled to carry high stocks.

The Committee, however, find that in September, 1970, the Ministry informed the Corporation that "there is nothing in our files to show that Government issued any directives or advice regarding the quantity of seeds to be produced nor is there any thing to suggest that N.S.C. was to be guided in their seed production programme merely by high yielding varieties targets and programmes indicated by the States or discussed with the Central Team Meetings". The Committee were informed that the assessment was made by the Team of the Ministry of Agriculture and the targets were fixed based on that assessment and the information received from the Regional Managers.

The Committee also note that the target for coverage of hybrid seed was fixed by the Government of India at 12 million acres from 1966-67 to 1970-71 and that this was stated to have been used for all correspondence with Corporation and State Governments.

2.42. The Committee are, therefore, not clear as to how the Corporation could assume the target for coverage of hybrid seeds during this period as 19.5 million acres.

The Committee are informed that "the precise date at which time the targets of 12 million acres was fixed for coverage under maize, sorghum and bajra and when it was decided to raise the targets to 19.5 million acres were required to be ascertained on the basis of old records which are not readily available. Efforts had been made to locate any records showing the basis of the revised target of 19.5 million acres but it has not been possible to trace any such records."

2.43. From the foregoing, the Committee are, convinced that Corporation had been going ahead with the production of foundation seeds without any correct assessment of its requirements and fixing targets on unrealistic basis and without any firm indents from the State Governments resulting in a huge loss to the Corporation. Neither the Ministry nor the Corporation could prove the veracity

on the correctness of the targets so fixed. The Committee, therefore, recommend that the entire matter including the non-availability of the records of discussions between the N.S.C. and the Ministry regarding targets should be thoroughly investigated with a view to pinpoint the responsibility for the lapses at all levels and the Committee informed of the action taken.

D. Achievement of targets

2.44. In regard to achievements of targets it is seen from the table that targets were not achieved in any of the years from 1968-69 to 1973-74 both in respect of acreage and quantity except average strength of sorghum during 1970-71. The Corporation has, however, stated that the shortage was negligible in case of Bajra. In respect of sorghum, the targetted coverage could not be planted on account of poor germination. The short fall in yield in case of sorghum, during 1971-72 and 1972-73 had been due to severe and wide-spread drought particularly during Kharif 1972 in Maharashtra, Karnatka, Andhra Pradesh and Rajasthan. The effects of the drought also reflected in Rabi 1972-73. Power and fertilizer were in short supply and as such the yields were effected. Market prices were rising although NSC tried to adjust its prices, the entire quantity could not be produced.

2.45. In this connection the Secretary of the Ministry stated during evidence that in the earlier years, NSC was producing much more than it was able to dispose off. Its non-fulfilment was relatively a recent phenomenon. It was a result of NSC's own action in generating seeds consciousness which had boomeranged on itself. It was not able to meet the demand, it had generated. It was expected that it would be able to gear up and would do its planning and also the implementation of the plans in a more realistic and effective manner.

2.46. Asked whether the Ministry had analysed the reasons for shortfall in achieving the targets by NSC, the Ministry in a reply after evidence stated that they had not done any analysis of the reasons for shortfall in achieving the targets set by the Corporation in the matter of seed production. In the Board of Directors of the

Corporation, the Ministry of Agriculture was represented by the Agriculture Commissioner and Joint Secretary incharge of inputs in the Department of Agriculture. The reasons for shortfall in the targets were reviewed by the Board of Directors and in this the Government representatives on the Board were also associated. This opportunity was taken to review the production targets as well as achievements in physical terms of the Corporation.

2.47. On a point of enquiry, whether Ministry was keeping a watch on the low trends in actual production per acre, the Ministry stated that no watch was kept by Government on low trends in actual production per acre, in 1971-72 and 1972-73 in the case of Maize, in 1972-73 in the case of Sorghum and in 1972-73 in the case of Bajra. The Corporation had reported that the low trends in actual foundation seed production per acre of hybrids of maize, jowar and bajra during 1972-73 were mainly due to widespread drought in many parts of the country affecting the yield considerably.

2.48. The Committee desired to know whether Government made any comparative study of yield per acre obtained by NSC vis-a-vis other progressive farms of State Government and private farms situated near about the NSC Farms. The Ministry stated—

“No such comparative study of yield per acre obtained at NSC farms vis-a-vis SFCI Farms and other progressive farms of State Government and private farms situated near about the NSC farms has been conducted by Government. It may be stated that as far as foundation seed production programme is concerned, the NSC is the main agency while some of the State Government research institutes and the Agricultural Universities are also producing foundation seeds. A comparative study of yield per acre in the case of foundation seeds will be taken up with reference to the performance of the other foundation seed producing agencies in the field. As regards certified seed production, a study will be undertaken of the yield per acre obtained on the NSC farms and the farms of the State Governments which undertake certified seed production as also of the farms of private and progressive farmers who undertake certified seed production.”

2.49. About the fixation of norms of productivity per acre the Ministry stated that no such norms had been fixed by the Ministry

of Agriculture. It was felt that this could be done by the Board of Directors of the Corporation with reference to the type of soil, suitability of varieties, cropping season, irrigation facilities etc. obtaining in the NSC farms.

2.50. The Committee regret to note that though the targets of production of foundation seeds have been reduced from 3780 acres in 1969-70 to 101 acres in 1970-71 and 722 acres in 1973-74 the targets of production have not been achieved either in respect of acreage or quantity for one or the other reason. From the figures of the off-take, the Committee find that targets of production have no relation to the off-take. They also note that the actual yield per acre varied divergently from the yield estimated in fixing the targets. In spite of this the Committee regret to observe that the Ministry had neither investigated the causes of shortfalls in achieving the targets nor the reasons for the low trends in actual production per acre. The Committee recommend that the Ministry should now critically go into the causes of such shortfalls in production and the low yield per acre with a view to taking suitable remedial action for improving the productivity.

The Committee would also like that Ministry should undertake a comparative study of production per acre obtained by NSC vis-a-vis the other progressive farms of the State Governments Farms or private farms situated nearabout State Governments/ Research Institutes and Agricultural Universities with a view to fixing suitable norms of production of seeds per acre in the NSC farms.

E. Certified Seeds

2.51. The Corporation was formed to function as a foundation seed organisation and the production of certified seeds was left entirely to private enterprises (Individuals or co-operative societies or joint stock companies). In February, 1967, however, the Corporation decided to take up the production of certified seed of hybrid varieties of maize, sorghum and bajra to the extent of 5 to 10 per cent. of the total requirements in the country for the reason that the demand for these seeds far exceeded the production by private agencies.

2.52. The table below indicates the quantity of certified seeds produced by the Corporation in relation to the targetted production of these seeds for the country in respect of hybrid maize, sorghum and bajra during 1966-67 to 1973-74:—

(Quantity in quintals)

Year	Targetted production for the country ^W	Quantity production by the Corporation	Yield per year	Percentage of corporations' production to country's targetted production
1	2	3	4	5
MAIZE				
1956-67	1,08,290	6,245		5.8
1967-68	1,38,710	24,380		17.6
1958-69	1,24,280	7,245		5.8
1969-70	72,000	8,750		12.15
1970-71	73,600	11,920		16.2
1971-72	68,800	20,724		30.1
1972-73	80,000	26,103		32.6
1973-74	88,000	39,000		44.3
SORGHUM				
1966-67	1,04,840	2,268		2.2
1967-68	1,37,040	2,279		1.7
1968-69	1,50,080	4,200		2.8

1	2	3	4	5
1969-70	66,000	1,770		2.7
1970-71	96,000	1,086		1.1
1971-72	84,000	5,597		6.7
1972-73	1,08,000	5,252		4.9
1973-74	1,32,000	16,000		4.5
BAJRA				
1966-67	18,405	4,006		21.8
1967-68	43,905	3,449		7.9
1968-69	47,655	5,867		12.3
1969-70	46,000	8,721		16.8
1970-71	82,000	8,253		10.1
1971-72	70,800	22,967		30.2
1972-73	90,000	13,732		15.3
1973-74	1,20,000	27,000		22.6

*These figures represent those furnished by the Corporation.

2.53. It has been stated by the Corporation that the information regarding targetted production of certified seeds for the country as a whole was not available with the Corporation.

The assessment of requirements of certified seeds for the country as a whole is made by the Ministry of Agriculture.

2.54 The specific reasons for shortfalls in different crops during

the priod from 1971-72 to 1973-74 were stated by the Corporation as under:—

1971-72

- (i) The seed setting in case of sorghum CSH-3 was poor in Maharashtra State due to synchronisation problem. This was a newly released hybrid and during seed production it was found out that there was a nicking problem in the male and female parents. Because of this, the seed of this hybrid could not be produced by any agency economically and ultimately it was dropped. The NSC on its part had advised the breeders to study seed production problems before releasing hybrids.

1972-73

- (i) There was severe and wide-spread drought particularly during Kharif 72 in Maharashtra, Andhra, Karnataka and Rajasthan.

The Power and fertilizer were in short supply and the yields were affected.

- (iii) Market price was rising and although NSC tried to adjust its prices, the entire quantity could not be procured.

1973-74

- (i) Due to acute shortage of fertilizers and power, the growers were reluctant to undertake contract seed production which required heavy investment especially in the case of Maize, Sorghum, Bajra and Vegetables.
- (ii) The market prices had been rising upward. In spite of the fact that NSC had revised its procurement prices to adjust some of the increase in the market prices, the entire quantity could not be procured.
- (iii) Procurement was adversely effected due to movement restrictions on raw seeds.

2.55. The actual production of certified seeds for maize during 1967-68 and for bajra during 1966-67 and 1968-69 was in excess of the limits prescribed by the Board of Directors. The excess production of maize is stated to have been undertaken against a specific indent from the Bihar Government while that of bajra against specific demands from other State Governments.

2.56. The Production Sub-Committee which reviewed the inventory of certified seeds in December, 1969 observed that in the case of hybrid maize the surplus was mainly in respect of Ganga-2, Ganga-3 and Deccan varieties. The Finance Sub-Committee, however, suggested that the position of surplus stocks should be reviewed after the sales for Kharif 1970 sowings were over in May-June, 1970 with a view to assess if the balance stocks could be disposed of by further price reductions. A quantity of 14,431 quintals valued at Rs. 26.70 lakhs of the above varieties of hybrid maize was in stock on 16th August, 1969 which was reduced to 8,778 quintals as on 1st April 1971. The reduction in stock was partly due to condemnation of 2,764 quintals of these seeds valued at Rs. 6.20 lakhs. The extent to which the stock in hand will have to be disposed of otherwise than as certified seed and the further resultant loss arising therefrom cannot be assessed at this stage.

2.57. As the production of certified seeds was required to be left entirely to private enterprises the Committee enquired whether the production of certified seeds undertaken by the Corporation to the extent of 5 to 10 per cent of the Country's total requirement was with the approval of Government. The Corporation stated that the Memorandum of Association of the Corporation permitted them to deal in seed of all kinds.

2.58. In this connection the Ministry in a reply after evidence stated that:—

“In the scheme prepared in May, 1961, the production of quality seeds was envisaged to be done by the cooperatives or private individuals or joint stock companies. A direct production of certified seeds of hybrid and its distribution was not specifically put down as one of the functions of the Central Seed Corporation. The NSC as it came to be set up in 1963, was viewed primarily as a source of foundation seed though the Memorandum of Association envisages that it shall produce all agricultural seeds. The Government decision on the scheme of May, 1961 was that the Central Seed Corporation should be mainly concerned with the production of seeds of hybrid maize and jowar and it had also been decided that the organisation should not produce seeds of crops of wheat and cotton. However in 1966, another note was placed before the Union Cabinet and Government's orders were obtained permitting the National Seeds Corporation to produce seeds of all crops. In this note it was clearly envisaged that the certified seeds would also be produced by the National Seeds Corporation, for there was a need for Central initiative in making available certified seeds even in respect of crops like wheat and rice. It is based upon

this decision that the National Seeds Corporation decided to produce 5 to 10 per cent of the certified seeds and this was authorised by the Board of Directors in 1967. Thus, NSC's taking up production of certified seeds was based upon the Government of India's decision."

2.59. The Committee enquired how in the absence of data relating to country's production for certified seeds during 1971-72, 1972-73 and 1973-74 it was ensured that the production did not exceed 5 per cent to 10 per cent. The Corporation stated in a written reply that the production of certified seeds during 1970-71 was undertaken by the Corporation on the basis of estimated requirements and not against specific indents. Specific targets for production of various varieties of certified seeds were laid down by the Corporation and these were used as parameter for evaluating production performance.

2.60. The Committee note that although the Corporation had decided in February, 1967 to take up production of certified seeds of hybrid varieties of maize, sorghum and bajra to the extent of 5 per cent to 10 per cent of the total requirements of the country, the actual production of certified seeds for maize during 1967-68 and for bajra during 1966-67, 1968-69, and 1969-70 was in excess of the limit prescribed by the Board of Directors. The Committee note that excess production of maize was undertaken against the specific indents of Bihar Government while that of bajra against the specific demands of other State Governments. The Committee regret to observe that in spite of these specific demands a quantity of 14,431 quintals of hybrid maize valued at Rs. 26 lakhs was laying in stock in August, 1969 out of which 2764 quintals valued at Rs. 6.20 lakhs had to be condemned. The Committee recommend that the reasons for excess production and low offtake of maize seeds which resulted in condemnation of seeds of over Rs. 6 lakhs may be investigated and responsibility for the lapses fixed and Committee informed.

2.61. The Committee also note that the production of certified seeds of maize, sorghum and bajra have shown considerable improvement in 1970, 1971, 1972, 1973 and 1974. The Committee were informed that while production of certified seeds was undertaken by the Corporation on the basis of the estimated requirements and not against the specific indents, specific targets of production are laid down by the Corporation for evaluating the performance. The Committee are not sure how in the absence of data relating to the country's requirements of certified seeds, the Corporation satisfied itself that its pro-

duction did not exceed the limit of 5 per cent to 10 per cent of country's requirement envisaged by it. The Committee would like that the Corporation should be clear about its specific role in the production of certified seeds and set its targets accordingly to obviate unnecessary accumulation of seeds with the attendant risk of deterioration and losses.

F. Area Cultivated with Hybrid Certified Seeds

2.62. In the scheme formulated by the Ministry in May, 1961 it was envisaged that 25 per cent of the total cultivated area under maize would be brought under hybrid maize during the Third Five Year Plan (1961-62 to 1965-66) which was expected to yield an additional quantity of more than 51 lakh maunds every year. Likewise, about 1 million acres of cultivated area was proposed to be brought under hybrid sorghum during the same period.

2.63. The production of hybrid varieties of maize seeds was taken up by the Corporation in 1963 and that of sorghum and bajra in 1964 and 1965 respectively. The following table indicates the total cultivated area in the country, the area proposed to be brought under hybrid varieties and the actual area cultivated with these varieties during 1963-64 to 1972-73:—

Year	Total cultivated area in the country (figures in lakh acres)	Acreage for coverage with hybrid seeds		Percentage of actual coverage to total cultivated area	Percentage of actual coverage to targets
		Targets (figures in lakh acres)	Estimated actual coverage		
1	2	3	4	5	6
MAIZE					
1963-64	113.22	1.00	0.80	0.71	80.00
1964-65	114.11	2.40	1.60	1.40	66.67
1965-66	117.74	4.50	2.72	2.31	60.44
1966-67	125.37	9.30	5.13	4.09	55.16
1967-68	137.96	16.66	6.65	4.82	39.92
1968-69	141.24	25.00	10.78	7.63	43.12
1969-70	146.55	14.82	10.53	7.19	71.53
1970-71	146.30	15.00	11.62	7.95	77.46
1971-72	144.01	13.70	10.91	7.73	79.63
1972-73	145.54	16.25	12.52	8.6	77.04

	1	2	3	4	5	6
BAJRA						
1966-67		302.43	3.76	1.45	0.48	38.56
1967-68		316.49	12.27	11.02	3.48	89.91
1968-69		297.80	29.27	19.41	6.52	66.31
1969-70		312.33	37.28	28.61	9.16	76.72
1970-71		327.91	35.00	51.28	15.64	146.5
1971-72		299.21	61.20	44.38	14.83	72.5
1972-73		297.68	70.00	56.25	18.9	80.3
SORGHUM						
1966-67		446.11	9.27	4.70	1.05	30.70
1967-68		455.22	26.21	8.02	1.76	30.60
1968-69		462.85	39.26	19.33	4.18	49.24
1969-70		465.13	36.22	13.84	2.98	38.12
1970-71		491.23	44.00	20.06	4.08	44.57
1971-72		423.67	31.90	17.20	4.05	54.0
1972-73		376.17	38.75	5.62	6.01	58.3

NOTES :—

(i) The figures of targets and estimated actual coverage represent those furnished by the Corporation.

(ii) The estimated actual coverage of the cultivated area is based on the quantity of hybrid certified seeds sold by the Corporation and other agencies as furnished by the Management.

2.64. It will be seen that the yearly targets fixed were not achieved and the actual cultivated area brought under hybrid varieties of maize up to the end of Third Five Year Plan (1965-66) was only 2.31 per cent. as against 25 per cent. envisaged in the scheme. In the case of sorghum although the production of hybrid variety seeds was taken up towards the end of 1964, it would have been utilised for sowing purposes only from 1966-67, i.e. after the conclusion of the Third Five Year Plan. Lesser coverage of cultivated area under hybrid maize and sorghum may be partly due to late formation of the Corporation but the above data would indicate that the total cultivated area brought under hybrid variety of maize even up to the end of 1968-69 represented only 7.63 per cent of the total area under maize cultivation in the country.

2.65. The Management stated (November, 1970) as follows:—

“Shortfall of achievements in targets of H.Y.V.P. is one thing against which the National Seeds Corporation has been complaining itself.....We have done everything possible within our resources to publicise the use of high-yielding varieties seeds.....NSC is only to supply seed but the acceptability of the seed, arranging of other inputs..... is clearly the responsibility of the States and Central Government.”

2.66. In December, 1964, the Management informed the Board of Directors that according to experts the adoption of improved seeds alone (without fertilizers, etc.) could increase crop production by 15 per cent. Precise impact of the use of hybrid varieties of seeds on the yield per acre cannot however, be assessed, as no study had been made either by Government or by the Corporation.

2.67. About the reasons for shortfall in achieving the targets to bring 25 per cent. of the total cultivated area under maize as envisaged in the Scheme of May, 1961 the Managing Director stated that “this question relates to the Ministry of Agriculture because it is connected with the targets fixed for bringing the area under high yielding variety programme and the target is fixed by Government of India.”

2.68. The Ministry in a reply after evidence added that a detailed analytical report on the failure to cover 25 per cent. of area under maize by hybrid varieties by the Third Five Year Plan is not available.

2.69. On a point of enquiry whether the opinion of any expert was obtained before intimating the Board that adoption of improved seed alone (without fertilizer etc.) could increase production by 15 per cent. the Corporation stated that although the opinion of any particular expert was not available the accepted yard-stick for contribution of improved seeds to the increase in production was 10 to 15 per cent.

2.70. It was added that, at the time of informing the Board the intention was that the national contribution of improved seeds for increasing the agricultural production was about 15 per cent. and that of inputs like fertilizer, irrigation, improved cultural practices may account for the balance of 25 per cent.

2.71. The Ministry in their reply after evidence stated that the reasons for the targets for coverage under Hybrid areas in 1970-71 and 1972-73 being lower than those in 1968-69 are as under:—

- (i) Hybrids of Maize did not become popular with the farmers as a result of the marketing problem especially due to consumer resistance. It was also found difficult to fit the cultivation of hybrid maize crops in the cropping pattern because overlapping of ripening season with the sowing of the rabi season.
- (ii) The hybrid jowar varieties were found to be susceptible to pests like shootfly. It was also found that the duration of the crop of hybrid variety did not fit in with the climatic conditions in many areas. If the crops were caught in late rains, the grains had a tendency to become mouldy.

2.72. In regard to the assessment of impact of hybrid varieties of seeds on agricultural production, the Ministry stated that no detailed study in the form of laying down of experiments to assess the yield potentials of hybrids vis-a-vis local varieties had been made, and their determining the precise impact of cultivation on the production had been done.

2.73. The Committee regret to note that, although it was envisaged in the scheme formulated by the Ministry in May 1961 that 25 per cent of the total cultivated area under maize would be brought under hybrid variety during the Third Five Year Plan with an additional yield of 51 lakh maunds per year, so far the maximum percentage of the actual coverage has only been of the order of 8.6 per cent. Even the targets for coverage in 1970-71 and 72-73 were lower than those in 1968-69. The Committee were informed that hybrid maize did not become popular with the farmers as a result of marketing problem due to the consumer resistance and it did not also fit in with the cultivation pattern. The Committee fail to understand as to why these problems were not studied earlier with the assistance of Research Institute and steps taken to popularise the use of hybrid varieties before undertaking production of hybrid seeds.

The Committee would also like that the Corporation/Government take the assistance of the ICAR and other Research Institutes for evolving a suitable cropping pattern for use of hybrid varieties and take appropriate measures for planning in advance about the sowing of the hybrid seeds.

2.74. The Committee regret to observe that the Corporation had assumed that improved seeds alone would contribute to an increase in production by 15 per cent without obtaining an expert opinion on the subject. The Committee would like Corporation/Government to undertake a study of the production pattern with the use of hybrids in order to precisely assess the impact of the use of hybrid varieties on the yield per acre so that the advantage of the use of hybrids vis-a-vis the local varieties in improving the yield can be brought home to the notice of the cultivators.

G. Wheat and paddy

2.75. As already mentioned the scheme formulated by the Government in May, 1961, did not envisage the production of improved varieties of seeds for self-pollinated crops like wheat and paddy by the Corporation. Later on, this restriction was removed by the Government.

2.76. The table below indicates the targets fixed by the Corporation and the actual production of improved varieties of wheat seeds (foundation, registered as well as certified seeds) and paddy seeds (foundation seeds only) during 1965-66 to 1973-74:—

WHEAT

	1967-68		1968-69		1969-70		1970-71		1971-72		1972-73		1973-74	
	Targets	Actuals	Targets	Actuals	Targets	Actuals	Targets	Actuals	Targets	Actuals	Targets	Actuals	Targets	Actuals
(i) Acreage . . .	573	683	471	901	438	715	673	748	898	882	4,562	4,040		
(ii) Quantity (Quintals) . . .	8,528	5,904	9,776	2,843	13,408	3,052	7,145	3,515	6,970	4,166	7,658	10,788	40,208	30,000
(a) CERTIFIED SEEDS														
(i) Acreage . . .		4,000	3,986	4,500	4,020	5,883	7,910	10,260	9,968	13,135	10,117	26,325	22,200	
(ii) Quantity (Quintals) . . .		60,000	35,973	67,500	39,500	58,830	43,153	102,650	86,823	1,23,200	70,042	2,50,050	1,75,000	

Note :- The programme for wheat seeds multiplication was taken up only from 1967-68.

PADDY

	1965-66		1966-67		1967-68		1968-69		1969-70		1970-71		1971-72		1972-73		1973-74		
	Tar-	Ac-	Tar-	Ac-	Tar-	Ac-	Tar-	Ac-	Tar-	Ac-	Tar-	Ac-	Tar-	Ac-	Tar-	Ac-	Tar-	Ac-	
	gets	tuals	gets	tuals	gets	tuals	gets	tuals	gets	tuals	gets	tuals	gets	tuals	gets	tuals	gets	tuals	
(i) Acreage	100	N.A.	200	N.A.	300	635	450	189	900	791	539	389	510	458	310	281	598	616	
(ii) Quantity (Quintals)	2,000	280	4,000	22,050	6,000	5,554	9,000	1,520	10,000	3,678	5,390	3,660	5,610	4,676	3,100	3,022	6,340	6,000	
CERTIFIED SEEDS																			
(i) Acreage	.	.	.	.	.	.	.	.	4,205	3,730	3,075	3,301	3,035	2,991	6,000	4,887	11,160	10,500
(ii) Quantity (Quintals)	.	.	.	.	.	.	.	.	64,275	20,926	39,235	30,371	31,880	34,414	48,700	33,638	1,20,200	1,20,000

2.77. The targets of production of the improved varieties of wheat and paddy seeds (both in terms of acreage and quantity) were not achieved in any of these years [(except for acreage in 1967-68 and also for quantity in 1966-67 (paddy) and in 1972-73 (wheat)]. The actual yield per acre was also less than the anticipated yield. The effect of shortfall in production of seeds on the coverage of the total cultivated area with the varieties and on the yield per acre cannot be ascertained in the absence of any study made either by the Government or by the Corporation. The shortfall in the production of paddy seeds was stated to be due to the failure of the crop on account of cyclones in two seasons in Andhra Pradesh and attack of pests and diseases in Bihar and Bengal. There are no documents available with the Corporation to indicate that the reasons for shortfall in the production of wheat seeds were analysed.

2.78. The reasons for non-achievement of targets and anticipated yield in respect of wheat and paddy during 1970-71 to 1972-73 were stated to be as under:—

- (i) Wheat: Due to un-seasonal rain at the time of harvesting during 1970-71 and due to serious rust attack during 1971-72, the production target could not be achieved. Acute power shortage was experienced in running the processing plants which resulted in low procurement of seed during 1972-73.
- (ii) Paddy: Shortfall in the achievement of targets of production of foundation seed of paddy during 1971-72 and 1972-73 was not much. As regards the shortfall during the year 1970-71 it was due to inadequate acreage under paddy. This was partly on account of lack of sufficient response from farmers to the new varieties such as Ratna, Pusa 2-21.

2.79. When the attention was drawn to the observations made by the Audit that "there are no documents available with the Corporation to indicate that the reasons for shortfall in production of wheat seeds were analysed," the Managing Director stated during evidence that the shortfall in production had been analysed and brought to the notice of the Board. There was a regular system of analysing. However, this system was adopted from 1973 onwards. It was added that the production targets and achievement were discussed in Regional Managers Conference which were being held twice a year. The production programme was submitted to the Production Standing Committee of the Board for review and guidance.

2.80. In this connection the Ministry stated that no analysis of the reasons for non-achievement of target and for the actual yield being less than the anticipated yield had been made by the Government. It was, therefore, observed that the main difficulties experienced by the Corporation in this regard were stated to be as under:—

- (i) Inability of the Corporation to get sufficient number of contract seed producers for sowing the targetted area under particular seed crop.
- (ii) Actual shortfalls in the expected production under the programmes of the contract growers due to erratic weather conditions.
- (iii) The non-return of the entire quantity of seed produced by the contract growers to the NSC because of their inclination to sell the seed as grain which fetched higher prices and were thus more attractive than the procurement prices offered by the Corporation.

2.81. Asked whether the reasons were analysed by the Ministry, it was stated that the reasons for shortfall in achievements were reported to the Board of Directors on which the Government was represented.

2.82. The Committee note that the programme for wheat seed multiplication was taken up by the Corporation from 1967-68 and except in 1967-68 and 1971-72 the targets for acreage for foundation seeds of wheat were not achieved while in terms of quantities the targets were not achieved except in 1971-72. In regard to the wheat certified seeds, the targets for acreage and quantity were not achieved in any year.

2.83. The Committee also note that in the case of paddy foundation seed, the targets in terms of quantity were not achieved in any of the years and in terms of acreage the targets were not achieved except in 1967-68. The Committee note that during the period 1969-70 to 1972-73, in the case of paddy certified seeds, the targets in terms of acreage were not achieved except in 1970-71, while in term of quantity except in 1971-72. In spite of these shortfalls, the Committee regret to observe that no analysis of the reasons for non-achievement of targets and for the actual yield being less than anticipated had been made by the Corporation till 1973. The Committee were informed that no such analysis was also conducted by the Ministry. However, according to the Ministry, the main difficulties experienced by the Corporation were the inability of the Corpora-

tion to get sufficient number of contract seed producers under the particular seed crops and non-return of the entire quantities of seeds by the contract growers to the Corporation because of their inclination to sell their seed as grain which fetched higher prices than the procurement prices offered by the Corporation. The Committee have already recommended in their 54th Report on State Farms Corporation that NSC should utilise the large areas in the farms of the SFCI for the production of their quality seeds. The Committee urge that Corporation/Government should consider eliminating the system of procurement of seeds through contract growers and supplement their requirements of seeds through the SFCI and other State Farms.

2.84. The Committee also recommend that the agreements executed by the Corporation with the Contract growers should provide for linking of quantities to be delivered with the area to be brought under cultivation on the basis of yield pattern so that chances for holding back certain quantities of seeds by them are eliminated. The Corporation should also consider taking stringent action against the private growers for non-fulfilment of contracts and until such time the Corporation eliminate the system of contracts growing, the terms and conditions of the contracts with the private growers should be precise, definite and enforceable in regard to quantity, quality and price of seeds to be delivered with stringent penal conditions for non-fulfilment of the contracts.

H. Jute

2.85. Under directions from the Indian Council of Agricultural Research, the Corporation took up the production of foundation seed of the improved varieties of jute crop in 1964-65. The following table indicates the targets fixed for the production of foundation and certified seeds and the actual production there against during 1965-66 to 1973-74:—

(Figures in quintals)

Year	Foundation Seed		Certified Seed	
	Targets	Actuals	Targets	Actuals
1965-66	432	..	200	72
1966-67	464	18	1,600	376
1967-68	512	..	3,200	426
1968-69	560	97	5,600	1,649
1969-70	140	50	10,000	9,273
1970-71	..	..	12,110	6,957
1971-72	123	286	15,600	6,293
1972-73	244	95	16,500	6,565
*1973-74	285	340	16,980	4,333

*Estimated.

2.86. The production of certified seed was arranged by the Corporation through contract growers. The production of foundation seed was, however, taken up at its own farm at Hempur also, besides the procurement from Jute Seed Multiplication Farm of the ICAR at Barrackpore. The targets fixed for production at the Hempur farm and the actual production thereagainst are given below:—

Year	Area Planted (Acres)	Estimated production (Quintals)	Actual production (Quintals)
1964-65	120	240	4
1966-67	45	90	18
1968-69	28	56	9
1969-70	100	200	Nil
1970-71	..	..	..
1971-72	4	8	1.53
1972-73	4	4	1.75

NOTE: Production was not taken up during the years 1965-66 and 1967-68.

2.87. The low yield per acre during 1964-65 had been attributed to incessant rains and water logging conditions at the farm during the rainy season. The reasons for the low yield during 1966-67 and 1968-69 were not stated to have been analysed and reported to the Board of Directors. During 1969-70, the total loss of production had been stated to be due to lack of germination despite the plantation having been done before the break of monsoon.

2.88. In this connection, the Corporation added that the shortfall in seed production programme was mainly due to less coverage of area on account of low per-acre income and longer duration of crop as compared to other competing crops.

Efforts were being made to increase the procurement prices suitably so as to bring them at par with other competing crops.

2.89. On an enquiry as to why the Management had not investigated into the failure of production of jute seed at Hempur Farm from year to year, the Corporation stated that the implementation of the planned production programme is revised reviewed during RMCs. (Regional Managers Conferences). When the reasons for shortfalls failures are looked into such there was no investigation due to lack of germination. During 1973-74 the planned area of 20 acres could not be sown due to heavy rains at the time of planting.

2.90. The Management stated (November, 1970) that "Hempur was a new area and the production arranged there was on the basis of exploring the suitability of the area. However, since the area did prove to be suitable, the programme of jute production had since been dropped at Hempur except for limited area....." The reasons for undertaking the experimental production of jute seeds at Hempur farm in such a large area and its continuance year after year despite failure of the crop are not clear.

2.91. In a reply after evidence the Corporation stated that the production of jute was continued to be grown at Hempur farm in the subsequent years also.

2.92. When the Committee enquired about the reasons for continuance of production at Hempur farm, despite the failure of the crop, the Managing Director admitted during evidence "it was a mistake. I personally feel that subsequently it should not have been continued after having seen it is not giving results.....We are restricting the seed production on that farm now."

2.93. When asked whether the reasons for the failure of the production of jute seeds at Hempur from year to year were investigated, the representative of the Corporation stated during evidence that "this was not investigated. This farm grows good paddy—jute does not come up."

2.94. Asked as to who was responsible for the selection of the field and whether responsibility was fixed the representative of the Corporation answered in the negative.

2.95. The Committee pointed out that in Hempur Farm the area planted ranged from 28 acres in 1968-69 to 120 acres during 1964-65, and enquired as to how that Farm could be regarded as a new area. During evidence, the Managing Director stated that "we still do not have full research on seed technology, particularly with reference to jute. We are actually adopting a hit-and-miss method.....we have now located good pockets in Andhra Pradesh, Maharashtra and Madhya Pradesh.....We have to develop them at drier areas. Since we have only two foundation farms, we have tried for a number of years at Hempur which is our own farm.....We are now trying to develop jute seeds by linking it up with other more remunerative programmes."

2.96. The Corporation further added in a written reply that during Kharif season, the problem at Hempur Farm was very acute. Sometimes, incessant rains also hampered the progress of Kharif

planting operation. The difficulties arising from these factors thwarted their repeated attempts to provide jute seed at Hempur Farm. For providing the seed of new varieties the Corporation had to identify suitable areas for successful seed production and this might involve trials and errors to some extent.

2.97. To a question about the requirements of jute seeds, the Managing Director stated that the total requirements would be about 16000 to 20000 quintals varying from season to season. Other agencies like Tarai Development Corporation, Vidharba Corporation and State Governments themselves were also doing it.....Their contribution might be very small. By and large, the single agency viz., N.S.C. was contributing about 50 per cent

2.98. The Committee enquired about the steps taken to meet the demands of the farmers. The Managing Director stated that the Corporation was holding discussions with the Ministry of Agriculture and as a result other agencies like Tarai Development Corporation, Vidharbha were roped in. Uttar Pradesh was self-sufficient with regard to jute seeds.

2.99. On being asked to produce the directions stated to have been received from the I.C.A.R. for the production of jute seed, the Management informed the Audit in June, 1970 that "no such direction from ICAR has been received....." The basis on which the Board of Directors was informed that the production of jute foundation seed was taken up at Hempur Farm under directions from the ICAR was, therefore, not clear.

2.100. During evidence the Managing Director stated that "the instructions are not from I.C.A.R. We hold discussions with the Ministry of Agriculture where we (N.S.C.) invite, Tarai Corporation and the State Governments. We give guidance that such seed multiplication should be done by each organisation or institute..... ICAR does not give such directions."

2.101. In a note after evidence, the Corporation stated in this connection that the precise basis on which the Board was informed that the production of jute was taken up on the Hempur Farm on the directions of the ICAR could not be traced in the available records in spite of every effort. It may, however, be observed from the minutes of the Board meetings dated 11-6-63 and 31-8-63 that the question of taking up such production on the Hempur Farm was deliberated upon by the Board on which a number of technical Directors from the ICAR were also represented. It may also be mentioned that at that time the NSC was working under the administrative control of the ICAR.

2.102: The Committee note that the Corporation took up the production of foundation seeds of improved varieties of jute crop in 1964-65 under the directions of ICAR in one of its farms at Hempur. The Committee also note that the targets of foundation seeds increased from 432 quintals in 1965-66 to 560 quintals in 1968-69 and thereafter the targets were reduced. Against these targets, the actual production has been nil in 1965-66, 18 quintals in 1966-67, nil in 1967-68, 95 quintals in 1968-69. The Committee regret that in spite of the low yields per acre right from the 1965-66, the Corporation had not analysed the reasons for the low yield during 1966-67 and 1968-69 and reported to the Board of Directors. Even thereafter, against the reduced targets of 140 quintals in 1969-70, 123 quintals in 1971-72, 244 quintals in 1972-73, 330 quintals in 1973-74, the production has been of the order of 50 quintals in 1969-70, 296 quintals in 1971-72, 95 quintals in 1972-73 and 140 quintals in 1973-74. Despite this poor performance and failure of the crop, the Corporation continued the production of seeds year after year. The Managing Director admitted during evidence that "It is a mistake. We are restricting the seed production on that farm now." The Committee were informed that Hempur was a new area and the production arranged there was on the basis of exploring the suitability of the area. The Committee feel that if this was an experimental effort then the Corporation should have undertaken production on a pilot scale and not continued the production without taking into account the actual yield achieved in the preceding years.

2.103. The Committee regret to note that though the production of jute foundation seeds was stated to have been taken up under the directions of ICAR and the Board of Directors were so informed, the Corporation was unable to produce a copy of the direction given by the ICAR in the matter as they were not able to trace it in spite of their efforts. The Committee were also informed that "ICAR does not give such directions."

The Committee are not happy with these contradictory statements and selection of Hempur farm for production of jute foundation seeds and continuing the production from 1964-65 onwards despite the failure of the crops year after year. The Committee recommend that the whole matter should be investigated thoroughly with a view to fixing responsibility for the lapses. The Committee would like to be informed of the concrete action taken in the matter.

2.104. The Committee are surprised to find that even now the Corporation does not have full research on Seed technology particularly

with reference to jute, although it has located new areas for cultivation in Maharashtra, Andhra Pradesh and Madhya Pradesh and trying to link this programme with other remunerative programmes in those areas. The Committee were informed that against the total requirements of 16,000 to 20,000 quintals of Jute Seeds for the country, the NSC is contributing about 50 per cent while other Corporations viz. Tarai Development Corporation, Vidharba and State Governments are also contributing to some extent. The Committee feel that the Corporation should take up this matter seriously with the Research Institutes and Agricultural Universities for developing good quality of breeder seeds for Jute and explore ways and means of producing improved varieties of foundation seeds for this commercial crop of vital importance in earning foreign exchange through exports of jute manufacture.

I. Taichung Native I Variety (TNI) of Paddy

2.105. During December, 1965—January, 1966 the production of certified seed of the variety paddy was arranged by the Corporation on 9,000 acres through contract growers in Andhra Pradesh and a quantity of 9,933 tonnes was procured at Rs. 540 per tonne for sale to the State Government and the Food Corporation of India. The State Governments and the Food Corporation of India however, lifted only a quantity of 7,300 tonnes and in the absence of formal agreements they could not be forced to lift the balance quantity.

Out of the left over stock of 2,633 tonnes stored in godowns, 750 tonnes valued at Rs. 4.05 lakhs were found in February 1967 unfit for use as seed and were disposed of to Food Corporation for 1.87 lakhs as food grains after ensuring that there would be no harmful effect. The balance stock of 1,883 tonnes was despatched to Bihar for local disposal in February, 1967 after re-testing the germination percentage. The records regarding the procurement of seed, indents received from the State Governments/Food Corporation of India, disposal of the deteriorated and other stock were not made available to Audit.

2.106. The Management stated (November, 1970) as follows:—

“.....the matter has already been considered by the Board and we have nothing to add to that.”

2.107. Asked about the non-production of records, the Managing Director stated during evidence that “The programme was taken up

by the Ministry of Agriculture. Dr. Chellam was Joint Commissioner at that time. It was entirely coordinated by him and NSC was used for multiplication and supply. Actually, NSC had no idea about the extent of the demand. The experience was so good that during the same period, the high-yielding varieties were being introduced. The Corporation was also going in a big way to multiply the seeds. It was done at the instance of the Ministry of Agriculture. The basic records were also maintained by them."

Asked as to why this could not have been intimated to Audit, the Managing Director had nothing to say.

2.108. The Committee enquired about the details of the indents and the quantity indented and lifted by each of them. The Corporation in a written note stated as follows:—

Name of the State	Area for which seed to be supplied (Acres)	Quantity of seed to be supplied (Tonnes)	Quantity supplied (Tonnes)
1. Maharashtra	1,75,000	1,750	1,768
2. Madhya Pradesh	1,25,000	1,250	2,508
3. Punjab	1,00,000	1,000	250
4. Food Corporation of India	5,20,000	5,200	449
5. Rajasthan	1,000	10	10
6. Bihar	3,000	30	250
7. Miscellaneous Private Farmers	20,000	200	31
8. Delhi	..	..	5
9. Andhra Pradesh	..	..	663
10. Goa	..	..	42
11. Assam	..	..	20
12. Tripura	..	..	22
13. Gujarat	..	..	11
14. Uttar Pradesh	..	..	1,204
15. Nepal	..	..	37
TOTAL	9,44,000	9,440	7,270

It was added that indents were received from the State Governments before undertaking production through contract growers.

2.109. Asked about the stage, at which Food Corporation of India intimated the Seeds Corporation regarding reduction in off-take and the reasons advanced by the Food Corporation of India and the State Government of Andhra Pradesh for not lifting the indented quantity, the Corporation stated that no papers in this connection could be traced at this stage.

2.110. When the Committee enquired whether the indents would not constitute a binding contract on the part of the indentors for lifting the quantities indented for, the Corporation stated that it was a commitment but not a binding contract. Recently the system had been modified and intenders were now required to deposit 10 per cent of the estimated value of the quantity indented as earnest of their intention to lift the quantities.

It was also stated that the balance of stock was despatched to Bihar in February, 1967 and the same was disposed of as seed after re-testing the germination.

2.111. The Committee pointed out that from the agenda of the Board's meeting held on 6/7 February, 1967, it was seen that the arrangements had been made for the storage of left-over seed in the godowns of the warehousing Corporation in specially selected dry localities, to avoid deterioration during storage. The Committee enquired whether the Warehousing Corporation was in any way responsible for the deterioration in the quality of the seeds. The Corporation stated in a written reply that the warehousing Corporation made available the space for storing of NSC seed at a short notice. The space was selected by NSC officers. The Warehousing Corporation cannot be held responsible for deterioration in the germination of the seed.

2.112. On being asked about the results of the procurement and disposal of TNI variety seeds, it was stated that the total purchase cost of TNI Paddy was Rs. 53,09,938 and it was sold for Rs. 89,26,581. The gross profit was Rs. 36,16,542. After meeting the cost of packing material, selling cost, concession given to State Governments and also over-heads the net profit was Rs. 10,40,802 before tax. This was the first transaction which made significant contribution to the Corporation's finance. This programme had contributed vastly to the success of high yielding varieties strategy of making possible the coverage of 0.6 million in Kharif-66 and additional 0.1 million acres in rabi-66.

2.113. The Committee regret to note that though the Corporation arranged for production of certified seeds of Taichung Native I variety of paddy through contract growers in Andhra Pradesh and procured 9,933 tonnes for sale to the State Governments and the Food Corporation of India, only a quantity of 7,300 tonnes were lifted by the State Governments and FCI and they could not be forced to lift the balance quantity in the absence of formal agreements. The Committee were

informed that though indents were received from the State Governments before undertaking production through contract growers, according to Corporation such indents were only "commitments" and not "binding contracts". Even so, the Committee see no reason why on the basis of such commitments the Corporation should not have asked the State Governments and the FCI to lift the balanced quantities.

The Committee however find that the quantities supplied to the Government of Madhya Pradesh was much in excess of their indented quantity while those supplied to Punjab and Food Corporation were much less than the quantities indented by them. The Committee regret to note that no papers are available to indicate the stage at which Andhra Pradesh or the F.C.I. intimated their reduction in off-take.

The Committee also note that besides, the States which sent their indents there were 8 other States to whom seed was supplied without their indents. The Committee are not sure about the basis on which such supplies were made to these States when the production was stated to have been taken on the basis of indents from specific States.

2.114. The Committee are also informed that the programme was coordinated by the Ministry of Agriculture and the Corporation had no idea about the extent of the demand. It was stated that the Corporation took up the programme at the instance of the Ministry and the basic records were also maintained by the Ministry. The Committee regret to observe that neither the basic information about the availability of records furnished to the Audit nor the concerned record was made available to them.

The Committee are not happy at the way in which the Corporation undertook the programme without any definite instructions from the Ministry and without firm "binding" contracts from the State Governments and Food Corporation of India.

The Committee have already commented about the production of seeds in excess of the demand and without firm commitments thus resulting in condemnation and ultimate loss to the Corporation.

2.115. The Committee note that the left-over stock of 2,633 tonnes were stored in godowns out of which 750 tonnes valued at Rs. 4.05 lakhs were found unfit for use as seeds and the same were disposed of as food grains to the Food Corporation of India resulting in a loss of Rs. 218 lakhs. The Committee are informed that arrangements for

storage of seed had been made in the godowns of Central Warehousing Corporation and the space was selected by the officials of NSC.

J. Padma variety of paddy

2.116. The Padma variety (CR. 28-25) of paddy was released by the Central Variety Release Committee of the Central Government on 23rd December, 1968. The Corporation undertook the multiplication of this variety in its farm at Hempur in Uttar Pradesh (1969) and also through contract growers.

2.117. In March, 1969, the Regional Managers of different units were informed that the multiplication of the 'Padma' variety had been undertaken and a good quantity of seeds would be available for commercial cultivation with effect from June, 1969. The literature issued by the Corporation recommended, inter alia, the use of this variety of seed for sowing in 'Kharif' season also in West Bengal and Bihar regions. A quantity of 268 tonnes and 121.8 tonnes of certified seed of this variety was sold in West Bengal and Bihar respectively for commercial cultivation during 'Kharif' 1969. The crops, however, failed contributing to a considerable loss of rice to the cultivators.

2.118. In addition the Corporation undertook the production of certified seed of this variety during Kharif 1969 in West Bengal and Bihar on 640 acres and 350 acres respectively through contract growers and on 551.98 acres in Bihar under State Government programme. The production of certified seed was estimated at 1,700 quintals in West Bengal and 2,390 quintals in Bihar. But the entire seed crop in the two States was found to have been infested with a virulent disease and became unfit for use as seed.

2.119. On receipt of reports regarding the failure of these crops the Corporation made a reference to the Indian Council of Agricultural Research in January, 1970 to ascertain the possible reasons for the failure of these crops and the latter intimated on 14th January, 1970 as follows:—

“.....the rice variety, Padma, was not recommended by the Central Variety Release Committee for cultivation in the kharif season. It does admirably well in the rabi season.....we can confidently take up extensive cultivation of this variety during the summer season in Bihar, West Bengal and Orissa.”

2.120. A perusal of the Ministry's records, however, indicates that in the release papers the sowing season for this variety of paddy in

Bihar was shown as "Kharif" instead of "Summer" and in June, 1970, the Ministry of Food and Agriculture intimated the Bihar Government to discourage the cultivation Padma variety in Kharif, suggesting that this could safely and profitably be cultivated as a "Summer Crop". The Management however, stated (November, 1970) that "even today, there is demand for Padma variety in Kharif, and in 1969-70, we have sold approximately 153 quintals in Bihar. The fact of the matter is that Padma variety is suitable for Bihar in Kharif for the Plateau areas and there was nothing wrong in supplying the seeds to Bihar and West Bengal."

"The reasons for the failure of these crops do not appear to have been investigated by an independent agency so far (December, 1970)."

2.121. During evidence, the Managing Director of the Corporation stated that the aforesaid variety was approved in December, 1968 by the Central Variety Release Committee which was under the Ministry of Agriculture represented by the ICAR. It was mentioned about the areas and seasons and on this basis NSC distributed the seeds in Bihar and West Bengal. Subsequently, it was brought to their notice that the variety had failed during 1969. This was communicated to all the State Governments and NSC in June, 1970. By that time, the seed had already been distributed for production.

2.122. The Corporation stated that in the release papers circulated by the Central Variety Release Committee itself the sowing season for Padma Variety of Paddy was shown as 'Kharif' and the sale of Padma Variety of paddy in Bihar and West Bengal was done as per the recommendations of the Central Variety Release Committee. The Indian Council for Agriculture Research had apparently changed their recommendations subsequently.

2.123. Asked at what stage did it came to the notice of the Corporation that the entire seed crop of Padma in the aforesaid States was infested with a virulent disease, the Corporation stated that "it is not possible to indicate definitely the stage at which the matter came to the notice of the Corporation. However, it has not incurred any financial loss on this account as a direct result of the failure of this seed crop." The Ministry added that information regarding the loss sustained by growers had not been compiled.

2.124. In this connection, the Ministry in a reply after evidence stated that government had not given any specific instructions to the Corporation for releasing the Padma variety for commercial cultivation. The agencies sponsoring the release of any particular variety

sent detailed information in regard to the variety to the C.V.R.C. which after consideration of the data furnished by the sponsorers decided on the question of release of the variety for mass cultivation. The variety CR-28-25 had been sponsored by the Director, Central Rice Research Institute, Cuttack and it was recommended for the following areas and for the different seasons in the areas of Bihar and West Bengal:—

Area	Season
(1) Bihar	Summer crop to replace TN-1 and also Kharif.
(2) West-Bengal]	Boro to replace CB-I and CB-II and also after a crop of Jute where irrigation facilities exist in Kharif.

2.125. In the case of Bihar, although the variety had been released for Kharif the sponsor had suggested that this might be suitable on the summer crop to replace Taichung-I and also in Kharif. Once the varieties were released the decision was indicated to all the agencies and the seed producers took up multiplication of certified seeds for distribution for raising commercial crops.

2.126. The Ministry added that view of the I.C.A.R. that Padma variety was not recommended by the C.V.R.C. for cultivation in the Kharif season was communicated in the letter of the Deputy-Director-General, ICAR on the 14th January, 1970.

2.127. On being asked whether it was a lapse on the part of the Ministry of Agriculture which led to this crop failure, the Managing Director replied "I agree, it was due to the Central Release Committee's recommendations."

2.128. When the Committee drew the attention of the Ministry to the aforesaid remarks, it was stated that this variety had not performed well in Bihar and Bengal in 1969 in which year there was a serious pest-epidemic. It was, therefore, not understood how it could be stated that the approval of this variety for cultivations in Bihar was a lapse on the part of the CVRC.

2.129. The Committee desired to know the actual date of the minutes of the 11th meeting of the C.V.R.C. whether it was 23rd December, 1965 or 23rd December, 1969. The Secretary (Agriculture)

stated that there were two different years one was 1968 and other 1969 which required to be checked. In a subsequent reply, the Ministry stated that the variety had been released at the 11th meeting of the C.V.R.C. held on 23rd December, 1968.

2.130. Asked about the extent of losses, the Corporation stated that they did not have the figures. In this connection the Ministry stated in a written reply that no compilation had been made of the losses suffered by the cultivators in West Bengal, Bihar and other concerned States on account of damage to the paddy crop raised from Padma variety. However, there were reports in news paper in 1969 that there was serious and epidemic scale attack of gassid and paddy crop in Northern Bihar and further there was a disease complex also. It was also reported by NSC that large areas of Bihar were affected by serious virus disease. The Corporation had reported to the Ministry that the diseases had appeared on almost all the varieties of paddy during the season and Padma could not be escaped.

2.131. Asked about the steps taken to compensate to the cultivators it was stated by the Managing Director that "in our organisation there is no such system".....We do have a system whereby the viability of the seed is involved. We notify in the certification the percentage of germination, the characteristics of the seed and so on. We certify the viability of the seed and its purity. We have no system of compensation."

2.132. The Managing Director added that as a result of this experience, the Government have taken up a programme whereby the new varieties are prepared in small packets along with instructions and given to the farmers and after they have tested the variety, they spread it over a larger area.

2.133. On a point of enquiry whether Government proposed to reimburse the losses suffered by the cultivators in Bihar and West Bengal on account of damage to the said variety of paddy the Ministry stated that government had not considered any such proposal.

2.134. When asked whether an independent investigation into failure of the crop was called for, the Corporation stated that they would have no objection to such an investigation.

2.135. In this connection, the Secretary (Agriculture) stated during evidence that "I would not only be prepared for it but I would even want, on my own accord, to have a full enquiry made to the extent to which it can be made at this late stage."

2.136. The Committee note that Padma Variety (CR. 28-25) was released by the Central Variety Release Committee of the Central Government on 23rd December, 1968. At the time of release of this variety the sponsoring Institution recommended that the variety may be released as summer crop in Bihar to replace TNI Paddy and also in Kharif season. The variety was also recommended to replace Chinsura Boro I and II in the Boro season in West Bengal and also for cultivation in Kharif after jute where irrigation facilities exist. The Corporation undertook the multiplication of this variety on its farm at Hempur in 1969 and also through contract growers. The literature issued by the Corporation also recommended the use of this variety for sowing in "Kharif" season in West Bengal and Bihar.

The Corporation also undertook production of certified seed of this variety during Kharif 1969 in West Bengal and Bihar and also through contract growers in Bihar under the State Government Programme but the entire crops in these two States were found to have been infested with virulent disease. In addition, some quantity of certified seed of this variety was also sold in West Bengal and Bihar for commercial cultivation during Kharif 1969. The crops in these areas also failed contributing to a considerable loss of rice to the cultivators.

2.137. The Committee note that when, the Corporation made a reference to the ICAR in January, 1970 to ascertain the possible reasons for failure of the crops, the latter intimated "Padma was not recommended by the Central Variety Release Committee for cultivation in the Kharif season. It does admirably well in the rabi season. . . . We can confidently take up extensive cultivation of this variety during the summer season in Bihar, West Bengal and Orissa". The Committee also note that since the original release paper, the sowing season for this variety in Bihar was shown as "Kharif" instead of 'summer', the Ministry in accordance with the opinion of ICAR, intimated in June, 1970 to Bihar Government that cultivation of Padma variety should be discouraged in "Kharif" and taken as a "summer crop".

The Committee are surprised that in spite of the opinion of the ICAR, the Corporation still hold that Padma variety is suitable for Kharif in Bihar and there is nothing wrong in the supply of seeds to Bihar and West Bengal. The Committee are informed that the failure of this variety during 1969 was brought to the notice of the Corporation and this was communicated to all State Governments and NSC in June, 1970 by which time the seed had already been distributed. The Committee fail to understand as to why the Ministry took six months for sending the intimation to the State Gov-

ernment and Corporation instead of correcting the error immediately after receipt of clarification from ICAR. The Committee feel that Govt./ICAR should have advised Seed Corporation in the matter without delay and observe that had this been done in time, the cultivators would have been cautioned in advance and they would not have gone in for cultivation of this variety.

The Committee are informed by the Corporation that "ICAR has apparently changed their recommendation subsequently."

2.138. The Committee are also surprised that though according to the Corporation, the failure of the crop of Padma in the aforesaid States was due to various diseases, it was not possible to indicate the stage at which the matter came to their notice. It is regrettable that neither the Ministry nor the Corporation have assessed the extent of loss suffered by the cultivators on account of the damages to the paddy crops based on the Padma variety.

While the Managing Director stated during evidence that the lapse was due to the Central Variety Release Committee's recommendation, the Ministry are of the opinion that the failure was due to the post epidemic in 1969.

The Committee recommend that an independent enquiry associating therewith a representative each of the State Governments concerned should be conducted in the whole affair with a view to pinpoint responsibility for the lapses at various stages and the Committee informed of the results.

2.139. The Committee would also like to be informed of concrete remedial measures taken to obviate recurrence.

(III)

N. S. C's FARMS

A. Proposals for setting of farms

3.1. As earlier stated in Paragraph 1(iii) of this Report, under the scheme formulated in May, 1961, a foundation seed organisation was to be set up under the National Seeds Corporation to have full control over the production, movement and supply of foundation seeds to the agencies which would produce the certified seeds. The work of production of foundation seeds of hybrid varieties was not to be assigned to any other agency. The targets fixed for the production of these seeds during the Third Five Year Plan were to be achieved by establishing four units of 500 acres each for hybrid maize and one or two units for hybrid jowar. As against this, the Corporation established only two farms in the Third Five Year Plan—one at Hempur in Uttar Pradesh (1,000 acres) and the other at Nandikotkur in Andhra Pradesh (500 acres).

3.2. In the projection for the Fourth Five Year Plan (1966-67 to 1970-71) made by the Corporation in December, 1964, it was envisaged that the targets for the production of foundation seeds would be met from the Corporation's own farms except in rare cases. Five to six farms were planned to be established during the plan period, three to four within the next two years. But no farm other than the two already established during the Third Five Year Plan had been set up till February, 1970. One small farm of 28 acres at Sainj (Himachal Pradesh) was established in 1972 with a view to produce high quality seeds for vegetables. An area of about 200 acres had been taken on lease at Yamunanagar in June, 1970 for a period of two years. The farm was closed on 31-5-1972.

3.3. In this connection, the Management stated in November, 1970 as follows:—

“.....efforts continued to be made for establishment of the farms but in the light of the experience which we gained on the working of the two farms, as well as the difficulties connected with getting really suitable land, it was later on decided not to go in for further farms..... in retrospect it is found that since the foundation seed

production of the Corporation liable to great fluctuation, it is better not to tie up large funds in acquiring assets of the fixed nature and with heavy recurring expenditure."

"In February, 1971 it was further stated that "the decision not to go in for further farms was evolved in the light of the experience. There is no definite decision in writing to this effect."

3.4. Asked as to why they did not establish more farms as envisaged in the original scheme and the plans, the Managing Director stated:—

"As pointed out earlier, we depend purely on the State Government to give us land, we don't buy land from private sources. We don't want to block our capital in the purchase of land; we just try to have some Government farm. We approached the Planning Commission, they always said that we should make use of the State Farms Corporation. We have now cordial relations with the State Farms Corporation and from this year onwards we are trying to cover more area on their farms."

He further stated that because these two farms (Hempur and Nandi Kotkur) which were handed over to them did not prove very good (because of lack of irrigation in one case and the lack of drainage in the other) they thought that instead of investing money on the development of these farms, they could take up the multiplication on other farms.

He added that they were still having an open mind. Whenever some suitable land would be available, the Corporation would go in for it. But, by and large, the State Governments did not offer suitable land. "The decision was that since suitable land was not being offered they would not go in for further farms."

3.5. In this connection, the Secretary, Department of Agriculture stated during the evidence that the difficulty in setting up seed farms was that it was not easy to get land and if the land was already being used for good productive purpose, it was costly. This was the reason why they did not show any great enthusiasm in putting up proposals for having farms of their own. The Corporation had only two seed farms; and one small farm was based for growing vegetable seed material. The Corporation had been making use of contract growers for the bulk of their production. Probably, they did not feel any difficulty in the earlier years of their working, because

they managed to have more foundation seeds than they could dispose of, even under their not-very-satisfactory arrangement of getting this done by the contract growers under the supervision of their experts.

3.6. In regard to the necessity for new farms the Managing Director stated in the course of evidence:—

“In the working papers of the NSC, this was mentioned that we should have four seed farms measuring about 2000 acres each. We have already 1600 acres area on three farms. A dialogue is going on between the Ministry of Agriculture and the Planning Commission. They say that the existing farms with the SFCI should be made use of. It is not yet clear whether we are going in for new farms or not.”

3.7. As to whether the Corporation was particular about having its own farms or it would go according to the advice of the Ministry, the Managing Director added:—

“Our idea was that we should have additional four farms but we have not yet been given clearance from the Ministry as well as the Planning Commission. Perhaps the present thinking is that there should be more co-ordination and we should be able to make use of the SFCI farms for the purpose of production of foundation seeds.”

3.8. On being enquired whether the Government had considered the proposals forwarded by the Corporation for setting up more farms and if so, what was the latest position, the Ministry stated as under:—

“In the draft paper giving the details of the proposal for Fifth Five Year Plan, as prepared by the NSC, it was indicated that the Corporation would set up four Farms of approximately 1000 hectares each for the production of foundation seeds. An assistance of Rs. 5 crores from the Government for the expansion proposals of the Corporation activities during the Fifth Five Year Plan period was included in the draft paper referred to above. Against this, the final outlay approved by the Government for giving assistance to the NSC for their expansion programme in the Fifth Five Year Plan period is only rupees four crores. The NSC has been requested to revise their Plan proposals in the light of the approved reduced outlay. The

Corporation has also been told that in the light of the decision that the Corporation should utilise the farms of the SFCI for their seed production programme instead of establishing their own farms, the provision for setting up of four farms included in the draft paper on Five Year Plan proposals should be deleted. The revised proposals of the Corporation are yet awaited. When these are received, the comments of the Planning Commission will be obtained."

3.9. Asked whether the financial implications of setting up more farms by NSC *vis-a-vis* use of existing SFCI farms had been examined and if so, with what result, the Ministry stated that "as stated above, the Government have taken the view that the NSC should avail themselves of the existing facilities in the farms of the SFCI for the production of foundation seeds."

3.10. The Committee regret to note that though in the projection for the 4th Five Year Plan (1966-67 to 1970-71) made by the Corporation in December, 1964, five to six farms were planned to be established during the plan period and three to four farms within the next two years, no new farm could be set up till February, 1970 except the two farms already established during the Third Plan and another small farm established in 1972, for production of high quality of seeds for vegetables. Instead the Corporation had been making use of the contract growers for bulk of the production even under "their not very satisfactory arrangement of getting it done." The Committee are informed that the difficulty in setting up state farms was that it was not easy to get land and if the land has already been used for productive purposes, it was costly. The Committee fail to understand as to why the Corporation should not have coordinated their programmes with the SFCI and utilised the lands of the State farms instead of going to the contract growers with its attendant risks.

The Committee note that the Corporation proposed to have four more farms of about 2,000 acres each during the Fifth Plan for purposes of foundation seeds multiplication. The Government have, however, since considered the question of establishing more farms and informed the Corporation that the "provision for setting up of four farms included in the draft paper on Five Year Plan proposal should be deleted" and NSC should avail themselves of the existing facilities in the farms of SFCI for production of foundation seeds.

The Committee recommend that in the light of the decisions taken the Government should issue suitable directions in this

regard so that it should be possible for NSC to have greater coordination with SFCI and utilise their farms to the maximum extent and the targets of production of quality seeds in the 5th plan are actually achieved.

B. Existing Farms

(I) *Hempur Farm (U.P.)*

3.11. This farm was set up in 1964 and an area of 746 acres of land was occupied in South Block. Since this was found unsuitable, an area of 1008 acres of land in South Block was obtained in exchange and taken on lease for a period of 20 years on an annual lease rent of Rs. 40/- per acre. The lease of the farm expired in May, 1970 but in accordance with a decision taken in May, 1969 the matter for outright purchase of the farm was taken up with the U.P. Government in May, 1969. No final decision had been taken so far.

3.12. In a reply after evidence it was stated that the lease agreement had not been finalised as the detailed terms and conditions of lease were awaited from State Government. This was taken up with State Government in July, 1972 after its refusal to sell the farm to N.S.C.

3.13. The Committee asked as to what were the reasons for occupying land in South Block which was not suitable for setting up the farm. The Managing Director stated during evidence:—

“This is a Government farm which we have taken over. The Ministry of Agriculture approached the various State Governments to hand over farms for the purposes of seed multiplication. The offers came. This land was handed over to the NSC and we started working on that. During the first year we came to know that there was a problem of drainage. Normally it takes two-three years to develop such farms. No State Government will give us developed area. We thought we would be able to develop it but when we found that there was a drainage problem, we requested the State Government to exchange that area for another suitable area.”

3.14. In reply to another question he added:—

“We did inspect the site and we had it on our minds that it will take at least three years to develop certain land and make it fit for our purpose.....we did not invest any

capital on this at that time. We cultivated the land in two seasons.....In the meantime, the Uttar Pradesh Government, to whom the farm belonged, offered a better land to us.”

Out of the total area of 1008 acres in Hempur farm, 940 acres came under cultivation, 44 acres under road, office, residential colony, drainage Channel and 24 acres underdevelopment.

(II) *Nandikotkur Farm (Andhra Pradesh)*

3.15. The foundation seed farm at Nandikotkur (AP) was established in November, 1963 in consultation with the experts of Rockefeller Foundation and Officers of the Andhra Pradesh Agriculture department. The farm was taken on lease from the Andhra Pradesh State Government initially for a period of 20 years, on an annual lease rent of Rs. 100 per acre. The lease deed had been made over to State Government for confirmation which was still awaited.

Out of the total area of 500 acres, only 416 acres were available for cultivation purposes, 84 acres were under roads, drainage, channels, office and workshop etc.

(III) *Sainj Farm (H.P.)*

3.16. The farm having a total area of 28 acres was taken on lease for 20 years from Himachal Pradesh Government in the month of August, 1972. Rs. 7295.25 yearly lease charges were agreed upon. The Farm was having 14 acres under cultivation. Sainj Farm was working on the basis of letters exchanged with Himachal Pradesh Government. Formal lease deed was pending to be executed till 30th June, 1973. The Corporation has further stated that modified lease agreement had been forwarded to the Himachal Pradesh Government on 12-1-1973 for consideration and concurrence.

3.17. During evidence the Managing Director stated that the land levelling in 160 acres at Foundation Seed Unit, Hempur and 40 acres at Nandikotkur, remained to be completed and it was expected that this work would be completed by the end of May, 1975.

3.18. In a written reply after evidence, the Corporation stated that to make the Foundation Seed Unit at Hempur as a fully developed model seed farm, considerable development work was required to be undertaken. A Project had recently been prepared to undertake the development of under-ground irrigation system, field drainage and fine grading of entire cultivable land for obtaining a higher efficiency of irrigation. This work was proposed to be taken

up in phased manner depending upon the availability of funds and was expected to be completed in about 3 years time.

3.19. The Committee note that though the lease for the Hempur Farm expired in May, 1970, the lease deed has not so far been finalised and the matter was taken up with State Government in July, 1972. Similarly, in the case of Sainj Farm which was set up in 1972, the lease agreement has not yet been finalised. The Committee fail to understand why such inordinate delays in renewal of lease agreement in the case of Hempur Farm and execution of the original lease agreement in respect of Sainj Farm, should be there as it is apprehended that absence of lease agreements is bound to create a climate of uncertainty which is not conducive to efficient functioning. The Committee recommend that this matter may be accorded the priority it deserves and lease agreements should be executed without further loss of time. The Committee desire that in future the Undertaking should ensure that action for the agreements for lease of lands for new farms or for renewal of the existing leases is initiated well in advance so that the Undertaking is not put to any difficulty in proceeding with the work.

(IV) Yamunanagar Farm

3.20. On 2nd June, 1969, the Chairman, NSC requested the then Minister for Railways to make available to the Corporation a site at Yamunanagar either on out-right sale or 10-12 years lease for establishing foundation seed farm of NSC. The Railways (on 23-6-1969) expressed their inability either to sell the land to the Corporation or to give it on long lease basis for the aforesaid period. It was, however, suggested by Railways that this could be given on two years lease to NSC. On 27-10-1969, a joint meeting was held between the Divisional Engineer, Northern Railway and representative of the Corporation and it was indicated in that meeting that the licence would be for a period of two years and extension beyond that would have to be considered on its own merits by the Railways. Even when approached again on 19-11-1969, the Railways reiterated the same terms and condition referred to above. They did not agree to the grant of automatic extension after that period.

3.21. The Corporation took possession of this land on 1-6-1970. The Corporation required this Farm specially for growing seed potato, but as most of the area was low lying, it was not possible to grow potatoes on a large area. Due to the short duration of lease for two years, it was not possible for the Corporation to invest heavily on land development work. Drainage posed a major problem in cultivating this farm.

The matter was considered in detail in April, 1972 and it was decided that the Corporation should not take this farm for another two years. As per agreement, the lease was terminated on 31-5-1972.

3.22. Asked whether in the opinion of the Ministry setting up a farm on a land taken on lease only for two years was economical, the Ministry stated in a reply after evidence that "the Ministry agree that the entire proposal of taking land for a period of two years was inadvisable."

It was also stated that the Corporation knew that the land had been reserved for railway colony at the time the farm was set up.

3.23. When asked about the loss suffered by the Corporation as a result of the closure of the farm it was stated that the Corporation had suffered a total loss of Rs. 46,477 in the two years in which this farm was operated.

3.24. The Committee regret to note that even though the facts that the land for Yamunanagar farm was available only for a period of two years and that the land was reserved for Railway Colony were known to the Corporation, the Corporation selected the land for establishment of this farm. Even after selection, the Committee find that the Corporation could not use the farm for growing seeds of potatoes for which it was intended, as most of the area was low lying with the result that the Corporation suffered a loss of Rs. 46,477. As admitted by the Ministry the entire proposal of taking land for a period of two years was inadvisable. The Committee are not happy about the unwise action on the part of the Corporation in having taken up this unsuitable land without going into the economics of the short term lease which resulted in a loss of Rs. 46,477. The Committee would like that the entire matter may be investigated and responsibility for selection of an unsuitable land by the Corporation fixed.

C. Area Brought under Cultivation

3.25. The following table indicates the acreage planned for cultivation and the area actually cultivated in the farms of the Corporation upto Rabi 1973—

(Figures in acres)

	Hempur Farm (1000 acres)		Nandikotkur Farm (500 acres)		Saini Farm (25 acres)	
	Planned	Actual	Planned	Actual	Planned	Actual
I	2	3	4	5	6	7
Rabi Summer 1969	814	565	309	184	..	..
Kharif 1969	793	407	307	280		
Rabi Summer 1970	742	742	260	260	..	..
Kharif Summer 1970	651	468	257	229	..	..
Rabi Summer 1971	741	722	301	228	..	
Kharif 1971 . . .	556	413	411	289	..	..
Rabi Summer 1972	733	767	264	266	..	..
Kharif 1972 . . .	623	455	354	304	..	..
Rabi Summer 1973	767	714	321	255	12	11.5

3.26. Asked as to what were the reasons for not bringing the entire area of the farm under cultivation, the Ministry in a reply after evidence, stated that under the Hempur Farm, an area of 940 acres was suitable for cultivation. In 1973-74, an area of 291 acres was brought under cultivation in Kharif season and 707 acres in Rabi/Rabi Summer Season. In the year (1974-75) 915 acres would be brought under cultivation. The terrain of the remaining area was very rugged and required considerable efforts in levelling and developing. However, efforts were already being made to bring the remaining area also under cultivation.

3.27. As regards Nandikotkur Farm, out of the cultivable area of 416 acres (in 1973-74) 341 acres was brought under cultivation in Kharif season and 226 acres under rabi/summer seasons. The Corporation stated that all the cultivable area had now been brought under cultivation.

3.28. The Committee desired to know the reasons for variations between the acreage planned for cultivation and the actual total area cultivated during Kharif 1970 to Rabi 1973. The Corporation stated that during Kharif season the implementation of the planned programme was dependent on behaviour of rains. As such, it became difficult sometimes to plant the entire area at the proper time.

3.29. Asked about the reasons for the shortfall in the acreage of NSC's Farms, the Corporation stated as under:—

NANDIKOTKUR FARM

- | | |
|------------------------------|---|
| (1) Kharif 1970 | Due to heavy rains causing floods. |
| (2) Rabi 1970-71 | Due to inadequate and late supply of foundation seeds and limitations of isolations. |
| (3) Kharif 1971-72 | Due to shortage of foundation seeds, limitations of isolations, early drought conditions, later heavy rains. |
| (4) Rabi 1971-72 | Due to diversion of certain programmes to other units, limitation of isolation and non-availability of breeder seeds in time. |
| (5) Kharif 1972 | Due to non-availability of breeder seeds in time, limitations of isolations, drought in early stages and heavy rains later. |
| (6) Rabi 1972-73 | Due to breaches in canal, frequent power break-downs and late receipt of breeder seeds. |
| (7) Kharif 1973 | Early drought with frequent power break-downs and later inundation of the farm were responsible for the shortfall in acreage. |

HEMPUR FARM

- | | |
|----------------------------|--|
| (1) Rabi 1970-71 | Due to excess rains. |
| (2) Kharif 1971 | Due to heavy rains and non-availability of seeds in time. |
| (3) Kharif 1972 | Due to drought conditions. |
| (4) Rabi 1972-73 | Due to non-availability of seeds in time. |
| (5) Kharif 1973 | Due to diversion of programmes to other units due to bad weather conditions. |
| (6) Rabi 1973-74 | Due to non-availability of seeds in time. |

3.30. From the above, it is noticed that among other reasons, non-availability of seeds in time, inadequate and late supply of foundation seeds and limitation of isolations were stated by the Corporation for shortfall in acreage of their Farms.

3.31. When the Committee enquired the reasons for non-availability of seeds in time or late supply of foundation seeds, the Managing Director stated during evidence that sometimes breeders' seed or the foundation seed was produced during Rabi season and that had to be planted in Kharif. It reached late with the result that the full area was not planted. When they got the breeders' seed it was required to have two multiplications in the same year. They had arrangements at Nandikotkur Farm. Even as a second crop in Rabi itself, they could multiply it but the time left between the multiplication during Rabi season, processing and then sending to the other Farm at Hempur was very short. Sometimes it got delayed. In respect of new varieties, they were able to multiply both in Rabi and Kharif seasons in Nandikotkur on account of favourable weather conditions. But when they multiplied during Rabi season and sent to Hempur Farm during Kharif season, the time lag was so short that sometimes it got delayed.

3.32. In this connection, the Corporation in a note after evidence added that the seed to be multiplied at the Farms was sometimes produced in the off-season at areas such as Bangalore and Srinagar. Moreover seed of the new varieties and the breeder seed was obtained from the concerned breeders and as such there was sometime delay in obtaining the requisite seed in time. However, for the area to be covered with the established varieties, steps had been taken to make the seed available to the Farms well in time. The main production programmes of the Farms was decided in the Regional Managers' Conference a couple of months before the planting season and accordingly the seed was moved at the Farms so that seed was available in time.

3.33. On being enquired as to how in view of the planned area being less than the overall area and the actual area being less than the planned area, the Management ensure the optimum utilisation of these farms, the Corporation stated that while planning the area to be planted they had to give margin for crop rotation and due to that reason they could not utilise the entire cultivable area in a particular season. After planning the area, due to adverse weather conditions they were not able to plant a particular crop or the crop failed in early stages due to adverse conditions in that particular season. After failure of that crop it was not possible to take up another crop in that season, and as such no better use could be made of available area. However, efforts were being made to put the optimum area in use. The possibilities of putting maximum area under cultivation in each season was being discussed in the

Regional Managers' Conferences where it was ensured that optimum utilisation of the farms was made and the programme was allotted accordingly.

3.34. The Committee note that the Corporation had occupied 746 acres of land in the first instance in the South Block of Hempur (UP) in 1964 after due inspection; but later after some work was done on its development and it was cultivated for two seasons, the Corporation found that there was drainage problem and gave up that farm in exchange for another farm of 1008 acres in the north block. The Committee cannot but conclude that the inspection made before occupying the farm in the south block was perfunctory as otherwise the problem in the area would have been detected before occupation of the farm and much of the expenditure on its development would have been avoided. The Committee, therefore, recommend that this matter should be thoroughly investigated and responsibility for the lapses fixed. The Committee hope that such mistakes will not recur in future and the Corporation will ensure that farms or lands, including those which might be offered by SFCI, will be selected with due care and after thorough inspection so that scarce resources and precious time are not wasted on lands not suitable for seed production.

3.35. The Committee find that though an area of 940 acres out of a total area of 1008 acres of land in the Hempur farm (UP) are cultivable, not more than 767 acres have been brought under cultivation by the Corporation in any season for the production of seeds. The Committee were informed that the Corporation would be bringing 915 acres under cultivation in the year 1974-75.

Similarly out of 500 acres of land at Nandikotkur Farm 416 acres are available for cultivation. Not more than 341 acres were, however, actually brought under cultivation till 1973-74. The Committee were informed that the entire cultivable area was, however, brought under cultivation during the current year. In the Sainj farm only 11.5 acres out of a total area of 25 acres have been brought under cultivation.

The Committee note with regret that while on the one hand the Corporation has been complaining of lack of adequate land for seed cultivation, on the other hand, it has not been able to make full use of the entire cultivable area already available in its own farms still last year.

The Committee were informed that land levelling for 160 acres in Hempur and 40 acres in Nandikotkur still remained to be com-

pleted and a project has been prepared for developing Hempur as a model farm.

The Committee recommend that the Corporation should lose no time to determine the areas which can be developed and take immediate steps to bring under cultivation all the cultivable area of the farms without any further delay in the interest of developing and making available foundation/certified seeds in time.

D. Production Performance

3.36. The production of foundation seeds including that in the Corporation's own farms during 1970-71 to 1973-74 has been as under—

Crops	Production			
	1970-71	1971-72	1972-73	*1973-74
			(in quintals)	
(1) Cereals . . .	7,618.00	10,407.00	15,729	46,042.00.
(2) Fibre Crops . . .	230.00	408.50	95	177.00
(3) Fodder Crops . . .	55.00	261.00	189	54.00
(4) Oilseeds . . .	305.00	806.00	496	79.00
(5) Pulses . . .	15.16	197.50	504	162.00
(6) Potato . . .	23,461.00	28,004.00	22,698	10,009.00
(7) Vegetables (*estimated)	236.75	137.00	424	308.00

3.37. From the above, it is observed that there had been fluctuations in the production of seeds at the farms during the period from 1970-71 to 1973-74. The Corporation stated in a reply furnished after evidence that agriculture production in general and seed production in particular were subject to "vagaries of weather." Excessive or deficit rains at particular stage had an adverse effect on yield of certified seeds.

In addition the following reasons were furnished for the fluctuating production in NSC's own farms:—

- (i) Hempur & Sainj farms are not fully developed as yet in terms of fine grading of land into rated irrigation and drainage system.
- (ii) The pre-release multiplication of new varieties is arranged at NSC farms but the performance of certain varieties:

is not very good under the agro-climatic conditions existing on our farms.

- (iii) It is often necessary to purify the seed of new varieties during 1st multiplications and thus some yield is lost due to severe roguing.
- (iv) Some of the seed sown at NSC farms is obtained from the breeder or it may have to be brought from a distant area out of off season multiplication. In spite of best efforts the seed is some times received late. In the national interest NSC tries to multiply the seed of such varieties instead of losing a season/year.
- (v) Incidence of pests/diseases in an epidemic form results in larger rejection during processing.

It may be stated that production per unit area, apart from the quality of the foundation seed produced at NSC farms, is a major objective. Therefore, rigorous roguing, wide planting are followed for quality seed production. This in turn depresses the yield to varying extents."

3.38. The relevant data relating to the multiplication of foundation seeds at NSC farms as well as outside agencies during 1963-64 to 1973-74 is as under:—

Year	(In Quintals)			Percentage
	Production at NSC Farms	Production through outside agencies	Total	
1963-64	171.00	133.00	304.00	56.2%
1964-65	423.00	3.00	426.00	99.3%
1965-66	1,520.00	669.00	2,189.00	69.4%
1966-67	2,491.00	4,709.00	7,200.00	34.6%
1967-68	2,413.00	28,184.00	30,597.00	7.9%
1968-69	4,681.00	13,326.00	18,007.00	26%
1969-70	4,674.48	18,412.00	23,086.48	20.25%
1970-71	6,970.46	24,719.85	31,690.31	22.00%
1971-72	11,568.54	28,651.61	40,220.15	28.76%
1972-73	8,724.70	31,411.30	40,136.00	21.7%
1973-74	7,635.00	42,862.00	50,497.00	15.10%

3.39. It will be seen that the production of foundation seeds in the Corporation's own farms which was 56.2 percent in 1963-64 went up to 99.3 percent. in 1964-65 but gradually came down to 7.9 percent. in 1967-68. Again it rose to 26 percent. and 28 percent. during 1966-69 and 1971-72 but came down to 20 per cent and 15 per cent in 1969-70 and 1973-74 respectively. This would indicate that a major portion of the total quantity of foundation seeds produced by the Corporation during the years 1966-67 to 1973-74 was arranged through outside agencies.

3.40. Asked about the reasons for shortfall in production at NSC farms, the Managing Director stated that there were not adequate irrigation facilities. It depended partly on rainfall. When there was poor rainfall, the yield went down in that farm and as such the production in their farms was less in order to meet the full demand, they had multiplied seed through other agencies.

3.41. On an enquiry whether Government had critically examined the reasons for shortfall in production and had advised the Corporation in this direction, the Ministry stated that the Government had not separately conducted any special examination to find out the reasons for shortfall in production in the NSC's farms. Nor had the Government given any specific directions or advice to the Corporation for improvement in the production operations of the farms. The Government are represented in the Board of Directors and the Government nominees looked into the reasons for shortfall when the Board considered the achievements from season to season. The quarterly financial reports of the Corporation were reviewed by the Secretary, Department of Agriculture when the performance in terms of physical targets was also looked into.

3.42. Asked whether Government made a study of the production trends and economics of the production of foundation seeds in NSC's farms vis-a-vis other farms run by Central or State Government, the Ministry stated that the Government had made no study of the production trends and economics of the production of foundation seeds on the farms of the Corporation as compared to the production on the farms of the Central or State Governments or Agricultural Universities. A comparative analysis would however, be taken up for the future.

The Government had generally taken the view that the Corporation should produce foundation seeds first on its own farms and then on the farms of Agricultural Universities or State Departments of Agriculture. Only when these facilities were not adequate, resort

might be made to organising foundation seed production programmes on the basis of contract growing with private producers. Recently it was decided to utilise the facilities of land available in the farms under the SFCI for organising foundation seed programmes.

3.43. The Committee note that there has been fluctuations in the production of seeds at the farms of the NSC which are stated to be due to "vagaries of weather and a variety of other reasons including lack of irrigation facilities and proper drainage system, late arrival of breeder seeds, incidence of pests and diseases." The Committee feel since the exchange of originally selected farm in the South Block of Hempur (UP) with the farm in North Block in 1965, there should have been no problem of drainage system in the NSC farms and this reason for shortfall should not have been advanced now. The Committee cannot but express dismay over the fact that NSC has not been able to procure breeders in time for its foundation seeds programme. The lack of irrigation and incidence of pests/diseases are not matters which if efforts were made in time should be beyond the ingenuity and resources of NSC which has developed expertise through the years.

The Committee are of the opinion that the factors hampering production of seeds at NSC farms should be critically analysed and suitable remedial action taken in time so as not to affect the production of seeds adversely. The Committee would like to be informed of action taken and the progress made in the matter.

E. Seed Review Team

3.44. The seed Review Team appointed by the Government in 1966 observed that in order to reduce the risk of leakage of foundation seeds in an unauthorised manner "the foundation seed should normally be produced in farms owned by Government or quasi-Government institutions".

3.45. The Committee desired to know the action taken by the Corporation in view of the aforesaid recommendation of the Seed Review Team. It was stated that the efforts of the Corporation were always to arrange production of foundation seeds through Government and quasi-Government institutions provided they had suitable facilities for this purpose. The question of opening new farms of its own was under consideration. In the meanwhile, the Corporation was going ahead with the arrangements for collaborating with the SFCI farms for undertaking the production of foundation seeds to the extent possible.

3.46. In this connection, the Ministry in a note after evidence stated that stress was being laid on the working arrangements to be made by the National Seeds Corporation for raising foundation seeds on the farms of SFCI or the Agricultural Universities. The activities in this regard were intended to be intensified so that dependence on contract growers for raising foundation seeds was reduced.

A beginning had been made in this direction and in Rabi 1974-75 the Corporation had organised the foundation seed production on the farms of SFCI. It was also proposed to increase largely the extent of contract growing on the farms of SFCI. The Corporation had also organised foundation seed production of Sunflower seeds on the farms of the Mahatma Phule Krishi Vidhya Peeth, Rahuri. Foundation seed production was also organised on the farms of U.P. Agricultural University.

3.47. The National Commission on Agriculture submitted an interim report on multiplication and distribution of quality seeds of high yield varieties and hybrids of cereals in November, 1971. Among other recommendations, the Commission made the following observations/recommendations:—

“Sr. No. 5:

There should not be any single agency in the production of foundation seed. In respect of varieties of all India importance, the National Seeds Corporation should be major agency for production and distribution of foundation seeds. The NSC should involve in the production of foundation seed, all agriculture universities, state farms and other institutions, which are in a position to coordinate performance and quality.”

“Sr. No. 6:

Production of foundation seeds of local variety should be the responsibility of State Governments which should specifically nominate or create one or more institutional agencies for this purpose. Even so, the NSC as a primary all India foundation seed agency, must play an overall leading role in developing seed industry as a whole in the country”.

3.48. While examining the aforesaid report submitted by the N.C.A. the Ministry of Agriculture made (September, 1972) the

following comments on the aforesaid recommendations:—

“The recommendations follows more or less the view expressed by the Seed Review Team which had been accepted by the Government of India.”

3.49. The Working Group appointed by the Government of India in July, 1963, for the formulation of the Fourth Five Year Plan proposals on improved seeds estimated that about 10,000 acres of land would be required for the production of foundation seed and that the existing Central|State farms and the farms set up by the Agricultural Universities should be utilised therefor.

3.50. Against the estimate of 10,000 acres framed by the Working Group for cultivation of foundation seeds during the Fourth Plan, the acreage actually cultivated by each agency including the Corporation is stated to be as under:—

Year	NSC Farms	Other Farms (Figures in acres)	TOTAL
1969-70	1170	1348	2518
1970-71	1975	694	2669
1971-72	2000	1490	2490
1972-73	1740	3070	4810
1973-74 (estimated)	1546	5990	7536

3.51. In November, 1968, the Ministry advised the State Governments and the Corporation that the facilities available at the five large mechanised farms at Suratgarh and Jetsar in Rajasthan, Ralchur in Mysore, Hissar in Haryana and Jullundur in Punjab (since taken over by the State Farms Corporation of India) and the farms set up by the Agricultural Universities should be taken into account before finalising the arrangements for seed production. This was necessary to ensure optimum utilisation of these farms at the same time avoiding excess production of seeds. Moreover, these farms were considered to be in a better position to ensure production of quality seeds on account of their greater resources by way of equipment, machinery and availability of expert technical supervision.

3.52. It has been pointed out by Audit that no records had been produced to indicate the production of seeds arranged by the Corporation separately from the Central Farms, Agricultural Universities and private growers. The extent to which the facilities

available with these farms had actually been utilised could not therefore, be indicated. In May, 1970, the Management gave a number of reasons for not arranging the production of seeds in the Central farms. In reply to a reference made by Audit (August, 1970) the State Farms Corporation of India Limited had, however, refuted all the reasons given by the Corporation.

3.53. The Ministry had stated (May, 1971) that "Government of India has looked into this in a preliminary way and will be taking steps to sort out these difficulties."

3.54. On being asked by the Committee as to whether Government had investigated the matter in detail and if so, the outcome of their investigations, the Ministry in a note after evidence state:

"The difficulties faced by both the NSC and the SFCI in arranging the production of seeds in the State farms were looked into by the Ministry. In order to secure co-ordination and collaboration between the activities of the two public enterprises in the matter of seed production, the Government have set up a Coordination Committee under the Chairmanship of Secretary, Department of Agriculture. It has been decided that the NSC would utilise the facilities available under the SFCI for organising foundation seed production programmes. Though at present the programme is very small, it is the intention that in course of time larger programmes should be organised by the NSC on the farms of SFCI. It has also been decided that the SFCI will get the seed produced by them certified over a period of years."

3.55. To an enquiry as to how Government ensured that targets laid down for the acreage, yield and production in the various plans were fulfilled when multifarious agencies were involved in the matter of production of foundation/certified seeds, the Ministry in a reply after evidence stated that no specific targets had been laid down for seed production programmes in the plans, much less the area under seed production. The Ministry of Agriculture, however, had introduced a system of detailed review of assessing the seed requirements and seed production programmes in advance twice in a year with the representatives of the State Governments and the All India Seed Producing Organisations. An effort was made to cast specific responsibilities on the various seed producers for production of the required quantities of foundation and certified seeds. In addition, the Government of India in their resolution F. 7-40/74-SD dated

25|26-9-1974 of the Ministry of Agriculture set up a Central Coordination Committee under the Chairmanship of Director General, ICAR, for streamlining the procedures for production of breeder| nucleus foundation seeds of different crops and also for foundation seeds.

3.56. Although the Seed Review Team appointed by Government in 1966 observed that, in order to reduce the risks of leakage of foundation seeds in an unauthorised manner foundation seeds should be actually produced in farms owned by Government or Quasi-Government agencies the Committee find that the production of foundation seeds at the farms of the NSC as compared to the production at the farms of other agencies has come down from 99.3 per cent in 1964-65 to 15.10 per cent in 1973-74, thus indicating that a major portion of the total quantity of foundation seeds produced by Corporation during 1966-67 to 1973-74 was arranged through outside agencies.

The Committee are surprised to note that in spite of this shortage in production in NSC farms, the Government had neither conducted any special examination to find out the reasons for the shortfall in production at the NSC farms, nor have they made any comparative study of production trends and economics of production of foundation seeds at the farms of the Corporation vis-a-vis the production on the farms of the Central or State Governments or Agricultural Universities.

The Committee were informed that recently a decision was taken to utilise the facilities of land available in the farms under SFCI for organising foundation seed programmes and a beginning has been made in this direction in Rabi 1974-75. The Corporation had also organised foundation seed production in the farms of U.P. Agricultural University.

The Committee would like that, as suggested by the National Commission on Agriculture, the NSC should become a major agency for the production and distribution of foundation seeds of all India importance and should play an overall leading role in developing seed industry as a whole in the country. The Committee recommend that, in order to maintain high quality in foundation seeds, the Corporation should utilise its own farms and under its own supervision the farms of the State Farms Corporation of India and those of Agriculture Universities and State Departments of Agriculture more and more for the production of foundation seeds and eliminate organising production of foundation seeds through the agency of private producers.

3.56A. The Committee would also like to the Government to keep a regular watch on the production trends at the farms of the Corporation and take timely measures to arrest any decline in the production of seeds at the Corporation's farms as soon as it comes to their notice.

3.57. The Committee also recommend that the Government should undertake a comparative study of the production trends and economics of production of foundation seeds at the farms of the Corporation and those of other Government and Quasi-Government agencies at the Centre and in the States with a view to improve cultivation and production of foundation seeds at economic cost.

3.58. The Committee regret to note that though the Working Group appointed by the Government of India in July, 1963 for the formulation of the Fourth Five Year Plan proposals on improved seeds estimated that about 10,000 acres of land would be required for the production of foundation seed, the acreage actually utilised was very much less and ranged between 2518 acres in 1969-70 to 7536 acres in 1973-74. The Committee were informed that no specific targets were laid down by Government for seed production programmes in the plans much less for the area under seed production and there was only a system of review of assessing the seed requirements and seed production programmes in advance twice in a year and an effort was made to cast specific responsibilities on the various seed producers.

The Committee also understand that no record had been produced to Audit to indicate production of seeds arranged by the Corporation separately from the Central Farms, Agriculture Universities and private growers. The Committee fail to appreciate how in absence of specific targets and records to indicate production of seeds, it is possible for the Corporation to assess the specific responsibility cast on the various seed producing agencies and work out the extent to which facilities available with the farmers had actually been utilised. The Committee were informed that in order to secure coordination between the activities of the two public sector enterprises, SFCI and NSC, in the matter of seed production, Government have set up a coordinating Committee under the Chairmanship of the Secretary, Department of Agriculture and it is the intention that larger programmes would be organised in the farms of SFCI. The Committee were also informed that Government of India have, after considering the recommendations of the Seed Review Team and the National Commission on Agriculture decided

to set up a high level Coordination Committee under the Chairmanship of Director General, ICAB to ensure that the seed production programmes are organised on a sound footing so that it may be possible to ensure quality seeds being available to the farmers.

The Committee hope that with the assistance of those Committees it should be possible to effect greater coordination between the SFCI and NSC in the production of foundation seed and streamline the production of breeder/nucleus foundation seeds of different crops and to ensure quality seeds being made available to the farmers in time.

F. Rose Production

3.59. It has been stated by the Corporation in their annual report for 1972-73 that in the field of rose production, the Corporation multiplied and distributed 40,000 plants of root stocks of a new variety and also supplied 500 budded plants of export varieties to various rose growers including Government Research Stations and Agricultural Universities.

3.60. In a reply after evidence, it was stated by the Corporation that the approximate total investment was Rs. 8,000/-, turnover during 1972-73 Rs. 22,000/- and gross profit Rs. 14,000/-. The gross profit included the overhead charges (staff, publicity etc.).

3.61. Asked whether the proposal to grow roses at Hempur Farm was placed before the Board, the Corporation stated that as it was a very small programme requiring investment of Rs. 8,000/- it was not placed before the Board of Directors for formal approval. However, the scheme was approved by the Management on the recommendations of State Trading Corporation and I.A.R.I. keeping in view the export potential. The decision was ratified by the Production Sub-Committee of the Board at their meeting held on 15-11-1971 when it was observed that "there is a potential export market for rose flowers. Increasing attention should be paid towards development of this programme by supplying the stock and plants to rose growers."

3.62. In this connection the representative of the Ministry stated during evidence that the question of growing of rose seeds arose because number of rose growers who were having export business wanted reliable root material and since the cultivation of roses was within the objectives of the Corporation and the total magnitude of this was small, it was felt that it would not interfere with their main objectives of growing seeds for cereals, foodgrains and other cash crops.

3.63. The Secretary, Department of Agriculture further added that:—

“I do agree straightaway that the production of planting material for high quality roses could never have been a priority item for a seed producing organisation set up by the Agriculture Ministry. In extenuation of what the NSC did, all that I can submit is that the size of the operation was not large. I do not think they continued it very long.”

3.64. The Committee note that the Corporation during 1972-73 multiplied and distributed 40,000 plants of root stocks of a new variety of rose and also supplied 500 budded plants of export varieties to various rose growers on the recommendation of the State Trading Corporation and I.A.R.I. It was stated that being a small programme requiring an investment of Rs. 8,000-, it was not placed before the Board of Directors for formal approval but was approved by the Production sub-Committee of the Board.

Even though the rose production was stated to be well within the objectives of the Corporation, the Committee feel that, as agreed by the Secretary of the Ministry during evidence “...production of planting material for high quality roses could never have been a priority item for a seed producing organisation, set up by the Agriculture Ministry.” The Committee recommend that the Corporation should concentrate more on the main objective of development and multiplication of quality seeds and meet the demands of quality seeds in the country rather than dissipate its energy on such programmes as rose production.

IV

CERTIFICATION SERVICES

A. Seed Certification Agencies

4.1. The seed is different from grain only if certain qualities which are important from the point of view of genetic purity are preserved carefully. The essence of any seed programme, therefore, lies in quality control. There are various methods of controlling the quality of seeds and chief among these are (a) seed certification including certification of germination and (b) seed law enforcement. The term 'seed certification' refers to certification of seed primarily for genetic purity, prescribed standard of germination, freedom from weeds and excessive moisture, etc. Seed certification requires the inspection of field crops to ensure that the minimum standards of genetic purity are maintained.

4.2. One of the objectives of the Corporation is to undertake by inspections, and by other means, seed quality control measures in all phases of seed business carried on by, on behalf of or in co-operation with the Corporation.

4.3. The Corporation is certifying not only the seeds produced by the producers who market their own produce but also the seeds produced by it on its own farms as well as the seeds produced by the growers from whom the Corporation procures the entire produce for further also.

4.4. Although under the Memorandum of Association, the Corporation is empowered to certify its own seeds this is a departure from the well accepted principle that the certification should be done by an independent body and that no organisation should certify the seed produced by itself. This principle has been upheld by the Seed Review Team appointed by the Central Government in 1966. The Team expressed the opinion (1968) that "the first requisite for a certification agency is that it should be independent from the agency producing or selling the seeds on the one hand and from the agency enforcing the Seed Act on the other". The Team further recommended that the certification agency should be set up as Boards constituted in different States. "These Boards should have

representatives of seed growers, seed trade, scientists, agricultural universities, Department of Agriculture and the farmers."

4.5. Asked as to the steps taken to have an independent Certifying Agency, the Managing Director stated during evidence that:

"It is not within our hands, we would like to be relieved of the seed certification. It is a promotional work. We would like this work to be taken over by the State Governments, as early as possible."

He added that:

"This was being constantly taken up by the Government of India with concerned State Governments that they should set up independent seed certifying agencies. But the States, which are unable to do that themselves, appoint us as the certifying agency. Once they appoint us, we have to take up that work."

4.6. On an enquiry whether NSC was the producer of foundation seeds and as well as certifying authority, the Managing Director admitted that this was the position in some of the States.

4.7. When the Committee pointed out whether the NSC was producer, certifying authority and also seller, the Managing Director, stated "that is right, but certification is being done gradually by State Governments."

4.8. In regard to the recommendation of Seed Review Team regarding the independent certifying agency the Committee were informed that:—

"...the Corporation is in agreement in principle with the recommendation of the Seed Review Team that the certification agency should be independent of the agencies producing or selling the seeds. The Corporation is, therefore, submitting seeds produced and sold by it to the State seed certification agencies wherever they have been established."

4.9. In this connection the Ministry stated that Government had also accepted this recommendation of the Seed Review Team and had already advised the State Governments to set-up independent Seed Certification Agencies and the matter was being pursued.

4.10. In this connection, the Managing Director of the Corporation stated that the certification work was being passed on to the State agencies and they were supposed to establish independent seeds agencies within the State for certification work. In other States where they had not been able to establish such agencies, the National Seed Corporation was continuing to act as a certification agency.

4.11. According to the Seed Act, 1966 (No. 54 of 1966) which came into force with effect from 1st October, 1969, each State Government or the Central Government in consultation with the State Government was required to establish a certification agency under the Act. Accordingly, the Ministry of Agriculture in their circular letter dated the 16th January, 1969 requested all the State Governments and Union Territories to initiate action to set up the certification agencies in their States as it would not be possible for the National Seeds Corporation Limited to continue the certification work beyond 31st March, 1970. On account of the inability expressed by some of the State Governments to take over this work by 31st March, 1970, the Central Governments in their letter dated the 1st April, 1969 asked all the State Governments and Union Territories either to set up their own certification agencies or to notify the National Seeds Corporation Ltd. as their Certification agency on a long term basis. Most of the State Governments had nominated the Corporation as their certification agency for the period beyond 31-3-70. So far Maharashtra, Gujarat, Andhra Pradesh, Karnataka, Kerala, West Bengal and Tamil Nadu had set up their own certification agencies. The other State Governments, had nominated NSC as certification agency.

4.12. Regarding nomination of NSC as the State Agency in each State, the Ministry stated that—the Seed Act was amended in 1972 to provide for the establishment of a Central Seeds Certification Board whose main function would be to advise the Central Government in matters relating to seeds certification and to coordinate the functions of the various seed certification agencies. This Board had not yet been set up because it could become effective only after establishment of agencies for seed certification in the various States on the pattern recommended by the Seed Review Team.

4.13. Asked as to how far the seed certification by the States had been helpful in achieving the objectives of the NSC in the matter of seed certification, the Corporation stated that most of the States had undertaken this work recently and it would, therefore, be difficult to say with any degree of certainty that their establishments had been helpful in achieving the objectives. In most of the States

NSC was continuing to maintain the same level of inspections with a view to ensuring that NSC produced seeds retain the same standards of quality for which it had established its name.

4.14. In regard to suggestion whether NSC should have a Central Seed Certification Agency instead of allowing the individual States to set up their own seed certification within the Agriculture Department, the Corporation stated that:—

“In view of the complications arising out of multiplicity of certification agencies and the need to ensure uniform enforcement of the certification standards, we feel that a Central Certification Agency would be desirable.”

4.15. In this connection the Secretary, Department of Agriculture, however, stated during evidence:—

“We do not agree with that because the matter was obviously considered fully by the Parliament itself while enacting the Seed Act and Seed Act does not envisage one single certification Agency for the whole country. There ought to be an independent seed certification agency specifically for the different areas. But, for the time being, NSC is functioning as the certifying agency for those States that do not have adequate arrangements for certification all right. But, otherwise, it is very difficult. There is another problem. NSC itself is one of the major seed producers and the certifying agency at least in theory, ought to be a neutral body which should not be suspected of having any bias either towards the seed producer or against the seed producer.....At the initial stages when the seed certification agencies did not exist, we started one. And then, some States have set up their own seed certification agencies. Of course, formal compliance with the requirements of seed law by just designating anybody as seed inspector, is not enough. For that reason, the technical advice and the administrative opinion of the Ministry of Agriculture is that there should be a number of seed certifying agencies in different parts of the country. There may be a central agency to have some kind of a supervisory role or to look to complaints and disputes, if they arise.”

4.16. The Committee enquired as to the steps taken by the Corporation to enforce the provisions of Seed Act. The Corporation stated that the responsibility for enforcement of Seed Act was with

all, the State Governments, and they were taking necessary steps in consultation with the Ministry.

4.17. Asked as to how the Government ensured that the enforcement of Seed Act was fully implemented by each State, the Ministry stated that the enforcement of seed law had not made much progress because mainly of non-establishment of separate seed law enforcement machinery. It was expected that with the Central assistance envisaged now under the scheme in the Fifth Plan for quality control of inputs, the State Governments would be establishing separate seed law enforcement machinery and take effective steps for implementation of the various provisions of the Act.

B. Expenditure on Certification

4.18. The Corporation started the inspection and certification work in respect of hybrid varieties in 1963. These services were later on extended to other crops as well. The certification services are rendered by the Corporation both to the seed growers from whom it procures the entire produce conforming to the prescribed standard of germination, etc. as well as to the seed producers who market their own produce, on payment of prescribed inspection fee.

4.19. In 1963, the Corporation fixed a rate of Rs. 10 per acre as inspection fee for the hybrid varieties of maize, bajra and sorghum. This rate was increased in May, 1966, to Rs. 25 per acre.

4.20. When the profit and loss account in respect of certification services for the year 1963-64 (July, 1963 to March, 1964) indicating a loss of Rs. 38,824 was placed before the Board of Directors in December, 1964, it was decided that the certification being a promotional activity should continue to be done by the Corporation even at loss and that such losses should be made up by profits on other commercial operations. No separate accounts indicating the working results of these services have, however, been maintained by the Corporation. While considering the annual accounts of the Corporation for the year 1968-69 indicating a loss of Rs. 25 lakhs, the Board of Directors desired in November, 1969 that the inspection fee rates should also be reviewed to find out if there was scope for increasing the income from this source. Accordingly, an exercise was made by the Corporation in January, 1970 which indicated that the actual expenditure

per acre incurred on these services was much more than the inspection fee rates, as detailed below:—

	Actual expenditure per acre	Inspection fee per acre
(i) Maize, Jowar and Bajra	30.58	25.00
(ii) Paddy, Wheat, Jute, Groundnut, Berseem, Soyabean etc.	22.87	10.00
(iii) Vegetables etc.	76.05	10.00

4.21. On the basis of the above data, the under recovery made by the Corporation on this activity worked out to Rs. 22.83 lakhs during 1964-65 to 1968-69; the actual expenditure incurred during 1964-65 to 1967-68 had not been worked out by the Corporation.

4.22. The inspection fee rates were revised by the Corporation as follows with effect from 1st January, 1970:—

	Existing rates per acre	Revised rates per acre
(i) Maize, Jowar and Bajra	25	30
(ii) Paddy, wheat, Jute, groundnut, Berseem, Soyabean, etc.	10	20
(iii) Vegetables, etc.	10	

4.23. It would be seen that even the revised rates were lower than the actual expenditure, particularly, in the case of vegetables, etc. where the gap was Rs. 46.05 per acre. The rates were not increased further for the following reasons:—

“.....in the past the rates were very low and a very sudden rise was likely to cause unnecessary consternation and alarm. Again specially in case of vegetables the entire programme is being taken up on grower basis where the Corporation itself procures the entire produce. Thus what we loose on inspection fee we can build into the price for the procured material.”

4.24. On an enquiry about the actual expenditure per acre incurred by the Corporation during 1969-70 to 1973-74 in carrying out inspection and how it compared with the inspection fee revised in Jan-

uary, 1970, the Corporation stated that the actual expenditure had not been separately booked for certification. However, the estimates were prepared and the information was stated to be as under:—

(In Rupees Acre)

Crop	Actual expenditure Dec. 1969	Rates as from I.I.70 (per acre)	Actual expenditure Jan. 72	Actual expenditure March 74
Hybrids . . .	30.20	30.00	39.00	53.17
Self-Pollinated . . .	22.30	20.00	30.48	40.92
Vegetables . . .	75.40	30.00	95.90	122.89

4.25. The Committee desired to know the Government's views regarding the certification services by NSC as promotional activities and enquired whether it was not desirable to assess the working results of these services for a proper appreciation of the performance of the Corporation. The Ministry stated that the Government considered certification services by the NSC as a promotional activity. The certification services could become self-supporting only if the area under certification was very large which, in turn was related to the acceptance by the farmers of only certified seeds. There must be a conscious process of education in encouraging the farmer to use certified seed.

On the basis of the present assessment of the NSC in the role of certification agency, the Ministry added that the NSC had not been recovering in full the cost of certification through the inspection fee charged by them. However, as stated earlier, this was a promotional activity and not a commercial one.

4.26. The Committee note that the Corporation is certifying not only the seeds produced by the producers who market their own produce but also the seeds produced by it at its own firms as well as the seeds produced by its contract-growers. The Committee also note that the Seeds Review Team appointed in 1966 had expressed in 1968 that "the first requisite for a certification agency is that it should be independent from the agency producing or selling the seeds on the one hand and from the agency enforcing the Seed Act on the other." The Team also recommended that the Certification Agency should be set up as Boards constituted in different States consisting of representatives of seed growers, seed trade, scientists, farmers etc.

Although these recommendations of Seed Review Team had been accepted by Government as far back as 1969, the Committee regret to note that no effective steps have so far been taken to set up an independent certification agency and the NSC which is a producer and seller of seeds is still continuing as a certifying agency. The Secretary of the Ministry has admitted during evidence that "NSC itself is one of the major seed producers and the certifying agency, at least in theory, ought to be a neutral body which should not be suspected of having any bias either towards the seed producer or against the seed producer."

4.27. The Committee recommend that it is time that Government should consider setting up an independent agency for certification of the Seeds produced by NSC so that certification by such an independent agency may inspire confidence in the minds of farmers about the genetic purity, prescribed standards of germination etc. which are expected of the certified seeds of the NSC.

4.28. The Committee regret to note that, though the Government of India had advised the State Governments as early as in January, 1970 to initiate action to set up independent certification agencies in their States, except Maharashtra, Gujarat, Andhra Pradesh, Karnataka, Kerala, West Bengal and Tamil Nadu who had set up their own certifying agencies, the others have nominated NSC as certification agency and thus NSC is filling the gap in those States for the purpose.

4.29. The Committee were informed that enforcement of provisions of Seed Act have not progressed much because of non-establishment of separate seed law enforcement machinery in the States. It was expected that with the assistance now envisaged in the 5th Plan, the State Governments would be establishing separate Seed Act machinery and take effective steps for implementation of the provisions of the Seed Act. The Committee urge that Ministry should pursue this matter in all earnestness with the State Governments and ensure that the provisions of the Seed Act are enforced both in letter and spirit and the State Government establish their own certification agencies wherever not done without any delay.

4.30. The Committee also regret to note that although the Seed Act was amended as early as 1972 to provide for the establishment of Central Certification Board, such a Board has not been established even after 3 years. The Committee are informed that such a Board could be effective only after establishment of agencies for seeds certification in the various States on the pattern recommended by the Seeds Review Team. The Committee are not able to accept the reasons for non-establishment of such a Board when already six States have established their own certification agencies. The

Committee, therefore, recommend that the Ministry should take immediate steps for the implementation of the Seed Act and set up Central Seeds Certification Board as envisaged therein in order to coordinate functioning of the agencies established by the State Governments and to ensure uniformity in the matter of certification.

4.31. The Committee note that certification services are rendered by the National Seeds Corporation on payment of prescribed inspection fees. For this purpose, the Corporation had fixed a rate of Rs. 10 per acre as inspection fee in 1963 for the hybrid varieties of maize, bajra and sorghum. This rate was revised in May, 1966 to Rs. 25/- per acre. The Committee regret to point out that although the profit-loss accounts in respect of certification services for 1963-64 indicated a loss of Rs. 38,824 the Corporation decided to continue to do the certification work even at a loss on the consideration that it was a promotional activity and such loss should be made up by profits on other commercial operations.

4.32. The Committee also note that as a result of an exercise done by NSC in 1970 the actual expenditure per acre was found much more than the inspection fee recovered resulting in an under-recovery of about Rs. 23 lakhs during 1964-65 to 1968-69. Although the inspection fee was revised w.e.f. 1-1-1970, even the revised rates were more than the actual expenditure particularly in the case of vegetables, where the actual expenditure was more than five times the inspection fee recovered.

The Committee do not share the view of the Corporation/Ministry that the certification work is a promotional activity and the loss on this account should be made up by profits on other commercial operation. The Committee feel that such a course will only indirectly burden the consumers at the cost of the exchequer.

4.33. The Committee need, therefore, hardly emphasise the necessity for a proper accounting and review of the expenses on certification with a view to identify areas where expenditure has been particularly very high. The Committee recommend that for this purpose it is essential that Corporation should maintain separate accounts of certification expenditure and Corporation/Government should critically analyse the reasons for the wide variations of the actual expenditure per acre of inspection and the fee recovered therefore, with a view to effecting economy in the expenditure.

The Committee also recommend that Government should fix standard norms for inspection and certification after examining the financial implications thereof and keeping in view the cost of staff employed and overheads.

PROCESSING UNITS

A. Processing Units

5.1. An essential part of the certification programme is seed processing. To ensure viability and to enhance the keeping qualities it is necessary to process the seeds scientifically before storage. This service was previously rendered by the Corporation in its 26 processing plants (till 1968-69) located at various places in the country.

5.2. The Corporation had not maintained accounts to show the working results of each processing unit. At the instance of the Board of Directors (May, 1969), the economics of working of these plants during 1968-69 was assessed by the Corporation which indicated that a profit of Rs. 3.38 lakhs was made in 11 plants and a loss of Rs. 2.29 lakhs incurred in 14 plants; the working results in respect of one plant were not available.

5.3. It was stated that seed processing facilities matching with the production targets were provided on All India basis. Processing plants had been established at different locations belonging to NSC under the control of regional offices.

5.4. The location of a processing Plant is decided by the Corporation taking into account the production area and its potential for future expansion. For an economically viable processing unit, a minimum of 7,000 quintals of seeds should be available annually for processing. Initially, the processing plants were set up in hired buildings. With the stabilisation of production in a particular area, the improvised processing plants were converted into permanent establishments. At present (as on 30-6-74), the Corporation was having 31 processing plants, 10 permanent and 21 improvised processing plants (vide statement in appendix I.) It was added that the process of conversion of improvised plants into the permanent establishment was a continuous one and was carried out from time to time according to needs.

In a written reply after evidence it was stated that the location of the existing plants satisfied the criteria for the plants and all the processing plants were being utilised satisfactorily.

5.5. As regards working results of the plants, the position during 1970-71 and 1971-72 was stated to be as under:—

Year	Total No. of Units	(Amount in lakhs)			
		Units running in profit		No. of units running in loss	
		No.	Amount	No.	Amount
1970-71	28	17	3.86	11	1.61
1971-72	29	19	7.79	10	0.82

From 1972-73, the Corporation switched over to the policy of procurement of cleaned seeds, and since the cost of processing was being borne by the Corporation and was not being recovered from the growers. However, while taxing the procurement prices, the element of processing cost was taken into account.

The Committee desired to know whether it would not be desirable to assess the operating results of each of the processing plants with a view to finding out the adequacy or otherwise of the processing charges taken into account in determining the procurement price. The Corporation stated that since the element of processing cost was taken into account while switching over to the new system of procurement prices in 1972-73 and the cost of processing was taken by the Corporation as part of its overheads, no working results were prepared by the Corporation. Moreover, it did not contemplate any income.

5.6. The Committee desired to know whether the Management investigated the reasons for the losses incurred by a number of processing plants. The Corporation stated in a written reply that the loss was incurred in the working of certain processing plants because of the imbalance in the seasonal production of seeds. As and when reduction in the level of production was anticipated, the equipment in the processing plant was shifted to different locations to enable optimum utilisation of the available equipment.

5.7. The Committee note that the Corporation had been running 31 processing units located at various States in the country to process the seeds scientifically before certification. The Committee also note that out of 28 plants, 11 processing units had suffered loss of Rs. 1.61 lakhs during 1970-71 and out of 29 units, 10 processing units had suffered a loss of Rs. 0.82 lakhs during 1971-72.

The Committee are informed that from 1972-73 when the Corporation switched over to the new system of procurement prices the working results of the individual units were not maintained as the Corporation did not contemplate any income from these units and the cost of processing was borne by the Corporation as a part of its overheads and not recovered from the growers.

The Committee feel that even if the cost of processing was not to be recovered from the growers and it was to be borne by the Corporation as part of its over-heads, the Corporation should not have dispensed with the practice of maintaining working results of individual processing units as information about the working results was the only tool available with the Management to assess the financial viability of these units and to exercise proper control over them. The Committee, therefore, recommend that the Corporation should arrange to reintroduce the system of maintaining the proforma accounts for assessing working results in respect of individual units.

B. Hybrid Bajra in Rajasthan

5.8. During Kharif 1967-68 the State Government of Rajasthan took up the seed programme for hybrid *Bajra* in Sriganganagar district (Rajasthan) through contract growers and the Corporation was acting as a certification agency. As a result of certification, the Corporation rejected a quantity of 368 quintals produced by 16 growers. In August, 1968, these growers represented to the Corporation as well as to the Central Government that hybrid *Bajra* seed which was processed and treated by the Corporation's staff was not certified by them on the ground of low germination percentage although the seed had the prescribed germination at the time of its delivery at the Corporation's processing unit. The growers also contended that the alleged lower germination was due to the carelessness of the Corporation's staff and they, therefore, preferred a claim of Rs. 2.21 lakhs (368 quintals @ Rs. 600 per quintal).

On the basis of the facts made available by the State Government the Corporation and the growers, the Central Government came to the conclusion (November, 1968) that the seeds were in order when these were taken in the processing unit and the ultimate product was not certifiable because of higher moisture content and the delay in processing. The Corporation was, therefore, asked to place the matter before the Board of Directors for decision about the compensation or otherwise to the growers.

The matter was placed on 30th November, 1968 before the Board of Directors which appointed a Sub-Committee to enquire into the case and submit its report.

5.9. In its report submitted in July, 1970, the Sub-Committee came to the following conclusions—

- (a) The deal regarding the seed production and certification was between the Rajasthan Government and the cultivators. The Corporation's role was that of a contractor to the State Government for certification. The Corporation has, therefore, no direct responsibility to the cultivators.
- (b) If the germination of the seeds had been tested again before treating and processing them, in view of the adverse weather and storage conditions, these, on rejection, could have been used by the growers for commercial purposes.
- (c) Due to the non-execution of formal contracts between the cultivators and the State Government, the former were not aware of the different conditions governing the procurement of seed for seed purposes. This was therefore, a fit case for the grant of compensation to the growers.
- (d) It was not possible to fix the responsibility for the loss on any single agency. It would be appropriate that the compensation should be shared jointly and equally by both the State Government and the Corporation.

5.10. As regards the amount of compensation, the two members comprising the Sub-Committee, however, had difference of opinion. While according to one member, the compensation should be restricted to the amount that the produce would have fetched as food-grain (Rs. 15,000), the other member was of the opinion that an amount of Rs. 2,20,836 should be paid as compensation representing the value of the produce as seed.

The report of the Sub-Committee was placed before the Board of Directors on 16th November, 1970 which directed that the Central Government should be apprised that as the Corporation acted only as certification agency for the State Government, it was not responsible for the loss to the growers.

5.11. In this connection, the Corporation informed the Committee that the Government of India was apprised on 10 December,

1970 of the Board's decision dated the 16th November, 1970 that the Corporation had acted only as seed certification agency for Rajasthan Government and it was not responsible for the loss to the growers. The Government of India. (Ministry of Agriculture) had taken up the matter with the Rajasthan Government.

5.12. In this connection, the Ministry stated in a written reply—

“This question had already been considered by the Ministry of Agriculture in October, 1968 and the decision taken at the Minister's level was that this was really a matter which should be disposed of by the NSC at its Board's meeting. Only if the views of the Board required a confirmation by Government orders, it was held that the question of Government coming into the picture would arise. The NSC while forwarding the views of the Board of Directors as above did not ask for any confirmation from the Government of the Board's views. Therefore, the question of any delay having taken place in the Ministry for giving a final decision in the matter does not arise. Nor a thorough investigation in the matter by the Ministry was required. The need for the Ministry demarcating responsibility of the Corporation or laying down procedure|norms in regard to the role of the Corporation as seed certification agency does not arise.”

5.13. The Committee note that during Kharif 1967-68, the State Government of Rajasthan took up the seed programme for hybrid bajra in Sriganganagar district (Rajasthan) through contract growers and the Corporation was then acting as a certification agency. At the time of certification, a quantity of 868 quintals produced by 16 contract growers was rejected by the Corporation on the ground of low germination percentage. On a representation made by the growers in which they had claimed a compensation of Rs. 2.21 lakhs alleging that the lower germination was due to the carelessness of the Corporation's staff, since according to them the seed had the prescribed germination at the time of its delivery at the Corporation's processing unit, the matter was considered by a Sub-Committee of the Board of Directors.

5.14. The Committee are surprised to note that though the report of the Sub-Committee was considered by the Board of Directors on 16th of November, 1970 and the decision of the Board was sent to Government, in December, 70 they had not communicated

their views on the ground that the views of the Board did not require any confirmation through Government orders although the matter was one which concerned a State Government and was important enough involving payment of considerable amount of compensation to the growers. The Committee feel that in such cases the Government should have acted with promptitude and communicated their decision to the Corporation in time by clearly defining the responsibility of the Corporation vis-a-vis that of the State Government|producers.

VI

STORAGE

Creation of Buffer stock for Foundation Seeds

6.1. According to the Draft Fifth Five Year Plan (1974-79) Documents, a scheme would be taken up in the Fifth Plan for building up reserve stock of seeds to be drawn upon in the event of natural calamity. Such reserve stock would be maintained at the State level by the State Seeds Corporation and, at the Central level by the National Seeds Corporation, as agents of Government. Provision to this effect had been made in the Central and State Plans.

6.2. In this connection during evidence the Secretary, Department of Agriculture stated:

“The other possibility may be for the Government to undertake this programme as a part of their strategy for more rapid increase of agricultural production by way of building up buffer-stock of seeds. But the trouble is that there is a paucity of resources for the schemes that have already been going on and it will take some time to overcome it. We have a small provision for buffer stock of seeds which we propose to use for this purpose also. Thus in the financial situation as we see today, it is very difficult to get money for things that are absolutely sure and about the usefulness of which there is no doubt or uncertainty. It becomes a little difficult to convince the people that money ought to be provided for certain risky ventures in the long term and proper interest of the nation...We had to obtain financial concurrence for giving this additional fund. There was a lot of argument and discussion and the point raised was fully considered. In the end, it was found that in the interest of their programme which was taking a new turn as a result of increased demand for certified and foundation seeds, they required some more fund...In order to enable the National Seeds Corporation to meet unforeseen demands put on it, it will be necessary for it to produce seeds in excess of whatever the States have indented for. This is the purpose of the buffer stock scheme in the Fifth

Plan, for which as I said, the financial provision is very limited. In the light of the discussions today, we will place the matter once again before those concerned and bring out the importance of this buffer stock programme."

6.3. While addressing the 10th Annual General Meeting held on 19-12-1973, the Chairman, N.S.C. stated:—

"It is now gratifying to inform that Planning Commission has accepted the latest proposals of the N.S.C. in principle and provisionally an amount of Rs. 3 crores has been provided during the Fifth Five Year Plan. It is hoped that the availability of buffer stock will have a stabilising effect and will go a long way in breaking the feast and famine cycle in seeds."

6.4. The Corporation had originally set up a scheme at a cost of Rs. 13.15 crores for maintaining 734 tonnes of foundation seeds and 20000 tonnes of certified seeds but because of the availability of Rs. 3 crores only in the 5th Five Year Plan, the Corporation was advised to revise their original scheme.

6.5. According to the revised scheme, the Corporation proposes to keep a reserve stock of foundation and certified seeds of main crops like Maize, Sorghum, Bajra, Wheat and Paddy as follows:—

Crop	(Qty. in tonne)	
	Founda- tion	Certi- fied
Hybrid Maize	64	500
Hybrid Sorghum	90	2400
Hybrid Bajra	80	2000
Paddy	45	900
Wheat	300	2000
	579	7800

Special dehumidified and sophisticated storage godowns would be put at suitable locations for maintaining this reserve stock. It was also proposed to create adequate processing facilities by installing processing plants with a capacity of 2,000 to 2,500 tonnes

per season of 90 days. The total cost of the scheme was estimated at Rs. 654.27 lakhs with the following break up:

	Rs. lakhs
(i) Capital cost on construction of seeds stores and installation of processing plants	95.071
(ii) Annual recurring expenses on godown maintenance, insurance, demonstration and publicity, re-validation charges of seeds, losses in storage etc. at Rs. 50.55 lakhs per year for a period of 4 years, 1975-76 to 1978-79.	210.06
(iii) Cost of procurement of seeds]	349.00
	654.27

6.6. Asked whether any directions/guidelines had been issued by Government to State Governments to create their own buffer stocks with a view to boosting agricultural production, the Ministry stated that the need for creating buffer stock of seeds of varieties of local importance at the State level had been stressed by the Ministry of Agriculture in the discussions held with the State Government representatives for considering State Plan Schemes. No guidelines as to the minimum stock to be maintained, the agency with which these stocks should be available etc. had, however, been issued to the State Governments. The Ministry added that it was essential for the State Governments themselves to decide how best the objective of meeting unanticipated demands of seeds on account of natural calamities could be effectively met by creating reserve stock of seeds.

Arrangements for storage of seeds

6.7. The Seed Review Team appointed by the Government in 1966 had pointed out that despite the storage facilities available with Centre and States, the facilities were not adequate for the handling of seeds. In addition to the construction of seed storage house, it would be necessary to ensure that sound practices are followed in storage of seeds. There should be no mix up of lots in storage. This is specially important in respect of foundation seeds. The team added that regular plant protection measures must be taken and seeds should be methodically fumigated. Services provided by the Plant Protection Directorate and CFTRI should be utilised for training of personnel in these matters.

6.8. The Board of Directors was informed on 30th September, 1967 that proper storage facilities were not available at different units of the Corporation. Accordingly, the construction of six godowns at Delhi, Bhopal, Bangalore, Hyderabad, Poona and Patna/Lucknow with a storage capacity of 500 tonnes each (50 per cent.

air conditioned for storing exclusively the foundation seeds and the costly vegetable seeds) was approved. The godowns at Delhi only had so far been constructed (August, 1970).

6.9. The Corporation subsequently stated that due to change in production programme, the construction of storage godowns at Bangalore, Poona and Lucknow had not been implemented. Construction of godowns at Bhopal and Hyderabad had since been completed and those at Patna, Sriganaganagar and Hempur were under construction. The Corporation had been hiring storage space from State Warehousing Corporation/Central Warehousing Corporation, wherever available.

6.10. The details of the storage capacity available with the Corporation during 1970-71 to 1972-73 in hired and owned godowns is as under:—

Year	Hired storage (monthly average)			NSC's own storage capacity in Qtls.	% on Total	Total in Qtls.
	Private in Qtls.	% of total Qty.	Ware housing (C/S) in Qtls.			
1970-71	77,479	66.6%	2811	36,000	31%	116290
1971-72	73,234	53.3%	2070	42,000	30%	137304
1972-73	83,162	42.6%	8569	53,000	27%	194731

6.11. When asked whether it was a fact that the godowns of the Central and State Warehousing Corporation used by NSC for storage of seeds were found unfit the Corporation stated that:—

“It is not always true. The Warehousing Corporations (CWC/SWC) were having their own storage godowns as well as hired buildings. Warehousing Corporation's own godowns are good for storing certified seeds. Depending upon the availability, Corporation has been utilising their facilities for storing seed. At places where CWC/SWC had hired ordinary storage buildings, their facilities are used subject to suitability of buildings under their possession.”

6.12. Regarding Corporation's own arrangements for storage of seeds it was stated by the Corporation that NSC is “constructing its own storage godowns at important centres where permanent processing plant buildings are constructed. These stores are designed to provide good storage conditions. Storage buildings are suitable

for carrying out periodical fumigation to protect seed from insect damage during storage.

6.13. As already stated, in the absence of its godowns, the Corporation had been hiring storage accommodation from outside parties. The Corporation had incurred an expenditure of Rs. 11.15 lakhs from 1967-68 to 1972-73 on this account. Out of the seeds stored in these godowns, seeds worth Rs. 15.91 lakhs had been condemned during three years ending 31st May, 1970 which was partly due to long and not ideal storage.

6.14. It has been stated by NSC that there had been no condemnation of seeds during 1970-71 to 1972-73 for want of ideal storage conditions.

6.15. About the quantum of seeds condemned within the storage period of three years, the Corporation stated that there was no hard and fast rule that seed could not lose its viability upto 3 years. A certain part of the seed stock which had to be condemned could have been on account of inappropriate storage conditions in relation to the period of storage and location.

6.16. When asked whether inappropriate condition of storage was one of the reasons for condemnation of seeds, the Managing Director of the Corporation stated during evidence that "I am told it was well stored, but in certain places, it might have happened on account of bad storage also."

6.17. When asked whether Government were satisfied that the arrangements made by N.S.C. for storage of seeds in godowns were adequate and secure against any loss by rats, insects, pilferage and other causes and whether any losses were brought to the notice of Government; the Ministry stated in a reply after evidence that the National Seeds Corporation had already built their own storage godowns at various places and had also been utilising the storage godowns of Central and State Warehousing Corporations. With the expansion of the activities of the Corporation in the Fifth Five Year Plan, construction of more storage godowns would be taken up by the Corporation. The Government had not received any reports about the arrangements made by the Corporation for storage of seeds either as inadequate or as insecure against losses by rats, insects and pilferage and other causes. The Government had been informed by the Corporation that it was taking all normal steps required to minimise the losses on account of damage by rats and insects. The Corporation had also taken steps for effecting improvement in seed stores, carrying out periodical inspections of the seed

stores by their Quality Control Division, undertaking fumigation at specific intervals etc. No losses of the kind referred to above had been brought to the notice of the Government.

6.18. Asked about the steps taken or proposed to be taken by NSC to ensure that the seeds stored in the godowns of NSC were not lost on account of eating by rats and insects, the Corporation stated that "the stocks stored are fumigated at regular intervals and the chances of damage of seed by rats and insects are thus minimised."

6.19. Regarding the safeguards provided by the NSC to avoid cases of pilferage of seeds, the Corporation stated that watch and ward had been provided at all the stores of N.S.C. However, it was added that no separate accounts for losses in storage due to pilferage had been kept.

6.20. In reply to a question in Lok Sabha regarding the quantity and value of seeds of foodgrains of various categories lost to NSC during 1970-71 to 1972-73 on account of eating away by rats, insects, pilferage etc., the Minister of States in the Ministry of Agriculture also stated on 25-3-1974, that no separate records had been kept by the Corporation of the losses in terms of quantity and value of seeds of foodgrains of various categories during the aforesaid period on account of eating away by rats and insects and pilferage.

6.21. The Committee note that the 5th Plan scheme includes provision for building up of reserve stock of seeds to be drawn upon in the event of natural calamities, such reserve stocks are being maintained both at the State level and the Central level. Accordingly, an amount of Rs. 3 crores has been provided in the 5th Five Year Plan for the reserve to be maintained by the Seeds Corporation. The Committee were informed that it is now proposed to keep a reserve stock of 579 tonnes of foundation seeds and 7800 tonnes of certified seeds of main crops like maize, sorghum, bajra, wheat and paddy, that special de-humidified and sophisticated storage godowns would be put up at suitable locations for the maintenance of these reserve stocks, and there is a proposal to create adequate processing facilities at appropriate places. The total outlay for this purpose has been intimated by the Corporation at Rs. 6.5 crores.

6.22. The Committee also note that the Seed Review Team appointed by Government in 1966 had pointed out the inadequacy of the storage arrangements for seeds and recommended that sound practices should be followed in storage of seeds to avoid mix up of lots etc. The Committee regret to point out that in spite of these recommendations the Corporation has so far been able to have

their own godowns for storing only 27 to 31 per cent of the total seeds handled by them and for about 42 to 66 per cent of the seeds, the Corporation has been using hired godowns owned by private parties incurring an expenditure of over 11 lakhs of rupees from 1967-68 to 1972-73, and very insignificant percentage only is being stored in the Central and State Warehousing godowns. The Committee also note that out of the seeds stored in the godowns hired from private parties, seeds worth more than Rs. 15 lakhs have been declared condemned partly due to long but not ideal storage. It has, however, been admitted by the Managing Director during evidence that "...it might have happened on account of bad storage also." The Committee are surprised to find that inspite of recommendations of the Seed Review Team and the inadequate arrangements for storage, Government have not received any report either about the inadequacy of the arrangements or their vulnerability to losses.

6.23. The Committee note that out of six godowns originally approved, only 3 godowns have been constructed and the construction of the remaining three has not been implemented. The Committee were informed that the Corporation would be constructing its own storage godowns at important centres where permanent processing plants were also available. The Committee recommend that in view of the decisions now taken that the National Seeds Corporation should maintain reserve stock of seeds at the Central level as envisaged in the 5th Plan, the Corporation should make an immediate assessment of the total requirement of storage capacity necessary and take immediate steps to develop the facilities keeping in view the recommendations of the Seed Review Team and ensure that such arrangements are on scientific lines secured against losses from rats, insects, pilferage etc.

6.24. The Committee understand that no separate records had been kept by the Corporation of the losses in terms of quantity and value of seeds or foodgrains of various categories during the period 1970-71 to 1972-73 on account of eating away by rats, insects and pilferage. The Committee would like that apart from making adequate and satisfactory storage arrangements, it should be ensured that Corporation maintains suitable records to indicate such losses so that this can be analysed and suitable remedial action taken in time.

VII

CONDEMNATION OF SEEDS

7.1. The following table indicates the details of the stocks condemned prior to 1971-72 and upto 1972-73:

Year	Quintals	Rs. in lakhs Quintals	£Realisable value	Sales turn over	% of condemnation to turn over
(Rs. in lakhs)					
1969-70	Foundation Certified	1,724	10.80		
		5,417	5.36		
		7,151	16.16	6.25	296.38
1971	Foundation Certified	955	5.47		
		6,402	12.46		
		7,357	16.93	6.62	403.26	4.20
1971-72	Foundation Certified	7,099	44.64		
		7,902	25.73		
		14,981	70.37	£12.09	466.14	15.1
1972-73	Foundation Certified	1,579	10.08		
		4,035	8.39		
		5,714	18.47	5.17	654.14	2.9

£The above stock was valued at Rs. 12.09 lakhs (realisable value) as on 31-5-1972 and the balance of Rs. 58.28 lakhs was written off in the accounts for 1971-72.

7.2. The statement indicating the position of unserviceable and condemned seeds crop-wise is given below:—

(Quantity in quintals).

	Foundation				Certified			
	1969-70	70-71	71-72	72-73	69-70	70-71	71-72	72-73
Maize	349.25	472.00	2013.34	668.90	1860.11	£5251.23	5542.92	1889.88
Sorghum	1325.10	329.70	4564.64	579.61	7.90	£585.22	1160.62	247.70
Bajra	60.30	11.31	190.21	121.34	0.99	£166.99	681.40	59.75
Wheat	.	20.38	61.41	1.16	0.64	£123.17	127.54	176.30
Paddy	.	121.93	250.41	72.03	3547.04	£279.22	389.38	405.15
Others	.	.	..	135.94	.	.	..	1256.16
Total :	1734.65	955.32	7080.01	1578.98	5416.68	6402.83	7901.87	4034.95

7.3. It was stated by the Corporation that the condemned stocks at the end of 1971-72 included several lots spread over years of production since 1966. To avoid unnecessary expenditure on revalidation regular tests were conducted only for the quantities expected to be utilised. Before condemning, whenever necessary, tests were conducted and only those quantities were condemned which did not meet the minimum standards of germination.

7.4. Asked about the reasons for the high quantity of condemnation of seeds during 1971-72, the Corporation stated in a reply after evidence that the NSC had organised seed production programme both in respect of foundation and certified seeds for 1966-67 onwards taking into account the requirements of seeds during the Fourth Five Year Plan and on the basis of Board of Directors' decision in the note placed before it in February, 1967. However, it was found that in respect of seeds produced in 1966-67 and 1967-68, the off-take was not as large as was anticipated. The seed production programmes were curtailed in 1968-69 in respect of maize and sorghum. Notwithstanding this,

some quantities of seeds produced earlier become surplus. This was carried over for sometime. However, to ensure that only seeds of standard quality were sold; the Corporation had to condemn seeds. In fact, even from 1968-69 and more particularly in 1969-70, the Corporation decided to reduce its production programme quite drastically in the light of the surpluses carried over. As stated earlier, the Corporation had also taken a decision to produce seeds on the basis of firm orders/indents of the State Governments and seed producers. From the year 1972, the Corporation had evolved a system of placement of advance indents accompanied with a 10 per cent deposit by the seed producers. This had been done with a view to ensuring that the Corporation did not take up a programme which might result in huge carry-over of stocks.

7.5. It was also stated that the condemnation of seeds was not taken up till 1968-69 and the condemnation started from 1969-70 and as most of the seed was produced in 1967-68 the condemnation was high in 1971-72.

7.6. It was also stated by the Corporation that all the proposals for condemnation of seeds are received in the Quality Control Division of the Head Office of the Corporation at New Delhi. The proposals are screened, scrutinised and submitted to the Condemnation Committee which recommends the condemnation of a particular seed lot after checking the relevant records regarding germination etc. The seed lot is recommended for condemnation if it falls below the prescribed minimum germination standards."

7.7. Asked as to how condemned seeds were disposed of and the amount of loss incurred in the disposal of seeds, the Corporation stated in a written reply that condemned seeds were normally disposed of by auction. One of the condition for such disposal was that it should be used only for non-edible purposes. Such condemned seeds were expected to be used for production of starch and possibly be used as an animal feed after thorough washing. Certain types of seed which had no alternative use for example, vegetable seeds were destroyed as a matter of policy in order to avoid their being resold as seed. The loss incurred in the condemnation of seed depended on the variety condemned. On the basis of experience it was found that loss incurred in condemnation of seed varied from 70 to 85 per cent.

7.8. In this connection the Ministry stated that the percentage of loss of 70 to 85 per cent in condemnation of seeds reported by the NSC represented the loss to the Corporation in the sale of seeds other than

as seed. For example, the hybrid jowar seed was priced at Rs. 800 per quintal. The condemned seed disposed of otherwise for seed purposes, say as poultry feed or for starch manufacture, only an amount of Rs. 40 or Rs. 50 per quintal was realised, leading to a loss of Rs. 750 to Rs. 760 per quintal to the Corporation. Since the seed had been condemned and never sold for human consumption, it was hardly likely to fetch any significant price. The NSC had reported that steps were constantly taken by them to tighten the quality control measures in the growth of seed, to properly store seeds in near ideal conditions to the extent possible and to transport the seed as carefully as possible. In addition, the Corporation organised its seed production programme on the basis of firm indents received, the market trends and other factors. This would enable the Corporation to avoid carrying large stocks of surplus seeds leading to condemnation on their losing the required standards of germination, purity, etc.

7.9. The Ministry added that Government have looked into the reasons for condemnation of seeds by the Corporation. "The seeds have to be condemned when they lose germination and viability. Seed is highly sensitive/living organism and is very different from grain. Even though the physical appearance of seed may be good, its germination/vigour can go down because of several factors including age, storage, transport, handling, temperature etc. Some of the factors are not controllable and some are variable. Considering that NSC is expected to meet very high standards of seed quality, there is bound to be condemnation of seeds when quality deteriorates."

7.10. There was an accumulation of 15,304 quintals of foundation seeds (5601 quintals of maize, 8,702 quintals of sorghum and 1,001 quintals of bajra) valued at Rs. 69.29 lakhs as on 31st December, 1969.

7.11. At the instance of the Board of Directors, its production and Finance Sub-Committee examined the inventory of foundation seeds and after taking into account the expected utilisation up to 1972-73

recommended that the following quantities should be disposed of otherwise than as foundation seed:—

	Stock as on 31-12-69 (Quintals)	Expected utilisa- tion up to 1972-73 (Quintals)	Surplus quantity 1972-73 (Quintals)	Value of surplus quantity Rs.
Maize	5,601	1,641	3,960	18,53,350
Sorghum	8,102	2,002	6,700	31,40,600
Bajra	1,001	676	325	1,20,600
Total:	15,304	4,319	10,985	51,14,550

7.12. The above recommendation was based on the consideration that it would not be safe to preserve the stocks beyond three years even if best storage conditions were available.

7.13. On 11th November, 1970 the Corporation approached the Government for subsidy to meet the losses likely to be incurred on the disposal of surplus stocks. The cases where the surplus had arisen on account of the State Governments' inability to lift the foundation seeds to the extent indicated by them earlier were also intimated. This request was, however, rejected by the Ministry on 9th February, 1971 on account of the following reasons:—

“.....it is felt that it is none of the responsibilities of the Government of India to subsidise losses suffered by the Corporation on account of accumulated stocks of foundation seeds due to the failure of the State Governments to purchase these stocks even when this accumulation is consequent upon their inability to achieve the targets under High Yielding Varieties Programme. While we, no doubt, appreciate that the Corporation had to undertake seed production programmes on the basis of the information made available regarding the likely demands for seeds by the State Governments, yet it appears that the Corporation being a commercial organisation has to use its business judgement in such ventures and as such there is a case for subsidy.”

7.14. The Ministry stated (May, 1971) as follows:—

“(i) The Corporation has now informed that there are prospects of better sale of foundation seeds in the course of next 2

years and has requested the Government to grant them interest charges on loan of Rs. 60 lakhs required for holding the stocks. This is under the consideration of the Government of India."

- (ii) "Originally the National Seeds Corporation did not have precise knowledge regarding how long can the seed be stored. It was felt that at best the seed can be stored for three year; but experience has shown that if seeds are kept in controlled conditions of temperature and humidity, it is possible to lengthen the storage period. The Corporation carries out periodic test in respect of germination and the quality of seeds with special reference to hybrid vigour. These tests have indicated that the original estimate regarding the viability period of 3 years is not completely correct as hybrid vigour could be maintained for longer periods, if the seeds are stored in specialised seed godowns."

7.15. In this connection, the Secretary of the Ministry stated that:—

"Whether the seeds are still viable after three, five or six years would be a question of fact to be revealed by actual test performed on the seeds, which are done by the quality control wing of the NSC. The condemnation is not on the basis of how long the seed has been stored, but on the basis of actual tests performed on the specific seeds."

7.16. When pointed out by the Committee that the opinion was given in May, 1971 and the condemnation was also done in the same year, the Secretary of the Ministry stated that the opinion given was by and large correct.

7.17. Asked about the period of viability of 3 years, the Secretary of the Ministry stated that:—

"By and large, if seeds are properly treated and kept under controlled conditions, their viability will continue beyond three years, yet some seeds were fit for condemnation and were condemned. It forms a small percentage, which is covered by the expression 'not completely correct'. If the larger portion survives the three years' period, and a small proportion has to be condemned after 2/3 years, after actual test, that does not really contradict the general conclusion that seeds, if properly stored, can last for a longer period."

7.18. When asked about the reaction of the Government to the request of the Corporation for reimbursement of losses on the sale of surpluses/condemned seeds, the Ministry in a reply after evidence stated that the method by which the Central Government could assist the NSC to off set the losses incurred by them in the sale of surplus/condemned seeds was examined by the Ministry, two alternatives were under consideration:—

- (i) Sanction of a grant to the Corporation towards the liabilities incurred on holding of stocks especially in respect of storage charges, interest on capital blocked etc., and
- (ii) Restructuring of the capital of the Corporation. The NSC had itself suggested that the Government could assist the Corporation by reducing its equity structure to the extent of Rs. 37.5 lakhs under the relevant provisions of the Companies Act. In the meantime, the Corporation's Annual Accounts of 1971-72 were received and it was found that the Corporation had made sufficient profits in that year to sustain all the amounts that had to be written off as a result of condemnation of seeds. In 1972-73, the Corporation made a net profit of Rs. 40 lakhs after payment of taxes. In view of these developments, the question of reimbursing the Corporation the losses incurred by them in the sale of condemned seeds had not been pursued.

7.19. The Committee invited the attention of the management to the statement made by a former Chairman of the Corporation, who admitted that "wheat seeds worth Rs. one crore had been declared unfit for human consumption and had to be disposed for Rs. 25 lakhs for other uses and the Corporation suffered a loss of Rs. 75 lakhs which should not cause unnecessary misgivings. It could form just 4 per cent of the turnover in 4 years. Such losses are unavoidable since the Corporation could not sell to the farmers any unfit seeds." During evidence the Managing Director of the Corporation stated that the position with respect to wheat was that total transactions during the 4 years ending 1972-73 were of the order of about Rs. 450 lakhs. Out of this condemned seeds were worth Rs. 74,000 which came to 0.16 per cent of the total sales.

7.20. In a reply, after the evidence, the Corporation stated that "at no point of time, had the corporation occasion to declare wheat seeds worth Rs. one crore as unfit for human consumption. However, the Corporation has had to condemn seeds of all varieties put together and the value of the order of Rs. one crore for the entire period of its

operation since inception. These seeds were purchased mainly from contract growers. Seeds were declared unfit by a Condemnation Committee."

7.21. When asked whether in the opinion of the Government that condemnation of seeds worth Rs. one crore was not a huge loss to the Corporation, the Ministry stated in a written reply that the percentage of value of the seeds condemned to the total value of seeds sold came to roughly 4 per cent

The Corporation realised the salvage value of Rs. 25 lakhs from the condemned seeds. The net loss, therefore, worked out to Rs. 80 lakhs which was 2.8 per cent of the total seed sold. It was not considered as a significant loss. The Ministry further stated that they have already analysed the causes of these seeds being declared unfit and condemned.

7.22. In regard to the remedial measures proposed to be taken to prevent seeds becoming unfit or losing their efficacy, the Ministry stated that the Corporation had streamlined assessment methods in respect of seed requirements for which production programmes are to be arranged by them. The Corporation have also taken steps to tighten their quality control measures in the growth of seeds and proper storage of seeds in ideal conditions and careful transportation of seeds.

7.23. The Committee note that the Corporation had condemned seeds worth Rs. 16.16 lakhs in 1969-70, Rs. 16.93 lakhs in 1970-71, Rs. 70.37 lakhs in 1971-72 and Rs. 18.47 lakhs in 1972-73. The highest percentage of condemnation was 15 per cent in 1971-72. The Committee are informed that the condemnation of seeds was not taken up till 1968-69 and most of seed was procured in 1967-68. The high percentage of condemnation in 1971-72 was due to the Corporation taking up the production programme of foundation and certified seeds from 1966-67 onwards without a correct assessment of the requirements of such seeds and without any firm commitment from the State Governments which resulted in the poor offtake by the State Governments.

The Committee are also informed that the targets were fixed on the basis of Board's decision in February, 1967 which in turn was based on the requirements worked out in consultation with the Ministry. The Committee find that there was an accumulation of 15304 quintals of foundation seeds, valued at Rs. 69.29 lakhs as on 31st December, 1969. At the instance of the Board of Directors, the inven-

tory was examined and after taking into account the expected utilisation upto 1972-73, it was decided that 10985 quintals valued at Rs. 51.14 lakhs were surplus and should be disposed of. The Committee note that this recommendation was based on the consideration that it would not be safe to preserve these stocks beyond three years even if best storage conditions were available.

7.24. The Committee, however, find that, according to the Ministry, the Corporation did not have precise knowledge regarding how long can the seed be stored, although according to them the seed can be stored for 3 years; if they are kept in controlled conditions of temperature and humidity. It was also stated that tests conducted by the Corporation indicated that the original estimates regarding the viability period of three years was not completely correct. In this connection the Secretary of the Ministry stated during evidence that "whether the seeds are still viable after three, five or six years would be a question of fact to be revealed by actual tests performed on the seeds, which are done by the Quality Control wing of the N.S.C. The condemnation is not on the basis of how long the seed has been stored, but on the basis of actual tests performed on the specific seeds." The Committee are not sure whether any expert opinion was obtained about the period of viability or actual tests were conducted before a decision to condemn the seeds was taken.

The Committee would like that this matter may be investigated and the Committee informed. The Committee also suggest that expert opinion on the question of viability period for seeds should be obtained from the Agricultural Universities, Research Institutions, I.C.A.R. etc. to avoid deterioration of seeds due to storage beyond the viability period.

7.25. The Committee were also informed that most of the seeds were taken from the contract growers. The Committee are not sure whether when procuring seeds from the contract growers, they were subject to strict quality control. The Committee are of the opinion that had quality control measures been adopted by the Corporation even at the time of procurement of seeds, the Corporation would not have been faced with this huge condemnation.

7.26. The Committee also find that the loss incurred by the Corporation in the sale of condemned seed was to the extent of 70 to 85 per cent of the price. The Committee are informed that on the basis of realisable value, the loss amounted to more than Rs. 91 lakh till the end of 1972-73. In spite of this the Committee are surprised that Government have not considered this as a significant loss

and seem to be complacent that they had already analysed the causes of the seed being declared unfit and condemnation was done by a Condemnation Committee. The Committee recommend that the entire matter including the deal with contract growers and procedure of condemnation should be thoroughly investigated with a view to pinpoint the shortcomings at the several stages and fix responsibility for the lapses. The Committee would like to be informed of the action taken in this matter.

7.27. The Committee are given to understand that the Corporation has streamlined the assessment methods in respect of seed requirements for production programme and taken steps to tighten the quality control measures in the growth of seeds, proper storage of seeds in ideal conditions and their careful transportation. The Committee recommend that Ministry/Corporation should learn a lesson from their past experience and ensure that these measures are strictly adhered to so that the farmers are assured of seeds of genetic purity and the Corporation is not put to the necessity of resorting to such large scale condemnation.

7.28. The Committee also recommend that the Management should conduct a detailed review of performance of the Corporation in regard to production/procurement of seeds once every quarter with a view to safeguard against avoidable accumulation/condemnation of seeds. Such performance reports should also be reviewed by the Ministry once in six months.

7.29. The Committee are informed that the condemned seeds are disposed of by auction and one of the conditions of disposal was that it should be used only for non-edible purposes although they may be used as animal-feed after thorough washing. Vegetable seeds were stated to be destroyed in order to avoid their resale.

The Committee have every reason to believe that the certified seeds which have been condemned or are unfit for human consumption or even for consumption by cattle, can find way in the market and are likely to do so in actual practice. As such condemned seeds may involve danger to human lives, the Committee suggest that Government/Corporation should examine whether seeds categorised as unfit for human consumption should not be destroyed under the supervision of competent authorities.

7.30. The Corporation may, however, utilise such seeds for preparation of starch under its direct supervision.

VIII
PRICING POLICY
A. Pricing Policy

8.1. N.S.C. organises its certified and foundation seed production through contract growers and at its own farms. The procurement price is the basic element on which over-heads are added to arrive at the sale price. No standard cost has been fixed in respect of farm produce, details of expenditure on all the items beginning from the preparatory tillage upto ploughing etc. The expenditure on cost of seed, cost of irrigation, green manure, compost, chemical, fertilizer, electricity, certification material, transportation and processing etc., are taken into account for arriving at the cost of production and ultimately the sale price. While fixing the sale price, NSC takes into account the procurement price paid to the growers and various other over-heads viz. expenditure involved on publicity and advertisement, expenses on demonstration and discount and commission.

8.2. Asked whether there was a system of review of the prices of both foundation and certified seeds and what criteria were followed for reviewing the prices, the Corporation stated that the prices of both foundation and certified seeds were reviewed periodically taking into account the following factors:—

- (i) Increased cost of production
- (ii) Change in the market price
- (iii) Prices offered by other agencies.

8.3. Asked as to what steps had been taken by the Management to reduce the cost of production as well as selling, distribution and administrative overheads so as to improve profitability, the Corporation in a note after evidence stated that efforts were constantly being made to reduce the cost of production of seed and to bring out utmost economy in post-processing period and to keep the prices at the lowest level. It was added that several measures were also taken to keep the selling and distribution expenditure to the minimum.

8.4. On being asked as to how the prices of seeds of NSC compared with the prices of other producing agencies in Public Sector both at the Centre and States, the Corporation stated that the

prices being charged by the NSC *vis-a-vis* others in Public Sector was as under:—

Year 1974-75 (Prices are in Rs. per Qtl.)

Sl. No.	Name of the party/State	Maize	Sorghum	Bajra	Paddy	Wheat
1	N. S. C.	320	800	850	220	320
2	Punjab : Punjab Agriculture University Ludhiana	150 to 175		800	120 to 125	
3	Rajasthan : State Government	330	885	875	..	
4	Gujarat : Gujarat Co-op. makt. society.	400	1065	740	..	..
5	Bihar : (a) T. D. C.	325			180 to 190	Not announced
	(b) State Govt.	400			180 to 200	..
6	West Bengal : T. D. C.	310	..	810	170 to 180	Not announced
7	Karnataka : (a) Agro seeds Corporation	350	950	850	250	Not yet fixed
	(b) Marketing Federation	350	850 to 900	850	220	300
	(c) Other private parties	350 to 400	800 to 1100	850 to 1100	200 to 265	..
8	Uttar Pradesh : T. D. C.	300		800	160 to 170	Not yet fixed.

8.5. In this connection the Ministry stated that no such comparison had been attempted so far. This would be taken up. However, by and large, the prices charged were higher in case of NSC which was related to the manner the seed production programmes were organised and how the seeds were prepared for marketing.

8.6. Asked as to what extent the sale price was loaded with incidence of development expenditure etc., the Ministry stated that the Government had not examined in detail the pricing structure adopted by the Corporation in respect of sale of foundation and certified seeds produced by them.

8.7. The Secretary, Department of Agriculture stated during evidence that "the pricing policy of organisations like the National Seeds Corporation would certainly need to be reviewed not only now but more or less continuously and quite frequently. The details of the implementation ought to be worked out carefully so that there is no difficulty or other complications on that account. And the prices charged by the NSC are at present almost the highest in the country or equal to the highest. We have undertaken a review of the costing of different operations of the NSC to find out the extent to which there is scope for adjustment and we, perhaps, took it up with NSC and cautioned them. They themselves arrived at the decision about the pricing policy which we are considering most important."

8.8. The Ministry in a subsequent written reply stated that the National Seeds Corporation was making further exercises for stream-lining pricing policy. A brief note had been prepared which was to be placed before the Board of Directors. The Government representatives on the Board of Directors would also have an opportunity of considering the detailed proposals of the Corporation. The Ministry would consider this policy after this had been approved by the Board of Directors. However, the pricing policy would have to be kept under constant review.

B. Printing of sale price on seed bags

8.9. On a suggestion that the sale price should be printed by NSC on their seed bags, the Managing Director stated that "if the price is permanently fixed once for all, then of course, we can get it printed on the bag.../I am very grateful. I think it is a very useful suggestion and I will see that we put a stamp on the bag itself. If there is any revision we can cut that and put another stamp". Subsequently in a note after evidence the Corporation stated that the—

"the printing of prices on seed packet bags is an excellent idea provided there is a stability in the prices. At present our sale prices are very frequently changed due to change in the grain prices. The procurement prices is affected due to frequent increase in the grain prices. NSC feels the following constraints in the printing of prices on the seed paskets/bags:—

1. There is frequent increase in the price and the price is to be corrected on all the seeds packets/bags.
2. Once the stocks are packed and supplied for distribution any correction will not be desirable. Our customers are illiterate and they only see the packing. In case, there

is any cross cutting or over-writting, they become suspicious about the quality of the seeds.

3. In some of the varieties where sale resistance is noticed NSC reduce the price with a view to increasing its marketability. In this case the dealers may not reduce the price.

At present we feel that there is difficulty of frequent change in the prices. After some stability, this system can be introduced. For the present we have directed all the dealers and sales-outlets to display latest sale prices and on this basis the farmers can easily ascertain whether the correct price is being charged or not, We have also circulated this for comments of our Regional Managers who are actually engaged in the distribution of seeds. Their views will be reviewed for taking final decision."

8.10. In this connection, Ministry stated that the possibility or feasibility of stamping the prices of seeds on the bags would be examined by the Government and the Corporation.

8.11. The Committee note that no Standard Cost has been fixed in respect of farm produce although the Corporation stated that price of both foundation and certified seeds were reviewed periodically and efforts were made to reduce the cost of production and also to keep the selling and distribution expenses to the minimum. The Secretary, Department of Agriculture, however, admitted during evidence that "the prices charged by the NSC are at present almost the highest in the country of equal to the highest..."

The Committee regret to note that, in spite of this, the Ministry had not so far examined in detail the pricing structure adopted by the Corporation in respect of foundation and certified seeds and the Corporation themselves arrived at a decision about the Pricing Policy. The Committee were informed that the Ministry have undertaken a review of the costing of the different operations of N.S.C. The Secretary of the Ministry also stated during evidence that "the Pricing Policy of organisations like N.S.C. would certainly need to be reviewed not only now but more or less continuously and quite frequently". The Committee recommend that the Ministry should complete their review of the pricing after going into all the elements of cost to effect suitable economies to keep the costs as low as possible and decide on the Pricing Policy to be adopted in respect of foundation and certified seeds of NSC so that seeds may be available to the farmers at most economic prices.

8.12. The Committee also recommend that as admitted by the Secretary of the Ministry, Government should ensure that the Pricing Policy of the organisations like N.S.C. should be kept under continuous review so as to have a check on the Prices charged from the farmers.

8.13. The Committee suggest that Government should consider the feasibility of stamping the Prices of seeds on the bags so that the consumer may be in a position to pay the right price for the seeds.

IX

SALES PERFORMANCE

A. Sales Performance

9.1. The following table indicates the targets fixed and the actual sales of foundation seeds and the certified seeds made by the Corporation during the period from 1966-67 to 1972-73:—

(Rs. in lakhs)

Year	Original Estimates	Foundation Seeds			Original Estimates	Certified Seeds		Short-fall (+) in percentage
		Targets	Actuals	Short-fall (-) excess (+) in percentage		Targets	Actuals	
1	2	3	4	5	6	7	8	9
1966-67 . . .		191.79	37.41	-80.5		291.30	126.72	-56.5
1967-68 . . .		104.71	49.77	-52.5		287.38	*222.19	-22.7
1968-69 . . .		110.25	67.00	-39.2		258.90	105.69	-59.2
1969-70 . . .		90.96	43.60	-52.1		515.27	252.78	-59.9
1970-71 . . .	82.89*	64.04	50.31	-21.4	383.93	*382.11	352.95	-7.6
1971-72 . . .	84.32*	65.72	62.47	-20.16	500.00	*364.38	403.67	+10.8
1972-73 . . .	82.83*	78.54	63.09	-19.54	400.59	*434.17	591.05	+36.1

*Revised targets

9.2. In 1973-74, it was stated that the sale of foundation seed was likely to be about Rs. 75 lakhs and in case of certified seeds it would come to about Rs. 625 lakhs.

9.3. While expressing alarm at the huge loss incurred by the Corporation during 1968-69, the Ministry observed as follows (October, 1969):—

- (1) On the one hand the Corporation was unable to sell sufficient quantities of seeds, on the other hand the cultivators did not have easy access to the sale point. There was large scope for expanding the sale of improved seeds to new areas.

- (ii) The handling and storage of seeds were poor at the dealer agent level with the result that the sale of seed was hampered.
- (iii) The operations of the Corporation should be examined critically and steps taken to increase the sale of seeds. If necessary, diversification should be taken up even at the cost of changing the basic policy adopted so far.

9.4. The Management stated (November, 1970) that the action to diversify the activities had already been taken and new crops like wheat, potato, cotton, Soyabean, etc. had been added to the product line during the last two years. Dealers had also been appointed all over the country.

9.5. Asked as to the reasons for consistent shortfall in the sale of foundation seeds during 1966-67 to 1972-73 and that in certified seeds during 1966-67 to 1970-71, the Corporation stated in a reply after evidence as under:—

*“Foundation seeds:—*Foundation seed sale had got direct relation with the seed multiplication programme undertaken by the various agencies. From 1967-68 onwards there was slump in the seed industry and large stocks of certified seed were lying undisposed with the various parties including NSC. This ultimately effected the sale of the foundation seed. It was only in Kharif 1970 again that the good response was noticed from the farmers for certified seed which in turn helped in the increased sale of foundation seed. Although there was a slight shortfall in comparison to targets, there was year to year increase in the overall sale of the foundation seed.

Certified seeds: During 1966-67 and 1967-68 they could dispose off the available stocks of certified seeds and shortfall was due to non-availability of stocks. During 1968-69 sale resistance was noticed and most of the stocks produced by various parties remained unsold. This trend continued upto Kharif 1970. At present there was demand for certified seeds and this could be judged from the progressive increase in the sale of the certified seeds. During 1972-73 the actual sale of certified seeds by NSC was 591 lakhs against the original target of 400 lakhs.”

9.6. Asked whether the Government had analysed the reasons for constant shortfall in the sale of foundation seeds during 1966-67

to 1972-73 and that for certified seeds during 1966-67 to 1970-71, the Ministry stated that no detailed analysis had been made by the Ministry on the performance of the NSC in the matter of sale of foundation and certified seeds.

9.7. On being asked as to what was the share of the Corporation in the overall sales of foundation and certified seeds in the country, the Corporation stated that NSC did not have information regarding total sale of foundation and certified seeds in the country.

9.8. When the Committee enquired whether the Corporation was able to meet all the demands placed on it for foundation as well as certified seeds, the Corporation stated that by and large the Corporation had been able to meet the demand of foundation and certified seeds for which the demand was placed with the Corporation in time.

9.9. In this connection, the Ministry in a reply after evidence stated that the NSC had been, by and large, able to meet foundation seed requirements, if firm orders were placed well in time. The shortfalls in some cases like Decan Hybrid and Him-123 were due to the non-availability of sufficient quantities of breeder seeds for production of foundation seeds. In the case of certified seeds also, the NSC had been able to meet, by and large, the demands against indents placed one year ahead. In the current year, however, the NSC had not been able to meet 100 per cent requirement of certified seeds especially in respect of Bajra since the seed crop was badly affected on account of weather conditions.

B. Inter-State Movement of Seeds

9.10. It was mentioned in the Annual Report of the Corporation for 1972-73 that the Corporation was experiencing difficulty in the marketing of its products due to restrictions on the inter-district and inter-state movement of seeds.

9.11. Asked about the extent to which these restrictions impeded the sales of the Corporation, the representative of the Corporation stated that:—

“As regards the certified seed in this case there are two stages. One is the field stage where we do inspection and after the crop is harvested, the grains are brought to the place where the processing plants are situated. Here the difficulty is about bringing the seeds to the processing plant. There is restriction on the movement of wheat. So we

are facing difficulties in the movement of wheat seed from growers to our godown and from there to our processing plant."

9.12. Asked whether the aforesaid problem was brought by NSC to the notice of Government and if so, the assistance rendered by Government in this regard, the Ministry in a note after evidence stated that:

"The National Seeds Corporation had brought to the notice that as a result of the Inter-Zonal Wheat and Wheat Products Movement Control Order 1973, the movement of raw seeds to the processing plants across the zonal boundaries had become extremely difficult and had sought the assistance of the Department of Agriculture. Under this order a number of restrictions had been imposed on the movement of wheat or wheat products and since raw seeds can become certified seeds only after due processing exemptions given in respect of certified seeds could not be availed of on account of that seed movement. The Department of Agriculture had requested the Union Department of Food to instruct the State Governments to permit the movement of raw seeds across the zonal boundaries and on this basis the matter had been taken up with the State Governments. This was specially true in respect of movement of raw seeds from Haryana to the processing plant in Delhi. It had not been possible to have any specific provision in the Movement Restriction Orders to exempt the movement of raw seeds by contract growers of the NSC across the Zonal Boundaries. The Government of India had as recently as 19th June, 1974 issued instructions to the State Governments for liberally permitting the Movement of raw seeds from across the boundaries and if there are specific problems, the matter was being taken up with State authorities. This would appear to be a problem requiring constant touch with the State authorities for expediting the issue of permits. No general relaxation only in respect of NSC would appear possible."

9.13. The Committee regret to note that there has been consistent shortfall in the sale of foundation seeds right from 1966-67 to 1972-73. Against targets for sale of foundation seeds of Rs. 191.79 lakhs in 1966-67, Rs. 104.71 lakhs in 1967-68 and Rs. 110.25 lakhs in 1968-69, the actual sales were only Rs. 37 lakhs, Rs. 49 lakhs and Rs. 67

lakhs respectively. The shortfall has been maximum in 1966-67 (30.5 per cent). The Committee are informed that the sale of foundation seed had a direct relation with the production programme. Moreover for 1967-68 there was a slump in seed industry and large stock of certified seeds were lying undisposed with the various parties including NSC. The Committee have already given their comments in regard to unrealistic fixation of targets and excess production of seeds of different varieties without firm commitment during the period 1966-67 to 1968-69 and their poor off-take in that period. The Committee are surprised that in spite of the shortfall in sales, the Ministry had not made any detailed analysis in this regard.

9.14. The Committee also note that there had been a shortfall of 56.5 per cent, 22.7 per cent, 59.2 per cent and 50.9 per cent during 1966-67 to 1969-70 and in the actual sales of certified seeds compared to the targets fixed for these years. While the targets were Rs. 291 lakhs, 287 lakhs, Rs. 259 lakhs and Rs. 515 lakhs respectively, the actual sales had been Rs. 126.72, Rs. 222.19 lakhs and Rs. 105.69 lakhs and Rs. 252.78 lakhs respectively.

In the Chapter on 'Production of Seeds' the Committee have already given their recommendations in regard to production of certified seeds during 1966-67 to 1969-70. While the Corporation decided to take up production of certified seeds to the extent of 5 to 15 per cent of the total requirements the production far exceeded the targets in certain varieties and were very much less than the requirements in other varieties.

The Committee would like that Government/Corporation should critically examine the reasons for the shortfalls in sales and take steps to fix the targets on a realistic manner based on firm commitments from the consumers.

9.15. The Committee are informed that during 1966-67 and 1967-68 the Corporation could dispose of the available stock of certified seeds and shortfall was due to non-availability of stocks. The Committee are perplexed as to while on one side there had been excess production, on the other hand there had been poor sales. The Committee are surprised that the Corporation did not have information regarding the total sales of foundation and certified seeds in the country. In the absence of this information the Committee are not sure as to how the Corporation made its sale programme and fixed the target

9.16. The Committee also note that there has been a sudden reduction in the targetted figures of sale of foundation seeds during

1970-71 to 1972-73. Even compared to these reduced targets, the actual sales have been less.

The Committee are unable to understand the rationale behind the fixation of sale targets during 1970-71 to 1972-73. The Committee recommend that Government/Corporation should review the procedure for fixing the targets of sales and ensure that these are consistent with the demand for the seeds.

9.17. The Committee note that one of the impediments experienced by NSC was the restriction placed on inter-district and inter-state movement of seeds. The Committee were informed that as a result of Inter-Zonal Wheat and Wheat Products Movement Control Order, 1973, there was difficulty in the movement of raw seeds to the processing plants and on account of it movement of certified seeds of wheat was not possible. While the Committee recognise the difficulties in the movement of wheat seeds on account of restrictions imposed by Government they do not see any reason why there should be any difficulty in the movement of other seeds and making them available to the growers in time.

The Committee understand that Government of India have recently in June, 1974 issued instructions to the State Governments for liberally permitting the movement of raw seeds from across the boundaries and if there are specific problems, the matter could and should have been taken up with the State Authorities with a view to resolve conclusively all such impediments.

The Committee hope that the instructions issued by the Government of India in June, 1974 would be followed up at State level so that the Corporation may be able to transport the raw seeds to the Plants and make available the certified seeds without any difficulty.

C. Distribution Cost

9.18. Details of distribution cost to turn over for the last five years were stated to be as under:—

	1968-69	1969-70	1970-71	1971-72	1972-73
Freight	1.79	..	1.51	2.43	3.51
Dealers Comm. (Commission)	1.03	10.09	23.54	21.66	37.08
Exp. on Inter Unit Transfer	5.60	11.06	17.69	15.73	30.32
(A) Distribution Cost	8.42	21.15	42.74	39.82	70.91
(B) Turn-over	196.06	320.82	430.09	495.16	682.66
% of A to B	4.30	6.59	9.94	8.04	10.39

9.19. It was stated by the Corporation that the distribution policy was constantly under review from the very beginning. The marketing and distribution system were further stream-lined and strengthened so as to reduce the cost. The allocation and movement of the seeds were arranged in time. To make timely availability of the seeds, the production and processing programme was also under constant review. The main intention was to make the seeds available to the farmers in time and at desired price.

9.20. Asked as to how far it had been ensured that the present distribution system had helped the farmers to obtain quality seeds in time and at the desired place, the Corporation stated that:

“The dealers are not normally required to store the seeds for a prolonged period as they lift them just before the sowing season except in cases where they have adequate, storage facilities. Taking into account the storage capacity of our dealers we have increased their number sufficiently to enable them to be reached by the farmers more easily. The arrangements for marketing are constantly under review and the net-work of dealers is continuously expanded so that the seeds are made available to the farmers in time and at the desired places.”

9.21. When the Committee drew the attention of the observation made by the Ministry that:

“on one hand, the Corporation was unable to sell sufficient quantities, on the other hand the cultivator did not have easy access to the sale points.”

the representative of the Corporation explained that—

“at the earlier stages most of NSC's seeds were sold through the State Governments and in the year 1968-69, they had a very tough competition from the State Governments specially from Maharashtra and Gujarat because they had themselves produced huge quantities of seed. Thus NSC had started appointing dealers and started selling their seeds through the dealers.”

9.22. Asked on what basis these private dealers were chosen, it was stated during evidence that those dealers who were dealing in most of the inputs like fertiliser, pesticides etc. and they were having some knowledge of seeds, were chosen for the purpose.

The Corporation was getting Rs. 1,000/- as security from the dealers. In the earlier stage, they were coming to the Corporation even at the time of sowing season. Now, the Corporation had written to the State Government mentioning that those dealers should place their indents well in advance so that it could organise and plan their seed production.

9.23. On being asked whether the marketing was not properly done by NSC, the representative of NSC stated that:—

“In the earlier stage, as the NSC was mostly thinking that there should be an agency for foundation seeds, we were finding some gap in the production of certified seeds. Most of the seeds were already available in the market through the SFCI and as we had stiff competition from the State Governments our seeds were not purchased in large quantities.”

9.24. The Committee enquired whether NSC should not abolish dealership system by developing Corporations' own sale wing, the representative of the Corporation stated that—

“Your suggestion is quite appealing and actually we have already taken advance action on this point. Last year we had entered into contracts with the State Government of Bihar for one lakh quintals. Three days back, they have put up a firm order for the supply of one lakh quintal. Our effort is always that we should deal through the Cooperatives of the State Governments. Now, the Bihar Government will direct its Cooperative Marketing Federation and purchase the seeds through us.”

D. Administrative Cost

9.25. The table below indicates the administrative cost in relation to the sales during the period from 1966-67 to 1972-73:

(Rs. in lakhs)

	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
(i) Administrative cost	19.48	37.48	53.27	72.92	71.84	76.71	78.24
(ii) Total sales (including processing charges).	183.33	314.34	212.87	331.06	439.56	507.58	684.21
(iii) Ratio of (i) to (ii)	1:9.41	1:8.39	1:3.99	1:4.54	1:6.12	1:6.62	1:8.75

9.26. It would be seen that the value of seeds sold per rupee of administrative cost was gradually declining till 1968-69 when it was the lowest. It, however, improved during 1969-70 to 1972-73.

9.27. The Management stated (November, 1970) that during 1966-67 and 1967-68 the Corporation worked under staffed which coupled with the bulk marketing system followed by the State Governments led to higher turnover ratio. In 1968-69, the seed industry generally passed through severe recession and by this time many of the unfilled posts were also actually filled up. As a result, the Corporation was confronted with the normal complement of staff on the one hand and the fall of sales on the other hand. Besides, the marketing pattern also changed as the State Governments stopped making bulk purchases, leaving the Corporation to arrange direct sales through retail dealers.

9.28. Asked about the scope for improving the ratio of administrative cost to the sales, the Corporation stated that NSC was trying to increase its turnover by organising sizeable multiplication of foundation and certified seeds. This might lead to some improvement in the administrative cost ratio.

9.29. On being asked by the Committee whether in the opinion of the Ministry this high percentage of administrative cost of sales was justified, and the measures proposed to be taken to keep the selling and distribution expenses to the minimum, the Ministry in a reply after evidence stated that the ratio of administrative cost to the total sales had gone down to 1:8.75 in 1972-73. This ratio would decrease only after the turn-over increase sizably, with the expansion of the production programmes both in regard to foundation and certified seeds, it was expected that the sales would increase considerably, though it would be necessary for the Corporation to strengthen the marketing sections both at the headquarters and regional offices and also to increase the number of sales outlets. It could be hoped that because of considerable increase in the sales-turn-over, the administrative cost would come to a reasonable proportion of the total sales.

E. Black Marketing in the Sale of Seeds

9.30. The Committee enquired as to how the Corporation ensured that there was no black-marketing in the sale of Certified seed. The representative of the Corporation stated during evidence that—

“We have our dealers who sell seed at fixed price. They have issued vouchers and mentioned the price in the

Cash Memo or vouchers. Then we have our staff people who continuously check up these things. Our dealers get commission from us on the quantity sold. We have sold round 70 per cent of seeds to the State Governments and they have further distributed them to the other agencies. We have not yet received any complaints about the blackmarketing of seeds from our dealers but we keep on checking it."

He, however, stated that the real remedy for all such eventualities was multiplication of sufficient quantities of seeds.

9.31. Asked whether the Corporation received any complaint from the farmers regarding the non-availability of seeds at the proper time, the representative of the Corporation stated that—

"We have received it and then discussed it among ourselveswhenever we have received the indent in time, we have supplied the seed in time.

9.32. In this connection the Managing Director added that—

"Last year, the production of hybrid *bajra* for Maharashtra was taken up and we expected about 12,500 quintals of seeds at the time of harvest. But unfortunately, there was untimely rain with the result that the viability of that seed was spoiled and about 4000 quintals of viable seeds could be procured. Because we had the indents from the State Governments and that is why we took up a special programme during the *rabi* season. Actually, this is the complaint which I have received during my period. When seeds were being processed and simultaneously despatched to the State Governments, at the time there was a very short time to do that and in that case, seeds did reach them late in spite of the fact that they were moved by road transport."

9.33. On being asked as to how NSC ensured that the regular supply of seed especially new proven varieties were made available to the farmers at reasonable prices, the Corporation stated that the pricing was done by the Corporation after keeping minimum margin to meet its over-head costs and return on the capital. Final price for sale was intimated to the dealers and they were required to sell it to the farmers only at that price.

9.34. On a point whether Government were satisfied with the present distribution system, the Ministry stated that the NSC was, at present, depending upon a system of distribution and dealership and their own sale outlets. There were 900 dealers and 76 sale outlets. It was ascertained that about 75 per cent of the sales affected was through the Government Cooperative agencies. The Corporation had been instructed to give preference to cooperative while appointing their dealers.

9.35. The Committee note that while the turnover has increased from Rs. 196 lakhs in 1968-69 to Rs. 682 lakhs in 1972-73 i.e., by about 3½ times, the distribution cost has increased from Rs. 8.42 lakhs in 1968-69 to Rs. 70.91 lakhs in 1972-73, an increase of more than 8 times. The Committee find that the dealers' commission has increased from less than 1 per cent in 1968-69 to 5 per cent in 1970-71 and it has come down to 5 per cent in 1972-73. The Committee recommend that Government/Corporation should critically examine the variations in percentage of dealers' commission to see as to how far they are reasonable.

The Committee also find that the value of seeds sold per rupee of administrative cost improved during 1969-70 to 1972-73. The Committee were informed that the arrangements of marketing are constantly under review and the net-work of dealers is continuously being expanded so that the seeds are made available to the farmers in time and at desired places, and that the ratio of administrative cost to sales would improve only after the turn over increase sizeably. The Committee would like that the marketing and distribution system should be so streamlined and strengthened as to not only ensure reduction in the cost of distribution and administrative overheads but to make the cultivators have easy access to the sale points so that the seeds are available to them in time at the desired sale points, especially in the backward regions of the country.

9.36. The Corporation should also ensure the regular supply of seeds especially of new proven varieties to the farmers in time and at reasonable prices, and leave no scope for any complaint about black marketing.

RESEARCH AND DEVELOPMENT

10.1. The NSC receives the basic material i.e. breeder's seed from I.C.A.R. and as such the scientific research aspect is looked after by the ICAR.

10.2. Since different research institutions under I.C.A.R. are the main breeder seed suppliers to NSC and due to lack of adequate facilities available for breeder seed multiplication with these institutions, the quality of breeder seed at present is not of the desired level, which results in unnecessary additional expenditure on purification at foundation seed stage by NSC.

10.3. The problems faced in seed production are also brought to the knowledge of the breeder and they help in solving problems and thus close coordination is made with ICAR.

As good breeder seed is the most important step of sound seed production programme, the betterment in facilities with these institutes is essential and the ICAR have already taken steps in this direction.

10.4. From the Annual Report for 72-73, it is seen that—

“With an eye on the future growth and an all-round qualitative improvement, time is ripe now to undertake some research and development programme. Research and development are undoubtedly the backbone of innovation. It is gratifying that the Board of Directors in 51st meeting held on 15/16th March, 1973 have taken far-reaching decisions in this regard and have approved of a separate Division of Research and Development and Quality Control. So far NSC has been dealing with seeds of primarily food crops and the varieties evolved by IARI. There is now a need to test a wealth of new varieties available at the numerous research institutes and agricultural universities. The processing equipment used also consists, by and large, of only the basic machinery. It has so far relied largely on technology developed in the advanced countries; some of these are inappropriate to the

General situation in a developing country like ours. The question of choice and suitability of technology available from developed countries is thus becoming a major issue.'

10.5. Asked as to the steps taken by NSC to develop new varieties of seeds to meet the demand of the country; the Corporation stated that the Research, Development and Quality Control Division had recently been set up to undertake research on applied aspects of seed technology, to find solutions to problems of synchronisation, isolation, seed borne diseases, to screen new varieties, develop new product lines, to collect feed back informations on N.S.C. seeds and to bring about improvement in processing etc. This Division would also intensify quality control measures in different stages of seed production, processing, storage etc.

10.6. When asked whether Corporation brought its proposals to the notice of Government, the Ministry stated that the:

"Corporation had not specifically brought to the notice of the Government that the Board of Directors had approved a proposal for ushering in important changes in the research and development. It was, however, observed that the management of the Corporation had decided on taking up expansion of research and development activities and felt the need for a separate Research, Development and Quality Control Division in the Corporation for intensifying the work in this direction. It would also be seen from the year ending 31st May, 1973, that out of the net profit of Rs. 44.28 lakhs the Corporation had earmarked Rs. 20 lakhs for research and development work."

10.7. The Committee regret to note that in spite of its existence for ever 10 years the Corporation had not till March, 1973 taken steps to form a Research and Development Division to undertake research on applied aspects of seeds technology and it has been depending only on ICAR for the basic material. The Committee, find that only in March, 1973 the Corporation had taken a decision to set up a Research and Development and Quality Control Division and set apart a sum of Rs. 20 lakhs out of its own resources for the purpose. The Committee also note that the quality of breeder seeds is not of desired level due to lack of adequate facilities with the breeder institutions and the ICAR has already taken steps for the betterment of facilities. Since good breeder seeds are the most important factor in sound seed production programme and such

breeder seeds are the responsibility of the Agricultural Research Institutes/Universities, the Committee would like that the Research Division of the Corporation should have a close liaison with ICAR and other Agricultural Universities in the country in developing quality seeds of good standard and also new varieties of the quality seeds in the interest of the overall food production in the country.

10.8. The Committee find from the Annual Report (1972-73), that the Corporation has so far been largely relying on the technology developed in advance countries and some of which are inappropriate for our country.

10.9. The Committee would also like that the Corporation should lose no time in developing technology for processing equipments etc. suited to Indian conditions so as to obviate the necessity of depending on foreign countries for such equipments.

XI

FINANCIAL POSITION

A. Financial Position

10.1. The financial position of the Corporation for the years 1969-70 to 1973-74 is given below:—

	1969-70	1970-71	1971-72	1972-73	1973-74
Liabilities					
(a) Paid-up Capital	190.00	230.00	250.00	280.00	310.00
(b) Reserve and Surplus	6.55	5.55	5.55	45.86	91.49*
(c) Borrowings :					
(i) From Govt. of India	175.79	164.76	167.28	166.48	161.33
(ii) From State Bank of India (Cash credit)	81.22	50.59	..	..	..
(d) Trade dues and current liabilities (including provisions)	165.81	144.46	175.68	216.06	400.65
TOTAL	619.37	595.76	598.51	708.40	963.47
Assets					
(e) Gross Block	62.19	79.47	88.70	97.77	124.47
(f) Less depreciation	17.56	24.34	29.28	35.23	44.18
(g) Net fixed assets	44.63	55.13	59.42	62.54	80.29
(h) Capital work-in-progress (including machinery at site under erection and transit)	12.38	10.35	13.96	17.17	20.77
(i) Investment	10.00	10.00	10.00	10.00	10.00
(j) Current assets loans and advances	540.75	509.83	506.53	616.02	851.67
(k) Misc. expenditure :]					
(i) Referred revenue expenditure	4.83	3.88	2.94	2.67	0.74
(ii) Net Loss	6.78	6.57	5.66	..	..
TOTAL	619.37	595.76	598.51	708.40	963.47
Capital employed	419.57	421.90	395.25	471.33	546.47
Net worth	184.94	225.10	246.95	323.19	400.76

*Includes dividend of Rs. 13.82 lakhs.

B. WORKING RESULTS

11.2. The working results of the Corporation for the year 1969-70 to 1973-74 are given below:

(Rs. in lakhs.)

	1969-70	1970-71	1972-72	1972-73	1973-74
Profit before tax	0.26	0.22	0.91	84.28	116.38
Tax provision . . . . .	..	..	..	40.00	71.34
Profit after tax	0.26	0.22	0.91	44.28	45.04
Percentage of profit before tax: .					
(a) Gross fixed asset	0.42	0.28	1.02	86.20	93.50
(b) Sales	0.08	0.05	0.18	12.35	14.58
(c) Capital employed	0.06	0.05	0.23	17.88	21.30
(d) Net worth	0.14	0.10	0.37	26.08	29.04
(e) Equity capital	0.14	0.10	0.36	30.10	37.54

11.3. The profit of Rs. 0.91 lakhs before tax in 1971-72 was after writing off a loss of Rs. 55.34 lakhs on the accumulated stock of Hybrid of Foundation Seeds. During 1972-73, the value of condemned foundation seeds to be written off is stated to be Rs. 8.53 lakhs and the value of certified seeds to be written off is stated to be Rs. 4.77 lakhs.

11.4. Asked as to what extent the profit was affected by write off of condemned Hybrid seeds in the previous years, the Corporation in a reply after evidence stated that there had been no condemnation of stock prior to 1969-70. There was a profit of Rs. 0.26 lakhs after deducting the loss of Rs. 9.91 lakhs on account of accumulated stocks of Hybrid Foundation Seeds during the year 1969-70. During 1970-71 the Corporation's profit was Rs. 0.22 lakhs after deducting the loss of Rs. 10.21 lakhs on account of accumulated stocks of Hybrid of Foundation Seeds.

11.5. The Committee desired to know the contribution made to profit/loss on account of the commercial activities of the Corporation and also the impact of the promotional activities on the profitability. The Corporation stated in a written reply that the role of NSC was more of developmental/promotional nature and less of commercial and NSC had been classified as a promotional organisation. Pre-

released multiplication seed certification, seed training and industrial consultancy services were some of the promotional activities. No separate accounts were being maintained to assess the overall profitability of the Corporation between Commercial and Promotional activities.

11.6. Asked whether profitability of the Corporation was analysed to find out the impact of rate variance and volume variance, the Corporation stated that no such analysis of profitability had been conducted.

11.7. On an enquiry whether Corporation was maintaining proforma account to ascertain the working results of the regional offices/sub-offices, the Corporation stated that the accounts of the Corporation had been decentralised and the regional offices were maintaining their receipt and expenditure accounts. No such proforma account was being worked out to ascertain the working results of the regional offices. The performance of regional offices, however, was reviewed by analysis of their sale/production achievements.

11.8. The Committee note that the profit of the Corporation has increased from Rs. 0.26 lakhs in 1969-70 to Rs. 0.91 lakhs in 1971-72 and Rs. 84.28 in 1972-73 and Rs. 116.381 lakhs in 1973-74. It has been stated that the above profits are after deducting the loss of 9.91 lakhs on account of accumulation of the stocks of Hybrid of foundation seeds during 1969-70. Rs. 10.21 lakhs during 1970-71 and Rs. 55.34 lakhs in 1971-72. During 1972-73 the value of condemned foundation seeds to be written off from the accounts is stated to be Rs. 8.53 lakhs and the value of certified seeds to be written off as Rs. 4.77 lakhs. The Committee have given detailed recommendation elsewhere in this report about the writing off of large amount on account of hybrid seeds. The Committee were informed that the role of NSC was more the developmental and less of commercial. The Committee regret that no separate accounts were being maintained to assess the overall profitability of the Corporation between commercial and promotional activities nor was any analysis of the profitability made to find out the impact of the rate variance and the volume variance. In the absence of the operating results for commercial and developmental activities being worked out separately and in the absence of analysis of profits to determine the impact of rate and volume variance, the Committee are not sure as to how far the sudden rise in the profits of Corporation during 1972-73 and 1973-74 reflected the efficiency in conducting the operations of the Corporation. The Committee therefore recommend that the working results of the promotional and commercial activities be maintained separately to identify

areas where economies could be effected so that suitable remedial measures be taken in time by the Corporation. Again profitability analysis should be carried out to find out the impact of rate volume variance.

11.9. The Committee also regret to observe that though the accounts of the Corporation had been decentralised, no proforma accounts as such are maintained to ascertain the working results of the regional offices. The Committee were informed that the performance of the regional offices was reviewed by an analysis of sale and production achievements. The Committee would, however, like that in the interest of ascertaining the true financial results of the working of the regional offices, it is essential that proforma accounts of these offices are maintained so as to enable the Corporation to pinpoint the areas of weakness and effect economies where necessary.

C. Costing

C. *Non-ascertainment of cost of production*

11.10. The Corporation has not introduced any costing system so far in order to find out the cost of producing seeds in its own farms. In October, 1969, the Corporation informed the Ministry that due to uncertain conditions in agricultural production, the development of a detailed costing system would not be of any use and that certain norms for the production of different crops under ideal conditions were being laid down which could be used as rough and ready guides. No such norms have, however, been fixed so far (December, 1970).

11.11. Asked about the circumstances in which it was felt that detailed costing system would be of little use, the Corporation stated that it was in view of number of variables in agriculture and cost of production varying from season to season and even from one crop to another. In this connection the Ministry stated that though the Corporation had stated in 1969 that due to uncertain conditions in agricultural production the development of a detailed costing system for their farms would not be of any use, the Government observed that the Corporation had issued instructions in April, 1973 to their two Farms to maintain proper cost data.

11.12. The Corporation however, stated that instructions to maintain proper cost data were issued to Hempur Farm on 1-12-72 and Nandikotkur Farm on 9-4-1973 respectively.

11.13. Asked as to how in the absence of any costing data or norms, it was ensured that the operations at NSC Farms were being

conducted economically and efficiently, the Corporation stated that the economy and efficiency of the operation of the Farms was being judged on the basis of proforma farm account being maintained by the Corporation.

11.14. The Committee regret to note that the Corporation had not introduced any costing system till 1972-73 on the plea that development of a detailed costing system for their farms would not be of any use due to uncertain conditions in agricultural production. It was only in December, 1972 and April, 1973 that the Corporation issued instructions to their Hempur and Nandikotkur farms to maintain proper cost accounts. The Committee were informed that the operations of the farms were judged on the basis of the proforma Farm Accounts maintained by the Corporation.

The Committee would, like the Corporation to prescribe suitable norms. The Committee also recommend that the Corporation should the performance of the farms could be judged with reference to such norms. The Committee also recommend that the Corporation should review the implementation of instructions issued to the farms regarding cost data with a view to ascertain the cost of production as well as to identify areas where economies could be effected.

D. Financial Aid to the Seed Producers

11.15 One of the objectives of the Corporation is to promote the production of improved seeds by giving financial aid to the seed producing agencies. A scheme for the setting up of a credit division in the Corporation was submitted to the Board of Directors on the 12th November, 1965 but as the proposal involved an expenditure of more than Rs. 40 lakhs and had many policy implications, it was reserved for the decision of the Government under Article 97 of the Articles of Association.

11.16. In November, 1970 the Management informed that a copy of the scheme was sent to the Government but they had not heard anything further from them.

11.17. The Ministry, however, informed in May, 1971 that no specific reference was made by the Corporation on this subject. As production loans were already available to seed producers and as commercial banks were also giving credit facilities, the establishment of a separate credit division in the Corporation was not considered necessary.

11.18. Asked whether Corporation had analysed the agencies involved in seed production and their credit requirements, the Managing Director informed the Committee that they had not analysed

this because the volume was so great. One hectare seed production needed credit of Rs. 1,000 to Rs. 1,500 per hectare and at present they had little over one lakh acres, and as such the credit requirement was also large that it was not within the financial means of the Corporation to extend this facility. The Corporation did not give any loan.

11.19. On being asked whether Corporation advised the Commercial Banks to give loan to the producers of N.S.C., the Managing Director stated that "Informally the Bank agencies come to the Regional Office to find out whether such and such a person is a seed producer and the area he is having and what would be the credit requirement with regard to inputs. Our people informally give this information".

11.20. In this connection the representative of the Corporation added "The State Bank of India and the United Commercial Bank have shown interest in extending credit. We have been in correspondence with them and we have tried to emphasise that they should come with the concrete scheme. We shall furnish them with a list of seed growers in a particular season and we can give them some production. On that basis they can extend loan".

11.21. On a suggestion whether Corporation could issue a certificate to its producer for getting loan from banks in order to prevent bogus persons from posing as seed producers and getting commercial loans, the Managing Director stated "I personally feel that the NSC should not involve themselves in the financial aspect—because the involvement is so large and if any grower becomes a defaulter, we will not be able to stand guarantee unless there is a provision . . . if there is an agreement and the bank actually authorise the NSC to have the first charge against the credit given to the farmers, I think we might be able to consider it favourably."

11.22. In regard to the suggestion that the certificate would be just to identify the real growers of NSC, the Managing Director stated "this suggestion seems to be very useful one . . . so it has to be seen whether it is workable".

11.23. When asked whether the seed production suffered for want of finance, the Ministry stated that the Corporation had not received any complaint regarding lack of finance for seed production. The Banks were understood to be advancing credit for this purpose.

11.24. The Committee note that the scheme for setting up of a credit division in the Corporation was submitted to the Board of Directors in November, 1965 and as the proposal involved an expenditure of more than Rs. 40 lakhs, it was stated to have been forward-

ed to Government in November, 1970. In the opinion of the Ministry, such a division was not necessary as production loans were already available to seed producers and commercial banks were also giving credit facilities. The Committee regret to note that the Corporation had not analysed credit requirements of the agencies involved, although according to them, one hectare of seed production would require a credit of Rs. 1,000 to Rs. 1,500 and on this basis the credit requirements are so large that it is not within the financial means of the Corporation. The Committee are informed that the Corporation had not advised the commercial banks to give loans to producers of the NSC but the State Bank of India and United Commercial Bank have shown interest in extending the credit and the Corporation proposed to send a list of seed growers to these Banks extending the loans to them. While the Committee agree that the Corporation need not involve itself in giving guarantees on behalf of the growers to facilitate their obtaining loans from Banks, the Committee feel that in the interest of seed production, the Corporation can consider the feasibility of issuing some certificates to identify the genuine growers of seeds when they apply for loans from banks, to obviate chances of bogus persons posing as seed producers of the Corporation in order to obtain commercial loans.

E. Sundry Debtors

11.25. The table below indicates the position of debts due from the Government departments and private parties and the sales during the period from 1967-68 to 1972-73.

(Rupees in lakhs.)

	Due from Government De- partments	Due from private parties	Total	Sales including inspection fee and processing charges	Percentage of total debt to sales.
31-5-1968	133.31	17.46	150.77	335.89	44.89
31-5-1969	125.98	22.54	148.52	241.60	61.47
31-5-1970	136.14	51.56	187.70	346.14	54.23
31-5-1971	130.11	72.52	202.63	456.19	44.4
31-5-1972	108.29	45.85	154.14	524.06	29.4
31-5-1973	83.26	45.52	128.78	709.33	18.2
31-5-1974	73.35	46.44	119.79	827.07	14.5

1. Adjustments to the extent of Rs. 26.83 lakhs had been made as against Rs. 27.96 lakhs on account of double billing and other dispute included in the outstanding on 31-5-1968.
2. Out of Rs. 8.04 lakhs disowned and contested by the parties included in the outstanding on 31-5-1968, a sum of Rs. 4.25 lakhs had been adjusted.

11.26. Asked about the reasons for heavy outstanding during the year 1967-68 to 1970-71, the Corporation in a reply after evidence stated that in the earlier stages, the Corporation was adopting a liberal policy in providing credit to Government parties. Foundation seeds as well as certified seeds were supplied on credit basis. No advance was insisted upon. Inspection fees also not being recovered in advance from the growers. The above liberal policy of credit to State Governments was mainly the reason for heavy accumulations. The State Governments had taken unduly long time in paying their dues. Many district Agriculture Officers found difficult to make advance also.

11.27. It is seen that the debts as on 31st May, 1974, include the following amount outstanding for more than 2 years from Government Departments and private parties:—

(Rs. in lakhs.)

	Government Department	Private Parties.	Total
(i) Debts outstanding for more than 2 years but less than 3 years.	11.84	5.79	17.63
(ii) Debts outstanding for 3 years and above.	46.92	19.16	66.08
TOTAL			<u>83.71</u>

11.28. The Committee desired to know the reasons for non-realisation of the above debts and also wanted to know whether the non-realisation was due to any defect in the procedure for billing. The Corporation stated that the heavy outstanding and non-realisation of the debts was primarily due to the fact that the indents were received from the Department of Agriculture for despatch to various State agencies like BDOs etc. For settlement of the claims, it was necessary that the indenting authorities and the consignees should reconcile the opposition. This was found in practice to be difficult. The non-realisation of dues was aggravated to some extent by the fact that the bills were issued to the consignees instead of being issued to the indenting authorities. The Corporation had since, as a matter of policy, stopped sales on credit and, therefore, the position might be deemed to have been rectified. The dues to the extent of

Rs. 16.56 lakhs were considered doubtful and necessary provision made in the accounts for the year 1972-73.

11.29. The Committee pointed out that in view of the heavy out-standings aggregating Rs. 39.75 lakhs for 3 years and in the absence of complete analysis of the debts, how the management considered the ad-hoc provision of Rs. 16.56 lakhs for doubtful debts.

11.30. The Corporation stated that the provision was assessed and considered adequate by the management in view of the correspondence entered into with the various parties, Government as well as private.

11.31. Asked about the criteria adopted by the Corporation for classification of an outstanding debts as a bad case for the purpose of levying interest as per decision of the Board taken in Jan., 1970, the Corporation stated that the interest bills were raised in consideration of the age of the outstanding debts.

11.32. The year-wise total of such interests bills raised and realised were as under:—

<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
1,552.14	3,782.97	19,256.70

11.33. The Committee enquired what steps had been taken or proposed to be taken by the Corporation to ensure prompt realisation of debts. It was stated that the Corporation had established a Debt Collection Cell in order to expedite the prompt realisation of debts. Recovery of the old dues was being pursued by Head Office through the regional offices. Meetings had been held at the appropriate level of the State Government authorities and it was expected that the dues would by and large, be settled in due course. Legal action was also being taken against some of the private parties who had disputed the claims and the cases were progressing satisfactorily.

11.34. The Committee note that the outstanding dues from the Government and private parties had increased from Rs. 150.77 lakhs on 31-5-1968 to Rs. 202.63 lakhs on 31-5-1971 and came down to Rs. 119.79 lakhs on 31-5-1974. The Committee were informed that the State Governments had taken unduly long time in paying the dues and there had been difficulty because of the Corporation's liberal policy of providing credit to the Government parties in the earlier stages. Moreover, the bills were issued to the consignees instead of being issued to the identifying authorities. The Committee

were also informed that the practice of making credit sales has since been stopped. The Committee, however, find that the outstandings for over 3 years were to the extent of 39.75 lakhs as on 31-5-73, and a provision of Rs. 16.56 lakhs was made for bad and doubtful debts. The provision for doubtful debts increased to 24.84 lakhs on 31-5-74. The Committee were also informed that the Corporation has established a Debt Collection Cell in order to expedite prompt realisation of debts and the recovery of the old dues was being pursued by the Head Office through the regional offices. The Committee recommend that the procedure for billing and measures taken towards the realisation of the debts be tightened so that the outstandings are realised without any further delay.

In respect of outstanding dues from the State Governments, the Committee would like that the matter should be taken up with the State Governments concerned for an early settlement of the dues. The Committee hope that the present procedure of taking advances from the State Governments at the time of indents would help in recovering the outstandings and improve the financial position.

11.35. The Committee also stress that the Corporation should take effective measures to recover the outstanding dues from the private parties without any further delay. The Corporation should also ensure that amounts are not allowed to remain unrealised for more than the time allowed for payment.

F. Inventory Control

11.36. The following table indicates the comparative position of the inventory and its distribution at the close of the last 6 years ending 31st May, 1973:—

(Rs. in lakhs)

	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
1. Certified Seed . . .	35.66	101.13	141.82	103.25	117.40	158.54	119.90
2. Foundation Seed . . .	87.06	91.39	113.16	109.73	50.99	43.78	36.77
3. Processing Materials . . .	11.29	13.61	15.97	11.20	6.83	5.97	11.24
4. Certification materials	28.64	42.52	30.05	30.05	41.94	37.35	56.24

11.37. The following statement indicates the number of months sales represented by the inventory of certified and foundation seed on 31-5-71, 72 & 73:—

Year	Sales		Inventory		Inventory/Sales	
	Foundation seed	Certified seed	Foundation seed	Certified seed	Foundation seed	Certified seed
1970-71	50.31	325.95	109.73	103.25	26 months approx.	4 months
1971-72	62.47	403.67	50.99	117.40	10 months.	4 months approx.
1972-73	63.09	591.05	43.78	158.54	8 months.	3.2 months

11.38. The Corporation stated that—

“Foundation seed is costly item. It requires advanced planning for the production of sufficient quantity of foundation seeds required for the purpose e.g. for number of hybrid maize lines it requires more than 2 years to produce the required single crosses. Considering all this, it is felt that the inventory holdings for foundation seeds are not on the higher side. However, in respect of lines such as MSCK-60A where there were big inventory holdings production was staggered with a view to liquidate earlier stocks.

The inventory of foundation seed as on 31st May, 1973 does not include slow moving items. Also inventory of foundation seeds is subjected to periodic reviews for the purpose.”

11.39. The table below indicates the opening stock, purchases, consumption and closing stock of the certification materials (tags leaflets, labels, bags, etc.) during the period from 1966-67 to 1973-74:—

	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
Opening Stock	5.32	10.44	28.64	42.52	30.05	30.05	41.94	37.35
Purchases	18.11	32.00	27.98	15.34	21.00	33.02	34.84	66.67
Total	23.43	42.44	56.62	57.86	51.05	63.07	76.78	93.02
Consumption	12.99	13.80	14.10	27.81	21.00	21.13	39.43	36.78
Closing stock	10.44	28.64	42.52	30.05	30.05	41.94	37.35	56.24

11.40. It is understood that packing and certification materials of the value of Rs. 1.59 lakhs and Rs. 2.09 lakhs were condemned and disposed of in 1971-72 and 1972-73 respectively. The Committee enquired as to why the purchase of certification materials were continued to be made from year to year in excess of the consumption. The Corporation stated in a reply after evidence that the certification and packing material was purchased on the basis of production programme. The material was also required for revalidation of old stocks. Keeping in view the delivery period of the material and the organisational set-up of the Corporation, which was spread over the entire country, the Corporation had to ensure that the packing and processing of the seed was not held up on account of non-availability of certification material.

11.41. The seed production of certain varieties was discontinued and the Corporation undertook the seed production of new varieties. The introduction of new varieties necessitated fresh purchase of tags, labels and leaflets which were different for different crops.

11.42. It was, however, ensured that the packing and processing was not held-up for want of certification material. The marginal excess stock was due to non-achievement of targetted production programme.

11.43. The Board of Directors desired in January, 1970 that the possibility of putting the certification materials in stock to alternative uses should be explored and action to condemn unserviceable materials be taken. The Ministry abated (May, 1971) that steps had been taken by the Corporation to dispose of the certification materials in a profitable manner.

The Corporation stated that "the condemned certification material has got no resaleable value."

11.44. Asked as to how was it that no value was realised from the disposal of condemned certification material in 1971-72 and 1972-73, the Corporation stated that "during the years 1971-72 and 1972-73, NSC condemned certification tags and labels which had become obsolete on account of change in the certification standard as a result of enforcement of Seed Act, from October, 1969. The labels and certification tags cannot be put to any alternative use. In case these are resold in the open market, these are liable to be misused. Accordingly, these are got destroyed in the presence of a responsible officer."

11.45. The Committee note that the inventory of foundation seeds an increased from Rs. 87 lakhs in 1967-68 to Rs. 113 lakhs in 1969-70 and thereafter there was a reduction from Rs. 109 lakhs in 1970-71

to Rs. 37 lakhs in 1973-74. Similarly in the case of certified seeds the inventory increased from Rs. 35.66 lakhs in 1967-68 to Rs. 141.82 lakhs in 1969-70. Though it was reduced to Rs. 103 lakhs in 1970-71, it again showed an increasing trend in 1971-72 and 1972-73. There was, however, a reduction in 1973-74 to Rs. 119 lakhs. The Committee have already given their recommendation in regard to the heavy accumulation of foundation and certified seeds mainly due to excess production of these seeds in the earlier years upto 1969-70 without any relation to the demand of such seeds or a firm commitments about their off-take. The Committee find that even in 1970-71 the foundation seeds represented 26 months sale and in 1971-72 and 1972-73 it represented 10 months and 8 months sale. The Committee are informed that foundation seeds require more than two years to produce the required single cross. The Committee, therefore, recommend that the Corporation should plan and finalise the requirements of foundation seeds according to variety taking into account the time required for its development and enter into firm commitment about their off-take before the actual production is taken up to obviate heavy accumulation of these seeds.

11.46. The Corporation should also undertake a systematic review of the stock of foundation seeds from time to time, conduct periodic tests with regard to their germination and quality so that seeds of doubtful viability are identified in time and initiate action for their disposal. The Committee feel that, in respect of certified seeds, the Corporation should in consultation with the Ministry make a realistic assessment of the requirement of the certified seeds and have firm contracts with the indentors before production so that the Corporation is not faced with a heavy inventory at the end of the year on account of poor off-take of the seeds. The Corporation should lose no time to segregate seeds which are in stock beyond their prescribed period of germination so as to ensure that such seeds are disposed of before they lose their efficacy.

11.47. The Committee regret to note that the Corporation had been making purchases of certification materials from year to year without any regard to the consumption of such materials or the balance of stock available with the result that packing and certification materials of the value of Rs. 1.59 lakhs and Rs. 2 lakhs had to be condemned and disposed off in 1971-72 and 1972-73 respectively. The Committee find that while the consumption ranged from Rs. 14 to 40 lakhs the purchases ranged from Rs. 15 lakhs to 66 lakhs between the period 1968-69 to 1973-74. The Committee were informed that Corporation has been purchasing the certification and packing materials based on the production programme to ensure that packing and processing of the seeds was not held up

on account of non-availability of certification materials. The marginal extra stock was attributed to non-achievement of targeted production programme. The Committee see no reason why purchase of certification materials should not be regulated with reference to actual requirement taking into account the material already available with the Corporation.

The Committee recommend that this matter should be investigated with a view to fixing responsibility for making excessive purchases.

11.48. The Committee were informed that on the advise of the Board of Directors steps have been taken by the Corporation to dispose of the certification material in profitable manner. The Committee were surprised that no value has been realised from the disposal of the condemned certification materials in 1971-72 and 1972-73. They were informed that the material became obsolete on account of change in the certification standards as a result of the enforcement of Seed Act and therefore some of the certification materials were destroyed in the presence of a responsible officer.

The Committee recommend that Corporation should undertake a review of the stock of the packing and certification materials on hand with a view to identifying items which are obsolete or un-serviceable and take action for their disposal in the best interests of the Corporation. The Committee would like to be kept them informed of action taken in the matter.

G. Accounting Manual

11.49. The need to prepare an accounting manual containing the financial and accounting procedures had been emphasized on the Public Sector Undertakings by the Bureau of Public Enterprises from time to time. The Bureau reiterated in September, 1968 that those undertakings which had not prepared the accounts manual should do so at an early date and the difficulties, if any, should be brought to its notice.

The orders on the accounting procedures issued by the Corporation from time to time were yet to be manualised till December, 1970.

H. Internal Audit

11.50. The Internal Audit Section was established in April, 1966 but no manual defining the scope and functions of the Section has yet been prepared, till 1969-70.

The Committee on Public Undertakings in their 15th Report (4th Lok Sabha)—April, 1968) recommended that the functions of the internal audit should include a critical review of the systems, procedures and the operations of the Undertaking as a whole. The Ministry of Finance (Bureau of Public Enterprises) while accepting the above recommendation directed the Public Enterprises in September, 1968 to introduce such a system. The Internal Audit Section had, however, not conducted any appraisal of the performance of the Company on the above lines till December, 1970.

11.51. In this connection the Corporation stated that the Finance and Accounts Manual of the Corporation was approved by the Board of Directors in their meeting held on 30-9-1972. It includes the rules pertaining to the I.A.D. also. Chapter I of the Manual provides for a review of the Systems and Procedures of the Corporation by the Internal Audit Department as indicated below:—

Review of the System, Procedures and Operations of the Corporation

A review of the system, procedures and operations of the Corporation as a whole should be attempted. For this purpose, the IAD should collect information regarding a defects in systems or procedures which are being followed by the Units of the Corporation and improvements which can be made in them. The officer who goes for discussion with the Regional Manager at the fag-end of the local audit should devote personal attention to this matter and draft a paragraph on the functioning of the unit as a whole. He should make a comparison with the activities of the unit in the functioning of the unit, so far as its production, marketing and other activities are concerned. He should also report whether the unit is conducting itself on commercial pattern and observing canons of financial propriety in its financial transactions. The accounts should be reviewed generally and the working of the Accounts Branch commented upon in the Inspection Report.

11.52. The Committee note though the need for accounting manual had been emphasised by Bureau of Public Enterprises and reiterated by them as early as September, 1968 it was only in 1970-71 that the National Seeds Corporation had finalised its Accounting Manual which includes a Chapter on the Scope and Functions of Internal Audit also. The Committee regret to note that although the scope and function of Internal Audit provide a review of the systems, procedures and operations, of the Corporation as a whole the Corporation has not so far conducted such a review.

The Committee feel if such a review of the operations of the Corporation had been conducted it would have enabled pin-pointing many of the lapses which the Committee have come across in this Report.

11.53. The Committee need hardly stress that internal audit is one of the effective tools of Management to plug the loop-holes in the working of an undertaking. The Committee therefore, recommended that the Corporation should intensify its Internal Audit and conduct appraisal of the operations of the undertaking and report to its top Management from time to time with a view to taking remedial action then and there.

XII

ORGANISATIONAL SET UP

A. Board of Directors

12.1. Article 94 of the Articles of Association of the Corporation empowers the President to appoint Directors and to determine number of Directors which shall not be less than 2 and not more than 15. In the past, both officials and non-officials were placed on the Board and till 1966 representatives of the maize growing States in the form of Directors of Agriculture of such States were also placed on the Board. From 1966 onwards, the representation to the States was not confined merely to maize growing areas, but all the States were considered since the Corporation's activities had become much larger than were originally confined to, because it had been in the meantime, decided that the Corporation would also undertake production of seeds of all crops. Apart from the officials to represent the Ministry, the Finance and Agricultural scientists, the Board of Directors also included representatives of growers. In 1966, for example, the Board had 5 officials of the Central Government, representative of the State Bank of India, the State representatives and 4 non-officials. By and large, this had been the practice that had been followed until the Bureau's latest instructions in October, 1972.

12.2. While appointing persons on the Board of Directors, therefore the following interests were considered necessary to be represented:

1. Central Government departments like Agriculture, Finance etc.
2. Research Institutions or the ICAR.
3. Representatives of seed growers and progressive farmers.
4. State Government representatives.

12.3. The Board of Directors of the Corporation was last reconstituted in May, 1974. At present (1-3-1975) the Board of Directors of the Corporation consists of the following:—

- (1) Chairman (who is also Chairman of the State Farms Corporation of India Ltd.).

- (2) Managing Director of N.S.C.
- (3) Joint Secretary of the Ministry of Agriculture.
- (4) Production Commissioner in the Ministry of Agriculture.
- (5) Managing Director of S.F.C.I.

(6—8) Three Progressive Farmers.

12.4. When asked whether Government had drawn any guidelines for the appointment to the Board of Directors, the Secretary, Department of Agriculture stated that there were some general guidelines for the public sector undertakings, not especially for the NSC. These guidelines had been changing from time to time.

12.5. The Ministry further stated in a note after evidence that the reconstitution of the Board of Directors of NSC was done on the basis of broad guidelines indicated by the Bureau of Public Enterprises. In October, 1972 the Bureau had issued detailed guidelines on the structuring of the Board of Directors (as in Appendix II). The reconstitution of the NSC had to be done on this basis when the term of the Directors expired on the 15th February, and after the extension granted to the earlier Board.

12.6. The Committee note that according to the Ministry it was considered necessary for the Board to be represented by Central Government Departments like Agriculture, Finance etc., Research institutions or ICAR, representatives of Seed farmers and progressive farms and State Governments representatives. The Corporation had generally been following the guidelines issued by the Bureau of Public Enterprises in this regard. The Committee, however, find that at present the Board of Directors consists of Chairman, who is also the Chairman of SFCI, the Joint Secretary in the Ministry of Agriculture, Agriculture production Commissioner, the Managing Director of State Farms Corporation and three Progressive Farmers, besides, the Managing Director of the NSC. While appointing progressive farmers to the Board of Directors, the Committee would like that the interests of small and marginal farmers are taken care of. The Committee recommend that Government may consider the feasibility of including representatives of research institutions like ICAR and also the State Governments in the interest of a coordination with research institutions and also the State Governments. The Committee need hardly stress that the Board of Management should be squarely responsible for any failure in production of quality seeds of appropriate variety and making them available to the farmers in time.

B. Manpower Analysis

12.7. At the time of the formation of the Corporation the details of manpower requirements were left to be determined from time to time. The table below indicates the actual staff strength at the end of 1967-68 to the end of 1973-74:

Sl. No.	Category of staff	Actual Strength						
		as on 31-5-68	as on 31-5-69	as on 31-5-70	as on 31-5-71	as on 31-5-72	as on 31-5-73	as on 31-5-74
1	Technical	398	511	524	469	455	521	435
2	Non-technical	467	612	575	602	591	537	660
TOTAL :		865	1123	1099	1071	1046	1058	1095
Percentage :—		23·27	5·6	1·1	23·29	43·57	1·1	29·44

12.8. The actual strength during the years prior to 1967-68 was not available with the Corporation. The Committee on Public Undertakings in their 15th Report (4th Lok Sabha April, 1968) expressed the view that the assessment of staff in the Public Sector Undertakings was generally being made on the high side. To overcome such a tendency, they suggested that the assessment of staff requirements should be made by specialised agencies. The Ministry stated (July, 1971) that "the Staff Inspection Unit had completed its study on the headquarters office of the NSC, the final report is awaited."

12.9. The Committee pointed out that the turnover of the Corporation in 1972-73 was more than double the turnover in the case of certified seeds and other activities of the Corporation had also increased considerably, the actual staff strength as on 31st May, 1973 was less than that of 31st May, 1970 and enquired as to the reasons for engaging excessive staff initially. The Corporation stated in a reply after evidence that "ambitious plans for production of seed were drawn up at the initial stages and staff was recruited in accordance with the estimated requirements for that level of production. As the production targets could not be achieved, the proportionate staff with reference to the turnover turned out to be on the high side. It may, however, be mentioned that an important activity on which the staff recruited earlier was engaged namely certification work is not reflected in the turnover figures. Therefore, the excess of staff in relation to

the turnover does not strictly indicate the actual excess in relation to the requirements. Some of the excess staff was also deployed in marketing because at that time their net work of dealers had not been developed. It has been possible for the Corporation to manage with marginally less staff in 1973 compared to 1970 in spite of increased turnover because its certification work had continuously been declining consequent on the taking up of this work by some of the State Governments."

12.10. Asked as to why the Corporation had not so far determined the staff strength on a realistic basis, the Corporation stated that the staff strength was determined on the basis of certain yard-sticks and norms which had been developed on the basis of experience. These norms had been further reviewed with a view to making them more realistic.

12.11. A Committee to study the staffing pattern of Regional Offices was appointed in terms of the Board's decision dated the 27th September, 1973. The report had since been finalised and was under consideration of the Management.

12.12. Subsequently, the Ministry in a written reply stated that "the report of the Committee was received by the Management of the Corporation in April, 1974. The Staff Assessment Committee found that the number of posts already sanctioned for Regional Offices were much below the requirements and had, therefore, recommended additional posts. The report is under consideration of the Corporation."

12.13. In this connection, the Ministry in a reply after evidence stated that: "the Staff Inspection Unit of the Ministry of Finance reviewed staff position of the Headquarters of the Corporation between February, 1971 and May, 1971. The report of the Staff Inspection Unit was received by the Corporation on 31st July, 1971. The Staff Inspection Unit had declared 60 posts as surplus as compared to the budgetted strength of 312 posts. The surplus worked out to 39 posts as compared to the then existing strength of 291 posts. The recommendations of the SIU were considered by the Board of Directors of the Corporation at their meeting on 14th December, 1971. The Board decided that the staff declared surplus might not be retrenched but absorbed against the vacancies at Headquarters—Regional Offices and Units where additional staff was needed on account of expansion in production and marketing activities. The Management of the Corporation reported to the Ministry on the 7th September, 1973 regarding the posts which were abolished, the posts retained for additional

work etc. It was for the Management of the Corporation to consider and implement the SIU report. No action was required from the Ministry on this."

12.14. The Ministry added that the Government had not gone into the reasons for engagement of excessive staff initially.

12.15. In regard to Regional Offices the Ministry stated that it was learnt from the Corporation that the Staff Inspection Unit had regretted their inability to review the staff strength of the various Regional Offices of the Corporation. The Management themselves constituted a Committee to go into the staffing pattern of the Regional Offices. It had been ascertained that this Committee had examined the staff position of some of the Regional Offices and submitted their Report. The Board of Directors who considered the report of the Committee decided that the staff found surplus should be suitably adjusted in view of the expansion of the activities of the Corporation.

12.16. From a written reply received from the Corporation it is, however, seen that the implementation of the conclusions arrived at by the Staff Inspection Unit would have resulted in the reduction of expenditure of Rs. 2,13,792 per annum towards pay and allowances as per statement below:—

Class	Designation	Scale of pay	No. of posts surplus	Total savings economy in expenditure
1	2	3	4	5
		Rs.		Rs.
I	Dy. Chief Accounts Officer	1100— 1400	1	21,900
II (Gazetted)	Asstt. Admn. Officer	350— 900	1	12,588
II (Non- gazetted)	Office Supdt.	325— 575	2	19,296
	Sr. Seed Production Officer	325— 575	2	19,296
	Assistants	210— 530	2	16,608
III	Jr. Stenographer	130— 280	1	5,352
	Upper Dvn. Clerk.	130— 280	6	32,112
	Lower Dvn. Clerk	110— 180	14	57,120

1	2	3	4	5
IV	Peon/Packers	70— 85	11	27,060
	Farash	70— 85	1	2,460
TOTAL :				2,13,792

12.17. The incumbent of the post of Dy. Chief Accounts Officer was reverted to his parent department with effect from 16th April, 1973. On reversion, the post was not filled up. The services of one Assistant Administrative Officer declared surplus was utilised in the newly created Vigilance Section.

12.18. Most of the Class III and Class IV staff members were diverted to the Regional Offices and Units where additional staff was required in view of the increased production and marketing activities.

C. Seed Production Assistant

12.19. The table below indicates the acreage inspected per Seed Production Assistant during the year 1967-68 to 1972-73:

Year		Acreage Inspected	No. of S.P.A.	Average acreage inspected per S.P.A.
1967-68	Kharif	51,350	269	190.9
	Rabi	19,353		71.9
1968-69	Kharif	68,422	291	235.1
	Rabi	18,373		63.1
1969-70	Kharif	40,557	282	143.8
	Rabi	14,372		51.0
1970-71	Kharif	35,163	252	139.5
	Rabi	34,937		138.6
1971-72	Kharif	36,457	219	166.4
	Rabi	36,577		167
1972-73	Kharif	37,137	204	162
	Rabi	20,733		102
1973-74				

NOTE : Norms of acreage for inspection per Seed Production Assistant per season are (1) Hybrid crops—300 acres (2) All other crops—500 acres (3) Vegetable crops—1000 acres.

12.20. In January, 1970, the Board of Directors, *inter alia*, desired that in order to effect economy in expenditure, the acreage for inspection—L.S.

tion by each Seed Production Assistant should be increased. Action to implement the decision had not been finalised till April, 1971.

12.21. Asked as to what were the factors responsible for not implementing the decision of the Board taken on January, 1970 to increase the acreage to be inspected per Seed Production Assistant, the Corporation stated that the Board's decision was discussed with the Regional Managers and after due consideration, it was felt that the increase in acreage was not feasible at that stage without adversely affecting the implementation of the various facts of the programmes of the Corporation. However, since the production programmes of the Corporation had been progressively increasing during this period, the output per unit of the staff had also been going up. In the last meeting of the Regional Managers held in August, 1974 these norms had been reviewed and the acreage allotted had been suitably increased.

12.22. It was decided that the requirement of such staff for field inspection might be assessed on the following basis:

400 acres for hybrid per individual per season.

200 acres foundation/vegetable crops per individual per season.

600 acres other crops per individual per season.

12.23. It was further decided that the staff might be assessed on the basis of actual planted acreage in the preceding season on the allotted programme for the current season reduced by 25 per cent which was more.

12.24. When asked as to what were the reasons for average acreage inspected per assistant being much lower than the norm fixed by the Corporation, it was stated by the Corporation that the Seed Production Assistant had to attend to Marketing, Processing and Storage Work in addition to inspection of corp. Taking into account the different duties performed by the technical assistants, the lower acreage inspected was considered as justified. Regional Managers constantly were to review the position of staff posted there and make best use of the available staff.

12.25. The Committee note that the staff strength of the Corporation had increased from 865 as on 31st May, 1968 to 1095 as on 31st May, 1974 and the number of non-technical staff was always higher than the technical except in 1970 and 1973 when the ratio of technical

to non-technical staff was almost 1:1. Although the Committee on Public Undertakings in their 15th Report (4th Lok Sabha 1968) expressed the view that the assessment of staff in Public Undertakings was generally on the high side and suggested that the assessment should be made by specialised agencies, the Corporation had not taken any action to make an independent assessment of the staff requirements of the Corporation. It was only in July, 1971 that the Staff Inspection Unit had completed their study of the Head Office of the Corporation and declared 60 posts surplus as compared to the budgetted strength and 39 as compared to the then existing strength. According to the Corporation the implementation of the recommendations of Staff Inspection Unit would have resulted in reduction of expenditure in the Headquarters to the extent of over Rs. 2 lakhs per annum. The Committee are informed that the Board of Directors decided that the staff declared surplus should not be retrenched but absorbed against vacancies at the Headquarters and regional units on account of increase in production and marketing activities.

12.26. The Committee are also informed that ambitious plans for production of seeds were drawn at initial stages and staff recruited in accordance with the estimated requirements for that level of production and as production targets could not be achieved, the proportionate staff with reference to turn over turned out to be on the high side. Moreover some of the staff recruited was also engaged in certification work which was not reflected in the turnover figures, and the certification work had also been continuously declining consequent on taking up this work by some of the State Governments. The Ministry have admitted that Government had not gone into reasons for engagement of excess staff initially.

12.27. From the foregoing, the Committee are led to conclude that the staff in Headquarters had been recruited much in excess of requirements on the basis of unrealistic targets of production with the result that the Corporation had to carry on the surplus throwing an additional burden on the finances of the Corporation to the extent of more than Rs. 2 lakhs per annum.

12.28. The Committee are also informed that in regard to the regional offices the assessment of staff was done by a Committee constituted by the Management and according to the report submitted by that Committee in April, 1974 the number of posts already sanctioned in regional offices were much below the requirements and additional posts were necessary. This report is still stated to be under the consideration of the Corporation. The Committee thus find that while there are extra staff in the Headquarters according to the

assessment by the Staff Inspection Unit, the regional offices are stated to be short of staff. The Committee, therefore, recommend that it is time that Government should take stock of the programmes of the Corporation and the role expected of it and make an objective assessment of the staff requirements both at the Headquarters and Regional Offices consistent with the role and objectives assigned to the Corporation and rationalise the staff strength.

12.29. In this connection, the Committee would like to invite the attention of the Government to their recommendation (in paragraph 1.14) of the 54th Report on State Farms Corporation of India Ltd. where they had suggested that arrangements for coordination between the State Farms Corporation and the NSC should be finalised so as to ensure the expertise available with NSC and the optimum utilisation of the farms of SFCI. The Committee would like that in assessing the staff requirements of the NSC, the Government should keep this recommendation in view in order to utilise the expertise developed by the NSC more profitably both in respect of the NSC and SFCI.

12.30. The Committee regret to note that though the Board of Directors in January, 1970 decided to increase the acreage of inspection by each production Assistant, the Corporation had not implemented their decision with the result that the average acreage inspected by each Seed Production Assistant continued to be less than the prescribed norms. The Committee were informed that, during discussion with the regional managers, it was felt that increase in acreage was not feasible without adversely affecting the implementation of the various facets of the programmes of the Corporation. It was only in the last meeting of the Regional Managers in August, 1974 that these norms were reviewed and the acreage allotted had been suitably increased. The Committee fail to understand as to how it was not considered feasible earlier to implement the Board's decision when it could be so decided in August, 1974 to review the norms and increase the acreage, without affecting the implementation of the programme. The Committee would like that Government should investigate into this matter and report their findings. The Committee note that as against the original norms of 300 acres of hybrid crops, 100 acres of vegetable crops and 500 acres of other crops the revised norms are 400 acres for hybrid, 200 acres for vegetable and 600 acres for other crops. The Committee recommend that the Corporation should review the working of the revised norms in the light of increased activities of the Corporation and also ensure that the revised norms are adhered to in actual practice.

12.31. The Committee also recommend that a review of the strength of the Seed Production Assistants should be made in the light of the experience of working of the norms so that the Seed Production Assistants are usefully deployed in the best interest of the Corporation.

XIII

COMPLAINTS

13.1. During the course of the evidence of the National Seeds Corporation, the Committee invited the attention of the Corporation to the reply to a Starred Question No. 17 dated 12-11-73 in Lok Sabha where in the Minister of State in the Ministry of Agriculture stated that the Government had received a number of Memoranda, the last being in January, 1971 from the Employees' Union of the National Seeds Corporation. The Government had appointed a Committee under the Chairmanship of Shri V. N. Gadgil, M.P. and a Director of the Corporation. The Committee asked about the details of (a) the grievances of the employees (b) the alleged cases of mismanagement for which an enquiry had been appointed and also the findings of the Committee, if the report of the Enquiry Committee had been received.

13.2. The Corporation in a written reply after evidence stated that the grievances and the alleged cases of mismanagement were as under:—

(i) *Outstanding Demands:—*

Confirmation of staff.

Separate cadre for Stenographers.

Grant of Conveyance Allowance.

Withdrawal of victimisation.

(i) *Malpractices and corruptions:—*

Violation of the field standards.

Seed procurement scandal.

Violation of sealing and tagging.

Allotment of production to kith & kins of an officer.

Relieving of an officer responsible for shortage to the tune of Rs. 60,000/-.

Appointment of a brother of the officer of NSC as NSC dealer.

No action on the shortage of stores worth Rs. 50,000/- from Bhopal Regional Unit.

Defects in construction of staff quarters at Hempur and Plant building at Yamunanagar.

Shifting of Head Office building time and again, delay in construction of own building.

Condemnation of stocks without proper checking.

(iii) *Measures suggested by the Union for stopping the Mismanagement, corruption, nepotism and favouritism:—*

Certification should remain with NSC and not with the State Governments.

Put the State Farms under NSC, for certified seed production.

Internal Audit Department should function directly under the control of Board of Directors through MD.

Full time Chairman should be provided to NSC.

Office own building should be constructed.

Employees' Director should be appointed on the Board of Directors.

13.3. The Corporation added that the Report of Enquiry Committee was awaited. In this connection, the Secretary of the Ministry stated during evidence that the Enquiry Committee had not completed its report. The Committee desired that a copy of the Report should be furnished.

13.4. Accordingly Government have since furnished a copy of the Report of the Gadgil Committee. The Committee find that the Gadgil Committee after examination of the several points mentioned in the Memoranda have held that there were *prima facie* cases and recommended the further investigation should be conducted in the following cases:—

- (i) Shortages of seeds in the stock of Bhopal Sub-Unit.
- (ii) Shortages of stock at Srirampur Sub-Unit.
- (iii) Unwise procurement from vested interests.

13.5. In the other cases the Enquiry Committee have stated that either there is no substance in the allegations, or some suggestions have been given like the need for the Corporation having its own building, construction of verandahs in staff quarters, settlement of accounts matters etc.

13.6. The two cases of shortages mentioned in paragraph 14.4 above, are dealt with as under:—

(i) *Shortage in stock of Bhopal sub-Unit.*

According to the Union, shortages in stores were noticed to the extent of Rs. 50,000/- in Bhopal Sub-unit but not responsibility was fixed on the concerned Regional Manager. The seed Production Assistant handed over charge to the Senior Store Keeper in November, 1969. At the time of handing over charge, there were shortages and the excesses in stores and the internal audit on examination found a number of discrepancies in Stores. In January, 1970 the Financial Controller brought to the notice of the Regional Manager two important features of the Report of the Internal Audit:—

- (a) At the time of handing over the charge, substantial differences in many of the items were noticed and Regional Manager had not reported the action taken to regularise them;
- (b) A large number of issues which took place from main stores to sub-stores and even to individual seed production assistants were taken as final issues from the stores. The explanation furnished after several months by the SPA and the Regional Manager were not found to be satisfactory. The Head Office asked the Assistant General Manager Marketing Poona to depute an Accountant to investigate the matter. The report of the Accountant revealed a number of discrepancies including omissions particularly in respect of Soyabean where there were shortages of 422 Kgs. and IR-8 paddy where the receipts shown in the ledger could not tally with the requirements and the receipt vouchers and the matters was stated to be in correspondence. According to the report of the Accountant the shortages of IR 8 paddy was to the extent of 2251.5 Kgs. The final assessment of shortage could be made by internal audit only after the correspondence in this regard was settled.

The Inquiry Committee had, therefore, concluded that the maintenance of records and the accounts in Bhopal unit was unsatisfactory and the matter had not been examined properly at the regional office level and had recommended that it should be investigated by proper agency.

(ii) *Shortage of stock in Srirampur Sub-Unit*

The Union of N.S.C. Employees had made the following allegations in connection with the shortages of seeds in the stocks at Sriram Pur Sub-Unit:—

- (i) Seed shortage to the extent of Rs. 60,000 had occurred at the aforesaid Unit and the concerned Officer-in-charge was allowed to join a private grower on a fat salary without his having made good the shortages, and
- (ii) No action was taken although this fact was brought to the notice of the Management.

The Gadgil Committee have pointed that at the time of relief of the Senior Seeds Production Assistant on 3rd November, 1968, a no demand certificate was not insisted upon and the officer was allowed to leave without even handing over charge of stores. Thereafter, this fact was brought to the notice of the Regional Manager by another SSPA who succeeded the former SSPA but no action was taken for some time. There was however, an undated statement signed by both the officers which mentioned the following statement:—

S. No.	Variety of seeds	Folio No.	Qty. as per Ledger	Qty. verified	Shortages	
<i>Foundation Seed</i>						
1.	Maize Antiguo G.R.I.	1	33,738	32,5	1,238	1,238
2.	Sorghum IS 84	29	11,801	9,697.5	2,103.5	} 4,221.5
3.	Sorghum MSCK-60A (old)	12	2,404	1,708	696	
4.	Do. (New)	36	4,85,472	4,84,050	1,422	
5.	Maize CM 104 x CM 105	20	628.5	541.5	87	} 99.0
6.	GM 109 x CM 110	24	6,042	6,035	7	
7.	CM 300	47	3,260	3,265	5	
					53,21,738	

The matter was examined by the Internal Audit and according to their Report of May, 1969, no action was taken by the Regional Manager to recover the losses resulting from the shortages. The Audit also

noticed certain lapses and irregularities particularly non-insistence of 'No demand certificate' before Shri Sharma was relieved and his failure to hand-over charge. In his letter of June, 1969, the then Assistant General Manager (M), Poona informed the Financial Controller that "the shortages were reconciled". He also informed that an undertaking had been taken in March, 1969 from Shri Sharma to the effect that he would make good the shortages, if any. The matter was again taken up by the Deputy Controller in September, 1971. When he asked Regional Manager an explanation of all the shortages individually, the Regional Manager in his letter of 15th October, 1971 pointed out that since 1969 there had been two physical verifications by the Internal Audit Party and no shortages were found. However, the figures, which were then handed over to him were not brought to his notice at any time previously by any of the Internal Audit Parties, and the only discrepancy noticed earlier was with regard to I.S. 84 seed. The matter was, however, got examined by the Deputy Regional Manager. According to the latter one, there were huge stocks and arrangements for stacking of the seeds were not available with the result that more than half the seed was not properly stacked. The Officers had difficulty in counting the bags and therefore, some mistakes had occurred. Subsequently, at the time of handing over the charge no shortages were noticed. According to the Regional Manager, there were no shortages and the shortages which existed owing to mistakes in counting etc. were reconciled. The detailed statement of reconciliation of shortage was not however, sent by him.

The Gadgil Committee has recommended that there is *prima facie* case for further investigation. The report of the Committee has also indicated that the Management proposes to examine the complete statement of reconciliation and also to verify the collection and recoveries actually made with reference to store receipts which were reported to have been issued following the reconciliation of balance of various items of stores.

13.7. The Committee feel that the aforesaid two cases are symptomatic of the maladministration and laxity prevailing at the field level in the Corporation. They are indicative of the facts that:—(i) maintenance of accounts of stores/seeds was not satisfactory (ii) there was no system of handing over and taking over charge of stores (iii) reconciliation of shortages was either not done or delayed (iv) procedure of accounting of issues to sub-stores was irregular and (v) there was no proper follow up of the observations of Internal Audit by the Finance and Management.

The Committee recommend that the cases should be thoroughly investigated and action taken against those found responsible for the lapses.

13.8. The Committee need hardly stress that adequate security should be obtained from all staff handling costly seeds/stores which are as good as cash and there should be no question of relieving any one on transfer/resignation etc., without proper and complete handing over of stores.

The Committee also recommend that the procedure for stores handling and accounting should be reviewed immediately and steps taken to plug loop-holes, if any to obviate recurrence of such irregularities. The Committee would like to be informed of the action taken.

13.9. The Committee also stress that the functions of Internal Audit being an aid to Management, due importance should be given to the observations of Internal Audit and prompt follow up action should be taken by Finance and Management with a view to remedying the defects in time.

(iii) *Unwise procurement from vested interests*

13.10. According to the Memorandum of the NSC Employees' Union, N.S.C. had procured in July, 1970 the following quantities of maize Ganga safed-2 from a plot owned by Shrimati R. B. Sharma, (wife of a Director of N.S.C.) in village Jitmarpur Kathi, District Darbhanga (Bihar):—

IDP N No.	Acreage	Quantity (Qtl's)	Average
5031	8	101.66	12.71
5032	9	106.60	11.7
5033	3	84.60	28.00
	20	292.76	14.63

The average yield IDP Note No. 5033 worked out to be at 28 quintals seed per acre which was considered to be impracticable. In regard to the yield of IDP Note No. 5033, the Assistant Administrative Officer (Shri O. N. Sharma) made a note that the average yield of 28 quintals per acre was unbelievable. He also suggested that as IDP,

note related to the wife of an NSC Director, it might be seen by the Financial Controller and the Managing Director before it was returned to the Regional Manager, Patna for enquiry. At the same time he made another noting in ink to the effect that "IDP note 5033 will be referred to RM, Patna, for his comments". On 7th July, 1970, after seeing the note the Financial Controller noted that payment against all the 3 inspection delivery and payment notes might be authorised but at the same time the matter should be referred to the R.M., Patna. The Managing Director agreed with this and all the three IDP notes were passed for payment. It was pointed out by the Enquiry Committee that the noting made by the Assistant Administrative Officer was in 3 paras and the last para contained a sentence about making reference to Regional Manager Patna, between the type noting and the noting made in ink the following noting in ink appeared:—

"Discussed with M.D. who after discussion with RM, Patna informed that seed lots have been mixed and the average yield is within the reasonable limits."

Subsequently, however, Deputy General Manager (Production) in his letter of 12th August, 1970 stated, among other thing that 28 quintals per acre yield was not realistic and asked the R.M. to investigate the matter thoroughly. On August, 26, 1970, the Assistant General Manager (QC) wrote to the Officer Incharge Patna that the three IDP notes had been passed for payment but, to exercise a check on yield, it was decided that the samples from the lots would be drawn and sent to Kompalli Field Testing Station with complete details of the case for testing its genetic purity.

Nearly one year later i.e., on 7th July, 1971, the Officer-in-Charge, Patna replied to the Company. Secretary stating, among other things, that he had not received any further enquiry from Head Office nor a testing report was received from Kimpalli. It was presumed by him that the facts narrated to the Managing Director were convincing and no further enquiry was necessary. Again nearly one year later i.e., on May 1, 1972, the Assistant Administrative Officer (Shri wrote to the Officer-in-Charge, Patna inviting his attention to the earlier letter of 26th August, 1970 and requested him to send the sample to Kompalli for field testing of the seed procured through IDP note No. 5033 and asked for the results of the test report. In his reply dated 17th May, 1972, the Officer-in-Charge, Patna drew the attention to his earlier letter of July, 1971. According to the Enquiry Committee there was no report from Kompalli on record.

The Enquiry Committee observed the following facts:—

- (i) Admittedly the average yield of 28 quintals per acre was almost an impossibility;
- (ii) the inconsistency in the three notings made by Shri Sharma about the very high yield from the land;
- (iii) the absence of testing report from Kompalli;
- (iv) the explanation given by the Officer-in-Charge, Patna namely that the produce of three different blocks may have got mixed up;
- (v) the fact that even the average yield of 20 acres came to 14.63 as compared to the general average of 7-8 quintals.
- (vi) the fact that the field belonged to the wife of the Director of the NSC.

The Enquiry Committee were satisfied that there was a *prima facie* case and the matter needed to be further investigated.

13.11. The Committee recommend that a thorough investigation should be made into the whole case keeping in view the observations of the Gadgil Committee particularly the fact that the farm belonged to the wife of a Director of the Corporation.

13.12. The Committee also recommend that strict instructions should be issued that normally no seeds should be procured from any Member of the family/dependent/relative of any one in the Management/or any of the employees of the Undertaking. Any relaxation in this regard should only be with the specific prior approval of the Board of Directors on full disclosure of the facts and scrutiny by them to safeguard public interests and to obviate any suspicion. The Corporation/Government should bring such cases to the notice of the Parliament by mentioning them in their Annual Reports.

XIV

CONCLUSION

14.1. The National Seeds Corporation was set up in 1963 to undertake the production of foundation seeds of hybrid maize in the beginning and subsequently of sorghum bajra and other crops to feed the seed production agencies in the States. Later the Corporation also entered the field of certified seeds production and functioned as a Certification Agency in such States where the State Governments had not set up their own certification agency.

14.2. During the course of examination of the National Seeds Corporation Limited, the Committee find that :—

- (i) A Committee under the Chairmanship of the Secretary of the Ministry of Agriculture has been set up to review the seeds production programmes of State Farms Corporation of India Ltd. and National Seeds Corporation Ltd. and to secure close coordination between their activities in the field of seed production. One of the measures taken in this direction is that N.S.C. should get the foundation seeds produced on the lands of SFCI and SFCI has also undertaken production of certified seeds for NSC on contract basis. Apart from having common directors for both the Corporations recently, Chairman of N.S.C. has been appointed a part-time Chairman of SFCI.
- (ii) Since 1972-73 the Government of India have been organising periodical conferences with the representatives of the State Government and All India Seed Producing Organisations so that a coordinated view could be taken of the seeds requirements and arrangements for production thereof. At present the targets for the production of foundation seeds are fixed on the basis of indents duly supported by 10 per cent advance from various producers and the State Governments.
- (iii) The requirements of foundation and certified seeds for the Fifth Plan have been worked out by the Corporation after discussion with the Ministry of Agriculture.

- (iv) The Fifth Plan Scheme includes provision for building up of reserve stock of seeds to be drawn upon in the event of natural calamities, such reserve stocks being maintained both at the State level and the Central level. Accordingly an amount of Rs. 3 crores has been provided in the Fifth Plan for the reserve to be maintained by the Seeds Corporation.
- (v) The production of certified seeds of maize, sorghum and bajra have shown considerable improvement in 1970, 1971, 1972, 1973 and 1974.
- (vi) The Government of India have recently in June, 1974 issued instructions to the State Governments for liberally permitting the movement of raw seeds from across the boundaries.
- (vii) The profit of the Corporation has increased from Rs. 0.26 lakh in 1969-70 to Rs. 0.91 lakh in 1971-72 and Rs. 84.28 lakhs in 1972-73 and Rs. 116.38 lakhs in 1973-74.

14.3. The Committee, however, find that:—

- (i) The Government have not so far defined the precise role of the Corporation *vis-a-vis* the other agencies engaged in in the work of production, marketing and certification of seeds.
- (ii) The National Seeds Corporation and the State Farms Corporation Ltd. were functioning 'more or less' at 'cross purposes'. As admitted by the Secretary of the Ministry "this was not a satisfactory arrangement".
- (iii) Although the Corporation was set up as early as 1963, there was no systematic arrangement for assessing the foundation seeds till 1967 and the estimates were based on discussions in Zonal Conferences and the Corporation's own estimates. During 1966-67, the Corporation participated in the discussion held by the Government of India with the State Governments for finalising the HYVP targets and on the basis of those targets, the programme of foundation and certified seeds was approved by the Board of Directors in February, 1967 for the period 1966-67 to 1970-71. The targets framed on the basis of these requirements could not be strictly adhered to resulting in heavy accumulation

of 15304 quintals of foundation seeds valued at Rs. 69 lakhs as on 31st December, 1969.

- (iv) Though the targets of production of foundation seeds have been reduced from 3780 acres in 1969-70 to 101 acres in 1970-71 and 722 acres in 1973-74, the targets of production have not been achieved either in respect of acreage or quantity for one or the other reason.
- (v) Although it was envisaged in the scheme formulated by the Ministry in May, 1961 that 25 per cent of the total cultivated area under maize would be brought under hybrid variety of certified seed during the Third Five Year Plan with an additional yield of 51 lakh maunds per year, so far the maximum percentage of the actual coverage has only been of the order of 8.6 per cent. Even the target for coverage in 1970-71 and 1972-73 were lower than those in 1968-69.
- (vi) The targets for acreage for foundation seeds of wheat were not achieved during the period from 1967-68 till 1972-73 except in 1967-68 and 1971-72 and in term of quantities the targets were not achieved except in 1971-72. In regard to the wheat certified seeds, the targets for acreage and quantity were not achieved in any year.

In the case of Paddy foundation seed, the targets in term of quantity were not achieved in any of the years and in terms of acreage the targets were not achieved except in 1967-68. The targets of acreage in respect of certified seeds were not achieved (except in 1970-71), while in term of quantity except in 1971-72. No analysis of the reasons for non-achievements of these targets had been made by the Corporation till, 1973.

- (vii) Against the targets of 432 qtls. in 1965-66 fixed for the production of foundation seeds of improved varieties of Jute, the actual production had been nil in 1965-66, 18 quintals in 1966-67, nil in 1967-68, 97 quintals in 1968-69. In spite of the low yield per acre right from the 1965-66, the Corporation had not analysed the reasons. Despite the poor performance and failure of the crop, the Corporation continued the production of jute seeds year after year.
- (viii) The Corporation undertook production of certified seed of Padma Variety (CR. 28—25) during Kharif 1969 in West

Bengal and Bihar and also through contract growers in Bihar under the State Government Programme but the entire crops in these two States were found to have been infested with virulent disease and became unfit for use as seed. In addition, some quantity of certified seed of this variety was also sold in West Bengal and Bihar for commercial cultivation during Kharif 1969. The crops in these areas also failed contributing to a considerable loss of rice to the cultivators.

- (ix) The production of foundation seeds at the farms of NSC as compared to the production at the farms of other agencies came down from 99.3 per cent in 1964-65 to 15.10 per cent in 1973-74 thus indicating that a major portion of the total quantity of foundation seeds produced by the Corporation during 1966-67 to 1973-74 was arranged through outside agencies.
- (x) The Corporation is certifying not only the seeds produced by the producers who market their own produce but also the seeds produced by it at its own farms as well as the seeds produced by its contract growers, inspite of the recommendation of the Seeds Review Team that certification agency should be independent from the agency producing or selling the seeds.

Though the Government of India had advised the State Governments in January, 1970 to initiate action to set up their own independent certification agencies in their States, only 7 State Governments have set up their agencies so far, and the NSC is doing certification services in the other States.

Although Seed Act was amended in 1973. Central Certification Board has not been established even after 3 years.

- (xi) The Corporation had condemned seeds worth Rs. 16.16 lakhs in 1969-70, Rs. 16.93 lakhs in 1970-71, Rs. 70.37 lakhs in 1971-72 and Rs. 18.47 lakhs in 1972-73, the highest percentage of condemnation being 15 per cent in 1971-72 which was due to the Corporation taking up the production programme of foundation and certified seeds from 1966-67 onwards without a correct assessment of requirements and without any firm commitment from the State Governments which resulted in the poor off-take by the

State Governments. The loss incurred by the Corporation in the sale of condemned seed was to the extent of 70 to 85 per cent of the price and on the basis of realisable value, the loss amounted to more than Rs. 91 lakhs to the end of 1972-73.

- (xii) There has been consistent shortfall in the sale of foundation seeds right from 1966-67 to 1972-73. Against the targets for sale of foundation seeds of Rs. 191.79 lakhs in 1966-67, Rs. 104.71 lakhs in 1967-68 and Rs. 110.25 lakhs in 1968-69, the actual sales were only Rs. 37 lakhs, Rs. 49 lakhs and Rs. 67 lakhs respectively.

As regards the sales of certified seeds, as against the targets there had been a shortfall of 46.5 per cent, 22.7 per cent, 59 per cent and 50.9 per cent during 1966-67 to 1969-70.

- (xiii) The Committee have also come across two cases of maladministration and laxity prevailing at the field level in the Corporation, and another case of irregularity in the inspection of a field. Where the yield per acre was 28 quintals which was considered impracticable.

14.4. To sum up, though according to the Government, the Corporation has been able by and large, to achieve the principal objectives for which it was set up, the Committee feel that its working leaves much to be desired. What is needed is a scientific method of assessing the requirements of seeds, both foundation and certified, in a realistic manner, the determination of the precise role and scope of the NSC in meeting the country's requirements and the review of the assessment of demand from time to time and in this regard Government alone can play a co-ordinating role. The Corporation would do well to concentrate its energies on the production of foundation seeds on its own farms and the farms of the State Farms Corporation of India and those of the Agricultural Universities and State Departments of Agriculture. It is time that an independent agency for certification of seeds is set up so that certification by such an independent agency may inspire confidence in the minds of farmers about the quality of the seeds produced by the Corporation. Government should take immediate steps for implementation of Seed Act and set up a Central Seed Certification Board to coordinate functioning of agencies established by State Governments. The Corporation would be failing in its duty if it does not ensure that good quality

seeds are available to the cultivators at the desired sale points, at the appropriate time and at reasonable prices, especially in the backward regions of the country.

NEW DELHI;
April 24, 1955

Vaisakha 4, 1997 (S).

NAWAL KISHORE SHARMA,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(Vide para 5-4)

Statewise location of Processing Plants

Sl. No.	Location of the plant	Capacity in quintals	Permanent or temporary
1	2	3	4
<i>Andhra Pradesh</i>			
1.	Parasadampadu	15,000	Permanent
2.	Tanuku	15,000	Do.
3.	Lallagudu	4,500	Do.
4.	Nellore	4,500	Temporary
5.	Nandikotkur	7,500	Do.
<i>Bihar</i>			
6.	Dehri-on-sone	[7,000	Do.
<i>Delhi</i>			
7.	CS&SD	15,000	Permanent
<i>Punjab & Haryana</i>			
8.	Yamunanagar	[12,000	Do.]
9.	Hissar	12,000	Do.]
10.	Mandigobindgarh	1,500	Temporary
11.	Bhatinda	3,500	Do.]
12.	Jullunder	3,500	Do.
<i>Jammu & Kashmir</i>			
13.	Jammu	4,500	Do.
14.	Srinagar	1,000	Do.
<i>Maharashtra</i>			
15.	Mal Kapur	4,500	Temporary
16.	Aurangabad	4,500	Do.

1	2	3	4
17.	Shrirampur	4,500	Temporary
18.	Sangli	4,500	Do.
19.	Jalgaon	12,000	Permanent
20.	Amravati	4,500	Temporary
<i>Madhya Pradesh</i>			
21.	Bhopal	7,500	Permanent
22.	Nagpur	4,500	Temporary
23.	Indore	4,500	Do.
<i>Mysore</i>			
24.	Jamkhandi	7,000	Do.
25.	Haveri	4,500	Do.
26.	Ghataparbha	4,500	Do.
<i>Uttar Pradesh</i>			
27.	Bareilly	7,500	Do.
28.	Daurala	1,500	Permanent
29.	Faizabad	1,500	Temporary
30.	Hempur	4,500	Permanent
<i>Rajasthan</i>			
31.	Jaipur	4,500	Temporary

APPENDIX II

(Vide para 12.5)

No. 2 (158)/70-BPE(GM)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

BUREAU OF PUBLIC ENTERPRISES

New Delhi, the 13th October, 1972

OFFICE MEMORANDUM

SUBJECT:—COMPOSITION OF BOARDS OF DIRECTORS OF PUBLIC ENTERPRISES.

The question as to how the structure of the Boards of Directors of Public Enterprises can be rationalised, consistent with efficient functioning of these enterprises, has been under consideration of Government for some time. It has now been decided that the following principles should be followed by the administrative Ministries in this regard:—

- (i) For large multi-unit enterprises and large trading organisation the typical structure of a Board could be a full-time Chairman-cum-Managing Director, assisted by at least two functional Directors one of whom would be in-charge of Finance, and part-time Directors.

As regards the inclusion of General Managers of constituent units and executives in charge of different regions in the Boards of multi-unit or multi-regional enterprises, inclusion of a few General Managers and Directors by rotation could be considered. Even if all the General Managers are not made Directors, those left out should also, in principle, be invited to attend and participate in all the Board meetings, it is, of course, understood that in certain situations, they may not, for good reasons, all be invited to a particular meeting.

- (ii) A typical structure of a Board for the smaller enterprises could be a Chairman-cum-Managing Director with one, and possible even two senior officers of the undertakings itself as functional Directors together with some part-

time Directors. One of the functional Director could if necessary designate Executive Director or Director functional Director (Coordination), should the burden on the Chairman-cum-Managing Director too heavy.

- (iii) In the cases referred to in (i) and (ii) above, there should be no bar to the appointment of a part-time Chairman, if in particular cases this course appears desirable. In such cases, a suitable whole-time Managing Director should invariably be appointed.
- (iv) The number of part-time non-official Directors on the Boards of multiunit and multi-regional public Enterprises may be about 1/3rd of the total strength, which may be of the order of 12 to 15. In relatively small enterprises, the Board strength should be between 8 and 12, including official and non-official parttime Directors, the number of the latter being about 1/3rd of the total.
- (v) The policy regarding appointment of full-time Chairman/Managing Director/Functional Directors from out of the "Panels" being prepared by the Empanelment Selection Board in accordance with the Prime Minister's directive, should be followed without exception to ensure maximum utilisation of panels. The aim should be for the enterprises themselves to generate their own top executives at this level also, who should therefore, be screened by the Empanelment Selection Board before considering empanelment of Government servants and men from private enterprises.
- (vi) Appointment of Government representatives on the Boards should ordinarily be restricted to the dealing Joint Secretary/Director, but in the case of some Ministries, Senior Officials within it might be chosen so as to constitute a Management Coordination Cell, as proposed to be done in the Ministry of Industrial Development and Internal Trade or to meet the conditions about the number of Directorships held by each officers.
- (vii) With regard to part-time Directors, as an interim measure the services of those from the private sector, who have volunteered for full time appointment in public Enterprises and considered fit and empanelled to hold such top level posts in Public Enterprises may be advantageously utilised. A comprehensive list of those considered suitable

ble for appointment as part-time Directors will, in due course, be prepared and circulated, it being understood, however, that discretion would be available to appoint those outside the list, where necessary. The final decision on the question of representation of workers on the Board of Industrial Enterprises being pursued by the Department of Labour and Employment will also be relevant in this context.

- (viii) On the question whether Government representatives on the Boards of Public Enterprises should necessarily include a representative of the Finance Ministry, while Finance Ministry representatives may be appointed to the major Public Enterprises, the relatively smaller enterprises may do without representatives of the Finance Ministry. In such cases, however, where there is no representative of the Finance Ministry on the Boards, the undertakings should ensure that the concerned Financial Advisers (Heads of the respective Expenditure Divisions in the Finance Ministry receive, sufficiently in advance of the Board meetings, the agenda papers, as also the minutes of the meetings. This will enable the Finance Ministry to keep in touch with the activities of the enterprises.
- (ix) The policy decision in regard to the exclusion of Members of Parliament in the Boards of Public Enterprises, which is based on the recommendations of the Krishna Menon Committee should remain unchanged. (The relevant extract from the report of the Krishna Menon Committee on State Undertakings and Government's decisions thereon, referred to above, is enclosed in Annexure.)

The above decisions are brought to the notice of the Ministry of Petroleum and Chemicals, etc., for information and compliance.

Sd/-

A. N. BANERJI.

*Additional Secretary and Director General,
Bureau of Public Enterprises.*

To

All Ministries/Departments of the Government of India.

APPENDIX III

Summary of Conclusion/Recommendations

S. No.	Reference to para No. in the Report	Summary of Conclusions/ Recommendations
1	2	3
1	1.11	<p>The Committee note that while according to Government the Corporation has been able, by and large, to achieve the principal objectives for which it was set up in July, 1963, Government have not so far defined the precise role of the Corporation <i>vis-a-vis</i> the other agencies engaged in the work of production, marketing and certification of seeds. The Committee are also surprised to note that though it is now more than eleven years since the Corporation has been functioning, it has not formulated a statement of objectives and obligations. In this connection the Committee wish to invite the attention of Government to their recommendation contained in paragraph 1.44 of their 40th Report 1973-74 on 'Role & Achievements of Public Undertakings' wherein they had <i>inter-alia</i> recommended that micro objectives, both financial and economic of each public undertaking should be set out and presented to Parliament. The Committee recommend that in the present context of limited availability of certified seeds it is high time that Government should precisely lay down the objectives and obligations of the Corporation and bring them before the Parliament so that the Corporation is left in no uncertainty about its goals and functions.</p>
2	1.21 & 1.22	<p>Inspite of the recommendation of the Committee on Public Undertakings in their 54th</p>

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Report (1973-74) on State Farms Corporation of India that role of SFCI and NSC should be clearly demarcated and arrangements for coordination finalised early so as to ensure a judicious management of the expertise with the NSC and optimum utilisation of the farms under the SFCI, the Committee regret to note that NSC and SFCI were functioning 'more or less' at 'cross purposes'. As admitted by the Secretary, during evidence this was not a satisfactory arrangement. The Committee are informed that a draft paper has been prepared on the role of SFCI and NSC which is under consideration of the Government. The Committee are also informed that, to bring about a collaborative relationship between the two undertakings, a Committee has been set up under the chairmanship of the Secretary of Agriculture to review the seeds production programmes of both the Corporations and to secure close co-ordination between their activities in the field of seed production. It has also been stated that one of the measures taken in this direction is that NSC should get the foundation seeds produced on the lands of SFCI and SFCI have also undertaken production of certified seeds for NSC on contract basis. Though the separate identity of the two Corporations is being continued a very close link up between the two by having common directors etc., has already been partly implemented. The Secretary of the Ministry has also stated during evidence that "If it is found at a later stage that the objectives which a national level organisation should serve will be attained between by merging the two it will be open to Government to take that decision."

The Committee would like to be informed of the results of coordination effected in terms of actual seeds produced and distributed to meet the farmers' requirements.

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3 2.18

The Committee regret to note that though the Corporation was set up as early as 1963 there was no systematic arrangement for assessing the foundation seeds till 1967 and the estimates were based on discussions in Zonal Conferences and the Corporation's own estimates. It has been stated that during 1966-67, the Corporation participated in the discussion held by the Government of India with the State Governments for finalising the HYVP targets and on the basis of those targets the programme of foundation and certified seeds was approved by the Board of Directors, in February, 1967 for the period 1966-67 to 1970-71. The targets framed on the basis of these requirements could not be strictly adhered to with the result that there was heavy accumulation of seeds in hybrid. The Committee have given their recommendations in regard to certified and foundation seeds elsewhere in this report.

The Committee were informed that from 1973 there had been some difficulties in meeting the seed requirements primarily because of inadequate data collection in respect of estimation of seed requirements since the requirements of foundation seeds depended on requirements of certified seeds. The Committee were also informed that the State Governments found it difficult to work out the precise requirements of certified seeds of different varieties of self-pollinated crops while there was no difficulty in assessing the requirements of certified seeds of cross pollinated crops. Moreover, the State Govts. were getting their seed requirements produced through the registered growers with the result that no precise information about the requirements of certified seeds over and above the seeds available with the State Govts. either on the contract growers programme or otherwise

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was available. The Committee were informed that in view of this it was not possible for Govt. to work out the requirements of seed although according to Govt. by and large the Corporation was in a position to fulfil the demand of foundation seeds for most of the certified seeds programmes.

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In regard to certified seeds it was stated that since NSC was one of the many agencies producing certified seeds the Corporation had by and large met the demand. The Ministry have, however, admitted that one of the principal reasons which contributed to the gaps in supply of the seeds lay in the fact that there was no precise information of the seeds requirements nor coordinated approach towards production of quality certified seeds. The Committee are constrained to observe that inspite of the Corporation being in existence for over 10 years, as admitted by the Ministry, there was no scientific method of assessing the requirements of both foundation and certified seeds in a realistic manner.

2.20

The Committee were informed that Government of India have since 1972-73 been organising periodical conferences with the representatives of the State Govts. and All India seeds producing organisations so that a coordinated view could be taken of the seeds requirements and arrangements for production of seeds.

The Committee recommend that in the interest of making the appropriate quality and requisite quantity of seeds available to the farmers in time, Government should evolve a method by which a realistic assessment of the requirements of different varieties of seeds is

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made and also take steps to precisely demarcate the responsibility of State Governments and All India seeds producing organisations, like the State Farms Corporation and Tarai Development Corporation in order to ensure a coordinated approach towards production of quality seeds of the required varieties and making them available to the farmers.

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2.21

The Committee note that although the requirements of foundation and certified seeds for 5th Plan have been worked out by the Corporation after discussion with the Seed Division of the Ministry of Agriculture as 107 tonnes, 240 tonnes, 160 tonnes, 530 tonnes and 5628 tonnes for maize, sorghum, bajra, paddy and wheat respectively, the foundation seeds requirement according to the Ministry are stated to be 200 tonnes, 288 tonnes, 160 tonnes, 450 tonnes and 4,000 tonnes respectively for the aforesaid varieties. The Committee are unable to understand the wide variations in the seed requirements of the aforesaid varieties which are stated to have been finalised after discussion with the Ministry. Similar variations are also noticed in regard to the requirements of certified seeds. The Committee would, therefore, like that the Ministry should work out the firm requirements of foundation and certified seeds and communicate the same to the Corporation, so that the Corporation may plan its production programmes on a realistic basis.

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2.39

The Committee note that the targets of acreage under maize have increased from 1620 acres in 1966-67 to 3780 acres in 1969-70 and correspondingly the production targets have also increased from 2240 quintals to 4590 qts. during

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this period. The targets of acreage under sorghum have increased from 1900 acres in 1966-67 to 2527 acres in 1969-70 and the production targets have also increased from 3700 qtls. to 6650 qtls. Similarly in the case of bajra the targets of acreage have increased from 370 acres in 1966-67 to 715 acres in 1969-70 and the production targets have also increased from 290 qtls. to 1235 qtls.

The Committee also note that the actual production of foundation seeds of maize during 1966-67 and 1967-68, of sorghum during 1967-68 and bajra during 1966-67 was more than the target of production inspite of the cultivated acreage being less than the targetted acreage. The Committee were informed that the targets of production of foundation seeds were fixed by the Corporation in February, 1967 and were based on the estimated coverage of the total cultivated area with hybrid seeds and the quantity of certified seeds required therefor after providing a cushion of 50 per cent to avoid any contingency of non-availability of seeds due to crop failure or fall in yield.

The Committee note that the targets of production were fixed on the basis of a decision of the Corporation in February, 1964 to produce foundation seeds sufficient not only for the next year's sowing but also to cover 50 per cent of the needs for the second year following in order to avoid any contingency of non-availability of foundation seeds due to crop failure or fall in yield. The Committee regret to observe that these targets of production had not been reviewed year to year on the basis of actual production and off-take during the year and the balance available at the end of the year, with the result that there was an accumulation of 15304 qtls. of foundation seeds valued at Rs. 69 lakhs as on

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31st December, 1969. The Committee have given their recommendations regarding accumulation of these seeds and their condemnation elsewhere in this Report.

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The Committee also note that though in February, 1967 when the targets of production of foundation seeds were approved by the Board, it was stated by the Management that the targets were worked out in consultation with the Ministry and actual production would be taken up on the basis of firm indents from State Governments, no firm indents in writing were received from the State Government because such a practice was not stated to be there at that time and production was based on the targets indicated by State representatives in the Conference and during discussions.

The Committee were informed that it had not been possible to locate any specific file containing the record of discussions which the officers of the NSC had with the representatives of the Ministry.

The Committee also note that on the basis of Board's decision in January, 1970 the Ministry were informed in April, 1970 that the production of foundation seeds of hybrid maize, sorghum and bajra was arranged by the Corporation with reference to targets fixed by the Government under the High Yielding Variety Programme which envisaged coverage of 19.5 million acres of cultivated area with hybrid seeds by 1970-71 and because of non-achievement of these targets by the State Governments, the Corporation was compelled to carry high stocks.

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The Committee, however, find that in September, 1970, the Ministry informed the Corporation that "there is nothing in our files to show that Government issued any directives or advice regarding the quantity of seeds to be produced nor is there any thing to suggest that NSC was to be guided in their seed production programme merely by high yielding varieties targets and programmes indicated by the States or discussed with the Central Team meetings". The Committee were, informed that the assessment was made by the Team of the Ministry of Agriculture and the targets were fixed based on that assessment and the information received from the Regional Managers.

The Committee also note that the target for coverage of hybrid seed was fixed by the Government of India at 12 million acres from 1966-67 to 1970-71 and that this was stated to have been used for all correspondence with Corporation and State Governments.

The Committee are, therefore, not clear as to how the Corporation could assume the target for coverage of hybrid seeds during this period as 19.5 million acres.

The Committee are informed that "the precise date at which time the targets of 12 million acres was fixed for coverage under maize, sorghum and bajra and when it was decided to raise the targets to 19.5 million acres were required to be ascertained on the basis of old records which are not readily available. Efforts had been made to locate any records showing the basis of the revised target of 19.5 million acres but it has not been possible to trace any such records."

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8 2.43 From the foregoing, the Committee are, convinced that Corporation had been going ahead with the production of foundation seeds without any correct assessment of its requirements and fixing targets on unrealistic basis and without any firm indents from the State Governments resulting in a huge loss to the Corporation. Neither the Ministry nor the Corporation could prove the veracity or the correctness of the targets so fixed. The Committee, therefore, recommend that the entire matter including the non-availability of the records of discussions between the NSC and the Ministry regarding targets should be thoroughly investigated with a view to pinpoint the responsibility for the lapses at all levels and the Committee informed of the action taken.

9 2.50 The Committee regret to note that though the targets of production of foundation seeds have been reduced from 3780 acres in 1969-70 to 101 acres in 1970-71 and 722 acres in 1973-74 the targets of production have not been achieved either in respect of acreage or quantity for one or the other reason. From the figures of the off-take, the Committee find that targets of production have no relation to the off-take. They also note that the actual yield per acre varied divergently from the yield estimated in fixing the targets. In spite of this the Committee regret to observe that the Ministry had neither investigated the causes of shortfalls in achieving the targets nor the reasons for the low trends in actual production per acre. The Committee recommend that the Ministry should now critically go into the causes of such shortfalls in production and the low yield per acre with a view to taking suitable remedial action for improving the productivity.

The Committee would also like that Ministry

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should undertake a comparative study of production per acre obtained by NSC *vis-a-vis* the other progressive farms of the State Governments or private farms situated nearabout State Governments|Farms Research Institutes and Agricultural Universities with a view to fixing suitable norms of production of seeds per acre in the NSC farms.

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The Committee note that although the Corporation had decided in February, 1967 to take up production of certified seeds of hybrid varieties of maize, sorghum and bajra to the extent of 5 per cent to 10 per cent of the total requirements of the country, the actual production of certified seeds for maize during 1967-68 and for bajra during 1966-67, 1968-69, and 1969-70 was in excess of the limit prescribed by the Board of Directors. The Committee note that excess production of maize was undertaken against the specific indents of Bihar Government while that of bajra against the specific demands of other State Governments. The Committee regret to observe that in spite of these specific demands a quantity of 14,431 quintals of hybrid maize valued at Rs. 26 lakhs was lying in stock in August, 1969 out of which 2764 quintals valued at Rs. 6.20 lakhs had to be condemned. The Committee recommend that the reasons for excess production and low off take of maize seeds which resulted in condemnation of seeds of over Rs. 6 lakhs may be investigated and responsibility for the lapses fixed and Committee informed.

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2.61

The Committee also note that the production of certified seeds of maize, sorghum and bajra have shown considerable improvement in 1970, 1971, 1972, 1973 and 1974. The Committee were informed that while production of certified seeds

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was undertaken by the Corporation on the basis of the estimated requirements and not against the specific indents, specific targets of production are laid down by the Corporation for evaluating the performance. The Committee are not sure how in the absence of data relating to the country's requirements of certified seeds, the Corporation satisfied itself that its production did not exceed the limit of 5 per cent to 10 per cent of country's requirement envisaged by it. The Committee would like that the Corporation should be clear about its specific role in the production of certified seeds and set its targets accordingly to obviate unnecessary accumulation of seeds with the attendant risk of deterioration and losses.

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2.73

The Committee regret to note that, although it was envisaged in the scheme formulated by the Ministry in May, 1961 that 25 per cent of the total cultivated area under maize would be brought under hybrid variety during the Third Five Year Plan with an additional yield of 51 lakh maunds per year, so far the maximum percentage of the actual coverage has only been of the order of 8.6 per cent. Even the targets for coverage in 1970-71 and 72-73 were lower than those in 1968-69. The Committee were informed that hybrid maize did not become popular with the farmers as a result of marketing problem due to the consumer resistance and it did not also fit in with the cultivation pattern. The Committee fail to understand as to why these problems were not studied earlier with the assistance of Research Institute and steps taken to popularise the use of hybrid varieties before undertaking production of hybrid seeds.

The Committee would also like that the Corporation|Government take the assistance of the ICAR and other Research Institutes for evolving

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a suitable cropping pattern for use of hybrid varieties and take appropriate measures for planning in advance about the sowing of the hybrid seeds.

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| 13 | 2.74 | <p>The Committee regret to observe that the Corporation had assured that improved seeds alone would contribute to an increase in production by 15 per cent without obtaining an expert opinion on the subject. The Committee would like Corporation/Government to undertake a study of the production pattern with the use of hybrids in order to precisely assess the impact of the use of hybrid varieties on the yield per acre so that the advantage of the use of hybrids <i>vis-a-vis</i> the local varieties improving the yield can be brought home to the notice of the cultivators.</p> |
| 14 | 2.82 | <p>The Committee note that the programme for wheat seed multiplication was taken up by the Corporation from 1967-68 and except in 1967-68 and 1971-72 the targets for acreage for foundation seeds of wheat were not achieved while in terms of quantities the targets were not achieved except in 1971-72. In regard to the wheat certified seeds, the targets for acreage and quantity were not achieved in any year.</p> |
| 15 | 2.83
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2.84 | <p>The Committee also note that in the case of paddy foundation seed, the targets in terms of quantity were not achieved in any of the years and in terms of acreage the targets were not achieved except in 1967-68. The Committee note that during the period 1969-70 to 1972-73, in the case of paddy certified seeds, the targets in terms of acreage were not achieved except in 1970-71, while in term of quantity except in 1971-72. In spite of these shortfalls, the Committee regret to observe that no analysis of the reasons for non-achievement of targets and for the actual yield</p> |
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being less than anticipated had been made by the Corporation till 1973. The Committee were informed that no such analysis was also conducted by the Ministry. However, according to the Ministry, the main difficulties experienced by the Corporation were the inability of the Corporation to get sufficient number of contract seed producers under the particular seed crops and non-return of the entire quantities of seeds by the contract growers to the Corporation because of their inclination to sell their seed as grain which fetched higher prices than the procurement prices offered by the Corporation. The Committee have already recommended in their 54th Report on State Farms Corporation that NSC should utilise the large areas in the farms of the SFCI for the production of their quality seeds. The Committee urge that Corporation/Government should consider eliminating the system of procurement of seeds through contract growers and supplement their requirements of seeds through the SFCI and other State Farms.

The Committee also recommend that the agreements executed by the Corporation with the Contract growers should provide for linking of quantities to be delivered with the area to be brought under cultivation on the basis of yield pattern so that chances for holding back certain quantities of seeds by them are eliminated. The Corporation should also consider taking stringent action against the private growers for non-fulfilment of contracts and until such time the Corporation eliminate the system of contracts growing, the terms and conditions of the contracts with the private growers should be precise, definite and enforceable in regard to quantity, quality and price of seeds to be delivered with stringent penal conditions for non-fulfilment of the contracts.

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16	2.102 & 2.103	<p>The Committee note that the Corporation took up the production of foundation seeds of improved varieties of jute crop in 1964-65 under the directions of ICAR in one of its farms at Hempur. The Committee also note that the targets of foundation seeds increased from 432 qtls. in 1965-66 to 560 qtls. in 1968-69 and thereafter the targets were reduced. Against these targets, the actual production has been nil in 1965-66, 18 qtls. in 1966-67, nil in 1967-68, 97 qtls. in 1968-69. The Committee regret that inspite of the low yields per acre right from the 1965-66, the Corporation had not analysed the reasons for the low yield during 1966-67 and 1968-69 and reported to the Board of Directors. Even thereafter, against the reduced targets of 140 qtls. in 1969-70, 123 qtls. in 1971-72, 244 qtls in 1972-73, 330 qtls. in 1973-74, the production has been of the order of 50 qtls. in 1969-70, 296 qtls. in 1971-72, 95 qtls. in 1972-73 and 140 qtls. in 1973-74. Despite this poor performance and failure of the crop, the Corporation continued the production of seeds year after year. The Managing Director admitted during evidence that "It is a mistake. . . We are restricting the seed production on that farm now." The Committee were informed that Hempur was a new area and the production arranged there was on the basis of exploring the suitability of the area. The Committee feel that if this was an experimental effort then the Corporation should have undertaken production on a pilot scale and not continued the production without taking into account the actual yield achieved in the preceding years.</p>

The Committee regret to note that though the production of jute foundation seeds was stated to have been taken up under the directions of ICAR and the Board of Directors were so informed, the Corporation was unable to produce a

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copy of the direction given by the ICAR in the matter as they were not able to trace it in spite of their efforts. The Committee were also informed that "ICAR does not give such directions."

The Committee are not happy with these contradictory statements and selection of Hempur farm for production of jute foundation seeds and continuing the production from 1964-65 onwards despite the failure of the crops year after year. The Committee recommend that the whole matter should be investigated thoroughly with a view to fixing responsibility for the lapses. The Committee would like to be informed of the concrete action taken in the matter.

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2.104

The Committee are surprised to find that even now the Corporation does not have full research on Seed technology particularly with reference to jute although it has located new areas for cultivation in Maharashtra, Andhra Pradesh and Madhya Pradesh and trying to link this programme with other remunerative programmes in those areas. The Committee were informed that against the total requirements of 16,000 to 30,000 quintals of Jute Seeds for the country, the NSC is contributing about 50 per cent while other Corporations viz. Tarai Development Corporation, Vidharba and State Governments are also contributing to some extent. The Committee feel that the Corporation should take up this matter seriously with the Research Institutes and Agricultural Universities for developing good quality of breeder seeds for Jute and explore ways and means of producing improved varieties of foundation seeds for this commercial crop of vital importance in earning foreign exchange through exports of jute manufacture.

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2.113

The Committee regret to note that though the Corporation arranged for production of cer-

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tified seeds of Taichung Native I variety of paddy through contract growers in Andhra Pradesh and procured 9,933 tonnes for sale to the State Governments and the Food Corporation of India, only a quantity of 7,300 tonnes were lifted by the State Governments and FCI and they could not be forced to lift the balance quantity in the absence of formal agreements. The Committee were informed that though indents were received from the State Governments before undertaking production through contract growers, according to Corporation such indents were only "commitments" and not "binding contracts". Even so, the Committee see no reason why on the basis of such commitments the Corporation should not have asked the State Governments and the FCI to lift the balanced quantities.

The Committee, however, find that the quantities supplied to the Government of Madhya Pradesh was much in excess of their indented quantity while those supplied to Punjab and Food Corporation were much less than the quantities indented by them. The Committee regret to note that no papers are available to indicate the stage at which Andhra Pradesh or the F. C. I. intimated their reduction in off-take.

The Committee also note that besides, the States which sent their indents there were 8 other States to whom seed was supplied without their indents. The Committee are not sure about the basis on which such supplies were made to these States when the production was stated to have been taken on the basis of indents from specific States.

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2.114

The Committee are also informed that the programme was coordinated by the Ministry of Agriculture and the Corporation had no idea about the extent of the demand. It was stated

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that the Corporation took up the programme at the instance of the Ministry and the basic records were also maintained by the Ministry. The Committee regret to observe that neither the basic information about the availability of record furnished to the Audit nor the concerned record was made available to them.

The Committee are not happy at the way in which the Corporation undertook the programme without any definite instructions from the Ministry and without firm "binding" contracts from the State Governments and F.C.I.

The Committee have already commented about the production of seeds in excess of the demand and without firm commitments thus resulting in condemnation and ultimate loss to the Corporation.

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The Committee note that the left-over stock of 2,633 tonnes were stored in godowns out of which 750 tonnes valued at Rs. 4.05 lakhs were found unfit for use as seeds and the same were disposed of as food grains to the Food Corporation of India resulting in a loss of Rs. 2.18 lakhs. The Committee are informed that arrangements for storage of seed had been made in the godowns of Central Warehousing Corporation and the space was selected by the officials of NSC.

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The Committee note that Padma Variety (CR. 28-25) was released by the Central Variety Release Committee of the Central Government 23rd December, 1968. At the time of release of this variety the sponsoring Institution recommended that the variety may be released as summer crop in Bihar to replace TNI Paddy and also in Kharif season. The variety was also recommended to replace Chinsura Boro I and II in the Boro season in West Bengal and also for cultivation in Kharif after jute where irrigation facilities

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exist. The Corporation undertook the multiplication of this variety on its farm at Hempor in 1969 and also through contract growers. The literature issued the Corporation also recommended the use of this variety for sowing "Kharif" season in West Bengal and Bihar.

The Corporation also undertook production of certified seed of this variety during Kharif 1969 in West Bengal and Bihar and also through contract growers in Bihar under the State Government Programme but the entire crop in these two States were found to have been infested with virulent disease. In addition, some quantity of certified seed of this variety was also sold in West Bengal and Bihar for commercial cultivation during Kharif 1969. The crops in these areas also failed contributing to a considerable loss of rice to the cultivators.

The Committee note that when, the Corporation made a reference to the ICAR in January, 1970 to ascertain the possible reasons for failure of the crops, the latter intimated "Padma was not recommended by the Central Variety Release Committee for cultivation in the Kharif season. It does admirably well in the rabi season. We can confidently take up extensive cultivation of this variety during the summer season in Bihar, West Bengal and Orissa". The Committee also note that since the original release paper, the sowing season for this variety in Bihar was shown as 'Kharif' instead of 'summer', the Ministry in accordance with the opinion of ICAR, intimated in June, 1970 to Bihar Government that cultivation of Padma variety should be discouraged in "Karif" and taken as a "summer crop".

The Committee are surprised that in spite of the opinion of the ICAR, the Corporation still hold that Padma variety is suitable for Kharif

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in Bihar and there is nothing wrong in the supply of seeds of Bihar and West Bengal. The Committee are informed that the failure of this variety during 1969 was brought to the notice of the Corporation and this was communicated to all State Governments and NSC in June, 1970 by which time the seed had already been distributed. The Committee fail to understand as to why the Ministry took six months for sending the intimation to the State Government and Corporation instead of correcting the error immediately after receipt of clarification from ICAR. The Committee feel that Govt./ICAR should have advised Seed Corporation in the matter without delay and observe that had this been done in time, the cultivators would have been cautioned in advance and they would not have gone in for cultivation of this variety.

The Committee are informed by the Corporation that "ICAR has apparently changed their recommendation subsequently".

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The Committee are also surprised that though according to the Corporation, the failure of the crop of Padma in the aforesaid States was due to various diseases, it was not possible to indicate the stage at which the matter came to their notice. It is regrettable that neither the Ministry nor the Corporation have assessed the extent of loss suffered by the cultivators on account of the damages to the paddy crops based on the Padma variety.

While the Managing Director stated during evidence that the lapse was due to the Central Variety Release Committee's recommendation, the Ministry are of the opinion that the failure was due to the pest epidemic in 1969.

The Committee recommend that an independent enquiry associating therewith a representa-

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tive each of the State Governments concerned should be conducted in the whole affairs with a view to pin point responsibility for the lapses at various stages and the Committee informed of the results.

The Committee would also like to be informed of concrete remedial measures taken to obviate recurrence.

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3.10

The Committee regret to note that though in the projection for the 4th Five Year Plan (1966-67 to 1970-71) made by the Corporation in December, 1964, five to six farms were planned to be established during the plan period and three to four farms within the next two years, no new farm could be set up till February, 1970 except the two farms already established during the Third Plan and another small farm established in 1972, for production of high quality of seeds for vegetables. Instead the Corporation had been making use of the contract growers for bulk of the production even under "their not very satisfactory arrangement of getting it done". The Committee are informed that the difficulty in setting up state farms was that it was not easy to get land and if the land has already been used for productive purposes, it was costly. The Committee fail to understand as to why the Corporation should not have coordinated their programme with the SFCI and utilised the lands of the State farms instead of going to the contract growers with its attendant risks.

The Committee note that the Corporation proposed to have four more farms of about 2,000 acres each during the Fifth Plan for purposes of foundation seeds multiplication. The Government have, however, since considered the question of establishing more farms and informed the Corporation that the "provision for setting up or four farms included in the draft paper on Five

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Year Plan proposal should be deleted" and NSC should avail themselves of the existing facilities in the farms of SFCI for production of foundation seeds.

The Committee recommend that in the light of the decision taken the Government should issue suitable directions in this regard so that it should be possible for NSC to have greater coordination with SFCI and utilise their farms to the maximum extent and the targets of production of quality seeds in the 5th plan are actually achieved.

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3.19

The Committee note that though the lease for the Hempur Farm expired in May, 1970, the lease deed has not so far been finalised and the matter was taken up with State Government in July, 1972. Similarly, in the case of Sainj Farm which was set up in 1972, the lease agreement has not yet been finalised. The Committee fail to understand why such inordinate delays in renewal of lease agreement in the case of Hempur Farm and execution of the original lease agreement in respect of Sainj Farm, should be there as it is apprehended that absence of lease agreements is bound to create a climate of uncertainty which is not conducive to efficient functioning. The Committee recommend that this matter may be accorded the priority it deserves and lease agreements should be executed without further loss of time. The Committee desire that in future the undertaking should ensure that action for the agreements for lease of lands for new farms or for renewal of the existing leases is initiated well in advance so that the undertaking is not put to any difficulty in proceeding with the work.

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3.24

The Committee regret to note that even though the facts that the land for Yamunanagar farm was available only for a period of two years and that the land was reserved for Railway Colony were known to the Corporation, the Cor-

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poration selected the land for establishment of this farm. Even after selection, the Committee find that the Corporation could not use the farm for growing seeds of potatoes for which it was intended, as most of the area was low lying with the result that the Corporation suffered a loss of Rs. 46,477/-. As admitted by the Ministry the entire proposal of taking land for a period of two years was inadvisable. The Committee are not happy about the unwise action on the part of the Corporation in having taken up this unsuitable land without going into the economics of the short term lease which resulted in a loss of Rs. 46,477. The Committee would like that the entire matter may be investigated and responsibility for selection of an unsuitable land by the Corporation fixed.

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3.34

The Committee note that the Corporation had occupied 746 acres of land in the first instance in the south block of Hempur (UP) in 1964 after due inspection; but later after some work was done on its development and it was cultivated for two seasons, the Corporation found that there was drainage problem and gave up that farm in exchange for another farm of 1008 acres in the north block. The Committee cannot but conclude that the inspection made before occupying the farm in the south block was perfunctory as otherwise the problem in the area would have been detected before occupation of the farm and much of the expenditure on its development would have been avoided. The Committee, therefore, recommend that this matter should be thoroughly investigated and responsibility for the lapses fixed. The Committee hope that such mistakes will not recur in future and the Corporation will ensure that farms or lands, including those which might be offered by SFCL, will be selected with due care and after thorough inspection so that scarce resources and precious

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time are not wasted on land not suitable for seed production.

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3.35

The Committee find that though an area of 940 acres out of a total area of 1008 acres of land in the Hempur farm (UP) are cultivable, not more than 767 acres have been brought under cultivation by the Corporation in any season for the production of seeds. The Committee were informed that the Corporation would be bringing 915 acres under cultivation in the year 1974-75.

Similarly out of 500 acres of land at Nandikotkur Farm 416 acres are available for cultivator. Not more than 341 acres were, however, actually brought under cultivation till 1973-74. The Committee were informed that the entire cultivable area was however, brought under cultivation during the current year. In the Sainj farm only 11.5 acres out of a total area of 25 acres have been brought under cultivation.

The Committee note with regret that while on the one hand the Corporation has been complaining of lack of adequate land for seed cultivation, on the other hand, it has not been able to make full use of the entire cultivable area already available in its own farms till last year.

The Committee were informed that land leveling for 160 acres in Hempur and 40 acres in Nandikotkur still remained to be completed and a project has been prepared for developing Hempur as a model farm.

The Committee recommend that the Corporation should lose no time to determine the areas which can be developed and take immediate steps to bring under cultivation all the cultivable area of the farms without any further delay in the interest of developing and making available foundation/certified seeds in time.

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28	3.43	<p>The Committee note that there has been fluctuations in the production of seeds at the farms of the NSC which are stated to be due to "vagaries of weather and a variety of other reasons including lack of irrigation facilities and proper drainage system, late arrival of breeder seeds, incidence of pests and diseases." The Committee feel since the exchange of originally selected farm in the South Block of Hempur (UP) with the farm in North Block in 1965, there should have been no problem of drainage system in the NSC farms and this reason for shortfall should not have been advanced now. The Committee cannot but express dismay over the fact that NSC has not been able to procure breeders in time for its foundation seeds programme. The lack of irrigation and incidence of pests/diseases are not matters of which if efforts were made in time should be beyond the ingenuity and resources of NSC which has developed expertise through the years.</p> <p>The Committee are of the opinion that the factors hampering production of seeds at NSC farms should be critically analysed and suitable remedial action taken in time so as not to effect the production of seeds adversely. The Committee would like to be informed of action taken and the progress made in the matter.</p>
29	3.56	<p>Although the Seed Review Team appointed by Government in 1966 observed that, in order to reduce the risks of leakage of foundation seeds in an unauthorised manner foundation seeds should be actually produced in farms owned by Government or quasi-Government agencies the Committee find that the production of foundation seeds at the farms of the NSC as compared to the production at the farms of other agencies has come down from 99.3 per cent in 1964-65 to 15.10 per</p>

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cent in 1973-74, thus indicating that a major portion of the total quantity of foundation seeds produced by Corporation during 1966-67 to 1973-74 was arranged through outside agencies.

The Committee are surprised to note that in spite of this shortage in production in NSC farms, the Government had neither conducted any special examination to find out the reasons for the shortfall in production at the NSC farms nor have they made any comparative study of production trends and economics of production of foundation seeds at the farms of the Corporation vis-a-vis the production on the farms of the Central or State Governments or Agricultural Universities.

The Committee were informed that recently a decision was taken to utilise the facilities of land available in the farms under SFCI for organising foundation seed programmes and a beginning has been made in this direction in Rabi 1974-75. The Corporation had also organised foundation seed production in the farms of U.P. Agricultural University.

The Committee would like that, as suggested by the National Commission on Agriculture, the NSC should become a major agency for the production and distribution of foundation seeds of all India importance and should play an overall leading role in developing seed industry as a whole in the country. The Committee recommend that, in order to maintain high quality in foundation seeds, the Corporation should utilise its own farms and under its own supervision the farms of the State Farms Corporation of India and those of Agricultural universities and State Departments of Agriculture more and more for the production of foundation seeds and eliminate organising production of

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		foundation seeds through the agency of private producers.
30	3.56A	The Committee would also like the Government to keep a regular watch on the production trends at the farms of the Corporation and take timely measures to arrest any decline in the production of seeds at the Corporation's farms as soon as it comes to their notice.
31	3.57	The Committee also recommend that the Government should undertake a comparative study of the production trends and economics of production of foundation seeds at the farms of the Corporation and those of other Government and Quasi-Government agencies at the Centre and in the States with a view to improve cultivation and production of foundation seeds at economic cost.
32	3.58	The Committee regret to note that though the Working Group appointed by the Government of India in July, 1963 for the formulation of the Fourth Five Year Plan proposals on improved seeds estimated that about 10,000 acres of land would be required for the production of foundation seed, the acreage actually utilised was very much less and ranged between 2518 acres in 1969-70 to 7536 acres in 1973-74. The Committee were informed that no specific targets were laid down by Government for seed production programmes in the plans much less for the area under seed production and there was only a system of review of assessing the seed requirements and seed production programmes in advance twice in a year and an effort was made to cast specific responsibilities on the various seed producers.
		The Committee also understand that no record had been produced to Audit to indicate production of seeds arranged by the Corporation sepa-

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rately from the Central Farms, Agriculture Universities and private growers. The Committee fail to appreciate how in absence of specific targets and records to indicate production of seeds, it is possible for the Corporation to assess the specific responsibility cast on the various seed producing agencies and work out the extent to which facilities available with the farmers had actually been utilised. The Committee were informed that in order to secure coordination between the activities of the two public sector enterprises, SFCI and NSC, in the matter of seed production, Government have set up a coordinating Committee under the Chairmanship of the Secretary, Department of Agriculture and it is the intention that larger programmes would be organised in the farms of SFCI. The Committee were also informed that Government of India have, after considering the recommendations of the Seed Review Team and the National Commission on Agriculture decided to set up a high level Coordination Committee under the Chairmanship of Director General, ICAR to ensure that the seed production programmes are organised on a sound footing so that it may be possible to ensure quality seeds being available to the farmers.

The Committee hope that with the assistance of these Committees it should be possible to effect greater coordination between the SFCI and NSC in the production of foundation seed and streamline the production of breeder/nucleus foundation seeds of different crops and to ensure quality seeds being made available to the farmers in time.

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3.64

The Committee note that the Corporation during 1972-73 multiplied and distributed 40,000 plants of root stocks of a new variety of rose and

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also supplied 500 budded plants of export varieties to various rose growers on the recommendation of the State Trading Corporation and I.A.R.I. It was stated that being a small programme requiring an investment of Rs. 8000/-, it was not placed before the Board of Directors for formal approval but was approved by the Production sub-Committee of the Board.

Even though the rose production was stated to be well within the objectives of the Corporation, the Committee feel that, as agreed by the Secretary of the Ministry during evidence "... production of planting material for high quality roses could never have been a priority item for a seed producing organisation, set up by the Agriculture Ministry." The Committee recommend that the Corporation should concentrate more on the main objective of development and multiplication of quality seeds and meet the demands of quality seeds in the country rather than dissipate its energy on such programmes as rose production.

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4.26

The Committee note that the Corporation is certifying not only the seeds produced by the producers who market their own produce but also the seeds produced by it at its own farms as well as the seeds produced by its contract-growers. The Committee also note that the Seeds Review Team appointed in 1966 had expressed in 1968 that "the first requisite for a certification agency is that it should be independent from the agency producing or selling the seeds on the one hand and from the agency enforcing the Seed Act on the other." The Team also recommend that the Certification Agency should be set up as Boards constituted in different States consisting of representatives of seed growers, seed trade, scientists, farmers etc. Although these recommendations of Seed Review Team had been accepted by Government as far back as 1969, the

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Committee regret to note that no effective steps have so far been taken to set up an independent certification agency and the NSC which is a producer and seller of seeds is still continuing as a certifying agency. The Secretary of the Ministry has admitted during evidence that "NSC itself is one of the major seed producers and the certifying agency, at least in theory, ought to be a neutral body which should not be suspected of having any bias either towards the seed producer or against the seed producer...."

The Committee recommend that it is time that Government should consider setting up an independent agency for certification of the Seeds produced by NSC so that certification by such an independent agency may inspire confidence in the minds of farmers about the genetic purity, prescribed standard of germination etc. which are expected of the certified seeds of the NSC.

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The Committee regret to note that, though the Government of India had advised the State Government as early as in January, 1970 to initiate action to set up independent certification agencies in their States, except Maharashtra, Gujarat, Andhra Pradesh, Karnataka, Kerala, West Bengal and Tamil Nadu who had set up their own certifying agencies, the others have nominated NSC as certification agency and thus NSC is filling the gap in those States for the purpose.

The Committee were informed that enforcement of provisions of Seed Act have not progressed much because of non-establishment of separate seed law enforcement machinery in the States. It was expected that with the assistance now envisaged in the 5th Plan, the State Governments would be establishing separate Seed Act machinery and take effective steps for implementation of the provisions of the Seed Act. The

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Committee urge that Ministry should pursue this matter in all earnestness with the State Governments and ensure that the provisions of the Seed Act are enforced both in letter and spirit and the State Government establish their own certification agencies where even not done without any delay.

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The Committee also regret to note that although the Seed Act was amended as early as 1972 to provide for the establishment of Central Certification Board, such a Board has not been established even after 3 years. The Committee are informed that such a Board could be effective only after establishment of agencies for seeds certification in the various States on the pattern recommended by the Seeds Review Team. The Committee are not able to accept the reasons for non-establishment of such a Board when already six States have established their own certification agencies. The Committee, therefore, recommend that the Ministry should take immediate steps for the implementation of the Seed Act and set up Central Seeds Certification Board as envisaged therein in order to coordinate functioning of the agencies established by the State Governments and to ensure uniformity in the matter of certification.

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The Committee note that certification services are rendered by the National Seeds Corporation on payment of prescribed inspection fees. For this purpose, the Corporation had fixed a rate of Rs. 10 per acre as inspection fee in 1963 for the hybrid varieties of maize, bajra and sorghum. This rate was revised in May, 1966 to Rs. 25/- per acre. The Committee regret to point out that although the profit-loss accounts in respect of certification services for 1963-64 indicated a loss of Rs. 38,824 the Corporation decided to

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continue to do the certification work even at a loss on the consideration that it was a promotional activity and such loss should be made up by profits on other commercial operations.

The Committee also note that as a result of an exercise done by NSC in 1970 the actual expenditure per acre was found much more than the inspection fee recovered resulting in an under-recovery of about Rs. 23 lakhs during 1964-65 to 1968-69. Although the inspection fee was revised w.e.f. 1st January, 1970, even the revised rates were more than the actual expenditure particularly in the case of vegetables, where the actual expenditure was more than five times the inspection fee recovered.

The Committee do not share the view of the Corporation/Ministry that the certification work is a promotional activity and the loss on this account should be made up by profits on other commercial operations. The Committee feel that such a course will only indirectly burden the consumers at the cost of the exchequer.

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The Committee need, therefore, hardly emphasise the necessity for a proper accounting and review of the expenses on certification with a view to identify areas where expenditure has been particularly very high. The Committee recommend that for this purpose it is essential that Corporation should maintain separate accounts of certification expenditure and Corporation/Government should critically analyse the reasons for the wide variations of the actual expenditure per acre of inspection and the fee recovered therefor, with a view to effecting economy in the expenditure.

The Committee also recommend that Government should fix standard norms for inspection

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and certification after examining the financial implications thereof and keeping in view the cost of staff employed and overheads.

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The Committee note that the Corporation had been running 31 processing units located at various States in the country to process the seeds scientifically before certification. The Committee also note that out of 28 plants, 11 processing units had suffered loss of Rs. 1.61 lakhs during 1970-71 and out of 29 units, 10 processing units had suffered a loss of Rs. 0.82 lakhs during 1971-72. The Committee are informed that from 1972-73 when the Corporation switched over to the new system of procurement prices the working results of the individual units were not maintained as the Corporation did not contemplate any income from these units and the cost of processing was borne by the Corporation as a part of its overheads and not recovered from the growers.

The Committee feel that even if the cost of processing was not to be recovered from the growers and it was to be borne by the Corporation as part of its over-heads, the Corporation should not have dispensed with the practice of maintaining working results of individual processing units as information about the working results was the only tool available with the Management to assess the financial viability of these units and to exercise proper control over them. The Committee, therefore, recommend that the Corporation should arrange to reintroduce the system of maintaining the proforma accounts for assessing working results in respect of individual units.

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40	5.13 & 5.14	<p>The Committee note that during Kharif 1967-68, the State Government of Rajasthan took up the seed programme hybrid bajra in Sriganganagar district (Rajasthan) through contract growers and the Corporation was then acting as a certification agency. At the time of certification, a quantity of 368 quintals produced by 16 contract growers was rejected by the Corporation on the ground of low germination percentage. On a representation made by the growers in which they had claimed a compensation of Rs. 2.21 lakhs alleging that the lower germination was due to the carelessness of the Corporation's staff, since according to them the seed had the prescribed germination at the time of its delivery at the Corporation's processing unit, the matter was considered by a Sub-Committee of the Board of Directors.</p>
		<p>The Committee are surprised to note that though the report of the Sub-Committee was considered by the Board of Directors on 16th of November, 1970 and the decision of the Board was sent to Government, in December, 1970 they had not communicated their views on the ground that the views of the Board did not require any confirmation through Government orders although the matter was one which concerned a State Government and was important enough involving payment of considerable amount of compensation to the growers. The Committee feel that in such cases the Government should have acted with promptitude and communicated their decision to the Corporation in time by clearly defining the responsibility of the Corporation <i>vis-a-vis</i> that of the State Government/producers.</p>
41	6.21 & 6.22	<p>The Committee note that the 5th Plan scheme includes provision for building up of</p>

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reserve stock of seeds to be drawn upon in the event of natural calamities, such reserve stocks are being maintained both at the State level and the Central level. Accordingly, an amount of Rs. 3 crores has been provided in the 5th Five Year Plan for the reserve to be maintained by the Seeds Corporation. The Committee were informed that it is now proposed to keep a reserve stock of 579 tonnes of foundation seeds and 7800 tonnes of certified seeds of main crops like maize, sorghum, bajra, wheat and paddy, that special de-humidified and sophisticated storage godowns would be out up at suitable locations for the maintenance of these reserve stocks, and there is a proposal to create adequate processing facilities at appropriate places. The total outlay for this purpose has been intimated by the Corporation at Rs. 6.5 crores.

The Committee also note that the Seed Review Team appointed by Government in 1966 had pointed out the inadequacy of the storage arrangements for seeds and recommended that sound practices should be followed in storage of seeds to avoid mix up of lots etc. The Committee regret to point out that in spite of these recommendations the Corporation has so far been able to have their own godowns for storing only 27 to 31 per cent of the total seeds handled by them and for about 42 to 66 per cent of the seeds, the Corporation has been using hired godowns owned by private parties incurring an expenditure of over 11 lakhs of rupees from 1967-68 to 1972-73, and very insignificant percentage only is being stored in the Central and State warehousing godowns. The Committee also note that out of the seeds stored in the godowns hired from private parties, seeds worth more than Rs. 15 lakhs have been declared condemned partly due to long but not ideal storage. It has, however, been admitted by the Managing

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Director during evidence that "...it might have happened on account of bad storage also." The Committee are surprised to find that inspite of recommendations of the Seed Review Team and the inadequate arrangements for storage, Government have not received any report either about the inadequacy of the arrangements or their vulnerability to losses.

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The Committee note that out of six godowns originally approved, only 3 godowns have been constructed and the construction of remaining three has not been implemented. The Committee were informed that the Corporation would be constructing its own storage godowns at important centres where permanent processing plants were also available. The Committee recommend that in view of the decisions now taken that the National Seeds Corporation should maintain reserve stock of seeds at the Central level as envisaged in the 5th plan, the corporation should make an immediate assessment of the total requirement of storage capacity necessary and take immediate steps to develop the facilities keeping in view the recommendations of the Seed Review Team and ensure that such arrangements are on scientific lines secured against losses from rats, insects, pilferage etc.

The Committee understand that no separate records had been kept by the Corporation of the losses in terms of quantity and value of seeds or foodgrains of various categories during the period 1970-71 to 1972-73 on account of eating away by rats, insects and pilferage. The Committee would like that apart from making adequate and satisfactory storage arrangements, it

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should be ensured that Corporation maintains suitable records to indicate such losses so that this can be analysed and suitable remedial action taken in time.

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7.23

The Committee note that the Corporation had condemned seeds worth Rs. 16.16 lakhs in 1969-70, Rs. 16.93 lakhs in 1970-71, Rs. 70.37 lakhs in 1971-72 and Rs. 8.47 lakhs in 1972-73. The highest percentage of condemnation was 15 per cent in 1971-72. The Committee are informed that the condemnation of seeds was not taken up till 1968-69 and most of seed was procured in 1967-68. The high percentage of condemnation in 1971-72 was due to the Corporation taking up the production programme of foundation and certified seeds from 1966-67 onwards without a correct assessment of the requirements of such seeds and without any firm commitment from the State Governments which resulted in the poor offtake by the State Governments.

The Committee are also informed that the targets were fixed on the basis of Board's decision in February, 1967 which in turn was based on the requirements worked out in consultation with the Ministry. The Committee find that there was an accumulation of 15304 quintals of foundation seeds valued at Rs. 69.29 lakhs as on 31st December, 1969. At the instance of the Board of Directors, the inventory was examined and after taking into account the expected utilisation upto 1972-73, it was decided that 10985 quintals valued at Rs. 51.14 lakhs were surplus and should be disposed of. The Committee note that this recommendation was based on the consideration that it would not be safe to preserve these stocks beyond three years even if best storage conditions were available.

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The Committee, however, find that, according to the Ministry, the Corporation did not have precise knowledge regarding how long can the seed be stored, although according to them the seed can be stored for 3 years; if they are kept in controlled conditions of temperature and humidity. It was also stated that tests conducted by the Corporation indicated that the original estimates regarding the viability period of three years was not 'completely' correct. In this connection the Secretary of the Ministry stated during evidence that "whether the seeds are still viable after three, five or six years would be a question of fact to be revealed by actual tests performed on the seeds, which are done by the Quality Control wing of the N.S.C. The condemnation is not on the basis of how long the seed has been stored, but on the basis of actual tests performed on the specific seeds." The Committee are not sure whether any expert opinion was obtained about the period of viability or actual tests were conducted before a decision to condemn the seeds was taken.

The Committee would like that this matter may be investigated and the Committee informed. The Committee also suggest that expert opinion on the question of viability period for seeds should be obtained from the Agricultural Universities, Research Institutions, I.C.A.R. etc. to avoid deterioration of seeds due to storage beyond the viability period.

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7.25

The Committee were also informed that most of the seeds were taken from the contract growers. The Committee are not sure whether when procuring seeds from the contract growers, they were subject to strict quality control. The Committee are of the opinion that had quality control measures been adopted by the Corpora-

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		tion even at the time of procurement of seeds, the Corporation would not have been faced with this huge condemnation.
-46	7.26	The Committee also find that the loss incurred by the Corporation in the sale of condemned seed was to the extent of 70 to 85 per cent of the price. The Committee are informed that on the basis of realisable value, the loss amounted to more than Rs. 91 lakhs till the end of 1972-73. In spite of this the Committee are surprised that Government have not considered this as a significant loss and seem to be complacent that they had already analysed the causes of the seed being declared unfit and condemnation was done by a Condemnation Committee. The Committee recommend that the entire matter including the deal with contract growers and procedure of condemnation should be thoroughly investigated with a view to pinpoint the shortcomings at the several stages and fix responsibility for the lapses. The Committee would like to be informed of the action taken in this matter.
-47	7.27	The Committee are given to understand that the Corporation has streamlined the assessment methods in respect of seed requirements for production programme and taken steps to tighten the quality control measures in the growth of seeds, proper storage of seeds in ideal conditions and their careful transportation. The Committee recommend that Ministry/Corporation should learn a lesson from their past experience and ensure that these measures are strictly adhered to so that the farmers are assured of seeds of genetic purity and the Corporation is not put to the necessity of resorting to such large scale condemnation.
-48	7.28	The Committee also recommend that the Management should conduct a detailed review of performance of the Corporation in regard to

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production/procurement of seeds once every quarter with a view to safeguard against avoidable accumulation/condemnation of seeds. Such performance reports should also be reviewed by the Ministry once in six months.

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The Committee are informed that the con-

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demned seeds are disposed of by auction and one of the conditions of disposal was that it should be used only for non-edible purposes although they may be used as animal-feed after thorough washing. Vegetable seeds were stated to be destroyed in order to avoid their resale.

The Committee have every reason to believe that the certified seeds which have been condemned or are unfit for human consumption or even for consumption by cattle, can find way in the market and are likely to do so in actual practice. As such condemned seeds may involve danger to human lives. The Committee suggest that Government/Corporation should examine whether seeds categorised as unfit for human consumption should not be destroyed under the supervision of competent authorities.

The Corporation may, however, utilise such goods for preparation of starch under its direct supervision.

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8.11

The Committee note that no Standard Cost has been fixed in respect of farms produce although the Corporation stated that price of both foundation and certified seeds were reviewed periodically and efforts were made to reduce the cost of production and also to keep the selling and distribution expenses to the minimum. The Secretary, Department of Agriculture, however, admitted during evidence that "the price charg-

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ed by the NSC are at present almost the highest in the country or equal to the highest....”

The Committee regret to note that, in spite of this, the Ministry had not so far examined in detail the Pricing structure adopted by the Corporation in respect of foundation and certified seeds and the Corporation themselves arrived at a decision about the Pricing Policy. The Committee were informed that the Ministry have undertaken review of the costing of the different operations of N.S.C. The Secretary of the Ministry also stated during evidence that “the Pricing Policy of organisations like N.S.C. would certainly need to be reviewed not only now but more or less continuously and quite frequently.” The Committee recommend that the Ministry should complete their review of the pricing after going into all the elements of cost to effect suitable economies to keep the costs as low as possible and decide of the pricing policy to be adopted in respect of foundation and certified seeds of NSC so that seeds may be available to the farmers at most economic prices.

- 51 8.12 The Committee also recommend that as admitted by the Secretary of the Ministry, Government should ensure that the Pricing Policy of the organisations like N.S.C. should be kept under continuous review so as to have a check on the Prices charged from the farmers.
- 52 8.13 The Committee suggest that Government should consider the feasibility of stamping the Prices of seeds on the bags so that the consumer may be in a position to pay the right price for the seeds.
- 53 9.13 The Committee regret to note that there has been consistent shortfall in the sale of foundation seeds right from 1966-67 to 1972-73. Against targets for sale of foundation seeds of Rs. 191.79 lakhs in 1966-67, Rs. 104.71 lakhs in 1967-68 and

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Rs. 110.25 lakhs in 1968-69, the actual sales were only Rs. 37 lakhs, Rs. 49 lakhs and Rs. 67 lakhs respectively. The shortfall has been maximum in 1966-67 (80.5 per cent). The Committee are informed that the sale of foundation seed had a direct relation with the production programme. Moreover for 1967-68 there was a slump in seed industry and large stock of certified seeds were lying undisposed with the various parties including NSC. The Committee have already given their comments in regard to unrealistic fixation of targets and excess production of seeds of different varieties without firm commitment during the period 1966-67 to 1968-69 and their poor off-take in that period. The Committee are surprised that in spite of the shortfall in sales, the Ministry had not made any detailed analysis in this regard.

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9.14

The Committee also note that there had been a shortfall of 56.5 per cent, 22.7 per cent, 59.2 per cent and 50.9 per cent during 1966-67 to 1969-70 and in the actual sales of certified seeds compared to the targets fixed for these years. While the targets were Rs. 291 lakhs, 287 lakhs, Rs. 259 lakhs and Rs. 515 lakhs respectively, the actual sales had been Rs. 126.72, Rs. 222.19 lakhs and Rs. 105.69 lakhs and Rs. 252.78 lakhs respectively.

In the Chapter on 'Production of Seeds' the Committee have already given their recommendations in regard to production of certified seeds during 1966-67 to 1969-70. While the Corporation decided to take up production of certified seeds to the extent of 5 to 15 per cent of the total requirements the production for exceeded the targets in certain varieties and were very much less than the requirements in other varieties.

The Committee would like that Government/ Corporation should critically examine the reasons

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for the shortfalls in sales and take steps to fix the targets on a realistic manner based on firm commitments from the consumers.

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9.15

The Committee are informed that during 1966-67 and 1967-68 the Corporation could dispose of the available stock of certified seeds and shortfall was due to non-availability of stocks. The Committee are perplexed as to while on one side there had been excess production, on the other hand there had been poor sales. The Committee are surprised that the Corporation did not have information regarding the total sales of foundation and certified seeds in the country. In the absence of this information the Committee are not sure as to how the Corporation made its sale programme and fixed the targets.

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9.16

The Committee also note that there has been a sudden reduction in the targetted figures of sale of foundation seeds during 1970-71 to 1972-73. Even compared to these reduced targets, the actual sales have been less.

The Committee are unable to understand the rationale behind the fixation of sale targets during 1970-71 to 1972-73. The Committee recommend that Government/Corporation should review the procedure for fixing the targets of sales and ensure that these are consistent with the demand for the seeds.

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9.17

The Committee note that one of the impediments experienced by NSC was the restriction placed on inter-district and inter-state movement of seeds. The Committee were informed that as a result of Inter-Zonal Wheat and Wheat Products Movement Control Order, 1973, there was difficulty in the movement of raw seeds to the processing plants and on account of it movement of certified seeds of wheat was not possible. While the

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Committee recognise the difficulties in the movement of wheat seeds on account of restrictions imposed by Government they do not see any reason why there should be any difficulty in the movement of other seeds and making them available to the growers in time.

The Committee understand that Government of India have recently in June, 1974 issued instructions to the State Governments for liberally permitting the movement of raw seeds from across the boundaries and if there are specific problems, the matter could and should have been taken up with the State Authorities with a view to resolve conclusively all such impediments.

The Committee hope that the instructions issued by the Government of India in June, 1974 would be followed up at State level so that the Corporation may be able to transport the raw seeds to the Plants and make available the certified seeds without any difficulty.

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9.35

The Committee note that while the turnover has increased from Rs. 196 lakhs in 1968-69 to Rs. 682 lakhs in 1972-73 i.e., by about 3½ times, the distribution cost has increased from Rs. 8.42 lakhs in 1968-69 to Rs. 70.91 lakhs in 1972-73, an increase of more than 8 times. The Committee find that the dealers' commission has increased from less than 1 per cent in 1968-69 to 6 per cent in 1970-71 and it has come down to 5 per cent in 1972-73. The Committee recommend that Government/Corporation should critically examine the variations in percentage of dealers' commission to see as to how far they are reasonable.

The Committee also find that the value of seeds sold per rupee of administrative cost improved during 1969-70 to 1972-73. The Committee were informed that the arrangements of mar-

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keting are constantly under review and the network of dealers is continuously being expanded so that the seeds are made available to the farmers in time and at desired places, and that the ratio of administrative cost to sales would improve only after the turn over increase sizeably. The Committee would like that the marketing and distribution system should be so streamlined and strengthened as to not only ensure reduction in the cost of distribution and administrative overheads but to make the cultivators have easy access to the sales points so that the seeds are available to them in time at the desired sale points, especially in the backward regions of the country.

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The Corporation should also ensure the regular supply of seeds especially of new proven varieties to the farmers in time and at reasonable prices, and leave no scope for any complaint about black marketing.

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10.7

The Committee regret to note that in spite of its existence for over 10 years the Corporation had not till March, 1973 taken steps to form a Research and Development Division to undertake research on applied aspects of seeds technology and it has been depending only on ICAR for the basic material. The Committee, find that only in March, 1973 the Corporation had taken a decision to set up a Research and Development and Quality Control Division and set apart a sum of Rs. 20 lakhs out of its own resources for the purpose. The Committee also note that the quality of breeder seeds is not of desired level due to lack of adequate facilities with the breeder institutions and the ICAR has already taken steps for the betterment of facilities. Since good breeder seeds are the most important factor in sound seed production programme and such breeder seeds are the responsibility of the Agricultural Research

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		<p>Institutes/Universities, the Committee would like that the Research Division of the Corporation should have a close liaison with ICAR and other Agricultural Universities in the country in developing quality seeds of good standard and also new varieties of the quality seeds in the interest of the overall food production in the country.</p>
61	10.8	<p>The Committee find from the Annual Report, (1972-73) that the Corporation has so far been largely relying on the technology developed in advance countries and some of which are inappropriate for our country.</p>
62	10.9	<p>The Committee would also like that the Corporation should lose no time in developing technology for processing equipments etc. suited to Indian conditions so as to obviate the necessity of depending on foreign countries for such equipments.</p>
63	11.8	<p>The Committee note that the profit of the Corporation has increased from Rs. 0.26 lakhs in 1969-70 to Rs. 0.91 lakhs in 1971-72 and Rs. 84.28 in 1972-73 and Rs 116.381 lakhs in 1973-74. It has been stated that the above profits are after deducting the loss of 9.91 lakhs on account of accumulation of the stocks of Hybrid of foundation seeds during 1969-70. Rs. 10.21 lakhs during 1970-71 and Rs. 55.34 lakhs in 1971-72. During 1972-73 the value of condemned foundation seeds to be written off from the accounts is stated to be Rs. 8.53 lakhs and the value of certified seeds to be written off as Rs. 4.77 lakhs. The Committee have given detailed recommendation elsewhere in this report about the writing off of large amount on account of hybrid seeds. The Committee were informed that the role of NSC was more the developmental nature and less of commercial. The Committee regret that no separate accounts were</p>

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being maintained to assess the overall profitability of the Corporation between commercial and promotional activities nor was any analysis of the profitability made to find out the impact of the rate variance and the volume variance. In the absence of the operating results for commercial and developmental activities being worked out separately and in the absence of analysis of profits to determine the impact of rate and volume variance, the Committee are not sure as to how far the sudden rise in the profits of Corporation during 1972-73 and 1973-74 reflected the efficiency in conducting the operations of the Corporation. The Committee therefore recommend that the working results of the promotional and commercial activities be maintained separately to identify areas where economics could be effected so that suitable remedial measures be taken in time by the Corporation. Again profitability analysis should be carried out to find out the impact of rate and volume variance.

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11.9

The Committee also regret to observe that though the accounts of the Corporation had been decentralised, no proforma accounts as such are maintained to ascertain the working results of the regional offices. The Committee were informed that the performance of the regional offices was reviewed by an analysis of sale and production achievements. The Committee would, however, like that in the interest of ascertaining the true financial results of the working of the regional offices, it is essential that proforma accounts of these offices are maintained so as to enable the Corporation to pinpoint the areas of weakness and effect economics where necessary.

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11.14

The Committee regret to note that the Corporation had not introduced any costing system

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till 1972-73 on the plea that development of a detailed costing system for their farms would not be of any use due to uncertain conditions in agricultural production. It was only in December, 1972 and April, 1973 that the Corporation issued instructions to their Hempur and Nandikokthur farms to maintain proper cost accounts. The Committee were informed that the operations of the farms were judged on the basis of the proforma Farm Accounts maintained by the Corporation.

The Committee would, like the Corporation to prescribe suitable norms for production of different crops under ideal conditions so that the performance of the farms could be judged with reference to such norms. The Committee also recommend that the Corporation should review the implementation of instructions issued to the farms regarding cost data with a view to ascertain the cost of production as well as to identify areas where economies could be effected.

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11.24

The Committee note that the scheme for setting up of a credit division in the Corporation was submitted to the Board of Directors in November, 1965 and as the proposal involved an expenditure of more than Rs. 40 lakhs, it was stated to have been forwarded to Government in November, 1970. In the opinion of the Ministry, such a division was not necessary as production loans were already available to seed producers and commercial banks were also giving credit facilities. The Committee regret to note that the Corporation had not analysed credit requirements of the agencies involved, although according to them, one hectare of seed production would require a credit of Rs. 1,000 to Rs. 1,500 and on this basis the credit requirements are so large that it is not within the financial means of the Corporation. The Committee are informed that the Corporation had not

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advised the commercial banks to give loans to producers of the NSC but the State Bank of India and United Commercial Bank have shown interest in extending the credit and the Corporation proposed to send a list of seed growers to these Banks extending the loans to them. While the Committee agree that the Corporation need not involve itself in giving guarantees on behalf of the growers to facilitate their obtaining loans from Banks, the Committee feel that in the interest of seed production, the Corporation can consider the feasibility of issuing some certificates to identify the genuine growers of seeds when they apply for loans from banks, to obviate chances of bogus persons posing as seed producers of the Corporation in order to obtain commercial loans.

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11.34

The Committee note that the outstanding dues from the Government and private parties had increased from Rs. 150.77 lakhs on 31st May, 1968 to Rs. 202.63 lakhs on 31st May, 1971 and came down to Rs. 119.79 lakhs on 31st May, 1974. The Committee were informed that the State Governments had taken unduly long time in paying the dues and there had been difficulty because of the Corporation's liberal policy of providing credit to the Government parties in the earlier stages. Moreover, the bills were issued to the consignees instead of being issued to the indenting authorities. The Committee were also informed that the practice of making credit sales has since been stopped. The Committee, however, find that the outstanding for over 3 years were to the extent of 39.75 lakhs as on 31st May, 1973, and a provision of Rs. 16.56 lakhs was made for bad and doubtful debts. The provision for doubtful debts increased to 24.84 lakhs on 31st May, 1974. The Committee were also informed that the Corporation has established a Debt Collection Cell in order to expedite prompt realisation of debts and the recovery of the old dues was being pursued

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by the Head Office through the regional offices. The Committee recommend that the procedure for billing and measures taken towards the realisation of the debts be tightened so that the outstandings are realised without any further delay.

In respect of outstanding dues from the State Governments, the Committee would like that the matter should be taken up with the State Governments concerned for an early settlement of the dues. The Committee hope that the present procedure of taking advances from the State Governments at the time of indents would help in recovering the outstandings and improve the financial position.

- 68 11.35 The Committee also stress that the Corporation should take effective measure to recover the outstanding dues from the private parties without any further delay. The Corporation should also ensure that amounts are not allowed to remain unrealised for more than the time allowed for payment.
- 69 11.45 The Committee note that the inventory of foundation seeds an increased from Rs. 87 lakhs in 1967-68 to Rs. 113 lakhs in 1969-70 and thereafter there was a reduction from Rs. 109 lakhs in 1970-71 to Rs. 37 lakhs in 1973-74. Similarly in the case of certified seeds the inventory increased from Rs. 35.66 lakhs in 1967-68 to Rs. 141.82 lakhs in 1969-70. Though it was reduced to Rs. 103 lakhs in 1970-71, it again showed an increasing trend in 1971-72 and 1972-73. There was however, reduction in 1973-74 to Rs. 119 lakhs. The Committee have already given their recommendation in regard to the heavy accumulation of foundation and certified seeds mainly due to excess production of these seeds in the earlier years upto 1969-70 without any relation to the demand

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of such seeds or a firm commitments about their off-take. The Committee find that even in 1970-71 the foundation seeds represented 26 months sale and in 1971-72 and 1972-73 it represented 10 months and 8 months sale. The Committee are informed that foundation seeds require more than two years to produce the required single cross. The Committee, therefore, recommend that the Corporation should plan and finalise the requirements of foundation seeds according to variety taking into account the time required for its development and enter into firm commitment about their off-take before the actual production is taken up to obviate heavy accumulation of these seeds.

70 11.46 The Corporation should also undertake a systematic review of the stock of foundation seeds from time to time, conduct periodic tests with regard to their germination and quality so that seeds of doubtful viability are identified in time and initiate action for their disposal. The Committee feel that, in respect of certified seeds, the Corporation should in consultation with the Ministry make a realistic assessment of the requirement of the certified seeds and have firm contracts with the indentors before production so that the Corporation is not faced with a heavy inventory at the end of the year on account of poor off-take of the seeds. The Corporation should lose no time to segregate seeds which are in stock beyond their prescribed period of germination so as to ensure that such seeds are disposed of before they lose their efficacy.

71 11.47 The Committee regret to note that the Corporation had been making purchases of certification materials from year to year without any regard to the consumption of such materials or the balance of stock available with the result that packing and certification materials of the

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value of Rs. 1.59 lakhs and Rs. 2 lakhs had to be condemned and disposed off in 1971-72 and 1972-73 respectively. The Committee find that while the consumption ranged from Rs. 14 to Rs. 40 lakhs the purchases ranged from Rs. 15 lakhs to 66 lakhs between the period 1968-69 to 1973-74. The Committee were informed that Corporation has been purchasing the certification and packing materials based on the production programme to ensure that packing and processing of the seeds was not held up on account of non-availability of certification materials. The marginal extra stock was attributed to non-achievement of targetted production programme. The Committee see no reason why purchase of certification materials should not be regulated with reference to actual requirement taking into account the material already available with the Corporation. The Committee recommend that this matter should be investigated with a view to fixing responsibility for making excessive purchases.

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The Committee were informed that on the advice of the Board of Directors steps have been taken by the Corporation to dispose of the certification material in profitable manner. The Committee were surprised that no value has been realised from the disposal of the condemned certification materials in 1971-72 and 1972-73. They were informed that the material became obsolete on account of change in the certification standards as a result of the enforcement of Seed Act and therefore some of the certification materials were destroyed in the presence of a responsible officer.

The Committee recommend that Corporation should undertake a review of the stock of the packing and certification materials on hand with a view to identifying items which are obsolete or unserviceable and take action for their disposal

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		<p>in the best interests of the Corporation. The Committee would like to be kept them informed of action taken in the matter.</p>
73	11.52 & 11.53	<p>The Committee note though the need for accounting manual had been emphasised by Bureau of Public Enterprises and reiterated by them as early as September, 1968 it was only in 1970-71 that the National Seeds Corporation had finalised its Accounting Manual which includes a Chapter on the Scope and Functions of Internal Audit also. The Committee regret to note that although the scope and function of Internal Audit provide a review of the systems, procedures and operations, of the Corporation as a whole the Corporation has not so far conducted such a review.</p> <p>The Committee feel if such a review of the operations of the Corporation had been conducted it would have enabled pin-pointing many of the lapses which the Committee have come across in this report.</p> <p>The Committee need hardly stress that internal audit is one of the effective tools of Management to plug the loop-holes in the working of an undertaking. The Committee therefore, recommended that the Corporation should intensify its Internal Audit and conduct appraisal of the operations of the undertaking and report to its top management from time to time with a view to taking remedial action then and there.</p>
74	12.6	<p>The Committee note that according to the Ministry it was considered necessary for the Board to be represented by Central Government Departments like Agriculture, Finance etc., Research institutions or ICAR, representatives of Seed farmers and progressive farms and State Governments representatives. The Corporation had generally been following the guidelines</p>

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issued by the Bureau of Public Enterprises in this regard. The Committee, however, find that at present the Board of Directors consists of Chairman, who is also the Chairman of SFCI, the Joint Secretary in the Ministry of Agriculture, Agriculture Production Commissioner, the Managing Director of State Farms Corporation and three Progressive Farmers, besides the Managing Director of the NSC. While appointing progressive farmers to the Board of Directors, the Committee would like that the interests of small and marginal farmers are taken care of. The Committee recommend that Government may consider the feasibility of including representatives of research institutions like ICAR and also the State Governments in the interest of coordination with research institutions and also the State Governments. The Committee need hardly stress that the Board of Management should be squarely responsible for any failure in production of quality seeds of appropriate variety and making them available to the farmers in time.

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The Committee note that the staff strength of the Corporation has increased from 365 as on 31st May, 1968 to 1095 as on 31st May, 1974 and the number of non-technical staff was always higher than the technical except in 1970 and 1973 when the ratio of technical to non-technical staff was almost 1:1. Although the Committee on Public Undertakings in their 15th Report (4th Lok Sabha 1968) expressed the view that the assessment of staff in Public Undertakings was generally on the high side and suggested that the assessment should be made by specialised agencies, the Corporation had not taken any action to make an independent assessment of the staff requirements of the Corporation. It was only in July, 1971 that the Staff Inspection Unit had completed their study of the Head Office of the Cor-

poration and declared 60 posts surplus as compared to the budgetted strength and 39 as compared to the then existing strength. According to the Corporation the implementation of the recommendations of Staff Inspection Unit would have resulted in reduction of expenditure in the Headquarters to the extent of over Rs. 2 lakhs per annum. The Committee are informed that the Board of Directors decided that the staff declared surplus should not be retrenched but absorbed against vacancies at the Headquarters and regional units on account of increase in production and marketing activities.

The Committee are also informed that ambitions plans for production of seeds were drawn at initial stages and staff recruited in accordance with the estimated requirements for that level of production and as production targets could not be achieved, the proportionate staff with reference to turn-over turned out to be on the high side. Moreover some of the staff recruited was also engaged in certification work which was not reflected in the turnover figures, and the certification work had also been continuously declining consequent on taking up this work by some of the State Governments. The Ministry have admitted that Government had not gone into reasons for engagement of excess staff initially.

From the foregoing, the Committee are led to conclude that the staff in Headquarters had been recruited much in excess of requirements on the basis of unrealistic targets of production with the result that the Corporation had to carry on the surplus throwing an additional burden on the finances of the Corporation to the extent of more than Rs. 2 lakhs per annum.

The Committee are also informed that in regard to the regional offices the assessment of staff

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was done by a Committee constituted by the Management and according to the report submitted by that Committee in April, 1974 the number of posts already sanctioned in regional offices were much below the requirements and additional posts were necessary. This report is still stated to be under the consideration of the Corporation. The Committee thus find that while there are extra staff in the Headquarters according to the assessment by the Staff Inspection Unit, the regional offices are stated to be short of staff. The Committee, therefore, recommend that it is time that Government should take stock of the programmes of the Corporation and the role expected of it and make an objective assessment of the staff requirements both at the Headquarters and Regional Offices consistent with the role and objectives assigned to the Corporation and rationalise the staff strength.

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In this connection, the Committee would like to invite the attention of the Government to their recommendation (in paragraph 1.14) of the 54th Report on State Farms Corporation of India Ltd. where they had suggested that arrangements for coordination between the State Farms Corporation and the NSC should be finalised so as to ensure the expertise available with NSC and the optimum utilisation of the farms of SFCI. The Committee would like that in assessing the staff requirements of the NSC, the Government should keep this recommendation in view in order to utilise the expertise developed by the NSC more profitably both in respect of the NSC and SFCI.

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The Committee regret to note that though the Board of Directors in January, 1970 decided to increase the acreage of inspection by each seed production Assistant, the Corporation had not implemented their decision with the result that

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the average acreage inspected by each Seed Production Assistant continued to be less than the prescribed norms. The Committee were informed that, during discussion with the regional managers, it was felt that increase in acreage was not feasible without adversely affecting the implementation of the various facets of the programmes of the Corporation. It was only in the last meeting of the Regional Managers in August, 1974 that these norms were reviewed and the acreage allotted had been suitably increased. The Committee fail to understand as to how it was not considered feasible earlier to implement the Board's decision when it could be so decided in August, 1974 to review the norms and increase the acreage, without affecting the implementation of the programme. The Committee would like that Government should investigate into this matter and report their findings. The Committee note that as against the original norms of 300 acres of hybrid crops 100 acres of vegetable crops and 500 acres of other crops the revised norms are 400 acres for hybrid, 200 acres for vegetable and 600 acres for other crops. The Committee recommend that the Corporation should review the working of the revised norms in the light of increased activities of the Corporation and also ensure that the revised norms are adhered to in actual practice.

The Committee also recommend that a review of the strength of the Seed Production Assistants should be made in the light of the experience of working of the norms so that the Seed Production Assistants are usefully deployed in the best interest of the Corporation.

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The Committee feel that the aforesaid two cases are symptomatic of the maladministration and laxity prevailing at the field level in the Cor-

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poration. They are indicative of the facts that:—
 (i) maintenance of accounts of stores/seeds was not satisfactory (ii) there was no system of handing over and taking over charge of stores (iii) reconciliation of shortages was either not done or delayed (iv) procedure of accounting of issues to sub-stores was irregular and (v) there was no proper follow up of the observations of Internal Audit by the Finance and Management.

The Committee recommend that the cases should be thoroughly investigated and action taken against those found responsible for the lapses.

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The Committee need hardly stress that adequate security should be obtained from all staff handling costly seeds/stores which are as good as cash and there should be no question of relieving any one on transfer/resignation etc., without proper and complete handing over of stores.

The Committee also recommend that the procedure for stores handling and accounting should be reviewed immediately and steps taken to plug loop-holes, if any to obviate recurrence of such irregularities. The Committee would like to be informed of the action taken.

The Committee also stress that the functions of Internal Audit being an aid to Management, due importance should be given to the observations of Internal Audit and prompt follow up action should be taken by Finance and Management with a view to remedying the defects in time.

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The Committee recommend that a thorough investigation should be made into the whole case keeping in view the observations of the Gadgil Committee particularly the fact that the farm

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belonged to the wife of a Director of the Corporation.

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The Committee also recommend that strict instructions should be issued that normally no seeds should be procured from any Member of the family/dependent/relative of any one in the Management/or any of the employees of the Undertaking. Any relaxation in this regard should only be with the specific prior approval of the Board of Directors on full disclosure of the facts and scrutiny by them to safeguard public interests and to obviate any suspicion. The Corporation/Government should bring such cases to the notice of the Parliament by mentioning them in their Annual Reports.
