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**STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2007-08)**

**FOURTEENTH LOK SABHA**

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

# DEMANDS FOR GRANTS (2008-2009)

# TWENTY-THIRD REPORT

**LOK SABHA SECRETARIAT**
**NEW DELHI**

**April, 2008/, Chaitra, 1930 (Saka)**

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**(FOURTEENTH LOK SABHA)**

**MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION**

**(DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION)**

# DEMANDS FOR GRANTS (2008-2009)

**Presented to Lok Sabha on 16.4.2008**

**Laid in Rajya Sabha on 16.4.2008**

**LOK SABHA SECRETARIAT**

**NEW DELHI**

**April, 2008/ Chaitra, 1930 (Saka)**

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Shri Devendra Prasad Yadav - Chairman

MEMBERS

**Lok Sabha**

2. Shri Govinda Aroon Ahuja
3. Shri Suresh Angadi
4. Shri Alakesh Das
5. Shri Atma Singh Gill
6. Shri G.V. Harsha Kumar
7. Shri Abdul Mannan Hossain
8. Shri Baliram Kashyap
9. Shri Avinash Rai Khanna
10. Shri Wangyuh W. Konyak
11. Shri Parsuram Majhi
12. Shri Sadashivrao Dadoba Mandlik
13. Shri Harikewal Prasad
14. Shri Munshi Ram
15. Shri Francisco Cosme Sardinha
16. Shri Ghuran Ram
17. Shri Daroga Prasad Saroj
18. Adv. (Smt.) P. Satheedevi
19. Shri Chandra Bhan Singh
20. Smt. Meena Singh *
21. Vacant

## Rajya Sabha

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

## SECRETARIAT

| | | |
|---|---|---|
| 1. Dr. (Smt.) Paramjit Kaur Sandhu | - | Additional Secretary |
| 2. Shri P.K. Misra | - | Joint Secretary |
| 3. Shri Raj Shekhar Sharma | - | Director |
| 4. Shri Jagdish Prasad | - | Deputy Secretary-II |
| 5. Shri Rakesh Bhardwaj | - | Executive Officer |

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* Nominated to the Committee w.e.f 10 March, 2008
** ceased to be Member of the Committee w.e.f. 9 April, 2008
*** ceased to be Member of the Committee w.e.f. 2 April, 2008

## INTRODUCTION

I, the Chairman of the Standing Committee on Food, Consumer Affairs and Public Distribution (2007-08) having been authorized by the Committee to submit the Report on their behalf, present this Twenty-Third Report on Demands for Grants (2008-2009) relating to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The Committee examined/scrutinized the detailed Demands for Grants (2008-2009) of the Ministry, which were laid on the Table of the House on 19 March 2008. The Committee took evidence of the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) on 4 April, 2008.

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

4. The Report was considered and adopted by the Committee at their sitting held on 15 April, 2008.

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

**NEW DELHI**
**15 April, 2008**
**26 Chaitra, 1930 (Saka)**

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

# CHAPTER - I

## INTRODUCTORY

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

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

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

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

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

There are other Subordinate Offices under the Department, namely:

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

(ii) One Indian Grain Storage Management and Research Institute (IGMRI), Hapur (Uttar Pradesh) with 3 field stations located at Hyderabad, Ludhiana and Jorhat

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

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

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

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

1.4 The Minister for Consumer Affairs, Food and Public Distribution laid on the Table of the Lok Sabha, the Detailed Demands for Grants (2008-2009) relating to the Department of Food and Public Distribution on 19 March, 2008. The Detailed Demands for Grants, for the Department of Food and Public Distribution shows a budgetary provision of Rs. 34111.00 crore. This includes Rs. 95 crore for plan activities and another Rs. 34016.00 crore, for non-plan programmes and Schemes.

1.5 The Committee in the present Report have examined various issues related to implementation of various schemes and programmes under the jurisdiction of the Department. In the context of Demands for Grants 2008-09, the detailed analysis along with observations/recommendations of the Committee on various issues have been given in the succeeding chapters of the report.

## CHAPTER –II

**Status of Implementation of the recommendations made by the Committee in their Eighteenth Report on Demands for Grants (2007-08) under Direction 73-A of the Directions by the Speaker, Lok Sabha.**

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

2.2 The Standing Committee on Food and Public Distribution presented their Eighteenth Report on Demands for Grants (2007-2008) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) on 27 April, 2007. The Twenty-first Report on Action taken by the Government on the recommendations contained in the Eighteenth Report on Demands for Grants (2007-2008) of Department of Food and Public Distribution was presented to Lok Sabha on 14 March, 2008.

2.3 Out of 43 recommendations, 27 recommendations (Rec. 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) have been accepted by the Government. Rec. Paragraph No. 2.29 **There should not be a cut at the Revised Estimate stage:** The recommendation has been forwarded to Ministry of Finance and Planning Commission for future compliance. Rec. Paragraph No. 3.27 and 3.28 – **Need to review buffer stocks and to ensure minimum required procurement of foodgrains:** To enhance the procurement of foodgrains the Department has taken a number of steps to improve the position of food stocks. Rec. Paragraph No. 3.29- **Procurement in non-traditional States is not upto the mark:** The Ministry has taken various initiatives to increase the procurement of foodgrains from non-traditional States. Rec. Paragraph No. 3.31 – **Rise in prices of foodgrains:** Various measures have been taken by the Government to stabilize the prices of foodgrains. Rec. Paragraph No. 3.32– **Need to have accelerated programme to increase the production of foodgrains:** An action plan have been prepared by the Ministry to increase the production of foodgrains. Rec. Paragraph No. 3.40- **Need for adoption of Decentralized Procurement Scheme by the States:** Efforts are being made by the Government to motivate the States to adopt Decentralized Procurement Scheme. Rec. Paragraph No. 3.55 – **To make available adequate food subsidy for efficient management of various operation of FCI:** The matter is being pursued with the Ministry of Finance to allocate adequate food subsidy. Rec. Paragraph No. 3.78 – **Need to make FPS viable and issuance of ration cards to migrant labour :** The Government has issued instructions to all states/UTs. Rec. Paragraph No. 3.91- **Huge under spending in various plan schemes:** The Ministry has furnished the crucial reasons. Rec. Paragraph No. 3.94- **Establishment of more Village Grains Banks in all the states :** All the state Government/UTs Administration have been requested to send fresh proposal for setting up Village Grains Banks during 11th Plan in their States. Rec. Paragraph No. 4.16- **Maximum utilization of FCI's owned capacity:** Detailed instructions have been issued to FCI to maximize the use of owned godowns' capacity. Rec. Paragraph No. 4.25- **Construction of godowns in North East Region and J&K:** The Government have taken various steps to step-up construction of godowns in North East areas and J&K. Rec. Paragraph No. 4.32- **An early enquiry in to the alleged irregularities in implementations of HTS scheme in Arunachal Pradesh should be conducted:** The Home Ministry has requested the Arunachal Pradesh Government to issue notification and provide service to investigate cases by CBI with regard to irregularities committed in operation of HTS. Rec. Paragraph No. 4.33 – **Step-up the construction of godowns at UT of Lakshadweep and various hilly areas:** The FCI has identified locations for construction of storage godowns in Lakshadweep and other hilly States. Rec. Paragraph No. 4.44- **FCI to minimize storage and transit losses:** Efforts are being made to minimize the storage and transit losses Rec. Paragraph No. 4.52- **To uproot the corruption in FCI there should be accountability and transparency in Public Distribution System:** Steps such as strengthening of Vigilance Mechanism and rotation of staff from one post to another after every three years are being taken. Rec. Paragraph No. 4.53- **Quick disposal of vigilance cases against the FCI officers relating to Storage and Transit Losses:** Efforts are being made to finalize the pending cases within reasonable time limit. Rec. Paragraph No. 4.56- **Curbing of the menace of Proxy Labour in FCI:** The matter is being actively pursued to formulate a time bound action plan. Rec. Paragraph No. 5.8- **Liquidation of outstanding dues:** Efforts are being made to reduce the outstanding dues. Rec. Paragraph No. 5.18- **Construction of godowns in NE region in perspective plan drawn by CWC:** CWC may provide storage capacity in needy areas provided Government land is made available at reasonable price and long term business guarantee is given by FCI. Rec. Paragraph No.5.32- **Maximum utilization of owned capacity by CWC-** Efforts are being made to accommodate stock in own constructed godowns and to dehire the hired godowns. Rec. Paragraph No.6.33- **Pro-active initiatives be taken to improve the recovery position of loans provided to sugar mills from SDF-** Pro-active Steps are continuously being taken by the Ministry for recovery of SDF loans. Rec. Paragraph No.6.34- **Liquidation of outstanding cane arrears against the farmers –** The Government agrees with the views of the Committee that the assistance may be given to the Sugar Mills only on timely liquidation of Can Price arrears to the farmers but there are practical difficulties in implementing the recommendation. Rec. Paragraph No.6.36 - **Settlement of Claims against ocean freight charges and handling and marketing charges-** The claims are being settled as per Sugar Development Rules-2002. Rec. Paragraph No.7.22 - **Urgent need to pay more attention to R&D for improved varieties of seeds and improved technologies for production of Oilseeds-** The matter has been taken up with the Ministry of Agriculture for increasing production and productivity of oilseeds. Rec. Paragraph No.7.23 - **Number of inspections carried out by the Officials of DVVO&F should be increased to keep a check on the adulteration in edible oils-** The concern of the Committee has been communicated to the Ministry of Health for compliance.

2.4 In regard to one recommendation (No. 5.15) the Committee do not desire to pursue it further in view of the Government reply. Rec. Paragraph No. 5.15- **Reduction of Establishment Cost of CWC-** Steps have been taken to reduce the Establishment Cost**.**

2.5 Nine Recommendations (Rec. No. 2.30, 2.31, 3.30, 3.76, 3.90, 4.12, 6.31, 6.32 and 6.35) are not accepted by the Committee. Rec. Paragraph No. 2.30 & 2.31- **Under-spending under various important schemes and rush of expenditure at the fag end of the financial year** : The Government replied that Monthly Expenditure Plan has been prepared and target fixed for 2007-08. Not convinced with the reply of the Govt. Committee desired that without knowing the root cause of under spending, the issue cannot be addressed effectively. Although steps are being taken by the Ministry but the Committee is not satisfied as no efforts are being made to probe the root cause of under spending. Rec. Paragraph No. 3.30– **Need to discourage the procurement of foodgrains through private companies:** As no clarification regarding taking service of private company was furnished, the Committee reiterated that more emphasis should be given on small farmers and co-operatives for the purpose of food security, procurement of foodgrains through private companies should be resorted as the last option. Besides, the Committee feel that there should be some stock limit for private traders/companies to enable the small farmers & Cooperatives to avail of the maximum benefits of procurement by FCI. Rec. Paragraph No. 3.76- **Need to devise a strategy to provide 2 kg. Pulses and 1 kg. of Edible Oil at subsidized rate to each BPL family through PDS:** 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 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. Being not satisfied with the reply of the Government the Committee desired that the recommendation of the Committee should be implemented expeditiously in the interest of poorest of the poor in the country. Rec. Paragraph No. 3.90 - **Need for involvement of Women, Self Help Groups and Panchayati Raj Institutions under PDS:** The Committee had recommended to involve more and more women, Panchayati Raj Institutions and self-help Groups in the various activities related to PDS. The Department has not taken such an important recommendation seriously and taken a casual stand. The Committee reiterated that the government should analyse the position seriously and do not try to mislead the Committee by such a vague reply. Rec. Paragraph No. 4.12- **Establishment Cost of FCI:** The Committee had recommended to indicate establishment cost of FCI separately in the various budget documents, which was not agreed to by the Government on the ground that the establishment cost is reflected in the Annual Report of the Corporation. The Committee have, therefore, reiterated its earlier recommendation. Rec. Paragraph No. 6.31 and 6.32- **Under spending of funds under various schemes for which allocation is being made out of Sugar Development Fund (SDF):** The Committee again emphasized that Sugar Development Fund is the definite source of funding to Sugar Mills which should be fully utilized. Rec. Paragraph No. 6.35- **Inspection of Sugar Factories:** The Ministry replied that Directorate of sugar is having limited staff to carry out the inspections of Sugar Mills whose samples failed while testing the quality of sugar. The Committee strongly recommended that the staff of Directorate of Sugar should be suitably increased so that more inspections can be carried out so that interest of the consumers is protected. Besides, suitable Amendment in the Essential Commodities Act., 1955 should be made for stringent penalties against the Sugar Factories whose sample fail the quality test.

2.6 In regard to 6 recommendations (3.33, 3.74, 3.75, 3.77, 4.26 & 4.7) the final reply of the Government is still awaited. Rec. Paragraph No.3.33- **Imposing suitable stock limit to curb tendency of hoarding by private companies-** Any company, firm or undertaking which purchase wheat beyond 50,000 tonnes shall furnish a declaration to State Government in this regard. The Committee desired that stock limit to be reduced. Its implementation is awaited. Rec. Paragraph No.3.74- **Independent survey for identification of**

**BPL is not done either by Ministry of Rural Development or by Department of Food and Public Distribution.** Rec.No.3.75 –**Need to devise a Modified APL scheme covering at least 20% of the poor persons who are above poverty line i.e. just above BPL-** The scheme is under examination by the Government. Rec. Paragraph No.3.77 **Policy of providing sugar through quota to various State Governments/UTs and its decontrol-** The Central Government has set up a "Group of Experts" for examining the sugar economy. Report of the experts is still awaited. Rec. Paragraph No.4.7: **Need to clear outstanding dues from various Ministries for supply of foodgrains- The** concern of the Committee has been communicated to the Ministry of Rural Development and Ministry of Finance. Rec. No.4.26 **Need for Comprehensive Survey for assessing the storage capacity of the States for construction of small godowns-** Since the scheme was discontinued during 10th plan, a study was got conducted by FCI through *MANAGE(*National Institute of Agricultural Management), Hyderabad for the assessment of storage gap. Its report is being examined by the FCI.

2.7 The Twenty-first report was sent to the Ministry for furnishing Action Taken Statement on the recommendations made by the Committee. The Minister made a statement in Lok Sabha on 10 September, 2007 and in Rajya Sabha on 23 November, 2007 regarding the status of implementation of the recommendations contained in the Eighteenth Report of the Committee on Demands for Grants (2007-08) under Direction 73 A of the Directions by the Speaker, Lok Sabha and information made available to the Committee with regard to implementations of the recommendations made in their Report has been critically analysed and is given in the Appendix-I.

## Chapter-III

## General Performance of the Department

### (a) Analysis of Plan Schemes

The Department of Food and Public Distribution furnished the following data with regard to BE, RE and actual expenditure on their plan schemes:-

**(Rs. In Crores)**

| Year | BE | RE | AE | Percentage Expenditure | |
|---|---|---|---|---|---|
| | | | | BE | RE |
| 2005-06 | 93.87 | 60.00 | 58.20 | 62 | 97 |
| 2006-07 | 95.8 | 70.00 | 65.63 | 68.50 | 93.75 |
| 2007-08 | 85.00 | 60.00 | 48.14* | 56.54 | 80.23 |
| 2008-09 | 95.00 | - | - | - | - |

* Provisional

3.2 From the Statement of Expenditure incurred by the Department during 2007-08 it has been observed that the Department was allocated a sum of Rs.85 crore for its Plan Schemes during 2007-08 which was reduced to Rs.60 crore at RE Stage whereas the actual expenditure upto 31.1.2008 is only Rs.48.14 crore i.e. 56.64 percentage of the BE which is the less than expenditure incurred by the Department during 2006-07**.** When asked about the reasons for less utilisation of Plan funds during the year 2007-08 and how the Department will be able to utilise Rs.95 crores allocated to its plan schemes for 2008-09, which is almost double the actual expenditure, incurred by the Department during 2007-08, the Department in their written reply stated that as per provisional expenditure figures of Pay and Accounts Office, the plan expenditure (provisional) upto 31.03.2008 was Rs.50.73 crore (84.55% of RE). Reduction in plan allocation at RE stage was due to no expenditure in first three quarters. The pace of expenditure was slow as 2007-08 was the first year of 11$^{th}$ Five Year Plan. Evaluation of all ongoing plan schemes was required. Thereafter EFC/SFC procedure was required to be followed and approval of the sanctioning authority was required for implementing the scheme in the 11$^{th}$ Five Year Plan.

Since all the EFC/SFC approval has already been obtained for all plan schemes except Computerisation of PDS Operations it should be possible to utilize the budget provision for these schemes fully. The scheme of Computerisation of PDS Operations will require EFC appraisal and approval of CCEA, after submission of Detailed Project Report expected to be received within 6 months from NISG, Hyderabad.

3.3 On the same subject, the Secretary, Department of Food and Public Distribution while explaining the reasons for less utilisation of funds during 2007-08 during the course of oral evidence stated as under:-

> "2007-08 being the first year of the Eleventh five year plan the stipulation about evaluation of the continuing schemes and thereafter subjecting the schemes for appraisal and also for the new schemes approval process being gone through before commencing execution of the schemes was primarily responsible for less utilisation of allocation. However, the approvals are in place for almost all the schemes except for Computerisation of PDS operations where the Department is proceeding cautiously in view of the huge outlays envisaged in the 11th five-year plan of Rs. 376 crore. Recently, a consultancy assignment has been assigned to the National Institute of Smart Governance who in about six months time will be coming out with a detailed project repot[rt. Therefore, the approval for this project will be in place in 2008-09."

**(b) <u>Quarter wise position of expenditure under different schemes under Plan during the year 2007-08.</u>**

3.4 The Quarter wise utilisation of funds, for the year 2007-08 is given below:-

| Quarter | Utilisation (Rs. in Crores) | Percentage Utilisation | |
|---|---|---|---|
| | | % w.r. BE | % w.r. RE |
| **First** | 0.00 | 0.00 | 0.00 |
| **Second** | 0.03 | 0.35 | 0.037 |
| **Third** | 17.67 | 20.78 | 22.08 |
| **Fourth** | 33.03* | 38.85 | 41.28 |
| **TOTAL** | 50.73* | 59.98 | 63.73 |

*Provisional

3.5 Further, there was NIL expenditure under some plan schemes during 2007-08 as mentioned below:-

(Rupees in lakh)

| Sl. No. | Name of the scheme | RE 2007-08 | Achievement upto 30.6.2007 (% of RE) | Achievement upto 30.9.2007 (% of RE) | Achievement upto 30.12.2007 (% of RE) | Achievement upto 25.2.2008 (% of RE) |
|---|---|---|---|---|---|---|
| 1. | Construction of Godowns by FCI/State Govts. Etc. (Physical achievement) | 600 (25,000MTs) | 0 | 0 | 0 | 318 (53%) (15,430MT) |
| 2. | Integrated Information System in Foodgrains Management (IISFM) | 2500 | 0 | 0 | 0 | 1449(57.96%) |
| 3. | Computerisation of PDS Operations | 500 | 0 | 0 | 0 | 0 |
| 4. | Strengthening of PDS & Capacity Building | 300 | 0 | 0 | 0 | 4.50 (1.5%) |
| 5. | NSI, Kanpur | 125 | 0 | 0 | 0 | 0 |
| 6. | Consultancies, Training & Research | 230 | 0 | 0 | 0 | 32.57 (38.3%) |
| 7. | Village Grain Bank )Physical Progress-VGBs) | 1745 (2513VGBs) | 0 | 0 | 0 | 570.46 (32.6%) (815VGBs) |
| | **Total** | **6000** | **0** | **0** | **0** | **2374.53 (39.59%)** |

3.6 It may be observed from the quarter-wise utilisation of funds for the plan funds of the Department of Food and Public Distribution during 2007-08, no funds were utilised in the first quarter whereas in the second quarter Rs.03 crore was utilised and Rs.17.67 crore in the third quarter. When asked about the reasons as to why the Department of Food and Public Distribution has not been able to utilise the funds evenly during the four quarters, the Department in their post evidence reply stated that 2007-08 being the first year of 11th Five Year Plan, evaluation of all continuing plan schemes was required and thereafter EFC/SFC procedure had to be followed and approval of sanctioning authority obtained before any expenditure could be incurred. The position in respect of major plan schemes is given as under:-

(a) Construction of Godowns: The EFC Memo was circulated for comments of appraisal agencies on 14.9.2007. The comments of the Planning commission were received on 28.1.2008. EFC approval was obtained on 11.2.2008 and approval of Finance Minister was conveyed by Ministry of Finance on 24.3.2008.

(b) Integrated Information Systems for Foodgrains Management (IISFM): - The scheme was cleared by EFC on 28.9.2007 and approval of sanctioning authority viz. MOCAF&PD was obtained on 12.11.07. Since authorized capital of FCI was exhausted, approval of CCEA was required for raising the authorized capital before release of funds to FCI as equity could be considered further for the schemes Construction of godowns and IISFM.

(c) Village Grain Bank - EFC approval was obtained on 12.11.07 and Finance Ministers approval obtained on 7.1.08.

In view of the above, the proposal was referred to Ministry of Finance for allowing expenditure in excess of 33% ceiling in the last quarter (January-March, 08) and 15% ceiling in March 08, which was agreed to only in respect of above three schemes. For rest of the schemes, 15% ceiling of plan outlay was applied and hence the outlay for these schemes could not be utilized in full. The plan funds utilized upto 31.03.2008 was Rs.50.73 crore (provisional) i.e. 84.55% of RE.

## (c) Review of Outlay under Non-plan head

3.7 Under the non-plan schemes, the overall position with regard to allocations during last three years is as under:-

(Rs. in crores)

| Year | BE | RE | AE | Percentage Expenditure | |
|---|---|---|---|---|---|
| | | | | BE | RE |
| 2004-05 | 27052.19 | 26886.65 | 26553.23 | 98.15 | 98.75 |
| 2005-06 | 26496.23 | 23496.23 | 23593.04 | 86.64 | 86.36 |
| 2006-07 | 24500.00 | 24500.00 | 24286.77 | 99.12 | 99.12 |
| 2007-08 | 26406.20 | 32839.00 | 32299.76 | 122.34 | 98.35 |
| 2008-09 | 33000.00 | | | | |

3.8 It could be seen from the aforesaid data that during the year 2007-08, the allocations under the non-plan head have been increased by Rs.7500 crore. During the year 2008-09, the allocation has been increased by Rs.1000 crore as compared to RE of 2007-08. During the year 2007-08, at RE stage, allocation was enhanced by Rs.6,000 crore. The actual expenditure upto 31 March, 2008 is Rs. 32299.76 crore out of RE of Rs.32839.00 crore during 2007-08.

3.9 Asked whether the Department would be able to ensure full utilization of the outlay earmarked during the year 2007-08 and what were the plans and priorities for meaningful utilisation of non-plan outlay of Rs.33,000 crore, an increase of Rs.7,000 crore as compared to BE and Rs. 1000 crore if compared to RE of previous year, i.e. 2007-08,the Department in a written reply have stated that the increase in allocations at RE stage for 2007-08 has been mainly for foodgrain subsidy, sugar subsidy payable to FCI and subsidy to State Govts. for decentralized procurement of foodgrains. As there was considerable increase in meeting the burden of food subsidy including sugar MSP, Bonus, payment of interest, import, rail and road freight etc., further increase in RE was proposed and accepted by Ministry of Finance for Rs.5849.39 crore. In addition to this following additional funds were demanded through supplementaries.

(i) Rs.300 crore required towards buffer subsidy for creating 20 lakh tones and 30 lakh tones buffer stock of sugar for one year as per Govt. of India notification dated 20-4-2007 and Order dated 1.8.2007 respectively.

(ii) Rs.120 crore required for reimbursement of internal transport and freight charges for export shipment of sugar domestically manufactured.

(iii) Rs.158.86 crore required towards providing interest subvention to the Cooperative and Urban Cooperative Bank through NABARD as per package approved by Govt. of India for the period for 2005-06 to 2019-20.

(iv) Rs. 0.54 crore required for meeting expenses of the Central Vigilance Committee constituted as per directions of Supreme Court of India dated 12.7.2006 in writ petition No 196 of 2001 to look into the maladies, which are affecting the proper functioning of the TPDS.

Thus, there is net increase of Rs.6000 crore in RE over BE 2007-08. Considering the facts as stated above, the department would be able to utilize the funds to the maximum extent.

As already stated above, due to increase in MSP, bonus, interest payment, rail and road freight etc. the foodgrains subsidy and sugar subsidy payable to FCI have been increased. Similarly, the subsidy payable to State Govts. for decentralized procurement of foodgrains has also been increased leading to the increase in BE 2008-09 over BE and RE 2007-08.

**(d) Saving/Surrender under different Non-Plan schemes during the year 2005-06 and 2006-07.**

3.10 The position of surrender under different major schemes is as under:-

**(Rupees in crore)**

| Item | Year | RE | AE | Surrender/Savings |
|---|---|---|---|---|
| Buffer stock of sugar | 2005-06 | 125 | 58.93 | 66.07 |
| | 2006-07 | 41.50 | 69.92 | +28.42 |
| Reimbursement of internal transport and freight charges to sugar factories on export shipment of sugar | 2005-06 | 90 | 37.44 | 52.56 |
| | 2006-07 | 46 | 20.96 | 25.04 |
| Loans for modernization/Rehabilitation of Sugar Mills | 2005-06 | 100 | 36.97 | 63.03 |
| | 2006-07 | 125 | 86.46 | 38.54 |
| Loans for Cane Development | 2005-06 | 25 | 16.22 | 8.78 |
| | 2006-07 | 25 | 14.81 | 10.19 |
| Loans for Sugar Mills for Bagasse based Cogeneration Power Projects | 2005-06 | 125 | 62.73 | 62.27 |
| | 2006-07 | 120 | 92.02 | 27.98 |
| Loans for production of Anhydrous Alcohol/Ethanol | 2005-06 | 25 | 7.23 | 17.77 |
| | 2006-07 | 30 | 2.28 | 27.72 |

3.11 Further analysis of the data indicates that during the year 2006-07, under some of the non-plan schemes, although the allocation was increased at RE stage, the actual expenditure was far less than the RE. For example, under Loans for Modernization/Rehabilitation of Sugar Mills, RE was increased from Rs.100 crore to Rs.125 crores whereas the AE was Rs.86.46 crores. Under Loans for Sugar Mills for Bagasse based Cogeneration Power Projects, RE during the year 2005-06 and 2006-07 was increased by 25 and 20 crore respectively, the actual expenditure was far less than the revised estimates. In all the Department has surrendered an amount of Rs. 519.37 crore during 2007-08.

3.12 On being asked about the reasons for huge under spending particularly when the allocations were increased at RE Stage the Department in a written reply have stated that the increased amount sought in RE has been included in the 3rd batch of supplementary, which has been assented to by the President of India on 25-3-2008. The increased allocation in RE is mainly for Foodgrains Subsidy payable to FCI and would be released before 31-3-2008.

3.13 The Department holds meeting of all the Head of the Divisions controlling the grant with AS&FA before the proposal for Revised Estimates are finalized for submission to Ministry of Finance. The proposals in hand and also those likely to be reviewed are considered for increase/decrease in demands keeping in view of the trend of expenditure during the previous year and during the preceding months of the ensuing year. Thereafter, the proposals are placed before Secretary (Food & PD) for approval before submission to Ministry of Finance Deptt. of Expenditure. Later, Secretary (Expenditure) holds a meeting with AS&FA and other officers of the Department and tentatively finalises the outlay at the RE stage.

**(e) <u>Position of Outstanding Utilisation Certificates and Unspent Balances with States</u>**

3.14 From position of utilisation of certificates of the funds released to States/UTs for purchase of vans and for construction of godowns it has been noted that an amount of Rs.2628 crores was released to the States/UTs from 1989 to 2001 but the utilisation certificates have not yet been furnished by the respective States/UTs. Similarly an amount of Rs.21.75 crores was released to the following States:- Arunachal Pradesh, Assam, Bihar, Jammu & Kashmir, Meghalaya, Nagaland, Tamil Nadu, Uttar Pradesh/Uttranchal and West Bengal under the scheme 'Construction of Godowns' from 1992-93 to 1998-99 but utilisation certificates from any of these states have not been received so far.

3.15 On being asked as to how the Department would justify its monitoring and better coordination with the States/UTs in view of the fact that they have not been able to obtain utilisation certificates for the funds released by them about twenty years back. About the extra efforts being made by the Department to obtain utilisation certificates from the States/UTs who are reluctant to submit utilisation certificates for the funds released to them the Ministry in their post-evidence replies stated that the Schemes relating to purchase of vans and construction of godowns were being administered in the Department of Consumer Affairs till June, 1997 when they were transferred to Department of Food and Public Distribution. As regards efforts for obtaining

UCs, the same is being followed up regularly with State/UT Governments through reminders and review meetings. However, the response from them has not been very encouraging. Reasons for non submission of UCs mentioned by them are as follows:-

i) Funds released by the Department proved to be inadequate in some cases due to cost escalations in the case of vehicles as well as construction of godowns.

ii) Some State Governments have purchased lesser/higher capacity vans considering their geographical conditions, which was not permitted in the pattern approved under the scheme.

iii) In some States, delay in construction of godowns is due to non-availability of suitable land.

iv) Due to bifurcation of some of the States like U.P, Bihar, utilization of funds and their reconciliation between the successor States has caused delay in furnishing utilization certificates.

This issue needs to be followed up more intensively. It will be taken up at higher levels. In future (financial year 2008-09) funds for other schemes to these States will be released only after the receipt of the Utilization Certificates of earlier releases.

**3.16 The Committee note that the total allocation of the Department at Budget Estimates (BE) stage during 2008-09 is Rs.34111 crore out of which Rs.34016 crore are for non-plan schemes and Rs.95 crore for the plan schemes. The enhancement in non-plan outlay over the allocations made during the previous year i.e. 2007-08 was to the tune of Rs.7609.80 crore and the enhancement, when compared to the year 2006-07, is Rs.9516.00 crore. The Committee note that there was heavy reduction of plan funds of the Department at Revised Estimates stage during 2006-07 as well as 2007-08 which is evident from the fact that the allocations under plan head during 2006-07 was reduced from Rs.95.80 crore at BE stage to Rs.70.00 crore at RE stage and the actual expenditure during the year was Rs.65.63 crore i.e. just 68.50 per cent of the allocations at BE stage. Again during 2007-08 there was a cut of Rs.25 crore i.e. compared to BE of Rs.85 crore, the RE is Rs.60 crore. The Committee feel that the heavy reductions of funds at RE stage show a lack of proper perspective planning on the part of the Department due to which the Department is not able to make realistic projections, which leads to heavy cuts in the allocations at RE stage. The Committee is not willing to accept the plea of the Department that being the first year of the 11$^{th}$ five year plan, the evaluation of some important schemes could not be done and also the approval of EFC/SFC procedure was required for implementation of the schemes. The Committee therefore strongly recommend that the Department should make advance and better planning to fix realistic**

**targets to avoid heavy reduction of plan funds at RE stage and the allocations earmarked for the different schemes are fully utilised during the year.**

**3.17 The Committee are unhappy to note the uneven utilisation of funds, both under plan and non-plan heads during the year 2007-08. For instance, the actual expenditure under plan head during the first quarter was NIL and during the second quarter, it was almost negligible at 0.03 per cent which however rose to 33.03 per cent in the fourth quarter. The Committee are also perturbed to note the decline in percentage utilisation of funds during 2007-08 as compared to 2006-07. It was 68.50 per cent during 2006-07 which declined to 56.54 per cent during 2007-08. The Committee are not convinced with the plea that the shortfall in expenditure was due to non clearance of the schemes viz. (i) Construction of Godowns; (ii) Integrated Information System for Food grains Management (IISFM) and (iii) Village Grain Bank Scheme by the Planning Commission, which took a long time. The Committee in its earlier reports had been emphasising on the need to utitlise/spread the expenditure evenly throughout the year. The Committee feel that its recommendations in this regard are not being taken seriously. The Committee also note with concern that even the financial rules of the Government, which clearly stipulate spreading of expenditure evenly over all the four quarters and bar the rushing of expenditure especially in the last fourth quarter, have been ignored/not adhered to by the Department. The Committee, therefore, while deploring the tendency of making major part of the expenditure during the last two quarters, strongly recommend that the Government should ensure spreading of expenditure evenly over all the four quarters of the year so that the situation of rush of expenditure in the last few months of the financial year is avoided.**

**3.18 The Committee note that there is huge underspending under different schemes, both plan and non-plan during the years 2006-07 and 2007-08 especially in the programmes related to loans for cane development, reimbursement of internal transport and freight charges to sugar factories on export shipment of sugar, loans to sugar mills for bagasse based cogeneration power projects and loans for production of anhydrous alcohol/ethanol. Similarly, the position/situation is quite dismal during the year 2007-08 as physical achievement in the first three quarters have been reported to be 'NIL' is case of following seven plan schemes viz. (i) Construction of Godowns by FCI/State Governments, etc, (ii) Integrated Information System in Foodgrains Management (IISFM), (iii) Computerization of PDS Operations, (iv) Strengthening of PDS & Capacity Building, (v) NSI, Kanpur (vi) Consultancies, Training & Research and (vii) Village Grain Bank. Further, the physical achievement during the fourth quarter also under the two schemes viz. Computerisation of PDS and NSI Kanpur is again 'NIL'. The reasons put forth by the Department for the under spending which include non-completion of certain procedural formalities, non-furnishing of relevant papers in time etc. are not acceptable to the Committee. Moreover, NIL expenditure under such very important schemes of the Department is a matter of serious concern. The Committee, therefore, strongly recommend that the Department should take the corrective actions to ensure that the position of underspending is not repeated year after year.**

**3.19 The Committee also note that an amount of Rs.26.28 crore was released to States/UTs from 1989 to 2001 for purchase of vans and construction of godowns but utilisation certificates have not been furnished by the States/UTs till date. Similarly, an amount of Rs.21.75 crores was released to nine states under the scheme construction of godowns from 1992-93 to 1998-99 but utilisation certificates have not yet been received from these States. The reasons furnished by the Department viz. the funds released by the Department proved to be inadequate, some States purchased higher/lesser capacity vans which was not permitted in pattern approved under the scheme, etc. are not acceptable to the Committee. The Committee also note that the Department has assured the Committee to take up the matter at higher levels and funds for other schemes to these States will be released only after the receipt of the utilisation certificates of earlier releases. The Committee are of the view that non-release of funds for other schemes till receipt of utilisation certificates of earlier releases is not a solution of the problem as it would hamper the progress of the other schemes. The Committee feel that mere assurance on the part of the Department is not going to serve any purpose and therefore, strongly recommend that the matter may be immediately taken at the highest levels for an early settlement of the issue as lot of public money has remained unaccounted for during the last almost 20 years. The action taken in this regard should be communicated to the Committee at the earliest.**

# CHAPTER IV

## MANAGEMENT OF FOOD

The Department of Food and Public Distribution is concerned with the formulation and implementation of various national policies on foodgrains relating to procurement, movement, scientific storage, distribution and sale. The aim of such policies is to ensure that interests of farmers as well as consumers are saved, which is done by providing remunerative prices to the farmers and making foodgrains available at reasonable prices to consumers, especially to the vulnerable sections of the society. The main ingredients of the Government's food management policy are procurement of foodgrains, their movement, storage, distribution through the public distribution system and maintenance of buffer stock.

### *(a) Procurement of Foodgrains*

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

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

4.4 Foodgrains are procured at the Minimum Support price (MSP) fixed by the Government. The MSP for common and Grade 'A' paddy was fixed at Rs. 645 and Rs.675 per quintal respectively for the 2007-08 Kharif Marketing Season (October 2007-September, 2008). An incentive bonus of Rs.100 per quintal over and above the MSP was also given during the entire KMS 2007-08. The MSP of wheat was fixed at Rs.750 per quintal for the Rabi Marketing Season 2007-2008. An incentive bonus of Rs.100 per quintal over and above the MSP was also given during the entire RMS 2007-08. The comparative MSP of wheat and paddy since 2002-2003 to 2007-2008 (marketing seasons) is given below:-

| **YEARS** | **WHEAT** | **PADDY** | |
|---|---|---|---|
| | | **COMMON** | **GRADE-A** |
| 2002-2003 | 620 | 530* | 560 * |
| 2003-2004 | 620** | 550 | 580 |
| 2004-2005 | 630 | 560 | 590 |
| 2005-2006 | 640 | 570 | 600 |
| 2006-2007 | 650# | 580& | 610& |
| 2007-2008 | 750$ | 645@ | 675@ |

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

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

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

& An incentive bonus of Rs.40 per quintal approved for paddy procured till 31.03.07. Later the applicability of bonus extended upto 30.9.2007 for the States of Andhra Pradesh, Tamilnadu, Orissa, West Bengal and Chattisgarh and for Bihar and Kerala upto 31.5.2007.

**$** An incentive bonus of Rs.100 quintal over and above the MSP was also given during the entire RMS 2007-08.

@ An incentive bonus of Rs.100 quintal over and above the MSP was also given during the entire KMS 2007-08.

### (b) Procurement of Wheat for Central Pool

4.5 The procurement of wheat for the central pool since 2003-04 is as follows:-

| Year | Figure (In Lakh Tonnes) |
|---|---|
| 2003-04 | 158.01 |
| 2004-05 | 167.95 |
| 2005-06 | 147.85 |
| 2006-07 | 92.26 |
| 2007-2008 | 111.28 |

4.6 The actual procurement of wheat has been decreasing over the years. On being asked about the steps being taken by the Department to increase the procurement of wheat for Central Pool in RMS 2008-09 the Ministry in a reply stated as under:-

i) The MSP for wheat has been fixed at Rs.1000 per quintal for RMS 2008-09, an increase of Rs.250 per quintal over the MSP fixed for RMS 2007-08, in order to encourage farmers to increase their production of wheat. This MSP is Rs150 per quintal more than the procurement price of Rs.850 per quintal (including bonus of Rs.100 per quintal) given to farmers last year.

ii) Import of 18 lakh tonnes of wheat was done in 2007-08 which improved the stock position of wheat in the Central pool and the wheat stocks (as on 1.4.2008) is estimated to be more than the buffer norms of 40 lakh tonnes at the start of RMS 2008-09.

iii) Wheat export on private account has been banned till further orders. Wheat export from Central Pool is also banned.

iv) A notification titled "Wheat (Stock Declaration by Companies or Firms or Individuals) Order 2008 has been issued under the Essential Commodities Act 1955 on 11.2.2008. The order provides that any Company or firm or individual which purchases wheat beyond 10, 000 tonnes during 2008-09 shall furnish a return to Secretary, Food of the State from where maximum quantity has been purchased, while a return for purchase of wheat beyond 25,000 tonnes is required to be furnished to the Central Government.

v) Department of Consumer Affairs has extended upto 31st August, 2008 notification under the EC Act enabling State Government to impose stock limit on wheat

vi) Import of wheat on private account at Zero duty has been permitted till further orders.

vii) In order to encourage wheat procurement in States like U.P., Madhya Pradesh, Bihar etc Commission to Societies/sub-agents has been enhanced to 2.5% on the lines of the Arthiya Commission in Punjab and Haryana for RMS 2008-09.

viii) Nafed has been allowed to purchase wheat for the Central Pool on behalf of FCI in Madhya Pradesh, Gujarat and Bihar."

**(c) Procurement of Wheat and Rice during 2007-08**

The State-wise procurement of Wheat of different States during the last five years is as under:-

| ***State*** | ***2003-04*** | ***2004-05*** | ***2005-06*** | ***2006-07*** | ***2007-08*** |
|---|---|---|---|---|---|
| ***Haryana*** | 51.22 | 51.15 | 45.29 | 22.29 | 33.50 |
| ***M.P.*** | 1.88 | 3.50 | 4.84 | Neg. | 0.57 |
| ***Punjab*** | 89.38 | 92.40 | 90.10 | 69.46 | 67.81 |
| ***Rajasthan*** | 2.59 | 2.79 | 1.59 | 0.02 | 3.83 |
| ***U.P.*** | 12.13 | 17.40 | 5.60 | 0.49 | 5.46 |
| ***Others*** | 0.81 | 0.71 | 0.43 | 0.00 | 0.11 |
| ***All India*** | 158.01 | 167.95 | 147.85 | 92.26 | 111.28 |

4.7 It has been noted that procurement of wheat is mainly from Haryana and Punjab whereas the percentage procurement of wheat from Uttar Pradesh is very less taking into account the fact that Uttar Pradesh is the largest producer of wheat in the country. Similar is the position of lesser procurement ratio from other major wheat producing States of Madhya Pradesh, Rajasthan and Bihar. The position of production versus procurement is very good in Punjab and Haryana. On being asked about the initiatives taken by the Department to address the problem of lesser procurement from non-traditional States and to increase the procurement operations in the State of Uttar Pradesh which is the largest producer of wheat, the Ministry in a reply stated:-

"(A) The following measures have been taken by the Department in order to increase procurement of wheat in RMS 2008-09 in major wheat producing states other than Punjab and Haryana:

(i) In order to encourage wheat procurement in States like U.P., Madhya Pradesh, Bihar etc Commission to Societies/sub-agents has been enhanced to 2.5% on the lines of the Arthiya Commission in Punjab and Haryana for RMS 2008-09.

(ii) Nafed has been allowed to purchase wheat for the Central Pool on behalf of FCI in Madhya Pradesh, Gujarat and Bihar.

(iii) A letter has been written by Hon'ble Minister of Consumer Affairs, Food & Public Distribution to the Chief Ministers of wheat procuring states to give directions to the concerned Departments to closely monitor mandi arrivals and also to ensure that all the taxes/levies are paid by the private companies/traders when they move foodgrains from the State.

(B) To increase procurement of wheat in Uttar Pradesh in RMS 2008-09 the following steps have been taken:

(i) Commission to Societies/sub-agents has been enhanced to 2.5% on the lines of the Arthiya Commission in Punjab and Haryana for RMS 2008-09.

(ii) A letter from Hon'ble Minister of Consumer Affairs, Food & Public Distribution to the Chief Minister, Uttar Pradesh has been issued to give directions to the concerned Departments to closely monitor mandi arrivals and also to ensure that all the taxes/levies are paid by the private companies/traders when they move foodgrains from the State.

(iii) A letter has also been sent from the Hon'ble Minister of Consumer Affairs, Food & Public Distribution to the Chief Minister, Uttar Pradesh to give directions for procurement of 25 lakh tonnes of wheat by Government agencies in Uttar Pradesh, which is a Decentralised Procurement State, so that the requirement of wheat for TPDS can be met by procurement from within the state."

**(d) Measures to be taken to enhance the production of wheat, rice, edible oils and pulses**

4.8 The details of target and achievements of production of Wheat from 2002-03 to 2006-07 are as under:

**(Million Tonnes)**

| Year | Target | Achievement |
|---|---|---|
| 2002-03 | 78.00 | 65.76 |
| 2003-04 | 78.00 | 72.11 |
| 2004-05 | 79.50 | 68.64 |
| 2005-06 | 75.53 | 69.35 |
| 2006-07 | 75.73 | 73.70 |

4.9 In this connection, the Committee enquired about the steps taken by the Government to ensure self-sufficiency with regard to foodgrains so that the Country does not have to resort to imports, the Ministry in a reply stated as under:-

"(A) In order to increase production and productivity of food articles and achieve self sufficiency, the Government have taken following steps with respect to wheat, rice & edible oils.

**Wheat**

(i) For Rabi Marketing Season 2007-08, the MSP of wheat was fixed at Rs.750 per quintal. The Government also announced a bonus of Rs.100/- per quintal thereby increasing the total to Rs.850/- per quintal. Now the MSP for wheat has been fixed at Rs.1000 per quintal for RMS 2008-09, an increase of Rs.250 per quintal over RMS 2007-08 in order to encourage farmers to grow more wheat.

(ii) Wheat exports on private account have been banned till further orders. Wheat exports from Central Pool have also been stopped.

(iii) A notification titled "Wheat (Stock Declaration by Companies or Firms or individuals) Order 2008 has been issued under the Essential Commodities Act 1955 on 11.2.2008. The order provides that any Company or Firm or individual which purchases wheat beyond 10,000 tonnes during 2008-09 shall furnish returns to Secretary, Food of the State from where maximum quantity has been purchased. Return for purchase of wheat beyond 25,000 tonnes is required to be furnished to the Central Government.

(iv) Department of Consumer Affairs has extended upto 31st August, 2008, the Notification under the EC Act enabling State Governments to impose stock limit on wheat.

(v) Import of wheat on private account at zero duty has been permitted till further orders.

**Rice**

(i) The MSP for paddy was fixed at Rs. 645 and Rs. 675 per quintal for Common and Grade "A" variety respectively for KMS 2007-08, giving an increase of Rs. 65 per quintal over the MSP of KMS 2006-07, in order to encourage farmers to grow more rice.

(ii) The Government has announced a bonus of Rs. 100 per quintal over and above the MSP of paddy in KMS 2007-08 as against a bonus of Rs. 40 per quintal given in KMS 2006-07.

(iii) The Commission to Societies and Self-Help Groups undertaking procurement of paddy on behalf of the FCI/State Agencies, etc. has been allowed at a maximum of 1.5% of MSP.

(iv) In order to ensure the availability of more rice in the domestic market, w.e.f. 5.3.08 the Government has imposed restrictions on the export of basmati rice whose Minimum Export Price (MEP) on FOB basis is below $900 or Rs. 36,000/- per MT. The MEP of non-Basmati rice has been raised from $500 to $650 per MT or Rs.26,000/- per MT(FOB). The export of Non-basmati rice has been restricted through four ports namely Kandla, Kakinada, Kolkata and JNPT, Mumbai. Export of basmati rice has been restricted through six ports namely Kandla, Kakinada, Kolkata, JNPT Mumbai, Mundra and Pipavav.

(v) A notification titled "Rice (Stock Declaration by Companies or Firms or Individuals) Order 2007 has been issued under the Essential Commodities Act 1955 on 27.11.2007. The order provides that any Company or Firm or individual which purchases paddy (in terms of rice) or rice beyond 10,000 tonnes during Kharif Marketing Season 2007-08 (October-September) shall furnish a return to the Secretary, Department of Food of the State from where maximum quantity has been purchased. In case the purchase of paddy (in terms of rice) or rice exceeds 25,000 tons (throughout the country) the company firm or individual shall furnish the return in the prescribed proforma to Department of Food & Public Distribution of Central Government.

(B) **Edible Oil and Pulses**

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

Some of the other steps proposed/taken are:

(i) In order to harmonize the interests of farmers, processors and consumers, the import duty structure on edible oils is reviewed from time to time.
(ii) Exports of edible oils have been banned with effect from 17.03.2008.
(iii) A ban was imposed on export of pulses with effect from June 22, 2006 (except export of Kabuli chana w.e.f. 07.03.2007. The period of validity of prohibition on export of pulses, which was initially upto 31.03.2007 was further extended upto 31.03.2008.

(iv) Import duty on vanaspati, bakery shortening, interesterified fat; margarine has been raised from 30% to 80%.

(v) In order to encourage production of solvent extracted oils in the country and to promote export of extractions, excise duty on food grade hexane has been reduced from 32% to 16%.

(vi) Excise duty on refined edible oils/ vanaspati /intereserified fat etc. has been withdrawn."

**(e) Stock/time limit on purchase of wheat by Private agencies**

4.10 To enhance the availability of wheat in the domestic market, wheat export on private account has been banned and import of wheat on private account at zero duty has been permitted. In order to monitor private purchases, a notification has been issued on 11.2.2008 which stipulates that any Company which purchases wheat beyond 10,000 tonnes during RMS 2008-09 shall furnish a return of the same to the State Govt., while if it purchases over 25,000 tonnes of wheat it will furnish a return to the Central Govt.

4.11 On being asked about the maximum stock and time limit fixed for the purchase of wheat by private traders, the Secretary during the course of oral evidence stated as under:-

> "Sir, what we have done is that we have delegated all these powers to the State Governments because the problem at the national level is that if we try to put a stock limit, then what is the stock limit on wheat from southern States may not the same for Punjab or Haryana because they may want higher limit. It is very difficult to come to a national average in terms of any stock limit. Similarly, large rice-producing States like Andhra Pradesh may like to have higher limit on rice and lower limit on wheat. So, we have delegated these powers to the States and asked them to put whatever is an appropriate limit.
>
> At the Central level, we have asked every company, which purchases more than 10,000 tonnes of rice or wheat, to report their stocks to the State Governments and if they do purchases of more than 25,000 tonnes, they have to report it to the Central Government. At present, it is only a disclosure provision as far as Central Government is concerned, but the State Governments are at liberty to put any stock limit which they think is appropriate."

The Ministry in the post-evidence reply further clarified as under:-

"As per procurement policy of the Government, farmers are free to sell his produce to the Govt. agencies (FCI & State Agencies) at Minimum Support Price or to private traders as is advantageous to him. Therefore, no limit of purchase of wheat by private traders has been fixed in order to ensure remunerative prices to the farmers.

Wheat (Stock Declaration by Companies or Firms or Individuals) Order 2008 has come into force w.e.f. 1st April, 2008. No return regarding purchase of wheat by any private trader has so far been received under this order. However, in pursuance of similar stock declaration order for 2007-08, 10 companies filed returns.

11 State/UTs i.e. Chattisgarh, Madhya Pradesh, Lakshadweep, Pondicherry, Andaman & Nicobar, Meghalalya, Tripura, Goa, Haryana, Jammu & Kashmir and Nagaland have decided not to implement stock limit order for foodgrains while 5 States namely Punjab, Rajasthan, Uttar Pradesh, Bihar and Sikkim are considering issue of stock limit orders. The remaining states have already issued stock limit orders.

**(f) Decentralised Procurement**

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

4.13 The contribution of wheat by DCP States to the central pool is as follows:

| ***KMS*** | **1997-98** | **1998-99** | **1999-00** | **2000-01** | **2001-02** | **2002-03** | **2003-04** | **2004-05** | **2005-06** | **2006-07** | **2007-08*** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Procurement in Central Pool | 92.97 | 126.52 | 141.44 | 163.55 | 206.30 | 190.54 | 158.01 | 167.95 | 147.85 | 92.26 | 111.28 |
| Procurement by DCP States | | | **18.03** | **18.96** | **28.80** | **27.33** | **14.68** | **21.44** | **10.84** | **0.49** | **6.05** |
| % of procurement by DCP States | | | 13% | 12% | 14% | 14% | 9% | 13% | 7% | 9% | 5% |

4.14 Asked about the steps taken by the Government to increase the procurement of wheat for the central pool from DCP States, which is continuously decreasing over the last four-five years and to encourage other States also to go on in for Decentralised procurement, the Ministry in their Post evidence reply have stated as under:-

"The following measures have been taken by the Government in order to increase procurement of wheat in RMS 2008-09 in wheat producing DCP States:

(i) 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 for RMS 2008-09.
(ii) Nafed has been allowed to purchase wheat for the Central Pool on behalf of FCI in Madhya Pradesh and Gujarat.
(iii) A letter has been written by Hon'ble Minister of Consumer Affairs, Food & Public Distribution to the Chief Ministers of wheat procuring states to give directions to the concerned Departments to closely monitor mandi arrivals and also to ensure that all the taxes/levies are paid by the private companies/traders when they move foodgrains from the State.

Most of the major foodgrains producing States have either adopted the DCP scheme or their State agencies are also associated in procurement operations as given below:

For rice – Most of the non traditional States producing significant marketable surplus of rice which are Chattisgarh, Orissa, Tamil Nadu, West Bengal and Karnataka have already adopted the Decentralized

Procurement Scheme. Among the non-traditional States which produce substantial quantity of rice only Assam, Bihar and Maharashtra have not yet adopted the DCP Scheme. However, in Bihar and Maharashtra State agencies also procure rice in addition to FCI. This rice is delivered by them to FCI for central pool.

Among the traditional States Uttar Pradesh has already adopted the DCP Scheme, while in Punjab and Haryana, State agencies procure most of the rice and hand over the same to FCI for the Central Pool. In Andhra Pradesh, most of the rice is procured through the levy route. The States are being continuously encouraged to adopt the DCP scheme."

## (g) Buffer Stocking Policy

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

4.16 The stock of foodgrains in the Central Pool as on 1.1. 2008 was 191.87 lakh tonnes, which comprises of 114.75 lakh tonnes of Rice and 77.12 lakh tonnes of Wheat. The total stock of wheat and rice in the Central Pool vis-à-vis minimum buffer norms during the last three years is as follows:

**(In lakh tonnes)**

| AS ON | WHEAT | | RICE | | TOTAL | |
|---|---|---|---|---|---|---|
| | Actual stock | Minimum buffer norms | Actual stock | Minimum buffer norms | Actual stock | Minimum buffer norms |
| 1.4.2005 | 40.66 | 40.00 | 133.41 | 122.00 | 174.07 | 162.00 |
| 1.7.2005 | 144.54 | 171.00 | 100.71 | 98.00 | 245.25 | 269.00 |
| 1.10.2005 | 102.90 | 110.00 | 48.49 | 52.00 | 151.39 | 162.00 |
| 1.1.2006 | 61.88 | 82.00 | 126.41 | 118.00 | 188.29 | 200.00 |
| 1.4 .2006 | 20.09 | 40.00 | 136 .75 | 12 2.00 | 156 .84 | 16 2.00 |
| 1.7.2006 | 8 2.07 | 171.00 | 111.43 | 98 .00 | 193.50 | 269.00 |
| 1.10.2006 | 6 4 .12 | 11 0.00 | 5 9.70 | 52.00 | 123.82 | 162.00 |
| 1.1.2007 | 54.28 | 82.00 | 119.77 | 118.00 | 174.05 | 200.00 |
| 1.4.2007 | 47.03 | 40.00 | 131.72 | 122.00 | 178.75 | 162.00 |
| 1.7.2007 | 129.27 | 171.00 | 109.77 | 98.00 | 239.04 | 269.00 |
| 1.10.2007 | 101.21 | 110.00 | 54.89 | 52.00 | 156.10 | 162.00 |
| 1.1.2008 | 77.12 | 82.00 | 114.75 | 118.00 | 191.87 | 200.00 |

4.17 The data given above indicate that actual stock of wheat is less than the minimum buffer norms except on 1.4.2005 and 1.4.2007.On being asked as to how the Government would ensure that the current actual stocks do not fall below the minimum buffer norms and whether the position regarding actual requirement of wheat in the Country has been reviewed, the Secretary during the course of oral evidence informed as under:-

> "As on date we have 58 lakh tonnes of wheat in stock as compared to the buffer norms of 40 lakh tonnes i.e it is 18 lakh tonnes above the buffer norms. As regards rice this year we have procured 220 lakh tonnes whereas on 1 April last year 206 lakh tonnes of rice could procured i.e. the procurement is 14 lakh tonnes more when compared to last year. Presently, FCI has a stock of 119 lakh tonnes as against the buffer norms of 122 lakh tonnes. However, the figures of procurement from Chhattisgarh and Orisa, are not included in this. This means that we are in a better position when compared to the last two years. Still it is not a position of great comfort because we need to have probably a little more."

4.18 The Ministry in their Post Evidence reply have further clarified that after July 2005, it has not been possible to adhere to the minimum buffer stock norm in the Central Pool because of low procurement of wheat and rice during the last two years coupled with increasing off-take of foodgrains under TPDS. To augment the stocks, the Government has imported wheat during 2006-07 and 2007-08. As on 01.03.2008 the stock position of wheat was 65.1 lakh tons and of rice was 147.3 lakh tons. The Department reviews the stock position of wheat and rice on monthly basis regularly to ascertain the requirement of foodgrains in the country. Stocks in the Central Pool to maintain the buffer norms are those procured by the Government agencies – FCI, other agencies on behalf of the FCI and Decentralised Procurement States Governments – from farmers. Since the production of wheat and rice during the last couple of years has been stagnating at the same level, procurement by Government agencies has not gone up. It has been less than the required quantity. The procurement by Government agencies is done on the basis of Minimum Support Price declared by the Government every year. Since there is no ban on private traders on purchase of wheat and rice from the farmers, when the private traders procure more wheat and paddy, there is less procurement by the Government agencies. The Government agencies do not procure wheat and rice from private traders for Central Pool."

### (h) Offtake of Foodgrains from the Central Pool

4.19 The scheme-wise offtake of PDS foodgrains from the Central Pool during the last five years is as follows:

| **Schemes** | **Off take of Foodgrains (Rice + Wheat) from Central Pool (In lakh tonnes)** | | | | |
|---|---|---|---|---|---|
| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 (upto Dec. 07). |
| TPDS of which | 241.94 | 296.520 | 313.871 | 316.394 | 246.95 |
| BPL | 158.04 | 174.518 | 156.425 | 142.393 | 112.03 |
| APL | 42.24 | 67.289 | 83.023 | 87.384 | 65.43 |
| Antyodaya (AAY) | 41.65 | 54.713 | 74.423 | 86.617 | 69.49 |
| Welfare Schemes | 135.63 | 106.091 | 97.963 | 51.155 | 26.05 |
| Open Market Sale | 13.30 | 2.473 | 10.705 | 0.113 | 0.00 |
| Export | 103.08 | 9.665 | 0.00 | 0.00 | 0.00 |
| **Total** | **493.95** | **414.749** | **422.539** | **367.662** | **519.95** |

4.20 The data indicated with regard to off-take of foodgrains for BPL is continuously decreasing. It was 156.425 lakh tones during the year 2005-06, 142.393 during 2006-07 and 112.03 lakh tones (up to December, 2007) during 2007-08. In contrast, the off-take of APL is increasing from the year 2004-05 onwards. The off-take of AAY is also continuously increasing. As regards other Welfare Schemes, the off-take is continuously decreasing. Then for Open Market Sale, there is variation in each of the year. During the year 2004-05, the off-take was just 2.473 lakh tones which increased to 10.705 lakh tones during the year 2005-06 and during the year 2006-07, it was just 0.113 lakh tones. During the year 2007-08, the off-take is NIL (up to December, 2007).

4.21 On being asked about the reasons for the offtake being on the rise in case of APL and decreasing in case of BPL, The Ministry in their Post evidence reply stated as under:-

"The Central Issue Price of rice and wheat has not been revised since July 2002 whereas the market prices of these commodities have gone up. Because of the wide gap between the Central Issue Price and the market prices, the offtake in APL category has gone up.

AAY families are a segment of BPL families. With the identification of additional AAY families during three expansions, there is a corresponding decrease in number of other BPL families. Consequently, while the off-take of foodgrains under other BPL category has decreased, the offtake of foodgrains under AAY category has increased correspondingly. Therefore, if the total offtake of foodgrains for BPL families including AAY families is considered since 2004-05, there has not been any decline in the offtake.

The allocations of foodgrains under Targeted Public Distribution System (TPDS) are made for BPL, AAY, and APL families to all the States/UTs on the basis of 1993-94 poverty estimates of the Planning Commission projected on the population estimates of the Registrar General of India as on 01.03.2000, or the number of families actually identified and ration cards issued by each State/UT, whichever is less.

Allocations of foodgrains for all accepted numbers of AAY and BPL families are made @ 35 kg per family per month, there being no decrease in them. However, allocation for APL category is made depending upon the availability of stocks of foodgrains in the Central Pool. Increase in allocations can be possible only when procurement increases."

**(i) Price Rise of Foodgrains**

4.22 Finance Minister in his Speech on Budget 2008-09 has expressed concern over rising prices of food articles. He has stated that the prices of wheat and rice have increased in the world market at 88 per cent and 15 per cent respectively during the period from April 2007 to January 2008 and as such there is pressure on domestic prices especially on the prices of various food articles. He has further emphasized that the management of the supply side of food articles will be the most crucial task in the ensuing year.

4.23 On being asked about the steps taken by the Ministry to control the prices of foodgrains during 2007-08 and the strategy of the Department to keep the prices of wheat and rice under check during the year 2008-09, the Department in a written reply stated:-

"Following steps were taken by the Department to control the price of wheat and rice during the year 2006-07 and 2007-08:-

1. Freeze on the Central Issue Prices under the TPDS for over 5 years.
2. Ensuring availability of foodgrain stocks in all FCI depots all over the country by their movement from surplus to deficit areas.

The specific steps taken to control prices of wheat and rice in different years is as follows:

**1. Wheat**

(i) MSP for RMS 2007-08 was announced at Rs.750 per quintal which was Rs.100 per qtl more than in RMS 2006-07. A bonus of Rs.50 per quintal for RMS 2006-07 and that of Rs.100 per quintal for RMS 2007-08 over and above the MSP of Rs.650 per quintal and Rs.750 per quintal for RMS 2006-07 and RMS 2007-08 was also announced. This lead to increased production of wheat from 69.3 million tonnes in RMS 2006-07 to 75.8 lakh tonnes in RMS 2007-08.

(ii) Wheat exports on private account and Wheat exports from Central Pool were banned.

(iii) 1.11 lakh tonnes of wheat was released under OMSS in February and March 2007 to cool the market prices before the start of RMS 2007-08.

(iv) Import of wheat on private account at zero duty was permitted.

**(v)** A notification for Wheat Stock Declaration by private Companies was issued which provided that any Company which purchases wheat beyond 50,000 tonnes during 2007-08 shall furnish to the Central Government a periodical return indicating the quantity of wheat purchased and quantity of wheat held in stock.

**2. Rice**

(i) To encourage more production of paddy/rice MSP announced in KMS 2007-08 was Rs 645 per quintal and Rs 675 per quintal for 'Common' and Grade 'A' variety of paddy respectively as compared to Rs 580 and Rs 610 per qtl for 'Common' and Grade 'A' variety of paddy respectively in KMS 2006-07.

(ii) An incentive bonus of Rs 40 per quintal over and above the MSP was announced for paddy purchased in KMS 2006-07. An incentive bonus of Rs 100 per quintal over and above the MSP was announced for paddy purchased in KMS 2007-08.

(iii) Export of non- basmati rice was restricted from October 2007 above a stipulated MEP.

(iii) In order to put a check on hoarders, in November, 2007, a notification had been issued which stipulated that any Company which purchases paddy/rice beyond 10,000 tonnes during KMS 2007-08 shall furnish a return of the same to the State Government, while if it purchases over 25,000 tonnes of paddy/rice it will furnish a return to the Central Government.

Strategy to check prices of wheat and rice in 2008-09 is as follows:

**(i) Wheat**

For RMS 2008-09, the Government has announced an MSP of Rs 1000 per quintal. In order to enhance the availability of wheat for Central Pool, wheat export from Central Pool is banned. To enhance the availability of wheat in the domestic market, wheat exports on private account is banned and import of wheat on private account at zero duty is permitted. In order to monitor private purchases, a notification has been issued on 11.2.2008 which stipulates that any Company which purchases wheat beyond 10,000 tonnes during RMS 2008-09 shall furnish a return of the same to the State Govt., while if it purchases over 25,000 tonnes of wheat it will furnish a return to the Central Govt.

**(ii) Rice**

In order to increase the domestic availability of rice, the export of basmati and non-basmati rice has been restricted. As per present notification dated 5.3.2008 of DGFT, the basmati rice with MEP of US $ 900 per MT or Rs.36,000/- per MT (FOB) and Non-basmati rice with MEP of $650 per MT or Rs.26,000/- per MT only is allowed for export. The export of basmati and non –basmati rice have been restricted through four ports namely:Kandla, Kolkata, Kakinada and JNPT, Mumbai. On 17.3.2008, Mundra and Pipavav have also been notified for export of basmati rice.

**4.24 From the data of procurement of wheat, the Committee note that the procurement is mainly from Haryana and Punjab. Out of 111.2 lakh tonnes of wheat procured during 2007-08, the quantity of wheat purchased from Punjab and Haryana is 67.81 lakh tonnes and 33.50 lakh tonnes, respectively which amounts to 91.04 per cent of the total wheat procurement in the country. In case of rice, the maximum procurement is from Punjab, Chhatisgarh, Orissa, Haryana and Uttar Pradesh. The Committee note that to increase the procurement of wheat during RMS 2008-09, certain steps have been taken by the Government which include fixing of MSP of wheat at Rs. 1000 per quintal, ban on export of wheat on private account as well as from the central pool, permitting of import of wheat on private account at zero duty etc. The Committee further note that to increase the procurement of wheat from non-traditional States and to encourage procurement operations in these States a number of steps have been taken which include enhancement of commission to societies/sub-agents to 2.5 percent, directions to the concerned Departments of State Governments to closely monitor the mandi arrivals and also to procure at least the requisite quantity of wheat which may be sufficient to meet its requirement of wheat for TPDS from within the State. NAFED has been authorized in some States to procure wheat on behalf of FCI. The Committee note that despite a number of initiatives taken by the Department, the procurement of wheat by the Government agencies is not upto the mark. The Committee therefore recommend that result oriented initiatives be taken by the Department to increase the procurement of wheat from non-traditional States. The Committee also feel that the**

**problem of procurement of wheat for the Central pool will continue unless and until there is a marked improvement in the production of wheat in the Country. The Committee, therefore, desire that the Department should, in consultation with other concerned Ministries/Departments, chalk out a comprehensive plan for increasing the production of wheat in the Country.**

**4.25 The Committee find that a large number of multinational companies/private traders have entered into the market in a big way and are purchasing huge quantity of wheat over and above the Minimum Support Price (MSP) fixed by the Government. They procure wheat in excess of their requirement which leads to profiteering, hoarding and blackmarketing of wheat. The Committee apprehend that the wheat procured by private traders/MNCs is offloaded to roller flourmills and other manufacturers of wheat products at a much higher price. The Committee note that in order to monitor purchases of wheat by private traders, a notification has been issued on 11.2.2008 which stipulates that any company which purchases wheat beyond 10,000 tonnes during RMS 2008-09 shall furnish a return of the same to the State Govt., and if it purchases over 25,000 tonnes of wheat it will furnish a return to the Central Government. The main concern of the Committee is about the purchase of unlimited stocks of wheat and that too for unlimited period by the MNCs/private traders. Owing to unlimited purchase of wheat by these companies, even the Government is not able to procure the quantity of wheat required to maintain its buffer stock and has to resort to imports to meet the minimum buffer norms and also to meet the requirements of Public Distribution System (PDS) and other Welfare Schemes in the Country. In the opinion of the Committee these private traders create artificial scarcity by hoarding large quantities of wheat and jack up the prices of wheat in the market. The Secretary, Department of Food and Public Distribution during the course of oral evidence has submitted that it is very difficult to come to a national average in terms of**

**any stock limit so the States have been authorized to put whatever stock limit they think was appropriate. The Committee also note that Eleven States/UTs have decided not to implement the stock limit order, while five States are reported to be considering the issue of stock limit order and the remaining States have already issued stock limit orders. The Committee are of the view that mere filling of returns by private companies making purchase of over 25000 tonnes of wheat cannot stop the MNCs/private traders from purchasing unlimited stocks. The Committee also note that the notification issued by the Government makes provision for disclosure only. The Committee, therefore, strongly recommend that the Government should work out some maximum stock limit for purchase of wheat by private traders so as to curb the tendency of hoarding by the unscrupulous private traders for making profits and also to protect the interest of the consumer at large. The Committee desire that action taken in this regard may be communicated to them at the earliest.**

**4.26 The Committee find that there has been a spurt in prices of foodgrains in the recent past. The Finance Minister in his speech on Budget (2008-09) has expressed concern over rising price of food articles and highlighted that the prices of wheat and rice have increased in the world market by 88 per cent and 15 per cent, respectively during the period April, 2007 to January, 2008 and as such there is a pressure on domestic prices especially on the prices of various food articles. Significant price rise was also recorded in pulses and edible oils. The low domestic production coupled with high demands, hoarding of large quantities of foodgrains by private traders who create artificial scarcity in the market are the reasons for increase in the prices of wheat, pulses, edible oils, etc. The measures taken by the Government to arrest the price rise include augmenting of domestic supplies of wheat and pulses through imports at reduced rates of duty, ban on exports of these items, imposing of stock limits on wheat, pulses, edible oils and even on rice. The Committee feel that the Government is fully aware of the inflationary trends prevailing in the Country but the steps taken by it to bring down the prices of the essential commodities, especially food articles are not proving to be effective. The Committee therefore, recommend that the Department should, in consultation with the other Ministries/Departments, draw a long term plan to meet the situation before it goes out of hand to unbearable proportions.**

**4.27 The Committee while examining Demands for Grants for 2007-08 (refer para 3.75 of the 18th report) had recommended to the Government to devise a modified APL Scheme covering at least 20 per cent of the poor persons who are just above the poverty line i.e. just above BPL. The Committee had desired for expeditious working out of the modalities of the modified scheme for placing the same before cabinet. The Committee have been informed that the matter is still under consideration in the Government whereas Planning Commission has appreciated the proposal of the Committee. The Committee, therefore, reiterate its earlier recommendation and strongly desire that the modalities of the modified scheme for providing food security to the category of persons who are technically above the poverty line but are actually poor and suffer from food insecurity and are deprived of the special benefits of the Public Distribution System be worked out expeditiously and placed before the Cabinet.**

**4.28 The Committee in their earlier Report on Demands for Grants (2007-08) (refer Para 3.76 of the 18th Report) had recommended for evolving a strategy to provide 2 kg of pulses and 1 kg. of edible oils at subsidised rates to each family through PDS to address the problem of malnutrition, especially among women and children. The Committee have been informed that after detailed examination and also in consultation with other Ministries, it has not been found feasible to implement the aforesaid recommendation of the Committee as it would put an additional subsidy burden of about Rs.1200 crore on the exchequer. It has also been stated that it would not be possible to implement the aforesaid recommendation until visible improvement in performance of TPDS takes place. The Secretary, Department of Food and Public Distribution, however, during the course of oral evidence, acknowledged that there was an urgent need to address the problem of malnutrition, especially in the women and children and informed that a scheme to offer subsidised edible oils to the State Governments/ UTs for distribution to ration card holders at the rate of maximum 1 kg. per family per month was under consideration. The Committee, therefore, strongly recommend that apart from finalizing the scheme of providing edible oils at the rate of 1 kg per family per month, the Government should also work out the modalities of providing 2 kg. of pulses at subsidised rates to each family through PDS, expeditiously. The action taken in the matter may be communicated to the Committee.**

### (j) Food Subsidy

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

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

4.31 In the 11 States where the scheme of decentralised procurement is being implemented, the economic cost of procurement, storage and distribution of foodgrains by the State Governments is determined by the Government of India in consultation with the State Governments, and the difference between the economic cost so fixed and Central Issue Price fixed on an all India basis is reimbursed to the States as food subsidy.

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

| | Subsidy released (Rs. In crore) | | |
|---|---|---|---|
| **Year** | **2004-05** | **2005-06** | **2006-07** |
| Total subsidy | 25,746.45 | 23,071 | 23,827.59 |
| Scheme wise subsidy | | | |
| BPL | 12,580 | 10075 | 10149 |
| APL | 2792 | 3334 | 3349 |
| AAY | 4968 | 6418 | 7852 |
| TPDS | 20,340 | 19,827 | 21,350 |
| MDM | 1594 | 1229 | 1284 |
| Other welfare schemes | 624 | 1517 | 622 |
| Percentage to total subsidy | | | |
| BPL | 48.86 | 43.67 | 42.59 |
| APL | 10.84 | 14.45 | 14.05 |
| AAY | 19.29 | 27.82 | 32.95 |
| TPDS | 79.00 | 85.94 | 89.60 |
| MDM | 6.19 | 5.32 | 5.39 |
| Other welfare schemes | 2.42 | 11.90 | 14.82 |

4.33 On being asked about the plan of Government to check the subsidy being released to APL population by bridging the gap between economic cost and central issue price (CIP) of foodgrains, the Ministry in the post evidence reply have stated that the subsidy released to BPL is reducing since the households of BPL have shifted to AAY due to expansion of AAY in last few years. The subsidy for BPL + AAY has increased as shown below:-

Subsidy released (Rs. In crores)

| **Year** | **2004-05** | **2005-06** | **2006-07** |
|---|---|---|---|
| **BPL** | 12,580 | 10,075 | 10.149 |
| **AAY** | 4.968 | 6,418 | 7,852 |
| **BPL+AAY** | 17,548 | 16,493 | 18,001 |

The Government on 6th January 2006 had approved several measures with regard to the TPDS as indicated below:

(i) For APL households, the allocation of foodgrains to States be fixed on the basis of 20 Kg. per family per month from the earlier allocation of 35 Kg. per family per month, or the off-take during 2004-05, whichever is lower.

(ii) For BPL and Antyodaya households, the allocation of foodgrains to State to be fixed on the basis of 30 Kg. per family per month from the existing 35 Kg. per family per month.

(iii) The APL CIPs of foodgrains, which were last fixed in July 2001, to be revised upwards by Rs. 85 per quintal and Rs. 95 per quintal for wheat & rice respectively.

(iv) The BPL CIPs and AAY CIPs to be continued at the same level

However, keeping in view the representations from some State Governments, public representatives and public sentiments, the Government on 10.1.2006 approved the postponement of implementation of the above measures for some time.

No decision has been subsequently taken by the Government on the issue of revision of Central Issue Prices for foodgrains for APL, BPL and AAY households. However, the Government on 7.2.2008 has decided that:

(i) The total allocation to APL families in States/UTs may be restricted within 85 lakh tonnes of foodgrains for the year 2008-09. Within this allocation, the State Governments may decide the scale of issue to APL families.

(ii) Allocation of foodgrains to State Governments for APL households in North Eastern States(excluding Assam), Sikkim, Jammu & Kashmir, Himachal Pradesh and Andaman & Nicobar and Lakshadweep may continue at the present level.

4.34 The year-wise break-up of subsidy released on foodgrains during the last five years to FCI and the States operating the Decentralised Procurement Scheme is as under:-

(Rupees in crore)

| ***YEAR*** | ***SUBSIDY RELEASED*** | | |
|---|---|---|---|
| | ***FCI*** | ***States*** | ***Total*** |
| 2002-03 | 22764 | 1502 | 24176 |
| 2003-04 | 23874 | 1286 | 25160 |
| 2004-05 | 23280 | 2466 | 25746 |
| 2005-06 | 19871 | 3200 | 23071 |
| 2006-07 | 20786 | 2471 | 24396 |
| 2007-08 (till 3.1.2008) | | | |

4.35 In this connection, the Committee desired to know the justification of increasing trend in subsidy to FCI particularly when the over all subsidy was decreasing year after year and also the fact that Decentralised Procurement Scheme was being implemented in Eleven States where FCI need not release the foodgrains, the Ministry in a written reply stated as under:-

> "FCI has informed that it first incurs subsidy by borrowing through the Cash Credit route and then requests for reimbursement. The Central Issue Price (CIP) was last revised in 2002. On the other hand, the Minimum Support Price (MSP) has increased every year thereby increasing the economic cost of foodgrains. This has resulted in widening of the gap between economic cost and CIP resulting in continuous increase in the subsidy incurred by FCI. However, no corresponding increase has been effected in the subsidy allocation upto 2006-07, resulting in back log of subsidy to be released to FCI."

**(k) Import/Export of Foodgrains**

4.36 The Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) is primarily concerned with food security of the country. Government constantly reviews the stock position of foodgrains with it in the Central Pool vis-à-vis the prescribed buffer norms, production of foodgrains in the country, trend for procurement for Central Pool, requirement for Public Distribution System (PDS) and other welfare schemes, open market prices, etc. A decision to import or export foodgrains on Government account is taken depending on the overall situation. There was no import of foodgrains for the Central Pool during 2004-05. However, keeping in view the reduction in wheat stocks in the Central Pool, the need to keep a check on the open market prices of wheat as well as to augment the domestic availability of wheat and since the Government is fully committed not to compromise in the matter of food security, a decision was taken on 1st February 2006 to permit State Trading Corporation to import 5 lakh MTs of wheat at the Southern ports only. Wheat is being imported for the last three years.

**(l) Public Distribution System**

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

4.38 The Public Distribution System (PDS) is operated under the joint responsibility of the Central and the State Governments. The Central Government, through FCI, has assumed the responsibility for procurement, storage, transportation and bulk allocation of foodgrains to the State Governments for distribution to the public through a network of more than 4.93 lakh Fair Price Shops (FPS). The operational responsibility including allocation within State, identification of families below the poverty line, issue of ration cards, monitoring and supervision of functioning of FPS, rest with the State Governments. The foodgrains are allocated to different categories of poor people through PDS. The details are as under:-

### (m) Antyodaya Anna Yojana (AAY)

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

4.40 The AAY Scheme was expanded in 2003-2004 by adding another 50 lakh households from amongst the BPL families headed by widows or terminally-ill persons or disabled persons or aged 60 years or more with no assured means of subsistence or societal support.

4.41 The Antyodaya Anna Yojana (AAY) was again expanded with effect from 3 August, 2004 by another 50 lakh BPL families by including, inter-alia, all households at the risk of hunger.

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

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

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

xi) Village Grain Banks Scheme

### *(n) Targeted Public Distribution System*

4.44 The allocation of foodgrains under TPDS is not demand based and is only supplemental in nature. The allocation of foodgrains to all States is made by the Central Government under TPDS @ 35 kg per family, per month on the basis of poverty estimates of the Planning Commission during 1993-94 on the population projections by the Registrar General of India as on 1 March, 2000 or actual ration cards issued by each State/UT, whichever is less. The Department has informed that the monitoring of offtake of foodgrains at FPS level is done by the respective State Governments.

### (o) Allocation and offtake of wheat and rice under TPDS

4.45 Allocation and offtake of wheat and rice for the years 2005-06, 2006-07 and 2007-08 under TPDS is as follows:-

| Year | Allocation (lakh tonnes) | | | Offtake (lakh tonnes) | | | % Offtake | | |
|---|---|---|---|---|---|---|---|---|---|
| | BPL | APL | AAY | BPL | APL | AAY | BPL | APL | AAY |
| 2005-06 | 192.01 | 443.53 | 80.672 | 156.425 | 80.205 | 74.423 | 81.46 | 18.08 | 92.25 |
| 2006-07 | 180.043 | 302.828 | 93.691 | 142.393 | 84.685 | 86.617 | 79.08 | 27.97 | 92.45 |
| 2007-08 (upto Jan. 2008) | 144.88 | 98.31 | 84.16 | 125.10 | 70.9 | 77.57 | 86.34 | 72.11 | 92.16 |

4.46 On being asked about the reasons for decrease in off-take under BPL category and other welfare schemes and NIL offtake under open market sales during 2007-08, the Ministry in a written reply stated that AAY families are a segment of BPL families. With the identification of additional AAY families during three expansions there is a corresponding decrease of offtake of other BPL families. Consequently, while the off-take of foodgrains under other BPL category has decreased, the offtake of foodgrains under AAY category has increased correspondingly. Therefore, if the total offtake of foodgrains for BPL families including AAY families is considered since 2004-05, there has not been any decline in the offtake. Under SGRY foodgrains were being issued as part of wages to workers. However, after launching of the National Rural Employment Guarantee Scheme, SGRY districts have come under this scheme. This scheme has now been extended to all districts in the country from 1.4.2008. Under this scheme, there is no provision for foodgrains as part of wages. However, under other schemes, such as, Mid Day Meal, Wheat Based Nutrition Programme, Nutritional Programme for Adolescent Girls, the requirement and offtake have not shown steep variation. The Department undertakes the open market sale when sufficient stocks are available in Central Pool and market intervention is warranted by steep rise in prices. Because of low availability of stocks of wheat and rice in Central Pool and no abnormal rise in prices noticed, the open market sale scheme has not been undertaken during current financial year.

**(p) Foodgrains and Other Commodities Supplied through PDS to BPL and AAY**

4.47 Under PDS, presently the commodities namely wheat, rice, sugar and kerosene are being allocated to the States/UTs for distribution. Some States/UTs also distribute additional items of mass consumption such as cloth, exercise books, pulses, salt and tea etc. through the PDS outlets.

***(q) Supply of Coarsegrains to States/UTs***

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

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

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

**(r) Identification of BPL persons**

4.50 To work out the population Below the Poverty Line under the TPDS, there was a general consensus at the Food Minister's Conference held in August 1996, for adopting the methodology used by the expert groups set up by the Planning Commission under the Chairmanship of Late Prof. Lakadawala. The BPL households were determined on the basis of population projections of the Registrar General of India for 1995 and the State- wise poverty estimates (1993-94) of the Planning Commission. The Secretary during the course of oral evidence has clarified that the identification of BPL is done by the Ministry of Rural Development and the Department of Food and Public Distribution does not conduct any independent survey.

4.51 The Committee wanted to know about the present status with regard to the recommendation made by the Committee while examining the Demands for Grants of the previous year, 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 Secretary during the course of oral evidence informed that the matter is still under consideration in the Government. In the meantime, it has been decided to restrict APL population to off-take level of 2006-07 (except NE, J&K etc.). During consultation with the Planning Commission, it has appreciated the proposal and is supportive of it.

4.52 On being pointed out that the Committee while examining the Demands for Grants (2007-08) had recommended that the Government should evolve a strategy to provide 2 Kg. of pulses and 1 Kg. of edible oils at subsidized rates to each family through PDS. But the Government has not been able to implement such an important recommendation concerning poorest of the poor. The Ministry in a written reply stated as under:-

"The recommendation of the Committee to evolve a strategy to provide 2 kg pulses and 1 kg edible oils at subsidized rates to families through

PDS was examined in great detail within the Ministry and also in consultation with other Ministries of the Government. This Department formulated a scheme for distribution of edible oils and pulses through TPDS A critical assessment of functioning of TPDS in the present form was also made. It revealed that leakages and diversions of TPDS commodities have not yet been brought under effective check by the State and UT Governments. This results in improper targeting of heavy subsidy being made available by the Government under TPDS. Therefore, the highest priority of the Government has to be on minimizing the diversions and leakages so that the TPDS implementation becomes efficient and distribution of subsidies is targeted properly for the eligible poor families. Since the extent of subsidy being spent on distribution of food grains under TPDS is already very high, it was not found feasible to take up additional subsidy burden of about 1200 crore rupees under TPDS until visible improvement in performance of TPDS takes place."

4.53 The Secretary during the course of oral evidence further informed as under:-

"A scheme to offer subsidized edible oils to the State Governments/UTs for distribution to ration card holders at the rate of maximum 1 kg. per family per month is under consideration. The edible oils are to be imported, refined and made available to the State & UT Governments in packets of 1 kg. or less by Public Sector Undertakings. A quantity of one million tonnes is proposed to be given under the scheme. The details of the scheme are yet to be finalized."

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

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

**(t) Facility of PDS to Floating Population/Migrant Labourers**

4.55 The Committee observed that floating population/migrant labourers are deprived of PDS foodgrains as they do not have any permanent address. On being asked about the specific plan to provide PDS foodgrains to such category of people, the Ministry in their post-evidence reply stated that the Government of Gujarat has implemented a Scheme (Roaming Ration Card) with a view to issue roaming ration cards to those families who migrate to a new destination within their State. All State & UT Governments have been requested to follow the above said scheme in their State/UT.

**(u) Diversion of foodgrains**

4.56 The PDS is functioning all over the country through the vast network of more than 4.93 lakhs Fair Price Shops (FPS) spread all over the country. To check diversion of foodgrains being provided at subsidized rates to BPL and AAY categories of persons, a Study was done by the PEO, Planning Commission (March 2005) and ORG Marg (September 2005). The State-wise diversion of foodgrains of Wheat and Rice as per ORG Marg Report are given below:-

(Diversion in percentage)

| S.No. | State/UT | Rice | Wheat |
|---|---|---|---|
| 1 | Andhra Pradesh | Negligible | No Consumption |
| 2 | Arunachal Pradesh | 64.1 | 96.2 |
| 3 | Assam | 37.2 | 100 |
| 4 | Bihar | 14.7 | 44.7 |
| 5 | Chattisgarh | 33.4 | 72.4 |
| 6 | Delhi | 10.5 | 25.1 |
| 7 | Goa | 42.9 | No Consumption |
| 8 | Gujarat | 16.2 | 24.4 |
| 9 | Haryana | No Consumption | 74.2 |
| 10 | Himachal Pradadesh | 58.2 | 34.1 |
| 11 | J&K | 64.3 | 13.5 |

| | | | |
|---|---|---|---|
| 12 | Jharkahand | Negligible | 37.5 |
| 13 | Karnataka | Negligible | Negligible |
| 14 | Kerala | Negligible | 42.6 |
| 15 | Madhya Pradesh | 48.3 | 44.7 |
| 16 | Maharashtra | Negligible | 25.6 |
| 17 | Manipur | 97.7 | 100 |
| 18 | Meghalaya | 61.3 | 100 |
| 19 | Mizoram | 52.6 | 100 |
| 20 | Nagaland | 88.6 | 100 |
| 21 | Orissa | Negligible | No Consumption |
| 22 | Punjab | No Consumption | Negligible |
| 23 | Rajasthan | No Consumption | 59.0 |
| 24 | Sikkim | Negligible | 100 |
| 25 | Tamil Nadu | Negligible | No Consumption |
| 26 | Tripura | 3.8 | No Consumption |
| 27 | Uttarakhand | 53.3 | 58.1 |
| 28 | Uttar Pradesh | 32.4 | 59.1 |
| 29 | West Bengal | 34.9 | 86.6 |
| 30 | A&N Islands | Negligible | Negligible |
| 31 | Chandigarh | No Consumption | No Consumption |
| 32 | D&N Haveli | 48.5 | 69.4 |
| 33 | Daman & Diu | No Consumption | No Consumption |
| 34 | Lakshdweep | Negligible | No Consumption |
| 35 | Pondicherry | Negligible | No Consumption |
| | **All India** | **39.0** | **53.3** |

4.57 It could be seen from the above table that there was large scale diversion of Wheat and Rice in all the States except 11 States/UTs. The worst is the position in North-Eastern States. In case of rice, diversion in Manipur 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 Uttrakhand (53 per cent). Similarly, in case of wheat diversion is 100 per cent in States of Assam, Manipur, Meghalaya, Mizoram, Nagaland and Sikkim followed by 96.2 per cent in Arunachal Pradesh and 86.6 per cent in West Bengal.All India diversions of foodgrains are 39 per cent for rice and 53.3 per cent for wheat. As per, PEO Report, the All India diversion data is 36.38 per cent.

4.58 For monitoring supplies and securing availability and distribution of essential commodities under TPDS, the Central Government has issued Public Distribution System (Control) Order, 2001, which requires all State Governments/UTs to conduct periodical review/checking every year for the purpose of deletion of ineligible families and inclusion of eligible families and to weed out ineligible and bogus ration cards. The State/UT Governments are also required to take action against persons/officials involved in issuance of bogus/ineligible ration cards fraudulently and furnish quarterly report to the

Department. An offence committed in violation of the provisions of this order shall invoke criminal liability under the Essential Commodities Act, 1955.

4.59 The PDS is plagued with various irregularities. There are high-scale leakages through various channels i.e. ghost/bogus ration cards, pilferage, recycling etc. The studies undertaken by the ORG Marg and PEO of the Planning Commission have substantiated the high-scale leakages in the PDS.

4.60 When enquired about the measures taken by the Government to ensure that the maximum amount of subsidy reached the intended beneficiaries i.e. the poorest of the poor and about the concrete corrective action taken and technological interventions made by the Government to curb diversion/leakage of PDS foodgrains and for elimination of bogus/ineligible ration cards, the Ministry in their post evidence reply have stated that to streamline and strengthen the operations of PDS, in the States & UTs, the Central Government has issued a control order i.e. PDS (Control) Order 2001. The Central Government has been holding meetings with Food Secretaries of all States/UTs with a view to ensure smooth functioning of TPDS in the country. To get independent feed back on the AAY as well as the TPDS as a whole, Government commissioned two evaluation studies, one by PEO of Planning Commission and the other by ORG MARG. Their study reports were received in March and September 2005. These studies reported diversions of foodgrains under the TPDS in most of the States. Based on discussions and feed back in Conferences, a nine point action Plan was jointly formulated by the Central and State/UT Governments. Details of the nine points action plan are detailed below:-

(i) Continuous review of the BPL and AAY lists to eliminate bogus ration cards and to ensure coverage of only eligible BPL and Antyodaya families.

(ii) Ensuring leakage-free and diversion-free distribution of PDS commodities, regular inspection by different levels of functionaries, strict action against guilty persons/agencies.

(iii) Involvement of Panchayati Raj Institutions in PDS operations – PRI representatives on Advisory Committees, running of fair price shops by Panchayat and effective representation of Panchayati Raj representatives on Vigilance Committees.

(iv) Ensuring transparency in working of PDS, display of BPL and AAY lists by fair price shops, observance of notified timings by fair price shops.

(v) Use of Information Technology, Computerization of TPDS operations, display of fair price shop-wise and district wise allocations of PDS commodities on web-sites for public scrutiny.

(vi) Carryout door-step delivery of PDS commodities to fair price shops

(vii) Ensuring timely availability of and issuance of foodgrains by fair price shops.

(viii) Creating awareness among public about PDS operations, training Vigilance Committees of intricacies of PDS operations.

(ix) Making fair price shops financially viable entities – allowing them to sell non-PDS items etc.

To minimize scope for diversions of foodgrains, the Department has rationalized allocations and off-take of wheat and rice for APL category to States and UTs from June 2006 and April 2007 respectively, based on off-take during previous three years.

Revised policy on distribution of wheat flour/fortified wheat flour has been issued by the Department. This is intended to check diversion of wheat under TPDS and to enable State and UT Governments to take up distribution of fortified wheat flour for nutritional improvement of targeted beneficiaries.

The Model Citizens' Charter issued in November, 1997 for adoption by the State & UT Governments and revised in March, 2006 was further revised in July 2007 to facilitate use of provisions of RTI Act, 2005 in relation to TPDS functioning.

Monthly certification by village Panchayat/urban local bodies/vigilance committees/women's self help groups of delivery of foodgrains to Fair Price Shops and their distribution to eligible families has been introduced from April, 2008.

Piloting of Global Positioning System (GPS) has been taken up by Chhattisgarh, Tamil Nadu and Delhi States to track movement of vehicles carrying foodgrains. Under the Plan Scheme, strengthening of TPDS, financial assistance has also been sanctioned by the Ministry to these States. As part of Plan Scheme for strengthening of TPDS, training programmes for TPDS functionaries have been sanctioned and these will be continued during 11th Plan period.

Concurrent Evaluation studies on TPDS are being carried out in 20 States & UTs.

Scheme for Awareness Campaign has been introduced under which 80% of the total expenditure for awareness campaign is being provided by the Ministry and 20% share is to be borne by the State/UT Governments.

4.61 In addition to Nine Point Action Plan, the Department has taken the following measures to curb leakages and diversion:-

(i) Introduction of monthly certification by village panchayats/urban local bodies/vigilance committees/women's self help groups of delivery of foodgrains to Fair Price Shops and their distribution to eligible families.
(ii) Procedure for lifting of foodgrains and validity period has been streamlined.
(iii) Piloting of Global Positioning System (GPS) has been taken up by Chhattisgarh, Tamil Nadu and Delhi States to track movement of vehicles carrying foodgrains. Under the Plan Scheme, strengthening of TPDS, financial assistance has also been sanctioned by the Ministry to these States.
(iv) As part of Plan Scheme for strengthening of TPDS, training programmes for TPDS functionaries have been sanctioned and these will be continued during 11$^{th}$ Plan period.
(v) Concurrent Evaluation studies on TPDS are being carried out in 20 States & UTs.
(vi) New Policy guidelines have been issued for distribution of wheat flour under TPDS.
(vii) Scheme for Awareness Campaign has been introduced under which 80% of the total expenditure for awareness campaign is being provided by the Ministry and 20% share is to be borne by the State/UT Governments.
(viii) Revised Citizens' Charter has been issued for adoption by State/UT Governments so that citizens can invoke provisions of RTI Act in relation to operation of TPDS."

4.62 Technological interventions such as tracking of movement of vehicles carrying TPDS foodgrains through Global Positioning System (GPS) devices, issuance of Bar Coded Coupons with rations cards for delivery of TPDS foodgrains to genuine ration card holders, capturing of biometric features of card holders while issuing ration cards to avoid issuance of bogus or fake ration cards and introduction of smart cards for similar purposes are being tried in different states. The States/UTs which have not yet taken up piloting of such technological interventions have also been advised to introduce them.

4.63 The Committee enquired whether the Government has any plan to increase the commission of Fair Price Shop owners and about the measures being taken by the Government to make the fair price shops economically viable the Ministry in the post evidence reply stated that this Department vide letter 6(4)/2001-PD-I dated 28th August, 2001 has given flexibility to the States/UTs in the matter of fixing commission for the Fair Price Shops by removing the restriction on difference between retail issue price and the Central Issue Price for distribution of foodgrains to BPL families under TPDS, which was 50 paise per Kg. earlier. The State/UT Governments have been advised vide letter No. 9(2)/2001/PD-II dated 08.02.2001 to allow Fair Price Shops dealers to sell non-PDS items of daily use such as exercise books, iodized salt, pulses, tea, etc. By now, FPS in 19 States & UTs are selling non-PDS items. This Department has taken up with Ministry of Railways and the Department of Posts to explore the possibility of selling railway tickets and postal stationery, etc. through Fair Price Shops. The issue is being pursued with these Departments.

4.64 When the Committee wanted know about the concrete suggestion to stop diversion/recycling of PDS foodgrains the Ministry in a written reply furnish the following suggestions:-

(i) "Foodgrains allocations by the Govt. of India should be linked with strict compliance with the stipulations under the PDS (Control) Order, 2001 and other directions of the Govt. of India by State and UT Governments so that failure of a particular State or UT Government in compliance should lead to curtailment of the allocations.

(ii) The Programme Evaluation Organization in the Planning Commission should take up the responsibility for continuous evaluation of functioning of TPDS in all the States and Union Territories so that continuous feedback becomes available to the Government of India on regular basis.

(iii) Based on the evaluation feedback to be received from the PEO, there should be provision of penal action against defaulting States and UT Governments. This may be in the form of reduction in Central assistance in monetary value linked to the value of foodgrains diverted and leaked.

(iv) In major States, FCI may retain the role of only MSP – based procurement operations. The rest all responsibility for procurement, storage, transportation and distribution of foodgrains under TPDS should be delegated to the concerned State Governments. By this the concerned State Governments will have full responsibility for all the operations under the TPDS and would be fully answerable for performance. To such State Governments, Govt. of India may release funds for the subsidy involved in the form of Central assistance.

(v) Food stamps/coupons should be introduced under the TPDS. Under this scheme the targeted beneficiaries can be issued food stamps/coupons of monetary value equivalent to the amount of subsidy distributed to them in the form of foodgrains at present. These families can buy food items from notified outlets/shops against the stamps/coupons. Reimbursement of money to the outlets/shops can be done by the Government through a particular agency.

(vi) Transfer of Govt. of India subsidy to targeted families can also be done in cash instead of foodgrains as is being done currently, by crediting respective amounts of money to their accounts in specified banks. However, this will still suffer from exclusion/inclusion errors which is the major area of concern."

4.65 The Ministry in their post evidence reply on steps being taken for reviewing of list of BPL persons and elimination of bogus/ineligible ration cards have stated as under:-

"PDS (Control) Order 2001 stipulates that elimination of bogus ration cards as well as bogus units in the ration cards shall be a continuous exercise by the State Governments to check diversion of essential commodities. The State Governments have been requested from time to time to take urgent steps to review the BPL and AAY lists. In some States this review resulted in elimination of a large number of bogus ration cards. A Statement showing the number of bogus / ineligible ration cards deleted by the State / UT Governments from July 2006 onwards is as given in the tabulation below:

**(as on 31.03.2008)**

| **Sl. No.** | **State** | **Year** | **BPL / AAY Lists & Nos. of bogus cards deleted (in lakhs)** |
|---|---|---|---|
| **-1-** | **-2-** | **-3-** | **-4-** |
| 1 | Andhra Pradesh | 06-07 | 10.46 |
| 2 | Assam | 06-07 | 0.02 |
| 3 | Chhattisgarh | 06-07 | 2.00 |
| 4 | Delhi | 06-07 | 14.62 |
| 5 | Gujarat | 06-07 | 0.36 |
| 6 | Karnataka | 06-07 | 3.48 |
| 7 | Madhya Pradesh | 07-08 | 24.87 |
| 8 | Orissa | 06-07 | 2.50 |
| 9 | Uttar Pradesh | 06-07 | 3.96 |
| 10 | Uttaranchal | 06-07 & 07-08 | 0.14 |
| 11 | West Bengal | 06-07 | 5.00 |
| | **TOTAL** | | **67.41** |

Clause 4 and paragraph 2 of the Annex to the PDS (Control) Order, 2001 stipulate conducting periodical review and checking of the ration cards. Accordingly, the State Governments are statutorily required to check and review the ration cards and weed out the ineligible bogus ration cards. Under the 9-Point Action Plan for strengthening the TPDS, one of the points is to continuously review ration cards. The State Governments are reviewing the ration cards and have reported that about 67 lakhs ineligible/bogus/ghost cards have been deleted since July 2006. As regards action taken against guilty for committing irregularities, the reports received from the State Governments so far do not mention details of fixation of responsibility on individual officials/persons."

**(v) Area Officers Scheme**

4.66 The Ministry has appointed Area Officers for different States/UTs to coordinate with the State Governments/UTs for regular and effective monitoring of PDS. The guidelines for the Area Officers Scheme provide that the Area Officers would visit their allocated States/UTs at least once in a quarter and conduct review of performance of the TPDS. From the statement (Appendix -II) furnished by the Department it is noted that not a single visit has been made during the last five years in the States of Arunachal Pradesh, Bihar, Delhi, Goa, Gujarat, Punjab, Haryana whereas only one and at the most two visits have been made during the five years in some States like Rajasthan etc. Moreover during 2007-08, not a single visit to any of the States/UTs has been undertaken.

4.67 On being asked about the reasons for not even a single visit being undertaken by the Area Officers as mentioned above, the Ministry in their post evidence reply stated that when the area officers visits were introduced, they were expected to review performance of TPDS in the States & UTs. However, TPDS being a continuous operation, the area officers' system cannot oversee the operation in an effective manner. During the last 2-3 years, because of exigencies of office work, particularly Parliament Session, sittings and visits of Parliamentary Committees such as Standing Committees, Public Accounts Committee, Official Language Committee, inter-session Consultative Committee, etc, and vacancies in the Department, the area officers have not been able to undertake such visits. A critical review of this arrangement has also shown that these visits are not very effective in ensuring improvement in functioning of TPDS.

**(w) Vigilance Committees**

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

**(x) Village Grain Bank Scheme**

4.69 Village Grain Bank Scheme envisages inclusion of all willing BPL and AAY families in the villages identified by the State Governments as chronically food deficit areas all over the country. The main objective of the scheme is to provide safeguard against starvation during the period of natural calamity or during lean season. Evaluation of the scheme was conducted by the Ministry of Tribal Affairs in the States of Andhra Pradesh, West Bengal, Kerala, Tamil Nadu, Rajasthan and Madhya Pradesh. In the evaluation report of these States, it was found that the scheme was functioning fairly well in some of the States like Andhra Pradesh, West Bengal, Madhya Pradesh but it was not implemented properly in other States mainly due to the fact that the concept was not very clear. The scheme was transferred to Department of Food and Public Distribution from Ministry of Tribal Affairs on 1.4.2005. During the $10^{th}$ five year plan period 7188 village grain banks were established out of 14495 village grain banks sanctioned during the plan period.

Allocation under the scheme:-

(Rs. in Crore)

| Year | BE | RE | AE |
|---|---|---|---|
| 2005-06 | 32.50 | 20.20 | 19.76 |
| 2006-07 | 50.00 | 50.00 | 51.79 |
| 2007-08 | 16.90 | 17.45 | 3.96 |
| 2008-09 | 17.00 | | |

4.70 When asked about the steps taken by the Department to make the concept of the scheme clear to the States where it could not be implemented properly due to lack of clarity of the concept of the scheme, the Secretary during the course of oral evidence stated as under:-

"Absence of clarity about the scheme was reported when it was being implemented by the Ministry of Tribal Affairs. After its transfer to this Department, revised guidelines were issued in February, 2006. Thereafter, no such lack of clarity has been reported. The further revised guidelines for its implementation during 11$^{th}$ Plan have been issued in January, 2008. Now, we have clarified this concept. I have personally spoken to all the Food Secretaries in a meeting and clarified everything that is to be clarified."

4.71 On being asked about the steps taken by the Department to remove the deficiencies in the Village Grain Bank Scheme as pointed out by World Food Programme in its provisional report on assessment of the scheme, the Ministry in the post evidence reply have stated that the initial assessment is a tentative report only for one State. World Food Programme has been assigned the evaluation of the scheme in M.P. Chhattisgarh and Orissa States. Corrective steps would be initiated after receipt of findings in the final report.

**4.72 The Committee find that diversion of foodgrains meant for the poorest of the poor is the biggest menace in the functioning of Public Distribution System. The studies conducted by Programme Evaluation Organisation (PEO) and ORG Marg to evaluate the Targeted Public Distribution System in the country have revealed diversion of foodgrains in most of the States. The worst position in this regard is in the North Eastern States where diversion upto 100 per cent in case of wheat and upto 97.7 per cent in case of rice has been reported. The Committee take a very serious view of the diversion and is of the opinion that the very purpose of PDS would be defeated if the PDS foodgrains do not reach the intended beneficiaries and are instead diverted to the open market. The Committee, therefore, recommend that the Government should evolve a foolproof mechanism within a fixed time frame to check the diversion of foodgrains. Although the management and operation of PDS is the joint responsibility of Central and State Governments concerned but Central Government is responsible for procurement and allocation of foodgrains to the State Governments which in turn distribute foodgrains through their agencies within their respective States. The Committee, therefore, emphasise that the issue of diversion of foodgrains should be tackled with utmost seriousness and recommend that to check the diversion of foodgrains, a joint special audit by officials of FCI and State Governments should be conducted in the event of offtake being abnormally high.**

**The Committee feel that diversion of foodgrains from Fair Price Shops to the open market is a matter of serious concern which urgently needs to**

**be looked into. The Committee note that one of the major reasons for diversion of foodgrains from fair price shops is the low commission being provided to the fair price shop owners inducing them to indulge in malpractices. The Committee, therefore, desire that the matter regarding increase of commission of fair price shop owners should be taken up with the State Governments, as a reasonable increase in their commission would make the Fair price shops economically more viable and could help in curbing the diversion of PDS foodgrains to the open market.**

**The Committee also note that to check diversion of PDS foodgrains, technological interventions such as tracking of movement of vehicles carrying TPDS foodgrains through Global Positioning System (GPS) devices, issuance of Bar Coded Coupons with rations cards for delivery of TPDS foodgrains to genuine ration card holders, capturing of biometric features of card holders while issuing ration cards to avoid issuance of bogus or fake ration cards and introduction of smart cards for similar purposes are being tried in different States. The Committee feel that all these measures and also other monitoring mechanism in place like formation of vigilance Committees, involvement of panchayati raj institutions and self-help groups in the activities of public distribution system should be implemented in the right earnest to achieve the desired results.**

**4.73 The Committee note that the PDS (Control) Order, 2001 stipulates that elimination of bogus ration cards as well as bogus units in the ration cards shall be a continuous exercise by the State Governments to check diversion of essential commodities. The Committee further note that since July 2006, subsequent to the reviews undertaken by States/UTs, 67.41 lakh bogus and ineligible ration cards have been eliminated by 11 States, highest being 24.87 lakh in Madhya Pradesh followed by Delhi at 14.62 lakh. The Committee feel that the problem of proper identification of BPL persons and inclusion and exclusion errors arising out of lack of proper coordination between the concerned Departments is a matter of serious concern before the Government. The Committee therefore, strongly recommend that all States/UTs be strictly asked to review the BPL list immediately for elimination of bogus and ineligible ration cards. Proper identification of the BPL persons would help in ensuring that the food subsidy meant for the poorest of the poor actually reaches the targeted beneficiaries. The Committee would like to be apprised of the action taken in this regard.**

**4.74 The Committee note that 19 States/UTs are presently selling non-PDS items such as exercise books, iodised salts, pulses, tea, etc., through Fair Price Shops (FPSs). The Committee also note that the Department has also taken up with the Ministry of Railways and Department of Posts to explore the possibility of selling railway tickets and postal stationery, etc. through FPSs. The Committee desire that all the State/UTs may be persuaded to sell non-PDS items through FPSs so that the people in rural areas, especially those living in far flung, backward and remote areas can get the items of their daily use from FPSs. As per the Committee, this would also help in making FPSs economically viable and in a way help in curbing diversion of foodgrains from Fair price shops.**

**The Committee further note that Gujarat have implemented a scheme (Roaming Ration Card) with a view to issue roaming ration cards to those families who migrate to a new destination within their State. The Department has also advised other States and UTs to follow the said scheme in their respective States/UTs also. The Committee desire that the Department should pursue the matter further with the State Governments and intimate to the Committee about the follow up action taken by them in this regard.**

**4.75 The Committee note that the Ministry has appointed Area Officers for different States/UTs to coordinate with the State Governments/UTs for regular and effective monitoring of Public Distribution System. The guidelines for the Area Officers Scheme provide that the Area Officers would visit their allocated States/UTs at least once in a quarter and conduct review of performance of the TPDS. The Committee's examination reveal that not a single visit has been made during the last five years in the States of Arunachal Pradesh, Bihar, Delhi, Goa, Gujarat, Punjab, Haryana whereas only one and at the most two visits have been made during the five years in some States like Rajasthan, etc. Moreover, during 2007-08, not a single visit to any of the States/UTs has been undertaken. The Ministry have stated that due to exigencies of work and vacancies in the Department, the Area Officers were unable to undertake such visits. The Committee are dismayed that not even a single visit was made by the Area Officers during the last five years in some of the States. The Committee deplore the casual approach of the Ministry in this regard and express their displeasure on the aforesaid situation and recommend that regular visits should be undertaken by the Area Officers to review and monitor the working of PDS in a given State. The Committee desire that follow up action taken in this regard may be reported to them within three months of the presentation of this Report to Parliament.**

**4.76 The Committee note that the main objective of village Grain Bank Scheme is to provide safeguard against starvation during the period of natural calamity or during the lean season. The Committee also note that the scheme though launched during 1996-97 could not take off in the right earnest because the concept of this scheme was not clear to the intended beneficiaries. The Committee further note that during the 10th five year plan period only 7188 village grain banks could be established out of 14495 village grain banks sanctioned for the entire plan period. The Committee further note that revised guidelines for implementation of the scheme during 11th Five Year Plan have been issued in January, 2008 and the Food Secretary in a meeting with the Food Secretaries of all the States has clarified all the conceptual issues relating to the scheme. In view of the above, the Committee recommend that all the State Governments should be persuaded to establish more and more Village Grain Banks in their States in order to give benefit to the intended beneficiaries under the scheme. The Committee would like to be apprised of the action taken in this regard.**

# CHAPTER V

## FOOD CORPORATION OF INDIA (FCI)

The Food Corporation of India was set up in 1964 under an Act of Parliament namely the Food Corporation Act, 1964 (Act No. 37 of 1964) in order to fulfill the objectives (i) Effective Price Support Operations for safeguarding the interest of the farmers. (ii) Movement and distribution of foodgrains throughout the country for Public Distribution System and other Government of India schemes. (iii) Maintenance of satisfactory level of operational and buffer stock of foodgrains to ensure food security.

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

### (a) Dues and liabilities of FCI

### *(i) Details of the dues receivable:*

5.3 The Committee were furnished the following statement showing the outstanding dues of Food Corporation of India to be recovered from various Ministries on account of providing foodgrains for various welfare schemes on payment basis and recovery made during the year 2005-06, 2006-07 and 2007-08 is as under:

| **Ministry of RD** | | **(In crore rupees)** | |
|---|---|---|---|
| **Year** | **Amount Received** | **Balance Outstanding (Principal) (As on 31 March)** | **Balance Outstanding (Interest) (As on 31 March)** |
| 2005-06 | 3000.96 | 24792.07 | 4577.24 |
| 2006-07 | 17568.37 | 10646.65 | 7062.39 |
| 2007-08* | 1376.53* | 10488.70 * | 9014.07* |

(*as on 29.02.2008)

| Ministry of HRD | | (In crore rupees) | |
|---|---|---|---|
| **Year** | **Amount Received** | **Balance Outstanding (Principal) (As on 31 March)** | **Balance Outstanding (Interest) (As on 31 March)** |
| 2005-06 | 1365.02 | 627.40 | 1496.91 |
| 2006-07 | 1043.31 | 491.47 | 1658.13 |
| 2007-08* | 621.56* | 548.36 * | 1851.67* |

(*as on 29.02.2008)

5.4 On being asked about the steps taken to liquidate the outstanding dues of FCI over the years, the Ministry in a written reply stated that since this outstanding amount of Rs. 17710 crore was still not provided through saving in the budget of MoRD or through additional budgetary support to be provided by Ministry of Finance, therefore this matter was again placed before the Cabinet Committee on Economic Affairs (CCEA) on 09.11.2007 where the following decisions were taken :-

(i) to direct that the MoRD / M/o Finance should settle the balance outstanding dues of FCI as on 31.8.07 which amount to Rs.19,000 crore for foodgrains supplied by FCI to MoRD for SGRY, NFFWP etc by cash payments to FCI during 2007-08/ 2008-09;

(ii) to direct that adequate provision is made in the budget of MoRD for supply of foodgains by FCI for the various programmes of MoRD from 2007-08 onwards; and

(iii) to further direct that foodgrains would be supplied by FCI for the various schemes of MoRD on pre-payment basis.

**Present Status:**

5.5 As on 29.2.2008 based on lifting upto 31.01.08, the FCI has to receive a sum of Rs.10488.70 crore from the MoRD on account of the principal amount towards issue of foodgrains under the SGRY and in addition, interest amount of Rs.9014 crore. No budgetary provision has been made in the 3rd Supplementary for the year 2007-08 in favour of the MoRD towards liquidation of the above outstanding. The FCI has however issued the foodgrains against the allocation made for the year 2007-08, against which a sum of Rs.1088.87 crore has been released to FCI and a further Rs.287.66 crore released to the State Govt. of Chhattisgarh on account of issues made upto the year 2006-07.

**2. Ministry of Human Resources Development.**

5.6 According to the Ministry, continuous efforts have been made to recover the dues against Ministry of HRD (MoHRD) for supplies of foodgrains under MDM scheme at various levels and a number of meetings have been held with MoHRD to liquidate their outstanding dues. The MoHRD has sanctioned Rs.300 crore as Revolving Fund to cover the bills in pipeline. The primary reason for delay in settlement of outstanding dues is non receipt of confirmation by the MoHRD from various States regarding quantity lifted by them. The MoHRD has been requested to release at least 95% of the outstanding dues pending final settlement of the bill after receipt of the confirmation of lifting from State Govts. A meeting was also held with Joint Secretary, Ministry of HRD on 14.3.2008 and it was requested to increase the Revolving Fund of Rs.300 crore to Rs.800 crore.

**5.7 The Committee note with concern that a large amount is still outstanding against the Ministry of Rural Development and Ministry of Human Resource Development on account of foodgrains provided to them for various welfare schemes on payment basis. Although the balance outstanding principal amount has decreased yet the interest on the principal amount has considerably increased over the years. The outstanding dues which were Rs. 19,898.64 crore in 2006-07 from these Ministries, has increased to Rs. 21,902.80 crore as on 31$^{st}$ March, 2007, including the interest accrued on the principal amount. Since the interest accrued is also loaded on the food subsidy bill, the Committee feel that inability to liquidate the outstanding dues of FCI over the years indicate financial indiscipline. The Committee view this with grave concern and desire that the Department should take up the matter at the highest level with the concerned Ministry so that the outstanding dues are liquidated at the earliest and the burden on Food Subsidy Bill is reduced. The Committee also desire that a time limit should be fixed within which the Central Ministries should be required to make payments.**

**(b) Establishment Cost**

5.8 The net expenditure incurred by the FCI (including the establishment cost) is reimbursed by the Government in the form of food subsidy. The total establishment cost incurred by the FCI from 2002-03 onwards is as under:-

**(Rs. in Cr.)**

| | **2002-03** | **2003-04** | **2004-05** | **2005-06** | **2006-07 (Prov.)** | **2007-08 (RE)** |
|---|---|---|---|---|---|---|
| Total Staff Cost | 1282.13 | 1255.11 | 1499.63 | 1223.83 | 1236.66 | 1546.17 |
| Other Administrative Costs | 98.06 | 109.55 | 117.81 | 144.95 | 133.20 | 213.04 |
| Total Establishment Costs | 1380.19 | 1364.66 | 1617.44 | 1368.78 | 1369.86 | 1759.18 |
| % increase over previous year | | -1.13% | 18.52 % | -15.37 % | 0.08 % | 28.42% |

5.9 When asked about the reasons for steep rise in establishment cost in 2007-08, the Ministry in reply stated that the increase in 2007-08(RE) was primarily on account of additional outgo for the 50% merger of DA alongwith arrears payment thereof. On being asked by the Committee about the remedial/ corrective steps taken to keep the establishment cost to its barest minimum, the Ministry stated that the various steps taken are hereunder:-

1. The instructions issued by DOPT vide their OM No.2/8/2001-PIC dated 16.5.2001 are being followed in FCI. Filling up of direct recruitment vacancies has been restricted to a maximum of 1/3rd of the total number of DR vacancies that accrue in a year. As a result, since the year 2001, as against 5748 Direct Recruitment (DR) vacancies that accrued in FCI, the Corporation has taken up action for filling up of 1269 posts. Thus, only 22% of the DR vacancies have been taken up for filling up.

2. 2449 vacant posts were abolished which had remained unfilled for a period of more than one year in 2006.

3. A special VRS was introduced in the year 2004-05 under which 8777 posts which fell vacant due to the incumbents opting for voluntary retirement were abolished.

5.10 According to the Ministry, continuous efforts are made to seek exemption from the State Governments/UTs from the respective Shops & Establishments Acts in favour of FCI's establishments. Such an exemption allows the Corporation to pay OTA at single rate to its workmen instead of twice the normal wages as prescribed by the respective Shops & Establishments Acts. So far, such an exemption has been received from 25 States/Union Territories. The remaining States/Union Territories are being pursued with to grant similar exemptions so that the expenditure on OTA could be reduced further.

**5.11 The Committee are concerned to note the steep rise in the Establishment Cost of FCI during 2007-08 as compared to previous year 2006-07. The Establishment Cost of FCI during the year 2007-08 was Rs. 1759.18 crore which was 28.42% more than establishment cost of FCI of Rs. 1369.86 crore during the year 2006-07. According to the Ministry, the steep rise in Establishment Cost was mainly due to additional outgo for the 50% merger of DA along with arrears payment. In the opinion of the Committee, the Establishment Cost of the Corporation is still very high during the year 2007-08 even after taking into account the DA and arrears payment. The Committee feel that there is still scope to further reduce the Establishment Cost. The Committee, therefore, recommend that ways and means should be devised to reduce the Establishment Cost so that substantial amount of food subsidy, which is basically meant for the poor section of the society, percolates down to rightful beneficiaries only.**

### (c) Storage

5.12 The storage plan of the Ministry aims at providing the capacity required for buffer and operational stock of foodgrains to maintain the public distribution system. The broad approach is to provide scientific storage capacity and reduce dependence on the capacity under cover and plinth. The Statement showing total storage capacity available with the FCI, stocks held therein and capacity utilization during the 2006-07 and 2007-08 is as under:-

**(Fig. in Million tonnes)**

| Year As on 31/3 | COVERED | | | CAP(OPEN) | | | GRAND TOTAL |
|---|---|---|---|---|---|---|---|
| | OWNED | HIRED | TOTAL | OWNED | HIRED | TOTAL | |
| **2006-07** | | | | | | | |
| Capacity | 12.94 | 9.34 | 22.28 | 2.29 | 0.63 | 2.92 | 25.20 |
| Stocks | 6.47 | 6.36 | 12.83 | 0.15 | 0.62 | 0.77 | 13.60 |
| Utlz. | 50% | 68% | 58% | 06% | 99% | 26% | 54% |
| **2007-08 upto Jan,2008** | | | | | | | |
| Capacity | 12.95 | 8.86 | 21.81 | 2.25 | 0.25 | 2.50 | 24.31 |
| Stocks | 4.92 | 4.56 | 9.48 | 0.11 | 0.25 | 0.36 | 9.84 |
| Utlz. | 38% | 51% | 43% | 05% | 98% | 14% | 40% |

5.13 On being asked about the present norms of occupancy or capacity utilization of each category of storages, the Ministry stated that Bureau of Industrial Cost & Prices (BICP) has suggested a norm of 75% capacity utilization. The Capacity utilization of FCI as on 31.01.2008 was only 40 %.

5.14 When the Committee enquired as to whether there was any proposal to dehire the hired capacity, the Ministry stated that in view of depletion of stocks, FCI has dehired 31.02 lakh MTs storage capacity (Covered & CAP) from 2004-05 to 31.01.2008. Year-wise dehiring position of storage capacity was as under:-

| YEAR | COVERED | CAP(OPEN) | TOTAL |
|---|---|---|---|
| 31.03.2004 | 108.50 | 13.64 | 122.14 |
| 31.03.2005 | 104.61 | 4.13 | 108.74 |
| Capacity dehired during 2004-05 | (-) 3.89 | (-)9.51 | (-)13.40 |
| 31.03.2005 | 104.61 | 4.13 | 108.74 |
| 31.03.2006 | 99.05 | 6.09 | 104.14 |
| Capacity dehired during 2005-06 | (-)5.56 | (+)0.96 | (-)4.60 |
| 31.03.2006 | 99.05 | 5.09 | 104.14 |
| 31.03.2007 | 93.42 | 6.32 | 99.74 |
| Capacity dehired during 2006-07 | (-)5.63 | (+)1.23 | (-)4.40 |

| | | | |
|---|---|---|---|
| 31.03.2007 | 93.42 | 6.32 | 99.74 |
| 31.01.2008 | 88.63 | 2.49 | 91.12 |
| Capacity dehired during 2008 (Upto 31.1.08) | (-)4.79 | (-)3.83 | (-)8.62 |
| TOTAL CAPACITY DEHIRED W.E.F.31.03.05 TO 31.01.2008 | (-)19.87 | (-)11.15 | (-)31.02 |

**(Fig in Lakh MTs.)**

5.15 When the Committee enquired about the reasons for underutilization of capacity, the Ministry in its post-evidence reply stated that the capacity utilization of godowns depends upon the trend of procurement and offtake under TPDS and other welfare schemes of the GOI. So every time, utilization of 75% was not possible.

5.16 On being asked whether Department have any proposal for commercial utilization of the unutilized land and buildings of FCI, the Ministry stated that Food Corporation of India has constituted a Task Force to examine/propose strategies and measures for proper use of land and property resources of the Corporation for revenue generation. The Task Force constituted for this purpose has submitted its report on 3.3.2008, which was under examination.

5.17 The Ministry has also informed that FCI is having adequate storage capacity in the procuring States and also in the new procuring states like, Chhattisgarh, Jharkhand, Bihar, Orissa and West Bengal at macro level. However at micro level there is a need for additional storage capacity particularly in the new procuring States. FCI has proposed to create additional capacity in these States during XIth Five Year Plan (2007-12).

5.18 When the Committee asked about the reasons for not meeting the targets set for construction of storage godowns under ‘Food Storage Construction Program’ during the year 2007-08, the Ministry in its post evidence reply have stated that at most of the centres land was to be acquired which was not allotted by the state government. The proposed centres at Nandan Nagar , Jiribam and Dungrapalli for capacities of 2500 MT, 2500 MT and 5000 MT capacity respectively were to be constructed with in the existing godown complex. Work for Nandan Nagar has been awarded and is presently under progress. For construction of godowns at Jiribam, CWC was requested to take up the work, which was declined by them. State PWD against our request has submitted the estimate which is under scrutiny with FCI. As regards to Dungrapalli, the work could not be taken up because of Black Cotton Soil that requires special foundation work and now a consultant has been appointed for soil testing and designing of the godowns.

5.19 For the year, 2007-08, the Planning Commission allocated a total of Rs.20.40 crores. The Head-wise details are as under:

**(Figures : Rs. in crores)**

| **Name of the Scheme** | **2007-2008** | | |
|---|---|---|---|
| | **BE** | **Amount released*** | **Amount spent by FCI*** |
| - Release of equity to FCI for construction of storage godowns by FCI (areas other than NE Region) - Capital head | 9.65 | 1.53 | 1.57 |
| - Release of equity to FCI for Projects/ Schemes for North Eastern States including Sikkim - Capital Head | 8.75 | 1.65 | 1.81 |
| - Grants in Aid to Central/Warehousing Corporation (CWC) - Revenue Head | -- | -- | -- |
| - Grants in Aid to State Govenment of North East Region including Sikkim - Revenue Head | 1.50 | -- | -- |
| - Grants in Aid to State Government of Jammu & Kashmir - Revenue Head | 0.50 | -- | -- |
| Total | 20.40 | 3.18 | 3.38 upto 31.12.2007 |

5.20 In this connection, the Committee wanted to know about the reasons for mismatch between Budgetary allocation and Actual expenditure, the Department of Food and Public Distribution stated that the Annual Plan for 2007-08 was formulated with a financial outlay of Rs.20.40 crores, keeping in view the new centres where the land was to be acquired by FCI. However the land could not be acquired at all the centres taken in the Annual Plan. As such the actual expenditure could not match the budgetary allocation.

5.21 Asked whether FCI/CWC face any problem in acquiring land for construction of godowns and warehouses, the Department have stated that FCI faces problem in acquiring land from the State Governments. The matter is taken up with the State Governments for expeditious acquisition of land for construction of godowns.

5.22 When the Committee enquired about the reasons for not acquiring land by the Government and efforts made to expedite the acquiring of land, the Ministry in their post evidence reply have stated that the FCI is facing problems of acquisition of land in the North East Region particularly in the States of Assam, Nagaland and Sikkim, as the suitable Government land with railway siding is not readily available. All out efforts are being made by the FCI to identify and acquire the suitable land for taking up the construction of storage godowns.

5.23 When the Committee desired to know whether the problem relating to godowns in Lakshadweep has been solved, the Secretary, Department of Food and Public Distribution stated during evidence: -

"Sir, the scheme has not been sanctioned. I assured the Committee that we will construct one godown even if it goes down to below normal norms. Now Lakshadweep has sent a proposal for four and obviously, we cannot accept four in one year. We have told them to send a proposal for one. We told them to specify the island with a larger godown. And they were suggesting to take over their existing godown. That is not a scientific thing. If you take over an old godown, it will not help anybody. Storage will not be proper. We will go in for one godown provided they give me the land for one godown. That will be taken care of. They are now trying to expand it to four, which is very difficult. They want a godown of 500 to 800 tonnes. Operationally, for FCI, small godowns will not work. Last time Committee suggested to go below the norms. We agreed to it but we cannot go far below the norms."

**5.24 The Committee note that although the Bureau of Industrial Costs and Prices (BICP) had suggested a norm of 75% capacity utilization of FCI godowns, the actual capacity utilization as on 31st January, 2008 was only 40%. The Committee are deeply distressed by such a low utilization by FCI of its storage capacity. It has been observed that during 2007-08, utilization of covered/hired capacity was 51% whereas the utilization of covered/owned capacity was only 38%. Also, capacity utilization of CAP/Hired was 98% whereas utilization of CAP/owned was merely 05%. In the opinion of the Committee, this is a very highly disturbing state of affairs because the capacity utilization of hired capacity is much more than the capacity utilization of FCI owned godowns. The Committee feel that since large amount of money is being spent on hiring godowns, it clearly reflects lack of planning and improper management on the part of FCI. The Committee, therefore, desire that FCI should reassess their requirement of storage space and de-hire the hired godowns on priority basis and put their owned capacity to maximum utilization by proper scientific management. This will enable FCI to save huge amount of funds required for hiring storage space on exorbitant rates from the market.**

**5.25 The Committee note that the Planning Commission has allocated an amount of Rs. 20.40 crore for the financial year 2007-08 for construction of godowns, but the entire fund could not be utilized due to non-acquisition of land for construction of godowns by the FCI. The Committee feel that there is lack of coordination between the Department of Food and Public Distribution and States/UTs which resulted in non-acquisition of land for construction of godowns in the States. The Committee, therefore, recommend that the Department of Food and Public Distribution should take up the matter urgently with States/UTs at highest level for identifying and providing suitable land for construction of godowns and ensure that the funds earmarked for the purpose do not remain unutilized. The Committee also recommend that the proposal sent by UT of Lakshadweep for construction of godowns may be considered on priority basis and efforts should be made to resolve the problem of storage capacity there.**

**(d) Storage and Transit Losses**

5.26 Storage and transit losses occur in foodgrains operations due to multiple handling, spillage, driage of moisture, insects and pests, long storage, bird and rodent trouble, cleaning and upgradation, pilferage, misappropriation, use of hook by labour, weak texture of gunnies and bursting of bags, different modes of weighment etc. The losses due to theft, misappropriation, manipulation etc. are investigated for fixing the responsibility.

5.27 The details of actual Storage & Transit Losses of Foodgrains in terms of Quantity & value during the year 2006-07 & 2007-08 (upto 31.12.2007) is as follows:

| | **2006-07** | | **2007-08** | |
|---|---|---|---|---|
| | **Qty** | **Value** | **Qty** | **Value** |
| Storage Loss | 1.27 | 143.75 | 1.41 | 140.22 |
| Transit Loss | 2.04 | 215.54 | 0.46 | 42.9 |

5.28 In reply to a question, the Ministry informed the Committee that the various measures taken by FCI to reduce storage, transit and pilferage losses are as under:-

1. Physical measures like installation of barbed wire fencing of the boundary walls, provision of street lights for illumination of godowns and proper locking of the sheds are taken to secure the godowns.

2. Security staffs of FCI as well as other Agencies like Home Guards, Special Police Officers are deployed for safety of the stocks.

3. Deployment of Central Industrial Security Force and State Armed Police has been done at some depots / godowns, which are vulnerable.

4. Security Inspections as well as surprise checks of the Depots are also conducted from time to time at various levels to detect and plug the security lapses.

5. Adoption of 50 kg packing to avoid use of hooks.

6. Double line machine stitching of bags.

7. Periodical prophylactic and curative treatment of stocks, as prescribed.

8. Streamlining of procedure and documentation for transparency and accountability in operations at each level.

9. Special Squad checking at selected rail-heads, transsshipment and destination/ dispatch centers.

10. Identification of vulnerable points.

11. Inspection of Depots by Senior Officers of the HQs, Executive Directors (Zones)/ General Managers (Regions)/ Area Managers.

12. Inspection and monitoring of calibration of weigh-bridges.

13. Maintaining priority list for issue of stocks observing the FIFO principle.

14. Proper weighment and accounting at the time of receipt and issue.

15. Undertaking pre-monsoon fumigation.

16. Improvement in dunnage material.

17. Movement of foodgrains from one place to another by safe means i.e. covered wagons etc.

18. Ensuring proper quality checking of foodgrains at the time of procurement.

19. Ensuring that all FCI owned godowns are constructed and maintained on scientific lines for storage of foodgrains.

20. For controlling transit losses in movement of foodgrains by rail, there is involvement of third private party whose representatives check the quantity of stocks before despatch by Rail and also after unloading from the wagons upto weighment of stocks at the time of taking over of such stocks by receiving ends. Therefore, the chances of pilferage during Transit have been reduced to the minimum possible extent.

21. Transfer of officials whose integrity is found doubtful as per existing instructions.

22. Transit Insurance of Stocks.

5.29 When enquired about the theft & pilferage of foodgrains, the Department informed the Committee that the following cases have been registered in various godowns of FCI:-

| Year | No. of Cases | Amount in Rs. |
|---|---|---|
| 2004-05 | 14 | 7078850 |
| 2005-06 | 05 | 699939 |
| 2006-07 | 03 | 53905 |
| **Total** | **22** | **7832694** |

5.30 The Department has furnished the following information regarding the number of regular/surprise checks undertaken by HQs Vigilance Squad during the last 3 years are as under:-

| Year | Checks undertaken |
|---|---|
| 2005 | 13 |
| 2006 | 6 |
| 2007 | 13 |

5.31 When enquired about the action taken by the FCI against the official responsible for transit and storage losses, the Department has furnished the following statement from 2005 to 2007:-

| Year | No. of Cases initiated during the year | No. of official involved | Cases finished | Penalty imposed (Amount in Rs.) |
|---|---|---|---|---|
| 2005 | 1002 | 5391 | 997 | 98,47,214 |
| 2006 | 1364 | 8014 | 1101 | 62,61,180 |
| 2007 | 956 | 4637 | 359 | 62,61,180 |
| Total | 3322 | 18042 | 2457 | 2,23,69,574 |

**5.32 The Committee note that as a result of various measures taken by the Ministry, storage and transit losses have been reduced to a considerable extent but still they are quiet high. The Committee feel that the issue of storage losses requires regular monitoring on the part of the Government as well by the technical staff posted in the field. In the opinion of the Committee, the steps taken by FCI to prevent storage losses are not adequate. Regular inspections and constant monitoring are required to ensure that losses do not increase further. The Committee desire that vigorous efforts should be made to minimize the losses so that funds earmarked for the poorest of the poor reach the actual beneficiaries. The Committee would like to be apprised of the concrete measures taken in this regard.**

**The Committee are further constrained to note that 3320 cases were initiated up to 2007 where 18042 officials were held responsible for transit and storage losses. A penalty of Rs.2.24 crore was imposed on such officials. From the above facts, the Committee conclude that the FCI is not serious about the storage and transit losses which occur due to human error. The Committee desire that the FCI should improve its monitoring over field staff so that their losses are minimized. They also desire that FCI should also analyze the reasons for such a huge transit and storage losses and devise effective remedial measures to bring down such losses due to human negligence.**

### *(e) Proxy Labour*

5.33 The Committee in their earlier Reports had drawn the attention of the Ministry towards the system of 'Proxy Labour' which is prevalent in Food Corporation of India (FCI) and suggested the following measures for ending proxy labour system:-

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

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

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

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

5.34 On being asked by the Committee whether the regulation of attendance system in FCI to curb the menace of proxy labour as recommended by the Committee has been implemented throughout the country, the Ministry stated despite resistance from the labour unions / workmen, the Food Corporation of India has been able to implement the suggestions of the Parliamentary Standing Committee in 22 States and 2 Union Territories.

5.35 The Secretary, Department of Food and Public Distribution further elaborated the status of recommendation made by the Committee in their Eighteenth Report as under:-

'The first recommendation was that the worker should put one signature or thumb impression as a token of attendance. This has been implemented in 12 States. This is being partially implemented in UP, MP and Assam. The implementation is in progress in Orissa and Meghalaya. So, only six States are left like Delhi, AP, West Bengal, Bihar, Jharkhan, Nagaland and Manipur. We will try to do it as soon as possible. The progress is on. So, in 12 States, it is fully implemented and in three, it is partially implemented.

About recommendation No. 2, it is about introduction of mechanical gate entry devices, punch card system with thumb impression. This has been fully implemented in 16 States. At the moment, it is partially implemented in Punjab, Gujarat, MP, West Bengal and Bihar. Implementation is in progress in

Nagaland and Manipur also. The only State where it has not been implemented at all is Assam but we will ensure that it is implemented everywhere in full.

The Third recommendation is about payment of wages to all workers through cheque as per the provisions of the Income Tax Act. This has been fully implemented in 20 States and partially implemented in Jharkhand and Assam. The only State where it has not been implemented is Chhatisgarh. We will try to do it in this financial year itself. We will see to it that it is implemented fully every year.

The fourth recommendation was signing of daily work output slips by each labour at the end of the day and countersigned of the Mandal/shed in-charge. This has been implemented in ten States and partially implemented in MP, Tamil Nadu, Assam and even J&K. The implementation is in progress in Punjab, Maharashtra, Nagaland and Manipur. The six States where it has not started to be implemented in Delhi, Chhatisgarh, West Bengal, Orissa, Bihar and Jharkhand. We will try and ensure that in these States, it will be implemented fully in the current financial year itself."

SUMMARY:

| **S.No.** | **Status** | **Marking of attendance** | **Installation of mechanical devices** | **Payment by cheque** | **Signing of work-slips** |
|---|---|---|---|---|---|
| 1. | Implemented | 12 | 16 | 20 | 10* |
| 2. | Partially implemented | 03 | 05 | 02 | 04 |
| 3. | In progress | 02 | 01 | - | 03 |
| 4. | Difficulty being faced in implementation | 06 | 01 | 01 | 06 |
| | Total | 23 | 23 | 23 | 23 |

*Figures reconciled.

5.36 The Ministry has also informed that the Food Corporation of India has been facing stiff resistance from the workers / unions in the execution of the recommendations. Despite this there is improvement in the States of J&K, Delhi and Andhra Pradesh where the mechanical gate entry devices have been introduced. The workers in J&K who refused to accept payment of wages through cheques have started accepting the payment through cheque. The workers in Chhattisgarh Region are also being encouraged to accept the payment of wages through cheques.

5.37 On being asked about concrete efforts being made by the Department to convince the workers/labour unions to implement the suggestion of the Committee in regard to payment of wages through cheques, the Ministry in its post-evidence reply stated that the recommendations of the Parliamentary Standing Committee concerning the payment of wages to all workers through cheque as per provisions of Income Tax Act has been fully implemented in 20 States and partially in two states viz. Jharkand and Assam. Though labourers are resisting payment through cheque on the plea that they are illiterate and it is difficult for them to handle their bank account independently, FCI have convinced them that they will provide all cooperation to acquaint them with handling of bank account. Implementation of this recommendation is being pursued vigorously in the State of Chattisgarh. Under the provisions of Income Tax Act payment of Rs. 20,000/- or above in a month is required to be made through cheque whereas FCI is making efforts that entire payment of wages may be accepted by workers through cheque.

5.38 Efforts are being made to convince Unions/Labourers in Chattisgarh, Jharkhand and Assam Regions at regional/Zonal! Headquarters level of FCI in the periodical meetings, to accept payment of wages· through cheque. They are also being informed that the security risk is involved in handling cash for disbursement on salary day as depots of the FCI are situated in isolated areas.

**5.39 The Committee are happy to note that the recommendation of the Committee for eliminating the evil of proxy labour has been fully implemented in 20 States and partially in 2 States. Though labourers are resisting payment through cheques on the plea that they are illiterate and cannot handle the bank account independently. Yet FCI has succeeded in convincing them and assured that they will provide all cooperation to acquaint them with the handling of bank account. Efforts are being made to implement their recommendation in States of Chattisgarh, Jharkhand and Assam. The Committee, therefore, desire that FCI should gear up their efforts in implementing the suggestions of the Committee to regulate the attendance system in FCI in rest of the States also, so that the system of proxy labour is abolished throughout the country.**

### *(f) Corruption in FCI*

5.40 The details regarding incidence of corruption cases detected against FCI officers during the last 3 years i.e. 2005, 2006 and 2007 are as under:-

| **Sl. No** | **Nature of irregularity** | **2005** | **2006** | **2007** |
|---|---|---|---|---|
| 1. | Acceptance of illegal gratification /disproportionate assets | 4 | 11 | 10 |
| 2. | Defalcation of accounts/ misappropriation | 34 | 79 | 70 |
| 3. | Misappropriation of dead stocks/ construction of godowns | 13 | 6 | 11 |
| 4. | Purchase of sub standard stocks | 1026 | 569 | 288 |
| 5. | Award of Handling and Transport contracts | 12 | 3 | 11 |
| 6. | Transit/Storage Losses | 901 | 1195 | 850 |
| 7. | Administrative lapses/ miscellaneous | 155 | 141 | 142 |
| | **Total** | 2145 | 2004 | 1382 |

5.41 When the Committee enquired about the action taken in corruption cases against FCI officers during the last 3 years i.e. 2005, 2006 and 2007, the Ministry informed as under:-

| **S.No.** | **Nature of Penalty imposed** | **2005** | **2006** | **2007** |
|---|---|---|---|---|
| i. | Dismissal/removal/ compulsorily retired | 44(1) | 79(3) | 50(-) |
| ii. | Reduction in rank | 30(-) | 30(-) | 46(-) |
| iii. | Reduction in time scale of pay | 313(2) | 318(2) | 274(4) |
| iv. | Withholding of increment | 118(2) | 216(1) | 195(1) |
| v. | Recovery from pay of the loss caused to FCI | 886(2) | 1731(23) | 1821(35) |
| vi. | Withholding of promotion | 5(-) | 2(-) | 66(-) |
| vii. | Censure | 307(6) | 382(6) | 358(16) |
| | Total | 1703(13) | 2758(35) | 2816(56) |
| viii. | Warning issued/ exoneration/ cases closed | 248(5) | 323(4) | 400(23) |
| | Grand Total | 1951(18) | 3081(39) | 3216(79) |

Figures in bracket indicate penalty imposed on Category-I Officers out of the total figures indicated above.

5.42 When asked about the preventive and punitive measures taken by the FCI to check corruption, the Committee were furnished the following information:-

**(A) Preventive Measures**

1. Identification of depots where more storage/transit losses are incurred for close review and checks.

2. Frequent surprise/squad checks at vulnerable epots/loading/unloading points/centres, particularly during procurement operations.

3. Liaison and assistance to CBI and joining them in their raids/surprise checks.

4. Plugging loopholes in the system/procedure/instructions.

5. Preparation of doubtful integrity and agreed lists.

6. Scrutiny of property returns.

7. Identification of training needs.

8. Review of sensitive postings and appropriate suggestion to displace persons of doubtful integrity.

9. Vigilance awareness programme to awaken the public against corruption.

(**B) Punitive Measures**

1. Investigation of complaints

2. Issue of charge sheets in prima facie established cases after preliminary inquiry.

3. Finalization of departmental proceedings (major/minor) within the prescribed time limits as far as possible and imposition of appropriate penalties.

4. Review of pending complaints and disciplinary proceedings at the level of lower disciplinary authorities.

5. Exemplary punishment in cases involving conspiracy or misconduct by individual officers as a strategy to sabotage the system, in appropriate cases.

6. Reference to CBI/local police of cases where besides departmental action, criminal misconduct/nexus with outside parties is suspected.

5.43 In this connection, the Committee enquired about the details of vigilance cases registered during the last three years, the Ministry in their reply stated that the number of cases referred to CBI/CVC during the last three are as under:

| **Year** | **No. of cases registered** | |
|---|---|---|
| | **Major** | **Minor** |
| 2005 | 511 | 2366 |
| 2006 | 535 | 2405 |
| 2007 | 419 | 2175 |

| **No. of cases referred to CBI** | |
|---|---|
| **Year** | **No. of cases** |
| 2005 | Nil |
| 2006 | One |
| 2007 | Nil |

| **No. of cases referred to CVC** | |
|---|---|
| **Year** | **No. of cases** |
| 2005 | One |
| 2006 | One |
| 2007 | Four |

5.44 On being enquired about the cases which were pending with CBI and CVC, the Ministry informed that four cases have been referred to CVC and five cases are pending with CBI as on date.

5.45 During evidence, the Committee wanted to know the reasons for lesser number of cases referred to CVC/CBI, the Secretary stated:-

> "As far as the vigilance cases are concerned, in 2005, 2006 and 2007 the number of penalties is going up. It was 1951 in 2005; 3081 in 2006 and 3216 in 2007, which is basically an interim report because we do not know yet till 31st March how much penalties were imposed. I would like to say that procurement work is basically a team work among the States and the FCI. The FCI does 15 per cent of the procurement and 5 per cent is done by the State agencies. As it so happened, the State agencies do not seem to have any institutional mechanism for vigilance. It is only in the FCI we have an institutional mechanism for vigilance. We

will try to reduce the irregularities to the possible extent. I would like to submit that the scandal that happened in Punjab has not happened since then. We are very alert and watchful to ensure that such thing does not happen again. The number of punishments going up very year would indicate that the FCI is very alive to the problem."

**5.46 The Committee are pained to note that despite various punitive and preventive measures, a large number of corruption cases have been detected against the FCI officials during 2007. The Committee are of the view that the corruption in FCI may be rampant on account of lack of institutional mechanism for vigilance available at the zonal and regional offices of FCI. This fact has also been admitted by Secretary, Department of Food and Public Distribution during the course of evidence. The Committee, therefore, recommend that FCI should strengthen its vigilance mechanism in coordination with the States/UTs so as to detect corrupt practices by FCI Officers and take stringent punitive action against them, if found guilty. The Committee feel that efforts should be made for early disposal of pending cases as delay in disposal of vigilance cases would encourage corrupt practices and undermine the authority of law.**

## CHAPTER VI

## CENTRAL WAREHOUSING CORPORATION (CWC)

The Central Warehousing Corporation (CWC) was set up in March, 1957 after enactment of Agricultural Produce (Development and Warehousing) Corporation Act, 1956, subsequently repealed and re-enacted by the Parliament House as the Warehousing Corporation Act, 1962. The main objective of the CWC is to provide scientific storage facilities for agricultural inputs & produce and various other notified commodities. The authorized and paid up capital of the Corporation is Rs. 100 crore and Rs.68.02 crore respectively. Against the authorized capital of Rs. 100.00 crores, the paid-up Capital of the CWC is Rs. 68.02 crores and Net Worth of CWC as on 31.3.2007 is Rs. 1021.77 crore.

6.2 The income, expenditure of CWC for the last three years is as follows:-

**( in Rs. crore)**

| **YEAR** | **INCOME** | **EXPENDITURE** |
|---|---|---|
| 2004-2005 | 522.87 | 462.45 |
| 2005-2006 | 619.50 | 512.55 |
| 2006-2007 | 686.44 | 552.64 |

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

**( in Rs. crore)**

| **YEAR** | **OUTSTANDING DUES AGAINST DEPOSITORS** | **LIABILITIES** |
|---|---|---|
| 2004-2005 | 118.87 | 119.08 |
| 2005-2006 | 134.53 | 124.34 |
| 2006-2007 | 154.94 | 146.16 |

6.4 With regard to constant rise in the outstanding dues and liabilities of the Corporation, the Ministry informed that the main reasons for constant rise in dues during the year 2005-2006 and 2006-2007 are as under:

(a) Increase in turnover of the Corporation by 18.5% in the year 2005-2006 and 11% in 2006-2007 having impact on outstanding dues.

(b) The main increase in outstanding is from FCI due to deduction made and pending regularization of storage and transit losses. The Corporation is making efforts to settle the matter and realize the amount.

(c) Credit facility is usually extended to attract the customers keeping in view of the competition in the market.

**(a) Outstanding Liabilities**

6.5 The outstanding Liabilities during last three years are as under:-

(Rs. in Crore)

| | 2006-07 | 2005-06 | 2004-05 |
|---|---|---|---|
| Sundry Creditors for supplies | 44.92 | 42.99 | 40.61 |
| Customers Advance | 11.47 | 7.25 | 5.44 |
| Liability for Expenses | 45.31 | 38.56 | 42.82 |
| Sundry Creditors-MF | 24.06 | 20.66 | 17.07 |
| Sundry Creditors-Projects | 9.02 | 5.10 | 4.70 |
| Other Liabilities | 11.38 | 9.78 | 8.44 |
| Total | 146.16 | 124.34 | 119.08 |

6.6 When the Committee enquired about the reasons for increase in liabilities of the Corporation, the Ministry stated as under:-

1. Increase in the Sundry Creditors for Supplies is due to outstanding bills of purchases of Chemicals and Dunnage, where expenditures on these have increased due to increase in business.
2. Increase in the income received in advance from the customers which is adjusted against the next year's Income.

3. Increase in liability for expenses is due to liability provided at the year end towards Rates & Taxes, Repairs & Maintenance, Wages, Advertisement, Security Charges, and Royalty etc.

4. Increase in Sundry Creditors (Market Facilitating) is due to liability provided for payment of Market Facilitating Charges to Handling & Transport Contractors.

5. Increase in Sundry Creditors (projects) is due to liability provided for construction bills of Railside Warehouses projects which were taken up during these years.

| **YEAR** | **AMOUNT(Rs.)** |
|---|---|
| 2004-2005 | 432525/- |
| 2005-2006 | 1717935/- |
| 2006-2007 | 94201/- |

6.7 The Committee enquired about the total amount written off as bad debts during the last three years, the Ministry stated as under:-

The Bad Debts for the year 2007-2008 are expected to be Rs. 4.00 lakh which is even less than 0.01% of the turnover.

**6.8 The Committee are perturbed to note that outstanding dues of CWC during the last three years, 2004-05 to 2006-07 has been consistently increasing from Rs. 118.87 crore to Rs. 154.94 crore. Outstanding liabilities also rose from Rs. 119.08 crore to Rs. 146.16 crore during the same period. According to the Ministry, the main reasons for increase in the outstanding dues of CWC are (i) increase in turnover of CWC; (ii) deduction made and pending regularization of storage and transit losses by FCI; and (iii) credit facilities extended to attract the customers. It is surprising that every year a huge amount is declared as bad debts and written off for the last three years. In the opinion of the Committee, there is a causal approach in the CWC over their mounting dues and liabilities. The Committee, therefore, recommend that CWC should make concerted efforts for liquidation of outstanding dues fully at the earliest in order to enhance its profitability. The Committee would also like to be apprised about the reasons for a huge jump in the amount of bad debts written off and would like the Ministry to keep a close watch on it.**

## (b) ESTABLISHMENT COST

6.9 The Establishment Cost of CWC for the last three financial years is as under:-

| YEAR | AMOUNT (Crore Rs.) |
|---|---|
| 2004-2005 | 188.40 |
| 2005-2006 | 197.25 |
| 2006-2007 | 196.06 |
| 2007-2008 | 240.69(Provisional) |

6.10 From the above statement, it may be observed that the establishment cost of CWC has been increasing constantly for the last three years. In this context, the Committee enquired the reasons for constant rise in Establishment Cost particularly during 2007-08. The Ministry in its written reply stated that the establishment cost for the year 2007-2008 is high due to anticipated DA merger w.e.f. 1.1.2007 (IDA pattern employees, as per DPE order No. 2(7) / 2005 DPE- (WC) GL-III dated 26TH February, 2008 and also anticipated pay revision cost projected @ 20% on the existing basic pay in respect of employees following CDA as well as IDA pattern of pay due w.e.f. 1. 1.2006 and 1.1.2007.

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

i) The Corporation has not made any new recruitment since 1998 inspite of substantial increase in its Storage Capacity.

ii) The Corporation has reduced its manpower by introducing VRS for the employees during the years 1994, 1998, 2002 and 2005 in which 2470 employees have opted for Voluntary Retirement.

iii) The Corporation has also gone for outsourcing the essentially needed Manpower in the areas of Technical and Pest Control Work, Security and House-keeping.

iv) The Corporation has also taken measures to restructure its operations to reduce the cost by going in for Strategic Alliance, merger/closure of Construction Cells and re-deployment of Manpower.

6.12 When asked about the turnover and net profit of CWC for the last five years, the Ministry furnished the following data:-

(Rs./Crore)

| YEAR | TURNOVER | NET PROFIT(Before Tax) | NET PROFIT(After Tax) |
|---|---|---|---|
| 2002-2003 | 471.08 | 47.62 | 43.29 |
| 2003-2004 | 462.86 | 33.88 | 22.43 |
| 2004-2005 | 522.87 | 60.42 | 41.30 |
| 2005-2006 | 619.50 | 106.95 | 70.62 |
| 2006-2007 | 686.44 | 133.80 | 88.70 |

6.13 The Committee drew the attention of the Department that a study was conducted by the Tata Consultancy Services to suggest measures to curtail the establishment cost of CWC and enquired whether the recommendation of the TCS have been accepted and implemented, the Department informed the Committee that recommendations of TCS were placed before the Board of Directors during the year 2002. The Board approved, in principle, to accept the proposals made by the Corporation on the Recommendations of TCS Report. Following steps have been taken:

(i) As a part of Organizational Restructuring and Cost Reduction, some of the Regional Offices were merged; Construction Cells have been reduced to the barest minimum. As on date, out of total 17 Construction Cells, the Corporation is operating only 04 Construction Cells. These 04 Construction Cells are also likely to be closed around June, 2008. The Corporation has also started downsizing Engineering Cadre in phased manner. Voluntary Retirement Scheme was earlier introduced and opened to the entire Engineering Cadre including Group-A Officers. Recently also, the Corporation has proposed VRS exclusively for Engineering Personnel, which has been approved by the Board and the matter is under process.

(ii) Adopting IT Strategies, the Corporation has already undertaken computerization of all ROs and important warehouses. Under the Cost Reduction Strategies, the Corporation has accepted the proposal of leasing out its selected properties and the steps have been taken by way of Strategic Alliance and contracts with Private Parties.

(iii) TCS had also recommended post of EDs, which was also accepted and implemented by the Corporation. With the joining of two Directors, two posts of

EDs have also been abolished as per the Provisions under Staff Regulations of the Corporation. 05 General Managers in General Management Cadre were also recommended by TCS, against which, 04 GMs are already in position (3 Regular and 1 on deputation). Against 02 GMs in Finance Cadre, 01 post has already been filled and for other, there is no eligible candidate. One post of GM in Technical Cadre is vacant as the present incumbent in Technical Cadre has not fulfilled the qualifying period. TCS recommendation for strengthening ROs by posting Senior Managers has been accepted by the Corporation and wherever necessary, such Regions are headed by Senior Managers only. The recommendations for delegating more powers to RMs were also accepted and the same has already been implemented.

(iv) TCS has recommended for introducing policy formulation by forming TMT, the same has been accepted and TMT is already in existence.

All the recommendations of TCS were not accepted in to, however, as far as possible some of the recommendations have been implemented.

**6.14 The Committee regret to note that expenditure on establishment cost of CWC is constantly increasing despite various remedial measures being adopted by the Corporation. The expenditure on Establishment Cost has risen from Rs. 188.40 crore during the year 2004-05 to Rs. 240.69 crore during the year 2007-08. Although a study was conducted through Tata Consultancy Services (TCS) to suggest measures to curtail the establishment cost of CWC yet the CWC did give due weightage to their recommendation with the result there is no curtailment in the establishment cost of CWC. The Committee cannot accept the plea of the Government that the main reasons for increase in the establishment cost was due to increase in staff and pay revision of their employees in view of the fact that Corporation reduced its manpower by introducing the VRS. The Committee desire that all recommendations of TCS should be implemented in letter and spirit so that there is no increase in the establishment cost of CWC in the coming years.**

## (c ) CONSTRUCTION OF GODOWNS

6.15 The Ministry has informed that the prospective plan drawn for the construction of godowns by CWC during the financial year 2008-09 is as under:-

| | **Centre** | **Capacity** | **Amount** | **Amount** |
|---|---|---|---|---|
| | | **(Lakh MTs.)** | **(Crore Rs.)** | |
| 1.Warehousing Capacity to be created by CWC | Shimla | 5000 | 1.50 | |
| | Barhi | 10000 | 2.00 | |
| | Kurukshetra | 5000 | 1.00 | |
| | Jaipur | 5000 | 1.00 | |
| | Bharatpur | 5000 | 1.00 | |
| | Baran | 5000 | 1.00 | |
| | Panihati | 10000 | 2.00 | |
| | | 45000 | 9.50 | 9.50 |
| 2.Land to be purchased by CWC | Tuticorin | | 0.23 | |
| | Simla | | 0.20 | |
| | Kannur | | 0.10 | |
| | | | 0.53 | 0.53 |
| 3.Contributing to Share Capital of SWCs | | | | 2.61 |
| 4. Investment in Railside Warehouses through subsidiary "CRWC Ltd." | RWC Hatia (Ranchi) | 14800 | 7.00 | |
| | RWC Dankuni (Kolkata) | 14000 | 6.00 | |
| | RWC KOKG (Chennai) | 15000 | 8.00 | |
| | RWC Dehri-On-Sone | 10000 | 6.00 | |
| | RWC Indore | 10000 | 5.00 | |
| | ROC Rohtak | 10000 | 5.00 | |
| | | 73800 | 37.00 | 37.00 |
| | TOTAL | 118800 | | 49.64 |

6.16 When asked whether CWC has any proposal for construction of godowns in NE States/J&K and the difficulties being faced by them in construction of godowns, the Ministry in its post evidence reply stated that CWC is in touch with Meghalaya Govt for developing Cold Storage facility. However, there are no plans to construct warehouse in J&K at present.

6.17 Amount spent on creation of additional storage capacity during the last three years is as under-:

| YEAR | AMOUNT (in Rs. crore) |
|---|---|
| 2004-2005 | 56.15 |
| 2005-2006 | 67.00 |
| 2006-2007 | 78.66 |
| 2007-08 | 67.59 |

6.18 The Warehousing Capacity, its utilization and percentage of utilization for the last five years (average) are given in the following table:-

| | **Owned/Covered** | | **% of Utils.** | **Hired/Covered*** | | **% of Utils.** | **Total** | | **% of Utils.** |
|---|---|---|---|---|---|---|---|---|---|
| | **Capacity** | **Utilization** | | **Capacity** | **Utilization** | | **Capacity** | **Utilization** | |
| 6 | 66.83 | 44.83 | 67 | 35.28 | 26.76 | 76 | 102.11 | 71.59 | 70 |
| 7 | 66.88 | 49.74 | 74 | 35.82 | 29.75 | 83 | 102.70 | 79.49 | 77 |
| 8 | 67.25 | 48.65 | 72 | 32.39 | 24.70 | 76 | 99.64 | 73.35 | 74 |

* Includes open construction/plinths.

6.19 The Committee desired to know about the details of steps taken to minimize dependence on hired capacity and utilization of owned capacity to maximum, the Ministry stated that the Regional Managers exercise the powers for de-hiring the godowns, as per his Delegation of Powers, otherwise the matter is referred to Concerned Officer. Generally the following factors are considered for retention/de-hiring the hired warehouses/godowns.

1. Physical and financial performance of the godowns for the last 12 months.

2. Availability of business and future requirement of the space from various depositors.

3. Condition of the godown, in case the godown becomes unstorageworthy due to continuous use and owner does not agree to repair the same.

4. Arbitrary demand of owner for enhancement of godown rent.

5. To avoid litigation in court, in case the suit has been filed by the owner.

6.20 The statement showing the details of total covered capacity including constructed and hired, as well as open capacity available with CWC as on 1.2.2008 is as under:

**(In lakh MT)**

| Constd. | Hired | Open/Plin | Management | Total |
|---|---|---|---|---|
| 67.17 | 12.74 | 13.84 | 4.41 | 98.16 |

6.21 The details of the storage capacity (owned and hired) available with State Warehousing Corporations as on 29.02.2008 is as follows:-

| Sl. No. | Name of SWC | No. of Cen-tres | Capacity in Lakh MT | | | Total | Occu-pancy | %age Occu-pancy |
|---|---|---|---|---|---|---|---|---|
| | | | Const | Hired | Plinth | | | |
| 1. | Andhra Pr. | 138 | 5.23 | 17.53 | 0.00 | 22.76 | 20.34 | 89 |
| 2. | Assam | 44 | 2.09 | 0.45 | 0.00 | 2.54 | '1.72 | 67 |
| 3. | Bihar | 44 | 1.45 | 1.24 | 0.00 | 2.69 | 2.52 | 94 |
| 4. | Gujarat | 45 | 1.29 | 0.08 | 0.00 | 1.37 | 0.69 | 51 |
| 5 | Haryana | 105 | 9.22 | 2.83 | 1.83 | 13.88 | 9.92 | 71 |
| 6. | Karntaka | 120 | 5.24 | 3.38 | 0.00 | 8.62, | 4.97 | 58 |
| 7. | Kerala | 60 | 1.79 | 0.20 | 0.00 | 1.99 | 1.20 | 60 |
| 8. | Madhya Pr. | 234 | 11.05 | 0.85 | 0.04 | 11.94 | 8.63 | 72 |
| 9. | Maharashtra | 165 | 11.07 | 0.61 | 0.00 | 11.68 | 8.99 | 77 |
| 10. | Meghalaya | 5 | 0.11 | 0.00 | 0.00 | 0.11 | 0.10 | 86 |
| 11. | Orissa | 60 | 3.95 | 0.08 | 0.00 | 4.03 | 3.05 | 76 |
| 12 | Punjab | 116 | 24.17 | 26.92 | 0.86 | 51.95 | .40.32 | 78 |
| 13. | Rajasthan | 89 | 7.37 | 0.26 | 0.00 | 7.63 | 3.44 | 45 |
| 14. | Tamil Nadu | 61 | 6.05 | 0.29 | 0.00 | 6.34 | 5.31 | 84 |
| 15. | Uttar Pradesh | 151 | 24.54 | 2.94 | 0.00 | 27.48 | 25.77 | 94 |
| 16. | West Bengal | 30 | 1.37 | 0.80 | 0.00 | 2.17 | 1.51 | 69 |
| 17. | Chhatisgarh | 107 | 5.09 | 2.95 | 0.00 | 8.04 | 7.20 | 89 |
| | **Total** | **1574** | **121.08** | **61.41** | **2.73** | **185.22** | **145.68** | **78** |

6.22 The Committee observed from the above information provided by the Ministry that up to 29.02.2008, the total storage capacity available with Punjab is 51.95 lakh MT (owned – 24.17 lakh MT and hired – 26.92 lakh MT, plinth – 0.86 lakh MT) but occupancy level is only 40.32 lakh MT (78% occupancy). The same is the situation in Andhra Pradesh where hired capacity is being put to maximum utilization. The Committee enquired as to when such a huge capacity was being hired, why was it not subjected to full utilization, the Ministry in its post evidence reply have stated that in Punjab Region the total capacity is 713759 MT which comprises owned capacity of 644659 and hired capacity of 69100 MT and the occupancy level is 46% of total capacity for both owned and hired. For hired unit in Punjab Region the occupancy level is 74%. The hired capacity has been taken by CWC at such places where CWC has not constructed godowns and there is demand for storage space.

6.23 The physical target for the year 2005-06, 2006-07 and 2007-08 (including for RWC) for construction of 2.57 lakh MTs (actual 2.76 lakh MTs), 5.90 lakh MTs (actual 3.78 lakh MTs) and 2.13 lakh MTs capacity respectively and corresponding financial targets vis-à-vis actual achievements are given as under:-:

**(Rupees in Crores)**

| | **2005-06** | | **2006-07** | | **2007-08** | |
|---|---|---|---|---|---|---|
| | **Target** | **Actuals** | **Target** | **Actuals** | **Target** | **Actuals (31.12.2007)** |
| Land plus Construction | 61.68 | 67.00 | 109.63 | 78.66 | 79.08 | 54.16 |
| Contribution to Share Capital of SWCs | 1.50 | 0.00 | 1.25 | 0.40 | 3.41 | 0.31 |
| **TOTAL** | **63.18** | **67.00** | **110.88** | **79.06** | **82.49** | **54.47** |

6.24 On being asked about the reasons for non-achievement of physical and financial targets for construction of warehouses by CWC during 2007-08, the Ministry in its post evidence reply have stated that the physical targets for construction of warehouses by CWC during 2007-2008 have been fully achieved as 2.40 Lakh Tonnes capacity has been constructed against the target of 2.13 Lakh Tonnes. However, the financial target could not be achieved as the pending final Bills for the capacity constructed during 2007-08 will be paid during next financial year i.e. 2008-2009.

**6.25 The Committee are constrained to note that CWC has no proposal for construction of godowns in NE States/J&K. The Ministry has also informed that they are in constant touch with Meghalaya Government for developing cold storage facility. The Committee feel that inadequacy of storage capacity in NE States and J&K poses a serious threat to efficient and smooth running of Public Distribution System, especially during rainy season. According to the Committee, North-Eastern States are the most disadvantaged States in terms of lack of infrastructure, communication and rail/road network. Storage of adequate foodgrains is a continuous problem which needs to be tackled in all seriousness. In the opinion of the Committee, existence of sufficient storage capacity in these States is a pre-requisite for the people of these States to reap the benefits of Public Distribution System. The Committee, therefore, strongly recommend that the Ministry should give highest priority to the task of construction of godowns in NE region/J&K.**

**6.26 The Committee note that up to 28th February, 2008 total storage capacity available with Punjab was 51.95 lakh MTs (owned-24.17 lakh MTs and hired – 26.92 lakh MTs, Plinth – 0.86 lakh MTs, which in percentage terms is 46.52, 51.81 and 1.65 respectively) but occupancy level was only 40.32 lakh MTs (78% occupancy). Similar is the situation in the State of Andhra Pradesh. The Committee are constrained to note that although the hired capacity is being utilized to the maximum but surprisingly not the owned one. The Committee express their deep anguish over under-utilization of owned capacity and the infructuous expenditure being incurred on hiring the storage capacity. The Committee, therefore, strongly recommend that due care should be taken by CWC by utilizing their own capacity to the maximum first before hiring any storage capacity from outside in order to save precious funds spent on hiring space.**

# CHAPTER VII

## MANAGEMENT OF SUGAR

India is one of the largest producers of sugar and sugarcane in the world and the sugar industry is the largest agro-based industry located in rural India. About 45 million sugarcane farmers, their dependents and a large mass of agricultural labourers are involved in sugarcane cultivation, harvesting and ancillary activities constituting 7.5 per cent of rural population. Maharashtra and Uttar Pradesh contribute more than 50 per cent share in the country's sugar output. India is the largest consumer of sugar in the world.

7.2 Management of the sugar industry coupled with management of sugar for public distribution is done by the Department of Food and Public Distribution. The Sugar Development Fund is the main instrument through which financial assistance is provided to the sugar industry for effecting modernization and expansion of the existing mills, for bringing about varietal improvement and development in the cane grown in the area of the sugar factories, for projects for bagasse based cogeneration of power and for production of ethanol. The activities in relation to sugar broadly cover: (a) Regulation of the industry through the Directorate of Sugar; (b) Administration of subsidy on sugar; (c) Administration of Sugar Development Fund; and (d) Training and research institution.

7.3 There are at present 608 installed sugar factories in the country comprising 317 in the cooperative sector, 62 in the public sector and 229 in the private sector as on 31.12.2007.

7.4 The present installed capacity of sugar factories in terms of annual sugar production as on 29.2.2008 is 222.2193 lakh tonnes. The sector wise installed capacity is as under : -

| Sl. No. | Sector | Capacity (In lakh tonnes) |
|---|---|---|
| 1 | Co-operative Sector | 107.3720 |
| 2 | Private Sector | 102.8524 |
| 3 | Public Sector | 11.9949 |
| | **Total** | **222.2193** |

### (a) Production of Sugar

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

(Qty. in lakh tonnes)

| Particulars | 2003-2004 | 2004-2005 | 2005-2006 | 2006-2007 |
|---|---|---|---|---|
| Carry over stocks from Previous season | 116.16 | 85.00 | 40.00* | 44# |
| Production of Sugar | 139.58 @ | 130.00 | 189.59 | 280.00 |
| Imports | 5.53 | 20.74 | 3.62 | 0.00 |
| Total availability | 261.27 | 235.74 | 233.21 | 324.00 |
| Internal consumption | 175.00 | 171.44 | 183.21 | 190.00 |
| Exports | 2.94 | 0.98 | 13.68 | 15.00 |
| Closing stocks at the end of Season | 83.33* | 63.32* | 36.32 | 119.00## |

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

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

@ Includes sugar converted from imported raw sugar.

\# Central Excise Authorities have reported closing stocks at 43.64 lakh tonnes.

\## Central Excise Authorities have reported closing stocks of 110 lakh tonnes.

### (b) Prices of Sugarcane

7.6 The Statutory Minimum Price (SMP) of sugarcane for 2007-08 season has been fixed at Rs.81.18 per quintal linked to a basic recovery of 9.0 percent. For 2006-07 season, the Statutory Minimum Price was fixed at Rs.80.25 per quintal linked to a basic recovery of 9 percent. Statutory Minimum Price of Rs.79.50 and Rs.74.50 per quintal were fixed for the seasons 2005-06 and 2004-05 respectively linked to a basic recovery of 9.0 percent and 8.5 per cent. In practice, however, some of the State Governments have been advising the sugar mills to pay cane price generally at a higher level than the Statutory Minimum Price.

**(c) Sugar Development Fund**

7.7 Sugar Development Fund (SDF) was created vide The Sugar Development Fund Act 1982 enacted for the financing of activities for the development of sugar industry. Under the Sugar Cess Act, 1982, a cess @ Rs.14.00 per quintal upto 30. 11. 2007 and @ Rs.15.00 per quintal w.e.f. 01.01.2008 which had been increased to Rs.24.00 per quintal w.e.f. 1.3.2008 is being collected as a duty of excise on all sugar produced by any sugar factory in India. The Sugar Development Fund Act, 1982 provides that an amount equivalent to the proceeds of the duty of excise levied and collected under the Sugar Cess Act, 1982, reduced by the cost of collection as determined by the Central Government, together with any money received by the Central Government for the purpose of this Act, shall after due appropriation made by Parliament by law, be credited to the Sugar Development Fund (SDF).

7.8 During the period from 1982-83 to 2007-08 (up to 30 November, 2007) a cess amount of Rs.4685 crore has been collected. Out of this, upto 30 November, 2007, Rs.4006 crore has been transferred to the Sugar Development Fund (SDF) and Rs. 3754 crore have been disbursed for the development of sugar industry upto 31 November, 2007.

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

(a) Grant loans for facilitating the rehabilitation and modernization of any sugar factory;

(b) Grant loans for undertaking of any scheme for development of sugarcane in the area in which any sugar factory is situated;

(c) Grant loans for the purpose of carrying out any research project aimed at the promotion and development of any aspect of sugar industry;

(d) Defraying expenditure on internal transport and freight charges on export shipments of sugar;

(e) Grants loans to any sugar factory to implement a project of bagasse-based co-generation of power;

(f) Grant loans to any sugar factory for production of anhydrous alcohol or ethanol from alcohol or molasses;

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

(h) Defraying expenditure for the purpose of financial assistance to sugar factories towards interest on loans given in terms of any scheme approved by the Central Government from time to time.

7.10 Sugar Development Fund is an important source of funds of providing loans at concessional rate to sugar factories to modernize and expand their capacity and utilize the by-products like bagasse and molasses to improve revenue generation and their viability.

7.11 SDF Rules have been further amended on 5 December 2007 to provide for restructuring of loans of potentially viable sick sugar undertakings.

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

BE, RE and Actual Expenditure under the Schemes in operation for providing loans to sugar factories from SDF during 2006-07 and 2007-08 is as under

**(Rupees in crore)**

| Scheme | 2006-07 | | | 2007-08 | | |
|---|---|---|---|---|---|---|
| | **BE** | **RE** | **AE** | **BE** | **RE** | **AE** |
| Loans for Modernization/ Rehabilitation of Sugar Mills | 100 | 125 | 86.46 | 125 | 125 | 95.90 |
| Loans for Cane Development | 25 | 25 | 14.81 | 25 | 25 | 2.82 |
| Loans for Sugar Mills for Baggase based cogeneration power projects | 100 | 120 | 92.02 | 150 | 150 | 88.30 |
| Loans for production of anhydrous alcohol/ethanol | 75 | 30 | 2.28 | 30 | 30 | 3.60 |
| Total | 300 | 300 | 195.57 | 330 | 330 | 190.62 |

7.13 As regards, reasons for under spending, the Department has informed the Committee that main reasons for lower utilisation funds in all the Schemes was due to receipt of lesser number of applications and also due to receipt of incomplete applications, as required under SDF Rules, applicant sugar factories not being able to complete necessary documentation, inability of sugar factories to furnish securities and in some cases non execution of Tripartite Agreement (TPA) in time by the applicants.

7.14 When the Committee enquired about the plan of the Government to simplify the procedure for granting loans for various schemes, the Ministry in their post-evidence reply stated as under:-

"SDF loans given to sugar mills would require to be secured by way of security either in the form of a bank guarantee or a charge on the assets of the factory. Therefore, disbursements of SDF loans are made only after such security is created and furnished to the Government in proper form. A few other requirements like submission of Utilization Certificate of the previous loans are to be complied with before making further disbursement of loans.

Further, loan disbursements are dependent on the progress and implementation of the project, which is being funded from the SDF. Therefore, delays in progress of projects lead to delays in disbursements also.

Certain checks are important from the viewpoint of financial propriety to also ensure that the loans are properly utilized for the purposes for which they are being disbursed and also that such utilization conforms to specific milestones being achieved by the factory. However, considering the fact that disbursements have to be made without procedural delays, some of the earlier practices have been relaxed and the Government has laid down the following requirements/criteria for the sugar factories to follow:

(a) Sugar factories are now allowed to furnish a charge on the assets in addition to the earlier requirement of bank guarantee only for loans for sugarcane development and for ethanol projects;
(b) The nature of security to be furnished by the sugar factories, which was being earlier decided at the time of disbursement of SDF loans are now being decided at the time of sanction of the loan itself;
(c) A bench-mark has been fixed and industry informed for the Fixed Assets Coverage Ratio (FACR) to decide the nature of security;
(d) Payments are now being made through Electronic Clearance Service (ECS) so that the sugar factory receives payment within a day or two instead of receiving payment through our monitoring agencies viz., IFCI and NCDC."

7.15 The recovery of funds as financial assistance from SDF is about 20 per cent to 25 per cent over the last three years. On being enquired about the measures being taken to improve the recovery, the Ministry in post evidence reply stated as under-:

"Special efforts have been made in the past couple of years to ensure higher recovery of outstanding SDF loans. Due to efforts made by the Department in recent years and particularly in 2007-08, the recovery of SDF dues has increased substantially, as may be seen in the table below:-

| **S.No.** | **Year** | **Recovery in crore of Rs.** | **Percentage recovery as compared to outstanding overdues as at the beginning of the year** |
|---|---|---|---|
| 1. | 2003-04 | 58 | 14% |
| 2. | 2004-05 | 67 | 14% |
| 3. | 2005-06 | 112 | 18% |
| 4. | 2006-07 | 216 | 31% |
| 5. | 2007-08 (Provisional) | 350 | 47% |

Some of the special efforts made to improve the recoveries are:-

(i) The buffer subsidy and export assistance payments against the claim of 2002-04 are being adjusted against outstanding SDF overdues, if outstanding against the concerned sugar factories.
(ii) Not only letters but legal notices are being issued to the sugar factories
(iii) Action has been taken to encash some of the bank guarantees, wherever possible.
(iv) In the cases where State Government guarantees were furnished but sugar factories have not cleared the outstanding dues and the State Governments have also not responded to repay SDF dues, Ministry of Finance was requested to adjust these dues against the Central Assistance to the States. Accordingly, during 2007-08 an amount of Rs.170.52 crore have been adjusted from the Central Assistance against the Central Government assistance to the States of Uttar Pradesh, Punjab and Maharashtra. It is, therefore, expected that the recovery of SDF overdues during 2007-08 would be more than Rs.350 crore which is an increase of 62% over the recovery made during 2006-07. In terms of outstanding overdues as at the beginning of the financial year, the percentage recovery is 47% in 2007-08 which was 31% in 2006-07. During 2007-08, the cess collection is expected to be about Rs.400 crore. The share of the cess collection and recovery of SDF loan in 2007-08 would, therefore, be 53% and 47% respectively of the total expected credit of Rs.750 crore into SDF during the year."

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

7.16 The Central Government vide Notification dated 21 June, 2002 and19 November, 2003 decided to defray the expenditure on internal transport and freight charges and ocean freight and handling and marketing charges respectively to the sugar factories on export shipment of domestically manufactured sugar with view to promote sugar export and liquidate surplus sugar stocks available with the sugar factories. Defraying of expenditure on export shipment of the sugar was made effective for the export from 21 June, 2002 and upto the export made till 18 August, 2004 in pursuance of release order issued upto 20 June, 2004 with validity of two months.

7.17 The allocation and utilization of funds and number of claims settled under (i) re-imbursement of internal transport and freight charges, (ii) payment of ocean freight charges and (iii) handling and marketing charges during the financial years 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 (upto 31.12.2007) are given below:-

| Year | Sanctioned Budget (BE) | Internal Transport and freight charges (in crores) | | Ocean freight and handling & marketing charges | | Total Expenditure (in crores) |
|---|---|---|---|---|---|---|
| | | No. of claims settled | Actual Exp. (in crores) | No. of claims settled | Actual Exp. (in crores) | |
| 2003-04 | 50.00 | 418 | 31.86 | -- | -- | 31.86 |
| 2004-05 | 125.00 | 392 | 46.09 | -- | -- | 46.09 |
| 2005-06 | 90.00 | 44 | 5.88 | 270 | 31.56 | 37.44 |
| 2006-07 | 50.00 | 38 | 7.94 | 94 | 13.02 | 20.96 |
| 2007-08 (upto 31.12.07) | 30.00 | 15 | 1.85 | 44 | 5.76 | 7.61* |

* Amount as per sanction issued & bills preferred to PAO to SPF Section.

7.18 During the year 2006-07 out of Rs.50 crore allocated for reimbursement of internal transport and freight charges to sugar factory on export shipment and payment of other permissible claims only Rs.20.96 crore could be utilised. Similarly, during 2007-08 compared to Rs. 30 crore allocated at BE only Rs.7.61 crore could be utilised. Again Rs. 300 crore have been allocated for 2008-09 under the aforesaid head.

7.19 The Committee wanted to know about the detailed reasons for the reimbursement being so low and the justification for enhancing the outlay to Rs.300 crore during 2008-09 when even Rs.50 crore could not be utilised during 2006-07 and the utilisation is only Rs.7.61 crore during 2007-08, the Ministry in a written reply have stated as under: -

"The payments to be made in 2006-07 were against the exports made between June 2002 and August 2004, for which most of the payments were made in the year 2003-04, 2004-05 and 2005-06. Only balance claims where the documents were not forthcoming or the cases were incomplete were expected to be settled in 2006-07, provided the mills were able to complete their claims as required under SDF Rules. The reimbursement in 2006-07 was low due to non-furnishing of requisite information/proper documents as required under Rules by the concerned sugar mills.

The Government has announced new export incentives on export of sugar-by-sugar mills for exports made on or after 19.4.2007 for one year. The new export incentives cover payment of internal transport and freight charges including ocean freight and handling and marketing charges at a flat rate of Rs.1350 per tonnes for sugar mills located in coastal States and Rs.1450 per tonnes for sugar mills located in non-coastal States. The SDF Rules for claiming and settling the claims have been notified on 7th November, 2007 by amending the SDF Rules by insertion of rule 20 A therein.

Though a few negligible numbers of claims were received in November 2007, most of the claims have been received only from December 2007 onwards. A large number of claims i.e. 210 out of 389 claims received have been found to be deficient and incomplete and therefore could not be processed for settlement. Therefore, the expenditure upto end of December 2007 was Rs. 7.46 crore only. But the bills sanctioned for releasing payments or payments released upto 26.3.2008 is now Rs. 69 crore. It is expected that another Rs.27 crore would be paid before end of this financial year. The total expenditure upto 31/3/2008 is expected to be about Rs.96 crore against a provision of Rs. 150 crore. A savings of about Rs.54 crore out of total allocated fund of Rs. 150 crore are due to non-submission of required document/incomplete claims by sugar mills.

A provision of Rs. 300 crore has been earmarked for the financial year 2008-09 since about Rs. 82 crore worth of claims have already been received in the Department till date (which though at present are incomplete/deficient on date) but may get settled next year. Claims for the exports made from January 2008 to 18 April 2008 would further be received from April 2008. The period of eligibility for export assistance is further being extended upto September 2008. Funds of Rs.300 crore would be required accordingly in 2008-09."

***(e) Cane Price Arrears***

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

| Year sugar season | Cane price arrears in crore |
|---|---|
| 2005-06 and earlier seasons | 239.13 |
| 2006-07 | 1383.36 |
| 2007-08 | 1638.17 |

7.21 The Committee desired to know about the reasons for such huge amounts pending as cane price arrears and steps taken by the Government to liquidate these arrears, the Ministry in their post evidence stated as under:-

"The all time high sugar production in the last sugar season 2006-07 and the initially anticipated higher production of sugar in the current sugar season 2007-08 led to a situation of depressed sugar prices during most period of 2007 which constrained the capacity of the sugar mills to pay cane price to the cane growers, leading to high cane price arrears. The timely payment of cane price is one of the factors which weigh with the farmers opting for sugarcane cultivation. However, it is too early to say whether or not area under sugarcane has actually declined. Department of Agriculture and Cooperation would release first advance estimates in July 2008 for the next sugar season.

The Central Government, with a view to ensure that high production of sugar does not lead to high cane price arrears, has taken a number of measures which have been explained in detail while replying to Question No. 3 & 4 of the original Questionnaire. These measures will help all sugar mills and sugarcane growers across the country including Maharashtra and U.P.

The cane price arrears for the last sugar season 2006-07 stood at Rs.1383.36 crore as on 31.12.2007. As per the latest information available from the State Governments/ sugar mills for different periods, the cane price arrears for the sugar season 2006-07 have declined to Rs.667.67 crore. In the case of Uttar Pradesh, the cane price arrears for the sugar season 2006-07 have declined from Rs.1097.92 crore (as on 31.12.2007) to Rs.494.20 crore (as on 25.03.2008). As regards Maharashtra, the cane price arrears for the sugar season 2006-07 have declined from Rs.38.41 crore (as on 31.12.2007) to Rs.34.96 crore (as on 15.02.2008).

The current sugar season 2007-08 is in progress. The cane price arrears are usually high in the initial months of the sugar season and start declining as soon as the crushing ends. "

In order to help the sugar industry to liquidate cane price arrears of sugarcane farmers, the Government has taken the following steps: -

i. A buffer stock of 20 lakh tonnes for one year has been created for a period of one year from 01.05.2007 to 30.04.2008 and additional buffer stock of 30 lakh tons has been created for a period of one year from 01.08.2007 to 31.07.2008. Thus, the Government has created a buffer stock of 50 lakh tonnes in 2006-07 sugar season, which would involve an annual subsidy amount of Rs.880 crore (approx) to be borne from the Sugar Development Fund (SDF). The banks provide additional credit on creation of buffer stock. The banks are estimated to provide additional credit of Rs. 978 crore (approx). As per the SDF Rules, 1983, the buffer subsidy amount and the additional credit are to be used for payment of cane price arrears as the first priority.

ii. Export assistance is also being provided to defray expenditure on internal transport, marketing and handling charges and ocean freight @ Rs. 1350/- per ton for sugar factories located in coastal States and Rs. 1450/- per ton for sugar factories located in non-coastal States (subject to actuals for export by road/rail to neighbouring countries) for a period of one year with effect from 19 April, 2007. The amount involved is Rs. 420 crore (approx) which is to be borne from the Sugar Development Fund. This assistance shall also be used for payment of cane price arrears of farmers as the first priority.

iii. The requirement of obtaining release orders for the purpose of export has been dispensed with effect from 31July, 2007 till 30.09.2008. This would help the sugar factories to undertake exports expeditiously and improve their liquidity position.

iv. The Central Government has taken a decision to extend the moratorium on outstanding term loans as on 01.04.2005 announced in September 2005 for co-operative sugar factories, from 2 years to upto 5 years (reckoned from 01.04.2005) and to include cooperative sugar mills, not included in the earlier package, for availing the benefits of the earlier package. It has also been decided to convert outstanding loan on account of harvesting and transport charges and short margins on sugar stocks as appearing in books of sugar mills on 1st April,2007, into term loans upto a maximum period of five years, without any reduction in the existing rate of interest, and enhance the provision for interest subvention amount, to be provided by the Central Government from budgetary support to the banks for reduction in the rate of interest to 10% per annum on the restructured loans from Rs. 560 crore to Rs. 600 crore (approx). The decision of the Government has already been conveyed to NABARD.

v. The Central Government has decided to give loans from the banks to the sugar mills – private, public and cooperative sector under a special scheme titled ‘Scheme for Extending Financial Assistance to sugar undertakings, 2007’. Under the scheme, loans amounting to Rs.3800 crore to sugar factories will be granted equivalent to the notional Central Excise Duty payable on total production of sugar during 2006-07 and likely production in 2007-08 sugar seasons to clear cane price arrears/dues of 2006-07 and 2007-08 seasons relating to Statutory Minimum Price (SMP). The scheme provides full interest subvention to all scheduled commercial banks, regional rural banks and cooperatives banks for the total duration of the loan, which will be 4 years including 2 years moratorium. The interest subvention will be limited to 12% per annum of which 5 % will be met out of general budget provisions of the Central Government and the remaining up to 7% from the Sugar Development Fund. The interest subvention amount is estimated to be about Rs.1355 crore. The scheme has since been notified in the Gazette of India Extraordinary on 7.12.2007. As per information received from National Bank of Agricultural and Rural Development

(NABARD) and other scheduled commercial banks, a sum of about Rs. 2482 crores has been sanctioned by them to concerned sugar factories. Further, the proposals amounting to Rs. 464 crores are under process with the banks.

In addition, the Government has also taken the following decisions to improve the financial position of the sugar factories:

a. Making 5% blending of ethanol with petrol mandatory across the country, except in J & K, North Eastern States and Island Territories and to make 10% blending optional from October, 2007 and mandatory from October, 2008, excepting in the areas mentioned above;

b. Uniform purchase price of Rs. 21.50 per litre ex-factory for supply of ethanol which can be implemented all over the country for three years;

c. Reduction of customs duty from 7.5 % to 5% on "denatured alcohol" and from 10% to 5% on molasses and to implement the same only when mandatory ethanol blending at 5% level is operationalised in the country;

d. Permitting sugar factories to produce ethanol directly from sugarcane juice to augment availability of ethanol and reduce over supply of sugar.

It is expected that with the above measures, the financial position of sugar factories would improve enabling them to pay cane price including the outstanding cane price arrears to sugarcane farmers."

**State-wise and sugar season-wise position of cane price arrears as on 31.12.2007**

**(Amount in Crore Rs.)**

| SL. NO. | STATE | Cane Price Arrears for 2007-08 season | Cane Price Arrears for 2006-07 season | Cane Price Arrears for 2005-06 & earlier seasons | Total Cane Price Arrears |
|---|---|---|---|---|---|
| 1 | PUNJAB | 86.54 | 0.00 | 0.00 | 86.54 |
| 2 | HARYANA | 98.34 | 1.43 | 0.00 | 99.77 |
| 3 | UTTAR PRADESH | 194.43 | 1097.92 | 84.55 | 1376.90 |
| 4 | UTTARAKHAND | 14.52 | 41.28 | 0.00 | 55.80 |
| 5 | MADHYA PRADESH | 6.63 | 7.79 | 6.63 | 21.05 |
| 6 | CHHATISGARH | 0.00 | 0.00 | 0.00 | 0.00 |
| 7 | GUJARAT | 56.98 | 0.74 | 3.10 | 60.82 |
| 8 | MAHARASHTRA | 679.95 | 38.41 | 34.03 | 752.39 |
| 9 | BIHAR | 0.00 | 62.94 | 43.09 | 106.03 |
| 10 | ANDHRA PRADESH | 163.26 | 0.00 | 34.95 | 198.21 |
| 11 | KARNATAKA | 145.46 | 78.77 | 26.78 | 251.01 |

| | | | | | |
|---|---|---|---|---|---|
| 12 | TAMIL NADU | 186.36 | 52.01 | 2.15 | 240.52 |
| 13 | KERALA | 0.00 | 0.00 | 3.85 | 3.85 |
| 14 | ORISSA | 4.46 | 0.00 | 0.00 | 4.46 |
| 15 | WEST BENGAL | 0.00 | 0.01 | 0.00 | 0.01 |
| 16 | PUDUCHERRY | 0.06 | 2.06 | 0.00 | 2.12 |
| 17 | GOA | 1.18 | 0.00 | 0.00 | 1.18 |
| | **TOTAL** | **1638.17** | **1383.36** | **239.13** | **3260.66** |

**(f) Sick Sugar Units**

7.22 As per the list furnished by National Bank for Rural Development (NABARD) regarding sick units of the cooperative sector as on 31 August, 2006 and as per the list furnished by the Board for Financial Reconstructions (BIFR) regarding sick units of private sector as on 31 October, 2006, total 160 units have been declared as sick out of which 132 units are in co-operative sector and 28 units are of private/public sector

7.23 When the Committee enquired about the functions of Committee of Rehabilitation (COR), which has been constituted, to consider cases of rehabilitation of sick co-operative sugar mills, which have evaded their net worth and also about the measures taken for revival of sick sugar units, the Ministry in their Post Evidence Reply stated:

"Sugar mills remain closed or become sick from time to time for a variety of factors, such as, the practice of payment of State Advised Prices (SAPs) for sugarcane, inadequate availability of sugarcane, uneconomical size of the mills, outdated plant and machinery, technical and managerial incompetence etc.

As per SDF Rule 21, loan from SDF can be given to potentially viable sick sugar undertakings for modernization or rehabilitation of plant and machinery as well as for cane development in the area of the sugar factory, provided that the loan from the Fund has been recommended in the rehabilitation scheme for the potentially viable sick sugar undertaking by Board for Industrial & Financial Reconstruction (BIFR) or Committee for Rehabilitation (COR), as the case may be. Loans for modernization/rehabilitation can be given to the extent of 60% of the eligible project cost and upto 90% of the eligible project cost for sugarcane development,. These loans would be given on a concessional rate of 2% below the bank rate, which at present works out to 4% per annum.

The Central Government had approved a rehabilitation package in September 2005 for restructuring of outstanding term loans of banks/FIs of cooperative sugar mills, which included reschedulement upto a maximum of 15 years including a moratorium of two years and reduction in the rate of interest to 10% per annum. The restructuring package (generally called the NABARD Package) was re-examined in 2007 and the moratorium period has been increased from two years to upto five years. Further, the short margin on sugar stock and the harvesting and transportation loans as outstanding in the books of cooperative factories as on 1.4.2007 have been decided to be converted into medium term loans of five years. Further, the cooperative sugar factories, which were not eligible under the earlier package, could be included under the revised package. Some sick cooperative mills, if found eligible, may get the benefit of the package.

The SDF Rules have further been amended in December, 2007as per which the outstanding SDF loans including interest thereof can be restructured including waiver of penal interest and reschedulement of outstanding SDF loans provided a rehabilitation package has been recommended by BIFR or Committee of Rehabilitation.

The Committee for Rehabilitation (COR) has been constituted under the chairmanship of J.S. (Sugar) in the Department of Food and PD which includes members from the Central Government , banks and Financial Institutions and experts from the sugar industry. The private and public sector sugar factories, who have eroded their networth are eligible to get a rehabilitation package formulated through BIFR. However, a similar Institution is not available for formulation of rehabilitation packages for the cooperative sector. Therefore, the COR was constituted to formulate rehabilitation packages for potentially viable sick cooperative sugar factories including giving of SDF loans for modernization and rehabilitation of plant and machinery and sugarcane development in the area. This Committee will also examine the applications of such potentially viable sick cooperative sugar factories forwarded by the State Governments for restructuring/reschedulement of outstanding SDF loans. The Committee is only a recommendatory body whose recommendations are thereafter to be considered by the Standing Committee on SDF [under the Chairmanship of Secretary (F&PD)] and finally approved by the Central Government."

**(G) Inspection/Visits to sugar factories**

7.24 Statement showing number of sugar factories visited by the Directorate of Sugar during the last three years is as follows:

| S.No | Sugar Year (October to September) | No. of sugar Factories Visited | No of sugar factories who have made irregularities in terms of misgrading of sugar | No of warning letter issued |
|---|---|---|---|---|
| 1 | 2005-06 | 123 | 37 | 37 |
| 2 | 2006-07 | 74 | 15 | 15 |
| 3 | 2007-08 | 50 | 01 | Under examination |
| | ***TOTAL*** | **247** | **53** | **52** |

7.25 In this connection, the Committee wanted to know the reasons for the continuous decrease in number of factories being visited during the last three years, the Ministry in the post evidence reply stated as under: -

"It is correct that the number of sugar factories visited in 2006-07 sugar season was less than in 2005-06 sugar season. This Department as a matter of conscious policy, is discouraging unplanned inspections with a view to minimize the negative image which arise out of such inspections. Inspections are now being focused on areas where there are serious complaints against sugar mills, particularly relating to quality aspects."

**7.26 The Committee note that the Sugar Development Fund (SDF) was created in 1982 for financing the activities of sugar industries for their development. A cess of Rs.14 per quintal upto 31.12.2007 and @ Rs.15.00 per quintal w.e.f. 01.01.2008 and @ Rs.24.00 per quintal w.e.f.01.3.2008 is being collected as excise duty on all sugar produced by any sugar factory in India under the Sugar Cess Act, 1982. The Committee also note that during the period 1982-83 to 2007-08 (upto 30.11.2007) an amount of Rs.4685 crore were collected as cess, out of which Rs.4006 crore has been transferred to the Sugar Development Fund and Rs. 3754 crore have been disbursed for the development of the sugar industry upto 31 November, 2007. The Committee are constrained to note that there is huge underspending under various schemes for the development of the sugar industry during the years 2006-07 and 2007-08 which is evident from the fact that during 2006-07 out of Rs. 300 crore, the Department could utilise only Rs. 195.57 crore. Similarly, during 2007-08, the Department could utilise Rs. 190.62 crore out of the total allocation of Rs. 330 crore. The Committee also find that the amount allocated at BE Stage was enhanced at RE Stage even when the actual expenditure was far less than the allocated amount. The Committee are not satisfied with the reply of the Government which states that huge underspending have been due to receipt of lesser and incomplete applications as required under the rules, non-execution of timely tripartite Agreement (TPA), non completion of certain procedural formalities etc. The Committee view this very seriously and feel that the very purpose of SDF would be defeated if the funds allocated/sanctioned for the various schemes are not fully**

**utilised/disbursed. The Committee, therefore, recommend that maximum amount of SDF should be disbursed for the development of sugar industries and also desire that procedures involved for advancing loans to various sugar mills from the Sugar Development Fund be simplified to remove the procedural bottlenecks so that more and more sugar mills could avail of the benefits of loans from SDF.**

**7.27 The Committee are constrained to note that as on date, a total of Rs 3260.66 crores which includes Rs. 1638.17 crore for 2007-08 sugar season, Rs.1383.36 crore for 2006-07 sugar season and Rs. 239.13 crores for sugar seasons 2005-06 and earlier seasons are outstanding as cane price arrears. The Committee are pained to note that although payment of sugarcane is required to be made within 14 days of the supply of sugarcane by the farmers, it is, however, rarely done. The cane price arrears pertaining to sugar seasons 2005-06 and earlier are still outstanding and yet no action has been taken against the sugar mills for recovery of cane arrears along with interest @ 15%, as per the provisions of the Sugarcane (Control) Order, 1966. As regards State –wise position, the maximum arrears are outstanding in the States of Uttar Pradesh and Maharashtra, the main sugarcane producing States. The Committee feel that non payment of cane price arrears to the farmers in time can be a deterrent and might force the farmers to stop cultivation of sugarcane and instead go in for production of some other crops. The Committee, therefore, recommend that to protect the interests of the sugarcane farmers and motivate them to continue to cultivate sugarcane, the aids/grants given to the sugar mills should be kept in abeyance till they liquidate the cane price arrears with interest and strict action should be taken against the sugar mills for not paying cane price arrears.**

**7.28 The Committee are perturbed to note the continuous decline in the number of claims being settled on account of reimbursement of internal transport and freight charges and also on Ocean freight and handling and marketing charges. For instance, the number of claims settled on account of internal transport which were 418 during 2003-04 declined to just 38 during 2006-07 and in 2007-08 a mere 15 claims have settled on this account upto 31 December, 2007. Similar is the position with regard to number of claims settled on account of ocean freight and handling and marketing charges. 270 claims were settled during 2005-06 which came down to 94 during 2006-07 and to just 44 during 2007-08 upto 31 December, 2007. Total expenditure on both these accounts during 2005-06 was just Rs. 37.44 crore against the Budget allocation of Rs. 90 crore and during 2006-07 it was Rs. 20.96 crore out of the budget allocations of Rs. 50 crore. The reasons for settlement of less number of claims given that a large number of claims received were found to be deficient and incomplete is not acceptable to the Committee. The Committee view this matter with great anxiety and recommend that concerted efforts should be made for maximum utilisation/disbursal of funds under these heads so that huge amounts are not blocked under these heads resulting in their surrender. The Committee also recommend that the cumbersome procedural formalities which are gone into for clearance/settlement of claims should be made easier and entrepreneur friendly, so that more and more claims are settled expeditiously.**

**7.29 The Committee are constrained to note that the percentage of recovery of funds from the financial assistance provided to the Sugar mills from Sugar Development Fund has been quite low over the years. It was just 14 to 18 per cent during the years 2003-04 to 2005-06 which increased to 31 percent during 2006-07. The Committee also note that the provisional figure for recovery during 2007-08 was only 47 per cent. The Committee feel that the recovery of loans given as assistance to the sugar mills from SDF is still not upto the mark and desire that the Department should make concerted efforts to make the recovery to a higher level say about 50-60 per cent of the loans so provided. They desire that action taken in this regard may be communicated to them at the earliest.**

# CHAPTER VIII

## *MANAGEMENT OF EDIBLE OILS*

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

**(a) Main Edible Oils**

8.2 There are two sources of oils – primary sources and secondary sources. The primary sources are nine principal oilseeds viz. groundnut, rapeseed/mustard seed, soyabean seed, sunflower seed, sesame seed, Nigerseed castor seed and lin seed and safflower seed. The main secondary sources of oils include coconut, cottonseed and rice bran and oilseed cakes.

8.3 The production of oilseeds and net availability of edible oils from domestic sources (primary source and secondary source) for the years 2005-2006 and 2006-2007 are given below: -

| **Name of Oilseeds** | **2005-06** | | **2006-07*** | |
|---|---|---|---|---|
| | **Oilseeds** | **Oils** | **Oilseeds** | **Oil** |
| **(A) Primary Source** | | | | |
| Groundnut | 79.93 | 18.38 | 49.09 | 11.29 |
| Rapeseed/Mustard seed | 81.31 | 25.21 | 70.97 | 22.00 |
| Soyabean seed | 82.74 | 13.24 | 88.57 | 14.17 |
| Sunflower seed | 14.39 | 04.75 | 11.78 | 3.89 |
| Sesame seed | 6.41 | 1.99 | 5.86 | 1.82 |
| Nigerseed | 1.08 | 0.32 | 0.71 | 0.21 |
| Safflower seed | 2.29 | 0.69 | 2.24 | 0.67 |
| Castor seed | 9.91 | 3.96 | 7.95 | 3.18 |

| | | | | |
|---|---|---|---|---|
| Linseed | 1.73 | 0.52 | 1.67 | 0.50 |
| **TOTAL** | **279.79** | **69.06** | **238.84** | **57.73** |
| **(B) Secondary Source** | | | | |
| Coconut | | 4.20 | | 4.50 |
| Cottonseed | | 5.70 | | 6.30 |
| Rice-bran | | 6.80 | | 7.00 |
| Oilseed Cakes | | 4.30 | | 3.50 |
| Oilseeds of Tree & Forest Origin | | 1.30 | | 1.20 |
| SUB-TOTAL | | 22.30 | | 22.50 |
| Total (A) + (B) | | 91.36 | | 80.23 |
| (C) Less: Export & Industrial Use | | 8.20 | | 7.80 |
| (D) Net Domestic Availability of Edible Oils | | 83.16 | | 72.43 |

* Fourth advance estimates declared on 19.7.2007 by Ministry of Agriculture.

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

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

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

*(in lakh tonnes)*

| Oil Year | Edible Oil produced in the Country | Edible oils imported | Total availability/consumption/requirement of edible oils from domestic and import sources | Percentage of requirement fulfilled through domestic sources |
|---|---|---|---|---|
| 2004-05 | 72.47 | 45.42 | 117.89 | 61.47 |
| 2005-06 | 83.16 | 42.88 | 126.04 | 65.98 |
| 2006-07 | 72.43 | 42.17 | 114.60 | 63.20 |

8.6 The quantum of edible oils being produced in the country are showing an upward trend during the years 2004-05 and 2005-06 whereas the production has gone down in 2006-07 but it is still hovering around 60-65 per cent of the total requirement of the country for the last three years and still 35-40 per cent of the edible oil requirement of the country is being met through imports. On being asked about the concerted efforts being made by the Government to bridge the gap between demand and supply of edible oils, the Ministry in written reply stated as under:-

(i) "In order to ensure adequate supply of edible oils in the domestic market, the Government have permitted import of edible oils under Open General Licence (OGL) except coconut oil.

(ii) Enhanced incentives to the farmers through fixation of Minimum Support Price (MSP) of major oilseeds to encourage the oilseeds farmers.

(iii) A Centrally Sponsored "Integrated Scheme of Oilseeds, Pulses, Oil palm & Maize" (ISOPOM) is being implemented in 14 major oilseeds growing states with a view to increase the production and productivity of oilseeds in the country.

(iv) Assistance is also provided for purchase of breeder seed, production of foundation seed, production and distribution of certified seeds, distribution of seeds minikits, infrastructure development, Integrated Pest Management (IPM), supply of sprinkler sets and distribution of rhysobium culture, water carrying pipes, publicity, etc.

(v) Indian Council of Agricultural research (ICAR) is engaged in development of high yielding improved varieties, production and protection technologies in oilseeds for increasing the production and productivity and also to make oilseeds cultivation profitable to the farmers."

However, the Secretary during the course of oral evidence acknowledged as under:-

"Unfortunately, there has not been major visible breakthrough in oilseeds. New varieties and very high yielding varieties have not really come out on a large scale. There may be some in the research farm. I think, we need a real technology breakthrough. Many of our seeds are probably suffering from what is called varietal fatigue. Even in wheat, it could happen in the next five years. We are worried about varietal fatigue happening on our seed programme. So, replacement of seeds, increased irrigation will be the real investment issues in the next four to five years. Therefore, that in the next five years, we may not be self-sufficient in edible oils. This can be presumed because our import has not come down, it has only gone up. We will have to look at some of the other seeds."

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

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

(i) Vegetable Oil Products (Regulation) Order, 1998;

(ii) Edible Oils Packaging (Regulation) Order, 1998; and

(iii) Solvent Extracted Oil, De-oiled Meal and Edible Flour (Control) Order, 1967.

8.8 For the purpose of ensuring proper quality control, regular inspections of vanaspati manufacturing units are carried out in addition to surprise inspection from the headquarters. Irregularities pointed out by the field officers in their inspection reports are considered for taking appropriate action against the defaulting units. The samples drawn by the Officers are sent for analysis for checking conformity with the prescribed requirements. A well-equipped laboratory exclusively devoted to the analytical work pertaining to oils and fats is available with DVVO&F. In the case of failure of samples, appropriate action has been/is being taken against the defaulting units.

8.9 On being asked about the number of surprise visits and other inspections carried out by the officials of DVVOF during (2006-07) and (2007-2008) and the number of samples analyzed, details of irregularities found, if any and action taken against the erring units/defaulters, the Ministry have furnished the details as under:-

| Year | No. of Inspections | No. of Samples Analysed |
|---|---|---|
| 2006-2007* | 900 | 3207 |
| 2007-2008** | 610 | 2501 |

*Revised **Provisional

8.10 Irregularities found include failure of samples (particularly with reference to Melting point, Vitamin 'A' content, Boudouin test, Free Fatty Acid (FFA) content, etc.), labeling requirements, analytical testing facilities etc. Action taken against the defaulting units include issuing of show cause notice, warning in case of first time failure of their sample (s). However, cancellation of registration under the provisions of the Vegetable Oil Products (Regulation) Order, 1998 is done in case of failure of sample (s) for the second time.

8.11 When asked about the reasons for substantial decrease in the number of surprise visits carried out the officials of DVVO&F, the Ministry in their Post evidence reply stated as under:-

"The subject matter relating to adulteration of edible oils primarily pertains to ministry of health and Family Welfare, Directorate General of health Services (PFA). The PFA Act, 1954 and Rules framed there under is implemented by the Food (Health) Authorities of the States/UTs who draw samples of different food commodities including edible oils from time to time. Penal action is taken in cases where samples are not found conforming, to prescribed standards or violating any other provision of the PFA Act, 1954 and Rules, 1955.

The Directorate of Vanaspati, Vegetable Oils & Fats is equipped with limited field officers and even otherwise as per Allocation of Business Rules, its role is limited to the manufacturing level that too to the extent of supervision of technical nature. Therefore the samples drawn and analysed are always limited. Action against the defaulters is taken as per the provision of Vegetable Oils Products (Regulation) order, 1998.
"

8.12 The Committee enquired about the number of inspections carried out by the field officers during the last three years the Department in a reply stated as under:-

"Field officers of DVVO&F have not carried out any inspections of the institutes funded for conducting R&D projects under the plan schemes of the DVVO&F."

**8.13 The Committee note with concern that despite the various measures undertaken by the Government to increase the production of oilseeds in the country which include enhanced incentives to farmers through fixation of Minimum Support Price (MSP), implementation of 'Integrated scheme of oilseeds, Pulses, Oil Palm and Maize" (ISOPOM), the production of oilseeds has not increased. Although there was an increased production of edible oils in the Country from 72.47 lakh tonnes in 2004-05 to 83.16 lakh tonnes during 2005-06, the production during 2006-07 decreased to 73.70 lakh tonnes i.e. a decline of 9.46 lakh tonnes when compared to the previous year. The Committee note that the edible oils produced in the country barely meets about 55-60 per cent of the total edible oil requirements in the country. Due to increasing population and consequently the demand of edible oils, the country has to import about 40-45 lakh tonnes of edible oils every year to meet its total requirements. The dependency on imports with regard to edible oils has been around 35 to 40 per cent during the last few years. The Secretary of the Department during the course of oral evidence also acknowledged that the country may not be self- sufficient in edible oils in the next five years as new varieties and very high yielding varieties have not really come out on a large scale and a real technology breakthrough is required in this regard. Considering the overall scenario with regard to oil seeds and edible oils in the country, the Committee feel that efforts being made by the Department in the field of developing improved high yielding varities of oilseeds need to be geared up. The Integrated Scheme of Oilseeds, Pulses, Oil palm & Maize (ISOPOM) should be extended to other States**

**also to encourage the farmers to go in for the production of oil seeds. The Committee feel that to bridge the gap between demand and supply of edible oils, the increase in production & productivity is imperative. The Committee, therefore, recommend that there is a need to review and restructure the centrally sponsored scheme ISOPOM, as neither the production nor the productivity of oilseeds have shown a rising trend over the last few years. The Committee also recommend that other ways and means should also be explored to increase the production and productivity of oilseed crops. Further, to reduce the dependency on imported edible oils, result oriented action should be taken to promote and popularize the use of non-traditional secondary sources of edible oils.**

**8.14 The Committee are constrained to note that the number of inspections carried out by the officials of DVVO&F as well as the number of samples being drawn and analysed are on the decline. For instance, the number of inspection carried out in 206-07 were 900 which declined to 610 during 2007-08. Similarly, the number of samples analysed which were 3207 in 2006-07 declined to 2501 during 2007-08. The Committee are of the opinion that in a vast country like India where the main cooking medium are edible oils and where adulteration in edible oils is so rampant, the number of inspections being carried out and samples drawn and analysed are very low. The Committee are unhappy to note that not a single inspection has been carried out by the field officers of DVVO&F of the Institutes funded for conducting R & D projects under the plan schemes of the DVVO&F. The Committee have been apprised that the prime reason for decline in the number of inspections by officials of DVVO&F is shortage of manpower. The Committee therefore recommend that to keep a check on the widespread adulteration in edible oils and in order to protect the health of the citizens of the country, the number of inspections to be carried out as well as drawing and analysis of samples of edible oils from all around the country need to be enhanced. The Committee also desire that the Department should strengthen its enforcement machinery and take strongest possible action against the adulterators of edible oils, who are playing with the health and life of the people of the Country.**

NEW DELHI
15 April, 2008
26 Chaitra, 1930 (Saka)

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

**Appendix-I**

***CRITICAL ANALYSIS OF STATEMENT MADE BY MINISTER UNDER DIRECTION 73-A REGARDING STATUS OF IMPLEMENTATION OF THE RECOMMENDATIONS/OBSERVATIONS CONTAINED IN EIGHTEENTH REPORT OF THE COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION.***

**Subject of the Report:** Eighteenth Report of the Standing Committee on Food, Consumer Affairs and Public Distribution (2006-2007) on Demands for Grants (2007-08) Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

Date of presentation: 27.04.2007

Date of presentation of ATR/ 14.3.2008
Date of Receipt of Action Taken Notes 20.08.2007

Date of Minister's Statement
In Lok Sabha- 10.9.2007
In Rajya Sabha- 23.11.2007

| Name of Committe | Ministry /Department | Total No. of Recs. | Total No of Recs. Accepted | No. of recs. Implemented | No. of Recs under process | No. of Recs. Not implement ed | No. of Recs. yet to be implemented |
|---|---|---|---|---|---|---|---|
| Food, Consumer Affairs and Public Distribution | Ministry of Consumer Affairs, Food and Public Distribution (Deptt. of Food & Public Distribution) | 43 | 30 | 16 | 12 | 09 | 06 |

**Appendix-II**

## Statement showing the number of visits made by Area Officers (State-wise) during the last five years.

| Sl. No. | Name of State/UT | Number of visits by Area Officers during the year | | | | |
|---|---|---|---|---|---|---|
| A | B | C | D | E | F | G |
| 1. | Andhra Pradesh | - | 1 | 1 | 1 | - |
| 2. | Arunachal Pradesh | - | - | - | - | - |
| 3. | Assam | - | - | 1 | - | - |
| 4. | Bihar | - | - | - | - | - |
| 5. | Chhatisgarh | - | - | 1 | - | - |
| 6. | Delhi | - | - | - | - | - |
| 7. | Goa | - | - | - | - | - |
| 8. | Gujarat | - | - | - | - | - |
| 9. | Haryana | - | - | - | - | - |
| 10. | Himachal Pradesh | - | - | - | 1 | - |
| 11. | J&K | - | - | 1 | - | - |
| 12. | Jharkhand | - | - | 1 | - | - |
| 13. | Karnataka | - | - | - | 1 | - |
| 14. | Kerala | - | - | 1 | - | - |
| 15. | Madhya Pradesh | - | - | - | - | - |
| 16. | Maharashtra | 1 | 1 | 1 | - | - |
| 17. | Manipur | - | 1 | - | - | - |
| 18. | Meghalaya | - | - | 1 | - | - |
| 19. | Mizoram | - | - | - | 1 | - |
| 20. | Nagaland | - | 1 | - | - | - |
| 21. | Orissa | 1 | - | - | - | - |
| 22. | Punjab | - | - | - | - | - |
| 23. | Rajasthan | - | - | - | 2 | - |
| 24. | Sikkim | - | - | - | 1 | - |
| 25. | Tamil Nadu | - | - | 1 | 2 | - |
| 26. | Tripura | - | - | - | - | - |
| 27. | Uttranchal | 1 | - | - | - | - |
| 28. | Uttar Pradesh | - | - | - | - | - |
| 29. | West Bengal | - | - | 1 | - | - |
| 30. | A&N Islands | 1 | - | - | - | - |
| 31. | Chandigarh | - | - | - | - | - |
| 32. | D&N Haveli | - | - | - | - | - |
| 33. | Daman & Diu | - | - | - | - | - |
| 34. | Lakshadweep | - | 1 | - | - | - |
| 35. | Pondicherry | - | - | 1 | 1 | - |
| **Total Visits** | | **4** | **5** | **11** | **10** | **0** |

**Appendix-III**

# MINUTES

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

## ELEVENTH SITTING
## (04.04.2008)

The Committee sat from 1100 hrs. to 1430 hrs .in Committee Room 'B', Parliament House Annexe, New Delhi.

## Present

**Shri Devendra Prasad Yadav - Chairman**

***Members***

***Lok Sabha***

2. Shri Atma Singh Gill
3. Shri G.V Harsha Kumar
4. Shri Abdul Mannan Hossain
5. Shri Munshi Ram
6. Shri Francisco Cosme Sardinha
7. Shri Ghuran Ram
8. Smt. (Adv.) P. Satheedevi
9. Shri Chandra Bhan Singh

***Rajya Sabha***

10. Shri Ajay Maroo
11. Shri Shantaram Laxman Naik
12. Shri Kanjibhai Patel
13. Shri Rajniti Prasad

***Secretariat***

1. Shri P.K.Misra - Joint Secretary
2. Shri Raj Shekhar Sharma - Director
3. Shri Jagdish Prasad - Deputy Secretary-II

Representatives Of The Ministry Of Consumer Affairs, Food And Public Distribution (Department Of Food And Public Distribution)

| | | |
|---|---|---|
| 1. | Shri T. Nanda Kumar, | Secretary |
| 2. | Shri N.K. Raghupathy, | AS&FA |
| 3. | Dr. Bhagwan Sahai, | JS(BP,PD&IC) |
| 4. | Shri Siraj Hossain, | JS(FCI&P) |
| 5. | Shri Naveen Prakash, | JS(Stg.&Adm.) |
| 6. | Shri N. Sanyal, | JS(S&SA) |
| 7. | Shri Pradeep Kumar Berwah, | CCA |
| 8. | Shri Alok Sinha, | CMD(FCI) |
| 9. | Ms. Anjali Anand Srivastava, | ED(P),FCI |
| 10. | Shri N.K. Choubey, | MD (CWC) |

The Committee took evidence of the representatives of Department of Food and Public Distribution (Ministry of Consumer Affairs, Food and Public Distribution) in connection with the examination of Demand for Grants for the year 2008-09. Hon'ble Chairman while welcoming the representatives of the aforesaid Department drew their attention to the provisions of direction 55(1) of the direction by the Speaker, Lok Sabha. He in his welcome address raised various relevant issues in the context of examination of Demand for Grants (2008-09). The issues raised in this regard included less utilization of plan funds as well as uneven utilization of funds in the four quarter of financial year, performance of Public Distribution System (PDS), management of food including food subsidy, Integrated Information System in Foodgrains Management, Computerization of PDS operations, strengthening of PDS & Capacity Building, Village Grain Bank Scheme, steep rise in prices of foodgrains, management of Sugar and Edible oils, functioning of FCI and CWC.

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

3. The detailed discussion on the following issues was held with specific reference to examination of Demands for Grants 2008-2009

(i) The physical and financial achievement under different schemes/programmes of the Department during 2007-2008.

(ii) Under-spending under Plan and non-Plan schemes of the Department and uneven utilization of funds in different quarter of the year 2007-2008.

(iii) Actual food stocks falling below the norms of buffer stocks increase in MSP of Wheat. Imposition of maximum stock/time limit on purchase of wheat by private traders.

(iv) The various issues relating to Targeted Public Distribution system, increase in the food subsidy, diversion of foodgrains, strict monitoring mechanism to bring efficiencies in Public Distribution System, Computerization of Ration Cards, involvement of Women, Self Help Groups.

(v) Various issues relating to the Food Corporation of India (FCI) viz. Outstanding dues of FCI, need to bring down the total establishment cost incurred by FCI, Storage and transit losses, damage of foodgrains and Corruption in FCI.

(vi) Various issues relating to Central Warehousing Corporation (CWC) viz. Establishment Cost, Outstanding dues and liabilities, Construction of godowns in NE region.

(vii) Issues relating to repayment of Cane arrears, low utilization of loans granted from Sugar Development Fund maintenance of Buffer stock of Sugar, grant of Buffer and export subsidy, excise duty, increase in minimum support of price of Sugarcane.

(viii) Various issues relating to management of edible oils, increase in production of oilseeds, impact of decrease in import duty on prices of vegetable oil.

4. The members raised various queries pertaining to the aforesaid issues. The representatives of the Department responded to the queries raised by the Chairman and members.

A verbatim record of the proceedings has been kept on record.

The Committee then adjourned

**Appendix-IV**

# MINUTES

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

## TWELFTH SITTING
## (15.04.2008)

The Committee sat from 1500 hours to 1600 hours in Committee Room 'B', Parliament House Annexe.

## Present

**Shri Devendra Prasad Yadav - Chairman**

## Members

### *Lok Sabha*

2. Shri Avinash Rai Khanna
3. Shri W. Wangyuh Konyak
4. Adv. (Smt.) P. Satheedevi
5. Shri Chandra Bhan Singh
6. Shri Harikewal Prasad
7. Smt. Meena Singh
8. Shri Munshi Ram

### *Rajya Sabha*

9. Shri Shantaram Laxman Naik
10. Shri Rajniti Prasad
11. Shri Matilal Sarkar
12. Shri Kanjibhai Patel

### *Secretariat*

1. Shri P.K. Misra - Joint Secretary
2. Smt. Raj Shekhar Sharma - Director
3. Shri Jagdish Prasad - Deputy Secretary-II

At the outset, Hon'ble Chairman welcomed the members to the sitting of the Committee and invited their suggestions on two draft reports on Demands for Grants (2008-09) of the respective Ministries/Departments under the jurisdiction of the Committee as circulated by the Secretariat vide letter dated 12 April, 2008.

2. In the first instance, the Committee took up the draft report on Demands for Grants (2008-09) of the Department of Food and Public Distribution (Ministry of Consumer Affairs, Food and Public Distribution) for consideration and adopted the same with slight modifications.

3. ****** ******* ****** ******

4. The Committee authorized the Chairman to finalise the aforesaid report on the basis of factual verification from the concerned Ministry/Department and present the same to both the Houses of Parliament.

***The Committee then adjourned.***

/__________/

****** Matters not related to this report

ANNEXURE

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

| Sl. No. 1 | Para No. 2 | Recommendation/Observation 3 |
|---|---|---|
| 1. | 3.16 | The Committee note that the total allocation of the Department at Budget Estimates (BE) stage during 2008-09 is Rs.34111 crore out of which Rs.34016 crore are for non-plan schemes and Rs.95 crore for the plan schemes. The enhancement in non-plan outlay over the allocations made during the previous year i.e. 2007-08 was to the tune of Rs.7609.80 crore and the enhancement, when compared to the year 2006-07, is Rs.9516.00 crore. The Committee note that there was heavy reduction of plan funds of the Department at Revised Estimates stage during 2006-07 as well as 2007-08 which is evident from the fact that the allocations under plan head during 2006-07 was reduced from Rs.95.80 crore at BE stage to Rs.70.00 crore at RE stage and the actual expenditure during the year was Rs.65.63 crore i.e. just 68.50 per cent of the allocations at BE stage. Again during 2007-08 there was a cut of Rs.25 crore i.e. compared to BE of Rs.85 crore, the RE is Rs.60 crore. The Committee feel that the heavy reductions of funds at RE stage show a lack of proper perspective planning on the part of the Department due to which the Department is not able to make realistic projections, which leads to heavy cuts in the allocations at RE stage. The Committee is not willing to accept the plea of the Department that being the first year of the 11th five year plan, the evaluation of some important schemes could not be done and also the approval of EFC/SFC procedure was required for implementation of the schemes. The Committee therefore strongly recommend that the Department should make advance and better planning to fix realistic targets to avoid heavy reduction of plan funds at RE stage and the allocations earmarked for the different schemes are fully utilised during the year. |
| 2. | 3.17 | The Committee are unhappy to note the uneven utilisation of funds, both under plan and non-plan heads during the year 2007-08. For instance, the actual expenditure under plan head during the first quarter was NIL and during the second quarter, it was almost negligible at 0.03 per cent which however rose to 33.03 per cent in the fourth quarter. The Committee are also perturbed to note the decline in percentage utilisation of funds during 2007-08 as compared to 2006-07. It was 68.50 per cent during 2006-07 which declined to 56.54 per cent during 2007-08. The Committee are not convinced with the plea that the shortfall in expenditure was due to non clearance of the schemes viz. (i) Construction of Godowns; (ii) Integrated Information System for Food grains Management (IISFM) and (iii) Village Grain Bank Scheme by the Planning Commission, which took a long time. The Committee in its earlier reports had been emphasising on the need to utitlise/spread the expenditure evenly throughout the year. The Committee feel that its recommendations in this regard are not being taken seriously. The |

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| | | Committee also note with concern that even the financial rules of the Government, which clearly stipulate spreading of expenditure evenly over all the four quarters and bar the rushing of expenditure especially in the last fourth quarter, have been ignored/not adhered to by the Department. The Committee, therefore, while deploring the tendency of making major part of the expenditure during the last two quarters, strongly recommend that the Government should ensure spreading of expenditure evenly over all the four quarters of the year so that the situation of rush of expenditure in the last few months of the financial year is avoided. |
| 3. | 3.18 | The Committee note that there is huge underspending under different schemes, both plan and non-plan during the years 2006-07 and 2007-08 especially in the programmes related to loans for cane development, reimbursement of internal transport and freight charges to sugar factories on export shipment of sugar, loans to sugar mills for bagasse based cogeneration power projects and loans for production of anhydrous alcohol/ethanol. Similarly, the position/situation is quite dismal during the year 2007-08 as physical achievement in the first three quarters have been reported to be 'NIL' is case of following seven plan schemes viz. (i) Construction of Godowns by FCI/State Governments, etc, (ii) Integrated Information System in Foodgrains Management (IISFM), (iii) Computerization of PDS Operations, (iv) Strengthening of PDS & Capacity Building, (v) NSI, Kanpur (vi) Consultancies, Training & Research and (vii) Village Grain Bank. Further, the physical achievement during the fourth quarter also under the two schemes viz. Computerisation of PDS and NSI Kanpur is again 'NIL'. The reasons put forth by the Department for the under spending which include non-completion of certain procedural formalities, non-furnishing of relevant papers in time etc. are not acceptable to the Committee. Moreover, NIL expenditure under such very important schemes of the Department is a matter of serious concern. The Committee, therefore, strongly recommend that the Department should take the corrective actions to ensure that the position of underspending is not repeated year after year. |
| 4. | 3.19 | The Committee also note that an amount of Rs.26.28 crore was released to States/UTs from 1989 to 2001 for purchase of vans and construction of godowns but utilisation certificates have not been furnished by the States/UTs till date. Similarly, an amount of Rs.21.75 crores was released to nine states under the scheme construction of godowns from 1992-93 to 1998-99 but utilisation certificates have not yet been received from these States. The reasons furnished by the Department viz. the funds released by the Department proved to be inadequate, some States purchased higher/lesser capacity vans which was not permitted in pattern approved under the scheme, etc. are not acceptable to the Committee. The Committee also note that the Department has assured the Committee to take up the matter at higher levels and funds for other schemes to these States will be released only after the receipt of the utilisation certificates of earlier releases. The |

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| | | Committee are of the view that non-release of funds for other schemes till receipt of utilisation certificates of earlier releases is not a solution of the problem as it would hamper the progress of the other schemes. The Committee feel that mere assurance on the part of the Department is not going to serve any purpose and therefore, strongly recommend that the matter may be immediately taken at the highest levels for an early settlement of the issue as lot of public money has remained unaccounted for during the last almost 20 years. The action taken in this regard should be communicated to the Committee at the earliest. |
| 5. | 4.24 | From the data of procurement of wheat, the Committee note that the procurement is mainly from Haryana and Punjab. Out of 111.2 lakh tonnes of wheat procured during 2007-08, the quantity of wheat purchased from Punjab and Haryana is 67.81 lakh tonnes and 33.50 lakh tonnes, respectively which amounts to 91.04 per cent of the total wheat procurement in the country. In case of rice, the maximum procurement is from Punjab, Chhatisgarh, Orissa, Haryana and Uttar Pradesh. The Committee note that to increase the procurement of wheat during RMS 2008-09, certain steps have been taken by the Government which include fixing of MSP of wheat at Rs. 1000 per quintal, ban on export of wheat on private account as well as from the central pool, permitting of import of wheat on private account at zero duty etc. The Committee further note that to increase the procurement of wheat from non-traditional States and to encourage procurement operations in these States a number of steps have been taken which include enhancement of commission to societies/sub-agents to 2.5 percent, directions to the concerned Departments of State Governments to closely monitor the mandi arrivals and also to procure at least the requisite quantity of wheat which may be sufficient to meet its requirement of wheat for TPDS from within the State. NAFED has been authorized in some States to procure wheat on behalf of FCI. The Committee note that despite a number of initiatives taken by the Department, the procurement of wheat by the Government agencies is not upto the mark. The Committee therefore recommend that result oriented initiatives be taken by the Department to increase the procurement of wheat from non-traditional States. The Committee also feel that the problem of procurement of wheat for the Central pool will continue unless and until there is a marked improvement in the production of wheat in the Country. The Committee, therefore, desire that the Department should, in consultation with other concerned Ministries/Departments, chalk out a comprehensive plan for increasing the production of wheat in the Country. |
| 6. | 4.25 | The Committee find that a large number of multinational companies/private traders have entered into the market in a big way and are purchasing huge quantity of wheat over and above the Minimum Support Price (MSP) fixed by the Government. They procure wheat in excess of their requirement which leads to profiteering, hoarding and blackmarketing of wheat. The Committee apprehend that the wheat procured by private traders/MNCs is offloaded to roller flourmills and other manufacturers of wheat products at a much higher price. The Committee note that in order to monitor purchases of wheat by private |

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| | | traders, a notification has been issued on 11.2.2008 which stipulates that any company which purchases wheat beyond 10,000 tonnes during RMS 2008-09 shall furnish a return of the same to the State Govt., and if it purchases over 25,000 tonnes of wheat it will furnish a return to the Central Government. The main concern of the Committee is about the purchase of unlimited stocks of wheat and that too for unlimited period by the MNCs/private traders. Owing to unlimited purchase of wheat by these companies, even the Government is not able to procure the quantity of wheat required to maintain its buffer stock and has to resort to imports to meet the minimum buffer norms and also to meet the requirements of Public Distribution System (PDS) and other Welfare Schemes in the Country. In the opinion of the Committee these private traders create artificial scarcity by hoarding large quantities of wheat and jack up the prices of wheat in the market. The Secretary, Department of Food and Public Distribution during the course of oral evidence has submitted that it is very difficult to come to a national average in terms of any stock limit so the States have been authorized to put whatever stock limit they think was appropriate. The Committee also note that Eleven States/UTs have decided not to implement the stock limit order, while five States are reported to be considering the issue of stock limit order and the remaining States have already issued stock limit orders. The Committee are of the view that mere filling of returns by private companies making purchase of over 25000 tonnes of wheat cannot stop the MNCs/private traders from purchasing unlimited stocks. The Committee also note that the notification issued by the Government makes provision for disclosure only. The Committee, therefore, strongly recommend that the Government should work out some maximum stock limit for purchase of wheat by private traders so as to curb the tendency of hoarding by the unscrupulous private traders for making profits and also to protect the interest of the consumer at large. The Committee desire that action taken in this regard may be communicated to them at the earliest. |
| 7. | 4.26 | The Committee find that there has been a spurt in prices of foodgrains in the recent past. The Finance Minister in his speech on Budget (2008-09) has expressed concern over rising price of food articles and highlighted that the prices of wheat and rice have increased in the world market by 88 per cent and 15 per cent, respectively during the period April, 2007 to January, 2008 and as such there is a pressure on domestic prices especially on the prices of various food articles. Significant price rise was also recorded in pulses and edible oils. The low domestic production coupled with high demands, hoarding of large quantities of foodgrains by private traders who create artificial scarcity in the market are the reasons for increase in the prices of wheat, pulses, edible oils, etc. The measures taken by the Government to arrest the price rise include augmenting of domestic supplies of wheat and pulses through imports at reduced rates of duty, ban on exports of these items, imposing of stock limits on wheat, pulses, edible oils and even on rice. The Committee feel that the Government is fully aware of the |

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| | | inflationary trends prevailing in the Country but the steps taken by it to bring down the prices of the essential commodities, especially food articles are not proving to be effective. The Committee therefore, recommend that the Department should, in consultation with the other Ministries/Departments, draw a long term plan to meet the situation before it goes out of hand to unbearable proportions. |
| 8. | 4.27 | The Committee while examining Demands for Grants for 2007-08 (refer para 3.75 of the 18th report) had recommended to the Government to devise a modified APL Scheme covering at least 20 per cent of the poor persons who are just above the poverty line i.e. just above BPL. The Committee had desired for expeditious working out of the modalities of the modified scheme for placing the same before cabinet. The Committee have been informed that the matter is still under consideration in the Government whereas Planning Commission has appreciated the proposal of the Committee. The Committee, therefore, reiterate its earlier recommendation and strongly desire that the modalities of the modified scheme for providing food security to the category of persons who are technically above the poverty line but are actually poor and suffer from food insecurity and are deprived of the special benefits of the Public Distribution System be worked out expeditiously and placed before the Cabinet. |
| 9. | 4.28 | The Committee in their earlier Report on Demands for Grants (2007-08) (refer Para 3.76 of the 18th Report) had recommended for evolving a strategy to provide 2 kg of pulses and 1 kg. of edible oils at subsidised rates to each family through PDS to address the problem of malnutrition, especially among women and children. The Committee have been informed that after detailed examination and also in consultation with other Ministries, it has not been found feasible to implement the aforesaid recommendation of the Committee as it would put an additional subsidy burden of about Rs.1200 crore on the exchequer. It has also been stated that it would not be possible to implement the aforesaid recommendation until visible improvement in performance of TPDS takes place. The Secretary, Department of Food and Public Distribution, however, during the course of oral evidence, acknowledged that there was an urgent need to address the problem of malnutrition, especially in the women and children and informed that a scheme to offer subsidised edible oils to the State Governments/ UTs for distribution to ration card holders at the rate of maximum 1 kg. per family per month was under consideration. The Committee, therefore, strongly recommend that apart from finalizing the scheme of providing edible oils at the rate of 1 kg per family per month, the Government should also work out the modalities of providing 2 kg. of pulses at subsidised rates to each family through PDS, expeditiously. The action taken in the matter may be communicated to the Committee. |
| 10. | 4.72 | The Committee find that diversion of foodgrains meant for the poorest of the poor is the biggest menace in the functioning of Public Distribution System. The studies conducted by Programme Evaluation Organisation (PEO) and ORG Marg to evaluate the Targeted Public Distribution |

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| | | System in the country have revealed diversion of foodgrains in most of the States. The worst position in this regard is in the North Eastern States where diversion upto 100 per cent in case of wheat and upto 97.7 per cent in case of rice has been reported. The Committee take a very serious view of the diversion and is of the opinion that the very purpose of PDS would be defeated if the PDS foodgrains do not reach the intended beneficiaries and are instead diverted to the open market. The Committee, therefore, recommend that the Government should evolve a foolproof mechanism within a fixed time frame to check the diversion of foodgrains. Although the management and operation of PDS is the joint responsibility of Central and State Governments concerned but Central Government is responsible for procurement and allocation of foodgrains to the State Governments which in turn distribute foodgrains through their agencies within their respective States. The Committee, therefore, emphasise that the issue of diversion of foodgrains should be tackled with utmost seriousness and recommend that to check the diversion of foodgrains, a joint special audit by officials of FCI and State Governments should be conducted in the event of offtake being abnormally high.<br>The Committee feel that diversion of foodgrains from Fair Price Shops to the open market is a matter of serious concern which urgently needs to be looked into. The Committee note that one of the major reasons for diversion of foodgrains from fair price shops is the low commission being provided to the fair price shop owners inducing them to indulge in malpractices. The Committee, therefore, desire that the matter regarding increase of commission of fair price shop owners should be taken up with the State Governments, as a reasonable increase in their commission would make the Fair price shops economically more viable and could help in curbing the diversion of PDS foodgrains to the open market.<br>The Committee also note that to check diversion of PDS foodgrains, technological interventions such as tracking of movement of vehicles carrying TPDS foodgrains through Global Positioning System (GPS) devices, issuance of Bar Coded Coupons with rations cards for delivery of TPDS foodgrains to genuine ration card holders, capturing of biometric features of card holders while issuing ration cards to avoid issuance of bogus or fake ration cards and introduction of smart cards for similar purposes are being tried in different States. The Committee feel that all these measures and also other monitoring mechanism in place like formation of vigilance Committees, involvement of panchayati raj institutions and self-help groups in the activities of public distribution system should be implemented in the right earnest to achieve the desired results. |
| 11. | 4.73 | The Committee note that the PDS (Control) Order, 2001 stipulates that elimination of bogus ration cards as well as bogus units in the ration cards shall be a continuous exercise by the State Governments to check diversion of essential commodities. The Committee further note that since July 2006, subsequent to the reviews undertaken by States/UTs, 67.41 lakh bogus and ineligible ration cards have been eliminated by 11 |

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| | | States, highest being 24.87 lakh in Madhya Pradesh followed by Delhi at 14.62 lakh. The Committee feel that the problem of proper identification of BPL persons and inclusion and exclusion errors arising out of lack of proper coordination between the concerned Departments is a matter of serious concern before the Government. The Committee therefore, strongly recommend that all States/UTs be strictly asked to review the BPL list immediately for elimination of bogus and ineligible ration cards. Proper identification of the BPL persons would help in ensuring that the food subsidy meant for the poorest of the poor actually reaches the targeted beneficiaries. The Committee would like to be apprised of the action taken in this regard. |
| 12. | 4.74 | The Committee note that 19 States/UTs are presently selling non-PDS items such as exercise books, iodised salts, pulses, tea, etc., through Fair Price Shops (FPSs). The Committee also note that the Department has also taken up with the Ministry of Railways and Department of Posts to explore the possibility of selling railway tickets and postal stationery, etc. through FPSs. The Committee desire that all the State/UTs may be persuaded to sell non-PDS items through FPSs so that the people in rural areas, especially those living in far flung, backward and remote areas can get the items of their daily use from FPSs. As per the Committee, this would also help in making FPSs economically viable and in a way help in curbing diversion of foodgrains from Fair price shops.<br>The Committee further note that Gujarat have implemented a scheme (Roaming Ration Card) with a view to issue roaming ration cards to those families who migrate to a new destination within their State. The Department has also advised other States and UTs to follow the said scheme in their respective States/UTs also. The Committee desire that the Department should pursue the matter further with the State Governments and intimate to the Committee about the follow up action taken by them in this regard. |
| 13. | 4.75 | The Committee note that the Ministry has appointed Area Officers for different States/UTs to coordinate with the State Governments/UTs for regular and effective monitoring of Public Distribution System. The guidelines for the Area Officers Scheme provide that the Area Officers would visit their allocated States/UTs at least once in a quarter and conduct review of performance of the TPDS. The Committee's examination reveal that not a single visit has been made during the last five years in the States of Arunachal Pradesh, Bihar, Delhi, Goa, Gujarat, Punjab, Haryana whereas only one and at the most two visits have been made during the five years in some States like Rajasthan, etc. Moreover, during 2007-08, not a single visit to any of the States/UTs has been undertaken. The Ministry have stated that due to exigencies of work and vacancies in the Department, the Area Officers were unable to undertake such visits. The Committee are dismayed that not even a single visit was made by the Area Officers during the last five years in some of the States. The Committee deplore the casual approach of the Ministry in this regard and express their displeasure on |

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| | | the aforesaid situation and recommend that regular visits should be undertaken by the Area Officers to review and monitor the working of PDS in a given State. The Committee desire that follow up action taken in this regard may be reported to them within three months of the presentation of this Report to Parliament. |
| 14. | 4.76 | The Committee note that the main objective of village Grain Bank Scheme is to provide safeguard against starvation during the period of natural calamity or during the lean season. The Committee also note that the scheme though launched during 1996-97 could not take off in the right earnest because the concept of this scheme was not clear to the intended beneficiaries. The Committee further note that during the 10th five year plan period only 7188 village grain banks could be established out of 14495 village grain banks sanctioned for the entire plan period. The Committee further note that revised guidelines for implementation of the scheme during 11th Five Year Plan have been issued in January, 2008 and the Food Secretary in a meeting with the Food Secretaries of all the States has clarified all the conceptual issues relating to the scheme. In view of the above, the Committee recommend that all the State Governments should be persuaded to establish more and more Village Grain Banks in their States in order to give benefit to the intended beneficiaries under the scheme. The Committee would like to be apprised of the action taken in this regard. |
| 15. | 5.7 | The Committee note with concern that a large amount is still outstanding against the Ministry of Rural Development and Ministry of Human Resource Development on account of foodgrains provided to them for various welfare schemes on payment basis. Although the balance outstanding principal amount has decreased yet the interest on the principal amount has considerably increased over the years. The outstanding dues which were Rs. 19,898.64 crore in 2006-07 from these Ministries, has increased to Rs. 21,902.80 crore as on 31st March, 2007, including the interest accrued on the principal amount. Since the interest accrued is also loaded on the food subsidy bill, the Committee feel that inability to liquidate the outstanding dues of FCI over the years indicate financial indiscipline. The Committee view this with grave concern and desire that the Department should take up the matter at the highest level with the concerned Ministry so that the outstanding dues are liquidated at the earliest and the burden on Food Subsidy Bill is reduced. The Committee also desire that a time limit should be fixed within which the Central Ministries should be required to make payments. |
| 16. | 5.11 | The Committee are concerned to note the steep rise in the Establishment Cost of FCI during 2007-08 as compared to previous year 2006-07. The Establishment Cost of FCI during the year 2007-08 was Rs. 1759.18 crore which was 28.42% more than establishment cost of FCI of Rs. 1369.86 crore during the year 2006-07. According to the Ministry, the steep rise in Establishment Cost was mainly due to additional outgo for the 50% merger of DA along with arrears payment. In the opinion of the Committee, the Establishment Cost of the Corporation is still very high during the year 2007-08 even after taking |

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| | | into account the DA and arrears payment. The Committee feel that there is still scope to further reduce the Establishment Cost. The Committee, therefore, recommend that ways and means should be devised to reduce the Establishment Cost so that substantial amount of food subsidy, which is basically meant for the poor section of the society, percolates down to rightful beneficiaries only. |
| 17. | 5.24 | The Committee note that although the Bureau of Industrial Costs and Prices (BICP) had suggested a norm of 75% capacity utilization of FCI godowns, the actual capacity utilization as on 31st January, 2008 was only 40%. The Committee are deeply distressed by such a low utilization by FCI of its storage capacity. It has been observed that during 2007-08, utilization of covered/hired capacity was 51% whereas the utilization of covered/owned capacity was only 38%. Also, capacity utilization of CAP/Hired was 98% whereas utilization of CAP/owned was merely 05%. In the opinion of the Committee, this is a very highly disturbing state of affairs because the capacity utilization of hired capacity is much more than the capacity utilization of FCI owned godowns. The Committee feel that since large amount of money is being spent on hiring godowns, it clearly reflects lack of planning and improper management on the part of FCI. The Committee, therefore, desire that FCI should reassess their requirement of storage space and de-hire the hired godowns on priority basis and put their owned capacity to maximum utilization by proper scientific management. This will enable FCI to save huge amount of funds required for hiring storage space on exorbitant rates from the market. |
| 18. | 5.25 | The Committee note that the Planning Commission has allocated an amount of Rs. 20.40 crore for the financial year 2007-08 for construction of godowns, but the entire fund could not be utilized due to non-acquisition of land for construction of godowns by the FCI. The Committee feel that there is lack of coordination between the Department of Food and Public Distribution and States/UTs which resulted in non-acquisition of land for construction of godowns in the States. The Committee, therefore, recommend that the Department of Food and Public Distribution should take up the matter urgently with States/UTs at highest level for identifying and providing suitable land for construction of godowns and ensure that the funds earmarked for the purpose do not remain unutilized. The Committee also recommend that the proposal sent by UT of Lakshadweep for construction of godowns may be considered on priority basis and efforts should be made to resolve the problem of storage capacity there. |
| 19. | 5.32 | The Committee note that as a result of various measures taken by the Ministry, storage and transit losses have been reduced to a considerable extent but still they are quiet high. The Committee feel that the issue of storage losses requires regular monitoring on the part of the Government as well by the technical staff posted in the field. In the opinion of the Committee, the steps taken by FCI to prevent storage losses are not adequate. Regular inspections and constant monitoring are required to ensure that losses do not increase further. The Committee desire that vigorous efforts should be made to minimize the losses so that funds earmarked for the poorest of the poor reach the |

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| | | actual beneficiaries. The Committee would like to be apprised of the concrete measures taken in this regard.<br>The Committee are further constrained to note that 3320 cases were initiated up to 2007 where 18042 officials were held responsible for transit and storage losses. A penalty of Rs.2.24 crore was imposed on such officials. From the above facts, the Committee conclude that the FCI is not serious about the storage and transit losses which occur due to human error. The Committee desire that the FCI should improve its monitoring over field staff so that their losses are minimized. They also desire that FCI should also analyze the reasons for such a huge transit and storage losses and devise effective remedial measures to bring down such losses due to human negligence. |
| 20. | 5.39 | The Committee are happy to note that the recommendation of the Committee for eliminating the evil of proxy labour has been fully implemented in 20 States and partially in 2 States. Though labourers are resisting payment through cheques on the plea that they are illiterate and cannot handle the bank account independently. Yet FCI has succeeded in convincing them and assured that they will provide all cooperation to acquaint them with the handling of bank account. Efforts are being made to implement their recommendation in States of Chattisgarh, Jharkhand and Assam. The Committee, therefore, desire that FCI should gear up their efforts in implementing the suggestions of the Committee to regulate the attendance system in FCI in rest of the States also, so that the system of proxy labour is abolished throughout the country. |
| 21. | 5.46 | The Committee are pained to note that despite various punitive and preventive measures, a large number of corruption cases have been detected against the FCI officials during 2007. The Committee are of the view that the corruption in FCI may be rampant on account of lack of institutional mechanism for vigilance available at the zonal and regional offices of FCI. This fact has also been admitted by Secretary, Department of Food and Public Distribution during the course of evidence. The Committee, therefore, recommend that FCI should strengthen its vigilance mechanism in coordination with the States/UTs so as to detect corrupt practices by FCI Officers and take stringent punitive action against them, if found guilty. The Committee feel that efforts should be made for early disposal of pending cases as delay in disposal of vigilance cases would encourage corrupt practices and undermine the authority of law. |
| 22. | 6.8 | The Committee are pained to note that despite various punitive and preventive measures, a large number of corruption cases have been detected against the FCI officials during 2007. The Committee are of the view that the corruption in FCI may be rampant on account of lack of institutional mechanism for vigilance available at the zonal and regional offices of FCI. This fact has also been admitted by Secretary, Department of Food and Public Distribution during the course of evidence. The Committee, therefore, recommend that FCI should strengthen its vigilance mechanism in coordination with the States/UTs so as to detect corrupt practices by FCI Officers and take stringent |

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| | | punitive action against them, if found guilty. The Committee feel that efforts should be made for early disposal of pending cases as delay in disposal of vigilance cases would encourage corrupt practices and undermine the authority of law. |
| 23. | 6.4 | The Committee regret to note that expenditure on establishment cost of CWC is constantly increasing despite various remedial measures being adopted by the Corporation. The expenditure on Establishment Cost has risen from Rs. 188.40 crore during the year 2004-05 to Rs. 240.69 crore during the year 2007-08. Although a study was conducted through Tata Consultancy Services (TCS) to suggest measures to curtail the establishment cost of CWC yet the CWC did give due weightage to their recommendation with the result there is no curtailment in the establishment cost of CWC. The Committee cannot accept the plea of the Government that the main reasons for increase in the establishment cost was due to increase in staff and pay revision of their employees in view of the fact that Corporation reduced its manpower by introducing the VRS. The Committee desire that all recommendations of TCS should be implemented in letter and spirit so that there is no increase in the establishment cost of CWC in the coming years. |
| 24. | 6.25 | The Committee are constrained to note that CWC has no proposal for construction of godowns in NE States/J&K. The Ministry has also informed that they are in constant touch with Meghalaya Government for developing cold storage facility. The Committee feel that inadequacy of storage capacity in NE States and J&K poses a serious threat to efficient and smooth running of Public Distribution System, especially during rainy season. According to the Committee, North-Eastern States are the most disadvantaged States in terms of lack of infrastructure, communication and rail/road network. Storage of adequate foodgrains is a continuous problem which needs to be tackled in all seriousness. In the opinion of the Committee, existence of sufficient storage capacity in these States is a pre-requisite for the people of these States to reap the benefits of Public Distribution System. The Committee, therefore, strongly recommend that the Ministry should give highest priority to the task of construction of godowns in NE region/J&K. |
| 25. | 6.26 | The Committee note that up to 28th February, 2008 total storage capacity available with Punjab was 51.95 lakh MTs (owned-24.17 lakh MTs and hired – 26.92 lakh MTs, Plinth – 0.86 lakh MTs, which in percentage terms is 46.52, 51.81 and 1.65 respectively) but occupancy level was only 40.32 lakh MTs (78% occupancy). Similar is the situation in the State of Andhra Pradesh. The Committee are constrained to note that although the hired capacity is being utilized to the maximum but surprisingly not the owned one. The Committee express their deep anguish over under-utilization of owned capacity and the infructuous expenditure being incurred on hiring the storage capacity. The Committee, therefore, strongly recommend that due care should be taken by CWC by utilizing their own capacity to the maximum first before hiring any storage capacity from outside in order to save precious funds spent on hiring space. |

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| 26. | 7.26 | The Committee note that the Sugar Development Fund (SDF) was created in 1982 for financing the activities of sugar industries for their development. A cess of Rs.14 per quintal upto 31.12.2007 and @ Rs.15.00 per quintal w.e.f. 01.01.2008 and @ Rs.24.00 per quintal w.e.f.01.3.2008 is being collected as excise duty on all sugar produced by any sugar factory in India under the Sugar Cess Act, 1982. The Committee also note that during the period 1982-83 to 2007-08 (upto 30.11.2007) an amount of Rs.4685 crore were collected as cess, out of which Rs.4006 crore has been transferred to the Sugar Development Fund and Rs. 3754 crore have been disbursed for the development of the sugar industry upto 31 November, 2007. The Committee are constrained to note that there is huge underspending under various schemes for the development of the sugar industry during the years 2006-07 and 2007-08 which is evident from the fact that during 2006-07 out of Rs. 300 crore, the Department could utilise only Rs. 195.57 crore. Similarly, during 2007-08, the Department could utilise Rs. 190.62 crore out of the total allocation of Rs. 330 crore. The Committee also find that the amount allocated at BE Stage was enhanced at RE Stage even when the actual expenditure was far less than the allocated amount. The Committee are not satisfied with the reply of the Government which states that huge underspending have been due to receipt of lesser and incomplete applications as required under the rules, non-execution of timely tripartite Agreement (TPA), non completion of certain procedural formalities etc. The Committee view this very seriously and feel that the very purpose of SDF would be defeated if the funds allocated/sanctioned for the various schemes are not fully utilised/disbursed. The Committee, therefore, recommend that maximum amount of SDF should be disbursed for the development of sugar industries and also desire that procedures involved for advancing loans to various sugar mills from the Sugar Development Fund be simplified to remove the procedural bottlenecks so that more and more sugar mills could avail of the benefits of loans from SDF. |
| 27. | 7.27 | The Committee are constrained to note that as on date, a total of Rs 3260.66 crores which includes Rs. 1638.17 crore for 2007-08 sugar season, Rs.1383.36 crore for 2006-07 sugar season and Rs. 239.13 crores for sugar seasons 2005-06 and earlier seasons are outstanding as cane price arrears. The Committee are pained to note that although payment of sugarcane is required to be made within 14 days of the supply of sugarcane by the farmers, it is, however, rarely done. The cane price arrears pertaining to sugar seasons 2005-06 and earlier are still outstanding and yet no action has been taken against the sugar mills for recovery of cane arrears along with interest @ 15%, as per the provisions of the Sugarcane (Control) Order, 1966. As regards State –wise position, the maximum arrears are outstanding in the States of Uttar Pradesh and Maharashtra, the main sugarcane producing States. The Committee feel that non payment of cane price arrears to the farmers in time can be a deterrent and might force the farmers to stop cultivation of sugarcane and instead go in for production of some other crops. The Committee, therefore, recommend that to protect the |

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| | | interests of the sugarcane farmers and motivate them to continue to cultivate sugarcane, the aids/grants given to the sugar mills should be kept in abeyance till they liquidate the cane price arrears with interest and strict action should be taken against the sugar mills for not paying cane price arrears. |
| 28. | 7.28 | The Committee are perturbed to note the continuous decline in the number of claims being settled on account of reimbursement of internal transport and freight charges and also on Ocean freight and handling and marketing charges. For instance, the number of claims settled on account of internal transport which were 418 during 2003-04 declined to just 38 during 2006-07 and in 2007-08 a mere 15 claims have settled on this account upto 31 December, 2007. Similar is the position with regard to number of claims settled on account of ocean freight and handling and marketing charges. 270 claims were settled during 2005-06 which came down to 94 during 2006-07 and to just 44 during 2007-08 upto 31 December, 2007. Total expenditure on both these accounts during 2005-06 was just Rs. 37.44 crore against the Budget allocation of Rs. 90 crore and during 2006-07 it was Rs. 20.96 crore out of the budget allocations of Rs. 50 crore. The reasons for settlement of less number of claims given that a large number of claims received were found to be deficient and incomplete is not acceptable to the Committee. The Committee view this matter with great anxiety and recommend that concerted efforts should be made for maximum utilisation/disbursal of funds under these heads so that huge amounts are not blocked under these heads resulting in their surrender. The Committee also recommend that the cumbersome procedural formalities which are gone into for clearance/settlement of claims should be made easier and entrepreneur friendly, so that more and more claims are settled expeditiously. |
| 29. | 7.29 | The Committee are constrained to note that the percentage of recovery of funds from the financial assistance provided to the Sugar mills from Sugar Development Fund has been quite low over the years. It was just 14 to 18 per cent during the years 2003-04 to 2005-06 which increased to 31 percent during 2006-07. The Committee also note that the provisional figure for recovery during 2007-08 was only 47 per cent. The Committee feel that the recovery of loans given as assistance to the sugar mills from SDF is still not upto the mark and desire that the Department should make concerted efforts to make the recovery to a higher level say about 50-60 per cent of the loans so provided. They desire that action taken in this regard may be communicated to them at the earliest. |
| 30. | 8.13 | The Committee note with concern that despite the various measures undertaken by the Government to increase the production of oilseeds in the country which include enhanced incentives to farmers through fixation of Minimum Support Price (MSP), implementation of 'Integrated scheme of oilseeds, Pulses, Oil Palm and Maize" (ISOPOM), the |

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| | | production of oilseeds has not increased. Although there was an increased production of edible oils in the Country from 72.47 lakh tonnes in 2004-05 to 83.16 lakh tonnes during 2005-06, the production during 2006-07 decreased to 73.70 lakh tonnes i.e. a decline of 9.46 lakh tonnes when compared to the previous year. The Committee note that the edible oils produced in the country barely meets about 55-60 per cent of the total edible oil requirements in the country. Due to increasing population and consequently the demand of edible oils, the country has to import about 40-45 lakh tonnes of edible oils every year to meet its total requirements. The dependency on imports with regard to edible oils has been around 35 to 40 per cent during the last few years. The Secretary of the Department during the course of oral evidence also acknowledged that the country may not be self- sufficient in edible oils in the next five years as new varieties and very high yielding varieties have not really come out on a large scale and a real technology breakthrough is required in this regard. Considering the overall scenario with regard to oil seeds and edible oils in the country, the Committee feel that efforts being made by the Department in the field of developing improved high yielding varities of oilseeds need to be geared up. The Integrated Scheme of Oilseeds, Pulses, Oil palm & Maize (ISOPOM) should be extended to other States also to encourage the farmers to go in for the production of oil seeds. The Committee feel that to bridge the gap between demand and supply of edible oils, the increase in production & productivity is imperative. The Committee, therefore, recommend that there is a need to review and restructure the centrally sponsored scheme ISOPOM, as neither the production nor the productivity of oilseeds have shown a rising trend over the last few years. The Committee also recommend that other ways and means should also be explored to increase the production and productivity of oilseed crops. Further, to reduce the dependency on imported edible oils, result oriented action should be taken to promote and popularize the use of non-traditional secondary sources of edible oils. |
| 31. | 8.14 | The Committee are constrained to note that the number of inspections carried out by the officials of DVVO&F as well as the number of samples being drawn and analysed are on the decline. For instance, the number of inspection carried out in 206-07 were 900 which declined to 610 during 2007-08. Similarly, the number of samples analysed which were 3207 in 2006-07 declined to 2501 during 2007-08. The Committee are of the opinion that in a vast country like India where the main cooking medium are edible oils and where adulteration in edible oils is so rampant, the number of inspections being carried out and samples drawn and analysed are very low. The Committee are unhappy to note that not a single inspection has been carried out by the field officers of DVVO&F of the Institutes funded for conducting R & D projects under the plan schemes of the DVVO&F. The Committee have been apprised that the prime reason for decline in the number of inspections by officials of DVVO&F is shortage of manpower. The Committee therefore recommend that to keep a check on the widespread adulteration in edible oils and in order to protect the health of the citizens of the |

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| | country, the number of inspections to be carried out as well as drawing and analysis of samples of edible oils from all around the country need to be enhanced. The Committee also desire that the Department should strengthen its enforcement machinery and take strongest possible action against the adulterators of edible oils, who are playing with the health and life of the people of the Country. |