

**TWENTIETH REPORT**

**ESTIMATES COMMITTEE  
(2008-2009)**

**(FOURTEENTH LOK SABHA)**

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

[Action taken by the Government on the recommendations contained in the Fourteenth Report (Fourteenth Lok Sabha) on the Ministry of Agriculture (Department of Agriculture and Cooperation) – National Agricultural Cooperative Marketing Federation of India Ltd.]



**Presented to Lok Sabha on 17.12.2008**

**LOK SABHA SECRETARIAT  
NEW DELHI**

**December, 2008/Agrahayana, 1930(S)**

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**Composition of the Committee on Estimates**  
**(2008-2009)**

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Joint Secretary
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# Vacant since 20.11.2008 due to resignation of Shri Brijbhushan Sharan Singh, M.P.

## **INTRODUCTION**

I, the Chairman of Estimates Committee (2008-2009) having been authorized by the Committee to present the Report on their behalf, present this Twentieth Report on action taken by the Government on the recommendations contained in the Fourteenth Report of the Committee (Fourteenth Lok Sabha) on the Ministry of Agriculture (Department of Agriculture and Co-operation) – National Agricultural Co-operative Marketing Federation of India Ltd. (NAFED).

2. The 14<sup>th</sup> Report was presented to Lok Sabha on 21<sup>st</sup> August, 2008. The Government furnished their replies indicating action taken on the recommendations contained in that Report on 16<sup>th</sup> May, 2008 and further action taken notes on 14<sup>th</sup> October, 2008. The Committee also took the oral evidence of the representatives of the Ministry of Agriculture and NAFED on 15<sup>th</sup> October, 2008. The Draft Report was considered and adopted by the Committee at their sitting held on 27<sup>th</sup> November, 2008.

3. An analysis of action taken by the Government on the recommendations contained in the 14<sup>th</sup> Report of Estimates Committee (14<sup>th</sup> Lok Sabha) is given in Appendix II.

NEW DELHI;  
December 10, 2008  
Agrahayana 19, 1930(S)

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

## **REPORT**

### **CHAPTER- 1**

1.1. This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Fourteenth Report (Fourteenth Lok Sabha) on the Ministry of Agriculture (Department of Agriculture and Cooperation) “National Agricultural Cooperative Marketing Federation of India Ltd.”

1.2 The Fourteenth Report (Fourteenth Lok Sabha) was presented to Lok Sabha on 21<sup>st</sup> August, 2007. It contained 17 observations/recommendations. Action Taken Notes on all these observations/recommendations were received from the Ministry of Agriculture (Department of Agriculture and cooperation) on 16<sup>th</sup> May, 2008. The Action Taken Replies furnished by the Ministry were examined by the Committee at their sitting held on 30<sup>th</sup> September, 2008. Since the replies furnished by the Ministry were evasive, the Committee decided that the representatives of the Ministry and NAFED be asked on 15<sup>th</sup> October, 2008 to explain the reasons for such

lackadaisical approach towards their recommendations and also to apprise the status of implementations of the recommendations. Subsequently, the Ministry submitted a further action taken notes on the recommendations on 14<sup>th</sup> October, 2008. The Committee took the evidence of the representatives of the Ministry and NAFED on 15<sup>th</sup> October, 2008.

1.3 Based on the replies, further action taken notes and the evidence of the representatives of the Ministry, the following categorization has been made:-

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

Sl. Nos. 1,3,9,15 & 17 (Total 5, Chapter-II)

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

Sl. Nos. 6,8,11 & 12 (Total 4, Chapter-III)

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

Sl Nos. 2,4,5,7,10,14 & 16 (Total 7, Chapter IV)

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

Sl. Nos. 13 (Total 1, Chapter V)

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

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

### **FOCUS ON AGRICULTURAL AND ALLIED ACTIVITIES**

#### **Recommendation (Para No. 2)**

1.6 The Committee noted 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 is reduced. 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 liberalized economy. The Committee were of the view that the inclusion of non traditional and non agricultural items should not effect the primary functioning of NAFED and, therefore, recommended 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 liberalization era and protects the interests of the farmers.

1.7 In their action taken reply, the Ministry of Agriculture have stated as under:-

“Necessary directions have been given to NAFED to focus on agricultural and allied activities vide letter no. H.11011/14/2007-MPS dated April 7, 2008 (Annexure-I)”.

1.8 In their further action taken notes submitted to the Committee, the Ministry of Agriculture have stated as under:-

“NAFED is a national level cooperative society registered under the Multi State Cooperative Societies Act, 2002. Under the provisions of the Act, NAFED is an autonomous organization and have full autonomy in its operational and administrative matters to conduct its business, as per its Bye-laws. The Government does not interfere in their day today functioning. Further, NAFED has never lost the focus on its prime responsibility towards farmers and cooperative societies. The business in agricultural and allied activities had been always the main focus of NAFED. NAFED did venture into non-agricultural activities to diversify its business activities to sustain itself but this activity was very limited, which is evident from the fact that during the year 2007-08 only business worth Rs. 35.19 lacs have been done for non agricultural as compared to the total business of Rs. 4706 crore”.

1.9 During the evidence of the representatives of the Ministry and NAFED on action taken replies furnished by them on the recommendations of the Committee, the Managing Director of NAFED informed the Committee about the financial difficulties faced by NAFED due to locking of funds in various private partnership business as under:-

“Today the main problem facing NAFED is paucity of funds. Even though we have reached a turnover of Rs. 4,707 crore in the last year we closed with net loss of Rs. 56.69 crore. This is despite the fact that we made a gross profit of Rs. 88.94 crore. This loss happened on account of interest liability which resulted from locking of funds in various private partnership business. This has considerably affected the performance of NAFED. Today we have to collect something like Rs. 1400 crore from various parties. Because of delay in getting this money, we are in a very

tight financial position. We are not able to do business which we have projected. This also explains the main reasons why we are not in a position to implement some of the excellent suggestions which the committee has made.”

1.10 In response to a query of the Committee as to where from the money is to be collected, the witness further elaborated as under:-

“From the year 2003 we entered into some kind of private partnership business called the ‘tie up business’. We invested something like a total of Rs. 3,962.24 crore and as on 31.8.2008 we collected a sum of Rs. 2886.06 crore from this and today we have to get another Rs. 1429.87 crore. This has to be recovered. We are taking earnest steps to get back this money. We have taken strong steps and we are hopeful that we would recover this money”.

1.11 On being asked whether NAFED is still doing business with them, the Managing Director, NAFED stated that they are not doing any business at present with them. In regard to the steps that are being taken to recover the money, he submitted as under:-

“In all these cases we have taken arbitration proceedings. We have filed cases in the Economic Offences Wing. We also have filed cases in CBI. We have taken all possible steps. There is an additional managing Director in NAFED who has exclusively been given the job of following up these cases so that we get back the money. In view of the blocking of funds we have to pay something like Rs. 120 crore by way of interest in a year. We are not making sufficient money to even off set this interest burden. That is our problem. Because our balance sheet is today made public, all the bankers know about our financial problems and they are not coming forward to lend us any money and therefore you could notice that our business substantially has come down. Because of this we are not in a position to implement many of the suggestions.”

1.12 The Committee were also informed that accumulating of losses started from 2004 onwards and before that NAFED was making profit. When asked about the action taken on those who were at the helm of affairs at the time of taking decisions regarding private partnership business, MD, NAFED stated as under:-

“There is a CBI enquiry going on. An enquiry has been constituted by central Registrar of Cooperative Societies. A retired Judge of the High Court and a former Law Secretary is enquiring into the misdeeds that have happened in the last few years. They have to give a Report by the end of October. Based on that serious action will be taken.”

1.13 In this regard, the Central Registrar of Cooperative Societies informed the Committee during evidence as under:-

“This matter came up to the Central Registrar only sometimes last year when we received the audit report of the organization. Then it was found that this business which is known as tie up business where large amounts of funds have been stuck up.... The enquiry is in progress. We have asked them to expedite the inquiry.”

Supplementing this the Additional Secretary (Agriculture & Cooperation) informed the Committee that the last date for submission of enquiry report is 31<sup>st</sup> October, 2008.

1.14 The Committee note that primarily the role of NAFED is to promote cooperative marketing and ensure remunerative prices to the farmers for their produces. Private partnership business was started by NAFED in the year 2002 after making amendment in its bye-laws to undertake business in non-agricultural and non-traditional items. The Committee recognizing the objective of the role of NAFED had recommended that inclusion of non-traditional and non-agricultural items should not affect the primary functioning of NAFED. They are

constrained to note that NAFED has suffered a net loss of Rs. 56.69 crore on account of interest liability which resulted from locking of funds in various private partnership business. **The Committee, therefore, would like to stress once again that NAFED should function in such a manner that it becomes a commercially viable organization in the changed business scenario without losing the focus on agriculture and allied activities and protect the interest of farmers.**

1.15 The Committee are concerned to note that NAFED has to collect about Rs. 1429 crore which was locked in Private Partnership business. In this regard, they note that NAFED has taken arbitration proceedings in all these cases and also filed cases in Economics Offences Wing and CBI. **The Committee expect that expeditious steps will be taken to recover the money from private parties and the progress made in this regard should be intimated to the Committee.**

1.16 The Committee further note that an enquiry by a retired judge of the High Court and a former Law Secretary has been constituted by Central Registrar of Cooperative Societies to enquire into the role of those who were at the helm of affairs in NAFED at the time of taking decisions regarding private partnership business. The enquiry report was to be submitted by 31<sup>st</sup> October, 2008. **The Committee are deeply concerned that findings of the enquiry were not furnished to them and hope to be informed of the same. They expect that expeditious and stern action would be taken against those who are responsible for the present state of affairs of NAFED particularly**

**for locking of huge amount of money in the hands of private parties. The Committee would like to be apprised of the action taken in this regard.**

### **BOARD OF DIRECTORS OF NAFED**

#### **Recommendation (Para No. 4)**

1.17 The Committee found that as per bye-law 20 (a) of NAFED, only first 10 State Marketing Federations in descending order of their ranking are eligible to nominate one Director each to the Board of Directors 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. Under bye-law 20 (b) one Director from North Eastern States including Sikkim can be nominated if eligible. The Committee had the apprehension that if only first 10 States whose share capital is more and whose business is more with NAFED are made eligible to become Directors of the Board, then 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. They, therefore, recommended that bye-laws of NAFED should be suitably amended so that unequal representation of States in the Board corrected and all the

States will have equal opportunity to participate in the administration of NAFED.

1.18 In their Action Taken Reply, the Ministry of Agriculture have stated as under:-

"the provisions of Multi-State Cooperative Societies Act, 2002 provide for maximum number of directors on Board of NAFED not exceeding 21. Hence, NAFED provided in their bye-laws, the criterion for representation on Board based on the equity held and transaction undertaken with NAFED. NAFED has been directed vide letter No. H 11011/14/2007-MPS dated April 7, 2008 (Annexure-I) to give attention to other State members also who are not representing on the board of NAFED.

1.19 The Ministry in the further action taken notes submitted to the Committee have stated as under:-

"NAFED has reported that in view of the provisions of the Multi State Cooperative Societies Act, 2002, the strength of the Board has to be restricted to 21. However, all the state Federations are members of the general Body of NAFED. State Federations give their suggestions/view point during the General Body Meeting and the same is incorporated at the time of finalization of Business Plan of the Federation, wherever feasible".

1.20 When enquired by the Committee as to whether bye-laws of NAFED can be amended to give membership to all the States on rotational basis, the Additional Secretary (Agriculture & Cooperation) stated during evidence as under:-

"With regard to the change in the byelaws, the NAFED will have to take up this matter in their regime and come up with firm proposals. From the Government side, we have already conveyed that these recommendations should be taken into consideration which we have conveyed to you. Hopefully, the

NAFED will now take up this matter most seriously to see that there is equitable representation in the Board.”

1.21 The Committee are not satisfied with the reply that the suggestions/view points given by the State federations during General Body Meeting are incorporated wherever feasible, at the time of finalization of Business Plan of the Federation. As there are about 775 members in NAFED, the Committee are pessimistic about incorporation of view points/suggestions of State Federations in the business plan of NAFED. Being the national level federation, the Committee expect NAFED to chalk out its business plans in such a manner that it benefits all the members States. Further, the Committee find that with regard to the amendment of Bye-Laws so as to give equal representation to States, no serious consideration has been given by NAFED to the recommendation of the Committee as would be noted from the above reply that no firm proposal in this regard has been taken up by the NAFED so far. **The Committee, therefore, reiterate their recommendation that Bye-Laws of NAFED should be suitably amended so that all the States will have equal opportunity to participate in the administrative decisions of NAFED. They would also desire that final status in this regard be intimated to them without delay.**

## **PRODUCTION OF OIL SEEDS**

**Recommendation (Para No. 5)**

1.22 NAFED is the nodal agency of the Government of India for undertaking procurement of oilseeds and pulses under the Price Support Scheme (PSS) whenever the market rates of these commodities go below the declared Minimum Support Price (MSP). The Committee inter alia found that since 1999, NAFED had undertaken heavy procurement of oilseeds particularly that of mustard seeds under Price Support Scheme (PSS). In this regard, the Committee noted that liberalized imports and higher global production of oilseeds 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 market remained depressed and heavy procurement of oilseeds under PSS had to be undertaken by NAFED. 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 loss was mainly due to the liberalized import policy. The Committee were of the firm view that need of the hour is the holistic planning for the indigenous production of various oilseeds at the desired quality and quantity to meet the edible oil needs of the country. The committee, therefore, recommended 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.

1.23 In their action taken reply, the Ministry have stated as under: -

“The recommendation of the Committee was examined in consultation with the Department of Food & PD, being the subject

matter Department. The Department of Food & PD is of the view that the annual requirement/demand of edible oils was 113.00 lakh MT in 2004-05, 118.50 lakh MT in 2005-06, 124.10 lakh MT in 2006-07 and projected 127.57 lakh MT for 2007-08 against availability of edible oils in the country from all domestic sources at 72.47 lakh MT in 2004-05, 83.16 lakh MT in 2005-06, 72.43 lakh MT in 2006-07 and projected 76.68 lakh MT for 2007-08. The gap between demand and availability has been filled through import of edible oils. Edible oils have been imported to the tune of 45.42 lakh MT in 2004-05, 42.88 lakh MT in 2005-06, 42.17 lakh MT in 2006-07 and 26.29 lakh MT in 2007-08 (upto September 2007). Progressive changes have been made in the Import Policy in respect of edible oils. The Department of Agriculture & Cooperation is implementing a Centrally Sponsored Scheme namely Integrated Scheme of Oilseeds, Pulses, Oilpalm and Maize (ISOPOM) for increasing the production and productivity of oilseeds, pulses and maize in the country. The scheme has been modified with regard to norms and pattern of assistance for 11<sup>th</sup> Five Year Plan to make it more effective and result oriented.”

1.24 During evidence, when the representatives of the Ministry were asked by the Committee to explain why no action was taken on the recommendation, the Additional Secretary (Agriculture & Cooperation) assured the Committee as under:-

“We have not taken a firm decision about conducting the study. Importance of the study is well appreciated and I will certainly take back the suggestion once more to our Secretary and I am sure that a favourable view will be taken in this matter.”

1.25 The Committee are concerned to note that the Ministry have not taken a firm decision even after the lapse of a year since the recommendation was made by the Committee to conduct a study on

present and future edible oil needs of the country, quality of seeds available in the country and their yield position, import of edible oil and its impact on the economy etc. even though the Ministry have appreciated the importance of the study. The Committee find that lakhs of metric tones of edible oil are imported every year to meet the gap between the demand and availability of edible oil in the country. At the same time a large amount is spent to compensate the losses incurred due to procurement of oil seeds under price support schemes which have to be implemented as a result of depression of prices of oil seeds in the domestic market due to import of large quantity of edible oil at cheaper rates. **The Committee once again express their grave concern for not carrying out the study by the Ministry as the 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. The Committee therefore, hope that the Ministry will act expeditiously in conducting the study as recommended by the Committee earlier and appropriate follow-up steps would be taken as per the outcome of the study. They would await response of the Ministry in this regard.**

### **MARKET INTERVENTION SCHEMES**

#### **Recommendation (Para No. 7)**

1.26 The Committee found that in accordance with the guidelines presented by the Government of India, the losses suffered by the NAFED under MIS are to be shared on 50:50 basis between Central and State Government concerned. In case of North-Eastern States it is 75:25 basis respectively. They also found that earlier 100 percent of

the losses incurred under MIS used to be reimbursed to the NAFED but since 2001, only 25 percent of the losses incurred are reimbursed. The Committee desired that the Government should examine this aspect and a formula be brought out to compensate suitably the losses incurred by NAFED under MIS. The Committee further observed that 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 any loss of time. The Committee, therefore, desired that both the Govt. and NAFED should act promptly and in close coordination as far as decision making process and implementation of the market intervention schemes are concerned in order to ensure that the schemes such as Price Support Scheme and Market Intervention Scheme actually benefit the farmers.

1.27 In their action taken reply, the Ministry stated as under:-

“The Committee on Non-Plan Expenditure (CNE) revised the MIS guidelines with effect from 30.7.2001 restricting the losses eligible for reimbursement to procuring agencies to 25% of total procurement cost. Actual losses were reimbursed under old MIS guidelines. The proposal to reimburse losses is being examined. NAFED has been directed to ensure that the genuine farmers get benefit of the price support scheme and market intervention scheme”.

1.28 In their further action taken notes, the Ministry have stated as under:-

“The Department act promptly as and when the MIS proposal is being furnished to the Department. Further, the MIS is implemented with the sole aim that farmers are not forced for distress sale due to glut in the market. From the year 2006 to 2008, the MIS has been implemented for various agricultural & horticultural commodities like onion, apple, malta, ginger, chilly, passion fruit, potato etc. in the States like Rajasthan, Uttarakhand, Mizoram, Himachal Pradesh, Karnataka, U.P and West Bengal. ”

1.29 When the Committee enquired whether the Ministry have completed the examination of the proposal to reimburse the losses to NAFED on account of MIS operations, the Additional Secretary (Agriculture & Cooperation) during evidence informed the Committee as follows:-

“With respect to price support operations and MIS operations that have been undertaken on behalf of the government. We have not done any study as such as to why the losses, if at all, have taken place but we will certainly do so in due course of time.”

1.30 The Committee asked to explain how promptly the Ministry act in Coordination with State Governments and NAFED in regard to decision making process and implementation of MIS, the Additional Secretary (Agriculture & Cooperation) explained as under:-

“You have asked for information as to how the whole system of deciding on what commodities and when these commodities should be purchased will start under the MIS system. In the Ministry we have a Committee headed by the Joint Secretary. As soon as the proposal comes from the State, immediately a meeting is taken and the committee is fully empowered to take a

decision of how much to purchase and at what price to purchase. That is the mechanism we presently have. At the moment it is not just the NAFED which is responsible for undertaking this operation. Even the State Government organizations are in a position to take up the procurement of such items. Under the MIS they are also empowered. As we have mentioned in the reply, in the last few years have undertaken MIS operations in a number of States where actually the actual operation of purchasing these items have been taken up by the respective State Government organisation”.

1.31 The Committee are concerned to note from the submission made during evidence that the Ministry have not done any study as to why NAFED incurs losses in MIS operations. Since the NAFED had submitted that only 25 per cent of the losses incurred by it are reimbursed to it, the Committee had recommended that the Government should examine this aspect and a formula be brought out to compensate suitably the losses incurred by NAFED under MIS. **Unfortunately recommendation of the Committee has not received the kind of attention it deserved from the Government and no action has been taken by the Ministry so far. While expressing their displeasure on the casual approach of the Ministry towards their recommendation, the Committee expect that the Ministry will take immediate steps as desired by the Committee and report back to them.**

1.32 The Committee note that there is a Committee headed by a Joint Secretary in the Ministry to take decision on quantity and price of the purchases to be made under MIS. The recommendation of the

Committee was about prompt action by the Ministry and NAFED in close coordination so far as decision making process and implementation of the market intervention schemes are concerned to ensure that the schemes actually benefit the farmers. This important aspect was not adequately addressed by the Ministry in their action taken replies. **The Committee while reiterating their earlier recommendation urge the Ministry to set up a separate Commission which include the representatives of the NAFED and the State Governments instead of the present Committee for the purpose of deciding what commodities and when these commodities to be purchased under MIS. They further stress that the decisions on MIS be taken within a definite time frame so as to achieve the objectives of the scheme effectively.**

### **RETAIL MARKETING BY NAFED**

#### **Recommendation (Para No. 10)**

1.33 The Committee taking note of the consumer marketing a potential area for increasing turn over of the NAFED had *inter-alia* opined that NAFED's presence in the field of retail marketing will make available quality agricultural commodities at lower prices to consumers. However, they found that NAFED's present retail marketing network is very much limited and there is much scope for enlarging the retail

marketing operation. They, therefore, desired that NAFED should enlarge its retail marketing operations either by itself or through the outlets of Agricultural Marketing Federations and Cooperatives by using its brand name.

1.34 In this regard, no reply was furnished by the Ministry in their action taken and further action taken replies.

1.35 The Committee are surprised to note that the Ministry have ignored their observation and reply is silent on the above aspect. **The Committee feel that NAFED's presence in the field of retail marketing, particularly at district and block levels, will make available quality agricultural commodities at lower prices to consumers. They, therefore, expect that the Ministry will initiate action in this regard and apprise the Committee of the same within three months.**

## **RESEARCH AND DEVELOPMENT BY NAFED**

### **Recommendation (Para No. 14)**

1.36 The Committee noted that research and development activities are carried out through National Horticulture Research and Development Foundation (NHRDF) established at Nasik 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. Not satisfied with the research and development activities of NAFED, the Committee recommended 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 responsible for marketing research activities. The Committee also recommended 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.

1.37 In their action taken reply, the Ministry has stated as under:-

“As reported by NAFED, it was running a separate R&D Division which has been closed due to paucity of funds. The R&D Division was sustaining out of the service charges @ of 5% on canalizing of export of onion as sole onion export agency. Now NAFED is getting 1% service charges and the export of onion has been de-centralized by adding 12 other agencies. However, taking note of the recommendation of the Committee, NAFED vide letter No. H.11011/14/2007-MPS dated April 7, 2008 (Annexure-I) has been advised to take up R&D with aim to quality improvement and to provide support to other agricultural cooperatives and marketing federations. However, it will depend on the financial resources available with NAFED for the purpose”.

1.38 In their further action taken notes, the Ministry have stated as under:-

“It has been reported by NAFED that due to financial paucity, NAFED is not in a position to run Research and Development unit of its own as R&D activity requires specialized manpower and funds to conduct research and consequential developmental activities”.

1.39 On being asked by the Committee during evidence, as to why the Ministry have not taken some pro-active steps such as providing financial assistance to NAFED, the representative of the Ministry replied as under:-

“The issue regarding undertaking of research activities and market studies, as recommended by the Committee, we have asked NAFED to take up this matter. As mentioned earlier, presently because of the financial difficulties they were not able to take it up seriously. However, I have noted the suggestions that the hon. Committee has made that they could probably examine and look at the opportunities of trying to tap funds from various sources to undertake this activity. We shall certainly look into this aspect where various sources of funds which are available can be tapped for undertaking these kinds of studies.”

1.40 The Committee are constrained to note that NAFED had closed down its only R&D Division due to paucity of funds and is not in a position to run Research and Development unit of its own as R&D activity requires specialized manpower and funds to conduct research and consequential developmental activities. The Committee are distressed to note that the Ministry instead of taking proactive steps to encourage R&D in the field, has just ended up their responsibility by advising NAFED to take up the R&D activity on top priority by tapping funds from various sources. **While reiterating their earlier**

recommendation, the Committee stress that the recommendation made earlier by them be examined by NAFED as well as the Ministry and necessary funds be provided by the Ministry to NAFED in this regard. They also desire that the Ministry should assist NAFED in its efforts to mobilize funds from various sources for setting up of separate research and development division. The Committee also suggest that the assistance/collaboration of Indian Council of Agricultural Research and other such organizations should be sought by the Ministry and NAFED in this regard. They expect the Ministry to respond in this regard without any further delay.

### **TAX LIABILITY OF COOPERATIVES**

#### **Recommendation (Para No. 16)**

1.41 The Committee noticed that although NAFED had been 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. According to NAFED with their comparatively smaller and weaker capital base, it is hard to bear this additional financial burden of payment of income tax especially the arrears amounting to Rs. 61 crore for the past 18 years. Therefore, there is a need to consider roll back of this provision and exempt cooperatives from payment of income tax. The Committee, therefore, suggested 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 and the outcome of the efforts made in this regard be intimated to them.

1.42 In their action taken reply, the Ministry has stated as under:-

“As recommended by the Committee, the matter is being taken with the Ministry of Finance”.

1.43 In their further action taken notes, the Ministry stated as under:-

“The matter was taken up with the Ministry of Finance in the past also, which was not agreed to. However, the matter has been taken up once again as fresh with the Ministry of Finance to exempt the NAFED from payment of Income Tax on 10.7.2008 and their response is still awaited.”

1.44 During evidence, the Committee enquired for reasons for delay of almost a year in taking up this matter with the Ministry of Finance. The Additional Secretary, (Agriculture & Cooperation) replied as under:-

“I do admit that after receiving the Committee report, there was this delay. But although I do not have the dates with me yet I can convey it to the Committee that we have taken up this matter earlier, on the request of NAFED, with the Ministry of Finance. The initial reactions to that were negative.”

1.45 When asked whether Ministry of Finance reacted negatively in the matter, the representative of the Ministry further stated as under:-

“We had taken up this matter once again and also brought to the notice of the Ministry of Finance that this is a point on which the Estimates Committee of the Lok Sabha has taken a very serious view and they have also recommended that we should take up this matter very firmly with the Ministry of Finance. If it is not completely possible for removing the need of paying income-tax, at least, they should not be asked to pay the tax on a retrospective basis. We are still awaiting the reply from that Ministry.”

1.46 The Committee are concerned to note that the matter relating to waving of tax liability of cooperatives was taken up with the Ministry of Finance by the Ministry of Agriculture only in the month of July, 2008 after a lapse of about one year since the report was presented to the House and the response of the Ministry of Finance is still awaited. **The Committee while taking a serious view of such delay on the part of the Ministries in taking decision on such welfare measures, urge the Ministry of Agriculture to take up the matter at highest level with the Ministry of Finance and the final outcome thereof may be intimated to them within three months.**

1.47 **The Committee further would like to emphasis that they attach the greatest importance to implementation of the recommendations accepted by the Government. They would, therefore, urge that the Government should keep a close watch so as to ensure expeditious implementation of the recommendations accepted by them. A report on action taken on the recommendations categorized as accepted by the Government in Chapter-II of this Report should be furnished to the Committee within three months alongwith the action taken replies to recommendations in chapter-I and the final replies to recommendations included in chapter-V of this report. In case it is not possible to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation.**

**CHAPTER II**  
**RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN**  
**ACCEPTED BY THE GOVERNMENT**

**Recommendation (Sl. No. 1, Para No. 1)**

The National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) was established on 2<sup>nd</sup> 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.

### **Reply of the Government**

Accepting the recommendations of the Committee, corrective measures have already been taken to make working of NAFED more transparent and cost effective. NAFED has been directed vide letter No. H.11011/14/2007-MPS dated April 7, 2008 to expand its business activities.

(Ministry of Agriculture (Department of Agriculture and Cooperation)

OM No. H.11011/14/2007-MPS dated 13.5.2008)

## **Further Action by the Government**

Complying with the recommendation of the committee, as conveyed by the Department of Agriculture and Cooperation, NAFED has taken following measures:-

- i) Conducted timely internal audit of all the branches and Head Office at regular intervals.
- ii) NAFED has directed all the branches to follow and adhere to the CVC guidelines and Business Manual of NAFED.
- iii) NAFED has inducted qualified MBAs in order to bring efficiency and professionalism in the management and business of NAFED.
- iv) NAFED gives wide publicity regarding the rate, FAQ norms etc. for procurement under Price Support Scheme (PSS). NAFED gives this publicity through meetings, seminars, review meetings, media, exhibitions etc. for its commercial operations.

NAFED has also entered into various new business activities like insurance, distribution of seeds, fertilizer, organic farming, etc. The NAFED has undertaken the business for new ventures like Bio Fertiliser for Rs. 2.28 crores, Export Rs. 542.30 crores and Future Trading 319.00 crores during 2007-08.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14/2007-MPS dated 14.10.2008)

### **Recommendation (Sl. No. 3, Para No. 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.

### **Reply of the Government**

As reported by NAFED, it has already made some efforts in this regard like establishing National Horticultural Research and Development Foundation (NHRDF) for research on horticultural commodities, NAFED's website, creation of storage infrastructure and helping its member societies to develop market orientation. Accepting the recommendations of the Committee, NAFED has been advised vide letter No. H.11011/14/2007-MPS dated April 7, 2008 not to loose its focus on agricultural and allied activities.

(Ministry of Agriculture (Department of Agriculture and Cooperation)

OM No. H.11011/14/2007-MPS dated 13.5.2008)

### **Further Action taken by the Government**

Though, the object as specified in Bye-laws of NAFED provides for giving financial assistance to its members, due to financial crunch, NAFED is not in a position to advance any loans/ financial assistance to any of its members. So far helping members societies in respect of market orientation etc. is concerned, NAFED has been assisting its affiliate societies through regular interaction in meetings, conferences, seminars etc. from time to time.

(Ministry of Agriculture, (Department of Agriculture & Cooperation) OM No. H.11011/14/2007-MPS dated 14.10.2008)

### **Recommendation (Sl. No. 9, Para No. 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 Uttaranchal, 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.

### **Reply of the Government**

It is a fact that the major share of NAFED's business activities in form of Price Support Operations for oilseeds and pulses are undertaken in Western and Northern States. Accepting the recommendation of the Committee, NAFED has been directed vide letter No. H. 11011/14/2007-MPS dated April 7, 2008 to strengthen the cooperative infrastructure in NE region and to make efforts to enhance its business activities in Eastern and Southern region ..

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14//2007-MPS dated 13.5.2008)

### **Further Action taken by the Government**

It has been further reported by NAFED that NAFED is ready to strengthen the cooperative infrastructure in North-Eastern and Southern region on its own or in association with the existing cooperatives in the respective States with the guidance and financial assistance from State Government. The successful functioning of the branch depends on its commercial viability taking into account all the relative aspects of procurement/storage/marketing/logistic support etc.

However, in reference to the recommendations NAFED has opened a branch office in Rudrapur and Sub-Office in Dehradun.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14/2007-MPS dated 14.10.2008)

During evidence when the Committee asked whether any assistance is needed by NAFED for expansion of its activities in various States, the Managing Director of NAFED stated as under :-

“Right now, we have a Branch in Siliguri which is taking care of the activities in the North-Eastern area. As I said earlier, paucity of funds is the main hindrance in expanding the Branches. More over, I would request you to consider this point that before expanding further, we need to find out the economic viability of it. We will study the economic viability and based on it if further assistance from the Government is required, we will definitely take it up with the Government.”

**Recommendation (Sl. No. 15, Para No. 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 apprised of the action taken in this vital area.

### **Reply of the Government**

As reported by NAFED it has already undertaken contract farming, quality seed production and production of bio-fertilizers, through on a small scale. However, taking note of the recommendation of the Committee, NAFED vide letter No. H.1101/14/2007-MPS dated April 7, 2008 has been advised to take further steps to promote contract farming and production of bio-fertilizer and quality seed through cooperatives in a big way.

(Ministry of Agriculture (Department of Agriculture and Cooperation)

OM No. H.11011/14/2007-MPS dated 13.5.2008)

### **Further Action taken by the Government**

NAFED has reported that they have undertaken business of fertilizer, distribution of quality seed and production of bio-fertilizers. The business undertaken in these activities during last three years is given below:

<u>Year</u>	<u>Seed</u>	<u>Bio-Fertilizer</u>	<u>Value in Rs./lacs Fertilizers</u>
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2005-06	3095.78	256.00	
2006-07	5363.15	210.00	3335.00
2007-08	4224.56	229.00	1624.29

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14/2007-MPS dated 14.10.2008)

**Recommendation (Sl. No. 17, Para No. 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 advises 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.

## **Reply of the Government**

As per the provisions of Multi-State Cooperative Societies Act, 2002, the board of directors of NAFED is the competent authority to make provisions for regulating the service conditions of its employees including disciplinary action against such employees. The Government has no power to direct NAFED in this regard. However, in deference to the recommendation of the Committee, NAFED vide letter No. H.11011/14/2007-MPS dated April 7, 2008 has been advised to strengthen its vigilance mechanism by bringing more transparency in its functioning.

(Ministry of Agriculture (Department of Agriculture and Cooperation)

OM No. H.11011/14/2007-MPS dated 13.5.2008)

## **Further Action taken by the Government**

NAFED has reported that they have designated an Executive Director level officer as Chief Vigilance officer for vigilance matters, who functions independently. NAFED has further reported that out of 21 complaints against its employees, 18 cases have been closed as no material substance was found. In another one case, punishment was awarded to the official and Departmental inquiry is in progress in another case. Another case is under examination.

Out of 15 vigilance cases, six cases have been closed due to no material evidence was found against them, Four cases have been closed by awarding appropriate penalties like issuance of warning, reduction in grade/post and dismissal from service. In one case, prosecution sanction has been granted by NAFED to the Directorate of

Vigilance and Anti Corruption, Tamil Nadu. In other four cases, investigations by CBI/ACB are in progress.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14/2007-MPS dated 14.10.2008)



## CHAPTER III

### RECOMMENDATIONS/OBSERATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLY

#### **Recommendation (Sl. No. 6, Para No. 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.

### **Reply of the Government**

This Department arranges working capital through Government guarantee of Rs.1631 crore given to NAFED. Besides, for large scale of procurement, Letters of Comfort in favour of banks with the approval of Ministry of Finance are issued. As such, the existing mechanism is taking care of requirement of funds.

(Ministry of Agriculture (Department of Agriculture and Cooperation)

OM No. H.11011/14/2007-MPS dated 13.5.2008)

### **Further Action taken by the Government**

The Department is of the view that the existing mechanism to make available the working capital to NAFED for undertaking PSS operation is satisfactory to handle the normal situations upto the extent

of existing Government guarantee of Rs.1631 crore. However, in case the operation exceeds to this amount, the Department issue Letters of Comfort in favour of NAFED for additional funds. As such, the existing mechanism is sufficient enough to take care of the requirement of funds of NAFED to undertake the PSS operation. NAFED. During the year 2005 and 2006, NAFED has to procure record quantity of mustard seed under PSS and exhausted the existing Government guarantee of RS. 1631 crore and therefore the Government issued Letter of Comfort in favour of NAFED to the tune of Rs. 6130 crores to meet out the additional requirement of working capital of NAFED.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)  
OM No. H.11011/14/2007-MPS dated 14.10.2008)

**Recommendation (Sl. No. 8, Para No. 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.

### **Reply of the Government**

The recommendation of the Committee has been examined. There is a view that the monopolistic situation may adversely affect the export of onion and restrictive conditions may also not be in favour of farmers. NAFED has been directed vide letter No. H. 11011/14/2007-MPS dated April 7, 2008 to monitor export of onion in such a way that the prices of onion in the domestic market remain beneficial to both producers as well as consumers.

(Ministry of Agriculture (Department of Agriculture and Cooperation)  
OM No. H.11011/14/2007-MPS dated 13.5.2008)

### **Further Action taken by the Government**

Subsequent to the recommendation of the Committee, the matter was taken up with NAFED. It has been reported that NAFED reviews every month the availability of onion in the country for domestic consumption as well for export and the price trend. On that basis Minimum Export Price (MEP) is fixed by NAFED.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)  
OM No. H.11011/14/2007-MPS dated 14.10.2008)

### **Recommendation (Sl. No. 11, Para No. 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.

## **Reply of the Government**

National Cooperative Development Corporation (NCDC), National Horticulture Board (NHB) and (Agricultural and Processed Food Products Export Development Authority (APEDA) are providing financial assistance for construction of cold storages.

The Centrally Sponsored Scheme on National Horticulture Mission is being implemented since July 2005 for the holistic development of horticulture including post harvest management. The scheme provides end to end approach covering production, post harvest management, processing and marketing to assure appropriate returns to producers which include creation of network of infrastructural facilities for horticulture storages, transportation, packaging/grading etc. The scheme provides for specific programmes like pack houses, ripening chambers, cold storages, C.A.S. refer vans and mobile processing units with credit linked back ended subsidy @25% of project cost in general areas and 33% in case of Hilly and Tribal Areas. Assistance can be provided to NAFED for cold storages under this scheme. As reported by NAFED, it has set up three cold storages of total capacity of 5570 MT. Two projects of 500 MT each are under construction.

(Ministry of Agriculture (Department of Agriculture and Cooperation)

OM No. H.11011/14/2007-MPS dated 13.5.2008)

## **Further Action taken by the Government**

NAFED has reported that 4000 MTs Cold Storage at Lawrence Delhi has become functional in addition to the existing cold storage capacity of 5570 MTs enhancing the total capacity to 9570 MTs and it is constructing two cold storages of 500 MTs each at Umranala and Sausar, Chindwara Distt., MP. NAFED has general warehousing capacity of 51000 MTs and Onion warehousing capacity of 4400 MTs.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14/2007-MPS dated 14.10.2008.

### **Recommendation (Sl. No. 12, Para No. 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.

### **Reply of the Government**

As reported by NAFED, it has made all out efforts to revive the sick units but was left with no other option but to close the units to avoid recurring losses. Taking note of the recommendation of the Committee, NAFED vide letter No. H. 11011/14/2007-MPS dated April 7, 2008 has been advised to make in-depth study before taking up any industrial project, to set up food processing units in backward districts and to use its brand name for production in agriculture and allied fields on. The recommendation of the Committee in respect of Konark Jute Limited has been taken up with NAFED. NAFED has been advised to evaluate the performance of Konark Jute Limited at their board level.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14//2007-MPS dated 13.5.2008)

### **Further Action taken by the Government**

NAFED has reported that in future it will start an industrial/processing unit only after conducting a detailed feasibility report/economic viability report. NAFED has to close its existing processing units due to their non-viability/incurred recurring losses. Due to non-viability of Konarak Jute Ltd. NAFED has withdrawn its equity.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14/2007-MPS dated 14.10.2008)

## CHAPTER IV

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

#### Recommendation (Sl. No. 2, Para No. 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. 19<sup>th</sup> 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.

## **Reply of the Government**

Necessary direction have been given to NAFED to focus on agricultural and allied activities vide letter No. H.11011/14/2007-MPS dated April 7,2008.

(Ministry of Agriculture (Department of Agriculture and Cooperation)

OM No. H.11011/14/2007-MPS dated 13.5.2008)

## **Further Action taken by the Government**

NAFED is a national level cooperative society registered under the Multi State Cooperative Societies Act, 2002. Under the provisions of the Act, NAFED is an autonomous organization and have full autonomy in its operational and administrative matters to conduct its business, as per its Bye-Laws. The Government does not interfere in their day today functioning.

Further, NAFED has never lost the focus on its prime responsibility towards farmers and cooperative societies. The business in agricultural and allied activities had been always the main focus of NAFED. NAFED did venture into non-agricultural activities to diversify its business activities to sustain itself but this activity was very limited, which is evident from the fact that during the year 2007-08 only business worth Rs.35.09 lacs have been done for non agriculture as compared to the total business of Rs.4706 crore.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14/2007-MPS dated 14.10.2008)

## **Recommendation (Sl. No. 4, Para No. 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.

### **Reply of the Government**

The provisions of Multi-State Cooperative Societies Act, 2002 provide for maximum number of directors on board of NAFED not exceeding 21. Hence, NAFED provided in their bye-laws, the criterion for representation on board based on the equity held and transaction undertaken with NAFED. NAFED has been directed vide letter No. H.11011/14//2007-MPS dated April, 7, 2008 to give attention to other State members also who are not representing on the board of NAFED .

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14//2007-MPS dated 13.5.2008)

### **Further Action taken by the Government**

NAFED has reported that in view of the provisions of the Multi State Cooperative Societies Act, 2002, the strength of the Board has to be restricted to 21. However, all the State Federations are members of the General Body of NAFED. State Federations give their suggestions/view point during the General Body Meeting and the same is incorporated at the time of finalization of Business Plans of the Federation, wherever feasible.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14/2007-MPS dated 14.10.2008)

### **Recommendation (Sl. No. 5, Para No. 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.

### **Reply of the Government**

The recommendation of the Committee was examined in consultation with the Department of Food & PD, being the subject matter Department. The Department of Food & PD is of the view that the annual requirement/demand of edible oils was 113.00 lakh MT in 2004-05, 118.50 lakh MT in 2005-06, 124.10 lakh MT in 2006-07 and projected 127.57 lakh MT for 2007-08 against availability of edible oils in the country from all domestic sources at 72.47 lakh MT in 2004-05, 83.16 lakh MT in 2005-06, 72.43 lakh MT in 2006-07 and projected 76.68 lakh MT for 2007-08. The gap between demand and availability

has been filled through import of edible oils. Edible oils have been imported to the tune of 45.42 lakh MT in 2004-05, 42.88 lakh MT in 2005-06, 42.17 lakh MT in 2006-07 and 26.29 lakh MT in 2007-08 (upto September, 2007). Progressive changes have been made in the Import Policy in respect of edible oils.

The Department of Agriculture & Cooperation is implementing a Central Sponsored Scheme namely Integrated Scheme of Oilseeds, Pulses, Oilpalm and Maize (ISOPOM) for increasing the production and productivity of oilseeds, pulses and maize in the country. The scheme has been modified with regard to norms and pattern of assistance for 11<sup>th</sup> Five Year Plan to make it more effective and result oriented.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14//2007-MPS dated 13.5.2008)

### **Recommendation (Sl. No. 7, Para No. 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.

### **Reply of the Government**

The Committee n Non-Plan Expenditure (CNE) revised the MIS guidelines with effect from 30.7.2001 restricting the losses eligible for reimbursement to procuring agencies to 25% of total procurement cost. Actual losses were reimbursed under old MIS guidelines. The proposal to reimburse losses is being examined. NAFED has been directed vide letter No. H.11011/14/2007-MPS dated April 7, 2008 to ensure that the genuine farmers get benefit of the Price Support Scheme and market Intervention Scheme.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14//2007-MPS dated 13.5.2008)

### **Further Action taken by the Government**

This Department act promptly as and when the MIS proposal is being furnished to the Department. Further, the MIS is implemented with the sole aim that farmers are not forced for distress sale due to glut in the market. From the year 2006 to 2008, the MIS has been implemented for various agricultural & horticultural commodities like onion, apple, malta, ginger, chilly, passion fruit, potato etc, in the States like Rajasthan, Uttarakhand, Mizoram, Himachal Pradesh, Karnataka, U.P. and west Bengal.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14/2007-MPS dated 14.10.2008)

**Recommendation No. (Sl. No. 10, Para No. 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.

### **Reply of the Government**

The Department of Consumer Affairs monitors the retail prices of 14 essential commodities viz. rice, wheat, gram dal, arhar dal, tea sugar, salt, potato, onion, vanaspati, groundnut oil, mustard oil, milk and atta on a daily basis and the wholesale prices on a weekly basis. Daily retail prices and weekly wholesale from 18 and 37 centres respectively from the concerned State Governments through fax/E-mail. With effect from 12.7.2006; nine additional centers have been included in the Daily Price Report.

As the Department of Consumer Affairs is already issuing daily and weekly wholesale/retail price bulletin and also monitoring price of

essential commodities on daily and weekly basis, there seems to be no need for issuing the similar bulletin by NAFED.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)OM No. H.11011/14//2007-MPS dated 13.5.2008)

### **Further Action taken by the Government**

NAFED has reported that it does not have its own price bulletin mechanism for retail consumer prices due to limited resources. However, NAFED is providing important market intelligence to the various agencies such as DMI, Govt. of India.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)  
OM No. H.11011/14/2007-MPS dated 14.10.2008)

### **Recommendation (Sl. No. 14, Para No. 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.

### **Reply of the Government**

As reported by NAFED, it was running a separate R&D Division which has been closed due to paucity of funds. The R&D Division was sustaining out of the service charges @ of 5% on canalizing of export of onion as sole onion export agency. Now NAFED is getting 1% service charges and the export of onion has been de-centralised by adding 12 other agencies. However, taking note of the recommendation of the Committee, NAFED vide letter No. H.11011/14//2007-MPS dated April 7, 2008 has been advised to take up R&D with aim to quality improvement and to provide support to other agricultural cooperatives and marketing federations. However, it will depend on the financial resources available with NAFED for the purpose.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)  
OM No. H.11011/14//2007-MPS dated 13.5.2008)

### **Further Action taken by the Government**

It has been reported by NAFED that due to financial paucity, NAFED is not in a position to run Research and Development unit of its own as R&D activity requires specialized manpower and funds to conduct research and consequential developmental activities.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)  
OM No. H.11011/14/2007-MPS dated 14.10.2008)

### **Recommendation (Sl. No. 16, Para No. 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.

### **Reply of the Government**

As recommended by the Committee, the matter is being taken with the Ministry of Finance.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14//2007-MPS dated 13.5.2008)

### **Further Action taken by the Government**

The matter was taken up with the Ministry of Finance in the past also, which was not agreed to. However, the matter has been taken up once again as a fresh with the Ministry of Finance to exempt the NAFED from payment of Income Tax on 10.7.2008 and their response is still awaited.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14/2007-MPS dated 14.10.2008)

## CHAPTER V

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLY OF GOVERNMENT ARE STILL AWAITED

#### **Recommendation (Sl. No. 13, Para No. 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.

## **Reply of the Government**

Government of India constituted a Task Force under the Chairmanship of Prof. A. Vaidyanathan in 2004 to suggest an implementable plan of action to revive the rural cooperative credit institutions. Based on the recommendation of the Task Force, Government of India has formulated a Revival Package for Short Term cooperative Credit Structure (STCCS) and circulated to all State Governments. This Revival Package aims at improving the functioning of Primary Agricultural Credit Societies (PACs), District Central cooperative Banks (DCCBs) and State Cooperative Banks (SCBs) through certain legal and institutional reforms and necessary capital infusion. Government of India had earlier given the option to all State Governments to accept the package till 5<sup>th</sup> January, 2008. Till date, seventeen States viz. Andhra Pradesh, Arunachal Pradesh, Bihar, Chattisgarh, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Nagaland, Rajasthan, Orissa, Punjab, Tamilnadu, Tripura, Uttarakhand, Uttar Pradesh and West Bengal have executed the MoUs with the Government of India and NABARD. This covers 90% of the PACS and 87% of the CCBs in the country. The Government of India has since extended the date of acceptance upto 6<sup>th</sup> July, 2008. NABARD has informed that five more States viz. J&K, Assam, Jharkhand and Meghalaya would be signing MoU shortly. Total recapitalisation assistance of Rs. 3325 crore has been released under the Package to Andhra Pradesh, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Orissa and Uttar Pradesh. Release of fund in the other States would be possible after the State Governments promulgate the Ordinance/rectify the deviations in the Ordinances from provisions of Revival Package and release their share.

The same Task Force has also submitted Report for revival of Long Term Cooperative Credit Structure. The report has been forwarded to State Governments for their comments and has been discussed with Finance/Cooperative Ministers of the State Governments on 10.10.2007 and 29.1.2008. Based on the comments received from the States, the Government is in process of finalizing a package for revival of Long Term Cooperative Credit Structure.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14/2007/-MPS dated 13.5.2008)

### **Further Action taken by the Government**

Twenty five States Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Chattisgarh, Gujrat, Haryana, Jammu & Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Meghalay, Mizoram, Nagaland, Rajasthan, Orissa, Punjab, Sikkim, Tamil Nadu, Tripura, Uttarakhand, U.P. and West Bengal has signed MOU, covering 96% of the Short Term Credit Institutions. Upto September, 22, 2008 NABARD has released an amount of Rs. 3,760.20 crores as Government of India share for recapitalization of Primary Agricultural Credit Cooperative Societies (PACS) in seven States like Andhra Pradesh, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Orissa, and U.P.

(Ministry of Agriculture, (Department of Agriculture & Cooperation)

OM No. H.11011/14/2007-MPS dated 14.10.2008)

NEW DELHI;  
December 10 ,2008  
Agrahayana 19 ,1930(S)

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