

E.C. No. 1430

FOURTEENTH REPORT

**ESTIMATES COMMITTEE
(2007-08)**

(FOURTEENTH LOK SABHA)

**MINISTRY OF AGRICULTURE
(DEPARTMENT OF AGRICULTURE AND COOPERATION)**

**NATIONAL AGRICULTURAL COOPERATIVE MARKETING FEDERATION
OF INDIA LTD.**

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Presented to Lok Sabha on 21.8.2007

**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2007/Sravana, 1929(S)

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COMPOSITION OF THE ESTIMATES COMMITTEE
(2007-2008)

1. Shri C. Kuppusami, MP - Chairman

MEMBERS

2. Shri Lal Muni Choubey
3. Shri Bikram Keshari Deo
4. Shri Anant Gudhe
5. Shri Anwar Hussain
6. Shri Syed Shahnawaz Hussain
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13. Shri Zora Singh Mann
14. Shri Hemlal Murmu
15. Shri D. Narbula
16. Shri Mahendra Prasad Nishad
17. Shri Prabodh Panda
18. Shri Sukdeo Paswan
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21. Shri Tufani Saroj
22. Smt. Tejaswini Seeramesh
23. Shri Arjuncharan Sethi
24. Choudhary Bijendra Singh
25. Shri Brijbhushan Sharan Singh
26. Shri Lakshman Singh
27. Kunwar Manvendra Singh
28. Dr. Ramlakhan Singh
29. Shri Rewati Raman Singh
30. Shri Madhu Goud Yaskhi

SECRETARIAT

1. Smt. P.K. Sandhu - Additional Secretary
2. Shri A. Mukhopadhyay - Joint Secretary
3. Shri C.V. Gadgil - Director (I)
4. Smt. Manju Chaudhary - Deputy Secretary II
5. Shri C. Kalayansundaram - Committee Officer

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee to submit the report on their behalf present this Fourteenth Report on the Ministry of Agriculture (Department of Agriculture and Cooperation) – ‘National Agricultural Cooperative Marketing Federation of India Ltd.’.

2. The subject was selected for detailed examination by the Estimates Committee (2003-2004). The Estimates Committee (2004-2005) heard the briefing on the subject on 11th August, 2005 and the Estimates Committee (2005-2006) took evidence of representatives of Ministry of Agriculture and NAFED on 14th October, 2005 and 8th September, 2006. The Committee wish to express their thanks to the officers of the Ministry of Agriculture and NAFED for placing before them the detailed written notes on the subject and for furnishing information desired in connection with the examination of the subject. The Committee also appreciate the frankness with which the officers of the Ministry of Agriculture and NAFED shared their views, perceptions and constraints with the Committee while tendering oral evidence.

3. The Committee considered and adopted the report at their sitting held on 16th August, 2007.

4. The Report is divided into six chapters. The Committee have inter alia made the following important observations/recommendations:

- (i) Focus on agricultural and allied activities should not be lost even in the post MSCS Act, 2002 scenario which allows NAFED to undertake business in non-agricultural and non-traditional items.
- (ii) NAFED should function in a manner to become a commercially viable organization.
- (iii) Bye-laws of NAFED should be suitably amended so that all the States will have equal opportunity to participate in the administration of NAFED.
- (iv) There is a need to plan for the indigenous production of various oil seeds of the desired quality and quantity to meet the edible oil requirements of the country. Research and development activities should also be encouraged for producing better quality of seeds for oil crops.
- (v) Government should put in place a revolving fund for financing the price support operations.
- (vi) Government and NAFED should act promptly and in close coordination as far as decision making process and implementation of the market intervention scheme are concerned in order to ensure that the schemes

such as Price Support Scheme and Market Intervention Scheme actually benefit the farmers.

- (vii) Government should have effective regulation over the export of agricultural commodities including onion and for this purpose they may, among other measures, consider appointing NAFED as the sole canalizing agency for the export of onion.
- (viii) Branch offices of NAFED may be opened in all the States of North-East, Union Territories and the States and they should chalk out action plans for further expansion of its operations in Northern, Eastern, Southern and North-Eastern regions and implement them effectively for the benefit of farmers of all the regions of the country.
- (ix) NAFED should play a leading role in creating a network of cold storages to preserve harvested vegetables and fruits by setting up cold storages by itself or in cooperation with the Union/State Governments.
- (x) Several industrial units set up by NAFED were closed on becoming sick and unviable. NAFED should evaluate the performance of such units. NAFED should draw a specific plan of action with regard to each unit and implement the same after in-depth study about their feasibility.
- (xi) NAFED should set-up a separate research and development division for undertaking applied research and development in grading and standardization, post harvest technology including handling storage, transport and packaging. NAFED should draw-up an action plan to step-up its research and development activities to provide support to other agricultural cooperatives and marketing federations.
- (xii) NAFED should take up production of bio-fertilisers in a big way and market them throughout the country.

5. For facility of reference, the observations/recommendations of the Committee have been printed in bold type in the body of the report.

NEW DELHI;
August 20, 2007
Sravana 29, 1929(S)

C. KUPPUSAMI,
Chairman,
Committee on Estimates.

Chapter I

AIMS, OBJECTIVES AND FUNCTIONS OF NAFED

1.1 National Agricultural Cooperative Marketing Federation of India Ltd., popularly known as NAFED, was established on 02nd October, 1958 with its headquarters at New Delhi NAFED is an Apex National level organization of the Marketing Cooperative in the country.

1.2 NAFED was registered under the provisions of Bombay Cooperative Societies Act (VII of 1925) as extended to the state of Delhi. Presently, it is deemed to be registered under Multi-State Cooperative Societies Act 1984(since replaced by the Multi-State Co-operative Societies Act, 2002), rules made thereunder and its bye-laws.

Aims and Objectives

1.3 According to the information made available to the Committee the objectives of NAFED are:

- i) to organise, promote and develop marketing, processing and storage of agricultural, horticultural and forest produce;
- ii) to distribute agricultural machinery, implements and other inputs;
- iii) to undertake inter-state, intra-state, import and export trade, wholesale or retail as the case may be; and
- iv) to act and assist in the matter of technical advice in agricultural production for the promotion and the working of its members and cooperative marketing, processing and supply societies in India.

1.4 NAFED was established with the aim of promoting cooperative marketing and ensuring that farmers get ready market and remunerative prices for their produce. It was also aimed that price spread between producer and consumer be reduced.

1.5 The Committee wanted to know the extent to which NAFED had succeeded in providing ready market and remunerative price to farmers for their produce through its network. NAFED in its written reply stated that it undertakes purchase of farmers' produce under the following schemes:-

- a) Procurement of Oilseeds and Pulses under Price Support Scheme as a nodal agency of the Government of India.
- b) Procurement under Market Intervention Scheme (MIS) being nodal agency of the Government of India.
- c) Procurement of agricultural commodities under its own commercial account.

Functions

1.6 In order to achieve the aims and objectives, the following functions, responsibilities and activities are carried on by NAFED according to new Bye-Laws incorporated by NAFED :-

- (i) To facilitate, coordinate and promote the marketing and trading activities of the partners and associate cooperative institutions in agricultural, non-agricultural, non-traditional and other commodities, articles and goods;
- (ii) To undertake or promote on its own or on behalf of its member institutions of the Government or Government organizations, inter-State, intra-State and international trade and commerce and undertake, wherever necessary, sale, purchase, import and export and distribution of agricultural commodities, non-

agricultural and non-traditional, horticultural and forest produce, other articles and goods from various sources for pursuing its business activities and to act as the agency for canalization of export and import and inter-state trade of agricultural, non-agricultural and non-traditional and other commodities or articles under any scheme formulated by the Government of India or other Government agencies and to facilitate these activities wherever necessary, to opening branches/sub-offices and appoint agents at any place within the country or abroad;

- (iii) To undertake purchase, sale and supply of agricultural, non-agricultural, non-traditional products, marketing and processing requisites, such as manure, seeds, fertilizer, agricultural implements and machinery, packing machinery, construction requisites, processing machinery for agricultural commodities, forest produce, dairy, wool and other animal products;
- (iv) To act as warehouseman under Warehousing Act and own and construct its own godowns and cold storages;
- (v) To act as insurance agent of any Government agency or cooperative institution, for the purchase, sale, storage and distribution of agricultural, horticultural, forest and animal husbandry produce, wool, agricultural requisites and other consumer goods;
- (vi) To act as insurance agent and to undertake all such work which is incidental to the same;
- (vii) Organize consultancy work in various fields for the benefit of the cooperative institutions in general and for its members in particular;

- (viii) To undertake manufacture of agricultural, non-agricultural and non-traditional, machinery and implements, processing, packing, etc. and other production requisites and consumer articles by setting up manufacturing units either directly or in collaboration with or as a joint venture with any other agency, including import and distribution of spare-parts and components for up-keep of the machinery/implements;
- (ix) To set up storage units for storing various commodities and goods, by itself or in collaboration with any other agency in India or abroad;
- (x) To maintain transport units of its own or in collaboration with any other organization in India or abroad for movement of goods on land, sea, air, etc;
- (xi) To collaborate with any international agency or a foreign body for development of cooperative marketing, processing and other activities for mutual advantages in India or abroad;
- (xii) To undertake marketing research and dissemination of market intelligence;
- (xiii) To subscribe to share capital of other cooperative institutions as well as other public, joint and private sector enterprises if and when considered necessary for fulfilling the objectives of NAFED.
- (xiv) To arrange for the training of employees of marketing/processing/supply cooperative societies;
- (xv) To maintain common cadres/pools of managerial/technical personnel required by the marketing/processing/supply cooperative societies;

- (xvi) To establish processing units for processing of agricultural, horticultural and forest produce and wool;
- (xvii) To undertake grading, packing and standardization of agricultural produce and other articles;
- (xviii) To acquire, take on lease or hire, lands, buildings, fixtures and vehicles and to sell, give on lease or hire them for the business of NAFED.
- (xix) To advance loans to its members and other cooperative institutions on the security of goods or otherwise;
- (xx) To guarantee loans or advances or give undertakings to any Society or Company in which the Federation has a shareholding or financial involvement as a promoter to be able to assist its development or expansion or for starting any industrial undertaking by such societies/companies;
- (xxi) To guarantee loans or advances or give undertakings on behalf of any such society or company as mentioned above to any financing institutions;
- (xxii) To do all such things or undertake such other business or activities as may be incidental or conducive to the attainment of any or all of the above.

Fulfillment of Functions, Responsibilities and Activities

1.7 Keeping in view the increasing role of NAFED in procurement, marketing, price support and market intervention schemes in agriculture sector as well as its status as the apex level organization of the Marketing Cooperatives of the country, the Ministry of Agriculture constituted an Expert Group headed by Shri Paul Joseph, then Joint Secretary

(Cooperation and Trade) in the Department of Agriculture and Cooperation to examine and report on the functions of NAFED. The Expert Group submitted its report on “Organisational Structure and Perspective Plan for NAFED” in December, 1997. According to the Expert Group, a review of the functions, responsibilities and activities enumerated in the bye-laws vis-à-vis activities undertaken by NAFED revealed that these objectives were fulfilled in varying degrees as follows :-

- a) Activities fully carried out :
i, ii, v, viii, ix, xi, xiii, xvii, and xviii.
- b) Activities partially attempted/achieved :
iii, iv, vii, xii, xiv, xvi, xx and xxi.
- c) Activities not attempted at all :
vi, x, xv, and xix.

1.8 The Expert Group recommended that management of NAFED may decide whether it is possible to initiate and undertake (c) category activities mentioned above and (b) category activities may also be reviewed and modified according to the requirements.

1.9 When asked about the decision taken on bye laws 3(x) and 3(xv) relating to maintenance of transport units and common cadres, Department of Agriculture and Cooperation in a written note stated that it was decided to delete the activities 3(x) and 3(xv) as NAFED does not have much units and maintaining common cadre would not be possible. It is, however, seen from the latest bye-laws of NAFED incorporating amendments registered by the Central Registrar (upto 17.12.2004) that both the aforesaid activities continue to remain in the bye-laws and the same have not been deleted. On the other hand, the scope of the activity

at bye-law 3(x) has expanded to include operation of freight station, container depot and other incidental activities. In this regard NAFED further clarified as follows:-

“The bye-laws 3(x) and 3(xv) have not been deleted as NAFED wanted to retain these two clauses to assess the situation for some more time and take decision accordingly. However, now it has been decided to delete these two clauses and action is being initiated for amendment of the bye-laws.”

1.10 Earlier, a study was conducted by Indian Institute of Management, Ahmedabad. In its report titled “Organisational study for Preparation of a Perspective Plan for NAFED”, IIMA has suggested that NAFED should have a sharp focus on what it should be doing in the changed environment. Accordingly, a clear vision for NAFED should be thought of for achieving the following objectives:

- (i) to become a strong marketing organization dealing with agricultural commodities produced by primary members of the member societies;
- (ii) to help member societies to develop market orientation skills and organization so that they could deal with commodities within their area of operations;
- (iii) to promote cooperation among different marketing societies/federations in managing the flow of commodities across the boundaries;
- (iv) to deal with commodities of large volume and sold all over India;

- (v) NAFED should be the expert agency for the cooperative marketing sector, looking for markets, guiding members on quality of specific commodities, procuring from members across the country and exporting to overseas markets.

In regard to above recommendations, the Expert Group recommended that NAFED should explore the possibilities of implementing strategies recommended by IIMA.

Changes in the functions of NAFED after Multi State Cooperative Society (MSCS) Act, 2002

1.11 Multi State Cooperative Society (MSCS) Act, 2002, came into force w.e.f 19th August, 2002. This Act primarily aims at removing the restrictive provisions in the repealed MSCS Act, 1984. This Act envisages greater operational and administrative autonomy to cooperatives like NAFED in respect of elections to the Board, appointment of auditors and professionalism in their operations. After the enactment of MSCS Act, 2002 NAFED has carried out some amendments in its bye-laws which have been registered with Central Registrar. The amendments were approved by the General Body of NAFED on 1st August 2003 and 27th September 2004. These were registered by the Central Registrar on 3rd June 2004 and 17th December 2004. It is clarified that the amendments passed by General Body on 1st August 2003 were registered on 3rd June 2004 by virtue of the order of the Appellate Authority.

1.11 (a) The Committee enquired about the rationale for making the amendments to MSCS Act 1984 and new amendments under MSCS Act 2002 and NAFED in its written reply have stated as follows :-

“With liberalization in Government policies and integration of Indian economy with world economy, NAFED would be required to be competitive to survive. MSCS Act 2002 would help NAFED to carry out its activities with greater autonomy in the changed business scenario.”

In this regard Managing Director, NAFED during evidence stated as under :-

“The NAFED has been functioning under the Multi-State Cooperative Societies Act since 1984. The Act was amended in August 2002. After its amendment, certain amendments to the bye-laws has to be made to make the bye-laws in consonance with the new Multi-State Cooperative Societies Act. This was carried out by NAFED. The new amendments were registered by the Central Registrar in December, 2004.”

He further added :-

“Primarily, there are not too many amendments to the bye-laws that were required as a consequence of this. the amendments to the MSCS Act were brought to give more functional autonomy in the working of the Cooperatives.”

1.12 When asked, in what manner the amended rules and bye-laws have helped/would help NAFED in achieving greater operational and administrative autonomy so as to enable NAFED to be a commercially viable organization in the changed business scenario in the post liberalization policies of Government, the NAFED in their written reply have stated :-

“the Act provide functional autonomy and democratic management of NAFED as in case of all Multi-State Cooperative Societies coming with in purview of the Act. The amendments in the bye-laws of NAFED have helped in achieving greater operational and administrative efficiency. Down – sizing the Board from 45 to 21

excluding co-opted Directors, has led to meaningful and focused discussions and prompt policy decisions with consensus emerging fast on important issues of organization's interest. The increased share money and admission fee of member Federations/Societies has helped NAFED in strengthening its share capital base considerably. Further, defining the role of Finance, Accounts & Audit and Project & Development Committees in the bye laws of the Federation with statutory status has resulted in better management and monitoring of various projects and financial matters.”

1.13 When the Committee further enquired, how the changes in the bye-laws in the pursuance of MSCS Act 2002 have enabled NAFED in protecting the interests of the farmers and in serving its member cooperatives, NAFED in their written reply have stated :-

“The changes brought in the bye-laws in pursuance of the MSCS Act, 2002 will enable NAFED to render better services to the member cooperatives/farmers. Besides undertaking business activities through the member societies, NAFED may provide specialized training/education to them. In addition, study tours can also be organized for the benefits of the member societies. To meet the challenges in the changed liberalized policies and to give wider scope for accumulating additional income, NAFED has entered into non-traditional sectors like seed, fertilizer, insurance, warehousing, public private partnership etc. NAFED also entered into contract farming which would enable it serve farmers and members more effectively and efficiently”.

1.14 Prior to MSCS Act, 2002 NAFED could undertake manufacture, purchase, storage, sale, supply, distribution, import and export of only agricultural, horticultural and forest items and related items such as agricultural machinery, animal husbandry etc. As per amended bye-laws after the enactment of MSCS Act, 2002, NAFED can undertake business in non-agricultural and non-traditional items. When asked, what non-agricultural and non-traditional items are proposed to be taken up by

NAFED or in what manner the inclusion of such items will affect the activities of NAFED in realizing its objectives, NAFED in their written reply stated that:-

“in order to meet the challenges of liberalized economy, NAFED had to diversify its business activities by undertaking trade in non-agro and non-traditional items, i.e. other than agro items/commodities, in association with various corporate houses under Public Private Partnership/tie-up basis. Keeping in view the domestic and international economic viability, NAFED had undertaken business with the participation of its business associates in the areas such as chemical products, iron ore, steel and ceramic tiles etc. and inclusion of these items has not affected the normal business operations of NAFED.”

1.15 Managing Director, NAFED during evidence further elaborated as under :-

“....Regarding the Multi State Cooperatives Act, 2002, we have started thinking so much in this area of commercial operations. Having got this autonomy, through the policies laid down by our Board of Directors, we are trying to intervene in various other areas as was highlighted in our presentation like warehouse financing, going in for infrastructure projects, cold storages and even packing and other things. We would even go into areas of agriculture like seeds, fertilizers, marketing and also in a big way in the area of biofertilisers. These are some of the new avenues of business that we are opening up.”

1.16 NAFED has added a new clause of objects relating to functions of Federal Cooperative at 3(B) of the amended bye-laws. This clause stipulates that NAFED may discharge the functions to facilitate the voluntary formation and democratic functioning of cooperative societies as federal cooperative or multi-state cooperatives based on self-help and mutual aid.

1.17 When Committee enquired whether NAFED had requisite infrastructure to discharge the additional functions of Federal Cooperative and what specific steps had been contemplated to initiate activities in this regard.

NAFED in their written reply stated as under :-

“Its headquarters at New Delhi and four Regional Offices located at Delhi, Mumbai, Kolkata and Chennai with back up of branches located in the state capitals and other important cities and also through the network of state level marketing federations, commodity federations and member cooperative societies has the requisite infrastructure to discharge the additional functions of Federal Cooperative. The present infrastructure can further be strengthened as and when needed.”

CHAPTER II

ORGANISATIONAL AND ADMINISTRATIVE MATTERS

1. Organisation

2.1 The membership of NAFED as on 31st March, 2005 consisted of 775 cooperative marketing federations and cooperative marketing/processing societies. The membership of NAFED consists of the following categories :-

:-

- i. State level General purpose cooperative marketing federations excluding UTs;
- ii. Apex level cooperative marketing organizations of Union Territories;
- iii. State and Regional(inter state) level cooperative institutions like special commodities federations, tribal cooperative development corporation engaged or designed to engage primarily in the marketing, processing or distribution of agricultural requisite and consumer goods;
- iv. Cooperative marketing/processing societies other than those covered under items i), ii) & iii) above, engaged in the marketing and/or processing of agricultural, minor forest and allied produce and/or agricultural inputs and having a minimum sales turnover of Rs.50 lacs or above in these activities;
- v. Government of India;
- vi. National Cooperative Development Corporation;
- vii. Other organizations/undertakings;

viii. National cooperative consumer's federation and any other national level cooperative organization.

2.2 Membership of NAFED as on 31st March, 2005 is as follows:-

SI No.	Category of Members	2004-05
1.	State Level Marketing Federations	25
2.	Apex Level Marketing Federations	3
3.	State Level Tribal and Commodity Federations	23
4.	Primary Marketing/Processing Societies	722
5.	Government of India	--
6.	NCCF & Other National Level Coop. Organisations	2
	Total	775

2.3 The criteria for acquiring/granting membership is that the application for admission as member of NAFED is made to the Managing Director in the proforma alongwith the required documents i.e Bye-laws of the society, Registration Certificate, Profit & Loss account and trading account duly audited and attested by the Chartered Accountant, Resolution of their competent authority and the amount towards share capital and membership fee through demand draft.

The Annual General Body of NAFED in its meetings held on 16.9.1998 and 12.9.2000 revised the share capital contribution from the member societies in order to strengthen its share capital base. The amendments to that effect have been registered by the Central Registrar vide his letter dated 21st January, 2001. In accordance with the above amendments the share capital contribution by various categories, which makes them eligible to have the membership of NAFED, is as under:

2.4 The share capital to be contributed by the state level general purpose cooperative marketing federations under bye-law 4(a) (i) shall be

Rs.20,00,000/- and for North Eastern States including Sikkim shall be Rs.2.5 lacs.

2.5 The share capital to be contributed by the Apex level Union Territories as well as Primary Societies under bye-law 4(a) (ii) & (iv) shall be Rs.40,000/- and for North Eastern States including Sikkim shall be Rs.20,000/-

2.6 The share capital to be contributed by State Level commodity Federation and other organizations eligible for membership under bye law 4(a)(iii) & (vii) shall be Rs.2,00,000/- and for North Eastern states including Sikkim shall be Rs.1,00,000/-.

2.7 Under bye-law 4(a) (viii) one nominee each of the NCCF, Bharat Krishak Samaj and other national level cooperative organizations that may be admitted to membership of NAFED, provided that such representation on the Board of NAFED shall be on a reciprocal basis. Presently only NCCF is representing on the Board of NAFED on reciprocal basis as NCCF is having the required share capital in NAFED.

2.8 Each application is disposed of by the Board of Directors of NAFED who is the competent authority to grant or refuse the membership.

2.9 The management of NAFED vests in the Board of Directors. Before the enactment of MSCS Act, 2002 there were 44 members in the Board of Directors. The Expert Group appointed by the Ministry of Agriculture (Department of Agriculture and Cooperation) had recommended that size of the Board should be reduced from the level of 44 to 17. The matter was further examined and the Board size was reduced as per MCSC Act, 2002 to 21 and with co-option and special invitees the Board now consists of 25 members. The composition of the Board of Directors in line with MSCS Act, 2002 and MSCS Rules and bye-laws of NAFED is as under :-

- i) Ten members from State Marketing Federations;
- ii) One member from North East States including Sikkim, if eligible;
- iii) One member from Commodity Federation;
- iv) Seven members from Primary Societies;
- v) One Government Nominee;
- vi) One member from National Level Consumer Federation.
- vii) Managing Director as ex-Officio member.

2.10 As per bye law no. 20 of NAFED, the Board of Directors elected by the General Body shall consist of one nominee each of the State Level General Purpose Cooperative Marketing Federations excluding UTS admitted under Bye-law 4(a)(i) as per Annexure I.

2.11 The Board of Directors is headed by the Chairman who is elected by the members of the Board of Directors from among themselves. The Chairman shall preside over the meetings of the Board of Directors, General Body, Executive Committee and the Business Committee. In his absence one of the Vice-Chairmen shall preside over the meeting. Chairman shall have general control and overall supervision over the affairs of the Federation and its officers with the object of ensuring implementation of all the policies laid down by the Board of Directors/Executive Committee and Business Committee. Chairman shall be competent to take decisions as are of an urgent nature affecting the policy of the Federation on behalf of the Board of Directors, Executive Committee, and any other committee, which may be deemed urgent on the advice of the Managing Director.

2.12 The members of the Board are elected by the members of the General Body of NAFED as per the provisions of the bye-laws of NAFED. The Chairman and Vice-Chairman are elected by the members of the Board. The tenure of the Board is for five years. Hence the term of the Chairman and Vice-Chairman is co-terminus with the Board.

2. Regional and Branch Offices

2.13 Apart from its head quarters at New Delhi, NAFED has four Regional Offices located at New Delhi, Mumbai, Kolkata and Chennai and 31 branches located all over India.

2.14 For North Eastern Region, the activities are looked after by Guwahati branch in Assam, besides a liaison office is being operated from Agartala. With regard to Union Territories of Andaman Nicobar, the activities are being looked after by regional office at Kolkata. Similarly, for Lakshadweep and Goa, the work is being monitored by Bangalore and Pune branches respectively.

2.15 On being asked whether it was not desirable to open branches in Goa, Union Territories such as Andaman and Nicobar, Lakshadweep and in the newly formed states, the Managing Director of NAFED replied during evidence as under :-

“Regarding branches, as I said, we have got about 30 branches all over the country..... About Andaman and Nicobar Islands, we are working through cooperative society which is a very active society. We have not yet opened a branch there but our Kolkata branch is monitoring it. We have not yet taken a decision on opening a branch there. But our cooperative society is working well there. As regards

Goa, we do not have a branch there at the moment because there is no business in the area.”

2.16 The Committee further enquired whether it was not desirable to open new branch office in these places for more efficient field operations, NAFED in a written reply have stated that it being an apex organization at the national level of marketing cooperative of agricultural commodities in the country, undertakes its business operations through its four Regional Offices and the branches functioning under it. These field units in turn, operate through the federations. In order to determine the desirability of opening new branches at places where NAFED units are presently not in existence as well as to have effective representation of the Federation in such places, information has been sought from the concerned Regional and Branch Managers under whose jurisdiction places like Andaman & Nicobar, Lakshadweep and Goa are located. The successful functioning of a Branch depends upon commercial viability. Besides a comprehensive Study on all aspects of procurement, storage, marketability as well as other logistics would be required for opening new offices.

2.17 NAFED in a written reply stated that consequent upon formation of new States viz., Uttranchal, Jharkhand and Chattisgarh, NAFED opened its branches in Jharkhand and Chhattisgarh and the activities in Uttranchal were to be looked after by Lucknow branch till such time a full fledged branch office is opened in the State, for which the approval was given by the Board of Directors of NAFED in the year 2002. Ever since opening of the branches, NAFED entered the local markets of respective States for

procurement of various agricultural commodities both under commercial account and Price Support Scheme declared by the Government of India.

2.18 Updating further on Uttaranchal, the Managing Director, NAFED stated during evidence as follows:-

“Recently, we have opened the branch in Uttaranchal. Earlier, it was a part of Uttar Pradesh Branch. This has been done only a few months ago. Once the branch is opened, now we are in touch to see what activities can be extended there. In Rudrapur, we are having seed production. That work is going on. We are also thinking in terms of setting up of a bio-fertilizer unit in Uttaranchal. We have asked the Uttaranchal Marketing Federation to have a joint venture with us on that. We are waiting for their response. Thirdly, we have even made a proposal to them if they have organic produce - naturally a lot of organic produce is there - we can do the marketing of that organic produce in States like Delhi”.

2.19 When the Committee pointed out that branch offices are situated in the State capitals with only a few exceptions, the Managing Director of NAFED clarified as under:-

“Our branch offices are mostly in the State capitals, except some offices in some of the major cities like Pune, Nasik, Rajkot, etc. We work through our branch offices, but the agencies which help us reach the farmers are our primary Agricultural Marketing Societies. We work through the State Marketing Federations and through the primary Agriculture Cooperative Marketing Societies. We use their services for all the procurement activity that we do there. Therefore, we are able to do more work in the areas where the societies are strong, and we face slight hindrance where the societies are not so strong”.

2.20 Elaborating NAFED’s initiatives for the development of infrastructure facilities in Eastern Zone, it was stated in a note furnished to the Committee as follows:-

“Looking into the needs of development of infrastructure facilities relating to the marketing of agricultural produce, consumer marketing and other related infrastructure, NAFED took up project for constructing Multi-storied Super Market and Controlled Atmospheric Storage on the outer fringe of Kolkata (New Township, Rajarhat) under Public-Private Partnership basis. NAFED has also acquired land measuring 2 acres from West Bengal Government for setting up the above project. Plans have also been submitted for constructing Multistoried Super Market.”

3. Administration and Manpower

2.21 The Chief Executive of NAFED is designated as the Managing Director is also the ex-officio member of the Board and is appointed by the Board of Directors. The Managing Director is responsible for day to day functioning of NAFED. He is assisted by a team of Additional Managing Directors, Executive Directors, General Managers, Managers, Deputy Managers, Assistant Managers and other supporting staff for carrying out the functions of NAFED.

2.22 On being asked whether the present organizational set up is adequate to cater to the functional requirement of NAFED, it was stated in a written reply that the present organizational set up in NAFED is considered adequate and appropriate to handle the existing business. NAFED also makes periodical review of its requirements and with a view to prune the organizational strength, Voluntary Retirement Scheme has been kept open. Further, to effectively cope with business requirements, officials at suitable levels are also taken on deputation.

2.23 The existing regular staff strength of NAFED is 772. The Committee enquired about the number of vacancies in various grades both at the

Headquarters and regional level. Vacancies to the senior post of Additional Managing Director and Executive Directors, whose functions relate to policy formulation, constant interaction with Chairman, MD and Governmental authorities, are generally filled-in at Headquarters. While Regional Managers are drawn from the cadre of General Manager and Branch Managers are posted from the Managers/Deputy Managers level, other supporting officers and staff are posted in Branches depending upon the volume of business being carried out in the respective field level units. Currently, efforts are also underway for manpower planning and rationalization of staff posted in Head Quarters and branches.

2.24 In the year 2005-06, vacancies in senior posts were as indicated below:-

S.No.	Name of the Post	Sanctioned Post	Vacancy Position
-----	-----	-----	-----
1.	Executive Director	7	6
2.	General Manager(FA)	4	2
3.	Manager	26	3
4.	Manager(AI)	1	1
5.	Deputy Manager	33	7
6.	Deputy Manager (A/cs)	26	1
7.	Civil Engineer	1	1
8.	Asstt. Manager	68	19
9.	Asstt. Manager(A/cs)	<u>21</u>	<u>4</u>
		<u>180</u>	<u>38</u>

2.25 It has been observed that in the year 2005-06, there were 38 vacancies as against the sanctioned strength of 180 senior posts. There were as many as six posts lying vacant against the sanctioned strength of seven posts in the grade of Executive Directors. NAFED in a written reply has also informed the Committee that no separate vacancies are earmarked in various grades at either Head quarters or regional level offices.

2.26 When enquired whether the poor state of manpower planning and shortage of manpower had adversely affected the functioning of NAFED, NAFED in their written reply stated that:-

“In NAFED, senior posts are considered to be from the cadre of General Manager and above. As against the sanctioned strength of 29 senior posts in the year 2005-06, the vacancies prevailing then was 08, which included 06 vacant positions of Executive Directors(ED) as well. The changing business scenario and technological advancement necessitated induction of skilled and professionally qualified personnel into the organization from reputed Management Institutes. Therefore, it was not considered necessary to retain a relatively large number of positions sanctioned at the senior level of Executive Director in NAFED. In the staff budget for the year 2006-07, three posts of ED were, therefore, abolished. The present sanctioned posts of ED are four in NAFED as against which two are filled up and two are vacant. The manpower planning in NAFED both in headquarters and in the branches are made according to the volume and nature of business being handled. The system of manpower planning being adopted and followed in NAFED has been found to be conducive to the business growth and not in anyway detrimentally affecting the progress of work. Primarily, there is no shortage of manpower in NAFED and the present staff strength is adequate to cope with the commercial activities in a systematic and planned way.”

2.27 The Committee further enquired about the steps taken by NAFED to fill up the vacancies of staff and whether any percentage had been prescribed for various methods of recruitment of staff in NAFED. NAFED in a written reply stated that the vacancies had occurred due to retirement, voluntary retirement of employees from service, resignation, death, etc. and had accumulated over a period of several years. Even as the pruning of staff has been considered the need of the hour, so as to make the staff strength compatible with the workload in the Federation, occasionally the

vacancies are filled up by following the prescribed methods in the rules through advertisement in the newspapers. NAFED's Board of Directors had also taken a decision on 05.06.1999 that further recruitment in Class-III & Class-IV posts need not be made in order to reduce overstaffing. Therefore, induction of fresh personnel in these cadres is on a slow pace. However, professionalisation of the organization being the keyword for progress, campus recruitment of MBA Graduates in Agri-Business, International Trade and Financial stream as Management Trainees is resorted to from reputed institutions.

2.28 In regard to transfer policy, NAFED in a written reply stated that NAFED being a commercial organization, deployment of staff on transfer from one place to another within and outside the region is normally resorted to from time to time as per requirement.

4. Training

2.29 The Committee observed that, since functioning and management in NAFED require knowledge and skill in specialized areas of operational aspects of business, the Committee enquired about the efforts being made to impart long term and short term training to keep officials abreast with latest trends and developments in the areas of business operations of NAFED. NAFED in a written reply stated that it had organized the following short term and long term training programs for its officials during the period from April 2003 to March 2006.

- i) Short Training Programme:- 325 Officers and employees from Head Office and different branches were deputed to various training

institutions for attending programmes in Marketing & Foreign Trade, Finance, Accounts, Vigilance, Human Resource, Future Trading, Contract Farming and other related areas in which their exposure was considered to be useful.

ii) Computer Training Programme:- 94 employees attended computer training programmes in different batches in HO and in Branches.

iii) Long Term Training Programme:- Three employees (one in each year) were deputed to 9 months Diploma in Cooperative Business Management at Vikunth Mehta National Institute of Cooperative Management, Pune.

iv) International Training:- Three employees were deputed to ICA, Japan, "Management of Agricultural Cooperatives in Asia" Training Programme which was conducted in three countries for a period of six months."

5. Complaints and vigilance Cases

2.30 The Committee enquired about the types of complaints generally received relating to the working of NAFED's Regional and Branch offices and units. NAFED in its written reply stated that all efforts have been made to keep transparency in the functioning of the Federation through periodical inspection by supervisory level officers and other measures of checks. However, complaints on the working of NAFED's Regional and Branch Offices originate from two sources – (i) Internal sources and (ii) External sources. The nature of complaints can be broadly classified as under :-

1. Forgery of official documents for personal gain of the employees.
2. Lodging false claims by the employees on the Federation for gaining undue monetary benefits.

3. Complaints of mis-conduct involving moral turpitude on the part of employees.
4. Complaints of administrative lapses.
5. Complaints of theft against employees.
6. Complaints of showing favoritism to specific parties in the matter of purchase and sale of stocks by NAFED employees for gaining undue pecuniary benefits.
7. Irregularities in the purchases of packing material, etc. (purchase from irregular sources, purchases at higher prices than market rates, purchases of inferior quality, etc.)
8. Payment of freight for transportation of goods at rates higher than the prevalent market rates for gaining personal undue advantage.
9. Complaints of extortion of money from farmers for purchase of stocks under the Price Support Scheme.
10. Favoritism to some mills hired for processing of mustard seed procured under PSS.
11. Complaints of irregularities in purchase of raw material for production of bio-fertilizer.

2.31 NAFED furnished the following statement regarding complaints received during the last 5 years:-

S.No	Year	No. of Complaints received	Type of Complaints
1	2000-01	2	Malpractices in business activities of the procuring agencies relating to Mustard seed and Gram.
2	2001-02	2	Demand of illegal money, mis-behaviour with private party and irregularities in the supply of Masoor Dal.
3.	2002-03	6	Irregularities in purchase of Mustardseed at lower prices, malpractices in sale of Copra, corruption in the purchase of Groundnut, Misuse of official

			position, irregularities in award of contract for transportation of Ball Copra, favoritism to private party in award of Contract of FCI Rice.
4	2003-04	3	Irregularities in award of contract for transportation, irregularities in sale of bird eye Chillies, irregularities in disposal of Gram.
5	2004-05	8	Illegal financing of commodities and disproportionate income, corruption and misbehaviour, irregularities in purchase of Mustardseed and Castorseed, corruption in purchase of Gram, irregularities in award of contract for transportation of Mustardseed.

2.32 On the grievances redressal mechanism available in NAFED, the Federation informed the Committee that grievances from the general public and farmers are dealt with in Vigilance section. The Committee enquired about the steps taken by NAFED to curb instances of corruption both internally and externally and bring down the number of complaints against NAFED's Regional and Branch offices and units. NAFED informed the Committee that the following steps have been taken to curb instances of corruption both internally and externally and to bring down the number of complaints:-

- (a) A full-fledged Vigilance Section is working in NAFED which is headed by Chief Vigilance Officer of the level of Additional Managing Director. The Vigilance Section works towards detection and investigation of the cases of corruption and other malpractices in the Federation besides advising the management on preventive actions so as to reduce the chances of corruption and malpractices.

- (b) Officers from Vigilance Section undertake anonymous visits to procurement/disposal area for understanding problems/grievances of farmers/general public.
- (c) Complaint boxes have been placed in Head Office and branches for use by complainants who may put their grievances in a sealed cover and drop it in the box. Such boxes are opened fortnightly by the authorized officers and action is taken at Head Office level on complaints received, if any.
- (d) A devoted site named "Complaints" has been created on NAFED's internet system for receiving complaints electronically.
- (e) Vigilance Section involves itself in the tender process and information is also obtained in Vigilance Section from branches/Head Offices in respect of all transactions above Rs. 50 lacs.
- (f) Action taken on the complaint is reported back to the complainant if the complaint bears his complete name, address and signature. Even anonymous complaints are examined by a committee of senior officers and corrective action taken, wherever required.

2.33 The Committee enquired about the number of corruption charges, malpractices, etc. which were registered with the vigilance cell in each of the last five years and present status of the cases. NAFED in its written reply has given the details as under:-

S. No	Name & Designation of employee involved	Nature of complaint	Source of complaint	Date of complaint	Final outcome/present status of the case
1.	Shri H.D. Singh, Ex-General Manager	Irregularities in purchase of residential flats at Kolkata	Internal vigilance machinery	22.02.96	He was exonerated of the charge based on the finding of the enquiry reports.
2.	Shri S.C. Khullar, Asstt. Manager	Irregularities committed while functioning as Branch Manager at Jammu	Internal vigilance machinery	18.05.96	Charges proved in the enquiry and he was awarded penalty of reduction of grade and post.
3.	Shri D.N. Gupta, Ex-Manager	Irregularities in supplies of food grains and pulses to Army Purchase Organisation	Internal vigilance machinery and CBI, Delhi	26.12.97	Charges proved in the departmental enquiry and he was dismissed from the service. CBI has separately instituted prosecution.
4.	Shri A.K. Rastogi, Ex-AAO	Irregularities in supplies of food grains and pulses to Army Purchase Organisation	Internal vigilance machinery and CBI, Delhi	26.12.97	Charges proved in the departmental enquiry and he was dismissed from the service. CBI has separately instituted prosecution.
5.	Shri Sushil Khanna, Ex-Manager	Irregularities committed while functioning as BM, Indore	Internal vigilance machinery	13.06.01	Enquiry was conducted in which charges were proved. Shri Khanna was permitted to resign and relieved from the services.
6.	Shri S.K. Gumastha, Ex-Addl. M.D.	Alleged irregularities in the procurement of Onion during 1998 Onion crises	CBI, Delhi	2001	Enquiry conducted but charges not substantiated. Hence exonerated and CBI informed.
7.	Shri S.K. Kuchhal, Manager	Alleged irregularities in the procurement of Onion during 1998 Onion crises	CBI, Delhi	2001	Enquiry conducted but charges not substantiated. Hence exonerated and CBI informed.
8.	A group of 22 employees of NAFED's Southern Region branches	Irregularities in procurement in Copra during PSS 2001 in Tamilnadu	Dte. Of Vigilance and Anti-corruption, Chennai	2003	Prosecution has been sought by T.N. Vigilance Commission against one employee on which action is in progress. Reports on others are awaited.
9.	Officials of NAFED in general.	Regarding Tie up business with M/s Earth Tech. Enterprises Ltd.	CVC, Delhi	4.4.05	As per the advise of CVC, matter is under investigation.
10.	Shri C.S. Jha, Jr. Asstt.	Complaints regarding purchase of Urad during PSS-2005 in Maharashtra	State Govt. of Maharashtra	May-2005	Matter is under investigation.
11.	Shri Subhash Singh, GM(U/S)	Raid by Anti Corruption Bureau, Jaipur on the residence of Shri Subhash Singh and case filed against him regarding corruption in award of contracts for processing of mustardseed.	Anti-Corruption Bureau, Jaipur	May-2005	Matter is under investigation by ACB, Jaipur

12.	NAFED in general	Tie up business with M/s Swarup Group of Industries	CBI, Mumbai	4.7.05	Reply to the queries of CBI sent.
13.	Shri R.P. Gaba, GM/Ex-BM, Ahmedabad	Irregularities in purchase of Mustard Seed under Price Support Scheme	Dept. of Agriculture & Cooperation, New Delhi	12.09.05	Present BM Ahmedabad has been asked to meet the complaint M.P. and seek details from him. Reply awaited.
14.	NAFED Management in general	Dismal management of NAFED's affairs	Dept. of Agriculture & Cooperation, New Delhi	26.09.05	Matter examined and complaint not substantiated. Reply sent to DAC.
15.	NAFED in general	Tie up business with M/s Swarup Group of Industries	CBI, Delhi	30.09.05	Matter is under examination.

2.34 It has been observed from the written information submitted to the Committee that CBI (Delhi & Mumbai) has registered cases of malpractices in general against NAFED. In this context, the Committee enquired about the nature of cases registered in Delhi and Mumbai. It was further enquired whether NAFED has filed any affidavit in these cases. If so, what are the relevant details of the same and what is the present status of these cases. Also the reasons for NAFED's second time business tie-up with the Swarup Group of Industries after few months of investigation by CBI.

2.35 The Ministry of Agriculture (Department of Agriculture and Cooperation) in their written reply stated as follows :

“The case registered by CBI as referred in above mentioned para pertain to the commercial activities of the NAFED which are totally separate from the operations of NAFED undertaken under the Price Support Schemes (PSS). The NAFED has undertaken such commercial activities with their tie up associates. For such commercial activities, NAFED does not require any approval or guidelines from the Government and, therefore, NAFED undertakes

such activities at its own. However, the NAFED while replying to this question has furnished the following information:

These cases are not registered against NAFED but for the purpose of verifying a secret source of information, the CBI, Mumbai had rendered to M/s. Swarup Group of Industries, who are the tie up associate of NAFED in export of iron ore from the country. The investigation was relating to certain issues not connected with NAFED nor against NAFED but with the financial matters of M/s. Swarup Group of Industries for which the CBI had elicited NAFED's assistance, which has been duly rendered. Therefore, it is clarified that CBI Delhi or CBI Mumbai has not registered any case of malpractices in general against NAFED and the present status of CBI enquiry into the secret source of information of the financial affairs of M/s. Swarup Group of Industries is not known to NAFED."

CHAPTER III
FINANCIAL RESOURCES FINANCIAL PERFORMANCE

Financial Resources

3.1 Financial Resource base of NAFED consists of Paid-up Share Capital, Reserves and Funds created out of profits earned over a period of time and loans raised for working capital requirements from various banks and NCDC as required from time to time. In addition, NAFED has been taking loans from NCDC to finance its various projects, i.e., construction of warehouses/godowns/cold storages/daal mill, etc. Since NAFED is not authorized, it has not secured market borrowings. The year wise details of various financial resource(s) base of NAFED and loans availed during the last ten years is given at **Annexure II**.

3.2 NAFED in a written reply further stated that in order to strengthen its capital base, NAFED deploys profits generated out of its activities as per provisions of Multi State Cooperative Societies Act 2002 in the following manner:

1. Transfer of an amount not less than 25% to the reserve fund;
2. Credits one percent to cooperative education fund maintained by National Cooperative Union of India, New Delhi in the prescribed manner.
3. Transfer of an amount not less than 10% to a reserve fund for meeting unforeseen losses.

3.3 The funds thus created are also utilized by NAFED in carrying out its mandated activities.

3.4 The Committee, therefore, enquired about specific reasons for increase in secured loans in the year 2004-05 at Rs. 1,33,470 lakh as

compared to previous year 2003-04 at Rs. 42,011.02 lakh. NAFED in the written reply has stated that the quantum of raising secured loans depends upon the quantum of business handled during a particular year. The reasons for a quantum jump of secured loans in the year 2004-05 as compared to the previous year 2003-04 were as under :

- i) NAFED procured 3.83 lakh MTs of mustard valued at Rs. 698.55 crores under Price Support Scheme of Government of India during the year 2004-05 as compared to previous year i.e., 2003-04 when only 0.18 lakh MTs mustard seed valued at Rs. 31.80 crore was procured.
- ii) NAFED in its commercial operations also undertook public/private partnership business to the tune of Rs. 887.75 crore and earned an income of Rs. 30 crore during the year 2004-05 as compared to previous year, i.e. 2003-04 when NAFED had undertaken business to the extent of Rs. 343.15 crore and earned an income of Rs. 10 crore only.

3.5 On the query of the Committee regarding the steps taken by NAFED to repay and bring down the amount of secured loans, NAFED in the written reply submitted that the secured loans are being repaid on disposal of the commodities procured against such loans depending upon economic viability. A constant vigil is maintained to reduce the burden of loan/interest thereon to the extent possible from disposal of stocks as and when undertaken.

Financial Performance

3.6 In response to the enquiry of the Committee about the turnover of NAFED during the last five years, NAFED in a written reply has stated that

NAFED undertakes its business operations through its branches and network of its Member Cooperative Marketing Societies in the entire country. Its domestic operations consist of business on outright basis, joint venture business with Member State Federations/Societies, agency and consignment business besides procurement of commodities under PSS and MIS. NAFED's overseas operations comprise export of various agricultural and horticultural items like foodgrains, pulses, spices, onion, potatoes, etc. The turnover of NAFED during the last five years is as given below :-

Year	Total Turnover (In Crores)	Internal Trade (In Crores)	% of Total Turnover	Export (In Crores)	% of Total Turnover
2000-01	1077.42	903.62	84%	173.80	16%
2001-02	1665.91	1364.16	82%	301.74	18%
2002-03	2311.82	1966.92	85%	344.90	15%
2003-04	1412.14	850.60	60%	561.54	40%
2004-05 (upto 31.12.04)	2265.00 (P)	1187.00	52%	1078.00	48%

3.7 Explaining the reasons for low turnover in 2003-2004 and the corrective measures taken thereon, the Managing Director, NAFED stated during evidence as under :-

“....The decline is from Rs. 2300 crore to Rs. 1400 crore and that was mainly because the price support operations in that year were totally insignificant. In fact, in the current year, when the turnover went down, we only got Rs. 4 crores of income from price support operations. Most of the prices in the market of oil seeds, pulses, etc. that year ruled above the MSP. So, that brought down the turnover. We then realized that we cannot rely upon the price support operations and we have to widen our commercial activities and diversify. Otherwise, our turnover will always fluctuate. That is why, we took a lot of steps in the current year and from Rs. 1400 crore, we went upto Rs 2294 crore in the current year. And in the year which is going on, we are sure that this will cross Rs. 3000 crore”.

3.8 Profit earned by NAFED in the past five years was as under :-

(Fig. in Rs crore)

Year	Share Capital	Turnover	Profit
2000-01	8.55	1077.42	4.81
2001-02	8.91	1665.9	3.54
2002-03	9.26	2311.82	4.14
2003-04	10.09	1412.13	3.18
2004-05	10.69	2293.16	11.48

3.9 On the negative trend in marketing operations it was stated in a note furnished by NAFED as follows:-

“NAFED has been undertaking procurement of various agricultural commodities in peak arrival period and disposal in the lean season. This marketing practice used to yield positive margins earlier, however, off late due to opening of Indian economy now it hardly holds good.”

3.10 Explaining the losses incurred on certain commodities like pulses, the Managing Director, NAFED stated during evidence as follows :-

“There are two aspects of losses. One is loss with regard to the price support operations, and another is with regard to losses of profit in NAFED.....It also depends upon the difference in market prices during procurement – which was there at the time of procurement – and the prevalent prices at the time of disposal. For example, this year the edible oil market is depressed. The seed market is not at all picking up. Therefore, it all depends on the market situation. However, we have earned profit for our commercial success, and our profits are going up with the help of diversification of our activities. We are taking commercial approach in our operations, and as far as possible professionalizing our management.”

3.11 The witness further stated as follows :-

“In price support operations, the profit or loss made by us goes to the Government account. I would like to mention that we have made profits also, and I can give you an example for it. In this very year(2005) we are going to earn profits worth Rs. 20 crore in grand

procurement, but it will go to the Government account. But the profit that we are talking about is all from our commercial activity. We only get service charge from the Government. Only the service charge goes into our account, and we have to earn profits from our commercial activities, and this is all that we have earned.”

3.12 To a specific query of the Committee about the steps taken by NAFED to make up losses in the operation, NAFED in a written reply stated that although losses cannot be entirely ruled out in any commercial operation, the same are taken care of by cutting costs or by diversifying into other income generating activities.

Return on Investment

3.13 The total investment and the dividend earned from 1998-99 to 2003-04 are as follows :-

<u>Year</u>	<u>Total investment</u>	(Rs in lakhs) <u>Dividend on Investment</u>
1998-99	141.15	1.74
1999-00	142.01	1.63
2000-01	142.01	1.18
2001-02	142.01	0.95
2002-03	420.72	1.61
2003-04	429.12	10.54

3.14 When asked the reasons for very low dividend on investments, NAFED in a written reply informed the Committee as follows:-

“As per NAFED Bye-laws vide Clause 29 Sub Clause(IX), Board has power to decide on investment in the share capital of other Cooperatives/institutions/bodies. NAFED has invested its funds judiciously and is receiving dividend on amount invested with

IFFCO, KRIBHCO, NCCF, Laddakh Foods Ltd., Multi Commodity Exchange of India Ltd. and Konark Jute Limited. Dividend earned depends upon the rate declared based on the quantum of profit earned by them. Investments are made only in those organizations/cooperatives which are required either as per the cooperative structural requirements or organizations which can prospectively render good returns. No dividend has been earned on the investment made in Konark Jute Ltd., which was jointly promoted by NAFED and Industrial Development Corporation Ltd., Orissa as the unit could not turn out to be economically viable.”

3.15 Commenting on dividend earned on investment, the Managing Director, NAFED stated during evidence as follows :-

“About dividends, we have a seven per cent dividend last year and this year we have paid 10 per cent dividends. Regarding the return on investment, many hon. Members pointed out that the return on investment is 1.25 per cent or 1.75 per cent. I would like to submit for the consideration that in agriculture business, our experience has been that the profit margin is very low. It is one per cent to 1.5 per cent. It is not really possible to go for a higher profit. Our secured loans have gone up. We have increased our commercial activity. Whatever borrowing limit was available to us, we have utilized that and invested that money. The return that we are getting is in the range of 1.25 to 1.75 per cent. We are conscious of that and we are doing in-house study also as to how to diversify our activities whereby our rate of return can be increased and we should take up where we will have higher rate of returns. We are having joint ventures with State Federations.”

3.16 Elaborating on this, a representative of NAFED stated during evidence as under :-

“As we said, we responded to this by realizing that we have to depend on our commercial activities, and price support operations are not going to be consistent over time. By doing this, our turnover as well as profit have gone up considerably”.

3.17 NAFED has taken the following steps to overcome losses :-

1. Organizational overheads are being controlled to reduce expenditure.
2. Business model for procurement/disposal being made more flexible to include procurement during lean season also and simultaneous disposal of procured stocks.
3. NAFED is expanding its activities in warehousing including general purpose, cold storage and custom bonded warehouses.
4. Emphasis has been given on business on agency basis e.g. marketing of IFFCO fertilizer, non-life insurance etc.
5. Business on tie-up/Back-to-back basis: The business risk is borne by the Business Associate. Tie-up business is being undertaken both in domestic and international marketing.

Tax Liability of NAFED

3.18 It was stated in a written reply that Cooperative Income Tax from retrospective effect has been imposed on NAFED like other co-operatives engaged in marketing of Agricultural produce other than the Primary Agriculture Cooperative Marketing Societies. Earlier it was exempted from payment of income tax on its earnings. Further, as per the recent Government decision, cooperatives have to pay income tax not only every year from now onwards but have to pay arrears of past 18 years also. This has come as a serious blow to the organizations, which came into being primarily to secure the farmers' interest. Cooperatives with their comparatively smaller and weaker capital base find it hard to bear this additional financial burden of payment of income tax. Cooperatives including NAFED intend to plough back the earnings for providing better infrastructural facilities to the farmers so that their interests are protected. There is a need to consider roll back of this provision and exempt cooperatives from payment of income tax. At least the arrears should not be charged.

3.19 The Committee further enquired about the total tax liability of NAFED per annum on account of imposition of tax on cooperatives and also on account of past arrears. NAFED in a written reply stated that the total tax liability of NAFED per annum on account of imposition of tax on cooperatives is 33.66% of the income earned. The payment of tax on account of past arrears is Rs. 61 crore since 1984-85 to 2004-05.

3.20 The Committee enquired whether the matter was taken up with the Ministry of Agriculture and the Ministry of Finance. NAFED has stated in a written reply that it has taken up the matter with the Ministry of Agriculture and the Ministry of Finance and has pleaded that the amendment in the Income Tax Act should be with prospective effect instead of retrospective effect. Their final decision in the matter is awaited.

3.21 Finance Minister in his budget speech of 2007-08 has made the following reference to the income tax liability of cooperative banks :-

“Profit-making cooperative banks, other than primary societies and primary banks (i.e., PACs and PFARDBs), have been brought on par with other banks. However, I have noticed some anomalies and I propose to correct them in the interest of the cooperative banks. Accordingly, the benefit of Section 36(I)(viii) will be available to cooperative banks. Likewise, cooperative banks will also be allowed deduction in respect of provision for bad and doubtful debts under section 36(1) (viiia). Amalgamation and de-merger of banking companies is tax neutral and this benefit will be extended to cooperative banks.”

Section 36(I)(viii) of the Income Tax Act deal with deductions provided for organizations engaged in agricultural development etc.

CHAPTER IV
PRICE SUPPORT OPERATIONS

4.1 In recognition of the importance of assuring reasonable produce prices to the farmers, and motivating them to adopt improved technology in farm enterprises, the Government of India implements Price Support Scheme and Market Intervention Scheme.

Price Support Scheme (PSS)

4.2 NAFED is the nodal agency of Government of India to undertake procurement of oilseeds and pulses, under its Price Support Scheme, whenever the market rates of these commodities go below the declared Minimum Support Price(MSP). NAFED is implementing the PSS since 1976-77. Under PSS, NAFED procures commodities like Urad, Gram, Masoor, Groundnut Pods, Mustardseed, Safflower seed, sunflower seed and Copra. During the year 2004-05, NAFED for the first time had been entrusted with an additional responsibility in the area of procurement of cotton under PSS in addition to cotton corporation of India. Procurement of commodities notified under PSS is arranged at APMC yards directly from the farmers as and when rates in the open market rule below or at the MSP declared by the Government from time to time. The activity of purchases under this scheme indicates clearly that there is a difference between the MSP and the ruling market rates and farmers instead of going to other buyers for selling at lower rates, come to NAFED for selling at MSP. Hence, the farmer is benefited through the system directly. In this process, there is no role for the middlemen to play since all purchases under PSS/MIS are undertaken by NAFED branches through State Cooperative Marketing Federation and Local Cooperative Marketing

Societies. MSP operations implemented through NAFED give an incentive to the growers to produce more oilseeds and pulses.

4.3 When asked whether NAFED had made any study regarding response of the farmers to the prices being offered by NAFED, NAFED in a written reply furnished to the Committee stated as follows :-

“Although no formal study has been made regarding response of the farmers to the prices offered by NAFED for their produce, NAFED while making procurement of oilseeds and Pulses under Price Support Scheme, offers Minimum Support Price declared by the Government of India for the crop season. In the event of price difference between the market rates and the MSP, farmers prefer to sell their stocks to NAFED through its State Federation/Societies working as NAFED’s agents instead of selling in the market. During Rabi, 2005, quantity over 21 lakh MTs Mustard seed has been procured against the production of 82 lakh MTs which worked out around 25% of the production. Obviously, farmer have opted selling their produce to NAFED at MSP (Rs.1700/- per qtl.) against the prevailing market rates of Rs.1555/1600 per qtl during the season.”

Procurement of Oilseeds

4.4 NAFED in a written reply has stated that the magnitude of procurement of oilseeds under the Scheme until 1999 was very limited and sizeable stocks were required to be procured on very few occasions and that too mainly in Soyabean, Mustardseed and Copra. From 1976-77 till 1998-99 the procurement was of the order of Rs. 380 crores only. Due to liberalized imports and higher global production of oilseeds, huge quantity of edible oil was imported into India at cheaper rates. Resultantly, the rates of oilseeds in the domestic markets remained depressed and heavy procurement under PSS had to be undertaken since Kharif 1999 till Kharif 2004. in regard to import duty on edible oils, the Finance Minister announced the following concessions in his budget speech, 2007-08 :-

“In order to make edible oils more affordable, I propose to exempt crude as well as refined edible oils from the additional CV duty of 4 per cent. I also propose to reduce the duty on sunflower oil, both crude and refined by 15 percentage points.”

4.5 The following table shows the procurement of oilseeds and their sale from 2000-01 to 2004-05 :-

Year	Crop	Qty. Procured	(Quantity in Metric tones and value in Rs. Lakhs)		
			Value	Qty. Sold	Value
2000-01	Safflower Seeds	6534.76	718.83	6516.508	689.33
	Mustard seeds	242055.6	26956.18	245764.6	31513
	Sun flower Seeds	19502.61	2281.8	19165.25	3056.46
	Groundnut Pods	1559.28	17.47	1553.15	26.16
	Groundnut Pods	28707.81	3502.35	23055.37	3376.46
	Soyabean	54745.21	4733.68	54427.49	5986.86
	Copra	235474.8	75697.35	227558.1	5069.34
2001-02	Sunflower seeds	25.696	3.01	25.952	4.26
	Safflower Seeds	3201.715	384.2	3216.339	396.32
	Groundnut Pods	163493.6	21908.13	162511.3	25439.91
	Copra	50300.26	17032.69	48386.55	14130.51
	Mustard Seeds	329524	39542.87	327636.1	46739.49
2002-03	Mustard seeds	467629.5	60791.83	476257.8	76198.03

	Sunflower Seeds	28.867	3.42	38.732	4.7
	Safflower Seeds	2020.259	262.63	2017.371	297.01
	Copra	7468.326	2189.73	7220.395	2285.43
2003-04	Copra	787.105	223.54	755.609	280.04
	Mustard Seeds	18577.23	2972.36	13963	2583.3
2004-05	Mustard seeds	403122	71306	NA	NA
	Sunflower seeds	2393	315	NA	NA
	Safflower Seeds	8942	1506	NA	NA
	Groundnut	418	69	NA	NA

4.6 The above table shows the large scale procurement of Mustard seed since 2000-01. During evidence, Managing Director of NAFED further informed the Committee that NAFED had undertaken record procurement of 20.93 lakh metric tonnes of Mustard seeds worth about Rs.4000 crore during Rabi season of 2005.

Procurement of Pulses

4.7 The details of the Pulses procured by NAFED under PSS from 2000-01 to 2004-05 are given below :-

(Qty. in MTS and
Value in Rs. LAKHS)

S. No.	Year/Crop Season	Commodity	Quantity Procured	Value	Quantity Disposed	Value
1.	2000-01 (Kharif)	Arhar	98.014	12.32	97.639	13.2
2.	2001-02 (Kharif)	Arhar	3776.243	525.69	3781.221	564.21
3.	2002-03 (Kharif)	Arhar	50.649	7.03	50.668	7.45
4.	2003-04 (Kharif)	Urad	152388	23498.24	108762	14478.82
	2003-04 (Kharif)	Moong	2488	383.65	2488	340.12
5.	2004-05 (Rabi)	Gram	282540	44076.24	189479	27000.24
6.	2004-05 (Kharif)	Urad	280	44.41	0	0

4.8 It is reported that the National Dairy Development Board (NDDB) has entered the area of procurement and marketing of oilseeds since mid 1980s. This has financial support from the Government of India under different market intervention schemes. It is also understood that NDDB has promoted parallel co-operative societies of seed growers for this purpose.

4.9 When the Committee enquired about the difference between the procurement made by NAFED from the farmers belonging to various co-operatives and the procurement made by NDDB from farmers' co-operatives supported by them, NAFED in a written reply stated that:-

“NAFED was entrusted with procurement of oilseeds under Price Support Scheme of Government of India since 1976-77. In the initial year only two Oilseeds were covered under PSS i.e. Groundnut and Sunflower seed. Subsequently more oilseeds were brought under PSS and presently NAFED is responsible for implementing procurement of nine oilseeds under PSS. NAFED had been implementing PSS operations through state level marketing federations who in turn utilize primary marketing societies at mandi level. However, from mid 1980 when Oilseed Growers Federations promoted by NDDDB were in existence, their services were also utilized to procure oilseeds under PSS. Out of nine State oilseeds Growers’ Federations promoted by NDDDB, six are members of NAFED. Procurement operations under PSS are required only when the prices of notified oilseeds fall below the declared minimum support price fixed by the Government from time to time. Procurement operation by NDDDB is a commercial operation on Anand pattern of cooperation through the Oilseed Growers’ Federations promoted by them. Besides utilizing the services of oilseeds growers federations promoted by NDDDB for procurement under PSS, NAFED had been utilized the processing infrastructure available with them whenever a decision was taken to arrange processing of oilseeds procured under the scheme. NAFED also utilizes the storage space available with oilseed growers federations whenever there is pressure on the storage space with CWC/SWC during heavy procurement under the scheme.”

Funding of Price Support Operations

4.10 NAFED in a written reply to a query on budget expenses, stated that Department of Agriculture and Cooperation(DAC), Government of India makes provision for a grant to NAFED in their budget under non-plan head for reimbursement of losses fully, if any, incurred by NAFED during disposal of the stocks procured under PSS/MIS. No other grant is made available by Department of Agriculture and Cooperation to NAFED. Detail of Budget allocations, and the amount utilized by NAFED in the last five years is given below:-

(Amount in Rs. Crore)

Year	BE	RE	Amount released			Balance if any
			NAFED for			
			PSS	MIS	Total	
1999-2000	1.00	1.00	0.99	0.01	1.00	NIL
2000-2001	1.00	26.00	25.00	1.00	26.00	NIL
2001-2002	25.00	353.00	340.55	12.45	353.00	NIL
2002-2003	100.00	300.00	298.48	1.52	300.00	NIL
2003-2004	294.02	156.00	156.00	--	156.00	NIL
2004-2005	192.53	171.88	120.00	--	120.00	51.88

4.11 In regard to non release of grant to the tune of Rs.51.88 crore in the year 2004-05, NAFED in a written reply stated that RE of Rs.171.88 crore for the year 2004-2005 could not be fully utilized as the Ministry of Finance did not allow the release in full due to cap on release in the last quarter of the year confining to 33% of RE. NAFED further clarified in this regard that the procurement of oilseeds and pulses depends upon the production, domestic and international market rates and domestic market surplus etc. The procurement under PSS is not certain, and as such the actual amount of losses likely to be incurred by NAFED cannot be estimated at the time of Budget Estimates of Department of Agriculture and Cooperation in the Union Budget. On submission of the Accounts by NAFED to Department of Agriculture and Cooperation, the budget estimates are revised based on the losses incurred by NAFED in that particular year. From the above table it may be seen that NAFED had utilized revised budget provisions on account of losses in the PSS Operations in the last five years except the year 2004-05. However, no procurement under PSS had suffered on account of low utilization of budget allocations in the year 2004-05.

4.12 In regard to budget allocations a representative of NAFED further clarified during evidence as under:-

“Sir, the first question that came up was about shortage of funds or budgetary allocation relating to NAFED to carry out its price-support operations. I would just like to point out that we get the funds in the Budget and it is true. It is always from the non-plan and it is not from the plan. The money that we are getting under non-plan is only to the extent of reimbursement of losses, that the commodity we buy under price-support operations. We store and then we dispose of. If we incur a loss on that, then the Government reimburses these losses. So, the budgetary provision that is made is mainly for reimbursement of those losses and then along with that we get our service charges. So, these are the only two elements, which are covered, in the budgetary allocation that is made under non-plan.”

4.13 Due to large scale procurement of oil seeds under PSS since Kharif 1999, Government of India could not make higher budgetary provision at short notices matching the size of procurement. This has resulted in shortfall of funds as can be seen from the table given below:-

Year	Budgetary Provision Value in Rs. Crores	Value of Procurement at MSP Value in Rs. Crores
1999-2000	1	457
2000-2001	26	1161
2001-2002	353	786
2002-2003	300	633
2003-2004	156	269
2004-2005	72	691

4.14 NAFED further informed the Committee that finance for procurement of oilseeds and pulses is made available by way of Cash Credit Limit(CCL) sanctioned by RBI to be operated through SBI, on the recommendation of Government of India, upto 75% on hypothecation of stocks keeping a margin of 25% as per banking norms. The remaining 25% can be drawn only after Government guarantee in lieu of margin money is furnished.

4.15 NAFED enjoys this Cash Credit Limit to the extent of Rs. 1631 crore against Government guarantee. During Rabi, 2005 season, the Cash Credit Limit to the above extent got exhausted in view of unprecedented procurement of mustardseed and pulses undertaken by NAFED. As SBI rate of interest was higher than the other commercial banks, funds were borrowed from other commercial banks by the Department of Agriculture and Cooperation. As a result funds could be arranged at the average rate of interest of 7% from other commercial banks as against 10.25% being charged by SBI. Thereafter, SBI has also agreed to reduce the interest rate downward to 7%. In this regard, the Managing Director, NAFED further informed the Committee during evidence that reduction of rate to 7% means a reduction in the loss to the Government exchequer by around Rs.150 crores to Rs.175 crores.

4.16 In the absence of sufficient budgetary provision for reasons as stated above, NAFED could not meet the guidelines stipulated by RBI for servicing of interest and losses due to which PSS accounts were declared as “irregular” by RBI. NAFED informed that sufficient budgetary provision has been made by Government of India for the year 2003-04 and 2004-05.

4.17 Further it has been stated that no advance funds are provided to NAFED for preparatory arrangement for PSS for items like packing material, reservation of warehouse space etc. As the PSS /MIS operations are meant to provide remunerative price support to farmers in time, NAFED is required to invest money from its own sources for such

preparatory arrangements, which is subsequently reimbursed to NAFED by Central Government.

Revolving Fund

4.18 The Committee enquired whether NAFED had approached Government of India on the delay in allocation of funds which was affecting the commercial ventures of NAFED. NAFED in a written reply stated that NAFED had taken up the following issues with the Government of India from time to time:-

- i) Adequate fund be provided in the Union Budget of the Ministry of Agriculture under Price Support Scheme and be made available to NAFED for meeting losses.
- ii) Creation of a Revolving Fund for PSS operations which will help in drawing funds for preparatory arrangements such as purchase of packing material, booking of storage space, etc.
- iii) Department of Agriculture and Cooperation has proposed R.E. of Rs. 890 crores against the B.E. of Rs. 260 crores for the year 2005-06 to meet the losses on P.S.S. operations.

4.19 In regard to Revolving Fund, NAFED further stated that the Department of Agriculture and Cooperation (DAC) has already been requested to make for provisions for Revolving Fund so that NAFED can undertake procurement no sooner the prices of oilseeds fall below the MSP. Under the present system, payment is released to the procuring agencies on receipt of WHRs (Warehouse receipts). Revolving Fund is required for making preparatory arrangements like purchase of packing

material, booking of storage space, publicity, etc. besides releasing timely payment of farmers.

4.20 Justifying the need for setting up a Revolving Fund, the Managing Director, NAFED stated during evidence as under :-

“This need was there because we have to do publicity before the price support operation. In addition, we must pay the farmer on the same day. If we are able to pay him on the same day, then he will bring his crop to us. What happens today is that we purchase and then we hypothecate the stock to the State Bank or whatever bank it is, and from them we take money and then send it. Sometimes the payment is between 3, 4 and 7 days. This is the time gap. So, if we have a Revolving Fund, we can give this as an advance to our cooperative societies and State Federations. So, this cycle is maintained whereby payment is given on a same-day-basis.”

4.21 Regarding the proposal for creation of a Revolving Fund, the Managing Director, NAFED stated during the briefing as follows :-

“This has been debated several times at the Government of India level also that some kind of an institutional mechanism for funding of the price support operations of NAFED has to be worked out and this under active consideration at the moment also to see how some kind of a mechanism can be evolved.”

4.22 NAFED has also requested the Government of India to sanction them lump sum compensation for maintaining the infrastructure to be in readiness irrespective of actual purchases. The expert group in its report had *inter-alia*, recommended that “NAFED should continue implementation of the Government policies for undertaking purchases under Price Support Scheme (PSS) and Market Intervention Scheme (MIS). For monitoring and giving publicity of the scheme, expenses should be borne by the Government even when there are no purchases. In their

follow-up note dated 28th July 2006, the Department of Agriculture and Cooperation had stated that “NAFED effectively implemented PSS/MIS as and when situation warrants as per the guidelines of the Government. For compensating NAFED in the event there is no procurement or less procurement, the Government of India, has been requested to consider allowing reimbursement of such expenses.”

4.23 The following table shows the revenue earned by NAFED through Government sponsored business :-

(value in Rs. crore)

	Year	2000-01	2001-02	2002-03	2003-04	2004-05
1	Turnover	1077.42	1665.91	2311.82	1412.14	2293.16
2	Total Service Charges (NOC+PSS+MIS)	22.01	21.22	15	6.39	21.23
3	Administrative Overheads excluding financial Charges and depreciation	29.56	29.38	29.15	29.83	31
4	Net Profit	4.81	3.54	4.14	3.18	11.48

Market Intervention Scheme (MIS)

4.24 Market Intervention Scheme (MIS) is an ad-hoc scheme. Agricultural commodities generally perishable in nature and which are not covered under the Price Support Scheme are eligible for coverage under the MIS. The main objective of MIS is to prevent the farmers from making distress sale of their produce particularly when the rates fall below the uneconomic level. The scheme also envisages protecting the farmers from exploitation

by the middlemen. The underlying objective of the scheme is to stabilize the prices at reasonable level to sustain the production.

4.25 NAFED is the Nodal agency of Government of India for implementation of MIS. So far, it has been asked by the Government to implement MIS in onion, potato, ginger, kinnow, malta, naspati, apple, black pepper, red chillies, coriander seed, eggs and palm oil bunches.

4.26 The prices under MIS are decided by the Government of India in consultation with the respective State Governments by taking into consideration the cost of production and the ruling market rates or the average of the ruling market rates for the previous three years. The scheme is generally for a fixed period during a given year and for procurement of a targeted quantity only or till the prices stabilize in favour of the growers. The scheme ensures that remunerative price is paid to the farmer and he is prevented from going for distress sales.

4.27 The details of the agricultural commodities procured by NAFED under MIS since 1992-1993 are as under :-

Commodity Procured	Year	Qty in MTs	Value Rs. in Lakhs	Major State of Procurement
1. Potato	1997-98	4697	159.27	UP, Karnataka.
	2003-04	733	21.48	UP
2. Onion	1996-97	60	1.98	Karnataka.
3. Eggs (Qty. in Lac No.)	1992-93	26.99	17.19	AP.
	1993-94	91.02	61.63	AP.
	1994-95	28.21	37.61	AP.
	1995-96	34.82	32.96	AP, Punjab
	1996-97	141.43	137.51	AP, Punjab.
	1999-2000	85.89	87.00	AP.
	2000-01	34.93	31.20	AP.
2001-02	31.75	32.70	AP.	

4. Kinoo/Malta	1992-93 1993-94	1703 3133	46.88 49.49	Punjab, Haryana. HP, UP, Haryana.
5. Black Pepper	1993-94	1491	495.25	Kerela.
6. Chillies	1993-94 1996-97 1997-98	5000 126 8123	806.64 29.48 190.01	AP. AP. AP.
7. Coriander seed	1998-99	378	45.88	Rajasthan.

The above statement shows that NAFED operations under MIS are not a regular phenomena. Except eggs, other commodities are not regularly procured under MIS.

4.28 In regard to effectiveness of MIS, the Managing Director, NAFED stated during evidence as under :-

“The State Government has to give a proposal and the State Government proposal comes late and that is why the intervention is not very effective. The fact of the matter is that for the market intervention scheme, as it exists, basically agriculture is a State subject. Whenever the commodity prices or anything, or any agriculture commodity is falling in a particular State, normally it is the State Government which comes out and intervenes on its own. They have their own State marketing federations and own agencies to do this. But only when they find that, may be, things are going beyond the control that they do send the proposal to Government of India for intervention under the MIS scheme. Then a meeting is held in the Government of India where all agencies are involved. The cost of production and all other aspects are taken, a price fixed and market intervention done. Normally, the Market Intervention, whenever it is implemented, does lead to the price stabilizing or at least the farmers getting a better return to the extent of procurement that is done from them. This is the same thing about the perishable commodity”.

4.29 In accordance with latest guidelines prescribed by the Government of India, the losses, if any, under the MIS are to be shared on 50:50 basis between Central and State Government concerned. In case of North-Eastern States it would be 75:25 basis respectively. The Government shall, however, bear its share of loss incurred in the market intervention operations upto an extent of 25% of the procurement cost which shall include the Minimum Support Price paid to the farmers, the statutory taxes i.e. the market/mandi/purchase tax, commission payable to the agents, grading labour and packing charges, labour charges, etc. If there is any loss beyond the above limit the same shall be borne by the procuring agencies. In case of eggs, the loss is shared on 25:75 basis between Central Government and National Egg Coordination Committee (NECC). The entire operation is (by both Central and State agencies/NECC) treated as one for the purpose of sharing loss under the scheme even if one agency does not procure the indicated quantity.

4.30 The Managing Director, NAFED draw the attention of the Committee to the following difficulties faced by NAFED in MIS:-

“Regarding market interventions, we have pointed out some problems in market intervention scheme, and that it has to come through a procedure. The State Government writes to the Central Government and then the rate is approved. Then, only 25 per cent of the losses are reimbursed. Initially, 100 per cent of the losses were reimbursed, but since 2001, only 25 per cent of the procurement cost is being reimbursed. So, that does create a little problem because many of these commodities are of a perishable nature and losses tend to be in the region of 50 per cent to 60 per cent in these cases. Normally, we intervene when there is a distress sale. When we intervene in the distress sale, the market price is already ruling so low that there is a big differential between the market price and the price that you are likely to get, that is, the price fixed by you and the price you are likely to get in the market.”

Disposal of Procured Stocks

4.31 NAFED informed the Committee in a note that after the procurement operations are over, NAFED keeps a close watch on the market and when price in the market tends to show an upward trend, NAFED with GOI approval starts disposal. Though there is no ready market for disposal of the procured stocks, NAFED resorts to different channels of disposal like selling in the local market, moving stocks to other terminal markets and resorts to processing, if required. The disposal is arranged as per NAFED's time tested business procedure drawn for its commercial activities for maximization of sale earnings. The salient features of the sale procedure are as under :-

- i) Disposal is arranged by NAFED branches for a commodity held by them based on the best prevailing available market rates after proper negotiation.
- ii) Disposals are arranged on cash and carry basis.
- iii) All statutory charges are paid as per the state rules and regulations.
- iv) In order to get best rates NAFED branches counter check the rate with other branches, traders/brokers and different locations in the state.

Loss in disposal of Stocks

4.32 NAFED in a written reply has further stated that under both the schemes(PSS and MIS), the losses are inherent due to the fact that the purchases of the commodities are undertaken by giving the Minimum

Support Price to the farmers when the prices are ruling below the Minimum Support Price in the market. The disposal of the commodities is undertaken soon after the procurement operation is over at the best prevailing market prices, after watching the market situation, i.e. market rates domestic and global, assessment of production for the next season, market surplus, etc.

4.33 On Committee's enquiry about the losses being incurred in PSS operations. The Managing Director, NAFED stated during evidence as under :-

"In price support operations, the losses vary from 10 per cent, 20 per cent, 25 per cent, etc. depending upon the market situation".

4.34 When the Committee enquired about the disposal of record quantum of Mustard seeds procured during Rabi 2005, the Managing Director, NAFED stated during evidence as under :-

"About Rabi-2005 mustard, yes Sir, a record procurement has been there – 20.93 lakh metric tones, about Rs. 4,000 crore. Now disposal is a big task before us. The Government of India has already formed a high-power Committee also which is reviewing this disposal. The objective is that we should minimize the losses, if any. First of all, let us come at least to a position where there is no profit and no loss; if there are any losses at least they should be minimized to the maximum extent. For that, already steps have been taken. On reduction in storage costs, we are having special negotiations with CWC and SWC and these steps have been taken up which will also bring down the quantum of loss in this."

4.35 According to NAFED, with regard to MIS operations its past experience of handling various agricultural commodities including perishables under MIS such as onion, potato, apples, kinnow, malta,

orange, red chillies, etc. suggested that the losses incurred under the Scheme have mostly been higher than 25% in all the cases.

OTHER GOVERNMENT OPERATIONS

(i) NAFED as a canalizing agency for onion export

The Committee enquired about NAFED's role in the export of onion from the country. NAFED stated in its written reply that India has been an important supplier of onion to world markets for a long time, exporting on an average, around 52,000 tonnes per annum even in 1950s. Exports have increased significantly over the years crossing 9,41,448 tonnes mark in 2004-05 earning Rs. 817.49 crore in foreign exchange for the country.

4.37 NAFED was the sole canalizing agency of the Government of India for export of onion from the country to permissible destinations without any quantitative restrictions from 1974-75 to 1998-99. In February, 1999, the Exim Policy related to export of onion was amended. According to this policy NAFED and some of the State Trading Enterprises(STEs) were allowed to export onion with separate quotas assigned to each canalizing agency. Later further amendments in the Exim Policy 1997-2000 were made. The export of onion is presently allowed through NAFED and 12 State Trading Enterprises without quantitative restrictions on all varieties of onion.

4.38 Though Government of India has allowed export of onion under the liberalization policy through NAFED and other 12 State designated agencies, the actual direct major export is undertaken by NAFED only. The rest of the agencies are only issuing NOCs to the

Associate Shippers who are actually undertaking export of onion.

4.39 The Managing Director of NAFED added during evidence as under:-

“We have been one of the agencies involved in canalization of onion exports. Our main role has been in increasing the export of onions. In 1974, we were the sole canalizing agency for onion exports. We have increased the exports, which was not even worth Rs. 50,000 at that time. Last year, Rs. 8.50 crore worth exports took place. Onion is the major export in our horticulture sector. NAFED has played a major role in this. We set up an agency called NHRDF which came out with new varieties. We give advice to the farmers on production of onions for the export market. We see that the right quality is procured and dispatched. Of course, now, our role has got limited because now, along with NAFED, as many as 12 other agencies have been nominated. This was our major business. At one time, we were getting 5 per cent commission on this. Today, we are getting only one per cent commission. Our activity in this sector has come down significantly”.

The witness added:-

“We are the only one agency which is actually exporting. That is the point we have made. Others are only issuing No Objection Certificates but we are doing exports on our own also. Apart from acting as a canalizing agency, we are also doing exports on our own. This is the point we have made out there”.

4.40 The Secretary, Ministry of Agriculture (Department of Agriculture and Cooperation) gave further clarification on the issue as under :-

“I would like to further clarify one issue here....It is not the Ministry of Agriculture which is designating these trading houses or canalized agencies. That is with the Ministry of Commerce. Why articles or commodities are canalized is because some of them are deemed, either imports or exports, to be a little sensitive. Since onion is such a product where there have been shortages, we do try to have some canalized agencies so that we know what is the quantum of the export that we want to do. If we take this year's (2005) case itself

into consideration, you will see that the prices of onion had risen considerably because of severe floods and other natural disasters that happened in Maharashtra and other parts of the country. To that extent, if we do not have these canalized agencies, a lot of export will be happening but our own people will not have sufficient onions at affordable prices available. So, the Government has to do a very tight balancing act. If we do not have canalized agencies, everybody will start exporting. In that situation, probably people will have to buy onions at very high rates. So, there needs to bring some kind of a balance which we need to maintain because these are perishable items. Since this year(2005) itself we saw that the onion prices hit almost Rs. 16 to Rs. 17 in many markets of the metropolises, I think it is not a bad idea to really have canalized agencies”.

4.41 In a written note NAFED suggested that in view of NAFED’s past experience in own export and also through its associates by providing remunerative prices to the onion growers, the Government of India may like to reconsider appointing NAFED as the sole canalizing agency in order to have better control to boost the export of onion as also to regulate, systematize and discipline through the means of canalization.

(ii) Proposal to declare NAFED as nodal agency for procurement of jute

4.42 In regard to NAFED’s proposal for declaring NAFED as a nodal agency for procurement of jute, NAFED has stated in a written note that for providing remunerative prices to the growers, Jute Corporation of India Ltd. has been designated as the nodal agency for purchases under MSP. NAFED gets suggestions from its member societies every year in the General Body meeting that the jute and mesta farmers in the remote areas are yet to get the benefits of Minimum Support Price and therefore, NAFED should also purchase raw jute at those centres where the benefit has not percolated to the farmers. During the year 2004-05, the Jute

Corporation of India allotted some centres to NAFED for purchases of jute under Minimum Support Price in Bihar. Although, all arrangements were made by NAFED for purchases, no purchases were necessitated, since the prices in the centres allotted to NAFED were ruling above Minimum Support Price.

4.43 When the Committee further enquired whether NAFED could procure gunny bags and other processed jute material and whether NAFED could play a vital role in revival of jute mills and boost international trade, NAFED in a written reply stated that it procures gunny bags for its own requirement as well as for some institutional buyers who place their indent on NAFED. National Jute Manufacturing Corporation and Jute Corporation of India (both Government organizations under Ministry of Textiles) are the nodal agencies to look after the problems of jute mills and promote international trade.

CHAPTER V
COMMERCIAL OPERATIONS AND OTHER ACTIVITIES

1. Commercial Operations

5.1 Besides, Price Support Operations, NAFED undertakes commercial operations in view of the following reasons:-

- (i) NAFED is a revenue based organisation.
- (ii) No financial aid or subsidy from Government of India.
- (iii) NAFED has to earn profits in order to sustain its network of branches and manpower throughout country for providing marketing support to farmers.
- (iv) Uncertainty in PSS/MIS Operations.
- (v) Substantial reduction in service charges on canalized exports due to policy changes.

5.2 The following are the commercial activities of NAFED :-

- Domestic and International Marketing of Agricultural Commodities;
- Industrial and Infrastructural Activities;
- Consumer Marketing;
- Marketing of Agriculture Inputs – Seed and Fertilizer;
- Multi-Purpose Cold Storage and Custom Bonded Warehouses;
- Corporate Agent of IFFCO-Tokyo General Insurance (ITGI);
- Warehouse Receipt Based Financing;
- Futures Trading;

- Public Private Partnership.

5.3 In a note furnished to the Committee, NAFED stated that budget for the commercial operations is prepared based on suggestions received from members, branches and also keeping previous experience which is approved by the AGM of NAFED. This budget is bifurcated on commodity-wise and state-wise basis. The budget is given to branches for implementation. Procurement of budgeted commodities is undertaken in APMC markets during peak arrival period depending upon availability of Fair Average Quality stocks and prices. Selection of procurement centres is based on quality/quantity of stocks arriving, rates, proximity to the warehouses/disposal markets etc. Procured stocks are stored in CWC/SWC godowns. Normally the prices of the procured commodity tend to improve during the lean season. Disposal of procured stocks commences when the same is at the level cost plus. The sales are arranged as per NAFED Business Procedure on cash and carry basis. Due to inherent nature of agricultural marketing, markets are not always favourable and NAFED branches sometimes have to arrange disposal below cost if markets are depressed and prospects of profitable disposal are bleak due to factors like ruling domestic and international market prices and imports, storage period, likely arrivals during next season etc. Commenting on the operations of NAFED, the Secretary, Ministry of Agriculture (Department of Agriculture and Cooperation) stated during evidence as follows :-

“NAFED undertakes its commercial activities on its own without any policy guidance, approval or monitory assistance from the Central Government. There is no role of the Central Government in the business programmes of NAFED for marketing of various agriculture

and non-agriculture products on commercial considerations and under public-private partnership business with its business associates.”

- Domestic marketing as well as foreign trade on back-to-back/tie up basis with its business associates.
- Marketing of nectar of Seabuckthorn fruit under “Leh Berry” brand.
- Insurance business as corporate agent of IFFCO TOKIO.
- Expansion of warehousing activities including general purpose, cold storage and custom-bonded warehouses.

2. Marketing of agricultural commodities on commercial basis

(i) Pulses

5.4 The position of profit/loss incurred by NAFED in handling pulses in its commercial account since 2001-02 to 2004-05 is as given below:

(P/L in Rs. Lakhs)

Commodity	2001-02	2002-03	2003-04	2004-05
Arhar	56.44	51.19	-12.21	61.24
Assorted Pulses	7.95	12.47	7.76	13.70
Gram	612.92	99.83	-416.80	14.16
Masoor	-25.82	34.36	108.61	117.29
Moong	33.11	-82.55	-26.21	18.26
Moth	23.53	4.00	-21.46	17.23
Peas	34.12	96.99	58.35	196.30
Rajmah	0	1.33	0	-3.55
Urad	-68.02	-229.94	-74.08	1.28
TOTAL	674.23	-12.32	-376.04	435.91

5.5 When asked the reasons for losses in trade of pulses, NAFED in a written reply stated that it is not incurring losses continuously in pulses trade. In the trade of agricultural commodities, the element of profit and

loss is not certain. However, based on the recommendations of the Regional Managers and Branch Managers of NAFED and also experience of previous years in handling various agricultural commodities, the annual business budget is drawn. While preparing the budget, the economic viability of the particular commodity is evaluated by keeping in view the production, ruling market rates both domestic and global and the quality etc.

5.6 NAFED further stated that it procures various agricultural commodities of fair average quality during peak season from the farmers directly at regulated mandis in open auction through its cooperative network. It undertakes disposal of the procured stocks during lean period when the prices of the commodities improve. The prices of agricultural commodities are governed by the demand and supply factor. But in certain cases, external factors such as import at cheaper rates also affect the market rates adversely.

(ii) Potatoes

5.7 NAFED stated in a note that NAFED has been procuring potato in the main producing States, viz. Uttar Pradesh, West Bengal, Bihar, etc. during peak arrival period on commercial basis when prices of potato are low which helped the growers to get remunerative price of their produce. The procured stock is either exported or disposed of locally when no fresh crop is available in the market and prices of potato tend to increase during the lean period, which ultimately protects the interest of the consumers.

5.8 Out of total production of around 244 lakh MTs of potatoes in India hardly 0.12% potato is exported which is mainly carried out from the

States of MP, UP and other producing areas. The export of potato from the country during the last three years and NAFED's share of export is as under:-

(Qty. in MTs)

Year	Total Export	Export by NAFED
2002-03	24365	1037
2003-04	67340	3760
2004-05	61000	3175

5.9 NAFED's export of potato was mainly to Mauritius and recently to Schycheles also. NAFED's export of potato marginally declined during the year 2004-05 as Mauritius imported comparatively lower quantity.

3. Retail Marketing Operations

5.10 The Committee enquired about the details of retail outlets and the commodities available at the retail outlets. NAFED in its written reply stated that at present there are three retail outlets running under Consumer Marketing Division (CMD), Lawrence Road at Krishi Bhavan, NCERT Complex and NAFED Complex, Lawrence Road. These shops were established around one and a half decades ago at the instance of Ministry of Agriculture, Government of India with a view to safeguarding the interests of consumers. In the beginning, the grocery items such as rice, sugar, pulses, eggs, etc. were sold. At later stage, for increasing the turnover so as to make the outlets economically viable, a range of items was added.

5.11 The Committee enquired about NAFED Bazaars started by the Federation. NAFED in its written reply stated that with the change of market scenario, it was felt that NAFED should also diversify its activities

and enter into consumer marketing in a better way. Hence, it was decided to go in for a chain of NAFED Bazaars. To begin with, firstly in June, 1999 NAFED opened a bazaar (self-service supermarket) at Ashram Chowk, New Delhi, so as to facilitate the consumers to meet their daily needs under one roof at reasonable prices. The second NAFED BAZAAR was opened in October 1999 in the rented premises of Delhi Federation, Nangloi. The said bazaar was closed down after a period of three years since it was not economically viable, specially due to high rent.

5.12 When the Committee further enquired whether there were plans to open new NAFED Bazaars in other parts of the country, NAFED stated in its written reply that apart from NAFED Bazaar, it is also running two retail outlets in Shimla, one each at Jaipur and Hyderabad. The retail outlet at Hyderabad is being run in Rythu Bazaar. NAFED may open more retail outlets or utilize the existing franchisee outlets distributing fertilizers for distribution of its consumer products. This may, however, depend upon economic viability.

5.13 The Expert Group set up by the Government had identified consumer marketing as a potential area for NAFED for increasing turnover and higher price realization of the produce by value addition. The group had also recommended that NAFED's activities in this area should be enlarged establishing linkages with consumer marketing organizations and others promoting "NAFED" brand name. The retail marketing in the Northern Zone amounted to Rs. 2291.45 lakh with a profit of Rs. 85.89 lakh and in South Zone it was Rs. 261.22 lakh with a profit of Rs. 12.64 lakh in the year 2003-04. The presence of NAFED Bazaars and retailing

has been comparatively less in the Southern States in comparison to the Northern States. Explaining the phenomenon, the Managing Director, NAFED stated during evidence as follows :-

“Our presence is less in Southern States and that profits in Southern States are lower than in other States. We are in four zones, that is, South Zone, North Zone, East Zone and West Zone. It is true that maximum profits come from the West Zone and that is because of the nature of our operations. Mumbai branch gives us the maximum profits because most of our exports are routed through Mumbai and much of our commercial business is handled by that region. However, we are developing South also. We have a lot of branches in South. We have branches now in Chennai, Hyderabad, Tuticorin, Cochin, Calicut and Bangalore. We have opened full-fledged branches there; we have got staff and we are working out in these areas. We have prepared a plan of action also. The profits in South Zone have gone up over the last few years. Even this year, so far, in the first six months, South Zone is showing good profits”.

5.14 In the written reply NAFED further stated that the margin of profit in Northern Zone works out to 5.05% and in Southern Zone the margin of profit is 4.83%. Thus, the margin of profit earned in North and South Zones is by and large the same. However, the slight variation in margin of profit was due to nature of commodities handled and the market situation. NAFED's operations in Southern States as compared to Northern States are low key because NAFED started consumer marketing in Southern States recently. Moreover, the product mix being handled in Southern zone is also limited. Efforts are being made to further expand the marketing operations in Southern States by tapping institutional supplies by strengthening local sourcing of products.

**4. Joint Venture with State Cooperative Marketing Federation/
marketing Cooperative Societies**

5.15 The Committee enquired about NAFED's Joint Venture activities with State Cooperative Marketing Federations/Marketing Cooperative Societies. NAFED in its written reply stated that depending upon commercial viability, procurement and marketing by agriculture federations/cooperative societies is undertaken on the following grounds:

1. To pool resources and take advantage of expertise available with the joint venture partner.
2. To extend help to such cooperatives which are ill-equipped in terms of either finance or marketing knowledge.

5.16 The details of joint venture business by NAFED in last five years was as given below:-

PURCHASE

**AQTY. IN MTS
VALUE IN RS.LAKHS**

Commodity	2000-01		2001-02		2002-03		2003-04		2004-05	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Paddy	Nil	Nil	Nil	Nil	2041.00	233.00	Nil	Nil	Nil	Nil
Soyabean (Yellow)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	2148.00	267.20
Turmeric	Nil	Nil	Nil	Nil	Nil	Nil	669.00	38.30	Nil	Nil
Potato Seed	Nil	Nil	Nil	Nil	132.00	8.00	228.00	13.00	Nil	Nil
Total					2173.00	241.00	897.00	51.30	2148.00	267.20

SALES

**AQTY. IN MTS
VALUE IN RS.LAKHS**

Commodity	2000-01		2001-02		2002-03		2003-04		2004-05	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
F.G.	127.00	9.40	127.00	9.35	Nil	Nil	Nil	Nil	Nil	Nil
Pulses	Nil	Nil	Nil	Nil	Nil	Nil	Nil	14.25	Nil	Nil
Potato	Nil	Nil	Nil	Nil	Nil	Nil	Nil	21.70	Nil	Nil
Turmeric	210.00	24.11	149.00	14.31	Nil	Nil	Nil	Nil	Nil	Nil
Potato Seed	Nil	Nil	Nil	Nil	132.00	12.74	Nil	Nil	Nil	Nil
Others	Nil	Nil	Nil	Nil	Nil	Nil	Nil	76.04	Nil	Nil
Total	337.00	33.51	276.00	23.66	132.00	12.74	Nil	111.99	Nil	Nil

5.17 When enquired about the need for strengthening of joint ventures among cooperatives in the country, the Secretary, Ministry of Agriculture (Department of Agriculture and Cooperation) during evidence stated as under:-

“We are very conscious of the fact that we do not want to give up our advantage that we have, as a country, in terms of the large co-operative network that is there. But there are some problems insofar as the co-operative segment is concerned. A lot of them are sick, a lot of them need to be revived and we are taking all steps to ensure that the sick banks, district banks and the banks which are not in healthy condition, are given rehabilitation package. We do believe that after the Vaidyanathan Committee Task Force Report is accepted by the Government, a lot will be done by rehabilitating co-

operative sector within the country. Since, these are multi-dimensional institutions, if we revive them, then we not only will be able to provide greater credit to the farming community but also all these issues regarding proper marketing, manpower, networking, etc. would also be taken care of.”

5. International Trade by NAFED

5.18 NAFED’s overseas operations comprise export of various agricultural and horticultural items e.g. foodgrains, pulses, spices, onion, potatoes, etc. The Committee enquired about the value of import and export and percentage of growth in the exports. NAFED in its written reply stated that NAFED has been a regular exporter of agricultural commodities since 1962-63. During 2003-04 NAFED achieved an export turnover of the order Rs. 561.54 crore. Major commodities exported are rice, wheat, sugar, onions, potatoes, nigerseed, spices, etc. Details of various commodities exported during the years 2000-01 to 2004-05 are given in **Annexure III**.

5.19 When it was observed that quantum of foreign trade by NAFED declined from 5,76,636 MT in 2003-04 to 3,02,026 MT in the year 2004-05 and the value from Rs. 56,154.15 lakh in 2003-04 to Rs. 27,618.11 lakh in the year 2004-05, the Committee enquired as to what were the precise reasons for substantial decline in export trade during 2004-05. In a written reply NAFED clarified as under :-

“A comparison of exports made in terms of quantity and value during 2003-04 to 2004-05 is given below as per the audited figures in the NAFED Annual Report 2004-05:-

(Qty. in MTs/Value in Rs. Lakhs)

2003-04		2004-05		%age increase	
Qty.	Value	Qty.	Value	Qty.	Value
576636	56154.15	765969	61465.57	32.83	9.46

The figures given under the caption of International Trade of the Questionnaire for the year 2004-05 were upto December 2004.

Comparison for the full year is given as above. Hence, there is a 32.83% increase in quantity and 9.46% increase in value of exports in 2004-05 over 2003-04.”

5.20 The Committee further enquired as to how does the export by NAFED during the year 2005-06 compare with the preceding years. In this regard, NAFED in a written reply stated that:-

“exports of NAFED have been increasing steadily but during 2005-06, exports have declined marginally which is evident form the following table:

2002-03	345 Crores
2003-04	562 Crores
2004-05	614 Crores
2005-06	602 Crores

5.21 The reasons quoted by NAFED for decline in exports during 2005-06 were :-

“NAFED has been exporting onion which is traditionally a strong commodity amongst other commodities from the past several years. There was a decline in the overall export of onions from the country because a conscious decision was taken to divert onions in the domestic market instead of exports in order to make available onions to the consumers at reasonable prices. Hence, there was a slight decline in the exports of NAFED also during the year 2005-06 in comparison with the exports of 2004-05.”

5.22 The Committee enquired as to what extent NAFED has been successful in building up foreign marketing channels for agricultural produce. NAFED in its written reply stated that in order to remain in the international market for export of agriculture produce such as onion potato, groundnut kernels, de-oiled cake, rice and wheat, etc., the contracts with overseas buyers/agents are established on regular basis. For this purpose, regular visits of senior officers of NAFED are

necessitated from time to time as per the requirements. Similarly, the foreign buyers are also invited to see the infrastructure of NAFED and other related facilities and for one to one discussion so that the buyers can rely upon NAFED as a dependable supplier. Such contacts have been established in Mauritius, Malaysia, Singapore, Sudan, etc. NAFED gets response from time to time from these countries. Efforts are being made to develop such channels in other countries also.

5.23 In this regard, the Managing Director, NAFED stated during evidence as under:-

“As regards the export of crops....We have gone in for more than Rs. 600 crore worth of export, and every year the graph is going up. We had a problem in the organization with regard to responding to the export market quickly. I did point out last time that they gave us only a couple of hours to respond, and give our rates. But we have taken appropriate action to resolve this issue. We have a very active Export Cell in the head office, and we have also trained the Branch Managers (BM) of various branches in the export market. In addition to this, all the branches and head offices have been interlinked with computers. As a result, we are corresponding with them via e-mail itself. This has enabled us to respond to the challenges of the export market.”

5.24 The Expert Group appointed by the Government had recommended that NAFED should study prospects of expansion and diversification of business in international trade by creating a full fledged international trade division in Head Office and also participation in international fairs and exhibitions. As a follow up an International Trade Division has been created in NAFED which assists the commodity divisions in increasing the exports of commodities. NAFED also participates in International exhibitions and Trade Fairs.

5.25 In its report, the expert group also suggested that in the new changing scenario, NAFED has greater role to play in strengthening India's agro-export potentials for which NAFED may identify potential commodities for exports; establish grades/standards commensurate with international requirements; plan procurement, grading/storing of identified commodities; explore avenues for value addition; promote NAFED's products in potentially large markets and establish as a quality product exporter. Also, in the interest of members/farmers NAFED should explore joint venture/collaboration in agricultural commodities with cooperatives in other countries by entering into buy back or market support arrangements.

5.26 The Committee enquired whether NAFED has taken any concrete steps to improve their functioning in pursuance of the aforesaid suggestions of the expert group. If so, what are these and how the same have helped them in improving their functioning. NAFED in their written reply stated:-

“In line with the recommendation of the Expert Group NAFED developed a strategy for enhancing its export and import activities. In the area of export NAFED made a broad based approach for inclusion of several commodities which were undertaken for the first time or resumed its activities undertaken in the past. NAFED has been regularly in dialogue with APEDA and other organizations for developing grades/standards of agricultural commodities for export commensurate with international requirements. NAFED planned its program for procurement directly from the market arrivals and also under PPP arrangements at competitive prices. In this process value addition also was undertaken wherever needed. During the course of interaction with cooperatives in other countries, possibilities were explored for entering into joint venture/collaboration for export of agricultural commodities from India. Efforts are still on to achieve the above line of business activities.”

5.27 NAFED undertakes import of agricultural commodities, both in the Government account and also in its own commercial account. NAFED imported maize, dry fruits, pulses and fertilizers from time to time. Imports are aimed at primarily augmenting supplies to stabilize the domestic prices. During the year 1998-99, 1999-2000, no imports were undertaken by NAFED.

6. NAFED's operations in the North Eastern Region

5.28 The Committee enquired about NAFED's activities in the North Eastern region of the country. NAFED stated in its written reply that despite a number of constraints NAFED has been fully committed to the task of providing Market support to the farmers of North Eastern States. NAFED through its branches at Guwahati and Siliguri has effectively tried to promote and extend business activities in this Region. For the last three years NAFED has been making efforts to enhance the volume of its business in the North Eastern Region. With the setting up of liaison office at Agartala, it further intensified its efforts to develop the marketing of agricultural and horticulture produce in the state of Tripura and other states of North Eastern Region. Details of business handled in the last five years are given in Annexure IV.

5.29 An amount of Rs. 2354 lakh was earmarked in the budget of 2004-05 for various commodities in North Eastern region. This included bulk share of Fertilizers. Every effort is made to increase the turnover in North Eastern States by doing business of items like Pineapple, Orange, Passion Fruit, Ginger, Arecanuts, etc. in the near future.

5.30 NAFED in a written reply further stated that in the North Eastern States, the cooperatives are weak in terms of organizational set up and financial conditions. Despite these constraints, NAFED earnestly makes efforts to extend its network particularly among small and marginal farmers of North Eastern States. The main commodities handled by NAFED during the last five years in the North Eastern States are mustardseed, mustard oil and tea. NAFED also issues NOC for export of onion, potato, arjun flower, black pippale and handles distribution of fertilizer. As regards future programme of activities, NAFED contemplates to market mustard oil, fertiliser, seeds, potato, pineapple suckers and takeup jatropa cultivation, etc.

5.31 The Committee further enquired about NAFED's future plans for extending its activities in the North Eastern region. NAFED in its written reply stated that NAFED maintains liaison with various departments of North Eastern states, cooperatives, etc. and coordinates and carries out various business activities through its branch office located at Guwahati. NAFED also opened a sub office at Agartala to oversee its operations in Tripura. NAFED also has an office at Siliguri which is considered as gateway to the North Eastern states.

5.32 The Expert Group appointed by the Government had recommended that Government of India should create a corpus fund to be placed at the disposal of NAFED for developing marketing activities in the North Eastern region, which are likely to result into losses. The action taken by NAFED on the recommendation is that Technology Mission on Horticulture for North East Region is already actively working on this project. Regarding

enhancement in NAFED's activities in NE Region, NAFED has taken up several programmes of supply of seed, fertilizer and sourcing of planting material from the Region. Close monitoring is being done to take up business activity in the region as and when opportunity arises.

7. Industrial Units

NAFED furnished details of its following industrial units :-

(i) Konark Jute Ltd (KJL)

5.33 The Committee observed that for the benefit of jute growers Konark Jute Ltd(KJL) was set up in Orissa in 1975. However, the unit could not turn out to be economically viable. The Committee further enquired about the reasons due to which Konark Jute Limited could not become economically viable. NAFED stated in the written reply that Konark Jute Ltd., jointly promoted by NAFED and Industrial Development Corporation of Orissa Ltd. (IDCOL) was incorporated on 27.01.1975 with an estimated project cost of Rs. 425 lakh. This project was approved by the Board of Directors of NAFED in its Meeting held on 19.12.1974. The need to set up jute mill in Orissa was felt to help jute growing farmers as there was no jute mill in the State of Orissa at that time. The commercial operation of the mill started in November, 1979. Due to non-completion of project in time, inclusion of some new items considered necessary for functioning of the project efficiently, sharp increase in labour and material cost coupled with increase in excise duty, CST revision, etc the original cost of project went up from Rs. 425 lakh to Rs. 802 lakh. KJL approached financial institutions from time to time for meeting cost over run and a loan of Rs. 438 lakh was sanctioned to KJL on the guarantee of promoters. The increase in the cost of the project and levy of interest on the loan taken

from financial institutions increased the cost of production and KJL became unviable since its inception.

5.34 The Committee further enquired whether the feasibility report on Konark Jute Ltd was not prepared before investing funds by NAFED in the unit. NAFED stated in its written reply that feasibility report was prepared before taking a decision to invest funds by NAFED. But due to reasons mentioned above, the cost of production went up. Further due to erratic electricity supply, labour problems and sluggish market, KJL could not achieve break-even point since beginning. Continuing losses eroded the share capital of the company and as such became a sick unit, which was referred to BIFR. Although a scheme for modernization/rehabilitation was sanctioned by BIFR on 12.4.1994, even by implementation of the scheme operational efficiency of the company could not be improved due to continued labour problems and sluggish market conditions. Resultantly the company continued to incur operational losses.

(ii) **NAFED Bio-fertilizer Units in Indore and Bharatpur**

5.35 The NAFED Bio-fertilizer unit at Indore was established in the year 1984. The annual production capacity of this Unit is 150 MT. This Unit is concentrating in the manufacturing and trading of bio-fertilizer products viz., Rhizobium , Azatobactor, Super Culture, Flowercare and PSM (Phosphate Solubilising Micro Organisms), etc. The product PSM being manufactured from this Unit enhances the effectiveness of expensive chemical fertilizers like Single Super Phosphate and DAP and has excellent market potential. Another NAFED Bio-fertilizer Unit which has been set up by NAFED at Bharatpur (Rajasthan) started its production during May 2001 which mainly aimed at the manufacturing of new

products viz., Azatobactor, Trichoderma, Urea Coating Agent and Composting Culture besides the products of Rhizobium, Azotobactor, etc. The performance of these two Units is satisfactory. These units are also generating reasonable profits.

5.36 The NAFED has stated that its Bio-Fertilizer (NBF) products are marketed through branches/centres at Jaipur, Lucknow, Pune, Hyderabad, Bhopal, Sagar and Ujjain. The major sale of NBF products is done in the State of Madhya Pradesh through the Cooperative structure/Government Departments. The business of bio-fertilizer mainly depends upon the support of promotion activities of the State Agricultural Departments, awareness of the products, etc.

(iii) **NAFED Processed Foods**

5.37 The NAFED Processed Foods Unit was set up by NAFED at Delhi in the year 1977 for the manufacture/trading of processed food items. Due to incurring of continuous and heavy losses since inception, this Unit has been closed down. Voluntary Retirement Scheme has been introduced in the unit. There are, at present, 20 employees on the strength of this Unit.

iv) **NAFED Warehousing and Processing Industries, Vashi**

5.38 This Unit is utilized for storage of agricultural commodities and processing of oil-seeds, pulses and foodgrains for internal trade and cleaning for export. Besides addition of more agencies and inclusion of trade in export of Nigerseed, the revenue being generated in this Unit from processing work has gone down. With a view to reducing the incidence of heavy expenditure on wages, Voluntary Retirement Scheme was introduced in this Unit during the year 2002-2003 and work force has been

considerably reduced. A part of NWPI Complex has been converted into Bonded Warehouse.

5.39 The Committee enquired about the reasons for continuous decline of business handled by the NAFED Warehousing and Processing Industries, Vashi from Rs. 124.25 lakh in 2000-01 to Rs 52.21 lakh in 2004-05 and the steps taken by NAFED to arrest the decline of business and to improve its operations. NAFED in its written reply stated that the warehouse and milling facilities at NAFED Warehouse and Processing Industrial Unit at Vashi (Navi Mumbai) were set up primarily with the objective of processing and storage of Nigerseed, which was canalized for export through NAFED. With the change in export policy, the export of Nigerseed by NAFED sharply declined. Therefore, the business handled by the Unit declined in the years 2001-02, 2002-03 and 2003-04 as compared to the year 2000-01 due to lesser capacity utilization. Thereafter, NAFED started utilizing the capacity by offering storage space in the open market. In the Vashi Complex, there are Bonded Godowns also besides the General Godowns. The inflow of goods in the Bonded Godowns varies depending upon the market conditions, financial crunch of the importers, etc. However, efforts are on to increase the volume of business of the bonded godowns also.

v) **NAFED Krishi Yantra Udyog, Bhiwadi**

5.40 The Unit, NAFED Krishi Yantra Udyog at Bhiwadi (Rajasthan), was set up by NAFED in the year 1984 for undertaking production of agricultural implements. Due to labour and other problems, this unit was closed down in 1990. From April 01, 2004 a part space has been let out. Efforts are on to let the rest of space to CWC/SWC.

5.41 The Committee subsequently enquired about extant status of letting out of space at NAFED Krishi Yantra Udyog, Bhiwadi to CWC/SWC and plans to utilize the space in a more beneficial manner. NAFED in its written reply stated that the offers received from CWC are not adequate for economic viability of NAFED Krishi Yantra Udyog Unit at Bhiwadi. However, one business associate has approached NAFED to take the entire premises of Bhiwadi Unit on lease and licence fee basis for manufacturing plastic products under the brand name of NAFED. The supply of these products is mainly meant for Government Departments/Institutions/Cooperative Societies etc. The offer of the party consists of paying licence fee for the usage of the premises, royalty for using the brand name of NAFED and service charges for supplying the products through NAFED. NAFED is working on these arrangements, which is a profitable venture.

vi) **Raichur Cooperative Oil Complex, Raichur**

5.42 This Unit was purchased by NAFED from the local Cooperative Society in the year 1986. It was having oil mill, vanaspati plant, cattle feed plant and solvent plant. Due to incurring of continuous losses, it was closed down and all the Plant and Machinery were disposed off. A portion of this Unit has been given to the State Warehousing Corporation on rental basis for warehousing purpose.

vii) **NAFED Kinnow – Grading – Waxing and Precooling-cum-Cold Storage, Maujgarh, Punjab**

5.43 This Unit is having an area of two acres of land. There are separate buildings for grading and waxing plant as well for Precooling-cum-Cold

Storage Plant. This Unit has been set up for enhancing the shelf life of fruits particularly kinnow.

5.44 The Committee further enquired about the reasons for the decline in the business handled in Maujgarh Unit from Rs.4.35 lakh in the year 2000-01 to Rs.1.10 lakh in 2004-05 and the steps taken by NAFED to improve its operations and make the plant commercially viable. NAFED in its written reply stated that in the Maujgarh Complex, there are separate buildings for grading and waxing plant and a separate building for Pre-cooling-cum-Cold Storage Plant. Revenue generation from the Grading and Waxing Plant meant mainly for Kinnow grown locally is seasonal for two months in a year (i.e. January and February). Further, due to the distant location of Maujgarh Unit, farmers/traders of Punjab/Rajasthan other than Kinnow growers are not coming to store their produce. This has led to poor revenue generation in this Unit. For better utilization of Precooling plant, the entire pre-cooling and Cold Storage plant has been shifted to Pimpalgaon Unit in Nasik District (Maharashtra). Now, efforts are on to explore the possibilities of generating more revenue from Maujgarh Unit. A Cooperative Society has approached NAFED to take the entire Maujgarh premises on lease and licence fee basis, the proposal of which is under active consideration.

8. Unsteady Performance of Industrial Units

5.45 The Committee further enquired about the overall reasons for the unsteady performance of most of the industrial units of NAFED. NAFED in a written reply stated that performance of industrial units largely depends

upon overall business activities of trade and industries in the country which vary from time to time.

5.46 The Expert Group appointed by Government had recommended that if the industrial units are not likely to be useful or are generating losses, they may be let out or disposed off. It had also recommended that an Action Programme for five years may be prepared for each unit for implementation in phased manner. In this regard NAFED has stated that it has closed down certain units which were incurring continuing losses after carefully examining the prospects for continuation of various industrial units. NAFED has also let out storage space available after closing the units for earning more revenue. Cold storage and open space in Navi Mumbai have been rented out for container freight station to generate revenue from them.

9. Cold Storage and Warehouse of NAFED

5.47 NAFED has a Cold Storage with a capacity of 2500 Metric Tones in Delhi and Cold Storage-cum-Pre-cooling facility in Nasik with a capacity of 30 MTs, 35 MTs of capacity in Maujgarh, Punjab. The Cold Storage at Delhi is used on regular basis whereas the other units are utilized depending on local needs and on seasonal basis.

5.48 NAFED has warehouses and godowns in various parts of the country. They are of different types depending upon local needs, requirement and demand. NAFED warehouses of general purpose are located in Vashi(Maharashtra) and Chennai(Tamil Nadu). NAFED also has godowns in Delhi, Raichur(Karnataka), Cochin, Bharatpur/Bhiwadi

besides conventional type godowns for storage of onion in Lasalgaon and Pimpalgaon(Nasik). The overall storage capacity is around 22,000 MTs and the space in warehouses/godowns is utilized for storing all agricultural commodities including perishables either on regular basis or on seasonal basis as per demand and local requirement.

5.49 The Committee enquired whether space in warehouse/cold storage is given out on rent and if so, the income generated by renting of warehouse/cold storage during the last five years. In this regard, NAFED in a written reply furnished the details of income generated by renting out spare capacity of cold storage and warehouse/godown in the last five years are as under:-

Year	Income (Rs Lakhs)
2000-01	199.32
2001-02	203.11
2002-03	162.70
2003-04	155.20
2004-05 (upto 31.12.04)	99.67

5.50 When it was further enquired about the expenditure incurred by NAFED on maintenance of Cold Storage/Warehouse/Godowns during the last five years, NAFED stated that expenses incurred by it on maintenance of Cold Storage/Warehouse/Godown from 2000-01 to 2004-05 is as under:-

Year	Amount (Rs. Lakhs)
2000-01	5.44
2001-02	4.00
2002-03	4.17
2003-04	9.26
2004-05 (upto 31.12.04)	3.43

5.51 The Committee enquired about the need for setting additional cold storage/cool chains in different parts of the country apart from the existing cold storages. The Managing Director, NAFED replied during evidence as under:-

“We should increase our presence in warehousing and cold-storage. We have gone into this infrastructure area also to expand warehousing and cold-storage. We have warehouses with a capacity of 4,400 MT for onions. We have other general warehouses with a capacity of 27,900 MT. We have expanded our activity in this area. We are currently constructing warehouse with a capacity of 24,000 MT which will be ready this year. A warehouse with 4,000 MT capacity is coming up in new Ganj Vasoda Madhya Pradesh; a warehouse with 10,000 MT capacity is coming up in Devas in Madhya Pradesh, and another warehouse with 10,000 MT capacity is coming up in Sriganganagar in Rajasthan. We are adding another 24,000 MT capacity this year. We propose to add more to this. We have written to all the State Governments. We have asked them to give us possible locations where we can set up warehouses. We are negotiating with many State Governments. I think, every year, we will keep adding to our warehouse capacity. Of course, there is a point that there are already a lot of warehouses which are existing. The Central Warehousing Corporation has got a lot of warehouses. Even the State Warehousing Corporations and the State Marketing Federations have a lot of warehouses. We have to see where exactly the need is there and whether it is viable. We have this scheme and we are going ahead with constructing more warehouses. Similarly, we have cold-storages of 5,565 MT capacity, and another one is being constructed in Lawrence Road, Delhi, which is of 4,000 MT capacity. For further cold-storages, we have written to the State Governments that we would examine their viability. Wherever it is required, we can certainly go in for more cold-storages. Wherever it is possible for us, we will try and do that.”

5.52 The Secretary, Ministry of Agriculture (Department of Agriculture and Cooperation) added during briefing as under:-

“...About setting up Cool Chain, we feel that it is the most efficient deficiency that we have in the whole system as it were because after

the crops are harvested or produce is harvested, there is no place where it can be kept in a non-perishable manner. There is no infrastructure or no supply chain which we have built up. We have actually been looking at each and every State according to its potential and according to its comparative advantage. We are trying to build hopes in a manner where there will be lot of support from the markets where the goods will be collected. Next, they will be brought to these terminal markets to ensure that we have a decent price which our farmers get and also that the produce which they are producing does not become a loss. Right now, we are running huge losses, what we call post harvest losses of nearly about Rs. 60,000 crore which we are losing by way of post harvest losses. Just because we do not have supply chain or cool chain, a lot of concentration now is being given to this scheme. We feel that in the coming few years, we will be able to build up a lot of marketing infrastructure which is today really not adequate to take proper care of all that our farmers are producing.”

CHAPTER VI **MISCELLANEOUS**

A. New Business Ventures

6.1 NAFED have stated in a note that the globalization of world economy has posed new challenges. The dynamics of business under the open business environment requires new and pro-active marketing strategies to tide over the challenges. New environment created a situation of uncertainty. In order to survive and develop in this situation of uncertainty, NAFED made foray into other business including infrastructure (warehousing, cold storage, pack houses, etc.), insurance, fertilizers, seeds, jute, consumer marketing, public private partnership, etc. to sustain it's income level to not only meet the administrative overheads but also to generate surpluses.

6.2 The Committee enquired about the new business ventures undertaken by NAFED. NAFED stated in the written reply that as part of the diversification plan based on the recommendations of the Expert Group set up by Ministry of Agriculture (Department of Agriculture and Cooperation), it identified seed and fertilizer as potential areas and started encouraging its Agro Service Centers and branches to take up the business in a systematic manner. In the last few years, NAFED has started supplying certified TL seed of various agricultural commodities to a number of State Governments and their designated agencies, although, in a limited manner.

The following are the major areas of diversification by NAFED:-

i) Bio Fertilizers

6.3 The locations such as Uttaranchal, West Bengal, Bakshi-ka-Talab (in Lucknow) have been identified for setting up of Bio-fertilizer Units for which proposals are being examined and will be implemented subject to availability of land and joint venture partners.

The Committee enquired about the time by which the new units will become operational. NAFED stated in its written reply that the proposed units are likely to be set-up and become operational during the next 2-3 years. After seeing the commercial viability of these and demand for Bio-fertilizer Unit in other States, NAFED may consider to set-up similar units in other States also. NAFED further informed the Committee that all out efforts were being made to increase the volume of sale of Bio-Fertilizer products. Establishment of Liquid Bio-Fertilizer, Vermi-Compost and Bio-Compost manufacturing units is also under process.

ii) Seeds

6.4 The business of seed has been envisaged as one of the most important thrust areas of NAFED. NAFED had entered the business in the year 1996. The business has since then grown manifold. Seeds of various grains are being produced at locations spread across the country including seeds of paddy, mustard, toria, wheat, peas, groundnut, soyabean, gram, moong, urad and toor and seeds of fodder varieties like Bersee, Dhaincha and green fodder. The seeds production programme is spread across the states of Uttaranchal, Uttar Pradesh, Rajasthan, Andhra Pradesh, Madhya Pradesh, Assam, Gujarat and Maharashtra and is undertaken through tie up with farmers, State Seed Corporations and reputed

private seed producing companies. Seeds are being supplied to various state governments including states of Jammu & Kashmir, Himachal Pradesh, Rajasthan, Madhya Pradesh, Uttar Pradesh, Jharkhand, Orissa, Andhra Pradesh, and Chattisgarh. Efforts are also being made to reach the farmers of the North Eastern states through the cooperative network in the respective states. NAFED has also entered into tie up with reputed seed producing companies in the private as well as in the public sector for marketing their range of seeds in the certified and in the hybrid category across the country.

6.5 The seed turnover achieved in the year 2004-05 was around Rs. 26 crore which was expected to reach the level of around Rs. 70 crore in 2005-06. Major thrust is being given to the states in the North Eastern sector and Konkan and Southern belt.

6.6 In this connection, the Managing Director, NAFED informed the Committee during evidence as under:-

“We have just started seed business. We did business of about Rs. 35 crore the year before and this year(2005), we are confident of doing almost Rs. 60-65 crore seed business. We have a vision that the year which is coming after that, we will go to about Rs. 100 crore of business. Now, keeping that in mind, we are working on our strategy. Similar is the case of fertilizers. We distributed two lakh metric tones of fertilizers last year. This year, we are going to distribute about four lakh metric tones. We are thinking of raising it to about six lakh metric tones in the year which is going to come. In each area, we are trying to expand in this manner.”

6.7 The Committee further enquired NAFED's ventures in production of seed. A representative from NAFED replied during the evidence as under :-

“Now our focus is that we want to move towards seed production. Our experience was that unless we go into the seed production, we will not be fully confident about the quality of seeds that we are marketing. We have taken up over the last one year an ambitious plan of the seed production in the last Kharif season and again in the Rabi season. We are trying to have a direct dialogue with farmers and do our own seed production in the States of Madhya Pradesh, Rajasthan, Maharashtra and Gujarat so that we can come up with our own seeds and market them in the States. This is an area where we are going into seed production as well as marketing the seed. We want to expand in this area.”

iii) Distribution of Chemical Fertilizer

6.8 NAFED started marketing of IFFCO Fertilizer initially in the year 1999 in the States of Bihar, Assam, UP and thereafter Uttranchal and Jharkhand through its own centres/franchises and also through dealers. NAFED is also in the process of starting marketing of IFFCO Fertilizer in other States like Maharashtra, Chattisgarh, Tamil Nadu and Andhra Pradesh.

6.9 The business of fertilizer has grown from Rs.26.56 crore in 1999-2000 to Rs.113.70 crore in the year 2004-05. During the time span of 6 years, the total handling of fertilizer of NAFED has been of the order of Rs.561.17 crore. NAFED is also in touch with KRIBHCO to source fertilizers for distribution among framers.

iv) General Insurance

6.10 General insurance business was one of the activities opted by NAFED under the diversification programme. IFFCO-TOKIO General Insurance Co.(ITGI) which was promoted by IFFCO, KRIBHCO and IPL besides TOKIO Marine and Fire Insurance Co. as foreign partners has got core strength of cooperatives. NAFED was approached by ITGI to become the Corporate agent and serve the farmers and cooperatives. It was also envisaged that NAFED will not be required to put any money in the insurance business and claims will be settled by ITGI. With this object in mind NAFED obtained Licence from IRDA on 3rd March, 2004. It was planned to insure NAFED stock kept in different SWC, CWC, State Cooperative Marketing Federation godowns as NAFED is involved in PSS/Outright purchase operations. NAFED had been successful in insuring NAFED stock kept in SWC of Rajasthan, UP and Maharashtra and NAFED's godown in Haryana. NAFED also insured stocks stored in CWC godowns spread all over the country. Member Cooperative Societies/Federations are also being encouraged to act as Insurance advisors for getting the insurance business from the farmers and Cooperative Organisations.

6.11 NAFED made some beginning in this new area of business. NAFED has done an insurance turnover of Rs. 145 lakh and earned a profit of Rs. 12.5 lakh during 2004-05. During 2005-06 till 30th September, 2005, NAFED had made a turnover of Rs. 7 crore and a profit of approximately Rs. 70 lakh. It is expected that NAFED may touch a profit figure of Rs. 1 crore by the end of 31st March, 2006.

B. Research and Development activities

6.12 The Committee enquired about the research and development activities of NAFED and its impact. NAFED in its written reply stated that NAFED's research and development activities are carried out through National Horticultural Research and Development Foundation (NHRDF) at Nasik, which was established by NAFED on 3rd November, 1977 for carrying out Research and Development activities in various export oriented horticultural crops with a view to increasing the yield and quality for meeting domestic and export requirement. Onion and garlic are two major crops in respect of which NHRDF has taken up research for the last two and a half decades. These crops have consistent demand in export and domestic markets. The major thrust areas for R & D programs of NHRDF have been increasing production, productivity, quality and increasing shelf life of perishable consumer products so that farmers could get better returns while consumers are benefited by availability of these commodities at reasonable prices and the country is able to earn more foreign exchange from exports. This has enabled NAFED to fix Minimum Export Price (MEP) for export of onions as directed by Ministry of Commerce. The new varieties of onion developed/released by NHRDF are Agrifound Dark Red (Kharif variety), Agrifound Light Red (Rabi variety), Agrifound Rose (Pickling type), Agrifound Red (Multiplier Onion), Agrifound White (For dehydration).

6.13 NAFED's Research and Development activity also includes building of data base on the activities of NAFED. The activities undertaken are :

1. Preparation of export-import data.
2. Data on prices of different commodities in domestic as well as international markets.
3. Data on production of different commodities, domestic and international.
4. Data on activities of NAFED's i.e. NAFED statistics.
5. Preparation of different papers on cooperative movements and agricultural activities.
6. To provide information and prepare papers for different national and international seminars.
7. Supply of information/statistics to various Government departments/cooperative organizations.

6.14 Both IIM, Ahemdabad and the Expert Group appointed by the Government had recommended that a separate research and development division should be set up to undertake applied research and development in grading and standardization and post harvest technology including handling, storage, transport and packaging. The Division will also be responsible for marketing research and developing quality improvement programmes. In its follow up action NAFED stated that R&D in the case of onion and other horticultural produce, input from National Horticulture Research and Development Foundation, Nasik is taken. All respective Commodity Divisions in Head Office

having adequate knowledge of the respective trade, provide technical input to strengthen R&D for the subject.

C. Collection of Information and its Dissemination

6.15 NAFED has been collecting market information from various sources for analyzing and disseminating it amongst its branches, members societies and State Federations in the following manner :-

- (i) Weekly price bulletin;
- (ii) Extraction service (fortnightly);
- (iii) NAFED Marketing Review (bi-monthly);
- (iv) Hindi Samachar Saransh (fortnightly).

D. Vision Statement

6.16 NAFED has informed the Committee that the following activities will form part of its future vision :-

- Contract Farming for Institutional Buyers;
- Retailing Farm Produce and Food Products through channel or own outlets;
- Farm Produce Supplier;
- Reputed Agricultural Input Supplier;
- Logistics Provider (Warehouse, Cold Storage and Movement Services)
- Futures Trading of Agricultural Commodities.

In regard to contract farming, the Managing Director of NAFED had stated during the briefing that NAFED had made initial foray into contract farming.

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

1. The National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) was established on 2nd October, 1958 with the twin objective of promoting cooperative marketing to reduce the price spread between the producer and consumer and to ensure that farmers get ready market and remunerative prices for their produce. NAFED thus acts as the Central nodal agency of Government of India for undertaking purchases of notified commodities in the case of oil seeds, pulses and cotton under Price Support Scheme (PSS) and procurement of other agricultural commodities of perishable nature under Market Intervention Scheme (MIS). Further, NAFED is one of the canalizing agencies for export of onion. Apart from the Government operations, NAFED is also engaged in domestic and international marketing of agricultural commodities under its own commercial operations and industrial or infrastructural activities in the field of agriculture. After examining the working of NAFED, the Committee are of the view that there is sufficient scope for further improvement in various spheres of its working. These aspects have been dealt-with in greater detail by the Committee in the succeeding paragraphs.

2. The Committee note that NAFED was established under MSCS Act in 1984 with the aim of promoting cooperative marketing and ensuring remunerative prices to the farmers for

their produces and price spread between producer and consumer be reduced. MSCS Act, 2002 came into force w.e.f. 19th August, 2002 with the objective of greater operational and administrative autonomy to cooperatives like NAFED. As per amended bye laws after the enactment of MSCS Act, 2002 NAFED can undertake business in non agricultural and non traditional items to meet the challenges of liberalised economy. The Committee are of the view that the inclusion of non traditional and non agricultural items should not affect the primary functioning of NAFED and therefore recommend that the focus on agricultural and allied activities should not be lost and NAFED should function in a manner to achieve operational and administrative autonomy. It should also be ensured that it becomes a commercially viable organization in the changed business scenario in the post liberalisation era and protects the interests of the farmers.

3. NAFED undertakes various activities to fulfill the aims and objectives for which it has been established. Twenty two activities have been enumerated in the bye-laws of NAFED for the purpose. The Expert Group appointed by the Ministry of Agriculture categorized these activities into three groups viz. the activities that were fully carried out, the activities that were partially attempted/achieved and the activities that were not attempted at all. According to the Expert Group, eight activities of NAFED pertain to the second group of partially achieved activities and four pertain to the third group of activities not attempted/achieved at all. Hence, out of twenty two activities, 12 activities are either partially attempted or not attempted at all. The Expert Group desired that these activities may be reviewed and modified according to the requirements of NAFED. In Committees' view, some of these activities such as advancing loan to its members and other cooperative institutions, undertaking marketing research and dissemination of market intelligence, acting as warehouseman and constructing its own godowns and cold storages, organizing consultancy work in various fields for the benefit of the cooperative institutions and training of employees of cooperative societies are very important. These activities, if undertaken by NAFED, will be beneficial to the development of agriculture in the country and for the progress of the cooperative institutions engaged in agriculture sector. Moreover, NAFED should have a clear vision for the future as suggested by IIM, Ahmedabad. Particular attention should be given by NAFED to the objectives such as (i)

helping member societies to develop market orientation, skills and organization so that they could deal with commodities within their area of operations and (ii) promoting cooperation among different marketing societies/federations in managing the flow of commodities across State borders. The Committee, therefore, recommend that NAFED should examine at its highest level the feasibility of carrying out the above activities/objectives in order to achieve fully the aims and objectives for which the federation came into being.

4. The Board of Directors of NAFED consists of 21 members and with cooption and special invitees, the total membership of the Board now stands at 25. The Committee were informed that previously the Board consisted of 44 members but after the enactment of the Multi State Cooperative Societies Act, 2002, the size of the Board has been reduced to 21 as per clause 41(3) of the Act. Out of 21 members of the Board 10 are from State Marketing Federations. At present 25 state level cooperative Marketing Federations are members of NAFED. As per bye-law 20(a) of NAFED, only first 10 in descending order of their ranking are eligible to nominate one director each to the Board of NAFED. The ranking is based on weighted average of the percentage equity share capital of the concerned state in total issued share capital of NAFED and average business with NAFED excluding business of Government Schemes. In accordance with bye-law 20(b), one director from North-Eastern States including Sikkim can be nominated if eligible under this bye-law. The Committee have the apprehension that only first 10

states whose share capital is more and whose business is more with NAFED can become directors of the Board. Other states will only be on-lookers and they will not be able to put forward their views in the Board even though they are members. The Committee are of the view that this unequal representation of states in the Board should be corrected and NAFED being an apex level marketing federation should accord equal opportunity to all the states to become members of the Board. Commercial viability and profit making may be one of the goals of NAFED but overall development of agriculture sector and welfare of farmers all over the country should be the main focus of the activities of NAFED. Instead of expecting the States to do more business with NAFED, it should identify specific crop potential of the states and take proactive steps for the development of the same. The Committee, therefore, recommend that bye-laws of NAFED should be suitably amended so that all the states will have equal opportunity to participate in the administration of NAFED.

5. NAFED is the nodal agency of the Government of India for undertaking procurement of oilseeds and pulses under its Price Support Scheme(PSS) whenever the market rates of these commodities go below the declared Minimum Support Price (MSP). NAFED is implementing PSS since 1976-77. Under PSS, NAFED procures commodities like urad, gram, masoor, groundnut pods, mustardseed, safflower seed, sunflower seed and Copra. The Committee were informed that the magnitude of procurement of oilseeds under the scheme until 1999 was limited and sizeable stocks were required to be procured on very

few occasions. From 1976-77 till 1998-99, the procurement was of the order of Rs.380 crores only. However, since 1999, heavy procurement of oilseeds particularly that of mustard seeds had to be undertaken by NAFED under Price Support Scheme. The Committee note that liberalized imports and higher global production of oil seeds resulted in import of huge quantity of edible oil into the country at cheaper rates. Due to this the prices of oilseeds in the domestic markets remained depressed and heavy procurement of oilseeds under PSS had to be undertaken by NAFED. Finance for procurement of oilseeds and pulses under PSS is made available to NAFED by way of Cash Credit Limit sanctioned by RBI. The Committee note that the losses incurred by NAFED in Price Support Operations are reimbursed through budget provisions (non-plan) by the Department of Agriculture and Cooperation. In both PSS and MIS schemes losses are inherent due to the fact that the purchases of the Commodities are undertaken by giving the MSP to the farmers when the prices are actually ruling below the MSP in the market. In this regard, NAFED informed the Committee that loss in Price Support Operations varies from 10% to 25%. During the period 2000-2005, NAFED had utilized an amount of Rs.955 crore from the budget provisions on account of losses in PSS operations. This is a huge loss to the exchequer by any reckoning. This loss is mainly due to the liberalized import policy. The Government has announced further reduction in import duty on crude as well as refined and edible oils in the budget 2007-08. This may increase the availability of edible oil and make it more affordable

but such adhoc measures will not serve the interest of the country in the long run. The Committee are of the firm view that need of the hour is the holistic planning for the indigenous production of various oil seeds at the desired quality and quantity to meet the edible oil needs of the country. Research and development activities should also be encouraged by the Government for producing better quality seeds for oil crops which can provide more yield. Farmers should also be given incentives for cultivation of oil seeds crops. The Committee, therefore, strongly recommend that a study should be conducted on present and future edible oil needs of the country, current production and its deficiencies, quality of seeds available in the country and their yield position, import of edible oil and its impact on the economy and suitable measures should accordingly be initiated to increase the production of oil seeds in order to make the country self sufficient in meeting the edible oil needs of the people. Action taken in this regard should be conveyed to the Committee.

6. The Committee note that the funds for Price Support Operations are made available by way of Cash Credit Limit (CCL) sanctioned by RBI to be operated through SBI on the recommendations of the Government of India up to 75% on hypothecation of stocks keeping a margin of 25% as per banking norms. The remaining 25% can be drawn only after Government guarantee in lieu of margin money is furnished. NAFED enjoys this Cash Credit Limit to the extent of Rs.1631 crore. The Committee were informed that during Rabi, 2005 season, the

Cash Credit Limit to the above extent got exhausted in view of unprecedented procurement of mustardseeds and pulses undertaken by NAFED. As the SBI rate of interest was higher than the other commercial banks, funds were borrowed from other commercial banks at the instance of Department of Agriculture and Cooperation. As a result, funds could be arranged at an average rate of interest of 7% from other commercial banks, as against 10.25% being charged by SBI. Thereafter, SBI has also agreed to reduce the interest rate downward to 7%. In this manner, a reduction in the loss to the Government exchequer by around Rs.150 crores to Rs.175 crores was achieved. The Committee are of the view that last minute rush like this should be avoided as such tendencies often result in huge loss to the Government. They, therefore, urge the Government to create a flexible mechanism for such situations and to take timely and suitable steps in advance. Further, NAFED has suggested to create a Revolving Fund for PSS and MIS operations which would help it in drawing funds for preparatory arrangements, publicity and making timely payment to the farmers. At present, procured stock is hypothecated to the banks to arrange money for payment to farmers which takes 3 to 7 days. The Expert Group had also recommended that for effective implementation of Price Support Scheme, Government should create an interest free Revolving Fund. The proposal is said to be under active consideration of the Government. It is quite obvious that for the effective implementation of PSS and MIS some institutional mechanism for funding has to be

worked out. The Committee, therefore, desire that Government should pursue the proposal with all seriousness and should put in place an institutional mechanism for funding the price support operations.

7. NAFED is also the nodal agency of the Government of India for implementing the Market Intervention Scheme (MIS). As per the provisions of this scheme, the Federation undertakes procurement of perishable items which are not covered under the PSS such as onion, potato, ginger, kinnow, malta, naspati, apple, black pepper, red chillies, coriander seed, eggs and palm oil bunches. In accordance with the guidelines prescribed by the Government of India, the losses under the MIS are to be shared on 50:50 basis between Central and State Government concerned. In case of North-Eastern States it would be 75:25 basis respectively. However, NAFED informed the Committee that previously 100% of the losses incurred by it under MIS were reimbursed by the Government but since 2001, only 25% of the losses are reimbursed. The Committee would like the Government to examine this aspect and come out with a formula to compensate suitably the losses incurred by NAFED under MIS. According to NAFED the intervention under Market Intervention Scheme is not always very effective, because the proposal from the State Government is often received late. In order to achieve the objective of market intervention scheme for stabilizing the prices at reasonable level, preventing the farmers from distress sale and for sustaining production, it is imperative that the decision on market intervention is taken promptly and

NAFED initiate action without loss of time. The Committee, therefore, desire that both the Government and NAFED should act promptly and in close coordination as far as decision making process and implementation of the market intervention scheme are concerned in order to ensure that the schemes such as Price Support Scheme and Market Intervention Scheme actually benefit the farmers.

8. The Committee note that the export of onion is presently allowed through NAFED and 12 State Trading Enterprises without quantitative restrictions on all varieties of onion. NAFED informed the Committee that it was the sole canalizing agency from 1974 to 1999. According to Exim Policy, 1999 State Trading Enterprises were also allowed to act as canalizing agencies for export of onion. However, NAFED is the only actual direct major exporter of onion. Others only issue NOCs to the Associate Shippers who actually undertake export of onion. In this regard, the Committee note that the very purpose of having canalizing agencies is to have a control over the export of onions which would otherwise result in price rise of onion due to uncontrolled export. NAFED's request to be designated as the sole canalizing agency merits consideration as it will provide a single window clearance for export and will facilitate effective control over the exports. The Committee are concerned to note that the prices of onion escalate very often which affects the people particularly the poor people very much. Export of agricultural commodities including onions may be encouraged but the domestic availability and price situation should be the prime consideration

before the Government while allowing such exports. They, therefore, recommend that the Government should have effective control over the export of agricultural commodities including onion and for this purpose they may, among other measures, consider appointing NAFED as the sole canalizing agency for the export of onion.

9. Head Quarter of NAFED is located at New Delhi. It has four regional offices in New Delhi, Mumbai, Kolkata and Chennai and 31 branches located all over India. The Committee were informed that steps have been taken to open branch offices in the newly created states of Uttarachal, Jharkhand and Chattisgarh. However, it was found that there is no branch office of NAFED in Goa, Pondicherry, Andaman & Nicobar and Lakshadweep. The business of Andaman & Nicobar is being looked after by Kolkata Branch, that of Lakshadweep by Bangalore Branch and of Goa by Pune Branch. For the North Eastern region, its activities are being coordinated by Guwahati and Siliguri Branches in Assam and a liaison office being operated from Agartala. The reason quoted by NAFED for less number of offices in the North East was the weak condition of cooperatives in the region in terms of organizational set up and financial conditions. In this regard the Committee are of the view that NAFED should have more offices in the region to cater to the needs of farmers directly and for the development of agriculture in that region. Interests of farmers of union territories may also suffer due to absence of NAFED's office there. The Committee, therefore, recommend that Branch offices of NAFED may be opened in all the states of North East,

all the union territories and the states where there is no office at present so as to take care of the needs of the farmers of these regions. The Committee also find that the business operations of NAFED are not uniform throughout the country. Operations of NAFED are concentrated in Western region and the maximum profit of NAFED comes from this region. Operations of NAFED are relatively less in Southern and Eastern regions. The Committee were informed that NAFED has prepared an action plan for the development of its operations in the South. They recommend that NAFED should chalk out action plans for further expansion of its operations in Northern, Eastern, Southern and North Eastern regions and implement them effectively for the benefit of farmers of all the regions of the country.

10. The Committee note that the retail marketing operations of NAFED are limited to the three retail outlets in Delhi. These outlets were established around one and a half decades ago at the instance of the Ministry of Agriculture with a view to safeguarding the interests of consumers. It is also running two retail outlets in Shimla and one each at Jaipur and Hyderabad. Although it was decided that with the changes in market scenario, NAFED should enter into consumer marketing in a better way by going in for a chain of NAFED Bazaars, only two such outlets were opened in Delhi. One of them had to be closed down as it was not economically viable. The Expert Group had identified consumer marketing as a potential area for NAFED for increasing turnover and for higher price realization of the

produce by value addition. The Group had recommended that NAFED's activities in this area should be enlarged by establishing linkages with consumer marketing organizations and others by using NAFED brand name. In this regard, the Committee are of the view that NAFED's presence in the field of retail marketing will make available quality agricultural commodities at lower prices to consumers. NAFED's present retail marketing network is very much limited and there is much scope for expansion. As recommended by the Expert Group, NAFED may enlarge its retail marketing operations either by itself or through the outlets of Agricultural Marketing Federations and Cooperatives by using its brand name. Moreover, the Committee are of the view that there should be a central mechanism to inform the consumers about the retail marketing prices of agricultural commodities on a daily basis with its regional variations due to various factors. Being an all India agricultural marketing federation NAFED can be the most suitable organization in this regard. The Committee, therefore, recommend that the Government and NAFED should work out a central mechanism for bringing out a price bulletin by NAFED of various agricultural commodities on a daily basis. This would be very useful to consumers as it would indicate the actual retail prices of various agricultural commodities and may check the artificial price hike by private traders/trading companies and the subsequent inflationary tendencies.

11. NAFED has cold storages, warehouses and godowns in various parts of the country. The Federation has cold storages

of 5,565 MT capacity and another one with 4,000 MT capacity is being constructed in Lawrence Road, Delhi. NAFED informed the Committee that the Federation has gone into the area of infrastructure in a big way and has plans to expand its cold-storage chain. In this regard, the Committee are concerned to note that there is no infrastructure or supply chain at present for preserving agricultural produce in a non-perishable manner after these are harvested. The Ministry of Agriculture has proposed to set up a network of marketing infrastructure in the coming few years as the post-harvest losses on account of lack of infrastructure as of now is to the tune of Rs 60,000 crore per annum. The Committee take a serious view of such huge economic loss to the country due to lack of infrastructure facilities particularly due to insufficient number of cold storages to preserve agricultural produce from perishing. They urge the Government to take immediate steps including provision of funds to create a network of cold storages in the country using cost-effective, appropriate and indigenous technology which is suitable to the conditions existing in the country. NAFED is the apex level organization engaged in marketing of agricultural commodities. The Committee expect that NAFED would play a leading role in creation of a network of cold storages to preserve harvested vegetables and fruits by setting up cold storages by itself or in cooperation with the Union/State Governments.

12. The Committee note with concern that many of the industrial units set up by NAFED were failed ventures due to poor planning, delay in execution and consequent cost

escalation, labour problems and seasonal nature of commodities handled. Many of them were already closed on becoming sick and unviable. The NAFED Processed Foods Unit, Delhi, Raichur Cooperative Oil Complex, NAFED Warehousing and Processing Industries, Vashi (for processing of Niger seeds for export purpose), NAFED Krishi Yantra Udyog, Bhiwadi. NAFED Kinnow Grading, Waxing Precooling-cum-cold storage, Maujgarh, Punjab were all failed ventures. All these units were closed down. Premises of these units are either let out for warehousing or proposed to be leased out to others. The Committee were informed that the premises of NAFED Krishi Yantra Udyog, Bhiwadi are proposed to be leased on licence fee basis for manufacturing plastic products under the brand name of NAFED. Utilization of brand name of NAFED for production of plastics is a matter to be considered seriously. In Committee's view brand name of NAFED should only be utilized for production in agriculture and allied fields. The Committee are concerned to note the condition of Konark Jute Limited (KJL) which became unviable since its inception. Even on implementation of BIFR's rehabilitation scheme, operational efficiency of the company could not be improved due to labour problems and sluggish market conditions. The Committee recommend that NAFED should evaluate the performance of this unit at the highest level and immediate steps should be taken for its successful running. The reasons put forth by NAFED that performance of industrial units largely depend upon overall business activities of trade and industries in the country which

vary from time to time, are not acceptable to the Committee. The Committee are of the view that with such mind set, NAFED will not succeed in any new venture. Instead of depending on external factors for the performance of industrial units floated by NAFED, it should first carefully choose a project. Secondly, it should undertake feasibility studies before starting any industrial unit. Seasonal nature of agricultural products should also be taken into account. Once any unit is started, NAFED should not spare any effort for the successful running of the unit. The Committee expect that professionalism and proper planning and implementation will help NAFED in successful running its industrial ventures. The Committee recommend that NAFED should tie-up with social welfare schemes for setting up food processing units in backward districts for benefits to accrue to small farmers. The Committee also recommend that NAFED should draw a specific plan of action with regard to each unit and implement the same after in-depth study about their feasibility.

13. The Committee note with concern that despite the existence of a wide network of cooperatives in the country, NAFED's own joint venture initiatives with State Cooperative Marketing Federations and Marketing Cooperative Societies have been very few. The purchases were nil in 2000-01 and 2001-02, Rs 241 lakh in 2002-03, Rs 51.30 lakh in 2003-04 and Rs 267.20 lakh in 2004-05. The reasons adduced for low level of joint ventures with State Cooperative Marketing Federation was the large number of problems crippling the cooperative sector in

the country. Several cooperative units are sick and need to be revived. The Committee take a serious view of this situation. Unless cooperative societies and State Level Marketing Federations are strong, Apex Marketing Federations like NAFED may not be able to reap the benefits of the vast network of cooperatives in the country. In this regard the Committee note that a Task Force headed by Shri Vaidyanathan had made certain suggestions to revive the cooperative sector in the country. The Committee urge upon the Government to consider the suggestions of the Task Force and take all the steps to find out the reasons for sickness of the cooperative sector in the country and revive them in a time bound manner. The State Governments may also be involved in this process.

14. The Committee note that research and development activities are carried out through National Horticultural Research and Development Foundation (NHRDF) at Nasik which was established by NAFED in 1977 for carrying out research and development activities on various export oriented horticultural crops with a view to increase the yield and quality for meeting domestic and export requirements. Major thrust areas of research and development programmes of NHRDF are increasing production, productivity, quality and increasing shelf life of these perishable consumer products. The Committee are not satisfied with the research and development activities of NAFED and recommend that being a premier agricultural cooperative marketing institution, NAFED should have played a distinct and leading role in research and development in post

harvest research, quality improvement and marketing. A separate research and development division should be set up for undertaking applied research and development in grading and standardization, post harvest technology including handling, storage, transport and packaging. The division should also be made responsible for marketing research activities. The Committee also recommend that NAFED should draw up an action plan to step up its research and development activities to provide support to other agricultural cooperatives and marketing federations.

15. The Committee note that NAFED's future vision includes contract farming for institutional buyers, agricultural input suppliers etc. The Committee consider that contract farming by NAFED would benefit small farmers, serve as a model farming for farmers and boost the development of agriculture in the country. The Committee would like to suggest that NAFED may either enter into contract farming on its own or have joint ventures with the State Cooperative Marketing Federations and Primary Cooperative societies who are members of NAFED. The selection of agricultural commodities for contract farming should be done very carefully. Preference should be given to essential commodities which are in short supply such as pulses, oil seeds, onion and garlic. The other thrust area for NAFED for future concentration is seed supply which is the prime agricultural input. In Committee's view, NAFED should supply high breed varieties of seeds which will boost the per hectare yield of various agricultural commodities. At present, NAFED

supply seeds in a limited way. The Committee recommend that NAFED should take up quality seed production in a big way and supply the seeds to all the states through its network of cooperatives. The Committee consider bio-fertilizer as the another thrust area that should relieve immediate attention of NAFED. Bio-fertilizers such as vermi-compost and bio-compost are safe for human beings and are relatively cheaper than the chemical fertilizers. On the other hand chemical fertilizers are harmful when they enter food chain through the crops. The Committee, therefore, recommend that NAFED should take up production of bio-fertilizers in a big way and market them throughout the country. The Committee may be appraised of the action taken in this vital area.

16. NAFED have pointed out that although it was exempted from payment of income tax on its earnings in the past, cooperative income tax from retrospective effect has since been imposed on the Federation. The tax liability per annum would be 33.66% of its income and the past arrears liable to be paid for 18 years from 1984-85 to 2004-05 amount to Rs.61 crore. It was pointed out that this has come as a serious blow to the cooperatives which came into existence primarily to secure the interests of farmers. With their comparatively smaller and weaker capital base they would find it hard to bear this additional financial burden of payment of income tax especially the arrears for the past 18 years. According to NAFED there is need to consider roll back of this provision and exempt cooperatives from payment of income tax. In this regard, the

Committee note that the benefit of deductions under section 36(1)(viii) of Income Tax Act has been extended to cooperative banks by the Government in the budget 2007-08. NAFED has reportedly taken up the matter with the Ministry of Agriculture and the Ministry of Finance for an amendment in the Income Tax Act to the effect that the income tax may be paid prospectively. The Committee suggest that the Ministry of Agriculture should take up the matter with the Finance Ministry for waiving the tax liability of Cooperatives, or at least ensure that it is imposed with prospective effect instead of retrospective effect. The Committee would like to be apprised of the outcome of the efforts made by the Ministry of Agriculture in this regard.

17. NAFED has a full-fledged Vigilance Section headed by the Chief Vigilance Officer in the rank of Additional Managing Director. Complaints of all sorts are dealt with in the Vigilance Section. Besides trying to detect and investigate cases of corruption and other malpractices, the Vigilance Section also advices the management on preventive action so as to reduce the chances of corruption and malpractices. In spite of this, the Committee note with concern that 21 complaints against the employees of NAFED during the period 2000-05 regarding procurement of commodities etc. and 15 vigilance cases against them during the same period have been filed. An organization like NAFED which is engaged in procurement of agricultural commodities under Price Support operations of the Government, and dealing in cooperative marketing for fetching remunerative prices for farmers needs to have a team of upright, dedicated

and loyal workforce. The Federation, therefore, needs to discipline its employees, strengthen its vigilance mechanism and deal firmly with those who indulge in any kind of irregular practice. The pending vigilance cases should be pursued to their logical conclusion and penal action initiated against delinquent employees.

**NEW DELHI;
August 20, 2007
Sravana 29, 1929(S)**

**C. KUPPUSAMI,
Chairman,
Committee on Estimates.**

ANNEXURE I

20 BOARD OF DIRECTORS

The Board of Directors elected by the General Body, once in three years shall consist of:

a) One representative each of State level general purpose cooperative marketing federation admitted under bye-law 4(a)(i);

20(b) one representative to be elected by the members admitted under bye law 4(a)(ii) from amongst themselves

20. BOARD OF DIRECTORS

The Board of Directors elected by the General Body shall consist of:

20(a) one nominee each of the State Level General Purpose Cooperative Marketing Federation excluding UTS admitted under Bye-law 4(a)(i) which has contributed atleast Rs.20 lakhs individually as equity through admission/additional contribution.

In case there are more than 10 such member federations then the first 10 in descending order of their ranking would be eligible to nominate one director each to the Board of NAFED. The ranking will be based on weighted average of the percentage equity share capital of the concerned State in the total issued share capital of NAFED and the average business with NAFED excluding PSS/MIS or any other business of Government Scheme in that State as a percentage of the total business with NAFED in equal proportion.

Such nominee shall be in accordance with the provisions of the Act/Rules 2002.

One Director, if eligible from North-Eastern States including Sikkim to be elected on the basis of the criteria laid down at (a) above and if none qualifies then vacancy will be filled up by the eleventh candidate from the list prepared in para(a) above.

Annexure - III

**COMMODITY-WISE FOREIGN TRADE OF NAFED DURING THE
YEAR 2000-01 TO 2004-05**

(QTY IN M.TONNES/VALUE IN RS. LAKHS)

COMMODITY	2000-01		2001-02		2002-03		2003-04		2004-05	
	Qty.	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
1. Outright Export										
Oilseeds/Extracti ons										
Cotton	--	--	70	22.11	1431	457.44	709	524.18	--	--
Nigerseeds	684	158.74	108	18.39	72	19.06	274	68.23	228	53.56
Sunflowerseed	13	6.10	--	--	--	--	--	--	--	--
Groundnut	--	--	--	--	--	--	--	--	--	--
Total	697	164.84	178	40.50	1503	476.50	983	592.41	228	53.56
2. Horticulture										
Onion	38941	3453.25	23903	2449.72	14242	1660.19	15797	2167.80	10774	1412.23
Garlic	--	--	15	7.53	--	--	--	--	151	48.79
Potato	1450	178.28	25	3.40	1037	132.67	3760	567.02	1988	378.34
Total	40391	3631.53	23943	2460.65	15279	1792.86	19557	2734.82	12913	1839.36
3. Foodgrain and Pulses										
Bajra	--	--	--	--	--	--	--	--	--	--
Rice	--	--	127639	8582.76	24850 6	15242.49	8535	5962.38	5000	242.65
Gram	--	--	--	--	--	--	--	--	--	--
Wheat & wheat flour	--	--	109894	5397.33	10277 2	4982.56	82226	5482.95	--	--
Total	--	--	237533	13980.0 9	35127 8	20225.05	16760 1	11450.6 0	5000	242.65
4. Spices										
Turmeric	686	168.17	451	109.34	445	152.17	425	179.20	296	103.39
Chillies	--	--	--	--	--	--	--	--	95	30.87
Other Spices	190	437.14	160	303.06	--	--	--	--	--	--
Total	876	605.31	611	412.0	445	152.17	425	179.20	391	134.26
Other Miisc.	--	--	--	274.18	21564	2201.30	4517	1114.95	396	205.72
Outright Total	41964	4401.68	262265	17167.8 2	39006 9	24847.88	19308 3	16071.9 8	18928	2475.55
b) Exports by Associate Shippers										
Onion	14258 6	12978.7 5	165157	13006.7 3	13718 9	9642.39	23180 0	21686.3 9	283098	25142.56
Nigerseed	--	--	--	--	--	--	759	268.89	--	--
c) Tie-up	--	--	--	--	--	--	--	18126.8 9	--	16200.00
Total Foreign Trade	18455 0	17380.4 0	427422	30174.5	52728	34490.27	57663 6	56154.1 5	302026	27618.11

Annexure IV

Qty. in MTs. Value in Lacs.

Sl. No.	Commodity	2000-01		2001-02		2002-03	
		Qty.	Value	Qty.	Value	Qty.	Value
1.	Tea	28	21.00	65.00	46.15	154.00	102.00
2.	Fertilizer	17543	854.17	44305	1973.69	53865	270.00
3.	Mustard Oil	64.54	21.28	670.00	231.68	1767	218.00
4.	Onion	-	-	2276.00	155.00	-	-
5.	Potato	126.00	7.00	-	-	68.00	4.32
6.	Phool Jharu	-	-	50.00	6.12	101.00	15.00
7.	Black Pipple	91.00	203.00	4.02	7.64	-	-

Qty. in MTs. Value in Lacs.

Sl. No.	Commodity	2003-04		2004-05(upto 31.12.04)	
		Qty.	Value	Qty.	Value
1.	Tea	136	8.46	105.12	73.87
2.	Fertilizer	27410	1453.62	24960	1397.36
3.	Mustard Oil	-	-	164	9.63
4.	Urad	2603	258.02	-	-
5.	Paddy	93	4.67	358	21.50
6.	Mustartseed	31	5.34	12	2.29
7.	Rice	400	20.00	-	-
8.	Sugar	-	-	494	52.47
9.	Jute	-	-	460	44.61
10.	Pineapple Sucker (Lac. Pcs.)	(7.28)	8.15	(6.45)	7.09

WITNESSES

MINISTRY OF AGRICULTURE

(DEPARTMENT OF AGRICULTURE AND COOPERATION)

- | | | | |
|----|------------------|---|----------------------|
| 1. | Smt. Radha Singh | - | Secretary |
| 2. | Shri A.K. Singh | - | Additional Secretary |

NATIONAL AGRICULTURAL COOPERATIVE MARKETING FEDERATION OF

INDIA LTD. (NAFED)

- | | | | |
|----|------------------|---|---------------------------------|
| 1. | Shri Alok Ranjan | - | Managing Director |
| 2. | Shri U.P. Singh | - | Additional Managing
Director |

2. The Committee took briefing by the representatives of Ministry of Agriculture (Department of Agriculture and Cooperation) and NAFED on the subject, 'National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED)'. The briefing was concluded.

3. A verbatim record of the proceedings was kept.

The witnesses then withdrew.

The Committee then adjourned.

WITNESSES

MINISTRY OF AGRICULTURE

(DEPARTMENT OF AGRICULTURE AND COOPERATION)

- | | | | |
|----|------------------|---|----------------------|
| 1. | Smt. Radha Singh | - | Secretary |
| 2. | Shri A.K. Singh | - | Additional Secretary |

NATIONAL AGRICULTURAL COOPERATIVE MARKETING FEDERATION OF

INDIA LTD. (NAFED)

- | | | | |
|----|------------------|---|---------------------------------|
| 1. | Shri Alok Ranjan | - | Managing Director |
| 2. | Shri U.P. Singh | - | Additional Managing
Director |

2. The Committee took oral evidence of the representatives of Ministry of Agriculture (Department of Agriculture and Cooperation) and NAFED on the subject, 'National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED)'. The oral evidence was concluded.

4. A verbatim record of the proceedings was kept.

The witnesses then withdrew.

The Committee then adjourned.

MINUTES OF SEVENTH SITTING OF THE ESTIMATES COMMITTEE
(2006-07)

The Committee sat on Friday, the 8th September, 2006 from 1100 to 1245 hours.

Present

Shri C. Kuppusami - Chairman

Members

2. Shri Lal Muni Choubey
3. Shri Bikram Keshari Deo
4. Shri Anant Gudhe
5. Shri P. Karunakaran
6. Shri Vijaykumar Khandelwal
7. Shri Vijoy Krishna
8. Prof. Chander Kumar
9. Shri Samik Lahiri
10. Shri Sanat Kumar Mandal
11. Shri Prabodh Panda
12. Shri Sukdeo Paswan
13. Prof. Rasa Singh Rawat
14. Shri Arjuncharan Sethi
15. Shri Manabendra Shah
16. Shri Brijbhushan Sharan Singh
17. Shri Lakshman Singh
18. Dr. Ramlakhan Singh
19. Shri Rewati Raman Singh
20. Shri Madhu Goud Yaskhi

Secretariat

1. Shri Rajeev Sharma - Deputy Secretary
2. Smt. Manju Chaudhary - Assistant Director

WITNESSES

Ministry of Agriculture
(Department of Agriculture and Cooperation)

- | | | |
|------------------------|---|-------------------|
| 1. Shri A.K. Singh | - | Special Secretary |
| 2. Shri Satish Chander | - | Joint Secretary |

National Agriculture Co-operative Marketing Federation of India Ltd. (NAFED)

- | | | |
|---------------------|---|------------------------------|
| 1. Shri Alok Ranjan | - | Managing Director |
| 2. Shri U.P. Singh | - | Additional Managing Director |

2. The Committee took further oral evidence of the representatives of Ministry of Agriculture (Department of Agriculture and Cooperation) and NAFED on the subject – ‘National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED)’. The evidence was concluded.

3. A verbatim record of the proceedings was kept.

The witnesses then withdrew.

The Committee then adjourned.

(ii) Report on the Ministry of Agriculture (Department of Agriculture and Cooperation) - 'National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED)'

4. The Committee authorized the Chairman to finalise the Reports in the light of modifications and also to make verbal and other consequential changes, if any, arising out of factual verification by the concerned Ministries and present the same to the House.

The Committee then adjourned.

Annexure II

Modifications made by the Estimates Committee in the Draft Report on Ministry of Agriculture (Department of Agriculture and Cooperation) – ‘National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED)’

<u>Para No.</u>	<u>Page No.</u>	<u>Line</u>	<u>Modification</u>
12	122	2 nd	<p><u>After</u> : industrial ventures.</p> <p><u>Insert</u>: The Committee recommend that NAFED should tie-up with social welfare schemes for setting up food processing units in backward districts for benefits to accrue to small farmers.</p>