12

STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2005-06)

FOURTEENTH LOK SABHA

MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION)

DEMANDS FOR GRANTS (2006-2007)

TWELFTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

May, 2006/, Vaisakah, 1928 (Saka)

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(DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION)

DEMANDS FOR GRANTS
(2006-2007)

Presented to Lok Sabha on 22.5.2006
Laid in Rajya Sabha on 22.5.2006

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

May, 2006/ Vaisakha, 1928 (Saka)

CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION – 2005-06

Shri Devendra Prasad Yadav - Chairman

MEMBERS

LOK SABHA

2. Shri A.P. Abdullakutty
3. Shri Govinda Aroon Ahuja
4. Shri Suresh Angadi
5. Shri Ranen Barman
6. Shri Alakesh Das
7. Shri Gadakh Tukaram Gangadhar
8. Shri Atma Singh Gill
9. Shri Abdul Mannan Hossain
10. Shri Jaiprakash
11. Shri Baliram Kashyap
12. Shri Avinash Rai Khanna
13. Shri Parsuram Majhi
14. Shri Zora Singh Mann
15. Shri Harish Nagpal
16. Shri Kondapalli Paidithalli Naidu
17. Shri Harikewal Prasad
18. Shri Ajit Kumar Singh
19. Shri Chandrabhan Singh
20. Shri Ramakant Yadav
21. Vacant

RAJYA SABHA

22. Shri T.S. Bajwa

* 23. Shri Shyam Benegal

** 24. Shri Surendra Motilal Patel

25 Shri Nabam Rebia

26. Shri Thanga Tamil Selvan
27. Vacant
28. Vacant
29. Vacant
30. Vacant
31. Vacant

SECRETARIAT

1.	Dr. (Smt.) Paramjit Kaur Sandhu	-	Additional Secretary
2.	Shri P.K.Bhandari	-	Joint Secretary
3	Shri R.S. Kambo	-	Deputy Secretary
4	Shri B.S. Dahiya	-	Under Secretary
5.	Shri Rakesh Bhardwaj	-	Committee Officer

* Nominated to the Committee w.e.f 29th April, 2006.

** Nominated to the Committee w.e.f 21st April, 2006.

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Consumer Affairs and Public Distribution (2005-06) having been authorised by the Committee to submit the Report on their behalf, present this Twelfth Report on Demands for Grants (2006-2007) relating to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The Committee examined/scrutinized the detailed Demands for Grants (2006-2007) of the Ministry which were laid on the Table of the House on 11th March, 2006.

3. The Committee took evidence of the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) on 2nd May, 2006.

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

5. The Report was considered and adopted by the Committee at their sitting held on 19th May, 2006..

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

NEW DELHI
<u>19 May, 2006</u>
29 Vaisakha, 1928 (Saka)

DEVENDRA PRASAD YADAV
Chairman
Standing Committee on Food, Consumer Affairs and Public Distribution

CHAPTER - I

INTRODUCTORY

The Ministry of Consumer Affairs, Food and Public Distribution has two Departments, namely, the Department of Food and Public Distribution and the Department of Consumer Affairs. The Department of Food and Public Distribution works under the overall guidance of Union Minister of Consumer Affairs, Food and Public Distribution, who is assisted by two Ministers of State. The main functions of the Department of Food and Public Distribution are:-

(i) formulation and implementation of National policies relating to procurement, movement, storage and distribution of foodgrains;
(ii) implementation of the Public Distribution System(PDS) with special focus on the poor;
(iii) provision of storage facilities for the maintenance of central Reserves of foodgrains and promotion of scientific storage;
(iv) formulation of national policies relating to export and import, buffer stocking, quality control and specifications of foodgrains;
(v) administration of food subsidies relating to rice, wheat and coarse grains;
(vi) fixation of statutory minimum prices of sugarcane payable by sugar factories, development and regulation of sugar industry (including training in the field of sugar technology), fixation of price of levy sugar and its supply for PDS and regulation of supply of free sale sugar;
(vii) supporting industries, the control of which by the Union is declared by Parliament by law to be expedient in public interest, as far as these relate to Vanaspati, Oilseeds, Vegetable Oils, Cakes and Fats; and
(viii) price control of, and inter-state trade and commerce in, and supply and distribution of Vanaspati, Oilseeds, Vegetable Oils, Cakes and Fats.

1.2 The Department is organised into 13 Divisions. It has two Attached Offices, namely:

(i) Directorate of Sugar
(ii) Directorate of Vanaspati, Vegetable Oils & Fats (DVVO&F)

1.3 There are 20 Subordinate Offices, namely:

(i) Three Quality Control Cells located at New Delhi, Kolkata and Hyderabad.

(ii) One Indian Grain Storage Management and Research Institute (IGMRI), Hapur (Uttar Pradesh) with 3 Sub-Stations at Hyderabad, Ludhiana, Jorhat and

(iii) 12 Save Grain Campaign offices at Bangalore, Bhopal, Bhubaneshwar, Chandigarh, Ghaziabad, Guwahati, Hyderabad, Jaipur, Kolkata, Lucknow, Patna & Pune, and

(iv) National Sugar Institute, Kanpur and

1.4 In addition, there are three Public Sector Undertakings under the administrative control of the Department, namely:

(i) Food Corporation of India (FCI)
(ii) Central Warehousing Corporation (CWC) and
(iii) Hindustan Vegetable Oils Corporation Ltd.(HVOC)

1.5 The Minister for Consumer Affairs, Food and Public Distribution laid on the Table of the Lok Sabha, the Detailed Demands for Grants (2006-2007) relating to the Department of Food and Public Distribution on 11 March, 2006. The Detailed Demands for Grants, for the Department of Food and Public Distribution shows a budgetary provision of Rs. 24995.50 crore. This includes Rs. 95.80 crore for plan activities and another Rs. 24,899.70 crore, for non-plan programme and Schemes.

1.6 The Committee have examined the detailed Demands for Grants of the Department of Food and Public Distribution. The Committee approve the Demands of the Department subject to their observations/recommendations, which are contained in the subsequent Chapters.

General Performance

1.7 The Department of Food and Public Distribution has furnished the following statement showing the Budget Estimate (BE), Revised Estimate (RE) and Actual Expenditure (AE) for 2004-2005 and 2005-2006 and Budget Estimate for 2006-2007.

(Rs. In crore)

Sl. No.	**Scheme**	**Major Head**	**2004-2005**			**2005-06**			**2006-2007**
	Plan		**BE**	**RE**	**Actual Exp.**	**BE**	**RE**	**Actual Exp.**	**BE**
1.	Secretariat-Economic Services	3451	0.15	0.11	0.09	0.15	0.15	--	0.75
2.	NISST, Mau	2408 4408	-- --	-- --	-- --				
3.	Other programme of food Storage and Warehousing	2408							
	i) SGC	2408	--	--	--	--	--	--	
	ii) IGMR	2408	--	--	--	--	--	---	
	iii) CGAL	2408	--	--	--	--	--	--	
	Iv) Strengthening of DVVOF	2408	--	--	--	--	--	--	
	v) R&D Schemes and Modernization Lab.	2408	0.25	0.29	0.27	0.40	0.40	0.21	
	vi) NSI, Kanpur	2408	0.67	0.41	0.14	0.51	0.51	0.03	1.5
	vii) NSI, Kanpur	4408	0.92	0.92	0.09	0.99	0.95	--	
	Total of other programme		1.84	1.62	0.41	1.90	1.86	0.24	
4.	Civil Supplies Assistance for constructions of godowns for PDS	3601 7601	-- --	-- --	-- --				
5.	Assistance for retail outlets in Tribal Areas /purchase of mobile vans	3601 7601	-- --	-- --	-- --				
6	Other scheme of Civil Supplies								
	i) Training research and monitoring.	3456	0.60	0.60	0.23	0.60	0.60	0.34	
	ii) Strengthening of Public Distribution System.	3456	1.25	1.25	0.54	--	--	--	
	(a) Pilot Project on implementation of Food Diredit Card in PSU	3456				1.25	0.11	--	
	(b) Village Grain Bank Scheme	3456	--	--	--	32.5	19.40	--	45.92
7.	Consumer Industries Investment in Public Enterprises-Construction of Godowns by FCI.	4408	39.94	40.20	40.15	5.06	17.44	17.44	7.25
	Lumpsum provision for Projects/Schemes for North Eastern States including Sikkim (i) Construction of Godowns by FCI (ii) Construction of Godowns under Centrally Sponsored Scheme for strengthening of PDS	 4552 4408	 4.86 ---	 4.86 --	 4.86 ---	 0.00 9.39	 1.30 4.70	 0.00 1.50	 7.25

	Total (Plan)		**48.64**	**48.64**	**47.78**	**135.76**	**84.1**	**31.02**	**95.80**

(Rs. In crores)

Sl. No.	Scheme	Major Head	2004-2005			2005-2006			2006-2007
	Non-Plan		**BE**	**RE**	**Actual Exp.**	**BE**	**RE**	**Actual Exp..**	
1.	Secretariat	3451	14.16	14.66	14.36	14.72	17.61	14.84	20.23
2	Food Subsidy (including Sugar)	2408	25800.00	25800.00	25797.39	26.200.00	23200.00	20589.87	24,200
	Post Harvest Operations		10.83	11.27	10.23	12.5	12.28	7.46	12.5
3.	Transfer to Sugar Development Fund	2408	250.00	250.00	250.00	250.00	250.00	250.00	250.00
	(i) Admn. of SDF	2408	6.71	6.71	6.62	6.71	8.20	0.05	
	(ii) Buffer Stock of Sugar	2408	400.00	296.00	198.9	160.00	125.00	56.57	40.00
	(iii) Reimbursement of internal transport and freight charges to sugar factories on export shipment of sugar.	2408	125.00	122.61	46.09	90.00	90.00	34.68	50.00
	(iiii) Grant-in-Aid for Development of sugar Industry	2408	2.50	1.00	0.16	2.50	1.50	0.15	
	(iv) Loans for Modernisation/Rehabilitation of Sugar Mills.	6860	150.00	150.00	103.90	100.00	100.00	36.96	100.00
	(v) Loans for Cane Development	6860	25.00	25.00	19.51	25.00	25.00	12.78	25.00
	(vi) Loans for Hindustan Vegetable Oils Corporation (HVOC)	6860	1.50	1.40	0.90	1.60	1.40	0.00	1.60
	(vii) Loans to Sugar Mills for Bagasse based Cogeneration power projects	6860	150.00	150.00	72.92	100.00	125.00	51.42	100.00
	(viii) Loans for Production of Anhydrous Alcohol/Ethanol	6860	100.00	40.00	19.48	75.00	25.00	7.23	75.00
4	Others Programmes Storage Warehousing of Food								
	(i) Dte. Of Sugar	2408	2.02	1.94	1.67	2.15	2.13	1.77	2.35

	(ii) Development council of sugar Industry	2408	0.06	0.05	0.03	0.05	0.05	0.04	0.06
	(iii) Dte. Of VVOF	2408	2.72	2.47	1.48	2.67	2.54	1.35	
	(iv) NSI, Kanpur	2408	1.63	9.12	6.74	10.46	8.20	4.21	10.42
	(v) Procurement and Supply	2408	0.03	0.03	--	0.03	0.03		
	(vi) International Cooperation	2408	0.38	0.35	0.35	0.38	0.34	0.34	
	(vii) SGC	2408	7.07	7.48	6.31	8.04	8.02	4.96	8.12
	(viii) IGMRI	2408	3.25	3.20	3.38	3.78	3.56	2.53	3.63
	(ix) CGAL	2408	0.02	0.03	----	0.04	0.04	0.00	0.02
	(x) QCC	2408	0.49	0.56	0.45	0.64	0.66	0.58	0.75
	Total other programmes		25.79	27.74	16.15	28.38	25.69	15.85	
5.	Consumer Industries Amritsar Oils Works	2852	0.02	0.02	--	0.02	0.02	0.00	0.02
6.	Civil Supplies other schemes of Civil Supplies	3456	1.50	1.50	--	1.50	0.00	0.00	
7.	Reimbursement of losses to STC in trading operation of Edible Oils	3456	0.01	0.01	--	0.01	0.01	0.00	
8.	**Total**		**27052.19**	**26886.65**	**22620.34**	**27055.44**	**23994.43**	**21070.40**	**24,899.7**
	Deduct Recoveries from SDF					**(-) 559.21**	**(-) 499.70**		
	Total					**26496.2**	**23496.23**		

1.8 From the above statement it may be seen that during 2005-06 out of Rs. 135.76 crore, of budgetary allocation (plan), only Rs. 31.02 crore ie, 23 % were utilized by the Department of Food and Public Distribution last year.

1.9 Quarterly utilization of funds , for the year 2005-06 is given below:-

(Rs. In crore)

Quarter	Utilisation		Percentage of utilisation			
			% w.r.BE		% w.r.RE	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
First	0.86	5100.71	0.92	18.85	1.43	21.26
Second	4.40	5419.34	4.69	20.03	7.33	22.59
Third	1.58	4**920.97**	1.68	18.19	2.63	20.51
Fourth- (upto Feb, 2005)	22.68	5629.87	24.16	23.46	37.80	23.46
Total	29.52	21070.40	31.45	80.53	49.19	87.82

1.10 On being asked about the reasons for decline of percentage utilization of plan funds declined to 49.20% in the year 2005-06 as compared to 95.15% during the year 2004-05, the Secretary, Food and Public Distribution during evidence stated as follows:-

> "The percentage utilization of plan funds of Central Sector Schemes upto 31.3.2006 in the year 2005-06 was 96.93% of Revised Estimates 2005-06. The pace of expenditure upto 3rd quarter of 2005-06 was slow because the proposal for re-appropriation of funds of Rs. 11.88 crore under the scheme `Construction of Godowns by FCI etc.' required the approval of Ministry of Finance. Also the scheme the 'Village Grain Bank Scheme', which was transferred from Ministry of Tribal Affairs w.e.f. 1.4.2005, was revised alongwith guidelines, and finally approved by the Government in March, 2006".

1.11 To a query regarding low expenditure done by the Department during 2005-06 both in plan as well as non-plan funds, the Secretary Department of Food and Public Distribution during evidence stated :-

> "Their expenditure in plan funds was Rs. 58.03 crore against the Revised Estimate (RE) of Rs. 60.00 crore

i.e 96.71 percent of the allocated funds were utilised. In the non-plan funds, the expenditure was Rs. 23591.22 crore against the RE of Rs. 23995.93 crore i.e. about 98.32 percent.

It was further informed that the quarterly expenditure in the plan and non-plan funds was more or less around 21% during each quarter in 2005-06 but in plan funds their expenditure performance was 85% in the last quarter Secretary, Department of Food and Public Distribution cited two reasons for the same namely the Village Grain Bank Scheme got approved in January (about Rs. 19.40 core were spent on it during the last quarter, and secondly it was construction of godowns which actually was re-appropriated from another plan scheme i.e Integrated Information Financial Management System (IIFMS). These two schemes accounted for higher percentage of expenditure".

1.12 The Committee desire that the Ministry should ensure proper utilization of allotted funds and their recommendations/ observations should be duly taken into consideration while implementing the plans/projects.

1.13 The Committee are deeply concerned to note uneven utilization of budgetary allocation under plan and non-plan budget during 2005-06. For instance the actual plan expenditure for the first quarter was 1.43 % which rose to 37.80 % in the last quarter. The Committee are also unhappy to note the decline in the percentage utilization of plan funds during 2005-06 as compared to 2004-05. It was 95.15 % during 2004-05 which declined to 49.20% in 2005-06. The reasons for uneven spread were stated to be the late approval of the Village Bank Scheme. The Committee in their earlier reports had been impressing upon the need to spread the expenditure evenly during the year but it seems that the recommendations of the Committee have not been taken seriously. The Committee are also unhappy to note that even the financial rules of the Government which clearly stipulate spreading of expenditure evenly over the four quarters and bars the rushing of utilization in the last quarter, have also been ignored. The Committee, also, strongly recommend that the Government should ensure spreading of expenditure evenly over all the four quarters of the year.

CHAPTER II

MANAGEMENT OF FOOD

The Department of Food and Public Distribution is concerned with the formulation and implementation of various national policies on foodgrains relating to procurement, movement, scientific storage, distribution and sale. The aim of such policies is to ensure that interests of farmers as well as consumers are served, which is done by providing remunerative prices to the farmers and making foodgrains available at reasonable prices to consumers, especially to the vulnerable sections of the society.

2.2 As compared to 2004-05 there is a slight increase in the production of foodgrains. From 204.61 million tonnes in 2004-05, the production in 2005-06, as per the Second estimates released on 22.2. 2006 is 209.32 million tonnes.

2.3 The main ingredients of the Government's food management policy are procurement of foodgrains, their movement, storage, distribution through the public distribution system and maintenance of buffer stock.

(a) PROCUREMENT OF FOODGRAINS

2.4 Procurement of foodgrains is one of the central pillars of the Food Policy of the Government of India. It serves the twin purpose of providing a remunerative price to the farmers, thereby avoiding chances of distress sale of foodgrains, and also to enthuse them to increase production and building up buffer stock of foodgrains, public stocks of grains, which are vital to food management policy of the Government of India, including maintenance of the Targeted Public Distribution System (TPDS).

2.5 The major foodgrains in the country viz. wheat, paddy and coarse grains are procured at Minimum Support Price

(MSP) offered by the Government. The price support operations for wheat and paddy are undertaken by the Food Corporation of India in association with the State Governments and their procuring agencies. Besides extending price support to farmers for wheat and paddy, rice is also collected under a system of levy from rice millers and dealers at the prices announced separately for each State.

2.6 The MSP for Common and Grade 'A' varieties of paddy were fixed by the Ministry of Agriculture at Rs.560/- and Rs.590/- per quintal respectively for the 2004-2005 Kharif Marketing Season (October-September). The MSP for Common and Grade 'A' varieties of paddy have been fixed at Rs.570/- and Rs.600/- per quintal respectively for the 2005-2006 Kharif Marketing Season .

2.7 The MSP for wheat was fixed at Rs.640/- per quintal for Rabi Marketing Season 2005-06. The MSP for wheat has been fixed at Rs.650/- per quintal for Rabi Marketing Season 2006-07. In Rabi Marketing Season (RMS) 2006-07, 91.64 lakh MT of wheat has been produced upto 10.5.2006 as compared to 143.17 lakh MT of wheat procured during the RMS 2005-06.

2.8 The following table indicates the level of procurement of rice (including paddy in terms of rice) and wheat for the Central Pool since 2000-2001 Marketing Season: -

(in lakh tonnes)

KHRIF (OCTOBER-SEPTEMBER)			RABI (APRIL-MARCH)
Year	Rice	Coarsegrains	Wheat
2000-2001	212.81	6.51	163.56
2001-02	221.28	2.78	206.30
2002-03	164.10	0.60	190.30
2003-04	228.28	6.51	158.02
2004-05	246.83	8.27	167.95
2005-06	148.31 *	5.26 *	147.87

* As on 09.01.2006

2.9 Till recently, it was a common grievance of many States that their farmers have not benefited much from the price support operations, since the procurement of foodgrains by the Food Corporation of India (FCI) is largely concentrated in a few States, such as Punjab, Haryana, Uttar Pradesh and Andhra Pradesh. Two States, Punjab and Haryana, accounted for more than 80 per cent of the procurement of wheat by the FCI in the years 2003-04 to 2005-06, and the States of Punjab, Haryana, Uttar Pradesh and Andhra Pradesh accounted for nearly 80 per cent of the rice procured by the FCI in the year 2002-03. (Tables given below) In order to address the concerns of the other surplus rice growing States, FCI strengthened the procurement of rice from Bihar, Chhattisgarh, Orissa, Tamil Nadu and West Bengal, resulting in higher rice procurement in these States in 2003-04 onwards. As a result, the share of rice procurement from the four States of Andhra Pradesh, Haryana, Punjab and Uttar Pradesh declined to 72 per cent in 2005-06.

PROCUREMENT OF WHEAT

(In '000 tonnes)

STATE/ U.T. (RMS)	2003-04	2004-05	2005-06
Andhra Pradesh	-	-	-
Arunachal Pradesh	-	-	-
Assam	-	-	-
Bihar	1	15	1
Chandigarh	Neg.	-	-
Chhatisgarh	Neg.	Neg.	-
Delhi	12	2	2
Gujarat	-	-	-
Haryana	5122	5115	4529
Himachal Pradesh	1	Neg.	Neg.
Jammu & Kashmir	-	Neg.	Neg.
Karnataka	-	-	-
Madhya Pradesh	188	349	484
Maharashtra	-	-	-
Orissa	-	-	-
Pondicherry	-	-	-
Punjab	8938	9240	9010
Rajasthan	259	279	159
Tamil Nadu	-	-	-

Uttar Pradesh	1213	1741	560
Uttaranchal	67	54	40
West Bengal	-	-	-
Total :	15801	16795	14785

Neg: Below 500 tonnes

PROCUREMENT OF RICE

('000 tonnes)

STATE/ U.T. (KMS)	2002-03	2003-04	2004-05	2005-06*
A & N Islands	-	Neg.	1	-
Andhra Pradesh	2635	4230	3904	2103
Arunachal Pradesh	-	-	-	-
Assam	-	17	Neg.	15
Bihar	158	363	343	289
Chandigarh	-	-	19	13
Chhattisgarh	1291	2374	2837	2744
Delhi	-	-	-	-
Gujarat	-	-	-	-
Haryana	1325	1334	1662	2035
Himachal Pradesh	7	3	2	-
Jammu & Kashmir	-	-	1	3
Jharkhand	-	2	1	1
Karnataka	-	-	21	45
Kerala	-	-	33	52
Madhya Pradesh	159	112	42	125
Maharashtra	152	308	205	145
Nagaland	-	-	11	-
Orissa	890	1373	1590	849
Pondicherry	-	-	-	-
Punjab	7939	8662	9106	8733
Rajasthan	41	41	22	22
Tamil Nadu	107	207	652	590
Uttar Pradesh	1360	2554	2971	2429
Uttaranchal	232	323	316	297
West Bengal	126	925	944	733
Total :	16422	22828	24683	21223

Neg: Below 500 tonnes

* As on 21.3.2006

2.10 On being pointed out that a few procurement centres lacked infrastructure and basic facilities. What steps have been taken to augment infrastructure and other facilities at the centres, the Ministry in a written reply stated :-

> "During the last meetings held on 6.2.2006 and 6.3.2006 to review arrangements for the ensuing RMS 2006-07 the Food Secretaries and FCI officials have confirmed that there is no operational problem and procurement centers with adequate manpower and infrastructure are already in position".

2.11 On being asked about the steps taken /being taken by the Government to achieve the target fixed in respect of actual procurement of wheat as it has fallen short of the estimated procurement i.e targets so fixed in this regard, the Ministry in their post evidence reply stated :-

> " As per the present policy, the Government agencies carry out MSP operations to enable farmers to get remunerative prices for their produce. Since these operation are open ended, no targets as such are fixed. However, estimates of procurement are obtained from the Food Secretaries before every Rabi and Kharif Marketing seasons. As per the procurement policy, farmers are free to sell their produce to the Government Agencies at MSP or in the open market as is advantageous to them".

2.12 The procurement of wheat in the last three years has fallen short of the estimates given by the State Food Secretaries. The main reason behind this shortfall is lesser wheat production than normal, the higher open market prices, lesser market arrivals and higher purchase of wheat by private sector.

The following steps have been taken by the Government to increase procurement of wheat in RMS 2006-07.

(1) Meeting were held with Food Secretaries of all wheat producing States and FCI officials on 6.2.2006 and 6.3.2006 in which Food Secretaries and FCI officials confirmed that all arrangement had been made for wheat procurement in RMS 2006-07.

2. More number of procurement centers in States producing wheat were opened in RMS 2006-07 as compared to KMS 2005-06.
3. Awareness campaigns were done by FCI and State agencies in print and audio-visual media to educate farmers about the price support operations.
4. Control Rooms were set-up to monitor procurement operations as well as reports of distress sale.
5. An incentive of Rs. 50/- per quintal was announced over the MSP of Rs.650/- per quintal to the farmers to boost procurement wheat in KMS 2006-07".

(b) PRICE RISE

2.13 On being asked whether there had been continuous rise in retail prices of sugar, wheat, pulses, bullion etc. since grant of permission to undertake forward/future trading in these commodities and whether Government propose to ban forward/future trading in these commodities, in the interest of consumers & farmers keeping in view the rise in prices of these commodities, the Ministry in a reply stated: -

> " The Department of Consumer Affairs, which is the nodal Department for forward future marketing has informed as under:
>
> It is true that the retail prices of sugar, wheat, bullion etc have been rising over the years. Such a rise in prices is on account of interplay of several economic factors such as the level of demand, production/supply situation, exports, cost of various inputs for production etc.
>
> The Foward/futures market in commodities perform important economic functions of price discovery and price risk management, which generally benefit farmers, consumers and other stakeholders. It can also be an indicator of price trends in future which can be utilized by farmers and other categories of persons like exporters and manufacturers. In regard to Bullion, the price in the commodity futures market would also be a reflection of international price movements.
>
> Forward Markets Commission (FMC) is the regulator for commodity futures market under the provisions of the Forward Contracts (Regulation) Act, 1952. In order to prevent excessive speculation in the

commodity futures markets, FMC has prescribed various regulatory provisions as given below:-

- A limit on open position
- Fixing daily price limits
- Imposition of margins
- Daily monitoring of the markets by seeking return from the Exchanges in the prescribed formats
- Provision for compulsory delivery in some of the commodities

In the light of the foregoing at present there is no proposal to ban futures trading in commodities such as sugar, wheat, pulses, bullion etc."

2.14 On being pointed out that the private/MNCs have entered the market in a big way, asked about impact these companies shall have on the procurement targets of wheat and whether the Government has assessed the situation and will Government be able to procure the quantity of wheat needed for running TPDS and other Welfare Schemes, the Ministry in their post evidence reply stated :-

" As per the present policy, the Central Government extends price support to paddy, coarsegrains and wheat through the Food Corporation of India (FCI) and the State Agencies. All the foodgrains conforming to the prescribed specifications offered for sale at specified centres are bought by these public procurement agencies. The producers have the option to sell their produce to FCI/State Agencies at support prices or in the open market as is advantageous to them. There is no restriction on purchase of foodgrains by private traders including MNCs. More private participation is beneficial to the farmers, who get better prices for their produce.

Aggressive purchase by the private sector in RMS 2006-07 contributed to the shortfall in wheat procurement by FCI/State Agencies. The Government is continuously monitoring the situation and has taken the following two decisions on 22.4.06 to enhance procurement of wheat as well as to increase the stocks in the Central Pool for running the TPDS and other Welfare Schemes :-

i) An incentive bonus of Rs. 50 per quintal for procurement of wheat over the MSP of Rs. 650 per quintal payable to FCI and State Agencies;
ii) Import of 30 lakh tonnes of wheat, through the STC, to build up adequate buffer stocks."

2.15 The Chairman pointed out that in the traditional States like UP and Haryana as compared to 2004-05, there is heavy reduction in the procurement of wheat during 2005-06 whereas in some non-traditional States like Chhatisgarh there is an upward achievement in case of procurement of rice and paddy. The Chairman also asked whether Government was taking any steps to ensure that more procurement is done from non-traditional States and desired that efforts may be made so that requirement of a particular State is met from the foodgrains procured within that particular State itself thereby reducing the transportation cost involved in supplying foodgrains from one State to another State. To this the Secretary, Food and Public Distribution during evidence stated:-

> "As far as rice and paddy were concerned, these are grown in some parts of the country for the whole year in two season i.e kharif as well as winter seasons and more States produce it. This has been successful of because the paddy procurement route custom milling rate. He further stated that with paddy procurement being done through route custom milling rates the Ministry would be in a position to ensure that the farmer is getting the Minimum Support Price (MSP). That assurance cannot be given if the millers opt for levy route, then the Ministry would not be in a position to know whether the miller is paying the MSP or not. Therefore, the Ministry emphasise on the route of the paddy procurement, which implemented this year is some States have shown incremental position in paddy procurement. He further stated that the only way to increase paddy production in the country is to ensure that the farmer gets the assurance that his produce will be purchased at least at MSP.

> As far as wheat is concerned the requirement (of wheat) of the entire country is met through Haryana, Punjab, U.P. Rajasthan, Madhya Pradesh and to some extent Bihar. The productivity of wheat is almost at its plateau. There is no scope of increasing productivity of wheat in Punjab but it can be increased in States of Haryana, U.P. Rajasthan and Gujarat for which Ministry of Agriculture has come up with some proposal".

2.16 The Chairman expressed his concern that with the advent of multinational companies (MNCs) in the wheat market the Government will not be able to achieve its target of PDS and welfare schemes as these MNCs were giving more rates than MSP, therefore, the farmers would sell their produce to them. He further pointed out that on the one hand MNCs are lifting wheat form the Indian Market and on the other hand wheat is being imported. It was also asked whether the Government was monitoring the activities of these MNCs because price of wheat are increasing in the market. The Secretary (Food and Public Distribution) evidence stated :-

> " The MNCs or private traders have entered the market in a big way because of changes in the foodgrains market itself. Stock control limits and all restrictive practices have been removed by the Government. The reason for price rice was that the buffer stocks was low. The ruling market price was high compared to Rs. 650/- fixed as MSP by the Government. The procurement of foodgrains by MNCs, private traders, roller floor mills have increased this year compared to last year. The total requirement for PDS and Welfare Schemes is 169 lakh tonnes, if total wheat production of the country is 73 million tonnes, it would meet the requirement of the country. The decision to import wheat has been taken basically to meet the buffer stock norms for the PDS".

(c) DECENTRALISED PROCUREMENT

2.17 The scheme of Decentralized Procurement of foodgrains was introduced by the Government in 1997-98 with a view to encouraging local procurement to the maximum extent thereby extending the benefits of MSP to local farmers, effecting savings in the form of reduction in the transportation costs of FCI and enhancing the efficiency of procurement and PDS. Under the decentralized procurement scheme, the State Governments procure, store and distribute foodgrains under TPDS and other welfare schemes. In the event of the total quantity of wheat and rice thus procured falling short of the total allocation made by the Central Government for meeting the requirement of TPDS and other schemes, the Central Government, through the FCI, meets the deficit out of the Central Pool stocks. Any excess stocks procured by the State Government are transferred to FCI as contribution to Central Pool stocks.

2.18 The Central Government undertakes to meet the entire expenditure incurred by the State Governments on the operations of procurement, storage and distribution as per the approved costing. The Central Government also monitors the quality of foodgrains procured under the scheme and reviews the arrangements made to ensure that the procurement operations are carried on smoothly. The State Governments presently undertaking the decentralized procurement are West Bengal, Madhya Pradesh, Uttar Pradesh, Chhattisgarh, Tamil Nadu, Uttaranchal, A&N Islands, Orissa, Gujarat, Karnataka Kerala.

2.19 On being asked about the difficulties State Governments face in the implementation of the scheme and corrective steps taken by them to overcome these difficulties, the Ministry in a written reply stated as under:-

"The State Governments that adopted the decentralized procurement scheme had requested for adequate attention on the following issues:-

1. Sanction of adequate Cash-Credit Limits in time by the Reserve Bank of India.
2. Full reimbursement of expenses and timely release of subsidy by the Central Government.

The Department of Food & Public Distribution has also been making suitable recommendations to the R.B.I. for sanctioning of adequate Cash-Credit Limit to States for handling the procurement operations, as well as releasing advance subsidy to ensure that procurement operations go on smoothly.

With regard to reimbursement of expenses, the following additional components of costs have been sanctioned:

(i) Transportation cost from the procurement centre to the storage point and from the storage point to the milling point;
(ii) Commission to Societies at 1% of MSP;
(iii) Payment of cost towards transportation of gunnies from railheads to procurement centers;
(iv) Enhancement of milling rate of parboiled rice from Rs.15 per quintal to Rs.20 per quintal."

(d) BUFFER STOCKING POLICY

2.20 Food stocks are maintained by the Central Government to meet the prescribed minimum buffer stock norms for food security, for monthly releases of food grains for supply through the Public Distribution System/Welfare schemes and to meet emergent situations arising out of unexpected crop failure, natural disasters etc. and for market intervention to augment supply so as to help moderate the open market prices.

2.21 While framing the revised buffer norm for Tenth Plan as indicated above, provision has been kept for the following schemes:-

(i). Targeted Public Distribution System (TPDS)
(ii) Sampoorna Gramin Rojgar Yojana (SGRY
(iii) Sampoorna Gramin Rojgar Yojana (SGRY) Special Component
(iv) Mid Day Meal Scheme (MDM)
(v) National Food For Work Programme (NFFWP)

2.22 The stock of foodgrains in the Central Pool as on 1.10.2005 was 155.47 lakh tonnes which comprises of 48.49 lakh tonnes of Rice, 102.90 lakh tonnes of wheat and 4.08 lakh tonnes of Coarse Grains.

2.23 The stock position of Wheat & Rice in the Central Pool vis-à-vis minimum buffer norms is as follows :-

(in lakh tonne)

As on	Wheat		Rice		Total	
	Actual Stock	Minimum buffer norms	Actual Stock	Minimum buffer Norms	Actual Stock	Minimum buffer norms
1.1.2001	250.41	84.00	206.99	84.00	457.40	168.00
1.1.2002	324.15	84.00	256.17	84.00	580.32	168.00
1.1.2003	288.30	84.00	193.72	84.00	482.02	168.00
1.1.2004	126.87	84.00	117.27	84.00	168.00	168.00
1.1.2005	89.31	84.00	127.63	84.00	216.94	181.00

2.24 Ratio of wheat and rice has been streamlined on the basis of food habits of each State/UT. The ratio of wheat and rice has been revised with effect from 01/08/2005 on the basis of the following proportion or the existing allocation of wheat whichever is less.

70:30 for wheat consuming States/UTs;
50:50 for wheat and rice consuming States/UTs; and
30:70 for rice consuming States/UTs

2.25 The total Stock Position of wheat and rice in the Central Pool vis-à-vis minimum buffer norms is as under:-

(in Lakhs tones)

As on	Actual Stock	Minimum Buffer Norms
1.7.2005	245.25	269.00
1.10.2005	151.39	162.00

2.26 On being asked about the reasons for decline in total Actual Stock of wheat and rice as against the buffer norms and whether this present shortfall in the stock over the buffer norms was not alarming and this low buffer stock of wheat had led to rise in prices of wheat; the Ministry in their post evidence reply stated :-

> "The decline of foodgrain stocks has been, inter alia, due to the following decisions taken by Government since March, 2002 to liquidate excess stocks of foodgrains in the Central Pool:-

(a) Increase in scale of allocation of foodgrains from 25 to 35 kgs per family per month for Below Poverty Line (BPL) and Antyodaya Anna Yojana (AAY) families.

(b) To fix the scale of allocation for Above Poverty Line (APL) families at 35 kgs. per family per month.

(c) To fix the scale of issue for all welfare institutions and hostels uniformly @ 15 Kg per head per month and make an additional allocation equal to 5% of BPL allocation to States/UTs at BPL rates.

(d) Expansion of wage employment programmes such as Sampoorna Gramin Rozgar Yojana (SGRY) including Special Component of SGRY and National Food for Work Programme (NFFWP).

(e) To increase the coverage of AAY families from 1 crore to 2.5 crore in the three phases w.e.f. 5.6.2003, 3.8.2004 and 12.5.2005.

Apart from the above, the other reasons for decline in stocks have been export of foodgrains which continued upto November, 2004 and lower procurement of wheat by about 20 lakh tonnes in Rabi Marketing Season 2005-06. Government has taken note of the decline in wheat stocks as compared to the buffer norms and taken following decisions:

a. The ratio of Rice and Wheat in the allocation of foodgrains to BPL and APL families under TPDS has been rationalized keeping in view the food habits of States/UTs.

b. The State Governments are encouraged to procure more coarsegrains and distribute the same under TPDS/other schemes.

c. Decision to Import 35 lakh tonnes of wheat.

d. The allocation under Sampoorna Gramin Rozgar Yojana (SGRY) and National Food for Work (NFFW) programmes has been reduced from 5 kg to 3 kg per person per day in the wage component w.e.f. 1.11.2005 to 31.3.2006 by Ministry of Rural Development".

(e) FOOD SUBSIDY

2.27 Food Management consists of mainly procurement of wheat and rice by providing support prices to the farmers and allocation of foodgrains so procured amongst States for eventual distribution to the targeted population under the Public Distribution System (PDS) and other Welfare Schemes. Since the Issue Prices fixed for foodgrains to the targeted population is less than the economic cost of foodgrains, the difference between the two represents the food subsidy. The economic cost comprises of the cost of foodgrains, procurement incidentals and distribution incidentals which include elements of state levies and taxes, mandi charges, transportation & handling charges, cost of gunny bags etc. In addition to procuring foodgrains for meeting the requirements of the PDS, the Central Government is also under obligation to procure foodgrains for meeting the requirements of the buffer stock to ensure food security of the country. Hence, a portion of the food subsidy also goes towards meeting the carrying cost of the buffer stock.

2.28 Food Corporation of India (FCI) is the main agency which undertakes procurement, storage and distribution operation on behalf of the Government of India. The difference between the economic cost and issue price is reimbursed to FCI as consumer subsidy. The carrying charges of buffer stocks are also reimbursed to it by the Government, in the form of buffer subsidy.

2.29 In the few States where the scheme of decentralised procurement is being implemented, the economic cost of procurement, storage and distribution of foodgrains by the State Governments is determined by the Government of

India in consultation with the State Governments, and the difference between the economic cost so fixed and Central Issue Price fixed on an all India basis is reimbursed to the States as food subsidy.

2.30 The year-wise break-up of subsidy released from 2001-02 to 2006-07 under Decentralised Procurement Scheme is as under:

(Rs. in crore)

Year	Subsidy Released		
	FCI	States	Total
2001-02	16724	770	17494
2002-03	22674	1502	24176
2003-04	23874	1286	25160
2004-05	23280	2466	25746
2005-06(BE)	22831	3200	26031
2005-06(RE)**	19871	3200	23071
2006-07 (BE)*	20786	3200	239986

*proposed for the year

**Note: For the year 2005-06 subsidy of Rs. 19871 crore is proposed to be released in view of allocated budget for the yea as against budget estimates of Rs. 22831 crore.

2.31 On being asked about the reasons for increase in the subsidy given to FCI over the years, in spite of more and more States opting for Decentralized Procurement, the Ministry in a written reply stated:-

> "Food subsidy comprises consumer subsidy and buffer subsidy. Consumer subsidy depends on the difference between economic cost and central issue prices and offtake of foodgrains. The carrying cost of buffer stock and carryover charges paid to the State

agencies are reimbursed to the FCI as buffer subsidy. The increase in food subsidy released to the FCI has been moderate. The main reasons for increase in food subsidy released to the FCI are as follows:

(a) Increase in economic cost due to increase in the Minimum Support Price (MSP), statutory charges, handling & transportation charges, storage & interest charges etc.;

(b) Freezing of Central Issue Prices under Targeted Public Distribution System (TPDS) since July 2002 despite increase in the economic cost;

(c) Increased offtake of foodgrains under TPDS and other schemes; and

(d) Implementation of the Antyodaya Anna Yojana".

2.32 Category-wise and year-wise details of subsidy released for APL (Above Poverty Line) , NPL (Below Poverty Line) and AAY (Antyodaya Anna Yojana) under Target Public Distribution System alongwith percentage to the total subsidy released during the last there years are as under:-

(Rs. in crore)

Year	Total Subsidy	BPL		AAY		APL		TPDS	
		Subsi-dy releas-ed	Percen-tage to total subsidy (%)	Subsidy released	Percen-tage to total subsidy (%)	Subsidy released	Percentage to total subsidy (%)	Subsidy released	Percenta ge to total subsidy (%)
200 2-03	24176.45	6281	25.98	2641	10.92	949	3.93	9871	40.83
2003.04	25160.00	9950	39.55	3161	12.56	1655	6.58	14766	58.69.
2004-05	25746.45	12580	48.86	4968	19.29	2792	10.84	20340	79.00

2.33 Food subsidy is provided in the budget of the Department of Food and Public Distribution to meet the difference between the economic cost of foodgrains and their sales realization at Central Issue Prices for TPDS and other welfare schemes. In addition, the Central Government also procures foodgrains for meeting the requirements of buffer stock. Hence, part of the food subsidy also goes towards meeting the carrying cost of buffer stock.

2.34 The subsidy is provided to FCI, which is the main instrument of the Government of India for procurement and distribution of wheat and rice under TPDS and other welfare schemes and for maintaining the buffer stock of foodgrains as measure of food security. Eleven States, namely Madhya Pradesh, Uttar Pradesh, Chhattisgarh, West Bengal, Uttaranchal, Tamil Nadu, Andaman & Nicobar, Orissa, Gujarat, Karnataka and Kerala have undertaken the responsibility of not only procuring foodgrains from within the State but also distributing the same to the targeted population under TPDS and other welfare schemes. Under this scheme of decentralised procurement, State specific economic cost is determined by the Government of India and the difference between the economic cost so fixed and the Central Issue Prices is passed on to the State as food subsidy. Efforts are being made to persuade other States to adopt this scheme.

2.35 On being asked about the steps taken /proposed to be taken to ensure that subsidy reaches the targeted group, the Ministry in a reply stated :-

> " The State Governments are required to monitor and ensure that the foodgrains reached to the targeted people. However, to ensure that the food subsidy reaches the targeted population, the following measures have been taken:-

(i) The Public Distribution System(Control) Order, 2001 has been issued on 31st August, 2001 under Section 3 of the Essential Commodities Act, 1955 with a view to curb willful adulteration, substitution, diversion, theft of stocks from the Central godowns to fair price shops;

(ii) A Task Force has been constituted to look into the irregularities in the implementation of the Targeted Public Distribution System (TPDS) and Antyodaya Anna Yojana (AAY) in the identified areas.

(iii) Detailed Guidelines have been issued to State Governments for greater involvement of the Panchayati Raj Institutions (PRI) in the functioning of TPDS/AAY as a measure of social audit. Under the guidelines, Vigilance Committees, involving PRIs, and beneficiaries , are to be established at various levels to supervise the functioning of TPDS.

(iv) A Model Citizen's Charter has been issued to all the State/UTs for adoption.

(v) Continuous dialogue is maintained with all the State Governments/UTs in the implementation of TPDS/AAY".

2.36 On being asked whether Government was contemplating /had contemplated some concrete steps to arrest the trend of increase in subsidy released on foodgrains to Food Corporation of India (FCI) as well as the States operating the decentralized procurement scheme over the years, the Ministry in their post evidence reply stated :-

> "The quantum of food subsidy depends on the level of procurement of foodgrains and offtake under TPDS and other welfare schemes. Both procurement and offtake are determined by the market prices prevailing in respect of foodgrains.

The Government has taken several measures to arrest the food subsidy. The main measures in this regard include:-

i) Reduction in rate of interest on borrowings by FCI from 9.10% to 8.15% per annum.

ii) Liquidation of excess stocks leading to reduction in carrying cost.

iii) Encouraging decentralised procurement and distribution of foodgrains.

iv) Issue of bonds by the FCI at lower coupon rates, backed by Government guarantee.

v) Improving the operational efficiency of the FCI".

2.37 On being pointed out that over 36 percent of the budgetary subsides on food is siphoned off by the supply chain and another 21 percent reaches the APL households, what mechanism has been adopted by the Government to remove these shortcoming, the Secretary (Food and Public Distribution) during evidence stated :-

> "In this connection the Government had got a study done by the Operation Research Group (ORG) and Programme Evaluation Organization (PEO) of the Planning Commission on the issue of diversion of foodgrains. The recommendations made by these two organizations have been brought to the notice of the State Government. Mechanism like removal of ghost/bugus ration cards have been suggested as foodgrains are being distributed to them from the Fair Price Shops (FPSs). Doorstep delivery of foodgrains has been recommended as leakages take place in the supply chain between the foodgrains getting released from the FCI godowns and before reaching the FPSs".

2.38 In the reply to a related question regarding proposal to exclude APL population from the purview of PDS, the Ministry in a written reply stated that the recommendations of Standing Committee to reduce the subsidy for the APL is under action consideration.

(f) EXPORT AND IMPORT OF FOODGRAINS

2.39 Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) is primarily concerned with food security of the country. Government constantly reviews the stock position of foodgrains with it in the Central Pool vis-à-vis the prescribed buffer norms, production of foodgrains in the country, trend for procurement for Central Pool, requirement for Public Distribution System (PDS) and other welfare schemes, open market prices, etc. A decision to import or export foodgrains on Government account is taken depending on the overall situation. There was no import of foodgrains for the Central Pool during 2004-05. However, keeping in view the reduced wheat stocks in the Central Pool, the need to keep a check on the open market prices of wheat as well as to augment the domestic availability of wheat and since the Government is fully committed not to compromise in the matter of food security, a decision was taken on Ist February, 2006 to permit State Trading Corporation to import 5 lakh MTs of wheat at the Southern ports only.

(g) PUBLIC DISTRIBUTION SYSTEM

2.40 The Public Distribution System (PDS) evolved as a system of management of scarcity and for distribution of food grains at affordable prices. Over the years PDS has become an important part of Government's policy for management of food economy in the country. PDS is supplemental in nature and is not intended to make available the entire requirement of any of the commodities distributed under it to a household or a section of the society.

2.41 The Public Distribution System (PDS) is operated under the joint responsibility of the Central and the State Governments. The Central Government, through FCI, has assumed the responsibility for procurement, storage, transportation and bulk allocation of foodgrains to the State Governments for distribution to the public through a network of more than 4.81 lakh Fair Price Shops (FPS). The operational responsibility including allocation within State, identification of families below the poverty line, issue of ration cards, monitoring and supervision of functioning of FPS, rest with the State Governments. Under PDS, presently the commodities namely wheat, rice, sugar and kerosene are being allocated to the States/UTs for distribution. Some States/UTs also distribute additional items of mass consumption such as cloth, exercise books, pulses, salt and tea etc. through the PDS outlets.

(h) TARGETED PUBLIC DISTRIBUTION SYSTEM (TPDS)

2.42 PDS as it stood earlier, had been widely criticized for its failure to serve the population Below the Poverty Line (BPL), its urban bias, limited coverage in the States with high concentration of the rural poor and lack of transparent and accountable arrangements for delivery. Therefore, in June 1997, the Government of India launched the Targeted Public Distribution System (TPDS) with focus on the poor. Under the TPDS, States are required to formulate and implement foolproof arrangements for identification of the poor for delivery of foodgrains and for its distribution in a transparent and accountable manner at the FPS level.

2.43 To work out the population below the poverty line under the TPDS, there was a general consensus at the Food Minister's conference held in August 1996, for adopting the methodology used by the expert groups set up by the Planning Commission under the Chairmanship of Late Prof. Lakadawala. The BPL households were determined on the basis of population projections of the Registrar General of India for 1995 and the State wise poverty estimates (1993-94) of the Planning Commission for 1993-94. The total number of BPL households so determined was 596.20 lakh. Thus the scheme, when introduced, was intended to benefit these poor families for whom a quantity of about 72 lakh tonnes of foodgrains was earmarked annually.

2.44 The actual allocation of foodgrains to the States/UTs was made on the basis of average consumption in the past i.e. average annual off-take of foodgrains under the PDS during the past ten years at the time of introduction of TPDS. The quantum of foodgrains in excess of the requirement of

BPL families was provided to the State as 'transitory allocation' for which a quantum of 103 lakh tonnes of foodgrains was earmarked annually. Over and above the TPDS allocation, additional allocation to States was also given. The transitory allocation was intended for continuation of benefit of subsidized foodgrains to the population Above the Poverty Line (APL) as any sudden withdrawal of benefits existing under PDS from them was not considered desirable. The transitory allocation was issued at prices, which were subsidized but were higher than the prices for the BPL quota of foodgrains.

2.45 Keeping in view the consensus on increasing the allocation of foodgrains to BPL families, and to better target the food subsidy, Government of India increased the allocation to BPL families from 10 kg. to 20 kg of foodgrains per family per month at 50% of the economic cost and allocation to APL families at economic cost w.e.f. 1.4.2000. The allocation of APL families was retained at the same level as at the time of introduction of TPDS but the Central Issue Prices (CIP) for APL were fixed at 100% of economic cost from that date so that the entire consumer subsidy could be directed to the benefit of the BPL population.

2.46 Subsequently the number of BPL families was increased w.e.f. 1.12.2000 by shifting the base to the population projections of the Registrar General as on 1.3.2000 instead of the earlier population projections of 1995. This increased the total number of BPL families to 652.03 lakh as against 596.23 lakh families originally estimated when TPDS was introduced in June, 1997.

2.47 The end retail price is fixed by the States/UTs after taking into account margins for wholesalers/retailers, transportations charges, levies, local taxes etc. Under the TPDS the States were requested to issue food-grains at a difference of not more than 50 paise per kg over and above the CIP for BPL families. Flexibility to States/UTs.has been given in the matter of fixing the retail issue prices by removing the restriction of 50 paise per kg over and above the CIP for distribution of foodgrains under TPDS except with respect to Antyodaya Anna Yojana where the end retail price is to be retained at Rs. 2/ a Kg. for wheat and Rs. 3/ a Kg. for rice.

2.48 The Government streamlined the PDS by introducing the Targeted Public Distribution System (TPDS) in June, 1997. At the time of introduction of TPDS in June, 1997 each family below the Poverty Line (BPL) was entitled to 10 kg. of foodgrains per month at specially subsidized prices. Keeping in view the consensus which emerged during the discussions with the State Governments under the aegis of the Advisory Council on Foodgrains Management and Public Distribution on increasing the allocation of foodgrains for BPL families and to better targets the food subsidy, the Government of India increased the allocation for BPL families from 10 kg. to 20 kg. of foodgrains per family per month w.e.f. 1st April, 2000 and further to 25 kg. w.e.f. July, 2001. The allocation of foodgrains for BPL families has been further increased from 25 kg. to 35 kg per family per month w.e.f. 1st April, 2002. The scale of issue for Above the Poverty Line (APL) families has also been fixed at 35 kg. per family per month w.e.f. 1st April., 2002.

2.49 On being asked by the Committee whether the Government proposes to bar beneficiaries of APL from supply of subsidized foodgrains or rise the price of wheat supplied to APL category at the level of market price in lieu of the fact that diversion of APL foodgrains to open market is a bonanza to black marketers as wheat supplied to APL families is @ Rs.610/- per qutl., whereas open market rate of wheat is Rs. 850/- per qutl., the Ministry in their post evidence replies furnished as under:

> "In order to rationalize the the allocation of foodgrains under the Targeted Public Distribution System (TPDS), ensure that the food subsidy remains targeted towards poor households, and, keeping in view the reduced availability of foodgrains in the Central Pool, the Government had taken several decisions on 6.1.2006 which included reduction in allocation of foodgrains, for above Poverty Line)APL) households, from allocation of 35 kg. per family per month to 20 kg per family per month, or the offtake during 2004-05, whichever is lower.
>
> It was also decided that the APL Central Issue Prices (CIPs) of foodgrians, which were last fixed in July, 2001, to be revised upwards by Rs. 85 per quintal and Rs. 95 per quintal for wheat and rice respectively.
>
> A few State Governments represented that the implementation of the decision taken on 06.1.2006 may adversely affect the functioning of the TPDS in their States and lead to large expenditure from the State Government budgets. Representations were also received from several political parties that the decision may adversely affect the food security of poor households. Keeping in view these representations, the Government has decided that the implementation of the decision may be postponed for some time.
>
> The proposal to reduce allocations of foodgrains for APL category especially wheat allocation, is presently under consideration".

(i) DIVERSION OF FOODGRAINS

2.50 The Committee wanted to know Whether large scale diversion of Public Distribution (PDS) food grains in North-Eastern states have been detected as reported in press news – The Hindu, dated February 1, 2006, The Ministry in written reply stated in a recent study conducted by ORG

Marg, New Delhi on evaluation of Targeted Public Distribution System in the country diversion of foodgrains (wheat and rice) has been reported in most of the States. In the North Eastern States the position has been as under:-

Name of the State	**Diversion (%)**	
	Rice	Wheat
Arunachal Pradesh	64.1	96.2
Assam	37.2	100.00
Manipur	97.7	100.00
Meghalaya	61.3	100.00
Mizoram	52.6	100.00
Nagaland	88.6	100.00
Sikkim	Negligible	100.00
Tripura	3.8	Not Calculated

2.51 On being asked whether Government propose to conduct special audit by a team of FCI and State Government officials in the event if offtake is more than 75%, the Ministry in a written reply stated as under:-

> "There is no proposal to conduct any special audit by a team of FCI and State Government officials in the event if offtake is more than 75%. In this regard a Conference of Food Ministers/Food Secretaries was held on 29.3.2006 on Strengthening the PDS with specific focus on curbing diversion of foodgrains in the PDS. In the meeting, inter-alia, it was concluded that – "All State Governments are requested to prepare a time bound action plan to stop diversion within six month and submit a report to the Department of Food and Public Distribution for reporting the matter to Parliament."

2.52 In reply to a question Whether the replies from States/UTs on ORG Marg and PEO containing suggestions, comments and measures proposed to be taken to check diversion of foodgrains, received, the Ministry in a written reply stated:-

"The reports submitted by the ORG MARG and PEO have been circulated amongst all States and UTs seeking their comments and also measures taken or proposed to be taken to check diversion of foodgrains. The Department has received some replies while other States/UTs have not furnished the requisite information. The States/UTs are being reminded to furnish the desired information. As soon as the information is received, the same will be compiled and will be furnished to the Committee".

(j) HILL TRANSPORT SUBSIDY SCHEME

2.53 In its report on price policy for Kharif Crops of 1971-72 Season the Commission for Agricultural Costs and Prices had recommended that "population in Hill States being generally poor, the pooled price for grains issued out of the Union Government stocks should be for delivery at the Principal Distribution Centres in each States". While the rail freight incurred on the movement of foodgrains issued from the Central stocks is included in the Central Issue Prices, the road transport charges for their further movement from rail heads is incurred by the State Governments. In the case of hill States, the number of rail heads is limited and the cost of moving grains by road to the interior is heavy. The people in the Hilly areas have, therefore, to bear an additional burden on account of lack of rail transport facilities.

2.54 The matter was considered by the Government and it was decided to introduce the Hill Transport Subsidy Scheme in the predominantly hilly States for opening of godowns by the FCI at the Principal Distribution Centres (PDCs) wherever possible or reimbursement of the transportation cost upto these Centres.

2.55 The Hill Transport Subsidy Scheme was implemented w.e.f. 1st August, 1975. The Scheme was extended to the UTs of Andaman & Nicobar Islands and Lakshadweep from the Financial Year 1981-82. The Scheme is at present applicable to Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Nagaland, Mizoram, Sikkim, Tripura, Andaman & Nicobar Islands and Lakshadweep. The Scheme is meant for the States/UTs which are predominantly hilly with little or no railway and poor road communications.

2.56 The FCI is required to open godowns at these PDCs wherever possible, or reimburse the State Governments/UTs the cost of transportation of foodgrains, on actual basis, for lifting of foodgrains from base depots of FCI to the designated PDCs.

2.57 The purpose of declaring important distributing centres as PDCs is to mitigate the burden of heavy cost of road transportation to the people in the hilly areas. In predominantly hilly States with difficult and inaccessible terrain the cost of moving grains by road to the interior is heavy and such cost gets added to the Central Issue Price of the foodgrains delivered to such States. If sufficient relief is not provided the end retail price of foodgrains may become out of reach for the beneficiaries dependent on PDS.

2.58 The following conditions are to be observed by the States/UTs while utilizing the transport reimbursement received from the FCI :-

(i) full benefits of the transport subsidy should be passed on to the consumers by the State Governments/Union Territories;

(ii) where the State Governments are already giving some subsidy they should consider passing on the same quantum of subsidy by opening more interior distribution centres not covered by these recommendations governing the said scheme; and

In the exceptional case of J&K where the State Government is already giving not only transport subsidy but substantial price subsidy to the consumers, the relief which the Government of J&K will get on account of this transport subsidy will be taken into account.

2.59 On being asked to be apprised of the progress/latest position in respect of the investigations being done by the CBI in the matters regarding irregularities noticed in the Hill Transport Subsidy Scheme in Arunachal Pradesh and selling of wheat and rice to Central/State PSUs and private operators between April 2003-2004, the Ministry, in a written reply stated :-

> "The Government of India had requested the Central Vigilance Commission (CVC) on 27.5.2005 to conduct an enquiry into the alleged irregularities in implementation of the Hill Transport Subsidy (HTS) Scheme in Arunachal Pradesh. The CVC has informed that the matter has been referred to the CBI for investigation. No report has been submitted by the CBI so far'.

2.60 The Secretary Department of Food and Public Distribution during evidence elaborated further:-

> "Investigation in both the cases was at the preliminary stage and CBI was busy collecting the related documents/papers only"

(k) AREA OFFICERS' SCHEME

2.61 From February 2000 the Ministry has appointed Areas Officers for different States /Uts to coordinate with the State Governments/UTs for regular and effective monitoring of PDS. The Area officers are required to visit their allocated States/UTs at least once in a quarter and conduct review of the PDS. The observations made by the Area Officers in their reports are sent to the concerned State Government/UT for taking necessary action.

2.62 The Committee observed that Andaman & Nicobar Island, Delhi, Goa, Lakshdeep, Manipur, Nagaland, Orissa, Tripura, Uttaranchal & U.P. are leftr out states in which no visits are made by Area Officers and thereby no inspection report had been submitted during the year 2005-06 and wanted to know the reasons for the same. The Ministry in a reply stated:-

“All the States and Union Territories could not be visited by the Area Officers due to exigencies of work, intervening Parliament sessions, elections and transfer of the officers. However, all the Area Officers are reminded to carry out the assigned task promptly”.

2.63 The following table shows the number of Visits make by Area Officers during the last three years :

S. No.	Name of State / UT	Number of visits by Area Officers during the year		
		2003	2004	2005-06 (upto Feb 2006)
1	2	3	4	5
1	Assam	-	-	1
2	Andhra Pradesh	-	1	1
3	Andaman & Nicobar Islands	1	-	-
4	Delhi	1	-	-
5	Goa	-	-	-
6	Jammu & Kashmir	-	-	1
7	Lakshadweep	-	1	-
8	Maharashtra	1	1	2
9	Manipur	-	1	-
10	Meghalaya	-	-	1
11	Nagaland	-	1	-
12	Orissa	1	-	-
13	Pondicherry	-	-	1
14	Jharkhand	-	-	1
15	Kerala	-	-	1
16	Tripura	-	-	-
17	Tamil Nadu	-	-	1
18	Uttaranchal	1	-	-
19	Uttar Pradesh	-	-	-
20	West Bengal	-	-	1

2.64 From the above table it may be seen that the number of inspections visits by Area Officers during the last three years is only one per year in few States whereas no such visits have been made at in other States. Reiterating their above reply the Ministry in a written reply stated that the Areas Officers are reminded to carry out the assigned Task promptly.

(I) MONITORING OF FUTURE PRICE OF WHEAT

2.65

2.65 The Committee observed that the wheat prices were showing an upward trend and hardening day by day. In the principal wheat markets of Harpur, Karnal and Delhi, the prevailing rate of wheat is between Rs.800/- to 850/- per qntl; this year, whereas it used to be in the range of Rs.625/-to Rs.675/- last year. There has not been any major down fall in the production wheat. At the same time the speculative trading indulged into have affected the price of wheat. The future price of wheat on MCX and NCDEX quoted for November-December 2006 series is Rs.1050/-. Even if other incidental charges were included in the prices quoted in open market, it makes a good commercial and business sense, for traders and profiteers to earn handsomely i.e. more than Rs.200 to 250 if such wheat is off-loaded in the market of Southern Indian, where prevailing rates were in the vicinity of Rs.1000-1050 per qntl. On being asked by the Committee to furnish a note on effect on price of essential commodities since lifting of ban on future trading of these commodities and correlation between rise in price and lifting of ban, the Ministry in their post evidence replies furnished as under:

> (i) "It is true that the retail prices of Sugar, Wheat, bullion etc have been rising over the years. Such a rise in prices is on account of interplay of several economic factors such as the level of demand, production/supply situation, exports, cost of various inputs for production etc.
>
> The ban of Futures Trading in respect of Edible Oils was lifted on 12th April 1999. Subsequently the ban on futures trading in wheat, rice, pulses and sugar etc. was lifed w.e.f. April, 2003.
>
> Price of groundnut oil at Delhi increased from Rs. 50 per kg in April 1996 to Rs. 77 per kg in April 1999- (35% increase). After 3 years of lifting of ban, the price at Delhi stood at Rs. 74 in April 02, showing a decline of 4%.
>
> Similarly, retail price of mustard oil at Delhi was Rs. 36 it April 1996 and increased to Rs. 55 in April 1999, showing an

increase of 34.5 %. It was Rs. 38 in April 02 showing a decline of 44.7%.

Retail price of vanaspati was Rs. 39 in April 1996 and Rs. 44 in April 1999 showing an increase of 11.4%. Thereafter, it decreased to Rs. 38 in April 2002 showing a decline of 15.8%.

Prices in the futures market are determined by market participants who trade on the commodities futures exchanges. Futures markets play the role of price discovery. If prices are moving high without the support of fundamentals, the prices would not be sustainable for a long duration.

2.66 The Committee further queried whether the Government proposes to closely monitor the future price of wheat and also proposes to ban forward /future trading in wheat, sugar, rice, edible oils and pulses as the price o of these items of mass-consumption have shown astronomically high rates since lifting the ban on forward trading, to which the Ministry in their replies furnished as under:

(ii) "The Forward Markets Commission (FMC) is closely monitoring the futures prices of wheat. Limits on open position, prices limits, upfront margins have been prescribed so as to control unbridled speculation in the market and ensure that there are no monopolistic conditions in futures market.

(iii) At present, there is no proposal before the Government to ban forward/futures trading in wheat, sugar, rice edible oils and pulses. Futures market provide a platform for price discovery and price risk management by evolving a series of prices based on expectations of demand and supply conditions at a specified future date. Futures market provides polices to correct demand- supply mismatch, such as allowing more imports to augment supply".

2.67 On being asked by the Committee whether the Government has assessed the reasons for large scale procurement of wheat by Multi National Companies compared to FCI and other State agencies which has ultimately hit the PDS and other welfare schemes and whether there is any proposal to repeal and revisit the Wheat Storage Act in this context, to which the Ministry in their post evidence replies furnished as under:

> "As per the present policy, the farmer is free to sell his produce to the Government agencies or private parties (including MNCs) as is advantageous to him. No quantitative limit have been imposed by the Government on private t5raders including MNCs, to procure wheat from market though some State Governments like U.P. have imposed quantitative limits on procurement of wheat by MNCs in RMS 2006-07.
>
> In order to facilitate free trade and movement of foodgrains, and to enable the farmers to get best prices for their produce, achieve price stability and ensure availability of foodgrains in deficit areas Government has removed all controls on foodgrians, viz. licensing, stock limits and restrictions on inter-state movement by issuing a Notification 15.2.2002 with an amendment dated 16.3.2003, according to which any dealer can freely buy, stock, sell, transport, distribute, dispose, acquire, use or consume any quantity of wheat and shall not require any license or permit thereof. As the system has been working well, their is no proposal to review the notification 15.2.2002. However, wheat continue to be listed as essential commodities under the Essential Commodities Act, 1955 to check hoarding/black marketing etc".

2.68 The Committee find that an element of subsidy is involved in the foodgrains supplied to the beneficiaries of Above Poverty Line (APL) families. The wheat supplied to APL families is @ 6.10 per kg., whereas the prevailing open market rate of wheat is Rs. 8.50 per kg. Diversion of APL foodgrains in open market makes a good business and commercial sense and it is a bonanza for the black-marketeers to divert the wheat issued under APL. Taking note of the fact that it is the commitment of the Government to target food subsidy towards poor household, there is a need to bar APL population from receiving subsidized foodgrains. At the same time, the Committee recommend that there is also a need to reduce allocation of foodgrains for APL category especially wheat and also revise the rates in a such way, that there is hardly any gap between ruling market prices and wheat supplied to APL beneficiaries. The Committee would like to be apprised of the action taken by the Government in this regard.

2.69 The Committee note that the food situation in the country is far from satisfactory. On one hand there has been a marginal decline in the production of wheat, from a level of 72.15 million tonnes in 2004-05, to 71.54 million tonnes during 2005-06, the procurement of wheat for crop year 2005-06 declined to 70 lakh tonnes from a figure of 90 lakh tonnes obtained during last year. There has been a decline in stock of wheat, below the buffer norm. For instance, the stock of wheat in the Central Pool as on 1.2.2006 was 61.88 lakh tonnes, as against the buffer norms of 82 lakh tonnes. Similarly, as against buffer norm of 40 lakh tonnes as on 1.4.2006, the actual stock of wheat was 20.09 lakh tonnes. Further the prices of wheat started showing a sharp increase from December, 2005 with the annual rate of inflation of wheat going over 10% in January, 2006. The food situation in the country been so alarming that Government had to take a decision to import 10 lakh tonnes of wheat in April/May, 2006 and another 30 lakh million tonnes approved to be imported later on during the year. Such has been the scenario that Government may find difficult to operate and manage Public Distribution System and replenish their dwindling buffer stocks with the current procurement operation and

available stocks in hand. The Committee, therefore, recommend that Government should have a relook at their food policy, afresh in the interest of farmers and consumers alike.

2.70 The Committee note that reforms in agriculture sector which <u>inter</u>- <u>alia,</u> envisages removal of all controls on foodgrains viz licensing, stock limits and restrictions on inter-state movement has not yielded the desired results. This policy of Government further contemplates that any dealer can freely buy stock, sell, transport, distribute, dispose, acquire, use or consume any quantity of wheat. The Committee find that Multinational Companies and private traders have entered into the market in a big way and procured wheat from the market in excess of their requirement, leading to profiteering, hoarding and blackmarketing of wheat. The Committee are of the view that the liberal policy of the Government of free trade and movement of agriculture produce been taken negated and undue advantages taken by private traders and Multinational Companies. The Committee, therefore, recommend that Government should examine whether any reasonable quantitative restriction on such Multinational Companies and private traders can be placed. It is pertinent to mention that the State of Uttar Pradesh have already imposed quantitative limits on procurement of wheat by Multinational Companies during the current year. The Committee feel when State Government of UP

can impose such reasonable restrictions on private traders to procure wheat, in the interest of consumers, the Central Government and other State Governments can also put similar ceiling on them. The Committee would like to be apprised of the action taken by the Government in this regard.

2.71 The Committee find that the prices of wheat is showing an upward trend and hardening day by day. In the principal wheat markets of Hapur, Karnal and Delhi, the prevailing rate of wheat was between Rs. 800/- to 850/- per qntl; during the month of April-May, 2005 as against Rs. 625/- to 675/- ruling last year during the same period. There has not been any major down fall in the production of wheat. At the same time, the speculative trading indulged into have affected the price of wheat. For instance, the future price of wheat on MCX and NCDEX quoted for November-December, 2006 series is Rs. 1050/- per qntl. The Committee are of the view that the future/forward trading in wheat has a deleterious effect on the retail price of wheat. The future/forward trading in wheat, which was conceived for the benefit of farmers, has not yielded desired results for them and in fact the speculation in wheat price have affected the consumer at large. The Forward Market Commission, which is responsible for protecting the interest of farmers, under which, remunerative prices to farmer is ensured, have failed to monitor the future price of wheat. Inspite of limits on open position, price limits, up front margin prescribed to control unbridled speculation in the market and to contain

monopolistic condition in future market, there has not been any let up in the price of wheat. The decision of the Government to import wheat has emitted negative signal in regard to stock of wheat in the country. The Committee are of the view that with the grant of permission to undertake forward/future trading in wheat, the price of wheat has skyrocketed in the retail market, without realizing the commensurate benefits to the farmers. The Committee, therefore, recommend that Government should ban forward/future trading in wheat so as to contain the price of wheat in open market. Even otherwise, essential items of mass consumption need not be included in the list for which forward/future trading should be permitted. The Committee would like to be apprised of the action taken by the Government in this regard.

2.72 The Committee find that a large number of Multinational Companies are purchasing huge quantity of wheat over and above the price of MSP fixed by the Government. It is pertinent to mention that wheat is already placed under OGL but its import attracts an import duty @ 50%. The Committee apprehend that the wheat procured by Multinational Companies and private traders is offloaded to roller flourmills and other manufacturers of wheat and wheat products at a much higher price. The Committee is not against the procurement of wheat by Multinational Companies and private traders <u>per</u> <u>se</u>. However, the Committee would like to caution the Government that the activities of these Multinational Companies and private traders needs to be monitored. This action of the Government may act as a deterrent to these companies not to jack up the prices of wheat artificially. The Committee also recommend that Government should permit the manufacturers of Atta, Maida, suji and other wheat products at international prices at zero duty basis and on the same terms and conditions of import as applicable to Government of India. The Committee find that Government have already received representations in this regard. The Committee would like to emphasize that Government should permit the import to such manufacturers so that the price of wheat in the market is not jacked up artificially.

2.73 The Committee have learnt from the Press that a large scale of diversion of PDS foodgrains in North Eastern States has been detected. According to the Government, a recent study conducted by Operation Research Group (ORG) on evaluation of Targeted Public Distribution System (TPDS) in the country has revealed diversion of foodgrains in most of the States. The Committee's examination also reveals that 100% diversion of wheat meant for PDS has been diverted to open market in the States of Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. The Committee note that the Ministry has asked all the State Governments to prepare a time bound action plan to stop such diversion within six months and submit a report for being placed before the Parliament. The Ministry has also circulated the reports submitted by ORG Marg and PEO amongst all States for seeking their comments to check diversion of foodgrains. The Committee takes a serious view of the diversion and is of the view that the very objective of PDS is defeated, if the foodgrains meant for PDS do not reach the targeted group and instead diverted in open market. The Committee, therefore, recommend that the Ministry should evolve a foolproof mechanism in a time bound manner to check the diversion of

foodgrains. The Committee would also await the response of the State Governments in this regard.

The Committee note that the management and operation of Public Distribution System in the country is the joint responsibility of Central and State Government concerned. Whereas procurement and allocation of foodgrains is the responsibility of Central Government, the State and their agencies are responsible for the distribution of foodgrains in one's State. In order to prevent diversion of foodgrains, the Committee recommend that in the event of off-take being more than 60-65 %, there should be a joint special audit by the officials of FCI and State Government concerned. The Committee would like to emphasise that diversion of subsidized foodgrains needs to be tackled with utmost seriousness and criminal liability be invoked, for such offence. The Committee would like to be apprised of the action taken by the Government in this regard.

2.74 The Committee note that the Ministry has appointed Area Officers for different States / UTs to coordinate with State Governments / UTs for regular and effective monitoring of the PDS. The Area Officers are required to visit their allocated States at least once in a quarter and conduct review of PDS. The Committee's examination reveals that during 2005-06, no visits were made by Area Officers in States / UTs such as Andaman Nicobar Islands, Delhi, Goa, Lakshadeep, Manipur, Nagaland, Orissa, Tripura, Uttaranchal and U.P. The Area Officers did not visit even once in three years in the States of U.P., Tripura and Goa. According to the Ministry, Area Officers could not visit all the States due to exigencies of work. The Committee are dismayed that no visits were made during the last three years in some States. The Committee view it as an indication of lackadaisical approach of the Ministry and the Area Officers so appointed. The Committee had in their Sixth Report (14th Lok Sabha) recommended that the services of Officers of Subordinate Officers and the Officers in the Department be pressed into service to review and monitor the working of PDS in a given State. But it seems the recommendation of the Committee has not been implemented by the Ministry. The Committee express their displeasure and reiterate their earlier recommendation. They would like to be apprised of the action taken in the matter.

2.75 The Hill Transport Subsidy Scheme was introduced for predominantly hilly States for opening of godowns by FCI at Principal Distribution Centres for reimbursement of the transportation cost upto these centres. The Committee has been informed that the Government of India has requested the Central Vigilance Commission on 27.5.2005 to conduct an enquiry into the alleged irregularities in implementation of the Hill Transport Subsidy Scheme in Arunachal Pradesh. They have also informed that the matter has been referred to the CBI for investigation. No report has been submitted by CBI so far. The Committee desire that the enquiry by CBI be expedited and they be apprised of the findings of CBI and the action taken by the Government on the recommendations of CBI.

2.76 The Committee were concerned to note that during the last three years 3.08 lakh metric tonnes of foodgrains valuing Rs. 197.56 crore got damaged and declared unfit for human consumption. As such, FCI did not distribute these foodgrains, when these were fit for consumption thereby incurring huge loss to the country. The Committee feel that the matter is being approached in a very casual manner by the Government. The Committee, therefore, recommend that utmost care should be taken to ensure that the foodgrains are distributed when these are fit for human consumption and not allowed to be rotten in the godowns thereby avoiding huge loss on this account.

2.77 The Committee note with concern that over 36 percent of the budgetary subsidy is siphoned off by the supply chain and another 21 percent reaches the APL households. The Committee also note that Government has brought to the notice of State Governments the recommendations made by Operation Research Group (ORG) and Programme Evaluation Organization (PEO) of Planning Commission on the issue of diversion of foodgrains of and removal of ghost ration cards as foodgrains against them are being distributed form Fair Price Shops (FPSs). It has also been suggested that doorstep delivery of foodgrains may be taken into consideration. The Committee, therefore, strongly recommend that the suggestion of removal of ghost ration cards and doorstep delivery should be got implemented strictly so as to stop the leakage/diversion of foodgrains.

2.78 The Committee note that fifty eight percent of the subsidized foodgrains issued from the Central Pool do not reach the BPL families because of identification errors, non-transparent operation and un-ethical practices in the implementation of the TPDS. Taking in to account all the inefficiencies in the PDS, Government of India spend Rs. 3.65 through budgetary food subsidy to transfer Re. 1 to the poor. Thus the objective of TPDS of benefiting the poor households and reducing the quantum of budgetary food subsidy has not been realized meaningfully so far. Further the cost of handling of foodgrains by public agencies is also very high. This does not indicate that the strategy to move from a universal PDS to TPDS was inappropriate. The Committee is, therefore, of the view that successful implementation of targeted welfare porgramme requires major systemic reforms. It is, therefore, recommended that Government should find ways and means of reducing the cost of transferring grains through PDS. Because of the very high cost in public transfer, the budgetary subsidy of Rs. 3061 crore in 2003-04 was worth only Rs. 1990 crore to the BPL families. The Committee feels that the diversion of foodgrains from fair price shops (FPSs) to the open markets is a very serious matter which needs to be looked into urgently. The Committee note that one of the

major reasons for diversion of foodgrains has been due to very less margin for the fair price shops owners whereby a dealer is tempted to indulge in malpractice. The Committee, therefore, desire that the matter be taken up with State Governments to increase the margin for FPSs owners so as to curb malpractice like adulteration, under measurement and diversion of foodgrains meant for PDS in the open market. The Committee, desire that they be apprised of the action taken by the Government in this regard.

CHAPTER III

FOOD CORPORATION OF INDIA (FCI)

The Food Corporation of India was set up in 1964 under an Act of Parliament namely the Food Corporation Act 1964 (Act No. 37 of 1964) in order to fulfill the following objectives Government of India:-

(i) Effective Price Support Operations for safeguarding the interest of the farmers

(ii) Movement and distribution of foodgrains throughout the country for Public Distribution System and other Government of India schemes.

(iii) Maintenance of satisfactory level of operational and buffer stock of foodgrains to ensure food security.

3.2 In pursuance to the above objectives, the Corporation issues foodgrains from the Central Pool on the basis of allocation made by Government of India, to cater to the Public Distribution System. In addition, as per commitments entered into by the Government of India, the Corporation also undertakes import/export of foodgrains from time to time .

3.3 The authorized and paid up capital of the Corporation wholly subscribed by the Government of India as on 31.1.2006 stood at Rs. 2,500.00 crore and Rs. 2442.53 crore respectively.

(a) Dues and liability of FCI

(i) Details of the dues receivable

3.4 Food subsidy is released to FCI for the foodgrains distributed under Targeted Public Distribution System, other Welfare Schemes, exports, open market sale, etc. at the rate of 95% of their admissible claim with the balance being released after submission of audit certificate. However, FCI has outstanding dues as on 28.2.2006 against other Ministries, relating to issue of foodgrains on credit, as details under:-

(Rs. in crore)

Sl. No.	Particulars	Amount outstanding
1.	Ministry of External Affairs (supply of foodgrains to Afghanistan)	69.06
2.	Ministry of Human Resource Development (supply of foodgrains for Mid Day Meal Scheme)	632.48
3.	Ministry of Rural Development (supply of foodgrains for Food for Work, SGRY-I, SGRY-II & Special Components	24681.11
4.	State Governments/Agencies (Rs.220.40 crore against the State Government of Jammu & Kashmir)	272.52
5.	Ministry of Defence	1.18
	Total	25656.35

The matter of outstanding dues of FCI against the Ministry of Rural Development was sent to the Cabinet by this Department. The Cabinet considered the matter in their meeting held on 16.03.2006 and has approved the issue of Special Securities to an extent of Rs. 16,200 crore towards partial settlement of the dues.

(ii) Details of liabiliites

3.5 The liabilities of FCI as on 28.02.2006 are as under:-

(Rs. in crore)

Sl. No.	Particulars	Amount (Provisional)
1.	Subscribed Capital by the Government of India	2454.03
2.	Secured Loans (Loans and advances from banks against hypothecation of stocks	28913.22
3.	Other Borrowing (Bonds)	8604.90
4.	Sugar Price Equalisation Fund	105.99
5.	Sundry Creditors for goods and services and others (Based on Provisional Accounts as on 30.06.2005)	1870.10
6.	Deposits Repayable (based on Provisional Accounts as on 30.06.2005)	1107.45
	Total	43055.69

(b) Establishment Cost

3.6 The net expenditure incurred by the FCI (including the establishment cost) is reimbursed by the Government in the form of food subsidy,

3.7 The total establishment cost incurred by the FCI during the last three years is as under :

(Rupees in Crores)

Establishment Cost	2003-04	2004-05 (Prov)	2005-06 (RE)
Staff Cost	1255.11	1788.33	1271.62
Other Administration Cost	109.55	113.92	184.11
Total Establishment Cost	1364.66	1902.25	1455.73

3.8 On being asked by the Committee about the remedial/corrective steps proposed to be taken to keep the establishment cost to its barest minimum, the Ministry in a post evidence reply stated Establishment expenses are strictly monitored vis-à-vis budgetary provisions. As and when the expenditure exceeds budgetary limits, the concerned Regional Office is asked to explain reasons for the same and directed to exercise control.

(c) Storage

3.9 The storage plan of the Ministry aims at providing the capacity required for buffer and operational stock of foodgrains to maintain the public distribution system. The broad approach is to provide scientific storage capacity and reduce dependence on the capacity under cover and plinth.

3.10 The Statement showing total storage capacity available with the F.C.I., stocks held therein and capacity utilization during the last three years is as under:

(FIG. IN MILLION TONNES)
As on 31st March

YEAR	COVERED			CAP(OPEN)			GRANDTOTAL
	Owned	Hired*	Total	Owned	Hired*	Total	
2002-03							
Capacity	12.82	13.77	26.59	2.27	2.88	5.15	31.74
Stocks	6.61	11.02	17.63	0.33	0.68	1.01	18.64
Utilization	52%	80%	66%	15%	23%	20%	59%
2003-04							
Capacity	12.82	10.85	23.67	2.21	1.36	3.57	27.24
Stocks	4.75	7.11	11.86	0.07	0.57	0.64	12.50
Utilization	37%	65%	50%	03%	42%	18%	46%
2004-05							
Capacity	12.91	10.46	23.37	2.25	0.41	2.66	26.03
Stocks	5.54	6.64	12.18	0.03	0.18	0.21	12.39
Utilization	43%	63%	52%	01%	44%	08%	48%

(*) Hired godowns include those from SWCs, CWC and private parties

3.11 The Agency-wise rent paidb y FCI for the last three years is as under :-

(Rs. Crore)

	2002-03	**2003-04**	**2004-05(P)**
CWC	113.25	92.66	87.96
SWC	297.57	291.72	309.54
State Govt	42.66	14.77	26.41
Private Parties	25.76	17.64	9.83
Total	**479.24**	**416.79**	**434.85**

3.12 On being asked whether any comprehensive survey is being conducted for assessing storage need at micro level, the Ministry stated that the Department of Food and Public Distribution, in consultation with the FCI, had reviewed the existing storage capacity held by FCI, CWC and SWCs. The review shows that at the State Level there is adequate storage capacity by FCI, CWC and SWCs in all the major States in the country, except the North-Eastern States and J&K. In view of this, priority is being accorded by the Department and the FCI in taking up construction of godowns in the North East States and J&K.

3.13 Important targets and achievements of FCI in respect of procurement of foodgrains and food storage construction programmes during the last three years are as under:-

Financial : Rs. / Crores

Physical : Lakh Tonnes

Year	Target				Achievement			
	Procurement	Storage Construction Programme			Procurement of foodgrains	Storage Construction Programme		
		General	NE	Total		General	NE	Total
2003-04								
Financial	NIL	22.96	1.00	23.96	NIL	22.45	1.04	23.49
Physical	348.50	1.30	0.05	1.35	371.43	1.30	0.025	1.325
2004-05								
Financial		0.80	4.86	5.66 (BE)	NIL	12.52	4.12	16.64
		1.01	4.86	5.87 (RE)				
Physical	403.40	0.93	0.05	0.98	314.24	0.92	0.05	0.97
2005-06**								
Financial		17.44 (RE)	4.14 (RE)	21.58 (RE)		14.06*	0.42	14.48*
Physical		0.33	0.06	0.39		0.19	-	0.19

(a) Other than North East States for 2004-05 ;

* This includes Rs. 11.51 crores spillover exp. of the year 2004-05 in respect of works in other than NE Zone.This amount of Rs. 11.51 crore was spent by FCI out of its own resources to meet committed liabilities and to make use of investments already made.

North East States for 2004-05 ;

(b) In 2004-05, a sum of Rs. 4.12 crore has been spent as against Rs. 4.86 crore released. The balance amount of Rs. 0.74 crore has been kept in non-lapsable pool of North East Zone.

(a) Other than North East States for 2005-06 ;

In 2005-06, a sum of Rs. 3.68 crores was spent upto January, 2006. Thus the total amount spent after including the spill over expenditure of Rs. 11.51 crore of the last financial year becomes Rs. 15.19 crore. A sum of Rs. 17.44 crore at RE stage inclusive of Rs. 11.88 crore re-appropriated from the plan schemes for IISFM project in FCI has been allocated for the purpose.

North East States for 2005-06 ;

In 2005-06, a sum of Rs. 1.50 crore upto January, 2006 has been spent as against allocation of RS. 4.64 crore for the purpose at RE Stage.
** Upto January, 2006.

3.14 When the Committee asked the reasons for not meeting the targets set for construction of godowns under "Food storage construction progamme" during 2005-06 in North-East /other than North-East States, the Ministry in a note stated that during the years 2005-06, as against the physical target of 0.39 lakhs MTs, the Food Corporation of India, had achieved a total of 0.23 lakh MTs (till February the achievement was 0.19 lakhs MTs). Upto 31st March, 2006. The Shortfall against the target of 0.39 lakh MTs was due to delay in completion of the capacity at Tumkur (Karnataka)-5,000 MTs, Keylong (Himachal Pradesh)-2,500 MTs, Badgaon (Jammu & Kashmir)-5,000 MTs, Kupwara (Jammu & Kashmir)-5,000 MTs, Lawngtlei (Mizoram)-3,340 MTs.

3.15 The details of construction of godowns in progress is as under:-

Sl.No.	Centre	Capacity in MT
1.	Keylong/HP	2500
2.	Badgaon/J&K	1250
3.	Kupwara/J&K	5000
4.	Lawngtlei/Mizoram	3340
5.	Bualpui/Mizoram	5000
6.	Chandrapur/Tripura	5000
7.	Senchowa/Assam	1670
8.	Badarpurghat/Assam	5000
9.	Chaulkhowa/Assam	4170
10.	Salem/Tamil Nadu	3340
11.	Tumkur/Karnatak	5000

(d) **PROXY LABOUR**

3.16 The Committee in their ***First*** Report had drawn the attention of the Ministry towards the system of 'Proxy Labour' which is prevalent in Food Corporation of India (FCI) and which in turn is causing a drain on the National Exchequer. The Committee inter-alia had recommended the following measures for ending proxy system :-

i) Each and every worker should put one's signature or thumb impression as a token of attendance;

ii) Introduction of mechanical gate entry devices, punching card system with thumb impression;

iii) Payment of wages to all workers through cheque as per provisions of Income Tax Act.

iv) Signing of daily work out put slip by each labour at the end of the day and countersigned by the Mondal/Sardar/Shed Incharge.

3.17 On being asked by the Committee whether the existing system of marking attendance has been reviewed the Ministry stated the steps taken by the FCI on the suggestions of the Standing Committee as under:-

(i) The process of implementing Attendance by putting signature or thumb impression has already been implemented in the FCI Depots located in the regions of Madhya Pradesh, Karnataka, Kerala, Tamil Nadu, Haryana, Rajasthan, Uttar Pradesh (in majority of Depots) and Himachal Pradesh. In other regions the labour unions/ wokers are opposing the implementation. The FCI is making efforts to persuade the unions & the workers to cooperate in this regard.

(ii) The Mechanical Entry Device has been installed in Delhi Uttranchal Karnataka (Partly), and Gujarat (Partly). For rest of the regions the FCI is making sincere efforts to install such machines at the earliest possible despite oppositions by the unions. The FCI has floated quotations for purchase of machines which are likely to be finalized soon.

(iii)The recommendation of making payments through cheques has been implemented in all the regions except in J&K and Tamil Nadu. The workers of these area are not accepting cheques on the plea that they are illiterate and cannot operate their bank account. Efforts are being made to provide facilities to such workers.

(iv)As regards signing of work slip by Handling Labour,Sardar, Mondal,this recommendation is being followed in Kerala, Rajasthan Gujarat J&K Regions and Partly in Madhya Pradesh. Steps have been taken to implement the recommendation further in Andhra Pradesh, Karnataka, Delhi, Uttranchal, Maharashtra and Nagaland &Manipur Regions. Other regions have expressed their difficulties in implementing this recommendation due to Opposition by the labourers. However, efforts are being made to implement the recommendation.

3.18 When the Committee enquired about the CBI inquiry into the Proxy Labour system in FCI has been completed and the steps taken to root out corruption from FCI, the Ministry stated that the Central Bureau of Investigation has completed its inquiry and submitted its final report in respect of labourers of FCI posted in the godowns and depots of FCI in the State of West Bengal.

3.19 The CBI made joint surprise checks in 2 depots i.e. JJP & OJM (Budge Budge) in West Bengal, on different dates. During both the joint surprise checks no incidence of proxy labour was found/detected. After inquiry, CBI has recommended closure of the case since allegations regarding proxy labour system are not substantiated. The CBI has, however, suggested the following measures to prevent manipulation :-

(i) To put signatures or thumb impression of each labour at the time of arrival and departure.

(ii) To permit labourers on CL/ ½ CL/ Short leave on written request of labour,

(iii) To send attendance register and record of CL/ ½ CL or short leave permission to the booking section to prepare wage bill.

3.20 Based on the recommendations of CBI instructions have already been issued by the FCI. The FCI has informed that steps are also being taken to implement the recommendations of the CBI in consultation with its field offices.

3.21 The Committee are deeply concerned to note that outstanding dues of Food Corporation of India (FCI) against various Central Ministries are constantly on the rise. FCI has a total of Rs. 25,656.35 crore as outstanding dues against various Central Ministries as on 28.2.2006. The Committee note that Government have approved the issue of Special Securities to an extent of Rs. 16,200 crore towards partial settlement of the dues. The Committee do not approve of partial settlement of dues. The Committee are of the view that since interest accrued on account of delayed payment is loaded on Food Subsidy Bill of the Government, it is imperative that Government should find ways and means to liquidate their outstanding. The Committee, therefore, recommend that FCI should follow the principle of "cash and carry" while allocating foodgrains to Central Ministries/State Governments etc. for running/operating Welfare Schemes including Public Distribution System and also liquidate the outstandings fully at the earliest .

3.22 The Committee note that the establishment cost of FCI has shown a declining trend. In the Financial year 2005-06, Rs. 1455.73 crore was incurred on meeting Establishment Cost as compared to Rs. 1902.25 crore during the Financial year 2004-05. The Committee, however, feels that there is still scope to further reduce this cost. The Committee find that the Establishment Cost of FCI is loaded on the Food Subsidy Bill of the Government. Since food subsidy is basically meant for poorest section of the society, the inclusion of Establishment Cost over Food Subsidy Bill does not reflect the correct picture of food subsidy. The Committee, therefore, recommend that ways and means should be devised to further reduce the Establishment Cost. At the same time, FCI should not load Establishment Cost over Food Subsidy Bill, but be shown separately, from the Food Subsidy.

3.23 The Committee note that there is adequate storage capacity held by FCI, CWC, and SWCs in all the major States in the country except the North Eastern States and Jammu and Kashmir. North Eastern States are the most disadvantaged States in terms of miniscule level of infrastructure, communication and rail/road network. The Committee are pained to note that physical and financial targets set during the financial years 2005-06 for the region. In respect of, food storage construction progamme, were not achieved. Total percentage of achievement in respect of physical target set was nil. Inadequacy of storage capacity in North East States and Jammu and Kahsmir poses a serious threat to running of efficient Public Distribution System. The Committee, therefore, strongly recommend that FCI should gear up their efforts in stepping up the construction of godowns in North Eastern Regions on a priority basis so that benefit of public distribution system percolate down to people living there.

3.24 The Committee are un-happy to note that Government is not taking the recommendation of the Committee with seriousness it deserves. The Committee in its earlier report had stressed maximum utilization of owned capacity and minimium dependency on hired capacity. Inspite of this suggestion, it has been noted that the percentage of utilization of hired capacity is on the rise with respect to owned godowns. The Committee express their deep anguish over under utilization of owned capacity. Further, present stock of wheat and rice have fallen short as against the prescribed buffer norms and country is on the threshold of turning net importer of commodity (mainly wheat). Under these circumstances, Committee strongly recommend that FCI, should go in for de-hiring of hired godowns as enough space is owned by it. In de-hiring process, priority should be given to dehire the private godowns followed by godown of other public agencies. Secondly, Committee also desire that FCI should give on rent its own godowns for storage of various commodities which will help in generating revenue.

3.25 Taking note of partial implementation of the suggestion of the Committee to curb proxy labour, the Committee in their 9th Report had recommended that all their four suggestions to regulate the Attendance system in FCI should be implemented in letter and spirit uniformly across all the Regions/State and not selectively. The Committee are at loss to understand as to why the Government has not been able to implement their suggestions to curb proxy through out the country, when it could be done in some of the States. The Committee reiterating their earlier recommendation, desire that their suggestions to regulate the Attendance system in FCI should be implement throughout the country, without any reservation. The Committee would like to be apprised of the action taken in this regard.

3.26 The Committee note that there is a proposal to allow an incentive of Rs. 10 per farmers for direct procurement of wheat in FCI Depots. The Committee find that this proposal has been approved by the Government subject to condition that there is a saving of more than Rs. 10 per quintal in terms of reduced costs for transportation and handing expenses, artiya charges etc. The Committee recommend that the proposal should be implemented at the earliest and they be apprised of the action taken by Government in this regard.

Chapter IV

CENTRAL WAREHOUSING CORPORATION (CWC)

The Central Warehousing Corporation (CWC) was set up in March, 1957 after enactment of Agricultural Produce (Development and Warehousing) Corporation Act, 1956, subsequently repealed and re-enacted by the Parliament House as the Warehousing Corporation Act, 1962. The main objective of the CWC is to provide scientific storage facilities for agricultural inputs & produce and various other notified commodities.

(A) CAPITAL STRUCTURE

4.2 The authorised share capital of CWC is Rs. 100 crore of which the subscribed and paid up share capital stood at Rs. 74.525 crore and Rs. 68.021 crore respectively. The Government of India has subscribed to shares worth Rs. 37.425 crore which have been fully paid up. The Corporation has no outstanding loans.

4.3 The Income, Expenditure, of the CWC for the last three years is as follows:-

(Rs. in Crore)

YEAR	INCOME	EXPENDITURE	PROFIT (BEFORE TAX)
2003-04	462.86	428.98	33.88
2004-05	522.87	462.45	60.42
2005-06	591.50*	501.19*	90.31

* Figures are provisional and subjected to audit.

4.4 The outstanding dues and liabilities of the corporation for the last three years are as under:-

(Rupees in Crore)

YEAR	DUES	LIABILITIES
2002-03	215.52	123.26
2003-04	174.79	97.01
2004-05	218.20	119.08

4.5 When Committee enquired about the total amount which has been written off as bad debts during the last three years, the Ministry in a note furnished to the Committee stated as under:-

"The Bad debts written off during the last three years are as under :

YEAR	AMOUNT(Rs.)
2002-03	NIL
2003-04	17009
2004-05	432525

The figures for the year 2005-06 are not available and all the field units are yet to be audited by the statutory auditors".

4.6 The Establishment cost of CWC for the last three financial years is as under:-

Year	Amount (Crore/Rs.)
2002-2003	176.41
2003-2004	182.28
2004-2005	188.40

4.7 On being asked by the Committee whether any cost pruning measures have been taken to reduce the administrative cost of CWC, Ministry in a written reply stated that Corporation has taken following steps to reduce the administrative cost:-

(i) Special Voluntary Retirement Scheme was introduced for the employees of the Corporation during the year 1994 (two times), 1998, 2002 and recently in the year 2005 with the introduction of the VRS, the Corporation has been able to reduce its manpower by 2470.

(ii) The Regional Office, Kochi has been merged with Regional Office, Chennai in order to reduce the Establishment Cost.

(iii) The number of Construction Cells have also been re-organized and reduced by merging some of the Construction Cells together. The total number of Constructions Cells have been reduced from ten to five in order to curtail the Establishment Cost.

(iv) Various economy measures for rationalization of expenditure have been taken, which include reduction in office expenses such as consumption of energy, water, foreign travel, hiring of vehicles, telephones, domestic air travel etc. Only those conferences, which are absolutely essential, are being organized. Purchase of new vehicles has also been banned.

4.8 Asked about the turnover and Net Profit of CWC for the last five years, the Ministry in a note furnished the following data to the Committee:-

(Amount Crore/Rs)

Year	Income	Net Profit (Before Tax)	Net Profit (After Tax)
2000-01	339.86	73.33	73.33
2001-02	379.94	90.72	89.97
2002-03	471.08*	47.62	43.29
2003-04	462.86*	33.88	22.43
2004-05	522.87*	60.42	41.30

4.9 The income of the Corporation was exempted from Income Tax under section 10(29) of the Income Tax Act, 1961 up to the financial year 2001-02.

*Marketing Facilitating Income accounted for on gross basis w.e.f. 2002-03.

4.10 On being asked what are the reasons for decline in profit and steps taken to improve its profitability, the Ministry stated as under:-

Reasons for decline in profit during the year 2002-03.

1. Special Voluntary Retirement was introduced with an expenditure by way of ex-gratia payment, gratuity and other fringe benefit was met with a borrowing of Rs.100 crores from the Bank. The impact of lump-sum payment for the amortised amount of ex-gratia to the extent of Rs.14.35 crores with a further burden of Rs.3.25 crores on account of interest on the borrowed funds reduced the profitability.

2. The unprecedented drought condition in the country affected the capacity utilisation.

Reasons for decline in profit during the year 2003-04.

1. The Food Corporation of India had gone for heavy expansion for its own capacity through private investors under 7 year guarantee utilisation basis. This coupled with drought situation prevailing in the country resulted in the down fall in the occupancy level.

2. The income of the Corporation came under the purview of the income tax from the financial year 2002-03. This was earlier exempt. Therefore, the profits of the Corporation declined in subsequent years.

3. The additional tax expenditure of Rs.8 crores due to implementation of the new accounting standard also reduced the net profit after tax.

4.11 The Corporation with a view to improve its profitability diversified its investment in the development of infrastructure at various Ports of the country for setting up the Container Freight Stations. This has resulted into increase in its turnover and profitability. The Corporation also signed a MOU with Railways for setting up railside warehouses at 22 locations replicating after its success at Whitefield, Bangalore.

4.12 The Corporation has not obtained loan from the Central Government. However, the Corporation had taken a term-loan of Rs.100 crore from SBI for financing its ongoing projects as well as payment of ex-gratia to the employees who opted for VRS. The loan has been prepaid by the Corporation before the scheduled date. The Corporation with a view to reduce its establishment cost has again introduced a special voluntary retirement scheme for which the loan of Rs.80 crore has been sanctioned by Canara Bank including for financing its ongoing projects. The provision of Rs.1.80 crore has been made on account of interest due on already availed and likely to be availed loan during 2005-06.

(B) GROWTH IN STORAGE CAPACITY

4.13 The Corporation had 497 warehouses with a total storage capacity of 101.79 lakh tonne as on 31.10.2005 of which 66.90 lakh tonne was owned, 16.88 lakh tonne was hired and 18.01 lakh tonne was in open storage which includes CAP storage and constructed capacity in open premises. During the year 2005-06 the average capacity available with CWC is estimated to be around 98.47 lakh tonne (BE). The warehousing capacity with the CWC has grown significantly over the last five years as given below:-

(in lakh tonnes)

	Owned	Hired	Total
31.03.2001(Revised)	56.12*	27.79**	83.91
31.03.2002	58.89*	30.28**	89.17
31.03.2003	63.53*	27.61**	91.14
31.03.2004	65.46*	28.70**	94.16
31.03.2005	66.57*	35.29**	101.86
31.10.2005	66.90*	34.89**	101.79

* Revised figure does not include open construction.
** Includes hired, management and open storage space.

4.14 On being asked about the required and actual storage capacity (owned and hired) at micro and macro level in CWC, SWCs and other agencies, the Ministry replied that there is no assessment carried out by CWC on the required storage capacity. CWC constructs / hires capacity based on business potential and commercial viability. As there is no definition of micro level centers, the capacity could be taken as that on macro level basis.

The Storage capacity available with CWC as on 1.2.2006 is as follows:

(In lakh tonnes)

Constructed	Hired*	Total
66.91	31.44	98.35

* Includes Hired, Management and open/plinth capacity.

4.15 When the Committee enquired about the target and actual achievement both financial and physical for construction of CWC godowns and the amount spent on creation of storage capacity during the last three years, the Ministry furnished the following data -:

	Target	Actual	Target	Actual	Target	Actual
	2002-03		2003-04		2004-05	
(A) Physical (in lakh tonnes)	3.25	3.59	3.12	2.98	0.90	1.17
(B) Financial (Rs in Crore)						
Land:	7.00	6.30	33.00	7.27	3.00	10.98
Constn:	95.00	83.61	59.00	60.19	12.00	45.16
Total:	102.00	89.91	92.00	67.46	15.00	56.14

4.16 The Ministry informed about the amount spent on creation of storage capacity by CWC during the last three years is as follows:-

(Rupees in Crore)

YEAR	ACTUALS	PLAN OUTLAY
2003-04	67.46	92.00
2004-05	56.15	23.25
2005-06	67.00	63.18

4.17 The Ministry also informed that as per the prevailing tariff structure at a standard rated warehouse the depositors other than farmers are charged @ Rs. 3.75 per standard bag per month. However, bonafide farmer is allowed 30% rebate over the tariff as above.

(C) CAPACITY UTILIZATION

4.18 The warehousing capacity, its utilization and percentage utilization w.e.f. 1997-98 (averages) are as under:-

(capacity in lakh tonnes)

Year	Owned /Covered		%	Hired/Covered		%	Total		%
	Capacity	Utilization		Capacity	Utilization		Capa-Ity	Utilization	
1997-1998	52.23	37.94	73	19.75	14.22	72	71.98	52.16	72
1998-99	52.93	38.90	73	20.05	14.84	74	72.98	53.74	74
1999-2000	53.82	42.59	79	20.16	14.21	70	73.98	56.80	77
2000-01	55.36	48.52	88	23.62	18.52	78	78.98	67.04	85
2001-02	57.16	48.32	85	29.39	23.32	79	86.55	71.64	83
2002-03	62.50	46.35	74	29.00	21.40	74	91.50	67.75	74
2003-04	64.58	38.37	59	28.06	16.87	60	92.64	55.24	60
2004-05	66.20	40.71	61	31.86	20.87	66	98.06	61.58	63
2005-06 (April to Oct.)	66.81	46.46	70	36.75	27.21	74	103.56	73.67	71

4.19 As the entire expenditure is met by CWC from its Internal & Extra Budgetary Resources (IEBR), no provision in the budget of the Department has been made for the Corporation's own storage construction programme or for its equity contribution to the State Warehousing Corporations. CWC had a provision of Rs.16.75 crore for 2004-2005 (RE) for its own programmes and for matching equity contribution to be given to the State Warehousing Corporations. For 2005-06, the outlay is Rs.63.18 crore (RE) and for 2006-07 the outlay proposed is Rs.110.88 crore.

4.20 The capacity utilization of each category of storage is as follows:-

Storage capacity available with CWC as on 01.02.2006

	Capacity	Utilization (LT)
Owned	66.91 Lakh tonnes	42.26 (63%)
Hired & Mgmt.	17.15 Lakh Tonnes	14.55 (85%)
Open & Plinth	14.29 Lakh Tonnes	9.51 (67%)
Total:	98.35 Lakh Tonnes	66.32 (67%)

Storage capacity available with SWC as on 01.02.2006

	Capacity	Utilization (LT)
Constructed	117.28 Lakh tonnes	
Hired	67.20 Lakh Tonnes	
Plinth	11.01 Lakh Tonnes	
Total	195.49 Lakh Tonnes	143.54 (73%)

4.21 On being asked about the steps taken to minimize dependence on hired capacity and utilise owned capacity to maximum, the Ministry stated that instructions have since been issued to dehire the godowns having the utilization/occupancy less than 25%, with the result corporation have been able to de-hire the godown to tune of 0.35 lakh MT till January, 2006 during the current financial year 2005-06. A sizable capacity has been hired/retained for storage of Mustard in the State of Rajasthan, Haryana, Uttar Pradesh, West Bengal due to bumper Crops during the year 2004-05 and 2005-06.

4.22 The Rent paid by the Central Warehousing Corporation for the preceding three years is given as under:-

Year	Amount (Crore/Rs.)
2002-03	22.17
2003-04	21.11
2004-05	23.23

(D) FUTURE PLANS AND DIVERSIFICATION OF BUSINESS

4.23 The Corporation handled 651112 TEUs during 2003-2004 at its CFSs as compared to 548621 TEUs during 2002-2003, registering an increase of 18.68%. The Corporation has offered the CFS at Royapuram in Chennai to a Strategic Alliance Management Partner, whereas on its own it has started the CFS at Bhadohi in the State of Uttar Pradesh. The CFS, in the midst of Carpet Manufacturing Units, is going to give further boost to the containerization efforts of the Corporation in the Inland stations. Another feather in the cap of the Corporation is the CFS at Jammu, which was opened in the Industrial Area of Bari Brahamna (Jammu), the first such CFS to be opened in the State of Jammu and Kashmir. It is being marketed as a potential Export Aggregation centre for giving a boost to the carpet exports as well as Handicrafts Exports from the State of Jammu and Kashmir.

4.24 Besides the above, the Kandla Port Trust CFS has already been started, which was brought up on a BOO basis as per the terms of Agreement between the Kandla Port Trust and CWC.

4.25 .The Maiden Railside Warehousing Complex, brought up at Whitefield (Bangalore) has paved the way for the Corporation to replicate the facilities at other places in the Country. It is very likely that once the Ministry of Railways clears the proposal of Land allotment to CWC, the Corporation would be in the position to go ahead with the construction of not only the additional Railside Warehousing Capacity in the shape of Phase – II at Bangalore, but also add on to such capacities in Alam Nagar (Lucknow), Roza

(Shahjananpur) and Nishatpura (Bhopal) in coming Financial Year.

4.26 CWC had entered MOU with the Ministry of Railways for setting up of Railside Warehousing Complexes (RWC) at 22 strategic locations. During the year 2006-07, it has proposed to construct RWC at the following places:

1.	Shakurbasti	:	Delhi	19,900 MT
2.	Roza	:	U.P.	18,400 MT
3.	Almnagar	:	U.P.	17,000 MT
4.	Ghaziabad	:	U.P.	12,500 MT
5.	Sanathnagar	:	A.P.	13,200 MT
6.	Kandla	:	Gujarat	18,000 MT
7.	Itarsi	:	M.P.	18,000 MT
8.	Pune	:	Maharashtra	18,000 MT
9.	Koodalnagar	:		12,000 MT

4.27 The Opening of Offshore Wharehouse at Montevideo in Uruguay is on the anvil, for which the First Installment of Grant-in-aid has already been received from the Ministry of Commerce.

4.28 The Committee also drew the attention of the MD, CWC regarding progress, made in the field of atmospheric controlled cold storage - Its maiden venture in the form of a Joint Venture with M/s R T Agro products Pvt. Ltd., Mumbai. The Committee was informed that this cold storage would become operational with in three-four months..

4.29 The foray of CWC in NMCE – a Commodity Exchange will, not only result in giving a special status to the Warehouse Receipts to be issued for the stocks stored in CWC's Wharehouses, as a Negotiable Instrument and acceptable to various Traders, dealing in the Forward Market, but would also result in additional utilization of its Central Warehouses in the State of Gujarat and, in times to come, in the State of Karnataka, Maharashtra and

Tamilnadu, due to the storage of stocks for the purpose of Forward Market.

4.30 The Committee note that the capacity utilization of CWC for owned, hired and open and plinth are 63%, 85% and 67% respectively. The rent paid by CWC for the last three years i.e. 2002-03, 2003-04 and 2004-05 is Rs. 22.17 crore, Rs. 21.11 crore and Rs. 23.23 crore respectively. The Committee observe that on the one hand, the capacity utilization of CWC in respect of its own warehouses is only 63% and a substantial amount, on the other hand, is spent on hiring of warehouses. It clearly reflects lack of planning and improper management on the part of CWC. The Committee recommend that CWC should dehire the hired godowns and make maximum use of owned warehouses. The Committee are happy to learn that CWC have entered into MOU with Railways for setting up of Railside Warehousing Complex (RWCs) at various strategic locations during 2006-07. The Committee would like to be apprised of the latest status of each of the RWCs. The Committee are also unhappy to note that bad debts written off during the year 2004-05 increased to Rs. 4,32,525/- from Rs. 17,009 during the year 2003-04. The Committee would like to be apprised about the reasons

for huge jump in the written off bad debts and would like the Ministry to keep a watch on this trend.

4.31 The Committee note that the profit of the Corporation came down to 22.43 crore in 2003-04 as compared to 43.29 crore during 2002-03. The reasons for decline in profit are stated to be heavy expansion and introduction of new accounting standards. According to the Corporation, they have diversified their investment for the development of infrastructure, and have set up railside warehouses at 22 locations and introduced a Special Voluntary Retirement Scheme for its employees to reduce establishment cost. The Committee are concerned over the state of affairs in the Corporation and desire that they should take measures to reduce the establishment cost and to enhance its profits. The Committee would like to be apprised of the steps taken in the matter.

CHAPTER V

MANAGEMENT OF SUGAR

India is one of the largest producers of sugar and sugarcane in the world and the sugar industry is the largest agro-based industry located in rural India. About 45 million sugarcane farmers, their dependents and a large mass of agricultural labourer are involved in sugarcane cultivation, harvesting and ancillary activities constituting 7.5 % of rural population. Out of the Indian States Maharashtra and Uttar Pradesh contribute more than 50% share in the country's sugar output. India is the largest consumer of sugar in the world. The Sugar Development Fund is the main instrument through which assistance is provided to sugar industry for modernization and expansion of the existing mills.

5.2 Management of the sugar industry coupled with management of sugar for public distribution is done by the Department of Food and Public Distribution. The Sugar Development Fund is the main instrument through which financial assistance is provided to the sugar industry for effecting modernization and expansion of the existing mills, for bringing about varietal improvement and development in the cane grown in the area of the sugar factories, for projects for bagasse based cogeneration of power and for production of ethanol. The activities in relation to sugar broadly cover:

- Regulation of the industry through the Directorate of Sugar
- Administration of subsidy on sugar;
- Administration of Sugar Development Fund; and
- Training and research institution.

5.3 There are at present 571 installed sugar factories in the country comprising 315 in the cooperative sector, 62 in the public sector and 194 in the private sector as on 31.10.2005.

5.4 The position with regard to the number of sugar factories and their installed capacities at the end of the 2003-2004 , 2004-2005 and 2005-2006 seasons is as under : -

As at the end of crushing season	No. of factories	Installed capacity (In lakh tones)
2003-2004	564	188.0227
2004-2005	568	189.8537
2005-2006 (Upto 31.10.05)	571	192.6425

(a) PRODUCTION OF SUGAR

5.5 The position regarding production, internal consumption and export during the 2003-2004, 2004-2005 and 2005-2006 sugar seasons are indicated below : -

(Qty.in lakh tonnes)

Particulars/ Sugar season	2003-2004 (Provisional)	2004-2005 (Provisional)	2005-2006 (Estimated)
Carry over stocks from Previous season	116.16	85.00*	62.00*
Production of Sugar	139.58	130.00	180.00
Imports	5.33	20.74	-
Total availability	261.27	235.74	242.00
Internal consumption	175.00	169.88	180.00
Exports	2.94(P)	0.98	5.00-10.00
Closing stocks at the end of Season	83.33	64.88	52.00-57.00

* Adjustments made as per Central Excise certificate.

(b) DECONTROL OF SUGAR

5.6 In a step towards decontrol of sugar, the compulsory levy percentage was reduced from 40 to 30% w.e.f. 1.1.2000. This was further reduced from 30 to 15% w.e.f. 1.2.2001. Subsequently, w.e.f. 1.3.2002, this has been reduced from 15 to 10%.

5.7 Decontrol of sugar is linked with the operationalisation of futures/forward trading in sugar. Accordingly, in May, 2001 the Central Government issued a notification under the Forward Contracts (Regulation) Act, 1952 allowing futures/forward trading in sugar.

5.8 In May, 2001 the Central Government issued a notification under the Forward Contracts (Regulation) Act, 1952 allowing futures/forward trading in sugar. The future trading in sugar has already been commenced in four Exchanges viz. M/s E-Sugar India Ltd, Mumbai(w.e.f 25- 07-2003), National Commodity & Derivatives Exchange Ltd., Mumbai (w.e.f 27-07-2004), Multi Commodity Exchange Ltd., Mumbai (w.e.f 7-02-2005) and in National Multi Commodity Exchange Ltd., Ahmedabad. (w.e.f 6-02-2003). One more Exchange viz. M/s E-Commodities Ltd. New Delhi is likely to commence future trading in sugar shortly. The application for final recognition of another Exchange viz., M/s Universal Exchange Ltd., Hyderabad is under consideration

(c) SPECIAL ASSISTANCE TO STATE GOVERNMENTS FOR CLEARANCE OF CANE PRICE ARREARS:

5.9 The Central Government provided a one time assistance to the State Governments by permitting them to raise additional market borrowings to be used only for liquidating the cane price arrears for 2002-03 sugar season of the mills in the Cooperative and Public Sectors where the practice of announcing the State Advised Prices (SAP) of sugarcane exists and all sugar mills in the States where no such practice exists. The permission for additional market borrowings was given by the Central Government subject to the following conditions:-

i) Additional market borrowings will be sought in respect of the cane price arrears 2002-03 sugar season;

ii) The extent of market borrowing would be determined on the basis of the cane price arrears of the 2002-03 sugar season as on 30-9-2003;

iii) The State Governments shall undertake not to declare a State Advised Price for sugarcane in the State in future, either formally or informally and that it would withdraw Writ Appeals / Special Leave Petitions in this regard pending in the High Court or Supreme Court;

iv) The State Governments would extend ten year loans to the individual sugar factories at a ceiling rate of interest of 4% per annum. There would be a moratorium on repayment of the principal amount of the loan and payment of interest thereon fora period of five years from the date of the sugar factory availing the loan and the loan would be repaid thereafter in five annual installments;

v) The other terms and conditions on which the loan may be extended to the sugar factories may be decided by the State Governments;

vi) The interest liability in respect of the difference between the coupon rate on bonds raised through the additional market borrowings and the ceiling rate of 4% per annum at which loans would be extended to the sugar factories, shall be borne by Central Government.

5.10 The following States have availed of the above assistance: -

(Rs. in crores)

Tamil Nadu	229.97
Maharashtra	590.00
Andhra Pradesh	46.87

(d) FINANCIAL PACKAGE FOR ASSISTANCE TO COOPERATIVE SUGAR MILLS

5.11 Based on the announcement made by the Finance Minister in the Budget Speech for 2005-2006, the following financial packages have been approved for the cooperative sugar mills in the country: All cooperative sugar mills in the country which have term loans outstanding as on 31-3-2005, and which are commercially viable and have adequate operational surplus to repay the said term loans will be categorized as falling under either Category A or Category B which are as under:-

Category A:

The mills which can repay the term loan within a period of 5 years including a moratorium of two years for payment of interest and principal.

Category B:

The mills which can repay the term loan within a period of 15 years including a moratorium of two years for payment of interest and principal.

The term loans will be restructured/rescheduled to enable repayment within five years (for category A) or within 15 years (for category B). The rate of interest on the restructured loans will be reduced to 10% per annum, w.e.f 1st April, 2005, irrespective of the original contractual rate. Government of India will provide interest subvention on the restructured loan.

(e) PRICES OF SUGARCANE AND SUGAR

5.12 **Sugarcane price:** The Statutory Minimum Price (SMP) of sugarcane for 2005-06 season has been fixed at Rs.79.50 per quintal linked to a basic recovery of 9.0 percent . For 2004-05 season, the Statutory Minimum Price was fixed at Rs.74.50 per quintal linked to a basic recovery of 8.5 percent. Statutory Minimum Price of Rs.69.50 and Rs.73.00 per quintal were fixed for the seasons 2002-03 and 2003-04 respectively. In practice, however, the sugar mills other than cooperative sugar mills of Maharashtra, Gujarat and North Karnataka pay the cane price higher than the Statutory Minimum Price.

(f) SUGAR INSPECTION (Quality Control)

5.13 The Sugar Inspection Section of the Directorate of sugar is concerned with the quality control of sugar produced by vacuum pan sugar factories and sugar stock verification. For this purpose, periodical visits to sugar factories are made. Samples of sugar are drawn from the stock of sugar held by the factories. In case actual grades of sugar represented by the samples are found to be inferior to the grades marked on the bags by the factories, action is taken against the defaulting sugar factories according to the prescribed procedure.

5.14 In pursuance of the policy, 70 sugar factories were visited in the financial year 2005-2006 (01.04.05 to 30.11.05) for sugar stock verification. During the financial year 2006-07 about 350 sugar factories are likely to be visited for the inspection.

(f) IMPORT OF SUGAR

5.15 Import of sugar, which was placed under Open General License (OGL) with zero duty in March 1994 continued with zero duty upto 27.04.1998. Government imposed a basic customs duty of 5% and a countervailing duty of Rs.850.00 per tonne on imported sugar with effect from 28.4.1998. The basic custom duty was increased from 5% to 20% w.e.f. 14.1.1999 in addition to the countervailing duty. In the Union Budget for the year 1999-2000, duty on imported sugar was further increased from 20% to 25% with surcharge of 10%. The customs duty on imports of sugar was again increased to 40% on 30.12.1999 and 60% on 9.2.2000 along with continuance of countervailing duty of Rs.850/- per tonne.

5.16 As per the information furnished by DGCIS- Kolkata, the import of sugar from financial year 2003-04 & 2004-05 are as under: -

FINANCIAL YEAR	QUANTITY (in Lakh Tonnes)	CIF VALUE(Rs./Crores)
2003-04	0.74	62.70
2004-05	8.89	954.24

(P) PROVISIONAL
SOURCE: DGCI & S KOLKATA

5.17 However, as per trade circles 21.70 lakh MTs (approx) of raw sugar had been imported in the sugar year 2004-2005 including 3.00 lakh MTs carried over from raw sugar imported in 2003-2004, the total availability of raw sugar is 23.74 lakh MTs in sugar season 2004-05.

5.18 In order to augment sugar stocks for 2004-05 and enable the Government to meet the normative 3 months' consumption requirement of the country, the Advance License Scheme has been liberalized for raw sugar import, in as much as the imported raw sugar under Advance License can be now processed into white sugar, sold in the domestic market, and allowing such importers to fulfill export obligation within 24 months period or such extended period as allowed by D.G.F.T. by exporting indigenously manufactured white sugar.

(g) INTRODUCTION OF RELEASE MECHANISM ON IMPORTED SUGAR

5.19 Government, in order to regulate the sale of imported sugar in the domestic market, has re-introduced the system of release mechanism on imported sugar, December, 1999, whereby imported sugar cannot be sold in the domestic market without the written orders (release order) of the Government. Government with effect from 17.2.2000 have also decided to impose levy obligation by the importers after the said date.

(h) ENFORCEMENT AND VIGILANCE CELL

5.20 An Enforcement and Vigilance Cell has been set up in the Directorate of Sugar on 18th, August 1986 to ensure better compliance with the various statutory as well as administrative orders and directions issued by the Government and the Directorate of Sugar from time to time . The function of the cell includes scrutiny of monthly free sale sugar sales and dispatches, enforcement of quality and packing of sugar with regard to provisions of Sugar (Packing

& Marking) Order, 1970, surprise visit of sugar factories by officers of this cell.

5.21 Several sugar factories approached the Courts(circumventing the release mechanism) in the year 2002 and obtained orders for sale of sugar in the open market which nullified the monitoring of the sales and dispatch of non-levy sugar by the Directorate of Sugar . Many factories have even stopped sending the monthly returns in respect of the sales and dispatches of non-levy sugar in the above circumstances. In order to ensure the sanctity of the release mechanism, the Central Government amended the Essential Commodities Act, 1955 vide notification NO. 37 of 2003 dated 2-6-2003.

5.22 As per the present practice, the sugar factories are allowed to sell and dispatch the entire quantity of non-levy sugar released for a particular month within the stipulated validity period. Reminders have been issued to sugar factories advising them to send monthly returns regularly within the prescribed time limit to enable the Directorate of Sugar to monitor the free sale sugar sale and dispatch mechanism properly.

(i) REIMBURSEMENT OF INTERNAL TRANSPORT AND FREIGHT CHARGES AND NEUTRALIZATION OF OCEAN FREIGHT DISADVANTAGE AND HANDLING & MARKETING CHARGES

5.23 The Central Government vide Notification dated 21.6.2002 and 19.11.2003 decided to defray the expenditure on internal transport and freight charges and ocean freight and handling and marketing charges respectively to the sugar factories on export shipment of domestically manufactured sugar with view to promoting sugar export and liquidating surplus sugar stocks available with the sugar factories. Defraying of expenditure on export shipment of the sugar was made effective for the export from 21.6.002 and upto the export made in pursuance of release order issued upto 20.6.2004. The neutralization of ocean freight disadvantage @ 350/- MT and handling & marketing charges @ 500/- per MT on the quantity of sugar exported by sea from an Indian port was also made effective on or after 14.2.2003 and on or after 3.10.2003 respectively.

5.24 The allocation, utilization of funds and number of claims settled on account of reimbursement of internal transport and freight charges and neutralization of ocean freight disadvantage and handling & marketing charges claims during the financial year 2003-04, 2004-05 and 2005-06 (upto 31.12.05) is given below:-

(Rs. in thousands)

Year	Budget Estimates	Internal Transport		Ocean freight and handling and marketing charges		Total Expenditure
		No. of Claims	Amount	No. of claims	Amount	
2003-04	50,00,00	418	31,86,32	---	---	31,86,32
2004-05	1,25,00,00	392	46,08,67	---	---	46,08,67
2005-06 (up to 12/05)	90,00,00	19	2,57,34	162	15,93,51	18,50,85

(j) SUGAR DEVELOPMENT FUND

5.25 Sugar Development Fund was created vide The Sugar Development Fund Act 1982 enacted for the financing of activities for the development of sugar industry. A cess of Rs. 14.00 per quintal is being collected as a duty of excise on all sugar produced by any sugar factory in India under the Sugar Cess Act, 1982. The Sugar Development Fund Act, 1982 provides that an amount equivalent to the proceeds of the duty of excise levied and collected under the Sugar Cess Act, 1982, reduced by the cost of collection as determined by the Central Government, together with any moneys received by the Central Government for the purpose of the Act, shall after due appropriation made by Parliament by law, be credited to the Sugar Development Fund.

5.26 Under the Sugar Development Fund Act 1982 as amended from time to time, the fund shall be utilized by Government of India for the following purposes:-

(a) Grant loans for facilitating the rehabilitation and modernization of any sugar factory of any unit thereof or the undertaking of any scheme for development of sugarcane in the area in which any sugar factory is situated

(b) Grant loans to any sugar or any unit thereof for bagasse-based co-generation power projects with a view to improving their viability;

(c) Grant loans to any sugar factory or any unit thereof for production of anhydrous alcohol or ethanol from alcohol with a view to improving their viability;

(d) Grants for the purpose of any research project aimed at development of sugarindustry;

(e) Defraying expenditure for the purpose of building up and maintenance of buffer stock of sugar with a view to stabilizing price of sugar;

(f) Defraying expenditure on internal transport & freight charges to the sugar factories on export shipments of sugar with a view to promoting its export;

5.27 As per the amendment to Sugar Development Fund Rules notified on the 21st October, 2004, rate of interest on loans from SDF will be two percentage points below the bank rate as made public by the Reserve Bank of India under Sec 49 of RBI Act and prevailing on the date of disbursement of the installment of the loan by the Govt.

5.28 During the period 1982-83 to 30.9.2005 an amount of Rs. 4152,06,00 thousands were collected as cess, Rs. 3256,00,00 thousands were transferred to Sugar Development Fund as per approved appropriations and Rs. 3072,30,00 thousands were disbursed for the development of sugar industry for the purposes stated in para above as per provisions contained in Sugar Development Fund Act, 1982 as amended from time to time.

5.29 The provision made in 2003-04, 2004-05 and 2005-06 (BE) for transfer of funds from the Consolidated Fund of India to the Sugar Development Fund under the Public Account of India are as below: -

(Rs. in thousands)

2003-04 (BE)	2004-05(BE)	2005-06(BE)
180,00,00	250,00,00	250,00,00

5.30 The expenditure mentioned at para above under items (a) to (f) is budgeted separately and recovered by transfer from Sugar Development Fund. The balance at the credit of Fund stood at Rs. 1165.82 crore on 31.3.2005 against an amount of Rs. 4062.11 crore of cess collected upto 31.3.2005. As on 30.9.2005, an amount of Rs. 694,81,26,629 was lying outstanding in the SDF, against the loan disbursed to the sugar factories.

5.31 The following Budget Provisions have been made from SDF during 2003-04, 2004-05 and 2005-06

(Rs. in thousands)

		B E 2004-05	R E 2004-05	B E 2005-06
(a)	Subsidy for maintenance of Buffer stocks of sugar	400,00,00	296,00,00	160,00,00
(b)	Grants-in-aid for development Of sugar industry	2,50,00	1,00,00	2,50,00
(c)	Loans for modernization/ Rehabilitation of sugar mills	150,00,00	150,00,00	100,00,00
(d)	Loans for sugar mills for cane Development	25,00,00	25,00,00	25,00,00
(e)	Administration of Sugar Development Fund	6,71,00	6,71,00	6,71,00
	Loans to Sugar Mills for Bagasse based Cogeneration Power Projects	150,00,00	150,00,00	100,00,00
	Loans for production of Anhydrous Alcohol/Ethanol	100,00,00	40,00,00	75,00,00
	Reimbursement of Internal Transport & Freight charges to Sugar factories on export of Shipment	125,00,00	122,61,00	90,00,00
	Total	**959,21,00**	**791,32,00**	**559,21,00**

5.32 The following disbursements have been made from the SDF during 2003-04, 2004-05 and 2005-06 (Up to 30.9.2005).

Non Plan

(Rs. in thousand)

		2003-2004	2004-2005	2005-2006 (Up to 30.9.2005)
A	Subsidy for maintenance of buffer stocks of sugar	206,02,41	198,89,60	47,28,00
B	Grants-in-aid for research projects aimed at development of sugar industry	9,02	15,56	2,51
C	Loans for modernization Rehabilitation of sugar mills	33,36,09	103,89,76	10,26,29
D	Loans for sugar mills for cane Development	9,69,75	19,53,29	3,70,96
E	Administration of Sugar Development Fund	9,64,22	6,62,17	3,26
F	Loans to Sugar Mills for Bagasse based Cogeneration Power Projects	10,60,00	72,92,06	12,32,25
G	Loans for production of Anhydrous Alcohol/Ethanol	--	19,48,10	--
H	Subsidy on Internal Transport & Freight Charges to Sugar Mills on export of sugar	31,86,31	46,09,00	2,18,00
	Total	**312,27,01**	**467,59,54**	**75,81,27**

(k) CANE PRICE ARREARS

5.33 Statement showing State-wise cane price arrears as on 15.01..2006.

(figures in lakh rupees)

State	Sugar season 2005-06	Sugar season 2004-05	Sugar season 2003-2004 and earlier.
Punjab	1755.13	Nil	3982.15
Haryana	4714.75	Nil	Nil
Rajasthan	86.78	Nil	Nil
Uttar Pradesh	17863.24	439.00	6888.36
Uttaranchal	4723.42	Nil	Nil
Madhya Pradesh	296.92	1.89	131.47
Chattisgarh	Nil	Nil	Nil
Gujarat	72.85.52	Nil	Nil
Maharashtra	15704.90	346.39	3818.91
Bihar	6614.90	68.25	4377.67
Assam	Nil	Nil	Nil
Andhra Pradesh	10115.64	Nil	3495.46
Karnataka	24831.01	3.00	3015.00
Tamil Nadu	11570.95	Nil	Nil
Kerla	Nil	Nil	539.17
Pondicherry	384.23	Nil	209.00
Orissa	362.77	Nil	Nil
W. Bengal	102.82	Nil	Nil
Goa	163.12	Nil	Nil
Total	106575.99	858.53	26458.19

5.34 The Committee are deeply concerned to note that number of claims settled on account of reimbursement of internal transport charges is mere 19 during 2005-06 as compared to 418 during 2003-04 and 392 during 2004-05. The Committee also note that 162 claims were settled against ocean freight and handling and marketing charges during 2005-06 whereas no claims on this account were settled during 2003-04 and 2004-05. Total expenditure on both these heads has been Rs.18.50 crores only against Budget Estimates of Rs. 90.00 crores . The Committee view this seriously and recommend that efforts should be made to settle more claims so that huge amount blocked under these heads is not required to be surrendered. The Committee would also like be apprised of the reasons for not settling any claim against ocean freight and handling and marketing charges during 2003-04 and 2004-05. The Committee also recommend that the cumbersome procedural formalities which are gone into, for clearance/settlement of claims should be entrepreneur friendly and be made simple, so that the claims are settled expeditiously.

5.35 The Committee are concerned to note that more than Rs. 1050 crore of cane arrears pertaining to 2005-06 Sugar Season are still outstanding. Moreover, more than Rs. 250 crore of cane price arrears pertaining to Sugar season 2003-04 and earlier are still outstanding. Sugar mills in all the sectors i.e public, private and co-operative sector are in default. The Committee are pained to note that although the payment of sugarcane is required to be made within 14 days of supply of cane, it is seldom done. The Committee are concerned to note that cane arrears pertaining to sugar seasons 2003-2004 and earlier are still outstanding and yet action has not been taken against sugar mills to recover the cane price arrears alongwith interest @ 15% as per the provisions of sugarcane (Control) Order, 1966. The Committee would, therefore, like to be apprised of the details of sugar mills which are still to liquidate their outstanding arrears against the farmers and the reasons for not paying the outstanding arrears alongwith interest. The Committee would like to emphasise that there is a need to protect and promote the interest of farmers, in a such a manner that they continue to cultivate sugarcane, without any hindrance. For achieving this objective, the farmers need to be paid remunerative price immediately

on the delivery of his agriculture produce. The outstandings by sugar entrepreneurs act as an disincentive to grow sugarcane. In order to preserve the interest of farmers in cultivation of sugarcane, the Committee recommend that all the incentives/aid/assistance given to a sugar mill should be contingent upon liquidation of cane arrears by the mill. In the event of default on this account such aid/assistance should be held in abeyance.

5.36 The Sugar Development Fund (SDF) was created for the financing of activities for the development of sugar Industry. The Committee note that during the period 1982-83 to 30.9.2005 an amount of Rs. 415206.00 thousands were collected as cess, out of which Rs. 325600.00 thousands only were transferred to Sugar Development Fund. An amount of Rs. 307230.00 thousands were disbursed for the development of sugar Industry. The Committee take this seriously. They are of the view that the purpose for which this SDF was created will be defeated if the amount is not disbursed. They, therefore, recommend that the maximum amount be disbursed for the development of sugar factories.

5.37 The Committee is concerned to note the low disbursal of funds from Sugar Development Fund (SDF) on account of loans to sugar mills for bagasse based cogeneration power projects as well as loans for production of anhydrous alcohol/ethanol. Out of Rs. 100 crore allocated for loan to sugar mills for bagasse based cogeneration power projects during 2005-06 only Rs. 12.32 crore were disbursed. Similarly, out of Rs. 40.00 crore allocated as loans for production of anhydrous alcohol/ethanol during 2004-05 and Rs. 75.00 crore during 2005-06 only Rs. 19.48 could be disbursed during 2004-05 whereas no disbursement was made during 2005-06 on this account. The Committee take a serious view and recommend that the disbursal of funds from SDF be increased so that the sugar mills could use the amount for their development. They would like to be apprised of the reasons for no disbursement of funds during the year 2005-06.

CHAPTER VI

MANAGEMENT OF EDIBLE OILS

As an essential ingredient for a wholesome and balanced diet, edible oils and fats are vital items of mass consumption, Considering their widespread requirement, it has been the policy of the Government to have an efficient management of edible oils so as to ensure its easy availability to consumers at reasonable prices throughout the country. Because of the importance of edible oil in our national economy, the Department of Food and Public Distribution has been entrusted with the responsibility of management of edible oils so as to ensure their easy availability to the consumers at reasonable price throughout the country. Supply from indigenous sources falls short because demand of edible oils has been increasing at a pace faster than that of production due to growth in population and improvement in the standards of living of people.

MAIN EDIBLE OILS

6.2 There are two sources of oils – primary sources and secondary sources.

The primary sources include those oilseeds, which are cultivated. The main edible oils from these sources are groundnut, rapeseed/mustard seed, soyabean, sunflower seed, sesame seed, Nigerseed and safflower seed. The main secondary sources of oils include coconut oil, cottonseed oil and rice bran oil.

The production of oilseeds and net availability of edible oils from domestic sources (primary source and secondary source) for the years 2003-2004 and

2004-2005 are given below: -

(in lakh tonnes)

NAME OF THE OILSEEDS	2003-2004		2004-05	
	Oilseeds	**Oils**	**Oilseeds**	**Oils**
A. Primary Source				
Groundnut	83.32	18.82	70.24	16.16
Rapeseed/Mustard	61.98	19.21	83.56	25.90
Soyabean	78.63	12.58	75.10	12.02
Sunflower	9.92	3.27	12.24	4.04
Sesame	8.03	2.49	7.11	2.20
Nigerseed	1.11	0.33	1.02	0.31
Safflower	1.28	0.38	1.68	0.50
Castor	8.01	3.20	8.26	3.30
Linseed	2.12	0.64	1.82	0.55
Subtotal	**252.90**	**60.94**	**261.03** (Estimated)	**64.98**
B. Secondary Source				
Coconut		5.50		5.50
Cottonseed		4.30		4.30
Ricebrand		6.00		6.20
Solvent Extracted Oils		3.30		3.70
Tree & Forest Origin		0.80		0.80
Sub Total		19.90		20.50
Total (A+B)		**80.84**		**85.48**
C. Less: Export & Industrial Use		**9.20**		**8.50**
D. Net availability of edible oils from all domestic sources		**71.64**		**76.98**

Source: (i) Production of oilseeds: Ministry of Agriculture
(ii) Net availability of edible oils: Directorate of Vanaspati, Vegetable Oils & Fats

(a) PRODUCTION OF EDIBLE OILS

6.3 Production of oilseeds, which increased significantly in the 1980's hit a plateau in the 1990's. The production of domestic oilseeds has picked up since the year 2003-04. Despite this momentum, supply from indigenous sources fall short because demand of edible oils has been increasing at a pace faster than that of production due to growth in population and improvement in the standards of living of people.

6.4 Figures pertaining to production of major cultivated oilseeds, availability of edible oils from all domestic sources and total availability/consumption of edible oils (from domestic and import sources) during the last few years are as under :-

(In lakh tonne)

Oil Year (Nov.- Oct.)	Production of Oilseeds	Net availability of edible oils from all domestic sources	Total Availability/Consumption of Edible Oils (from domestic and Import sources)
2000-2001	184.4	54.99	96.76
2001-2002	206.63	61.46	104.68
2002-2003	148.4	46.64	90.29
2003-2004	252.9	71.64	124.54
2004-2005	261.03 (Estimated)	76.98 (Estimated)	122.40 (Estimated)

Source: (i) *Production of oilseeds: Ministry of Agriculture*
(ii) Net availability of edible oils: Directorate of Vanaspati, Vegetable Oils & Fats
(iii) Import of edible oils: DGCI&S, Kolkata, Ministry of Commerce & Industry

6.5 Statement showing the total requirement, production, demand, supply, consumption, availability and import of edible oils during the last three years is as under: -

(In lakh tonnes)

Oil Year (Nov.- Oct.)	**Domestic Production of oilseeds**	**Net availability/ Production/Supply of edible oils from all domestic sources**	**Import of edible oils**	**Total Availability/ Consumption* of edible oils from domestic and import sources**
2002-03	148.39	46.64	43.65	90.29
2003-04	252.90	71.64	52.90	124.54
2004-05	261.03	76.98	45.42	122.40

*Total consumption has been taken into consideration as demand/requirement. According to Ministry of Agriculture, demand of edible oils during the years 2002-03, 2003-04 and 2004-05 has been 97.30 lakh tones, 103.10 lakh tones and 109.3 lakh tones respectively based on Normative projections for X Plan Period (Population growth assumed at 1.9% per annum and annual requirement of 9.50 kg. Per consumption unit).

Source: **Oilseeds :** **Ministry of Agriculture**

Import : Directorate General of Commercial Intelligence & Statistics(DGCI&S), Kolkata.

6.6 State-wise data on requirement, demand, supply, consumption, availability and import of edible oils is not maintained. State-wise estimated production of edible oils based on the Oilseeds produced in the respective States is as under:-

State-wise Estimated Production of Edible Oils

(In lakh tonnes)

State/UT	2002-03		2003-04		2004-05#	
	Oil seed	Oil	Oil seed	Oil	Oilseed	Oil
A.PRIMARY SOURCE						
Andhra Pradesh	12.56	3.30	16.15	4.24	22.69	5.69
Assam	1.49	0.46	1.57	0.49	1.75	0.54
Bihar	1.05	0.33	1.25	0.39	1.15	0.36
Chhatisgarh	1.00	0.27	1.19	0.31	1.24	0.31
Gujarat	16.83	4.58	56.65	14.45	30.66	8.50
Haryana	7.12	2.20	9.90	3.07	9.31	2.90
Himachal Pradesh	0.08	0.03	0.09	0.03	0.13	0.04
Jammu & Kashmir	0.27	0.08	0.41	0.13	1.28	0.40
Lharkhand	0.08	0.02	0.08	0.02	0.34	0.09
Karnataka	10.74	2.91	10.39	2.85	15.68	4.26
Kerala	0.01	0.01	0.02	0.01	' 0.02	0.01
Madhya Pradesh	31.44	5.62	55.44	9.91	47.98	9.05
Maharashtra	23.56	4.60	29.48	5.46	33.71	6.23
Orissa	0.94	0.26	1.48	0.38	1.79	0.48
Punjab	0.91	0.28	1.02	0.32 '	1.04	0.33
Rajasthan	17.55	4.97	39.06	10.81	60.85	1 7.25
Tamilnadu	7.60	1.79	9.93	2.35	13.20	3.13
Uttar Pradesh	8.81	2.58	9.28	2.82	10.32	3.13
Uttaranchal	0.23	0.05	0.34	0.07	0.38	0.06
West Bengal	4.76	1.55	6.51	1.96	6.74	2.03
Others	1.35	0.35	2.66	0.87	0.77	0.19
Sub Total	148.38	36.24	252.90	60.94	261.03	64.98
B. SECONDARY SOURCE						
Coconut		5.50		5.50		5.50
Cottonseed		4.30		4.30		4.30
Ricebran		6.00		6.00		6.20
Solvent Extracted Oils		2.00		3.30		3.70
Tree & Forest Origin		0.80		0.80		0.80
Sub Total		**18.60**		**19.90**		**20.50**
Total (A+B)		**54.84**		**80.84**		**85.48**
C. LESS : EXPORT & INDUSTRIAL USE		**8.20**		**9.20**		**8.50**
D. NET DOMESTIC		**46.64**		**71.64**		**76.98**
A V AILABILITY						
EDIBLE OILS						
E. SHORTFALL(IMPORT)		**43.65**		**52.90**		**45.42**
F.CONSUMPTION		**90.29**		**124.54**		**122.40**

4th Advance Estimates;
Source:Oilseeds:Ministry of Agriculture; Oils: Based on the oilseeds produced in the respective States.

6.7 The quantities of Edible Oils imported during the last five years are as under: -

(Qty.in lakh tones)

Year (April – March)	Import of Edible Oils*
	Quantity (in lakh tones)
2001-2002	43.22
2002-2003	43.65
2003-2004	52.90
2004-05	45.42
2005-2006 (Apr.05-Sept.05)	21.88

Source : DGCI&S, Kolkata, Ministry of Commerce & Industry*

6.8 In order to ensure adequate supply of edible oil in the domestic market, the Government has permitted import of edible oils under Open General Licence (OGL) except Coconut Oil. In order to increase the production and productivity of oilseeds and hence of edible oils in the country, the steps taken to bridge the gap between demand and supply of edible oils include: -

(i) Customs duty on Crude Palm Oil / Crude Palmolein has been raised from 65% to 80% and on refined palm oil/RBD palmolein raised from 75% to 90% with effect from 15.2.2005. Customs duty on vanaspati and similar products has also been raised from 30% to 80% with effect from 1.3.2006;

(ii) Enhanced incentives to the farmers through fixation of Minimum Support Price (MSP) of major oilseeds in comparison to coarse cereals to encourage farmers to diversify their crop cultivation to oilseeds from coarse cereals;

(iii) A restructured Centrally Sponsored Scheme " Integrated Scheme for Oilseeds, Pulses, Oil Palm & Maize (ISOPOM) is being implemented in 14 major oilseeds growing States for increasing the production and productivity of oilseeds and 10 States for Oil Palm.

(iv) Assistance is also provided for purchase of breeder seeds, production of foundation seeds, production and distribution of certified seeds, distribution of seed minikits, infrastructure development, integrated pest management (IPM), supply of sprinkler sets and distribution of rhizobium culture, water carrying pipes, publicity etc to encourage farmers to grow oilseeds.

(v) Indian Council of Agricultural Research (ICAR) is continuously developing improved verities, production and protection technologies in oilseeds for increasing the production and productivity and also to make oilseeds cultivation profitable to the farmers.

6.9 Statement showing the quantum of edible oils produced/imported in the country during the last three years (year-wise) is as under:-

(In lakh tones)

Oil Year (Nov.-Oct.)	Edible oils produced in the country	Edible Oils imported	Total Availability/ Consumption/ requirement of edible oils from domestic and import sources	Percentage of requirement fulfilled through domestic sources.
2002-03	46.64	43.65	90.29	51.66
2003-04	71.64	52.90	124.54	57.52
2004-05	76.98	45.42	122.40	62.89

6.10 On being asked as to how does the Government propose to attain self-sufficiency in indigenous production of edible oils and oil seeds to meet the requirement of the country as only about 55-60% of the total requirement of the country was met indigenously and the remaining requirement was met through imports, the Ministry in their post evidence reply stated :-

> " since there has been a continuous excess of demand over domestic supply of edible oils, import of edible oils has been resorted to for more than two decades to make this item of mass consumption easily available to consumers at reasonable prices.

Steps taken by the Government to increase the production of oilseeds and hence of edible oils in the country include enhanced incentives to the farmers through fixation of Minimum Support Price(MSP) of major oilseeds, implementation of Centrally Sponsored Integrated Scheme for Oilseeds, Pulses, Oil Palm & Maize (ISOPOM) in certain States, financial assistance for Oil Palm Development, assistance provided for purchase of breeder seed, production of foundation seed, production and distribution of certified seeds, integrated pest management, etc".

(b) DIRECTORATE OF VANASPATI, VEGETABLE OILS AND FATS

(a) Directorate of Vanaspati, Vegetable Oils and Fats.

6.11 The management of edible oils is done through the Directorate of Vanaspati, Vegetable Oils & Fats (DVVO&F). The main activities involved in the management of edible oils are (a) administration of various control orders through DVVO&F (b) distribution of imported oils through PDS at subsidized rates and (c) management of the public sector undertaking, namely, the Hindustan Vegetable Oils Corporation (HVOC). As an essential ingredient for a wholesome and balanced diet, edible oils and fats are vital items of mass consumption. Considering their widespread requirement, it has been the policy of the Government to have an efficient management of edible oils so as the ensure its easy availability to consumers at reasonable prices, through out the country.

6.12 The Directorate of Vanaspati, Vegetable Oils and Fats (DVVO&F) is an attached office of the Department of Food & Public Distribution, which is the nodal Department for vegetable oils, particularly edible oils, and is responsible for the coordinated management of distribution of vegetable oils, oilcakes and meals, their prices, internal trade and commerce, administration of industries as also all policy matters relating to these items. The Directorate is headed by the Chief Director and assists the Department in all matters relating to vegetable oils. The DVVO&F performs regulatory, developmental and advisory functions in respect of all matters relating to vegetable oils, particularly edible oils and vanaspati. These regulatory functions are exercised through three Control Orders, namely: -

(i) Vegetable Oil Products (Regulation) Order, 1998;
(ii) Edible Oils Packaging (Regulation) Order, 1998; and
(iii) Solvent Extracted Oil, De-oiled Meal and Edible Flour (Control) Order, 1967.

6.13 For the purpose of ensuring proper quality control, regular inspections of vanaspati manufacturing units are carried out in addition to surprise inspection from the headquarters. Irregularities pointed out by the field officers in their inspection reports are considered for taking appropriate action against the defaulting units.

6.14 The monitoring of quality of edible oils and fats is done by the DVVO&F in terms of the provisions of the Orders. For the purpose of ensuring proper quality control, regular inspections of units are carried out by the Field Officers of DVVO&F posted in different zones, in addition to surprise inspections from the Headquarter.

6.15 Irregularities pointed out by the Field Officers in their Inspection Reports are considered for appropriate action against the defaulting units. The samples drawn by the Officers are sent for analysis for checking conformity with the prescribed requirements.

6.16 A well-equipped laboratory exclusively devoted to the analytical work pertaining to oils and fats is available with DVVO&F. In the case of failure of samples, appropriate action has been/is being taken against the defaulting units.

6.17 On being asked about the number of surprise visits and other inspections carried out by the officials of DVVOF during (2004-05) and (2005-2006) and the number of samples analysed, details of irregularities found, if any and of action taken against the erring units/defaulters, the Ministry in a written reply stated as follows:-

Year	No. of Inspections	No. of samples analyzed
2004-2005*	1350	4009
2005-2006**	1268	3125

* Revised. ** Provisional

6.18 Irregularities found include failure of samples (particularly with reference to Melting Point, Vitamin 'A' content, Boudouin Test, Free Fatty Acid (FFA) content, etc.), labeling requirements, analytical testing facilities etc.

6.19 Actions taken against the defaulting units include show cause notice, warning, cancellation of registration under the provisions of the Vegetable Oil Products (Regulation) Order, 1998.

6.20 On being asked about the reasons for reduction in number of inspections carried out as well as number of samples analysed by the officials of DVVOF during 2005-06 as compared to 2004-05, the Ministry in their post evidence stated :-

> " consequent upon retirement of some of the officers of DVVO&F the number of inspections declined resulting decrease in the number of samples drawn / analysed. Action has already been initiated to fill up the vacant posts. Existing Officers have also been advised to intensify inspections".

6.21 On being asked about details of the no. of samples of edible oils picked up for testing and the no. of such samples tested and found adulterated and action taken thereon, the Ministry in their post evidence reply stated :-

"Directorate General of Health Services, Ministry of Health and Family Welfare has informed that as per the information provided by the Food (Health) Authorities of the States/U.Ts responsible for the implementation of the Prevention of Food Adulteration Act, 1954 in their respective States/U.Ts, the number of food samples of edible oils examined and found adulterated under the category of "Edible Oils, Fats and Vanaspati" for the year 2003 are as under:-

Year	**Samples examined**	**Samples found adulterated**
2000	16289	1693
2001	15918	1790
2003*	15650	1578

*Does not include information from the State of Tamil Nadu.

Information for the years 2004 & 2005 is not readily available.

As regards action taken against adulterated samples of edible oils and fats, the concerned States/U.Ts Government take necessary action under the provisions of the PFA Act, 1954 and Rules framed thereunder".

(c) POLICY ON IMPORT OF EDIBLE OILS

6.22 Since there has been a continuous excess of demand over domestic supply of edible oils, import of edible oils has been resorted to for more than two decades to make this item of mass consumption easily available to consumers at reasonable prices.

6.23 In pursuance of the policy of liberalization of the Government, there have been progressive changes in the Import Policy in respect of edible oils during the past few years. Edible Oil, which was in the negative list of imports, was first de-canalised partially in April, 1994 with permission to import edible vegetable palmolein under OGL with revision of import duty structure. Import duty on crude vegetable oils, which were 15% in 1998, had been raised to 75% in 2001 except 45% for crude soyabean oil, 75% for crude rapeseed oil and 65% for crude palm oil. The duty on refined oils including RBD Palmolein had also been raised in 2001 to 85% except in the cases of refined soyabean oil and refined mustard oil where the basic duty has been at 45% and 75% respectively. In addition, 4% SAD was levied on refined oils. However, the import duty on RBD Palm oil and RBD Palmolein which was reduced from 85% to 70% w.e.f. 30.4.2003, had been raised from 70% to 75% w.e.f. 9.7.2004. Presently, SAD is not applicable on refined oils.

6.24 The Committee are concerned to note that only 60-63% of edible oil requirement of the country is met indigenously and the remaining about 40% is met through imports resulting in huge outgo of precious foreign exchange. Sadly, inspite of rise in import duty on edible oils over the years, the imports have shown a rising trends. The Committee have taken note of the measures taken to increase the production of edible oils both from primary and secondary sources. The production of oilseeds from primary sources have risen from 148.39 lakh tonnes in the year 2002-03 to 261.03 lakh tonnes in 2004-05 but it is still short of the total requirement of the country but production from secondary sources has remained static ranging in the vicinity of 19 lakh tonnes for the last two years. To bridge the gap between demand and supply of edible oils, the rise in production and productivity is imperative. The Committee, therefore, recommend that there is a need to review and restructure Centrally Sponsored Scheme "Integrated Scheme for Oilseeds, Pulses, Oil Palm and Maize (ISOPOM) as neither the production nor the productivity of oilseeds have shown a rising trend. The Committee recommend that other ways and means should also be explored to increase

the production and productivity of traditional oilseed crops. To reduce the dependency on imported edible oils, result oriented action should be taken to promote and popularize the use of non-traditional secondary source of edible oils.

6.25 The Committee are concerned to note that the number of inspections carried out by the officials of DVVO&F as well as number of samples analyzed have been on the decline. For instance, the number of samples examined in the year 2000 were 16,289, which declined to 15,650 in the year 2003. Similarly, the number of samples found to be adulterated were 1693 and 1578, during the period under reference. The Committee are of the view that in a huge country like India, where the main cooking medium is edible oil, the number of samples drawn are very low as adulteration in edible oils is rampant in the country. The Committee, therefore, recommend that to check the widespread adulteration in edible oils apart from drawing large number of samples from all parts of the country and exemplary punitive action be taken against the culprits.

The Committee find that DVVO&F is charged with regulatory, developmental and advisory functions in respect of all matters relating to vegetable oils, particularly edible oils and vanaspati. The Committee are concerned to note that the prime reasons for decline in number of inspection by DVVO&F officials, is shortage of manpower. The Committee do not approve this. The Committee recommend that Government

should make good the shortage of manpower at the earliest and if need be, this function of DVVO&F be outsourced, for the sake of protecting the health of citizen. The Committee also desire that the regulatory function of DVVO&F be de-linked from it and performed by an independent autonomous authority outside Government control and DVVO&F should confine itself to matter of policy, developmental and advisory role. The Committee would like to be apprised, of the action in the matter.

DEVENDRA PRASAD YADAV
Chairman
Standing Committee on Food, Consumer Affairs and Public Distribution

19 May, 2006
29 Vaisakha, 1928 (Saka)

MINUTES OF THE ELEVENTH SITTING OF THE STANIDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON TUESDAY,
THE 2nd May, 2006.

The Committee sat from 1100 to 1330 hours. in Committee Room 'C', Parliament House Annexe, New Delhi.

Present

Shri Devendra Prasad Yadav - Chairman

MEMBERS
LOK SABHA

2. Shri Alakesh Das
3. Shri Avinash Rai Khanna
4. Shri Hari Kewal Prasad
5. Shri Chandrabhan Singh
6. Shri Jai Prakash
7. Shri Ajit Kumar Singh

RAJYA SABHA

8. Shri Nabam Rebia

SECRETARIAT

1.	Shri P.K.Bhandari	-	Joint Secretary
2.	Shri R.S. Kambo	-	Deputy Secretary
3.	Shri B.S. Dahiya	-	Under Secretary
4.	Shri Jagdish Prasad	-	Assistant Director

Representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)

1.	Shri R.N.Das	-	Secretary
2.	Shri Vivek Mehrotra	-	AS &FA
3.	Shri Sanjay Kaul	-	Joint Secretary (FCI &P)
4.	Dr. Joy I. Cheenath	-	Joint Secretary (S&SA)
5.	Shri A.N. Bokshi	-	Chief Controller of Accounts

Food Corporation of India (FCI)

6. Shri A.K. Dubey - Chairman & MD

Central Warehousing Corporation (CWC)

7. Shri N.K. Choubey - MD

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

3. The Committee then took oral evidence of the representatives of the Ministry.

4. The following points were discussed by the Committee:-

(i) Uneven utilisation of funds in different quarters of the financial year.

(ii) Procurement of foodgrains; rise in price of wheat due to forward/future contract

(iii) Diversion of foodgrains

(iv) Hill Transport Subsidy Scheme

(v) Village Grain Bank Scheme

(vi) Pilot project for implementation of smart cards

(vii) Decrease in buffer stock of sugar

(viii) Cane Price Arrears

(ix) Construction of godowns by Central Warehousing Corporation(CWC).

5. A copy of the verbatim proceedings of the sitting of the Committee has been kept on records.

TheCommittee then adjourned.

MINUTES OF THE THIRTEENTH SITTING OF THE STANIDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON FRIDAY, 19TH MAY, 2006.

The Committee sat from 15.00 to 16.00 hours in Committee Room . `B', Parliament House Annexe, New Delhi.

PRESENT

Shri Devendra Prasad Yadav - Chairman

MEMBERS
LOK SABHA

2. Shri Suresh Angadi
3. Shri Jai Prakash
4. Shri Avinash Rai Khanna
5. Shri Harikewal Prasad
6. Shri Ajit Kumar Singh
7. Shri Chandrabhan Singh

RAJYA SABHA

8. Shri Surendra Motilal Patel

SECRETARIAT

1.	Shri P.K. Bhandari	-	Joint Secretary
2.	Shri R.S. Kambo	-	Deputy Secretary
3.	Shri B.S. Dahiya	-	Under Secretary
4.	Shri Jagdish Prasad	-	Assistant Director

2. At the outset, the Hon'ble Chairman welcomed the Members to the sitting of the Committee. The Committee then took up Draft Twelfth Report on Demands for Grants (2006-2007) relating to Department of Food and Public Distribution for consideration and adopted the same with some minor modifications/ amendments.

3. xxx xxxx xxx

4. The Committee authorized the Chairman to finalise these Reports after making consequential changes arising out of factual verification of the reports by the concerned Departments and present/lay the Reports in both the Houses of Parliament during the current session of Parliament.

The Committee, then, adjourned.

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xxx Not related to this Report