

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1973-74)**

(FIFTH LOK SABHA)

FORTY-SECOND REPORT

**[Action Taken by Government on the recommendations
contained in the Twelfth Report of the Committee
on Public Undertakings (Fifth Lok Sabha)]**

FOOD CORPORATION OF INDIA

(Ministry of Agriculture, Department of Food)



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 1973/Agrahayana, 1895(S)

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TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS
CONTAINED IN THE TWELFTH REPORT OF COMMITTEE ON
PUBLIC UNDERTAKINGS (FIFTH LOK SABHA) ON
FOOD CORPORATION OF INDIA.

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165	against item No. 17 under Col.3	194482.3	19482.3
165	against item No. 21 under Col.3	100.2	190.2
165	against item No. 15 under Col.8	34	3.4
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175	9	We	When
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COMMITTEE ON PUBLIC UNDERTAKINGS
(1973-74)

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Shrimati Subhadra Joshi

MEMBERS

2. Shri Dinen Bhattacharya
3. Shri T. H. Gavit
4. Shri K. Gopal
5. Shri J. Matha Gowder
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12. Shri Lal K. Advani
13. Shri U. N. Mahida
14. Shrimati Purabi Mukhopadhyay
15. Shri Suraj Prasad

SECRETARIAT

Shri M. A. Soundararajan—*Deputy Secretary.*

Shri M. N. Kaul—*Under Secretary.*

*Appointed to act as Chairman from 14-5-1973 to 11-7-73 during the absence abroad of Shrimati Subhadra Joshi.

COMMITTEE ON PUBLIC UNDERTAKINGS

**COMPOSITION OF THE STUDY GROUP—III ON FERTILISERS,
FARMS & BAKERIES**

1. Shri Nawal Kishore Sharma—*Convener*
2. Shri U. N. Mahida—*Alternate Convener*
3. Smt. Purabi Mukhopadhyay
4. Shri Suraj Prasad
5. Shri K. Gopal
6. Shri J. Matha Gowder
7. Shri Lal K. Advani

INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Forty-second Report on Action Taken by Government on the recommendations contained in the Twelfth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on the Food Corporation of India.

2. The Twelfth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Food Corporation of India was presented to Lok Sabha on the 26th April, 1972. The replies of Government to all the 65 recommendations contained in the Report were received in batches and the last batch was received on the 20th October, 1972. Further information sought in respect of certain points arising out of the replies furnished by Government was received on the 10th October, 1973 and the 17th October, 1973.

3. The replies of Government to the recommendations contained in the aforesaid Report were considered by the Committee on Public Undertakings on the 30th November, 1973 and the Chairman was authorised to finalise the Report on the basis of the decisions of the Committee and present it to Parliament.

4. The Report has been divided into the following chapters:—

- (i) Report.
- (ii) Recommendations that have been accepted by Government.
- (iii) Recommendations which the Committee do not desire to pursue in view of Government's replies.
- (iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.
- (v) Recommendations in respect of which final replies of Government are still awaited.

5. An analysis of the Action Taken by Government on the recommendations contained in the Twelfth Report of the Committee is given in Appendix—XVII. It would be observed therefrom that out of the total number of recommendations made in the Report 29.23 per

cent have been accepted by Government. The Committee do **not** desire to pursue 46.15 per cent of the recommendations in view of Government's replies. Replies of Government in respect of **24.62** per cent recommendations have not been accepted by the Committee.

NEW DELHI;

December 12, 1973.

Agrahayana 21, 1895 (S).

SUBHADRA JOSHI,

Chairman,

Committee on Public Undertakings.

CHAPTER I

REPORT

A. Shortfalls in achievement of targets of procurement [Paragraph 3.10 of Twelfth Report (5th Lok Sabha)]

Recommendation (Serial No. 5)

The Committee found that since 1967 there had been shortfalls in achievement of targets of procurement ranging from 6 to 12 per cent despite the fact that Government had been keeping a watch on the progress of procurement in more than one way and taking remedial measure as and when problems arose. The Committee felt that whenever shortfalls in achievement of targets of procurement occur beyond a certain level in future, an investigation should invariably be carried out by Government to find out what had caused these shortfalls and devise remedial measures for future.

1.2. In reply, the Government stated that as observed by the Committee, Government kept very vigilant watch on the progress of procurement. The progress was reviewed at various levels and suitable directions etc. were given from time to time to the FCI and the State Governments to ensure that procurement is maximised. Government fully agreed with the observations of the Committee that wherever there was major shortfall in the achievement of the procurement targets, it should be looked into and suitable remedial measures taken for future.

1.3. The Government were asked to let the Committee know the targets of procurement performance and percentage shortfall in the achievements of targets yearwise with reasons for shortfalls for Rabi beyond March, 1971 and Kharif after October, 1970.

1.4. In reply, the Government stated that the targets of procurement performance and percentage shortfall in the achievements of targets, yearwise with reasons for shortfall for Rabi beyond March, 1971 and Kharif after October, 1970 were as follows:—

Rabi Foodgrains

1.5. The targets of procurement, actual procurement and percentage shortfall and/or increase in the achievement of target year-wise for 1971-72, 1972-73 and 1973-74 season (upto July, 1973) are indicated below:

(in '000 tonnes)

Grain	1971-72 (Apr.-Mar.)		1972-73 (Apr.-Mar.)		1973-74 (Apr. Mar.) upto July 1973				
	Target fixed by APC	Qty. actually procured	% age shortfall (-)/excess (+) in achievement of target	Target	Qty. actually procured	% age (-)/excess (+) in achievement of target	Operational target fixed by P.C.I.	Qty. actually procured	% age shortfall (-) excess (+) in achievement of target
Wheat	4095	5101	(+)24.6	@	5006		8118	4328	(-)46.7
Rabi C. Grains	@	11		@	73		@	11	..

@ No targets were fixed by Agricultural Price Committee.

1.6. It would be seen that the actual procurement of wheat exceeded the target by 24.6 per cent during the marketing season 1971-72. No targets of wheat procurement for 1972-73 marketing season were fixed. However, the actual procurement was of the order of 5 million tonnes. An operational target of 8.1 million tonnes for wheat was fixed by the Food Corporation of India for 1973-74 season. The total procurement of wheat so far had been 4.3 million tonnes. The procurement was still in progress and would continue till the end of March, 1974. The wholesale trade in wheat was taken over by the Government from the Rabi season, 1973. As a result, the procurement drive started well in April, 1973, in as much as 4.70 lakh tonnes wheat was procured which was the highest in the same period of last 3 years. Thereafter the progress of procurement of wheat had been slow.

Reasons for shortfall in procurement during 1973-74

1.7. The main reason was attributed to low pace of market arrivals. The other reasons were:—

- (i) Lower estimates of production of wheat by the State Governments for 1972-73.
- (ii) Withholding of wheat stocks by the producers on account of high market prices of other foodgrains as compared to the procurement price of wheat.
- (iii) The capacity of the producer to hold back the wheat stock has improved with higher wheat productivity in the past few years. The minimum financial requirements of the producers are met by selling other crops, which are fetching relatively higher prices.
- (iv) General psychology of shortage among the masses leading to hoarding of wheat by the traders and consumers as well.
- (v) Concerted efforts and propaganda by the wholesale traders and other interested parties against the wheat take over policy.
- (vi) Agitation in the States of Punjab, Haryana and Bihar by opposition parties against the take over policy, and
- (vii) General price rise spiral has also acted as an irritant to the producer who felt that the discipline of price control was being imposed upon him alone.

Khariif Foodgrains

1.8. The target of procurement, actual procurement and percentage of shortfall in the achievement of the target year-wise for 1970-71, 1971-72 and 1972-73 season (so far) are indicated below:—

Grain	1970-71 (Nov.-Oct.)			1971-72 (Nov.-Oct.)			1972-73 (Nov.-Oct.) so far		
	Target fixed by APC	Qty. actually procured	% age shortfall(—) in achievement of target	Target fixed by APC	Qty. actually procured	% age shortfall(—) in achievement of target	Target fixed by APC	Qty. actually procured	% age shortfall(—) in achievement of target
Rice	4700	3196	(—)32.0	4250	3116	(—)26.7	4000	2559	(—)36.0
Khariif C. grains.	800	485	(—)39.4	500	181	(—)63.8	600	271	(—)54.8

1.9. During 1970-71 and 1971-72 marketing seasons (Nov-Oct) the actual procurement of rice fall short of target by 32.0 per cent and 26.7 per cent respectively while the procurement of Kharif coarse grains fell short of the target during the same period by 39.4 per cent and 63.8 per cent respectively. During the season 1972-73, the procurement of rice and kharif coarse grains had also been less than the target. The procurement was still in progress. The actual procurement of rice and kharif coarse grains in the country had never reached the target recommended by the Agricultural Prices Commission.

Reasons for shortfall

1.10. Some of the reasons for the non-achievement of target for procurement recommended by the APC were, lower production in certain States than anticipated at the time of PAC recommendations, high prices in the open market as compared to procurement prices and law and order problems in some States. Severe drought in 1972-73 affected the kharif crop considerably.

1.11. The Committee note that during 1970-71 and 1971-72 marketing seasons, the actual procurement of rice fell short of the target by 32 per cent and 26.7 per cent respectively while the procurement of kharif coarse grains fell short of the target during the same period by 39.4 per cent and 63.8 per cent respectively. The Committee also note that during the season 1972-73, the procurement of rice and kharif coarse grains had also been less than the target. The Committee recommend that so far as the Food Corporation of India is concerned whenever there is any shortfall in achieving the targets of procurement fixed therefor, the reasons for such shortfall should be investigated without delay so that suitable remedial measures may be taken in time. The Committee also feel that Government on their part should ensure payment of remunerative Price to the farmers so as to step up procurement.

At the time of factual verification Food Corporation of India stated as follows:—

(Figures in '000 tonnes)

Commodity	Procurement as on 3-12-1973	Percent- age.
Wheat	4516	(-)/44.8
Coarse-grain	17	—

The Food Corporation of India procured 2195 tonnes of Rice and paddy in terms of rice and 203 tonnes of coarse grains during the Kharif season 1972-73.

B. Bulk storage structures (Paragraph 4.22)

Recommendation (Serial No. 16)

1.12. The Committee observed that the latest trend was to provide bulk storage structures like Silos and Bins and though the capital costs of bulk storage might not compare favourably with the present system of storage in bags yet the operating costs were lower in case of bulk storage with the added advantage of better preservation of grains. For taking up proposals for construction of Silo Storage a detailed feasibility study would be necessary to examine what other complementary facilities were necessary to be provided in 'Mandis' and elsewhere in order to ensure that working of silos was efficient and economical. The Committee, therefore, expressed the view that it was better to spend more on scientific storage now than lose year after year by allowing wide spread damage of foodgrains owing to faulty and outmoded storage system.

1.13. The Government, in their reply, stated that the designs followed by FCI and CWC at present had been found suitable by the Expert Committee on storage. These conventional designs of storage were neither faulty nor outmoded. Silo|Bin storage would require complementary modernisation of facilities at the 'Mandis' for movement and at other stages. In the Approach Paper to the Fifth Five Year Plan, it had been suggested that about 1.0 million tonnes of silo/bin storage capacity should be developed during the Fifth Five Year Plan, in addition to such facilities already developed and that proposed under the World Bank Wheat Storage Project. The provision of these facilities would be preceded by a detailed feasibility study to examine the requirements of complementary facilities at 'Mandis' and elsewhere in order to ensure that working of silos was efficient and economical.

1.14. The Committee note that in the approach paper to the Fifth Five Year Plan it had been suggested that about 1.0 million tonnes of silos|bin storage capacity should be developed during the Fifth Plan, in addition to facilities already developed and that proposed under the World Bank Wheat Storage Project. The Committee also note that the provision of these facilities would be preceded by a detailed feasibility study to examine their requirements of complementary facilities at 'Mandis' and elsewhere. The Committee would like to watch further development in the matter.

C. Transportation of Foodgrains in open wagons (Paragraph 5.30)
Recommendation (Serial No. 26)

1.15. The Committee note that from May to July, 1968 out of 12.36 lakh tonnes of foodgrains transported from Punjab, Haryana and Andhra Pradesh on Government account, 2.36 lakh tonnes of foodgrains were transported in open wagons. Unfortunately, there were early monsoon rains in the Eastern and Western Regions where the bulk of despatches were concentrated and consequently 6,741 tonnes of foodgrains got wet and were rendered unfit for human consumption. The Dave Committee which investigated into damages to foodgrains moved in open wagons recommended *inter alia*, that foodgrains should under no circumstances be carried in open wagons without tarpaulins. The Committee regretted that despite Dave Committee's recommendation, the Food Corporation used 12,814 open wagons in 1970 of which 467 wagons were stated to be without tarpaulins. During 1971, 14,336 open wagons with tarpaulins were used. It was found that 58 wagons reached West Bengal Region and 21 wagons reached U. P. without any tarpaulins. It was explained by the Corporation that 'Due to early rains and late harvesting in 1970 and because of the fact that public offering of foodgrains was more in 1970 than in 1969, peak despatches had to be compressed in a much shorter period and consequently movement by open wagons had become necessary. The Committee recommended that, keeping in view, the experience of 1968 and as a matter of abundant caution, the use of open wagons should be avoided in future. Should it become unavoidable to use open wagons owing to unforeseen reasons, it should be ensured that open wagons are covered with tarpaulins without fail. The Committee felt that the Corporation cannot afford to take chances in an important matter like that.

1.16. In their reply, Government stated that efforts were always made by the Railways to make maximum number of covered wagons available for foodgrains traffic but usage of some open wagons was inescapable due to heavy movement during the peak procurement periods and when abnormal requirements of the State Governments had to be met in situation caused by natural calamities etc. As against the total movement of about 8 million tonnes of sponsored foodgrains in a year by the FCI on Central Government account, about 5 million tonnes originated in the Northern Region. Of the empty wagons which became available in the northern region, a large number were open wagons, released from in-coming coal loads. The open wagons were generally received in block rakes. Almost the entire movement of foodgrains from the Northern Region was by specials because piecemeal movement over long distances

has serious operational difficulties and could not be expeditious. Therefore, block rakes of open wagons had to be used in fair weather for loading foodgrains because of the limitation of the Railways in supplying the required number of covered wagons.

1.17. The elimination of the use of open wagons was perhaps, not feasible. While, during the period from 1966 to 1971, the availability of covered wagons on the Railways had increased by 18 percent on the broad gauge and 7.4 percent on the metre gauge, the overall traffic handled by the Food Corporation of India on the Northern Railway alone had increased by more than 300 per cent. It was not operationally feasible for the Railways to divert covered wagons to the Northern Railway to the extent needed for the clearance of sponsored foodgrains. Consequently, even in the Rabi operations during 1972 (April to June) approximately 14,777 open wagons had to be used in addition to 49,858 covered wagons for the movement of foodgrains over the Northern Railway alone.

1.18. It was also stated that the Food Corporation of India and the Railways exercised all possible care to ensure that open wagons loaded with foodgrains were not moved without tarpaulins. The replacement and retying of tarpaulins (if necessary) was ensured at check-points (important yards and transshipment point *enroute*.) The Railways had also issued strict instructions that all specials of open wagons loaded with foodgrains should be escorted right through to destinations to prevent damage and pilferage.

1.19. The Committee reiterate their earlier recommendation emphasising that the use of open wagons for the transport of foodgrains should be avoided as far as possible and every effort should be made to make covered wagons available for this purpose to save the foodgrains from being rendered unfit for human consumption by the vagaries of the weather like rains and to avoid pilferage during transit. Should it become unavoidable to use open wagons owing to unforeseen and compelling reasons, it should invariably be ensured that such wagons are properly covered with tarpaulins without fail.

1.20. The Committee would also like Government to ensure that all other precautions are also meticulously observed to obviate any damage by wet or loss on account of pilferage, etc.

*D. Hold up of wagons carrying foodgrains, at terminals
(Paragraph 5.31)*

Recommendation (Serial No. 27)

1.21. The Committee were informed that the danger was not that

the Foodgrains were moved in open wagons but the detention at terminals were fraught with danger in that they get exposed to rains. The Committee also learnt during evidence that for the last six months or so, there had been hold-ups of movement in the Eastern Sector. The wagons were not unloaded in time resulting in delays in the return back of the wagons. The Committee were deeply concerned with the problems of hold-up of wagons at terminals as delays in unloading of wagons not only resulted in less availability of wagons for movement of foodgrains in the country but also created bottlenecks, frustrating the very objective of ensuring movement of foodgrains on a planned basis. The Committee, therefore, recommended that concerted efforts should be made by the Department of Food Food Corporation of India and the railways to ensure that wagons carrying foodgrains were not held up *en route* or at terminals to obviate losses by 'wet' or pilferage.

1.22. In their reply, Government stated that it was correct that there were detentions to wagons at the terminals in the eastern sector, particularly in the Calcutta Complex of West Bengal. The unloading of wagons in West Bengal and Calcutta Complex was affected by the law and order situation in the State and by labour troubles. This matter had been taken up by the Government of India with the Chief Minister, West Bengal. The Chief Minister, West Bengal, intervened in the matter and resolved various disputes. Consequently the position in regard to the unloading of wagons in West Bengal had improved appreciably, since the last week of August, 1972. The Food Corporation of India had also opened a few more terminals for receiving and promptly releasing the inward foodgrains wagons, in the Calcutta Complex.

1.23. The Committee desired to be furnished with the statistical information in respect of the number of wagons unloaded in West Bengal since 1972 substantiating that there had actually been an improvement in unloading of wagons in West Bengal.

1.24. In reply, Government submitted a statement (Appendix I) showing the number of wagons placed on sidings|platforms etc. in West Bengal for unloading and the number of wagons unloaded etc. during the years 1971-72 and 1972-73 and stated that "it will be observed from the statement that the percentage of wagons which could not be unloaded *vis-a-vis* the number of wagons placed on sidings|platforms etc. for unloading for the years 1971-72 and 1972-73 was 32.22 per cent and 20.98 per cent respectively. Thus, there has been a substantial improvement in the unloading of wagons in West Bengal during the year 1972-73".

1.25. The Committee note that the position in regard to unloading of wagons in West Bengal has improved since August, 1972 but feel that percentage of wagons remaining unloaded viz. 20.98 per cent is still high. The Committee hope that there will be greater coordination between Railways and the Department of Food|Food Corporation of India so as to ensure that such detentions are avoided in the interest of speedier movement of foodgrains and better utilisation of rail wagons.

E. Utilisation of Staff (Paragraph 6.13)

Recommendation (Serial No. 34)

1.26. The Committee noted that sometime back the Government of India had suggested to various State Governments that the Food Corporation of India should be given the responsibility of wholesale distribution of foodgrains also, so that by taking on this additional work and using its staff, which did not have much work during the non-procurement season, the Corporation could reduce its overheads and thereby both procurement and distribution could be done a little cheaper than otherwise. The Committee were informed that Government were examining this matter and a policy decision would be taken by them soon.

1.27. The Committee stressed that the approach should be for finding greater utilisation of staff already on the pay rolls of Food Corporation of India and not to add to them in the name of additional responsibilities taken over from States. As recommended elsewhere in the Report, there was a pressing need to reduce the burden of overheads, which were borne largely by the consumer and exchequer.

The Committee also recommended that Government should keep in mind the fact that with growing abundance of foodgrains in the country, the need for regulatory measures and extensive distribution agency might in course of time come to be reduced .

1.28. As far as the internal distribution of foodgrains in the State was concerned, it has and should continue to be the primary responsibility of the respective State Governments. The State Governments have a civil supplies organisation which is expected to handle this work. There should, therefore, be no question of transfer of internal distribution work to the Corporation alongwith the staff concerned in any State.

1.29. In their reply the Government stated that in view of the

recent decision to take over the wholesale trade, the entire question was being examined, as it would seem that it was not possible for one single organisation to assume the responsibility for the entire country. Several Public Agencies may have to be involved.

As a policy, internal distribution of foodgrains continued to be the responsibility of the State Governments except where some of the State Governments under special arrangements decided to entrust this work to the Food Corporation of India.

1.30. On being asked about the latest orders etc., issued by the Government for distribution of foodgrains, the Committee were apprised that the wholesale trade in wheat was taken over from the rabi season. Since it was not possible for one single organisation to assume the responsibility of distribution retail dealers were permitted to operate under for the entire country, a system of licensing and/or registration to purchase and store wheat within the prescribed limits and sell the same only to the consumers at a price not exceeding the maximum retail price fixed by the State Government.

1.31. The Committee desired to know as to what decision and action was taken about the utilization of staff during the non-procurement season to reduce the overheads in Food Corporation of India. They also wanted to know whether Food Corporation of India responsible for distribution of foodgrains consequent upon their takeover by Government also whether the retail dealers after purchasing wheat at Government price had sold them to the consumers at the fixed Government price.

1.32. In reply, the Government stated that the Corporation had sanctioned regular staff for manning its various offices and godowns throughout the country in connection with its normal functions of purchases, movement, storage and sale of foodgrains as well as for maintaining the connected accounts and maintenance and preservation of stocks. Some regular staff was also sanctioned on the quality control side, for its procurement operations.

1.33. In addition, staff was sanctioned on a temporary basis for seasonal work during rabi and kharif procurement operations depending on the mode of procurement and the quantity of foodgrains expected to be procured/purchased by the Food Corporation. The sanctions for additional staff automatically lapsed on the expiry of the period for which they were given. The regular staff sanctioned for procurement work remains busy throughout. The Corporation was engaged in the work of procurement (Rabi or Kharif) almost throughout the year. It was only from the beginning of August to

the end of September that the procurement work got considerably reduced. Operations on a small scale, however, continued even then and the procurement machinery had to be maintained though on a reduced scale. The staff sanctioned on regular basis took care of the arrivals in the markets after the withdrawal of the sanctions for staff on temporary basis. Besides, completion of accounts, submission of periodical statements and returns and other items of work which could not normally be attended to during the peak procurement season, were undertaken during the lean period.

1.34. The staff sanctioned for storage and other operations remained busy with receipts, issues and other day-to-day operations. The FCI Management was also considering the question of having multipurpose staff by merging the existing godown and ministerial cadres which might later cover quality control cadre also. These proposals were stated to be under discussion with the Zonal Managers as also representatives of the staff. It was also stated, that Merger of these three cadres, when brought about, would enable the FCI Management to deploy staff in any field like storage, movement, quality control, etc., wherever the work-load at any given time so demanded and thus utilize the staff gainfully throughout the year.

1.35. Pending the creation of a common cadre, posts sanctioned for procurement were, to the extent practicable filled by deployment of staff available in the godown and technical cadres and the balance of posts were filled either by taking persons on short term deputation from the State Governments or by direct recruitment.

1.36. The internal distribution of foodgrains continued to be the responsibility of the State Governments. Some of the State Governments under special arrangements, entrusted this work to the Food Corporation of India. Keeping in view the demand and overall availability of foodgrains in Central pool, allotments were made by the Centre to State Governments and the Food Corporation of India arranged supplies to State Governments according to Central allocations. Distribution of foodgrains to the fair price shops and mills etc., was done by the State Governments themselves.

1.37. The Committee still feel that the approach should be for finding greater utilisation of the staff already on the pay rolls of Food Corporation of India throughout the year and not to add to them in the name of additional responsibilities taken over from States.

In particular, the Committee stress that the Corporation should reduce the overheads by gainfully utilising their staff during the non-procurement season.

F. Rice Mills Project (Paragraph 7.21).

Recommendation (Serial No. 38)

1.38. The Committee found that though the Rice Mills Project was approved by Government in 1967 the location of the last 2 out of 24 rice mills was finalised as late as October, 1970. It thus took three years to complete finalisation of location of these Rice Mills. The time taken was obviously excessive and it should have been possible to finalise the matter with greater sense of urgency. The Committee also found that so far it had been possible to commission only 16 out of 24 Modern Rice Mills in the country. The Committee understood that in setting up these Mills, the Corporation encountered difficulties like delay in acquisition of land, delay in supply of mild steel plates required for fabrication of Dryers, Parboiling tanks and chimneys and special steel plates for boilers etc. The Committee felt that an important project like the Rice Mills should have been given high priority in allocation of steel, fabrication of parts and acquisition of land so as to make the Mills operative with the least possible delay.

1.39. In their reply, the Government did not mention anything about the priority in allocation of steel, fabrication of Parts and acquisition of land to be given to the Rice Mills as recommended by the Committee. The Government was, therefore, asked to furnish their reply in this regard.

1.40. In their further reply the Government stated as under:—

“While it is fully realised that priority should have been given in allocation of steel and fabrication of parts and acquisition of land as pointed out by the Committee, there were some practical difficulties which led to delay in these matters. The sponsored demands of Government sector was much more than the available material. Besides, the demands of Ministry of Defence had to be given a high priority. Due to these factors our requirements could only be partially met, in spite of best efforts from every quarter and for the supplies to be completed, it took about a year.

As regards the acquisition of land, as the same had to be acquired by resorting to land acquisition proceedings in certain cases, despite best efforts on the part of the revenue

officials and the follow up action by the Regional Managers of the Food Corporation of India, it took considerable time on account of the inherent time-consuming factors in such proceedings like the settlement in a court of law of the various objections raised against the acquisition and the compensation to be paid to owners."

1.41. The Committee are concerned to note the leisurely way in which Government took action on their recommendation with the result, the said requirements of the Rice Mills have only been met partially so far. The Committee reiterate their earlier recommendation and stress that Rice Mills Project should be given high priority and due preference in allocation of steel, fabrication of parts and acquisition of land so as to make the Mills operative with the least possible delays.

G. Location of Rice Mills in the States (Paragraph 7.22)

Recommendation (Serial No. 39)

1.42. The Committee felt that the Corporation should make a careful re-assessment of the requirement of rice mills in the States not given adequate attention in the plan of location of rice mills hitherto (e.g. M.P., U.P., and other rice producing States.) The plea that large number of private rice mills existed in the State was not convincing argument. The Committee felt that no chances be taken with Private Mills and hence the Corporation should decide soon to locate rice mills in such States so that there might be healthy competition between private and public rice mills or to break the monopoly of the private mills as they might misbehave any time.

1.43. In their reply, Government stated that the second phase, when the Food Corporation of India might have to set up another 24 Modern Rice Mills in the country had been initiated. Detailed information about the potential locations had been called for from all the States including M.P., U.P., and other States which were not adequately represented in the first phase. Government assured that the recommendations of the Committee would be kept in view while finalising the locations. However, it was clarified by Government that the main reason for not setting up Modern Rice Mills in M.P., in the first phase was the existence of a large number of rice mills in the cooperative sector and this fact was brought out during the oral evidence of the Food Secretary on 14-8-1971.

1.44. The Committee are not satisfied with the reply of the Government and reiterate their earlier recommendation. The Committee stress that no chances should be taken with private rice mills and the Food Corporation of India should take a decision soon to locate rice mills in such State so that there is a healthy competition between private and public sector rice mills and thus break the monopoly of the private mills.

*H. Installation of additional Maize Dryers at Khanna (Punjab)
(Paragraph 7.27)*

Recommendation (Serial No. 42)

1.45. The Committee desired the Corporation to carefully evaluate the working of the Maize Dryer at Khanna (Punjab) before installing additional dryers.

1.46. In reply, Government stated that the evaluation of the 5 tonne per hour capacity maize dryer located at Khanna (Punjab) would be done in all the seasons to determine its efficiency in operation and also help in taking decision for installation of additional dryers of the type. The dryer at Khanna dried about 2,960 M.T. and 3,050 M.T. of maize during the 1970-71 and 1971-72 kharif seasons, respectively. Approximately, the per unit cost of drying came down from Rs. 28.55 per tonne in 1970-71 to Rs. 25.30 per tonne during 1971-72, indicating an improvement in the efficiency and greater capacity utilisation. Though theoretically the maize dryer was expected to work for 90 days i.e., about 3 months, the scope for its fuller utilisation was greater in the early period of the season of market arrivals when the moisture content would be comparatively higher than the latter period. In view of this fact, it was stated by Government that the performance of the dryer of Khanna had been satisfactory during 1971-72.

1.47. The Committee find that on the basis of the performance during 1971-72, the efficiency achieved would appear to be only 33.3 per cent. The Committee, therefore, like that the economics of the dryer should be again gone into carefully before a decision to instal additional dryers is taken.

I. Subsidy paid by Government to Food Corporation of India and procurement and distribution incidentals of Food Corporation of India (Paragraphs 9.28 and 10.28)

Recommendation (Serial No. 49)

1.48. In paragraph 9.28 of their Report the Committee expressed the view that as the wholesale price of wheat was higher than the procurement price by Rs. 2|- per quintal, the Food Corporation of India which had a dominating share in the foodgrains trade should be able to cut on its overhead charges and operational losses. The Committee were convinced that these expenses needed initial analysis and meaningful follow up action so as to reduce the need and quantum of subsidy paid to the Food Corporation of India by General Exchequer and make available foodgrains at more competitive and reasonable price to the consumers.

1.49. In reply, the Government stated that the burden of subsidy arose on account of the difference between the economic cost to the Corporation and the issue price fixed by the Government of India. The procurement and issue prices in respect of wheat were Rs. 76|- and Rs. 78|- respectively. This difference of Rs. 2|- did not fully cover the economic cost of wheat.

1.50. The operating costs incurred by the Corporation comprised procurement and distribution costs for normal operations and the carrying cost of buffer stocks. Mandi charges, purchase|sales Tax, State Government's administrative charges, interest charges, storage charges, freight charges, etc., which constituted the bulk of the operating costs were items wherein any significant reduction was not within the Corporation's competence. The absence of lower-cost imported stocks and the building up and maintenance of larger buffer stocks out of indigenously procured wheat would also inevitably lead to higher subsidies.

1.51. It was also stated by Government that the Corporation has taken following measures to bring down the cost of operation:—

- (i) incentive award scheme to reduce the storage and transit loss.
- (ii) Recommendations of the National Council of Applied and Economic Research to rationalise movement of food-grains and effecting economics therein were being implemented.

- (iii) Training course, seminars, lectures have been arranged to arouse cost consciousness and officers are trained in the Central Training Institute.
- (iv) Dehiring uneconomic storage wherever possible with a view to effective economic utilisation of storage space.
- (v) Performance reports on the working of each region and reviewed and corrective action taken where necessary.
- (vi) Internal audit report and physical verification of stocks are carefully examined at F.A.'s level.
- (vii) Speedy billing and effecting prompt recoveries of outstanding dues.
- (viii) In order to reduce the interest liability, obtaining advance payment from State Government is being considered.

1.52. In paragraph 10.28 of their Report, the Committee also pointed out that there had been a steep rise in the incidental expenses of the Food Corporation of India and focused the attention of the Corporation and Government on some of the important components of incidental expenses in respect of which the rise had been phenomenal. For example, 'transit and storage loss' increased by 350 per cent 'establishment charges' by 170 per cent and 'Godown charges' by 37 per cent as compared to the charges when the Food Department handled directly foodgrains. The Committee had pointed out that procurement, storage, movement and distribution incidentals on wheat amounted to Rs. 19.41 per quintal and constituted about 25 per cent of the procurement price at Rs. 76 per quintal of wheat as per details given below:—

Procurement Incidentals on wheat:

	(Rs. per quintal)
(1) Mandi charges including commission	2.37
(2) Mandi Labour	0.49
(3) Temporary Storage and extra handling	0.18
(4) Forwarding charges	0.64
(5) Internal Movement	0.38
(6) Establishment charges	0.59
(7) Interest charges	0.35

	(Rs. per quintal)
(8) Gunny Bag Cost	2.72
(9) Sales and Purchase Tax	2.32
(10) Services Administration charges	0.20
(11) Octoroi	0.02
	<u>10.26</u>

(Note : The gunny bag cost of Rs. 2.72 in the procurement incidentals for wheat during 1969-70 is the average cost of gunny bag of 100 Kg. in all the procuring states. The prevailing cost of gunny bag as at present is much higher and is around Rs. 3.50 per bag).

Storage, movement and Distribution Incidentals of the Food Corporation of India:

Nature of Incidental	Rs. per quintal Wheat imported (w.c.f. 1-4-67)	Wheat imported indigenous (w.c.f. 4-5-69)
1. Transit & Storage Loss	0.35	0.90
2. Handling Godown Operations	0.35	0.41
3. Establishment	0.43	1.19
4. Godown charges	0.44	0.77
5. Interest	0.61	3.02
6. Freight	..	2.86
TOTAL	2.18	9.15

(Note: Incidental expenses on Rice are the same as for wheat w.c.f. 4-5-69).

The Committee were also informed by some of the States in written memoranda that incidental charges of the Corporation were extremely high and needed to be brought down to a reasonable level. As the turn-over of the Corporation had increased manifold and it being one of the biggest trading Corporation in the world dealing with foodgrains, the Committee were constrained to observe that the Corporation had not been able to derive full benefit of economy of scale.

1.53. In their reply, the Government stated that the incidental expenses incurred by the Food Corporation of India were not comparable to those incurred by the Food Department on account of the following reasons:

- (i) The scope, size and area of operations of the Food Corporation in 1969-70 were vastly different from those of the Food Department in 1967-68.
- (ii) The method of calculating the incidentals of the Food Department was entirely different from the method adopted by the Corporation.
- (iii) In regard to the apparent increase in the establishment charges, the incidentals worked by the Food Department were based on the expenditure divided by the total quantity purchased during the year while the incidentals in the case of the Food Corporation have been worked out based on the expenditure for normal operations divided by the sales.
- (iv) When the Food Department was handling the foodgrains operation, the purchases consisted mostly of imports and, therefore, these were confined to the ports. The Food Corporation has, however, been procuring almost all over the country enormous quantities of wheat, rice etc., indigenously and also handling the minor price support operations. The Corporation has also undertaken a huge programme of construction of godowns to store buffer stocks of foodgrains. These have necessitated the employment of staff at a number of centres throughout the country, resulting in increase in establishment charges.
- (v) Since 1967-68, there have been a number of increases in the allowances payable to the officers and staff and these increases have been reflected in the establishment cost of the Food Corporation.
- (vi) In respect of transit and storage loss, the incidentals of the Food Department for 1967-68 are based on the amount of losses written off during the year divided by the purchases made during the year and do not take into account the actual losses incurred. However, the incidentals worked out by the Corporation for 1969-70 are based on the amount of actual losses incurred during the year. If the incidentals of the Food Corporation are worked out

on the same basis as that of the Food Department for 1967-68, the losses for the Corporation for 1969-70 would be much less and there would in fact be a decrease in the percentage of transit and storage losses of the Food Corporation.

- (vii) The storage capacity in possession of the Corporation was far higher than the storage capacity with the Food Department in 1967-68. The method of working out the godown charges of the Food Department was also different from the method adopted by the Food Corporation. These were the factors which were responsible for the apparent increase in the godown charges.

1.54. The Government had further stated that it might not also be appropriate to compare the incidental expenses incurred by the Corporation with those incurred by the private traders as their respective parameters of working were radically different. Whereas the trader had the choice to operate in areas where it was profitable for him to do so, there was no such choice for the Food Corporation which was essentially fulfilling a social objective and obligation. Secondly, the private trader did not have to transport the procured stocks over long distances; neither was there any obligation on him to store them over a long period, whereas the Corporation had been entrusted with the social task of building up and maintaining buffer stocks on behalf of Government of India. Thirdly, while procuring stocks, a trader always took 3-4 Kg., of foodgrains in excess of the actual weight without extra payment whereas the Corporation paid the full price for the stocks procured by it. It was also a well known fact that the employees of the Corporation were far better paid than those of the private traders. Viewed in this context, therefore, it would be inequitable to compare the handling charges of the Corporation and those of the private trade.

1.55. Lastly, it was also mentioned that most of the items of incidentals varied in direct proportion to the quantum of procurement and distribution. A major item of incidentals which *prima facie* should benefit from the enlargement of activities in these spheres was administrative expenditure. But, even here because of the Corporation's responsibility to provide a wide net work of procurement and distribution points to serve the interest of producers and consumers, the application of economic norms for staffing and allied expenditure was not possible thereby making the task of reduction in administrative expenditure difficult.

1.56. It was further stated that the Corporation initiated a number of steps for reducing its cost of operations. The important steps initiated by the Corporation had already been indicated in the comments under Recommendation No. 49.

1.57. The procurement and distribution incidentals of the Corporation were being subjected to a close scrutiny by a high level Committee headed by the Food Secretary.

1.58. The Committee desired to know the recommendations of the High Level Committee appointed to closely scrutinise and to probe into the procurement and distribution incidentals of Food Corporation of India and also action taken thereon by the Government. They also asked for details of the subsidy paid to the Corporation subsequent to 1970-71.

1.59. In reply the Government stated that the recommendations of the High Level Committee appointed to probe into the procurement and distribution incidentals of the Food Corporation of India were still awaited. The Committee was appointed on 11th January, 1973. It, in turn, appointed a Technical Sub-Committee to go into certain details and the terms of this Technical Committee were finalised on 3rd May, 1973. The report of the Technical Committee when finalised would be examined by the main Committee.

1.60. The details of the amount of subsidy paid to Food Corporation of India subsequent to the year 1970-71 were as follows:—

Year	Rs./crores.
1971-72	49.69
1972-73	117.23
1973-74	70.00 (Upto 31-12-73)

1.61. The Committee regret to observe that though their 12th Report on the Food Corporation of India was presented to Parliament on the 26th April, 1972, it was only on the 11th of January, 1973 that the Government appointed a High Level Committee to probe into the procurement and distribution incidentals of the Corporation. The Committee were also informed that the High Level Committee, in turn, appointed a technical sub-Committee whose terms were finalised only in May, 1973. It has thus taken almost one year for the Government even to initiate action in the matter. The Committee deprecate the inordinate delay in examining the scope for reduction in the incidentals.

1.62. The Committee note that during the course of half-an-hour discussion held in Lok Sabha on 23rd November, 1973 regarding procurement and distribution price of foodgrains, it was stated that the total subsidy during the current year (1973-74) is likely to come up to Rs. 250 crores. It was also observed inter-alia that 'as far as foodgrain economy is concerned, we should avoid heavy subsidy because otherwise our economy would get into difficulties'. The Committee are of the firm view that the present incidentals of the Corporation which are as high as 25 per cent of the procurement price of wheat need be reduced to a reasonable level. The Committee hope that this matter would be accorded the highest priority so that need for payment of such large subsidies to the Corporation is minimised and the benefit thereof is passed on to the consumer.

J. *Analysis of some aspects of Food Corporation of India's Management and costs by the Institute of Management, Ahmedabad and Ibcon (P) Ltd.*

Recommendation (Serial No. 53)

1.63. The Committee desired that Food Corporation of India to give highest priority to the processing of the Reports of the Institute of Management, Ahmedabad and Ibcon (P) Ltd. who analysed some aspects of their management and costs and to take concerted measures to effect economies.

In their reply, the Government stated as follows:—

"Procurement and storage (including preservation and distribution) comprise the two main activities of the Corporation on which the bulk of its man-power is employed. The Corporation has got definite norms of staff for both these activities. The norms relating to the storage godowns were devised by the Department of Food in consultation with the Ministry of Finance before the transfer of work to the Corporation and the Corporation has been regulating the strength of the staff in the storage godowns on the same norms. The norms for procurement operations have been evolved by the Corporation itself after internal work studies.

It was felt that, with the changing pattern of activities resulting from massive procurement and building up of buffer stocks, the norms in respect of these 'two main activities should be reviewed. It was for that reason, that the Corporation arranged expert studies of the norms relating to

these two activities through M/s. Ibccon (P) Ltd., (for procurement operations) and the Indian Institute of Management, Ahmedabad (for storage operation).

M/s. Ibccon (P) Ltd., studied the procurement operation in the Punjab and U.P., and submitted a report making certain recommendations in respect of the procurement operations in the Punjab in November, 1970. Their main recommendation was that the norms for procurement staff in Punjab should be based on arrivals in the mandis rather than on the volume of procurement, during a season. They assumed that super inspection of stocks purchased by other agencies namely, the State Government and marketed would be carried out at the mandi level by Food Corporation of India staff. This assumption was later proved to be incorrect. The norms suggested by them would have had the effect of reducing the staff strength by 29 persons only."

These recommendations were considered by the Management in consultation with the Zonal and Regional Managers. It was found that the recommendations could not be accepted for the following reasons:—

- (a) Classification of mandies based on arrivals would not be logical because the activities of the Food Corporation of India staff have mostly to be related to procurement actually handled by it.
- (b) The assumption made by the consultants were not correct as already indicated.
- (c) The reduction in the strength of staff was not very significant.

1.64. The existing norms for procurement operations are, therefore, being continued. These are rationalised and modified wherever necessary on the basis of work studies conducted by the internal work study unit from season to season. In fact, it is neither feasible nor advisable to have rigid norms for procurement operations. The staffing pattern for these operations has to vary with the method of procurement e.g., monopoly procurement, producer's levy, mill levy, direct purchases from the farmers, purchases in regulated market etc. If any rigid norms were laid down with reference to the system of procurement followed in a particular season and the

pattern of procurement is so changed in the next season as to warrant a reduction in staff, such reduction would be resisted on the strength of the prescribed norms. It is better, therefore to follow the present general guidelines subject to local and periodical variations. Besides, the procurement operations of the Corporation are not always governed by strict commercial considerations. There are cases, for instance, where the Corporation is required, in the overall national interest, to open purchase centres in distant areas where the actual quantum of procurement may not be much indeed or in numbers much larger than those justified by purely economic where the actual quantum of procurement may not be much indeed good illustrations of the former while the large net work of direct purchase centres opened in Uttar Pradesh during Rabi 1972 is a good illustration of the latter.

1.65. The Indian Institute of Management, Ahmedabad conducted a detailed study of the norms for staff in respect of storage godowns. Their basic recommendation is that the existing norms based on storage capacity are not very scientific and they have suggested certain new norms based more on the activity level in the godowns. The report of the Institute has been under consideration with the Management. As the acceptance of the new norms would make for some reduction of staff, the salient features of the report have also been discussed with the representatives of the staff. Although the staff representatives are opposed to the acceptance of the revised norms suggested by the Institute, a tentative view has been taken that the basis suggested by the Institute is more rational and scientific. It has, however, been felt that the implementation of the recommendations of the Institute would be more meaningful if the godown staff, which is presently distributed into distinct cadres like godown staff, quality control staff, etc. is converted into multipurpose staff. It has also been felt that certain factors like the open market sales, direct distribution to fair price shops, the distribution set-up in West Bengal etc. not fully taken into account by the Institute would also have to be taken into account in arriving at a final decision on the implementation of the new norms. All these questions are, presently, under active consideration and a final decision will be taken shortly.

1.66. The Committee are surprised to find that the Food Corporation of India have decided not to implement the staffing norms suggested by an expert body like IBCON (P) Ltd. for procurement operations without even giving a fair trial to these norms. The Committee are unable to accept the plea of the Corporation that, "it is neither feasible nor advisable to have rigid norms for procurement operations."

1.67. In regard to storage operations, the Committee are surprised at the dilatory manner in which the report of the Indian Institute of Management, Ahmedabad is being processed. The Committee regret to find that so far no definite decision has been arrived at. The Committee would like that the Corporation should take a final decision in consultation with all concerned with a view to effecting economy consistent with efficiency.

K. *Misappropriation, Fraud and non-payments in Food Corporation of India (Paragraph 11.18)*

Recommendation (Serial No. 55)

1.68. The Committee had observed that the case of misappropriation of Rs. 32 lakhs in 1968 in the Calcutta Regional Office of the Food Corporation of India was considered by the Committee as the most serious of all cases of misappropriations, fraud, over-payments etc. which had till then occurred in the Corporation. The Corporation intimated that the CBI which had conducted the investigation into this case had not found any lacunae in the rules and procedures of the Corporation but had pointed out that there should have been effective checks on the dealings of the Corporation officials involved in the case. As the case was subjudice, the Committee did not wish to offer any views thereon. The Committee, however, recommended that the Corporation should tighten the financial discipline in their enterprise, tone up the administration of rules and procedures and provide adequate supervisory checks and enforce their observance at all important levels to prevent recurrence of such cases which besides entailing financial loss tarnish the fair image of the Corporation.

1.69. In their reply the Government stated that as already brought to the notice of the Committee on Public Undertakings no lacunae in the rules and procedures laid down by the Corporation had been noticed. That was also clear from the fact that this case was actually detected during internal audit in the normal course.

1.70. While welcoming the Committee's recommendations about the toning up of the administration of rules and procedures through better supervision, Government stated that with a view to further tightening up the procedure, instructions had been issued that full realisation of the cost of foodgrains issued to private parties should be made on daily basis. The Regional Managers|Zonal Managers had been made responsible to ensure that this was done. Also the Zonal Managers have been asked to furnish certificates to ensure that monthly accounts were being received regularly from the depots concerned and proper check was being exercised. Further,

to ensure that these rules and procedures were being properly observed, physical verification and Internal Audit parties had been set up both at the Head Office and in the Zonal offices. The internal audit parties were also being strengthened further. These parties were also deputed from time to time to conduct special physical Verification of stocks or to conduct special Audit of accounts at the vulnerable points. Besides, the vigilance machinery at the Headquarters had been strengthened to ensure that every case arousing suspicion and every complaint was immediately investigated on the spot and prompt disciplinary action taken where called for.

1.71. The Committee desired to know the names/designations of the officers involved and the action taken thereon by the Government.

1.72. In reply the Government communicated the following means and designations of the officers involved in the case:—

- (i) Shri A. K. Banerjee, Asstt. Manager (Mobt.) Regional office, FCI, Calcutta.
- (ii) Shri Sudhir Kumar Shome, Chief Inspector, Regional office, Calcutta.

1.73. These officers were employees of the Government of West Bengal and working on deputation with FCI. As soon as irregularities on their part came to the notice of the Corporation they were placed under suspension with effect from 20-6-1969 and 4-6-1970 respectively. Both the officers continued to be under suspension. The CBI had launched prosecution proceedings against both these officers along with Shri Kedia of M/s Bihar Traders and Others. The proceedings were held up on account of writ petitions filed by Shri Kedia and Others in the Calcutta High Court which were pending.

1.74. The Committee in paragraphs 11.5 and 11.6 of their Report had referred to certain cases of misappropriation, fraud, over-payments etc. Allegations against the working of the Corporation were also made and discussed in both the Houses of Parliament. The Committee now find that some of these matters including that of a former Chairman of the Corporation have been taken by Government to the court. As the matters are now sub judice, the Committee would not like to comment on them at this stage beyond

reiterating that the Corporation should take suitable steps to tighten the financial discipline in their enterprise, tone up the administration and provide adequate checks to guard against such irregularities.

L. *Outstanding (Paragraph 11.21)*

Recommendation (Serial No. 56)

1.75. The Committee found that the outstandings of the Food Corporation of India had gone up from Rs. 36.60 crores as on 30th November, 1970 to Rs. 67.19 crores as on 31st October, 1971 despite efforts made by the Corporation to bring down the outstandings. In this connection the Committee noted that of the total amount of Rs. 67.19 crores, the outstandings from State Governments alone were Rs. 49.42 crores. Some of the oldest items outstanding from the State Governments dated as far back as 1966-67. The Committee were not averse to a reasonable time limit being allowed to State Governments to settle bills and make payment. But if the outstandings linger on for years and Corporation found itself unable to clear the outstanding items within a reasonable time limit, the Central Government should come to the aid of the Corporation by persuading the State Governments concerned to clear the outstandings expeditiously. It was obvious the Committee observed, that if the outstandings were kept low, the Corporation would have larger liquid resources and would not be forced to lean too heavily on loans on which they had to pay a high rate of interest.

1.76. In their reply, the Government stated as under:—

“This recommendation relates to the outstanding dues of Food Corporation of India on account of supplies of food-grains to the State Governments, Defence etc. The Food Corporation of India reported to the Ministry of Agriculture (Department of Food) that a sum of Rs. 51.46 crores is outstanding against the various State Governments, Central Storage Depots, Ministries of Rehabilitation and Defence etc. and sought the assistance of the Ministry to recover the outstanding amount against the State Governments. As a result of a reference to the Chief Secretaries of the State Governments at the level of the Secretary, Food Department, the outstanding amount has been reduced by Rs. 6 crores. The position of

outstanding as on 20-6-72 is as indicated below:—

Comparative statement showing the position of outstandings as on
31-3-72 and 30-6-72

	(Rs. in lakhs)	
	As on 31-3-72	As on 30-6-72
1. State Government	3283.96	2826.61
2. Defence	602.68	459.55
3. Departments of the Govt. of India.	1214.25	1195.30
4. Miscellaneous	45.44	45.43
TOTAL	5146.33	4526.89

1.77. Constant efforts are being made by the Department of Food to reduce these outstandings further. The matter would continue to be reviewed periodically at the highest level in the Food Department."

1.78. Government was asked to state the latest position of outstandings as on 31-3-1973. The Government furnished the following information in their further reply:—

The position of outstandings as on 31-3-1973 was as given below:—

	(Rs. in lakh As on 31-3-73)
	1. State Governments	5924.48
2. Departments of Govt. of India	7756.86@
3. Defence	665.09
4. Miscellaneous	45.25
5. Supply of Wheat to Bangladesh.	1509.00@@
	<u>15900.68*</u>

Note :—@A subsidy of Rs. 63.36 crores payable to the FCI.

On account of loss incurred on State Trading of foodgrains transactions was not included in the figures reported last for the period ending 30-6-72.

Payment of Rs. 15.09 crores is due for supplies of wheat made to Bengla Desh on payment basis.

*The quantum of monthly supplies to the State Governments have increased during the last few months for which payments from the State Government have yet to be booked.

1.79. The Committee are concerned to find that the outstandings of the Food Corporation of India on 31-3-1973 have instead of coming down risen as high as Rs. 15900.68 lakhs, the bulk of which relates to the State Governments and Departments of Government of India. The Committee, therefore, reiterate their earlier recommendation and stress that Government|FCI should make concerted efforts to bring down their outstandings to the minimum possible level at their earliest on that FCI may have larger liquid resources and not lean too heavily on loans, resulting in heavy interest liability.

N. *Loans and over-drafts (Paragraph 11.25)*

Recommendation (Serial No. 57)

1.80. The Committee found that the loans and overdrafts had far exceeded the value of stocks held by Food Corporation of India and recommended that the loans and overdrafts should be kept by the Corporation within the reasonable limits as the "burden" of borrowing involved payment of interest at a higher rate and thus raised the cost of intermediate handling affecting the consumers in the long run. The Committee also stressed that Government should ensure that the Corporation should not, as a rule, lean heavily on loans and overdrafts to sustain its activities.

1.81. In their reply the Government stated as under:—

"It is seen that the position of loans and overdrafts as on 31-7-1972 has been compared with the stocks at the end of March, 1971. The loans and overdrafts utilised by the Food Corporation of India at the end of March, 1971 were Rs. 396 crores only. (Government loan Rs. 214 crores and Bank overdraft Rs. 182 crores). It would thus be seen that the loans and overdrafts at the end of March, 1971 had increased by 12 times only over the loans and overdrafts at the end of 1965-66 and not 18 times as mentioned in the report. The increase in the loans and overdrafts in 1970-71 over the 1965-66 level is, therefore, comparable to the increase in the value of stocks in these years.

The main function of the Corporation is to procure foodgrains on behalf of the Government for subsequent issue through the public distribution system. The Corporation works, by and large, on the basis of no profit no loss and since it does not have any major production activities, has little scope for generating its own finances. In such a situation, the only way of financing its purchase and buffer stock

operations is to utilise bank credit or loans from Government. The Corporation has been making a judicious use of the cash credit facilities and the loans available to it with a view to reducing the incidence of interest. It is evident that the Corporation would have to depend mainly on loans and cash credit facilities to sustain its activities."

1.82. The Committee are not convinced with the reply of the Government and still feel that in order to have financial stability it is necessary that Corporation does not lean heavily on loans and Government credit facilities. The Committee, therefore, reiterate their earlier recommendations that the loans and overdrafts should be kept by the Corporation well within the reasonable limits.

N. Profitability (Para 11.31)

Recommendation (Serial No. 58)

1.83. The Committee desired that the Food Corporation of India should spare no efforts to ensure that the farmer was paid remunerative price, that the high cost of handling at present incurred by the Food Corporation of India was reduced to the minimum so that the consumer was sold the foodgrains at reasonable prices and on assured basis. The Committee also desired Government to examine whether the cost for maintaining the buffer stock should not in all fairness be met by the Government so that it does not go unnecessarily to inflate the handling charges of the Food Corporation. The Committee stressed that the size of the buffer stock should be most judiciously fixed in the light of the experience gained and every care should be taken to see that stocks were duly rotated so that the foodgrains were sold well before the normal period of their preservation.

1.84. In their reply, Government stated that as regards the fixation of the size of buffer stock, the earlier target of 5 million tonnes of foodgrains was fixed for the Fourth Plan by taking into account the constraints of finance and storage, and trend of production etc. The target was raised to 7 million tonnes for the remaining Fourth Plan period.

1.85. With regard to the observations of the Committee that every care should be taken to see that stocks should be duly rotated and the foodgrains sold well before the normal period of their preservation is exceeded, it may be stated that priority was always given by the FCI for the issue of lower category stocks against the allocations made by the Government.

1.86. The reply of the Government does not seem to be satisfactory. The Committee urge that Government should ensure that consumers get the foodgrains at reasonable prices and on an assured basis. It is, therefore, essential that the farmer is paid the remunerative price and ample stock of foodgrains is always available with the Government to meet any exigency. The Committee also note that reply of Government is silent on the point whether or not the cost of maintaining the buffer stock should be met by the Government so that it does not go unnecessarily to inflate the handling charges of the Food Corporation. The Committee reiterate that this aspect may be examined by Government.

O. *Study of the Operational norms and manpower by IBCON (P) Ltd. and Institute of Management, Ahmedabad (Para 11.21)*

Recommendation (Serial No. 61)

1.87. The Committee noted that recently the Corporation have had two studies made of the operational norms and manpower by IBCON(P) Ltd. and the Institute of Management, Ahmedabad. Now that the role and responsibilities of the Corporation had been well defined and the Corporation had the benefit of the studies made by two expert bodies and extensive experience in the field, it should be possible for the Corporation to evolve, without further delay, realistic norms for manning of the different operations. In evolving these norms, the Corporation would no doubt keep in mind the imperative need for reducing the unconscionably high handling charges at present being charged by them.

1.88. The Committee noted that as on 31-3-71 the staff strength of the Corporation was made up of direct recruits (24 per cent) deputationists (19 per cent) and transferees (57 per cent). There should be no difficulty in placing back the services of deputationists who are surplus to the requirements at the disposal of the respective parent departments. No additional recruitment should be made unless it was absolutely inescapable and certified as such by the Managing Director in consultation with the Financial Adviser.

1.89. The Committee also found that the Corporation had taken over as many as 5,000 employees of West Bengal Government when the distribution of foodgrains was taken over at the instance of West Bengal Government. The Committee felt that the Food Corporation should not be saddled with the duties and responsibilities of internal distribution which should appropriately be discharged by State authorities who had detailed know-

ledge and experience of local requirements. There should be no question of such State employees being taken over by the Corporation and swelling further the staff strength.

1.90. In their reply the Government stated that the detailed position in respect of the studies conducted by M/s IBCON(P) Ltd. and the Indian Institute of Management, Ahmedabad has been explained under recommendations 53 and 54. It was also explained under recommendation 60 that a similar expert study of the staffing pattern of district officers was being conducted. The final decisions to be taken on the results of these studies would determine the realistic norms for manning all major activities of the Corporation. In taking these decisions the Management would certainly keep in view the imperative need of reducing the handling charges.

1.91. The percentage of deputationists (19 per cent) quoted by the Committee in the second para of the recommendation includes, apparently, the 5,000 employees on deputation from the State Government of West Bengal mentioned in the third para of the recommendations. As long as the work of distribution of foodgrains in West Bengal was with the Corporation, it was not possible to revert these employees to the State Government. It was also stated that the percentage of deputationists exclusive of these employees was negligible. The Corporation was highly selective in taking people on deputation or in retaining them and the question of continuing any surplus deputationist in the service of the Corporation did not arise at all. The procedure followed in sanctioning additional staff had been described under recommendation 54. As mentioned therein no additional staff was sanctioned without a detailed examination by the internal work study unit of the Corporation and except on the recommendations of the Economy Committee composed of top managers including the Financial Adviser. As a further safeguard, the powers delegated to the Zonal Managers in the matter of sanctioning additional staff had been withdrawn for the time being.

1.92. The West Bengal State Government employees in question were employed by the State Government on the work of internal distribution of foodgrains and were taken over on deputation by the Corporation when this work was taken over. They continued to be employed on the same work.

1.93. The Committee would like that:—

- (i) **expeditious action be taken to fix realistic norms for manning the different operations on the basis of studies already undertaken.**

- (ii) Steps should be taken to replace the surplus deputationists at the disposal of parent departments without further delay.
- (iii) The Government should reconsider the question regarding the work of internal distribution of foodgrains being undertaken by the FCI.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (S. No. 1)

The Committee note that the activities of the Food Corporation of India cover all the States except the State of Jammu & Kashmir. The question of extending some of the functions of the Corporation to the State of Jammu and Kashmir is stated to be still under the consideration of the Government of India. The Committee recommend that a decision in this regard should be taken soon to enable the Corporation to operate in that State and ensure remunerative prices to growers and sustained supply of foodgrains at reasonable prices to consumers. The Corporation should be permitted to undertake the storage as well as procurement work in the State of Jammu and Kashmir on the same lines as in other States. (Para 1.10).

Reply of Government

The recommendation of the Committee has been noted. The decision to extend the Food Corporation Act, 1964 to the State of Jammu and Kashmir has already been taken by the Government. Necessary Bill has been introduced in the Parliament in the current winter session (November-December 1972) to amend the Food Corporations Act so as to bring Jammu and Kashmir within its purview.

In the meantime a sanction for the construction of godowns of 10,000 tonnes capacity each at Srinagar and Jammu has been issued by the Government. The Food Corporation of India has also been permitted under section 4(2) of the Food Corporations Act, 1964 to open a Regional Office in Jammu. It may however, be mentioned that the Corporation will function as an Agent of the State Government till such time the Act is extended to the State of Jammu and Kashmir.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972].

Recommendation (S. No. 2)

The Committee find that the Food Corporation of India have got

one full time Chairman and one full time Managing Director as provided for in Section 7(1) of the Food Corporations Act, 1964. In their report on Public Sector Undertakings the Administrative Reforms Commission had recommended that a Board of Management of the Public Sector Corporation should have a full time Chairman-cum-Managing Director. The Government considered that recommendation had decided that as a rule there should be full time Chairman-cum-Managing Director and in exceptional cases where the Chairman might be only a part time one, there should be a full time Managing Director. The Committee recommended that Government should explore the possibility and study the feasibility of combining the posts of Chairman and Managing Director of the Food Corporation of India in pursuance of their own decision. (Para 2.6).

Reply of Government

As recommended by the Committee, action is being taken by the Government to examine the possibility and study the feasibility of combining the Posts of Chairman and Managing Director of the Food Corporation of India.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972].

Recommendation (S. No. 3)

The Committee also find that since the inception of Food Corporation of India in 1965, the posts of Managing Director has changed hands thrice and the post of Chairman has been held by four different persons so far during six years of working of the Corporation. The Committee feel that such frequent changes at the top level of an Undertaking engaged in country wide operations in essential food-grains are not conducive to efficient management. The Committee therefore, urge that Government should discourage such frequent changes at the top level of management. (Para 2.7).

Reply of Government

The Food Corporations Rules, 1965 originally provided for a term of one year both for the Chairman and the Managing Director of the Food Corporation of India. These Rules have since been amended in 1971 so as to provide for the term of the office of the Chairman and Managing Director to be three and five years respectively. In view of the longer tenure now provided, it will be possible to achieve

the objective which the Committee have in view. The suggestion made by the Committee has been noted by the Government.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972].

Recommendation (S. No. 4)

The Food Corporation of India was set up at a time when the country was faced with shortage of foodgrains and there was imperative need for building up buffer stock primarily from imported foodgrains to meet any contingency. Now that India has become practically self reliant in foodgrains, the main emphasis in the operations of the Corporation will have to be on price support measures to benefit the producer so as to sustain his enthusiasm for increased production. It is equally important that the foodgrains should be made available through fair price shops, particularly to the weaker sections of the society at reasonable prices. This twin objective can be achieved only if the overheads incurred by the Corporation in the handling operations are kept to the minimum by organising its activities in a most efficient and rational manner. Now that the Corporation has been functioning for several years and there is a new trend discernible in the range and scope of its functions, the Committee would like Government to have its organisation and working critically examined early with a view to reduce handling charges.

(Para 2.23).

Reply of Government

The observations of the Committee have been noted. It may be pointed out that the organisational set up and the working of the Corporation are constantly reviewed not only by the management of the Corporation but also by the Government with a view to effect such improvement and economies as are possible. But due to the recent general increase in prices, no major reduction in the various operational costs seems possible. However, the Government have recently appointed a high-level Committee under the chairmanship of the Food Secretary to scrutinise and critically analyse the procurement and distribution incidentals of the Corporation.

The Committee headed by the Food Secretary to scrutinise the procurement and distribution incidentals of Food Corporation of India and to make recommendations thereon was appointed on 11-1-1973. This Committee, in turn, appointed a technical sub-committee to go into certain details and terms of this Technical Com-

mittee were finalised on 3-5-1973. The Report of the Technical Committee has not yet been furnished and will be examined by the main Committee.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972].

Recommendation (Serial No. 7)

The Committee are perturbed to find that FCI's direct procurement of Food Grains from farmers had been so low that it ranged between 0.1 to 3.4 per cent of the total procurement during the last three years. The Committee also find that the current involvement of cooperatives is only 25 per cent of total procurement. This involvement is not adequate. The Committee are glad to learn that the Government have agreed to increase the involvement of cooperatives in a phased manner in the years to come. The Committee feel that if the Cooperative movement is to make any significant advance in the area of procurement of foodgrains, its involvement should be stepped up from year to year on a programme basis. The Committee would like the Government/Food Corporation of India to draw up a detailed plan of action for "Rabi" and "Kharif" from year to year, to achieve this objective. Where the cooperatives are not functioning, direct purchase centres may be got opened in consultation with State Governments so as to procure the foodgrains directly from the producers without the intervention of "Arhtias" and other middlemen. (Para 3.26).

Reply of Government

The recommendation of the Committee has been noted. It may, however, be pointed out that in accordance with the policy of the Government of India, the Corporation is progressively increasing direct purchases from the cultivators and involving the cooperatives in a bigger way in its operations with a view to eliminating intermediaries completely. In regard to rice procurement under levy, it is not possible to make direct purchase from the cultivators or give preferential treatment to the individual cooperative societies/mills. However, in some of the States like Madhya Pradesh the collection of levy from the rice mills in the Cooperative Sector in that State has been entrusted to the Apex Cooperative Society. In regard to procurement of paddy, wheat and coarse grain the policy of the Corporation is to appoint the Cooperatives as purchase agents to the maximum extent and only at such places where suitable Cooperatives are not available, private purchase agents are appointed if direct

purchase points are also not feasible. It may also be stated that the Corporation in States like Uttar Pradesh had in the past, in order to encourage and strengthen the Cooperatives, given higher rate of commission to them as compared to private agents. The Corporation have given even interest free advances of large amounts to the Cooperatives to enable them to overcome their financial difficulties and function effectively in these operations. For procurement of wheat during the Rabi 1972-73, large quantities of wheat was procured directly from the cultivators in U.P. by opening direct purchase centres. Moreover, 1/3rd of the procurement in U.P. has been entrusted exclusively to the U.P.C.F. In the States of Punjab and Haryana also substantial portion of the procurement of wheat is being done by the State level Cooperative institution—Markfed and Hafed.

2. The position indicated above would reveal that the Corporation is making efforts towards increasing direct purchases from the cultivators and also involving the Cooperatives in its procurement operations to the maximum extent possible.

3. With the decision to take over wholesale trade in wheat with the coming Rabi followed by the takeover wholesale trade in rice, the almost entire marketed surplus would be purchased by the public agencies including the cooperatives. This would naturally lead to a still greater involvement of the cooperatives in the procurement and other operations.

4. Before the commencement of each season, the FCI prepares detailed plans for procurement in consultation with the State Governments. In this efforts are made to have greater involvement of Cooperatives.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 14-3-73].

Recommendation (Serial No. 8)

The Committee note that procurement of wheat and rice in various States is at present being done by multiplicity of agencies, namely, the State Governments, Food Corporation of India and Marketing Societies/Federations, etc. The Committee feel that if procurement operations are handled by a multiplicity of agencies it was bound to give rise to problems of coordination, costlier overheads and what is more, render the task of long term planning difficult. The Committee, therefore, recommended that Government should take up this problem with the Chief Ministers of various

States and strive to evolve an agreed pattern which would assure the Food Corporation of India a major role in price support and buffer stock operations (Para 3.30).

Reply of Government

The F.C.I. is already playing a major role in the various procurement operations all over the country as the principal agent of the Central Government in respect of price support operations. It is also the custodian of the buffer stock. In most of the States, it acts as the price support agency on behalf of the State Governments. However, in some of the States, on account of large volume of work involved, the State Governments have felt the necessity to utilise their local agencies such as the State Food and Civil Supplies Department, State level Marketing Federations and other Co-operative Institutions to supplement the efforts of the F.C.I. These agencies are complementary agencies to the Corporation. In all these operations, by and large, the F.C.I. plays the role of the leader and the co-ordinator of the various activities with a view to eliminating operational difficulties and avoidable expenditure.

2. The role of the F.C.I. and other procurement agencies is invariably reviewed at the time of the bi-annual Conference of the State Chief and Food Ministers when they meet to discuss the Kharif and Rabi prices and policies. There has been a general consensus about the major role that should be assigned to the F.C.I. in the price support and buffer stock operations.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972].

Recommendation (Serial No. 11)

The Committee need hardly stress that marketing intelligence is the key to market operations and therefore, no pains should be spared in making it as precise and as realistic as possible. At the Conference on Agricultural Marketing held at New Delhi in September 1969, the Economic and Statistics Adviser had conceded the viewpoint of representatives of State Governments that the information that was disseminated was often out of date and lacked precision, as it was for the Fair Average Quality. The Committee, recommend that Government should co-ordinate and streamline the market intelligence operations of the Economics and Statistical Wing and the Food Corporation of India in consultation with the State Governments so that the felling among some State Governments that market intelligence machinery was not equal to the task expected of it was re-

moved and what is more the market intelligence served as a reliable basis of planning procurement operations by the Food Corporation (Para 3.40).

Reply of Government

A Scheme for Improvement of Market Intelligence was initiated in the Second Five Year Plan and has been in operation since. Its main objects are to effect improvements in market news service and market intelligence work and to extend their coverage. The Scheme is being implemented by the State Governments and Union Administrations in close co-operation with the Directorate of Economics and Statistics, Department of Agriculture, Ministry of Agriculture.

Under this Scheme, arrangements have been made to collect from adequate number of markets in each State regular intelligence on stocks, arrivals, sales, prices, crop prospects, market sentiment, etc., in respect of important agricultural commodities. To undertake this task, the State Governments have appointed technical reporting agencies in over 550 markets and have directed the Market Committees in markets regulated under the Agricultural Produce Market Acts to take up the work of collection and reporting of the above information. The State Governments and Union Administrations have also made arrangements for proper supervision and scrutiny of the data collected and reported by the reporting agencies in the markets. The market intelligence collected is also published in convenient form periodically. Primarily for the benefit of the producers of agricultural commodities, Daily Market News Bulletins and Weekly Market Reviews are broadcast from almost all the Regional Stations of All-India Radio in the Rural Programme. The prices prevailing during the peak transactions period are broadcast in the same evening. The State Governments and Union Administrations have also made arrangements to set up notice-boards in over 1,000 markets which display the prices prevailing on the previous day.

The Directorate of Economics and Statistics, Department of Agriculture, Ministry of Agriculture, have set up 14 Regional Units in order to see that the Scheme for Improvement of Market Intelligence is being properly implemented by the State Governments and examined by the Food Corporation of India. The Planning and Research Division is being accordingly strengthened to undertake the following additional functions:—

- I. Assessment of Kharif crop prospects during August of every year covering the major States.

- II. Similar assessment of Rabi crop prospects in major Rabi States.
- III. Study of actual operations in the peak marketing season of both Kharif and Rabi seasons in December|January and May|June respectively. In these studies actual procurement, market systems, movement pattern, storage, payment ect. will be studied.
- IV. Special surveys of purchases and sales in respect of commercial commodities like gram, mustard seeds, groundnut pods|oil etc.

It is not considered necessary to set up a field reporting agency paralalled to that of the Directorate of Economics and Statistics but certain staff will have to be posted in the field to feed the basic data to the headquarters organisation. The Food Corporation of India's market intelligence staff would be expected to tour the critical regions, they would establish requisite contacts both with the trade and with the representatives of the State Governments and other Union Administrations. The Officers-in-Charge of these Units and their staff frequently tour the important assembling and consuming markets in their jurisdiction. They are generally on tour for 15 to 18 days in a month. They not only impart on-the-spot guidance to the reporting agencies in the markets but also independently assess the market situation.

The Directorate of Economics and Statistics, Department of Agriculture, Ministry of Agriculture, is in constant touch with the States' Departments of Agriculture, Marketing, Civil Supplies, Economics and Statistics, Land Records and Co-operations, through its Regional Units and also by means of correspondence and meetings. The lacuna observed in the reporting of market information is always brought to the notice of the concerned State Departments who, in turn, issue suitable instructions to the concerned authorities. The Officers-in-Charge of the Regional Units of the Directorate very often meet the concerned officers of the State Departments. The Directorate's Officers exchange views with the States' Officers on matters of importance. Thus, there is a close liaison between the Government of India through the Directorate and the States.

The question of streamlining the market intelligence system of Food Corporation of India was recently marketing and information agencies in the regions. The reorganisation of the Division at Head Office has been visualised so that proper guidance and instructions could be given, and appropriate methodology developed.

There is also complete liaison between the Economic & Statistics Directorate and the Food Corporation of India. In some of the cases, the Regional Units of the Directorate are even located in the premises of the Regional Offices of the Food Corporation of India. There is constant exchange of views at various levels between the officials of the Economic & Statistics Directorate and the Food Corporation of India.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972].

Recommendation (Serial No. 12)

The Committee recommend that Advisory Committee may be set up at local or mandi level so that matters of local interest may be resolved in consultation with representatives of all concerned by producers, co-operatives etc. (Para 3.45).

Reply of Government

Advisory Committee at Regional level exist in most of the States. Even at the mandi level there is generally co-ordination between different procurement agencies and the local State Government officials. In so far as regulated markets are concerned, mandi Committees already exist there who look after the mandi operations and resolve disputes, if any. However, in addition to the mandi Committees wherever these exist, there is no objection in setting up Advisory Committees also at local or mandi level as recommended by the Committee.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972].

Recommendation (Serial No. 19)

The Committee are of the view that in order to achieve efficiency in Operation and ensure greater utilisation of storage capacity, co-ordination has to be secured not only at the Centre but at the State level between various agencies including the State Governments, State Warehousing Corporation and the Co-operatives on the one hand and the Food Corporation of India, Central Warehousing Corporation and the Railways on the other. The Committee are glad to note that in order to ensure co-ordination among various agencies like the Food Corporation of India, Central Warehousing Corporation, State Governments etc., the State Governments of Andhra, Mysore, Karala, Madhya Pradesh, Punjab, Maharashtra, Haryana,

Orissa, Gujarat, Assam, West Bengal, Tripura and Manipur have already formed Storage Committees. They hope that the remaining State Governments of Tamil Nadu, Rajasthan and Bihar would also form such committees soon and thus help in tackling the problem of storage on rational lines.

The Committee recommend that the position should be closely watched by the Central Storage Committee so that corrective action to obviate overlapping or duplication of capacities may be taken in time (Para 4.32).

Reply of Government

Such co-ordination committees in Tamil Nadu and Rajasthan have also been constituted.

The recommendation is noted. It may be added that the ways and means for effective coordination are discussed in the Central Storage Committee in its meetings held from time to time and a watch is kept to obviate overlapping or duplication of capacities.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972].

Recommendation (Serial No. 21)

The Committee recommend that Government should undertake a comparative study of operational costs of godown management of the Food Corporation of India, Central Warehousing Corporation and other agencies engaged in the construction and maintenance of godowns in the country so as to evolve norms for guidance of various agencies. Unless these norms are evolved, the Committee cannot see as to how the cost of storage of the Food Corporation of India or for that matter any other agency can be adjusted as reasonable or excessive.

The Committee would like this comparative study to be undertaken without further delay. The Committee need hardly stress that in the light of this comparative study remedial action may be taken to reduce the cost of construction as well as of maintenance of godowns so that overheads on food handling and storage by the Food Corporation of India are reduced to the minimum, in the interest of consumers. (Para 4.39).

Reply of Government

Government agrees with the recommendation that there is need for a study of the comparative costs of godown management by the various agencies. Necessary action will be taken to have the study undertaken.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972].

Recommendation (Serial No. 22)

The Committee find that the Food Corporation of India suffered a total storage loss of Rs. 21.96 crores during 1966-67 to 1970-71 (5 years). The Committee are not impressed with the plea that viewed against the total turnover, these losses were not large. By themselves, these storage losses are substantial and they call for urgent and effective steps to minimize such losses. The Committee recommend that every case of storage loss which is in excess of the norm should be thoroughly investigated with a view to finding out the exact reasons for the loss and taking remedial measures. Investigation into storage losses should be undertaken promptly because if it was taken in hand after a lapse of appreciable time, the very purpose of such investigation to plug loopholes would be defeated. Besides, the parties at fault would also evade responsibility. Norms for storage losses should be the lowest and should be so fixed as to leave no scope for unscrupulous elements to take advantage of high norms and remove the foodgrains. There is also a clear need to intensify vigilance and surprise checks at the various loading, unloading and weighment points. The Committee need hardly point out that if responsibility for storage loss is fixed in every case, where the loss exceeds the norms, and deterrent action is taken against those found guilty, it will have salutary affect in bringing down the storage losses. (Para 4.50).

Reply of Government

The Corporation also considers that there is considerable scope for reduction in storage losses and has already taken or is proposing to take several steps in that direction. The cases of such storage losses are, no doubt, examined by the management and the approval for write-off is accorded after due investigation and after the necessary certificates as to their nature and reasonableness are recorded. But it is recognised that much more has to be done to check them. Fixation of responsibility for storage losses had become extremely difficult because of inadequacy of weighment facilities and the operational difficulty in making weighment at despatch and receipt points considering the vast quantities of foodgrains that are involved.

It has, therefore, been decided that such facilities should be provided so that every consignment should be weighed before despatch and again on receipt at the destination so that the transit losses and storage losses could be easily segregated and action taken to control each variety of loss. In fact, the Board of Directors is also seized of the matter and has appointed a Committee presided over by a Director to go into the question of incidence of transit and storage losses in greater depth and to suggest necessary remedial measures.

The Corporation has decided to give incentive awards to the Staff-in-charge of storage points at which the losses are minimal. A detailed scheme is being drawn up and will be implemented shortly.

It is conceded that some losses are inevitable in operations of the nature which the Corporation has to undertake; for so long as such losses are due to natural causes and are provided for in the operational pattern, there would be no cause for anxiety. The question of fixing norms becomes significant in this context, but there is every risk that the norms might be treated as the standard and no efforts made to bring down below such norms.

The question whether any norms for storage losses should at all be fixed and whether each case of loss should be examined on its merits without reference to such norms is being examined further but in any case, the present system of examining each case of loss will continue.

The Corporation is going in for bulk storage along with the other logical steps it involves viz. bulk procurement, transit, storage and issue. It is considered that under this arrangement the transit and storage losses will get reduced considerably.

It was found in actual practice that in certain depots the losses were abnormally high, judged by any reasonable standards. Since such losses were obviously not due to natural causes and were the result of mischief|theft, the Central Industrial Security Force has been inducted into some of these units to keep vigilant watch over the activities in the Depots. The following figures are illustrative of the reduction in transit losses achieved at one of the depots

(Dighaghat) by the induction of the Central Industrial Security Force:—

Period	Despatched in qtls.	Transit loss in quintals.	Percent- age.
1-4-70 to 31-12-70	3,28,134	27,030	8.2%
1-1-71 to 31-3-71.	95,721	2,872	3%

The figures in respect of the year 1971-72 are being compiled and will be furnished separately.

Special vigilance and physical verification squads have also been appointed to conduct both surprise and routine checks. These efforts have given encouraging results.

During the course of physical verification, the stocks are checked and test-weighed. The discrepancies are either got settled at the spot or they are reported to the Executive Authorities for rectification and remedial measures. As a result, the depot staff have become more careful and the work of maintenance of stocks and compilation of depot accounts have considerably improved. All these act as deterrent to pilferage and other nefarious activities resulting in reduction of storage and other losses.

Recently, a special squad has also been created in the Head Office with a view to investigating all complaints received and conducting immediate enquiries so as to bring the culprit to book. The squad had received 102 cases and investigated 67 cases on the spot during the past eight months and its operations have been effective in reducing malpractices. Action has been taken against 3 officials on the basis of these investigations. The impact of surprise visits of the squad on the unscrupulous elements is also noticeable.

[Ministry of Agriculture (Deptt. of Food) O.M. No. 19-2/72-FCC,
dt. 20-12-1972].

Further Information called for by the Committee

Please give in details further development and latest position of the:

- (i) steps taken by the Government to reduce storage losses;
- (ii) fixation of norms of storage losses;
- (iii) improvements on account of bulk storage; and
- (iv) steps taken for prevention of mischief/thefts.

[L.S. Sectt. O.M. No 13-PU|72, dt. 4-7-1973.]

Reply of Government

(i) and (ii). The Board of Directors of the Corporation have set up a Committee under the Chairmanship of one of its members, Shri M. A. Khan, to go into the question of incidence of transit and storage losses in greater depth and suggest remedial measures. This Committee is presently holding its deliberations and on the basis of its recommendations, the Corporation will consider suggestion suggesting further measures to reduce the incidence of storage losses.

(iii) Bulk storage is possible only for wheat, maize, jowar and gram. Rice cannot be handled in bulk. For holding the grain in bulk, it was considered necessary to have silos, or concrete bins. Capacity of this type being limited, bulk storage to a large extent did not become possible in the past. Bulk storage carried out in the bins and the silos already available showed that there was practically no loss when wheat remained in these for periods ranging between 1 and 3 years.

Experiments were undertaken to extend bulk storage to conventional godowns which was the main type of storage available with the Corporation. It was seen that grain could be held successfully in bulk in the conventional godowns also and such storage done at Khanna in Punjab and Borivilli near Bombay revealed that wheat stocks held for a period of about one year registered a gain of 0.2 and 1.3 per cent respectively. Presently wherever bulk storage is carried out grain is required to be placed in bags, weighed, carried in bags and then emptied for bulk storage. This makes bulk storage cumbersome and expensive. Actions have been initiated to set up bulk weighing facilities and bulk transport arrangements. Under the World Bank Project, it is also proposed to set up a number of silos in the procurement areas of Punjab, Haryana and Rajasthan.

Establishment of these facilities will take sometimes. As soon as these facilities become available, bulk storage will be adopted to the extent possible. In spite of these facilities being available,

inability of the Railways to carry grain in bulk will continue to serve as a constraint to bulk storage. It does not seem possible that the Railways will introduce bulk transport facilities in the near future. In the absence of these facilities wherever Railway transport is involved grain will have to be bagged, transported and emptied. Only where grain is meant for long storage these additional operations could be undertaken. In the present situation where production is much short of requirements and turn-over is very fast, bulk storage is not desirable. In case during the year 1974, prospects of holding in storage substantial quantities become bright, efforts will be made to hold as much as quantity as possible in bulk and results of this bulk storage would be available sometimes during 1975.

(iv) Reference is invited to the reply given to the Question No. 39/C of volume II of the "Replies to the questionnaire forwarded by the Committee on Public Undertakings." Attention is also invited to para 4.54 of the 12th Report of the Committee on Public Undertakings, from which it will be seen that the Committee has already been informed of the steps taken by the Food Corporation to reduce theft/mischief in the godowns. This matter will continue to receive close and continuous attention of the Corporation.

2. In the additional material provided for recommendation No. 22 at page 19, the position regarding reduction in transit losses achieved at one depot (Dighaghat) had been indicated. Information for the year 1971-72 had been promised. This information since received is indicated below:—

Quality despatched and Transit losses for the year 1971-72.

(Figures in M. T.)

Depots (Where CISF staff Posted)	Quantity despatched	Transit losses		Total
		Wheat	Rice	
1. Gaya	Wheat 43638 Rice 718	162	.0006	162.0006 = .36%
2. Mokameh	125621	936		936 = .73%
3. Dighaghat	79554	843		843 = 1.03%
4. Phulwari Sharif	6012	85		85 = 1.04%

[Ministry of Agriculture (Deptt. of Food) O.M. No. 19-2/72-FCC, I, dt. 28-7-73].

Recommendation (Sl. No. 23)

The Committee note that as on 31st October, 1971 the Food Corporation of India had hired storage capacity of 6.11 lakhs tonnes from the State Governments and 20.05 lakhs tonnes from private parties. Since the Food Corporation is heavily dependent on private parties at present for godown accommodation, the Committee feel that every care should be exercised by the Food Corporation to ensure that the accommodation to be taken over or already taken over by them is made rodent-proof by the owners and that all necessary alterations and repairs are carried out efficiently to obviate chances of damage to foodgrains due to rains or flood waters.

The Committee need hardly stress that Food Corporation should ensure that the rent paid by it for the godowns is fully competitive so that it does not lead to the development of any vested interest. (Para 4.51).

Reply of Government

As on 31st July, 1972, the Food Corporation had the following storage capacity:—

(Figures in '000 tonnes).	
	Capacity
Owned (Food Corporation of India) .	4200·07
<i>Hired from :</i>	
(i) State Government	632·05
(ii) Central Warehousing Corporation	814·71
(iii) State Warehousing Corporation.	765·17
(iv) Private Parties.	2461·91
	4673·84
	8873·91

Although about 24.6 lakhs tonnes capacity has been taken on hire from private parties, emphasis is being increasingly laid by the Food Corporation on utilisation of the surplus storage accommodation which may be available with the Central and State Warehousing Corporation in their own godowns. Where necessary, even these Corporations have hired private godowns and offered them to the Food Corporation of India. The Food Corporation makes all efforts for utilising about 60 per cent of the storage

accommodation available with the Central and State Warehousing Corporations in their general warehouses both owned and hired. Where the Cooperatives are also in a position to make accommodation available for storage of foodgrains, even if it be for a short period, this is being available of. It will be seen from the following table that, as compared to the storage capacity available with the Food Corporation as on 31st March, 1971, there has been a considerable increase in the utilisation of the Central and State Warehousing Corporation godowns as on 31st July, 1972:

(Figures in '000 tonnes)

Hired from	Capacity		
	31-3-71	31-10-71	31-7-72
(i) State Government .	483.07	611.46	630.05
(ii) Central Warehousing Corporation	635.00	631.94	814.71
(iii) State Warehousing Corporation.	290.15	734.16	765.17

Even these agencies are arranging to hire the godowns belonging to private parties, and, in turn, offer them to the Food Corporation in many States because these agencies have not been able to put up their own godowns at several States|Districts|Taluqa centres. The private godowns hired either directly or through the Central Warehousing Corporation|State Warehousing Corporation are subject to inspection by the Quality Control Staff for their storage-worthiness. The owners are also called upon to carry out the necessary repairs to make the godowns rodent proof. Where the godowns already under occupation need improvement|repairs these are also, according to the provisions in the lease agreement, required to be attended to. When the owners fail to carry out the repairs, the Food Corporation or the hiring agency normally has a right as per these lease terms to get the work done at the cost of the owners of these premises.

In order to ensure that the godowns offered by private parties meet, by and large, the requirement of scientific storage, the Corporation has been encouraging private parties to construct godowns as per specifications of the Corporation. These godowns are then taken on hire by the Corporation on a guaranteed occupation basis for period of three to five years. There has been reasonable response in certain States, but, in others, it has not been encouraging so far.

Normally the godowns are hired only on the basis of prevailing market rates or at rates comparable to those paid by other departments. The range within which storage accommodation has been hired in the various regions is indicated below:—

Sl. No.	Name of Region	Lowest Rate	Highest Rate
1.	Uttar Pradesh	Rs. 0.08 P. per sq. ft. per month.	Rs. 0.22 P. per sq. ft. per month.
2.	Manarashtra	Rs. 0.20 P. per sq. ft. per month.	Rs. 0.50 P. per sq. ft. per month (in Greater Bombay).
3.	Delhi	Rs. 0.22 P. per sq. ft. per month.	Rs. 0.22 P. per sq. ft. per month.
4.	Gujarat	Rs. 0.05 P. per sq. ft. per month.	Rs. 0.22 P. per sq. ft. per month.
5.	West Bengal	Rs. 0.20 P. per sq. ft. per month.	Rs. 0.30 P. per sq. ft. per month.
6.	Assam	Rs. 0.09 P. per sq. ft. per month.	Rs. 0.25 P. per sq. ft. per month.
7.	Tamil Nadu	Rs. 0.19 P. per M. T. per month.	Rs. 3.00 P. per M. T. per month.
8.	Kerala	Rs. 0.39½ P. per M. T. per month.	Rs. 3.00 P. per M. T. per month.
9.	Punjab	Rs. 0.12 P. per sq. ft. per month.	Rs. 0.34 P. per sq. ft. per month.
10.	Haryana	Rs. 0.10 P. per sq. ft. per month.	Rs. 0.10 P. per sq. ft. per month.
11.	Bihar	Rs. 0.08 P. per sq. ft. per month.	Rs. 0.26 P. per sq. ft. per month.
12.	Rajasthan	Rs. 0.80 P. per M. T. per month.	Rs. 1.30 P. per M. T. per month.
13.	Madhya Pradesh	Rs. 0.06 P. per sq. ft. per month.	Rs. 0.15 P. per sq. ft. per month.
14.	Andhra Pradesh	Rs. 0.12 P. per sq. ft. per month.	Rs. 0.16 P. per sq. ft. per month.

The Committee's recommendations in this regard have, however, been carefully noted and suitable instructions have been issued by the Corporation to all concerned to ensure that no vested interest is allowed to develop.

[Ministry of Agriculture (Deptt. of Food) O.M. No. 19-2-72-FCC, dated 20-12-72].

Recommendation (Serial No. 29)

The Committee find that the Food Corporation of India have been moving larger quantities of foodgrains by road particularly from Haryana to Delhi. The quantity of foodgrains moved by road into Delhi was 23,881 tonnes in 1968-69, 39,684 tonnes in 1969-70 and 57,255 tonnes in 1970-71. The Committee recommend that a comprehensive study be undertaken to determine break-even point between the cost of road, transportation and cost of movement of foodgrains by rail for various regions in the country. Any enlargement of the scope of movement of foodgrains by road should depend on the results of such study and availability of spare capacity on the Railways to undertake the transport expeditiously and in time. (Para 5.33).

Reply of Government

The need for undertaking road movement arises mainly on the Northern Railway either due to inadequate availability of wagons and/or short lead traffic on the Railway being operationally uneconomic and difficult. After taking into account the optimum wagon supply, the surplus stock of foodgrains *vis-a-vis* the storage capacity in procurement areas, a target for road movement is fixed in consultation with the State Government concerned. Generally, the road movement has been, by and large, confined to despatches from certain selected Mandis in Haryana and U. P. to Delhi. The selection of Mandis is done after making a comprehensive study of the comparative cost of movement by rail and by road including the incidental charges. While planning the movement of foodgrains by road, care is taken to specifically include those Mandis which are away from the rail heads and inevitably involve considerable expenditure on the haulage of foodgrains from such Mandis to rail heads. While it is correct that movement by road involves a certain amount of additional expenditure, this movement becomes operationally necessary with a view to avoiding wastage of available wagon capacity for short distance movement particularly when adequate supply of wagons even for long distance traffic is difficult.

2. As recommended by the Committee, a study group, consisting of officers of the Food Corporation of India, Department of Food and the Northern Railway has been set up. The Group held its first meeting on the 28th September, 1972.

The terms of References are:

- (i) Determination of the point at which the cost (including incidental expenditure) for transportation of foodgrains by road and by rail equalise.
- (ii) to *inter alia* undertake an examination of the present method adopted by the Food Corporation of India and the concerned State Governments to arrive at the road haulage charges;
- (iii) to formulate guidelines for deciding the quantum and areas for movement of foodgrains by road,
- (iv) to undertake the above study initially with specific reference to movement by rail on the Northern Railway; and
- (v) in the light of item (iv) above to undertake similar studies for other areas.

3. It is expected that the Group will submit its first report by the end of December, 1972.

[Ministry of Agriculture (Deptt. of Food O.M. No. 19-2/72-FCC, dated 7-12-1972].

Further information called for by the Committee

Please state the latest position of the matter and furnish the findings|recommendations of the study Group alongwith the decision and action taken by the Government thereon.

(L.S. Sectt. O.M. No. 13-PU|72 dated 4-7-1972)

Reply of Government

The Study Group has submitted its report in two parts as follows:—

Part I—Submitted on 12-3-73

Part II—Submitted on 12-6-73

The main recommendations of the Study Group are contained in the attached Summary (Appendix-II). In accordance with these recommendations which were acceptable to the Ministry of Agriculture (Department of Food), FCI has been organising movement of foodgrains by road upto 100 Kms as and when necessary.

[Ministry of Agriculture, (Deptt. of Food) O.M. No. 19-2|72-FCC-I, dated 28-7-72].

Recommendation (Serial No. 36)

One of the main grievances voiced before the Committee by a Federation of the Roller Flour Millers was that millers had to buy all their requirements of wheat from the Food Corporation of India and that even when open market prices of wheat were less than the Corporation's prices they could not take advantage of the reduced open market prices. During evidence the official representative of the Ministry of Agriculture (Department of Food) informed the Committee that the ban on the Roller Flour Millers to purchase their requirements from open market had since been lifted and now if a Miller did not want supplies from Government, he was free to purchase 100 per cent of the required grain from the open market but if a miller still wanted supply from Government he can buy only upto 30 per cent from the open market. While the Committee hope that this relaxation will remove the main grievance of the Roller Flour Millers, the Committee wish to invite attention of Government to the need to ensure that whatever quantities of wheat are sold by the Corporation to the Roller Flour Millers at a fixed price are in fact milled into Atta and are not surreptitiously sold in the market in order to earn profits without rendering any service to the consumers of Atta. (Para 6.27).

Reply of Government

With a view to assuring that wheat products are not sold surreptitiously in the market in order to earn profits without rendering any service to the consumers, the Government of India have issued directions to the State Governments to introduce statutory control on the wholesale and retail prices of wheat products and to regulate the distribution of wheat products through the fair price shops.

[Ministry of Agriculture (Deptt. of Food) O.M. No. 19-2/72-FCC,
dated 7-12-1972].

Further information called for by the Committee

Please furnish a copy of up-to-date sets of orders etc. issued by the Government of India for the distribution etc. of foodgrains.

(L.S. Sectt. O.M. No. 13-PU/72 dt. 4-7-1973)

Reply of Government

A copy of the D. O. Letter No. 296/SF/72 dated August 3, 1972

issued to the Chief Secretaries of all States and Territories in regard to Control on distribution of wheat products are attached. (Appendix-III).

[Ministry of Agriculture (Deptt. of Food) O.M. No. 19-2/72-FCC-I, dated 28-7-73].

Recommendation (Serial No. 37)

The Committee are unhappy to note that the demurrage incurred by the Food Corporation on foodgrains and fertilizers had shot up from Rs. 0.28 lakhs in 1965-66 to 31.56 lakhs in 1969-70. During 1970-71 demurrage is estimated to be Rs. 15.79 lakhs. While as pointed out by the official representative of the Ministry, it was true that the Corporation had earned more despatch money than the demurrage incurred by it each year since 1965-66, the Committee stress that there should be unceasing effort to so regulate flow of imports as to avoid bunching of ships at ports and unload the foodgrains with utmost expedition so as to earn maximum despatch money and obviate any demurrage. The Committee recommend that the Corporation should undertake a critical investigation of each case of demurrage; assess responsibility for the lapse and devise concrete remedial measures for future to arrest this disturbing trend. (Para 7.6).

Reply of Government

FCI have been handling import of foodgrains and fertilizers on behalf of Government. The observations of the Committee on Public Undertakings were brought to the specific notice and attention of the FCI.

The FCI have reported that each of demurrage pertaining to the shipments received in the ports under their jurisdiction is thoroughly examined by the Zonal Managers in the Food Corporation of India. The circumstances prevailing at the time of handling of vessels which led to incurrence of the demurrage are analysed and responsibility fixed on the various agencies engaged in the discharge and clearance operations and the staff on account of negligence, default in performance on their part, if any. The Zonal Managers are empowered to regularise all cases of demurrage after thorough investigation. However, each case involving demurrage over Rs. 10,000/- is to be referred to the Head Office with the recommendations of the

Zonal Manager concerned and such cases are further critically examined and it is ensured that the demurrage was not incurred as a result of any negligence, default etc., for which responsibility could be fixed on the contractors or the staff.

Planning of imports from the stage of chartering vessels for taking loads from the port of loading is done in such a manner that the ships are received at the ports of discharge at suitable intervals to avoid bunching. A watch is kept on the movement of the vessels from the time of sailing from the port of loading till its arrival at the unloading port, and even when the vessel is on the high seas and nomination of the port of discharge is decided only at the stage of Capetown for vessels coming via Atlantic Ocean and Singapore for vessels coming via the Pacific Ocean. Watch is also kept on the daily performance of the vessels at the port of discharge to ensure expeditious handling of the vessel. To avoid bunching at the port of discharge diversion to another port wherever possible is also made at the proper time, so that vessels at the port of discharge do not suffer undue detention awaiting availability of a berth. Weekly review is also carried out in respect of the vessels expected to arrive, waiting at the port of discharge and those vessels which are discharging with a view to removing any bottlenecks which might cause incurrence of demurrage and to taking remedial measures.

In the shipping industry, many factors are unpredictable. The vessels have to travel long distances over the high seas; there may be mechanical failures and delays may also be caused by rough sea particularly during the rainy season. In spite of the most meticulous planning, bunching cannot perhaps be completely eliminated. Besides, labour troubles also sometimes affect discharge rate. Steps are taken to have additional berths in case bunching has taken place and incentive rates are paid to labour to ensure optimum output. In spite of these steps, demurrage is sometimes incurred at the ports of discharge. It is relevant to mention here that demurrage also takes place at the loading ports where sometimes waiting takes place on account of non-availability of berth.

In this connection the incidental of despatch earned and demurrage incurred by the FCI during the years 1965-66, 1966-67, 1967-

68, 1968-69, 1969-70, 1970-71 and 1971-72 is as given in the table below:—

Year	No. of food grains ships handled by the FCI	Despatch earned (Rs. in lakhs)	Demurrage incurred (Rs. in lakhs)	No. of fert. ships handled by FCI	Despatch earned (Rs. in lakhs)	Demurrage incurred (Rs. in lakhs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1-10-65 to 31-3-66 (Tuticorin, Mangalore & Kerala ports only)	36	2.76	0.29	5	0.38	Nil.
1966-67 (Tuticorin, Mangalore & Tuticorin ports)	106	7.62	7.36	25	2.61	1.13
1967-68 (Kerala ports, Tuticorin, Mangalore, Karwar & Paradeep)	95	7.03	9.09	36	3.95	0.12
1968-69 Kerala ports, Tuticorin, Mangalore, Paradeep & Vizag. Madras Calcutta (w.e.f. 16-12-68)	150	14.26	5.32	65	4.42	0.66
1969-70 All ports.	317	35.91	17.93	322	31.23	13.64
1970-71 All ports.	277	35.65	15.27	246	30.27	0.52
1971-72 All ports.	199	16.15	30.10	176	30.29	7.81
TOTAL		<u>119.38</u>	<u>85.36</u>		<u>103.15</u>	<u>23.88</u>

In spite of preventive steps taken to minimise demurrage, the circumstances prevailing at the time of arrival of the vessel such as weather conditions, labour position, availability of berth, bunching of ships, the nature of the cargo, means of clearing play a great part both in determining whether in handling a particular shipment any demurrage would have to be incurred or it would result in earning despatch money. Quite a number of these factors are unpredictable.

Fertilizer imports have greatly increased and at the major ports, there is sometimes bunching on account of fertilizer vessels arriving at the port of discharge almost simultaneously and in quick succession. The fixtures, nomination and diversions of fertilizer vessels

is done in the Department of Agriculture. The Food Corporation of India being handling and clearance Agents on behalf of the Department of Agriculture, however, make all efforts for expeditious discharge and clearance.

Difficulties explained by the FCI are real. However, Government agree that the incidence of demurrage should be reduced to the maximum extent possible. Government have advised FCI accordingly and requested them to take action against defaulting individual officers and to ensure proper and adequate examination in depth of all cases involving demurrage.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FFC, dated 7th December, 1972].

Further information called for by the Committee

Please furnish a copy of the up-to-date orders issued by the Government of India to minimise the demurrage incurred by the Food Corporation of India on foodgrains.

(L.S. Sectt. O.M. No. 13-PU/72 dated 4th July, 1973)

Reply of Government

The need to ensure expeditious discharge and to minimise the demurrage incurred by the Food Corporation on foodgrains has been stressed frequently in the movement review meetings held in the Department with the officers of the Food Corporation and also otherwise by letters. The Corporation which is an autonomous body, is wholly responsible to deal with the cases of demurrage etc. The FCI has reported in this connection that they have been taking all possible steps for the expeditious discharge and handling of the vessels at different ports. Food Corporation of India Head Office, which co-ordinates the shipping programme keeps the port operation officers informed well in advance about the likely shipments coming to their ports and as such they are alerted to keep their machinery in proper trim. Whenever, any vessel is finally nominated to a particular port, specific instructions are also given for their expeditious discharge and clearance.

2. The Food Corporation of India had alerted the port operation officers as far back as December, 1972, with necessary follow up action from time to time, even in the case of the present emergent foodgrain imports. A copy each of a few communications relevant in this regard are appended (Appendices IV—VIII).

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 28th July, 1973].

Recommendation (Serial No. 40)

The Committee note that in the original Project Report submitted to Government, additional outturn of rice mills taken into account for determining the economic viability of all the 24 rice mills was only 2 per cent. The Committee have been informed by the Ministry of Agriculture that the return on capital was expected to be 41.37 per cent, 23.78 per cent and 12.06 per cent at 100 per cent, 70 per cent and 50 per cent capacity utilisation. In other words, the key to ensure adequate return on capital and profitability of this venture depended on whether and if so to what extent, the Corporation was able to utilise the capacity of these rice mills. The Committee have no doubt that knowing as they do this fact, the Corporation and the Government would do their utmost to see that these mills operate at their full capacity and look after the interests of the growers also.

The Committee would like Government/Food Corporation of India to keep a close watch on the financial results of working of the Rice Mills so as to obviate losses.

The Committee note that out of 67,100 rice mills in the country as on 1st January, 1970 only 665 rice mills have been installed in the cooperative sector. The Committee are of the view that Government should publicise the salient features of the modern rice mills and their attendant advantages to encourage the cooperative sector to set up modern rice mills in the country. The Committee have an impression that not a few of the mal-practices obtaining in rice trade are traceable to the private rice mills. The Committee consider that Government and Food Corporation should exercise great vigilance in their dealings with the rice mills so that there is no scope for any surreptitious leakage or diversion of rice contrary to orders and that in no case trade indulges in charging an unconscionably high price from the consumers particularly those coming from weaker sections of society. (Para 7.23).

Reply of Government

We are in full agreement with the recommendations of the Committee that the Corporation should do their utmost to see that the Modern Rice Mills operate at their full capacity and look after the interest of the growers also. Accordingly we are trying our utmost to utilise these mills to their full capacity. But there are certain hinderances which stand in our way in achieving this object. Firstly, owing to the teaching troubles our Modern Rice Mills are not fully utilised for the first year or two, after their commissioning. The other major hinderance is the non-availability of paddy

under the price support measures. The prices of paddy are ruling very high in almost all the States and the Corporation at times has to resort to the enhancement of the ceilings. There is however a limit up to which the price ceiling can be enhanced. It has been our experience that even at much higher prices the Corporation is not able to secure sufficient stocks of paddy to run the Mills to its optimum capacity. Apart from this there are other operational break-downs and reasons resulting in under utilisation of the Mills Capacity such as power failures; rationing of power; limited demand of raw rice in certain States; reduced per hour in-put capacity of the Mills; internal imbalances in the different components of the Mills; mechanical breakdowns; non-availability of spares etc. etc.

The Corporation is keeping a close watch on the financial results of the working of the Rice Mills so as to obviate losses. In this direction a Rice Mills Evaluation Committee was constituted to study the working of the Rice Mills which have been in operation for more than a year with a view to—

- (i) Review of the working of the mills in all aspects;
- (ii) Identify the bottlenecks, difficulties and systems coming in the way of efficient functioning of the Mills; and
- (iii) Suggest measures, systems and controls suitable for ensuring efficiency in their working.

The Evaluation Committee had submitted its report and made certain recommendations which are being implemented.

So far as the recommendations of the Committee to publicise the salient features of the Modern Rice Mills and their attendant advantages to encourage the cooperative sector to set up Modern Rice Mills in the country are concerned, the Government is already taking action on these lines through Department of Cooperation and other allied Agencies. The directives of the Committee to exercise great vigilance in the dealings of the private rice mills have been noted.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7th December, 7-12-1972].

Recommendation (Serial No. 41)

The Committee are unhappy that the Rice Dryers were not properly located in the first instance and that additional expenditure

would be incurred on their shifting. The Committee are concerned that a heavy investment of Rs. 1.11 crores should have been made without trying out the dryers on a pilot scale in the field. The Committee would like Food Corporation of India to keep a close watch on the working of the dryers so as to ensure their maximum use and obviate any losses.

(Para No. 7.25)

Reply of Government

The three drying centres attached to the rice mills are being utilized to maximum capacity. Shifting of dryers from 7 centres has been completed and they are in the process of installation at different rice mill locations. The Corporation will, however, keep a close watch on the working of all the dryers so as to ensure their maximum use and obviate any losses.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2-72-FFC, dated 7th December, 1972].

Recommendation (Serial No. 48)

The Committee note that the procurement price of wheat since 1969-70 had been and still is Rs. 76/- per quintal for all varieties except red indigenous variety subject to marginal adjustment in price in some States. Marginal increase in procurement price may have been just about sufficient to cover the higher cost of inputs and the General rise in price index. Agricultural Prices Commission had been recommending lowering of the procurement price of wheat but the Government firmly stuck to its view that such a step will dempen the spirit of farmers and reduce over all production of foodgrains. The Committee agree that farmers must get an incentive price in order to maintain the tempo of green revolution. The Committee are equally concerned that the interests of consumer should be fully taken care of. Farmers should have the satisfaction that the procurement price not only adequately compensates them for the rise in the cost of inputs like fertilizer, power etc. but also leaves them with a fair return on their investment, and labour. The consumers should have the feeling of sharing the glow of green revolution by ensuring to them supply of foodgrains at a reasonable price. The Committee have no doubt that Government would take care of the legitimate interests of farmers and expectations of consumers in fixing the base price for foodgrains. (Para 9.13).

Reply of Government

The observations of the Committee have been noted. Government would like to reiterate that it would continue to take care of the legitimate interests of farmers and expectations of the consumers in fixing the base price for foodgrains.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-72].

Recommendation (Serial No. 59)

The Committee recommend that steps to bring the Food Corporation of India within the audit control of Comptroller and Auditor General of India be taken as early as practicable. (Para 11.34).

Reply of Government

Government of India have already taken a decision to amend the Food Corporations Act, 1964 so as to bring the accounts of the Food Corporation of India within the Audit Control of the Comptroller and Auditor General of India. The Bill to this effect has been introduced in the Parliament in the current winter session (November-December, 1972).

[Ministry of Agriculture (Department of Food) O.M. No. 19-2-72-19-2-72-FCC, dated 7-12-72].

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT REPLIES

Recommendation (Serial No. 6)

The Committee are conscious of the fact that food is a concurrent subject under the Constitution and hence the procurement policy had to be decided by the State Governments, keeping in view the local conditions, in consultation with the Central Government. The Committee, however, recommend that Central Government should utilise the forum of Chief Ministers' Conferences and urge upon the State Governments to evolve their procurement policies on a stable basis so that changes from year to year or even during the course of a year in such policies are obviated. The Committee are of the view that stability in procurement policies is vital for effective implementation of food policy. It is to be achieved by the Central Government and the State Governments by mutual consultation and above all by making the operations of the Food Corporation so efficient and economic in the field as to win the confidence of the agriculturist, the consumer and the local authorities. (Paragraph 3.16).

Reply of Government

The observations of the Committee have been noted. Government constantly endeavours to achieve a general consensus on the national food policy in the bi-annual Chief Ministers' Conference which are generally held before the commencement of the kharif and rabi procurement seasons. On its part, the Central Government have been urging the State Governments to maintain the procurement policy consistent with the national food policy, on a stable basis. These efforts would be continued in the future also.

2. As for the operations of the Food Corporation of India these are constantly subject to review not only by the management of the Corporation, but also by the Government of India with a view to effect such improvements and economics as are possible. Some of

the steps already taken by the Corporation in this regard are listed below:—

- (a) Resorting to direct purchases from the cultivators;
- (b) Doing away with the intermediaries;
- (c) Scientific planning and rationalisation of all movements to bring down the transportation cost;
- (d) Keeping a constant watch on the rates paid to the contractors.
- (e) Periodical review of administrative overheads to keep them as low as possible without adversely affecting the efficiency etc.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2-72-FCC, dated 7-12-1972.]

Recommendation (Serial No. 9)

The Committee note that the turnover of the Food Corporation of India has registered marked growth from Rs. 289.61 crores in 1965-66 to Rs. 1423 crores in 1970-71. The Committee, however, feel that efficiency of a trading enterprise like the Food Corporation of India had to be judged more on the basis of the service it renders to farmers and consumers in the country than on the basis of turnover alone. (Paragraph 3.32)

Reply of Government

The Committee observed that the Food Corporation of India's efficiency as a trading enterprise could be judged more on the basis of service it renders to the farmers and the consumers in the country than on the basis of turnover alone. In this connection, it may be mentioned that the Corporation has, since its inception been procuring foodgrains under the price support scheme and thus assuring the grower an assured return so as to sustain his enthusiasm for increased production. The Corporation has also been providing foodgrains to the Public Distribution System and wheat to the Roller Flour Mills at reasonable rates throughout the year. In view of the existing scarcity conditions, the Central Government has asked the State Governments to open more Fair Price Shops. On its part, the Corporation will ensure that continuous and regular

supplies to these shops are maintained so that the consumer is not put to any hardship.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2-72-FCC, dated 7-12-72].

Recommendation (Sr. No. 10)

The Committee note that some States have still not passed the necessary legislation to establish regulated markets and that out of 3406 markets in the country as many as 1261 are not regulated. The Committee cannot too strongly stress the need for establishment of regulated markets in all the States for these are the best means of assuring a fair deal to the farmer as also facilitate the task of any Government agency like the Food Corporation of India to procure foodgrains in well regulated conditions. The Committee also wish to draw in this connection attention of Government to the recommendation made by the Estimates Committee (1960-61) in para 77 of their 129th Report on the Directorate of Marketing and Inspection (Ministry of Food and Agriculture), wherein it was stressed that (i) States which had not enacted legislation for regulation of markets should be persuaded to do so; (ii) constitution of Market Committee should be uniform (iii) representation of growers in market Committees should not be less than 50 per cent; (iv) rates for various Commodities should be widely disseminated among producers, and (v) grading facilities should be provided to make the producers quality conscious. The Committee would like concerted measures to be taken to achieve these objectives in the interest of the producer. (Paragraph No. 3.36).

Reply of Government

17 States and 3 Union Territories have enacted legislation for regulating the markets. There are only four States and six Union Territories which have not so far enacted legislation for regulation of markets. The States are Jammu & Kashmir, Assam, Meghalaya and Nagaland. Assam has already prepared a draft bill which is expected to be passed by the State Legislature soon. The Government of Jammu and Kashmir is also considering to enact a legislation. Meghalaya and Nagaland are new States and they are being persuaded to have necessary legislation early. Of the six Union Territories, Pondichery has already prepared a bill which will be passed by the State Assembly very soon. Efforts are being made to persuade the other Union Territories to pass the legislation.

The total number of regulated markets in the country has now increased to 2754 and efforts are being made to bring all the remaining important markets under regulation by the end of 4th Plan.

As regards the constitution of market Committee and representation of growers, the Government is advising the States to follow these recommendations especially when any new legislation is referred to the Government for scrutiny.

Most of the regulated markets are now disseminating the rates for various commodities in the market yards. Steps are being taken to introduce grading in the regulated markets prior to sale. (Para 3.36).

[Ministry of Agriculture (Department of Food) O.M. No. 19-2-72-FFC, dated 7th December, 1972].

Recommendation (Sr. No. 13)

The Committee are happy to note that the target of buffer stock of 5 million tonnes of foodgrains by the end of the Fourth Five Year Plan fixed by the Central Government has already been achieved because the present stock of foodgrains with the Government is stated to be about 8-1/2 million tonnes which includes an operational stock of 2-1/2 million tonnes. (Paragraph 4.51).

Reply of Government

The target of buffer stock has now been raised to 7 million tonnes for the remaining period of the Fourth Five Year Plan.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2-72-FFC, dated 7th December, 1972].

Recommendation (Sr. No. 14)

The Committee are glad to note that the Expert Committee appointed by the Planning Commission and consisting of representatives of the Planning Commission, Ministries of Agriculture, Finance, Railway Board, Food Corporation of India etc. had carried out a systematic assessment of country's requirements for storage during the Fourth Five Year Plan. The Committee hope that their assessment will serve as a guide for Government and the Food Corporation of India for drawing up a programme for augmentation of storage capacity. The Committee recommended that while drawing up a programme for the augmentation of storage capacity in the country, the point upto which storage would be absolutely necessary

and beyond which the money locked up in storage would be counter productive should be carefully determined. The Committee find that if past experience is any guide wheat virtually 'cascades' into mandis in wheat producing States and has to be bought at support prices. This naturally creates problems of storage and transportation.

The Committee feel that perhaps the best way is to encourage provision of warehouses and storage accommodation by the co-operative societies in agriculturally surplus area so that it achieves the dual purpose of providing staying power to the farmer and regulating the flow of the foodgrains into the market. The spare storage capacity could be utilised for other grains also depending on the seasonal requirements. The Committee would, therefore, urge Government to give encouragement to co-operative societies to set up modern storage facilities which are free from rodent and other pests and would serve best the interest of the producers and the people at large. Government should also exercise necessary vigilance in the formative years to ensure that the producers get dependable storage services, free from any suspicion of malpractices of mis-management. Government Food Corporation of India should also develop in the light of their experience and in consultation with Research Institutions design and specifications for storage which would meet best the requirement of co-operative societies. (Para 4.20).

Reply of Government

The recommendations of the Expert Committee serve as a guide in drawing up the programme for augmentation of storage capacity in each State. However, to the extent to which the break through in food production necessitates a departure from the recommendations of the Expert Committee as for example, in State like Punjab, Haryana, Uttar Pradesh, Madhya Pradesh etc. the attendant factors like the quantum of arrivals and lack of adequate transport facilities are also taken into account in deciding the additional storage capacity required in the States.

While drawing up a programme for augmentation of storage capacity in the country, the point upto which storage would be absolutely necessary and beyond which the money locked up in storage would be counter productive will be carefully determined. Necessary studies as recommended by the Committee would have to be undertaken through the Central Storage Committee, or an Expert Committee specially constituted for this purpose, while taking up the future construction programme.

Financial assistance is already provided to the Co-operatives for construction of Modern Storage facilities which are free from rodent and other pests. Upto the end of 1971-72 the Co-operatives have generated a storage capacity of 32 lakh tonnes, and it is expected that during the remaining years of Fourth Plan additional capacity of 12 lakh tonnes will be generated. It may be noted that bulk of the Co-operatives storage space is required for fertilizer and other agricultural inputs and marketing requirements. This was also noted by the Expert Committee on storage.

The godowns of the Co-operatives are being used by the Food Corporation of India for procurement operations in States like, Mysore etc., In Punjab, Haryana and Uttar Pradesh, the Marketing Federations have been engaged in procurement operations. These agencies are already using their own godowns. In the approach paper prepared for the Fifth Five Year Plan, it has been assumed that about 1.0 million tonnes of the godown capacity of the Co-operative Sector would be available for temporary storage of foodgrain, immediately after procurement.

The services to the producers in the field of storage are being made available by the Central and State Warehousing Corporations.

Improvement of farm level storage has been pursued by research into suitable designs by the Indian Grain Storage Institute, Hapur and also research into ways of improving indigenous designs. A number of designs for domestic bins, etc. have been finalised, and these are being popularised through extension work. The size of the problem is, however, extremely big, and a larger plan is being prepared for inclusion in the Fifth Plan.

The Expert Committee has examined the various designs for construction of godowns and has recommended that the design now being adopted by the Food Corporation of India for the single span godown of 427' X 71'—1—|2" is quite suitable. This Committee has also recommended the adoption of the same specifications for smaller godowns which may be necessary for other agencies (*vide* Annexure II of Chapter VI of Part I of the Expert Committee Report).

The recommendation of the Committee has, however, been carefully noted for effecting further improvements in this direction.

[Ministry of Agriculture (Department of Food), O.M. No. 19-2/
72-FCC, dated 7-12-1972].

Recommendation (Sr. No. 15)

During evidence it was admitted by the official representatives of the Ministry that some of the storage accommodation in the country was not of the requisite standard. The Committee wish to stress that whatever additional storage capacity is created under the Fourth Five Year Plan or subsequent Plans, it would be based on the most modern scientific techniques and should be equipped with latest facilities to prevent damage of foodgrains during storage and to ensure most economic handling (Para 4.21).

Reply of Government

The available storage capacity indicated at paras 4.10 and 4.11 of the report (at page 35 of the report of the Committee on Public Undertakings) includes both owned and hired capacity, while para 4.18 of the report relates to hired storage accommodation only. The additional capacity created by the Food Corporation conforms to standard designs and is also in conformity with the recommendations of the Expert Committee set up by the Planning Commission. A part of the storage capacity hired from private parties is sub-standard and is not fit for long term storage. This will be gradually replaced as and when the FCI constructs its own godowns.

In devising any new design for foodgrain storage, the cost aspect and its impact on the storage charges have to be borne in mind.

The godowns which are being constructed by the Food Corporation conform to the design and specifications recommended by the Expert Committee and eliminate the defects observed in the earlier constructions. The Corporation has also taken up construction of silos now at various centres in the Northern States. These silos will be fully mechanised and are considered the most scientific method for storage of foodgrains in bulk. One silo of 20,000 tonnes capacity is nearing completion at Faridabad. One more of similar capacity is under construction at Naraina in Delhi. Ten more such silos are being taken up in Punjab, Uttar Pradesh and Rajasthan under the World Bank Assistance programme.

The godowns are normally equipped with a laboratory to analyse and grade the commodity, and also supplied with equipments and materials required for quality control.

[Ministry of Agriculture (Department of Food), O.M. No. 19-2/
72-FCC, dated 7-12-72].

Recommendation (Sr. No. 17)

The Committee feel that the view expressed at the Seventh Asia Pacific Food Production Conference held in January, 1971 in New Delhi that colossal wastage of foodgrains due to inadequacy of transport and storage facilities can be prevented by setting up a chain of "Portable Warehouses" in the country deserves a close study by Government. The Committee recommended that feasibility studies should be carried out to determine whether it would be advantageous and if so to what extent, to introduce portable warehouses in the country to cater for the requirements of peak periods (para 4.23).

Reply of Government

With the increase in Agricultural Production, storage needs have risen steeply. Apart from long term storage in warehouses built up and being built in the country, need for emergency storage for foodgrains which cannot be immediately moved out has assumed significance. Portable warehouses developed in the United Kingdom by using butyl rubber can possibly meet this requirement partly. Before their use, however, it is necessary to try them out under the extreme climatic conditions of the Northern Parts of the country where the emergency storage has become a necessity and the Food Corporation of India, which is the Agency that is to handle large part of the emergency storage has proposed obtaining these butyl rubber Cherwell Silos for being given a trial under the Indian conditions.

Order of import of butyl rubber silos (250 tonnes capacity each) has already been placed and necessary trial would be undertaken on receipt of the same.

In this connection, it may also be stated that the Food Corporation of India has embarked on large scale 'CAP' (Cover & Plinth) storage to overcome the shortage of storage accommodation.

In this type of storage, stocks are well protected against the vagaries of weather by covering the stocks with polythene covers of adequate thickness. Stacks are built on raised platforms made of bricks which are cement pointed. Wooden crates, bamboo mats and polythene sheets are provided on these raised platforms and the stacks built thereon to ensure protection to the bottom layer bags.

Experience of last two seasons appears to show that this type of storage developed by the Food Corporation of India is well suited for Indian condition to be adopted as a portable seasonal storage. Final decision on the type of portable silo would be taken after the silos from the U.K. are tried out.

[Ministry of Agriculture (Deptt. of Food) O.M. No. 19-2/72-FCC,
dated 7-12-72].-

Further information called for by the Committee

Please state the latest position in regard to the introduction of portable warehouses in the country to cater for the requirements of peak periods and whether decision on the type of portable silos has been taken?

[L.S. Sectt. O.M. No. 13-PU/72 dt. 4-7-1973]

Reply of Government

Two Cherwood Butyl Rubber Silos with a capacity of 250 M.Ts. each imported from the United Kingdom have been set up at Khanna (Punjab). The filling of these silos with wheat is almost complete. The suitability of these silos as portable warehouses under Indian conditions would be tested by making observations for the next 8 to 10 months. A final decision in regard to their suitability will be taken in the light of these observations.

[Ministry of Agriculture (Department of Food), O.M. No. 19-2/72-FCC-I, dated 28-7-73].

Recommendation (Sr. No. 18)

The Committee regret to note that Crash Programme had failed to correct regional imbalances in the creation of storage capacity and that even now the Corporation had to resort to storage of stocks in the open which carried with it attendant risks of pilferage and damage due to vagaries of weather. The Committee, therefore, recommended that Government should draw up future programme of augmentation of storage capacity with an eye on correction of regional imbalances and keeping in view the field experience gained by the Food Corporation of India. (Para 4.24).

Reply of Government

A statement showing the statewise production during 1970-71, the owned storage capacity as at the end of 1970-71, the percentage to production levels, the anticipated production during 1973-74, the anticipated storage capacity and the anticipated percentage of storage capacity to the anticipated production to each State, is attached (Appendix IX). Except in pre-dominantly surplus States which offered scope for massive procurement in recent years, and in chronically deficit areas, attempt has been made to correct the regional imbalance. In the surplus area, provision of additional capacity was necessitated by lack of adequate transport facilities to move the foodgrains to areas of storage and/or consumption immediately after purchase.

The future programmes in these States will be chalked out keeping in view the correction of such imbalances.

[Ministry of Agriculture (Deptt. of Food) O.M. No. 19-2/72-FCC,
dt. 7-12-1972.]

Recommendation (Si. No. 20)

The Committee find that the utilisation of godowns on gross capacity has improved from 52 per cent in 1965-66 to 77 per cent in 1971-72 (April-June). On usable capacity, the utilisation was 58 per cent in 1965-66 but in 1971-72 (April-June) it has gone upto 86 per cent. Though some improvement in the utilisation of godowns over the years is thus discernable the Committee cannot regard the present level of utilisation as the optimum one. It is rather strange that on the one hand it is said that storage capacity in the country is inadequate to cater to the growing needs of the country but on the other hand one finds the utilisation of existing capacity as only 77 per cent of gross capacity and 86 per cent of usable capacity. It appears that Government and the Food Corporation of India are not giving adequate attention to the problem of optimum utilisation of existing storage capacity in the country. Optimum utilisation of storage capacity at procurement centres and consumption points cannot be ensured without evolving an integrated pattern for procurement, movement, storage and distribution after a close study of full conditions. The Committee, therefore, strongly recommend that concrete measures aimed at optimum utilisation of storage capacity should be evolved and given effect to.

(Para 4.35).

Reply of Government

At the outset, it may be explained that it is not possible to ensure peak utilisation of all godowns at all times. In the peak season when the grain cascades into the market, the Corporation must have storage to protect the grain from rains, damage due to pests etc. As the grain moves to other parts of the country, the storage godowns where the grain is initially stored will get vacated gradually. Thus the storage created at the grain producing centres would reach optimum utilisation soon after the harvest and this would taper-off with the passage of time. On the other hand, the receiving godowns at the consuming centres where stocks had got depleted before the harvest will reach near full capacity a few months after the harvest.

Notwithstanding the general consideration mentioned above, in a standard godown, where the foodgrains are stored, some space is

inevitably lost on account of the need for making variety-wise stacks, for leaving certain space for operational requirements like rebagging, reconditioning, clearing etc. of the grain stored and for the space required for temporary storage of scientific equipment in use within the godowns, empty gunny bags, stocks of insecticides etc. Space is also required in godowns for segregation of mixed/infested/wet bags. There may also be occasions when the stacks cannot be built to the maximum height because of labour resistance and when different varieties of grains are stored.

The space required on account of operational factors was assessed at about 8 per cent of the floor area of 10 per cent of the storage capacity *vide* para 6.7 of Chapter 6 of Part I of the Expert Committee's Report. It will thus be seen that out of a gross capacity of a godown, the maximum that can be used is only 90 per cent. During 1971-72 (April to June), the month-wise utilisation has been as indicated in the (Appendix X). It will be seen therefrom that the peak utilisation was in the month of July, 1971, when 87 per cent of the gross capacity and 97 per cent of the net storage capacity had been utilised and only about 3 per cent of the net storage capacity remained unutilised. The average utilisation for the whole year worked out to about 80 per cent of the gross capacity and 89 per cent of the net storage capacity. As the storage capacity is being planned to meet the peak requirements which is normally during the peak procurement season, the maximum utilisation can be ensured only during the peak procurement season.

It has also to be mentioned that during the peak procurement period, particularly during the *rabi* season while the storage capacity, in spite of considerable augmentation and resort being had to CAP (Sover & Plinth Storage), is under very heavy strain, the spare capacity available in non-procurement areas remains comparatively underutilized. This is, because, in spite of maximization of movement of procured grains out of procurement areas, sizable stocks still remain in storage in these areas. An effective answer to this has to be found and the Corporation's efforts are constantly being directed towards that end.

The Committee's recommendation is, however, carefully noted and suitable steps have been taken for ensuring optimum utilisation of the storage capacity.

[Ministry of Agriculture (Deptt. of Food) O.M. No. 19-2/72-FCC,
dt. 7-12-1972.]

Recommendation (Sl. No. 24)

The Committee are perturbed to note that there had been as many as 241 cases of thefts/pilferages at the godowns of the Food Corporation of India since its inception in 1965 involving a total loss of Rs. 13.08 lakhs.

The Committee expected Food Corporation of India to be seriously exercised about the matter and spare no effort to get an officer whose services would be available on an assured basis for a length of time so that all loopholes in the existing system which gave rise to thefts and pilferages were identified and effective remedial measures taken to plug them. The Committee are therefore not able to appreciate how the Corporation could persuade itself to employ as Manager Security in scale of Rs. 1600—2000 a person who was on the verge of retirement. The Committee would like the Corporation|Government to go into the matter and ensure that an officer whose services would be available for a length of time and who has proven experience and ability in security duties, is appointed to the post and held responsible for effectively organising the security measures so as to bring about appreciable reduction, if not elimination, of thefts from the godowns of the Food Corporation. (Para 4.58).

Reply of Government

The Food Corporation of India has been seriously exercised about cases of theft and pilferages at its godowns. Considering the size of the Corporations operations, pilferage and other malpractices in storage and in transit cannot be ruled out altogether. But steps have surely to be taken to minimize these losses.

With this end in view, the following steps have been taken:—

(i) Security measures in the Depots have been tightened up by posting adequate numbers of Chowkidars. Arrangements are being made to have the Chowkidars trained with the Industrial Security Force and then to constitute them into a cadre of trained and disciplined watchmen|security personnel. Suitable proposals for the constitution of a Watch and Ward cadre have already been submitted to the Government of India for approval.

(ii) In the meanwhile, Central Industrial Security Force, has been deployed at the more vulnerable Depots, from where a number of complaints of pilferage were being received,

such as, Gaya Dighaghat, Phulwari, Sharif, Mokamen and Siliguri. This has had a very salutary effect in reducing the number of thefts.

- (iii) Vigilance machinery has been created at the Headquarters to ensure that all complaints received about pilferage of stocks are promptly investigated on the spot and suitable action taken against the guilty persons. Steps are also in hand to further strengthen this machinery upto the unit level.
- (iv) Weigh-bridges have been installed at the major godowns with a view to keeping strict watch over the incoming and out-going stocks and more such weigh-bridges are being installed in a phased manner.
- (v) Regular checks are being arranged by Audit and Physical Verification Squads of the Zonal/Head Office. Discrepancies brought to light are thoroughly investigated and action taken against the delinquent officials.
- (vi) With a view to streamlining the security organisation and supervising/coordinating action on the lines indicated so as to minimise the chances of pilferage, it was considered necessary to have the services of a Police Officer of suitable status and seniority who was also well versed in the matter of Industrial Security. The present incumbent of the post of Manager (Security) answered all these qualifications with his vast experience in the I.P.S. (U.P. Cadre) and as Security Officer of the Northern Railways and as such he was appointed to the post. He has done the necessary planning in a short time and is engaged in setting up of the machinery described above.

[Ministry of Agriculture (Department of food) O. M. No. 19—
2/72-FCC, dated 7-12-1972.]

Recommendation (S. No. 25)

The Committee attach importance to standard weighment, stitching and packing of bags so as to reduce wastage and losses on these accounts to the minimum. The Committee note that the present capacity of bags is 100 kgs. and that the labourers are paid an additional incentive amount of 5 per cent for handling these heavy bags. The Corporation however, admit that difficulties are being experienced by labourers in certain parts of the country to

carry such heavy loads. Apart from the possibility of providing wheel barrows or trollies to facilitate handling of bags, the Committee would like the Food Corporation of India to thoroughly examine the question of reducing the weight of the standard bag keeping in view the trade requirements, the cost of filling of bags and the difficulties experienced by labourers, etc.

Reply of Government

These points are already being examined by the Corporation and to the extent it is found feasible, efforts will be made to reduce the weight of standard bags keeping in view the trade requirements in each State, the cost of filling of bags, the difficulties experienced by labourers etc.

[Ministry of Agriculture (Department of Food) O. M. No. 19—
2/72-FCC, dated 7-12-1972.]

Further Information called for by the Committee

The result of the examination and steps taken by Government in regard to standard weighment, stitching and packing of bags etc. may be furnished in detail for the use and information of the Committee. (L.S. Sectt. O.M. No. 13-PU|72 dt. 4-7-1973).

Reply of Government

The bagged cargo particularly of rice which was being received from America constituted weight of 100 Lbs net. The fertiliser cargo is also in 50 kg. bags. At the ports, fertiliser bags are being standardised at this weight because the labour had been finding it difficult to handle heavier bags. This was also preferred to eliminate the use of hooks by the labour.

2. The above practice could not, however, be adopted universally for foodgrains as it is likely to create difficulties and would, in the first instance, reduce the earnings of the labourers during the day. The difficulties which are likely to be faced in the event of reducing the size of the packing are enumerated below:—

In the introduction of smaller bags of 55 kg, even if Food Corporation of India agrees to the introduction of the same, it cannot do so unless this packing is adopted uniformly by the trade throughout the country. Therefore, it will not be feasible for the Corporation to adopt this size for obvious reasons. Secondly, there will be loss of

earnings to the workers by handling the foodgrains bags in small packing at the depots as compared to the earning by handling in the present packing. The workers have been insisting that the weight to be carried should always be limited and even in the case of bags weighing 95 kg. they have been reacting sharply, demanding *inter-alia* compensation therefor in case the weight of bags exceeds this limit. In fact, the Regional Managers have been authorised by us to pay 5 per cent extra for bags weighing more than 95 kg. to meet this demand of the workers. However, on the same analogy, if the earnings of the workers go down on account of the fact that they are required to handle smaller bags of lesser weight, it would become difficult for us to resist if and when so demanded by them. Once the workers realise that their earnings are likely to be affected, it would not be possible to withstand the pressure on the demand of the workers for increased charges on per bag basis of smaller weight. Thirdly, the cost of handling on account of packing in small bags will go up considerably. Fourthly, the storage capacity will be adversely affected as in a regular stack (30' X 20' area) of 93 kg. packing, only 2318 bags (55 kg.) or 127 tonnes can be stacked as against 1768 bags (93 kg.) or 164 tonnes, upto 16—18 bags high. This would mean a loss of about 23 per cent storage space. This converted into area per tonne would mean 1.5 sq. ft. more area or at the rental rate of 50 paise per sq. ft., the extra cost will be 0.75 per tonne per month. This loss, of course, will be of recurring nature. Keeping in view the target of 8 million tonnes for internal procurement and paucity of storage capacity in the country, the Corporation can ill-afford to lose the storage capacity on account of change to smaller packing.

Fifthly, the switch over to small packing will lead to:

- (i) depletion in the carrying capacity of the rolling stocks;
- (ii) delay in loading/unloading operations;
- (iii) more fatigue to the labour as they will have to make almost double the trips and travelling double the distance, for the same tonnage;
- (vi) additional requirements of jute twine in stitching more bags for the same tonnage;

- (v) almost double the requirements of gunny bags per tonne and additional cost;
- (vi) comparatively unstable stacking;
- (vii) additional requirements of supervisory staff for weighing and counting; and
- (viii) modifications in the industry for jute bags.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/73-FCC dated 28-7-73]

Recommendation (S. No. 28)

In the Committee's view, smooth movement of foodgrains depends to a large extent on how well the movement of foodgrains is planned by the Food Corporation of India in coordination with the Railways. The Committee recommend that while preparing Movement Plans, the aim should be to spread out movement of foodgrains throughout the year so as to avail of closed wagons for safe transport. Now that the Food Corporation of India/Government have adequate storage capacity at their disposal this task should not prove formidable and it should be possible to draw up integral plan for procurement, movement and storage on the basis of well verified date. (Para 5.32).

Reply of Government

The Food Corporation of India is planning the movement of foodgrains in consultation with the Railways and the Department of Food taking into account the stock; the handling capacity available at the loading points, the requirements in various States; the Railway's capacity to supply wagons, and the handling and storage capacity at the terminals. The movement of foodgrains is maximised during the non-monsoon period even by using open wagons so that sufficient stocks of foodgrains are available in various States during the monsoon period. During the monsoon period, the loading is comparatively less because foodgrains are despatched only in water-tight covered wagons whose availability is limited. The Committee's recommendation that the Food Corporation of India should draw up an integral plan for procurement, movement and storage is already, by and large, being implemented.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972]

Recommendation (S. No. 30)

The Committee note that losses of foodgrains in transit had been rising steadily from 1.12 per cent of the quantity moved in 1965-66 to 1.58 per cent in 1966-67 and 1.76 per cent in 1967-68 until 1968-69 when such losses reached an all time high at 3.26 per cent. The Committee also note that subsequently, the Corporation had been able to arrest the rising trend of transit losses in close coordination with Railways. In 1969-70 transit losses were brought down to 1.4 per cent and it is estimated that these losses may be only 1.23 per cent during 1970-71. The Committee welcome the efforts made by the Food Corporation of India and the Railways to bring down these losses under control. The Committee, however, feel that scope for further reduction of transit losses still exists. Vigorous efforts are called for to minimise the transit losses. With this end in view, the Committee recommend the adoption of the following measures:—

- (i) bagging, stitching and weighment should be done with utmost care to avoid spillage of foodgrains. Use of non-standardised bags should be eliminated. Same types of scales for weighment may be used at loading and unloading points;
- (ii) loading and unloading operations should be supervised by responsible officials of the Corporation and the Railways because if the loading is done in a careless manner no amount of en route checks would be able to prevent these losses;
- (iii) with the improvement in the availability of covered wagons with the Railways, use of open wagons should be resorted to only in exceptional circumstances and after making sure that necessary provision for covering these wagons securely with tarpaulins and safe escort would be there;
- (iv) en route checks be intensified by the Railways to plug leakage of foodgrains and to ensure that tarpaulins remain in position and are not removed by unscrupulous people.
- (v) en route surprise checks be carried out to ensure observation of instructions; and
- (vi) security arrangements be augmented to avoid pilferage of foodgrains at loading and unloading points and Railway yards.

Reply of Government

The Food Corporation of India have taken note of the various specific recommendations of the Committee in regard to the package, proper supervision of loading/unloading and maximum movement of foodgrains in covered wagons. The Food Corporation of India will also continue to ensure that whenever in exceptional and unavoidable circumstances foodgrains have to be loaded in open wagons to avoid any crisis either in the procurement areas or in the consuming areas, these will be adequately and properly protected with tarpaulins and safely escorted from the loading station to the destination station.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972]

Recommendation (S. No. 31)

The Committee are glad to note that Food Corporation of India had entrusted the task of preparing a Wheat Movement Plan for 1970-71 to an expert body like the National Council of Applied Economic Research. This was no doubt a step in the right direction. The Committee hope that the recommendations made by the Council for rationalisation of wheat movement would continue to guide the Corporation in evolving movement plans for future years. (Para 5.44)

Reply of Government

A Task Force has been constituted by the Food Corporation of India with Manager (Planning and Research) as a convener, and the Managers of Procurement, Movement and Storage Divisions as Members to formulate a perspective plan for the next two or three years for creating storage facilities (base depots and feeders depots) both in the producing and consuming states and for rational movement of foodgrains consistent with the anticipated procurement and the long and short term requirements of storage accommodation.

2. The recommendations made by the Council for rationalisation of wheat movement will continue to be kept in view and adopted to the extent possible while framing the future movement plans. In fact, the movement plans hitherto followed have conformed, by and large, to the pattern proposed in the study report of the National Council of Applied Economic Research.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972]

Recommendation (S. No. 32)

The Committee find that the National Council of Applied Economic Research had suggested improvement in the system of telecommunication including the installation of teleprinters in the Food Corporation of India in the context of problem of transportation of foodgrains. The Corporation, however, are not in favour of its introduction because utility of the communications will in their view have to be seen not only with reference to its orientation in terms of limited transportation problem during the peak "Rabi" season but also with regard to purchase and sale operations in a free market when the Corporation will necessarily have to take snap decisions on the basis of day-to-day fluctuations in market prices. Moreover, installation of teleprinters/telex at the important producing and receiving centres would involve extra investment which, the Corporation feel, may not be commensurate with the advantages claimed. While it is true that installation of teleprinters/telex involve expenditure, the Committee would like the Corporation to re-examine the matter in the light of the following facts:—

- (i) For a countrywide organisation like FCI reliable and quick means of communication are an essential tool;
- (ii) teleprinter/telex would naturally reduce heavy expenditure at present spent on trunk telephones;
- (iii) the investment of telex/teleprinters may be reduced to the minimum necessary in consultation with Directorate of Telegraphs. To begin with only the most vital points where fast communications are a 'must' may be connected by the telex/teleprinters and the position reviewed in the light of experience.

(Para 5.45)

Reply of Government

At present the Food Corporation of India has 24 telex connections which connect the Head Office with all the metropolitan cities and State capitals (where Food Corporation of India has its offices) with the exception of Orissa. The Government of India has been requested to provide telex connections between Delhi and Kandla, Delhi and Bhubaneshwar. Though the recommendation of the National Council of Applied Economic Growth with respect to telex connection has already been examined in detail at the request of the Ministry, this will again be reviewed in the light of the observations

made by the Committee. For this purpose, information on the various parameters of the problem such as costs on the setting-up of different systems along with their running cost, region-wise expenditure being incurred at present on trunk telephones etc., is being collected and (thereafter proposal will be examined) this question of extension of telex facilities will be examined in the light of this data.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-
FCC, dated 7-12-1972]

Further Information called for by the Committee

Please state whether the recommendations of the National Council of Applied Economic Research have been re-examined in the light of the observations made by Committee on Public Undertakings and, if so, please state the latest position in details.

(L.S. Sectt. O.M. No. 13-PU/72 dated 4-7-1973).

Reply of Government

Keeping in view the recommendation of the Committee and the importance of reliable and quick means of communication, the Food Corporation of India has, at present, got 24 telex connections at 18 out of the 38 places in the country where telex facilities are provided. The Head Office, which mostly communicates with the Zonal and Regional Offices either for getting information/data or for communicating decision, is now linked by telex with all the Zonal and Regional Offices (excepting Srinagar). In addition, the major ports at Bombay, Cochin, Madras, Vishakhapatnam and Calcutta are also linked by telex. With these communication facilities it has now been possible to have direct and quick contact with all the important units of the Corporation.

The question of provision of facilities at the remaining places, where mostly district offices are located would also be kept under review on the basis of workload, so that the Regional and Zonal Offices could have direct communication system with the district offices.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/73,
FCC, dated 25-7-1973]

Recommendation (S. No. 33)

The Committee note that at the Conference of the Chief Ministers of the States held in New Delhi in October, 1971, need was felt for

further strengthening of the public distribution system, particularly in rural and inaccessible areas. The Committee also note that as a follow up measure, the Ministry of Agriculture (Department of Food) have requested the State Governments to "review the position in different areas of their States and keep arrangements ready for enlarging the fair price distribution system and extending it to areas where it does not exist at present, so that the system may start working immediately when need is felt for it in any particular area." The Committee are aware of complaints sometimes voiced in the Press that fair price shops in the rural areas hardly function and where they do, the quantum of ration available is insufficient. The Committee have no doubt that in extending the system to rural areas and inaccessible areas in States, Government would take into account the difficulties being experienced by weaker sections of consumers in rural areas. The Committee desire that in the event of enlargement of the public distribution system to rural and inaccessible areas in various States, the Food Corporation of India would make special efforts to feed the public distribution system in such areas with assured supply of foodgrains at a reasonable price. (Para 6.8)

Reply of Government

In order to improve the functioning of the food distribution system, the State Governments have been requested to adopt the following measures:—

- (i) All foodgrains issued from the Central pool to the States/Territories should be distributed only through fair price shops.
- (ii) foodgrains should be issued from fair price shops only to card holders. For this purpose quick enumeration of the population and identification of persons who are in actual need of foodgrains cards should be taken up immediately.
- (iii) issue of foodgrains, including wheat products, should not exceed 2 kgs. per adult per week. Issues of rice to be restricted to small quantities and only to habitual rice eaters.
- (iv) issues of foodgrains from fair price shops should be on weekly or fortnightly basis.
- (v) to introduce statutory control on the wholesale and retail prices of wheat products and to regulate distribution of wheat products through fair price shops.

- (vi) to strengthen and augment the public distribution system in general and in rural and inaccessible areas in particular to take care of the vulnerable sections of the population including those in tribal areas.

The number of fair price shops functioning in the country has now gone upto 1.61 lakhs as against 1.25 lakhs reported till the 9th August, 1972.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972]

Further Information called for by the Committee

Please furnish a copy of the up-to-date sets of orders etc. issued by the Government of India for the distribution etc. of foodgrains.

[L.S. Sectt. O.M. No. 13-PU/72 dt. 4-7-1973]

Reply of Government

A copy of the D.O. letter No. 375|SF|72, dated September 18, 1972 issued to Chief Secretaries of all States and Territories in regard to measures to be taken for improving the food distribution system is attached. (Appendix XI)

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FF, dated 28-7-1973]

Recommendation (S. No. 35)

The Committee recommend that the present system of sale of foodgrains may be reviewed to see how it could be improved so as not to discourage small and bona fide traders. (Para 6.16)

Reply of Government

The Government of India have taken a decision to issue foodgrains exclusively through the public distribution system. As such there could be no sale by the Food Corporation of India either by auction or by tender.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972]

Recommendation (S. No. 43)

The Committee find that since July, 1967 Food Corporation of India had so far produced 52,030 tonnes of 'Balahar' and Mill Atta

fortified by it since 1970 was 42,012 tonnes. The Committee are convinced that at this rate it will not be possible to touch even the fringe of the problem of malnutrition and under-nutrition in the country. The Committee are glad that Government are conscious of the magnitude of this problem and are considering proposal to expand these programmes so as to embrace the entire country and launch other programmes like setting up of 40 Nutrition Mobile Extension Units under the Fourth Plan, establishment of small scale Bakeries, stepping up of rate of production of Miltone setting up Soyabean and Groundnut flour production plants, development of weaning food utilising vegetable protein, etc. The Committee have no doubt that keeping in view the urgency of combating protein deficiency in the daily diet of the people particularly in the weaker sections of the society decisions on these proposals would be arrived at soon and the approved programmes would be implemented with speed and vigour so as to bring these fortified foods within the reach of weaker sections of the society.

The need for a nutrition programme particularly for the weaker sections of society has been recognised for decades in our country and a mention about it has also been made in our Five Year Plans. Now that Government have a country-wide agency in the Food Corporation of India and also adequate stocks, the Committee feel that it should not be too difficult to implement in letter and spirit the programme of making available nutritious foodgrains, e.g. 'Balahar', fortified 'atta' etc. at reasonable prices to the weaker sections of the society. The Committee need hardly stress that the programme should be so implemented in the field that the benefit reaches the weaker members of our society, particularly the children.

(Para 7.47).

Reply of Government

The recommendations of the Committee are noted. With a view to covering as many children as possible under the program, action has already been initiated by the Corporation, as per the instructions of the Government to produce about 36,000 tonnes of Balahar in the States of Kerala, Tamil Nadu, Maharashtra, U.P., M.P., Mysore, Andhra Pradesh, Rajasthan and Bihar during the year 1972-73. Similarly, action has also been initiated for extending the fortification of the atta programme to cities like Bhopal, Kanpur, Delhi, and Ahmedabad, besides Bombay and Calcutta where the production is progressing. An approximate quantity of one lakhs tonnes of atta is likely to be fortified during the year 1972-73.

As regards making nutritious food stuff like Balahar and fortified atta available at reasonable prices to the weaker sections of the society, the Government of India are seized of the matter and are taking action in this respect.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972]

Recommendation (S. No. 44)

The Committee note that the Food Corporation of India exercised quality control over foodgrains at three vital stages of procurement, storage and processing and that for this purpose the net work of laboratories had been considerably expanded from 22 laboratories in 1965 to 95 in 1971. The Committee learnt, during evidence, that there were a few unresolved problems which called for urgent attention in order to ensure quality. The first problem which the Chairman of the Corporation termed as major one was that despite the fact that Food Corporation of India had their agency for quality inspection, when the State Government or the Marketing Federation passed on stocks to the Corporation at the loading points, that is, Railway stations, cases had come to notice where such stocks were not put up to the Corporation for their inspection. The Committee consider this a serious lacuna and would urge the Central Government to take up all such cases promptly with the State Government concerned. The Committee would like to be informed of the concrete measures taken to ensure that such lacuna in quality inspection are rectified.

Reply of Government

Various measures have since been taken by the Government of India to induce the State Governments to agree to the super inspection of stocks by the Food Corporation of India at loading points and in cases where super inspection was not possible, to accept the responsibility for destination complaints.

Initially, in cases where sub-standard stocks were despatched by the State Governments and their agencies even after protests by the Quality Inspectors of the Food Corporation of India the latter used to withhold 10 per cent of payment till these complaints were finalised. The State Governments of Punjab and Haryana—the principal defaulters—made a representation against this procedure to the Government of India. After discussions with the various parties concerned, the following procedures were finally evolved:

(i) The Food Corporation of India will not withhold any payment to the State Government on account of complaints received by them from recipient State.

(ii) In cases where stocks have been super inspected by the Food Corporation of India and a certificate has been given that the stocks are of the approved quality, the Food Corporation of India will bear full responsibility regarding the quality of the stocks at the recipient end;

(iii) In cases where stocks have been super inspected and a certificate has been given by the Food Corporation of India that the stocks are below the quality standard prescribed, the responsibility of quality complaints at the recipient end will be only that of the State Government; and

(iv) In cases where stocks have been despatched without getting them inspected by the Food Corporation of India officials, complaints regarding quality at the recipient end will be referred to a Committee consisting of the concerned Regional Manager of Food Corporation of India, Director of Civil Supplies of the State Government and the Managing Director of the Marketing Federation or their nominees. If it is established by the Committee that stocks so despatched were below standard, the procuring and despatching agency will accept the responsibility of paying the amount in question.

Besides adoption of the above procedure, the State Government, Markfeds etc. have been persuaded to get their staff trained in modern techniques of inspection and preservation of foodgrains. The training facilities have been arranged at Grain Storage Research and Training Centre of the Department of Food at Hapur and at Food Corporation of India's training Institute at New Delhi.

With the adoption of the above procedure and training facilities to the State Government staff in modern techniques of inspection and preservation, the lacuna in quality inspection pointed out by the Committee has been rectified.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972]

Recommendation (S. No. 45)

Another problem that needed to be tackled was the preponderance of subjectivity in the matter of enforcement of quality of foodgrains. It has been represented to the Committee that in some cases

the officials of the Corporation who were on the spot, rejected the grain offered by farmers for sale as being below "fair average quality" but when the same grain was purchased by the middlemen and offered to the Corporation, it was accepted. This naturally gave rise to suspicion that in such dealings, the conduct of FCI officials was not above board and that it was the subjective judgement of officials on the spot which really mattered.

This is what was alleged to have happened while purchases of 'Bajra' were made in Rajasthan. It was admitted during evidence that Government had received such complaints from Uttar Pradesh and Rajasthan and they were looking into them. As was hinted during the evidence of official representatives, it was just likely that in some cases the middleman indulged in the malpractice of purchasing the grain from the farmer, blending it with the better type of grain and passing it on to the Corporation as a blended grain. The official representative of the Ministry added that in Rajasthan, 'Bajra' was purchased through middlemen because the market there was not properly organised and the availability of grain was not very large. The Committee are of the view that it should be possible for the Corporation to check this malpractice. The Committee are also convinced that if the supervisory staff of the Corporation are alert and vigilant, it should be possible to introduce a greater measure of supervision on the exercise of discretionary authority by the officials on the spot. The Food Corporation of India should strive continuously to avoid the entry of middlemen in the Corporation's purchase of foodgrains. (Para 8.27).

Reply of Government

The Food Corporation of India enter the market for the procurement of wheat, paddy and coarse grains under the price support scheme. The Food Corporation of India took up this task of procuring wheat and paddy in the States of Punjab, Haryana and Uttar Pradesh quite satisfactorily, but the possibility of a few cases, where the Food Corporation of India officials may have indulged in malpractices in collusion with the traders cannot be entirely ruled out. The Department of Food is responsible for laying out the grain standards or uniform specifications for all grains required to be purchased by the Food Corporation of India, State Governments and Marketing Federations for Central Pool. The Food Corporation of India is the executing agency for purchase of these grains.

Since wheat constitutes the major foodgrains under price support scheme, hence during Rabi procurement this year, it was impressed upon the Food Corporation of India that they should not

only open a large number of centres at convenient places for procurement of wheat, but also ensure that the price, paid to the cultivator, is in accordance with the declared policy of the Government of India. It was also impressed upon the Food Corporation of India that the malpractices indulged in, should be eliminated. In order to ensure that a price of Rs. 76 p.q. is paid to the cultivators for FAO trade of wheat, a large number of sieving and cleaning machines were installed in the various wheat markets and the stocks arriving were subjected to cleaning and sieving, at the cost of the cultivators, so as to bring the wheat stocks to FAO Grade, thus, enabling the farmers to be paid the procurement price of Rs. 76 p.q. It was, on this account that about 95 per cent of the stocks purchased were paid the FAQ Price. In addition, the food Corporation of India also formed special squad consisting of senior officers for supervising and looking after the procurement operations in the major wheat producing States who were constantly on tour of the various procurement centres. Some senior officers of the Deptt. of Food also visited various markets in Uttar Pradesh and gave on-the-spot instructions to the Food Corporation of India staff, wherever necessary, with a view to eliminate the malpractices reported earlier. Efforts are at present being made to eliminate the middlemen from the procurement operations by purchasing grain either directly from the farmers or through the cooperatives.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-
FCC, dated 7-12-1972]

Recommendation (Serial No. 46)

The Committee consider that since the Food Corporation of India has been primarily constituted in the interest of the producer and the consumer it should be its ceaseless endeavour to serve both these interests and eliminate the intervention of middlemen to the maximum extent possible. In this context the committee would urge that, either the foodgrains should be procured directly from the farmer or from collection centre which may be organised in cooperation with agricultural cooperative societies of standing. The Committee are glad to note that the Food Corporation of India procured 25 per cent of foodgrains in Rabi season through cooperatives. This trend needs to be greatly accelerated. The Food Corporation may also have their own procurement organisations in "Mandis" so that the farmers who come there can sell the foodgrains directly to them without the intervention of any middlemen. In order to inspire in the producers a feeling of confidence in the categorisation of foodgrains and the prices being paid for them, the Committee suggest

that the Food Corporation/Local authorities should widely publicise the grades of foodgrains and the prices being currently paid by the Food Corporation amongst the farmers so that they are encouraged to sell their foodgrains directly to the corporation than to "Arhtias" and other middlemen. The specifications should be so laid down that they are readily understandable to a farmer. What is even more important is that the process for categorisation should be done in such a manner as to leave no scope for any unfair or malpractice to creep in. The farmers need payment in cash. The corporation should ensure that there is quick and prompt payment "on the spot" to the farmers for their foodgrains so as to win and sustain their confidence. The Committee consider that the Food Corporation should continuously endeavour to pass on the benefit of higher prices to the producer so as to serve one of the primary objectives for which they have been set up. (Para 8.28).

Reply of Government

In order to give effective price support to the farmers and to eliminate the intermediaries/middlemen, Food Corporation of India is making every effort to purchase stocks directly from the cultivators or through the agency of cooperatives. Purchase centres are also being located at convenient places to facilitate the marketing of foodgrains by the farmers. Government have laid down uniform quality specifications for almost all major foodgrains grown and procured in the country and publicised the same through mass media of circulation as All India Radio etc. The procedure for analysis and the definitions of various refractions have been standardised by the Indian Standard Institute in consultation with this Department, and the same are being followed by the FCI during its purchase operations. The procedure and definitions and specifications prescribed are very simple and clear and are easily understood by farmers.

All procurement agencies viz. FCI, State Governments and the cooperatives are widely publicising every year the specifications and the prices for different grades of foodgrains with a view to encouraging the farmers to sell their produce directly to them. Pamphlets and posters are distributed/displayed in the local languages to explain to the cultivators the object of the price support operations and its details.

In regard to payment 'on the spot' it may be mentioned that where procurement is being done through agents, the latter are required to make immediate payment to the cultivators and then

send their bills supported by the receipt obtained from the cultivators to the FCI. In Uttar Pradesh where FCI adopted exclusive direct purchase operations for wheat this year, it opened 300 pay points and bearer cheques for the value of the stocks are issued to cultivators on the spot. Similar method has been adopted in Uttar Pradesh by the other two agencies viz. the State Government and the Uttar Pradesh Cooperative Federation.

The Government of India is making all efforts to ensure support price to the cultivators for their produce and quality foodgrains to the consumer at reasonable price.

[Ministry of Agriculture (Deptt. of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972.]

Recommendation (Serial No. 47)

The Committee feel unhappy that there were complaints both from Uttar Pradesh and Rajasthan that foodgrains were purchased not directly from the producer but through the intervention of middlemen to the detriment of producers. The Committee note that the matter is being thoroughly investigated by the Corporation. The Committee would like to be informed of the outcome of the investigations and the action taken against all those found responsible for indulging in any unfair or malpractice.

The Committee expect the large supervisory staff which the Corporation has to be alert and vigilant in their duties so as to ensure that officers on the spot render fair service to the producers and there is no ground for any suspicion of malpractice either in grading or payment for foodgrains or avoidable intervention of middlemen to the detriment of the producer. (Para 8.29).

Reply of Government

A part of this item is covered by the comments given against Recommendation 45. In regard to the past complaints from U.P. and Rajasthan, thorough investigations by the Corporation have been or are being made and in cases where corporation officials, are found guilty, necessary action would be taken. A detailed report on major complaints, investigations made and punishments given will be prepared in due course and submitted to the Committee.

As already stated against Recommendation No. 45 above, the Corporation have taken effective measures to put squads consisting of senior officers particularly in the major wheat producing States to ensure that the lower officers in the field render fair service to the producer and do not indulge into malpractices in grading or

payment to the detriment of the producer. As a result complaints during this Rabi season have been considerably less.

[Ministry of Agriculture (Deptt. of Food) O.M. No. 19-2/72-FCC, dated 7-12-72]

Further information called for by the Committee

Please state whether the report on major complaints, investigations made and punishment given, has been prepared and if so, one copy thereof may be furnished for use of the members of the Committee.

[L.S. Sectt. O.M. No. 15-PU/72 dt. 4-7-1973]

Reply of Government

In a large number of cases, the investigation have revealed that the complaints were either not genuine or could not be substantiated. Several cases are still pending. A report on major complaints received, investigations made and punishment given will be prepared and furnished to the Committee, after necessary action has been taken.

[Ministry of Agriculture (Deptt. of Food) O.M. No. 19-2/72-FCC dated 25-7-73].

Recommendation (Serial No. 50)

The Committee find that during the years 1961-62 to 1966-67, the production of foodgrains in the country was almost static with lowest production being 72.3 million tonnes in 1965-66 and the highest being 89.4 million tonnes in 1964-65. It was in the year 1967-68 that a major break-through was achieved by attaining a record production of 95.1 million tonnes. Since then the production of food-grains had been steadily rising and in 1970-71, the production is estimated to have exceeded 107 million tonnes. This "Green Revolution" naturally raised high expectations that prices of not only foodgrains but also of other commodities would come down. But this did not happen. Index number of foodgrains wholesale prices which during the years 1961 to 1966 had ranged between 99.3 and 171.0 moved between 202.8 and 210.4 during the year 1968 to 1971—the years of bumper crops. In the context of this paradoxical phenomenon of rising prices in the midst of plenty, the Corporation bid to curb the rising market prices of wheat by opening sales centres is a welcome step in as much as Corporation's direct participation as a seller in the open market is expected to offer

healthy competition to the private traders and check rising prices of wheat in particular and foodgrains in general. The Committee hope that as foodgrains price is an important determinant of general price level, Corporation's strategy to curb the rising prices of wheat by pumping into the open market adequate stocks would have a salutary effect on the general price level in the country. The Committee however, wish to caution the Corporation that if unscrupulous private traders lift the additional wheat stocks from the open market and hoard the same, the Corporation's venture may ultimately fail. It is, therefore, essential that the Corporation should take adequate precautions to ensure that as far as possible the stocks released by them reach the genuine customers and are not cornered by speculative traders for hoarding at present with a view to release them when artificial scarcity is created so that they may indulge in profiteering. (Para 9.35).

Reply of Government

The Committee observes that care should be taken to ensure that the big traders do not take advantage of our policy of open sales of foodgrains to curb the rising prices by accumulating the stocks.

Foodgrains sold in the open market through our Sales Centres were being auctioned as far as possible only in small lots and to the small traders who did not have adequate finances to hoard grains for profiteering later on.

Our policy to discourage sales of large lots at our Sales Centres by auction, therefore, provided a built-in safeguard against the unscrupulous private traders from cornering the stocks of wheat for selling it at higher rates later on.

All open sales of foodgrains by auction or tender and/or sales through the Sales Centres set up by the Corporation, have been suspended until further orders as per the directive received from the Government of India. All foodgrains including coarse grains and pulses are being issued to the State Governments only for distribution to the public through the Fair Price Shops.

In these circumstances, the question of big traders taking any advantage of our policy of open sales of foodgrains to curb the rising prices by accumulating the stocks, does not arise.

[Ministry of Agriculture (Department of Food), O.M. No. 19-2/72-
FCC, dated 7-12-1972]

Recommendation (Serial No. 52)

The Committee find that though the Food Corporation of India are in existence for the last seven years they have not evolved any norms for regulating the incidental expenses. In this Report on incidental expenses of the Corporation, the Cost Accounts Officer of the Ministry of Finance has expressed the opinion that 'perhaps one of the reasons why the unit incidentals as claimed by the FCI year by year is going up, despite more than proportionate increase in the quantity of foodgrains handled, is because the allocations are related by FCI only to annual sales'. The Cost Accounts Officer has recommended that FCI should work out the incidence of handling charges for the years 1967-68 to 1970-71 on the basis indicated in his Report to 'exhibit a more realistic and acceptable picture' and to study the trend for the purpose of evolving norms for the future. The Committee, expect that no further time would be lost in evolving such norms which are a vital instrument in the hands of Management to exercise check on such expenses and are indispensable for creation of cost consciousness among officers and staff at all levels of the Corporation. (Para 10.29).

Reply of Government

The recommendation of the Committee has been carefully noted. The Corporation has a system of budgetary control and budget in respect of various items of expenditure is prepared based on the actuals for the past and the estimates for the future. There is, therefore, already a built-in system of standards or norms in framing the budget of the Corporation. Notwithstanding the above, further action would be taken to evolve realistic norms in respect of various items of expenses.

[Ministry of Agriculture (Department of Food), O.M. No. 19-2/72-FCC, dated 7-12-1972]

Recommendation (Serial No. 54)

The Committee have dealt with the question of high cost of unduly large staff carried by Food Corporation of India in a separate

At the time of factual verification the Food Corporation of India stated as follows :—

"The Cost Accounts Officer of the Ministry of Finance in his report on the incidentals of the Corporation had stated that the incidence of handling charges may be worked out as a rate per quintal of sales and closing inventory. The Corporation has already been working out the costs for the normal distribution operations and buffer operations separately recognising the fact that the incidentals are incurred not only on sales but also on stocks. In respect of the normal distribution operations, the costs are worked out per quintal of sales and in respect of the carrying costs of buffer stocks, the costs are computed as a rate per quintal of average buffer stocks. Details of the storage, movement and distribution costs for the normal distribution operations and the carrying costs of buffer stocks for the years 1967-68 to 1970-71 are shown in the statement attached (Appendix—XVI)."

Chapter on "Personnel and Administration" but they cannot help repeating that there is a paramount need for rationalisation of staff strength keeping in view the trends of procurement, stocking, distribution etc. To give an example, the large handling staff at ports are no longer obviously required when the imports of foodgrains have perceptibly come down and adequate buffer stock of 5-7 million tonnes built up. The Committee consider that the question of reducing the heavy 'incidentals' brooks no further delay and they reiterate that it should receive earnest and continuous attention at the highest level. The Committee recommend that the Food Corporation of India/Government should critically analyse the present incidental expenses of the Corporation with the help of best expert available in the field of costing, management etc. and initiate effective steps to bring down the 'incidental' expenses to the barest minimum level, for in the last analysis it is the poor consumer and the Exchequer who have to bear this unconscionably high productive burden of handling charges of foodgrains by the Food Corporation of India. (Para 10-31).

Reply of Government

As mentioned against recommendation No. 53, the Corporation is working on certain definite norms in respect of its two main activities of procurement and storage. As for the other minor activities and the offices of the Corporation the strength of staff is determined on the basis of work studies conducted by the internal work study unit of the Corporation from time to time. The reports of the internal work study unit are considered by the Economy Committee of the Corporation which consists of the top Managers including the Financial Adviser.

The position of staff in the ports is also being reviewed periodically to ensure that surpluses are detected and re-deployed. It has been found so far, that the reduction of work resulting from reduced imports of foodgrains has been, by and large, off-set by the increased imports of fertilizers, exports of foodgrains and foodstuffs, internal movement of foodgrains through coastal shipping, required to supplement rail movements in order to feed the deficit areas in the South and the East from indigenous sources of supply in the North in replacement of the earlier pattern of supplies of imported grains through the ports. The position is constantly under review. Considering the expansion of the activities of the Corporation in the fields of procurement and storage, the re-deployment of surplus staff in the ports is not likely to present any serious difficulties.

[Ministry of Agriculture (Department of Food), O.M. No. 19-2/72-FCC, dated 7-12-1972]

Further Information called for by the Committee

Please state in detail:—

- (i) What are the latest measures taken;
- (ii) Analysis of incidentals;
- (iii) Measures taken to reduce heavy incidentals; and
- (iv) Deployment of surplus staff at the ports.

[L.S. Sectt. O.M. No. 13-PU|72 dt. 4-7-73]

Reply of Government

(i) As regards reduction in incidental expenses, the Government have already appointed a Committee of Secretaries to go into the procurement and distribution incidentals incurred by the Corporation. Necessary steps to effect economies would be initiated based on the recommendations of this Committee.

An Economy Committee has been set up in the Corporation headed by the Managing Director to review all items of costs, cut down unproductive expenditure and effect economies in operations.

(ii) The incidentals of the Corporation comprise of (i) Procurement incidentals and (ii) Storage, movement and distribution incidentals for normal and buffer operations.

Further analysis of these two types of incidentals is as under:—

Procurement incidentals

These incidentals are incurred on the procurement operations of wheat, rice etc. during the rabi and kharif seasons and the main elements of these incidentals are gunny, mandi, charges including commission paid to kutchra and pucca arhatiyas, labour engaged at the mandi, forwarding charges, internal movement; establishment charges paid to the State Governments, Co-operative Societies etc. in respect of procurement through these agencies, interest charges paid to the State Governments|Cooperative Societies, purchase| sales tax, State Government administrative charges, octroi etc.

Storage, movement and distribution incidental

These incidentals are incurred by the Corporation from the time the stocks are received at the first storage point till they are ultimately sold by the Corporation and includes all the charges incurred in movement, storage and distribution. The main elements of these incidentals are:

Transit loss|storage loss|voyage loss

Freight

Handling charges at godowns

Storage charges

Interest

Administrative overheads.

(iii) A large portion of procurement incidentals is paid to the other agencies of procurement and is based on the statutory levies in force (such as purchase/sales tax/octroi) and other compulsory charges such as payments to kutchra and pucca arhatiyas towards commission, mandi charges etc. The incidentals payable to the other agencies of procurement are fixed by the Government of India.

The scope for reduction in the procurement incidentals unilaterally by Food Corporation of India is, therefore, limited.

Again, as regards the storage, movement and distribution incidentals, a fair proportion of the incidentals is beyond the control of the Corporation. The storage charges and interest charges incurred in conducting the operations and maintaining the stocks are necessary costs and the scope for reduction is rather limited. Similarly, the movement costs which form a sizeable portion of the costs are also necessary costs and the scope for economy in the same is limited. With the gradual departmentalisation of labour in ports and godowns and with the gradual increase in various allowances from time to time and also due to the impact of the recommendations of the Pay Commissions, the handling and administrative costs have also been increasing. In spite of all these constraints, the Corporation has been taking a number of steps to curtail the costs of operation. Some of the important steps taken by the Corporation are as under:

- (a) Sub-standard hired godowns are de-hired as far as practicable.
- (b) Strict quality control measures are being enforced both at the time of purchases and during storage for the proper preservation of stocks.
- (c) Covered wages are being used more and more for the movement of foodgrains.
- (d) Surprise checks are being conducted periodically at the loading and unloading points.

- (e) Movements are planned in such a manner so as to reduce infructuous movement and transhipments.
- (f) A committee of the Board of Directors is currently examining in depth the incidence of storage and transit loss with a view to reducing the same.
- (g) A firm of Management consultants is currently examining the financial procedures and accounting practices for effecting improvements in them.
- (h) The management of funds is subjected to a close examination on a day-to-day basis in order to reduce the interest liability of the Corporation.
- (i) The sanction of additional staff is subjected to close scrutiny by the application of organisation and methods study.
- (j) Construction of silos and bulk storages are being resorted to reduce the incidence of handling costs etc.

(iv) The staff position at the ports has been under constant review. As was indicated earlier, the reduction of work resulting from reduced foodgrains imports was by and large, off set by the increased imports of fertilizers, "exports" of foodgrains and foodstuffs to Bangla Desh, internal movement of foodgrains through coastal shipping required to supplement rail movements in order to feed the deficit areas in the South and the East from indigenous sources of supply in the North in replacement of the earlier pattern of supplies of imported grains through the ports. Towards the end of 1972, the Government of India decided to import foodgrains to the extent of 2 million tonnes. It seems further imports will need to be undertaken for meeting internal requirements. The work at the Ports is not likely to decrease; on the other hand it may even become necessary to strengthen the staff at bigger ports.

In the circumstances, there is no likelihood of any surpluses in the staff at the ports for quite sometime.

[Ministry of Agriculture (Department of Food), O.M. No. 19-2/72-FCI, dt. 31-7-1973]

Recommendation (Sr. No. 60)

The Committee find that, as on 31st March, 1971, while the turnover of the Corporation has increased five times its staff strength has increased 12 times. The Committee are not able to appreciate

the passive and somewhat complacent attitude adopted by the Corporation in the matter of taking over a large number of staff on the plea that they were doing the work before the Corporation was formed and took over those functions. The Committee feel that it should not have taken the Corporation long to work out some realistic norm and critically examine on each occasion to see whether it was at all necessary to add the entire staff while taking over some functions. It was obviously incumbent on the Corporation to ensure on each such occasion that the number taken over was absolutely the minimum and essential for the discharge of responsibilities. The Committee feel that had this critical and analytical approach been applied from the very inception, the Corporation would not have found itself burdened with the problem of an excessively large number of staff. (Para 12.20)

Reply of Government

It is not quite correct to compare the increase in staff strength with the increase in turn over. One of the major activities of the Corporation on which considerable staff is employed is storage including preservation of grain in storage. This activity and so also the strength of staff employed on it have been increasing with the rapid increase in the buffer stocks held by the Corporation. Thus, a rather substantial component of increase in staff, is not reflected in the increase in turn over. Further, the Corporation has as noted by the Committee in paragraph 1.8 of its report diversified its activities and entered the field of processed food and also taken up the construction and maintenance work through its own Engineering Division. The increase of staff resulting from these activities is also not reflected in the increase in turn over at this stage.

It is also not quite correct to say that the Corporation has adopted a Passive and somewhat complacent attitude in the matter of taking over staff from the Central Department of Food. The staff working in the Department of Food were transferable to the Corporation statutorily under Section 12-A of the Food Corporation Act, 1964 and the Corporation had no choice in the matter. Further, the employees were actually engaged on the functions transferred to the Corporation and their strength had been regulated in the Department of Food also on the basis of certain definite norms prescribed by that Department in consultation with the Ministry of Finance.

It has already been explained under recommendations Nos. 53 and 54 that the Corporation has been working on the basis of the certain definite norms of staff in respect of the major activities of procurement and storage and has been regulating the strength of staff in respect of the other activities on the basis of work studies conducted by an internal work study unit. It has also been explained that the norms in respect of storage and procurement have been studied by external expert bodies. In addition, the Corporation has recently taken up an expert study of the staffing patterns of District Offices of the Corporation. This study has been entrusted to a special officer employed from the Indian Institute of Public Administration through the panels maintained by the Bureau of Public Enterprises. The report of this Special Officer is expected to be ready in about 3 months. With that, the bulk of the manpower requirements of the Corporation would have been screened on a scientific basis.

[Ministry of Agriculture (Department of Food), O.M. No. 19-2/72-FCC, dated 7-12-1972]

Further information called for by the Committee

Please state the salient points of the observations|recommendations made by special officer and the decision|action taken thereon by the Government as on date.

[L.S. Secretariat O.M No. 13-PU|72 dated 4-7-1973]

Reply of Government

The salient feature of the report on work-study of the District Offices by the Officer-on-Special Duty (Work-study) are given below:—

- (a) The categorisation of District Offices as heavy, medium and others has been suggested and a general pattern of staff for such District Offices has been indicated. However, it has been observed that a rigid standard pattern for the District Offices is not possible due to wide variations in the methods of operation and scope of activities.
- (b) It has, therefore, been suggested that the District Offices may supply the data regarding the work-load relating to the different activities carried on in the different sections. For this, a detailed questionnaire listing out the activities carried on in the different sections, has been prepared and circulated among the District Offices.

- (c) The integration of the ministerial and godown staff has been recommended.
- (d) Detailed job descriptions for the different categories of staff posted in the District Offices have been recommended.

2. Action has already been taken for implementing the report by circulating the questionnaire among the District Managers asking them to list out the quantum of different activities performed by them. Some of the District Offices have sent in the questionnaire duly completed and action is being taken for review of sanction of staff based on such information.

The Zonal Managers have been requested to give their views on the job descriptions and the recommendations for merger of ministerial and godown, staff, in consultation with their Regional Managers, taking into account the views of the representative association/union in their zones.

[Ministry of Agriculture (Deptt. of Food), O.M. No. 19/72-FCC, dated, 25-7-1973]

Recommendation (Sl. No. 62)

The Committee would also like to draw attention to the problems of dock labour engaged specially for handling of food-grains. A study made in the 1970 had revealed that as many as 2,989 dock labour were surplus to requirements. The Committee note that as a result of instruction of various measures such as voluntary Retirement Scheme and alternative employment scheme, the Corporation were able to shed 1005 dock labour leaving still 198 of dock labour as surplus. As our country has already sustained self-sufficiency in foodgrains and we have adequate buffer stock of 7 million tonnes of food-grains, the import of food-grains is bound to cease. The Committee recommend that keeping in view these factors, the Corporation should undertake continuous study to determine the extent of surplus departmental dock labour engaged in handling of foodgrains and draw up a time bound programme in consultation with Port Trusts, Dock labour Boards Ministries of Transport and Labour for finding alternative employment for them (Para 12.22).

Reply of Government

The requirements of Departmental Labour *vis-a-vis* the surplus of the various Ports which is reviewed from time to time, has been re-assessed keeping in view the traffic likely to be handled mere

particularly the exceptionally heavy imports of fertilizers i.e., almost double (30 lakh tonnes) during 1972-73, as compared to 15 lakhs tonnes in 1970-71. The Projection for 1973-74, is still higher, at about 37 lakhs tonnes, besides some coastal shipments of food-grains and exports to Bangla Desh. As a result of adoption of various measures such as introduction of voluntary retirement schemes, providing of alternative employment in the FCI Storage Depots and Shipping and Painting Section of Dock Labour Board Bombay, there is at present no immediate problem of surplus departmental labour at the Ports. The position is, however, being kept under close watch to take immediate remedial measures whenever required.

[Ministry of Agriculture (Deptt. of Food), O.M. No. 19-2-72-FCC,
dt. 7-12-1972]

Recommendation (Sl. No. 68)

Normally when the staff strength of an undertaking increases, expenditure on overtime allowance is expected to come down. The Committee however, observe that in the case of Food Corporation of India, despite increase in its staff strength, expenditure on overtime allowance to staff showed an upward trend. Expenditure on Overtime Allowance has increased from about Rs. 10 thousand in 1965-66 to Rs. 56 lakhs (approximate) in 1970-71. Keeping in view the fact that the Corporation have more than adequate number of personnel on their rolls, the Committee suggest that the deployment of manpower and rosters of duty should be so arranged as to bring down the incidence of overtime. (Para 12.28).

Reply of Government

The recommendations of the Committee are noted. The Corporation has already taken steps to bring down the expenditure on overtime allowances to the minimum. Circulars have been issued recently to all the Zonal|Regional Offices to exercise careful scrutiny on all overtime requirements and to cut down the overtime to the barest minimum. The need for organising the work in such a manner that overtime arises only in special circumstances has been stressed on all the officers of the Corporation and the implementation of these instructions is being closely watched.

[Ministry of Agriculture (Department of Food), O.M. No. 19-2-72-FCC, dated 7-12-1972]

Recommendation (Serial No. 64)

The Committee recommend that genuine grievances of the employees of the Corporation should be attended to with sympathy by the management of the Corporation. (Para 12.32).

Reply of Government

It has been the practice of the management of the Corporation to allow the representatives of the employees access to different levels of management for representing their individual and group grievances. A machinery has also been evolved for redressal of grievances of the employees of the Corporation by holding periodical meetings with them at various levels and efforts are constantly being made to attend constructively and sympathetically to the problems brought out by them and finds solutions as a result of discussions. This approach, on the whole, has been working well so far and discussions with their representatives have by and large been quite fruitful. Beside, *ad-hoc* meetings with the representatives of the employees are also held at different levels to consider their emergent demands.

It may be seen from the above that the genuine grievances of the employees of the Corporation are always being attended to with sympathy by the management.

[Ministry of Agriculture (Deptt. of Food) O. M. No. 19-2/72-FCC.
dated 7.12.72].

Recommendation (Serial No. 65)

The Committee noted that the Food Corporation of India have a Planning & Research Division which has been expanded recently. The Committee feel that the work could have been handled by a cell instead of a Division, as the main purpose of planning and research is to help the management in devising tools for exercising vigilant, contemporaneous and effective control of field operations. The expenditure on this cell should be kept under close scrutiny and should be commensurate with the services it is able to render to the management. The Committee need hardly stress that the approach of the cell should be problem-oriented. The Committee would commend that

the following problems, amongst others, may be taken by Research and Planning Cell for urgent study:

- (i) Devising ways and means for purchasing either directly or through genuine cooperatives from the producer so that he gets the maximum benefit of floor price;
- (ii) Planning movement of foodgrains so as to obviate "damage by wet";
- (iii) Location of storage capacity, keeping in view the size of Buffer Stock to be built and the need to remove regional imbalances and transport bottlenecks;
- (iv) Analysis of 'incidentals' incurred by the Corporation with a view to reduce them to the minimum; and
- (v) Perspective plan so that the Corporation may modify/rationalise its structure and modes of operation in keeping with changing requirements. (Para 13.5).

Reply of Government

The recent strengthening of the Planning and Research Division was done to undertake the additional responsibilities in the field of market intelligence in pursuance of the observation of the Ministry of State regarding the urgent need to have an improved market intelligence system in the Food Corporation of India. The Committee themselves in their recommendation at No. 11 have stressed that market intelligence is the key to market operations and no pains should be spared to make it precise and realistic. The appraisal report of I.B.R.D. on "Wheat shortage Project (India) had also advocated that with the changing pattern of Food Corporation of India's activities, there is growing need for more planning and research, as well as economic evaluation of procedures and projects and in order that the Planning and Research Division of Food Corporation of India may cope with its increasing workload, its technical staff should be increased. It may be stated that Planning and Research Division, in addition to Market Intelligence, has the following functions:

- (i) Project Planning & Evaluation

(ii) Operation Research & Systems

(iii) Protein Foods

(iv) Surveys.

As the examination and evaluation of each of these different fields requires well trained research staff of different disciplines of applied science, manpower planning of the Division has been done so that the division become a composite unit consisting of an Economist, Statistician, Sociologist, Food Technologist and Industrial Engineer and be thus in a position to apply inter-disciplinary approach to the problems and serve the line management more effectively to frame policies in conformity with the actual operations of the Corporation. This wing in fact forms the brain trust and watch-in watch dog of the Corporation and it will be evident from the enclosed appendix-XII) giving its broad set-up that the workload justifies the existing fulfilled Division and is not susceptible of being handled by a cell. In fact, other commercial Public Undertakings like State Trading Corporation, Indian Oil Corporation etc. have also fulfilled Management Services Division to help their management to take decisions objectively and judiciously. This is also in keeping with the Government's decision to consider the setting up of a management services unit for using modern aids and techniques to help management in decision making. Copy of the letter by the Food Department in this regard may be seen at Appendix XIII. However, as desired by the Committee, the performance of the Division and its expenditure would be continuously reviewed and further administrative action taken from time to time.

Further, the Committee's recommendation that the approach of the Division should be problem oriented and undertaken, has also been noted. It may however, be noticed from the Appendices XIV and XV showing performance review of the Division for the two years 1970-71 and 1971-72 that the Division has in fact been tackling problems concerning Food Corporation of India's operations and have been quite useful to management for taking operational decisions and also for chalking out future plans.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-
FCC, dated 7-12-1972]

Further Information called for by the Committee

Please state the cost of Planning & Research Division as compared to the total cost.

(L.S. Sectt. O.M. No. 13-PU|72 dated 4th July, 1973)

Reply of Government

The estimated cost of the pay and allowances of the staff deployed in the entire Planning and Research Division of the Corporation is about Rs. 2.4 lakhs in 1973-74. This forms about 0.09 per cent of the total pay and allowances of the Corporation.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2-72-
dated 25th July, 1973]

CHAPTER IV

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

Recommendation (Sr. No. 5)

The Committee found that since 1967 there had been shortfalls in achievement of targets of procurement ranging from 6 to 12 per cent despite the fact that Government had been keeping a watch on the progress of procurement in more than one way and taking remedial measures as and when problems arose. The Committee felt that whenever shortfalls in achievement of targets of procurement occur beyond a certain level in future, an investigation should invariably be carried out by Government to find out what had caused these shortfalls and devise remedial measures for future.

(Para 3.10).

Reply of Government

As has been observed by the Committee, Government keeps a very vigilant watch on the progress of procurement. The progress is reviewed at various levels and suitable directions etc., are given from time to time to the F.C.I. and the State Governments to ensure that procurement is maximised. Government fully agrees with the observations of the Committee that wherever there is a major shortfall in the achievement of the procurement targets, this should be looked into and suitable remedial measures taken for future.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2-72-
FCC, dated 7-1-1972]

Further Information Called for by the Committee

Please furnish a note containing targets of procurement, performance and percentage shortfall in the achievement of targets year-wise with reasons for shortfalls for Rabi beyond March, 1971 and Kharif after October, 1970.

[L.S.S. O.M. No. 13-PU/72 dt. 24-7-73]

Reply of Government

NOTE INDICATING THE TARGETS OF PROCUREMENT PERFORMANCE AND PERCENTAGE SHORTFALL IN THE ACHIEVEMENTS OF TARGETS YEAR WISE WITH REASONS FOR SHORTFALL FOR RABI BEYOND MARCH, 1971 AND KHARIF AFTER OCTOBER, 1970.

I. Rabi Foodgrains:

The targets of procurement, actual procurement and percentage short fall and/or increase in the achievement of target year-wise

(In '000 tonnes)

for the 1971-72 and 1973-74 season upto July, 1973) are indicated below:—

Grain	1971-72 (Apr.-Mar.)		1972-73 (Apr.-Mar.)		1973-74 (Apr.-Mar.) so upto July, 73		
	Target fixed by APC	Qty. actually procured	Target	Qty. actually procured	Operational target fixed by FCI	Qty. actually procured	% age short falls (-) excess (+) in achievement of target
Wheat	4095	5101 (+)24.6	@	5006	8118	4328	(-)46.7
Rabi C. grains	@	11	@	73	@	11	..

@ —No targets were fixed by A.P.C.

It will be seen that the actual procurement of wheat exceeded the target by 24.6 per cent during the marketing season 1971-72. No targets of wheat procurement for 1972-73 marketing season were fixed. However, the actual procurement was of the order of 5 million tonnes. An operational target of 8.1 million tonnes for wheat was fixed by the Food Corporation of India for 1973-74 season. The total procurement of wheat so far, has been 4.3 million tonnes. The procurement is still in progress and will continue till the end of March, 1974. The wholesale trade in wheat was taken over by the Government from the current Rabi season. As a result, the procurement drive started will in April, 1973 in as much as 4.70 lakh tonnes wheat was procured which was the highest in the same period of last 3 years. Thereafter the progress of procurement of wheat has been slow.

Reason for Shortfall in Procurement during 1973-74

The main reason is attributed to low pace of market arrivals. The other reasons are:—

- (i) Lower estimates of production of wheat by the State Governments for 1972-73.
- (ii) With-holding of wheat stocks by the producers on account of high market prices of other foodgrains as compared to the procurement price of wheat.
- (iii) The capacity of the producer to hold back the wheat stocks has improved with higher wheat productivity in the past few years. The minimum financial requirements of the producers are met by selling other crops, which are fetching relatively higher prices.
- (iv) General psychology of shortage among the masses leading to hoarding of wheat by the traders and consumers as well.
- (v) Concerted effort and propaganda by the whole-sale traders and other interested parties against the wheat take over policy.
- (vi) Agitation in the States of Punjab, Haryana and Bihar by opposition parties against the take over policy, and
- (vii) General price rise spiral has also acted as an irritant to the producer who felt that the discipline of price control was being imposed upon him alone.

II. Kharif Foodgrains:

The target of procurement, actual procurement and percentage of shortfall in the achievement of the target, year-wise for the 1970-71, 1971-72 and 1972-73 season (up to July, 1973) are indicated below: —

Grain	1970-71 (Nov.-Oct.)			1971-72 (Nov.-Oct.)			1972-73 (Nov.-Oct.)			upto July, 73
	Target fixed by APC	Qty. actually procured	%age shortfall(—) in achievement of target	Target fixed by APC	Qty. actually procured	%age shortfall(—) in achievement of target	Target fixed by APC	Qty. actually procured	%age shortfall(—) in the achievement of target	
Rice	4700	3196	(—)32.0	4250	3116	(—)26.7	4000	2559	(—)36.0	
Kharif C. grains	800	485	(—)39.4	500	181	(—)63.8	600	271	(—)54.8	

During 1970-71 and 1971-72 marketing season (November—October) the actual procurement of rice fell short of target by 32.0 per cent and 26.7 per cent respectively while the procurement of *Kharif* coarse grains fell short of the target during the same period by 39.4 per cent and 63.8 per cent respectively. During the current season i.e. 1972-73 the procurement of rice and *kharif* coarse grains so far has also been less than the target. The procurement is still in progress. The actual procurement of rice and *kharif* coarse grains in the country has never reached the target recommended by the Agricultural Prices Commission.

Reasons for Shortfall

Some of the reasons for the non-achievement of target for procurement recommended by the APC are, lower production in certain States than anticipated at the time of APC recommendations, high prices in the open market has compared to procurement prices and law and order problems in some States. Severe drought in 1972-73 affected the *kharif* crop considerably.

(Ministry of Agriculture (Department of Food), O.M. No. 156(8)/72-FCI-dated 28-7-1973).

Comments of the Committee

Please see Chapter I of the Report.

At the time of factual verification food Corporation of India stated as follows:—

Commodity	(Figures in '000 tonnes).	
	Procurement as on 3-12-1973	Percentage.
Wheat	4526	(-) 44.8
Coarse-grain	17	..

The Food Corporation of India procured 2195 tonnes of rice and paddy in terms of rice and 203 tonnes of coarse grains during the *Kharif* Season 1972-73.

Recommendation (Sr. No. 16)

The Committee understand that the latest trend is to provide

bulk storage structures like Silos and Bins although the capital costs of bulk storage may not compare favourably with the present system of storage in bags. The operating costs are lower in the case of bulk storage with the added advantage of better preservation of grains. For taking up proposals for construction of Silo storage, a detailed feasibility study would be necessary to examine what other complementary facilities are necessary to be provided in 'Mandis' and elsewhere in order to ensure that working of Silos was efficient and economical. The Committee are of the view that it is better to spend more on scientific storage now than lose year after year by allowing widespread damage to foodgrains owing to faulty and outmoded storage system. (Para 4.22).

(Para 4.22)

Reply of Government

As already pointed out in reply to Recommendations No. 14 and 15, the designs followed by FCI and CWC at present are found suitable by the Expert Committee on storage. These conventional designs of storage are neither faulty nor outmoted.

Silo/Bin storage would require complementary modernisation of facilities at the Mandi, for movement and at other stages.

In the Approach Paper to the Fifth Five Year Plan, it has been suggested that about 1.0 million tonnes of Silo-Bins storage capacity should be developed during the Fifth Plan, in addition to such facilities already developed and that proposed under the World Bank wheat storage project. The provision of these facilities would be proceeded by a detailed feasibility study to examine the requirement of complementary facilities at 'Mandis' and elsewhere in order to ensure that working of silos is efficient and economical.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2-72-
FCC, dated 7-12-1972]

Comments of the Committee

Please see Chapter I of the Report.

Recommendation (Sr. No. 26)

The Committee note that from May to July 1968, out of 12.36 lakh tonnes of foodgrains transported from Punjab, Haryana and Andhra Pradesh on Government account from May to July during 1968, 2.36 lakh tonnes of foodgrains were transported in open wagons. Unfortunately there were early monsoon rains in the Eastern and

Western Regions where the bulk of despatches were concentrated and consequently 6,741 tonnes of foodgrains got wet and were rendered unfit for human consumption. The Dave Committee which investigated into the damages to foodgrains moved in open wagons recommended *inter alia* that foodgrains should under no circumstances be carried in open wagons without tarpaulins. The Committee regret that despite Dave Committee's recommendation, the FCI used 12,814 open wagons in 1970 of which 467 wagons were stated to be without tarpaulins. During 1971, 14,336 open wagons with tarpaulins were used. It was found that 58 wagons reached West Bengal Region and 21 wagons reach U.P., without any tarpaulins. It was explained by the Corporation that "Due to early rains and late harvesting in 1970 and because of the fact that public offering of foodgrains was more in 1970 than in 1969, peak despatches had to be compressed in a much shorter period and consequently movement by open wagons had become necessary. The Committee recommend that keeping in view the experience of 1968 and as a matter of abundant caution, the use of open wagons should be avoided in future. Should it become unavoidable to use open wagons owing to unforeseen reasons, it should be ensured that open wagons are covered with tarpaulins without fail. The Committee feel that the Corporation cannot afford to take chances in a important matter like this. The Committee have been informed by the Ministry of Railways that availability of covered wagons has increased from 1,58,083 BG and 76,205 MG in 1966 to 1,86,639 BG and 81,841 MG upto October, 1971. (Para 5.30).

Reply of Government

Efforts are always made by the Railways to make maximum number of covered wagons available for foodgrains traffic but usage of some open wagons is inescapable due to heavy movement during the peak procurement periods and when abnormal requirements of the State Governments have to be met in situations caused by natural calamities etc. As against the total movement of about 8 million tonnes of sponsored foodgrains in a year by the F.C.I. on Central Government account about 5 million tonnes is originating in the Northern Region. Of the empty wagons which become available in the Northern Region a large number is of the open wagons released from in-coming coal loads. The open wagons are generally received in block rakes. Almost the entire movement of foodgrains from the Northern Region is by piecemeal because piecemeal movement over long distances has serious operational difficulties and cannot be expeditious. Therefore, block rakes of open wagons have to

be used in fair weather for loading foodgrains because of the limitations of the Railways in supplying the required number of covered wagons.

The elimination of the use of open wagons is, perhaps, not feasible. While, during the period from 1966 to 1971, the availability of covered wagons on the Railways has increased by 18 per cent on the broad gauge and 7.4 per cent on the metre gauge, the overall traffic handled by the Food Corporation of India on the Northern Railway alone has increased by more than 300 per cent. It is not operationally feasible for the Railways to divert covered wagons to the Northern Railways to the extent needed for the clearance of sponsored foodgrains. Consequently, even in the Rabi operations during 1972 (April to June) approximately 14,777 open wagons had to be used in addition to 49,858 covered wagons for the movement of foodgrains over the Northern Railway alone.

However, the Food Corporation of India and the Railways exercise all possible care to ensure that open wagons loaded with foodgrains are not moved without tarpaulins. The replacement and retying of tarpaulins if necessary is ensured at check-points (important yards and transshipment points) enroute. The Railways have also issued strict instructions that all specials of open wagons loaded with foodgrains should be escorted right through to destinations to prevent damage and pilferage.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2-72-
FCC, dated 7-12-1972]

Comments of the Committee

Please see Chapter I of the Report.

Recommendation (Sr. No. 27)

During evidence, the representatives of the Ministry of Railways (Railway Board) opined that 'the danger is not that the foodgrains are moved in open wagons but the detention at terminals is fraught with danger in that they get exposed to rains'. The Committee also learnt during evidence that for the last six months or so, there had been hold-ups of movement in the Eastern sector. The wagons, it was stated, were not unloaded in time resulting in delays in the return back of the wagons. The Committee are deeply concerned with the problem of hold-up of wagons at terminals. Delays in unloading of wagons not only result in less availability of wagons

for movement of foodgrains in the country but also create bottlenecks, frustrating the very objective of ensuring movement of foodgrains on a planned basis. The Committee, therefore, recommend that concerted efforts should be made by the Department of Food/Food Corporation of India and the Railways to ensure that wagons carrying foodgrains are not held up enroute or at terminals to obviate losses by 'wet' or pilferage. (Para 5.31).

Reply of Government

It is correct that there were detentions to wagons at the terminals in the eastern sector, particularly in the Calcutta Complex of West Bengal. The unloading of wagons in West Bengal and Calcutta Complex was affected by the law and order situation in the State and by labour troubles. This matter had been taken up by the Government of India with the Chief Minister, West Bengal. The Chief Minister, West Bengal, intervened in the matter and resolved various disputes. Consequently the position in regard to the unloading of wagons in West Bengal has improved appreciably, since the last week of August, 1972. The Food Corporation of India has also opened a few more terminals for receiving and promptly releasing the inward foodgrain wagons, in the Calcutta Complex.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2-72-FCC, dated 7-12-1972]

Further Information Called for by the Committee

Please furnish statistical data in respect of foodgrains wagons unloaded in the West Bengal since 1972 to substantiate that there has actually been an improvement in unloading of wagons in West Bengal.

(LSS O.M. No. 13-PU/72 dated 21.9.1973)

Reply of Government

A statement showing the number of wagons placed on sidings|platforms etc. in West Bengal for unloading and the number of wagons unloaded etc. during the years 1971-72 and 1972-73 is annexed (Appendix I)

It will be observed from the statement that the percentage of wagons which could not be unloaded *vis-a-vis* the number of wagons placed on sidings|platforms etc. for unloading for the years 1971-72 and 1972-73 was 32.22 and 20.98 per cent respectively. Thus, there

has been a substantial improvement in the unloading of wagons in West Bengal during the years 1972-73.

[Min. of Agriculture (Deptt. of Food) O.M. No. 19.2/72-FCI dt. 17-10-1973.]

Comments of the Committee

Please see Chapter I of the Report.

Recommendation (Sr. No. 34)

The Committee note that sometime back the Government of India had suggested to various State Governments that the Food Corporation of India should be given the responsibility for wholesale distribution of foodgrains also, so that by taking on this additional work and using its staff, which did not have much work during the non-procurement season, the Corporation could reduce its overheads and thereby both procurement and distribution could be done a little cheaper than otherwise the Committee have been informed that Government are examining this matter and a policy decision will be taken by them soon. The Committee liked Government to expedite their decision. The Committee would, however, like to stress that the approach should be for finding greater utilisation of staff already on the pay rolls of Food Corporation of India and not to add to them in the name of additional responsibilities taken over from States. As recommended elsewhere in the Report, there is a pressing need to reduce the burden of overheads, which are borne largely by the consumer and exchequer. Moreover, Government should keep in mind the fact that with growing abundance of foodgrains in the country the need for regulatory measures and extensive distribution agency may in course of time come to be reduced.

As far as the internal distribution of foodgrains in the States is concerned, it is and should continue to be the Primary responsibility of the respective State Governments. The State Governments have a civil supplies organisation which is expected to handle this work. There should, therefore, be no question of transfer of internal distribution work to the Corporation alongwith the staff concerned in any State. (Para 6.13).

Reply of Government

In view of the recent decision to take over the wholesale trade, the entire question is being examined, as it seems that it is not possible for one single organisation to assume the responsibility for the entire country. Several Public Agencies may have to be involved.

As a policy, internal distribution of foodgrains continues to be the responsibility of the State Governments except where some of the State Governments under special arrangements have decided to entrust this work to the Food Corporation of India.

[Ministry of Agriculture (Department of Food) O.M. No. 19.2/72-FCC,
dated 7-12-1972]

Further information called for by the Committee

Please furnish a copy of the upto-date sets of orders etc. issued by the Government of India for the distribution etc. of foodgrains.

[L.S. Sectt. O.M. No. 13-PU/72. Dt. 4-7-1973]

Reply of Government

The wholesale trade in wheat was taken over from the current rabi season. Since it was not possible for one single organisation to assume the responsibility of distribution for the entire country, retail dealers have been permitted to operate under a system of licensing and/or registration to purchase and store wheat within the prescribed limits and sell the same only to the consumers at a price not exceeding the maximum retail price fixed by the State Governments.

As a policy, internal distribution of Foodgrains continues to be the responsibility of the State Governments except where some of the State Governments under special arrangements have decided to entrust this work to the Food Corporation of India.

[Ministry of Agriculture, (Deptt. of Food), O.M. No. 19.2/72-FCC I dt. 28-7-73.]

Further information called for by the Committee

Please state in details the decision and action taken about the utilisation of staff during the non procurement season to reduce the overheads of Food Corporation of India. Please state in details whether Food Corporation of India is responsible for distribution of foodgrains consequent upon their take over by Government and also whether the retail dealers after purchasing wheat at Government price have also sold them to the consumers at the fixed Government price.

[L.S. Sectt. O.M. No. 13-PU/72 dt. 21-9-73]

Reply of Government

The Corporation has sanctioned regular staff for manning its various offices and godowns throughout the country in connection

with its normal functions of purchases, movement, storage and sale of foodgrains as well as for maintaining the connected accounts and maintenance and preservation of stocks. Some regular staff is also sanctioned on the quality control side, for its procurement operations.

In addition, staff is sanctioned on a temporary basis for seasonal work during rabi and kharif procurement operations depending on the mode of procurement and the quantity of food-grains expected to be procured/purchased by the Food Corporation. The sanctions for additional staff automatically lapse on the expiry of the period for which they are given. The regular staff sanctioned for procurement work remains busy throughout. The Corporation is engaged in the work of procurement (Rabi or Kharif) almost throughout the year. It is only from the beginning of August to the end of September that the procurement work gets considerably reduced. Operations on a small scale, however, continue even then and the procurement machinery has to be maintained though on a reduced scale. The staff sanctioned on regular basis takes care of the arrivals in the markets after the withdrawal of the sanctions for staff on temporary basis. Besides, completion of accounts, submission of periodical statements and returns and other items of work which cannot normally be attended to during the peak procurement season, are undertaken during the lean period.

The staff sanctioned for storage and other operations remains busy with receipts, issues and other day-to-day operations. The FCI Management is also considering the question of having multi-purpose staff by merging the existing godown and ministerial cadres which may later cover quality control cadre also. These proposals, at this stage, under discussion with the Zonal Managers as also representatives of the staff. Merger of these three cadres, when brought about, would enable the FCI Management to deploy staff in any field like storage, movement, quality control, etc. wherever the work-load at any given time so demands and thus utilise the staff gainfully throughout the year.

Pending the creation of a common cadre, posts sanctioned for procurement are, to the extent practicable filled by deployment of staff available in the godown and technical cadres and the balance of posts are filled either by taking persons on short term deputation from the State Governments or by direct recruitment.

The internal distribution of foodgrains continues to be the responsibility of the State Governments. Some of the State Governments under special arrangements, have entrusted this work to the Food

Corporation of India. Keeping in view the demand and overall availability of Foodgrains in Central pool, allotments are made by the Centre to State Governments and the Food Corporation of India arranges supplies to State Governments according to Central allocations. Distribution of foodgrains to the fair price shops and mills etc. is done by the State Governments themselves.

[Ministry of Agriculture (Department of Food), O.M. No. 19.2/72-FCI. dt. 12-10-1973]

Comments of the Committee

Please see Chapter I of the Report.

Recommendation (Serial No. 38)

The Committee find that though the Rice Mills Project was approved by Government in 1967 the location of the last 2 out of 24 rice mills was finalised as late as October, 1970. It thus took three years to complete finalisation of location of these Rice Mills. The time taken is obviously excessive and it should have been possible to finalise the matter with greater sense of urgency. The Committee also find that so far it had been possible to commission only 16 out of 24 modern Rice Mills in the country. The Committee understand that in setting up these Mills, the Corporation encountered difficulties like delay in acquisition of land, delay in supply of mild steel plates required for fabrication of Dryers, parboiling tanks and chimneys and special steel plates for boilers etc. The Committee feel that an important project like the Rice Mills should have been given high priority in allocation of steel, fabrication of parts and acquisition of land so as to make the Mills operative with the least possible delay. (Para No. 7. 21)

Reply of Government

The final project report of the 24 rice mills was completed in April, 1968. By November, 1968 the locations of 8 mills were finalised and approved and further 10 locations were approved by March, 1969. In fact 18 locations out of the 24 locations were decided within a period of 12 months from the date of the final project report. Of the remaining 6 locations, 2 were decided in the latter part of 1969 another two in the first half of 1970 and the last two in October, 1970. As the areas having the greatest potential of paddy were selected earlier and thus pre-empted, for deciding location of the last 6 mills, a large number of alternative areas in different States had to be examined. For finalising the location feasibility report, a number of details on important criteria were to be collected which took considerable time and thereafter some more time was spent in conducting on the spot studies. In

view of the comprehensive nature of the studies and the need for examining a large number of alternatives for the few remaining mills in the later period, the time taken for finalising locations may not be considered as unreasonable.

Two more rice mills have since been set up since the time of publication of the Committee's report. As on date, 18 mills have been commissioned and action has been taken on top priority basis to complete the balance by early 1973.

[Ministry of Agriculture (Department of Food), O. M. No. 19.2/72-
FCC, dated 7-12-1972]

Further information called for by the Committee

"The Committee feel that an important project like the Rice Mills should have been given high priority in allocation of steel, fabrication of parts and acquisition of land so as to make the Mills operative with the least possible delay."

[L.S. Sectt. O.M. No. 13-PU/72 Dt. 4-7-1973]

Reply of Government

While it is fully realised that priority should have been given in allocation of steel and fabrication of parts and acquisition of land as pointed out by the Committee, there were some practical difficulties which led to delay in these matters. The sponsored demands of govt. sector was much more than the available material. Besides the demands of Ministry of Defence had to be given a high priority. Due to these factors our requirements could only be partially met in spite of best efforts every quarter and for the supplies to be completed, it took about a year.

As regards the acquisition of land, as the same had to be acquired by resorting to land acquisition proceedings in certain cases, despite best efforts on the part of the revenue officials and the follow up action by the Regional Managers of the Food Corporation of India, it took considerable time on account of the inherent time-consuming factors in such proceedings like the settlement in a court of law of the various objections raised against the acquisition and the compensation to be paid to owners.

[Ministry of Agriculture, (Deptt. of Food), O.M. No. 19.2/72. FCC-
dated 25-7-1973]

Comments of the Committee

Please see Chapter I of the Report.

Recommendation (Serial No. 39)

The Committee find that according to the locations finalised by FCI for setting up modern mills the States of Tamil Nadu, Andhra Pradesh and West Bengal will have 4 rice mills each, the State of Orissa will have 3 rice mills, the State of Assam, Bihar and Punjab will have 2 rice mills each and the States of U. P., Haryana and Kerala will have one rice mill each. There would be no rice mill in Madhya Pradesh. During evidence the official representatives of the Ministry stated that one reason why no rice mill was located in M.P. was that there were already a large number of private mills there. Stating that efforts were being made to get rice milling in that State under the Cooperative Departments' activity, the official representative assured the Committee, "but if it is considered necessary, we will certainly see that the rice mills were set up there." The Committee feel that the Corporation should make a careful re-assessment of the requirement of rice mills in the States not given adequate attention in the plan of location of hitherto (e.g. M. P., U.P., and other rice producing States). The plea that large number of private rice mills exist in a State is not a convincing argument. The Committee feel that no chances be taken with private mills and hence the Corporation should decide soon to locate rice mills in such States so that there is healthy competition between private and public rice mills or to break the monopoly of the private mills as they might misbehave any time. (Para 7.22).

Reply of Government

The second phase, when the Food Corporation of India might have to set up another 24 Modern Rice Mills in the country has been initiated. Detailed information about the potential locations has been called for from all the States including M.P., U.P. and other States which were not adequately represented in the first phase. The recommendations of the Committee will be kept in view while finalising the locations. However, it may be clarified that the main reason for not setting up Modern Rice Mills in M. P. in the first phase was the existence of a large number of rice mills in the cooperative sector and this fact was brought out during the oral evidence of the Food Secretary on 14-8-1971.

[Ministry of Agriculture (Department of Food) O.M. No. 19.2/72-FCC,
dated 7-12-1972]

Comments of the Committee

Please see Chapter I of the Report.

Recommendation (Serial No. 42)

The Committee would like the Corporation to carefully evaluate the working of the Maize dryer at Khanna (Punjab) before installing additional dryers. (Para 7.27)

Reply of Government

The direction of the Committee has been noted for compliance. The evaluation of the 5 tonne per hour capacity maize dryer located at Khanna (Punjab) would be done in all the seasons to determine its efficiency in operation and also help in taking decision for installation of additional dryers of the type. The dryer at Khanna dried about 2,060 M.T. and 3,050 M.T. of maize during the 1970-71 and 1971-72 Kharif seasons, respectively. Approximately the per unit cost of drying has come down from Rs. 28.55 per tonne in 1970-71 to Rs. 25.30 per tonne during 1971-72, indicating an improvement in the efficiency and greater capacity utilisation. Though theoretically the maize dryer is expected to work for 90 days i.e. about 3 months, the scope for its fuller utilisation is greater in the early period of the season of market arrivals when the moisture content will be comparatively higher than the later period. In view of this fact, it may be stated that the performance of the dryer at Khanna has been satisfactory during 1971-72.

[Ministry of Agriculture (Department of Food) O.M. No. 19.2/72-FCC, dated 7-12-1972]

Comments of the Committee

Please see Chapter I of the Report.

Recommendation (Serial No. 49)

The Committee find that since 1965-66 the Food Corporation has been paid a total sum of Rs. 67.98 crores as subsidy by Government up to May, 1971. Subsidy is mostly paid on account of wheat because the economic cost of wheat is more than its wholesale issue price. In the case of rice, distribution was made at the economic cost and consequently the subsidy thereon was negligible. During evidence the Committee could not get an assurance from the Corporation and the Government that the amount of subsidy would decline in the years to come. On the other hand, the Committee were informed in a note furnished by the Ministry of Agriculture after evidence that with the reduction in the import component of wheat, its economic cost and consequently the subsidy were likely to increase

unless the issue price was correspondingly increased the procurement price was reduced. The Committee are of the view that as the wholesale price of wheat is higher than the procurement price by Rs. 2|- per quintal, the Food Corporation of India which now has a dominating share in the foodgrains trade should be also to cut on its overhead charges and operational losses. The Committee are convinced of these expenses need initial analysis and meaningful follow up action so as to reduce the need and quantum of subsidy paid to the Food Corporation of India by General Exchequer and make available foodgrains at more competitive and reasonable prices to the consumers. (Para 9.28).

Reply of Government

As observed by the Committee the burden of subsidy arises on account of the difference between the economic cost to the Corporation and the issue price fixed by the Government of India. The procurement and issue prices in respect of wheat are Rs. 76|- and Rs. 78|- respectively. This difference of Rs. 2|- does not fully cover the economic cost of wheat.

The operating costs incurred by the Corporation comprise procurement and distribution costs for normal operations and the carrying costs of buffer stocks. Mandi charges, purchase/sales Tax, State Government's administrative charges, interest charges, storage charges, freight charges, etc. which constitute the bulk of the operating costs are items wherein any significant reduction is not within the Corporation's competence. The absence of lower-cost imported stocks and the building up and maintenance of larger buffer stocks out of indigenously procured wheat will also inevitably lead to higher subsidies.

However, the Corporation has taken following measures to bring down its cost of operation:—

- (i) incentive award scheme to reduce the storage and transit loss.
- (ii) Recommendations at the National Council of Applied and Economic Research rationalise movement of foodgrains and effecting economies therein are being implemented.
- (iii) Training course, seminars, lectures have been arranged to arouse cost consciousness and Officers are trained in the Central Training Institute.

- (iv) Dehiring uneconomic storage wherever possible with a view to effective economic utilisation of storage space.
- (v) Performance reports on the working of each region are reviewed and corrective action taken where necessary.
- (vi) Internal audit report and physical verification of stocks are carefully examined at F.A.'s level.
- (vii) Speedy billing and effecting prompt recoveries of outstanding dues.
- (viii) In order to reduce the interest liability, obtaining advance payment from State Governments is being considered.

It may be mentioned that the procurement and distribution incidentals of the Corporation are being subjected to a close scrutiny by a high level Committee headed by the Food Secretary.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972]

Further information called for by the Committee

The Government may please indicate the result of the scrutiny by the high Level Committee and the decision and action taken thereon by the Government as on date.

[L.S. Sectt. O.M. No. 13-PU/72 dated 4-7-1973]

Reply of Government

The Committee's recommendations are awaited.

[Ministry of Agriculture (Department of Food), O.M. No. 19-2/72-FCC, dated 25-7-1973]

Further information called for by the Committee

Please furnish recommendations of the High Level Committee appointed to closely scrutinise and to probe into the procurement and distribution incidentals of Food Corporation of India and also action taken thereon by the Government. Also please furnish details of the subsidy paid to the Corporation subsequent to 1970-71.

[L. S. Sectt. O. M. No. 13-PU|72 dated 21-9-1973]

Reply of Government

The recommendations of the High Level Committee appointed to probe into the procurement and distribution incidentals of the Food Corporation of India are still awaited.

The details of the amount of subsidy paid to Food Corporation of India subsequent to the year 1970-71 are as follows:—

Year	Rs. in crores
1971-72 .	49.69
1972-73 .	117.23
1973-74	70.00 upto 31-7-73.

[Ministry of Agriculture (Deptt. of Food), O.M. No. 19-2/72-FCI, dated 12-10-1973]

Comments of the Committee

Please see Chapter I of the Report.

Recommendation (Serial No. 51)

The Committee view with concern the fact that there had been steep rise in the incidental expenses of the Food Corporation of India. During 1967-68 when the work was being handled by the Food Department directly, incidental expenses amounted to Rs. 51.40 per tonne. With the transfer of work relating to procurement, storage and distribution of foodgrains to the Corporation, these expenses rose to Rs. 77.10 per tonne during 1969-70 inclusive of buffer stock, carrying charges. These expenses were provisionally allowed at Rs. 91.50 per tonne. The Committee would like to focus attention of the Corporation as well as Government on some of the important components of incidental expenses in respect of which the rise has been phenomenal. For example 'transit and storage loss, has increased by 350 per cent, 'establishment charges' by 170 per cent and 'Godown Charges' by 37 per cent as compared to the charges incurred when the Food Department handled directly foodgrains.

The Committee recognise that there has been increase in the 'scope, size and area' of operations of the Corporation and that some increase in such charges could not be ruled out but they find it hard to accept that the present charges of Rs. 91.50 per tonne (Rs. 9.15 per quintal) are the barest minimum and there is no scope for reduction. During evidence a representative of the Roller Flour

Millers Federation of India informed the Committee that 'no where in the history of the foodgrains trade, handling charges are anything more than 3 to 4 per cent.' In the case of the Food Corporation of India, handling charges of Rs. 9.15 per quintal constitute 12 per cent of the procurement price of Rs. 76 per quintal wheat. When 'procurement incidentals' of Rs. 10.26 per quintal are added to the Corporation's incidental of Rs. 9.15 per quintal, handling charges amount to Rs. 19.41 per quintal and constitute about 25 per cent of the procurement price of wheat. Some of the State Governments have also categorically stated in written memoranda of the Committee that incidental charges of the Corporation are extremely high and needed to be brought down to a reasonable level. The turnover of the Corporation has increased manifold and it is now admittedly one of the biggest Trading Corporation in the world dealing as it does, with 10 million tonnes of foodgrains and sales to the tune of Rs. 800 crores. The Committee are constrained to observe that the Corporation have not been able to derive full benefit of economy of scale. (Para 10.28)

Reply of Government

The incidental expenses incurred by the Food Corporation in 1969-70 are not comparable with those incurred by the Food Department in 1967-68 for the following reasons:-

- (i) The scope, size and area of operations of the Food Corporation in 1969-70 were vastly different from those of the Food Department in 1967-68.
- (ii) the method of calculating the incidentals of the Food Department was entirely different from the method adopted by the Corporation.
- (iii) In regard to the apparent increase in the establishment charges, the incidentals worked by the Food Department were based on the expenditure divided by the total quantity purchased during the year while the incidentals in the case of the Food Corporation have been worked out based on the expenditure for normal operations divided by the sales.
- (iv) When the Food Department was handling the foodgrains operation, the purchases consisted mostly of imports and, therefore, these were confined to the ports. The Food Corporation has, however, been procuring almost all over

the country enormous quantities of wheat, rice etc. indigenously and also handling the minor price support operations. The Corporation has also undertaken a huge programme of construction of godowns to store buffer stocks of foodgrains. These have necessitated the employment of staff at a number of centres through out the country, resulting in increase in establishment charges.

- (v) Since 1967-68, there have been a number of increases in the allowances payable to the officers and staff and these increases have been reflected in the establishment cost of the Food Corporation.
- (vi) In respect of transit and storage loss, the incidentals of the Food Department for 1967-68 are based on the amount of losses written off during the year divided by the purchases made during the year and do not take into account the actual losses incurred. However, the incidentals worked out by the Corporation for 1969-70 are based on the amount of *actual losses incurred* during the year. If the incidentals of the Food Corporation are worked out on the same basis as that of the Food Department for 1967-68, the losses for the Corporation for 1969-70 would be much less and there would in fact be a decrease in percentage of transit and storage losses of the Food Corporation.
- (vii) The storage capacity in possession of the Corporation was far higher than the storage capacity with the Food Department in 1967-68. The method of working out the godown charges of the Food Department was also different from the method adopted by the Food Corporation. These were the factors which were responsible for the apparent increase in the godown charges.

It may not also be appropriate to compare the incidental expenses incurred by the Corporation with those incurred by the private trade as their respective parameters of working are radically different. Whereas the trader has the choice to operate in areas where it is profitable for him to do so, there is no such choice for the Food Corporation which is essentially fulfilling a social objective and obligation. Secondly, the private trader does not have to transport the procured stocks over long distances; neither is there any obligation on him to store them over a long period, whereas the Corporation has been entrusted with the social task of building up and maintaining buffer stocks on behalf of Government of India. Thirdly,

so far as we are aware, while procuring stocks, a trader always takes 3-4 Kg. of foodgrains in excess of the actual weight without extra payment whereas the Corporation pays full price for the stocks procured by it. It is also a well known fact that the employees of the Corporation are far better paid than those of the private trader. Viewed in this context, therefore, it will be inequitable to compare the handling charges of the Corporation and those of the private trade.

Lastly, it may be mentioned that most of the items of incidentals vary in direct proportion to the quantum of procurement and distribution. A major item of incidentals which *prima facie* should benefit from the enlargement of activities in these spheres is administrative expenditure. But even here, because of the Corporation's responsibility to provide a wide net work of procurement and distribution points to serve the interest of producers and consumers, the application of economic norms for staffing and allied expenditure is not possible thereby making the task of reduction in administrative expenditure difficult.

Notwithstanding the above, the Corporation is doing its best to curtail its cost and effect economies in its operations. The Corporation has initiated a number of steps for reducing its costs of operations. The important steps initiated by the Corporation have already been indicated in the comments under Recommendation No. 49.

[Ministry of Agriculture (Department of Food) O. M. No. 19-2|72-FCC, dated 7-12-1972]

Further information called for by the Committee

Please furnish recommendations of the High Level Committee appointed to closely scrutinise and to probe into the procurement and distribution incidentals of Food Corporation of India and also action taken thereon by the Government. Also please furnish details of the subsidy paid to the Corporation subsequent to 1970-71.

[Lok Sabha Sectt. O. M. No. 13-PU|72 dated 21.9.1973]

Reply of Government

The recommendations of the High Level Committee appointed to probe into the procurement and distribution incidentals of the Food Corporation of India are still awaited.

The details of the amount of subsidy paid to Food Corporation of India subsequent to the year 1970-71 are as follows:

Year.	Rs. crores.
1971-72	49.69
1972-73	117.23
1973-74	70.00 upto 31-7-73.

[Ministry of Agriculture (Department of Food) O. M. No. 19-2/72-FCC, dated 12. 10. 1973]

Comments of the Committee

Please see Chapter I of the Report.

Recommendation (Serial No. 53)

The Committee note that the Food Corporation had got some aspects of their management and costs analysed by the Institute of Management, Ahmedabad and Ibcon (P) Limited., but their Reports remain still under consideration of the Food Corporation of India. The Committee would like the Food Corporation of India to give highest priority to the processing of these Reports of expert bodies and take concrete measures to effect economies. (Para 10.30)

Reply of Government

Procurement and Storage (including Preservation and distribution) comprise the two main activities of the Corporation on which the bulk of its man-power is employed. The Corporation has got definite norms of staff for both these activities. The norms relating to the storage godowns were devised by the Department of Food in consultation with the Ministry of Finance before the transfer of work to the Corporation and the Corporation has been regulating the strength of the staff in the storage godowns on the same norms. The norms for procurement operations have been evolved by the Corporation itself after internal work studies.

It was felt that, with the changing pattern of activities resulting from massive procurement and build up of buffer stocks, the norms in respect of these two main activities should be reviewed. It was for that reason that the Corporation arranged expert studies of the norms relating to these two activities through M/s Ibcon (P) Ltd. (for Procurement operations) and the Indian Institute of Management, Ahmedabad (for storage operations).

M/s Ibcon (P) Ltd., studied the procurement operations in Punjab and U.P. and submitted a report making certain recommendations in respect of the procurement operations in the Punjab in November, 1970. Their main recommendation was that the norms for procurement staff in Punjab should be based on arrivals in the mandis rather than on the volume of procurement, during a season. They assumed that super inspection of stocks purchased by other agencies namely, the State Government and Markfed, would be carried out at the mandi level by Food Corporation of India staff. This assumption was later proved to be incorrect. The norms suggested by them would have had the effect of reducing the staff strength by 29 persons only.

These recommendations were considered by the Management in consultation with the Zonal and Regional Managers. It was found that recommendations could not be accepted for the following reasons:—

- (a) Classification of mandis based on arrivals would not be logical because the activities of the Food Corporation of India staff have mostly to be related to procurement actually handled by it.
- (b) The assumptions made by the consultants were not correct as already indicated.
- (c) The reduction in the strength of staff was not very significant.

The existing norms for procurement operations are, therefore, being continued. These are rationalised and modified wherever necessary on the basis of work studies conducted by the internal work study unit from season to season. In fact, it is neither feasible nor advisable to have rigid norms for procurement operations. The staffing pattern for these operations has to vary with the method of procurement e.g., monopoly procurement, producers' levy, mill levy, direct purchases from the farmers, purchases in regulated markets, etc. If any rigid norms were laid down with reference to the system of procurement followed in a particular season and the pattern of procurement is so changed in the next season as to warrant a reduction in staff, such reduction would be resisted on the strength of the prescribed norms. It is better, therefore, to follow the present general guide-lines subject to local and periodical variations. Besides, the procurement operations of the Corporation are not always governed by strict commercial considerations. There are cases, for instance, where the Corporation is required, in the overall national interest,

to open purchase centres in distant areas where the actual quantum of procurement may not be much indeed or in numbers much larger than those justified by purely economic considerations. Himachal Pradesh and Manipur States are fairly good illustrations of the former while the large net work of direct purchase centres opened in Uttar Pradesh during Rabi 1972 is a good illustration of the latter.

4. The Indian Institute of Management, Ahmedabad conducted a detailed study of the norms for staff in respect of storage godowns. Their basic recommendation is that the existing norms based on storage capacity are not very scientific and they have suggested certain new norms based more on the activity level in the godowns. The report of the Institute has been under consideration with the Management. As the acceptance of the new norms would make for some reduction of staff, the salient features of the report have also been discussed with the representatives of the staff. Although the staff representatives are opposed to the acceptance of the revised norms suggested by the Institute a tentative view has been taken that the basis suggested by the Institute is more rational and scientific. It has, however, been felt that the implementation of the recommendations of the Institute would be more meaningful if the godown staff, which is presently distributed into distinct cadres like godown staff, quality control staff, etc., is converted into multipurpose staff. It has also been felt that certain factors like the open market sales direct distribution to fair price shops, the distribution set-up in West Bengal etc. not fully taken into account by the Institute would also have to be taken into account in arriving at a final decision on the implementation of the new norms. All these questions are, presently, under active consideration and a final decision will be taken shortly.

[Ministry of Agriculture (Deptt. of Food) O. M. No. 19-2/72-FCC,
dated 7-12-1972]

Comments of the Committee

Please see Chapter I of the Report.

Recommendation (Serial No. 55)

The case of misappropriation of Rs. 32 lakhs in 1968 in the Calcutta Regional Office of the Food Corporation of India is the most serious of all cases of misappropriation, fraud, over-payments etc. which have so far occurred in the Corporation. The Corporation have intimated that the CBI which had conducted the investigation into this case had not found any lacuna in the rules and procedures of the Corporation but had pointed out that there should have been

effective checks on the dealings of the Corporation's officials involved in the case. As the case is subjudice, the Committee do not wish to offer any views thereon. The Committee, however, recommend that the Corporation should tighten the financial discipline in their enterprise, tone up the administration of rules and procedures and provide adequate supervisory checks and enforce their observance at all important levels to prevent recurrence of such cases which besides entailing financial loss tarnish the fair image of the Corporation.

(Para 11.16)

Reply of Government

It has already been brought to the notice of the Committee on Public Undertakings that no lacuna in the rules and procedures laid down by the Corporation have been noticed. That is also clear from the fact that this case was actually detected during internal audit in the normal course.

The Committee's recommendations about the toning up of the administration of rules and procedures through better supervision are welcome. With a view to further tightening up the procedure, instructions have been issued that full realisation of the cost of food-grains issued to private parties should be made on daily basis. The Regional Managers/Zonal Managers have been made responsible to ensure that this is done. Also the Zonal Managers have been asked to furnish certificates to ensure that monthly accounts are being received regularly from the Depots concerned and proper check is being exercised. Further, to ensure that these rules and procedures are being properly observed, Physical Verification and Internal Audit parties have been set up both at the Head Office and in the Zonal Offices. The internal audit parties are also being strengthened further. These parties are also deputed from time to time to conduct special Physical Verification of stocks or to conduct special Audit of accounts at the vulnerable points. Besides, the vigilance machinery at the Headquarters has been strengthened to ensure that every case arousing suspicion and every complaint is immediately investigated on the spot and prompt disciplinary action taken where called for.

[Ministry of Agriculture (Deptt. of Food) O. M. No. 19-2/72-FCC,
dated 7-12-1972]

Further information called for by the Committee

Please give the salient features of the Report of CBI which conducted the investigations and also the names/designations of the Officers involved and the action taken thereon by the Government.

[L.S. Sectt. O.M. No. 13-PU/72 dt. 21-9-1973]

Reply of Government

The facts of the case, summary of the Report furnished by the CBI as well as the action taken by the Government have already been furnished to the Lok Sabha Secretariat *vide* D.O. letter No. 9 (12) |70-BC Vol. IV dated 12-1-1972 addressed to Shri S. C. Mookerjee, Deputy Secretary in response to Point No. 24 of the list received under Lok Sabha Secretariat communication bearing No. 15-PU/69 dated 21-12-1971.

The names and designations of the Officers involved in the case are:

- (i) Shri A. K. Banerjee, Asstt. Manager (Movt.) Regional Office, FCI, Calcutta.
- (ii) Shri Sudhir Kumar Shome, Chief Inspector, Regional Office, Calcutta.

These Officers are employees of the Government of West Bengal and working on deputation with FCI. As soon as irregularities on their part came to the notice of the Corporation, they were placed under suspension with effect from 20-6-1969 and 4-6-1970 respectively. Both the Officers are still under suspension. The CBI have launched prosecution proceedings against both these Officers along with Shri Kedia of M/s Bihar Traders and Others. The proceedings are held up on account of writ petitions filed by Shri Kedia and others in the Calcutta High Court which are pending.

[Ministry of Agriculture (Deptt. of Food), O.M. No. 19-2/72-FCI, dated 12-10-1973]

Comments of the Committee

Please see Chapter I of the Report.

Recommendation (Serial No. 56)

The Committee find that the outstanding of the Food Corporation of India have gone up from Rs. 36.60 crores as on 30th November, 1970 to Rs. 67.19 crores as on 31st October, 1971 despite efforts made by the Corporation to bring down the outstandings. In this connection the Committee note that of the total amount of Rs. 67.19 crores, the outstandings from State Governments alone are Rs. 49.42 crores. Some of the oldest items outstanding from the State Governments date as far back as 1966-67. The Committee are not averse to a reasonable time limit being allowed to State Governments to settle bills and make payment. But if the outstandings linger on for years

and the Corporation find itself unable to clear the outstanding items within a reasonable time limit the Central Government should come to the aid of the Corporation by persuading the State Governments concerned to clear the outstanding expeditiously. It is obvious that if the outstandings are kept low, the Corporation would have larger liquid resources and will not be forced to lean too heavily on loans on which they have to pay a high rate of interest. (Para 11.21).

Reply of Government

This recommendation relates to the outstanding dues of Food Corporation of India on account of supplies of foodgrains to the State Governments, Defence etc. The Food Corporation of India reported to the Ministry of Agriculture (Department of Food) that a sum of Rs. 51.46 crores is outstanding against the various State Governments, Central Storage Depots, Ministries of Rehabilitation and Defence etc. and sought the assistance of the Ministry to recover the outstanding amount against the State Governments. As a result of a reference to the Chief Secretaries of the State Governments at the level of the Secretary, Food Department, the outstanding amount has been reduced by Rs. 6 crores. The position of outstanding as on 30-6-1972 is as indicated below:—

Comparative statement showing the position of outstanding as on 31-3-72 and 30-6-72

	(Rs. in lakhs.)	
	As on 31-3-72	As on 30-6-72
1. State Governments.	3283.96	2826.61
2. Defence	602.68	459.55
3. Departments of the Govt. of India.	1214.25	1195.30
4. Miscellaneous	45.44	45.43
TOTAL	5146.33	4526.89

Constant efforts are being made by the Department of Food to reduce these outstandings further. The matter would continue to be reviewed periodically at the highest level in the Food Department.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-
FCC, dated 7-12-1972]

Further Information called for by the Committee

The Government may please state the latest position of the outstandings as on 31-3-1973.

(L.S. Sectt. O.M. No. 13-PU/72 dated 4-7-1973)

Reply of Government

The position of outstandings as on 31-3-1973 is given below:—

	(Rs. in lakhs.)
	As on 31-3-1973.
1. State Governments.	5924.48
2. Departments of Govt. of India.	7736.86@
3. Defence	665.09
4. Miscellaneous	45.25
5. Supply of wheat to Bangla Desh.	1509.00@@
	15900.68*

NOTE : @ A subsidy of Rs. 63.36 crores payable to the F.C.I. on account of loss incurred on State Trading of foodgrains transactions was not included in the figures reported last for the period ending 30-6-1972.

@@ Payment of Rs. 15.09 crores is due for supplies of wheat made to Bangla Desh on payment basis.

*The quantum of monthly supplies to the State Governments have increased during the last few months for which payments from the State Governments have yet to be booked.

[Ministry of Agriculture (Department of Food) O.M. No. 19.2/72-FCC, dated 25-7-1973].

Comments of the Committee

Please see Chapter I of the Report.

Recommendation (Serial No. 57)

The Committee find that while the stocks with the FCI increased by about 11 times i.e. from Rs. 37.31 crores in 1965-66 to Rs. 446 crores in 1970-71, its loans and overdrafts went up by 18 times i.e. from Rs. 30 crores in 1965-66 to Rs. 546.85 crores in July, 1971. This does not reflect a comfortable position because Corporation's dependence on loans and over-drafts has far exceeded the value of stocks held by it. They recommend that the loans and overdrafts should be kept by the Corporation within reasonable limits

as the "burden" of borrowing involves payment of interest at a higher rate and thus raises the cost of intermediate handling affecting the consumers in the long run. The Government should ensure that the Corporation does not, as a rule lean heavily on loans and overdrafts to sustain its activities. (Para 11.23).

Reply of Government

It is seen that the position of loans and overdrafts as on 31-7-1972 has been compared with the stocks at the end of March, 1971. The loans and overdrafts utilised by the Food Corporation of India at the end of March, 1971 were Rs. 396 crores only. (Government loan Rs. 214 crores and Bank overdraft Rs. 182 crores). It would thus be seen that the loans and overdrafts at the end of March, 1971 had increased by 12 times only over the loans and overdrafts at the end of 1965-66 and not 18 times as mentioned in the report. The increase in the loans and overdrafts in 1970-71 over the 1965-66 level is, therefore, comparable to the increase in the value of stocks in these years.

The main function of the Corporation is to procure foodgrains on behalf of the Government for subsequent issue through the public distribution system. The Corporation works, by and large, on the basis of no profit no loss and since it does not have any major production activities, has little scope for generating its own finances. In such a situation, the only way of financing its purchase and buffer stock operations is to utilise bank credit or loans from Government. The Corporation has been making a judicious use of the cash credit facilities and the loans available to it with a view to reducing the incidence of interest. It is evident that the Corporation would have to depend mainly on loans and cash credit facilities to sustain its activities.

[Ministry of Agriculture (Deptt. of Food) O. M. No. 19-2/72-FCC, dated 7-12-1972]

Comments of the Committee

Please see Chapter I of the Report.

Recommendation (Serial No. 56)

The Committee note that the profit (prior to tax) earned by the Food Corporation of India has come down from Rs. 305 lakhs in 1966-67 to Rs. 158 lakhs in 1970-71. The Committee are convinced that in the case of Food Corporation the conventional yardstick of judging the performance of an enterprise by the quantum of profit earned by it should not apply, though the Committee are not averse to marginal profits being made by the Food

Corporation to meet any unforeseen contingencies. The Corporation has to be more judged by the achievement of the social objectives underlying its set up. The Committee, therefore, liked the Corporation to spare no efforts to ensure that the farmer is paid remunerative price, that the high cost of handling at present incurred by the Food Corporation of India is reduced to the minimum so that the consumer is sold the foodgrains at reasonable prices and on assured basis. The Committee also liked Government to examine whether the cost for maintaining the buffer stock should not in all fairness be met by the Government so that it does not go unnecessarily to inflate the handling charges of the Food Corporation. The Committee need hardly stress that the size of the buffer stock should be most judiciously fixed in the light of experience gained and every care should be taken to see that stocks are duly rotated so that the foodgrains are sold well before the normal period of their preservation is exceeded. (Para 11.31).

Reply of Government

As regards the fixation of the size of buffer stock it may be mentioned that the earlier target of 5 million tonnes of foodgrains was fixed for the Fourth Plan by taking into account the constraints of finance and storage, and trend of production etc. The target has now been raised to 7 million tonnes for remaining Fourth Plan Period.

With regard to the observations of the Committee that every care should be taken to see that stocks are duly rotated so that the foodgrains are sold well before the normal period of their preservation is exceeded, it may be stated that priority is always given by the FCI for the issue of lower category stocks against the allocations made by the Government.

[Ministry of Agriculture (Department of Food) O.M. No. 19.2/72-FCC, dated 7-12-1972]

Comments of the Committee

Please see Chapter I of the Report.

Recommendation (Serial No. 61)

The Committee note that recently the Corporation have had two studies made of the operational norms and man-power by IBCON (P) LTD. and the Institute of Management, Ahmedabad. Now that the role and responsibilities of the Corporation are well defined and they have the benefit of the studies made by two expert bodies and extensive experience in the field it should be possible

for the Corporation to evolve, without further delay, realistic norms for manning of the different operations. In evolving these norms, the Corporation would no doubt keep in mind the imperative need for reducing the unconscionably high handling charges which are at present being charged by them.

The Committee note that as on 31-3-1971 the staff strength of the Corporation is made up of direct recruits (24 per cent), deputationists (19 per cent) and transferees (57 per cent). There should be no difficulty in placing back the services of deputationists who are surplus to the requirements at the disposal of the respective parent departments. No additional recruitment should be made unless it is absolutely inescapable and certified as such by the Managing Director in consultation with the Financial Adviser.

The Committee also find that the Corporation have taken over as many as 5,000 employees of West Bengal Government when the distribution of foodgrains was taken over at the instance of West Bengal Government. The Committee feel that the Food Corporation should not be saddled with the duties and responsibilities of internal distribution which should appropriately be discharged by State authorities who had detailed knowledge and experience of local requirements. There should be no question of such State employees being taken over by the Corporation and swelling further the Staff strength. (Para 12.21).

Reply of Government

The detailed position in respect of the studies conducted by M/s. Ibccon (P) Ltd. and the Indian Institute of Management, Ahmedabad has been explained under recommendations 53 and 54. It has also been explained under recommendation 60 that a similar expert study of the staffing pattern of District Offices is presently being conducted. The final decisions to be taken on the results of these studies would determine realistic norms for manning all major activities of the Corporation. In taking these decisions the Management will certainly keep in view the imperative need of reducing the handling charges.

2. The percentage of depositions (10 per cent) quoted by the Committee in the second para of the recommendation includes, apparently, the 5,000 employees on deputation from the State Government of West Bengal mentioned in the third para of the recommendation. As long as the work of distribution of foodgrains in West Bengal is with the Corporation, it is not possible to revert these employees to the State Government. The percentage of de-

putationists exclusive of these employees is negligible. The Corporation is highly selective in taking people on deputation or in retaining them and the question of continuing any surplus deputationist in the service of the Corporation does not arise at all. The procedure followed in sanctioning additional staff has been described under recommendation 54. As mentioned therein no additional staff is sanctioned without a detailed examination by the internal work study unit of the Corporation and except on the recommendations of the Economy Committee composed of top Managers including the Financial Adviser. As a further safeguard, the powers delegated to the Zonal Managers in the matter of sanctioning additional staff have been withdrawn for the time being.

3. The West Bengal State Government employees in question were employed by the State Government on the work of internal distribution of foodgrains and were taken over on deputation by the Corporation when this work was taken over. They continue to be employed on the same work.

[Ministry of Agriculture (Department of Food) O.M. No. 19-2/72-FCC, dated 7-12-1972]

Comments of the Committee

Please see Chapter I of the Report.

CHAPTER V

**RECOMMENDATIONS IN RESPECT OF WHICH FINAL
REPLIES OF GOVERNMENT ARE STILL AWAITED**

Nil

NEW DELHI;
December 12, 1973.
Agrahayana 21, 1895 (S).

SUBHADRA JOSHI,
Chairman,
Committee on Public Undertakings

APPENDIX I

(Vide Para 1.23 of Chapter-I)

Statement showing the comparative figures of the number of wagons placed on sidings/platforms etc. in West Bengal for unloading and the number of wagons unloaded etc. during the years 1971-72 and 1972-73

Month	1971-72			Under Demurrage					1972-73			Under Demurrage	
	No. of wagons placed on sidings/platform etc. for unloading	No. of wagons unloaded	No. of wagons which could not be unloaded in time on FCI account	No. of wagons which could not be unloaded in time on FCI account	No. of wagons which re-loaded in A/C of lack of Rly. Facilities	No. of wagons placed on sidings/platform etc. for unloading	No. of wagons unloaded	No. of wagons which could not be unloaded in time on FCI account	No. of wagons which could not be unloaded in time on FCI account	No. of wagons which re-loaded in A/C of lack of Rly. facilities	No. of wagons unloaded	No. of wagons which could not be unloaded in time on FCI account	No. of wagons which re-loaded in A/C of lack of Rly. facilities
	2	3	4	5	6	7	8	9	10	11	12	13	14
April	377.2	217.5	113.5	46.2	367.3	238.7	91.4	37.2					
May	409.5	212.5	158.4	38.6	411.3	238.6	132.0	40.7					
June	388.3	186.3	174.0	28.0	233.9	156.7	46.5	30.7					
July	377.7	185.9	172.6	19.2	146.2	106.6	21.1	18.5					
August	237.2	118.9	91.0	27.8	237.6	16.5	53.5	21.7					
September	237.1	143.9	73.2	20.0	273.5	216.0	34.0	19.1					
October	199.9	136.3	47.5	22.1	295.6	207.8	54.4	33.4					
November	218.0	159.1	37.3	21.6	258.8	202.0	36.8	20.0					

December	.	.	.	.	301.8	198.0	67.5	36.3	315.8	247.5,	48.8	19.5
January	.	.	.	.	319.1	213.5	87.2	18.4	301.5	217.1	59.5	24.9
February	.	.	.	.	233.7	142.1	63.4	28.2	211.6	144.2	51.9	15.5
March	.	.	.	.	301.5	195.9	74.7	30.9	150.5	105.0	42.4	3.1

APPENDIX II

(Vide Reply of Government to Recommendation at Sl. No. 29,
Chapter II)

Summary of the Main Recommendations contained in the Report of the Study Group for Determination of break—even point for the Cost of Transport of Foodgrains by Road and Rail and accepted by the Ministry of Agriculture (Deptt. of Food) and the Food Corporation of India.

1. It has been found that in the existing conditions, the economic radius for transport of foodgrains by road or the point at which the rail and road cost equalise should be taken as follows:—

Wheat—80 Kms.

Rice—90 Kms.

2. It has, however, been observed that in the areas served by Northern Railway, road Movement upto 100 Kms should be freely resorted to. Within this range, the considerations of difference in the cost of transport by rail and road should not operate, as in any case, it would not be correct to divert the rail capacity for short lead movement. However, this limit should be treated only as a general guideline as in actual practice, road movement may have to be resorted to on a wider range considering the specific situation.

3. The limit of 100 Kms may be exceeded to overcome specific difficulties in rail movement on particular routes or via transshipment points.

4. The road movement should be utilised in a manner to supplement the rail movement and it should not result in wastage of rail capacity. Therefore:—

(i) Road movement should not originate from points where adequate rail capacity is available. The road movement should be more liberally utilised from saturated or more difficult rail sections and should be more conservatively utilised along rail sections which have adequate rail capacity.

(ii) Subsidiary movement by road may be resorted to upto 100 Kms to disperse or build up the foodgrains stocks in

a manner commensurate with the availability of rail capacity along different sections, provided the resultant traffic on the Railways is for long distances.

5. Where the greater portion of the transport lead is by road and only a relatively smaller portion of the transport lead is by rail, e.g., movement to—J&K and Himachal Pradesh, the movement should originate by road right from the despatching points.

6. Since the utilisation of the rail capacity on the Panipat-Delhi, Rohtak-Delhi and Moradabad-Delhi ~~has reached~~ the saturation point, movement of foodgrains from these areas to Delhi has been recommended by road. Movement by road has also been recommended from Bulandshahr district to Delhi because the route capacity on the Hapur-Khurja and Tundla-Ghaziabad sections is already fully utilised.

7. The decision regarding exceeding the general limit of 100 Kms for movement by road may be taken by the concerned Regional Managers in case of inter-state movement and by the Chief Traffic Manager, Food Corporation of India, in the case of Inter-State movement.

8. The Study Group has not suggested any specific quantum of traffic which should be moved by road from specific areas. Decisions in this regard would vary from year to year and even from season to season depending upon various operational factors.

APPENDIX III

(Vide Reply of Government to Recommendation at Sl. No. 36,
Chapter II)

D.C. No. 296/SF/72

FOOD SECRETARY

GOVERNMENT OF INDIA, NEW DELHI

August 3, 1972

My dear

The Government of India have been watching with concern the upward trend in the prices of wheat products inspite of the improved supply position of wheat this year. Although the grain is issued to flour mills at a subsidised rate and there is also statutory control on the ex-mill prices of wheat products, this arrangement is not fully achieving the objective of ensuring the ready availability of wheat products to the consumer at reasonable prices. The Government of India have, after very careful consideration, decided that the State Governments should, with immediate effect, take over control on distribution of wheat products from the roller flour mills.

2. Distribution of wheat products may be regulated through the fair price shops, and in the case of bulk consumers and others, through permits and/or quotas as many be considered necessary. Where there are no controls on the wholesale and retail prices of wheat products, the State Governments may immediately take steps to introduce statutory control on the product prices. It may be mentioned that the Government of Maharashtra have promulgated an order under the Essential Commodities Act fixing wholesale and retail prices of wheat products in different areas of the State. It is suggested that a similar order may be issued by your State with the concurrence of the Central Government, to ensure effective control on prices of wheat products. Along with the promulgation of the order, the State Government are requested to immediately take necessary steps to devise the organisational arrangements for taking over control on the distribution of wheat products within the State.

3. The receipt of this communication may please be acknowledged and the action taken confirmed.

Yours sincerely,
Sd/- R. R. Bahi

Chief Secretaries,
All State Governments/Union Territories.

APPENDIX IV

(Vide Reply of Government to the recommendation at Sl. No. 37,
Chapter II)

No. 1/900/R-W/66-SH. III

GOVERNMENT OF INDIA
MINISTRY OF FOOD & AGRICULTURE
(DEPARTMENT OF FOOD)

New Delhi, the 28th March, 1968.

To

The Secretary,
Food Corporation of India, EKA BHAVAN,
1, Zaffarshah Road, New Delhi.

SUBJECT: Reports on demurrage over Rs. 10,000|- in respect of ves-
sels arrived at Kerala and Tuticorin ports from the Food
Corporation of India.

Sir,

I am directed to state that the Public Accounts Committee had observed in October 1965 that cases whereas the demurrage of more than Rs. 10,000 was paid should invariably be examined with a view to fixing responsibility pursuant to these recommendations we are calling for special reports from the District Manager of the Food Corporation of India at the ports wherever a ship incurs demurrage of more than Rs. 10,000. A review of these reports has shown that despite the fact that the vessels do not maintain stipulated rate of discharge, it is certified by the District Manager (Shipping) Cochin that all steps were taken to speed up discharge and that no one can be held responsible for the incurrence of demurrage. For instance case of SS "WHITE CLIFF" which arrived at Cochin port on 4-10-66 is quoted for your information wherein the rate of discharge was about 354 tons as against 750 tons stipulated in the Charter Party. I am desired to enquire whether their special reports or reports similar to them are examined in the Food Corporation of India at the appropriate level. If not, I am to request you to start doing so in future. The results of our examination would be

brought to your notice where we feel that incurrence of demurrage was principally due to slow discharge and there does not appear a justifiable reasons for it.

An early reply is requested.

Yours faithfully,

Sd/- V. V. Tahiliani
Deputy Director (Sh. Claims)
For Director General of Food

Copy is forwarded to:—

1. The Dy. Manager (Shipping), Food Corporation of India, Madras.
2. The District Manager (Shipping), Food Corporation of India, Cochin.
3. Guard File.
4. Policy File

APPENDIX V

(Vide Reply of Government to Recommendation at Sl. No. 37,
Chapter II)

No. 17(1)|73-M. II

GOVERNMENT OF INDIA
MINISTRY OF AGRICULTURE
(DEPARTMENT OF FOOD)

New Delhi, dated the 14th March, 1973

To

The Managing Director,
Food Corporation of India,
Eka Bhavan,
New Delhi.

SUBJECT: Increase in the turn-round time of food ships in the Bombay Port.

Sir,

I am directed to enclose a copy of the following letters from Chairman, Bombay Port Trust to the Jt. Secretary, Ministry of Shipping & Transport, New Delhi:—

(i) D.O. No. T|DT-TA|2363 dated 26-2-73.

(ii) D.O. letter No. T|DT-TA|2364, dated 26-2-73.

2. The Ministry of Shipping & Transport, New Delhi has pointed out that the turn-round time of food ships at Bombay has considerably increased and it is necessary to do everything possible to reduce this particularly when there is shortage of berths for accommodating food ships. It has also been observed that despite several facilities extended by the B.P.T. to the FCI, the latter have not been able to make maximum utilisation of berths allotted so as to reduce the turn-round time of food vessels to the barest minimum. The Ministry of Agriculture desire that the FCI should accelerate the rate of discharge from the Bulk carriers and ensure adequate

availability of labour for handling foodgrains expeditiously in the Bombay Port. This Ministry may be advised of the action taken in the matter.

Yours faithfully,

Sd/- K. P. Singh,
Director (Movement)

Encl.—Two.

Copy of D.O. letter No. T/DT.TA/2363 dated 26.2.73 from the Chairman, Bombay Port Trust to Shri Sivaraj, Joint Secy. to the Government of India, Ministry of Shipping & Transport, New Delhi.

Please refer to your letter No. DTR(P)/71/G(5) dated 3rd February, 1973 regarding turn round of feed ships.

2. The average time in days spent at berth during the period 1969-70 to 1971-72 according to our records was as follows:—

	General Cargo	Food-grains	Oil Tankers
1969-70	6.95	15.44	3.49
1970-71	6.08	11.98	2.26
1971-72	6.67	20.31	2.36

3. There were three foodgrains vessels discharging on 17.2.73 at the deck berths viz. "PATAGONIA ARGENTINA" commenced discharging on 4.2.73, "MAESTROS" commenced discharging on 6.2.73 and "STATE OF MYSORE" (Liner Vessel) expected to complete discharging on 18.2.73. These vessels have completed/are expected to complete discharging on 18.2.73, 27.2.73 and 17.2.73 respectively giving a turn round time of 14 days, 21 days and 19 days respectively. The average rate of discharge daily for each of the vessels named above is 1100, 1300 and 500 tonnes. Considering that the first two vessels are discharging by vacuulator machines the discharging rate could be stepped up to 2000 tonnes daily and this fact is being repeatedly pointed out to the Food Corporation of India.

4. We are all anxious that the turn round of food ships should improve considerably. The operations pertaining to handling and delivery of foodgrains are exclusively controlled by the Food Corporation of India. They draw listed labour from the Bombay Dock Labour Board. They weigh bags, stitch, load in trucks and/or wagons, operate pumping machines, automatic weighing and bagg-

ing, machines, etc. We have extended them the maximum assistance required from time to time. They have been allowed to install their automatic buhler pumps and conveyor belts in the sheds. Their indents for wagons are given top priority. They have been recently accorded priority in berthing in Indira Dock for discharging foodgrains and fertilisers. Unloading points for barges carrying foodgrains and fertilisers and additional loading points on the BPT Railway are also being provided for discharging.

5. Despite the facilities extended to them, we find that the Food Corporation of India has not been able to make maximum utilisation of berths allotted, so that the turn round time of food vessels could be reduced to the barest minimum. They have their own difficulties primarily labour troubles, every other day I hear of some trouble, or the other presently their clerical and supervisory staff are working to rule.

6. While therefore I would not entirely blame FCI you might like to take up with the FCI which employs and operates the pumping machines in the case of bulk carriers and tankers to accelerate and discharging rate and release the vessels earlier than is being done now. In the case of foodgrains carried by freighters, it is again for the FCI, which handles the cargo on shore to ensure adequate supply of labour both on board and on shore for accelerating the rate of discharge and delivery.

With best wishes.

Copy of D.O. letter No. T|DT-TA|2364 dated 26-2-73 from the Chairman, Bombay Port Trust to the Joint Secretary, Ministry of Shipping & Transport, New Delhi.

Please refer to your letter No. 8-PGA(25)|72 dated 19th January, 1973 regarding the turn round time of ships at Bombay Port.

2. I would first like to point out that the main reason for detention of vessels carrying dry cargo at this port is that there was no increase in the berthing capacity of the Port since long except, of course, the recent execution of the Dock Expansion Scheme which has added seven berths to the Indira Dock complex. The Alexandra Dock (now Indira Dock) was constructed in 1914 and since then shipping registered a significant change in pattern in the longer, beamier and deeper drafted vessels have been visiting the port. The Indira Dock is the only dock where deep drafted vessels could

be berthed. The percentage of berth occupancy thereat during the years 1967-70, 1970-71 and 1971-72 was 63.80 per cent 71.76 per cent and 82.63 per cent respectively. During 1971-72, no berth available for use was vacant in Indira Dock while ships were waiting in stream; there were, however, a number of vacant berths in Prince's & Victoria Docks during the period the ships were waiting in stream. This was because of restriction of draft, beam, length and state of tides, which are the dominating factors governing the regulations of the vessels in the Prince's & Victoria Docks.

3. The foodgrains and fertilisers are generally imported in tankers or bulk carriers of a size of well over 500 ft. in length and deeper in draft with the result that they have necessarily to be taken only to the Indira Dock.

4. The composition of the traffic on percentage basis during the period 1969-70, 1970-71 and 1971-72 was as follows:

	General Cargo	Dry Bulk	P.O.L.
1969-70	30.41	11.94	57.65
1970-71	31.15	10.23	58.62
1971-72	32.97	6.48	60.55

5. The average time spent at berth during the same period was as follows:—

	General Cargo	Food-grains (in days)	Oil tankers
1969-70	6.95	15.44	3.49
1970-71	6.08	11.98	2.26
1971-72	6.67	20.31	2.36

6. It will be seen from the above that there has been no significant increase in the turn round of general cargo vessels in 1971-72 as compared to 1970-71. There is, however, considerable increase in turn round of foodgrains vessels.

7. The general cargo vessels are handled by Port Trust Labour whose performance has continued to be satisfactory as can be seen from the following table:—

Year	Tonnage required	Tonnage handled	Difference	Percentage of difference
1969-70	1,550,661	3,352,476	+1,801,815	116
1970-71	1,526,072	3,565,836	+2,039,764	134
1971-72	1,634,791	3,975,150	*2,340,359	143

8. As regards foodgrains vessels, please see my letter No. T|DT-TA|2363 dated 26th February, 1973 addressed to you.

9. The fortnightly statement showing the actual turn round of food ships will be sent to you as desired. During the fortnight ended 15th February, 1973, three foodgrains ships were berthed and they were still discharging till the close of the fortnight.

With best wishes.

APPENDIX VI

(Vide Reply of Govt. to Recommendation Sr. No. 37 Charter II)

D.O. No. 17|1|73-M. II

GOVERNMENT OF INDIA

MINISTRY OF AGRICULTURE

(DEPARTMENT OF FOOD)

A. K. Majumdar,
Joint Secretary.

New Delhi, July 12, 1973.

My dear Rau,

Kindly refer to Dave's D.O. letter No. 6(30)|73 FS-SPC-II, dated 28-6-73 regarding handling of foodgrains and fertilizer vessels at Bombay Port. There has been no appreciable improvement in the position. The seriousness of the situation is evident from the D.O. letter No. 4(2)ACO-II|73, dated 23-6-1973 from Shri S. N. Banerjee, Deputy Chief Controller of Chartering, Ministry of Shipping and Transport addressed to Dave. Subsequently, I have received from Banerjee two more D.O. letters, dated 25-6-73 and 26-7-73, copies of which were endorsed to Dave. A perusal of these letters will indicate that the repercussions of slow discharge and the consequent hold-up of ships in the Bombay Port and elsewhere are very serious. Heavy ship demurrage in foreign exchange, shortfall in the supply of imported foodgrains and fertilizers to various States, reluctance on the part of ship owners in picking up cargo for India ports, quotation of high freight rates etc., are matters which are causing us grave concern. I would once again emphasise the need for the Food Corporation of India to tie up the arrangements in the best manner possible so that the imports at this critical time do not suffer or get saddled with avoidable costs.

Yours sincerely,

Sd/- (A. K. Majumdar).

Shri N. Narasimha Rau,
Chief Commercial Manager,
Food Corporation of India,
Eka Bhavan, New Delhi.

APPENDIX VII

(Vide Reply of Govt. to Recommendation at Sl. No. 37, Chapter II)

FOOD CORPORATION OF INDIA, BAHADURSHAH ZAFAR MARG, NEW DELHI-1.

N. NARASIMHA RAU,

Chief Commercial Manager

D.O. No. 15(2)72-SPCI

December 15, 1972.

My dear Sundaresan|Narayan|Bajpai.

As you are aware, the Government of India have planned for imports of about 2 million tonnes of foodgrains. They are to be received within about 4 months from January 1973 onwards at a rate of about 5 lakh tonnes per month. These imports will mostly be in bulk. Besides, fertilizer imports will be continuing as programmed. While examining our handling capacity of foodgrains and fertilizer on the basis of the past performance taking into account the optimum quantities handled in any particular month during 1969 both of foodgrains and fertilizers, a statement has been prepared and it is enclosed for your information (not enclosed). It will be observed that we handled quite substantial quantities of foodgrains and fertilizers simultaneously. We do not, of course, have all the facilities that were available at that time, but by gearing up the available resources it should be possible to rise to the occasion and handle the anticipated imports as mentioned above. The subject was also discussed during your last visit to Delhi and the following break up of the anticipated imports of 5 lakh tonnes per month depending upon the handling capacity of the port, was indicated to you:

Serial No.	Name of port	Quantity in tonnes
1.	Bombay	1,50,000
2.	Kandla	50,000
3.	Marmagao	10,000
4.	Madras	75,000
5.	Tuticorin	25,000
6.	Cochin	25,000
7.	Calicut	15,000
8.	Vizag	50,000
9.	Calcutta	1,00,000
TOTAL		5,00,000

The projection of ports-wise fertilizer imports as decided by the Agriculture Department for the year 1972-73 and 1973-74 are also given below:—

Quantity in lakh of Tonnes

Name of Port	1972-73	1973-74
1. Bombay .	8.00	9.39
2. Kandla .	7.00	8.17
3. Marmagao	0.50	1.02
4. Cochin .	0.70	0.29
5. Tuticorin	0.80	0.29
6. Madras . .	4.50	5.10
7. Visakhapatnam	2.50	1.88
8. Calcutta . .	3.60	7.35
9. Mangalore .	0.30 .	..
10. Paradip .		0.04
11. Bhavnagar	0.40	1.47
12. Navlakhi .	..	
13. Varaval .		
14. Karwar .	..	
15. Nagapattinam	0.80	
16. Pondicherry	0.80	..
17. Cuddalore	..	..
18. Magdala	..	..
19. Kakinada	1.00	..
20. Masaulipatnam		..
21. Porbander		..
22. Okba		
Total	30.00	35.00

2. Keeping in view the heavy import programme of foodgrains from early January 1973 onwards, you should finalise your handling and clearance arrangements well in advance, but I would like to emphasise that the arrangements should be so organised that there is expeditious discharge and clearance and the foodgrains reach the distribution centres promptly. You may also check up

the requirements of gunnies, tarpaulins etc. required for smooth handling of the imports and advise the concerned Heads of Division for taking suitable action in time.

Yours sincerely,

Sd|- (N. NARASIMHA RAU)

To

Shri V. Sundaresan,
Zonal Manager (South),
Food Corporation of India, Madras.
Shri K. D. Narayan, Zonal Manager (West),
Food Corporation of India, Bombay.
Shri O. N. Bajpai,
Zonal Manager (East),
Food Corporation of India, Calcutta.

APPENDIX VIII

(Vide Reply of Govt. to Recommendation at Sl. No. 37, Chapter II)

FOOD CORPORATION OF INDIA, BAHADURSHAH ZAFAR
MARG, NEW DELHI-1.

N. NARASIMHA RAU,
Chief Commercial Manager.
D.O. No. 6(1)-71|SPCI

Dated: February 6, 1973

My dear Narayan,

With reference to the fixtures of vessels carrying foodgrains made by the Ministry of Shipping and Transport and the India supply Mission, Washington, we have already indicated to you the port-wise expected arrivals during February, 1973 in my endorsement on my D.O. letter to Shri Majumdar, Joint Secretary, Deptt. of Food. I am indicating hereunder the further position, in brief, of the expected arrivals during the months of March to June, 1973 at different ports:

2. It is purely a tentative programme as allocation of the shipments to various ports has been made keeping in view the fixture terms. The schedule of arrivals of vessels may undergo some change due to late presentation at the loading ports and delay in voyage on account of unforeseen circumstances. However, the general pattern of arrivals that has been worked out, has to be kept in view for planning their expeditious handling and the clearance. Besides foodgrains vessels, fertilizers vessels will also be arriving simultaneously about which information has already been supplied in ten Day Statement and also directly by the Deptt. of Agriculture. The Secretary (Agriculture) held a meeting on 2.2.1973 which was attended by the Secretary (Food) and the officers of the Ministry of Shipping and Transport and the Food Corporation of India. It was reconisid that handling of foodgrains and fertilizers is of an emergent nature as foodgrains have to reach the scarcity areas immediately and the fertilizers have also to reach the farmers for their immediate utilisation. Emphasis, therefore was laid on the fact that the Food Corporation of India, being the handling agency, has to rise to the occasion and gear up its machinery in such a coordinated way that handling and clearance or both these commodities are carried out to the best interest of the Nation. While the minutes of the meeting will be forwarded to you separately on the receipt. I would like you to give this matter your personal attention and ensure that there is no let up on any account.

3. The Bombay Port Trust has been able to give 5 berths and has promised to give the 6th berth for handling foodgrain vessels if three foodgrains vessels are working at a time and another foodgrain vessels is waiting. It is unlikely that Port Authorities will give an additional berth which we desired separately for fertilizer and hence we have to manage with the berths that have been made available to us. It was realised that interchangeability of berths between foodgrains and fertilizer vessels would be possible only if we were prepared to lose time in cleaning and washing if a fertilizer vessel is berthed first and a foodgrain vessel later. The Secretary (Agriculture), however, desired that there should not be any rigidity in maintaining the berths separately for foodgrains and fertilizers and in case interchangeability can be achieved without letting any vessel wait, we should attempt to do so. so that we could make optimum use of the berths made available to us by the Bombay Port Trust.

4. It was also realise that if we recruit additional labour ~~we may~~ be saddled with a very heavy liability and it was desired that we

should manage to handle these emergent imports by adopting the following measures:

1. Readjusting of gang strength,
2. Double booking,
3. Working three shifts,
4. Offering better incentive, and
5. if possible, bringing godown departmental labour to work temporarily in the Docks with the consent of the labour leaders.

5. This is in respect of ports where we have got departmentalised labour, but at the other ports where we have got Contractors, they should gear up the machinery for handling large size of imports at those ports.

6. For maintaining expeditious discharge, clearance pace has also to be stepped up. The deliveries to the local parties should be given directly from the Docks to the maximum extent possible. Adequate road movement need also to be maintained for loading of wagons at the rail heads as well as within the Dock area. It is only spill over stocks which cannot be cleared by despatches as above that should be moved to the storage godowns.

7. No doubt, there is going to be a tremendous stress and strain on the organisation and staff during the next few months when heavy imports of foodgrains and fertilizers have simultaneously to be handled but I am sure that the staff will shoulder this onerous and sacred responsibility towards the Nation in its present crisis caused by recent droughts.

Yours sincerely,

Sd/- (N. NARASIMHA RAU)

Shri K. D. Narayan,
Zonal Manager (West),
Food Corporation of India,
Bombay.

Copy to:

1. Shri S. Sundaresan,
Zonal Manager (South),
Food Corporation of India
Madras.
2. , Shri P. S. Roy,
Zonal Manager (East),
Food Corporation of India
Calcutta.

Sd|- Chief Commercial Manager.

APPENDIX IX

(Vide Reply of Govt. to Recommendation at S. No. 18, Chapter III)

Statement showing Percentage of Storage Capacity in relation to the Production of 1970-71 and 1973-74

(Figures in '000 Tonnes)

Sl. No.	State Union Territory	1970-71			1973-74			percent
		Production	Owned Capacity available with FCI	Percentage of Storage Capacity Available	Anticipated Production	Anticipated owned Capacity with FCI	Percentage of Storage Capacity Available	
1	2	3	4	5	6	7	8	
1.	Andhra Pradesh	. . . . .	154.70	2.2	10800.0	313.80	2.9
2.	Assam	. . . . .	44.90	2.2	2640.0	124.90	4.7
3.	Bihar	. . . . .	8145.6	2	11400.0	355.10	3.1
4.	Gujarat	. . . . .	4406.1	1.6	4400.0	164.85	3.7
5.	Haryana	. . . . .	4732.3	2.7	4400.0	279.75	6.3
6.	J & K	. . . . .	1080.8	0	1100.0	..	0
7.	Kerala	. . . . .	10796.2	11.5	1750.0	250.80	14.3
8.	Madhya Pradesh	. . . . .	5590.0	1.2	12900.0	377.15	2.9
9.	Maharashtra	. . . . .	5590.0	12.2	10400.0	785.60	7.5
10.	Meghalaya	. . . . .	123.6	0	200.0	7.50	3.8
11.	Mysoore	. . . . .	5962.3	1.1	6900.0	73.65	1.2

12. Nagaland	74.3	..	0	77.06	15.00	19.4
13. Orissa	5151.2	40.30	0.8	7000.0	136.15	1.9
14. Punjab	7024.3	559.89	8	7500.0	1065.29	14.2
15. Rajasthan	8812.5	133.55	1.5	8110.0	274.80	34
16. Tamil Nadu	7023.5	202.55	2.9	7900.0	291.29	3.7
17. Uttar Pradesh	194482.3	502.20	2.6	21401.0	854.95	4
18. West Bengal	7418.4	302.00	4.1	9000.0	499.50	5.6
19. Delhi	126.9	119.00	93.8	164.0	179.00	109.1
20. Himachal Pradesh	966.7	..	0	224.0	10.00	4.4
21. Manipur	100.2	..	0	400.0	5.00	1.3
22. Pondicherry	65.7	2.50	3.9	120.0	17.50	14.6
23. Tripura	243.8	..	0	247.0	5.00	2
24. Goa, Daman & Diu	68.6	..	0	95.00	..	0
25. Andaman Islands	10.0	..	0	N.A.	..	0
26. Dadra & Nagar Haveli	16.2	..	0	N.A.	..	0
27. NEFA	47.5	..	0	85.0	..	0
TOTAL	107810.2	3451.49	3.2	128513.0	6086.58	4.7

APPENDIX X

(Vide Reply of Government to the Recommendation at Sl. No. 20, Chapter III)

Statement showing month-wise utilisation of Storage Capacity in the various States

Month	Storage Capacity (1000 Tonnes)		Month and Stocks (Tonnes)	Percentage of Utilisation on	
	Gross	Net		Gross Capacity	Net Capacity
April, 1971	6311.24	5680.12	47,00,103	74	83
May, 1971	7058.21	6352.39	52,82,629	75	83
June, 1971	7157.21	6441.49	59,44,689	83	92
July, 1971	7329.06	6496.06	63,84,671	87	97
August, 1971	7565.44	6808.89	64,20,679	85	94
September, 1971	7720.90	6948.81	60,75,076	79	87
October, 1971	7760.71	6984.64	57,73,339	74	83
November, 1971	7849.29	7064.36	61,19,535	78	87
December, 1971	7975.36	7177.82	65,63,916	82	91
January, 1972	8021.10	7218.99	67,95,196	85	94
February, 1972	8139.87	7325.88	65,20,532	80	89
March, 1972	8267.22	7440.50	61,72,764	75	83
	91,155.61	81,939.95	7,27,53,129	80	88.7
	7596.3	6828	60,62,761	80	89

APPENDIX XI

(Vide Reply of Government to the Recommendation at Sl. No. 33,
Chapter III)

D.O. No. 372/SF/72
New Delhi,
September 18, 1972.

My dear

You will recall that at the Conference of Chief Secretaries held at New Delhi on the 11th August, 1972, I had circulated a Paper outlining certain measures to be adopted by the State Governments| Union Territories Administration in the context of the present food situation. There was general consensus that these measures should be immediately adopted. I take it that necessary action has already been initiated by your Government along the lines suggested. I should, however, like to highlight once again the main points calling for urgent action.

2. It is necessary, first of all, to strengthen the public distribution system so that the consumers, particularly belonging to the vulnerable sections of society, get their requirements at reasonable prices. It has already been decided that all foodgrains issued from the Central Pool should be distributed only through fair price shops. Immediate action has, therefore, to be taken to strengthen the fair price shops. In order to ensure that the public distribution system functions efficiently, certain ancillary measures are also necessary. Foodgrains should be issued from fair price shops only to card holders. The needs of the population should be assessed thoroughly and cards issued to all that are genuinely in need of them. The monthly quantum of foodgrains fixed for issue to the card holders should not be excessive. I had suggested in my note that the issue of foodgrains, including wheat products, should not exceed 2 kg. per adult per week. Since the supply of rice is limited, its issue should be restricted to small quantities and only to habitual rice eaters. As regards the frequency of issue, we do not recommend an entire month's requirements being supplied in one instalment.

The policy has, however, to remain somewhat flexible in this regard insofar as monthly issues might be necessary in the case of consumers receiving monthly wages. The intention is to avoid placing a whole month's supply in the hands of a consumer who is likely to run through it ahead of time and find himself in difficulty. In order to sustain an even flow of distribution through fair price shops, and also to prevent dissipation of stocks by some sections of consumers, it would be advisable to introduce a system of weekly/fortnightly issue of foodgrains.

3. Apart from streamlining the public distribution system, it is necessary to introduce fresh statutory measures and ensure effective implementation of those already in force. The system of licensing of foodgrains dealers should be rigidly enforced. A strict watch needs to be kept on the stocks available with traders. Hoarding of foodgrains has to be prevented by promulgating suitable Orders. To prevent speculative hoarding of foodgrains, requisitioning of stocks from traders and producers may be considered. If there is no such existing Order, it may be issued with the prior concurrence of the Central Government.

4. I have already written to you in detail regarding the enforcement of the Guest Control Order. I trust that the State Governments/Union Territory Administration has taken the action necessary to introduce a measure of austerity in community life and to prevent ostentation and wastage.

5. In my D.O. letter No. 296/SF/72 dated the 3rd August, 1972, I had requested the State Governments/Union Territories Administration to take over control on distribution of wheat products manufactured by roller flour mills and to regulate their distribution through fair price shops; in the case of bulk consumers, a system of permits and/or quotas was to be adopted. I trust that these arrangements are being implemented by now.

6. I would once again take an opportunity of stressing the need for the strict enforcement of all food control measures; without strict enforcement, any regulatory measures would become meaningless. If the enforcement machinery is weak, the State Government/Union Territory Administration would no doubt take measures to strengthen it.

7. As you are aware, a Conference of Chief Ministers is being convened on the 30th instant to discuss the kharif procurement and

price policy, as well as measures for stabilising the prices and distribution of foodgrains. I am also holding a Conference of State Food Commissioners/Secretaries on the 20th instant to discuss the following items:-

- (i) General review of the food situation in the country.
- (ii) Procurement policy for the ensuing kharif season and its prospects.
- (iii) Strengthening and augmentation of the public distribution system.
- (iv) Follow up action on the decisions taken at the Conference of Chief Secretaries held on the 11th August, 1972.
- (v) Arrangements for the distribution of sugar.

This will provide an opportunity for the State Food Commissioners| Secretaries to acquaint us with the measures adopted by the States/ Union Territories, in pursuance of the decisions taken at the Chief Secretaries Conference.

With kind regards,

Yours sincerely,

Sd/-

(R. R. Bahl)

To

Chief Secretaries,
All State Governments|Union Territories.

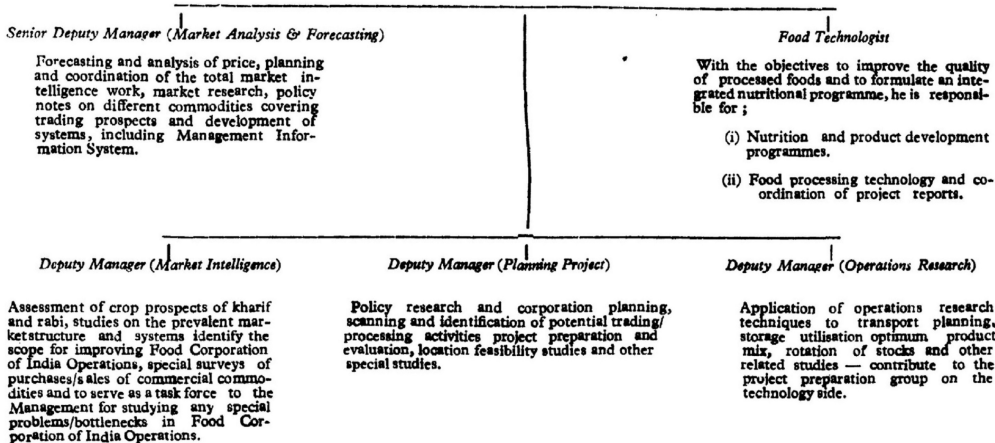
APPENDIX—XII

(Wide Reply of Government to Recommendation at Sl. No. 65, Chapter III)

Proposed set up and Functions of the Planning & Research Division.

MANAGER

(Overall Charge of the Division)



A.M. (P & R)
Collection, compilation and analysis of prices preparations of periodical prices reviews. Special studies relating to prices.

A. M. (P & R.)
Market Intelligence/ Data Bank
Crop prospects/market surveys. Liaison with Directorate of Economics & Statistics, Agricultural Marketing Adviser, State Statistical Bureaus and other connected Government/ private agencies Development of Data Bank.

A.M. (P & R)
Market Surveys/ Crop prospects
Crop prospects, commodity surveys and special studies relating to the Food Corporation of India Operations.

A.M. (P & R)
Project preparation and location feasibility studies and other special studies relating to processed products.

A. M. (P & R)
Application of Operations Research techniques, surveys of Food Corporation of India Operations and matters relating to the administration of the Division.

SUPPORTING STAFF

1. Statistical Assistant Grade I	5
2. Assistant grade II	1
3. Assistant grade III	1
4. Draftsman	1
5. Typist	4

APPENDIX XIII

(Vide reply of Government to recommendation at Sr. No. 5)
Chapter III).

S
E
A
L

G. C. N. Chahal,
Joint Secretary
(Tel. No. 384308)

D.O. No. 1 24/1/72-WSU
Government of India
Ministry of Agriculture
(Department of Food)

New Delhi, June 5, 1972

My Dear Shri Dave,

As you are aware, a number of modern aids and techniques designed to help management in decision-making are currently being used in this country by leading commercial and industrial houses, as also in some of the Central Government activities particularly in the field of long-range planning though perhaps in an experimental way. The purpose is to systematise objective and precise evaluation of alternative courses using:—

- (i) quantitative analytical techniques and employing statistical analysis, economic analysis, cost analysis, operations research etc.
- (ii) Optimisation techniques using logical or mathematical, decision models and modernised information system with or without computer assistance; and
- (iii) Immediate as well as long-range organisation planning required to meet changing work requirements, as also taking full benefit of new aids and techniques of management in its different functional areas.

2. The Government of India, while accepting recommendation 15(2) of the Report of Administrative Reforms Commission on the

"Machinery of Government and its procedures of work" have also decided upon the introduction of new management services units in selected ministries matching their special requirements and those of their field organisations.

3. In view of this development, you may kindly consider whether it will be useful to set up in your organisation a small management services unit for locating areas or problems suitable for application of at least some of the new well-established techniques, like operations research. To start with, such units could be required only to carry out perspective studies and analyse small, data-based problems susceptible to well-established techniques of quantitative analysis.

4. Now that there is a decision to exploit fully computer potential through the establishment of rational computer centres in the country, you could also consider how best to prepare the ground for developing and using data relating to quantified facts which are the basis for application of computer-assisted, sophisticated techniques of quantitative analysis in decision-making process.

5. I shall be grateful if you kindly let us know the action you propose to take in the matter.

Yours sincerely,

Sd/-

(G. C. N. Chahal)

Shri J. A. Dave,
 Managing Director,
 Food Corporation of India,
 Bahadurshah Zafar Marg,
 NEW DELHI.

APPENDIX XIV

(Vide Reply of Government to Recommendation at Serial No. 65,
Chapter III).

PLANNING AND RESEARCH DIVISION

Performance Review—1971-72

Project Reports and Location Studies.

1. *Modern Rice Mill in Manipur*:—A Project report for setting up of a 2/tonne per hour capacity modern rice mill at Imphal within the existing strong complex was finalised. We completed, this unit would be the first 2/tonne mill of the Corporation. Initially, raw rice would be produced. The total capital cost is estimated at Rs. 8.00 lakhs. Apart from increasing un-turn of rice from the present 62 in bullers up 70, the mill would produce better quality rice.

2. *Proposal for providing Parboiling and Drying Facilities*:—In view of the inadequate availability of parboiled rice, it was decided to install parboiling and drying facilities at five more mills, bringing the total number mills having parboiling facilities to 21 out of the total 24 mills proposed in the first phase. The total capital cost for providing parboiling facilities is estimated to be Rs. 45 lakhs. These additional units would augment the supply of the preferred parboiled rice to West Bengal and Kerala.

3. *Extruder Cooker*:—Justification report for setting up of 4 extruder cookers with UNDF assistance was finalised. The Government has approved this proposal and the U.N.D.F. assistance is estimated to be 8 lakhs. It is tentatively proposed to locate these four extruder cookers one each in Madhya Pradesh, Orissa, Kerala and Assam. When completed, they would greatly aid the expansion of child feeding programme of the Department of Social Welfare.

Location study or Soyabean Processing Plant.

A comprehensive location feasibility report for Soyabean Plant, which is being set up with U.N.I.C.E.F. assistance was finalised. This processing plant, first of its kind in the country, estimated to cost about Rs. 2.0 crores would be located at Faridabad.

5. *Second Phase of Rice Mills*:—Having completed the location studies of the 20 mills in the first phase, study of the need, potential and feasibility of installing more modern mills in the second phase was initiated.

Policy Notes and other Studies:—The following studies were completed:—

- (i) abolition of single State zones;
- (ii) pattern of buffer stock build up upto the end of Fourth Five Year Plan;
- (iii) financing of buffer stocks;
- (iv) Management of Chemicals inventory;
- (v) Velocity of stocks in Food Corporation of India godowns;
- (vi) Sales strategy for the producers of the solvent extraction plant at Ujjain.

Market Intelligence.

- (1) Assessment of Kharif and Rabi crop prospects in important States. These assessments were done for the first time.
- (2) respects of procurement of millets in the tribals areas of Madhya Pradesh.
- (3) Monitoring of the open market sales data since January 1972.
- (4) Weekly review of prices was done throughout the year.
- (5) Monthly Price Intelligence was submitted to the Board.
- (6) Notes on purchase|sale in respect of grams, pulses, etc.

APPENDIX XV

(Vide Reply of Government to Recommendation at Serial No. 65,
Chapter III)

PLANNING AND RESEARCH ACTIVITIES

FOR THE YEAR 1970-71

1. *Project Reports, Location Studies and Special Reports*

1. The locations of 22 modern rice mills of 4 tonnes/hour capacity out of 24 modern rice mills were approved.

2. The Board of Directors approved the take over of the 60 tonnes/day solvent extraction plant at Ujjain from Madhya Pradesh Government.

3. Feasibility study for the setting up a dal mill for effecting supplies of dal to the Army Purchase Organisation and Defence Services was completed.

4. Project report on the setting up of a rice bran oil extraction plant at Thanjavur to meet the shortage of oil in the country was completed.

5. Location study on setting up a dry maize milling plant of 30 tonne/day capacity at Faridabad was finalised.

6. Using the transportation model of liner programming technique, the National Council of Applied Economic Research, New Delhi submitted the rabi movement plan for wheat and kharif movement plan for rice for the year 1970-71. The optimum plan obtained was for 6 million tonnes of wheat and 1.5 million tonnes of rice.

7. A study on the economics of 4/2/1 tonnes modern rice mills was prepared.

8. Preliminary Project report on setting up of a Soyabean Processing Plant with the assistance of UNICEF was prepared.

9. In collaboration with USAID, the reporting system of the Corporation, titled 'Inventory Management and Reporting System and Reports of the Corporation' was reviewed.

II. *Ad hoc Studies to Aid the Management*

1. Food Requirements for the year 1973-74.
2. Trade Practices and Pattern of wheat movement in Punjab.
3. Price trends of gram in Rajasthan, Punjab and Madhya Pradesh.
4. Potential of groundnut for the Solvent Extraction Plant at Ujjain.
5. Farmers' Profile survey in Punjab—a pilot study.
6. Survey of the Delhi Depots.

III. *Policy Notes on Purchase and Sales Decisions*

Notes examining and reviewing the prospects of purchases and sales of gram, barley, masoor, tur, and mustard seeds were undertaken.

IV. *Market Intelligence*

1. Weekly Price Reviews covering Jowar, Bajra, Maize, Barley, Gram, Urad, Moong and Oilseeds were submitted.
2. Monthly Price Reviews were prepared to assist the Board of Directors for taking sales/purchase decisions.

APPENDIX XVI

(Vide Reply of Govt. to Recommendation No. 52 in Chapter III)

Statement showing details of operating cost for 1967-68 to 1970-71

Rs./Quintal of Sales.

	1967- 68	1968- 69	1969- 70	1970- 71
Transit and Storage loss	0.91	1.94	1.73	2.02
Freight	1.58	2.56	2.85	3.51
Handling Godown operations	0.40	0.52	0.52	0.67
Administrative Overheads	1.46	1.45	1.82	2.54
Godown Charges	0.45	1.01	1.03	1.21
Interest Charges	0.55	2.05	2.40	2.74
TOTAL	5.35	9.53	10.35	12.69

NOTE:— The costs given above are for the entire operations including the carrying cost for buffer. The operating costs for normal distribution operations and also the carrying costs of buffer are as under:—

	Normal distribution operations Rs./Quintal of sales	Carrying cost of buffer Rs./Qtl. of average buffer stocks
1967-68	5.35	1.00
1968-69	8.17	14.50
1969-70	8.69	10.07
1970-71	8.69	12.75

APPENDIX XVII

(Vide Para 5 of the Introduction)

Analysis of action taken by Government on the Recommendations contained in the Twelfth Report of the Committee on Public Undertakings (5th Lok Sabha).

I	Total number of recommendations	65
II.	Recommendations that have been accepted by the Government (vide recommendations at Serial Nos. 1, 2, 3, 4, 7, 8, 11, 12, 19, 21, 22, 23, 29, 36, 37, 40, 41, 48 and 49)	
	Number	19
	Percentage to total	29.23%
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies (vide recommendations at Sl. Nos. 6, 9, 10, 13, 14, 15, 17, 18, 20, 24, 25, 28, 30, 31, 32, 33, 35, 43, 44, 45, 46, 47, 50, 52, 54, 60, 62, 63, 64 and 65)	
	Number	50
	Percentage to total	46.15%
IV	Recommendations in respect of which replies of Government have not been accepted by the Committee (vide recommendations at Sl. Nos. 5, 16, 26, 27, 34, 38, 39, 42, 49, 51, 53, 55, 56, 57, 58 and 61)	
	Number	16
	Percentage to total	24.62%