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STANDING COMMITTEE ON FOOD,CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2007-2008)

FOURTEENTH LOK SABHA

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

{Action Taken by the Government on the recommendations/observations, contained in the Eighteenth Report of the Committee on Demands for Grants (2007 - 2008) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)}

TWENTY FIRST REPORT

LOK SBHA SECRETARIAT
NEW DLEHI
December, 2007/Agrahayanaa, 1929 (Saka)

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Presented to Lok Sabha on ………………………….
Laid in Rajya Sabha on ………………………………

LOK SBHA SECRETARIAT
NEW DLEHI
December, 2007/Agrahayanaa, 1929 (Saka)

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Shri Devendra Prasad Yadav - *Chairman*

MEMBERS

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3. Shri Suresh Angadi
4. Shri Alakesh Das
5. Shri Atma Singh Gill
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1.	Dr. (Smt.) Paramjit Kaur Sandhu	-	Additional Secretary
2.	Shri P. K. Misra	-	Joint Secretary
3.	Smt. P.K. Sandhu	-	Director
4.	Shri Jagdish Prasad	-	Deputy Secretary-II
5.	Shri Rakesh Bhardwaj	-	Executive Officer

INTRODUCTION

1. I, the Chairman of the Standing Committee on Food, Consumer Affairs and Public Distribution (2007-2008) having been authorized by the Committee to submit the Report on their behalf, present the Twenty - first Report on action taken by the Government on the recommendations contained in the Eighteenth Report of the Committee (Fourteenth Lok Sabha) on Demands for Grants (2007-2008) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The Eighteenth Report was presented to Lok Sabha and laid in Rajya Sabha on 27 April, 2007. The Government furnished replies indicating action taken on the recommendations contained in the Report on 20 August, 2007. The Report was considered and adopted by the Committee at their sitting held on 14 December, 2007.

3. An analysis of the action taken by the Government on the recommendations contained in the Report is given in Appendix-II.

NEW DELHI
31 December, 2007
10 Pausa, 1929 (Saka)

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

CHAPTER I

REPORT

This Report of the Standing Committee on Food, Consumer Affairs and Public Distribution deals with the action taken by the Government on the recommendations contained in the Eighteenth Report (14th Lok Sabha) on Demands for Grants (2007-2008) pertaining to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

1.2 The Report was presented to Lok Sabha and laid on the Table of Rajya Sabha on 27 April, 2007. It contained 43 recommendations. Action Taken Notes in respect of all the 43 recommendations contained in the Report have been received and categorized as follows:-

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

Serial Nos. – 1, 4, 5, 6, 8, 9, 11, 12, 17, 19, 20, 23, 24, 26, 27, 28, 29, 30, 31, 32, 34, 35, 38, 39, 41, 42 and 43

(Paragraph Nos. – 2.29, 3.27, 3.28, 3.29, 3.31, 3.32, 3.40, 3.55, 3.78, 3.91, 3.94, 4.16, 4.25, 4.32, 4.33, 4.44, 4.52, 4.53, 4.56, 5.8, 5.18, 5.32, 6.33, 6.34, 6.36, 7.22 and 7.23)

(Chapter –II Total 27)

(ii) Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

Serial Nos. – 33

(Paragraph Nos. – 5.15)

(Chapter –III, Total 1)

(iii) Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Serial Nos. – 2, 3, 7, 15, 18, 22, 36, 37, and 40

(Paragraph Nos. – 2.30, 2.31, 3.30, 3.76, 3.90, 4.12, 6.31, 6.32, and 6.35

(Chapter –IV Total 9)

(iv) Recommendations in respect of which the final replies of the Government are still awaited:

Serial Nos. – 10, 13, 14, 16, 21 and 25

(Paragraph Nos. – 3.33, 3.74, 3.75, 3.77, 4.7 and 4.26)

(Chapter –V, Total 6)

1.3 The Committee desire that the final replies in respect of the recommendations for which only interim replies have been received from the Government be furnished to the Committee within three months of the presentation of the Report.

1.4 The Committee strongly emphasize that utmost importance be accorded to the implementation of recommendations accepted by the Government. In case where it is not possible for the Government to implement the recommendations in letter and spirit for any reason, the matter be reported to the Committee in time with reasons for non-implementation.

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

A Under spending under various important schemes and rush of expenditure at the fag end of the financial year.

Recommendations Sl. Nos. 2 & 3, (Para Nos. 2.30 and 2.31)

1.6 The Committee had recommended as below:

"The Committee observe that there is huge under spending 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 is huge underspending under the following schemes during the Tenth Plan Period: -

(i) Construction of Godowns;
(ii) Integrated Information System for Food grain Management;
(iii) Evaluation, Monitoring and Research 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 Food grain Management (IISFM);
(ii) Research and Development and Modernization of VVO&F; and
(iii) Computerization of Public Distribution System (PDS).

The reasons furnished by the Department for under spending which indicate modifications of original scheme of smart card and earlier unspent balances under IISFM 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 cut at RE stage under different schemes is due to under spending 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 under spending is not repeated during the year 2007-08.

(Recommendation Para No. 2.30)

"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
Fourth 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."

(Recommendation Para No. 2.31)

1.7 The Department in the action taken note has stated as under:-

'The Department is ensuring expenditure as per the scheme Monthly Expenditure Plan and Quarterly physical/financial targets for 2007-08 for plan schemes are being fixed and these targets will be closely watched for corrective action during monthly expenditure review meetings during 2007-08.'

1.8 On the serious concern expressed by the Committee with regard to huge under spending under different plan and non-plan schemes during the years 2005-06 and 2006-07, the Department in the action taken reply has not addressed the issue seriously. Even when the expenditure under some of the schemes during the year 2006-07 was reported to be nil, as observed by the Committee, nothing has been done to review the position scheme-wise and corrective action taken accordingly. The Department has simply stated that expenditure under plan head will be ensured as per the monthly expenditure plan and quarterly financial/physical target for 2007-08 for plan schemes.

The Committee feel that without knowing the root cause of under spending in each of the schemes, the issue of under spending cannot be addressed effectively. Not only that, nothing has been stated about the under spending under non-plan heads as pointed out by the Committee in the recommendations. The Committee are unhappy over the way the Department has responded to the recommendation. While reiterating the earlier recommendation, the Committee would like that the reasons for under spending under the different schemes as pointed out by the Committee may be probed and corrective action taken accordingly. The Committee may be kept apprised in this regard.

B Need to review the position of buffer stock of foodgrains

Recommendations Sl. Nos. 4 & 5, (Para Nos. 3.27 and 3.28)

1.9 The Committee had recommended as below:

"The Committee find that the Department of Food and Public Distribution is the nodal Department with regard to formulation and implementation for 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 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 buffer norms of 82 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."

(Recommendation Para No. 3.27)

1.10 "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 750 for wheat along with Rs. 100 per quintal as incentive bonus, ban on 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 fulfill 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."

(Recommendation Para No. 3.28)

1.11 The Department in the action taken note has stated as under:

'With reference to para 3.27 and 3.28 of the Report, it is informed that the stocks of wheat and rice in the Central Pool vis-à-vis the buffer stocks are above the buffer norms as on 1 April, 2007 as may be seen below :

(figures in lakh tonnes)

	Stocks as on 1 April,2007	**Buffer norms**
Wheat	47.03	40
Rice	131.71	122

To enhance procurement of wheat in RMS 2007-08 the following action has been taken by the Government:

i) The MSP for wheat was fixed at Rs. 750 per quintal for RMS 2007-08, an increase of Rs. 100 per quintal, in order to encourage farmers to grow more wheat. Now, according to the Third Advance Estimates of the Department of Agriculture & Cooperation, the estimated production of wheat is likely to be 73.7 million tonnes in crop year 2006-07 compared to 69.3 million tonnes in crop year 2005-06.

ii) An incentive bonus of Rs 100 per quintal over and above the MSP is also being given in RMS 2007-08.

iii) Import of 55 lakh tonnes of wheat was done in 2006-07 which has improved the stock position of wheat in the Central pool and the wheat stocks (as on 1.4.2007) were more than the buffer norms of 40 lakh tonnes at the start of RMS 2007-08.

iv) Wheat exports on private account have been banned upto 31 December 2007. Wheat exports from Central Pool are also banned.

v) Decision was taken to release 4 lakh tonnes of wheat under OMSS in February and March 2007 to cool the market prices before the start of RMS 2007-08.

vi) 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 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.

vii) Department of Consumer Affairs has extended upto 31August, 2007 notification under the EC Act enabling State Governments to impose stock limit on wheat and pulses.

viii) Import of wheat on private account at zero duty has been permitted upto 31 December 2007.

ix) 13128 centers for wheat procurement have been opened by Government agencies in RMS 2007-08 as compared to 8985 centers in RMS 2006-07.

x) Senior Officers of Department of Food and Public Distribution and FCI are frequently visiting wheat procuring States to personally assess the situation.

xi) In order to encourage wheat procurement in States like U.P., Madhya Pradesh, etc Commission to Societies/sub-agents has been enhanced to 2.5 per cent on the lines of the Arthiya Commission in Punjab and Haryana.

xii) NAFED has been engaged to procure wheat on behalf of FCI in States of U.P., Bihar and Rajasthan.

Due to the above steps, wheat procurement in RMS 2007-08 is 106.7 lakh tonnes as on 4 June 2007, which is 14.4 lakh tonnes more than the wheat procured (92.3 lakh tonnes) in RMS 2006-07. To ensure that there is sufficient wheat to meet the requirements for TPDS and welfare schemes as well as to ensure adequate buffer stocks of wheat, the Government has taken a decision to import 3 to 5 million tonnes of wheat in 2007-08.

Procurement of rice in KMS 2006-07 (upto 4.6.2007) was 230.1 lakh tonnes and procurement in this season is expected to be sufficient to meet the requirements of TPDS and welfare schemes as also to meet the required buffer norms for rice.'

1.12 The Committee note that the Department has taken various steps to improve the position of food stocks pursuant to the earlier recommendation of the Committee. As a result, the stocks of wheat and rice as on 1 April, 2007 were above the buffer norms. While analyzing the point-wise action taken by the Government, the Committee note that the Government has to resort to import of wheat to improve the position of buffer stocks. During the year 2006-07, the Government had imported 55 lakh tonnes of wheat. During the current year 2007-08, the Government have again decided to import 3 to 5 million tonnes of wheat even when there is some improvement in the procurement position. The Committee reiterate their earlier recommendation to review the position of buffer stocks from time to time. Besides, all the desired steps in consultation with the Ministry of Agriculture and other related agencies should be taken to increase the production of foodgrains in the country so that the country need not have to resort to imports to meet the requirement of PDS, welfare schemes and for food security.

C Need to discourage the procurement of foodgrains through private companies

Recommendation Sl. No. 7 (Para No. 3.30)

1.13 The Committee had recommended as below:

"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, NCMS 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 March 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."

1.14 The Department in the action taken note has stated as under:

'This Ministry had earlier allowed NCMSL/NBHC to be involved in purchase of foodgrains only in areas where the infrastructure of FCI and State agencies was weak. This was to widen the scope of MSP operations in order to benefit more farmers. Instructions were also issued to FCI to take No-objection from State Governments for engagement of these agencies. FCI has informed that to maximise procurement of paddy/rice for the Central Pool, services of NCMSL/NBHC were utilized during KMS 2006-07 in the States of M.P., Orissa and Bihar for the procurement of paddy. FCI has further informed that as regards giving more emphasis to small farmers and cooperatives they have engaged NAFED, as an agent of FCI for procurement of wheat during RMS 2007-08 in wheat procuring States like U.P., M.P., Rajasthan, Bihar and Uttarakhand.

New guidelines have been issued by the Ministry in April, 2007 regarding involvement of Cooperatives/State undertakings/Private Companies for procurement operations for Central Pool from those areas where FCI infrastructure is weak and State Government establishments are not adequate for the procurement operations. These guidelines will be applicable for wheat procurement in RMS 2007-08 and for paddy procurement in KMS 2007-08. The guidelines include the stipulation that in such cases where need for involving other agencies is felt, FCI should in the first instance use the services of State Government Undertakings/Cooperative Agencies or Central Government undertakings for procurement. In case, there are areas where these agencies are not able to open procurement centers, these areas should be covered through Central PSUs or companies/organizations in which Central Government or nationalized banks/financial institutions have at least 51 per cent equity.

As a last option, private companies can be engaged subject to the State Government recommending the proposal of a private company to be engaged as an agency for procurement. In such a case, the State Government has to supervise the procurement operations to ensure that such a cooperative/company does not pay below MSP to any farmer. Stringent conditions should also be imposed for ensuring that the agency opens adequate number of procurement centers in backward areas. The FCI will also have to ensure that the cost of procurement is lower than that of the State Government agency or FCI, whichever is lower.'

1.15 The Committee in the earlier recommendation had raised serious concern over taking the services of various wings of forward trading exchanges/commodity exchanges for procurement of foodgrains during the year 2006-07. The Department has informed that the services of NCMSL/NBHC were used where the infrastructure of FCI and State agencies were weak after taking no objection from State Governments. The Committee in the earlier recommendation had expressed concern over the use of some of the subsidiaries of commodity exchanges for the purpose of procurement of foodgrains by the Government even when the forward trading of wheat and rice has been banned by the Government. No clarification in this regard has been furnished by the Government.

The Committee fail to understand how some of the subsidiaries of commodity exchanges could be converted into procurement agencies. Further, the Committee find that pursuant to the recommendation of the Committee, the Department has issued new guidelines. As per the new guidelines, private companies can be engaged as a last option subject to the State Governments recommending the proposal of a private company to be engaged as an agency for procurement. Earlier, FCI had to take no objection from State Government for engagement of private agencies. The Committee feel that there is hardly any difference between the earlier and the existing position as per the revised guidelines. The Committee while reiterating their earlier recommendation to give more emphasis on small farmers and cooperatives for the purpose of food security would like that it should be strictly ensured by FCI that the stipulated guidelines are strictly followed and the procurement by private companies is done only as a last resort. Besides, the Committee feel that there should be some stock limit for private traders/companies. Such companies purchase foodgrains from small farmers and do hoardings. They create artificial scarcity in the market. FCI has to resort to procurement from these companies to meet the buffer norms. Such a stock limit would enable small farmers and cooperatives to avail of the maximum benefit of procurement by FCI.

D Need to devise a modified APL Scheme covering at least 20 per cent of the poor persons who are just above the poverty line ie. BPL

Recommendations Sl. Nos. 13 & 14 (Para Nos.3.74 & 3.75)

1.16 The Committee had recommended as under:-

"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."

(Recommendation no. 3.74)

1.17 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 subsidized 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.

(Recommendation no. 3.75)

1.18 The Department in the action taken note has stated that the matter is under examination in the Department in consultation with the Planning Commission.

1.19 The Committee find that their earlier recommendation to devise the modified APL scheme covering 20 per cent of the poor persons who are above poverty line i.e. just Above Poverty Line is under examination in the Department in consultation with the Planning Commission. The Committee while noting the status of the recommendation urge the Government to take the decision expeditiously and inform the Committee accordingly.

E Need to devise a strategy to provide 2 Kg. pulses and 1 Kg. of edible oil at subsidised rates to each BPL family through PDS.

Recommendation Sl. No. 15 (Para No. 3.76)

1.20 The Committee had recommended as under:

"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. “

1.21 The Department in the action taken note has stated as under:

> ‘This issue has been examined in detail in the Ministry and it has been decided that the State/UT Governments, desirous of importing pulses and edible oils for distribution to ration cards holders may avail of services of Central Public Sector Undertakings and NAFED for this purpose. The State and UT Governments have been informed accordingly and the Central PSUs and NAFED have been requested to give priority to import pulses and edible oils if requests are received from the State/UT Governments.’

1.22 The Committee are unhappy to note the vague reply of the Department in response to one of the important recommendations of the Committee concerning poorest of the poor in the country. The Committee had recommended to evolve the strategy to provide 2 kg of pulses and 1 kg of edible oil at subsidized rates to each family through PDS to address the problem of malnutrition specifically among women and children. The Department has taken the recommendation very casually and in a vague manner responded that State/UT Governments desirous of importing pulses and edible oil for distribution to ration card holders may avail of services of Central Public Sector Undertakings and NAFED for the purpose. The Committee deplore the way the Government has tried to side track the recommendation. Such an attitude of the Government to an issue related to the poor is not fair. The Committee would like that the aforesaid recommendation of the Committee should be implemented expeditiously in the interest of poorest of the poor in the country and Committee informed accordingly.

F Need for Involvement of women, Self- help Groups and Panchayati Raj Institutions under PDS

Recommendation Sl. No. 18 (Para No.3.90)

1.23 The Committee had recommended as under:

> "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. Inspite 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 throughout 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 licenses 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."

1.24 The Department in the action taken note has stated as under:

'The recommendation of the Committee that ' the Department should ensure that the various monitoring mechanisms work properly failing which the objective of having detailed mechanism of monitoring is really defeated ' has been noted. It will be constant endeavour of the Department to ensure proper functioning of various monitoring Mechanism.

Regarding involvement of women in the various activities related to PDS, it may be stated that instructions have already been issued to all States/UTs to give priority in the matter of allotting FPS licenses to Cooperatives of Women and Ex-servicemen, vide letter No .D.O. 6(7)2004-PD-I (Pt. File-IV) dated 29.11.2004. Further vide this Department's letter dated 18.2.2005, all States/UTs were requested to involve Self Help Groups in the management of Fair Price Shop under PDS. It was also stated that to achieve this objective, the Self Help Groups may be imparted training in the operation of Fair Price Shop in their respective areas. With a view to strengthening of TPDS, instructions/guidelines have also been issued to all State Governments to involve Panchayati Raj Institutions (PRI) vide letters dated 23.6.1999 and 3.11.1999.'

1.25 The Committee in the earlier recommendation while noting the serious position of diversion of foodgrains as reported in Organisation and Research Group (ORG) Marg Report and Programme Evaluation Organisation (PEO) Report had made a series of suggestions. Taking note of the fact that various monitoring mechanism do not work properly, the Committee had emphasized on implementation of the various systems. The Committee had also recommended to involve more and more women in the various activities related to PDS. Besides, involvement of greater responsibility for Panchayati Raj Institutions and self-help Groups was also emphasized in the recommendation.

The Department has not taken such an important recommendation seriously and taken a casual stand. It has simply been stated that the recommendation has been noted. Not only that various other circulars issued way back with regard to involvement of women, Panchayati Raj Institutions have been quoted as compliance to the recommendation of the Committee. The Committee fail to understand how a circular issued in 1999 could be adequate to address to such serious issues involved in the recommendation. The Committee disapprove the way the recommendation has been responded to and strongly recommend the Government to take all the actions suggested in the earlier recommendation. The Committee also strongly recommend that the Government should take action on their recommendations after analyzing the position seriously and not try to mislead the Committee by such a vague reply.

G Establishment cost of Food Corporation of India (FCI)

Recommendation Sl. No. 22 (Para No.4.12)

1.26 The Committee had recommended as under:

"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. Inspite of pursuing the matter by the Committee in the respective reports, the data indicated in the various Budget documents as reflected in the previous parts 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 core 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. "

1.27 The Department in the action taken note has stated as under:

'The Establishment Cost of FCI for the last four years are as under :

(Rs. In Crore)

Year	Staff Cost	Other Admin Exp.	Total	Total subsidy incurred	Establishment cost as % of subsidy
2003-04	1255.11	109.55	1364.66	21587	6.32
2004-05	1499. 63	117.81	1617.44	20773	7.79
2005-06 (Provisional)	1195.69	157.02	1352.71	21460	6.30
2006-07 (RE)	1509.07	214.06	1723.13	26265	6.56

Thus, as a percentage of subsidy, there has not been any significant increase in establishment cost of FCI. The total increase in staff cost in 2006-07 (RE) over 2005-06 (Prov) is Rs. 313.92 crore. Increase in other Administrative cost is Rs. 57.04 crore in the same period, out of which, the major portion is on account of Pay, DP. DA. HRA, LTC, PLI, Medical and OTA. The reasons for increase in staff cost in 2006-07 over 2005-06 are as under :

Item	Reason
Pay	During 2006-07, the FCI decided to provide full Pay Scale benefits to employees on deployment to higher posts. This is in addition to normal increase due to increments and regular promotion and resulted in increase in pay component.
DP	The employees under CDA Scale have been provided with 50% merger of DA which is treated as DP, the major impact of which have come in 2006-07 only.
DA	Normal DA increase due to increase in inflation index and additional impact of DA on DP.
HRA	HRA to CDA employees is now payable on Basic + DP i.e. 50% more than before. Further, due to higher benefit from HRA, a large number of CDA employees earlier availing leased accommodation benefits have shifted to HRA.
LTC	2006 was the extended year from Block 2002-2005. It was also the first year for Block 2006-2009. Consequently, the incidence of LTC availment/encashment during 2006-07 was higher.
PLI	Due to completion of arrears of Accounts, PLI for the years 2003-04 and 2004-05 have been finalized and paid during the year 2006-07
Medical	Due to the increasing age profile of the employees and higher costs of treatment the medical expenses are higher.
OTA	Due to continuous depletion of staff strength and exigencies like import of Wheat, the existing staff have to be deployed on OTA basis to get the work done.

The FCI is the major implementation agency for the Foodgrain Policy of the Government of India. For this purpose, it needs to have appropriate infrastructure and man-power. However, these costs form only a small part of the total food subsidy. Such infrastructure is necessary for the effective functioning of any organization and can not be dispensed with. In order to carry out the mandate given to the Corporation, such expenditure has to be incurred. As these costs are directly linked to the execution of the mandate given to the FCI, loading of the same over food subsidy is fully justified. However, such establishment costs are separately identified and shown in the Annual Report and Performance Budget of the Corporation.

It is also pertinent to mention that even in States where decentralized procurement operations are carried out, the respective States include the related establishment and administrative charges in their claims of subsidy. Further, even the State Agencies carrying out only procurement operations (as against the procurement storage-movement-distribution done by FCI on behalf of the Central Pool) are also reimbursed establishment charges @ 2.5% of the MSP. And in all such cases, establishment charges form part of the total subsidy reimbursement made to them.

The Standing Committee has recommended that the establishment cost of FCI should be separately indicated while allocating resources for food subsidy for better monitoring purposes. As the establishment costs are already separately indicated in the Annual Accounts of the Corporation, the Department's view is that the present system of accounting already enables the FCI and Government to closely monitor the allocation and utilization of funds for establishment expenses of FCI. In the Department's budget therefore there is no need to separately indicate establishment cost of FCI.'

1.28 The Department in the action taken reply has not addressed to the first part of the recommendation. M/s McKinsey & Co. while reviewing the operations of FCI had made certain recommendations for revised norms regarding deployment of staff for different offices at district level based on the volume of operations. While examining the Demands for Grants, the Committee had been apprised that the various recommendations of M/s McKinsey and Co. were being examined. The Committee had recommended to take final decisions on the various recommendations/suggestions of the said company which may result in curtailment of establishment cost. The Department has not responded at all to the aforesaid part of the recommendation. The Committee would like the Department to inform about the follow-up action of the recommendations made by M/s McKinsey and Co.

The Committee in the later part of the recommendation had recommended to indicate establishment cost of FCI separately in the various budget documents. From the action taken reply, the Committee find that although FCI in its Annual Report and Performance Budget has been indicating the establishment cost separately, the Department could not agree to the recommendation of the Committee to indicate the same in the budget documents. The Committee fail to understand why the establishment cost that is already being reflected in various documents of FCI could not be reflected in the budget documents. The Committee feel that there would be more transparency if the establishment cost is indicated in the various budget documents. Besides indication of establishment cost separately in the Budget document would give the exact picture of increase/decrease in food subsidy. The Committee would, therefore, like to reiterate their earlier recommendation and urge the Department to indicate the establishment cost separately in the budget documents of the year 2008-09.

H Proxy labour in FCI

Recommendation Sl. No. 31 (Para No.4.56)

1.29 The Committee had recommended as under:

"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 cheque. 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."

1.30 The Department in the action taken reply has stated as under:

'The matter is being actively pursued and follow up action is being taken with the various zones / regions of the FCI for implementation of the recommendations. The action taken so far on suggestions of the Committee from time to time is enclosed herewith as Annexure 'A'.

Major Labour Unions have been formally asked to convince the workers with regard to the recommendations of the Committee to curb proxy labour. General Managers of Regions are also holding the meetings with local leaders of the Unions for speedy implementation of the recommendation of the Committee.

Regional Heads of the States where the recommendations of the Committee are partially implemented have been asked in the Monthly Performance Review Meeting held on 29.01.2007 and 21.05.2007 that all the recommendations of the Parliamentary Committee may be implemented urgently in the remaining States.

The whole matter was also placed before the Executive Committee of FCI in its meeting held on 30.05.2007 to formulate a time bound action plan to implement the recommendations of the Parliamentary Standing Committee.

Annexure 'A' would reveal that there has been further improvement in J&K as the recommendation of the Committee for payment through cheque has now been implemented.

Annexure 'A'

Action Taken by Government on recommendations of the Committee

RECOMMENDATION OF PARLIAMENTARY STANDING COMMITTEE					
Sl. No.	State	Each & every worker should put one's signature or thumb impression as a token of attendance	Introduction of Mechanical Gate Entry Devices, Punching Card System with thumb impression	Payment of Wages to all Workers through Cheque as per provisions of Income Tax Act	Signing of Daily Work output slip by each labour a the end of the day & counter signed by the Mandal/ Sardar/ Shed Incharge
1.	PUNJAB	Implemented	Partially Implemented	Implemented	In Progress
2.	HARYANA	Implemented	In Progress	Implemented	Implemented
3.	UTTAR PRADESH	Partially Implemented	Implemented	Implemented	Implemented
4.	UTTARANCHAL	Implemented	Partially Implemented	Implemented	Implemented
5.	RAJASTHAN	Implemented	Implemented	Implemented	Implemented
6.	J&K	Mechanical Devices installed in 6 depots	In Progress	Implemented	Partially Implemented
7.	DELHI	N.Y.I*	Implemented	Implemented	N.Y.I*
8.	HIMACHAL PRADESH	Implemented	Implemented	Implemented	Implemented
9.	MAHARASHTRA	Implemented	Implemented	Implemented	In Progress
10.	GUJARAT	Implemented	Partially Implemented	Implemented	Implemented
11.	MADHYA PRADESH	Partially Implemented	Partially Implemented	Implemented	Partially Implemented
12.	CHATTISGARH	Implemented	Implemented	N.Y.I*	N.Y.I*
13.	ANDHRA PRADESH	N.Y.I*	Implemented	Implemented	Implemented
14.	KARNATAKA	Implemented	Implemented	Implemented	Implemented
15.	TAMILNADU	Implemented	In Progress	Implemented	Partially Implemented
16.	KERALA	Implemented	Partially Implemented	Implemented	Implemented
17.	WEST BENGAL	Partially Implemented	Partially Implemented	Implemented	Partially Implemented
18.	ORISSA	In Progress (N.Y.I.) Resistance by Unions.	Partially Implemented	Implemented	N.Y.I*
19.	BIHAR	N.Y.I*	Partially Implemented	Implemented	In Progress
20.	JHARKHAND	In Progress	In Progress	Implemented	In Progress
21.	ASSAM	Partially Implemented	N.Y.I*	Implemented	Partially Implemented
22.	NAGALAND & MANIPUR	Implemented	In Progress	Implemented	In Progress
23.	MEGHALAYA	In Progress	In Progress	Implemented	Implemented

* N.Y.I	=	Not Yet Implemented
Partially implemented	=	Only those states where the recommendation has been implemented in some of the depots while in other depots action is underway for implementation in the same region.
Implementation in Progress	=	The recommendation have been conveyed by the Regions to their Area Managaers for strict compliance in the depots under their respective jurisdictions.

1.31 The Committee appreciate the follow-up of the recommendation made by the Committee while examining Demands for Grants 2005-06 and pursued further during the year 2006-07 and 2007-08 in the respective reports. Most of the States had implemented the recommendations of the Committee as reported during examination of Demands for Grants (DFG) 2007-08, which would go a long way in curbing the menace of proxy labour in FCI. Out of some of the States, which could not succeed in implementation of the recommendation, the follow up action during the year 2007-08 could result in implementation of recommendation in Jammu and Kashmir also. The Committee urge the Department to continue further with the efforts being made in this regard so that the recommendations are implemented in all the States/ Uts within a stipulated time frame. The Committee may be kept informed in this regard.

I Underspending of funds under various schemes for which allocation is being made out of Sugar Development Funds (SDF)

Recommendations Sl. Nos. 36 & 37 (Para Nos. 6.31 & 6.32)

1.32 The Committee had recommended as under:

"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

(Recommendation no. 6.31)

1.32 ” 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 owners 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 publicise 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 excise duty 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.”

(Recommendation no. 6.32)

1.34 In reply to recommendation Sl. No. 36, (Para No. 6.31) Department in the action taken note has stated as under:

‘Disbursement of Loan from Sugar Development Fund for all the schemes is dependent on completion of necessary documentation, furnishing of security etc. in time. Even though there were a number of loans sanctioned for the schemes, the loans could not be disbursed as expected due to the fact that the factories did not complete the formalities and submit the required documents and security in time.

Underspending in percentage as compared to Revised Estimates for the year 2006-2007 were as follows:

S. No.	**Name of the Scheme**	**RE 2006-07 (Rs. in crore)**	**Actual Expenditure 2006-07 (Rs. in crore)**	**Percentage Underspending**
1	Loans for modernization/ rehabilitation of sugar mills:	125	86.46	30.83
2	Cane Development	25	14.81	40.76
3	Bagasse based co-generation	120	92.02	23.32
4	Loan for production of ethanol	30	2.27	92.43

(Reply to recommendation no. 6.31)

‘The full text of SDF Rules, 1983, scheme-wise, has been placed on the official web-site of the Department so that the sugar factories could make themselves aware of the various schemes under the rules. Besides, the State Governments and Sugar Mills Associations all over the country are informed about the policies of the Government on Sugar Development Fund who in turn disseminate the information to sugar factories.

Efforts are continuously made to simplify and improve the procedure and other formalities while ensuring that financial requirements are adequately met. A special meeting of the Standing Committee on SDF is being held shortly to discuss the Rules and norms of SDF and recommend any improvement/ changes in the same.

During 2006-07, the actual expenditure under the scheme for bagasse based cogeneration power project was Rs.92.02 crore and not Rs.62.50 Crores.’

1.35 The Committee are not inclined to accept the reply furnished by the Department in response to their recommendation to take all the corrective action to ensure hundred per cent spending of the allocations made under

different schemes for which the money is being allocated from Sugar Development Fund. Instead of probing the reasons for such a huge under spending, the Department has chosen to furnish the same reasons for non-completion of formalities and required documents by Sugar Mills, as furnished during the course of examination of Demands for Grants. The Committee again emphasize that Sugar Development Fund has the definite source of funding i.e. a cess of Rs. 14 per quintal as a excise duty on all sugar produced by any sugar factory in India under Sugar Cess Act, 1982 and as such the fund can be a boom for the sugar industry. The Committee reiterate their earlier recommendation and would like the Department to take action on the suggested lines.

J Inspection of sugar factories

Recommendation Sl. no. 40 (Para No. 6.35)

1.36 The Committee had recommended as under:

"The Committee note that during the year 2006-07, only four sugar factories were visited and the number of sugar 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 felt 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 action, 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."

1.37 The Department in their action taken note has stated as under:

'The Committee has recommended that (i) the number of sugar factories to be inspected/visited should be increased and (ii) stringent action, including monetary penalties on factories whose samples failed in the quality tests should be imposed.

As regards (i), Directorate of Sugar is having limited staff consisting of 1 Assistant Director and 2 inspecting officers, therefore, it is difficult to carry out large number of inspection. However, Directorate of Sugar will endeavour to

increase the number of inspection. As regards (ii), sugar inspections are carried out under the provisions of the
Sugar (Control) Order, 1966 which has been issued in exercise of the powers conferred by Section 3 of the Essential Commodities Act, 1955. The Act does not authorizes an executive officer of the Central Government to impose fine on a sugar factory whose sample fails in the quality tests. Hence, it is difficult to impose monetary penalties on such factories. The fine on a sugar factory can be imposed only by a court.

It is pertinent to mention that the sugar samples degraded by the Directorate has to be sold in the market by the factory as per the findings and such sugar will realize less price than the price for the grade which the factory had marked originally. Therefore, the monetary loss in this manner is the punishment to the erring sugar mills. Moreover, the sugar determined as BISS/MOIST has to be either reprocessed or sold to bulk consumers, by which also the factory will be loser monetarily. Thus, the factory, who has mis-graded the sugar in quality are penalized by means of less realization at the time of sale.'

1.38 The Committee in the earlier recommendation had strongly recommended to take stringent action including monetary penalties on sugar factories whose samples fail the quality test. The Committee find from the reply that the legal position in this regard do not permit monetary penalties on such factories as per the provisions made under Section 3 of the Essential Commodities Act, 1955. There is a provision of indirect punishment by way of degrading the quality of the sugar by the inspectors, which will result in realization of lesser price than the price for the grade which the factory had originally marked. It has further been stated that the sugar determined as BISS/MOIST has to be either reprocessed or sold to bulk consumers by which also the factory would be loser monetarily. The Committee are really perturbed to note the aforesaid position. The Committee feel that ultimately the low quality sugar will be distributed in the market and reach to the end user i.e. consumer, and he may be penalized for no fault on his part. The Committee strongly recommend that Section 3 of the Essential Commodities Act, 1955 should be suitably amended so as to make provision for stringent penalties against the sugar factories whose samples fail the quality test.

With regard to observation of the Committee of having very less

visits and number of samples drawn for testing during the year 2006-07, the Committee note that staff constraint has been cited as the reason for lesser number of inspections. The Committee strongly recommend that the staff of Directorate of Sugar should be suitably increased so that more inspections can be carried out and the interest of the consumers is protected.

CHAPTER-II

Recommendations/ Observations which have been accepted by the Government

Recommendation Sl. No. 1 (Para No.2.29)

2.1 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.

2.2 The Committee finds 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 food grains 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.

Reply of the Government

2.3 As regards the recommendation of the Standing Committee that there should be no cut at the Revised Estimates Stage, the recommendation has been forwarded to Ministry of Finance (Deptt. of Economic Affairs – Budget Division) and Planning Commission (DP Division and Plan Coordination Division) for future compliance.

As regards the recommendation to take all initiatives to ensure that the outlay earmarked for different schemes/programmes (plan and non-plan) is fully utilized, the recommendation of the Standing Committee has been noted by Department of Food and Public Distribution for strict compliance, and circulated to all Divisional Heads in the Department for ensuring strict adherence to these recommendations.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F.No.4/1/2006-Plan.
Dated.18.06.2007]

Recommendations Sl. Nos. 4 & 5 (Para Nos.3.27 and 3.28)

2.4 The Committee find that the Department of Food and Public Distribution is the nodal Department with regard to formulation and implementation for 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 1st 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 buffer norms of 82 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.

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 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 recommends that the Government should review the position of buffer stocks and takes all desired actions to ensure the minimum required procurement of foodgrains.

Reply of the Government

2.5 With reference to para 3.27 and 3.28 of the Report, it is informed that the stocks of wheat and rice in the Central Pool vis-à-vis the buffer stocks are above the buffer norms as on 1st April, 2007 as may be seen below:

(figures in lakh tonnes)

	Stocks as on 1st April,2007	Buffer norms
Wheat	47.03	40
Rice	131.71	122

To enhance procurement of wheat in RMS 2007-08 the following action has been taken by the Government:

i) The MSP for wheat was fixed at Rs. 750 per quintal for RMS 2007-08, an increase of Rs. 100 per quintal, in order to encourage farmers to grow more wheat. Now, according to the Third Advance Estimates of the Department of Agriculture & Cooperation, the estimated production of wheat is likely to be 73.7 million tonnes in crop year 2006-07 compared to 69.3 million tonnes in crop year 2005-06.

(ii) An incentive bonus of Rs 100 per quintal over and above the MSP is also being given in RMS 2007-08.

iii) Import of 55 lakh tonnes of wheat was done in 2006-07 which has improved the stock position of wheat in the Central pool and the wheat stocks (as on 1.4.2007) were more than the buffer norms of 40 lakh tonnes at the start of RMS 2007-08.

iv) Wheat exports on private account have been banned upto 31.12.2007. Wheat exports from Central Pool are also banned.

v) Decision was taken to release 4 lakh tonnes of wheat under OMSS in February and March 2007 to cool the market prices before the start of RMS 2007-08.

vi) A notification titled "Wheat (Stock Declaration by Companies or Firms or Individuals) Order 2007 has been issued under the Essential Commodities Act 1955 on 1.3.2007. The order provides that 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.

vii) Department of Consumer Affairs has extended upto 31st August, 2007 notification under the EC Act enabling State Governments to impose stock limit on wheat and pulses

viii) Import of wheat on private account at zero duty has been permitted upto 31.12.2007.

ix) 13128 centers for wheat procurement have been opened by Government agencies in RMS 2007-08 as compared to 8985 centers in RMS 2006-07.

x) Senior Officers of Department of Food and Public Distribution and FCI are frequently visiting wheat procuring States to personally assess the situation.

xi) In order to encourage wheat procurement in States like U.P., Madhya Pradesh, etc
Commission to Societies/sub-agents has been enhanced to 2.5% on the lines of the Arthiya Commission in Punjab and Haryana.

xii) NAFED has been engaged to procure wheat on behalf of FCI in States of U.P., Bihar and Rajasthan.

Due to the above steps, wheat procurement in RMS 2007-08 is 106.7 lakh tonnes as on 4.6.2007 which is 14.4 lakh tonnes more than the wheat procured (92.3 lakh tonnes) in RMS 2006-07. To ensure that there is sufficient wheat to meet the requirements for TPDS and welfare schemes as well as to ensure adequate buffer stocks of wheat, the Government has taken a decision to import 3 to 5 million tonnes of wheat in 2007-08.

Procurement of rice in KMS 2006-07 (upto 4.6.2007) was 230.1 lakh tonnes and procurement in this season is expected to be sufficient to meet the requirements of TPDS and welfare schemes as also to meet the required buffer norms for rice.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F.No.156(6)/2007-Py.I
Dated 7th June, 2007]

Comments of the Committee

(Please see para no. 1.12 of Chapter I of the Report)

Recommendation Sl. No. 6 (Para No.3.29)

2.6 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.

Reply of the Government

2.7 The states of Punjab and Haryana have a much higher marketable surplus of wheat compared to States like U.P., M.P., Rajasthan and Bihar, where a sizeable amount of wheat is retained by the farmers for their self-consumption. It may also be mentioned that taxes on foodgrains in Punjab and Haryana are above 10.5 % as compared to 6.5% in Uttar Pradesh, 3% in Rajasthan, 1% in Bihar and 2.2% in Madhya Pradesh. Moreover, the latter states are closer to major consumption centers of wheat in West, East and South India leading to lesser transportation cost. Therefore in states of U.P., Rajasthan, Bihar and M.P. private participation in procurement of foodgrains is more and purchase by Government agencies is far more in Punjab and Haryana as compared to these states.

In order to widen the scope of MSP operations in States other than Punjab and Haryana, in order to benefit the small farmers and to maximize procurement of wheat in the States of U.P., Rajasthan, M.P. and Bihar, the number of procurement centers in these states was increased from 6517 in RMS 2006-07 to 10,748 in RMS 2007-08. In all states taken together, 13128 centres were opened for wheat in RMS 2007-08 as compared to 8985 centres opened in RMS 2006-07. The Government has also allowed commission to societies/sub-agents of the rate of 2.5% in U.P., M.P. and Bihar to increase procurement in these States.

In order to maximize procurement of wheat during 2007-08 officers of the Department of Food & Public Distribution and FCI are visiting mandis and personally reviewing wheat procurement operations. State Govts. have also been requested to take strong steps to ensure that all levies and taxes are paid by private traders/companies. In view of late market arrivals of wheat in Punjab and Haryana period of procurement of wheat in RMS 2007-08 has been extended upto 15.6.2007 in these states. Consequent upon the efforts made so far the procurement of wheat during RMS 2007-08 in the states of U.P., Bihar, Rajasthan and M.P. is 8.1 lakh tonnes in RMS 2007-08 (upto 5.6.2007) as compared to 0.1 lakh tonnes in RMS 2006-07.

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Recommendation Sl. No. 8 (Para No. 3.31)

2.8 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 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. Inspite 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.

Reply of the Government

2.9 As reported by the Department of Consumer Affairs the prices of certain essential commodities such as wheat and pulses started showing an upward trend from the early part of the year 2006. The reasons for rise in prices of food items are shortfall in domestic supplies relative to demand and hardening of international prices. During the last year 2006-07 the rate of inflation in terms of Wholesale Price Index numbers ranged between 3.85% to 6.61%

Prices of wheat and some varieties of pulses have stabilized or declined during the recent past on account of various measures taken by the Government. Some of the important measures taken by the Government are given below:-

- State Trading Corporation contracted for import of 55 lakh tonnes of wheat to supplement domestic availability during 2006-07. Government has also decided to import 5 million tonnes of wheat in suitable tranches in 2007-2008 to augment the buffer stocks of the Government.
- Period of validity of import of wheat at zero duty was extended up to 31.12.07.

- Government decided to release in February and March, 2007 upto 4 lakh tonnes of wheat under the Open Market Sale Scheme (Domestic).
- Export of wheat has been banned w.e.f. 09.02.07. The ban will remain in force up to 31.12.2007.
- Customs duty on import of pulses was reduced to zero on June 8, 2006 and the period of validity of import of pulses at zero duty has been extended from 31.3.2007 to 1.8.2007 and further to 31.3.09.
- A ban was imposed on export of pulses with effect from June 22, 2006 (except export of kabuli chana w.e.f. 7.3.07). The period of validity of prohibition on exports of pulses which was initially upto 31.3.2007 was further extended upto 31.3.2008, vide DGFT Notification dated 9.3.2007.
- At the initiative of the Government, National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) executed a contract for import of 49,300 MTs of pulses during 2006-07.
- NAFED, PEC Ltd, MMTC and STC would target to import 1.5. Million Metric Tonnes (MMT) of pulses during 2007-08.
- Forward Markets Commission (FMC) vide letter dated 23.01.2007 has directed the three National Exchanges, namely (a) Multi Commodity Exchange of India Ltd., (b) National Commodity & Derivatives Exchange Ltd., (c) National Multi Commodity Exchange of India Ltd., to delist all contracts of tur and urad and to close out all outstanding positions in all Tur and Urad contracts at the closing price on 23.01.07. FMC has also stated that no further contract shall be launched without its prior approval and permission already granted to launch contracts in Urad and Tur stands withdrawn.
- FMC has on 27.2.2007 directed all the three National Exchanges that no new wheat and rice contracts be launched. In the letter to the Exchanges, FMC has stated that permission already granted for yet to be launched contracts stands revoked and that in respect of running contracts in these commodities no new position should be allowed to be taken. Only squaring up of position should be allowed.
- Keeping in view the prevailing price situation, the Central Government had issued a Central Order dated 29.08.2006 under the Essential Commodities Act, 1955 to enable the State Governments to invoke Stock Limits in respect of wheat and pulses for a period of 6 months. By virtue of this Order, the State Governments /UTs Administrations have been empowered to take effective action to bring out the hoarded stock of these items to ensure their availability to the common people at reasonable prices. Government has, on 27.2.07, extended the validity of the Central Order by another six months.

Production of wheat, pulses and oilseeds since 2005-06 and 3rd Advance estimates are given at Annexure- B. The domestic production of wheat during 2006-07 is estimated to be 73.70 million tonnes (3rd advance estimate) as against 69.35 million tonnes during 2005-06 (final estimate). In case of pulses, domestic production after reaching 14.9 million tonnes during 2003-04 declined to 13.4 million tonnes in 2005-06 and is now estimated to be 14.10 million tonnes during 2006-07. Production of oilseeds is estimated to be 232.64 lakh tonnes (3rd advance estimate) during 2006-07 as against 279.79 lakh tonnes of 2005-06 (final estimate).

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ANNEXURE-B

(Million Tonnes)

Crop	Season	2005-06			2006-07	
		3rd Advance Estimates	Final Estimates	Targets	2nd Adv. Est	3rd Adv. Est.
1	2	3	4	5	6	7
Rice	Kharif	77.81	78.27	80.78	77.43	78.54
	Rabi	12.07	13.52	2.02	12.7	12.51
	Total	89.88	91.79	92.8	90.13	91.05
Wheat	Rabi	71.54	69.35	75.53	72.5	73.7
Maize	Total	14.89	14.71	15.39	13.56	13.85
Coarse Cereals	Total	34.67	34.06	36.52	32.02	32.92
Cereals	Total	196.09	195.2	204.85	194.65	197.67
Tur	Kharif	2.52	2.74	2.9	2.64	2.51
Gram	Rabi	5.85	5.6	6.2	6.16	5.97
Total Pulses	Total	13.92	13.39	15.15	14.52	14.1
Total Foodgrains	Total	210.01	208.6	220	209.17	211.78

(Lakh Tonnes)

Crop	Season	2005-06			2006-07	
		3rd Advance Estimates	Final Estimates	Targets	2nd Adv. Est	3rd Adv. Est.
1	2	3	4	5	6	7
Groundnut	Kharif	62.74	62.98	71	31.82	33.52
	Rabi	14.84	16.95	25.02	12.29	16.31
	Total	77.58	79.93	96.02	44.11	49.83
Rapeseed & Mustard	Rabi	71.69	81.31	73.7	75.68	66.94
Sunflower	Total	14.34	14.39	13.06	11.42	11.19
Soyabean	Kharif	83.55	82.74	86.92	86.82	86.68
Total Nine Oilseeds	Total	266.97	279.79	294	236.19	232.64

Recommendation Sl. No. 9 (Para No. 3.32)

2.10 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.

Reply of the Government

2.11 The Department of Agriculture & Cooperation have informed that as per the third advance estimates released on 4th April 2007, production of wheat is estimated at 73.7 million tonnes during 2006-07 as compared to 69.35 million tonnes last year. Table below shows the crop-wise demand and projected production of foodgrains for the terminal year, 2011-12, of the Eleventh Five Year Plan given by the Sub-Group on demand – supply projections constituted by the Planning Commission.

(Million Tonnes)

Crop	Demand	Projected Production
Rice	98.79	97.56
Wheat	77.36	72.34
Coarse Cereals	38.19	37.76
Cereals	214.35	207.66
Pulses	19.91	16.06
Foodgrains	234.26	223.72

Notes:

1. Demand is based on behaviouristic approach. The rate of growth of per capita disposable income is 4.8%. Demand includes seed, feed and wastage.
2. Projected production is based on the CAGR of 1.04% for cereals and 3.44% for pulses. It is assumed that the technology and resource use efficiency in cereals is uniformly distributed on rice, wheat and coarse cereals.

Regarding the matter of increasing production of wheat the Department of Agriculture & Cooperation have informed that the States have been sensitized to promote timely sowing, resources conservation technologies like Zero tillage, Farrow irrigated raised bud system, input use and high yielding varieties, micronutrients etc. To raise the production and productivity of wheat a special rolling plan targeting 138 districts in 9 States viz. U.P., Bihar, Punjab, Haryana, Madya Pradesh, Rajasthan, Maharashtra, Gujarat and West Bengal has been formulated. The proposed intervention included in the Action Plan are demonstration of improved packages, zero tillage, micronutrients, soil amendments etc.

Regarding increasing the production of Oilseeds and pulses the Department of Agriculture & Cooperation have informed that Government of India is implementing a Centrally Sponsored Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize (ISOPOM) w.e.f. April, 2004 for increasing production and productivity of oilseeds and pulses in 14 major States viz., Andhra Pradesh, Bihar, Chhatisgarh, Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh & West Bengal.

Under the scheme, financial assistance is provided for critical inputs viz., seeds, plant protection chemicals, bio-fertilizers, gypsum, sprinklers etc. to encourage farmers to undertake oilseeds and pulses cultivation on a large scale. Besides, 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 ICAR.

Further, in order to overcome the constraints and to close the gaps between existing yields and yields achieved in FLDs and to increase production of oilseeds, following steps have been initiated as short term measure during Kharif 2007.

- The major Kharif oilseeds (viz. groundnut, soybean and sunflower) growing states such as Gujarat, Andhra Pradesh, Maharashtra, Madhya Pradesh and Karnataka have been targeted for focused approach to enhance production and productivity of oilseeds during Kharif 2007.
- An area expansion of 12.75 lakh ha. is proposed through replacement of Kharif paddy in tail ends of command areas, intercropping with bajra, jowar and maize, redgram, cotton, castor etc. in 5 major states during Kharif season.
- Allocated large number of seed minikits of newly released improved varieties/hybrids of oilseed crops (55389 qtls.) to the farmers for cultivation during Kharif 2007. The other interventions proposed are to conduct 33090 demonstrations in groundnut, 43750 demonstrations in soybean and 70625 demonstrations in sunflower of one acre size each in target states through State Departments of Agriculture during Kharif 2007.
- The interventions proposed for XI plan inter alia, include supply of quality seed, large scale Front Line Demonstrations of improved production technologies, and promotion of use of INM and IMP, promotion of sprinkler irrigation sets and extension and training to farmers.

The Department of Agriculture & Cooperation have further informed that to increase production of pulses the following steps have been initiated during Kharif 2007.

- The short term plan is to be implemented in 7 major pulses producing States viz., Andhra Pradesh, Karnataka, Madhya Pradesh, Uttar Pradesh, Rajasthan, Gujarat and Maharashtra, which contributed to about 80% of total pulses production. A total of 159 districts have been targeted in these States in the ensuring Kharif season for increasing pulses production.

- Two pronged strategy involving area expansion and productivity enhancement is proposed to be implemented in 17 major pulse growing states;
  - Area Expansion (20.47 lakh ha.) :- Intercropping with pigeon pea, cultivation in waste lands, reclaimed lands, replacement of rainfed upland paddy.
  - Additional area of 2 million ha. to be brought under pulse cultivation by utilizing rice follows in major rice growing states.
  - Productivity enhancement of 700 kg./ha. by bridging the existing gaps between National, State and FLD yields.

- The other proposed interventions include conduct of full package demonstrations, supply of quality seed of improved varieties under minikits distribution (17309 qtls.), certified seeds of 27000 qtls. for full package demonstration and Extension and Training of farmers.

Further, to encourage farmers to cultivate oilseeds and pulses, Government of India announces Minimum Support Price every year to give the remunerative price to the farmers to their produce. NAFED is the Nodal Agency for procurement of oilseeds and pulses under Price Support Scheme.

The commodity wise Minimum Support Prices announced for 2006-07 is given as under.

Crops	MSP for 2006-07
OILSEEDS	
Rapeseed/Mustard	1715
Groundnut-in-shell	1520
Sunflower seed	1500
Soybean (Black)	900
Soybean (Yellow)	1020
Sesamum	1560
Safflower	1565
PULSES	
Moong	1520
Arhar	1410
Urad	1520
Gram	1445
Masur(Lentil)	1545

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
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Dated 4th July, 2007]

Recommendation Sl. No. 11 (Para No.3.40)

2.12 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 & 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 KMS 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.

Reply of the Government

2.13 The Department is constantly pursuing the issue of valuation of stocks of the State agencies at the acquisition cost for a period of 12 months. Recently a meeting was convened under the Chairmanship of Secretary (Financial Sector), Ministry of Finance on 12th March, 2007 which was attended by Senior Officers of Department of Food & Public Distribution, MD, FCI alongwith the officers of RBI/SBI and other Banks of the consortium wherein it was decided that RBI would review the existing guidelines of valuation of stocks held by State agencies and issue revised guidelines. RBI is being pursued in this matter.

Due to the encouragement given by the Central Government, most of the States having marketable surplus of rice (Chattisgarh, Orissa, Tamil Nadu, UP, West Bengal etc and wheat (UP and Madhya Pradesh) have already joined the Decentralized Procurement Scheme, while in the other major states like Punjab and Haryana, State agencies are also purchasing foodgrains on behalf of FCI for the Central Pool. This has considerably widened the coverage of MSP operations throughout the country. In all meeting held in the Department of Food & PD, States such as Assam who have not yet adopted the DCP scheme are being urged to join this scheme such as:

(i) It brings benefits of MSP operations to farmers.

(ii) It increases efficiency of the PDS and enables procurement of more foodgrains suited to the local taste.

(iii) It reduces transportation costs of FCI as well as pressure on Railways to move foodgrains to such States.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution
F. No 156(6)/2007-Py.I)
Dated 4th July, 2007]

Recommendation Sl. No. 12 (Para No.3.55)

2.14 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 year 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 2007-2007, the allocation made at B.E. stage was Rs. 25,696.20 crore against proposed allocation of Rs. 30,819.31, which is about 19% 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 freight 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.

Reply of the Government:

2.15 The matter is being regularly pursued with the Ministry of Finance to allocate adequate food subsidy for the efficient management of various operations of FCI such as Minimum Support Price operations and distribution of foodgrains to various FCI godown located all over the country. The concerns of the Committee have been communicated to the Planning Commission/Ministry of Finance.

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(Department of Food & Public Distribution)
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Dated 19th June, 2007]

Recommendation Sl. No. 17 (Para No.3. 78)

2.16 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.

Reply of the Government

2.17 A statement showing additional commodities being distributed through PDS outlets other than wheat, rice coarse grain, sugar & Kerosene Oil (as reported by respective State/UT) is enclosed **(Annexure-I).** It may be seen from the statement that many of the states are allowing selling of non-PDS items of daily needs with a view to make FPS viable.

All the State/UT Governments have been apprised with the experience of the Gujarat Government for their information and adoption. The Government has further asked the State Governments to furnish detailed information on converting of FPS into Model Fair Price Shops or rural malls.

With regard to issuance of ration cards to migrant labourers, the State Governments have once again been stressed upon to issue the ration cards on the pattern of State Government of Gujarat. A letter in this regard has been sent to all State/UT Governments. (Copy enclosed for ready reference) **– Annexure - II.**

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F.No.9 (3)/2007-PD III
Dated 10th August, 2007]

Recommendation Sl. No. 19 (Para No 3.91)

2.18 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 understands 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 subsidised foodgrains to the poorest of the poor.

Reply of the Government

2.19 Under the Integrated Information System for Foodgrains Management (IISFM) Project the reasons for under spending in the Year 2006-07 are as under:

1. Leftover funds from previous years were available with FCI / NICSI / BSNL for utilization in the Year 2006-07.

The year-wise position of left over funds from previous years and utilization thereof is tabulated as under:

Year	Allocation	Expenditure	Balance
2003-04	15.50	13.28	2.22
2004-05	39.14	24.99	16.37
2005-06	15.00	15.70	15.67
2006-07	0	2.23	13.44
Total	69.64	56.20	13.44

(FCI Accounts Division has been requested to create liability of balance amount of Rs 13.44 crore with the approval of Associate Finance/Competent Authority.)

2. Out of nine identified States, MoU / Agreements as applicable in respect of major procuring / distributing Sates/State Agencies could be signed with two States of Orissa and Tamil Nadu in second quarter of 2006-07 and five States of UP, Chattisgarh, Andhra Pradesh, Haryana and Karnataka in third quarter of 2006-07 after constant persuasion by FCI & Ministry. Two States of Punjab and Madhya Pradesh are yet to sign it.

3. Tender process of ‘Financial Accounting Package (FAP) of FCI’ was completed in third quarter of 2006-07. Earlier tender in this regard was scrapped as no bidder qualified for the technical bid. Hardware sizing and software environment for the same depended upon the overall consultant of the IISFM Project i.e. NIC ; and the system implementer of FAP i.e. M/ s TCS Ltd (finalized through tender process). No funds could be utilized for Financial Accounting Package (FAP) during 2006-07.

4. Release of payment by FCI is governed by the terms and conditions laid down in the Tripartite agreement dated 24.09.2003. 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 ‘Tripartite Agreement’ for release of payment by FCI. Supply of Hardware/Software and submission of complete bills/documents by NIC/NICSI took time for final settlement resulting in non-utilization of funds.

Ministry of Consumer Affairs, Food & Public Distribution
Department of Food & Public Distribution
F.No. 8-2/2007-FC-I(Pt.)
Dated 10th July,2007

Recommendation Sl. No. 20 (Para No. 3.94)

2.20 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 these States namely Andhra Pradesh, Orissa and Chhatisgarh, 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 ass well. The Committee therefore, recommend that to meet the objective of the Scheme the Government should direct the State Governments to make serious concerned 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.

Reply of the Government

2.21 The Scheme was transferred to Department of Food & Public Distribution from Ministry of Tribal Affairs on 24th November 2004. It was approved by EFC on 29th November 2005. Based on this, the scheme was circulated in Feburary 2006 to all States/UTs for sending their proposals. During 2005-06, 3286 VGBanks was sanctioned for Rs. 19.76 crore in 7 states i.e. Andhra Pradesh, Orissa, Chattisgarh, M.P., Jharkhand, Tripura, Meghalaya on their requests. During 2006-07, 8191 VGBanks were sanctioned for Rs. 51.00 crore in 13 states i.e. Utter Pradesh, Assam, Sikkim, H.P., Gujrat, West Bengal, Nagaland, Andhra Pradesh, Utranchal, Chhatisgarh, Maharashtra, Manipur and again in Maharashtra. So far the Government of Maharashtra, Andhra Pradesh, West Bengal, Madhya Pradesh , Chattisgarh and Meghalaya have reported establishment of VGBanks in their states and have given the Utilization Certificates. Other States have also setup Village Grain Banks and are in the process of establishing additional Grain Banks. They have been asked to send their implementation report and Utilization

Certificates. Now on recommendations of the Standing Committee, a request has been made on 29.5.2007 to all States/UT's Governments to send their fresh proposals for setting up of Village Grain Banks during the 11th Plan in their States/UT's for establishment of more Village Grain Banks to provide safeguard against starvation to BPL and AAY families in chronically food scarce areas.

Since the scheme of VGBank was transferred to Department of Food and Public Distribution on 24.11.2004 and it was approved in Feburary 2006, this Department started sanctioning the Grain Banks to different States/UTs only in the month of March,2006 onwards. Thus no evaluation of the VGBanks could be made so far by their department. However the WFP Bhopal sub-office conducted a small sample study of the Grain Banks formed under this scheme in August 2006 in Betul and Barwani districts of Madya Pradesh. The study was undertaken by the WFP Districts Coordinators of these districts to make a broad assessment of their current level of activity, their management processes, community ownership and the problems encountered by members in sustaining the Grain Banks. This report has been received in June 2007. The report is enclosed.

Additionally the World Food Programme has been requested by this department to evaluate concurrently the Village Grain Banks Scheme in Madhaya Pradesh, Chhatisgarh & Orissa.

For the continuation of VGBanks Scheme during the 11th five years plan, approval of the Expenditure Finance Committee is being obtained. Once it is received, proposals of State and UT Governments would be processed for sanction.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F.No 13-6/2007-BP.II
Dated 26 June, 2007]

Recommendation Sl. No. 23 (Para No.4.16)

2.22 The Committee note with concern the comparative position of utilisation of owned and hired storage capacity available with FCI. During the year 2005-06 whereas the utilisation of owned storage capacity was 41 per cent, the utilisation 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 percent. The Committee fail to understand the reasons for such a gross under-utilisation 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.

Reply of the Government

2.23 So far as the FCI is concerned, detailed instructions already exist to maximize the use of owned godown capacity. Hiring of additional capacity is resorted to only when there is no FCI's owned godown capacity or the storage capacity of FCI owned is inadequate. For hiring the additional capacity as and when required, preference is given to hire only CWC,SWC and State Govt's capacity. The terms and conditions for hiring the capacity are laid down by these agencies and they have separate rates for the reserved capacity and the capacity used on general warehousing terms.

However, the reasons for underutilization of the FCI's owned capacity and higher utilisation percentage of the hired capacity are explained as under:

REASONS FOR UNDER-UTILISATION OF FCI OWNED CAPACITY AS COMPARED TO HIRED CAPACITY:

i) There has been drop in procurement of foodgrains on FCI account as also the overall during 2006-07 as compared to 2005-06 (during 2006-07, over all procurement of wheat was 92.31 lakh tonnes as against 147.87 lakh tonnes during 2005-06. and rice procurement during 2006-07 upto 4.6.2007 was 228.81 lakh tonnes as against 275.63 lakh tonnes during 2005-06. On FCI account, wheat procurement during 2006-07 was 13.43 lakh tonnes as against 22.30 lakh tonnes during 2005-06 and rice procurement during 2006-07 was 59.29 lakh tonnes as against 92.77 lakh tonnes during 2005-06). Resultantly, movement of foodgrain stocks to the consuming States as also utilisation of Storage capacity in these States was affected.

ii) Out of FCI's owned storage capacity of 15.23 million tonnes, 8.20 million tonnes is in the procuring States i.e. Punjab 2.87, Haryana 1.09, Rajasthan 0.86, UP 1.91 and AP 1. 47. Stocks so procured in these procuring regions immediately start moving out to create adequate space before the next procurement season whereby the utilisation percentage gets decreased month after month. In UP, there is decentralized procurement due to which FCI's share of procurement is just limited. Rajasthan procures only meager quantity which is issued out in the PDS, thus lowering the percentage of godown utilisation in the Region.

REASONS FOR HIGHER UTILISATION OF HIRED CAPACITY AS COMPARED TO OWNED CAPACITY:

i) 5.12 million capacity including 3.19 million tonnes 7 year guarantee scheme capacity, has been hired on those locations where the FCI does not at all have any owned godown capacity.

ii) Another 3.73 million tonnes capacity hired under 7 year guarantee scheme during 2000-01, 2001-02 can not be dehired till the guarantee period continues.

iii) Total 6.92 million tonnes 7 year guarantee scheme capacity had to be created under compelling circumstances when the FCI was over-flowing with the foodgrains stocks during 2000-01 i.e. 28.4 million tonnes with 90% utilisation of the godowns capacity and none of the agencies was prepared to construct the godowns without 7 year guarantee as the constructing agencies were not expecting any returns on their investments until SYGS was extended . Unfortunately, due to change in the offtake policy, the stock started depleting from 2002-03 by which time the godowns constructed under SYGS had by and large been taken over by FCI and release of these godowns before 7 year period is not possible.

iv) At some of the FCI's owned depots, there is departmental labour whose productivity is poor leading to higher cost of operations. Therefore, to minimize the operational cost, utilisation of hired godowns is preferred.

However, in order to reduce the rentals of these 7 year guarantee scheme godowns got constructed by the agencies by private participation, the FCI w.e.f. 1.5.06 restricted the rent in respect of such godowns to the extent as entered into between by the private parties and the State Agencies and maintenance/preservation charges + 15% as supervisory charges.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F.No. 8-2/2007.FC-II (Vol.II)
Dated. 25th June, 2007]

Recommendation Sl. No.24 (Para No.4.25)

2.24 The Committee find that under the scheme for construction of storage godowns, grants in aid are made to FCI, CWC and State Governments for construction of godowns in North East and Jammu & Kashmir. The actual construction work is entrusted to CPWD, NBCC and HUDCO. The Committee further note that as per the study done by IIM Banglaore, there was a need of additional capacity to be created. Maximum requirement is in Jammu & 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.

Reply of the Government

2.25 Regular meetings are held in the Ministry to review the progress made by the FCI in construction of storage godowns under the Plan Scheme and action proposed to be taken/initiated by the Ministry for timely achievement of physical as well as financial targets set.

The progress of construction of storage godowns are also monitored on monthly basis in the FCI Headquarters.

During 2005-06, Annual Plan was drawn for a storage capacity of 39,580 MTs. During the year 2006-07 the spill over capacity of 2005-06 has been complemented to the tune of 12,090 MT and balance 5,000 MT capacity (Tumkur) is likely to be complete by the end of June, 2007.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F.No. 8-2/2007.FC-II (Vol.II)
Dated. 25th June, 2007]

Recommendation Sl. No 26 (Para No. 4.32)

2.26 The Committee while examining the Demands for Grants of the previous year (refer para 2.75, 12th Report) had been informed that the Government of India had requested the Central Vigilance Commission on 27th 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 14th 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 recommends 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.

Reply of the Government

2.27 The CBI in reply to this Department's letter dated 6.3.2007 has informed that the Government of Arunachal Pradesh has registered 4 cases with regard to irregularities committed in operation of the Hill Transport Subsidy Scheme. In the PIL No.50/2004, the Hon'ble Guwahati High Court in its order dated 21.12.2006 has ordered as under :-

"On the date of hearing the learned Govt. Advocate, Arunachal Pradesh, Shri B. Banerjee will place before the Court the copy of the Charge-sheet in Itanagar P.S. Case No.03/2003. We are of the further view that the investigating agency presently engaged in investigation of Itanagar PS Case No.07/2005 and Crime Branch PS Case No.08/2005 shall not close the investigation and file charge sheet in the abovesaid cases without the leave of this Court"

In view of the above the CBI will take up investigation of 3 our of 4 crime branch cases irrespective of the fact that a PIL is pending in the Hon'ble Guwahati High Court. In this connection notifications u/s 6 & 5 of the Delhi Special Police Establishment Act (DSPE) are to be issued by the State Government and Central Government respectively. Further the Home Ministry has requested the Government of Arunachal Pradesh on 10.5.2007 to issue relevant notification and provide the services of investigating officers and Staff. State Government has also been directed by Ministry of Home Affairs to provide logistic support to the CBI.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F.No.2 (LS) 6/2007/Py-III
Dated 29th May, 2007]

Recommendation Sl. No. 27 (Para No.4.33)

2.28 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 (2, 500 MTs) at Lakshadweep subject to providing a 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 hilly areas also so that benefit of PDS percolates down to people living there.

Reply of the Government

2.29 The FCI in coordination with the Lakshadweep Administration has already identified two locations viz. Kavaratti & Androth for construction of storage godowns by FCI at one of these places. The Executive Director(South Zone), FCI has been advised to finalize either of these sites keeping in view the operational and economical viability.

In addition to Lakshdweep, FCI has included various locations for construction of storage godowns in the in North East States, Sikkim, Jammu & Kashmir and Himachal Pradesh, other procuring and distributing States in the 11th Five Year Plan. The construction of storage godowns will be taken up subject to availability of resources made available by the Planning Commission. The details of the locations identified for construction of storage godowns by FCI in North East States, Sikkim, Jammu & Kashmir, Himachal Pradesh & Lakshadweep are as under :-

Zone/State/Centre	**Capacity in MT**
NORTH EAST	
Assam	
Changsari	25,000 (with siding)
Dibrugarh	25,000 (with siding)
Nowgaon	15,000 (with siding)
Karimganj	5,000
Kokrajhar	5,000
Tripura	
Kumarghat	5,000
Nandannagar	2,500 (within existing)
Nagaland	
Dimapur	5,000
Kohima	5,000
Meghalaya	
Shillong	5,000
Sikkim	
Jorthang	5,000
Manipur	

Jiribam	7,500 (within existing complex)
NORTH	
J&K	
Pulwama	2,500
Srinagar Valley	20,000
.Udhampur	15,000
Himachal Pradesh	
Kinnaur	1,670
SOUTH	
Lakshadweep (U.T.)	2,500

In addition to the above, the following proposals received from the Governments of Assam, Mizoram and Jammu & Kashmir have been finalized for construction of storage godowns by the State Government with Central Assistance in the form of Grants in Aid under Plan Scheme.

ASSAM

Name of the Centre	Capacity (in MTs)
Pachim Boragaon	6000
Amingaon	4000
Satgaon	4000
Azara	4000+24000 Tea Chests
Total	**18000+24000 Tea Chests**

JAMMU AND KASHMIR

Name of the Centre.	Capacity (in MTs)
Lethpora	6160

MIZORAM

Name of Centre	Capacity (In MTs)
Champhai	3,000
Serchib	3,000

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F. No 8-2/2007-FC II (Vol. II).
Dated 19th July, 2007]

Recommendation Sl. No. 28 (Para No.4.44)

2.30 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% during the year 2004-05 to 0.36% during the year 2005-06. The Committee feels 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.

Reply of the Government

2.31 It has been the constant endeavour of the Food Corporation of India to control/ minimise storage and transit losses; for which purpose various effective/ remedial/ preventive measures have been/ are being taken. The percentages of storage & transit losses, as mentioned in the above point, are total grains shortages on purchase and sales quantities during the respective year (as indicated below) in view of the enclosed relevant extracts from the FCI Performance Budget for 2006-07:

2004-05 (P) - 0.53 %
2005-06 (RE) - 0.36 %

However, generally the storage and transit losses are measured separately. Storage loss is calculated on percentage of quantity issued and transit loss is calculated as a percentage of quantity despatched. The storage and transit loss for the last 3 years upto 2005-06 are given below:

Storage Shortages

(Qty. in lakh MT/ Value in crore of Rupees)

Year	Qty	Shortage Value	Total Qty. Issued	% age of Shortage on Qty. Issued
2003-04	2.32	244.59	821.18	0.28
2004-05	1.46	156.36	767.02	0.19
2005-06*	1.19	130.91	714.41	0.17

Transit Shortages

(Qty. in lakh MT/ Value in crore of Rupees)

Year	Qty	Shortage Value	Total Qty. moved	%age of Shortage on Qty. moved
2003-04	1.70	150.48	341.74	0.50
2004-05	1.83	149.94	382.77	0.48
2005-06*	1.29	126.55	351.80	0.37

(* Provisional)

It will be seen that the losses in percentage terms have been coming down year after year. Figures for 2006-07 will be available after finalisation of accounts by December, 2007. Final figures of 2005-06 will be available by July, 2007.

The Ministry, in the MOU with the FCI, has fixed the following targets for storage and transit losses during 2007-08:

Storage losses : 0.18%
Transit losses : 0.36%

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F.No 8-2/2007.FC-II (Vol.II)
Dated. 25th June, 2007]

Recommendation Sl. No. 29 (Para No.4.52)

2.32 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 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 desires 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.

Reply of the Government

2.33 As regards action taken against senior officials, it is stated that disciplinary action is taken against the employees of the Corporation i.e. senior and junior officials keeping in view the gravity of the corruption charges. The details of penalties imposed upon delinquent senior / junior officials in the corruption cases during the last 3 years i.e. 2004, 2005 & 2006 is as under:-

Sl. No	Nature of penalty imposed	2004			2005			2006			Total		
		Cat.I	Cat.II, III	Total	Cat .I	Cat. II, III	Total	Cat .I	Cat.II, III	Total	Cat.I	Cat.II, III	Total
1	Dismissal/ removal/ compul-sorily retired	2	35	37	1	43	44	3	76	79	6	154	160
2	Reduction in rank	1	38	39	0	30	30	0	30	30	1	98	99
3	Reduction in time scale of pay	4	357	361	2	311	313	2	216	318	8	984	992

4	Withholding of increment	3	165	168	2	116	118	1	215	216	6	496	502
5	Recovery from pay of the loss caused to FCI	2	1344	1346	2	884	886	23	1704	1731	27	3936	3963
6	Withholding of promotion	0	6	6	0	5	5	0	2	2	0	13	13
7	Censure	10	479	489	6	301	307	6	376	382	22	1156	1178
8	Warning issued/ exoneration/ cases closed	11	401	412	5	243	248	4	319	323	20	963	983
	Total	33	2825	2858	18	1933	1951	39	2938	3081	90	7800	7890

S.No.	Category	Total strength	No. of cases in which punishment imposed on account of corruption charges during the last 3 years i.e. 2004, 2005 & 2006	Percentage
1.	Senior officials i.e. Cat.I	584	90	15.41%
2.	Junior officials i.e. Cat.II & III	29742	7800	26.22%

Besides above, a number of cases are pending against IAS officers with DOP&T for their tenure in FCI.

In view of the position indicated above, it is crystal clear that 15.41% senior officials were punished in corruption cases during the last 3 years i.e. 2004, 2005 & 2006 and 26.22% junior officials were punished on account of corruption cases during the period referred to above. Thus senior officials are also not spared in corruption cases.

It is also assured that the vigilance mechanism will be further tightened up and will be made more transparent and effective.

As regards the Public Distribution System (PDS) to be more transparent and accountable, it is mentioned that this subject matter relates to the State Government.

So far as transfer of staff from one post to another after every three years to avoid creation of vested interest is concerned, it is mentioned that suitable instructions have already been issued to all concerned in the Corporation for strict compliance in order to avoid creation of vested interests and the employees posted on sensitive posts are being rotated as is evident from the following figures of rotational transfers during last three years.

Year	No. of employees rotated
2004	1268
2005	3670
2006	1750

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F. No 8-2/2007.FC-II (Vol. II)
Dated. 25th June, 2007]

Recommendation Sl. No. 30 (Para No.4.53)

2.34 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.

Reply of the Government

2.35 So far as quick disposal of 2004 vigilance cases including 1195 cases on account of storage and transit losses pending during 2006 is concerned, it is mentioned that out of these 2004 cases, only 500 cases are more than one year old. Rest of the cases have been initiated in the year 2006 itself. It may be appreciated that during the year 2006, FCI have finalized / disposed of 3081 vigilance cases. However, the target for disposal of cases has already been fixed. As more than 70% of the pending vigilance cases referred to above relate to Punjab Region, the management has fixed the target of disposal of 1000 cases by General Manager (Region), Punjab during the year 2007-08. It is further intimated that the pending cases are reviewed by ED(V)-CVO and CMD in the monthly performance review meetings held in the Headquarters and these pending cases would be finalized within a reasonable time limit.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F. No. 8-2/2007.FC-II (Vol. II)
Dated. 25th June, 2007]

Recommendation Sl. No. 31 (Para No.4.56)

2.36 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 cheque. 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.

Reply of Government

2.37 The matter is being actively pursued and follow up action is being taken with the various zones / regions of the FCI for implementation of the recommendations. The action taken so far on suggestions of the Committee from time to time is enclosed herewith as Annexure 'A'.

Major Labour Unions have been formally asked to convince the workers with regard to the recommendations of the Committee to curb proxy labour. General Managers of Regions are also holding the meetings with local leaders of the Unions for speedy implementation of the recommendation of the Committee.

Regional Heads of the States where the recommendations of the Committee are partially implemented have been asked in the Monthly Performance Review Meeting held on 29.01.2007 and 21.05.2007 that all the recommendations of the Parliamentary Committee may be implemented urgently in the remaining States.

The whole matter was also placed before the Executive Committee of FCI in its meeting held on 30.05.2007 to formulate a time bound action plan to implement the recommendations of the Parliamentary Standing Committee.

Annexure 'A' would reveal that there has been further improvement in J&K as the recommendation of the Committee for payment through cheque has now been implemented.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F. No.H-11013 (1)/2007-FC.3 dated 15.06.2007]

Comments of the Committee

(Please see para no. 1.31 of Chapter I of the Report)

Recommendation Sl. No. 32 (Para No. 5.8)

2.38 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. 17009 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.

Reply of Government

2.39 (i) The turnover during the preceding three years has increased from 436.86 in the year 2003-04 to Rs. 568.83 crore in the year 2005-06 i.e. an increase of 30.2%. Comparatively the outstanding dues have increased by 13.8% from Rs. 174.79 crore to Rs. 196.86 crore in the year 2005-06 excluding Rs. 33.86 crore due from Income Tax Department for which appeals are pending. The total outstanding dues also includes a sum of Rs. 67 crore (out of this Rs. 53.71 crore alone are due from FCI) which is more than ten years old. Efforts are being made to reduce the outstanding dues. Provision for bad and doubtful debts has also been made for Rs. 47.11 crores against the old outstanding dues which have been considered doubtful of recovery. As regards the outstanding dues in respect of FCI, there is already an existing procedure in place whereby the MDs of CWC and FCI are required to meet every three months to review the outstanding dues between the two organizations.

(i) As regards the bad debts written off the Corporation has taken a judicious decision to write off only those cases where there is no possibility of recovery due to factors like closure of the units, sickness of the company etc.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F. No 1-3/2007-SG
Dated 22nd June, 2007]

Recommendation Sl. No. 34 (Para No. 5.18)

2.40 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.

Reply of the Government

2.41 The existing available capacity in North East Region is not being gainfully utilized for want of adequate demand for storage space. CWC shall have no problems in constructing the godowns in needy areas subject to the condition that Government land is made available at affordable/reasonable price and long term business guarantee by the FCI/State Govt. Agencies is made available.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F.No 1-3/2007-SG
Dated 22nd June, 2007]

Recommendation Sl. No. 35 (Para No. 5.32)

2.42 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 dehiring of hired godowns on priority basis and made optimum utilization of owned capacity.

Reply of the Government

2.43 Regarding hiring of godowns, I s stated that hiring of godowns is a planned exercise. Warehouse are hired after due diligence, availability of business at the particular center and need of the depositors. Besides, as the mixed storage of commodities cannot be restored to e.g. sugar and foodgrains, fertilizers and foodgrains, cement and foodgrains; there are instances when the constructed warehouses could not be fully utilized but hiring had to be resorted to, to meet the demand of storage of a particular commodity.

The hiring/de-hiring of godowns is a continuous process. The decision regarding de-hiring of capacity is taken only on business consideration after carrying out cost/benefit analysis. Every unit is treated as profit center and if it consistently underperforms, a decision is taken to de-hire the same. Hired capacity is taken over only in case own constructed capacity is not available or is not sufficient to meet the demand of the depositors. Efforts are made to accommodate stock in own constructed godowns.

Instructions have also been issued to de-hire private godowns having a utilization/occupancy less than 25%.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F.No 1-3/2007-SG
Dated 22nd June, 2007]

Recommendation Sl. No. 38 (Para no. 6.33)

2.44 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.

Reply of the Government

2.45 The Committee's recommendation to the Ministry to continue the pro-active initiatives taken recently so as to improve the recovery position of SDF loans is noted for compliance.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F. No.3-1/2007-SDF
Dated 13.07.2007]

Comments of the Committee

(Please see para no. of Chapter I of the Report)

Recommendation Sl. No.39 (Para no. 6.34)

2.46 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 percent which was about 30 percent 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 crores. 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 along with interest @ 15 percent, 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 along with the reasons for not paying the outstanding arrears along with interest. The Committee further emphasize 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.

Reply of the Government

2.47 A statement showing the State-wise, Sector-wise and sugar mill wise details of cane price arrears outstanding, as on 31.5.2007, for the sugar season 2006-07, 2005-06 and 2004-05 & earlier is **enclosed at Annexure.**

2. The views/comments of the State Governments on outstanding cane price arrears are as under:-

Punjab: There are no outstanding cane price arrears for sugar seasons prior to 2006-07. Sugar mills are paying State-Advised Price (SAP) of sugarcane which is much higher than Statutory Minimum Price (SMP) of sugarcane fixed by the Central Government. Therefore, sugar mills are not being compelled to pay interest on the cane price arrears for delayed payment.

Uttarakhand: There are no outstanding cane price arrears for sugar seasons prior to 2006-07. Sugar mills are paying State-Advised Price (SAP) of sugarcane which is much higher than Statutory Minimum Price (SMP) of sugarcane fixed by the Central Government.

Gujarat: In Gujarat, all the sugar mills are in the cooperative sector and they pay sugarcane prices on pooling basis and in three instalments viz. First installment at the time of registration of sugarcane, Second instalment by April/May and the Third & final instalment is decided after considering the income & expenditure position. The old outstanding dues of cane price arrears (Rs.38.38 lakhs) are in respect of Talala sugar mill and the State Government has instructed the sugar mill to clear the dues as early as possible.

Andhra Pradesh: There are no outstanding cane price arrears of earlier sugar seasons except for sugar season 2002-03 where a sum of Rs.34.95 crore is due from the private sugar mills and the matter is sub-judice before the Hon'ble High Court of Andhra Pradesh in W.P. No.3464 of 2003 wherein the sugar mills have got an interim order dated 12.7.2005 that the respondents shall not take coercive steps for recovery of the enhanced cane price.

Maharashtra: The State Government has informed that during sugar season 2002-03, due to drought conditions and steep fall in sugar prices, sugar mills were not in a position to pay the sugarcane price dues as per SMP. In the current sugar season 2006-07 as well, the sugar prices have registered steep fall and short margin has been created on pledge accounts of sugar mills as a result of which sugar mills are not in a position to pay cane price dues as per SMP. The Rane Committee appointed by the State Government has identified 74 cooperative sugar mills of the State as sick. The Technical Committee of

NABARD has approved rescheduling of term loans of 91 cooperative sugar mills and that of one sugar mill has been approved by IDBI. The State Government has assisted sugar mills by way of medium term loans raised through Open Market Borrowing. Rent Recovery Certificates (RRC) have been issued to 3 sugar mills for liquidation of cane price arrears of 2002-03 season and to one sugar mill for liquidation of cane price arrears of 2006-07 season.

2. The views/comments in the matter are awaited from the State Governments of Haryana, Uttar Pradesh, Bihar, Karnataka and Tamil Nadu.

3. During the current sugar season 2006-07, the production of sugar in the country is provisionally estimated to be at a record level of over 275 lac tons as against the estimated domestic consumption of about 190 lac tons. Taking into account the closing balance of 44 lac tons as on 1.10.2006, the total availability of sugar in 2006-07 sugar season is estimated to be 319 lac tons. The high production of sugar has resulted in decline in domestic sugar prices. The international prices of sugar are also low. This has affected adversely the capacity of sugar mills to pay cane price to sugarcane farmers. In order to ensure that the excess production of sugar does not lead to mounting cane price arrears, the Central Government has taken the following steps:-

(i) Buffer stock of 20 lac tons has already been created for a period of one year from 1.5. 2007 to 30.4.2008. Another 30 lac tons of buffer stock has also been approved for a period of one year from 1.8.2007 to 31.7.2008. This will involve a subsidy amount of Rs. 945 crore from Sugar Development Fund. The banks, on creation of buffer stock, would provide additional credit of Rs. 1150 crore. The buffer subsidy amount and the additional credit are to be exclusively used for clearance of cane price arrears of sugarcane growers;

(ii) Export assistance to defray the expenditure on internal transport, marketing and handling charges and ocean freight @ Rs. 1350/- per tonne for sugar factories located in coastal areas and Rs. 1450/- per tonne for sugar factories located in non-coastal areas have been announced. This involves an outgo of Rs. 205 crore from Sugar Development Fund; and

(iii) ban on export of sugar has been removed.

4. As regards the suggestion of the Committee that any aid/or assistance may be given to the sugar mills only on timely liquidation of cane price arrear by them to the farmers, the Central Government, in principle, agrees with the views of the Committee. However, there are practical difficulties in implementing this recommendation. Usually, the cane price arrears build up in the years of low sugar prices as it happened in 2002-03 sugar season and is happening in 2006-07 season. The Government create buffer stock to mitigate the difficulties of sugar factories and help them to pay cane price arrears to sugarcane growers. As per the Sugar Development Fund Rules, 1983, the buffer stock subsidy is to be exclusively utilized for payment of cane price including cane price arrears. If the suggestion of the Committee is imposed on sugar factories, it would not have been possible for the Government to pay the buffer subsidy to sugar mills and in turn, sugarcane growers would suffer. Similarly, the assistance from Sugar Development Fund is extended to sugar factories for modernization, expansion of capacity, cane development, setting up of cogeneration and ethanol manufacturing facilities with the purpose of improving their financial viability so that they can give remunerative cane price to the sugarcane growers. In view of such practical difficulties, the implementation of this recommendation of the Committee may lead to unexpected and undesirable consequences. Therefore, the recommendation of the Standing Committee that any aid/or

assistance may be given to the sugar mills only on timely liquidation of cane price arrear by them to the farmers cannot be accepted due to practical difficulties in implementing this recommendation.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
Directorate of Sugar
F. No. 7-1/2007-Stat-II
Dated 31.07.2007]

Recommendation Sl. No 41 (Para No. 6.36)

2.48 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. The 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.

Reply of the Government:

2.49 The reimbursement of internal transport charges, ocean freight and handling and marketing charges were decided to be paid to sugar factories for export of sugar w.e.f. June 2002 to August 2004. It was decided in June 2004 by the Govt. to reimburse internal transport charges for the export of sugar. However, decisions to pay ocean freight and handling and marketing charges @ Rs. 350 per tonne and Rs. 500 per tonne respectively were announced later and made effective for the exports made on or after 14th February 2003 and 3rd October 2003 respectively. Further, approval of M/o Finance for payment of ocean freight and handling and marketing charges was received only in July 2005.

It may, therefore, be mentioned that since the policy to reimburse internal transport charges was announced in June 2002 and most of the claims from the sugar factories were received immediately thereafter, the claims settled in 2003-04 and 2004-05 are significantly higher than thereafter. Not only the number of claims pending for settlement for internal transport charges is less after 2005-06 but more of these claims are either not complete or require further clarification/information from the sugar factories. In a number of cases, the sugar factories have exported sugar even after the validity date of the release orders issued by the Directorate of Sugar, requiring that these release orders have to be extended. In other words, the cases pending are mostly for compliance by the factories and, therefore, the number of cases now being settled would be much less than what was settled in 2003-04 and 2004-05.

As regards ocean freight charges and handling and marketing charges, since the final approval of M/o Finance was obtained only in July 2005, these claims were settled only thereafter. Therefore, as correctly pointed out by the Committee, no claims were settled during 2003-04 and 2004-05. Most of the claims i.e. totaling to 270 claims, could be settled in 2005-06.

The above claims are being settled as per Sugar Development Fund Rules prescribed in 2002. Therefore, the requirements as laid down therein cannot be relaxed today. However, considering the view / advice of the Standing Committee, the export assistance to be given by the Govt. for the export of sugar made from April 2007 to April 2008 would be given as per new SDF Rules to be prescribed shortly wherein the procedural requirements are being kept as simple and as convenient as possible without compromising on the basic requirement of checking and confirming the exports for such reimbursement of expenditure.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F. No 6-1/2007-SPF
Dated 26.06. 2007]

Recommendation Sl. No. 42 (Para No. 7.22)

2.50 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.

Reply of the Government

2.51 The subject matter primarily relates to production & productivity of oilseeds which lies within the purview of Ministry of Agriculture. The matter has been taken up with that Ministry. According to Ministry of Agriculture:-

Government of India is Implementing a Centrally Sponsored 'Integrated Scheme of Oilseeds, Pulses, Oilpalm & 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).

Indian Council of Agricultural Research (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.

In order to increase the production and productivity of oilseeds, oil palm, pulses and maize in the country, an amount of Rs.300.00 crores has been allocated under ISOPOM for 2007-08. A target of 312 lakh tonnes has been fixed for oilseeds production during 2007-08.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
Directorate of Vanaspati Vegetable Oils & Fats
F. No. 6/6/2007-EXP
Dated 11.06.2007

Recommendation Sl. No. 43 (Para No. 7.23)

2.52 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.

Reply of the Government

2.53 The subject matter primarily relates to Ministry of Health. The matter has been taken up with that Ministry. According to Ministry of Health:-

The implementation of the Prevention of Food Adulteration (PFA) Act, 1954 and Rules framed there under are vested with the Food (Health) Authorities of the States/UTs. The Enforcement Staff of the concerned State/UT draw samples of commonly Food articles suspected to be misbranded/adulterated. As such total number of samples examined during the year 2004 were 98082 and 9214 samples were found to be misbranded /adulterated resulting 9.39 %age of adulteration in all food commodities (This does not include the information from the State of Jharkhand).

The concern of the Committee to draw large number of samples of edible oils is being sent to all Food (Health) Authorities of the States/U.Ts for compliance .

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

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
Directorate of Vanaspati Vegetable Oils & Fats
F. No. 6/6/2007-EXP
Dated 11.06.2007]

CHAPTER-III

Recommendations/ Observations which the Committee do not desire to pursue in view of the Government's replies

Recommendation Sl. No. 33 (Para No. 5.15)

3.1 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.

Reply of the Government

3.2 In order to reduce the Administrative Cost/Establishment Cost, the Corporation had introduced Voluntary Retirement Scheme/Special Voluntary 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 to 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 number of Construction Cells is 6, CWC, RO, Kochi has also been merged with RO, Chennai in order to reduce the Establishment/Administrative Costs. Further, in order to reduce other expenses, 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. Efforts are being made to reduce the Establishment expenses further.

As regards the implementation of recommendation of TCS, as mentioned in the preceding para it has been partially accepted by reducing Construction Cells from 17 to 6 and merging Regional Office Kochi with Regional Office Chennai. The implementation of remaining recommendations of the TCS like phasing out the Engineering Cadre, reduction in number of Regional Office from 17 to 11 are under consideration of the management and efforts are being made to expedite the same.

As regards, the suggestion for undertaking an exercise by leading management institutions like ASCI, Hyderabad for restructuring the policy/plan programme of CWC to reduce the establishment cost and enhance its profits, it may be mentioned that TCS report is currently under active consideration for the purpose of implementation. This report was commissioned to go into the Organizational Restructuring & Human Resource Systems. The terms of reference included establishment cost reduction.

It is informed that the percentage of establishment cost to the total turnover has reduced from 39.38% to 31.84% during the year 2003-04 to 2005-06. Though there is an increase in the establishment cost in absolute terms yet per employee income has increased from 6.79 lakh to Rs. 9.66 lakh. The increase in establishment cost over the preceding three years is as under:

Year	**Establishment Cost (Rs./Crore)**	**Percentage Increase**
2003-04	182.28	-
2004-05	188.40	3.36
2005-06	197.25	4.70
2006-07 (Provisional)	209.00	5.95

The increase in establishment cost is only on account of factors like Dearness Allowance, Annual Increment etc. as Corporation has not gone for any new recruitment and has reduced manpower by implementing Special Voluntary Retirement Schemes.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F. No 1-3/2007-SG
Dated 22nd June, 2007]

CHAPTER- IV

Recommendations / Observations in respect of which replies of the Government have not been accepted by the committee

Recommendations Sl. No. 2 & 3 (Para Nos. 2.30 and 2.31)

4.1 The Committee observes that there is huge under spending 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: -

(v) Construction of Godowns;
(vi) Integrated Information System for Food grain Management;
(vii) Evaluation, Monitoring and Research of Public Distribution System; and
(viii) 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: -

(iv) Integrated Information System for Food grain Management (IISFM);
(v) Research and Development and Modernization of VVO&F; and
(vi) Computerization of Public Distribution System (PDS).

The reasons furnished by the Department for under spending which indicate modifications of original scheme of smart card and earlier unspent balances under IISFM 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 (cut in) amount at RE stage under different scheme is due to under spending 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 under spending is not repeated during the year 2007-08.

4.2 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
Fourth Quarter	67.54

The Committee deplores 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 increase. 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.

Reply of the Government

4.3 The Deptt is ensuring expenditure as per the scheme Monthly Expenditure Plan and Quarterly physical/financial targets for 2007-08 for plan schemes are being fixed and these targets will be closely watched for corrective action during monthly expenditure review meetings during 2007-08.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F .M. No 4-1/2006-Plan
Dated 18.06.2007]

Comments of the Committee

(Please see para no. 1.8 of Chapter I of the Report)

Recommendation Sl. No. 7 (Para No.3.30)

4.4 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, NCMS 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.

Reply of the Government

4.5 This Ministry had earlier allowed NCMSL/NBHC to be involved in purchase of foodgrains only in areas where the infrastructure of FCI and State agencies was weak. This was to widen the scope of MSP operations in order to benefit more farmers. Instructions were also issued to FCI to take No-objection from State Governments for engagement of these agencies.

FCI has informed that to maximise procurement of paddy/rice for the Central Pool, services of NCMSL/NBHC were utilized during KMS 2006-07 in the states of M.P., Orissa and Bihar for the procurement of paddy.

FCI has further informed that as regards giving more emphasis to small farmers and cooperatives they have engaged NAFED, as an agent of FCI for procurement of wheat during RMS 2007-08 in wheat procuring States like U.P., M.P., Rajasthan, Bihar and Uttarakhand.

New guidelines have been issued by the Ministry in April, 2007 regarding involvement of Cooperatives/State undertakings/Private Companies for procurement operations for Central Pool from those areas where FCI infrastructure is weak and State Govt. establishments are not adequate for the procurement operations. These guidelines will be applicable for wheat procurement in RMS 2007-08 and for paddy procurement in KMS 2007-08. The guidelines include the stipulation that in such cases where need for involving other agencies is felt, FCI should in the first instance use the services of State Government undertakings/Cooperative agencies or Central Government undertakings for procurement. In case, there are areas where these agencies are not able to open procurement centers, these areas should be covered through Central PSUs or companies/organizations in which Central Government or nationalized banks/financial institutions have at least 51% equity.

As a last option, private companies can be engaged subject to the State Government recommending the proposal of a private company to be engaged as an agency for procurement. In such a case, the State Government has to supervise the procurement operations to ensure that such a cooperative/company does not pay below MSP to any farmer. Stringent conditions should also be imposed for ensuring that the agency opens adequate number of procurement centers in backward areas. The FCI will also have to ensure that the cost of procurement is lower than that of the State Government agency or FCI, whichever is lower.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F. No. 156(6)/2007-Py.I
Dated 7th June, 2007]

Comments of the Committee

(Please see para no. 1.15 of Chapter I of the Report)

Recommendation Sl. No. 15 (Para No. 3.76)

4.6 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.

Reply of the Government

4.7 This issue has been examined in detail in the Ministry and it has been decided that the State/UT Governments, desirous of importing pulses and edible oils for distribution to ration cards holders may avail of services of Central Public Sector Undertakings and NAFED for this purpose. The State and UT Governments have been informed accordingly and the Central PSUs and NAFED have been requested to give priority to import pulses and edible oils if requests are received from the State/UT Governments.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F. No. 9(3)/2007-PD III
Dated 10th August, 2007]

Comments of the Committee

(Please see para no. 1.22 of Chapter I of the Report)

Recommendation Sl. No. 18 (Para No. 3.90)

4.8 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. Inspite 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.

Reply of the Government

4.9 The recommendation of the Committee that " the Department to ensure that the various monitoring mechanisms work properly failing which the objective of having detailed mechanism of monitoring is really defeated" has been noted. It will be constant endeavor of the Department to ensure proper functioning of various monitoring Mechanism.

Regarding involvement of women in the various activities related to PDS, it may be stated that instructions have already been issued to all States/UTs to give priority in the matter of allotting FPS licenses to Cooperatives of Women and Ex-servicemen, vide letter No .D.O. 6(7)2004-PD-I (Pt. File-IV) dated 29.11.2004.Further vide this Department's letter dated 18.2.2005, all States/UTs were requested to involve Self Help Groups in the management of Fair Price Shop under PDS. It was also stated that to achieve this objective, the Self Help Groups may be imparted training in the operation of Fair Price Shop in their respective areas. With a view to strengthening of TPDS, instructions/guidelines have also been issued to all State Governments to involve Panchayati Raj Institutions (PRI) vide letters dated 23.6.1999 and 3.11.1999.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F. No. 9(3)/2007-PD III
Dated 10th August, 2007]

Comments of the Committee

(Please see para no. 1.25 of Chapter I of the Report)

Recommendation Sl. No.22 (Para No.4.12)

4.10 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 parts 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 core 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 as 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.

Reply of Government

4.11 The Establishment Cost of FCI for the last four years are as under :

(Rs. In Crore)

Year	Staff Cost	Other Admin Exp.	Total	Total subsidy incurred	Establishment cost as % of subsidy
2003-04	1255.11	109.55	1364.66	21587	6.32
2004-05	1499. 63	117.81	1617.44	20773	7.79
2005-06 (Provisional)	1195.69	157.02	1352.71	21460	6.30
2006-07 (RE)	1509.07	214.06	1723.13	26265	6.56

Thus, as a percentage of subsidy, there has not been any significant increase in establishment cost of FCI. . The total increase in staff cost in 2006-07 (RE) over 2005-06 (Prov) is Rs. 313.92 crore. Increase in other Administrative cost is Rs. 57.04 crore in the same period, out of which, the major portion is on account of Pay, DP. DA. HRA, LTC, PLI, Medical and OTA. The reasons for increase in staff cost in 2006-07 over 2005-06 are as under :

Item	Reason
Pay	During 2006-07, the FCI decided to provide full Pay Scale benefits to employees on deployment to higher posts. This is in addition to normal increase due to increments and regular promotion and resulted in increase in pay component.
DP	The employees under CDA Scale have been provided with 50% merger of DA which is treated as DP, the major impact of which have come in 2006-07 only.
DA	Normal DA increase due to increase in inflation index and additional impact of DA on DP.
HRA	HRA to CDA employees is now payable on Basic + DP i.e. 50% more than before. Further, due to higher benefit from HRA, a large number of CDA employees earlier availing leased accommodation benefits have shifted to HRA.
LTC	2006 was the extended year from Block 2002-2005. It was also the first year for Block 2006-2009. Consequently, the incidence of LTC availment/encashment during 2006-07 was higher.
PLI	Due to completion of arrears of Accounts, PLI for the years 2003-04 and 2004-05 have been finalized and paid during the year 2006-07
Medical	Due to the increasing age profile of the employees and higher costs of treatment the medical expenses are higher.
OTA	Due to continuous depletion of staff strength and exigencies like import of Wheat, the existing staff have to be deployed on OTA basis to get the work done.

The FCI is the major implementation agency for the Foodgrain Policy of the Government of India. For this purpose, it needs to have appropriate infrastructure and man-power. However, these costs form only a small part of the total food subsidy. Such infrastructure is necessary for the effective functioning of any organization and can not be dispensed with. In order to carry out the mandate given to the Corporation, such expenditure has to be incurred. As these costs are directly linked to the execution of the mandate given to the FCI, loading of the same over food subsidy is fully justified. However, such establishment costs are separately identified and shown in the Annual Report and Performance Budget of the Corporation.

It is also pertinent to mention that even in States where decentralized procurement operations are carried out, the respective States include the related establishment and administrative charges in their claims of subsidy. Further, even the State Agencies carrying out only procurement operations (as against the procurement storage-movement-distribution done by FCI on behalf of the Central Pool) are also reimbursed establishment charges @ 2.5% of the MSP. And in all such cases, establishment charges form part of the total subsidy reimbursement made to them.

The Standing Committee has recommended that the establishment cost of FCI should be separately indicated while allocating resources for food subsidy for better monitoring purposes. As the establishment costs are already separately indicated in the Annual Accounts of the Corporation, the Department’s view is that the present system of accounting already enables the FCI and Government to closely monitor the allocation and utilization of funds for establishment expenses of FCI. In the Department's budget therefore there is no need to separately indicate establishment cost of FCI.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F.M. No. 8-2/2007-FC-I (Pt.)
Dated 10.07.2007]

Comments of the Committee
(Please see para no. 1.28 of Chapter I of the Report)

Recommendation Sl. No. 36 (Para no. 6.31)

4.12 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

Reply of the Government

4.13 Disbursement of Loan from Sugar Development Fund for all the schemes is dependent on completion of necessary documentation, furnishing of security etc. in time. Even though there were a number of loans sanctioned for the schemes, the loans could not be disbursed as expected due to the fact that the factories did not complete the formalities and submit the required documents and security in time.

Underspending in percentage as compared to Revised Estimates for the year 2006-2007 were as follows:

S.No.	Name of the Scheme	RE 2006-07 (Rs. in crore)	Actual Expenditure 2006-07 (Rs. in crore)	% age Underspending
1	Loans for modernization/ rehabilitation of sugar mills:	125	86.46	30.83
2	Cane Development	25	14.81	40.76
3	Bagasse based co-generation	120	92.02	23.32
4	Loan for production of ethanol	30	2.27	92.43

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F. No.3-1/2007-SDF
Dated 13.07.2007]

Comments of the Committee

(Please see para no.1.35 of Chapter I of the Report)

Recommendation Sl. No. 37(Para no. 6.32)

4.14 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.

Reply of the Government

4.15 The full text of SDF Rules, 1983, scheme-wise, has been placed on the official web-site of the Department so that the sugar factories could make themselves aware of the various schemes under the rules. Besides, the State Governments and Sugar Mills Associations all over the country are informed about the policies of the Government on Sugar Development Fund who in turn disseminate the information to sugar factories.

Efforts are continuously made to simplify and improve the procedure and other formalities while ensuring that financial requirements are adequately met. A special meeting of the Standing Committee on SDF is being held shortly to discuss the Rules and norms of SDF and recommend any improvement/ changes in the same.

During 2006-07, the actual expenditure under the scheme for bagasse based cogeneration power project was Rs.92.02 crore and not Rs.62.50 Crores.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F. No.3-1/2007-SDF
Dated 13.07.2007]

Comments of the Committee

(Please see para no.1.35 of Chapter I of the Report)

Recommendation Sl. No. 40 (Para No. 6.35)

4.16 The Committee note that during the year 2006-07, only four sugar factories were visited and the number of sugar 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 felt that when the priority of the Government is to provide good quantity sugar to the consumers, proper quality control measures should be taken. More and more factories need to be inspected/visited. The Committee fee that more issuing of show cause notices would not serve the purpose of keeping a check on sugar factories to main high quality standards. The Committee, therefore, recommend that some very stringent action, 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.

Reply of the Government

4.17 The Committee has recommended that (i) the number of sugar factories to be inspected/visited should be increased and (ii) stringent action, including monetary penalties on factories whose samples failed in the quality tests should be imposed.

As regards (i), Directorate of Sugar is having limited staff consisting of 1 Assistant Director and 2 inspecting officers, therefore, it is difficult to carry out large number of inspection. However, Directorate of Sugar will endeavour to increase the number of inspection.

As regards (ii), sugar inspections are carried out under the provisions of the Sugar (Control) Order, 1966 which has been issued in exercise of the powers conferred by Section 3 of the Essential Commodities Act, 1955. The Act does not authorizes an executive officer of the Central Government to impose fine on a sugar factory whose sample fails in the quality tests. Hence, it is difficult to impose monetary penalties on such factories. The fine on a sugar factory can be imposed only by a court.

It is pertinent to mention that the sugar samples degraded by the Directorate has to be sold in the market by the factory as per the findings and such sugar will realize less price than the price for the grade which the factory had marked originally. Therefore, the monetary loss in this manner is the punishment to the erring sugar mills. Moreover, the sugar determined as BISS/MOIST has to be either reprocessed or sold to bulk consumers, by which also the factory will be loser monetarily. Thus, the factory, who has mis-graded the sugar in quality are penalized by means of less realization at the time of sale.

Ministry of Consumer Affairs, Food & Public Distribution
Department of Food & Public Distribution
Directorate of Sugar
File No. INSP.F1 (3)/200t-Standing Committee/723
Dated 6.07.2007

Comments of the Committee

(Please see para no.1.38 of Chapter I of the Report)

CHAPTER- V

Recommendations/ Observations in respect of which the final replies of the Government are still awaited

Recommendation Sl. No. 10 (Para No. 3.33)

5.1 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 food grains 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.

Reply of the Government

5.2 At present five companies viz. ITC, Cargill, AWB, Britannia and Delhi Flour Mills have sent declarations about wheat purchases above 50,000 Mt.

A letter has been sent to all the wheat producing State Governments on 11.5.2007 requesting them to immediately issue suitable orders to Mandis in the State so that all traders file their returns under the Wheat (Stock Declaration by Companies or Firms or Individuals) Order, 2007 within the stipulated time. The State Governments have been further requested that wheat purchases by private parties may be closely monitored and action taken against defaulters for violation of the Wheat (Stock Declaration by Companies or Firms or Individuals) Order, 2007 under the Essential Commodities Act, 1955.

It is felt that reducing the limit of 50,000 MT at Government of India level for making it mandatory for any Company or Firm or Individual to file returns regarding purchases of wheat made would send adverse market signals and, therefore, any such action at this point of time might prove counter productive. Moverover, State Governments have been authorised to impose stock limits on wheat & pulses vide notification dated 29.8.2006. The validity of the said notification has been extended by another 6 months vide notification dated 27.2.2007. However, comments of the State Governments have been asked regarding reduction in the cumulative procurement limit of 50,000 MT for filing declaration under Wheat (Stock Declaration by Companies or Firms or Individuals) Order, 2007.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F. No. 2 (LS)/6/2007/Py.III
Dated 23.05.2007]

Recommendation Sl. No. 13 (Para No. 3.74)

5.3 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.

Reply of the Government

These are the observation of the Committee and no action-taken-report has been sought from the Department.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F. No. 9(3)/2007-PD III
Dated 10th August, 2007]

Recommendation Sl. No. 14 (Para No.3.75)

5.4 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 subsidized 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.

Reply of the Government

5.5 The matter is under examination in the department in consultation with the Planning Commission.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F. No. 9(3)/2007-PD III
Dated 10th August, 2007]

Comments of the Committee

(Please see para no. 1.19 of Chapter I of the Report)

Recommendation Sl. No. 16 (Para No.3.77)

5.6 The Committee note that as per the existing practice, certain monthly quota 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 Administration and decontrol the same.

Reply of the Government:

5.7 The Central Government has been following policy of partial control over sugar under which a part of sugar production is requisitioned as levy sugar for distribution in the Public Distribution System (PDS) at a uniform price throughout the country. The remaining production is allowed to be sold as non-levy (free sale) sugar subject to the regulated release mechanism.

2. The Government is committed to decontrol of sugar. As a step towards decontrol of sugar, the levy obligation of sugar factories has been brought down from 40% in 1999-2000 to 10% in 2001-02. However, decontrol of sugar has to be irreversible. Therefore, the Central Government has been assessing the interests of three paramount stakeholders viz., the sugarcane growers, the sugar industry and the consumer.

3. In order to lay down the modalities of comprehensive deregulation of the sugar sector, the Central Government has decided to set up a 'Group of Experts'. On receipt of the recommendations of the 'Group of Experts', appropriate action will be taken in the matter.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F.No.15 3/2006-SP
Dated 30th July, 2007]

Recommendation Sl. No. 21 (Para No.4.7)

5.8 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 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 recommends 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.

Reply of the Government:

5.9 The issue of liquidation of outstanding dues of the FCI pending against the Ministry of Rural Development as well as the need for provision of adequate budgetary support to that Ministry for supply of foodgrains under their welfare schemes on prepayment basis is being taken up at the highest level. The concerns of the Committee have been communicated to the Ministry of Rural Development as well as Planning Commission/Ministry of Finance.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F.No.197 (6)/2007-FC A/Cs dated 19.6.2007]

Recommendation Sl. No. 25 (Para No.4.26)

5.10 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

Reply of the Government

5.11 Construction of small godowns is not undertaken by FCI. Besides, the FCI does not cater to the needs of farmers for storage of their produce. The FCI procures foodgrains under the MSP by and large through arhtias and stores them at the nodal points. Even in those States where FCI procures foodgrains directly from the farmers, it carries the stocks to the linked FCI godowns.

However, a study has been got conducted by the FCI through MANAGE (National Institute of Agricultural Extension Management) Hyderabad for the assessment of storage gap for construction of godowns during XIth Five Year Plan. MANAGE submitted its report to the FCI during March 2007 indicating a storage gap of 79.42 lakh MTs in various States. The report is being examined in consultation with the FCI.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
F.No. 8-2/2007.FC-II (Vol.II)
Dated. 25th June, 2007]

NEW DELHI
31 December, 2007
10 Pausa, 1929 (Saka)

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

APPENDIX - I

MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON FRIDAY, THE 14TH DECEMBER, 2007.

The Committee sat from 1130 hrs. to 1215 hrs. in Committee Room No. 53, Parliament House, New Delhi

PRESENT

Shri Devendra Prasad Yadav - Chairman

LOK SABHA

2. Shri Alakesh Das
3. Shri Avinash Rai Khanna
4. Shri Parshuram Majhi
5. Shri Harikewal Prasad
6. Shri Munshi Ram
7. Shri Ghuran Ram
8. Shri Chandra Bhan Singh

RAJYA SABHA

9. Smt. Mohsina Kidwai
10. Shri Ajay Maroo
11. Shri Shantaram Laxman Naik
12. Shri Rajniti Prasad
13. Shri Nabam Rebia
14. Shri Matilal Sarkar
15. Shri Thanga Tamil Selvan

SECRETARIAT

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

At the outset Hon'ble Chairman welcomed the Members to the sitting of the Committee. The Committee then took up for consideration the draft report on Action Taken by the Government on recommendations contained in the

Eighteenth Report (14th Lok Sabha) of the Standing Committee on Food, Consumer Affairs and Public Distribution on Demands for Grants (2007-08) of the Department of Food and Public Distribution (Ministry of Consumer Affairs, Food and Public Distribution) and adopted the same with a slight modification in one of the recommendations.

2. ******* ******** ******** *********.

3. The Committee then authorized the Chairman to finalise the aforesaid reports in the light of consequential changes and present the same to both the Houses of Parliament.

4. The Committee then decided that the next sitting may be convened on

Thursday, 3 January, 2008 to take evidence of the representatives of the Ministry of Consumer Affairs, Food and Public Distribution on the subject 'Targeted Public Distribution System (TPDS) – a review.'

The Committee then adjourned.

APPENDIX – II

(*Vide* introduction of the Report)

ANALYSIS OF THE ACTION TAKEN BY THE GVOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE EIGHTEENTH REPORT OF THE COMMITTEE ON FOOD, CONSUMER AFFIARS AND PUBLIC DISTRIBUTION (FOURTEENTH LOK SABHA)

Total Number of Recommendations	43

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

Recommendation Nos. – 1, 4, 5, 6, 8, 9, 11, 12, 17, 19, 20, 23, 24, 26, 27, 28, 29, 30, 31, 32, 34, 35, 38, 39, 41, 42 and 43

Total	27
Percentage	63

(ii) Recommendations/ Observations which the Committee do not desire to pursue in view of the replies received from the Government:

Recommendation No. – 33

Total	1
Percentage	2

(iii) Recommendations/ Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Recommendation Nos. – 2, 3, 7,15, 18, 22, 36, 37 and 40

Total	9
Percentage	21

(iv) Recommendations/ observations in respect of which the final replies of the Government are still awaited:

Recommendation Nos. – 10, 13,14, 16, 21 and 25

Total	6
Percentage	14

APPENDIX – III

(vide para 2.47 of the Report)

Statement showing sugar seasons -wise, State -wise and sugar mill-wise position of cane price arrears as on 31.05.2007…………………………………………………………