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**STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS  
AND PUBLIC DISTRIBUTION (2006-07)**

**FOURTEENTH LOK SABHA**

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

**DEMANDS FOR GRANTS (2007-2008)**

**EIGHTEENTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**April, 2007/, Vaisakha, 1929 (Saka)**

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(2007-2008)**

**Presented to Lok Sabha on 27.4.2007  
Laid in Rajya Sabha on 27. 4.2007**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**April, 2007/ Vaisakha, 1929 (Saka)**

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**COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION – 2006- 07**

**Shri Devendra Prasad Yadav - Chairman**

**MEMBERS**

**LOK SABHA**

2. Shri Shri Govinda Aroon Ahuja
3. Shri Alakesh Das
4. Shri Atma Singh Gill
5. Shri Abdul Mannan Hossain
6. Shri Baliram Kashyap
7. Shri Avinash Rai Khanna
8. Shri W. Wangyuh Konyak
9. Shri Parsuram Majhi
10. Shri Sadashivrao Dadoba Mandlik
11. Shri Harikewal Prasad
12. Shri Munshi Ram
13. Shri Daroga Prasad Saroj
14. Adv. (Smt.) P. Satheedevi
15. Smt. V. Radhika Selvi
16. Shri Chandrabhan Singh
17. Shri Ramakant Yadav
18. Vacant
19. Vacant
20. Vacant
21. Vacant

**RAJYA SABHA**

22. Shri T.S. Bajwa
23. Smt. Mohsina Kidwai
24. Shri Shantaram Laxman Naik
25. Shri Nabam Rebia
26. Shri Thanga Tamil Selvan
27. Shri Kanjibhai Patel
28. Shri Rajniti Prasad
29. Shri Matilal Sarkar
30. Shri Ram Narayan Sahu
31. Shri Vijay Kumar Rupani

**SECRETARIAT**

1. Dr. (Smt.) Paramjit Kaur Sandhu - Additional Secretary
2. Shri P.K.Misra - Joint Secretary
3. Smt. Sudesh Luthra - Director
4. Shri Jagdish Prashad - Deputy Secretary -II
5. Shri Rakesh Bhardwaj - Committee Officer

## INTRODUCTION

I, the Chairman of the Standing Committee on Food, Consumer Affairs and Public Distribution (2006-07) having been authorised by the Committee to submit the Report on their behalf, present this Eighteenth Report on Demands for Grants (2007-2008) 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 (2007-2008) of the Ministry which were laid on the Table of the House on 19 March, 2007.

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 9 April, 2007.

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 23 April, 2007.

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*  
**25 April, 2007**  
**5 Vaisakha, 1929 (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. 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.

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

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

There is one subordinate office under Sugar Division namely National Sugar Institute, Kanpur

There are other Subordinate Offices under the Department, namely:

- (i) Three Quality Control Cells (QCCs) located at New Delhi (headquarter), Kolkata and Hyderabad.
- (ii) One Indian Grain Storage Management and Research Institute (IGMRI), Hapur (Uttar Pradesh) with 3 field stations located at Hyderabad, Ludhiana and Jorhat



- (iii) 17 Save Grain Campaign (SGC) offices at Ahmedabad, Bangalore, Bhopal, Bhubaneswar, Chandigarh, Chennai, Ghaziabad, Guwahati, Hyderabad, Jaipur, Kolkata, Lucknow, Patna, Pune, Raipur, Thiruvananthapuram and Varanasi.

1.2 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)

1.3 The mandate of the Department of Food and public Distribution is primarily for: (i) Management of foodgrains, (ii) management of sugar and (iii) management of edible oils. In respect of management of sugar and edible oils, the Department also caters to the requirements of the Public Distribution System in addition to regulating the industrial units.

1.4 The Minister for Consumer Affairs, Food and Public Distribution laid on the Table of the Lok Sabha, the Detailed Demands for Grants (2007-2008) relating to the Department of Food and Public Distribution on 19 March, 2007. The Detailed Demands for Grants, for the Department of Food and Public Distribution shows a budgetary provision of Rs. 26491.20 crore. This includes Rs. 85 crore for plan activities and another Rs. 26406.20 crore, for non-plan programmes and Schemes.

1.5 The Committee in the present Report have examined various issues related to implementation of various schemes and programmes under the jurisdiction of the Department. In the context of Demands for Grants 2007-08, the detailed analysis along with observations/recommendations of the Committee on various issues have been given in the succeeding chapters of the report.

## Chapter II

### OVERALL EVALUATION OF THE DEMANDS FOR GRANTS 2006-07 OF THE DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION

#### **Status of implementation of the recommendations made by the Committee in their Twelfth Report on Demands for Grants (2006-07) under Direction 73A of the Directions by the Speaker, Lok Sabha**

As per direction 73A of the Directions by the Speaker, Lok Sabha, the Minister concerned shall make once in six months a Statement in the House regarding the status of implementation of recommendations contained in the Reports of Departmentally Related Standing Committees of Lok Sabha with regard to the Ministry.

2.2 The Standing Committee on Food and Public Distribution presented their Twelfth Report on Demands for Grants (2006-2007) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) on 20 May, 2006. The 15<sup>th</sup> Report on 'Action taken by the Government of the recommendations contained in the 12<sup>th</sup> Report on Demands for Grants (2006-2007) of Department of Food and Public Distribution was presented to Lok Sabha on 06 December, 2006. Out of 26 recommendations given by the Committee in their 12<sup>th</sup> Report, 14 recommendations (Nos. 1,4,6,7,8,11,12,13,15,20,21,24,25 & 26) were accepted by the Government. The Committee did not desire to pursue 6 recommendations (Nos.10, 14, 16, 18, 19 and 23) in view of satisfactory replies given by the Government. The replies of the Government in respect of 6 recommendations (Nos. 2, 3, 5,9,17 and 22) were not accepted by the Committee. The Committee reiterated these recommendations in their Fifteenth Report. The Fifteenth report was sent to the Ministry for furnishing Action Taken Statement on the recommendations made by the Committee. The Minister made a statement in Lok Sabha on 12 December, 2006 regarding the status of implementation of the recommendations contained in the 12<sup>th</sup> Report of the Committee on Demands for Grants (2006-07) under direction 73A of the Directions by the Speaker, Lok Sabha. The information made available to the Committee with regard to implementations of the recommendations made in their Report has been critically analysed and is given in the Appendix -I

**(a) Review of Outlay under Non-plan head**

2.3 The position of allocation made at BE, RE stage during 2005-06 and 2006-07 is as under:-

<b>(Rs. in crore)</b>			
<b>Year</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
Proposed Allocation	27424.58	26944.32	
BE	27055.44	24899.70	26406.20
Proposed RE	26955.25	32587.70	
RE	23995.9	24897.00	
Actual Expenditure	23591.9	23642.70	
% Utilization of BE	87.2	94.95	
% Utilization of RE	98.32	94.95	

2.4 The analysis of the data given in Budget documents with respect to Non-Plan outlay of the department indicate the following position.

1. BE during the year 2006-07 is Rs 2044.62 lesser than the proposed allocation.
2. The allocation made at RE stage during 2006-07 is Rs. 7690.70 crore lesser than the proposed allocation.

2.5 Further the outlay under Non- Plan head during the year 2007-08 has been enhanced by Rs. 1506.50 crore as compared to the previous year i.e. 2006-07. However, outlay of 2007-08, if compared to the allocation during the year 2004-05 and 2005-06, is lesser by Rs. 648.99 crore and Rs. 649.24 crore respectively.

2.6 Hon'ble Finance Minister in his speech on Budget 2007-08 has indicated that the Approach Paper to Eleventh Plan aims at putting the economy on a sustainable growth with a growth rate of approximately 10 per cent by the end of Eleventh Plan. Further there is hike of 28.01 per cent in the tax revenue during the year 2006-07 as compared to previous year. With regard to enhancement in outlay under Non-Plan head of the Department of Food and Public Distribution of which food subsidy is the major component, the percentage enhancement of Non-Plan allocation during 2007-08 as compared to the previous year is just 6 percent which does not cover even the hike due to inflationary trends.

(b) **Scheme-Wise Analysis of Non-Plan Schemes**

2.7 The analysis of the data given in budget documents with regard to Non-Plan outlay of the Department indicate the following position.

**(Rs. In Crore)**

Scheme	2005-2006		2006-2007	
	Excess/cut at RE Stage	Under- spending	Excess/cut at RE Stage	Under- spending
Food Subsidy	3000	123	+3.92	-1045.67
Transfer of Sugar Development Fund	-	-	-	NR (Not Reported)
Administration of SDF	+1.49	1.02	-	8.06
Reimbursement of internal Transport and Freight Charges to Sugar factories on Export Shipment of Sugar	-	62.56	-4	29.4
Grant-in-Aid for development of Sugar industry	1.00	85	-	NR
Loan for Modernization/Rehabilitation of Sugar mills	-	63.03	+25	77.90
Loan for cane development	-	8.78	-	11.45
Loan for Hindustan Vegetable Oils Corporation (HVOC)	0.20	-	0.10	NR
Loans for Sugar Mills for Bagasse based cogeneration power projects	25	61.27	+20	57.49
Loans for Production anhydrous alcohol/ethanol	50.00	17.77	45	27.98

Similar is the position of other programmes of food storage and warehousing.

2.8 When asked to justify the underspending in the aforesaid schemes particularly when huge cuts have been imposed at RE stage, the Department has responded as under:-

“Disbursement of Sugar Development Fund (SDF) loan for modernization/rehabilitation, bagasse based cogeneration of power; production of ethanol and cane development as well as Grants-in-Aid is dependent on the loans sanctioned and completion of necessary formalities, submission of documents and furnishing of security in time by the sugar factories. Even though there were a number of loans sanctioned for the schemes, the loans and grants could not be disbursed as expected due to the fact that the factories did not complete the formalities and submit the required documents within time.”

2.9 Similarly, the saving under the head reimbursement of internal transport and freight charges to sugar factories on export shipment of sugar is due to non-furnishing of requisite information, proper documents and suitable replies by the concerned sugar mills.

2.10 The expenditure under the head Administration of SDF is mostly for payment of agency commission fees to the monitoring agencies IFCI & NCDC who assist the Government in the smooth administration of SDF. These institutions did not submit their agency commission bills in the year 2006-07 due to which the payments could not be released. Hence the savings.

2.11 The Department has also submitted that the exact reason for cut at RE stage is not known to the Department. However, it may be due to slow pace of expenditure.

2.12 The expenditure reported in the statement for three schemes was up to January. The expenditure incurred for said three schemes during 2006-07 upto 31 March is as under:

**(Figures in Crores)**

Sl. No.	Scheme	Major Head	RE	Actual Exp.	Remarks
1.	Transfer of Sugar Development Fund	2408	250.00	250.00	This is a one time transfer of funds from the proceeds of duty of excise collected under Sugar Cess Act 1982 to Sugar Development Fund by way of inter account transfer carried out once in a year
2.	Grant-in-Aid for development of Sugar Industry	2408	2.40	2.40	The research institutions applied for the grant only in the last month of the financial year.
3.	Loans for Hindustan Vegetable Oil Corporation	6860	1.50	1.50	This is a loan given to HVOC, which is under process of winding up, and is drawn in one installment only.

(c) **Analysis of Plan Schemes**

2.13 Rupees 85 crore has been allocated under the Plan Scheme during 2007-08. The position of outlay during Tenth Plan and expenditure is as under:-

	(Rs. in crore)		
<b>Scheme</b>	<b>Tenth Plan Outlay</b>	<b>Cumulative Expenditure</b>	<b>Under-spending</b>
Constructions of Godowns	126.66	94.20	32.46
Integrated Information system for foodgrains Management	97.66	69.64	28.02
Evaluation, Monitoring and Research on PDS	2.90	3.04	0.14 is the excess expenditure
Village grain Bank	92.76	69.76	23.00

2.14 When asked the reasons for under-spending the Department has stated as under:-

“As regards Construction of Godowns, though the Tenth Plan Outlay was Rs. 126.66 crore, the allocation made by the Planning Commission from 2002-03 to 2006-07 was Rs. 97.80 crore against which the cumulative expenditure was Rs. 93.50 crore. The expenditure figures for 2006-07 are provisional. So the under spending was about Rs. 4.30 crore. The slow progress of expenditure was mainly due to less release under Construction of Godowns scheme due to difficult and inaccessible areas in North East region.

As regards Integrated Information System for Foodgrains Management, though the funds were allocated in full, but the funds could not be fully utilized. During 2003-04 to 2005-06, Rs. 69.64 crore were released to Food Corporation of India (FCI) and FCI spent Rs. 53.97 crore during these years, leaving an unspent balance of Rs. 15.67 core as on 1 April, 2006. Hence, the funds were not required immediately in 2006-07. Due to the cut of Rs. 25.80 crores made at Revised Estimates stage by Ministry of Finance, Rs. 25.80 crore were surrendered including entire allocation of Rs. 25 crore for IISFM. MoU/Agreements, as applicable in respect of major procuring/distributing states with States/State Agencies could be signed with two states in second quarter and with five states out of the identified nine states after long persuasion by FCI and Ministry in third quarter of 2006-07. Punjab is yet to sign the MoU/Agreement. Also the tender process of Financial Accounting Package (FAP) of FCI was completed in third quarter of 2006-07 only. Therefore, no funds could be utilized for Financial Accounting Package (FAP) during 2006-07. Also release of payment by FCI is governed by the terms and conditions laid down in the tripartite agreement dated 24 September, 2003. National Informatics Centre Services Inc. (NICS) has to furnish proof of dispatch, complete bills along with installation certificates etc., duly certified by

National Informatics Centre (NIC), as laid down in the Tripartite Agreement. Delay in supply of computer Hardware/Software and subsequently delayed submission of complete bills/documents by NIC/NICSI has also resulted in non-utilization of funds. The Planning Commission has agreed to extend the scheme for two years viz. by one year upto 2007-08 for those States who have already signed MoU, and for two years upto 2008-09 for those States who have not yet signed MoU.

Evaluation, Monitoring & Research is a new classification initially suggested by the Planning Commission. Accordingly, in the proposal for 11<sup>th</sup> Plan, the anticipated expenditure shows revised estimate of different schemes. The actual expenditure of these schemes during the year 2006-07 is Rs. 0.51 crore and accordingly the total expenditure during the 10<sup>th</sup> Five Year Plan on the scheme of Evaluation, Monitoring & Research is Rs.2.65 crore against the allocation of Rs. 2.90 crore. The savings (Rs. 71.37lakh) under Technical Studies & Consultancies during 2006-07 was due to non-release of about Rs. 58 lakh for Hunger Mapping project due to delay in receipt of Hunger Mapping study proposals from World Food Programme (WFP) and Dr. M.S. Swaminathan Research Foundation (MSSRF). The Concept Paper submitted by WFP in August, 2006 was required to be examined in detail taking into account the budgetary and methodology study in two selected states of Maharashtra and Andhra Pradesh. After examination and discussions with WFP, the revised proposal was submitted by AWFP on 23.01.2007. Some points still need to be clarified from the AWFP. The implementation of the hunger mapping study will be taken up in the year 2007-08. NCAER has not submitted draft report on sugar study and further release of funds to NCAER could not be made.

As regards Village Grain Bank Scheme, the scheme was transferred from Ministry of Tribal Affairs to this Department w.e.f. 1.4.2005. The scheme was revised by this Department and the revised scheme and revised guidelines were approved in February 2006. The plan allocation to this Department for the scheme during the 10<sup>th</sup> Five Year Plan was Rs. 82.50 crore (viz.Rs.32.50 crore in 2005-06 and Rs. 50 crore in 2006-07). Against the plan allocation of Rs.82.50 crore, the actual expenditure was Rs. 71.55 crore (i.e. Rs. 19.76 crore in 2005-06 and Rs. 51.79 crore in 2006-07). Savings in 2005-06, as indicated above, were due to the late approval of the revised scheme and its revised guidelines. Hence the saving in the two years 2005-06 and 2006-07 (during the operation of the scheme in this Department) was Rs. 10.95 crores.”

(d) **Surrender Excess During 2005-06**

(Rs. in Lakhs)

<b>Scheme</b>	<b>Amount</b>
Construction of Godowns	-605 (NE) Cap.
Integrated Information System for foodgrain Management	-12.38 Cap. -15.64 Cap. - 0.02
NSI Kanpur	-30.38 (Rev) - 2.06 (Cap.) -30.75 (Cap.)
Technical Study Consultancy	14.98
Village Grain Bank	44.08
Smart Ration Card	125.00

2.15 In the Construction of Godowns scheme, the savings of Rs.605 lakh was made in the budget head for release of enquiry to FCI for construction of Godowns in NE region. Against the Budget Estimates of Rs.93.87 crore for plan schemes for 2005-06, mandatory budgetary provision Rs.9.387 or Rs.9.39 crore (being 10% of the Budget Estimates) was to be made for investment in NE region. There was no other scheme having NE component at budgetary stage. Accordingly, budget provision of Rs.9.39 crore was made for equity to FCI for construction of Godowns in NE region during 2005-06. However, at RE stage, the funds provided for plan schemes of the Department were reduced to Rs.60 crore. Accordingly, the revised estimate of Rs.4.14 crore for release of equity to FCI was approved. Subsequently, release of Rs.3.34 crore was made to FCI, resulting in surrender of Rs.6.05 crore from the budget head for NE region (i.e. Rs.9.39 crore □ Rs. 3.34 crore).

2.16 The reappropriation of Rs.12.38 crore was made from Integrated Information System for Foodgrains Management (IISFM) for augmenting the funds available for Construction of Godowns in areas other than NE region by FCI to meet committed liabilities on the ongoing construction projects at various centres all over the country. The excess expenditure was incurred by FCI during 2004-05, which could not be met during 2004-05, due to less funds allocated by the Planning Commission for the scheme.

2.17 Against the budget allocation of Rs.43.02 crore for IISFM during 2005-06, Rs. 12.38 crore was reappropriated for augmenting the funds available for Construction of Godowns scheme for areas other than NE region, Rs.15 crore was released to FCI for the IISFM Scheme, and the balance Rs.15.64 crore had to be surrendered. The reasons for savings in IISFM is less expenditure due to reduction in the prices of computer hardwares and reduction in the number of locations to be computerized, and unspent balance of Rs.16.37 crore in the beginning of the year (i.e. as on 1.4.2005). Further releases could be made after utilization of funds released earlier.



2.18 Savings of Rs.0.02 lakh against the budget allocation of Rs.60 lakh is marginal, and on the basis of actual requirement of funds during the year.

2.19 As regards National Sugar Institute (NSI), Kanpur, the Institute was given a budgetary allocation of Rs.150 lakh during 2005-06 for various construction projects and purchase of machinery for modernization of laboratory and equipments for research purposes. The construction works like improvement in farm facility, replacement of water grid, renovation of office and hostel buildings etc. are carried out by CPWD. Individual sanctions for various works are given to NSI by the Ministry on the basis of the estimates prepared by CPWD on behalf of the NSI, Kanpur. Since the construction work are carried out by the CPWD, the same is done by floating of tenders and only after finalization of the same, the work orders are issued for work. Similarly, for purchase of machinery and equipments, tenders are floated by the Institute and only on receipt of the reasonable offers, acceptance for supplies are issued. Due to this procedural requirement, the work orders by CPWD and NSI, Kanpur respectively were issued in the latter part of 2005-06. Hence the savings of Rs.30.38 lakh on the revenue side (for modernization of laboratory) and Rs.32.81 lakh on the capital side (i.e. Rs.2.06 lakh on machineries/equipments+ Rs.30.75 lakh for major works) had to be surrendered.

2.20 Savings of Rs.14.98 lakh under the scheme Technical Studies and Consultancies was due to the fact that no new study was taken up by the Department. The final report of NCAER on Policy Reforms in Sugar Sector- Implementation for the Khandsari Gur Industry was yet to be modified. Hence , no funds could be released.

2.21 The savings of Rs.44.08 lakh against the Revised Estimate of Rs.20.20 crore under the Village Grain Bank Scheme was due to the fact that the scheme after transfer from the Ministry of Tribal Affairs w.e.f. 1.4.2005 had to be revised and the guidelines had also to be revised. The revised scheme and the revised guidelines were approved by the Government in February, 2006.

2.22 The Smart Ration Card scheme was being implemented in three States viz. Himachal Pradesh, Madhya Pradesh and Kerala, on pilot basis in one district each of these States. Kerala State found the project very costly and did not consider it feasible to go in for Smart Card in the entire State. In the other two states also, where the scheme was introduced in the pilot districts, problems were faced due to lack of electricity in remote and hilly areas and lack of awareness of FPS dealers. Hence, the scheme was dropped in the present form, and the entire allocation of Rs.125 lakh surrendered.

(e) **Nil expenditure under some of the Schemes during 2006-07**

2.23 No expenditure has been reported for the following schemes during 2006-07 upto February, 2007: -

- (a) Integrated Information System for Foodgrains Management (IISFM)
- (b) NSI, Kanpur (the expenditure is marginal)
- (c) R&D and Modernisation of VVO&F
- (d) Computerisation of Public Distribution System (PDS) Operations

2.24 As regards IISFM, FCI had unspent balance of Rs.15.67 crore as on 1.4.2006. During 2003-04 to 2005-06, Rs.69.64 crore were released to Food Corporation of India (FCI) and FCI spent Rs.53.97 crore during the aforesaid years, leaving an unspent balance of Rs.15.67 crore. Hence, the funds were not required immediately in 2006-07. On reduction of Rs.25.80 crores made at Revised Estimates stage by Ministry of Finance, Rs.25.80 crore were surrendered including entire allocation of Rs.25 crore for IISFM. MoU/Agreements, as applicable in respect of major procuring/distributing states with States/State Agencies could be signed with two states in second quarter and with five states out of identified nine states after long persuasion by FCI and Ministry in third quarter of the 2006-07. Punjab is yet to sign the MoU/Agreement for IISFM project implementation by its state agencies. The tender process of 'Financial Accounting Package (FAP) of FCI' was completed in third quarter only. No funds could be utilized for Financial Accounting Package (FAP) during 2006-07. Release of payment by FCI is governed by the terms and conditions laid down in the tripartite agreement dated 24.9.2003. National Informatics Centre Services Inc.(NICSI) has to furnish proof of dispatch, complete bills along with installation certificates etc., duly certified by National Informatics Centre (NIC), as laid down in the Tripartite Agreement. Delay in supply of computer hardware/software and subsequently delayed submission of complete bills/documents by NIC/NICSI has also resulted in non-utilization of funds by FCI. Therefore, the scheme has been extended for two years viz. by one year upto 2007-08 for those States who have already signed MoU, and for two years upto 2008-09 for those States who have not yet signed MoU.

2.25 As regards National Sugar Institute (NSI), Kanpur, the Institute was given a budgetary allocation of Rs.150 lakh during 2006-07 for various construction projects and purchase of machinery for modernization of laboratory and equipments for research purposes. The construction works like improvement in farm facility, replacement of water grid, renovation of office and hostel buildings etc. are carried out by CPWD. Individual sanctions for various works are given to NSI by the Ministry on the basis of the estimates prepared by CPWD on behalf of the NSI, Kanpur. Sanctions

to the tune of Rs.56.11 lakh could be issued by the Ministry in the first quarter of the financial year. Further sanctions of Rs.76.79 lakhs were issued thereafter. Since the construction work are carried out by the CPWD, the same is done by floating of tenders and only after finalization of the same, the work orders are issued. Similarly, for purchase of machinery and equipments, tenders are floated by the Institute and only on receipt of the reasonable offers, orders for supplies are issued. Due to this procedural requirement, the work orders by CPWD and NSI, Kanpur respectively were issued in the latter part of 2006-07.

2.26 Similarly, the major expenditure of Rs.17.65 lakh has been utilized towards modernization of the laboratory of the Directorate of Vanaspati, Vegetable Oils & Fats during 2006-07 through CPWD at a cost of Rs.9.90 lakh, purchase of Gas Liquid Chromatograph (GLC) at a cost of Rs.7.75 lakh and Rs.0.24 lakh for R&D projects. The authorization of funds was given to CPWD towards modernization of laboratory in July, 2006. The GLC instrument has been imported from Singapore following import procedure. The purchase was finalized in January, 2007. The utilization of funds by CPWD is being reconciled.

2.27 As regards Computerisation of Public Distribution System (PDS) Operations, the original scheme of Smart Cards was modified as Computerisation of PDS Operations with special emphasis on back-end operations and modified scheme was approved on 9.02.2007. The software to be given to the State Govts is yet to be prepared by NIC. Hence, no release of funds could be made.

(f) **The Quarter wise position of expenditure under different schemes under Plan during the year 2006-07.**

2.28 The Quarter wise position of expenditure under different schemes under Plan during the year 2006-07 has been given in Appendix-II. The percentage of expenditure reported during each quarter is as under:-

First Quarter	5.75
Second Quarter	10.55
Third Quarter	63.65
Forth Quarter	67.54

**2.29** The Committee note that the allocation of the Department at BE stage during 2007-08 is Rs. 26,406.20 crore under Non-Plan schemes and Rs. 85 crore under Plan schemes. In the allocation under Non-Plan schemes, of which food subsidy is one of the main components, there is enhancement of outlay to the tune of Rs. 1,506.50 crore i.e. around 6 per cent increase over the previous year i.e. 2006-07. However, when compared to the allocation made during 2004-05 and 2005-06, the allocation during 2007-08, is lesser by Rs. 648.99 crore and Rs. 649.24 crore, respectively. Further, the allocation made to the Department during 2006-07 at BE and RE stage is far less than the proposed allocation.

The Committee find that whereas there is a hike of 28.01 per cent in the tax revenue during the year 2006-07, as compared to previous year, the enhancement in Non-Plan outlay is just around 6 per cent. The Committee strongly recommend to the Government to provide adequate allocation under various schemes of the Department particularly when food subsidy is the major component of the outlay of the Department. There should not be a cut at the Revised Estimates Stage. The Department should be allocated the outlay as per the projections so that benefit envisaged under different schemes, particularly the food subsidy under which subsidized foodgrains are made available to the poorest of the poor, reach the intended beneficiaries. While recommending higher outlay, the Committee also strongly recommend to the Department to take all initiatives to ensure that the outlay earmarked for different schemes/programmes is fully utilized.

**2.30 The Committee observe that there is huge underspending under different Non-Plan Schemes during 2005-06 and 2006-07, particularly in the programmes related to loans and Grants-in-Aid provided to various Sugar Mills for modernization and rehabilitation. Besides, under Plan head also, there are huge underspending under the following schemes during the Tenth Plan Period:-**

- (i) Construction of Godowns ;**
- (ii) Integrated Information System for Foodgrain Management;**
- (iii) Evaluation, Monitoring and Revision of Public Distribution System; and**
- (iv) Village Grain Bank.**

**The position is particularly grave during the year 2006-07, since 'NIL' expenditure is reflected in the Budget documents in respect of the following schemes:-**

- (i) Integrated Information System for Foodgrain Management (IIFSFM);**
- (ii) Research and Development and Modernization of VVO&F; and**
- (iii) Computerization of Public Distribution System (PDS).**

**The reasons furnished by the Department for underspending which indicate modifications of original scheme of smart card and earlier unspent balances under IISFMM are unacceptable to the Committee. Almost Nil expenditure under the important schemes of the Department is a matter of serious concern. The Department has admitted that huge amount at RE stage under different scheme is due to underspending under different schemes. The Committee while deploring the way important schemes are being implemented, recommend to the Department to take all the corrective action so that the position of underspending is not repeated during the year 2007-08.**

2.31 The Committee have repeatedly been emphasizing on the expenditure of outlay under different schemes/heads in a phased manner during the whole year. Although the Department has initiated exercise of quarter-wise targets and achievements in the Outcome Budget at the instance of the Planning Commission/Ministry of Finance, the actual quarter-wise spending during the year 2006-07 (under plan schemes), as reflected in the Budget document, indicate that there is no improvement in this regard. The quarter-wise data, as indicated below, substantiate the aforesaid observation of the Committee: -

**Quarter-wise expenditure during 2006-07 in percentage**

First Quarter	5.75
Second Quarter	10.55
Third Quarter	63.65
Forth Quarter	67.54

The Committee deplore the tendency of making major part of expenditure during the last two quarters of the year. Such a rush of expenditure towards the end of the year results into huge opening balances with the State Governments and the scope of misutilization also increases. The Committee strongly recommend to the Department to ensure that the aforesaid situation of rush of expenditure during the last months is not repeated during the year 2007-08.

## CHAPTER III

### 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.

3.2 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

3.3 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 enthruse 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).

3.4 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.



3.5 Foodgrains are procured at the Minimum Support price (MSP) fixed by the Government. The MSP for common and Grade 'A' paddy was fixed at Rs. 580 and Rs. 610 per quintal respectively for the 2006-07 Kharif Marketing Season (October 2006-September, 2007). The MSP of wheat was fixed at Rs. 650 per quintal for the Rabi Marketing Season 2006-2007. The comparative MSP of wheat and paddy since 2002-2003 to 2007-2008 (marketing seasons) is given below:-

YEARS	WHEAT	PADDY	
		COMMON	GRADE-A
2002-2003	620	530*	560 *
2003-2004	620**	550	580
2004-2005	630	560	590
2005-2006	640	570	600
2006-2007	650#	580@	610 @
2007-2008	750@@		

\* The Government approved the payment of special drought relief price of Rs. 20 per quintal for paddy.

\*\* The Government approved the payment of special drought relief price of Rs. 10 per quintal for wheat.

# An incentive bonus of Rs. 50 per quintal approved for wheat procured during the period 20.03.06 to 30.06.06

@ An incentive bonus of Rs. 40 per quintal approved for paddy procured till 31.03.07

@@ An incentive bonus of Rs. 100 quintal approved for wheat procurement w.e.f 1 April, 2007.

3.6 The estimates of procurement of wheat and rice as well as actual procurement during the last three years are as follows:-

#### Wheat

(in lakh tonnes)

Rabi Marketing Season	Estimate of Procurement	Actual Procurement	Percentage
2004 – 05	203.40	167.96	82.5
2005 – 06	180.00	147.85	82
2006 – 07	162.07	92.26	57

**Rice****(in lakh tonnes)**

<b>Rabi Marketing Season</b>	<b>Estimate of Procurement</b>	<b>Actual Procurement</b>	<b>Percentage</b>
2004-05	225.00	246.84	109.7
2005-06	230.07	276.56	120.2
2006-07	270.00	204.09*	75.58

\* ( till 30. 03.2007)

**(b) Minimum Buffer Norms and the actual Food stocks**

3.7 The following table shows stock position of wheat and rice in Central Pool vis-à-vis minimum buffer norms:-

**(In lakh tonnes)**

<b>As on</b>	<b>Wheat</b>		<b>Rice</b>		<b>Total</b>	
	<b>Actual Stock</b>	<b>Minimum buffer norms</b>	<b>Actual Stock</b>	<b>Minimum buffer norms</b>	<b>Actual Stock</b>	<b>Minimum buffer norms</b>
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	244.14	168.00
1.1.2005	89.31	84.00	127.63	84.00	216.94	168.00
1.1.2006*	61.88	82.00	126.41	118.00	188.29	200.00
1.1.2007	54.28	82.00	119.77	118.00	174.05	200.00

\*New buffer norms with effect from April, 2005

3.8 On being pointed out that the estimated procurement of wheat has been decreasing over the years particularly when there is reduction in the estimates of procurement. In a written reply the reasons for the decline and steps being taken to augment the procurement have been furnished by the Ministry as under:

“Procurement of wheat in any Rabi marketing season depends upon a number of factors such as production, market arrivals, open market prices, market sentiments and extent of private participation.

The main reasons for decline in procurement are the decline in wheat production from the peak of 76.37 million tonnes achieved in crop year 1999-2000, to only 69.35 million tonnes in crop year 2005-06 (which was marketed in RMS 2006-07) while the domestic demand has been increasing every year, leading to increased purchase by private trade. Another reason is the moderate increases in MSP in the past few years upto RMS 2006-07.”

3.9 Further the Department has informed that in order to enhance procurement of wheat in RMS 2007-08 the following steps have been taken by the Government:

- (i) An MSP of Rs 750 per quintal was announced for RMS 2007-08, which was Rs 100 per quintal more than the MSP announced for the previous season.
- (ii) A Committee of Officers/Experts was formed to examine various strategic options and recommend an appropriate procurement strategy for RMS 2007-08 and their recommendations have been acted upon appropriately by the Government.
- (iii) A meeting was held with all Food Secretaries and officers of FCI on 12 February, 2007 in which it was confirmed that all arrangements have been made for wheat procurement in RMS 2007-08 by FCI and State agencies.
- (iv) A decision was taken to release 4 lakh tonnes of wheat under OMSS in February-March, 07 to cool down prices before the wheat procurement season.
- (v) It has been ensured that wheat stocks in the Central Pool remain above the buffer norm of 82 lakh tonnes as on 1 April, 2007, in order to avoid negative market sentiments on account of low wheat stocks.
- (vi) Wheat prices, both domestic and international, are being monitored on daily basis.
- (vii) Export of wheat for private trade has been banned upto 31 December 2007. Export of wheat from Central Pool has also been banned.
- (viii) Incentive bonus of Rs. 100 per quintal over and above the MSP of Rs. 750 per quintal has been granted for wheat procured in RMS 2007-08.
- (ix) A notification titled "Wheat (Stock Declaration by Companies or Firms or Individuals) Order, 2007 has been issued under the Essential Commodities Act, 1955 on 1 March, 2007. The order provides that any Company or Firm or individual who purchases wheat beyond 50,000 tonnes during 2007-08 shall furnish to the Central Government a return indicating the name/address of the company, quantity of wheat purchased and quantity of wheat held in stock.
- (x) Import of wheat on private account at zero duty has been permitted upto 31 December, 2007.
- (xi) The Department of Consumer Affairs has also extended the validity of period of the relaxation given to States upto 31 August, 2007 for imposing Stock limits on wheat & pulses by issuing a notification under the Essential Commodities Act titled Removal of (Licensing Requirements, Stock Limit and Movement Restrictions) on Specified Foodstuffs (Amendment) Order, 2007 on 27 February, 2007.
- (xii) Senior Officers of the Department of Food & Public Distribution and FCI have visited the major wheat producing States in March, 2007 to personally review arrangements made for wheat procurement by FCI and State Agencies.

**(C) Procurement of Wheat and Rice during 2006-07**

3.10 It has been noted that procurement of wheat is mainly from Haryana and Punjab whereas the procurement of rice is mainly from Punjab, Uttar Pradesh, Orissa, Haryana, Chattisgarh and Andhra Pradesh. When compared to the production versus procurement data in Uttar Pradesh against the production of 255 lakh tonnes the procurement is only 15 lakh tonnes. Similar is the position of lesser procurement ratio as compared to production in Uttaranchal, M.P, Rajasthan and Bihar. The position of production versus procurement is very good in Punjab and Haryana.

3.11 On being asked about the specific reasons for lesser procurement as compared to production in the aforesaid States, particularly when there was unprecedented hike in MSP from Rs. 650 to Rs. 750 alongwith a bonus of Rs. 100 as during 2006-07 compared to previous year, the Ministry in Post Evidence Reply stated:

“During RMS 2006-07 the MSP of wheat was Rs 650 per quintal. An incentive bonus of Rs 50 per quintal was also announced, over and above the MSP. Despite this, there was low procurement in RMS 2006-07 due to less than targeted production, lesser market arrivals, negative market sentiments on account of low stocks of wheat in the Central Pool, high open market prices and higher private participation in wheat procurement.”

3.12 The procurement of wheat (as a percentage of production) is lower in States like Uttar Pradesh, Madhya Pradesh, Gujarat and Rajasthan as compared to Punjab and Haryana mainly due to lesser marketable surplus as well as higher private participation in these states (due to lesser taxes and lesser distance of these States to major consumption centres in Eastern, Southern and Western parts of the country as compared to Punjab and Haryana).

3.13 Explaining the steps taken to increase procurement of wheat from UP, the Secretary, during the course of oral evidence stated as under:-

“This time, we are going aggressively for UP ; we want to ensure that those who are willing to sell at MSP, FCI will be able to buy. We have opened 1,000 centres for this purpose from FCI itself. We requested the State Government to open more centres also. In UP, we need to address this problem; it is the largest producer of wheat, but it contributes the lowest percentage to the food.”

3.14 The Secretary, Department of Food and Public Distribution during oral evidence before the Committee stated:

“You have also rightly touched about our procurement. Yes, it is a fact that procurement has gone down in wheat particularly last year, which was a very bad year, and we had to import about 5.5 million tonnes of wheat to meet the requirements of the public distribution system. On wheat, yes, it is a matter of great concern to us and this year we are keeping our fingers crossed even though the forecast of production is 73.7 million tonnes against 69.6 million tonnes that was last year's production. With this high production, we are reasonably hopeful that we will be able to procure at least 150 lakh tonnes of wheat. In the event of that not coming through, then we will have to look at the options of imports, if necessary. But the commitment is that we will not deprive the public distribution system of food grains, particularly in the AAY and BPL categories. That is something that we feel that at no cost can there be a dilution either of the quantum of foodgrains or the monthly off-take of food grains.”

3.15 Further the Secretary informed that the States have been given relaxation to do procurement through cooperative societies. The Ministry provides 1 per cent extra commission to societies. In some the States till there are no dedicated markets or godowns or agencies which can do procurement in the right way. The Ministry will take the proposal before Central Government to increase the network of FCI and State Governments are also expected to increase the infrastructure.

The Department has further informed as under:-

At present the Department is not maintaining the names and the places where purchase centers have been established by the private sector companies.

In 2006-07 FCI has taken the services of National Collateral Management Services Ltd. (NCMSL, a subsidiary of NCDEX) and National Bulk Handling Corporation (NBHC, a subsidiary of MCX) for procurement of paddy in Madhya Pradesh, Orissa, Bihar, Rajasthan and UP for wheat. NCMSL has procured 6.34 lakh MT paddy in Orissa, MP and Bihar. NBHC has procured 12854 MT paddy in Madhya Pradesh as on 30.3.2007. However it is ensured that FCI does not incur any additional cost for the companies who are carrying out procurement operations on behalf of FCI. The Department has also clarified vide post evidence clarification that one per cent extra commission is not being provided to NCMSL and NBCH for procurement in the aforesaid States.

**(d) Inflation with specific reference to recent spurt in prices of Foodgrains**

3.16 While presenting the outlook on inflation the Finance Minister in his speech on Budget 2007-08 has stated that average inflation in 2006-07 is estimated at between 5.2 and 5.4 per cent which is higher than 4.4 per cent last year.

3.17 With regards to commodity wise analysis of inflation in primary products, the Economic Survey reveals that during 2006-07 in cereals and pulses sub-groups, eight commodities- urad, moong, gram, wheat, maize, ragi, jowar and arhar had inflation in excess of five per cent. Duty free import of wheat and pulses to ameliorate the shortfall in domestic output related to domestic demand had a limited impact on domestic prices because of firm international price.

3.18 In other non food articles, edible oil seeds recorded significant price rise. While these had fallen in the previous year, such prices in January were above the levels that prevailed in January 2003, 2004 and 2005. Firm International prices of edible oils, particularly from November, 2006 contributed to the trend.

3.19 The Department has indicated that the following steps were taken to check the rise in price of foodgrains:-

- (i) Import of 55 lakh tonnes of wheat to improve the availability of wheat in the Central Pool for PDS and other welfare schemes. The import has also helped to replenish the buffer stock of wheat, which is estimated to be more than 44 lakh tonnes as on 1 April, 2007 against the buffer norm of 40 lakh tonnes.
- (ii) Daily monitoring of prices of wheat and rice.
- (iii) Duty on import of wheat by private traders has been reduced to 0 per cent upto 31 December, 2007.
- (iv) Release of 4 lakh tonnes of wheat at 20 per cent subsidy on economic cost of Rs. 1232.58 per quintal has been released to State Governments at a price of Rs. 986.08 per quintal.
- (v) Additional allocation of one lakh tonnes of wheat under TPDS has been made for each of the months of September 2006 to March 2007.
- (vi) Export of wheat for private trade has been banned upto 31 December, 2007.

- (vii) Export of wheat from Central Pool has also been banned.
- (viii) The Central Issue Prices of wheat and rice have not been revised since 1 July, 2002 for APL and BPL, while the Central Issue Prices for AAY has not been revised since the launch of the scheme in December 2000. The Central Issue Prices are as under:-

(Rs. per quintal)			
	APL	BPL	AAY
<b>Wheat</b>	610	415	200
<b>Rice(Grade 'A')</b>	830	565	300

- (ix) A notification titled "Wheat (Stock Declaration by Companies or Firms or Individuals) Order 2007 has been issued under the Essential Commodities Act 1955 on 1 March, 2007. The order provides that any Company or Firm or individual who purchases wheat beyond 50,000 tonnes during 2007-08 shall furnish to the Central Government a return indicating the name/address of the company, quantity of wheat purchased and quantity of wheat held is stock.
- (x) The Department of Consumer Affairs has also extended the validity of period of the relaxation given to States upto 31 August, 2007 for imposing Stock limits on wheat & pulses by issuing a notification under the EC Act titled Removal of (Licensing Requirements, Stock Limit and Movement Restrictions) on Specified Foodstuffs (Amendment) Order, 2007 on 27 February, 2007.

**(e) The Role of FDI and Corporates in Retail Marketing of Foodgrains**

3.20 The Department has informed as under:-

"As per the extant policy, Foreign Direct Investment (FDI) is not permitted in retail trade, except in 'single' brand retail trade. The Department of Industrial Policy and Promotion has recently awarded a study to assess the impact of organized retailing on unorganized retail sector. The study inter alia, will carry out in depth analysis of effect on small traders and vendors in the unorganized sector, effect on employment, impact on consumers, farmers and manufacturers and impact on prices and economic growth. The objective of the allowing FDI in retail sector is to reap the benefit of backward linkages on account of organized retail by reducing costs and establishing necessary supply chains through investment in supporting infrastructure such as warehousing, cold storage and grading facilities."

3.21 Further explaining the impact of ban on future trading in wheat and rice the Department has explained as under:-

"The final view on futures trading in agricultural commodities would be taken once the Abhijit Sen Committee submits the report. The impact of stopping forward trading on tur and urad and by not allowing fresh contracts in wheat and rice on wholesale and retail prices have been mixed one. Retail price of wheat in Delhi and some other markets have remained unchanged while in some other markets such as Mumbai, Chennai, Bangalore the prices have declined. However, the decline in prices of wheat in Mumbai and some other markets could be due to fresh arrivals of wheat of RMS

2007-08 in Gujarat and MP. Similarly while the price of urad has declined but the prices of tur have not shown any significant change.”

**(f) Measures taken to check hoarding of Foodgrains**

3.22 To check the hoarding by private companies the Department has informed that a notification has been issued under the Essential Commodities Act, 1955 on 1 March 2007, according to which any company or firm or individual which purchases wheat beyond 50,000 tonnes during 2007-08 shall furnish to the Central Government, a return indicating the name/ address of the company, quantity of wheat purchased and quantity of wheat held in stock. Department of Consumer Affairs has extended upto 31 August 2007 notification under the EC Act enabling the State Governments to impose stock limit on wheat and pulses.

3.23 On being asked as to how the Department would monitor the implementation of the aforesaid Order, the Ministry stated:-

“The Wheat (stock declaration by Companies or Firms or Individuals) Order 2007 has been issued under the Essential Commodities Act, 1955. Non compliance of the provisions of the order would attract penal action under the Essential Commodities Act.

A copy of the notification has been forwarded on 14 March, 2007 to all State Food Secretaries of wheat producing States to give wide publicity to the provision of the notifications/order through the electronic/print media to ensure that buyers of wheat arriving in the mandis are suitably informed and comply with the requirements. The State Governments have been advised that Administrative Department of Mandi Board may also be requested to direct Mandi Samitis to communicate the contents of the notification to all concerned so that required weekly returns are positively filed by them.”

3.24 On being asked about the number of companies/firms which have so far made the declaration as per the aforesaid Order, the Ministry in post evidence reply stated:

“The following companies have filed the declaration under the Wheat (Stock Declaration by Companies or Firms or Individuals) order, 2007 upto 6.4.2007:-

1. ITC Ltd., Secunderabad, Andhra Pradesh
2. Cargil India Pvt. Ltd., Gurgaon, Haryana

**(g) Measures to be taken to enhance the production of wheat and rice**

3.25 On being pointed out that wheat production during the year 2006-07 is likely to be 72.5 million tonnes as compared to 69.35 million tonnes last year, 55 lakh million tonnes of wheat had to be imported to balance the mismatch between demand and supply and whether the Department has taken the issue of shortfall in availability of foodgrains with the Ministry of Agriculture to ensure steps to take required action so as not to aggravate the position of mismatch between demand and supply of foodgrains, the Ministry in Post Evidence Reply stated:

“The annual requirement of rice and wheat under the TPDS and other welfare schemes based on present off-take trends is approximately 250 lakh tonnes and 130 lakh tonnes respectively.

The Ministry of Agriculture has been apprised frequently in various meetings held at the highest level regarding the need to enhance production of wheat, rice and coarsegrains to ensure that there is no mismatch between demand and supply of foodgrains. “

3.26 As regards the issue of increasing the production of rice and wheat the Department has informed as under:

“In order to increase the production and productivity of foodgrains (rice, wheat and coarsegrains) in the country, the Ministry of Agriculture has formulated an action plan for increasing its production and productivity. The major points of the action plan are as under:-

**Rice:**

- (i) Replacing of low potential/pest susceptible varieties with pest resistant HYVs
- (ii) Popularizing by hybrid rice
- (iii) Encouraging timely plantation
- (iv) Maintenance of proper plant stand, increased use of organics with INM concept, adoption of IPM for increasing productivity and economizing cost of production
- (v) Adoption of new innovative productive technologies i.e. System of Rice Intensification (SRI)

**Wheat:**

- (i) Promoting timely sowing to provide longer period for crop growth and minimizing the damage due to early rise in temperature as was seen in February this year.
- (ii) Enhancing seed replacement rate (SRR) to atleast 25 per cent which in States like Bihar is only 9%.
- (iii) Timing Irrigation at crucial stages of the crop growth
- (iv) Promoting optimal use of fertilizer on the basis of soil tests and supplementing with micro nutrients i.e. Boron, Zinc in deficient soil
- (v) Promoting resource conservation technologies (RCTs) such as zero tillage, furrow irrigated raised bed etc.”

**Coarse Grains:**

- (i) Enhancing Seed replacement ratio to at least 35% for HYVs and 100% for Hybrids
- (ii) Promoting single cross/high protein hybrids
- (iii) Promoting Ridge Planting to avoid water logging
- (iv) Encouraging balanced use of fertilizer to optimize productivity



- (v) Supplementing need based micro nutrients i.e. boron, zinc & sulphur
- (vi) Encouraging intercropping with pulses, oil seeds, etc.

**3.27 The Committee find that the Department of Food and Public Distribution is the nodal Department with regard to formulation and implementation of various national policies on foodgrains relating to procurement, movement, scientific research, storage, distribution and sale. As regards the procurement of foodgrains particularly of wheat and grains, during the year 2005-06 and 2006-07, the situation is far from satisfactory. The actual procurement during these years is far below the estimates of procurement. During the year 2005-06, against the estimates of procurement of 180 lakh tonnes, actual procurement of wheat was 147.85 lakh tonnes i.e 82.5 per cent. During the year 2006-07, the position is even worse. Against the estimates of procurement of 162.07 lakh tonnes, the actual procurement of wheat is only 92.31 lakh tonnes, which is 57 per cent of the estimates. As regards procurement of rice during the year 2006-07, it was 204.09 lakh tonnes whereas in the same period during the previous year, procurement of rice was recorded to the tune of 276.56 lakh tonnes. Various reasons such as mismatch between the demand and supply of wheat with an increased domestic demand and decline in wheat production leading to increased purchase by private traders have been cited as the reasons for lesser procurement of wheat during the year 2006-07. With regard to minimum buffer norms for wheat, the Committee find that as on 1<sup>st</sup> January, 2007 the actual stock was 54.28 lakh tonnes against the minimum buffer norms of 82 lakh tonnes. The situation in rice was however better as against the minimum norms of 118 lakh tonnes, the actual stock was 119.77 lakh tonnes. As regards the total availability of foodgrains, the actual stock was 174.05 lakh tonnes against the minimum buffer norms of 200 lakh tonnes.**

**3.28 The Department has informed that a Committee of officers/experts was formed to examine various strategic options and recommend appropriate procurement strategy for Rabi Marketing Season (RMS) 2007-08 and the recommendations have been acted upon appropriately by the Government. The Government has taken a series of steps to enhance the procurement of wheat in RMS 2007-08 which include import of 55 lakh tonnes of wheat to enhance the existing stocks, increase in MSP from Rs. 650 to Rs. 750 for wheat along with Rs. 100 per quintal as incentive bonus, ban of export of wheat for private trade and import of wheat on private account at zero duty.**

**The Committee find that inspite of efforts made by the Government to improve the supply position through market interventions as well as strategic decisions with regard to export/import of wheat, the situation has not improved to the desired level as is evident from the data of procurement as well as buffer stocks. The Committee note that the foodgrains stocks falling below the buffer stocks is a matter of serious concern, particularly when the foodgrains are required for distribution through PDS to the poorest of the poor as well as to fulfil the demand of foodgrains in the areas affected by natural calamities. Not only that, the minimum buffer stocks are also required for resorting to various market interventions to stabilize the prices of foodgrains in the market. Keeping in view all these factors, the Committee strongly recommend that the Government should review the position of buffer stocks and take all desired actions to ensure the minimum required procurement of foodgrains.**

**3.29 The Committee find from the data of procurement as indicated in various documents that procurement of wheat is mainly from Haryana and Punjab. The procurement of rice is mainly from Punjab, Uttar Pradesh, Orissa, Haryana, Chattisgarh and Andhra Pradesh. When the production is compared to the procurement, in Uttar Pradesh, the procurement is only 15 lakh tonnes against the production of 255 lakh tonnes. Similar is the position of lower procurement ratio as compared to production in Uttaranchal, Madhya Pradesh, Rajasthan and Bihar. The Secretary during the course of oral evidence has acknowledged that Uttar Pradesh is the largest producer of wheat but it contributes the lowest to the pool. To address this problem, FCI has opened 1,000 centres in Uttar Pradesh. The Department has taken certain initiatives to address the problem of lesser procurement from non-traditional states. The State Governments have been given relaxation to do procurement through cooperative societies. Besides, the Ministry also provides one per cent extra commission to cooperatives. The Committee note that inspite of the initiatives taken by the Department to address the problem of lesser procurement as compared to production in non-traditional States the procurement is not up to the mark. The Committee strongly recommend to the Department to take this matter urgently. Besides, the Committee urge that small farmers should be given priority while undertaking procurement of foodgrains by FCI. Desired initiatives to address the aforesaid issues should be taken by the Department. The Committee should also be kept apprised.**

**3.30 The Committee further find that in 2006-07 FCI has taken the services of National Collateral Management Services Ltd. (NCMSL, a subsidiary of NCDEX) and National Bulk Handling Corporation (NHBC, a subsidiary of MCX) for procurement of paddy in Madhya Pradesh, Orissa, Bihar and Rajasthan and for wheat in Uttar Pradesh. NCMSL has procured 6.32 lakh MT paddy in Orissa, Madhya Pradesh and Bihar and NHBC has procured 12854 MT paddy in Madhya Pradesh as on 30.3. 2007. The Committee also note that FCI does not incur any additional cost for the companies who are carrying out procurement operations on behalf of FCI. Further it has been clarified by the Department that one percent extra commission being provided to cooperatives is not being provided to these companies. The Committee note that aforesaid companies i.e NCMSL and NHBC are the direct wings of forward trading exchanges of commodities. The Committee in their Seventeenth Report on the Forward Contract (Regulation) Amendment Bill, 2006 have strongly recommended to ban forward trading in foodgrains. The Committee also note that in pursuance of the recommendation of the Committee the Government have also banned forward trading in wheat and rice w.e.f 27 February, 2007. The Committee fail to understand how the FCI is using the services of certain subsidiaries of commodity exchanges for the purpose of procurement of foodgrains specifically when the forward trading of wheat and rice has been banned by the Government. The Department may furnish the clarification in this regard so as to analyze the situation and comment further. The Committee strongly recommend that procurement of foodgrains through private companies should be discouraged. FCI should give more emphasis to small farmers and cooperatives for the purpose of procurement of foodgrains.**

**3.31 The Committee find that there has been a recent rise in prices, particularly of foodgrains. The Finance Minister in his Budget (2007-08) speech has highlighted that the average inflation in 2006-07 is estimated to be between 5.2 and 5.4 per cent as compared to 4.4 per cent last year. The Economic Survey also indicates that in cereals and pulses sub-groups, the inflation was in excess of 5 per cent during 2006-07. In other non-food articles, edible oil seeds recorded significant price rise. The domestic production is far below the demand coupled with decline in world production have been cited as the reasons in the Economic Survey for increase of price in case of wheat. In spite of the import of wheat and pulses to ameliorate the shortfall in domestic output relative to domestic demand had a little impact on domestic prices because of firm international prices.**

**3.32 The Committee further note that wheat production during 2006-07 is likely to be 72.5 million tonnes as compared to 69.35 million tonnes in the previous year. The Committee note that more stress need to be given to increase the domestic production of foodgrains. The Committee also note that although the various issues related to increase in production of foodgrains fall under the jurisdiction of Ministry of Agriculture, the Department of Food being the nodal Department for Management of Food, has also to play an important role. In this regard, the Committee find that the Ministry of Food emphasized at the highest level the need to enhance production of wheat, rice and coarse grains to ensure that there is no mismatch between demand and supply of foodgrains. The Committee strongly recommend to the Department to continue the efforts in this regard. The Committee also feel that there is an urgent need to take steps to accelerate the production of various foodgrains in the country. In this regard the various critical areas related to the production of foodgrains shch as irrigation, availability of agricultural land, research in various techniques of agriculture, development of seeds etc. need to be addressed for which detailed consultation with various concerned Ministries is required. For this, the Government should think of launching some accelerated programmes to increase the productivity of foodgrains specifically wheat, pulses and oil seeds for which the Government has to resort to imports. The Committee would like that Accelerated Wheat Production Programme should be framed in coordination with the Ministry of Agriculture and other stake holders so that we may not have to resort to import. Besides to increase the productivity of pulses and oil seeds farmers should be given minimum support price so that they take interest in growing pulses and oil seeds by getting the economic protection.**

**3.33 The Committee note that a notification has been issued by the Government under the Essential Commodities Act, 1955 on 1 March, 2007 according to which any company or firm or individual which purchases wheat beyond 50,000 tonnes during 2007-08 shall furnish to the State Government a return indicating the name/address of the company, quantity of wheat purchased and quantity of wheat held in stock. The validity of said order has further been extended up to 31 August, 2007 to enable the State Governments to impose stock limit on wheat and pulses. The Committee also find that non-compliance of the provisions of the order would attract penal action under the Essential Commodities Act. To ensure the implementation of the aforesaid order, a copy of the notification has been forwarded to all State Food Secretaries of wheat producing States to give wide publicity to the provisions of the notification/order through the electronic/print media to ensure that buyers of wheat arriving in the mandis are suitably informed and comply with the requirements.**

**The Committee find from the information provided by the Department that in pursuance of the aforesaid order, only two companies viz. ITC Ltd., Secunderabad, Andhra Pradesh and Kargil India Pvt. Ltd., Haryana, have filed the declaration so far. The Committee note from the aforesaid developments that the aforesaid order issued under Essential Commodities Act is not being implemented at all in the various State Governments. The declaration made by only two companies all over the country speaks volumes about the ineffective implementation of the aforesaid order. The Committee feel that traders are hoarding stocks of foodgrains specifically of wheat due to continuous rise in prices and create artificial scarcity resulting into further increase in prices. In these circumstances, there is an urgent need to take stringent measures to curb these tendencies of the traders. The Committee, therefore, strongly recommend that pressure should be exerted on the State Governments / Union**



**Territory Administrations so as to ensure the implementation of the aforesaid order. The Committee should be apprised about the follow up action in this regard.**

**The Committee further feel that the Government should consider of reducing the existing limit of 50,000 tonnes so as to curb the tendency of hoarding by private companies for making profits. The action taken in this regard should be communicated to the Committee**

(h) **Decentralised Procurement**

3.34 The Scheme of Decentralised Procurement of foodgrains was introduced by the Government in 1997-98 with a view to encourage local procurement to the maximum extent thereby extending the benefits of MSP to local farmers, to enhance efficiency of procurement and PDS, to provide foodgrains more suited to the local taste under the PDS and also to effect savings in transportation and handling costs of the FCI. Under the decentralised procurement scheme, the State Government itself undertakes direct purchase of paddy and wheat and procurement of levy rice on behalf of Government of India. Purchase Centres are opened by the State Governments and their agencies as per their requirements. 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 requirements of TPDS and other schemes, the Central Government, through FCI, meets the deficit out of the Central Pool stocks. Eleven States, West Bengal, Uttar Pradesh, Madhya Pradesh, Chattisgarh, Uttranchal, Andaman & Nicobar Islands, Orissa, Tamil Nadu, Gujarat, Karnataka and Kerala are undertaking decentralised procurement.

3.35 The Department has informed that with the decentralised scheme of procurement by 11 States the procurement of rice has increased in the State which have adopted the scheme from 40 lakh tonnes in KMS 2002-03 to 110 lakh tonnes in KMS 2006-07.

3.36 On being asked about the proactive efforts being made by the Department to motivate the remaining States to adopt the Decentralised Scheme of Procurement, the Ministry in their Post Evidence Reply stated:

“The scheme of Decentralized Procurement (DCP) of foodgrains was introduced by the Government in 1997-98 with a view to enhancing the efficiency of procurement and PDS and encouraging local procurement to the maximum extent thereby extending the benefits of MSP to local farmers as well as to save on transit losses and costs. This also enables procurement of foodgrains more suited to local taste. The advantages of this scheme are being highlighted during meetings of Food Secretaries, and due to this motivation most of the States with marketable surplus of rice and wheat have already joined the scheme, or their State agencies are also procuring rice on behalf of FCI, as may be seen from below.

(i) **For rice** - Most of the non-traditional States producing significant marketable surplus of rice which are Chattisgarh, Orissa, Tamil Nadu, West Bengal and Karnataka have already adopted the DCP Scheme. Among the non-traditional States which produce substantial quantity of rice only Assam, Bihar and Maharashtra have not yet adopted this scheme.

However, in Bihar and Maharashtra State agencies also procure paddy, get it milled and deliver the rice to FCI for the central pool.

Among the traditional States Uttar Pradesh has already adopted the DCP Scheme, while in Punjab and Haryana, State agencies procure most of the paddy and hand over the resultant rice to FCI for the Central Pool. In Andhra Pradesh, most of the rice is procured through the levy route.

(ii) **For wheat** – There are much fewer States having marketable surplus of wheat as compared to paddy/rice. Out of these States Uttar Pradesh, Madhya Pradesh, Gujarat and Uttranchal have already adopted the DCP Scheme while in Punjab and Haryana, State agencies do most of the procurement and hand over the wheat to FCI for the Central Pool. The other significant wheat producing States in which the DCP Scheme is not in operation are Bihar and Rajasthan in which State agencies also procure wheat in addition to the FCI.

3.37 On being asked whether the RBI has accepted and implemented the recommendations of the Department of Food and Public Distribution to sanction adequate case credit limit to States for handling the decentralized procurement operations and releasing of advance subsidy for smooth operation of procurement operations, the Ministry in their Post Evidence Reply stated as under:

“The Department of Food & Public Distribution has been recommending to the RBI the Cash Credit Limits (CCLs) proposed by the State Governments for their foodgrains procurement in various marketing seasons based on which the RBI has been sanctioning adequate CCLs. The Department is also releasing advance subsidy regularly to DCP States based on well laid down principles.”

3.38 On being asked whether the Government has made any strategy to bridge the gap between the target and procurement of wheat, the Ministry in their Post Evidence Reply stated:

“Under the existing Policy, the FCI and State Agencies carry out procurement operations in the Rabi marketing seasons under which all the wheat (conforming to the prescribed specifications) offered for sale by farmers is bought by these Government agencies at the MSP. The farmers have the option to sell their produce to FCI/State Agencies at MSP or in the open market as is advantageous to them. Therefore, no targets are fixed for procurement of wheat.

Since procurement of wheat in a marketing season depends upon a number of factors such as production, market arrivals, open market prices, market sentiments and extent of private participation, it is quite possible that there may be lesser procurement of wheat as compared to the annual requirement for the TPDS and welfare schemes, as was the case in RMS 2006-07. In such an eventuality, the shortfall may be made up through imports as was done in 2006-07 when the Government took decisions to import 55 lakh tonnes of wheat.”

(i) **Economic Cost of Procurement under the Scheme of Decentralized Procurement**

3.39 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 DCP scheme had requested for adequate attention on the following issues:

1. Sanction of adequate Cash Credit Limits (CCL) by the RBI.
2. Full reimbursement of expenses and timely release of subsidy by the Central Government.

The Department of Food and Public Distribution has been making suitable recommendations to the RBI for sanctioning of adequate CCL to DCP States for handling the procurement operations. The Department has also taken up the matter with Banking Division and RBI to sort out the problem of valuation of stocks of State agencies at acquisition cost only for three months. The Department has recommended that these stocks should be valued at acquisition cost for 12 months.

The Department also releases advance subsidy to these States on Quarterly basis as well as provisional subsidy which is subsequently adjusted against the final subsidy claim on receipt of audited accounts.

The problems /difficulties being faced by the DCP States are discussed and resolved mutually during the meetings held by Secretary (F&PD) with the State Food Secretaries before commencement of each Khairf/Rabi marketing season.

As a result of encouraging policies of Government, procurement of paddy/rice has substantially increased in DCP States. “

**3.40 The Committee note that the Decentralized Procurement Scheme was introduced by the Government in 1997-98 with a view to encouraging local procurement to the maximum extent, thereby extending the benefit of MSP to local farmers, to enhance efficiency of procurement and PDS. Besides, such a system helps to provide foodgrains under PDS more suited to the local taste and also results in savings in transportation and handling cost of FCI. Till date, 11 States viz. West Bengal, Uttar Pradesh, Madhya Pradesh, Chattisgarh, Uttaranchal, Andaman and Nicobar Islands, Orissa, Tamil Nadu, Gujarat, Karnataka and Kerala have adopted the system of decentralized procurement. The Committee further note that there is considerable improvement in the procurement from these States after the decentralized scheme of procurement has been adopted. The procurement of rice has increased in the decentralized States from 40 lakh tonnes in Kharif Marketing Season (KMS) in 2002-03 to 110 lakh tonnes of KMS in 2006-07. The Committee further note that the State Governments that have adopted the Decentralized Procurement Scheme have requested the Ministry for the sanction of adequate cash credit limits by Reserve Bank of India (RBI) and full reimbursement of expenses and timely release of subsidy by the Central Government. The Committee also note that the Department is taking up the issue of sanction of adequate cash credit limits with RBI. Besides, the Department has recommended to Banking Division and RBI to consider the value of stocks of State agencies at acquisition cost for 12 months instead of the existing limit of 3 months. The Committee recommend to the Department to further pursue all the issues with RBI and Banking Division to ensure further efficiency in the States who have adopted the Decentralized Procurement Scheme. Besides, in the remaining States FCI**

**should create necessary infrastructure for procurement of foodgrains in coordination with State Governments and motivate them to adopt the scheme of decentralized procurement. The specific benefits of adopting the system along with the achievement of Decentralized Procurement Scheme (DCP) States should be duly communicated through various meetings with State Secretaries and at the highest level so as to motivate these States to adopt Decentralized Procurement Scheme.**

**(J) Food Subsidy**

3.41 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.

3.42 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.

3.43 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.

3.44 The following data with regard to food subsidy and procurement of foodgrains has been indicated in the Outcome Budget:-

Year	<b>(Rs. In Crore)</b>		
	BE	RE	AE
2005-06	26031	23071	23071
2006-07	23986.31	23992.31	19820.00 (upto 31.12.06)
2007-08	25424.89		

3.45 Besides distribution of foodgrains through PDS, FCI procures foodgrains for distribution through various welfare schemes like Food for Work Programme, SGRY, Mid-day Meal etc. With the enactment of the National Rural Employment Guarantee Act, Food for Work Programme has been merged with NREGA. Further NREGA is now applicable in 280 districts during the year 2007-08 and as such SGRY will be applicable in the remaining districts. Under NREGA, although there is provision for distribution of foodgrains, due to certain legal issues, many of the States are not resorting to payment of wages through foodgrains.

#### **Food Subsidy (Including Sugar)**

(Rs. in crore)

<b>Year</b>	<b>BE</b>	<b>RE</b>	<b>AE</b>
2002-03	21200	24200	24200
2003-04	27800	25200	25181.30
2004-05	25800	25800	25797.39
2005-06	26200	23200	23077.39
2006-07	24200	24203.92	23158.25
2007-08	25696.20		

3.46 The following conclusion can be drawn from the aforesaid data:-

1. The allocation at BE stage during 2007-08 is just 1496.20 crore i.e. around 5 per cent higher than BE of 2006-07.
2. RE 2006-07 is Rs. 3.92 crore higher than BE of the same year.
3. The allocation during 2007-08 is 5 per cent higher if compared to BE of previous year. However, if compared to BE 2005-06 the allocation is Rs. 503.80 crore i.e. marginally lesser.

The expenditure during the year 2006-07 almost commensurate with reference to budget provision.



3.47 The amount of food subsidy released to State Governments undertaking Decentralized Procurement Scheme during the year 2005-06, 2006-07 and projections for 2007-08 Statewise are as under:-

(Rs. in crore)

S.No.	NAME OF STATE	YEAR		PROJECTIONS
		2005-06	2006-07	2007-08
1.	Madhya Pradesh	219.71	34.74	100
2.	Uttar Pradesh	1821.27	1779.80	2100
3.	West Bengal	191.21	197.23	210
4.	Chhattisgarh	550.40	419.05	450
5.	Uttarakhand	78.08	94.19	100
6.	Tamil Nadu	221.40	272.81	220
7.	Orissa	70.79	180.13	200
8.	Karnataka	10.07	-	20
9.	Kerala	37.07	63.43	100
	<b>Total</b>	<b>3200</b>	<b>3041.38</b>	<b>3500</b>

3.48 On being asked for the specific data of proposed allocation and allocation provided under food subsidy, the following data has been furnished:

**Table showing position of Food Subsidy (including Sugar)**

(in crores)

Year	Proposed		Accepted	
	BE	RE	BE	RE
2003-04	26439.00	25200.00	27800.00	25200.00
2004-05	25823.55	25800.00	25800.00	25800.00
2005-06	26569.14	26160.00	26200.00	23200.00
2006-07	26245.61	31804.79	24200.00	24203.92
2007 -08	30819.31	-	25696.20	---

3.49 To the apprehension of the Committee that lesser than the proposed allocation provided under non-plan head which covers the major component of food subsidy would adversely affect the interest of the poorest of the poor for which the allocation is being made for distribution of subsidized foodgrains through PDS and other welfare schemes, the Ministry in their Post Evidence Reply stated as under:

“The allocation of foodgrains for distribution under Public Distribution System is not affected by the lesser allocation of food subsidy in the Budget. Foodgrains are released to the States by the FCI as per the Central Issue Price. The Central Issue

Price has not been changed since July 2000 for below poverty line and since July 2002 for above poverty line beneficiaries. The release of foodgrains for PDS and Welfare Schemes is continuing as per policy. The consequent loss in this regard is subsidized by the Central Government through budgetary allocation and release to FCI. Less provision of food subsidy for FCI increases the amount of subsidy payable to FCI and consequently interest to be paid by FCI on borrowings from the banks goes up.”

3.50 The Secretary, Department of Food and Public Distribution during evidence further stated:

“The other components, which will also contribute to increased food subsidy, will be the hike in interest rates because our banks rates have gone up and FCI does borrow substantial amounts of money from the banks and also an increase in freight costs. There are other minor increases which are incidental, but these will be the three main components of our increased demand on food subsidy.”

3.51 The Finance Minister in his Budget Speech 2007-08 has highlighted that the average inflation in 2006-07 is estimated at between 5.2 and 5.4 per cent, which is higher than 4.4 per cent last year. The prices of foodgrains are rising day by day. In this scenario, the worst affected are the poor persons. It is imperative on the part of the Government to lay more stress on distribution of foodgrains through PDS and other welfare schemes. The allocations for food subsidy do not reflect the priorities of the Government in this regard.

3.52 The Department has furnished the following comments on the aforesaid observation

“As mentioned earlier distribution of foodgrains through TPDS and Welfare Schemes will continue and request will be made to Ministry of Finance for enhancement of food subsidy at RE stage in 2007-08.

The amount of food subsidy released to State Governments undertaking Decentralised Procurement (DCP) during 2006-07 was Rs. 158.62 crore less as compared to 2004-05. whereas for the year 2007-08 a projection of Rs. 3500 crore has been made on this account which is about 15 per cent more than that released during 2006-07.”

3.53 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 reach to the targeted people. However, to ensure that the food subsidy reaches the targeted population, the following measures have been taken:-

The Public Distribution System(Control) Order, 2001 has been issued on 31<sup>st</sup> 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;

- (i) 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.
- (ii) 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.
- (iii) A Model Citizen's Charter has been issued to all the State/UTs for adoption.
- (iv) Continuous dialogue is maintained with all the State Governments/UTs in the implementation of TPDS/AAY."

3.54 The Secretary during the course of oral evidence while elaborating the impact of getting lesser allocation for subsidy than the projections stated that there has been no increase in issue prices of any of the foodgrains in any of the category of AAY, BPL & APL, but the minimum support price of wheat have substantially increased in the last two years. Therefore, the burden of food subsidy would definitely increase only on account of this particular point. The other two components which was also contribute to increased food subsidy will be the huge interest rate because bank rate has gone up and FCI borrow substantial amount of money from the Banks and also an increase in freight cost. There are other minor increases which are incidental. The Secretary further stated that better management of FCI will be possible if allocations match the demand.

3.55 The Committee find that Rs. 25,696.20 crore have been allocated under Food subsidy (including sugar) for the year 2007-08 against the allocation of Rs. 24,200 crore during the previous year. The allocation made during the year 2007-08 is thus around 5 per cent above the allocation made during the previous year. However, if the allocation made for food subsidy during 2007-08 is compared to 2005-06, it is Rs. 503.80 crore lesser. The data with regard to proposed and accepted outlay during different years at Budget Estimates (BE) Stage and Revised Estimates (RE) Stage indicates that there is huge difference particularly during the year 2006-07 and 2007-08. During the year 2006-07, out of the proposed allocation of 31,804.79 crore at RE Stage, allocation made was Rs. 24,203.92 crore which is about 24 per cent lesser. Further during 2007-08, the allocation made at BE Stage was Rs. 25,696.20 crore against the proposed allocation of Rs. 30,819.31 crore which is about 19 per cent lesser. As regards the impact of getting lesser food subsidy than the projections, the Secretary has informed that although it won't affect the distribution of foodgrains through TPDS and welfare schemes, the allocation of lesser outlay would definitely affect the management of FCI. The Secretary also substantiated that there is need for higher amount of subsidy due to non-revision of issue price of foodgrains, whereas MSP of wheat has substantially increased. Besides the rate of interest of banks has gone up and there is also increase in fright cost, etc. Keeping in view the aforesaid scenario, the Committee strongly recommend that the Ministry of Finance/Planning Commission should be pursued to allocate adequate food subsidy for the efficient management of various operations of FCI. The concerns of the Committee in this regard should be communicated to the Planning Commission/ Ministry of Finance.

**(k) Public Distribution System**

3.56 The Public Distribution System (PDS) evolved as a system of management of scarcity and for distribution of foodgrains 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 being intended to make available the entire requirement of any of the commodities distributed under it to a household or a section of the society.

3.57 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 4.89 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. The foodgrains are allocated to different categories of poor people through PDS. The details are as under:-

**(L) Antyodaya Anna Yojana (AAY)**

3.58 The Antyodaya Anna Yojana (AAY) was launched in December, 2000 for one crore poorest of the poor families. AAY contemplates identification of poorest of the poor families from amongst the BPL families covered under TPDS within the States and providing them foodgrains at a highly subsidized rate of Rs. 2 per kg. for wheat and Rs. 3 per kg. for rice. The scale of issue that was initially 25 kgs. per family per month has been increased to 35 kgs per family per month with effect from 1 April, 2002.

The AAY Scheme was expanded in 2003-2004 by adding another 50 lakh households from amongst the BPL families.

The Antyodaya Anna Yojana (AAY) was again expanded with effect from 1 August, 2004 by another 50 lakh BPL families by including, inter-alia, all households at the risk of hunger.

3.59 As announced in the Union Budget 2005-06, the AAY has further been expanded to cover another 50 lakh BPL households thus increasing its coverage to 2.5 crore households. With this increase, 2.5 crores (i.e. 38% of BPL) have been covered under the AAY.

3.60 Besides, foodgrains are allocated as a part of wages/nutritional programme for school children etc. through different schemes of various Ministries. The names of the schemes in this regard are as under:-

- (i) Mid-Day Meal Scheme
- (ii) Wheat Based Nutrition Programme (WBNP)
- (iii) Scheme for Supply of Foodgrains to Hostels/Welfare Institutions (5% of BPL Allocation)
- (iv) Scheme for Supply of Foodgrains for SC/ST/OBC Hostels
- (v) Annapurna Scheme
- (vi) Sampoorna Gramin Rozgar Yojana (SGRY)
- (vii) Special Component of Sampoorna Gramin Rozgar Yojana
- (viii) Nutritional Programme for Adolescent Girls (NPAG)
- (ix) Emergency Feeding Programme (EEP)
- (x) National Food for Work Programme (NFFWP)
- (xi) Village Grain Banks Scheme

**(m) Targeted Public Distribution System**

3.61 The allocation of foodgrains under TPDS is not demand based and is only supplemental in nature. The allocation of foodgrains to all States is made by the Central Government under TPDS @ 35 kg per family, per month on the basis of poverty estimates of the Planning Commission during 1993-94 and population projections by the Registrar General of India as on 31 March, 2000 or actual ration cards issued by each State/UT, whichever is less.

3.62 The Department has informed that the monitoring of offtake of foodgrains at FPS level is done by the respective State Governments. However, the average monthly offtake of foodgrains for APL, BPL and AAY families by all the States/UTs is shown in the table given below:-

Year	Average offtake per month ( in lakh tonnes)			
	AAY	BPL	APL	TOTAL
2003-2004	3.47	13.17	3.30	19.94
2004-2005	4.56	14.54	5.36	24.46
2005-2006	6.20	13.04	6.68	25.92
2006-2007 (upto January, 07)	7.23	11.78	6.99	26.00

### Allocation and offtake of wheat and rice under TPDS

3.63 Allocation and offtake of wheat and rice for the years 2005-06 and 2006-07 under TPDS is as follows:-

Year	Allotment (thousand tones)			Offtake (thousand tones)			% Offtake		
	BPL	APL	AAY	BPL	APL	AAY	BPL	APL	AAY
2005-06	19184.95	44215.52	8065.79	15642.52	8020.52	7442.34	81.535	18.14	92.27
2006-07	15023.142	25594.169	7770.760	11781.10	6990.147	7228.45	78.420	27.311	93.026

### Foodgrains and Other Commodities Supplied through PDS to BPL and AAY

3.64 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.

### Supply of Coarsegrains to States/UTs

3.65 Government is allocating coarsegrains to States/UTs under TPDS in lieu of wheat/rice as per demand projected by them. Coarsegrains are being made available to States/UTs at Central Issue Price (CIPs) of 50 per cent of the economic cost in the case of BPL families, 70% of the economic cost in the case of APL families and Rs. 200 per quintal in the case of AAY families.

3.66 Keeping in view the declining wheat stocks due to less procurement of wheat during Rabi Marketing Season (RMS) 2005-06, and the need to rationalize wheat and rice allocation keeping in view the predominant food habits of the people, the Government of India decided to streamline the ratio of rice and wheat in the allocation of foodgrains in respect of Below Poverty Line (BPL) and Above Poverty Line (APL) families, with effect from 1 August, 2005.

The State Governments are being encouraged to procure more coarse grains and distribute the same under TPDS and other schemes.

(n) **Identification of BPL persons**

3.67 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 Secretary during the course of oral evidence clarified that the identification of BPL is done by the Ministry of Rural Development and the Department of Food and Public Distribution does not conduct any independent survey.

3.68 On the observation of the Committee to have some modified APL scheme to cover 20 per cent of APL people who are little above BPL persons but deprived of the benefits of PDS, the Secretary during the course of oral evidence submitted as under:-

“You had also mentioned appropriately the question of the APL issue, now, Sir, the problem with above poverty line is also a problem of management. You did rightly mention that there has been less off-take in APL and it is quite fluctuating at times. Now, to procure so much wheat and keep it for APL category who do not buy the grains from the shops is also a question which can cause a lot of logistic problem to FCI. We definitely agree with your suggestion. When a person is treated as non-poor, he becomes marginally above poverty line. It might be a good idea to restrict 15 or 20 per cent, as you suggested—we will work on those details and then we will come back with a clear proposal on this- to include some people who are food insecure and they would probably need the support from the Government. That would be a very good idea, and then people who can afford to buy from the market should be left to the market forces to determine their food needs. In any case, many of them do not come to the fair price shops. Many of them have a ration card only for identification purposes. So, those kinds of people who really do not need any support, I think, it would be a good idea to take them out. But this is a larger policy issue; we would debate on this and we will come back to you. In principle, at this level, we would have no problem in supporting such a proposal.”

3.69 On the observation of the Committee to provide certain quantities of edible oils and pulses to BPL and AAY categories of persons through PDS the Secretary, during the course of oral evidence submitted as under:-

“You have rightly raised this question, whether pulses and edible oils which are two important commodities which would impinge on the people could be included in the PDS. There are 2-3 sets of problems; we were looking at the possibility. One is that in edible oils and pulses, production is short of the requirement. We import pulses and



edible oils. Both of them have generally stayed at the same level of production for the last 5-6 years. So, we import edible oil to the tune of 45-50 lakh tonnes and pulses to the tune of 20-25 lakh tonnes. In the case of pulses, the issue is that most of the time we have to import either urad dal and moong dal, which should be done only in May-June. We do not get globally these types of dals. There are regional preferences; people like specific type of dals. So, we have to provide them with those dal.”

**(O) Subsidies Given for TPDS and Other Welfare Schemes**

3.70 The subsidy released under Targeted Public Distribution System (TPDS), alongwith percentage to total subsidy released, for the last three years, Year-wise and Category-wise, is as under:-

Subsidy (Rs. in crore)

	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
<b>I Subsidy</b>	<b>25746.45</b>	<b>23071.00</b>	<b>23827.59</b>
<b>Scheme wise Subsidy released</b>			
BPL	12580	10074	10148
AAY	4968	6418	7852
APL	2792	3334	3349
<b>TPDS</b>	<b>20340</b>	<b>19827</b>	<b>21350</b>
<b>Percentage to total subsidy (%)</b>			
BPL	48.86	43.67	42.59
AAY	19.29	27.82	32.95
APL	10.84	14.45	14.05
<b>TPDS</b>	<b>79.00</b>	<b>85.94</b>	<b>89.60</b>

3.71 The subsidy released for various welfare schemes during the last three years alongwith percentage of total food subsidy scheme and year-wise is as under:-

<b>YEAR</b>	<b>Subsidy released (Rs. in crore)</b>		
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
<b>Total subsidy</b>	<b>25746.45</b>	<b>23071</b>	<b>23827.59</b>
<b>Scheme wise subsidy</b>			
BPL	12580	10074	10148
APL	2792	3334	3349
AAY	4968	6418	7852
<b>TPDS</b>	<b>20340</b>	<b>19827</b>	<b>21350</b>
MDM	1594	1229	1284
OTHER WELFARE SCHEMES	624	1517	622
<b>Percentage to total subsidy</b>			
BPL	48.86	43.67	42.59
APL	10.84	14.45	14.05
AAY	19.29	27.82	32.95
<b>TPDS</b>	<b>79.00</b>	<b>85.94</b>	<b>89.60</b>
MDM	6.19	5.32	5.39
OTHER WELFARE SCHEMES	2.42	11.90	14.82

**(p) Sale of non-PDS commodities through Fair Price Shops**

3.72 Government has already issued instructions to all the State Governments/UTs allowing them to sell non PDS commodities of daily use such as soap, tea powder, iodised salt etc. in the FPS to increase the viability of FPS. This will also facilitate the easy availability of various commodities of daily use to the people in at one place; especially the people from the rural areas and the people living in tribal areas may get the items of daily use easily from the FPS. A number of State Governments have allowed sale of a number of non-PDS commodities in the FPS to improve their viability. The FPS can also establish STD booths. The Government is also exploring the possibilities of selling postal items and railway tickets through the FPS, if feasible. Some of the States like Gujarat have gone to the extent of making FPS as rural malls where almost all the items of daily consumption are allowed to be sold in those shops. The viability of FPS has been discussed in a number of meetings with Food Secretaries of different States and requested them to take all the necessary steps to increase the viability of FPS and to curb leakage and diversion.

**(q) Facility of PDS to Floating Population**

3.73 The Department has informed that the States/UT Governments have been asked to take necessary action in line with the ration cards issued to migrant labourers as already being implemented by the Government of Gujarat. In the recently held regional conferences also the issue was discussed and all the remaining States were requested to take action in this regard.

**3.74 The Committee note that Public Distribution System (PDS) is an important part of Government Policy for management of food by providing foodgrains to poorest of the poor through Public Distribution System. The Public Distribution System is operated under the joint responsibility of the Central and State Governments. The Central Government through FCI has taken the responsibility for procurement, storage, transportation in bulk of foodgrains to the State Governments. The operational responsibility rests with the State Governments. At present foodgrains are distributed through the network of more than 4.89 lakh fair price shops.**

**Under the Targeted Public Distribution System, 2.5 crore poorest of the poor families from among the BPL families covered under TPDS within the States are being provided foodgrains at a highly subsidized rate of Rs. 2 per Kg. for wheat and Rs. 3 per Kg. for rice under the Antyodaya Anna Yojana. The scale of issue of foodgrains is 35 kg. per family per month. As per the information provided by the Department, total number of ration cards issued by States/UTs for different category of persons are 2,291.82 lakhs, out of which 1,291.91 lakhs are APL, 765.82 lakhs BPL and 234.10 are AAY.**

**The Committee further note that the identification of BPL is done by the Ministry of Rural Development and the Department of Food and Public Distribution do not conduct any independent survey. The Committee are also aware of the fact that the results of BPL census 2002 could not be finalized so far by the various State Governments and as such the data of BPL persons identified during the year 1997 is being depended upon. The Committee note from the position of off-take of foodgrains as compared to allotment under BPL/APL and AAY categories that the off-take was**

around 78 per cent under BPL, around 27 per cent under APL and around 93 per cent under AAY during the year 2006-07.

**3.75 The Committee while examining Demands for Grants for 2006-07 (refer para 2.68 of Twelfth Report) had recommended that there is a need to reduce allocation of foodgrains for APL category especially wheat. In this regard, while examining the Demands for Grants of this year, the Committee have observed that the off-take of APL persons is very low. It is only 27 per cent during the year 2006-07. Further as stated above, the revised data of BPL persons is not available with the various State Governments. The benefits of subsidized food provided to BPL/AAY persons through PDS are actually being diverted. The issue of diversion has been dealt in detail in the succeeding part of the report. Keeping all the factors in consideration, the Committee note that there is a category of persons who are little above BPL but are actually being deprived of the benefits of TPDS in most of the States/UTs. The rising prices in the last couple of years has hit hard specifically this category of persons who are actually suffering from food insecurity but are technically above poverty line and deprived of the special benefits of PDS being provided to BPL persons. The Secretary during the course of oral evidence has acknowledged the need to provide the benefit of food security through subsidized foodgrains to this category of persons on the lines of the subsidised foodgrains provided to BPL persons. In view of the aforesaid position, the Committee reconsider the earlier recommendations and strongly recommend to the Government to devise a modified APL scheme covering at least 20 per cent of the poor persons who are above poverty line i.e just above BPL. The proposed modified APL Scheme would be in addition to the existing BPL Scheme and APL Schemes of various State Governments/Union Territory Administrations. The Committee would also like that the modalities of the proposed scheme should be worked out and placed**

**before the Cabinet expeditiously. The action taken in this regard should be communicated to the Committee.**

**3.76 The Committee further note that malnutrition, specifically among women and children is the area of concern. The malnourished children are unlikely to reach their human potential. Besides, due to malnourishment, women are also affected by anemic and other problems related to malnourishment. There is an urgent need to provide adequate nourishment and health care to every citizen particularly the children and women. Pulses are a rich source of protein and other nutrients. The considerable rise in the prices of pulses and edible oil has affected the poorest of the poor hard and as such there is an urgent need to provide certain quantity of pulses and edible oil at subsidized rates to poor persons through PDS. The Committee are aware of the fact that due to mis-match between demand and supply of cereals and edible oil, the Government has to resort to imports considerably. The Secretary has informed that at present, edible oil to the tune of 45-50 lakh tonnes and pulses to the tune of 20-25 lakh tonnes are being imported. On the suggestion of the Committee to provide pulses and edible oil to the BPL families, the Secretary expressed certain constraints such as need to resort to more imports due to the shortage and consequent increase in subsidy. The Committee would like that all these concerns should be adequately addressed to and the Government should evolve a strategy to provide 2 kg of pulses and 1 kg. of edible oil at subsidized rates to each family through PDS. The proposed scheme in this regard should be worked out after taking into account all the factors keeping in view the aforesaid observations of the Committee and placed before Cabinet expeditiously.**

**3.77**           The Committee note that as per the existing practice, certain monthly quotas of sugar are being provided to various State Governments for distribution through PDS. Limited special quota of sugar on the occasions of festivals is also being provided to various State Governments. The Committee recommend that the Department should review the policy of providing sugar through quota to various State Governments/Union Territory Administrations and decontrol the same.



**3.78 The Committee note that the Government has issued instructions to all State Governments/UTs allowing them to sell non PDS commodities of daily use such as soap, tea powder, iodized salt, etc. in the FPS to increase the availability of FPS. Besides, the Government is also exploring the possibility of selling postal items and railway tickets through the FPS. The State of Gujarat has gone to the extent of making FPS as rural mall shops where almost all the items of daily consumption are allowed to be sold in those shops. The Committee would like that the experience of Gujarat need to be replicated in other States so that the people from rural areas specifically those living in tribal areas can get the items of daily use easily from FPS. The Department should pursue with the State Government/Union Territory Administrations and take all the steps to make the FPS viable and the Committee should also be kept apprised.**

**The Committee further note that in Gujarat, ration cards are being issued to migrant labourers. The Department is pursuing with the State Governments to replicate the idea of issuing ration cards to migrant labourers on the lines of the State Government of Gujarat. The Committee would like the Department to pursue further with the State Governments in this regard and inform the Committee about the follow up action.**

**(r) Diversion of Foodgrains**

3.79 The PDS is functioning all over the country through the vast network of more than 4.89 lakhs Fair Price Shops (FPS) spread all over the country. To check diversion of foodgrains being provided at subsidized rates to BPL and AAY categories of persons, a Study was done by the PEO, Planning Commission (March 2005) and ORG Marg (September 2005). The State-wise diversion of foodgrains of Wheat and Rice as per ORG Marg Report have been given in Appendix-III.

3.80 It could be seen from the appendix that excepting 11 States/UTs in all the States, there was large scale diversion of Wheat and Rice. The worst is the position in North-Eastern States. In Manipur where diversion is 97.7 per cent followed by Nagaland and Arunachal Pradesh where diversion is 88.6 per cent and 64 per cent respectively. In States other than the North-Eastern States, the diversion is maximum in hilly States of Himachal Pradesh (58 per cent ) and Uttranchal ( 53 per cent). All India diversions of foodgrains are 39 per cent for rice and 53.3 per cent for wheat. Further as per, PEO Report, the All India diversion data is 36.38 per cent. The foodgrains leakage through ghost ration cards is 16.67 per cent and foodgrains leakage on FPS is 19.71 per cent.

(s) **Evaluation, Monitoring, Management and Strengthening of Targeted PDS**

3.81 Finance Minister in his speech on Budget 2007-08 has stated that a plan scheme for evaluation, monitoring, management and strengthening of the Targeted PDS will be implemented in 2007-08 as this will include computerization of PDS and an Integrated Information System in the Food Corporation of India.

3.82 The outlay and expenditure position as indicated in the Budget documents of the Ministry under the existing scheme for monitoring and management are given below:-

Scheme	10 <sup>th</sup> Plan outlay	Annual Plan (2005-06)	Actual Expenditure	Annual Plan (2006-07)	11 <sup>th</sup> Plan Outlay
Integrated Information System for Foodgrains Management	126.66	94.20	21.62	0	25.00
Evaluation, Monitoring and Research in Public Distribution System	1.15	1.04	0.13	0.20	0.50
e-governance in the Department (new)	-	-	-	-	0.40

3.83 Explaining the reasons for low utilization, the Ministry has stated as under:-

“Due to fall in the prices of computer hardware and reduction in the number of locations to the computerized resulted in savings, in IISFM project in 2004-05, 2005-06 and 2006-07. Delay in signing of Memorandum of Understanding (MoU) by some States especially Punjab and Madhya Pradesh, also contributed to low utilization of funds. Godowns of State agencies are proposed to be computerized in these States in order to make the functioning of godown operations more efficient and transparent.

The expenditure on hardware and software designing for the 'Financial Accounting Package (FAP) could not be incurred as the statutory tendering process for the FAP of FCI was time consuming. The tendering process could be completed only in the 3<sup>rd</sup> Quarter of 2006-07 and the contract has now been awarded to Tata Consultancy Services."

**(t) Task Force Team**

3.84 The Task Force Team constituted by the Ministry of Consumer Affairs, Food & Public Distribution checks and irregularities and inspects, monitors TPDS and AAY on being asked whether the Task Force Team regularly visits the different States/UTs to check the functioning of TPDS, the Ministry in a reply stated :

"A list of suitable officers has been drawn up in the Department of Food & Public Distribution so that when situations arise necessitating investigation into the inadequacy or otherwise, of the PDS in any area of alleged 'starvation' deaths a team of such officers can be deputed quickly to these areas to assess the situation. Such team of officers is called a Task Force. After the visit of the Task Force team, the Report is examined in the Department and the concerned State Government is requested to take necessary corrective measures to ensure the smooth functioning of TPDS in the State.

The Task Force drawn up in the Department of the suitable officers does not visit regularly the different States to check the functioning of the TPDS. As already appraised of the position to the Committee, the Task Force makes its visit when situation arises, necessitating investigations into the inadequacy or otherwise in functioning of PDS in any area. During the last three years, no unbecoming instance did occur to necessitate visit by a Task Force Team. "

**(U) Area Officers Scheme**

3.85 The Ministry has a full pledged area officers scheme to monitor the implementation of PDS system in various States/UTs. Para 10.2.1 and 10.2.2 of the audit para of C & AG Report has revealed that there was a 96 per cent short fall in inspection by area officers under the scheme between 2000-01 and 2004-05.

3.86 On being asked to furnish the number of visits undertaken by the Area Officers State wise during each year of Tenth Plan, their findings and action taken on the various discrepancies noticed by these Area Officers, the Ministry in written reply stated:

"A statement showing the number of visits made by Area Officers (State-wise) is given at Appendix -IV. The report of the Area Officers were examined in the Department and a copy thereof had been forwarded to the State Government/UT Administration concerned, for taking necessary corrective measures. "

**(V) Vigilance Committee**

3.87 Under PDS (Control) Order, 2001, itself makes mandatory, the constitution of Vigilance Committees by the States/UTs at State, District, Block and FPS levels to monitor the functioning of FPSs in PDS. In 1997, this Ministry had issued Model Citizens' charter for adoption by all the States/UTs wherein inter-alia, it was emphasized to constitute the Vigilance Committees at all levels. On being asked by the Committee whether the Government have taken up the matter at the highest level for Constitution of the Vigilance Committees by the States/UTs the Ministry stated that stress is being laid down upon the State/UT Governments in every review meetings and conference to constitute the Committee and also requesting them to apprise the position.

3.88 On the basis of feedback received from the State/UT Government the Ministry also informed the State wise status of Vigilance Committee formed by them (Appendix- V). It may be seen that no vigilance committees were constituted in Assam, Bihar, Harayana, Jharkhand, M.P, Maharashtra, Manipur, Orissa, Punjab, Tripura, Uttaranchal, U.P, A&N Island, Daman & Diu at State level/District level.

3.89 When asked as to the difficulties faced in compiling the information on number of meetings conducted by the Vigilance Committee formed at State/District/Taluka/ Ward Panchayat level, Ministry has not reflected the exact position.

**3.90 The Committee find that diversion of foodgrains meant for poorest of the poor to be allocated through PDS is the biggest menace in the functioning of one of the important welfare schemes of Government i.e. PDS. In this regard, the revelation made under ORG Marg Report and PEO Report are a matter of concern. As per the ORG Marg Report, excepting 11 States/UTs, in all the States, there were large scale diversions of wheat and rice. The worst is the position in North-Eastern States. In Manipur diversion is 97.7 per cent followed by Nagaland and Arunachal Pradesh where diversion is 88.6 per cent and 64 per cent, respectively. In States other than the North-Eastern States, the diversion is maximum in hilly States of Himachal Pradesh (58 per cent) and Uttaranchal (53 per cent). All India diversions of foodgrains are 39 per cent for rice and 53.3 per cent for wheat. Further, as per PEO Report, the All India diversion data is 36.38 per cent. The foodgrains leakage through ghost cards is 16.67 per cent and foodgrains leakage on FPS is 19.71 per cent.**

**The Committee also note that there are various monitoring mechanisms of the Department to have better monitoring and deal with all the issues including diversion of foodgrains. The Ministry has constituted a Task Force Team to monitor and check the various irregularities in the functioning of PDS. Besides, the Ministry has an Area Officer Scheme under which the various officers of the Ministry visit various States to know about the ground position with regard to the working of PDS. In addition, under PDS Control Order, 2001, the constitution of Vigilance Committees by the States/UTs at State/District and FPS level is mandatory.**

In addition to the aforesaid systems, the Ministry get the utilization certificates from various State Governments which also help in monitoring of the PDS scheme. In spite of the elaborate system of monitoring, the diversion of foodgrains continues.

The Committee note that besides evolving various system of monitoring mechanism, it is pertinent that these systems work properly. In this regard, the information furnished by the Department indicates that the systems are not working properly. For example, Vigilance Committees could not be constituted in Assam, Bihar, Haryana, Jharkhand, M.P. Maharashtra, Manipur, Orissa, Punjab, Tripura, Uttaranchal, U.P. A & N Island and Daman & Diu. The Ministry has no mechanism to take note of the meetings of these Committees, although it is mandatory to have one sitting in each quarter by these committees as per the aforesaid control order. As regards the working of Area Officers Scheme, the Committee note from the data furnished by the Ministry that in 2006-07, visits were undertaken only in 7 States/UTs. In the year 2005-06, the position was better when visits were undertaken in 11 States/UTs. In view of the aforesaid position, the Committee strongly recommend to the Department to ensure that the various monitoring mechanisms work properly failing which the objective of having detailed mechanism of monitoring is really defeated.

The Committee feel that there is an urgent need to involve more and more women in the various activities related to Public Distribution System (PDS). As noted earlier, there are 4.89 lakh Fair Price Shops (FPS) spread through out the country for the purpose of distribution of foodgrains to various entitled categories like BPL, AAY and APL persons. The Committee feel that there is a need to increase the number of fair price shops for the convenience of masses and the Committee strongly

**recommend to provide license to women for Fair Price Shops. Besides, Self-help Groups can also be involved in various activities related to PDS. The Committee desire that the data of women FPS license holders should be separately maintained to know the status of involvement of women in PDS.**

**The Committee feel that greater responsibilities should be given to Panchayati Raj Institutions particularly elected women members in design implementation and monitoring of location specific food security schemes particularly PDS. The monitoring of PDS can be emphasized through social audit by Gram Sabhas. Besides, Panchayati Raj Institutions should also be made responsible for initiating action under the PDS Control Order, 2001. The Committee strongly recommend that necessary action should be taken in the light of the aforesaid observations of the Committee for involvement of women, Self-help Groups as well as Panchayati Raj Institutions under PDS. The Committee should also be kept apprised in this regard.**



**3.91 The Committee further note that Finance Minister in his speech on Budget 2007-08 has referred to a plan scheme for evaluation, monitoring, management and strengthening of the Targeted PDS to be implemented in 2007-08, which will include Computerization of PDS and an Integrated Information System in the Food Corporation of India. The Committee note that already two elaborate schemes viz Integrated Information System for Foodgrains Management and Research in Public Distribution System are in operation since the Tenth Plan. The performance of these schemes is worst during the year 2006-07. Under the Integrated Information System for Foodgrains Management, the expenditure incurred is Nil. Further, under the Evaluation, Monitoring and Research in Public Distribution System, the expenditure is just marginal i.e. 0.20 crore. As discussed in detail in the preceding part of the report, the Ministry has furnished certain reasons for huge under spending indicating delay in signing of MOU and tendering process by some of the States resulting in low financial achievement under IISFM. The Committee understand that all these issues were well within the domain of the Ministry and such under spendings could have been avoided with proper planning. The Committee desire the explanation of the Department particularly on the Nil expenditure under IISFM.**

**The Committee note that the monitoring of PDS system can be made more effective with the recent technological interventions. Further, with the existing pace of implementation of the schemes which propose to use computers for monitoring, there seems to be no hope in this regard. The Committee strongly recommend to the Government to take the issue of monitoring seriously since crores of rupees are being spent for allocating subsidized foodgrains to the poorest of the poor.**

**(w) Village Grain Bank Scheme**

3.92 A Centrally Sponsored Scheme for establishing grain banks in tribal villages was launched during 1996-97 by the Ministry of Tribal Affairs in 11 States. The scheme was transferred from the Ministry of Tribal Affairs to the Department of Food and Public Distribution on 24 November, 2004. The main objective of the scheme is to provide safeguard against starvation to all Below Poverty Line (BPL)/Antyodaya Ann Yojana (AAY) families in chronically food scarce areas.

“Village Grain Bank Scheme envisages inclusion of all willing BPL and AAY families in the villages identified by the State Government as chronically food deficit areas all over the country. However, till date Village Grain Banks have been established only in three States namely Andhra Pradesh, Orissa and Chattisgarh.”

3.93 On being asked about the reasons for not establishing Village Grain banks in the remaining States of the country, the Ministry in a reply stated:

“In March 2005-06 the Govt. of Andhra Pradesh, Orissa, Chhatisgarh, Jharkhand, Tripura, Meghalaya and MP were sanctioned 3282 Village Grain Banks for their establishment in their States. Similarly, during 2006-07 the Government of UP, Assam, Sikkim, Himachal Pradesh, Gujarat, West Bengal, Nagaland Andhra Pradesh, Uttranchal, Chhatisgarh, Maharashtra, Manipur were sanctioned 8591 Village Grain Banks. Proposal for establishment of Village Grain Banks were also received from Bihar, West Bengal & Tripura but their applications could not be considered for want of Utilization Certificate for the amount sanctioned earlier by Ministry of Tribal Affairs from whom the scheme was transferred to this Department. Moreover, against an allocation of Rs.50 crores, the Department has sanctioned Village Grain Banks for Rs. 51.79 crores during 2006-07. Proposal for the remaining States shall be considered during the Eleventh Plan as & when received.”

**3.94 The Committee note that the main objective of the Village Grain Bank Scheme is to provide safeguard against starvation to all Below Poverty Line (BPL) and Antyodaya Anna Yojana (AAY) families in chronically food scarce areas. The Committee note with concern that though the Scheme was launched during 1996-97 (i.e. about ten years ago) yet Village Grain Banks have been established only in three States namely Andhra Pradesh, Orissa and Chattisgarh, till date. The Committee feel that the Scheme has not proved to be a major success as starvation deaths are still being reported not only from the three States where Village Grain Banks have been established, but from other States as well. The Committee therefore, recommend that to meet the objective of this Scheme the Government should direct the State Governments to make serious concerted efforts for establishing more and more Village Grain Banks in their States. The Committee would like to be apprised of the action taken in this regard.**

**CHAPTER-IV**  
**FOOD CORPORATION OF INDIA (FCI)**

The Food Corporation of India (FCI) was set up in 1965 under an Act of Parliament called the Food Corporation Act, 1964. The primary duty of the Corporation is to undertake purchase, storage movement, transport, distribution and sale of foodgrains.

4.2 As the principal implementing agency of the food policy of Government of India, the FCI undertakes procurement of foodgrains at the minimum support price to provide remunerative prices to farmers and also to prevent distress sale of their produce. The FCI also maintains a satisfactory level of operational and buffer stocks of foodgrains to ensure national food scrutiny. It offers foodgrains to various State Governments for being distributed to consumers through a wide network of fair price shops under the Public Distribution System (PDS), at the Central Issue Price fixed by the Government.

4.3 The authorized and paid up capital of the Corporation wholly subscribed by the Government of India as on 31 October, 2006 stood at Rs. 2,500 crore and Rs. 2,475.60 crore respectively.

**(a) Dues and Liabilities of FCI**

**(i) Outstanding Dues of FCI**

4.4 During the course of examination of Demands for Grants of the previous year, the outstanding dues were communicated to the tune of Rs. 25,656.35 crore. The outstanding dues of FCI against other Ministries, relating to issue of foodgrains on credit, are as detailed under:

(Rs. in crore)

S. No.	Particulars	Amount Outstanding
1.	Ministry of External Affairs (supply of foodgrains to Afghanistan)	36.85
2.	Ministry of Human Resource Development (supply of foodgrains for Mid Day Meal Scheme) (including interest of Rs. 1641.29 crore up to 28.2.2007)	1991.84
3.	Ministry of Rural Development (supply of foodgrains for Food for Work, SGRY-I, SGRY-II & Special Components) (including interest of Rs. 6924.58 crore up to 28.2.2007)	17740.40
4.	State Government/Agencies	246.14
5.	Ministry of Defence	1.18
6.	Others (Central Organizations, Parties and Cooperatives)	48.10
	<b>Total</b>	<b>20064.51</b>

4.5 During oral evidence, Secretary, Department of Food and Public Distribution informed:-

“One of the other components which keep bothering us is outstandings from the Ministry of Rural Development. We have tried to resolve these outstandings from the Ministry of Rural Development to some extent. The Government of India has allowed

FCI to float bonds for about Rs. 16,200 crore. We still have a balance of roughly Rs. 17,000 crore yet to be received from the Ministry of Rural Development”.

4.6 Further information about the action taken in the Department in this regard, it is stated in the written reply that the matter was placed before the Committee of Secretaries (COS) for balance outstandings and to decide the future course of action so that FCI's dues do not increase further. The same was considered by the COS in their meetings held on 22<sup>nd</sup> August, 2006 and 9<sup>th</sup> February, 2007. Ministry of RD (for SGRY and NFFWP) has been informed that foodgrains will be issued to State Governments in 2007-2008 on pre-payment basis. Ministry of RD has also been requested to obtain adequate budget provision in 2007-2008 so that FCI can get payment in advance for the foodgrains issued to State Government under these welfare schemes. With regard to actual implementation of prepayment scheme in 2007-2008 under Mid Day Meal, SGRY & NFFWP, the matter is under consideration of the Ministry of Consumer Affairs, Food & Public Distribution and Ministry of Rural Development.

**4.7** The Committee find that Food Corporation of India is providing foodgrains for various welfare schemes of respective Ministries of Union Government on payment basis. The information provided by the Ministry indicates that there are huge outstanding dues against various Ministries. The maximum outstanding dues are from the Ministry of Rural Development for supply of foodgrains being provided under Food for Work Programme, SGRY and special component of SGRY. The total outstanding dues from different Ministries are to the tune of Rs. 20,064.51 crore, out of which the dues outstanding from Ministry of Rural Development in respect of the aforesaid schemes are Rs. 17,740.40 crore. The Committee further note from the information provided by the Department in various Budget documents and during the course of oral evidence that the matter of outstanding dues has been taken up at the highest level. As a result of the pursuance of the matter at the Cabinet level, it has been decided by the Cabinet to approve the issue of special securities to an extent of Rs. 16,200 crore towards partial settlement of the dues of the Ministry of Rural Development. Still, a balance of roughly Rs. 17,740.40 crore is yet to be received from the Ministry of Rural Development. As regards the future strategy to avoid such a situation, the matter was placed before the Committee of Secretaries and it was decided that Ministry of Finance would provide Budgetary support to the Ministry of Rural Development for meeting the requirement of funds for supply of foodgrains by FCI in the next financial year onwards. The Committee feel that outstanding dues to the extent of Rs. 20,064.51 crore from various Ministries is a matter of serious concern and it would affect the functioning of FCI adversely. The Committee strongly recommend to pursue further with various Ministries, particularly the Ministry of Rural Development to clear all outstanding dues. Besides the efforts being made to take up the matter at the highest level needs to be pursued further. As regards the future strategy, the Ministry has to take up the issue again at the highest level and strictly tell various Ministries to make provisions for foodgrains component at the Budget Estimates stage. The concern of the

**Committee in this regard should be duly communicated to the various concerned Ministries as well as the Ministry of Finance and Planning Commission.**

**(b) Establishment Cost of FCI**

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

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

**(Rs. in crore)**

<b>Year</b>	<b>Staff cost</b>	<b>Other Admn. cost</b>	<b>Total establishment cost</b>	<b>Staff cost as % of establishment cost</b>
2003-04	1255.11	109.55	1364.66	91.97
2004-05	1499.63	118.29	1617.92	92.69
2005-06 (RE)	1271.62	184.11	1455.73	87.35
2006-07	1509.00	214.00	1723.00	88.00

4.9 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 stated that M/s McKinsey & Co. apart from other operational aspects examined the deployment of staff in various establishments of the Corporation. It was observed that there were imbalances with regard to the posting of staff in various offices vis-à-vis level of operations. The consultants recommended adoption of different norms for different offices based on the volume of operations, for example staff required in a district where there is heavy procurement should be more than what is required where there are limited operations. Accordingly, the consultants depending upon the level of operations have proposed certain norms.

4.10 The norms suggested by the consultants are being examined & discussed with the ED(Zones)/GM(Regions). The depot-wise analysis is also being done to determine the requirement of the staff as the parameters such as topography, turn over, railway head, size of procurement etc. vary from depot to depot.. There is no recommendation/proposal for retrenchment/ compulsory retirement of the staff.

4.11 The FCI has introduced a Voluntary Retirement Scheme during 2004 and so far 8,777 employees had retired voluntarily. It is estimated that on account of the VRS, there will be a saving of Rs.200 crore per annum. Apart from this, 2448 posts lying vacant for more than one year have been abolished. When the Committee enquired about the establishment cost is still being loaded on Food Subsidy Bill or being shown separately, the Ministry stated that all expenses including establishment cost in the Food Corporation of India are met by the Budgetary support of the Ministry by means of Food Subsidy.



**4.12 The Committee have persistently been recommending in their respective reports to bring down the total establishment cost incurred by FCI which adversely affects the total subsidy for foodgrains meant for the poorest of the poor. Any deduction on the total establishment cost will result in increased allocation for foodgrains component since the establishment cost is part of the total foodgrains subsidy package. In spite of pursuing the matter by the Committee in the respective reports, the data indicated in the various Budget documents as reflected in the previous paras of the report indicates that the establishment cost which includes staff cost and other administrative expenses is increasing year after year. Total establishment cost which was Rs. 1,455.73 crore during the year 2005-06 has increased to 1,723 crore which is around 20 per cent. The Committee further find that M/s. McKinsey & Co. while reviewing the operations of FCI has made certain recommendations for revised norms of deployment of staff for different offices at district level based on the volume of operations. The various recommendations of M/s. McKinsey & Co. are still being examined. The Committee strongly recommend to take final decision on the various issues relating to bringing efficiencies in the administration involved in the handling of foodgrains. Such efficiencies would definitely result in curtailment of establishment cost. The follow up action should be communicated to the Committee. The Committee note that all expenses including establishment cost in the Food Corporation of India are made from the Budgetary support of the Ministry by means of food subsidy. The Committee strongly recommend that the establishment cost of FCI should be separately indicated while allocating resources for food subsidy. Such an information would enable the Government to monitor the allocation and utilization of funds separately for**

**establishment and other component of food subsidy. Besides any increase/decrease in the establishment cost would not affect the total package of food subsidy.**

(c) **Storage – covered and open alongwith utilization status**

4.13 The statement showing total storage capacity available with the FCI, stocks held therein and capacity utilization during the last four years is as under:-

(FIG. IN MILLION TONNES)

YEAR As on 31/3	COVERED			CAP(OOPEN)			GRAND TOTAL
	OWNED	HIRED	TOTAL	OWNED	HIRED	TOTAL	
<b>2003-04</b>							
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
Utlz.	37%	65%	50%	03%	42%	18%	46%
<b>2004-05</b>							
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
Utlz.	43%	63%	52%	0.01%	44%	0.08%	48%
<b>2005-06</b>							
Capacity	12.93	9.91	22.84	2.21	0.51	2.72	25.56
Stocks	5.25	6.10	11.35	0.04	0.48	0.52	11.87
Utlz.	41%	62%	50%	02%	95%	19%	46%
<b>2006-07 as on 31.01.07</b>							
Capacity	12.94	9.04	21.98	2.23	0.89	3.12	25.10
Stocks	5.47	5.14	10.61	0.09	0.88	0.97	11.58
Utlz.	42%	57%	48%	04%	99%	31%	46%

4.14 The Agency –wise rent paid by the FCI for the last three years is as under:-

Rs. in crore.

	2003-04	2004-05	2005-06
CWC	92.66	85.54	69.68
SWC	291.72	339.19	296.21
STATE GOVT.	24.72	20.47	20.41
PVT.PARTIES	17.64	12.05	9.66
PORT AUTHORITIES.	-	20.85	7.71
<b>Total</b>	<b>426.84</b>	<b>478.10</b>	<b>403.67</b>

**(d) Capacity Utilization**

4.15 On being asked as to why utilization of hired capacity is more than owned one, the Department in post-evidence reply stated that the hired capacity of 9.04 million tonnes during 2006-07 which includes 7 million tonnes taken over under seven year guarantee scheme and therefore, FCI has to utilize these godowns on priority as per the contractual obligation. Therefore, though every endeavour is made to maximize the use of owned godown capacity, the capacity utilization of hired godowns is comparatively higher.

**4.16 The Committee note with concern the comparative position of utilization of owned and hired storage capacity available with FCI. During the year 2005-06 whereas the utilization of owned storage capacity was 41 per cent, the utilization of hired capacity was 62 per cent. During the year 2006-07, the same trend continued. The utilization of owned storage has increased slightly from 41 per cent to 42 per cent. For hired storage capacity, there is marginal reduction from 62 per cent to 57 per cent. The Committee fail to understand the reasons for such a gross under-utilization of storage capacity. The Committee further find that Rs. 403.67 crore is the total rent paid during the year 2005-06 for the hired storage from different areas. As regards the issue of using more of the hired capacity than the owned capacity, the Department has stated that the hired capacity of 9.4 million tonnes includes 7 million tonnes taken over under seven year guarantee scheme and FCI has to use these godowns on priority basis as per the contractual agreements. The Committee deplore the way the contracts have been made with several agencies without taking note of FCI's owned storage capacity resulting in a situation where huge rents are being paid for rented storage whereas owned storage is underutilized. The Committee would like to be apprised of the detailed process of making contracts so as to enable the Committee to analyse the position and comment further in this regard.**

**(e) Scheme-wise analysis**

**(i) Scheme for construction of storage godowns**

4.17 Under this scheme grants-in-aid are being given to Central Warehousing Corporation and State Government of J&K and North Eastern State including Sikkim for construction of storage godowns and development of infrastructure facilities like railway sidings and installation of weighbridges in storage godowns of FCI. During Tenth Plan period, Rs. 126.66 crore was initially allocated. The cumulative data of allocation made during different years of Tenth Plan indicates that Rs. 93.50 crore were allocated out of which the expenditure has been reported as 86.11 crore. The allocations for the Eleventh Plan under the scheme are for Rs. 100 crore. When asked the reasons for allocating lesser than the Tenth Plan allocation, the Ministry has stated that the allocation has been provided keeping in view the total cumulative releases during the Tenth Plan i.e. Rs. 93.50 crore. During the year 2006-07 out of Rs. 12.05 crore allocated, Rs. 5.98 crore has been stated to be the expenditure.

4.18 The Department has further informed that scheme for construction of storage godowns by FCI was formulated and initially funds were released by the Department to FCI as equity for construction of storage godowns by in areas other than North East Region and in the North East Region including Sikkim as well as for developing infrastructure facilities like railway sidings and installation of weighbridges in storage godowns of the FCI. During the year 2005-06, the scope of the scheme was broadened and grants in aid to FCI, Central Warehousing Corporation/State Governments for the construction of godowns in North East and Jammu & Kashmir were made. The godowns so constructed by these agencies will be owned by them. The actual construction work could be entrusted to agencies such as CPWD, NBCC, HUDCO etc. Under the scheme, equity to FCI is provided only for completion of godowns construction projects on which contractual obligations have already been entered into in areas other than the North East and J&K. Further equity provided to FCI for land acquisition and for strengthening infrastructure in storage godowns like railway sidings including electrification, installation of weighbridge etc. However, mechanical weighbridges may be replaced with electronic ones only after the expiry of their normal life.

4.19 The Ministry has indicated in the replies that presently the storage capacity available is not adequate to stock even three month's requirement of foodgrains for PDS. In this regard, IIM, Bangalore was entrusted with assessment of storage capacity requirement at district level by FCI on 23 February, 2004. The IIM Bangalore studied the availability and requirement of storage capacity in 52 districts in 11 States. The analysis done by IIM revealed that additional capacity may be created and hired as per the following details:-

<b>State</b>	<b>Additional Capacity 000 MT</b>
<b>Assam</b>	<b>58</b>
<b>Arunachal Pradesh</b>	<b>16</b>
<b>Himachal Pradesh</b>	<b>35</b>
<b>Jammu &amp; Kashmir</b>	<b>90</b>
<b>Mizoram</b>	<b>31</b>
<b>Meghalaya</b>	<b>63</b>
<b>Manipur</b>	<b>21</b>
<b>Nagaland</b>	<b>34</b>
<b>Tripura</b>	<b>40</b>

4.20 It was further recommended that a policy of covering upto 75 per cent of capacity for allotment/off-take in any district may be evolved.

4.21 Rs. 126.66 crore was allocated under the scheme for construction of godowns during Tenth Plan. The cumulative data of allocation and expenditure under the scheme is as under:-

Rs. in Crore		
Allocation	-	93.50
Utilization	-	86.11
Unspent Balance	-	7.39

4.22 The data of physical achievement indicates that during 2004-05, the under achievement in other than North Eastern States was 6.68 thousand MTs. During 2005-06, the under achievement was to the tune of 17.07 thousand MTs.

4.23 There were no unspent balances with FCI under the Plan Scheme for construction of storage godowns at the end of 2005-06. However, there was unspent balance of Rs.0.84 crore released to the State Government of Mizoram in March, 2006. Similarly, at the end of 2006-07 there were unspent balances of Rs.1.12 crore and Rs.3.43 crore released in March, 2007 with the State Governments of Jammu & Kashmir and Assam respectively.

### **Capacity creation at micro level**

4.24 The Centrally Sponsored Scheme of 'Construction of Godowns' under which financial assistance was given to the State Governments/UTs for construction of small godowns from 1983-84 to 2001-02 has since been discontinued by the Planning Commission in the Tenth Plan.



**4.25 The Committee find that under the scheme for construction of storage godown, grants in aid are made to FCI, CWC and State Governments for construction of godowns in North East and Jammu and Kashmir. The actual construction work is entrusted to CPWD, NBCC and HUDCO. The Committee further note that as per the study done by IIM, Bangalore, there was a need of additional capacity to be created. Maximum requirement is in Jammu and Kashmir for 90 MT followed by Meghalaya – 63 MT and Assam – 58 MT. The Committee deplore the under achievement of targets to the extent of 17.07 lakh tonnes during the year 2005-06. The Committee feel that in difficult areas of Jammu & Kashmir and North –East, there is an urgent need to pay more attention to the creation of infrastructure for storage of foodgrains and, as such, strongly recommend to the Department to take up the issue of achievement of targets with the various agencies involved like FCI, CWC and the construction agencies like NBCC, HUDCO and CPWD.**

**4.26 The Committee note that the Centrally Sponsored Scheme of Construction of Godowns' which has been operative since 1983-84 and under which financial assistance was given to the State Governments/UTs for construction of small godowns upto 2000 MTs, has been discontinued by the Planning Commission in the Tenth Plan. The Committee feel that after discontinuation of the scheme, there is no agency/scheme to cater to the needs of small farmers for storage of their produce. The Committee, therefore, recommend that a comprehensive survey should be conducted for assessing storage need of States at micro level and if need be, the storage capacity be strengthened accordingly so that the farmers do not suffer for want of storage facilities.**

**(ii) Hill Transport Subsidy Scheme**

4.27 Hill Transport Subsidy Scheme is being implemented w.e.f 1<sup>st</sup> 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.

4.28 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.

4.29 The purpose of declaring important distributing centers 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. The Committee had been informed that the Government of India had requested the Central Vigilance Commission on 27<sup>th</sup> May, 2005 to conduct an enquiry into the alleged irregularities in implementation of the Hill Transport Subsidy Scheme in Arunachal Pradesh. CBI vide letter dated 14 June, 2006 had informed to the Ministry that they have not yet initiated any enquiry into the matter due to the pendency of a PIL on the subject in the Guwahati High Court. The Department of Food and Public Distribution in its written reply stated that pendency of a PIL should not be a reason for delay in investigation by CBI. CVC has been requested on 12 February, 2007 to tender its advice whether the CBI can investigate a case during the pendency of a PIL in the High Court. The Department has again written to the CBI on 6 March, 2007 with a copy to the CVC reiterating its stand in the matter. The CBI has been requested to look into the matter and arrange to get the case investigated as early as possible and send CBI's findings/report alongwith recommendations of CVC to the Department. The Department has also stated that no stay order has been granted by the Guwahati High Court on the PIL.

4.30 The Ministry has further informed that at present, FCI/CWC is not having any godown on the islands. FCI is issuing foodgrains and sugar to the UT Administration of Lakshadweep or its nominated agencies, at the mainland (Mangalore Port), as per the allocation made by the Government under Targeted Public Distribution System and other Welfare Schemes. The expenditure incurred by the UT administration in transportation of the stocks from the mainland to the PDC in the islands is reimbursed by FCI by way of Hill Transport Subsidy. However, keeping in view the request of the UT Administration, decision has been taken to construct a FCI godown (2500 MT) at Lakshadweep.

4.31 When asked as to when the construction of godown at Lakshadweep is likely to commence, the Ministry stated that under the existing policy, construction of godowns is being taken up only in the NE Region (including Sikkim) and J&K. The Department is in the process of getting the approval of the Planning Commission for extending the scheme to other States/UTs also, in the Eleventh Plan. However, the matter has already been taken up with the UT Administration of Lakshadweep for providing suitable land for construction of 2500 MT godown. The construction work of godown will

begin as soon as land is taken over by FCI, and the proposal is approved by Planning Commission. FCI has been directed to prepare the estimates well in advance.

**4.32 The Committee while examining the Demands for Grants of the previous year (refer para 2.75, 12<sup>th</sup> Report) had been informed that the Government of India had requested the Central Vigilance Commission on 27<sup>th</sup> May, 2005 to conduct an enquiry into the alleged irregularities in implementation of Hill Transport Subsidy Scheme in Arunachal Pradesh. The CBI vide letter dated 14<sup>th</sup> June, 2006 had informed to the Ministry that no action could be initiated due to the pendency of a PIL on the subject in the Guwahati High Court. Further, the Department in its written reply on the aforesaid recommendation of the Committee has stated that pendency of the PIL should not be a reason for delay in investigation by CBI. CVC has been requested on 12 February, 2007 to tender advice as to whether CBI can investigate a case during the pendency of a PIL in High Court. The Department has again written to the CBI on 6 March, 2007 with a copy to the CVC reiterating its stand in the matter. The CBI has been requested to look into the matter and arrange to get the case investigated as early as possible and send CBI's findings/report alongwith recommendations of CVC to the Department. The Department has also stated that no stay order has been granted by the Guwahati High Court on the PIL. While noticing the contents of the follow up of the action in this regard, the Committee recommend to pursue the matter further and the enquiry should be expedited after getting the advice of the CVC. The Committee should also be kept apprised of the developments in the case.**

**4.33 FCI/CWC is not having godowns on the island and FCI is issuing foodgrains and sugar to the UT Administration of Lakshadweep or its nominated agencies, at the mainland (Mangalore Port), as per the allocation made by the Government under Targeted Public Distribution System and other Welfare Schemes. During monsoon, the Lakshadweep is cut off from the mainland and foodgrains do not reach there. The Committee are very happy to note that a decision has been taken to construct a FCI godown (2500 MT) at Lakshadweep subject to providing of suitable land by UT Administration of Lakshadweep. The Committee, therefore, strongly recommend that FCI should gear up their efforts in stepping up the construction of godowns at UT Administration of Lakshadweep and various other hilly areas also so that benefit of PDS percolates down to people living there.**

**(f) Storage and Transit Loss**

4.34 Storage and transit losses occur in foodgrains operations due to multiple handling, spillage, driage of moisture, insects and pests, long storage, bird and rodent trouble, cleaning and upgradation, pilferage, misappropriation etc. The losses due to theft, misappropriation, manipulation etc. are investigated for fixing the responsibility.

4.35 The quantity and value of foodgrains losses in storage, transit and pilferage during the last three years are as under:-

**Storage Loss**

(Qty.in 0.00MT/Value in Rs. crore)

Year	Qty.of Loss	Value of Loss
2003-04	232	244.58
2004-05	146	156.36

(Qty.in Lakh MT/Value in Rs.Crore)

Year	Qty.of Loss	Value of Loss	Qty. Issued	%age to Qty. Issued
2005-06	1.20	130.31	440.39	0.27

(Qty. in lakh MT)

Year	Qty. Issued	Qty. of Loss	Percentage of Loss
2006-07 (Upto January, 2007)	344.28	1.28	0.37%

**Transit Loss**

(Qty.in 0.00MT/Value in Rs. crore)

Year	Qty.of Loss	Value of Loss
2003-04	170.00	150.48
2004-05	184.00	149.93

(Qty.in Lakh MT/Value in Rs.Crore)

Year	Qty.of Loss	Value of Loss
2005-06	1.29	126.22

(Qty. in lakh MT)

Year	Qty. Moved	Qty. of Loss	Percentage of Loss
2006-07 (Upto January, 2007)	203.98	1.00	0.49%

Details of pilferage losses for the last three years are as under:

Year	Qty.(MTs)	Value(Rs.)
2003-04	121.95	9,09,586
2004-05	487.80	26,22,300
2005-06	72.08	6,09,300

4.36 The following cases of theft/pilferage losses have been reported for the financial year 2006-07

Bhopal May, 2006	Rice – 12 bags	Rs.3,800.00
Chattisgarh August, 2006	Rice – 12 bags	Rs.6,500.00

4.37 On being asked by the Committee about the steps taken to contain the storage and transit losses, the Ministry informed as under:-

- (i) Physical measures like installation of barbed wires fencing of the boundary walls, provision of street lights for illumination of godowns and proper locking of the sheds are taken to secure the godowns.
- (ii) Security staff of FCI as well as other Agencies like Home Guards, Special Police Officers are deployed for safety of the stocks.
- (iii) Deployment of Central Industrial Security Force and State Armed Police has been done at some depots / godowns, which are vulnerable.
- (iv) Security Inspections as well as surprise checks of the Depots are also conducted from time to time at various levels to detect and plug the security lapses
- (v) Adoption of 50 kg packing in a phased manner to avoid use of hooks.
- (vi) Encouraging double line machine stitching of bags.
- (vii) Periodical prophylactic and curative treatment of stocks, as prescribed.
- (viii) Streamlining of procedure and documentation for transparency and accountability in operations at each level.
- (ix) Special Squad checking at selected rail-heads, transshipment and destination/dispatch centers.
- (x) Identification of vulnerable points.
- (xi) Inspection of Depots by Senior officers of the HQs, Executive Directors(Zones)/General Managers(Regions)/Area Managers.
- (xii) Inspection and monitoring of calibration of weigh-bridges.
- (xiii) Maintaining priority list for issue of stocks observing the FIFO principle.
- (xiv) Proper weighment and accounting at the time of receipt and issue.
- (xv) Undertaking pre-monsoon fumigation.
- (xvi) Improvement in dunnage material.
- (xvii) Movement of foodgrains from one place to another by safe means, i.e. covered wagons etc.
- (xviii) Ensuring proper quality checking of foodgrains at the time of procurement.
- (xix) Ensuring that all FCI owned godowns are constructed and maintained on scientific lines for storage of foodgrains.
- (xx) Transit Insurance Agreement with M/s Oriental Insurance Co., effective from 20 September, 2005 (extended upto 30.3.07) for the losses arising out of transportation of foodgrains ex-North to other Zones and for imported wheat ex-Mundra & Kandla Ports w.e.f. 13 October, 2006.

4.38 In this regard the Secretary during the course of oral evidence stated as below:

“We have written to all the State Governments recently after our Hon. Minister made a Statement in the Parliament that in case they do not show any serious efforts in reducing diversion, we might be compelled to reduce their allocation. Of course, it is a very difficult task because if you reduce allocation to a State, the people of the State suffer and not really the Government to do something very seriously in this regard so that at least they will come back with the type of steps that they have taken. This is



something that we have written to them. This is primarily to force the State Governments to do something serious about the diversion of funds. The second, is we have issued instructions within the FCI that any truck that leaves an FCI godown will carry a placard which says foodgrains whatever it is, wheat or rice, are meant for which particular area or which particular fair price shop, as the case may be so that there is some public domain knowledge about where this truck is going. If the truck goes into somebody else's godown, it can be stopped.”

4.39 The Ministry has informed about details of accrual of damaged foodgrains with the FCI and value thereof during the last three years as follows:-

Year	Quantity (LMT)	Value (Rs. in crores)
2004-05	0.97	63.00
2005-06	0.95	61.70
2006-07(upto Dec.)	0.13	19.13

4.40 When asked about details of inspections conducted at all India level during the last three years and number of surprised checks undertaken by the headquarters/Zonal /Regional/District Level vigilance squad during the last three years and results achieved in reducing the losses to the FCI, the Ministry has informed that in the last three years, only a small quantity of foodgrains has been categorised as damaged. There are Committees constituted at District, Region and Zonal levels for categorization of stocks. If there is damaged stocks of more than 1000 tonnes in a region, the case is scrutinized by General Manager(Vigilance) of FCI Headquarters. Ministry has further informed that verification of stocks is also carried out on quarterly and annual basis. In addition to this, surprise physical verification and audit of stocks is also carried out. The number of regular/surprise checks undertaken by Vigilance Officers of FCI at various levels during the last three years are as follows:-

Year	No. of regular checks conducted	Number of surprise checks conducted	Total
2004	3093	1119	4212
2005	3247	2105	5352
2006	3764	1663	5427

4.41 The following number of regular/surprise checks were undertaken by the HQs' Vigilance Squad during the last three years:

Year	No. of checks undertaken
2004	01
2005	13
2006	06

4.42 As a result of the above regular / surprise checks conducted by the Headquarters / zonal / regional / district level vigilance squads during the last three years the storage and transit losses have been reduced from 0.53 percent during the year 2004-05 to 0.36 percent during the year 2005-06. (Saving of about Rs.50 crores).

4.43 However, following number of cases are pending against FCI on account of Transit & Storage Losses:

2004	...	583
2005	...	901
2006	...	1195

**4.44** The Committee note that as a result of the various initiatives taken by the Ministry to reduce the storage and transit losses, these losses have decreased from 0.53 per cent during the year 2004-05 to 0.36 percent during the year 2005-06. The Committee feel that efforts need to be continued more vigorously so as to ensure that every paisa earmarked for the poorest of the poor reaches them. The Committee hope that during the financial year 2006-07, the said losses would further be reduced. The Committee would like to be apprised in this regard.

**(g) Corruption in FCI**

4.45 The number of incidents of corruption cases detected against the FCI officers and action taken during the last three years is as under :

Sl. No.	Nature of irregularity	2004	2005	2006
1	Acceptance of illegal gratification/disproportionate assets.	8	4	11
2	Defalcation of accounts/misappropriation	18	34	79
3	Misappropriation of dead stocks/construction of godowns	15	13	6
4	Purchase of sub-standard stocks.	480	1026	569
5	Award of handling and transport contracts.	12	12	3
6	Transit/Storage losses.	583	901	1195
7	Administrative lapses/ Miscellaneous	103	155	141
	Total	1219	2145	2004

4.46 When the Committee enquired about the action taken in the cases of officers held responsible during the last three years, the Ministry informed as under:-

Sl.No.	Nature of Penalty imposed	2004	2005	2006
1	Dismissal/removal/ compulsorily retired	37	44	79
2	Reduction in rank	39	30	30
3	Reduction in time scale of pay	361	313	318
4	Withholding of increment	168	118	216

5	Recovery from pay of the loss caused to FCI	1346	886	1731
6	Withholding of promotion	6	5	2
7	Censure	489	307	382
8	Warning issued/exoneration cases closed	412	248	323
	Total	2858	1951	3081

4.47 The remedial steps taken to check corruption in FCI are as follows:-

- i) Setting up of Depot Inspection Monitoring Cell (DIMC)
- ii) Rotation of officers from sensitive seats to non-sensitive seats  
  
No. of staff rotated from one seat to another seat/department.  
2004 - 1268  
2005 - 3670  
2006 - 1750
- iii) Surveillance of officers on  
(a) Agreed List – 82 (Cat 1, 2 officers)  
(b) Doubtful Integrity List – 442 (Cat 1, 14 officers)
- iv) Identification of  
(a) High Loss Storage Depots.  
(b) High Loss Railheads for transit losses.  
Depot/centers which have repeatedly procurement substandard / bad quality of rice (e.g. Muktsar Centre of Faridkot, Punjab).
- v) Intensive checking of above operational points.
- vi) Use of computers, payment through ECS, restrictions on payment in cash.

Up-gradation of mechanical weighbridges to Electronic Weighbridges (out of 617, 315 weighbridges have been upgraded).

4.48 When the Committee enquired about the details of vigilance cases registered during the last three years, the Ministry furnished the following details:-

Year	Number of cases pending at the beginning of the year	Cases registered during the year	Total number of cases. (Col.2+3)	Number of cases finalized/ disposed off	Number of cases pending with the FCI at the end of the year
2004	1842	2235	4077	2858	1219
2005	1219	2877	4096	1951	2145
2006	2145	2940	5085	3081	2004

4.49 The Ministry also informed about the number of cases referred to CBI/CVC during the last 3 years i.e. 2004, 2005 and 2006:-

<b>Year</b>	<b>Referred to CBI</b>	<b>Referred to CVC</b>
2004	-	-
2005	-	1
2006	1	1

4.50 When asked why the incidence of corruption cases detected is constantly on the rise, despite remedial measures undertaken to check corruption in FCI, the Ministry informed that Vigilance mechanism was tightened up in FCI during the last three years i.e. 2004, 2005 and 2006. During these years the large number of vigilance checks were conducted by the Regional / Zonal and Headquarters Squads. A number of checks were conducted to ensure that the foodgrains procured by field functionaries are in accordance with the FAO/URS norms approved by Government.

<b>Year</b>	<b>Number of checks conducted by the various Squads in FCI</b>
2004	4212
2005	5352
2006	5427

4.51 As a result of above checks, a large number of irregularities were detected by these Squads. Therefore, due to this Special drive and vigilance checks, there has been an increase in the number of cases registered against the delinquent officials of the FCI particularly on account of storage and transit losses and purchase of substandard stocks of rice.

**4.52 The Committee are deeply concerned to note the constant rise in corruption cases despite various remedial measures taken in this regard. The Committee feel that in most of the regional/zonal headquarters where these corrupt activities are mainly confined, junior employees might have been suspended /terminated and no fingers are raised at Senior Officials. The Committee desire that vigilance mechanism should be tightened up and should be made more transparent and effective. Responsibility should also be fixed on Senior officers so as to uproot the evil of corruption. It is felt by the Committee that Public Distribution System (PDS) should be made more transparent and accountable. Further the Committee also desire that staff should be transferred from one post to another after every three years to avoid creation of vested interests. The Department should act on the suggested lines and inform the Committee about the action taken in this regard.**

**4.53** The Committee note that during the year 2006, there are 2,004 vigilance cases pending in FCI and only one case had been referred to CBI/CVC each. During 2006, 1,195 cases are pending against FCI officers on account of transit and storage losses. The Committee feel that delay in disposal of vigilance case further encourages incidence of corrupt practices and undermines the authority of law. The Committee, therefore, recommend that all efforts should be made for quick disposal of vigilance cases.



(h) Proxy Labour

4.54 On being asked whether regulation of attendance system in FCI to curb the menace of proxy labour has been implemented throughout the country, the Ministry in its written reply informed as under:-

SI. No.	Recommendation of Standing Committee.	Implemented/Partially implemented	Remarks.
1.	Each and every worker should put one's signature or thumb impression as a token of attendance.	<p><b>Implemented :</b> Karnataka, Kerala, Tamil Nadu, Haryana, Rajasthan, Maharashtra (Mechanical Devices installed in all 7 depots ), Himachal Pradesh, Punjab, Uttranchal, Gujarat, Nagaland &amp; Manipur(N&amp;M) Chhatisgarh.</p> <p><b>Partially implemented in:</b> UP (in 24 out of 32 depots), West Bengal (in 11 out of 23 depots), MP (in 3 depot only), Assam.</p> <p><b>Implementation in progress:</b> Orissa, Jharkhand and Meghalaya</p> <p><b>Difficulties faced in implementation:</b> J&amp;K, Bihar, Delhi &amp; A.P.</p>	<p>In Assam, J&amp;K, Bihar, Delhi, &amp; A.P., the Labour unions/workers are opposing the implementation of instant recommendation. Efforts are being made to persuade the unions and the workers to cooperate in this regard. Their plea is that with the marking of attendance through mechanical devices by the labourers, the marking of attendance manually will become</p>

			infructuous.
2.	Introduction of mechanical gate entry devices, punching card system with thumb impression.	<p><b>Implemented :-</b> Delhi, U.P. Rajasthan, Maharashtra.Chhatisgarh, A.P., Karnataka, Himachal Pradesh.</p> <p><b>Partially implemented :-</b> Punjab, Uttranchal, Gujarat, West Bengal, Orissa, Bihar, M.P and Kerala.</p> <p><b>Implementation in progress:-</b> Haryana, J&amp;K, Tamil Nadu, Jharkhand, Nagaland &amp; Manipur( N&amp;M)</p> <p><b>Difficulties faced in implementation :-</b> Assam and Meghalya</p>	<p><b>Note :</b> In Karnataka 3 out of 5 depots are such where installation is considered not necessary since strength is meager.</p> <p><b>Administrative/Law &amp; Order problems faced at:-</b> Assam and Meghalaya.</p> <p>In Delhi and U.P., Unions are hindering use of machines.</p>

3.	Payment of wages to all workers through Cheque as per provisions of Income Tax Act.	<p><b>Implemented:</b> Karnataka, Kerala, Tamil Nadu, Haryana, Rajasthan, Delhi, Maharashtra, Himachal Pradesh, Punjab, Uttranchal, Gujarat, Nagaland &amp; Manipur (N&amp;M), UP, West Bengal, MP, Assam, Orissa, Jharkhand, Meghalaya., Bihar &amp; AP</p> <p><b>Difficulties faced in mplementation :-</b> J&amp;K and Chhatisgarh</p>	The workers are not accepting cheque in J&K and Chhatisgarh on the plea that they are illiterate and cannot run the bank accounts. Efforts are being made to provide facilities to such workers.
4.	Signing of daily work output slip by each Labour at the end of the day & countersigned by the Mondal / Sardar / Shed Incharge.	<p><b>Implement ed :</b> Kerala, Rajasthan, Gujarat, J&amp;K, Haryana, Karnataka, Meghalaya Uttranchal., AP, Himachal Pradesh. &amp; U.P.</p> <p><b>Partially implemented:-</b> MP, Tamil Nadu , West Bengal &amp; Assam</p> <p><b>Implementation in progress :-</b> Punjab, Maharashtra, Bihar, Jharkhand and Nagaland &amp; Manipur (N&amp;M)</p> <p><b>Difficulties faced in implementation:-</b> Chhatisgarh, Orissa and Delhi</p>	<b>Work slips are being signed by Sardar &amp; Mandal only:-</b> Punjab, Maharashtra, Jharkhand, Bihar, Assam, Nagaland & Manipur.

4.55 On being asked what steps are being taken to curb corruption prevalent in FCI specifically in regard to “Direct Payment System Labour” – Handling and ancillary labour, the Ministry in its post-evidence reply stated that no specific complaint about corruption in regard to DPS labour has been received by FCI. However, in addition to the measures taken to curb proxy labour, as recommended by Parliamentary Standing Committee, the FCI Management has already taken the following steps to curb the incidence of corruption in regard to DPS labour:-

- (i) Entry of labour into the godown/depots by showing authorized identity cards;
- (ii) Payment of wages by cheque with due consent and cooperation of labourers/unions.
- (iii) Seeking cooperation from the Banks also for opening of Bank accounts of labourers.

**4.56 The Committee note with satisfaction that their various recommendations Committee to curb the menace of proxy labour have been followed by the State Governments. Most of the State Governments have implemented the recommendations. However, in some States, recommendations are partially implemented. In Assam, J&K, Bihar, Delhi and Andhra Pradesh, labour union Workers are opposing the implementation of the instant recommendation of the Committee according to which each/every worker is required to put one's signature or thumb impression as a token of attendance. The Committee would like that efforts should be made by State Governments to convince the workers in this regard. Further, with regard to the recommendation of the Committee that payment of the wages to all workers be made by cheque, the workers are hardly accepting cheque in J&K and Chhattisgarh on the plea that they are illiterate. The Committee would like that these workers should be persuaded by educating them about the benefits of getting wages through cheques. Further pursuance is required in States where the recommendations of the Committee are partially implemented. The follow up action should be intimated to the Committee.**

## CHAPTER V

### CENTRAL WAREHOUSING CORPORATION (CWC)

The Central Warehousing Corporation (CWC) was set up in 1957 under the Agricultural Produce (Development and Warehousing) Corporation Act, 1956. The said Act was subsequently replaced by The Warehousing Corporation Act, 1962 (NO. 58 of 1962). The main objective of the CWC is to provide scientific storage and preservation for agricultural inputs and produce and various other notified commodities.

#### (a) Capital Structure

5.2 The authorized and paid up capital of the Corporation is Rs. 100 crore and Rs. 68.02 crore respectively.

The capital structure of CWC is as follows:

Sl.No.	Institution	%age	Shares	Value (Cr.)
1.	Central Government	55.02	3, 74,250	37.43
2.	State Bank of India	21.57	1, 74,729	14.67
3.	Other scheduled Bank	15.99	1,42,052	10.87
4.	Insurance Companies	7.02	51,454	4.78
5.	Cooperative Societies	.39	2,689	.26
6.	Others	0.01	76	.01

5.3 The income and expenditure of the CWC for the last three years is as under:-  
( in Rs. crore)

YEAR	INCOME	EXPENSES
2003-2004	462.86	428.98
2004-2005	522.87	462.45
2005-2006	619.50	512.55

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

(in Rs. crore)

YEAR	DUES	LIABILITIES
2003-2004	174.79	97.01
2004-2005	218.20	119.08
2005-2006	232.72	124.34

5.5 The Bad Debts written off during the last three years are as under:

YEAR	AMOUNT (Rs.)
2003-2004	17,009
2004-2005	4,32,525
2005-2006	17,17,935

5.6 With regard to the constant rise in the outstanding dues and liabilities of the Corporation, the Ministry informed that constant rise is due to the following factors:-

- (i) The increase in sundry debtors is mainly attributed to increase in turnover from Rs.436.86 crore in the year 2003-04 to Rs.485.22 crore in the year 2004-05 and thereafter Rs.568.83 crore in the year 2005-06.
- (ii) The increase in other dues also includes the income-tax refund of Rs.34.86 crore as on 31 March, 2006 for which the appeals are pending with the Department.

5.7 The break-up of outstanding liabilities is given as under:-

	2005-06	2005-04	2004-03
<b>Outstanding Liabilities</b>			
Sundry Creditors for Supplier	42.99	40.61	34.60
Sundry Creditors for Expenses	71.57	70.03	51.22
Others	9.78	8.44	11.19
<b>TOTAL</b>	<b>124.34</b>	<b>119.08</b>	<b>97.01</b>

**5.8 The Committee are deeply concerned to note continuous rise in outstanding dues, during 2003-04, 2004-05 and 2005-06 i.e. Rs. 174.70 crore, Rs. 218.20 crore and Rs. 232. 72, crore respectively of CWC. The Committee, therefore, recommend for liquidation of outstanding fully at the earliest. The Committee are unhappy to note unusual increase in bad debts written off to the tune of Rs. 17,009 Rs. 4,32,525 and Rs. 17,17,935 respectively during the last three years i.e. 2003-04, 2004-05 and 2005-06. 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 close vigil on this trend.**



**(b) Establishment Cost**

5.9 The Establishment Cost of the Corporation for the last three years is as under:

<b>YEAR</b>	<b>GROSS TURNOVER/ INCOME (Rs./Crore)</b>	<b>ESTT COST (Rs./Crore)</b>	<b>ESTABLISHMENT COST TO GROSS TURNOVER (%)</b>
2003-04	462.86	182.28	39.38
2004-05	522.87	188.40	36.03
2005-06	619.50	197.25	31.84
2006-07	663.00	209.00	32.00

5.10 On being asked by the Committee whether any cost reduction measures have been identified to reduce the administrative cost of CWC, Ministry in its written reply stated that the , the Corporation introduced Voluntary Retirement Scheme/Special Voluntary Retirement Scheme on different occasions during 1994, 1998, 2002 and recently during 2005. During these schemes, 2470 employees opted for Voluntary Retirement. Further, the Corporation is not resorting any fresh recruitment for last many years. In addition to these efforts, the Construction Cells of the Corporation have been progressively merged and the present numbers of Construction Cells are 04. CWC, RO, Kochi has also been merged with RO, Chennai in order to reduce the Establishment / Administrative Costs. In order to reduce expenses, other measures such as conservation of energy, water, use of telephones, travel by air are also reduced. Some of the activities like watch and ward, house keeping have also been outsourced in order to reduce the Establishment Expenses.

5.11 The Committee also enquired whether any scientific study suggesting measures to curtail the establishment cost have been entrusted to any agency, the Ministry in its written reply stated that Tata Consultancy Services (TCS) were engaged in the year 1999 for restructuring the organisation and developing recommendations for key human resource management (HRM) systems including the establishment costs reduction. The recommendations of the TCS have partially been accepted. No further agency has been entrusted to suggest the measures to further curtail the establishment cost. However measures are being taken by the Corporation to further reduce the establishment cost by outsourcing the quality control work and pest control work. Security Services have also been outsourced wherever possible.

5.12 On being asked as to the reasons for non-implementation of the recommendations of TCS (Tata Consultancy Service) in letter and spirit, engaged for reduction of establishment cost, the Ministry in its post-evidence reply stated that the Tata Consultancy Services were engaged in the year 1999 for the purpose of organizational restructuring and human resource system. The terms of reference for this study included establishment cost reduction as one of its parameters, the others being organization restructuring, manpower planning, career planning, making schemes for increasing employee productivity and training systems. One of the recommendations of the TCS report was with regard to the reduction of establishment cost by adoption of staff reduction strategies. The introduction of more attractive VRS Scheme was recommended. The Corporation has also not resorted to any recruitment, which has also contributed in curtailing the Establishment Cost. As per TCS recommendations for phasing out the Engineering Division, the Corporation has already started downsizing the Engineering Cadre in phased manner. VRS Scheme was also opened in the entire Engineering Cadre. The other recommendations of the TCS report are also in the process of implementation in a phased manner.

5.13 The turnover and net profit of CWC for the last five years is as follows:-

(Rs./Crore)			
YEAR	TURNOVER	NET PROFIT (Before Tax)	NET PROFIT (After Tax)
2001-2002	379.94	90.72	89.97
2002-2003	471.08*	47.62	43.29
2003-2004	462.86	33.88	22.43
2004-2005	522.87	60.42	41.30
2005-2006	619.50	106.95	70.62

5.14 On being asked as to the steps taken by CWC for improving their profitability, the Ministry in its post-evidence reply stated as under:-

- (i) 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.
- (ii) The Corporation also signed a MOU with Railways for setting up railside warehouses at 22 locations replicating after its success at Whitefield Bangalore. Out of this, commercial operations at 2 locations had started which has improved the profitability. The work is in progress at 9 other locations and is likely to be completed soon. Corporation had been given approval by the Government of India for formation of a subsidiary company by way of Private Public Participation to focus on the business.
- (iii) Corporation had been given licence to run container trains after signing a concession agreement with Indian Railways. The commercial operation have already been undertaken after hiring of rakes for transportation of containers between Loni and JNPT with a view to increase its income and profit.
- (iv) The Corporation is also focusing on Pest Control Services by providing them facility of disinfestations at the doorstep of the customers be it farmers, traders, exporters, importers, shipping agents to control the damage caused by insects, rodents and termites. It also undertakes pest control operations in railway wagons/coaches, aircrafts, vessels, residential and office complexes.

**5.15 The Committee are concerned to note steep rise in establishment cost of CWC for the last three years i.e. 2004-05, 2005-06 and 2006-07 i.e. 188.40 crore, 197.25 crore, and 209.80 crore respectively despite various cost reduction strategies adopted by the Corporation. The Committee also desire to implement the recommendations of TCS (Tata Consultancy Service) fully at the earliest. The Committee, therefore, reiterate its earlier recommendation and desire that Government should find ways and means, including undertaking an exercise by leading management institutions like ASCI, Hyderabad for restructuring the policy, plan and programme of CWC to reduce the establishment cost and enhance its profits.**

(c) **Construction of Godowns**

5.16 The Ministry has informed that the perspective plan drawn for the construction of godown during the Financial year 2007-2008 is as follows:-

**CONSTRUCTION PROGRAMME FOR THE YEAR 2007-08**

Name of the Region	Name of centre	Capacity (in MT)	AA&ES (Rs. In lakhs)
<b>BANGALORE</b>			
	RWC, BANGALORE,PH-III	6500	250.00
	HUBLI	10000	200.00
	RWC, MYSORE	16700	700.00

<b>CHENNAI</b>			
	RWC, KODALNAGAR	12000	748.82
	RWC, TAMBARAM	18300	800.00
	MADHVARAM	25000 (20000 sqm) Open	200.00
	KANNUR	10000	300.00
<b>LUCKNOW</b>			
	RWC, YAMUNABRIDGE, (AGRA)	11550	637.19
	RWC, NAINI, ALLAHABAD	11000	700.00
<b>PATNA</b>			
	RWC, HATIA (RANCHI)	14800	700.00
<b>AHMEDABAD</b>			
	RWC, KANDLA Ph-I	32200	1618.72
<b>NAVI MUMBAI</b>			
	GONDIA	10000	190.00
	<b>TOTAL</b>	<b>178050</b>	<b>7044.73</b>

5.17 On being asked why NE region is totally excluded, the Ministry in its post-evidence reply stated that CWC has taken up construction of godowns in the State of Mizoram & Chandrapur (Tripura) on behalf of FCI as deposit work in the NE Region. CWC has faced a lot of difficulties in completion of projects in the Mizoram State due to non-availability of material, labour and disturbed conditions. A proposal from CWC for construction of 1300 MT godown at Guwahati at a total estimated cost of Rs. 1.40 crores has been received and is under examination. This construction has been planned in a land area near to the Guwahati Airport, where the work can be undertaken only after environmental clearance.

**5.18 The Committee note that the perspective plan drawn by CWC for construction of godowns during the financial year 2007-08 do not include any of the North Eastern States. While appreciating the difficulties in construction of godowns in North Eastern States due to difficult geographical conditions, the Committee feel that more focus needs to be given to these areas so that the poor persons are not deprived of the benefit of PDS. The Committee, therefore, strongly recommend that construction of godowns at NE region should also be included in the perspective plan drawn and maximum possible efforts should be made to initiate construction of godowns in NE region at the earliest.**

**(d) Growth in Storage Capacity**

5.19 The storage capacity of CWC as on 01.02.2007 is

OWNED	HIRED*	TOTAL
66.99	36.15	103.14

- Includes hired, management and open storage including CAP capacity.

5.20 The storage capacity of SWCs as on 01.03.2007 is

OWNED	HIRED*	TOTAL
126.68	64.30	190.98

5.21 During the last 3 years, CWC has constructed additional capacity through out the country, the details viz-a-viz. Physical target & actual achievement are shown as under :-

Year	Target		Achievement	
	Financial (Rs.in crore) including cost of land	Physical (In lakh MTs)	Financial (Rs.in crore) including cost of land	Physical (In lakh MTs)
2003-04	92.00	3.12	67.46	2.98
2004-05	15.00	0.90	56.14	1.17
2005-06	61.68	2.57	67.00	2.76

5.22 During the year 2006-07, CWC has completed a capacity of 2.91 lakh MT upto 28.2.07 with an expenditure of Rs.69.75 crores including Rs. 1.01 crore towards purchase of land. CWC is likely to complete a capacity of 3.78 lakh MT (tentative) by the end of March, 2007 as against the target fixed for 5.90 lakh MT(Annexure-I). The CWC could not achieve the target during 2006-07 and the reasons for shortfall in expenditure as well as in physical are as under :-

1. The Corporation had projected construction of capacities for development of railside warehouse complexes at various locations in terms of the MOU signed with the Railways. However, the land at the projected sites was not made available in time by the Railways resulting in delay in start of construction.
2. The Corporation had undertaken the construction of storage capacity at Mundra Port in the State of Gujarat as per the planned schemes. However, the foodgrains imported by FCI for strengthening the PDS in the country resulted in the available/half constructed capacity for storage of wheat in open for which CFS facilities created in Mudra is utilized upto 31<sup>st</sup> March 2007. This has resulted in delay in the completion of the planned storage capacity.



3. The planned scheme included covered capacity at some of the places which could not be undertaken due to non availability of land. However, alternative projects have been undertaken for development of open space for development container yards meaning thereby that the capacity planned shall be in a position to be completed with lesser investments.

(e) **Capacity Utilization**

5.23 The Ministry informed about details of total covered and CAP capacity both hired and owned available with CWC/SWCs and other agencies (agency-wise) is as under:-

Storage capacity of CWC ( in Lakh Metric Tonnes)

As on	Constd.	Hired	Open/Plinth	Mgmt.	Total
01.02.2007	66.99	16.19	14.49	5.47	103.14

Storage capacity of SWCs (in lakh Metric Tonnes)

As on	Constd.	Hired	Plinth	Total
01.02.2007	119.34	64.30	7.34	190.98

5.24 The Warehousing capacity, its utilization and % utilization for the last three years is as under:-

YEAR	CAPACITY	UTILIZATION	% utliz.
2004-05	98.06	61.58	63
2005-06	102.11	71.59	70
2006-07 UPTO 1 <sup>ST</sup> Feb., 2007	102.77	80.55	78

5.25 The Ministry also informed the capacity utilization of each category of storage of CWC is as under:-

(Figures in lakh MT)

Year	Capacity Owned	Utills (% Utills.)	Capacity Hired	Utills. (% Utills.)	Total Capacity	Total Utills (% Utills.)
2002-03	62.50	46.34(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	66.83	44.83(67)	35.28	26.76(76)	102.11	71.59(70)
2006-07 upto 1 <sup>st</sup> Feb.,2007	66.86	50.15(75)	35.91	30.40.(85)	102.77	80.55(78)

5.26 Capacity utilisation of storage capacity of SWCs is as under :

(Figures in Lakh MT)

Year	Capacity Owned	Capacity Hired	Plinth	Total Capacity	Total (% Util.)
2003-04	133.75	65.76	7.30	206.81	79
2004-05	116.42	66.36	12.42	195.20	75
2005-06	117.90	69.41	9.74	197.05	76
2006-07 upto 28 <sup>th</sup> Feb.,2007	119.34	64.30	7.34	109.98	75

5.27 The rent paid by the Corporation for the last three years is given as under:

YEAR	AMOUNT (Rs./Crore)
2003-2004	21.11
2004-2005	23.23
2005-2006	30.21

5.28 The SWCs namely, Kerala, Maharashtra, Rajasthan, West Bengal, Punjab Chhatisgarh, U.P., Orissa, Tamil Nadu have reported that they have incurred the following rent for hiring of godowns during the last three years.

Year	Amount (Rs. In lakhs)
2001-02	2816.84
2002-03	3811.81
2003-04	4799.53

5.29 When asked about the details of steps taken to minimize dependence on hired capacity and owned capacity to maximum, the Ministry stated that hired capacity is taken over only if there is no owned constructed capacity to meet the demand. If it is not possible to gainfully utilise the hired capacity then the same is de-hired. If on market survey/public demand survey it is found that constructed capacity is required and the warehouse can be operated economically, then steps are initiated to construct own capacity. But before utilizing public resources it is ensured that the same can be put to gainful use.

5.30 When asked about the capacity and number of storage godowns/warehouses hired or owned by CWC, the Ministry in its written reply stated as under:-

Capacity and number of storage godowns/warehouses of CWC

	OWNED		HIRED	
	COVERED	CAP	COVERED	CAP
Capacity – Lakh MT	66.99	1.02	35.13	NIL
No. of warehouses	345	11*	170	NIL

\* (included in owned covered capacity)

5.31 The Committee enquired whether any comprehensive survey has been conducted or proposed for assessing storage need of States at micro level, the Ministry replied that CWC provides storage facilities at macro level. No proposal is in hand for assessing storage needs at micro level which is mainly the subject matter of state warehousing agencies and cooperative societies.

**5.32** The Committee have noted that the rent paid by the Corporation for the last three years is constantly on rise viz 21.11 crore, 23.23 crore and 30.21 crore in 2003-04, 2004-05 and 2005-06 respectively which indicates that owned capacity is not being put to maximum utilization and a substantial amount is spent on payment of rent. The Committee, therefore, strongly, recommend that CWC should resort to de-hiring of hired godowns on priority basis and make optimum utilization of owned capacity.

## **CHAPTER VI**

### **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 labourers are involved in sugarcane cultivation, harvesting and ancillary activities constituting 7.5 per cent of rural population. Maharashtra and Uttar Pradesh contribute more than 50 per cent share in the country's sugar output. India is the largest consumer of sugar in the world.

6.2 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.

6.3 There are at present 582 installed sugar factories in the country comprising 317 in the cooperative sector, 62 in the public sector and 203 in the private sector as on 30 September, 2006.

6.4 The present installed capacity of sugar factories in terms of annual sugar production is 197.9716 lakh tonnes. The sector wise installed capacity is as under : -

Sl. No.	Sector	Capacity (In lakh tones)
1	Co-operative Sector	107.320
2	Private Sector	78.6047
3	Public Sector	11.9949
	<b>Total</b>	<b>197.9716</b>

### (a) Production of Sugar

6.5 The position regarding production, internal consumption and export during the 2003-2004, 2004-2005, 2005-2006 and 2006-07 sugar seasons is as indicated below: -

Particulars	(Qty. in lakh tonnes)			
	2003-2004	2004-2005	2005-2006 (Provisional )	2006-2007 (Estimated)
Carry over stocks from Previous season	116.16	85.00	40.00*	43.64**
Production of Sugar	139.58@	130.00	193.21	250.00
Imports	5.53	20.74	NIL	NIL
Total availability	261.27	235.74	233.21	293.64
Internal consumption	175.00	171.44	183.21	190.00
Exports	2.94	0.98	13.68	15.00
Closing stocks at the end of Season	83.33*	63.32*	36.32***	88.64

\* Central Excise Authorities reported closing stocks at 85 lakh tonnes and 57 lakh tonnes respectively.

\*\* Although Central Excise Authorities have reported carry over stocks at 57 lakh tonnes but 17 lakh tonnes stock were reduced to account for damaged sugar, sugar sold on court orders etc.

\*\*\* Central Excise Authorities have reported closing stocks at 43.64 lakh tonnes. Accordingly the opening stock for 2006-07 season (as on 1.10.2006) has been taken as 43.64 lakh tonnes.

@ Includes sugar converted from imported raw sugar.

**(b) Financial Package for Assistance to Cooperative Sugar Mills**

6.6 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 March 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.

6.7 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 cent 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. The interest subvention is estimated at Rs. 560. crores.



(c) **Prices of Sugarcane**

6.8 The Statutory Minimum Price (SMP) of sugarcane for 2007-08 season has been fixed at Rs.81.18 per quintal linked to a basic recovery of 9.0 percent. For 2006-07 season, the Statutory Minimum Price was fixed at Rs.80.25 per quintal linked to a basic recovery of 9 percent. Statutory Minimum Price of Rs.79.50 and Rs.74.50 per quintal were fixed for the seasons 2005-06 and 2004-05 respectively. In practice, however, some of the State Governments have been advising the sugar mills to pay cane price generally at a higher level than the Statutory Minimum Price.

**(d) Sugar Development Fund**

6.9 Sugar Development Fund (SDF) 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 money received by the Central Government for the purpose of this Act, shall after due appropriation made by Parliament by law, be credited to the Sugar Development Fund (SDF).

6.20 During the period from 1982-83 to 2006-07 (up to 30 November, 2006) a cess amount of Rs. 4,448.48 crore has been collected. Out of this, upto 30 November, 2006 Rs. 3506 crore has been transferred to the Sugar Development Fund (SDF).

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

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

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

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

(e) Grants for the purpose of any research project aimed at development of sugar industry;

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

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

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

6.23 The following schemes are in operation for providing loan to sugar factories:

- (i) Loans for Modernization/Rehabilitation of Sugar Mills
- (ii) Loans for cane development
- (iii) Loans to Sugar Mills for Bagasse based cogeneration power projects
- (iv) Loans for production of anhydrous alcohol/ethanol

6.24 When asked for the reasons for huge underspending under the aforesaid schemes, the Department has informed as under:-

“Disbursement of Sugar Development Fund (SDF) loan for Modernization/Rehabilitation, Bagasse based cogeneration of power, production of ethanol and cane development as well as Grants-in-Aid is dependent on the loans sanctioned and completion of necessary formalities, submission of documents and furnishing of security in time by the sugar factories. Even though there were a number of loans sanctioned for the schemes, the loans and grants could not be disbursed as expected due to the fact that the factories did not complete the formalities and furnish the required documents within time.

Similarly, the saving under the head reimbursement of internal transport and freight charges to sugar factories on export shipment of sugar is due to non-furnishing of requisite information, proper documents and suitable replies by the concerned Sugar Mills.”

6.25 BE, RE and Actual Expenditure under the aforesaid Scheme during 2005-06 and 2006-07 is as under.

Scheme	2005-06			2006-07		
	BE	RE	AE	BE	RE	AE
Loans for Modernization/ Rehabilitation of Sugar Mills	100	100	36.97	100	125	47.10
Loans for Cane Development	25	25	16.22	25	25	13.55
Loans for Sugar Mills for Baggase based cogeneration power projects	100	125	62.73	100	120	62.51
Loans for production of anhydrous alcohol/ethanol	75	25	7.23	75	30	2.02

6.26 As regards reasons for underspending, the Department has informed that the general reasons for all the schemes is due to receipt of less number of applications and also due to receipt of incomplete applications as required under SDF Rules. In some cases applicants did not execute Tripartite Agreement (TPA) in time.

6.27 The recovery of funds as financial assistance from SDF is about 20 per cent to 25 per cent over the last three years. On being enquired about the reasons for low recovery and measures being taken to improve the recovery, the Ministry in a written reply stated:

“ Main reasons for low recovery are as under:-

- (a) 17 sugar mills involving default of Rs.160 crores are sick and registered with BIFR/AAIFR or closed as on 31 December, 2006.
- (b) Adverse sugar seasons during 2002-03 and 2003-04, when the mills have suffered losses, have affected the repayment of SDF loans.
- (c) The UP State Sugar Corporation Ltd. and UP Cooperative Sugar Factories Federation Ltd., both under the UP State Government control, have outstanding recoverable SDF dues to the tune of Rs. 228 crores. Similarly, there are similar such undertakings of other States in the public sector and cooperative sector where the dues have accumulated. Out of total outstanding dues as on 31 December 2006 of Rs. 739 crores, the default on account of cooperative and public sector units is Rs. 593 crores.

S.No	Year	Recovery in crores	Percentage recovery as compared to outstanding as at the beginning of the year.
1.	2003-04	58	14.39
2.	2004-05	67	13.67
3.	2005-06	112	17.69
4.	2006-07 (upto Feb,07)	190	26.76

6.28 In order to improve recovery of the loans, the Department has taken the following steps:-

- a) Wherever required, action has been initiated to encash bank guarantees. However, in all the cases the sugar mills have cleared their dues to avoid the encashment.
- b) Legal notices have been issued to the defaulting mills.
- c) The dues have been adjusted with any payable claims settled by the Government like buffer subsidy and export incentive payments.
- d) Chief Secretaries have been requested to make payments of the dues where the State has given Government guarantees (account for Rs. 388 crores)
- e) In case of non-payment by the State Governments against the loans guaranteed by them, it is proposed to adjust the same against Central grants, which has been accordingly communicated to the concerned Chief Secretaries.

6.29 Due to recent efforts made by the Department, the recovery of SDF dues has increased substantially, as may be seen in the table below:-

(e) **Cane Price Arrears**

6.30 Despite the claims of the Government that concrete steps have been taken to liquidate cane price arrears still a huge amounts are outstanding as cane arrears against the sugar mills as can be seen from the table.

Year sugar season	Cane price arrears in crore
2003-04	870.43
2004-05	812.57
2005-06	1088.86
2006-07	1638.12

6.31 On being asked about the reasons for such huge amounts pending as cane price arrears and steps taken by the Government to liquidate these arrears, the Ministry in their Post Evidence Reply has stated:

“As a result of effective steps taken by the State Governments for liquidation of old outstanding dues of farmers, the cane price arrears for the sugar seasons 2003-04 to 2005-06 have considerably reduced as would be evident from the details as under:-

SI.No.	Sugar Season	Cane Price Arrears as on 31.01.2007 (Rs. in crores)
1.	2003-04	24.39
2.	2004-05	1.09
3.	2005-06	13.07

6.32 The State-wise break up of the cane price arrears for the sugar seasons 2003-04 to 2005-06 as on 31 January, 2007 is given below. In 2006-07, the cane price arrears have started mounting up mainly due to fall in sugar prices (At present, the cane price arrears are about Rs. 1900 crores). In order to deal with the situation, the appropriate steps are being taken.

### Statewise Cane Price Arrears for the Sugar Seasons 2003-04 to 2005-06

(Position as on 31.01.2007)  
(Rs. in lakhs)

S. No.	State	Sugar season 2003-04	Sugar Season 2004-05	Sugar season 2005-06
1.	Punjab	0	0	0
2.	Haryana	0	0	0
3.	Rajasthan	0	0	0
4.	U.P	501.94	85.21	0
5.	Uttarakhand	0	0	0
6.	M.P	5.18	0	79.12
7.	Chhatisgarh	0	0	0
8.	Gujarat	0	0	38.38
9.	Maharashtra	1805.77	4.80	0
10.	Bihar	115.67	19.38	54.00
11.	Andhra Pradesh	0	0	0
12.	Karnataka	11.00	0	1136.00
13.	Tamil Nadu	0	0	0
14.	Orissa	0	0	0
15.	Pondicherry	0	0	0
16.	Goa	0	0	0
17.	Kerala	0	0	0
18.	Assam	0	0	0
	<b>Total</b>	<b>2439.56</b>	<b>109.39</b>	<b>1307.50</b>

6.33 The representative of the Department of Food and Public Distribution during evidence stated as under:-

‘The cane price arrears to be paid by the sugar mills have been brought down to 1 per cent which was about 30 per cent during the last three years. However, this year due to decrease in the price of sugar and the price of sugar being higher than the last year, cane price arrears have risen to the tune of Rs. 1900 crore. They have taken a decision in this regard but due to non clearance from the Election Commission I won’t be able to disclose it.’

(f) **Reimbursement of Internal Transport and Freight charges and Neutralization of Ocean Freight Disadvantage and Handling & Marketing Charges**

6.34 The Central Government vide Notification dated 21 June, 2002 and 19 November, 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 promote sugar export and liquidate 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 June, 2002 and upto the export made till 18 August, 2004 in pursuance of release order issued upto 20 June, 2004 with validity of two months.

6.35 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 and marketing charges claims during the financial year 2003-04, 2004-05, 2005-06 and 2006-07 ( upto 31.12.06) is given below:-

(Rs. in crores)

Year	Sanctioned Budget Estimates (BE)Crores	Internal Transport		Ocean freight and handling and marketing charges		Total Expenditure
		No. of Claims Settled	Actual Exp. (in crores)	No. of claims Settled	Actual Exp. (Crores)	
2003-04	50.00	418	31.86	-	-	<b>31.86</b>
2004-05	125.00	392	46.09	-	-	<b>46.09</b>
2005-06	90.00	44	5.88	270	31.56	<b>37.44</b>
2006-07 (upto 31.12.2006)	50.00	31	7.26	61	8.90	<b>16.16*</b>

(\* Amount as per sanction issued & bills preferred to PAO by SPF Section)



6.36 Statement showing funds utilized for reimbursement of internal transport charges to sugar factories on export shipment of sugar.

(Rs. In crore)

<b>FINANCIAL YEAR</b>	<b>BE</b>	<b>RE</b>	<b>AE</b>	<b>UNUTILISED AMOUNT</b>
2005-06	90	90	37.44	52.56
2006-07	50	46	16.89	29.11

From the above it may be seen that huge amount of Rs. 52.56 crore during 2005-06 and Rs. 29.11 crore during 2006-07 have been surrendered/ could not be utilized. The reasons for non-utilisation of funds as stated by the Department are non-furnishing of relevant papers and suitable replies by sugar mills and non-finalization of decision by the Department of the claims pending due to agreement problem.

6.37 On being asked to inform whether the sugar mills have been directed to submit papers in time and whether some strict action has been taken against sugar mills who do not submit relevant documents in time, the Ministry in their Post Evidence Reply stated:

“The sugar mills have been regularly written to submit the required papers and clarifications time and again. Copies of these reminders have been sent to the Associations/Federations of the sugar mills as well as concerned Sugar Commissioners of the States. Special camps had been organized wherein representatives of the individual units had been invited for direct interaction with the Ministry officials wherein they had been again explained about the documents/clarifications required. The SDF rules for reimbursement of internal transport and freight charges on export of sugar lays down that the sugar factories should submit their claims within a period of 90 days from the date of issue of bank certificate of export and realization (BRC), failing which there shall be late cut @ 10 per cent on the entitlement, if submitted after 90 days but within 180 days. Claims submitted after 180 days from the date of issue of BRC are rejected.”

**(g) Sick sugar Units**

6.38 As per the list furnished by BIFR (Board for Financial Reconstructions) as on 31 August, 2006, 158 units have been declared as sick out of which 130 units are in co-operative sector and 28 units are in private sector.

6.39 On being asked about the functions of Committee of Rehabilitation (COR) which has been constituted to consider cases of rehabilitation of sick co-operative sugar mills which have eroded their net worth, the Ministry in Post Evidence Reply stated:

“Since there is no body like BIFR for rehabilitation of sick cooperative sugar mills (BIFR considers cases of only private and public sector undertakings) it was decided by the Department that a similar body should be constituted to consider cases of rehabilitation of sick cooperative sugar mills which have eroded their net worth. The body has been constituted in the Ministry under the Chairmanship of Joint Secretary (Sugar) and also has members from financial institutions/banks/sugar industry.”

The Committee has been entrusted with the job of examining and recommending rehabilitation packages in the cases of potentially viable sick cooperative sugar mills. The rehabilitation package may include loans to the sugar mills from Sugar Development Fund for modernization/rehabilitation of plant and machinery as well as cane development in their area.

The recommendations of the Committee of Rehabilitation are thereafter considered by the Standing Committee on SDF, chaired by Secretary, Department of Food and Public Distribution, which further recommends sanction of SDF loans for the above-mentioned purpose for approval of the Government. The above is as per the Rule 21 of the Sugar Development Fund Rules, 1983.”

(h) **Inspections/Visits of Sugar Factories**

<b>Year</b>	<b>No. of factories visited</b>	<b>No. of samples drawn</b>	<b>No. of samples failed</b>	<b>No. of show cause Notice issued</b>
2006-07	4	161	113	37

6.40 On being asked as to furnish reasons for visiting such a low number of factories and the justification behind not issuing show cause notice in remaining cases, the Ministry in Post Evidence Reply stated:

“During 2006-07-sugar season (from 01.10.2006 to 31.03.2007), 14 sugar factories were visited (due to typographical error, it was mentioned as 4) and 161 samples drawn from these 14 factories. With 1,204 samples carried forward from the previous sugar season, the total number of samples examined was 1,182, out of which 113 samples involving 37 sugar factories failed. Accordingly, show cause notices have been issued to these 37 sugar factories. Thus, show cause notices have been issued in all cases where samples have failed.”

6.41 The Committee find that a cess of Rs. 14 per quintal is being collected as a duty of excise on all sugar produced by any sugar factory in India under Sugar Cess Act, 1982 and the proceeds, reduced by the cost of collection as determined by the Central Government, together with any money received by the Central Government for the purposes of the Act after due appropriation made by the Parliament are credited to the Sugar Development Fund (SDF). In this regard during the period from 1982-83 to 2006-07, (upto 30 November, 2006), a cess amount of Rs. 4,448.44 crore has been collected out of which Rs. 3,506 crore has been transferred to the Sugar Development Fund. The Sugar Development Fund has been created for financing of accounts for the development of Sugar Industry to achieve the objectives of the aforesaid Act.

The Committee find from the position of financial achievement with regard to various schemes as reported by the Department in the Budget documents that there is huge underspending during the year 2005-06 and 2006-07. The following data substantiates the aforesaid observation of the Committee.

Scheme	Underspending in percentage as compared to Revised Estimate	
	2005-06	2006-07
Loans for modernization/rehabilitation of sugar mills.	63	80
Loans for Cane development	36	48
Loans to Sugar mills for Bagasse based cogeneration power projects	54	48
Loans for production of anhydrous alcohol /ethanol	72	60

**6.42 The Department has indicated receipt of incomplete applications as required under SDF rules as well as non execution of timely Tripartite Agreement (TPA) as the reasons for the huge underspending. Further analysis of the data reveal that the amount allocated at Budget Estimates (BE) stage is enhanced even when the trends of utilization of expenditure are lesser than the allocation made at the BE stage. For example under the scheme 'Loan for sugar mills for Bagasse based cogeneration power projects' the allocation was enhanced from Rs. 100 crore to Rs. 125 crore at RE stage during the year 2005-06. However, it resulted in to expenditure of just Rs. 62.73 crore which is far lesser than the allocation of Rs. 100 crore at BE stage. During the following year i.e. 2006-07 again the allocation made at BE stage has been enhanced from to Rs. 100 crore to Rs. 120 crore, whereas the actual expenditure is again Rs. 62.5 crore .**

**The Committee conclude from the aforesaid scenario that the objectives of creation of Sugar Development Fund are not being fully achieved. The reasons for under achievement are well within the domain of the Government. There is an urgent need for simplifying the procedures for advancing loans to various sugar mills under the respective schemes. Besides, the owner of the sugar mills need to be assisted in completing the formalities for sanction of the loans under the schemes. There is an urgent need to publicize the aforesaid schemes so that maximum applications are received. The Committee further note that India is one of the largest producers of sugar and sugarcane in the world and as such there is great potential for bagasse based cogeneration power projects and production of anhydrous alcohol / ethanol . The Sugar Development Fund can be a boom to these sugar mills particularly when the Sugar Development Fund has the definite source of funding i.e. the cess of Rs. 14 per quintal as a duty excise on all sugar produced by any sugar factory. The Committee strongly recommend to the Department to take all the desired steps in the light of the aforesaid observations of the Committee and the Committee be kept apprised.**

**6.43 The Committee note that as on 31 December, 2006, Rs. 739 crore is outstanding on account of recovery of funds as financial assistance provided to sugar mills from SDF. Out of Rs. 739 crore, the default on account of cooperative and public sector units is Rs. 593 crore. The Committee further find that the reasons for poor recovery include 17 sugar mills involving default of Rs. 160 crore as sick and registered with BIFR/AAIFR or closed as on 31 December, 2006. Adverse sugar seasons during 2002-03 and 2003-04 have further been attributed as the reasons for poor repayment of SDF loans. The Committee further find that the bold initiatives have been taken by the Department which include dialogues with Chief Secretaries to impress upon them to make the payments of the dues where the State has given Government guarantee i.e. amounting to Rs. 388 crore, the proposal to adjust the outstanding against Central grants against the loan granted by the State Governments and issuing of legal notices to the defaulting mills etc. With the aforesaid initiatives of the Department, concrete results could be achieved as reflected in the data according to which percentage recovery as compared to outstanding which was 17.69 per cent during 2005-06, has considerably improved to 26.76 per cent. The Committee feel that the objective of providing loan to sugar mills from SDF funds is defeated if the amount advanced to these mills is not spent on various activities for the development of sugar industry. The Committee strongly recommend to the Ministry to continue the pro-active initiatives being taken recently so as to improve the recovery position of loans provided to sugar mills from SDF.**

**6.44** The Committee note that as a result of effective steps taken by the State Governments for liquidation of old outstanding dues of farmers, the cane price arrears for the sugar seasons 2003-04 to 2005-06 have considerably reduced. As informed by the representatives of the Department, cane price arrears to be paid by the sugar mills have been brought down to 1 per cent which was about 30 per cent during the last three years. The Committee are further concerned to note that during the year 2006-07, the cane price arrears have again started mounting and risen to the tune of Rs. 1,900 crore. As regards the State-wise position, the arrears are maximum in the States of Uttar Pradesh and Maharashtra apparently due to the fact that these States are having maximum agricultural production of cane.

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 2005-06 and earlier are still outstanding and yet action has not been taken against sugar mills to recover the cane price arrears alongwith interest @ 15 per cent, as per the provisions of Sugarcane (Control) Order, 1966. The Committee would, therefore, like to be apprised of the details of sugar mills who are yet to liquidate their outstanding arrears against the farmers alongwith the reasons for not paying the outstanding arrears alongwith interest. The Committee further emphasise to protect and promote the interest of farmers in a such a way that they continue to cultivate sugarcane and any aid/or assistance may be given to the sugar mills only on timely liquidation of cane price arrears by them to the farmers.

**6.45 The Committee note that during the year 2006-07 only four sugar factories were visited and the number of samples drawn for testing was just 131. The Committee are concerned to note that the number of factories being visited as well as the number of samples being drawn for testing is very low taking into account the large number of installed sugar factories in the country. The Committee feel that when the priority of the Government is to provide good quality sugar to the consumers, proper quality control measures should be taken. More and more factories need to be inspected/visited. The Committee feel that mere issuing of show cause notices would not serve the purpose of keeping a check on sugar factories to maintain high quality standards. The Committee, therefore, recommend that some very stringent actions, including monetary penalties may be imposed on sugar factories whose samples fail the quality tests. The Committee would like to be apprised of the action taken in the matter.**



**6.46** The Committee are deeply concerned to note that number of claims settled on account of reimbursement of internal transport charges was mere 31 during 2006-07 and 44 during 2005-06 as compared to 418 during 2003-04 and 392 during 2004-05. The Committee also note that 270 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. 37.44 crore only against Budget Estimates of Rs. 90 crore in 2005-06 and Rs. 16.16 crore during 2006-07 out of BE of Rs. 50 crore. 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 surrendered. The Committee would also like to 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 further recommend that the tedious procedural formalities which are presently gone into for clearance/settlement of claims should be simplified, so that the claims are settled expeditiously.

## CHAPTER VII

### 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.

#### **(a) Main Edible Oils**

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

7.3 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.

7.4 The production of oilseeds and net availability of edible oils from domestic sources (primary source and secondary source) for the years 2004-2005 and 2005-2006 are given below: -

Name of the Oilseeds	(in lakh tonnes)			
	2004-2005		2005-06*	
	Oilseeds	Oils	Oilseeds	Oils
<b>A. Primary Source</b>				
Groundnut	67.74	15.58	78.67	18.09
Rapeseed/Mustard	75.93	23.54	78.87	24.45
Soyabean	68.77	11.00	83.50	13.36
Sunflower	11.87	3.92	14.88	04.91
Sesame	6.74	2.09	06.97	02.16
Nigerseed	1.12	0.34	1.07	00.32
Safflower seed	1.74	0.52	1.95	0.59
Castor	7.93	3.17	9.67	3.87
Linseed	1.70	0.51	1.73	0.52
<b>Subtotal</b>	<b>243.54</b>	<b>60.67</b>	<b>277.31</b>	<b>68.27</b>
			(Estimated)	
<b>B. Secondary Source</b>				
Coconut		5.50		4.20
Cottonseed		4.30		5.70
Ricebran		6.20		6.80
Solvent Extracted Oils		3.50		4.30
Tree & Forest Origin		0.80		1.30
Sub Total		20.30		20.30
<b>Total (A+B)</b>		<b>80.97</b>		<b>90.57</b>
<b>C. Less: Export &amp; Industrial Use</b>		<b>8.50</b>		<b>8.20</b>
<b>D. Net domestic availability of edible oils</b>		<b>72.47</b>		<b>82.37</b>

Source: (i) Ministry of Agriculture

(ii) Net availability of edible oils: Directorate of Vanaspati, Vegetable Oils & Fats

\* 4<sup>th</sup> Advance Estimates (Declared as on 15.07.2006)

**(b) Assessment of Production of Edible Oils**

7.5 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.

7.6 Statement showing the quantum of edible oils produced, imported in the country and requirement fulfilled through domestic sources during the last three years is as under:-

(in lakh tonnes)

<b>Oil Year (Nov-Oct)</b>	<b>Edible oil produced in the country</b>	<b>Edible oils imported</b>	<b>Total availability/ consumption/ requirement of edible oils from domestic and import sources</b>	<b>Percentage of Requirement fulfilled through domestic sources</b>
2003-04	71.40	52.90	124.30	57.44
2004-05	72.47	45.42	117.89	61.47
2005-06	83.16	42.88	126.04	65.98

7.7 The quantum of edible oils being produced in the country are showing an upward trend but it is still hovering around 60-65 per cent of the total requirement of the country for the last three years and still 35-40 per cent of the edible oil requirement of the country is being met through imports.

7.8 On being asked about the concerted efforts being made by the Government to enhance the production of oilseeds/edible oils to make the country self sufficient, the Ministry in Post Evidence Reply stated:

“In order to increase the production and productivity of oilseeds and hence of edible oils in the country, some of the steps have been taken to make the country self sufficient in edible oils:-

- (i) Enhanced incentives to the farmers through fixation of Minimum Support Price (MSP) of major oilseeds to encourage the oilseeds farmers.
- (ii) Government of India is implementing a Centrally Sponsored ‘Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize’ (ISOPOM) in 14 major oilseeds growing States with a view to increase the production and productivity of oilseeds in the country. Under the Scheme, assistance is provided for purchase of breeder seed, production of foundation seed, production and distribution of certified seeds, distribution of seed minikits, distribution of plant protection chemicals, plant protection equipments, weedicides, supply of rhizobium culture/phosphate solubilising bacteria, distribution of gypsum/pyrite/liming/dolomite, distribution of sprinkler sets and water carrying pipes, publicity, etc. to encourage farmers to grow oilseeds. In order to disseminate information on improved production technologies amongst the farmers, block demonstrations and Integrated Pest Management (IPM) demonstrations are organized through State Department of Agriculture and Front Line Demonstrations through Indian Council of Agricultural Research (ICAR).
- (iii) ICAR is continuously developing improved varieties, production and protection technologies in oilseeds for increasing the production and productivity and also to make oilseeds cultivation profitable to the farmers.
- (iv) In order to harmonize the interests of farmers, processors and consumers, the import duty structure on edible oils is reviewed from time to time.
- (v) Tariff Value is fixed from time to time for palm oil and its products and soyabean oil.”

7.9 When asked to furnish details of special incentives being offered to farmers to go in for cultivation of more and more oil seeds, the Ministry in Post Evidence Reply stated:

“Steps taken for cultivation of more and more oilseeds include:-

- (i) In order to increase the production and productivity of oilseeds, oil palm, pulses and maize in the country, an amount of Rs. 300 crores has been allocated under ISOPOM for 2007-08.
- (ii) A target of 312 lakh tonnes has been fixed for oilseeds production during 2007-08 as against the production of 236.19 lakh tonnes (2<sup>nd</sup> Advance Estimate) during 2006-07.”

7.10 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	2003-04		2004-05		2005-06#	
	Oil seed	Oil	Oil seed	Oil	Oilseed	Oil
<b>A.PRIMARY SOURCE</b>						
Andhra Pradesh	16.14	4.23	22.09	5.51	20.41	5.12
Assam	1.57	0.48	1.47	0.45	1.13	0.34
Bihar	1.23	0.38	1.17	0.37	1.37	0.42
Chhatisgarh	1.27	0.33	1.24	0.30	1.27	0.31
Gujarat	56.65	14.45	29.87	8.23	46.82	12.36
Haryana	9.97	3.09	8.41	2.61	8.25	2.57
Himachal Pradesh	0.09	0.03	0.12	0.04	0.05	0.02
Jammu & Kashmir	0.42	0.20	1.24	0.38	0.03	0.01
Jharkhand	0.08	0.02	0.07	0.02	0.09	0.03
Karnataka	9.34	2.55	15.70	4.27	17.15	4.85
Kerala	0.02	0.01	0.02	0.01	0.03	0.02
Madhya Pradesh	56.24	10.24	47.98	9.05	57.22	10.79
Maharashtra	29.21	5.39	27.44	5.29	33.73	6.37
Orissa	1.57	0.42	1.79	0.48	1.88	0.51
Punjab	1.04	0.31	1.00	0.31	0.90	0.28
Rajasthan	39.97	11.16	55.41	15.57	59.64	16.93
Tamilnadu	9.64	2.26	10.61	2.49	11.53	2.70
Uttar Pradesh	9.28	2.82	9.52	2.89	10.66	3.23
Uttaranchal	0.34	0.06	0.38	0.08	0.30	0.07
West Bengal	6.51	1.96	6.53	1.97	6.10	1.83
Others	1.28	0.31	1.48	0.35	1.23	0.30
Sub Total	251.86	60.70	243.54	60.67	279.79	69.06
<b>B. SECONDARY SOURCE</b>						
Coconut		5.50		5.50		4.20
Cottonseed		4.30		4.30		5.70
Ricebran		6.00		6.20		6.80
Solvent Extracted Oils		3.30		3.50		4.30
Tree & Forest Origin		0.80		0.80		1.30
<b>Sub Total</b>		<b>19.90</b>		<b>20.30</b>		<b>22.30</b>
<b>Total (A+B)</b>		<b>80.60</b>		<b>80.97</b>		<b>91.36</b>
<b>C. LESS : EXPORT &amp; INDUSTRIAL USE</b>		<b>9.20</b>		<b>8.50</b>		<b>8.20</b>
<b>D. NET DOMESTIC AVAILABILITY OF EDIBLE OILS</b>		<b>71.40</b>		<b>72.47</b>		<b>83.16</b>
<b>E. SHORTFALL (IMPORT)</b>		<b>52.90</b>		<b>45.42</b>		<b>42.88</b>
<b>F. ACTUAL CONSUMPTION</b>		<b>124.30</b>		<b>117.89</b>		<b>126.04</b>

# Final Estimates;

Source: Oilseeds: Ministry of Agriculture;

Oils: Based on the oilseeds produced in the respective States.

(c) **Directorate of Vanaspati, Vegetable Oils and Fats**

7.11 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 (HVOOC). 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.

7.12 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.

7.13 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.

7.14 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.

7.15 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.

7.16 On being asked about the number of surprise visits and other inspections carried out by the officials of DVVOF during (2005-06) and (2006-2007) and the number of samples analyzed, details of irregularities found, if any and action taken against the erring units/defaulters, the Ministry in a written reply stated as follows:-

<b>Year</b>	<b>No. of Inspections</b>	<b>No. of samples analyzed</b>
2005- 2006*	1275	3254
2006-2007**	900	3207

\* Revised.      \*\* Provisional

7.17 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. 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.

7.18 On being asked to furnish the details of the no. of samples of edible oils picked up for testing during 2006-07 and the no. of such samples tested and found adulterated and action taken thereon, the Ministry in a written reply stated :-

“The subject matter relating to adulteration of edible oils primarily pertains to Ministry of Health and Family Welfare, Directorate General of Health Services (PFA). The matter has been taken up with that Ministry. According to Ministry of Health and Family Welfare:-

“As far as information in respect of 2006 is concerned, the Food (Health) Authorities of the States of Kerala and Sikkim have only submitted their Annual Reports for year 2006 indicating no. of samples examined and found adulterated, which is as under:

<b>Year</b>	<b>Samples examined</b>	<b>Samples found adulterated</b>
2006 (upto December)	1834	23



(d) **Research and Development and modernization of the laboratory of the Directorate of Vanaspati, Vegetable Oils and Fats**

7.19 During the year 2005-06, Rs. 40 lakhs was allocated, out of which Rs. 35.37 lakhs was expenditure. During the year 2006-07, Rs. 20 lakhs has been allocated. As regards physical achievement, it has been stated that during the year 2005-06, out of 15 R&D projects, 4 were completed. The performance of R&D projects has been evaluated as unsatisfactory. During the year 2006-07, the expenditure of Rs. 17.93 lakhs has been done on modernization of laboratory. During the year 2006-07, out of 11 R&D projects, 2 were completed.

7.20 On being asked about the number of R&D projects were taken up and completed during the Tenth Plan and the reasons for unsatisfactory performance of R&D projects during 2005-06, the Ministry in a written reply stated:

“Of the 25 R&D projects funded during the Tenth Five Year Plan, 16 R&D projects have been completed. Unsatisfactory performance of R&D projects during 2005-06 was mainly due to delayed purchase/procurement of equipments & input material (namely, Wild Olive Seed) by the Institute(s) and inadequate availability of Research Personnel.”

7.21 On being asked to furnish the data of each year of Tenth Plan about the number of inspections carried out by the field officers as well as the outcome of these inspections, the Ministry in a reply stated:

“Field officers of DVVO&F have not carried out any inspection of the Institutes funded for conducting R&D projects under the Plan Scheme of the DVVO&F.”

**7.22 The Committee note the various initiatives being undertaken by the Government which include the efforts made by Indian Council of Agricultural Research (ICAR) in continuously developing improved varieties of production and protection technologies in oilseeds. Demonstrations of the various technologies are being organized through State Department of Agriculture and Front Line Demonstrations through ICAR under the Centrally Sponsored 'Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize' (ISOPOM). With the concerted efforts made from various quarters, the production of edible oils in the country has improved from 72.47 lakh tonnes during 2004-05 to 83.16 lakh tonnes during 2005-06. The increase in production of edible oils has been negated by the growth in population and increased demand of edible oils due to improved living standard of people in the country. As such, there is no relief with regard to dependence on imports to meet the requirement of oilseeds in the country. As against 45.42 lakh tonnes import of edible oils during 2004-05, 42.88 lakh tonnes have been imported during 2005-06, which marks an increase of 0.46 lakh tonnes. In the aforesaid scenario, the dependency on imports with regard to edible oils is around 35 to 40 per cent.**

**While taking note of the status of indigenous production and imports along with the overall demand and supply position of oilseeds and edible oils in the country as given in the preceding paras of the report, the Committee feel that there is an urgent need to pay more attention to R&D for improved varieties of seeds and improved technologies for production of oilseeds. Such R & D initiatives need to be demonstrated to farmers to ensure the transfer of R&D from lab to land. Besides this, the initiatives need to be taken to provide incentives to the farmers for opting of production of oilseeds through various result oriented schemes/plans. More attention**

**need to be paid to increase the productivity and production of traditional oilseeds crops. Besides, result oriented schemes/plans should be chalked out/drawn to promote and popularize the use of non-traditional secondary source of edible oils, so as to reduce the dependency on imported edible oils. The Committee recommend to the Department to take the initiatives on the lines suggested in consultation with the other Ministries involved in the task.**

**7.23** The committee are concerned to note that the number of inspections carried out by the officials of DVVO&F as well as the number of samples analysed is on the decline. The number of inspections carried out in 2005-06 was 1,275 which declined to just 900 during 2006-07. The number of samples examined in the year 2005-06 were 3,254 which declined to 3,207 in the year 2006-07. The Committee are anguished to note that only two States i.e. Kerala and Sikkim have submitted their Annual Reports for the year 2006 indicating number of samples examined and found adulterated. The Committee are perturbed to note that no inspection by Field officers of DVVO&F has been carried out of the Institutes funded for conducting R&D projects under the Plan Scheme of the DVVO&F. The Committee are of the view that in a vast country like ours where edible oils are the main cooking medium and adulteration in edible oils is so widespread, the number of inspections being carried out and samples being analysed are almost negligible. The Committee recommend that to keep a check on the adulteration in edible oils which is so rampant in our country, apart from increasing the number of inspections and drawing of large number of samples, some harsh actions should be taken against the offenders.

**New Delhi;**  
**25 April, 2007**  
**5 Vaisakha, 1929 (Saka)**

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

## Appendix-I

### **Critical Analysis of statement made by Minister under direction 73-A regarding status of implementation of the recommendations/observations contained in the twelfth Report of the Committee on Food, Consumer Affairs and Public Distribution (Department of Food and Public Distribution).**

Subject of the Report: Twelfth Report of the Standing committee on Food, consumer Affairs and Public Distribution (2005-06) on Demands for Grants (2006-07)  
(Department of Food and Public Distribution)

Date of presentation: 22.05.2006

Date of presentation of ATR 06.12.2006

Date of receipt of Action Taken Notes 08.09.2006

Date of Minister's Statement 12.12.2006

	<b>Name of Committee</b>	<b>Ministry/ Department</b>	<b>Total No. of Recs.</b>	<b>Total No of Recs. Accepted</b>	<b>No. of recs. Implemented</b>	<b>No. of Recs under process</b>	<b>No. of Recs. Not implemented</b>	<b>No. of Recs. Yet to be implemented</b>
	<b>Food, Consumer Affairs and Public Distribution</b>	<b>Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)</b>	<b>26</b>	<b>14</b>	<b>-</b>	<b>6</b>	<b>6</b>	<b>-</b>

## Appendix-II

Statement showing BE and RE 2006-07 and physical/financial achievement for the quarters ending 30.6.2006, 30.9.2006, 31.12.2006, 28.02.2007 and provisional expenditure upto 31.3.2007

(Rs. in lakh)

S. No.	Name of the Scheme	BE 2006-07	RE 2006-07	Achievement upto 30.6.2006 (% of RE)	Achievement upto 30.9.2006 (% of RE)	Achievement upto 31.12.2006 (% of RE)	Achievement upto 28.02.2007 (% of RE)	Provisional expenditure upto 31.3.2007 (% of RE)
	<b>Central Sector Schemes</b>							
1	Construction of Godowns by FCI/State Govts etc. (Physical achievement)	1275 (20,840 MTs)	1275 (20,840 MTs)	145 (11.37%) (0 MT)	235 (18.43%) (11520 MT)	235 (18.43%) (15420 MT)	485 (38.04%) (18,760 MT)	1191 (93.41%) (20,430 MT)
2	Integrated Information System in Foodgrains Management (IISFM)	2500	0	0	0	0	0	0
3	Training, Research & Monitoring	60	75*	0	4.50 (6%)	25.30 (33.75%)	47.30 (63.07%)	66.84 (89.12%)
4	Research & Development and Mod. of Labs of VVOF	20	20	0	0	0	0	18 (90%)
5	NSI, Kanpur	150	150	0.02	1.15(0.77%)	6.95(4.63%)	6.95(4.63%)	119(79.33%)
6	Technical Studies	75	50	0	3.63(7.26%)	3.63(7.26%)	3.63(7.26%)	3.63(7.26%)
7	Village Grain Bank (Physical Progress-VGBs)	5000 (8591 VGBs)	5000 (8591 VGBs)	257.60(5.15%) (500 VGBs)	494.51 (9.89%) (735 VGBs)	4184.92 (83.70%) (6721 VGBs)	4184.92 (83.70%) (6721 VGBs)	5145 (102.9%)
8	Computerization of PDS Operations	500	430	0	0	0	0	0
	<b>Total</b>	<b>9580</b>	<b>7000</b>	<b>402.62 (5.75%)</b>	<b>738.79 (10.55%)</b>	<b>4455.80 (63.65%)</b>	<b>4727.80 (67.54%)</b>	<b>6543 (93.47%)</b>

**Appendix-III****State wise Diversion figures for wheat and rice are given below:**

(Diversion in percentage)

<b>S.No.</b>	<b>State/UT</b>	<b>Rice</b>	<b>Wheat</b>
1	Andhra Pradesh	Negligible	No Consumption
2	Arunachal Pradesh	64.1	96.2
3	Assam	37.2	100
4	Bihar	14.7	44.7
5	Chattisgarh	33.4	72.4
6	Delhi	10.5	25.1
7	Goa	42.9	No Consumption
8	Gujarat	16.2	24.4
9	Haryana	No Consumption	74.2
10	Himachal Pradesh	58.2	34.1
11	J&K	64.3	13.5
12	Jharkhand	Negligible	37.5
13	Karnataka	Negligible	Negligible
14	Kerala	Negligible	42.6
15	Madhya Pradesh	48.3	44.7
16	Maharashtra	Negligible	25.6
17	Manipur	97.7	100
18	Meghalaya	61.3	100
19	Mizoram	52.6	100
20	Nagaland	88.6	100
21	Orissa	Negligible	No Consumption
22	Punjab	No Consumption	Negligible
23	Rajasthan	No Consumption	59.0

24	Sikkim	Negligible	100
25	Tamil Nadu	Negligible	No Consumption
26	Tripura	3.8	No Consumption
27	Uttaranchal	53.3	58.1
28	Uttar Pradesh	32.4	59.1
29	West Bengal	34.9	86.6
30	A&N Islands	Negligible	Negligible
31	Chandigarh	No Consumption	No Consumption
32	D&N Haveli	<u>48.5</u>	<u>69.4</u>
33	Daman & Diu	No Consumption	No Consumption
34	Lakshdweep	<u>Negligible</u>	No Consumption
35	Pondicherry	<u>Negligible</u>	<u>No Consumption</u>
	<b>All India</b>	<b><u>39.0</u></b>	<b><u>53.3</u></b>



**Appendix -IV**

**STATEMENT: VISITS MADE BY AREA OFFICERS DURING THE LAST FOUR YEARS**

<b>S. No.</b>	<b>Name of State/UT</b>	<b>Visits of Area Officers</b>			
		<b>2003</b>	<b>2004</b>	<b>2005-06</b>	<b>2006-07</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
1.	Andhra Pradesh	-	1	1	1
2.	Arunachal Pradesh	-	-	-	-
3.	Assam	-	-	1	-
4.	Bihar	-	-	-	-
5.	Chattisgarh	-	-	1	-
6.	Delhi	-	-	-	-
7.	Goa	-	-	-	-
8.	Gujarat	-	-	-	-
9.	Haryana	-	-	-	-
10.	Himachal Pradesh	-	-	-	1
11.	J&K	-	-	1	-
12.	Jharkhand	-	-	1	-
13.	Karnataka	-	-	-	1
14.	Kerala	-	-	1	-
15.	Madhya Pradesh	-	-	-	-
16.	Maharashtra	1	1	1	-
17.	Manipur	-	1	-	-
18.	Meghalaya	-	-	1	-
19.	Mizoram	-	-	-	1
20.	Nagaland	-	1	-	-
21.	Orissa	1	-	-	-
22.	Punjab	-	-	-	-
23.	Rajasthan	-	-	-	1
24.	Sikkim	-	-	-	1
25.	Tamil Nadu	-	-	1	1
26.	Tripura	-	-	-	-
27.	Uttarakhand	1	-	-	-
28.	U.P.	-	-	-	-
29.	West Bengal	-	-	1	-
30.	Andaman & Nicobar Islands	1	-	-	-
31.	Chandigarh	-	-	-	-
32.	D & N Haveli	-	-	-	-
33.	Daman & Diu	-	-	-	-
34.	Lakshadweep	-	1	-	-
35.	Pondicherry	-	-	1	-

**Appendix- V****State/UT-wise status of Vigilance Committee formed by the respective States/UTs for monitoring the functioning of PDS**

(compiled upto 31.03.2007)

S.No.	State/UT	Constitution of Vigilance Committees at various level				Remarks
		State	District	Block	FPS/Village	
1.	Andhra Pradesh	1	23	304	41,000	Food Advisory Committee
2.	Arunanchal Pradesh	Yes	Yes	Yes	Yes	Have been formed at State, District, Sub-divisional, block and circle level.
3.	Assam	*No	17	No	2142	*In the process of constitution.
4.	Bihar	No	38	534	8,471	The Committees are called 'monitoring committee'. In addition, 101 sub-division monitoring committees also formed.
5.	Chhattisgarh	1	16	146	9636	
6.	Delhi	1	*	*	*	*Vigilance Committee have been set up in each circle (70)
7.	Goa	*	*	*	*	* The Village Panchayat & Municipal Admn. Has been directed to constitute Village Committee at Village & Municipal Levels comprising o three members to check and

						keep vigil on the functioning of the FPSs within their jurisdiction. Inspectorial staff has been posted in respective Talukas. Besides, Sarpanch, Opposition Member of panchayats have also been requested to monitor the PDS. The Director of Panchayats has been requested to send the names and address of the members of the vigilance Committees to give training on PDS.
8.	Gujarat	1	3	68	14,555	
9.	Haryana	Nil	Nil	Nil	7559	
10.	Himachal Pradesh	Yes	Yes	Yes	Yes	
11.	J&K	Yes	Yes	Yes	Yes	These Committees meet regularly to take stock of the position and make remedial measures, wherever necessary.
12.	Jharkhand	-	-	-	-	No vigilance committee is

						functioning at present.
13.	Karnataka	Yes	Yes	Yes	Yes	
14.	Kerala	Yes	Yes	Yes	Yes	
15.	Madhya Pradesh	*	48	313	20,178	*Not reported
16.	Maharashtra	Not Reported	23	214	22,736	In addition, 96 & 15 committees are there at Municipality and Municipal Corporation Level respectively.
17.	Manipur	Not Reported	Not Reported	Not Reported	Yes	
18.	Meghalaya	1	7	Nil	4284	
19.	Mizoram	Yes	Yes	Yes	Yes	
20.	Nagaland	Yes	Yes	Yes	Not Reported	
21.	Orissa	-	30	311	1587	
22.	Punjab	*	19	130	8797	*Is under active consideration.
23.	Rajasthan	1	32	241	21,607	
24.	Sikkim	Yes	Yes	Yes	Yes	
25.	Tamil Nadu	Yes	Yes	Yes	Yes	These are Advisory Committees
26.	Tripura	*	*	*	Yes	*No Committee has been formed at these levels.
27.	Uttaranchal					At present, the State Government has not constituted the Vigilance Committee.
28.	Uttar Pradesh	Not formed	70	820	52,002	
29.	West Bengal	1	19	341	18,053	
30.	A&N Islands	Nil	2	4	19	
31.	Chandigarh	Vigilance Committees have been constituted but hardly any meeting is convened as there are only 24 FPS in various villages and colonies.				

		Department, however, interact with local elected representatives.	
32.	D&N Haveli	Being the UT small, only a district level committee is there.	Not reported
33.	Daman & Diu	Not reported	
34.	Lakshadweep	There is one vigilance-cum-advisory Committee in each island in PDS. Besides this, a statutory vigilance committee is also there.	
35.	Pondicherry	There are State and Zonal vigilance committees.	

**COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2006- 2007)**

**MINUTES OF THE THIRTEENTH SITTING OF THE STANDING COMMITTEE  
HELD ON MONDAY, 9 APRIL, 2007.**

The Committee sat from 1130 hrs. to 1400 hrs. in Committee Room 'B', Parliament House Annex, New Delhi.

*Present*

Shri Devendra Prasad Yadav - Chairman

Members

**Lok Sabha**

2. Shri Alakesh Das
3. Shri Avinash Rai Khanna
4. Shri Harikewal Prasad
5. Shri Chandra Bhan Singh
6. Shri Atama Singh Gill
7. Adv. (Smt.) P. Satheedevi
8. Shri Parsuram Majhi

**Rajya Sabha**

9. Smt. Mohsina Kidwai
10. Shri Kanjibhai Patel
11. Shri Rajniti Prasad
12. Shri Matilal Sarkar
13. Shri Shantaram Laxman Naik

**Secretariat**

1. Dr. (Smt.) P.K.Sandhu - Additional Secretary
2. Smt. Sudesh Luthra - Director
3. Shri Jagdish Prasad - Deputy Secretary

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

- |    |                      |   |                                |
|----|----------------------|---|--------------------------------|
| 1. | Shri T. Nand Kumar   | - | Secretary                      |
| 2. | Shri Vivek Mehrotra  | - | AS &FA                         |
| 3. | Shri Siraj Hussain   | - | Joint Secretary (FCI &P)       |
| 4. | Dr. Joy I. Cheenath  | - | Joint Secretary (IMPEX & EO)   |
| 5. | Shri S.K. Srivastava | - | Joint Secretary (Stg. & Admn.) |
| 6. | Shri A.N. Bokshi     | - | Chief Controller of Accounts   |

**Food Corporation of India (FCI)**

- |    |                 |   |               |
|----|-----------------|---|---------------|
| 7. | Shri Alok Sinha | - | Chairman & MD |
|----|-----------------|---|---------------|

**Central Warehousing Corporation (CWC)**

- |    |                   |   |    |
|----|-------------------|---|----|
| 8. | Shri N.K. Choubey | - | MD |
|----|-------------------|---|----|

At the outset, the Chairman welcomed the members to the sitting of the Committee convened to take oral evidence of the representatives of the Department of Food and Public Distribution (Ministry of Consumer Affairs, Food and Public Distribution) on Demands for Grants (2007-08).

*[The representatives of the Department of Food and Public Distribution (Ministry of Consumer Affairs, Food and Public Distribution) were then called in.]*

2. The Chairman thereafter welcomed the representatives of the aforesaid Department and drew their attention to the provisions of direction 55(1) of the 'Directions by the Speaker, Lok Sabha'. He in his welcome address raised pertinent issues in the context of examination of Demands for Grants (2007-08). The issues raised in this regard included efforts made by the Department to get adequate resources under different schemes, particularly under food subsidy, concern over continuous decline in procurement of foodgrains particularly wheat during the last few years, inefficiencies in overall working of PDS and physical and financial achievement under various plan schemes.

3. The Secretary addressed to the concerns raised by the Hon'ble Chairman in his opening remarks. The issues raised by Hon'ble Chairman were further supplemented by the members of the Committee.

4. The detailed discussion on the following issues was held with specific reference to examination of Demands for Grants 2007-08:-

- (i) the physical and financial achievement under different schemes/programmes of the Department during Tenth Plan particularly during the year 2006-07. Priorities and objectives of Eleventh Plan along with the outlay and objectives set under different schemes during the year 2007-08;
- (ii) under-spending under Plan and non-Plan schemes of the Department and uneven utilization of funds in different quarters of the year 2006-07;
- (iii) lesser procurement of foodgrains as compared to the targets, actual food stocks falling below the norms of buffer stocks particularly during the year 2005-06 and 2006-07;
- (iv) the various issues related to Targeted Public Distribution System which includes allocation of adequate allocation under food subsidy during the year 2007-08, diversion of foodgrains, strict monitoring mechanism to bring efficiencies in Public Distribution System, involvement of women, Self Help Groups and Panchayati Raj Institutions in the various activities of PDS;
- (v) various issues related to Food Corporation of India (FCI) viz outstanding dues of FCI, need to bring down the total establishment cost incurred by FCI, storage and transit losses and corruption;
- (vi) various issues related to Central Warehousing Corporation (CWC) viz construction of godowns by CWC.

5. The members raised various queries pertaining to the aforesaid issues. The representatives of the Department responded to the queries raised by the Chairman and members. Valuable suggestions which include (i) launching some accelerated programmes to increase the productivity of foodgrains specifically wheat, pulses and oilseeds for which the Government has to resort to imports and (ii) need to devise a modified APL scheme covering at least 20 per cent of the poor persons who are just above poverty line and to evolve a strategy to provide 2 Kg of pulses and 1 Kg of edible oil at subsidized rate to each family through PDS, emerged during the deliberations.

6. The Committee then decided that the next sitting might be convened on 23 April, 2007 from 1130 hrs. onwards to consider and adopt the draft reports on Demands for Grants 2007-08 of the respective Departments under the jurisdiction of the Committee.

*A verbatim record of the proceedings was kept.*

*The Committee then adjourned.*

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**COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2006- 2007)**

**MINUTES OF THE FIFTEENTH SITTING OF THE STANDING COMMITTEE  
HELD ON MONDAY, 23 APRIL, 2007.**

The Committee sat from 1130 hours to 1230 hours in Committee Room 'E', Parliament House  
Annexe, New Delhi.

**Present**

**Shri Devendra Prasad Yadav - Chairman**

**Members**

**Lok Sabha**

2. Shri Alakesh Das
3. Shri Munshi Ram
4. Adv. (Smt.) P. Satheedevi
5. Shri Chandra Bhan Singh
6. Shri Daroga Prasad Saroj
7. Smt. V. Radhika Selvi
8. Shri Avinash Rai Khanna
9. Shri Parsuram Majhi

**Rajya Sabha**

10. Shri T.S. Bajwa
11. Shri Rajniti Prasad
12. Shri Matilal Sarkar
13. Shri Nabam Rebia
14. Shri Vijaykumar Rupani

**Secretariat**

1. Shri P.K. Misra - Joint Secretary
2. Smt. Sudesh Luthra - Director
3. Shri Jagdish Prasad - Deputy Secretary



**APPENDIX**  
**STATEMENT OF RECOMMENDATIONS/OBSERVATIONS**  
**CONTAINED IN THE REPORT**

S. No.	Para No.	Recommendations/Observations
1	2	3
1.	2.29	<p>The Committee note that the allocation of the Department at BE stage during 2007-08 is Rs. 26,406.20 crore under Non-Plan schemes and Rs. 85 crore under Plan schemes. In the allocation under Non-Plan schemes, of which food subsidy is one of the main components, there is enhancement of outlay to the tune of Rs. 1,506.50 crore i.e. around 6 per cent increase over the previous year i.e. 2006-07. However, when compared to the allocation made during 2004-05 and 2005-06, the allocation during 2007-08, is lesser by Rs. 648.99 crore and Rs. 649.24 crore, respectively. Further, the allocation made to the Department during 2006-07 at BE and RE stage is far less than the proposed allocation.</p> <p>The Committee find that whereas there is a hike of 28.01 per cent in the tax revenue during the year 2006-07, as compared to previous year, the enhancement in Non-Plan outlay is just around 6 per cent. The Committee strongly recommend to the Government to provide adequate allocation under various schemes of the Department particularly when food subsidy is the major component of the outlay of the Department. There should not be a cut at the Revised Estimates Stage. The Department should be allocated the outlay as per the projections so that benefit envisaged under different schemes, particularly the food subsidy under which subsidized foodgrains are made available to the poorest of the poor, reach the intended beneficiaries. While recommending higher outlay, the Committee also strongly recommend to the Department to take all initiatives to ensure that the outlay earmarked for different schemes/programmes is fully utilized.</p>
2.	2.30	<p>The Committee observe that there is huge underspending under different Non-Plan Schemes during 2005-06 and 2006-07, particularly in the programmes related to loans and Grants-in-Aid provided to various Sugar Mills for modernization and rehabilitation. Besides, under Plan head also, there are huge underspending under the following schemes during the Tenth Plan Period:-</p> <ul style="list-style-type: none"> <li>(v) Construction of Godowns ;</li> <li>(vi) Integrated Information System for Foodgrain Management;</li> <li>(vii) Evaluation, Monitoring and Revision of Public Distribution System; and</li> <li>(viii) Village Grain Bank.</li> </ul> <p>The position is particularly grave during the year 2006-07, since 'NIL' expenditure is reflected in the Budget documents in respect of the following schemes:-</p> <ul style="list-style-type: none"> <li>(iv) Integrated Information System for Foodgrain Management (IIFSFM);</li> <li>(v) Research and Development and Modernization of VVO&amp;F; and</li> <li>(vi) Computerization of Public Distribution System (PDS).</li> </ul>

The reasons furnished by the Department for underspending which indicate modifications of original scheme of smart card and earlier unspent balances under IISFMM are unacceptable to the Committee. Almost Nil expenditure under the important schemes of the Department is a matter of serious concern. The Department has admitted that huge amount at RE stage under different scheme is due to underspending under different schemes. The Committee while deploring the way important schemes are being implemented, recommend to the Department to take all the corrective action so that the position of underspending is not repeated during the year 2007-08.

3. 2.31

The Committee have repeatedly been emphasizing on the expenditure of outlay under different schemes/heads in a phased manner during the whole year. Although the Department has initiated exercise of quarter-wise targets and achievements in the Outcome Budget at the instance of the Planning Commission/Ministry of Finance, the actual quarter-wise spending during the year 2006-07 (under plan schemes), as reflected in the Budget document, indicate that there is no improvement in this regard. The quarter-wise data, as indicated below, substantiate the aforesaid observation of the Committee: -

Quarter-wise expenditure during 2006-07 in percentage

First Quarter	5.75
Second Quarter	10.55
Third Quarter	63.65
Forth Quarter	67.54

The Committee deplore the tendency of making major part of expenditure during the last two quarters of the year. Such a rush of expenditure towards the end of the year results into huge opening balances with the State Governments and the scope of misutilization also increases. The Committee strongly recommend to the Department to ensure that the aforesaid situation of rush of expenditure during the last months is not repeated during the year 2007-08.

4. 3.27

The Committee find that the Department of Food and Public Distribution is the nodal Department with regard to formulation and implementation of various national policies on foodgrains relating to procurement, movement, scientific research, storage, distribution and sale. As regards the procurement of foodgrains particularly of wheat and grains, during the year 2005-06 and 2006-07, the situation is far from satisfactory. The actual procurement during these years is far below the estimates of procurement. During the year 2005-06, against the estimates of procurement of 180 lakh tonnes, actual procurement of wheat was 147.85 lakh tonnes i.e 82.5 per cent. During the year 2006-07, the position is even worse. Against the estimates of procurement of 162.07 lakh tonnes, the actual procurement of wheat is only 92.31 lakh tonnes, which is 57 per cent of the estimates. As regards procurement of rice during the year 2006-07, it was 204.09 lakh tonnes whereas in the same period during the previous year, procurement of rice was recorded to the tune of 276.56 lakh tonnes. Various reasons such as mismatch between the demand and supply of wheat with an increased domestic demand and decline in wheat production leading to increased purchase by private traders have been cited as the reasons for lesser procurement of wheat during the year 2006-07. With regard to

minimum buffer norms for wheat, the Committee find that as on 1<sup>st</sup> January, 2007 the actual stock was 54.28 lakh tonnes against the minimum buffer norms of 82 lakh tonnes. The situation in rice was however better as against the minimum norms of 118 lakh tonnes, the actual stock was 119.77 lakh tonnes. As regards the total availability of foodgrains, the actual stock was 174.05 lakh tonnes against the minimum buffer norms of 200 lakh tonnes.

5. 3.28

The Department has informed that a Committee of officers/experts was formed to examine various strategic options and recommend appropriate procurement strategy for Rabi Marketing Season (RMS) 2007-08 and the recommendations have been acted upon appropriately by the Government. The Government has taken a series of steps to enhance the procurement of wheat in RMS 2007-08 which include import of 55 lakh tonnes of wheat to enhance the existing stocks, increase in MSP from Rs. 650 to Rs. 750 for wheat along with Rs. 100 per quintal as incentive bonus, ban of export of wheat for private trade and import of wheat on private account at zero duty.

The Committee find that inspite of efforts made by the Government to improve the supply position through market interventions as well as strategic decisions with regard to export/import of wheat, the situation has not improved to the desired level as is evident from the data of procurement as well as buffer stocks. The Committee note that the foodgrains stocks falling below the buffer stocks is a matter of serious concern, particularly when the foodgrains are required for distribution through PDS to the poorest of the poor as well as to fulfil the demand of foodgrains in the areas affected by natural calamities. Not only that, the minimum buffer stocks is also required for resorting to various market interventions to stabilize the prices of foodgrains in the market. Keeping in view all these factors, the Committee strongly recommend that the Government should review the position of buffer stocks and take all desired actions to ensure the minimum required procurement of foodgrains.

6. 3.29

The Committee find from the data of procurement as indicated in various documents that procurement of wheat is mainly from Haryana and Punjab. The procurement of rice is mainly from Punjab, Uttar Pradesh, Orissa, Haryana, Chattisgarh and Andhra Pradesh. When the production is compared to the procurement, in Uttar Pradesh, the procurement is only 15 lakh tonnes against the production of 255 lakh tonnes. Similar is the position of lower procurement ratio as compared to production in Uttaranchal, Madhya Pradesh, Rajasthan and Bihar. The Secretary during the course of oral evidence has acknowledged that Uttar Pradesh is the largest producer of wheat but it contributes the lowest to the pool. To address this problem, FCI has opened 1,000 centres in Uttar Pradesh. The Department has taken certain initiatives to address the problem of lesser procurement from non-traditional states. The State Governments have been given relaxation to do procurement through cooperative societies. Besides, the Ministry also provides one per cent extra commission to cooperatives. The Committee note that inspite of the initiatives taken by the Department to address the problem of lesser procurement as compared to production in non-traditional States the procurement is not up to the

- mark. The Committee strongly recommend to the Department to take this matter urgently. Besides, the Committee urge that small farmers should be given priority while undertaking procurement of foodgrains by FCI. Desired initiatives to address the aforesaid issues should be taken by the Department. The Committee should also be kept apprised.
7. 3.30 The Committee further find that in 2006-07 FCI has taken the services of National Collateral Management Services Ltd. (NCMSL, a subsidiary of NCDEX) and National Bulk Handling Corporation (NHBC, a subsidiary of MCX) for procurement of paddy in Madhya Pradesh, Orissa, Bihar and Rajasthan and for wheat in Uttar Pradesh. NCMSL has procured 6.32 lakh MT paddy in Orissa, Madhya Pradesh and Bihar and NHBC has procured 12854 MT paddy in Madhya Pradesh as on 30.3. 2007. The Committee also note that FCI does not incur any additional cost for the companies who are carrying out procurement operations on behalf of FCI. Further it has been clarified by the Department that one percent extra commission being provided to cooperatives is not being provided to these companies. The Committee note that aforesaid companies i.e NCMSL and NHBC are the direct wings of forward trading exchanges of commodities. The Committee in their Seventeenth Report on the Forward Contract (Regulation) Amendment Bill, 2006 have strongly recommended to ban forward trading in foodgrains. The Committee also note that in pursuance of the recommendation of the Committee the Government have also banned forward trading in wheat and rice w.e.f 27 February, 2007. The Committee fail to understand how the FCI is using the services of certain subsidiaries of commodity exchanges for the purpose of procurement of foodgrains specifically when the forward trading of wheat and rice has been banned by the Government. The Department may furnish the clarification in this regard so as to analyze the situation and comment further. The Committee strongly recommend that procurement of foodgrains through private companies should be discouraged. FCI should give more emphasis to small farmers and cooperatives for the purpose of procurement of foodgrains.
8. 3.31 The Committee find that there has been a recent rise in prices, particularly of foodgrains. The Finance Minister in his Budget (2007-08) speech has highlighted that the average inflation in 2006-07 is estimated to be between 5.2 and 5.4 per cent as compared to 4.4 per cent last year. The Economic Survey also indicates that in cereals and pulses sub-groups, the inflation was in excess of 5 per cent during 2006-07. In other non-food articles, edible oil seeds recorded significant price rise. The domestic production is far below the demand coupled with decline in world production have been cited as the reasons in the Economic Survey for increase of price in case of wheat. In spite of the import of wheat and pulses to ameliorate the shortfall in domestic output relative to domestic demand had a little impact on domestic prices because of firm international prices.
9. 3.32 The Committee further note that wheat production during 2006-07 is likely to be 72.5 million tonnes as compared to 69.35 million tonnes in the previous year. The Committee note that more stress need to be given to increase the domestic production of foodgrains. The Committee also note that although the various issues related to increase in production of foodgrains fall under the jurisdiction of Ministry of

Agriculture, the Department of Food being the nodal Department for Management of Food, has also to play an important role. In this regard, the Committee find that the Ministry of Food emphasized at the highest level the need to enhance production of wheat, rice and coarse grains to ensure that there is no mismatch between demand and supply of foodgrains. The Committee strongly recommend to the Department to continue the efforts in this regard. The Committee also feel that there is an urgent need to take steps to accelerate the production of various foodgrains in the country. In this regard the various critical areas related to the production of foodgrains such as irrigation, availability of agricultural land, research in various techniques of agriculture, development of seeds etc. need to be addressed for which detailed consultation with various concerned Ministries is required. For this, the Government should think of launching some accelerated programmes to increase the productivity of foodgrains specifically wheat, pulses and oil seeds for which the Government has to resort to imports. The Committee would like that Accelerated Wheat Production Programme should be framed in coordination with the Ministry of Agriculture and other stake holders so that we may not have to resort to import. Besides to increase the productivity of pulses and oil seeds farmers should be given minimum support price so that they take interest in growing pulses and oil seeds by getting the economic protection.

10. 3..33

The Committee note that a notification has been issued by the Government under the Essential Commodities Act, 1955 on 1 March, 2007 according to which any company or firm or individual which purchases wheat beyond 50,000 tonnes during 2007-08 shall furnish to the State Government a return indicating the name/address of the company, quantity of wheat purchased and quantity of wheat held in stock. The validity of said order has further been extended up to 31 August, 2007 to enable the State Governments to impose stock limit on wheat and pulses. The Committee also find that non-compliance of the provisions of the order would attract penal action under the Essential Commodities Act. To ensure the implementation of the aforesaid order, a copy of the notification has been forwarded to all State Food Secretaries of wheat producing States to give wide publicity to the provisions of the notification/order through the electronic/print media to ensure that buyers of wheat arriving in the mandis are suitably informed and comply with the requirements.

The Committee find from the information provided by the Department that in pursuance of the aforesaid order, only two companies viz. ITC Ltd., Secunderabad, Andhra Pradesh and Kargil India Pvt. Ltd., Haryana, have filed the declaration so far. The Committee note from the aforesaid developments that the aforesaid order issued under Essential Commodities Act is not being implemented at all in the various State Governments. The declaration made by only two companies all over the country speaks volumes about the ineffective implementation of the aforesaid order. The Committee feel that traders are hoarding stocks of foodgrains specifically of wheat due to continuous rise in prices and create artificial scarcity resulting into further increase in prices. In these circumstances, there is an urgent need to take stringent measures to curb these tendencies of the traders. The Committee, therefore, strongly recommend that pressure should be

exerted on the State Governments / Union Territory Administrations so as to ensure the implementation of the aforesaid order. The Committee should be apprised about the follow up action in this regard.

The Committee further feel that the Government should consider of reducing the existing limit of 50,000 tonnes so as to curb the tendency of hoarding by private companies for making profits. The action taken in this regard should be communicated to the Committee.

11. 3.40

The Committee note that the Decentralized Procurement Scheme was introduced by the Government in 1997-98 with a view to encouraging local procurement to the maximum extent, thereby extending the benefit of MSP to local farmers, to enhance efficiency of procurement and PDS. Besides, such a system helps to provide foodgrains under PDS more suited to the local taste and also results in savings in transportation and handling cost of FCI. Till date, 11 States viz. West Bengal, Uttar Pradesh, Madhya Pradesh, Chattisgarh, Uttaranchal, Andaman and Nicobar Islands, Orissa, Tamil Nadu, Gujarat, Karnataka and Kerala have adopted the system of decentralized procurement. The Committee further note that there is considerable improvement in the procurement from these States after the decentralized scheme of procurement has been adopted. The procurement of rice has increased in the decentralized States from 40 lakh tonnes in Kharif Marketing Season (KMS) in 2002-03 to 110 lakh tonnes of KMS in 2006-07. The Committee further note that the State Governments that have adopted the Decentralized Procurement Scheme have requested the Ministry for the sanction of adequate cash credit limits by Reserve Bank of India (RBI) and full reimbursement of expenses and timely release of subsidy by the Central Government. The Committee also note that the Department is taking up the issue of sanction of adequate cash credit limits with RBI. Besides, the Department has recommended to Banking Division and RBI to consider the value of stocks of State agencies at acquisition cost for 12 months instead of the existing limit of 3 months. The Committee recommend to the Department to further pursue all the issues with RBI and Banking Division to ensure further efficiency in the States who have adopted the Decentralized Procurement Scheme. Besides, in the remaining States FCI should create necessary infrastructure for procurement of foodgrains in coordination with State Governments and motivate them to adopt the scheme of decentralized procurement. The specific benefits of adopting the system along with the achievement of Decentralized Procurement Scheme (DCP) States should be duly communicated through various meetings with State Secretaries and at the highest level so as to motivate these States to adopt Decentralized Procurement Scheme.

12. 3.55

The Committee find that Rs. 25,696.20 crore have been allocated under Food subsidy (including sugar) for the year 2007-08 against the allocation of Rs. 24,200 crore during the previous year. The allocation made during the year 2007-08 is thus around 5 per cent above the allocation made during the previous year. However, if the allocation made for food subsidy during 2007-08 is compared to 2005-06, it is Rs. 503.80 crore lesser. The data with regard to proposed and accepted outlay during different years at Budget Estimates (BE) Stage and Revised Estimates (RE) Stage indicates that there is huge difference



particularly during the year 2006-07 and 2007-08. During the year 2006-07, out of the proposed allocation of 31,804.79 crore at RE Stage, allocation made was Rs. 24,203.92 crore which is about 24 per cent lesser. Further during 2007-08, the allocation made at BE Stage was Rs. 25,696.20 crore against the proposed allocation of Rs. 30,819.31 crore which is about 19 per cent lesser. As regards the impact of getting lesser food subsidy than the projections, the Secretary has informed that although it won't affect the distribution of foodgrains through TPDS and welfare schemes, the allocation of lesser outlay would definitely affect the management of FCI. The Secretary also substantiated that there is need for higher amount of subsidy due to non-revision of issue price of foodgrains, whereas MSP of wheat has substantially increased. Besides the rate of interest of banks has gone up and there is also increase in fright cost, etc. Keeping in view the aforesaid scenario, the Committee strongly recommend that the Ministry of Finance/Planning Commission should be pursued to allocate adequate food subsidy for the efficient management of various operations of FCI. The concerns of the Committee in this regard should be communicated to the Planning Commission/ Ministry of Finance.

13. 3.74

The Committee note that Public Distribution System (PDS) is an important part of Government Policy for management of food by providing foodgrains to poorest of the poor through Public Distribution System. The Public Distribution System is operated under the joint responsibility of the Central and State Governments. The Central Government through FCI has taken the responsibility for procurement, storage, transportation in bulk of foodgrains to the State Governments. The operational responsibility rests with the State Governments. At present foodgrains are distributed through the network of more than 4.89 lakh fair price shops.

Under the Targeted Public Distribution System, 2.5 crore poorest of the poor families from among the BPL families covered under TPDS within the States are being provided foodgrains at a highly subsidized rate of Rs. 2 per Kg. for wheat and Rs. 3 per Kg. for rice under the Antyodaya Anna Yojana. The scale of issue of foodgrains is 35 kg. per family per month. As per the information provided by the Department, total number of ration cards issued by States/UTs for different category of persons are 2,291.82 lakhs, out of which 1,291.91 lakhs are APL, 765.82 lakhs BPL and 234.10 are AAY.

The Committee further note that the identification of BPL is done by the Ministry of Rural Development and the Department of Food and Public Distribution do not conduct any independent survey. The Committee are also aware of the fact that the results of BPL census 2002 could not be finalized so far by the various State Governments and as such the data of BPL persons identified during the year 1997 is being depended upon. The Committee note from the position of off-take of foodgrains as compared to allotment under BPL/APL and AAY categories that the off-take was around 78 per cent under BPL, around 27 per cent under APL and around 93 per cent under AAY during the year 2006-07.

14. 3.75

The Committee while examining Demands for Grants for 2006-07 (refer para 2.68 of Twelfth Report) had recommended that there is a

need to reduce allocation of foodgrains for APL category especially wheat. In this regard, while examining the Demands for Grants of this year, the Committee have observed that the off-take of APL persons is very low. It is only 27 per cent during the year\_2006-07. Further as stated above, the revised data of BPL persons is not available with the various State Governments. The benefits of subsidized food provided to BPL/AAY persons through PDS are actually being diverted. The issue of diversion has been dealt in detail in the succeeding part of the report. Keeping all the factors in consideration, the Committee note that there is a category of persons who are little above BPL but are actually being deprived of the benefits of TPDS in most of\_the States/UTs. The rising prices in the last couple of years has hit hard specifically this category of persons who are actually suffering from food insecurity but are technically above poverty line and deprived of the special benefits of PDS being provided to BPL persons. The Secretary during the\_course of oral evidence has acknowledged the need to provide the benefit of food security through subsidized foodgrains to this category of persons on the lines of the subsidised foodgrains provided to BPL persons. In view of the aforesaid position, the Committee reconsider the earlier\_recommendations and strongly recommend to the Government to devise a modified APL scheme covering at least 20 per cent of the poor persons who are above poverty line i.e just above BPL. The proposed modified APL Scheme would be in addition to the existing BPL Scheme and APL Schemes of various State Governments/Union Territory Administrations. The Committee would also like that the modalities of the proposed scheme should be worked out and placed before\_the Cabinet expeditiously. The action taken in this regard should be communicated to the Committee.

15.

3.76

The Committee further note that malnutrition, specifically among women and children is the area of concern. The malnourished children are unlikely to reach their human potential. Besides, due to malnourishment, women are also affected by anemic and other problems related to malnourishment. There is an urgent need to provide adequate nourishment and health care to\_every citizen particularly the children and women. Pulses are a rich source of protein and other nutrients. The considerable rise in the prices of pulses and edible oil has affected the poorest of the poor hard and as such there is an urgent need to provide certain quantity of pulses and edible oil at subsidized rates to poor persons through PDS. The Committee are aware of the fact that due to mis-match between demand and supply of cereals and edible oil, the Government has to resort to imports considerably. The Secretary has informed\_that at present, edible oil to the tune of 45-50 lakh tonnes and pulses to the tune of 20-25 lakh tonnes are being imported. On the suggestion of the Committee to provide pulses and edible oil to the BPL families, the Secretary expressed certain constraints such as need to resort to more imports due to the shortage and consequent increase in subsidy. The Committee would like that all these concerns should be adequately addressed to and the Government should evolve a strategy to provide 2 kg of pulses and 1 kg. of edible oil at subsidized rates to each family through PDS. The proposed\_scheme in this regard should be worked out after taking into account all the factors keeping in view\_the

- aforsaid observations of the Committee and placed before Cabinet expeditiously.
16. 3.77 The Committee note that as per the existing practice, certain monthly quotas of sugar are being provided to various State Governments for distribution through PDS. Limited special quota of sugar on the occasions of festivals are also being provided to various State Governments. The Committee recommend that the Department should review the policy of providing sugar through quota to various State Governments/Union Territory Administrations and decontrol the same.
17. 3.78 The Committee note that the Government has issued instructions to all State Governments/UTs allowing them to sell non PDS commodities of daily use such as soap, tea powder, iodized salt, etc. in the FPS to increase the availability of FPS. Besides, the Government is also exploring the possibility of selling postal items and railway tickets through the FPS. The State of Gujarat has gone to the extent of making FPS as rural mall shops where almost all the items of daily consumption are allowed to be sold in those shops. The Committee would like that the experience of Gujarat need to be replicated in other States so that the people from rural areas specifically those living in tribal areas can get the items of daily use easily from FPS. The Department should pursue with the State Government/Union Territory Administrations and take all the steps to make the FPS viable and the Committee should also be kept apprised.
- The Committee further note that in Gujarat, ration cards are being issued to migrant labourers. The Department is pursuing with the State Governments to replicate the idea of issuing ration cards to migrant labourers on the lines of the State Government of Gujarat. The Committee would like the Department to pursue further with the State Governments in this regard and inform the Committee about the follow up action
18. 3.90 The Committee find that diversion of foodgrains meant for poorest of the poor to be allocated through PDS is the biggest menace in the functioning of one of the important welfare schemes of Government i.e. PDS. In this regard, the revelation made under ORG Marg Report and PEO Report are a matter of concern. As per the ORG Marg Report, excepting 11 States/UTs, in all the States, there were large scale diversions of wheat and rice. The worst is the position in North-Eastern States. In Manipur diversion is 97.7 per cent followed by Nagaland and Arunachal Pradesh where diversion is 88.6 per cent and 64 per cent, respectively. In States other than the North-Eastern States, the diversion is maximum in hilly States of Himachal Pradesh (58 per cent) and Uttaranchal (53 per cent). All India diversions of foodgrains are 39 per cent for rice and 53.3 per cent for wheat. Further, as per PEO Report, the All India diversion data is 36.38 per cent. The foodgrains leakage through ghost cards is 16.67 per cent and foodgrains leakage on FPS is 19.71 per cent.
- The Committee also note that there are various monitoring mechanisms of the Department to have better monitoring and deal with all the issues including diversion of foodgrains. The Ministry has constituted a Task Force Team to monitor and check the various irregularities in the functioning of PDS. Besides, the Ministry has an Area Officer Scheme under which the various officers of the Ministry visit various

States to know about the ground position with regard to the working of PDS. In addition, under PDS Control Order, 2001, the constitution of Vigilance Committees by the States/UTs at State/District and FPS level is mandatory.

In addition to the aforesaid systems, the Ministry get the utilization certificates from various State Governments which also help in monitoring of the PDS scheme. In spite of the elaborate system of monitoring, the diversion of foodgrains continues.

The Committee note that besides evolving various system of monitoring mechanism, it is pertinent that these systems work properly. In this regard, the information furnished by the Department indicates that the systems are not working properly. For example, Vigilance Committees could not be constituted in Assam, Bihar, Haryana, Jharkhand, M.P. Maharashtra, Manipur, Orissa, Punjab, Tripura, Uttaranchal, U.P. A & N Island and Daman & Diu. The Ministry has no mechanism to take note of the meetings of these Committees, although it is mandatory to have one sitting in each quarter by these committees as per the aforesaid control order. As regards the working of Area Officers Scheme, the Committee note from the data furnished by the Ministry that in 2006-07, visits were undertaken only in 7 States/UTs. In the year 2005-06, the position was better when visits were undertaken in 11 States/UTs. In view of the aforesaid position, the Committee strongly recommend to the Department to ensure that the various monitoring mechanisms work properly failing, which the objective of having detailed mechanism of monitoring is really defeated.

The Committee feel that there is an urgent need to involve more and more women in the various activities related to Public Distribution System (PDS). As noted earlier, there are 4.89 lakh Fair Price Shops (FPS) spread through out the country for the purpose of distribution of foodgrains to various entitled categories like BPL, AAY and APL persons. The Committee feel that there is a need to increase the number of fair price shops for the convenience of masses and the Committee strongly recommend to provide license to women for Fair Price Shops. Besides, Self-help Groups can also be involved in various activities related to PDS. The Committee desire that the data of women FPS license holders should be separately maintained to know the status of involvement of women in PDS. The Committee feel that greater responsibilities should be given to Panchayati Raj Institutions particularly elected women members in design implementation and monitoring of location specific food security schemes particularly PDS. The Monitoring of PDS can be emphasized through social audit by Gram Sabhas. Besides, Panchayati Raj Institutions should also be made responsible for initiating action under the PDS Control Order, 2001. The Committee strongly recommend that necessary action should be taken in the light of the aforesaid observations of the Committee for involvement of women, Self-help Groups as well as Panchayati Raj Institutions under PDS. The Committee should also be kept apprised in this regard.

19. 3.91 The Committee further note that Finance Minister in his speech on Budget 2007-08 has referred to a plan scheme for evaluation, monitoring, management and strengthening of the Targeted PDS to be implemented in 2007-08, which will include Computerization of PDS and an Integrated Information System in the Food Corporation of India. The Committee note that already two elaborate schemes viz Integrated Information System for Foodgrains Management and Research in Public Distribution System are in operation since the Tenth Plan. The performance of these schemes is worst during the year 2006-07. Under the Integrated Information System for Foodgrains Management, the expenditure incurred is Nil. Further, under the Evaluation, Monitoring and Research in Public Distribution System, the expenditure is just marginal i.e. 0.20 crore. As discussed in detail in the preceding part of the report, the Ministry has furnished certain reasons for huge under spending indicating delay in signing of MOU and tendering process by some of the States resulting in low financial achievement under IISFM. The Committee understand that all these issues were well within the domain of the Ministry and such under spendings could have been avoided with proper planning. The Committee desire the explanation of the Department particularly on the Nil expenditure under IISFM.
- The Committee note that the monitoring of PDS system can be made more effective with the recent technological interventions. Further, with the existing pace of implementation of the schemes which propose to use computers for monitoring, there seems to be no hope in this regard. The Committee strongly recommend to the Government to take the issue of monitoring seriously since crores of rupees are being spent for allocating subsidized foodgrains to the poorest of the poor.
20. 3.94 The Committee note that the main objective of the Village Grain Bank Scheme is to provide safeguard against starvation to all Below Poverty Line (BPL) and Antyodaya Anna Yojana (AAY) families in chronically food scarce areas. The Committee note with concern that though the Scheme was launched during 1996-97 (i.e. about ten years ago) yet Village Grain Banks have been established only in three States namely Andhra Pradesh, Orissa and Chattisgarh, till date. The Committee feel that the Scheme has not proved to be a major success as starvation deaths are still being reported not only from the three States where Village Grain Banks have been established, but from other States as well. The Committee therefore, recommend that to meet the objective of this Scheme the Government should direct the State Governments to make serious concerted efforts for establishing more and more Village Grain Banks in their States. The Committee would like to be apprised of the action taken in this regard.
21. 4.7 The Committee find that Food Corporation of India is providing foodgrains for various welfare schemes of respective Ministries of Union Government on payment basis. The information provided by the Ministry indicates that there are huge outstanding dues against various Ministries. The maximum outstanding dues are from the Ministry of Rural Development for supply of foodgrains being provided under Food for Work Programme, SGRY and special component of SGRY. The total outstanding dues from different Ministries are to the tune of Rs. 20,064.51 crore, out of which the dues

outstanding from Ministry of Rural Development in respect of the aforesaid schemes are Rs. 17,740.40 crore. The Committee further note from the information provided by the Department in various Budget documents and during the course of oral evidence that the matter of outstanding dues has been taken up at the highest level. As a result of the pursuance of the matter at the Cabinet level, it has been decided by the Cabinet to approve the issue of special securities to an extent of Rs. 16,200 crore towards partial settlement of the dues of the Ministry of Rural Development. Still, a balance of roughly Rs. 17,740.40 crore is yet to be received from the Ministry of Rural Development. As regards the future strategy to avoid such a situation, the matter was placed before the Committee of Secretaries and it was decided that Ministry of Finance would provide Budgetary support to the Ministry of Rural Development for meeting the requirement of funds for supply of foodgrains by FCI in the next financial year onwards. The Committee feel that outstanding dues to the extent of Rs. 20,064.51 crore from various Ministries is a matter of serious concern and it would affect the functioning of FCI adversely. The Committee strongly recommend to pursue further with various Ministries, particularly the Ministry of Rural Development to clear all outstanding dues. Besides the efforts being made to take up the matter at the highest level needs to be pursued further. As regards the future strategy, the Ministry has to take up the issue again at the highest level and strictly tell various Ministries to make provisions for foodgrains component at the Budget Estimates stage. The concern of the Committee in this regard should be duly communicated to the various concerned Ministries as well as the Ministry of Finance and Planning Commission.

22.

4.12

The Committee have persistently been recommending in their respective reports to bring down the total establishment cost incurred by FCI which adversely affects the total subsidy for foodgrains meant for the poorest of the poor. Any deduction on the total establishment cost will result in increased allocation for foodgrains component since the establishment cost is part of the total foodgrains subsidy package. In spite of pursuing the matter by the Committee in the respective reports, the data indicated in the various Budget documents as reflected in the previous paras of the report indicates that the establishment cost which includes staff cost and other administrative expenses is increasing year after year. Total establishment cost which was Rs. 1,455.73 crore during the year 2005-06 has increased to 1,723 crore which is around 20 per cent. The Committee further find that M/s. McKinsey & Co. while reviewing the operations of FCI has made certain recommendations for revised norms of deployment of staff for different offices at district level based on the volume of operations. The various recommendations of M/s. McKinsey & Co. are still being examined. The Committee strongly recommend to take final decision on the various issues relating to bringing efficiencies in the administration involved in the handling of foodgrains. Such efficiencies would definitely result in curtailment of establishment cost. The follow up action should be communicated to the Committee. The Committee note that all expenses including establishment cost in the Food Corporation of India are made from the Budgetary support of

- the Ministry by means of food subsidy. The Committee strongly recommend that the establishment cost of FCI should be separately indicated while allocating resources for food subsidy. Such an information would enable the Government to monitor the allocation and utilization of funds separately for establishment and other component of food subsidy. Besides any increase/decrease in the establishment cost would not affect the total package of food subsidy.
23. 4.16 The Committee note with concern the comparative position of utilization of owned and hired storage capacity available with FCI. During the year 2005-06 whereas the utilization of owned storage capacity was 41 per cent, the utilization of hired capacity was 62 per cent. During the year 2006-07, the same trend continued. The utilization of owned storage has increased slightly from 41 per cent to 42 per cent. For hired storage capacity, there is marginal reduction from 62 per cent to 57 per cent. The Committee fail to understand the reasons for such a gross under-utilization of storage capacity. The Committee further find that Rs. 403.67 crore is the total rent paid during the year 2005-06 for the hired storage from different areas. As regards the issue of using more of the hired capacity than the owned capacity, the Department has stated that the hired capacity of 9.4 million tonnes includes 7 million tonnes taken over under seven year guarantee scheme and FCI has to use these godowns on priority basis as per the contractual agreements. The Committee deplore the way the contracts have been made with several agencies without taking note of FCI's owned storage capacity resulting in a situation where huge rents are being paid for rented storage whereas owned storage is underutilized. The Committee would like to be apprised of the detailed process of making contracts so as to enable the Committee to analyse the position and comment further in this regard.
24. 4.25 The Committee find that under the scheme for construction of storage godown, grants in aid are made to FCI, CWC and State Governments for construction of godowns in North East and Jammu and Kashmir. The actual construction work is entrusted to CPWD, NBCC and HUDCO. The Committee further note that as per the study done by IIM, Bangalore, there was a need of additional capacity to be created. Maximum requirement is in Jammu and Kashmir for 90 MT followed by Meghalaya – 63 MT and Assam – 58 MT. The Committee deplore the under achievement of targets to the extent of 17.07 lakh tonnes during the year 2005-06. The Committee feel that in difficult areas of Jammu & Kashmir and North –East, there is an urgent need to pay more attention to the creation of infrastructure for storage of foodgrains and, as such, strongly recommend to the Department to take up the issue of achievement of targets with the various agencies involved like FCI, CWC and the construction agencies like NBCC, HUDCO and CPWD.
25. 4.26 The Committee note that the Centrally Sponsored Scheme of Construction of Godowns' which has been operative since 1983-84 and under which financial assistance was given to the State Governments/UTs for construction of small godowns upto 2000 MTs, has been discontinued by the Planning Commission in the Tenth Plan. The Committee feel that after discontinuation of the scheme, there is no agency/scheme to cater to the needs of small farmers for storage of

their produce. The Committee, therefore, recommend that a comprehensive survey should be conducted for assessing storage need of States at micro level and if need be, the storage capacity be strengthened accordingly so that the farmers do not suffer for want of storage facilities.

26. 4.32 The Committee while examining the Demands for Grants of the previous year (refer para 2.75, 12<sup>th</sup> Report) had been informed that the Government of India had requested the Central Vigilance Commission on 27<sup>th</sup> May, 2005 to conduct an enquiry into the alleged irregularities in implementation of Hill Transport Subsidy Scheme in Arunachal Pradesh. The CBI vide letter dated 14<sup>th</sup> June, 2006 had informed to the Ministry that no action could be initiated due to the pendency of a PIL on the subject in the Guwahati High Court. Further, the Department in its written reply on the aforesaid recommendation of the Committee has stated that pendency of the PIL should not be a reason for delay in investigation by CBI. CVC has been requested on 12 February, 2007 to tender advice as to whether CBI can investigate a case during the pendency of a PIL in High Court. The Department has again written to the CBI on 6 March, 2007 with a copy to the CVC reiterating its stand in the matter. The CBI has been requested to look into the matter and arrange to get the case investigated as early as possible and send CBI's findings/report alongwith recommendations of CVC to the Department. The Department has also stated that no stay order has been granted by the Guwahati High Court on the PIL. While noticing the contents of the follow up of the action in this regard, the Committee recommend to pursue the matter further and the enquiry should be expedited after getting the advice of the CVC. The Committee should also be kept apprised of the developments in the case.
27. 4.33 FCI/CWC is not having godowns on the island and FCI is issuing foodgrains and sugar to the UT Administration of Lakshadweep or its nominated agencies, at the mainland (Mangalore Port), as per the allocation made by the Government under Targeted Public Distribution System and other Welfare Schemes. During monsoon, the Lakshadweep is cut off from the mainland and foodgrains do not reach there. The Committee are very happy to note that a decision has been taken to construct a FCI godown (2500 MT) at Lakshadweep subject to providing of suitable land by UT Administration of Lakshadweep. The Committee, therefore, strongly recommend that FCI should gear up their efforts in stepping up the construction of godowns at UT Administration of Lakshadweep and various other hilly areas also so that benefit of PDS percolates down to people living there.
28. 4.44 The Committee note that as a result of the various initiatives taken by the Ministry to reduce the storage and transit losses, these losses have decreased from 0.53 per cent during the year 2004-05 to 0.36 percent during the year 2005-06. The Committee feel that efforts need to be continued more vigorously so as to ensure that every paisa earmarked for the poorest of the poor reaches them. The Committee hope that during the financial year 2006-07, the said losses would further be reduced.



- The Committee would like to be apprised in this regard.
29. 4.52 The Committee are deeply concerned to note the constant rise in corruption cases despite various remedial measures taken in this regard. The Committee feel that in most of the regional/zonal headquarters where these corrupt activities are mainly confined, junior employees might have been suspended /terminated and no fingers are raised at Senior Officials. The Committee desire that vigilance mechanism should be tightened up and should be made more transparent and effective. Responsibility should also be fixed on Senior officers so as to uproot the evil of corruption. It is felt by the Committee that Public Distribution System (PDS) should be made more transparent and accountable. Further the Committee also desire that staff should be transferred from one post to another after every three years to avoid creation of vested interests. The Department should act on the suggested lines and inform the Committee about the action taken in this regard.
30. 4.53 The Committee note that during the year 2006, there are 2,004 vigilance cases pending in FCI and only one case had been referred to CBI/CVC each. During 2006, 1,195 cases are pending against FCI officers on account of transit and storage losses. The Committee feel that delay in disposal of vigilance case further encourages incidence of corrupt practices and undermines the authority of law. The Committee, therefore, recommend that all efforts should be made for quick disposal of vigilance cases.
31. 4.56 The Committee note with satisfaction that their various recommendations Committee to curb the menace of proxy labour have been followed by the State Governments. Most of the State Governments have implemented the recommendations. However, in some States, recommendations are partially implemented. In Assam, J&K, Bihar, Delhi and Andhra Pradesh, labour union Workers are opposing the implementation of the instant recommendation of the Committee according to which each/every worker is required to put one's signature or thumb impression as a token of attendance. The Committee would like that efforts should be made by State Governments to convince the workers in this regard. Further, with regard to the recommendation of the Committee that payment of the wages to all workers be made by cheque, the workers are hardly accepting cheque in J&K and Chhattisgarh on the plea that they are illiterate. The Committee would like that these workers should be persuaded by educating them about the benefits of getting wages through cheques. Further pursuance is required in States where the recommendations of the Committee are partially implemented. The follow up action should be intimated to the Committee.
32. 5.8 The Committee are deeply concerned to note continuous rise in outstanding dues, during 2003-04, 2004-05 and 2005-06 i.e. Rs. 174.70 crore, Rs. 218.20 crore and Rs. 232. 72, crore respectively of CWC. The Committee, therefore, recommend for liquidation of outstanding fully at the earliest. The Committee are unhappy to note unusual increase in bad debts written off to the tune of Rs. 17,009 Rs. 4,32,525 and Rs. 17,17,935 respectively during the last three years i.e. 2003-04, 2004-05 and 2005-06. 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 close vigil on this trend.

33. 5.15 The Committee are concerned to note steep rise in establishment cost of CWC for the last three years i.e. 2004-05, 2005-06 and 2006-07 i.e. 188.40 crore, 197.25 crore, and 209.80 crore respectively despite various cost reduction strategies adopted by the Corporation. The Committee also desire to implement the recommendations of TCS (Tata Consultancy Service) fully at the earliest. The Committee, therefore, reiterate its earlier recommendation and desire that Government should find ways and means, including undertaking an exercise by leading management institutions like ASCI, Hyderabad for restructuring the policy, plan and programme of CWC to reduce the establishment cost and enhance its profits.
34. 5.18 The Committee note that the perspective plan drawn by CWC for construction of godowns during the financial year 2007-08 do not include any of the North Eastern States. While appreciating the difficulties in construction of godowns in North Eastern States due to difficult geographical conditions, the Committee feel that more focus needs to be given to these areas so that the poor persons are not deprived of the benefit of PDS. The Committee, therefore, strongly recommend that construction of godowns at NE region should also be included in the perspective plan drawn and maximum possible efforts should be made to initiate construction of godowns in NE region at the earliest.
35. 5.32 The Committee have noted that the rent paid by the Corporation for the last three years is constantly on rise viz 21.11 crore, 23.23 crore and 30.21 crore in 2003-04, 2004-05 and 2005-06 respectively which indicates that owned capacity is not being put to maximum utilization and a substantial amount is spent on payment of rent. The Committee, therefore, strongly, recommend that CWC should resort to de-hiring of hired godowns on priority basis and make optimum utilization of owned capacity.
36. 6.41 The Committee find that a cess of Rs. 14 per quintal is being collected as a duty of excise on all sugar produced by any sugar factory in India under Sugar Cess Act, 1982 and the proceeds, reduced by the cost of collection as determined by the Central Government, together with any money received by the Central Government for the purposes of the Act after due appropriation made by the Parliament are credited to the Sugar Development Fund (SDF). In this regard during the period from 1982-83 to 2006-07, (upto 30 November, 2006), a cess amount of Rs. 4,448.44 crore has been collected out of which Rs. 3,506 crore has been transferred to the Sugar Development Fund. The Sugar Development Fund has been created for financing of accounts for the development of Sugar Industry to achieve the objectives of the aforesaid Act.
- The Committee find from the position of financial achievement with regard to various schemes as reported by the Department in the Budget documents that there is huge underspending during the year 2005-06 and 2006-07. The following data substantiates the aforesaid observation of the Committee.

Scheme	Underspending in percentage as compared to Revised Estimate	
	2005-06	2006-07
Loans for modernization/rehabilitation of sugar mills.	63	80
Loans for Cane development	36	48
Loans to Sugar mills for Bagasse based cogeneration power projects	54	48
Loans for production of anhydrous alcohol /ethanol	72	60

37.

6.42

The Department has indicated receipt of incomplete applications as required under SDF rules as well as non execution of timely Tripartite Agreement (TPA) as the reasons for the huge underspending. Further analysis of the data reveal that the amount allocated at Budget Estimates (BE) stage is enhanced even when the trends of utilization of expenditure are lesser than the allocation made at the BE stage. For example under the scheme 'Loan for sugar mills for Bagasse based cogeneration power projects' the allocation was enhanced from Rs. 100 crore to Rs. 125 crore at RE stage during the year 2005-06. However, it resulted in to expenditure of just Rs. 62.73 crore which is far lesser than the allocation of Rs. 100 crore at BE stage. During the following year i.e. 2006-07 again the allocation made at BE stage has been enhanced from to Rs. 100 crore to Rs. 120 crore, whereas the actual expenditure is again Rs. 62.5 crore .

The Committee conclude from the aforesaid scenario that the objectives of creation of Sugar Development Fund are not being fully achieved. The reasons for under achievement are well within the domain of the Government. There is an urgent need for simplifying the procedures for advancing loans to various sugar mills under the respective schemes. Besides, the owner of the sugar mills need to be assisted in completing the formalities for sanction of the loans under the schemes. There is an urgent need to publicize the aforesaid schemes so that maximum applications are received. The Committee further note that India is one of the largest producers of sugar and sugarcane in the world and as such there is great potential for bagasse based cogeneration power projects and production of anhydrous alcohol / ethanol . The Sugar Development Fund can be a boom to these sugar mills particularly when the Sugar Development Fund has the definite source of funding i.e. the cess of Rs. 14 per quintal as a duty excise on all sugar produced by any sugar factory. The Committee strongly recommend to the Department to take all the desired steps in the light of the aforesaid observations of the Committee and the Committee be kept apprised.

38. 6.43 The Committee note that as on 31 December, 2006, Rs. 739 crore is outstanding on account of recovery of funds as financial assistance provided to sugar mills from SDF. Out of Rs. 739 crore, the default on account of cooperative and public sector units is Rs. 593 crore. The Committee further find that the reasons for poor recovery include 17 sugar mills involving default of Rs. 160 crore as sick and registered with BIFR/AAIFR or closed as on 31 December, 2006. Adverse sugar seasons during 2002-03 and 2003-04 have further been attributed as the reasons for poor repayment of SDF loans. The Committee further find that the bold initiatives have been taken by the Department which include dialogues with Chief Secretaries to impress upon them to make the payments of the dues where the State has given Government guarantee i.e. amounting to Rs. 388 crore, the proposal to adjust the outstanding against Central grants against the loan granted by the State Governments and issuing of legal notices to the defaulting mills etc. With the aforesaid initiatives of the Department, concrete results could be achieved as reflected in the data according to which percentage recovery as compared to outstanding which was 17.69 per cent during 2005-06, has considerably improved to 26.76 per cent. The Committee feel that the objective of providing loan to sugar mills from SDF funds is defeated if the amount advanced to these mills is not spent on various activities for the development of sugar industry. The Committee strongly recommend to the Ministry to continue the proactive initiatives being taken recently so as to improve the recovery position of loans provided to sugar mills from SDF.
39. 6.44 The Committee note that as a result of effective steps taken by the State Governments for liquidation of old outstanding dues of farmers, the cane price arrears for the sugar seasons 2003-04 to 2005-06 have considerably reduced. As informed by the representatives of the Department, cane price arrears to be paid by the sugar mills have been brought down to 1 per cent which was about 30 per cent during the last three years. The Committee are further concerned to note that during the year 2006-07, the cane price arrears have again started mounting and risen to the tune of Rs. 1,900 crore. As regards the State-wise position, the arrears are maximum in the States of Uttar Pradesh and Maharashtra apparently due to the fact that these States are having maximum agricultural production of cane. 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 2005-06 and earlier are still outstanding and yet action has not been taken against sugar mills to recover the cane price arrears alongwith interest @ 15 per cent, as per the provisions of Sugarcane (Control) Order, 1966. The Committee would, therefore, like to be apprised of the details of sugar mills who are yet to liquidate their outstanding arrears against the farmers alongwith the reasons for not paying the outstanding arrears alongwith interest. The Committee further emphasise to protect and promote the interest of farmers in a such a way that they continue to cultivate sugarcane and any aid/or assistance may be given to the sugar mills only on timely liquidation of cane price arrears by them to the farmers.

40. 6.45 The Committee note that during the year 2006-07 only four sugar factories were visited and the number of samples drawn for testing was just 131. The Committee are concerned to note that the number of factories being visited as well as the number of samples being drawn for testing is very low taking into account the large number of installed sugar factories in the country. The Committee feel that when the priority of the Government is to provide good quality sugar to the consumers, proper quality control measures should be taken. More and more factories need to be inspected/visited. The Committee feel that mere issuing of show cause notices would not serve the purpose of keeping a check on sugar factories to maintain high quality standards. The Committee, therefore, recommend that some very stringent actions, including monetary penalties may be imposed on sugar factories whose samples fail the quality tests. The Committee would like to be apprised of the action taken in the matter.
41. 6.46 The Committee are deeply concerned to note that number of claims settled on account of reimbursement of internal transport charges was mere 31 during 2006-07 and 44 during 2005-06 as compared to 418 during 2003-04 and 392 during 2004-05. The Committee also note that 270 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. 37.44 crore only against Budget Estimates of Rs. 90 crore in 2005-06 and Rs. 16.16 crore during 2006-07 out of BE of Rs. 50 crore. 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 surrendered. The Committee would also like to 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 further recommend that the tedious procedural formalities which are presently gone into for clearance/settlement of claims should be simplified, so that the claims are settled expeditiously.
42. 7.22 The Committee note the various initiatives being undertaken by the Government which include the efforts made by Indian Council of Agricultural Research (ICAR) in continuously developing improved varieties of production and protection technologies in oilseeds. Demonstrations of the various technologies are being organized through State Department of Agriculture and Front Line Demonstrations through ICAR under the Centrally Sponsored 'Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize' (ISOPOM). With the concerted efforts made from various quarters, the production of edible oils in the country has improved from 72.47 lakh tonnes during 2004-05 to 83.16 lakh tonnes during 2005-06. The increase in production of edible oils has been negated by the growth in population and increased demand of edible oils due to improved living standard of people in the country. As such, there is no relief with regard to dependence on imports to meet the requirement of oilseeds in the country. As against 45.42 lakh tonnes import of edible oils during 2004-05, 42.88 lakh tonnes have been imported during 2005-06, which marks an increase of 0.46 lakh tonnes. In the aforesaid scenario, the

dependency on imports with regard to edible oils is around 35 to 40 per cent.

While taking note of the status of indigenous production and imports along with the overall demand and supply position of oilseeds and edible oils in the country as given in the preceding paras of the report, the Committee feel that there is an urgent need to pay more attention to R&D for improved varieties of seeds and improved technologies for production of oilseeds. Such R & D initiatives need to be demonstrated to farmers to ensure the transfer of R&D from lab to land. Besides this, the initiatives need to be taken to provide incentives to the farmers for opting of production of oilseeds through various result oriented schemes/plans. More attention need to be paid to increase the productivity and production of traditional oilseeds crops. Besides, result oriented schemes/plans should be chalked out/drawn to promote and popularize the use of non-traditional secondary source of edible oils, so as to reduce the dependency on imported edible oils. The Committee recommend to the Department to take the initiatives on the lines suggested in consultation with the other Ministries involved in the task.

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7.23

The committee are concerned to note that the number of inspections carried out by the officials of DVVO&F as well as the number of samples analysed is on the decline. The number of inspections carried out in 2005-06 was 1,275, which declined to just 900 during 2006-07. The number of samples examined in the year 2005-06 was 3,254, which declined to 3,207 in the year 2006-07. The Committee are anguished to note that only two States i.e. Kerala and Sikkim have submitted their Annual Reports for the year 2006 indicating number of samples examined and found adulterated. The Committee are perturbed to note that no inspection by Field officers of DVVO&F has been carried out of the Institutes funded for conducting R&D projects under the Plan Scheme of the DVVO&F. The Committee are of the view that in a vast country like ours where edible oils are the main cooking medium and adulteration in edible oils is so widespread, the number of inspections being carried out and samples being analysed are almost negligible. The Committee recommend that to keep a check on the adulteration in edible oils which is so rampant in our country, apart from increasing the number of inspections and drawing of large number of samples, some harsh actions should be taken against the offenders.