

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

**PROCUREMENT AND STORAGE OF FOODGRAINS**

**COMMITTEE ON ESTIMATES  
(2012-2013)**

**EIGHTEENTH REPORT**

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**FIFTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

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(DEPARTMENT OF FOOD & PUBLIC DISTRIBUTION)**

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**Presented to Lok Sabha on 19.12.2012**



**LOK SABHA SECRETARIAT  
NEW DELHI  
December 19, 2012/ Agrahayana 28, 1934(S)**

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## **COMPOSITION OF THE COMMITTEE ON ESTIMATES (2012-13)**

**Shri Francisco Sardinha - Chairman**

### **MEMBERS**

2. Shri E.T. Mohammed Basheer, MP
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## **SECRETARIAT**

1. Shri P. K Grover - Additional Secretary
2. Smt. Anita B. Panda - Director
3. Dr. Yumnam Arun Kumar - Deputy Secretary
4. Shri Ayan Guha - Executive Assistant

## INTRODUCTION

I, the Chairman of Committee on Estimates(2012-13) having been authorized by the Committee to submit the Report on their behalf present this Eighteenth Report (Fifteenth Lok Sabha) on 'Procurement and Storage of Foodgrains' pertaining to Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution).

2. The subject was selected for examination by the Committee on Estimates (2011-12) taking into account the rising procurement needs and inadequate storage capacity in the country. The subject 'Procurement and Storage of Foodgrains' was carried forward for examination and report during the year 2012-13.

3. The Committee held oral evidence of the representatives of the Ministry of Consumer Affairs, Food & Public Distribution in connection with the examination of the subject 'Procurement and Storage of Foodgrains' on 30.04.2012.

4. The Report was considered and adopted by the Committee at their sitting held on 11 December, 2012.

5. The Committee wish to express their thanks to the representatives of the Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution), who appeared before them and placed their views on the subject. The Committee also wish to thank them for furnishing the information required in connection with examination of the subject.

6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters at the end of the Report.

**NEW DELHI;  
14 December, 2012  
23 Agrahayana, 1934(Saka)**

**FRANCISCO SARDINHA  
Chairman,  
Committee on Estimates**

**REPORT ON**  
**PROCUREMENT AND STORAGE OF FOODGRAINS**

**PART – I**

**BACKGROUND ANALYSIS**

**Chapter I**

**Introductory**

Agricultural production in India has made rapid progress since Independence. It has transformed from foodgrain shortage to self reliance and surplus owing to technological breakthrough achieved during Green Revolution well supported by fiscal and policy initiatives of the Government. However, the country is still plagued with widespread prevalence of hunger and poverty. With around 37 per cent of the total population falling Below the Poverty Line (BPL), procurement of foodgrains, maintenance of their stocks and their effective distribution to the people especially through Public Distribution System (PDS) need to be given special attention. This would ensure availability of foodgrains to the common man at an affordable price and also enable the poor to have access to food for their growth and development. The Government of India's foodgrains management strategy towards ensuring food security involves procurement of foodgrains at remunerative price from the growers, its storage and movements, maintenance of buffer stock and ensuring availability of foodgrains to the public at reasonable prices. The overall responsibility for management of foodgrains lies with the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)\*. Procurement is done centrally through the Food Corporation of India (FCI). Besides a scheme of Decentralized Procurement (DCP) of foodgrains (1997-98) has permitted the Governments of ten States / Union Territories viz. Andaman and Nicobar Islands, Chhattisgarh, Gujarat, Karnataka, Kerala, Madhya Pradesh, Odisha, Tamil Nadu, Uttarakhand and West Bengal to directly purchase paddy and wheat and procure levy rice on behalf of the Central Government and store and distribute these foodgrains under Targetted PDS and other welfare schemes.

1.2 According to the Ministry, over the years, the procurement of foodgrains has remained steady and the food reserves have fulfilled the buffer norms. However, in a highly over populated country like India, the objective of food security can only be met if

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\* Hereafter referred to as 'The Ministry'.

the procurement keeps registering substantial increase every year. With the ambitious plan of the Government to implement the proposed landmark legislation of 'The National Food Security Bill, 2011'<sup>1</sup>, the Government agencies have to continuously look for new and innovative ways to increase the level of procurement so that the objectives of having universal food security can be achieved at the earliest.

1.3 Storage of foodgrains is an important link in the entire mechanism of procurement and distribution of foodgrains which though produced seasonally, are consumed all the year round. Foodgrains storage capacity is planned to meet the storage requirement for buffer and operational stocks, public distribution system and farm level storage. The storage capacity available with Government Agencies both at the Central and State levels are primarily used for keeping central pool stocks of foodgrains for the Public Distribution System and Other Government Schemes (OGSs). As per the Ministry, the total covered storage capacity available with FCI and State Governments for storage of foodgrains is about 45 million tonnes. The responsibility for distribution of foodgrains to beneficiaries vests with the State Governments. However, in the recent years it has been reported that a substantial amount of foodgrains is lost each year in India due to inadequate storage facilities and faulty storage techniques. Further, it has been reported that lack of proper storage facilities has resulted in declaring 50,000 MT of wheat unfit for human consumption. This led to heavy criticisms from various quarters and has brought renewed focus on the interlinked challenges of feeding India's poor and overhauling its foodgrains procurement, storage and distribution infrastructure for foodgrains.

1.4 In this background, the Committee deemed it fit to take this subject for detailed examination and report to Parliament. In the process, the Committee obtained Background Note, Annual Report and written replies from the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution). The Committee also had a thorough deliberations on the subject with the representatives of the Ministry on 30<sup>th</sup> April, 2012. Based on consolidated written and oral information, the Committee examined the subject in detail and identified certain critical issues as enumerated in the succeeding Chapters of this Report.

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<sup>1</sup> Said Bill is yet to be passed by the Parliament.

## CHAPTER-II

### ORGANIZATIONAL SET UP AND FUNCTIONS

The Ministry of Consumer Affairs, Food and Public Distribution has two Departments namely, the Department of Food and Public Distribution and Department of Consumer Affairs. The responsibility to ensure food security for the country through timely and efficient procurement and distribution of foodgrains lies with the Department of Food and Public Distribution. This involves procurement of various foodgrains, building up and maintenance of food stocks, their storage, movement and delivery to the distributing agencies and monitoring of production, stock and price levels of foodgrains. The primary policy objective of the Department is to incentivize farmers through fair value of their produce by way of Minimum Support Price (MSP) mechanism, distribution of foodgrains to Below Poverty Line (BPL) families and covering poor households at the risk of hunger under Antyodaya Anna Yojna (AAY), establishing grain banks in food scarce areas and involvement of Panchayati Raj Institutions in Public Distribution System (PDS).

2.2 The main functions of the Department of Food and Public Distribution, regarding management of foodgrains *inter-alia* include formulation and implementation of National policies relating to procurement, movement, storage and distribution of foodgrains; implementation of the Public Distribution System with special focus on the poor; provision of storage facilities for the maintenance of Central reserves of foodgrains and promotion of scientific storage; formulation of National policies relating to export and import, buffer stocking, quality control and specifications of foodgrains; administration of food subsidies relating to rice, wheat and coarse grains. The Food Corporation of India (FCI) which was set up under the Food Corporation set, 1964 is the main agency responsible for execution of food policies of the Central Government.

#### **Food Corporation of India (FCI)**

2.3 The procurement of foodgrains is handled primarily through Food Corporation of India (FCI) in association with the State Governments and their procurement agencies. It coordinates functions through a country-wide network of offices with its headquarters at New Delhi, five Zonal Offices, 24 Regional Offices, 168 District Offices and one Port Office

at Kandla. Its main responsibility lies in executing the food policies of the Central Government. The major functions of FCI include purchase, storage, movement, transportation, distribution and sale of foodgrains on behalf of the Central Government.

2.4 FCI was setup to fulfill various objectives of the Food Policy in the country which *inter-alia* include:

- (a) Effective price support operations for safeguarding the interests of the farmers;
- (b) Distribution of foodgrains throughout the country for public distribution system;
- (c) Maintaining satisfactory level of operational and buffer stocks of foodgrains to ensure National Food Security; and
- (d) To intervene in market for price stabilization.

### **Central Warehousing Corporation (CWC)**

2.5 The Central Warehousing Corporation (CWC), another significant agency in management of Foodgrains, was established on 2<sup>nd</sup> March, 1957 under the Agricultural Produce (Development and Warehousing) Corporation Act, 1956 which was subsequently replaced by the Warehousing Corporation Act, 1962. It is one of the biggest public warehouse operators in the country providing logistics services to a diverse group of clients. The overall management of the CWC is entrusted with the Board of Directors. The Board of Directors of the CWC has been constituted under Section 7(1) of the Warehousing Corporations Act, 1962.

2.6 CWC is operating 469 warehouses across the country with a storage capacity of 10.04 million tonnes providing warehousing services for a wide range of products ranging from agricultural produce to sophisticated industrial products.

2.7 The functions of the CWC are: (a) to acquire and build godowns and warehouses at suitable places in India or abroad; (b) to run warehouses for the storage of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities offered by individuals, cooperative societies and other institutions; (c) to arrange facilities for transport of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities to and from warehouses; (d) to subscribe to the share capital of State Warehousing Corporations; (e) to act as an agent of the Government for the purposes of purchase, sale, storage and distribution of agricultural produce, seeds,

manures, fertilizers, agricultural implements and notified commodities; (f) to enter into, with the previous approval of the Central Government, joint ventures with any Corporation established by or under any Central Act or any State Act or with any company formed and registered under the Companies Act, 1956 including foreign company or through its subsidiary companies, for carrying out its functions as enumerated in the Warehousing Corporations Act, 1962; (g) to establish subsidiary companies; (h) to undertake disinfection services outside its warehouses also in respect of agricultural produce or notified commodities; (i) the Corporation may, at its discretion, act as agent for the purpose of purchase, sale, storage and distribution of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities on behalf of a company as defined in the Companies Act, 1956 (1 of 1956) or a body corporate established by an Act of Parliament or of a State Legislature or a Cooperative Society; (j) the Corporation may, at its discretion, and at the request of the Central Government or any State Government or a Corporation established by or under a Central Provincial or State Act, or a Government Company as defined in section 617 of the Companies Act, 1956 (1 of 1956) or a Cooperative Society, prepare any project or render consultancy service for construction of warehouses or any matter connected therewith; (k) the Corporation may operate warehouses, create infrastructure and arrange facilities for storage, handling and transport of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities, bonded cargo, air cargo, containerized cargo and liquid cargo. Further, the Corporation may also provide marketing or other warehousing related services in respect of agricultural produce or notified commodities; (l) the Corporation may provide consultancy services, assistance, finance, programmes or projects related to agricultural produce or notified commodities and undertake any other activities considered incidental to its functions and (m) to carry out such other functions as may be prescribed.

## CHAPTER – III

### PROCUREMENT OF FOODGRAINS-POLICY AND MECHANISM

Foodgrains management policy / strategy enables farmers of the country to get remunerative price for their produce. It also enables distribution of foodgrains at highly subsidised prices to the poor population of the country covered under Antyodaya Anna Yojana (AAY) and Below Poverty Line (BPL). One of the most important areas in the management of foodgrains is the element of procurement.

3.2 Accordingly to the Ministry, the procurement of foodgrains by the Government is intended to:

- a. Provide remunerative prices to farmers, thereby avoid distress sale of foodgrains and
- b. Build up a stock of foodgrains to ensure the supply of subsidized foodgrains to the needy and poor through the Targeted Public Distribution System (TPDS) and Other Welfare Schemes (OWSs). OWSs include Mid-Day Meal Scheme, ICDS, Annapurna, Welfare Institutions, SC/ST/OBC Hostels, Rajiv Gandhi Scheme for Empowerment of Adolescent Girls, Emergency Feeding Programme in Odisha and Village Grain Bank Scheme.

#### Existing Policy of Foodgrains Procurement

##### Procurement of Foodgrains by Food Corporation of India and State Agencies

3.3 As per the existing procurement policy, procurement of foodgrains is made by State Government at Minimum Support Price declared by Government of India. FCI also opens a small number of procurement centres. As per the Ministry, the Central Government extends price support at MSP for paddy, coarse grains and wheat through the Food Corporation of India (FCI) and the State Agencies. This enables the farmers to get MSP for their produce, and prevents them from resorting to distress sale specially at the time of peak crop arrivals in the market. All the foodgrains conforming to the prescribed specifications offered for sale by farmers at specified centers are bought by the public procurement agencies at MSP. The producers have the option to sell their produce to FCI/State Agencies at MSP or in the open market as is advantageous to them. FCI and



State Agencies are the main agencies involved in the procurement of foodgrains who in mutual consultation, open the procurement centres in the country for procurement of wheat, paddy and coarse grains from farmers.

3.4 As per the Ministry, the entire amount of foodgrains procured for the Central Pool is stored by FCI or State Government and their Agencies. The major responsibility of procurement of foodgrains is borne by State Governments and their agencies. The State Governments provide infrastructures at purchase centres. The working capital is taken from Banks or the State Government provides it. According to the Ministry, Odisha, Madhya Pradesh, Chhattisgarh, Kerala and Tamil Nadu have increased their procurement substantially. The State-wise production and procurement of wheat and rice during the last five years and the estimated procurement is enclosed at **Annexures I and II**, respectively. The Committee were informed that the cumulative rainfall from 1<sup>st</sup> June to 30<sup>th</sup> September 2011 was excess/normal in 33 meteorological sub-divisions and deficient/scanty in the remaining 03 meteorological divisions. For the country as a whole, the rainfall from the south-west monsoon in 2011 was 1 per cent above the long period average. As per the 2<sup>nd</sup> Advance Estimates released on 03.02.2012 for 2011-12, the Kharif foodgrains production in the country is estimated at record level of 128.41 million tonnes which is 6 per cent higher than the last year's Kharif foodgrains production. The production of Kharif rice is estimated at record level of 90.18 million tonnes while production of total Kharif coarse cereals is estimated at 31.84 million tonnes. Production of Kharif pulses is estimated at 6.39 million tonnes which is marginally lower (by 0.73 million tonnes) than last year's pulses production of 7.12 million tonnes.

3.5 According to the Ministry, at present procurement of wheat and rice is much more than the requirement of TPDS and other welfare schemes, therefore the level of Central Pool stocks is rising over a period of time.

### **Decentralized Procurement of Foodgrains**

3.6 With the objective of reducing the over-dependence of the State Governments on FCI for TDPS and reducing transportation costs by ensuring availability of locally produced foodgrains, the Government introduced, the scheme of Decentralised Procurement (DCP) of foodgrains in the year 1997-98.

3.7 Under the decentralized procurement scheme, the State Government itself undertakes direct purchase of paddy and wheat and procurement of levy rice on behalf of

Government of India, store and distribute foodgrains under TPDS and OWS. The Central Government undertakes to meet the entire expenditure incurred by the State Governments on the procurement operations as per the approved costing for each State. At present 10 States/UT undertake DCP viz. Andaman & Nicobar Islands, Chhattisgarh, Gujarat, Karnataka, Kerala, Madhya Pradesh, Odisha, Tamil Nadu, Uttarakhand and West Bengal.

3.8 In the backdrop that DCP was introduced with a view to effect savings in the form of reduction in the outgo of food subsidy, enhancing the efficiency of procurement and PDS and encouraging local procurement to maximum extent, the Committee desired to know the extent to which the objectives of the scheme have been achieved. In response, the Ministry in a written note expressed their inability to do so by stating as under:

“Regarding savings in annual cost through implementation of DCP scheme, it is stated that under DCP Scheme, foodgrains are procured and distributed by the States themselves within the State. This results in savings mainly in handling costs and transportation cost. As foodgrains are not delivered to FCI and then lifted from FCI for distribution, double handling of foodgrains in delivery and lifting is avoided which results in savings in handling costs. There is also saving in transportation cost of foodgrains from the major procuring States to the consuming States as DCP States procure and distribute foodgrains within their State. However, it is not possible to quantify the savings under DCP Scheme as FCI’s economic cost, which is the benchmark for assessing the savings, is fixed on the all India basis and DCP States’ economic cost is State wise.”

3.9 With regard to the estimated and actual procurement of wheat and rice by the DCP States / UTs during the last five years, the Ministry in a written note furnished the following data:

**ESTIMATED AND ACTUAL PROCUREMENT OF WHEAT IN DCP STATES FOR LAST 5 YEARS**

(in lakh tonnes)

STATE/UT	*RMS 2007-08		RMS 2008-09		RMS 2009-10		RMS 2010-11		RMS 2011-12	
	Est. Proc.	Actual Proc.	Est. Proc.	Actual Proc.	Est. Proc.	Actual Proc.	Est. Proc.	Actual Proc.	Est. Proc.	Actual Proc.
Uttar Pradesh	15.00	5.46	20.00	31.37	35.00	38.82				
Uttarakhand	1.00	0.02	1.00	0.85	1.10	1.45		0.86	1.00	0.42
Madhya Pradesh	3.00	0.57	3.00	24.10	20.00	19.68	35.00	35.39	35.00	48.94
Gujarat	0.50		2.00	4.15	2.00	0.75	0.50	0.01	1.50	1.05

West Bengal								0.09	0.20	0.00
<b>Total :</b>	<b>19.50</b>	<b>6.05</b>	<b>26.00</b>	<b>60.47</b>	<b>58.10</b>	<b>59.95</b>	<b>35.50</b>	<b>36.35</b>	<b>37.70</b>	<b>50.42</b>

Note 1 : UP has withdrawn from DCP system from RMS 2010-11

Note 2 : West Bengal has adopted DCP system for wheat from RMS 2010-11

\* RMS – Rabi Marketing Season.

#### ESTIMATED AND ACTUAL PROCUREMENT OF RICE IN DCP STATES FOR LAST 5 YEARS

(in lakh tonnes)

STATE/UT	**KMS 2006-07		KMS 2007-08		KMS 2008-09		KMS 2009-10		KMS 2010-11	
	Est. Proc.	Actual Proc.	Est. Proc.	Actual Proc.	Est. Proc.	Actual Proc.	Est. Proc.	Actual Proc.	Est. Proc.	Actual Proc.*
A&N ISLANDS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CHHATISGARH	31.10	28.65	28.00	27.43	24.00	28.48	29.00	33.57	31.00	37.28
KARNATAKA	0.50	0.22	0.50	0.19	2.00	1.07	2.00	0.86	2.00	1.8
KERALA	0.70	1.51	2.00	1.68	2.70	2.37	2.85	2.61	2.86	2.63
MADHYA PRADESH			1.10	0.69	1.00	2.45	0.00	2.55	1.40	4.62
ODISHA	17.00	20.02	24.80	23.57	27.80	27.90	32.00	24.96	32.00	24.72
TAMIL NADU	8.70	10.77	11.10	9.69	10.00	11.99	10.00	12.41	11.10	15.7
UTTAR PRADESH	30.70	25.59	26.70	28.91	31.90	40.07	21.06	29.01		
UTTARAKHAND	3.10	1.76	2.10	1.47	2.00	3.49	2.35	3.75	4.00	4.2
WEST BENGAL	15.70	6.42	8.00	14.29	15.80	16.67	16.00	12.4	16.00	12.34
<b>ALL INDIA TOTAL :</b>	<b>107.50</b>	<b>94.94</b>	<b>104.30</b>	<b>107.92</b>	<b>117.20</b>	<b>134.49</b>	<b>115.26</b>	<b>122.12</b>	<b>100.36</b>	<b>103.29</b>

Note 1: Madhya Pradesh has been allowed DCP status from KMS 2007-08

Note 2: Uttar Pradesh has with drawn from DCP system from KMS 2010-11.

\*As on 30.9.2011

\*\* KMS – Kharif Marketing Season

## **Pricing of Foodgrains**

3.10 As per the Ministry, the Commission of Agricultural Cost and Price (CACP) recommends the fixing of Minimum Support Price (MSP) of foodgrains based on a complex process of assessment by consulting the State Governments, the Ministry of Consumer Affairs, Food and Public Distribution and other stakeholders like FCI, Ministry of Commerce, Indian Council of Agricultural Research, National Agricultural Cooperative Marketing Federation of India (NAFED), Tribal Co-operative Marketing Development Federation of India and Agricultural and Processed Food Products Exports Development Authority (APEDA). While determining the MSP, CACP considers the overall needs of the economy as well as the interest of farmers and consumers and also other relevant factors such as cost of production, domestic and international market situation, increase in the prices of urea / fertilizers / petrol / electricity, subsidies, stock position, change in agricultural terms of trade, prices of competing crops and prices fixed in previous years. The prices recommended by CACP are considered by the Cabinet Committee for Economic Affairs (CCEA) for approval.

3.11 In the light of the practice of offering uniform MSP to the cultivators all over the country inspite of the variation of cost of production across States, the Committee, during their briefing, desired to know whether the Ministry recognizes the need for rationalization of policy with regard to MSP. In response, the Ministry stated as under:

“Department of Agriculture and Cooperation has informed that the cost of cultivation/production of a single crop varies between States. Since for a single crop there is a uniform MSP for the whole country, the estimates of cost of cultivation/production in respect of major producing States of a particular crop covered under the scheme are taken into consideration for arriving at a weighted all India average cost of cultivation/production. Further, from time to time, expert committees were constituted to revise the methodology and system of calculation of the cost of cultivation/ production of agricultural produce, to arrive at MSPs.”

3.12 Elaborating further on the issue, the Ministry added:

“Most recently, the Government had set up an Expert Committee under the Chairmanship of Prof. Y.K. Alagh in May 2003 to examine the methodological issues in fixation of MSP. On its recommendations, the Government decided in 2009 that for recommending MSP, the following items of cost shall also be considered by CACP (i) the premium actually paid by farmers for crop insurance; (ii) marketing and transport charges incurred by farmers; (iii) imputing value of family labour on actual market rate for casual labour in cost estimates; and (iv) the likely effect of the price policy on the rest of economy, particularly on the cost of living, level of wages, cost

structure of agro-based products and the competitiveness of agriculture and agro-based commodities. All these factors are considered but MSP is finally declared on an average basis uniformly for the whole country, otherwise market economies will get distorted and inter-State grain movement will take place to get higher MSPs.”

3.13 Regarding the MSP fixed for rice, wheat and coarse grains during the period 2010-11 to 2012-13, the Ministry in a written note furnished the following data to the Committee:

**MSP fixed for rice, wheat and coarse grains during 2009-10 to 2011-12**

**Wheat : Rabi Marketing Season: April – March**

(` per quintal)

Marketing Year	Wheat
2010-11	1100
2011-12	1170
2012-13	1285

**Paddy : Kharif Marketing Season : October – September**

(` per quintal)

Marketing Year	Paddy	
	Common	Gr.'A'
2009-10	1000	1030
2010-11	1000	1030
2011-12	1080	1110

**Coarse Grains :**

(` per quintal)

Marketing Year	Coarse Grains	
	Barley	Jowar/Bajra/Maize/Ragi
2009-10	680	840(maize, jowar, bajra) 860(Jowar maldandi) 915(ragi)

2010-11	750	880(maize, jowar, bajra) 900(Jowar maldandi) 965(ragi)
2011-12	780	980(maize, jowar, bajra) 1000(Jowar maldandi) 1050(ragi)
2012-13	980	—

3.14 The above Tables indicated that in almost all the major crops, there has been a steady rise in MSP during the period 2009-10 to 2011-12. Thus, the Committee enquired whether the rise in MSP is the reason for the food inflation in the Country. In their reply, the Ministry apprised the Committee that increase in MSP has a very marginal effect on wheat and rice prices in open market and that wheat and rice prices in the country have been stable in the recent years.

3.15 Justifying the above point, the Ministry furnished a statement to the Committee showing the wholesale, retail and international prices of rice and wheat since 01.01.2010, in the Table placed below:

**Statement showing wholesale, retail and international prices of rice and wheat since 1.01.2010**

Date	Wheat price			Rice price		
	Wholesale (₹/qtl. At Delhi)	Retail (₹/kg at Delhi)	International (USA Soft wheat FOB USD/MT)	Wholesale (₹/ qtl. At Delhi)	Retail (₹/kg at Delhi)	International (Vietnam long 25% broken FOB USD/MT)
1.01.2010	1365.00	15.50	213.37	2000.00	23.00	475.00
1.02.2010	1385.00	15.00	189.26	2000.00	23.00	445.00
1.03.2010	1430.00	15.00	199.10	1975.00	23.00	370.00
1.04.2010	1350.00	15.00	184.50	1975.00	23.00	360.00
1.05.2010	1225.00	13.00	197.21	1950.00	24.00	320.00
1.06.2010	1160.00	13.00	187.60	1900.00	22.00	340.00
1.07.2010	1230.00	14.00	207.50	1950.00	22.00	340.00
1.08.2010	1235.00	14.00	257.50	1900.00	22.00	325.00
1.09.2010	1230.00	14.00	263.60	1875.00	23.00	360.00
1.10.2010	1225.00	14.00	272.00	1880.00	22.50	433.00

1.11.2010	1235.00	14.00	289.00	1875.00	22.50	450.00
1.12.2010	1260.00	14.00	300.00	1900.00	23.00	455.00
1.1.2011	1320.00	14.00	327.00	1975.00	23.00	455.00
1.2.2011	1345.00	15.50	338.00	1940.00	23.00	410.00
1.3.2011	1340.00	15.50	323.00	1950.00	23.00	430.00
1.4.2011	1240.00	15.50	318.00	1950.00	23.00	430.00
1.5.2011	1220.00	15.50	312.00	1950.00	23.00	440.00
1.6.2011	1190.00	15.00	308.00	1965.00	23.00	433.00
1.7.2011	1290.00	15.00	249.00	1975.00	23.00	430.00
1.8.2011	1200.00	15.00	274.00	1950.00	23.00	488.00
1.9.2011	1180.00	15.00	284.00	1975.00	24.00	530.00
1.10.2011	1200.00	15.00	256.00	1950.00	24.00	510.00
1.11.2011	1210.00	15.00	263.00	1950.00	24.00	520.00
1.12.2011	1245.00	15.00	245.10	1950.00	24.00	505.00
1.1.2012	1265.00	16.00	263.20	1950.00	24.00	430.00
1.2.2012	1280.00	16.00	267.10	1950.00	24.00	405.00
1.3.2012	1280.00	16.00	265.00	1950.00	24.00	375.00
1.4.2012	1290.00	16.00	265.00	1950.00	24.00	390.00
1.5.2012	1280.00	16.00	263.00	2050.00	26.00	390.00
1.6.2012	1300.00	16.00	253.00	2080.00	25.00	390.00
1.7.2012	1280.00	15.00	300.00	2040.00	24.00	370.00

### Central Issue Price (CIP)

3.16 As a contrast to Minimum Support Price (which represents the pre-determined procurement price), CIP represents the price at which foodgrains are issued for the Targeted Public Distribution System and Other Welfare Schemes. The Central Issue Price differ as follows:

- (a) There are different CIP for different segments of beneficiaries under the Targeted Public Distribution System – Above Poverty Line (APL), Below Poverty Line (BPL) and Antyodaya Anna Yojana (AAY).
- (b) There are separate CIP for common rice and Grade 'A' rice for APL consumers.

3.17 Regarding CIP, the Annual Report of the Ministry states that wheat and rice are issued from the Central Pool to State Governments / UTs at uniform CIP for distribution

under the TPDS. The CIPs of foodgrains issued under the TPDS are fixed below the economic cost. The Central Government bears a huge subsidy burden on this account, especially for distributing foodgrains at highly subsidized rates under BPL and Antyodaya Anna Yojana (AAY) category. The Government of India implements TPDS under which foodgrains at subsidized prices are distributed in all States/UTs as per certain norms. As per the Ministry, the allocations of foodgrains for BPL and AAY categories are made @ 35 kg. per family per month for all accepted 6.52 crore BPL (including 2.43 crore AAY) families in the country as per 1993-94 poverty estimates of Planning Commission and March, 2000 population estimates of Registrar General of India. For APL category, allocations of food grains to different States/ UTs are made depending upon the availability of stocks of foodgrains in the Central Pool and past offtake by States. The Ministry later added that at present, these allocations range between 10 kg and 35 kg per family per month.

3. 18 With regard to CIP of rice and wheat per quintal for APL and BPL families, the Annual Report of the Ministry states as under:-

**CIP of Rice (Common and Grade 'A')**

( ₹ per quintal)

Rice	APL	BPL	With effect from
Common	700	350	29.01.1999
Grade 'A'	905	350	29.01.1999
Common	1135	590	01.04.2000
Grade 'A'	1180	590	01.04.2000
Common	1087	565	25.07.2000
Grade 'A'	1130	565	25.07.2000
Common	795	565	12.07.2001
Grade 'A'	830		12.07.2001



Common Grade 'A'	695 730	565	01.04.2002
Common Grade 'A'	795 830	565	01.07.2002 to till date

(CIP of Common rice to APL families is applicable to J&K, H.P., North Eastern States, Sikkim and Uttarakhand)

Central Issue Price of wheat per quintal for BPL and APL under TPDS  
(` per quintal)

<b>BPL</b>	<b>APL</b>	<b>Effective from</b>
250	650	29.1.1999
250	682	01.04.1999
450	900	01.04.2000
415	830	25.07.2000
415	610	12.07.2001
415	510	01.04.2002
415	610	01.07.2002 to till date

3.19 According to the Ministry, the CIP of AAY (Antyodaya Anna Yojana) has been kept constant at Rs 3 per kg for rice and R 2 per kg for wheat, since the introduction of this scheme in December, 2000.

## **Special initiative in the Drought-Prone Areas**

3.20 During briefing the Committee enquired as to whether any special allocation of foodgrains at concessional rates was made for the drought prone areas, for instance, the Vidarbha region. The Ministry informed the Committee as under:

”A request for additional allocation for drought affected areas of Maharashtra and Karnataka was received in the Department of Food & PD. After considering the matter in consultation with D/o Expenditure, allocation of 30,000 MT of rice and 30,000 MT of wheat was made to Government of Maharashtra and 3,00,000 MT of rice and 57,200 MT of wheat to Government of Karnataka at Minimum Support Price.”

3.21 When further enquired if the farmers of the drought prone areas can be paid higher MSP, the Ministry apprised the Committee as follows:

“With regard to payment of higher MSP to the farmers of these areas, Department of Agriculture and Cooperation has informed that since for a single crop there is a uniform MSP for the whole country, the estimates of cost of cultivation/production in respect of the major producing states of a particular crop covered under the scheme are taken into consideration for arriving at a weighted all India average cost of cultivation/production. Therefore, it would not be prudent to have different MSPs for different region as that would distort market realities and inter-state grain movement will start taking place to higher MSP regions.”

## CHAPTER IV

### PROCUREMENT OF FOODGRAINS AND PUBLIC DISTRIBUTION SYSTEM

#### **Public Distribution System**

Over the years, Public Distribution System (PDS) has become an important part of Government's policy for management of foodgrains 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.

4.2 Public Distribution System is operated under the joint responsibility of the Central Government and State/Union Territory (UT) Governments. The responsibility for procurement, allocation and transportation of foodgrains upto the designated depots of the Food Corporation of India lies with the Central Government. The operational responsibilities for instance, lifting and distributing the allocated foodgrains within the States/UTs, identification of eligible Below Poverty Line (BPL) families, issuance of Ration Cards and supervision over distribution of allocated foodgrains to eligible card holders through the fair price shops are entrusted to the respective State/UT Governments. Presently, the commodities under the PDS namely wheat, rice, sugar and kerosene, are being allocated to the States/UTs for their distribution. Some States/UTs also distribute additional items for mass consumption through the PDS outlets such as pulses, edible oils, iodized salt, spices, etc.

#### **PDS (Control) Order, 2001**

4.3 As per the Ministry, in order to maintain supplies and securing availability and distribution of essential commodities, Public Distribution System (Control) Order, 2001 has been notified on August 31, 2001. The Order mainly contains provisions with regard to the following issues namely: (i) Identification of families below the poverty line; (ii) Ration cards; (iii) Scale and Issue price; (iv) Distribution of foodgrains; (v) Licensing; (vi) Monitoring.

4.4 The Order requires all State Governments/UTs to ensure that the BPL and Antyodaya families identified are really the poorest of the poor. It also requires the State Governments/UTs to get the lists of BPL and Antyodaya families reviewed every year for the purpose of deletion of ineligible families and inclusion of eligible families. It further devolves on the State Governments/UTs to conduct periodical checking of ration cards to weed out ineligible and bogus cases. The State Governments/UTs are also to ensure issue of Utilization Certificates confirming that the foodgrains have been lifted and distributed to the intended beneficiaries under the TPDS. An offence committed in violation of the provisions of this Order shall invoke criminal liability under the Essential Commodities Act, 1955.

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

4.5 In June 1997, the Government of India launched the Targeted Public Distribution System (TPDS) with focus on the poor. Under this system, States are required to formulate and implement foolproof arrangements for identification of the poor for delivery of foodgrains and for its distribution in a transparent and accountable manner at the Fair Price Shop (FPS) level.

4.6 The major objective of the scheme is to benefit about 6 crore poor families for whom a quantity of about 72 lakh tonnes of foodgrains was earmarked annually. The identification of the poor under the scheme is done by the States as per State-wise poverty estimates of the Planning Commission for 1993-94 based on the methodology of the "Expert Group on estimation of proportion and number of poor". The allocation of foodgrains to the States/UTs was made on the basis of average consumption in the past i.e. average annual offtake of foodgrains under the PDS during the past ten years at the time of introduction of TPDS.

4.7 According to the Ministry, the quantum of foodgrains in excess of the requirement of BPL families was provided to the State as 'transitory allocation' for which a quantum of 103 lakh tonnes of foodgrains was earmarked annually. Over and above the TPDS allocation, additional allocation to States have also been made. The transitory allocation was intended for continuation of benefit of subsidized foodgrains to the population Above the Poverty Line (APL) as any sudden withdrawal of benefits existing under PDS from them was not considered not desirable from them. The transitory allocation is issued at

prices, which are subsidized but are higher than the prices for the BPL quota of food grains.

### **Identification of Antyodaya Families and Allocation of Foodgrains**

4.8 As per the Ministry, AAY is a step in the direction of making TPDS aim at reducing hunger among the poorest segments of the BPL population. A National Sample Survey Exercise points towards the fact that about 5 per cent of the total population in the country sleeps without two square meals a day. This section of the population can be called as "hungry". In order to make TPDS more focused and targeted towards this category of population, the "Antyodaya Anna Yojana" (AAY) was launched in December, 2000 for one crore poorest of the poor families. AAY contemplates identification of such families from amongst the number of BPL families covered under TPDS within the States and providing them food grains at a highly subsidized rate of ` 2/- per kg. for wheat and ` 3/- per kg for rice. The States/UTs are required to bear the distribution cost, including margin to dealers and retailers as well as the transportation cost. Thus, the entire food subsidy is being passed on to the consumers under the scheme.

4.9 Enquired by the Committee about the criteria being followed in identifying the poorest of the poor families under Antyodaya Anna Yojana, the Ministry in a written note, *inter-alia* stated as under:

“Coverage under this scheme has been expanded thrice since then i.e. during 2003-04, 2004-05 and 2005-06, covering additional 50 lakh households each time to be identified from BPL families. Thus the total coverage under AAY was raised to 2.50 crore AAY families. Against the target of 2.50 crore AAY families given to State/UT Governments, the State/UT Governments have identified and issued AAY ration cards to 243.871 lakh AAY families. The identification of AAY families within the target of AAY families given to each State/UT is the responsibility of concerned State/UT Government.”

4.10 Elaborating on the criteria to identify AAY families, the Ministry added:

“The Guidelines issued *vide* this Department D.O. letter No.6(5)/2005/PD-I dated 12.5.2005, stipulate the following criteria for identification of AAY families. (i) Landless agriculture labourers, marginal farmers, rural artisans/ craftsmen such as potters, tanners, weavers, blacksmiths, carpenters, slum dwellers, and persons earning their livelihood on daily basis in the informal sector like porters, coolies, rickshaw pullers, hand cart pullers, fruit and flower sellers, snake charmers, rag pickers, cobblers, destitutes and other similar categories in both rural and urban

areas. (ii) Households headed by widows or terminally ill persons/disabled persons/ persons aged 60 years or more with no assured means of subsistence or societal support. (iii) Widows or terminally ill persons or disabled persons or persons aged 60 years or more or single women or single men with no family or societal support or assured means of subsistence and (iv) All primitive tribal households.”

4.11 Further the Ministry stated that:

“These Guidelines were further amended vide this Department’s letter No.13(15)2009-PD-III dated 3<sup>rd</sup> June, 2009. As per these instructions, all State/UT Governments were requested to review the existing list of AAY families in their respective States/UTs, delete ineligible AAY families therefrom and include all eligible BPL families of HIV positive persons in the AAY list on priority, against the criteria mentioned in para 2(b) and 2(c) of the Guidelines for identification of AAY families under Antyodaya Anna Yojana, circulated vide D.O. letter No.6(5)/2005/PD-I dated 12<sup>th</sup> May, 2005, within respective ceilings on numbers of the AAY families communicated by this Department.”

4.12 In the backdrop that the quantum of foodgrains in excess of the requirements of BPL families is often provided to the States as ‘Transitory Allocation’ for distribution at cheap rate to Above Poverty Line (APL) families, the Committee desired to be apprised of the transitory allocation made to each State during last year i.e. 2011. In response, the Ministry, stated, *inter-alia*, as under:

“..... in addition, considering the stocks of foodgrains in the Central Pool and requests received from the States for higher allocations on account increase in BPL population and to augment supply of foodgrains at cheaper of rates as a market intervention mechanism to check price rise, Government of India has made the following additional allocations during the last two years and the current year:

- i. 36.08 lakh tonnes of rice and wheat allocated in January 2010 at MSP based/derived price of `10.80/kg for wheat and `14.93/kg for common rice and `15.37/kg for Grade ‘A’ rice, for distribution to all families covered under TPDS.
- ii. 30.66 lakh tonnes of rice and wheat allocated in May 2010 @ `8.45 per kg for wheat and `11.85 per kg for rice for all AAY/BPL/APL families covered under TPDS.
- iii. 25 lakh tonnes of rice and wheat allocated for BPL families at BPL prices of `4.15/kg for wheat and `5.65/kg of rice to all States/UTs in September 2010 and similar allocation of 25 lakh tonnes made in January 2011.
- iv. 25 lakh tonnes of rice and wheat allocated in January 2011 to all States/UTs for APL families @ `11.85/kg for rice and `8.45/kg for wheat.
- v. 50 lakh tonnes of rice and wheat allocated for BPL families at BPL prices to all States/UTs in May 2011.
- vi. 50 lakh tonnes of rice and wheat allocated for APL families in 27 States/UTs at APL prices of `8.30/kg for rice and `6.10/kg for wheat

thereby increasing the per family APL allocation to 15 kg in 20 States/UTs and to 35 kg in North East and Hill States where it was less than that quantity from June 2011.”

4.13 State-wise details of the above mentioned additional allocations, as furnished by the Ministry, are given in **Annexure-III**.

4.14 The success of the PDS depends largely on the effective coverage of BPL families and affordability of the issue price of foodgrains to the poor people. As per the Ministry, the number of BPL families has been increased w.e.f. 1.12.2000 by shifting the base to the population projections of the Registrar General as on 1.3.2000 instead of the earlier population projections of 1995. With this increase, the total number of BPL families is 652.03 lakh as against 596.23 lakh families originally estimated when TPDS was introduced in June, 1997.

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

### **Scale of issue of Foodgrains under TPDS**

4.16 According to the Ministry, since the year 1997 the scale of issue of the BPL families has been gradually increased from 10 kg. to 35 kg. per family per month. The scale of issue to BPL families has been increased from 10 kg. to 20 kg per family per month with effect from 1.4.2000. The allocation of foodgrains for the BPL families was further increased from 20 kg. to 25 kg. per family per month with effect from July, 2001. Initially, the Antyodaya families were provided 25 kg. of foodgrains per family per month at the time of launching of the scheme in December, 2000. However, the scale of issue of foodgrains under APL, BPL and AAY has been revised to 35 kg per family per month with effect from 1.4.2002 with a view to enhancing the food security at the household level and liquidate surplus stocks of foodgrains in the Central Pool.

## **Monitoring through Vigilance Committees, Citizens' Character and Grievance Redressal**

4.17 As per the Annual Report of the Ministry, vigilance Committees have been in existence since the inception of the rationing system. The main functions of Vigilance Committee are to ensure smooth functioning of PDS and redressal of problems related with it. The Central Government has been requesting the State Governments from time to time to activate these Committees and reconstitute them, if not done so already, by associating members from amongst the card holders, consumer activists as well as people's representatives.

4.18 In the Model Citizens' Charter, constitution of Vigilance Committees by State Governments at the level of Panchayat /Ward, Taluk, District and State/ UT have also been emphasized. In the Guidelines issued in June, 1999 for the involvement of the Panchayati Raj Institutions in the implementation of TPDS, it is mentioned that the Gram Panchayat/ Gram Sabha should be encouraged to form FPS committees. In the Guidelines issued during 2005, the States/UTs were requested again to actually involve the Members of the Panchayati Raj Institutes (PRIs) in the Vigilance Committee.

4.19 The Committee were apprised that in order to maintain supplies and securing availability and distribution of essential commodities under the PDS, the Central Government in exercise of the powers conferred by section 3 of the Essential Commodities Act, 1955 (10 of 1955), has notified PDS (Control) Order on 31.08.2001. Provisions contained in 4(3) & (4) and 6(3) of the PDS (Control) Order, 2001 regarding Vigilance Committee are as under:-

**4(3)** - The designated authority of the State Government shall ensure delivery of one copy of allocation order made to the fair price shop simultaneously to Gram Panchayats or Nagar Palikas or Vigilance Committees or any other body nominated for monitoring the functioning of the fair price shops by the concerned State Government.

**4(4)** - Gram Panchayats or Nagar Palikas or Vigilance Committees or any other body nominated for monitoring the functioning of the fair price shop by State Governments shall display the stocks of essential commodities allotted during the month to the fair price shops on a notice board outside their office.

**6(3)** - Meetings of the Vigilance Committees on the Public Distribution System at the State, District, Block and FPS level shall be held on a regular basis. The date and



periodicity shall be notified by State Governments However, the periodicity shall not be less than one meeting a quarter at all levels.

4.20 An efficient public distribution system demands effective vigilance mechanism to act upon complaints regarding various aspects of the delivery system. Therefore, the Committee enquired about performance of the existing Vigilance mechanism. In response, the Ministry stated as under:-

“There have been reports about irregularities in implementation of TPDS including complaints regarding quality and quantity of foodgrains distributed under the Public Distribution System in certain regions/States in the country. As and when complaints are received by the Government from individuals and organizations as well as through press reports, they have been sent to the State/UT Governments concerned for inquiry and appropriate action. The foodgrains are issued to State Governments/Union Territory Administrations for onward distribution under Public Distribution System (PDS). There is a well defined procedure of joint inspection/sampling of the stocks by State Government authority and FCI to ensure that prescribed quality foodgrains are issued under PDS. In order to ensure that only good quality foodgrains are issued for PDS, this Ministry has issued instructions to the Food Secretaries of all State Governments and CMD, FCI.”

4.21 With regard to the available mechanism for redressal of various grievances of the people, the Committee were informed that in addition to Vigilance Committees, 14 State/UT Governments have reported the setting up of toll-free numbers for grievance registration and redressal. Remaining States/UTs were also stated to be in the process of setting up such toll-free numbers.

4.22 A State-wise statement on complaints received during last three years, as furnished to the Committee, is given at **Annexure-IV**. The details of the complaints received during last three years regarding supply of poor quality foodgrains issued under PDS alongwith action taken by the Ministry is given at **Annexure-V**.

4.23 Apprising the Committee about the recent steps taken by the Ministry to improve the PDS, the Ministry informed as under:

- (a) Only good quality foodgrains free from insect infestation and conforming to PFA Standards are to be issued under TPDS.
- (b) Ample opportunities are to be provided to the State Government to check the quality of foodgrains prior to the lifting of the foodgrains stocks from FCI godowns.

- (c) Samples of foodgrains are to be collected and sealed from the stocks of foodgrains to be issued under the TPDS jointly by FCI and State Food & Civil Supplies Department.
- (d) An officer not below the rank of Inspector is to be deputed from State Government to take the delivery of foodgrains stocks from FCI godowns.
- (e) Regular inspection to check the quality of foodgrains is to be carried out by the officers of State Government and surprise checks are carried out by the officers of Quality Control Cell of the Ministry.
- (f) It is the responsibility of the concerned State Government/ UT Administration to ensure that during transportation and storage at different stages in the distribution chain, the foodgrains retain the required quality specifications.
- (g) The State Government, where the decentralized procurement is in operation, should ensure that the quality of foodgrains issued under TPDS and other welfare schemes should meet the desired standards under the Food Safety and Standards Act (formerly PFA).

## **Citizens Charter**

4.24 According to the Ministry, the Citizens' Charter was issued in November, 1997 for adoption by the State Governments and the same was revised in March, 2006 and sent to all Members of Parliament and all States/UTs for information and adoption by the States / UTs. The Charter *inter-alia*, contains basic information of interest to the consumers, model procedure and time schedule for the services. It also contains essential information viz. entitlement of BPL families, fair average quality of foodgrains, information regarding FPS, procedure for issue of ration cards, inspection and checking, right to information, vigilance and public participation etc.

4.25 The Committee have also been informed that to make TPDS operation transparent and amenable to public scrutiny, the Model Citizens' Charter was again revised and issued in July 2007. The revised Citizens' Charter contains (a) Streamlined functioning of TPDS for ensuring food security to weaker sections of the society (b) contains the instructions issued by the Central Government to State/UT Governments for strengthening TPDS and to curb leakages/diversions and (c) covers the RTI Act and TPDS as the action to be taken at various levels such as Government of India, State Government, intermediate and at FPS levels for effective use of RTI Act in TPDS operation.

4.26 The provisions contained in the Revised Model Citizen's Charter, 2007 with regard to constitution of Vigilance Committees on TPDS at the levels of FPS/Panchayat/Municipal Council/Corporation level, District/Block/Taluka level and State/UT level are given at **Annexure-VI**. So far, 32 State/UT Governments have reported adoption and implementation of the Revised Model Citizen's Charter. Since TPDS is operated under the joint responsibility of the Central and the State/Union Territory (UT) Governments, the Central Government has requested and issued advisories to all the State/UT Governments for strengthening and streamlining of TPDS including constitution of Vigilance Committees at various levels and ensuring that meetings of these Vigilance Committees are held on regular basis as stipulated in the PDS(Control) Order, 2001 and also in the Revised Model Citizen's Charter, 2007. States/UTs have also been requested to inform the reasons for not setting up of Vigilance Committees. Such advisories to the State/UT Governments have been issued on 21.3.2011 and 21.12.2011. The State-wise details regarding Vigilance Committees constituted at different levels and number of meetings held are at Annexure – VII.

#### **Implementation of the Nine Point Action Plan to check malpractices in TPDS**

4.27 According to the Ministry, as per evaluation reports on TPDS submitted by PEO, Planning Commission & ORG MARG in 2005, there were high levels of diversion/leakages of foodgrains under TPDS. Besides, there were exclusion and inclusion errors in identification of BPL and AAY families, and operations of fair price shops were financially not viable. These reports were shared with all State & UT Governments during one national level and five regional conferences of State & UT Food Ministers and Food Secretaries. Based on this consultation process, a nine-point Action Plan was evolved.

Details of the Nine point action plan are as under:

- (a) Continuous review of the BPL and AAY lists to eliminate bogus ration cards and to ensure coverage of only eligible BPL and Antyodaya families.
- (b) Ensuring leakage-free and diversion-free distribution of PDS commodities, regular inspection by different levels of functionaries, strict action against guilty persons/agencies.
- (c) Involvement of Panchayati Raj Institutions in PDS operations - PRI representatives on Advisory Committees, running of fair price shops by Panchayats and effective representation of Panchayati Raj representatives on Vigilance Committees.

- (d) Ensuring transparency in working of PDS, display of BPL and AAY lists by fair price shops, observance of notified timings by fair price shops.
- (e) Use of Information Technology, Computerization of TPDS operations, display of fair price shop-wise and districtwise allocations of PDS commodities on websites for public scrutiny.
- (f) Carryout door-step delivery of PDS commodities to fair price shops.
- (g) Ensuring timely availability and issuance of foodgrains by fair price shops.
- (h) Creating awareness among public about PDS operations, training Vigilance Committees of intricacies of PDS operations.
- (i) Making fair price shops financially viable entities- allowing them to sell non-PDS items etc.

4.28 As per the reports received from the State & UT Governments by end of December, 2011, implementation of the action plan as enumerated in the Ministry's Annual Report has resulted in:

- a. Elimination of 221.64 lakh bogus / ineligible ration cards in 26 States;
- b. Door-step delivery of foodgrains to FPS, presently being done in 18 States/UTs;
- c. Involvement of PRIs in vigilance committees to monitor FPS in 28 States/UTs;
- d. Displaying of BPL lists at FPS in 30 States/UTs;
- e. Initiation of Computerization of TPDS by States/UTs in pursuance of the order of the Hon'ble Supreme Court;
- f. Review of BPL / AAY lists in 33 States/UTs;
- g. Display of district and FPS-wise allocations of foodgrains on website for public scrutiny in 20 States; and
- h. Taking up training programmes for FPS level vigilance committees in 27 States/UTs.

### **Concurrent evaluation of TPDS**

4.29 As per the Ministry, concurrent evaluation of TPDS has been taken up in 26 States and UTs. For six States (Assam, Mizoram, Bihar, Uttar Pradesh, Chhattisgarh and Rajasthan), the study was awarded to National Council of Applied Economic Research

(NCAER) on 4.5.2006. For additional six States (Kerala, Maharashtra, Uttarakhand, Madhya Pradesh, Jharkhand and Delhi), the study was entrusted to NCAER on 16.1.2007. For six States (Odisha, West Bengal, Tripura, Nagaland, Arunachal Pradesh and Manipur), study was awarded to IIPA on 8.1.2007. For additional eight States and UTs (Jammu & Kashmir, Himachal Pradesh, Haryana, Punjab, Andhra Pradesh, Tamil Nadu, Karnataka and Chandigarh), the study was awarded to IIPA on 30.3.2007.

4.30 The report of NCAER for 12 States has been received. Compared to the earlier findings of PEO and ORG MARG, these reports have revealed improvement in functioning of TPDS in some of these States. These reports have been shared with the concerned State & UT Governments and they have been directed to take further action for improving the performance of TPDS. The final study reports in respect of all the 14 States have also been received from IIPA and accepted. Copies of the reports have been sent to the concerned State/UT Governments for taking necessary remedial measures to remove the deficiencies noticed in the functioning of TPDS, including leakages and diversion of foodgrains, inclusion/exclusion errors, and so on.

### **New Technologies/Strategies for Monitoring of TPDS**

4.31 According to the Annual Report of the Ministry, introduction of Global Positioning System (GPS) has been taken up for implementation on pilot basis in Chhattisgarh, Tamil Nadu & Delhi for tracking movement of vehicles transporting TPDS commodities. This Pilot Scheme has been taken up to assess effectiveness of this technology in eliminating leakages/diversion of foodgrains during transportation. Under the plan scheme of strengthening of TPDS, ` 44.76 lakh have been sanctioned to these three State Governments during 2007-08. An amount of ` 64000/- has also been released during 2009-10 to Tamil Nadu.

4.32 In view of the feedback received from the State Governments of Tamil Nadu & Chhattisgarh, it was decided to extend this scheme in all the States/UTs during the Financial Year 2011-12. Hence, proposals have been invited from all the State/UT Governments for sanctioning of funds. Another proposal from the State Government of Chhattisgarh has been received and considered for sanctioning financial assistance of ` 120 lakh for installation of 1100 GPS sets on vehicles carrying TPDS commodities under

the innovative scheme for curbing leakages/ diversion of foodgrains meant for PDS. As per the availability of funds, ₹ 14,99,100/- (amount ₹ 6.00 lakh available under BE 2011-12 + amount to be refunded by the State Government ₹ 6.66 lakh + ₹ 2.33 lakh penal interest) has been sanctioned and ₹ 6.00 lakh released for purchase / installation of 137 GPS sets. The IF division is examining the matter for approval of the balance amount of ₹ 1,05,00,900/- for installation of 963 GPS sets.

4.33 The Annual Report further states that in order to ensure increased transparency in functioning of FPSs, the State and UT Governments were requested in 2008 to issue instructions to introduce monthly certification by Village Panchayats/Vigilance Committees/ Urban Local Bodies/ Self Help Groups for delivery of foodgrains to ration card holders. Such a certification of actual delivery of foodgrains to Fair Price Shops in time and their distribution to ration card holders is also expected to streamline functioning of Vigilance Committees at Fair Price Shop level. Accordingly, all State/UT Governments were directed on 7<sup>th</sup> March, 2008 to introduce the system with effect from April, 2008. So far, 22 States have reported implementation of certification.

#### **Allotment of Fair Price Shops to Institutions and Groups**

4.34 According to the Ministry, licences for fair price shops are mostly issued by State Governments & UT Administrations to private persons. Only some of the State Governments have taken decisions to allot fair price shops to institutions such as Village Panchayats, Urban Local Bodies, Cooperatives and Self Help Groups. Therefore, in the meeting of State and UT Food Secretaries held on 08.02.2008, the issue was discussed and in view of good feedback on running of fair price shops by institutions or groups instead of private persons, they were directed to allot fair price shops to institutions and groups. As per reports received from State Governments by end of December, 2011, out of 5.05 lakh fair price shops in the country, about 1,40,329 fair price shops have been allotted to Cooperatives, women's Self Help Groups, Village Panchayats, Urban Local Bodies and other Self Help Groups in different States.

#### **Introduction of Bar Coded Coupons with Ration Cards**

4.35 In view of piloting of introduction of bar coded coupons with ration cards / bar coded ration cards in some States, in the meeting of State & UT Food Secretaries on 8.2.2008,

they were directed to take up this initiative on priority during 2008-09. As per the latest available reports, bar coded coupons / ration cards have been introduced under TPDS in Andhra Pradesh, Chhattisgarh, Kerala, Meghalaya, Sikkim and Odisha.

### **Quality control of Foodgrains at the time of procurement, storage and distribution**

4.36 As per the Ministry, the Government exercises due control over the quality of foodgrains which are procured for the Central Pool for distribution through TPDS and Other Welfare Schemes. Quality specifications of foodgrains for procurement under Central Pool are formulated by Central Grain Analysis Laboratory (CGAL) for Rabi and Kharif foodgrains keeping in view the interest of producers, consumers and the provisions under the Prevention of Food Adulteration (PFA) Act. During the period from 01.04.2011 to 29.02.2012, a total of 1584 samples of foodgrains were analyzed for physical and chemical parameters in the CGAL. Uniform Specification of Kharif foodgrains for Kharif Marketing Season 2011-12 for procurement under Central Pool have been formulated and issued on 08<sup>th</sup> August, 2011.

### **Strengthening of Quality Control Cells (QCCs)**

4.37 To strengthen the quality control mechanism, to ensure proper monitoring of quality of foodgrains at the time of procurement, storage and distribution so as to avoid damages/losses during storage, a proposal for opening of seven new QCCs at Guwahati, Patna, Chandigarh, Jammu, Jaipur, Chennai and Ahmedabad has been proposed under Plan Scheme for the 12<sup>th</sup> Five Year Plan. The inspection activities carried out by Quality Control Cells from 01.04.2011 to 31.12.2011 are as under:

<b>Sl. No.</b>	<b>Item/Activity</b>	<b>Annual Target (2011-12)</b>	<b>Achievements (upto 31.12.2011)</b>	<b>Projections (upto 31.03.2012)</b>
1.	Inspection of Food Storage Depots	960	857	960
2.	Inspection of Procurement Centers	530	401	530
3.	Inspection of Rail Heads	400	315	400

4.	Inspection of Fair Price Shops	1200	903	1200
5.	Inspection of Rice Mills	240	157	240
6.	Collection of Samples for physical quality parameters	4100	4510	4800
7.	Investigation of complaints	-	29	-

## Food Subsidy

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

4.39 As per the Ministry, since 2004-05, the MSP of wheat has increased from ` 630 per quintal to ` 1120 per quintal in RMS 2011-12. Similarly MSP + bonus of paddy (Common) has increased from ` 560 per quintal to ` 1080 per quintal in KMS 2011-12. However, the Central Issue Prices (CIP) of wheat and rice for AAY, BPL and APL families has not been raised in this period. As a result, the gap between economic cost and CIPs has been increasing and food subsidy incurred by the Government has risen substantially.

4.40 According to the Ministry, the subsidy is provided to FCI, which is the main instrument of the Government of India for procurement and distribution of wheat and rice under TPDS and other welfare schemes and for maintaining the buffer stock of foodgrains as a measure of food security. In addition, ten States/UTs, namely Madhya Pradesh, Chhattisgarh, West Bengal, Uttarakhand, Tamil Nadu, Andaman & Nicobar, Odisha, Gujarat, Karnataka and Kerala have undertaken the responsibility of not only procuring foodgrains from within the State but also distributing the same to the targeted population under TPDS and other welfare schemes. Under the scheme of Decentralized Procurement, State specific economic cost is determined by the Government of India and the difference between the economic cost so fixed and the Central Issue Prices is passed



on to the State as food subsidy. The year-wise break-up of subsidy released on foodgrains during the period 2005-06 to 2011-12 to FCI and the States operating the Decentralized Procurement Scheme is as under:-

(` in crores)

Year	Subsidy released		
	FCI	States	Total
2005 – 06	19871	3200	23071
2006 – 07	20786	3042	23828
2007 – 08	27760	3500	31260
2008 – 09	36744	6924	43668
2009 – 10	46867	11375	58242
2010 – 11	50729.56	12200	62929.56
2011 – 12*	49537.31	11825.24	61362.55

(\*Release till 27.03.2012)

4.41 Explaining the steady rise in subsidy bill, the Secretary, Ministry of Consumer Affairs, Food and Public Distribution during the course of deliberations held on 30.04.2012 deposed as under:-

“As per the system, procurement is open ended; that means, it is your duty to maintain MSP. Whatever stocks that reach mandis and for marketing, they have to be purchased, whether your godowns are empty or full or whether there is space or not. This is the system ..... With this process, the subsidy bill on normal allocation for the current year is ` 88,000 crore and the previous year it was ` 77,000 crore. Now there is a 15 per cent increase in the MSP. The budget provision which is available to me is ` 74,000 crore. The moment I go for 2011 population, I need ` 1,11,000 crore. So, there is a jump in the subsidy bill. So, when it was considered by EGoM, they said, ‘you confine yourself to ` 74,000 crore’. I am submitting before the committee in a very free and frank manner that it is not possible that if the procurement is open ended, then we have to go for additional allocation and consequently the subsidy bill has to increase.”

4.42 With regard to the several measures taken by the Ministry to contain food subsidy, the Committee was apprised that decentralized procurement and its distribution by States themselves has been encouraged to reduce the economic cost. Other measures include steps to improve the operational efficiency of FCI as well as a proposal to increase the

Central Issue Prices (CIPs) of wheat and rice for APL categories. However, the Ministry added that the approval of the EGOM/Cabinet was awaited on the same.

4.43 The Committee enquired as to whether the promotion of export of foodgrains could be a reasonable option to deal with the rise in the required amount of subsidy. In response, the Ministry stated as under:-

“In view of record production and procurement of foodgrains in the Central Pool stocks and to overcome the temporary constraints of storage space, the Government has allowed export of non-basmati rice and wheat from privately held stocks since 9.9.2011. As on 3.7.2012, a quantity of 53.72 lakh tonnes of non-basmati rice and 12.51 lakh tonnes of wheat have been exported under OGL. Further, a quantity of 91,490 MTs of non-basmati rice and 5,59,415 MTs of wheat have been registered for export through Land Custom Stations (LCS). The Government was also allowing exports of non-basmati rice and wheat on diplomatic basis/humanitarian aid from central pool as well as on private account to friendly countries. The Government has also allowed on 3.7.2012 export of two million tonnes of wheat from central pool stocks through central PSUs of Department of commerce viz. STC, MMTC and PEC. This is to overcome the temporary constraints of storage space in view of the record procurement in central pool. Allowing export of foodgrains from Government Stocks will require less subsidy depending on the prevailing international price as compared to allocation for BPL/APL categories. However, demand for foodgrains security has to be met first by making adequate allocations for the targeted citizens of the country.”

4.44 When further probed by the Committee whether the APL price of rice can be increased to the level of MSP to generate required amount of subsidy, taking into account the fact that MSP would still be much lower compared to the open retail price, the Ministry apprised them that a proposal was submitted to CCEA in December, 2011 to revise the CIPs of wheat and rice for APL category with a view to reduce the gap between the CIPs for APL and market price of wheat and rice. However, due to the food inflation, it was felt that an increase in Central Issue Price might further add to the food inflation. Consequently the issue was deferred.

#### **Payment of wages in the form of foodgrains under MGNREGA**

4.45 The Committee have been informed that in view of the surplus availability of rice and wheat in the Central Pool, the Department of Food and Public Distribution has made a proposal to the Ministry of Rural Development to consider payment of part of wages

under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in kind (foodgrains). In this regard, the Committee enquired about the rate that has been proposed by the Department for offering foodgrains to the Ministry of Rural Development. The Ministry stated that the operational modalities and also the rate at which the foodgrains that may be provided under MGNREGA are to be considered on receipt of response from the Ministry of Rural Development.

4.46 The Committee also enquired as to how far the payment of wages in the form of foodgrains under MGNREGA will address the problems relating to surplus foodgrains procurement and additional cost of storage. The Ministry stated that the exact quantity of surplus foodgrains to be utilized and also saving on account of additional storage cost could be worked out only after knowing the percentage of wages that may be given as foodgrains under the MGNREGA, once the decision taken by the Nodal Ministry i.e. Ministry of Rural Development.

4.47 When enquired whether the Ministry has got any favourable response from the Ministry of Rural Development on this matter, the Ministry in a note stated as under:

“The response of the Ministry of Rural Development to the proposal of this Department is awaited. However, in a reply to a Parliament question in the recently concluded Budget session, the Minister of Rural Development had stated that suggestions have been received for utilizing the surplus food grains in the Central Pool for distribution as part of the wages to MGNREGA workers with the objective of enhancing food security and raising the nutritional levels of the most vulnerable population. The suggestion is under consideration of the Government.”

### **Draft National Food Security Bill, 2011 and its implications on procurement of foodgrains**

4.48 In their background material, the Ministry informed the Committee that the draft National Food Security Bill, cleared by the EGoM, was revised based on the comments/suggestions received from the States/UTs, Central Ministries/Departments and other stakeholders. The revised Bill was considered and approved by the Cabinet in its meeting held on 18.12.2011, for introduction in Parliament. The National Food Security Bill, 2011 has been introduced in Lok Sabha on 22<sup>nd</sup> December, 2011. At present the said Bill has been referred for detailed examination and Report to the Departmentally Related Standing Committee (DRSC).

4.49 Some of the salient features of the Draft National Food Security Bill (NF SB) furnished by the Ministry are as follows:-

- (a) **Coverage under TPDS:** Coverage of rural households is proposed at 75 per cent (with at least 46 per cent as priority households. In case of urban households, the proposed coverage is at 50 per cent (with at least 28 per cent as priority households.
- (b) **Entitlements under TPDS:** 7 kg/3 kg. of foodgrains per person per month for priority/general households respectively.
- (c) **Issue Prices under TPDS:** ` 3/2/1 per kg. for rice/wheat/coarse grains for priority households and not exceeding 50 per cent of MSP of wheat and coarse grains and derived MSP of rice, for general households
- (d) **Other entitlements:** Women, children, special groups including destitute & homeless, emergency & disaster affected persons, persons living in starvation to have legal right to take home ration/cooked meal.
- (e) **Food Security Allowance:** In case of failure to supply foodgrains or cooked meal, entitled beneficiaries to receive such food security allowance as may be prescribed by the Central Government.
- (f) **Grievance Redressal Mechanism:** Three-tier mechanism - at District, State and National level - has been proposed to redress grievances relating to delivery of entitlements and related issues.
- (g) **Transparency and Accountability:** Provisions have been made for disclosure of records relating to PDS, social audits & setting up of Vigilance Committees in order to ensure transparency and accountability, besides provision for penalty on public servants or authority for dereliction of duty.
- (h) **Enabling Provisions:** Provisions for revitalizing agriculture, PDS reforms, including use of ICT & end-to-end computerisation, broadbasing procurement & encouraging decentralised procurement etc have been made for advancing food security.

4.50 In the background that the State Governments, based on their own estimation have extended BPL coverage to almost 56 per cent of the total population of India, whereas the Draft National Food Security Bill puts a cap of BPL households at 46 per cent in rural

areas and just 28 per cent in the urban areas, the Committee desired to know about the rationale behind such minimalist approach. In response, the Ministry stated as under:-

“The allocation of foodgrains to the States and UTs under existing Targeted Public Distribution System (TPDS) is based on number of BPL families arrived at by applying 1993-94 poverty estimates of Planning Commission on population estimates of Registrar General of India as on 1<sup>st</sup> March, 2000 or the number of such families actually identified and ration cards issued to them by the State/UT Governments, whichever is less. At All India level, the poverty estimate in 1993-94 was 36.0 per cent - 37.3 per cent for rural and 32.6 per cent for urban areas. Based on the above parameters, the number of BPL families presently covered under TPDS is 6.52 crore, which includes about 2.44 crore Antyodaya Anna Yojana (AAY) families. Remaining 11.52 crore households, as per 2000 population estimates, are covered under APL category. Compared to these figures, the National Food Security Bill, 2011 proposes to cover about two thirds of the population - 75 per cent of the rural population (with at least 46 per cent belonging to the priority households) and upto 50 per cent of the urban population (with at least 28 per cent belonging to the priority households) under TPDS. It may however be noted that the population base to be used for determining the absolute coverage under NFSB would be Census, 2011 or the projected population for the most recent year, whereas presently the coverage is based on 2000 population estimates. As per proposed coverage under National Food Security Bill (NFSB) and using the projected population of 2012 with household size as 5.3, the estimated coverage of households under priority category is 9.36 crore, i.e. an increase of about 44 per cent over the BPL families covered under existing TPDS. As regards APL families, it may be mentioned that whereas the foodgrain allocation for such families under existing TPDS is made depending upon the availability of stocks of foodgrains in the Central Pool, under NFSB general households will also be legally entitled to receive not less than 3 kg of foodgrains per person per month.”

4.51 The NFSB can also have a major impact on MSP as increasing procurement for successful implementation of the Bill will require offering of higher MSP to the farmers. The Bill fixes the price of wheat and rice for APL families at 50 per cent of the MSP given to farmers. Therefore, increase in MSP will increase foodgrain prices of APL families. In this background, the Committee desired to know the rationale for designing such a system that is likely to produce division and conflict between the interests of consumers and farmers. In response, the Ministry stated as under:-

“As seen from past trend, Minimum Support Price (MSP) has generally been increasing to incentivize farmers for increasing production and for meeting the procurement requirements for food security needs. Keeping in view the increase in cost of cultivation, steady increase in MSP is likely to continue. However, prices for general households proposed in the Bill is not exceeding 50 per cent of MSP for wheat and coarse grains and not exceeding 50 per cent of derived MSP for rice. The Bill therefore only prescribes a ceiling for issue prices to be applicable for general category households. Government

will have the freedom to fix the issue prices for general category below 50 per cent of MSP, if it so desires. It may also be noted that even at 50 per cent of MSP the prices applicable to general households would be highly subsidized.”

## CHAPTER – V

### STORAGE OF FOODGRAINS- POLICY AND MECHANISM

Food stocks are maintained by the Government of India to meet the prescribed Minimum Buffer Stock norms for food security as well as for monthly release of foodgrains for supply through TPDS and other welfare schemes. Besides, the food stocks are maintained to meet emergent situations arising out of unexpected crop failure, natural disasters etc. and for market intervention to augment supply so as to help moderate the open market prices.

5.2 As per the Ministry, the storage capacity available with Government agencies both at the Central and the State levels are primarily used for keeping Central Pool stocks of foodgrains for the PDS and Other Government Schemes. According to the Annual Report (2010-11) of the Ministry, the total covered capacity available with FCI and State Governments for storage of foodgrains is about 45 million tonnes.

5.3 Providing information on the storage capacity available with Government agencies both at the Central and the State levels as on 1<sup>st</sup> April 2012, the Ministry furnished the following data:

(in lakh tonnes)				
		Covered	CAP	Total
FCI (1.4.2012)	Owned	130.13	26.37	156.40
	Hired	172.13	7.51	179.64
	Total	302.16	33.14	336.04
State Agencies & SWC*		153.54	137.78	291.32
	Grand Total	455.27	171.66	627.36
Capacity being created	PEG	151.96**	--	151.96
	NE (Plan Scheme)	5.40	--	5.40
Capacity after creation of new		613.06	171.66	784.72

capacity			
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\* As on 31.03.2011 – excluding hired by FCI.

\*\* Out of this 20 lakhs tonnes will be silos.

The details of storage capacity both Covered and Cover and Plinth (CAP) available with the FCI as on 31.03.2012 are given at **Annexure –VIII**.

### Buffer Stock Policy of foodgrains

5.4 According to the Ministry, buffer stocks of foodgrains to be maintained in the Central Pool are fixed taking into consideration the requirement of foodgrains during a particular quarter, procurement season, lean periods, offtake in the preceding years and other relevant factors. As per the present Buffer Stocking Policy, certain minimum stocks of foodgrains are to be maintained by FCI/State Agencies in the Central Pool on the first day of each quarter. The Buffer Stocking Policy is reviewed from time to time, normally after every five years.

5.5 With regard to the existing minimum buffer norms for stocking of foodgrains, the Ministry apprised the Committee that the Central Pool has been in force from April, 2005. The Present norms for stocking of foodgrains includes a Food Security Reserve of 30 lakh tonnes of wheat from 1.7.2008 and 20 lakh tonnes of rice from 1.1.2009.

(Figures in lakh tonnes)

For the quarter	Wheat	Rice	Total
April – June	70	142	212
July - September	201	118	319
October – December	140	72	212
January - March	112	138	250

5.6 Enquired about the stock position of wheat and rice in the Central Pool vis a vis Minimum buffer norms from 1.1.2007 to 1.4.2012, the Ministry furnished the following data:

(In lakh tonnes)

<b>STOCK POSITION OF WHEAT AND RICE IN THE CENTRAL POOL VIS-À-VIS MINIMUM BUFFER NORMS</b>						
AS ON	W H E A T		R I C E		T O T A L	
	Actual stock	Minimum buffer norms	Actual stock	Minimum buffer norms	Actual stock	Minimum buffer norms
1.1.2007	54.28	82	119.77	118	174.05	200
1.4.2007	47.03	40	131.72	122	178.75	162
1.7.2007	129.26	171	109.77	98	239.03	269



1.10.2007	101.21	110	54.89	52	156.10	162
1.1.2008	77.12	82	114.75	118	191.87	200
1.4.2008	58.03	40	138.35	122	196.38	162
1.7.2008 #	249.12	201	112.49	98	361.61	299
1.10.2008	220.25	140	78.63	52	298.88	192
1.1.2009 #	182.12	112	175.76	138	357.88	250
1.4.2009	134.29	70	216.04	142	350.33	212
1.7.2009	329.22	201	196.16	118	525.38	319
1.10.2009	284.57	140	153.49	72	438.06	212
1.1.2010	230.92	112	243.53	138	474.45	250
1.4.2010	161.25	70	267.13	142	428.38	212
1.7.2010	335.84	201	242.66	118	578.5	319
1.10.2010	277.77	140	184.44	72	462.21	212
1.1.2011	215.40	112	255.80	138	471.20	250
1.4.2011	153.64	70	288.2	142	441.84	212
1.7.2011	371.49	201	268.57	118	640.06	319
1.10.2011	314.26	140	203.59	72	517.85	212
1.1.2012	256.76	112	297.18	138	553.94	250
1.4.2012	199.52	70	333.5	142	533.02	212
Note: Revised norms is w.e.f. 1.4.2005						
# Includes Food Security Reserve of 30 lakh tonnes of wheat from 1.7.2008 and 20 lakh tonnes of rice from 1.1.2009 onwards						

5.7 The Ministry informed the Committee that the stocks in the Central Pool have been well above the buffer norms during most of the period except in three quarters for wheat and one quarter for rice during July 2007 to March 2008.

5.8 Elaborating on the issue, the Ministry apprised the Committee that the total stock position of wheat and rice in the Central Pool as on 1<sup>st</sup> June 2012 is 823.17 lakh tonnes. Out of which the stock position of rice is 321.48 lakh tonnes whereas that of the wheat is 501.69 lakh tonnes.

5.9 When the Committee enquired about the likely buffer stock position of wheat and rice at the end of the current Financial Year i.e. 2012-13, the Ministry informed that the stock of rice and wheat in the Central Pool as on 1<sup>st</sup> June 2012 was 823.17 lakh tonnes comprising 321.48 lakh tonnes of rice and 501.69 lakh tonnes of wheat. The estimated rice production during crop year 2011-12 is 102.75 million tonnes as against 95.98 million tonnes in the previous year. The trend of procurement of rice and wheat during

the current year indicates the prospect of higher procurement as compared to last year. Based on the stock position given by FCI and the allocations made by the Department, the estimated Central Pool Rice Budget for October, 2011 to September, 2012 and wheat budget for 2012-13 have been worked out which indicate the estimated stocks would be 233.41 lakh tonnes at the end of KMS 2011-12 (as on 1<sup>st</sup> October 2012) and 247.20 lakh tonnes of wheat at the end of RMS 2012-13 (as on 1<sup>st</sup> April 2013).

5.10 When asked about the expenditure incurred by the Ministry in holding foodgrain stocks in excess of the buffer stocks level necessary for food security in the last five years, the Ministry furnished the following data:

**Details of the Buffer Subsidy incurred by FCI during the last 5 years are as under:-**  
(` in crore)

	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12(RE)</b>
FCI Freight	275.38	1154.81	1343.57	1044.10	849.00
FCI Handling Charges	41.01	263.75	327.60	373.97	303.00
FCI Storage Charges	116.41	663.28	762.32	928.39	831.00
FCI Interest	0.00	746.52	1455.64	1602.01	1279.00
FCI Shortages	-7.56	14.02	117.60	194.78	194.00
FCI Admin. Charges	23.74	176.29	179.57	212.52	147.00
Carryover Charges Paid to State Agencies	243.45	527.24	1665.53	1980.61	2565.00
<b>BUFFER SUBSIDY</b>	<b>692.43</b>	<b>3545.91</b>	<b>5851.83</b>	<b>6336.38</b>	<b>6168</b>

5.11 When asked whether it is a fact that substantial amount of food subsidies is being spent on holding the excess foodgrains stocks, In response, the Ministry stated that the total stock is distinguished between FCI & the State Agencies working on behalf of the Central Pool. There are also different value of Buffer Stock for different dates. However, for the purpose of subsidy calculations, stock equal to four months offtake requirement is considered as normal requirement and any surplus stock over and above such

requirement is considered as buffer stock. The expenditure for maintenance of such stocks are considered as Buffer Subsidy.

5.12 When the Committee desired to know whether it would not be prudent to allocate the amount currently being spent for holding excess foodgrains stocks for the creation of more storage capacities, the Ministry explained to the Committee that the Storage capacities being created is based on the formula which takes into account the storage space needed for storing foodgrains to meet the 4 months requirement of a consuming area under the TPDS and OWS. For the procurement areas the stock levels in the last 3 years are considered. Elaborating further the Ministry informed that various possible steps are taken for creation of storage capacities through Budgetary provisions and under Public Private Partnership (PPP) mode. Therefore, it may not be prudent to use any amount being spent to hold excess stock at any particular time, for creation of long term storage capacity.

### **Revised Buffer Norms**

5.13 As per the Ministry a Technical Group under the Chairmanship of Secretary (F&PD) has been constituted to review and recommend the revised buffer norms. The Group would take into consideration the present stock position, revised requirement of foodgrains under various schemes of the Central Government, procurement situation, and market conditions etc and recommend buffer norms. In this regard, the National Center for Agricultural Economics and Policy Research (NCAP) was entrusted to undertake a study for revision of Buffer Norms of foodgrains. NCAP submitted its report which was considered by the Technical Group. According to the Ministry, the proposed National Food Security Bill envisage higher requirement of foodgrains for distribution under TPDS and therefore the recommendations of the NCAP are being looked at from the prospective of the proposed Bill, before the Technical Group could finalize its recommendations on the revised buffer stocking norms.

### **Available Storage Capacity and Its Augmentation**

5.14 According to the Ministry, the storage capacity available with FCI is concentrated mainly in the Northern Zone. While the Northern Zone has about 56 per cent of the total

available storage capacity, the Southern Zone has about 22 per cent, Western Zone has about 13 per cent, Eastern Zone has only about 8 per cent and North-Eastern Zone has less than 1 per cent of the total available storage capacity. Also, about 63 per cent of the storage capacity is concentrated only in 5 major procuring States i.e. Punjab, Haryana, Uttar Pradesh, Andhra Pradesh and Chhattisgarh, while about 10 per cent storage capacity is available in the five newly emerging procuring States of Bihar, Odisha, Jharkhand, West Bengal and Madhya Pradesh. Only 27 per cent of total capacity is available in the consuming States.

5.15 According to the Ministry, some of the States have got storage capacities of even less than one month of their requirement e.g. Jharkhand and Himachal Pradesh, while some other States, especially in North East Region have got storage capacities of less than 2 months' requirement.

5.16 As per the Ministry the period from 2007-08 to 2010-11 saw the highest ever levels of procurement of foodgrains by Government agencies, resulting in severe strain on the available capacities with the Government agencies for storage of foodgrains. The Ministry added that higher MSP, better reach and consequent higher procurement have helped ensure better and remunerative prices to farmers. However, it has caused strain on available storage capacities with FCI and the State Government agencies.

5.17 Taking into account that about 64 per cent of FCI's storage capacity is concentrated only in 6 major procuring States, i.e. Punjab, Haryana, Uttar Pradesh, Andhra Pradesh, Rajasthan and Chhattisgarh, the Committee enquired as to why the storage capacity available with FCI is concentrated mainly in the northern Zone. In response, the Ministry stated that storage capacity requirement of FCI depends upon the procurement level, buffer stocking and PDS requirement of the Consuming States. FCI procures Rice and Wheat for requirement of PDS and Buffer stocking. Punjab, Haryana, Uttar Pradesh, Madhya Pradesh, Rajasthan and Uttarakhand are the major wheat procuring States and Punjab, Haryana, Andhra Pradesh and Chhattisgarh are the major rice procuring States whereas others are consuming States in the country. Storage capacity is mainly required in the procuring States to avoid double handling and secondary/backward movement as it is always better to store the foodgrains i.e. both wheat and rice in the procuring States so that they can be moved to the deficit/consuming states as per the requirement. Thus the capacity available with FCI is concentrated in the six States mentioned above. The requirement of storage capacity is even more in the

wheat procuring States because the wheat procurement is to be made in a span of 30-45 days and it is not possible to move the wheat stocks procured to the deficit regions immediately. Therefore these wheat stocks are required to be stored in the procuring State itself before they can be sent/moved to the deficit/consuming States which increases the requirement of storage capacity in the wheat procuring States. Five out of the total six States mentioned above belong to the Northern Zone which is the main wheat procuring zone in the country. Therefore, the storage capacity is mainly concentrated in the Northern Zone.

5.18 When asked as to why the States of North East region have storage capacities of less than two month's requirement, the Ministry informed the Committee that traditionally all consuming States are having a storage capacity for 2-3 months allocation. However, in all the hilly States, the available storage capacity is comparatively less as compared to other consuming States due to problems being faced for construction of godowns on account of issues related to acquisition of land.

### **Augmentation of storage capacities through Private Entrepreneurs**

5.19 According to the Ministry, with a view to augment the storage capacity, Government of India has formulated a scheme for construction of godowns through private entrepreneurs in July, 2008. As on 31.3.2012, a capacity of about 151.96 lakh tonnes is to be created in 19 states under the scheme through private entrepreneurs and Central and State Warehousing Corporations. Tenders have been finalized for creation of storage capacity of about 107.04 lakh tonnes by the private entrepreneurs. CWC and SWCs are constructing storage capacity for 5.4 and 14.75 lakh tonnes respectively under the Scheme. A total of 28.17 lakh tonnes has been completed under the Private Entrepreneur Guarantee Scheme (PEG), out of which for a capacity of 8.59 lakh tonnes, godown structures are completed but for some minor ancillary work, which is left to be completed. The Ministry added that further 52 lakh tonnes capacity is expected to be completed by March, 2013.

5.20 Status of construction of godowns under PEG Schemes as on 31.03.2012 is given at **Annexure – IX**.

## Rates for Hiring Godowns

5.21 As per the Ministry, the ceiling of rate fixed for hiring of godowns has been revised from ₹ 3.80 per quintal per month to ₹ 4.78 per quintal per month. In appropriate cases, the High Level Committee has been empowered to decide higher rates by recording reasons in writing. The Guarantee Scheme was also suitably modified based on the feedback obtained from the industry.

5.22 During the briefing meeting, the constraints faced by the Government of Punjab, which is foremost among States producing, procuring and storing foodgrains in large quantities were discussed in detail. With regard to the various queries raised by the Committee on the rate fixed for constructing godowns in Punjab, CMD, FCI during the course of deliberations held on 30.04.2012 deposed as under:

“I would like to say that we sanctioned 50 lakh tonnes capacity to Punjab. The hon. Committee will be happy to know that we have approved tenders for 45 lakh tonnes. The Punjab Government wanted the rate of ₹ 7, ₹ 8, ₹ 6. We thought that the rate ₹ 5 is reasonable. Therefore, their tenders were not sanctioned. Finally tenders for the entire quantity of 45 lakh tonnes have been sanctioned at about ₹ 5”.

5.23 While expressing their dismay over such low rates offered by the FCI to parties engaging in construction of godowns, the Committee desired to know reasons for the same, particularly in a state like Punjab where land is expensive for such activities since it is generally very fertile. In response, the Ministry stated as under:

“At the outset, it is pertinent to mention that there is no unilateral offer of storage rent. The PEG scheme envisages market discovered storage rent based on open and transparent bidding. Hence it is expected that all factors including land prices would be reflected in the rates offered in the bidding process. Thus, there is no question of FCI offering lower rate. FCI has only provided upper ceiling and cap though justification has to be given based on following three parameters: (i) Desirability of creating storage space in such area (ii) Alternative storage space including storage arrangement being adopted till now, and (iii) Economics of clubbing of storage requirements with nearby storage facilities.”

5.24 Further the Ministry explained as under:

“In the case of Punjab, in the SLC meeting held on 09.11.2010, the representative of government of Punjab was of the view that the offered rates in Punjab cannot be compared with those of the neighbouring states, due to the following reasons: (i) The rates of land in Punjab are higher (ii) The tender in Punjab is for seven years guarantee period whereas in the other states the guarantee period is ten years (iii)

The service tax @ 10.3% is included in the bids for Punjab whereas it is exclusive in the other states (iv) The specifications for the seven year guarantee tender are more stringent than the ten year guarantee period. On the basis of above, representative of the State Govt. opined that their recommendation for considering rates upto ` 6.10 per qtl. per month for lease and ` 7.50 per qtl. per month with lease & services may be placed before the HLC. The HLC in its meeting held on 12.01.2011 deliberated at length on the issue of rates to be sanctioned in the state of Punjab. FCI officers in SLC meeting suggested that all bids upto ` 5/- per quintal per month for bare space may be accepted whereas Government of Punjab had suggested a ceiling of ` 6.10 per quintal per month for acceptance of rates. HLC members observed that the present tender in Punjab is for 7 Years which has higher land requirement, higher construction cost, lower guarantee period as well as incidence of service tax. HLC was of the view that if the capacities are retendered, there is possibility of receiving lower rates under 10 year guarantee. There was a unanimous view in the meeting that all offers upto ` 5/- per quintal per month for bare space may be accepted and counter offers may be given to L-2, L-3 and so on at such locations to other bidders till the reduced sanctioned capacity is attained/achieved. This was opposed by Food Secretary (Punjab) as well as MD, PUNGRAIN who insisted that higher rates may be sanctioned in Punjab so as to create more storage space since a substantial quantity of stock is still lying/stored in open which is exposed to the vagaries of weather. However, keeping in view the option of 10 Years Scheme available for Punjab, the HLC decided to accept offers upto ` 5/- per quintal per month for bare space for a capacity of 13.09 lakh MT (including counter offer for 9.12 lakh MT) rates ranging from ` 4.47 to ` 5.00 per qtl per month (for lease only) and ` 4.95 to ` 6.17 per qtl per month (for lease with services).”

5.25 Elaborating further progress on the issue, the Ministry added:

“Further tenders were invited under ten years guarantee and recommendations of SLC were placed before the HLC during its meeting on 09.08.2012 & 08.09.2012 in which tenders for 7.03 lakh MT & 2.42 lakh MT respectively for lease with services were sanctioned rates ranging from ` 6.19 to ` 6.84 per qtl. per month. Again in the tenders floated in phase-III in Punjab, HLC during its meeting on 18.11.2011 has sanctioned tenders for a capacity of 19.53 lakh MT (including counter offers for a capacity of 7.18 lakh MT) for which rates were ranging from ` 3.76 to ` 5.00 (for lease only). Therefore, it can be seen that due to the decision taken by HLC in its meeting on 12.01.2011, in successive tenders, rates offered by the private investors were highly competitive and below the rates offered in the first phase tender (seven years guarantee).”

5.26 When enquired by the Committee that if the FCI is not prepared to offer higher rates, why States, where land is comparatively cheaper and less fertile, were not selected for construction of storage capacity, the Ministry stated that the storage capacity to be created cannot be concentrated at locations where land is cheap. The storage space needs to be evenly distributed. Further, as per the Scheme Guidelines, assessment of

additional storage needs under the scheme is based on the overall procurement/consumption and the storage space already available.

5.27 The Ministry was also asked whether delay in the creation of targeted storage capacities by the private parties in construction of godowns was due to the reluctance of FCI to offer reasonable rates. The Ministry, in a written note, stated as under:

“FCI does not offer the rates to private investors but invites the rates through open tender. Private investors quote/offer the rates after considering their all expenditures and expected profit. It is also pertinent to mention that tendering is a process to get the competitive rates. The tenderers have offered minimum rate due to intense competition in Punjab for construction of godowns under PEG Scheme. It is informed that tenders for a capacity of 13.09 lakh MT (including 9.12 lakh MT counter offers) were sanctioned by the HLC in its meeting on 12.01.2011 out of which offers have been accepted for 12.29 lakh MT. Out of this, a capacity of 10.26 lakh MT has already been completed upto March, 2012 and are under process of taking over. In Punjab, overall a capacity of 15.08 lakh MT has already been completed by Private investors, CWC & PSWC.”

### **Mapping of Existing Capacities**

5.28 As per the Ministry's Annual Report, a State-wise mapping of existing capacities and analysis of additional requirements was undertaken based on an objective criteria by State level Committees and the High Level Committee of FCI. Based on this analysis and criteria laid down in the scheme, State-wise capacity requirement and locations were identified. Under the Scheme, the FCI would give a guarantee of ten years for assured hiring.

The said Report further states that FCI has been allowed to give a clear guarantee for hiring even if the hired space remained unutilized in years of low procurement inspite of efforts to hire out vacant space. HLC of FCI has recommended some more capacities in a few States, which is under consideration. Tenders have been finalized for creation of storage capacity of about 107.04 lakh tonnes by the private entrepreneurs, while more capacities are likely to be finalized in the next few months. According to the Ministry, CWC and SWCs are constructing 5.4 lakh tonnes and 14.75 lakh tonnes respectively under the Scheme, out of which a capacity of about five lakh tonnes has already been completed by CWC/SWCs.



5.29 In the background that very few States had fixed a deadline for the completion of the project for creation of storage capacity, the Committee desired to know the reason for the same. In response, the Ministry stated as under:

“As the PEG scheme, time period for completion of project is maximum one year in case of non-railway siding godown and two years for railway siding godowns. Further, as per guidelines “the delay in construction of maximum upto one year may be allowed with a clause of similar reduction in guarantee period”. The total storage capacity sanctioned to CWC/SWCs/Pvt. Investors upto March, 2011 is as under:

Sl. No	Agency	Capacity sanctioned/allotted (in lakh MT)
1	CWC	5.11
2.	SWCs	10.67
3.	Private Investors	20.35
	<b>Total</b>	<b>36.13</b>

According to the Ministry, it may be seen from the above table that a capacity of 36.13 lakh MT should have been completed by the end of March, 2012 for which the stipulated time of 1 year has elapsed. Out of this target of 36.13 lakh MT, a capacity of 28.17 lakh MT has already been completed. In case of those capacities, which have not been completed within the stipulated time of 1 year, their guarantee period would be curtailed as per the PEG scheme. Further FCI is making efforts to complete another 50 lakh MT in 2012-13.”

### **Non – Optimum Utilization of Storage Capacity**

5.30 The storage capacity of CWC in all the States / UTs, barring Andaman & Nicobar Islands, Chhattisgarh, Delhi, Haryana, Karnataka and Nagaland, have not utilised 100 per cent storage capacity. Some of the poor performing States / UTs in terms of the storage capacity include Goa (56 percent), Madhya Pradesh (66 per cent) and Puducherry (75 per cent). The Committee enquired about the specific reasons for the same, especially in Goa, Madhya Pradesh and Puducherry. In response, the Ministry stated as under:

“As regards low capacity utilization in some of the States/UTs, the position is as under:

- i) The utilization of Central Warehouse, Puducherry has already improved and the centre has registered an occupancy of 112% as on 1<sup>st</sup> May, 2012.
- ii) Central Warehouse, Goa consists of three types of warehousing activities and the overall utilization as on 1<sup>st</sup> May, 2012 has already increased to 70%. The segment-wise utilization is as follows:

Segment	Capacity (in MT)	Utilization (in percentage)
a) Private Management Warehouse	10,743	100
b) Air Cargo Complex	1,521	100
c) Bonded Warehouse	750 MT	33
d) General/Industrial Warehouse	9,631	33

6,667 MT space in the General Warehouse has fallen vacant due to withdrawal of reservation by HINDALCO. This vacant space has been offered to FCI.

- iii) In respect of Madhya Pradesh, the CWC has a total capacity of 5.27 lakh MT in the State. Most of the capacity is utilized for storage of foodgrains such as rice and wheat procured by the FCI for the Central Pool. With the procurement of wheat commencing in the State of Madhya Pradesh from 1<sup>st</sup> April, 2012, the overall occupancy of the Region as on 1<sup>st</sup> May, 2012 has increased to 100%. The overall capacity utilization is expected to remain above 95% during the next six months considering the stock position in the Central Pool.”

5.31 A statement indicating the State-wise utilization of storage capacity as on 1<sup>st</sup> May 2012, as furnished to the Committee, is given at **Annexure – X**.

### **Phasing Out of Old Stock of Foodgrains**

5.32 The problem of shortage of storage capacities can be solved to some extent by phasing out the older stocks of foodgrains before the arrival of new stocks. However it was often reported that in most of the godowns, stocks of previous years were not cleared and thus were piled up in large quantities. In this regard, the Committee enquired about the steps taken to remove the older stocks of foodgrains from the godowns before the arrival of fresh stocks. The Ministry, in a written note, stated as under:

“As per the existing procedure, foodgrains are issued on First- In- First- Out (FIFO) basis so that older stock is issued first. In special circumstances like procurement /storage of relaxed specifications (URS) stocks or stocks stored in unscientific kachcha plinths, the stocks are moved out on priority basis, over riding the FIFO principle.FCI has been moving out older stocks continuously. As on 1.06.2012 the age-wise stock position is as under:-

Crop Year	Wheat		Rice	
	Stock as on 1.6.2012 (Eig. In LMT)	% of stocks	Stock as on 1.5.2012 (Eig. In LMT)	% of stocks
2008-09 & earlier	2.36	0.50	0.13	0.06
2009-10	6.23	1.33	4.29	1.89
2010-11	22.73	4.85	64.60	28.57
2011-12	131.94	28.13	157.11	69.48
2012-13	305.77	65.19	0	0
<b>Total</b>	<b>469.05</b>		<b>226.13</b>	

Remark: This stock excludes stocks in transit.

It is evident from the above table that 93% of wheat stock in central pool belongs to RMS 2011-12 & 2012-13 and in case of rice 69.48 % of total stocks is of and KMS 2011-12.”

5.33 When asked whether any mechanism has been put in place to ensure timely phasing out of older stocks of foodgrains, the Ministry informed the Committee that the foodgrains are issued on First In First Out (FIFO) principle which implies that the stocks received first in godown will be issued first. To ensure this, the Depot Officer is instructed to follow the priority. To follow FIFO principle, date of storage and date of issue of stocks are maintained in the godown. If the instances of violation of priority during issue are noticed, disciplinary action are taken against the delinquents.

### **Off-take of Foodgrains**

5.34 The inadequacy of the storage capacity is due to the fact that off-take of foodgrains by the States is much less than the procurement. In this regard, the Committee desired to know of foodgrains by the States, the feasibility of bringing an interim revision of the

Central Issue Price and offer foodgrains to the States at a lesser price taking into consideration the storage cost as well as widespread rotting of the excess food stocks. In response, the Ministry apprised the Committee that any short term adhoc revision of CIP was not a feasible alternative. However, the Government had been making adhoc additional allocation out of surplus stocks available at AAY, BPL & APL CIPs which are already highly subsidized. These adhoc allocations were stated to be made over and above normal TPDS allocations.

5.35 When enquired by the Committee if there was any plan to undertake a policy shift from Targeted Public Distribution System to Universal Public Distribution System so as to increase the offtake of foodgrains, the Ministry replied in negative as the focus on poor could get diluted by such a shift. It was further argued that the procurement of huge quantities of wheat and rice to meet the requirement of Universal Public Distribution System would result in lower availability of foodgrains in the market, leading to rise in open market prices. If the same quantity of foodgrains is distributed equally, then the scale of issue will have to be reduced. Also, in order to manage the level of food subsidy, the issue prices of rice and wheat may have to be increased substantially from the present CIPs which have not been revised for about eleven years. This would mean that BPL and AAY families would get much reduced scale of issue and also have to pay higher CIPs.

### **The Issue of Intermediate Storage**

5.36 With regard to intermediate storage of foodgrains, the Secretary during the sitting of the Committee deposed as under:-

“There is something called the intermediate storage. As far as the responsibility of the Central Government and FCI is concerned, it is to do the procurement, distribute it to the State Governments. Between the FCI godowns and Fair Price Shops, it is the responsibility of the State Governments to take the stocks and keep it before it is sent to the Fair Price Shops. This is called the intermediate storage. That is why they cannot lift more from the FCI. We have been encouraging the State Government to create intermediate storage for which a lot of schemes are available now.”

5.37 In this regard, the Committee desired to know about the actual intermediate storage capacity available in the country. The Ministry stated that the storage capacity for Central

Pool Stocks available with 17 State Warehousing Corporations is around 23 Million Tonnes. However, other State Agencies also have storage capacities.

5.38 With regard to the present gap between the required intermediate storage capacity and the actual intermediate storage capacity in the country, the Ministry apprised the Committee that it does exist as various States are not able to lift three to six months PDS requirements. However, the exact requirement was stated to be in the process of getting collected from the States as it is primarily for the State Governments to create the 'intermediate capacity'. Further the Ministry informed that no deadline has been prescribed to achieve the target, to bridge the gap between the required intermediate storage capacity and the actual intermediate storage capacity.

5.39 When asked to explain about the involvement of other Ministries in schemes relating to creation of intermediate storage, the Ministry stated as under:

“Department of Food and Public Distribution has planned to give financial support to State Governments for creation of around 73,000 MTs capacity in North-Eastern States and J&K at a total cost of ` 60 Crores in the form of Grants in Aid. The Ministry of Agriculture has got another scheme “Grameen Bhandaran Yojana”, wherein capacities of 32 Million Tonnes in 26 States have been sanctioned in 27,000 projects. NABARD under the Scheme Rural Infrastructure Development Fund has sanctioned ` 1494 Crores to 13 States for creation of 9 Million Tonnes of Warehousing Infrastructure. For the year 2012-13, ` 5000 crores has been earmarked under this scheme. Depending upon the mandate and objectives of different Ministries, different schemes for meeting intermediate storage needs for different types of Agro and non agro based commodities have been formulated. However, the overall aim is to strengthen the storage infrastructure. Storage is required for Agricultural inputs, Agriculture Foodgrains, Horticulture products, personal consumption and also for TPDS. Depending upon products to be stored, several Ministries are involved with in-built priorities. Therefore, involvement of various Ministries is necessary.”

### **Village Grain Banks Scheme (VGB)**

5.40 As per the Annual Report, a Centrally Sponsored Scheme to establish 4845 Grain Banks in Tribal Villages was launched during 1996-97 by the Ministry of Tribal Affairs in 11 States, providing ` 10.26 crores till 2004-05 with the objective to provide safeguard against starvation during the period of natural calamity or during lean season. With effect from 24.11.2004, the scheme stood transferred to Department of Food and Public Distribution. The Ministry of Finance approved establishment of Village Grain Banks

(VGB) in chronically food scarce areas under the revised Village Grain Bank Scheme for the year 2005-06 and 2006-07, subject to its evaluation.

5.41 The sanction of ` 19.76 crores was approved in 2005-2006 for establishing 3282 VGBs which was enhanced to ` 51.79 crores in 2006-07 to establish 8191 VGBs. However, an amount of ` 17.44 crores was approved by Ministry of Finance for establishment of 2598 Grain Banks during 2007-08. During the year 2008-09, 2407 VGBs were sanctioned and an expenditure of ` 16.81 crore was incurred. During the year 2009-10, 2214 VGBs were sanctioned and an expenditure of ` 17.23 crore was incurred. During the year 2010-11, 1709 VGBs were sanctioned and an expenditure of ` 13 crore was incurred. During the year 2011-12, 1350 VGBs have been sanctioned and an expenditure of ` 10 crore has been incurred.

5.42 The State-wise break up of Village Grains Banks across the country is as follows:

S. No.	Name of state	VGB set up
1.	Andhra Pradesh	6585
2	Assam	67
3	Chhattisgarh	1904
4	Gujarat	226
5	Jharkhand	583
6.	Kerala	387
7	Madhya Pradesh	2644
8	Maharashtra	1290
9	Manipur	192
10	Meghalaya	40
11	Nagaland	486
12	Odisha	378
13	Tripura	39
14	Uttar Pradesh	500
15	Uttarakhand	55
16	West Bengal	820
	<b>Total</b>	<b>16196</b>

### **Scheme for creation of SILO based Storage under PPP**

5.43 As per the Ministry, the Empowered Group of Ministers (EGoM) in its meeting held on 7 February, 2012 has approved the proposal to create a storage capacity of two million tonnes through construction of silos. The silos are to be constructed under PPP mode for which FCI is the nodal agency. The location of silos are to be decided by the FCI, after taking into consideration the analysis and recommendations of the consultants as well as the recommendations of the Working Group set up by the Planning Commission. M/s

Mott McDonald were appointed as Consultants by the Planning Commission to carry out study for the purpose and have given their final report.

5.44 In this regard, the Committee enquired about the major suggestions given by the M/s Mott McDonald. The Ministry responded as under:

“The Consultants in their report have given suggestions on the augmentation of storage capacity for foodgrain by modern and scientific storage options based on their study of international practices of foodgrain storage and Indian conditions. The cost effectiveness has been assessed for the technically suitable scientific and modern storage option, by comparing the same to conventional storage options, not only on stand-alone basis but also as a part of the integrated logistic chain from procurement point in producing area to storage point in consuming area. After analysis, they have indicated that there is storage deficit in the range of 11-14 MMT. They have also concluded that possibility of upgradation of existing warehouses by incorporating mechanical handling processes was found to be uneconomical as the space required by the equipment within warehouses would waste the costly space. Stocking and de-stocking from conveyer belt would still have to be done with manual labour. Silos, according to them, are best option for bulk storage of grains due to their various benefits like shelf life of grain for 2-3 years, easier grain management, 1/3<sup>rd</sup> land requirement compared to traditional warehouses and no risk of pilferage. They have concluded that steel silos are the only modern storage technique suitable for Indian conditions. According to them, the optimum economic size of the silos is about 50,000 MT. However, in the remote areas, hilly areas and areas with transportation constraints, 25,000 MT capacity silos could also be considered. “

5.45 The Ministry further informed the Committee as under:

“The Consultants have examined the costs of modern scientific storage and compared the same with the costs of existing storage practices. Among various options for silos, the first option was for integrated bulk movement model in which silos are both at surplus and deficit areas and the entire movement from procurement at Mandis to silos in deficit areas is in bulk wagons. But they have found end-to-end bulk model to be currently the most expensive option. However, they have said that this may become more cost effective in due course on account of shortage of labour and jute bags on the one hand and domestic manufacture of silos along with better technology of bulk wagons on the other hand. For adopting this option, the silos at deficit areas should necessarily be placed at locations with rail linkages. That could later be linked to silos at surplus areas. Hence, they suggest that the silos may be built in such a way that in future, they may be integrated into the bulk movement – storage model. They have also mentioned that it would be an ideal situation for the entire chain from Mandi to the silos at deficit areas is taken up in PPP mode which would result in further lower cost realizations besides bringing an end to the current movement constraints. However, this would require overhauling of the system in FCI and also overcoming bottlenecks in rail movements. Hence, the integrated logistics system option may be looked at in the future when the various constraints are eased. “

5.46 Elaborating further, the Ministry added:

“The consultants have stated that the existing option of CAP in surplus areas and godown in deficit areas is the cheapest, but it cannot be considered scientifically modern storage technique and hence cannot be considered as the benchmark for comparison. Their analysis further indicates that storage charges for stand alone silos are higher compared to the conventional godowns. Silos on stand alone basis cost 28.9% more if they are established in deficit areas and about 52.6% more if established in surplus areas mainly due to higher land costs in surplus areas and partly due to machinery costs owing to higher capacity requirements of short procurement period. Considering conservative estimates of quality losses, they have concluded that the silos storage charges in deficit areas would be 11.36% higher than conventional godown charges. But they have suggested that economies of scale will drive down the costs in case a large number of silos are taken up. Further, if the life cycle costs are considered, the silos have actually turned out to be more economical than conventional storage. If storage and handling costs rise at 5% and 10% respectively and the Contract Labour (Regulation and Amendment) Act, 1970 is implemented strictly wherein all contractual labour of FCI have to be departmentalized , the warehouse charges in conventional storage may actually be 24% more than storage costs in silos.

Thus, the least cost option, according to Consultants, is the temporary storage (CAP) in surplus areas and silos storage in deficit areas. The consultants have suggested that it would be strategically prudent to build additional capacity in States based on off-take for wheat mainly because they are the points of actual consumption. Apart from the consumption centres, capacities may also be created at strategic locations holding strategic reserves. They have also suggested that capacities should be built in major wheat consuming States and these capacities should be enough to hold each States’ annual wheat requirement (average off-take). The locations for such States for PPP silos for strategic purposes should be carefully selected for cost effective implementation. The wheat stored in temporary storage in producing areas should be moved to consumption points within 6 months to avoid any quality deterioration.”

5.47 Further the Ministry also informed that as per the plan finalised for identifying the locations it has been decided that where land is made available within three months by FCI, CWC, SWC, State Governments or Central Government /State Government Agency, the VGF route will be followed. The service charge payable will be the latest available rate payable to CWC for covered godowns, indexed appropriately. However, if land is not made available, the silos will be constructed under the PPP mode through FCI without VGF. It has also been decided to keep the concession period for 20 years, extendable by another 10 years. The Board of Directors of FCI in its 344<sup>th</sup> meeting held on 23.2.2012 has finalized State-wise distribution of capacities as under:-



Sl. No.	State	Silo capacity in Tonnes
1.	Bihar	2,00,000
2.	Haryana	3,00,000
3.	M.P. (DCP)	3,50,000
4.	Maharashtra	1,00,000
5.	Punjab	4,00,000
6.	U.P.	3,00,000
7.	West Bengal (DCP)	2,00,000
8.	Assam	50,000
9.	Kerala	50,000
10.	Gujarat	50,000
<b>Total</b>		<b>20,00,000</b>

### Deterioration of Foodgrains Stored in Godowns

5.48 Reports about deterioration of a large quantity of foodgrains stored in godowns are being received frequently from various parts of the country. In this regard, the Committee enquired about the procedure of inspection to check the quality of foodgrains stored in various godowns of FCI. The Ministry, in a written note, stated as under:

“Some reports about deterioration of foodgrains stored in godowns have been received from F.C.I. regions. Foodgrains may get damaged/become non-issuable due to various reasons, such as, storage pest attack, leakages in godowns, procurement of poor quality stock, spillage during movement and handling of stocks, exposure of rains, floods, negligence on the part of concerned persons in taking precautionary measures, etc. In cases where negligence of officials/officers are established for causing damage to the foodgrains, strict disciplinary action against defaulters are invariably taken. The procedure for inspection to check the quality of foodgrains stored in various godowns of FCI are (i) Fortnightly inspection of stocks on 100% basis by Technical Assistants for declaring categorization & classification (ii) Monthly inspection by Manager (QC) - 33% of stocks ( $1/3^{\text{rd}}$  of stocks) in a month. Monthly Inspection Reports (MIR) of Manager (QC) are scrutinized at Zonal level. Suggestions made therein are to be implemented and monitored through action taken reports (ATR). (iii) Quarterly inspection by Assistant General Manager (QC) are undertaken as (a)  $1/3^{\text{rd}}$  of depots in a month so as to cover all the depots in the District in three months (b) 5% of stocks are to be checked in a depot having capacity of more than 25000 tonnes (c) 10% of stocks in respect of depot having less than 25000 tonnes (d) Squad Inspection reports (SIR) of AGM (QC) are scrutinized in Zonal office.”

5.49 The Ministry further added:

“In addition to above, “super checks squads” are sent from Hqrs., Zonal offices and Regional offices. As per instructions in vogue: (i) Two depots of minimum of 10,000 tonnes capacity and above of high procuring regions namely Punjab, Haryana & A.P. must be visited each month by Hqrs. QC Division to check the quality of the

stock procured/lying there (ii) Five depots of capacity of 5,000 tonnes and above must be visited by Zonal squads of QC officers to check the quality (iii) the regions of high procuring States constitute a team for checking of quality of the stocks at ten depots per month.”

5.50 Year-wise details of quantum and percentage of foodgrains damaged with FCI from the year 2005-06 till 01.03.2012 as furnished by the Ministry, as under:

Year	Commodity	Accrued Quantity of Damaged foodgrains (in Lakh Tonnes)	Offtake quantity(excluding DCP states) (in Lakh Tonnes)	% of damaged foodgrain against offtake quantity
2005-06	Wheat	0.15	157.37	0.095
	Rice	0.80	203.01	0.394
	<b>Total</b>	<b>0.95</b>	<b>360.38</b>	<b>0.264</b>
2006-07	Wheat	0.01	116.87	0.009
	Rice	0.24	198.4	0.121
	<b>Total</b>	<b>0.25</b>	<b>315.27</b>	<b>0.079</b>
2007-08	Wheat	0.010	119.89	0.008
	Rice	0.330	204.61	0.161
	<b>Total</b>	<b>0.340</b>	<b>324.5</b>	<b>0.105</b>
2008-09	Wheat	0.010	120.16	0.008
	Rice	0.190	186.04	0.102
	<b>Total</b>	<b>0.200</b>	<b>306.04</b>	<b>0.065</b>
2009-10	Wheat	0.020	172.99	0.012
	Rice	0.050	198.07	0.025
	<b>Total</b>	<b>0.070</b>	<b>371.06</b>	<b>0.019</b>
2010-11	Wheat	0.020	209.61	0.010
	Rice*	0.040	222.46	0.018
	<b>Total</b>	<b>0.060</b>	<b>432.1</b>	<b>0.014</b>
2011-12 (up to 01.03.12)	Wheat	0.02	201.12	0.009
	Rice	0.007	232.26	0.003
	<b>Total</b>	<b>0.03</b>	<b>433.38</b>	<b>0.007</b>

Remarks: \*including 0.02 lakh tonnes damaged coarse grains.

#### Remedial steps taken to avoid damage during storage:

5.51 With regard to the remedial steps taken to avoid damage during storage, the Ministry informed the Committee as follows:

“Instructions have been issued by the Ministry to State Governments and Food Corporation of India (FCI) time and again. The measures inter-alia include

continuous monitoring of quality of foodgrains during procurement, storage and distribution, to follow code of practices for safe storage in covered and CAP storage, to take all precautionary measures like prophylactic and curative treatments for insect pest control, regular periodic inspection of stocks to assess the quality.”

5.52 The Ministry also informed that the steps taken by FCI to avoid damage during storage include the following:

- (i) Foodgrains are to be procured strictly conforming to the uniform specifications laid down by the Government.
- (ii) Foodgrains procured by FCI and State Government /its agencies are stored in covered godowns as well as CAP (cover and plinth).
- (iii) During storage, the following steps are taken for safe storage and preservations of foodgrains:-

#### Covered Godowns

- (i) Godowns are constructed on scientific lines making it rodent proof by having proper height and damp proof by providing pucca floor.
- (ii) Before the stocks are stored, the godown is properly cleaned and cobwebs etc., if any, are removed.
- (iii) Floor and walls are treated with chemicals such as air charging with Malathion and DDVP (insecticide) to make them pest free.
- (iv) Markings are provided for stacks and the dunnage material is used on which foodgrains bags are arranged as per the stack plan.
- (v) Prophylactic (spraying of insecticides) and curative measures (fumigation) are carried out regularly for the control of insects/pests.
- (vi) Effective rodent control measures are also undertaken.

5.53 Following checks /super checks are conducted in the godowns to ensure proper preservation of foodgrains in storage.

- (i) Fortnightly inspection of stocks on 100% basis by Technical Assistants for declaring categorization & classification.

- (ii) Monthly inspection by Manager (QC) – 33% of stocks (1/3<sup>rd</sup> of stocks) in a month. Monthly inspection reports (MIR) of Manager (QC) are scrutinized at Zonal level. Suggestions made therein are to be implemented and monitored through action taken reports (ATR).
- (iii) Quarterly inspection by AGM (QC).

### **CAP (COVER & PLINTH)**

5.54 The background material of the Ministry stated the following w.r.t. CAP storage:

“In case of shortage of covered storage space, foodgrains may have to be stored in open in CAP. As grains are kept in the open, care is taken for maintenance of quality of grains. Rats, birds and moisture are the main enemies of grain in CAP storage. In view of the risk involved, this type of storage is attempted as a last resort. The following precautions are taken for proper storage of foodgrains in CAP Storage:-

- (i) The site selected for CAP is above the adjoining ground and away from nallahs and drainage to prevent any flooding of CAP storage during rainy season.
- (ii) CAP storage site is cleared of all plants/shrubs growth and disinfested with DDVP.
- (iii) Anti-termite measures are taken in CAP/Open storage.
- (iv) Adequate dunnage is provided for all stacks in CAP/open storage, Wooden Crates are preferred. However, cement blocks, wooden rafters, causurina poles and granite blocks, according to local availability, have also been used successfully. The dunnage material is cleaned and disinfected either by fumigation or by treating with contact insecticides such as DDVP.
- (v) The top of the stacks is built to form a dome, in the shape of an inverted ‘U’ to facilitate easy flow of rain water and prevent accumulation of water on the top.
- (vi) To protect the stocks from rain, sun, dew, birds, rodents etc. each stack is covered with a polythene cover especially made for this purpose. The polythene cover mounted on the stack is properly lashed by nylon ropes

vertically to prevent damage to the covers due to high velocity winds, rains, dusts, storms etc.

- (vii) Regular prophylactic and curative measures are carried out for the control of stored grain insect pests in CAP storage. Rodent control measures are also taken by fumigating the rat burrows with aluminium phosphide or by poisoning the rodents with Zinc Phosphide.
- (viii) Moisture is the major factor responsible for adversely affecting the quality of foodgrains and is controlled by regular aeration of stocks during clear weather days.
- (ix) Technical Assistant concerned checks the stocks on fortnightly basis followed by Super checks by Senior Officers.
- (x) Wheat stock stored in CAP by the State Govts/Agencies is subjected to joint inspection on a regular basis by officers of FCI and the concerned State Govts/Agencies. 100% inspection of State Agencies stocks kept in CAP in Punjab and Haryana have been conducted.
- (xi) Stocks are generally issued/moved on the principle of "First in First Out" (FIFO).

### **Treatment of Godowns**

5.55 With regard to treatment of Godowns for preservation of foodgrains, the Secretary, Ministry of Consumer Affairs, Food and Public Distribution during the course of deliberations held on 30.04.2012 stated as under:

'The overall scenario is that storage cannot be increased indefinitely. A total of 63 million tonnes and 15 million tonnes are being created. So, out of 15 million tonnes, as per the reports that I have received, 2.8 million tonnes has been constructed by the end of March. Out of 2.8 million tonnes, there is about 10.5 lakh tonnes in Punjab also. But the point is that it has not been made operational yet. So, There the State Governments have to make the arrangements for carrying out some treatment etc. They have to appoint agency or agent whatever it is.'

5.56 When enquired as to why the appointment of such an agency is not done directly by the FCI after the completion of the construction work of the godowns to cut delays and at the same time reduce FCI's dependence on the State Governments, the Ministry in a written note stated as under:

“The PEG-2008 scheme has been formulated and circulated vide this Department's letter dated 28.07.2008. The scheme was also extended to non-DCP states. As per the guidelines of PEG scheme, Paras 8.1 states that the FCI will take all such godowns through CWC/SWC only. After the locations have been finalized by the High Level Committee of the FCI, FCI will decide the partner agency out of CWC & SWC. CWC/SWC will get these godowns constructed through private investment. Para 9.2 states that the responsibility of maintenance of the godowns would lie with the CWC/SWC to whom the supervision charges will be payable. Further in view of Para 9.3 of the scheme CWC/SWC will have full responsibility for the losses in foodgrains stocks, the storage loss (in excess of limits prescribed for FCI during the relevant period) shall be deducted from the total rentals payable to CWC/SWC and Para 9.3 states that the CWC/SWCs will be free to take other services like security, preservation of foodgrains stocks etc. from the private investor or to arrange it through their own staff. In both the cases CWC/SWC will have full responsibility for the losses (in excess of limits prescribed for FCI during the relevant period) in the foodgrains stocks.”

5.57 The Ministry added that to make the scheme broad based as well as to involve State Governments, FCI has to nominate a nodal agency which will get the godowns constructed through private investors and make arrangements for maintenance and preservation of foodgrains. Hence, appointment of an agency by FCI for maintenance, preservation and other services is not envisaged within the framework of PEG Scheme. Further, the scheme allows other State Government Agencies in Punjab and Haryana, that are already doing procurement and warehousing on their own to function on behalf of FCI to invite tenders, enter into agreement with the private investors and also supervise their work. Further, the Ministry informed that PUNGRAIN had been nominated as the nodal agency in the Punjab region. As per the role of nodal agency enumerated in para 9.2 & 9.3 of PEG-2008 scheme, PUNGRAIN has to make arrangements for maintenance and preservation of foodgrains.

### **Construction of Godowns and Problem of Land Acquisition**

5.58 Problems relating to land acquisition have been causing inordinate delay in the construction of many godowns in various parts of the country. In this regard, the

Committee enquired about such godown construction projects which are facing land acquisition related problems. In response, the Ministry stated as under:

“FCI is facing problem in respect of land acquisition such as land identified but yet to be handed over, land inspected not found suitable, land yet to be identified etc. The state-wise/location-wise position as on 31.5.2012 is as under:-

**Land offered by the State Government found suitable by FCI, yet to be handed over**

1. Assam: In Assam region there is a proposal to create a capacity of 3,47,000MT at 16 centres. The location-wise land acquisition status is as under:
  - a) Changsari (1,00,000MT): The local people due to non settlement of compensation by the State Government have created the hindrances during the execution of work. Further, the part of the land (approx. 3.00 acres) is yet to be acquired by the State Government.
  - b) Tejpur/Bindukuri -25,000 MT, Nowgaon Ph.I& II-50,000MT, Dibrugarh-25,000MT, Bongaigaon-25000MT, Junai-25,000, Karimganj-5,000MT, Kokrajhar-30,000MT, Barpeta Road-25,000 MT and Salchapara- 25,000MT. All the lands were offered at the end of the year 2011 and suitability conveyed to State Govt. immediately after.
2. Manipur: Chandel -2500MT, Jiribam-10,000MT, Tamenglong-5,000MT and Bishnupur-5,000MT. Lands at Tamenglong and Bishnupur were offered in April 2012
3. Meghalaya: – Bagmara-2500MT
4. Tripura: Kumarghat-5000MT, Jirania-20,000MT and Shanti Bazar-15,000MT.
5. Sikkim: Jorthang-5000MT

**Land offered by the State Government, inspected by FCI , found not suitable**

- a) Arunachal Pradesh: Tawang – 1670MT.
- b) Mizoram: Bhairabi-10,000MT

**Land yet to be identified by the State Government**

- a) Assam: Fakiragram-5000MT
- b) Arunachal Pradesh: West Siang-1670MT
- c) Manipur: Imphal East-10,000MT
- d) Meghalaya: Burnihat-25,000MT
- e) Mizoram: Sairang-10,000MT
- f) Tripura: Ambasa-5000MT
- g) Sikkim: Rangpoo-10,000MT”

## Movement of Foodgrains

5.59 In this regard, following information was furnished to the Committee:

“The movement of foodgrains is planned by FCI on a monthly basis keeping in view the requirement of various States, storage capacity available in the consuming States, stocks available in the procuring States and likely procurement, etc. Loading and movement of foodgrains rakes is monitored by FCI on daily basis. The Department of Food and Public Distribution monitors the availability of foodgrain stocks in various States vis-a-vis monthly requirement under TPDS and Other Welfare Schemes. In case of shortfall in availability of foodgrains in any State, FCI is advised to step up induction of foodgrains into the State and the matter is taken up with Railway authorities for providing additional rakes to augment foodgrains stock in that State. Movement of foodgrains is undertaken by rail, road and riverine routes. Around 90 per cent of the movement of stocks is moved by rail, some quantity is moved by road particularly in Jammu and Kashmir, Himachal Pradesh and some parts of North-East States. A small quantity is also moved by ships to Lakshadweep and Andaman and Nicobar Islands. Earlier, more than 90 per cent of stocks were moved ex-North as procurement was largely concentrated in North. Now with the increase in procurement in Andhra Pradesh, Chhattisgarh, Odisha, West Bengal and Madhya Pradesh, surplus rice and wheat are also available in these States for movement to consuming States.”

5.60 The inter-State and intra-State movement of foodgrains for the last three years, as per the Ministry, was as under:-

(in lakh tonnes)

PERIOD	EX. NORTH			INTER STATE				Intra	Grand Total (10=8+9)
	Inter	Intra	Total	Rail	Road	Riverine	Total		
1	2	3	4	5	6	7	8	9	10
2009-10	188.54	0.81	189.35	249.18	26.65	0.00	275.83	27.86	303.69
2010-11	221.23	3.32	224.55	279.65	25.64	0.00	305.29	29.65	334.94
2011-12	201.01	7.49	208.50	303.23	24.54	0.00	327.77	40.17	367.94



5.61 When the Committee desired to know whether any efforts have been made to predict area-wise demand on the basis of consumption pattern for swift movement of foodgrains from producer States to consumption States, the Ministry stated as under:

“A detailed exercise is carried out monthly by FCI where requirement of foodgrains is assessed State-wise and a monthly movement plan is drawn up taking in account variables viz. (i) Quantity available in surplus regions (ii) Quantity demanded by deficit regions (iii) Likely procurement (iv) Vacant storage capacity (v) Monthly allotment/off-take of foodgrains.”

5.62 Enquired whether the Ministry has taken up the issue of non-availability of rail rakes with the Ministry of Railways, they responded as under:

“Regular review meetings are held with Railways by FCI to monitor movement of foodgrains. In addition to this, the issue of availability of rakes is taken up with Railways in case of shortage in any State. The movement of foodgrains into States having low storage capacity and other vulnerable regions like North East and Jammu & Kashmir are closely monitored by the Department and information regarding loading and movement of rakes is closely monitored by FCI. In case, movement is affected due to inadequate supply of rakes or imposition of restrictions by Railways, the issue is taken up with Ministry of Railways for resolution. However, there are a number of seasonal variations in the availability of rakes from Railways depending upon the requirement of fertilizers etc. which hamper availability of rakes for foodgrains. Moreover, climatic conditions like fog during winter months hamper the movement of rakes ex-North. These are brought to the notice of Railways for timely resolution.”

### **Suggestions of the Supreme Court on procurement of foodgrains in proportion to storage capacity**

5.63 During the sittings held on the subject, the Committee recalled that while coming down heavily upon the rampant corruption in the Public Distribution System, besides rotting of foodgrains in FCI godowns, the Supreme Court in August 2010, had suggested the Central Government to distribute free foodgrains to the hungry population of the country instead of allowing it to remain and rot in godowns or storehouses. Other suggestions included construction of at least one big godown in each of the States, besides separate godowns in different districts and divisions and procurement of foodgrains in proportion to storage capacity. In this regard, when the Committee desired to know the comments of the Ministry on the suggestions made by the Supreme Court, it was stated as under:

“In pursuance of the direction of the Hon’ble Supreme Court dated 12.8.2010 that the Government of India may consider taking the short term measures to (a) increase the quantum of food supply to the population below poverty line; and (b)

distribute foodgrains to the deserving population at a very low or no cost, to deal with the problem of rotting of foodgrains, and taking into consideration the comfortable stock position of rice and wheat in the Central Pool, the Department made an adhoc additional allocation of 5 million tonnes of rice and wheat during 2010-11 and 2011-12. Also, based on the direction of the Apex Court vide its order dated 14.5.2011 and 14.9.2011 and on the recommendations of the Committee headed by Justice (Retd.) D.P.Wadhwa, the Union of India allocated a quantity of 23.69 lakh tonnes of foodgrains at AAY and BPL prices for distribution to additional AAY and BPL families in 174 poorest and backward districts in 27 States. During the year 2012-13 also, a quantity of 15.40 lakh tonnes of rice and wheat has been allocated at BPL prices to poorest districts of 12 States based on demands received from them and the recommendations of Wadhwa Committee. The Government has also decided to make an adhoc additional allocation of 5 million tonnes of foodgrains to BPL families during 2012-13. Out of this 5 million tonnes, 2.63 million tonnes have been allocated to 24 States/UTs. The allocation of balance quantity of 2.37 million tonnes to remaining 11 States/UTs is also under consideration.”

5.64 When asked how many States currently have at least one big godown, the Ministry stated that all the States in India have at least one big godown except Arunachal Pradesh, Jharkhand, Himachal Pradesh, Nagaland, Manipur, Meghalaya, Mizoram and Tripura.

5.65 A statement showing the highest capacity godown in the remaining states is placed at **Annexure- XI**.

### **SAARC Food Bank**

5.66 The background note furnished to the Committee informed about the SAARC Food Bank, as under:

“Recognizing importance of regional collective self-reliance with respect to food security during calamities, South Asian Association for Regional Cooperation (SAARC) Food Bank has been established as per the SAARC Food Bank Agreement among SAARC countries signed on 4<sup>th</sup> April, 2007 in New Delhi by SAARC members States. Although, it does not fulfill the national efforts to provide food security to the people of India in general, the objective of the Food Bank shall be **(a)** to act as a regional food security reserve for the SAARC Member Countries during normal time food shortages and emergencies; and **(b)** to provide regional support to national food security efforts; foster inter-country partnerships and regional integration, and solve regional food shortages through collective action.

The food security provided by SAARC Food Bank does not exclude India if there is a shortage here and assistance is needed by our country. But the objective is not national food security per se but it is aimed at regional food security which includes India as well.

5.67 SAARC Food Bank has since been set up with the initial assessed share of foodgrains(rice or wheat or in combination thereof) amounting to 2,43,000 MTs for all Members States out of which India's assessed share was 1,53,200 MTs. Subsequently, pursuant to decisions taken in the Fourth SAARC Food Bank Board meeting held in Dhaka, Bangladesh during 27<sup>th</sup> -28<sup>th</sup> October, 2010, the assessed shares of foodgrains in the SAARC Food Bank has been revised to double of the initial assessed share and accordingly India's assessed share has been raised to 3,06,400 MTs out of total share of 4,86,000 MTs. Considering the large size of the country and operational feasibility, the stock of foodgrains for the Bank are kept in different strategic locations in the country in the designated Food Corporation of India (FCI) Godowns earmarked to facilitate movement of foodgrains in case of necessity.

## PART – II

### RECOMMENDATIONS / OBSERVATIONS

1. India is bestowed with rich and diverse agro-climatic conditions favourable for the cultivation of various foodgrains and commercial crops. With the various initiatives taken by the Government to augment agricultural production, the era of foodgrains shortage and dependence on imports has transformed into self-sufficiency and occasional surpluses. Today, the country is the largest producer of wheat, cashew nuts, milk and tea and second largest producer of vegetables and fruits in the world. In the last fifty years, wheat production has increased almost ten times and rice production has shown a growth of around four times. However, as around 37 per cent of the total population falls Below Poverty Line (BPL), problem of hunger is still widespread. Consequently, the procurement of foodgrains, maintenance and shortage of stocks and effective distribution to the people through the Targeted Public Distribution System (TPDS) and Other Welfare Schemes (OWSs) continue to be big challenges faced by the Government.

An effective and efficient management of foodgrains policy should aim at ensuring farmers to get the remunerative price for their produce and also pave the way for distribution of foodgrains at subsidized prices to the poor and needy. The Committee note that India's foodgrains management policy emphasizes the need to achieve the twin objectives of providing remunerative prices to farmers and building up a buffer stock, together with availability of foodgrains at affordable prices to the BPL population under the TDPS and Antyodaya Anna Yojana (AAY). At the same time, the Committee observe that in the recent years, even with bountiful harvest of Rabi and Kharif crops, there has been substantial amount of loss of 50,000 MT of foodgrains due to mismanagement of procurement as well as inadequate and faulty

storage techniques. This has brought renewed focus on the twin challenges of feeding the poor and overhauling the procurement, storage and distribution infrastructure for foodgrains. The paradoxical situation of record foodgrains production as well as its wastage on one hand and a substantial part of the population wallowing in poverty, famine and hunger on the other hand led the Committee to select this subject for detailed examination and report to Parliament. In the process, the Committee obtained Background Note, Annual Report and written replies on several points from the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) and also had thorough deliberations on the subject with the representatives of the Ministry on 30<sup>th</sup> April, 2012. Based on consolidated written and oral information, the Committee has identified certain critical issues for instance, saturation for procurement in North and North-Western parts of the country, non-existence of an efficient and well developed machinery for foodgrains management in the non-traditional procuring States, non-adoption of Decentralized Procurement of foodgrains by many States even after 15 years of the implementation of the scheme, problem of universal Minimum Support Price (MSP), problem of increasing food subsidy costs, complaints regarding Public Distribution System (PDS), ineffective mechanism of quality control of foodgrains, absence of Vigilance Committees in some of the States/UTs, acute storage gap between intermediate and actual storage capacity, inadequate godowns/warehouses for storage of foodgrains, faulty techniques of storage and the challenge before the Government regarding procurement and distribution of foodgrains to complement the various provisions enunciated in the Draft National Food Security Bill, 2011. The Committee's observations and recommendations on these issues have been enumerated in the succeeding paragraphs.

2. The policy on procurement of foodgrains emphasizes the need to ensure that the farmers get remunerative prices for their produce so as to reduce fluctuations in grain prices, avoid distress sale of foodgrains and to build up stock of foodgrains in order to ensure the supply of subsidized foodgrains to the needy and poor. The Committee observe that as per the existing system, foodgrains procurement is handled primarily through Food Corporation of India (FCI) in association with State Governments and their procurement agencies. In this system, the State Government provides the requisite infrastructure at purchase centres. The working capital is either taken from Banks or provided by the respective State Government.

From the information furnished to them, the Committee note that during the last five years, the production of wheat in the country has increased from 785.70 lakh tonnes in 2007-08 to 902.32 lakh tonnes (as per 3<sup>rd</sup> Advance Estimates dated 23.04.2012) in 2011-12, whereas during the said period, the procurement has increased from 111.28 lakh tonnes to 318 lakh tonnes. As far as rice is concerned, the Committee note that the production of rice at the All India level increased from 966.92 lakh tonnes in 2007-08 to 1034.06 lakh tonnes in 2011-12 whereas during the said period, the procurement of rice increased from 287.36 lakh tonnes to 353.15 lakh tonnes. Thus, the production and procurement of wheat and rice has clearly been increasing over the years. The Ministry has also admitted before the Committee that the present procurement of wheat and rice is much more than the requirement for TPDS and OWSs and as a result, the level of Central Pool Stock is rising over a period of time. An analysis of the State-wise trend of procurement of wheat during 2007-08 to 2012-13 by the Committee has indicated multifold increase in almost all the States except Gujarat. In terms of increase in procurement, Madhya Pradesh is leading with an increase of almost 65 times,

Bihar has shown around 15 times increase, Uttar Pradesh almost 7 times, Rajasthan four times and Punjab and Haryana two times. In procurement of rice too, there has been a tremendous increase in almost all the States for instance, Madhya Pradesh has shown an increase of almost eight times and Andhra Pradesh, Bihar, Tamil Nadu and West Bengal have shown an increase of almost two times. Taking into account an estimated production of further 80 MT foodgrains during 2012-13, which is two and half times more than the required norm i.e. 31.9 MT and the inadequate storage capacity, there is clearly a need for taking urgent action for efficient handling and distribution of foodgrains. The Committee, therefore, recommend that the Ministry and the FCI, which coordinates the overall foodgrains operation should analyse and deal with the production and procurement scenario so that the problems of abundance and distribution of foodgrains are resolved at the earliest. They would like to be apprised of the procurement centres opened in the country during the current year for wheat, rice and coarse grains for the farmers.

The Committee note that in view of record procurement and shortage of storage space in Central Pool, decisions have been taken to export some quantity of non-basmati rice, wheat and wheat products to some friendly countries in Asia and Africa. Export of foodgrains from private account has also been allowed. However, the Committee are of the view that exports of foodgrains to reduce the surplus will not be an optimal solution as India, like many other countries, has remained very selective in permitting export of foodgrains. Not only that the interest of the domestic consumers, particularly the poor, has to be given paramount importance, at the same time they desire that the Ministry must shed its lethargic approach and improve the Public Distribution System as it has been observed that in many places, open market price of wheat is below MSP. Taking into account that

the problem will get exacerbated with the increase in production and there is very little chance of restricting each year's procurement to actual production, the Committee strongly urge the Government to create better logistic support without any delay so that the FCI and other procuring agencies can manage the bountiful harvest in the most effective manner. The Committee observe that the Government undertakes monthly review of the foodgrain stock position in the Central Pool by FCI and the State Governments and their agencies. The Committee also are aware that several measures are underway to correct the mismatch between production, procurement, storage and distribution of foodgrains which, *inter alia*, include, revised buffer norms, automation and strengthening of TPDS, expansion of AAY etc. The Committee desire that ongoing projects be given the urgency they deserve. They would like the Ministry to furnish a detailed note to them on the progress on various parameters set towards better management of foodgrains.



3. While examining the issue of production and procurement of foodgrains all over India, the Committee observe that production and procurement of foodgrains in the Northern and North-Western parts of the country have already reached dizzying heights following the Green Revolution. The Committee strongly feel that the time has come for the Ministry to pay special attention to increase procurement from the non-traditional procuring States through an efficient and well developed machinery. The Committee also recommend that efforts should be made by the Ministry to effectively utilize the State Government agencies by equipping them with the requisite capability to handle complex process of procurement of foodgrains. In this regard, the Committee would like the Ministry to come out with a detailed plan of action after due consultation with the representatives of the non-traditional procuring States. The Committee would like to be apprised about the action taken and the progress made in this regard during the action taken stage.

4. The Committee observe that with the objective to reduce the over-dependence of the State Governments on the Food Corporation of India (FCI), the Government introduced the scheme of Decentralised Procurement (DCP) of foodgrains in 1997-98. Under this scheme, the State/UT Governments themselves undertake direct purchase of paddy and wheat and procurement of levy rice on behalf of Government of India. They also store and distribute foodgrains under TPDS and OWSs. The scheme is currently being implemented in 10 States/Union Territories viz. Andaman & Nicobar Islands, Chhattisgarh, Gujarat, Karnataka, Kerala, Madhya Pradesh, Odisha, Tamil Nadu, Uttarakhand and West Bengal. The Committee note that the scheme has been successful particularly in procurement of rice in non-traditional States viz. Chhattisgarh, Kerala, Madhya Pradesh, Odisha and Tamil Nadu during the period 2007-08 to 2011-12. In case of procurement of wheat, three Decentralized Procurement States viz. Madhya Pradesh and Gujarat have shown tremendous progress. The State of Uttar Pradesh (2007-08 to 2009-10) has also shown remarkable increase in the procurement of wheat, however, as per the Ministry, it has withdrawn from the DCP System from Kharif Marketing Season/Rabi Marketing Season 2010-11. The Committee would like to be apprised of the reasons for the same. The examination of the DCP scheme has further revealed some grey areas. For instance, there has been a mismatch between estimated procurement and actual procurement of wheat and rice across the 10 DCP States during the period 2007-08 to 2011-12. It has also been observed that the actual procurement of wheat by the State of Uttarakhand has remained below its estimated procurement since 2007-08 i.e. out of estimated procurement range of 1 to 1.45 lakh tonnes, the achievement has been less than its estimation except in 2009-10. Whereas the actual procurement of rice has remained below its estimated procurement in the State of Karnataka i.e. the estimated procurement is in the

range of 0.5 to 2 lakh tonnes whereas the actual procurement has been in the range of 0.19 to 1.8 lakh tonnes during the said period. The Committee would like the Ministry to critically examine the reasons for the underachieved procurement of wheat and rice in these States and would like to be apprised of the steps/measures taken for ensuring pro-active procurement by these States. The Committee apprehend that unless urgent steps are taken, it might affect the buffer stock position and consequently put food security at risk in these States. They, therefore, recommend that if need be, the Ministry should have a relook at the DCP scheme, especially its present procurement system, and bring about the requisite changes with the inputs from these States.

5. The Committee are surprised to note the submission made by the Ministry that quantification of savings under the DCP scheme is not possible as the Food Corporation of India's economic cost is fixed on all India basis whereas the DCP States' economic cost is State-wise. As the scheme was introduced to effect savings in the outgo of food subsidy as well as to extend the benefits of MSP to local farmers, such a stand taken by the Ministry does not seem tenable. Besides, the Committee are of the view that until and unless a cost-benefit analysis of DCP scheme is quantified, the extension of this scheme to other States may not become easy. Also, since the scheme has been extended to almost half of the total number of States in the country, it would be prudent on the part of the Ministry to coordinate with the DCP States/UT and calculate at least an average of the savings made with the implementation of the scheme. The Committee are convinced that this would facilitate the Ministry to take up the matter of expanding the scheme to other non-DCP States with the EGoM/Planning Commission too.

The Committee, while observing that in almost all the DCP States procurement has gradually picked up over the years, recommend that the Ministry should explore the possibility of universal adoption of DCP scheme by all States/UTs. This would lead to considerable cost-savings in the procurement and the amount thus saved could be channelized for other aspects of management of foodgrains such as enhancement of storage capacity, expanding network of public distribution system, etc. Moreover, it would help in spreading out the foodgrains cultivation uniformly across larger parts of the country and would also facilitate better access for the poor and needy beneficiaries ensuring that the foodgrains actually reach them.

6. While examining the procurement of foodgrains, the Committee note that the procurement takes place mainly in rice and wheat and to a minimal extent in the coarse cereals like jowar, bajara and ragi. In this backdrop, they are of the opinion that the starting point of problem in procurement is the adoption of an open ended scheme, where FCI has to perforce accept rice and wheat from farmers at MSP coupled with incentive bonuses too. The system tends to concentrate only on rice and wheat cultivation. The Committee strongly feel that FCI had to procure larger quantities of wheat and rice year after year which has led to surplus stock almost thrice above the buffer stock norms specified by the Government. Thus FCI has become the biggest hoarder of foodgrains i.e. rice and wheat only. This has led to anomalies, where shortages in the commercial market has resulted to higher prices for millers even when the production reaches peak levels. Taking into account that the open ended procurement combined with higher MSPs for wheat and rice has created serious problems for overall cultivation and is deterrent to crop diversification, the Committee recommend that the Government should take steps to educate the farmers about the need to migrate to other crops such as oilseeds and pulses which gives the country higher export values as well as coarse grains, which have a better nutritional value and are sturdier for long term storage too. The Committee also recommend that the Ministry should explore the possibility of putting appropriate checks on the procurement system where FCI may procure upto a certain limit over the buffer norms. The Committee are of the view that the procurement operations could be based on first-come first-served basis and unique ID can be used for fixing a quota where FCI would purchase only upto a certain level from every farmer.. The Committee would like to be informed about the precise comments of the Ministry on these suggestions as well as action taken, if any, in this regard.

7. Fixing of Minimum Support Price (MSP) for rice, wheat and coarse grains plays a major role in the procurement of foodgrains. From the information provided by the Ministry, the Committee note that the Commission of Agricultural Cost and Price (CACP) recommends the fixing of MSP to the Government based on a complex process of assessment by consulting the State Governments and other stakeholders

In this connection, the Committee note that an expert Committee appointed in 2003 had recommended certain other items of costs to be included in MSP such as, the premium actually paid by farmers for crop insurance, marketing and transport charges incurred by farmers, imputing value of family labour on actual market rate for casual labour in cost estimates, cost of living, level of wages, cost structure of agro-based products and the competitiveness of agriculture and agro-based commodities. As per the Ministry though these factors were considered, yet MSP is finally declared on an average basis uniformly for a single crop in the whole country to avoid distortion of market economies and also to check inter-State grain movement to get higher MSPs. The Committee desire that the Ministry should find ways and means to correct the bias against certain other coarse cereals like Kodo/Varagee and pulses (those not covered under MSP) grown in rain fed regions and mostly by poor farmers. The Committee feel that the poor farmers need incentive and support to grow coarse cereals which undoubtedly have high nutritive value and would urge the Government to explore the possibility of providing incentive on acreage basis to the farmers to cultivate coarse cereals in the country.

8. The Committee are concerned to note the Report of National Sample Survey Organisation which has revealed that the awareness among farmer households in the country about the MSP was extremely low i.e. only 19 per cent. It had further found that only 10 per cent were aware of the concept of MSP but not of the national level procurement agency. Taking cognisance of this Report, the Committee recommend that Ministry should carryout an impact assessment survey to study the extent of denial of benefits of Minimum Support Price among farmers which may have led to distress sale of their foodgrains. Further, they recommend that the Ministry should coordinate with the Ministry of Information and Broadcasting to ensure that while airing and telecasting programmes for farmers such as Krishi Darshan, focus may be kept on disseminating updated information on trends of prices in national, regional and local mandis, fair price shops, regional procurement centres etc. so that the farmers can realize the best price for their agricultural produce. The development of a robust information dissemination system would empower the farming community and significantly increase the efficiency of distribution from farmers to consumers, reduce the intermediation costs and maximize returns to the farmers of their produce. The Committee would like to have a specific response on this aspect.

9. The Committee note that in June 1997, the Government of India launched the Targeted Public Distribution System (TPDS) with focus on the poor. Under this system, States are required to formulate and implement foolproof arrangements for identification of the poor for delivery of foodgrains and for its distribution in a transparent and accountable manner at the Fair Price Shop (FPS) level. The main objective of the scheme of TPDS is to benefit about six crore poor families for whom a quantity of about 72 lakh tonnes of foodgrains are earmarked annually. In order to make the TPDS more focused and targeted at the poorest of the poor, Antyodaya Anna Yojana (AAY) was launched in December, 2000 for 1 crore families to be identified from the BPL families which later was raised to 2.50 crore.

The AAY contemplates identification of such families from amongst the BPL families covered under TPDS within the States and providing them with foodgrains at a highly subsidized rate of ` 2/- per kg. for wheat and ` 3/- per kg for rice. The States/UTs are required to bear the distribution cost, including margin to dealers and retailers as well as the transportation cost. Thus, the entire food subsidy is being passed on to the consumers under the scheme. The Committee note that the identification of the poor under the scheme is done by the States as per State-wise poverty estimates of the Planning Commission for 1993-94 based on the methodology, suggested by an Expert Group. The coverage under AAY has been expanded thrice i.e. during 2003-04, 2004-05 and 2005-06, covering additional 50 lakh households each time. Thus, the total coverage under AAY stands at 2.50 crore AAY families. From the Ministry's deposition, the Committee note that against the target of 2.50 crore AAY families, ration cards to 2.44 crore AAY families have been issued by the State/UT Governments. This indicates that though 7 years have already passed since the last expansion of AAY, there are still 6 lakh Targeted AAY families yet to be identified and issued ration cards. The Ministry



took the stand that the identification of AAY families is the sole responsibility of concerned State/UT Governments which is not acceptable to the Committee. They, therefore, recommend that the Ministry must take up the matter and coordinate with such State/UT Governments where the identification of the targeted beneficiaries has not been completed and submit a status report to the Committee at the earliest.

10. The Committee also urge the Government to revisit the definition of BPL with the concerned authorities as they find it confusing that India's poor population rises and falls with every statistical redefinition, which can be gauged from the fact that the Tendulkar's Committee report puts the poor population of India at 81 million families whereas Ministry of Agriculture is stated to have put the record as 65 million poor families. The Committee would like the Ministry to clarify to this point too.

11. According to the Public Distribution System (Control) Order, 2001, all State Governments/UTs are to ensure issue of Utilization Certificates confirming that the quality foodgrains have been lifted and distributed to the intended beneficiaries under the TPDS. The Committee have been apprised that an offence committed in violation of the provisions of this Order would invoke criminal liability under the Essential Commodities Act, 1955. Despite this Order, the Committee are very much dismayed to note that there have been numerous reports about irregularities in implementation of TPDS including complaints regarding quality and quantity of foodgrains distributed under the Public Distribution System in several regions/States in the country. For instance, during the period from January, 2006 to May, 2012 a total of 587 complaints were received with regard to the various problems pertaining to TPDS. The State/UT wise analysis of the complaints received against TPDS revealed that the highest number of complaints were received from Uttar Pradesh (189) followed by Delhi (98), Bihar (41), Haryana (39) and Madhya Pradesh (34). The Committee are unhappy over the fact that complete information has not been furnished by the Ministry with regard to the disposal of complaint cases. Even in those cases where the status of redressal of the complaints have been mentioned, the Ministry has vaguely given information about the supply of poor quality of foodgrains. What is more surprising to the Committee is that the Ministry has reported the status of only 9 complaints cases for the States of West Bengal, Bihar, Chhattisgarh, Uttar Pradesh and NCT Delhi in the last three years, vis-à-vis the total number of complaints received during 2009 to 2012, which was 587. The Committee desire that since maximum number of complaints i.e. 189 were received from Uttar Pradesh, the Government must launch a special drive there to weed out the root cause of glaring irregularities in the TPDS, in coordination with the State Government. Also, while deploring the state of affairs of

the disposal of various complaint cases, the Committee also recommend that the Ministry should expeditiously devise mechanism for an early redressal of the complaints registered by individuals, organisations etc. against the Fair Price shops. The Committee are of the view that even though there is a well defined procedure of joint inspection/sampling of the stocks by State Government authority and FCI to ensure that prescribed quality foodgrains are issued under PDS, much more needs to be done. No impact analysis of the Citizen's Charter has been done by 32 State/UT Governments who have adopted the Citizen's Charter. Besides, the Committee are concerned to note that since 2006-07, no Vigilance Committees have been formed in the States of Assam, Bihar, Goa, Haryana, Jammu & Kashmir, Jharkhand, Karnataka, Manipur, Meghalaya, Tamil Nadu, Uttarakhand, West Bengal and Puducherry. Further, the Committee note that no meetings of the Vigilance Committees have been held in Sikkim and Andaman & Nicobar Islands since 2006-07. In this backdrop, the Committee can not but opine that perhaps quality control of the foodgrains distributed under the TPDS is not a matter of priority at all for the Government. The Committee would like to know the reasons for the non-formulation of Vigilance Committees in 13 States as well as for nil Vigilance Committee meetings in Sikkim and Andaman & Nicobar Islands since 2006-07. The Ministry must take suitable steps to initiate the formulation of Vigilance Committees in States where they do not exist and at the same time, should also ensure that the meetings are held regularly where such Committees have been formed. This would bring the problems of the beneficiaries in the forefront and at the same time the quality of the foodgrains distributed would be under constant watch.

Further, the Committee note that in order to ensure increased transparency in functioning of FPSs, the State and UT Governments were asked in 2008 to issue

instructions to introduce monthly certification by Village Panchayats/Vigilance Committees/ Urban Local Bodies/ Self Help Groups for delivery of foodgrains to ration card holders. Such a certification of actual delivery of foodgrains to Fair Price Shops in time and their distribution to ration card holders is also expected to streamline functioning of Vigilance Committees at Fair Price Shop level. Accordingly, all State/UT Governments were directed on 7<sup>th</sup> March, 2008 to introduce the system with effect from April, 2008. So far, 22 States have reported implementation of certification. The Committee would like to know the reasons for non introduction of this system by the remaining States/UTs. The Ministry must strive to have certifications from all the States/UTs of the country.

12. The Committee note that concurrent evaluation of TPDS has been conducted in 26 States and UTs and that the responsibilities has been entrusted to National Council of Applied Economic Research (NCAER) and Indian Institute of Public Administration (IIPA). The Committee were apprised that IIPA and NCAER have submitted their final study reports and the copies of the same have been sent to the concerned State/UT Governments for taking necessary remedial measures to remove the deficiencies noticed in the functioning of TPDS, which, *inter-alia* include, leakages and diversion of foodgrains, inclusion/exclusion errors, etc. In this regard, the Committee recommend that the Ministry should also conduct an objective analysis of the findings of IIPA and NCAER to review the scheme of TPDS. Further the concurrent evaluation of TPDS should also be conducted immediately in the States/UTs of Sikkim, Goa, Gujarat, Meghalaya, Dadra & Nagar Haveli, Puducherry, Andaman & Nicobar Islands, Lakshadweep and Daman & Diu so as to know their specific problems to take suitable remedial action.

The Committee further note that modernisation of TPDS including its computerisation has been prioritised by the Ministry to check the challenges faced by the scheme, which include digitalisation of beneficiary database by October, 2012, computerisation of Supply-Chain Management by March, 2013 and Fair Price Shop automation by March, 2014. The Committee hope that would be strictly adhered to. They would specifically like to be apprised of the progress made on the same at the action taken stage.

The Committee notice the introduction of Global Positioning System (GPS) on ground by the Ministry, on a pilot basis, in Chhattisgarh, Tamil Nadu and Delhi for tracking movement of vehicles transporting TPDS commodities to eliminate leakages/diversions of foodgrains during transportation. They recommend that the

outcome of the pilot project may be analysed promptly to replicate it to other States/UTs for better implementation of TPDS.

13. Another area of concern noticed by the Committee has been the rotting of foodgrains in the FCI godowns which has brought to the fore the issue of quality control of foodgrains too, apart from proper storage. The quality specifications of foodgrains for procurement under Central Pool are formulated by Central Grain Analysis Laboratory (CGAL) for Rabi and Kharif foodgrains keeping in view the interest of producers, consumers and the provisions under the Prevention of Food Adulteration (PFA) Act. The Committee note that during the period from 01.04.2011 to 29.02.2012, a total of 1584 samples of foodgrains were analyzed for physical and chemical parameters by CGAL. They have been apprised by the Ministry that the uniform specification of Kharif foodgrains for Kharif marketing season 2011-12 for procurement under Central Pool have been formulated and issued on 08.08.2011. The Committee would like to have a status report of the impact analysis of the check on the quality of Kharif Crop foodgrains distributed under TPDS. Besides, the Committee recommend that specification of Rabi Crop foodgrains should also be done at the earliest.

The Committee note that to strengthen the quality control mechanism and also to ensure proper monitoring of quality of foodgrains at the time of procurement, storage and distribution, Quality Control Centres (QCCs) have been set up in Bengaluru, Bhopal, Bhubaneswar, Delhi, Hyderabad, Lucknow, Kolkata and Pune. These QCCs also ensure that the Government guidelines about scientific storage and preservation of foodgrains are followed by FCI, CWC, SWC and State agencies. The Committee also note that a proposal for opening of seven new QCCs at Guwahati, Patna, Chandigarh, Jammu, Jaipur, Chennai and Ahmedabad has been floated under Plan Scheme for the 12<sup>th</sup> Five Year Plan.

It is disheartening to observe that even with such an elaborate infrastructure and guidelines about storage and preservation, the deterioration of foodgrains has



not been eliminated completely. An analysis of the inspection activities carried out by Quality Control Cells from 01.04.2011 to 31.12.2011 indicates that there has always been a mismatch between the target and achievements of the scheduled inspections to be carried out. For instance, as against the target of inspection of 960 food storage depots in 2011-12, the shortfall was seen in 103 Depots. Similarly there was deficit of inspection in 129 Procurement Centres and 85 Rail Heads. Further it was seen that 297 Fair Price Shops and 83 Rice Mills could not be inspected. The Committee, therefore, would like to be apprised of the procedure to set targets for QCCs inspection, as well as the mechanism to take action on the deficiencies found during inspections. They also feel that since wheat is generally stored in CAP facilities, and thus, is prone to rotting due to vagaries of nature, the QCCs should set separate targets for inspecting CAP facilities, apart from the storage depots. Overall, the Committee recommend that the Ministry should ensure that all the annual targets for inspections must be met to ensure a stringent check on the quality control of foodgrains at the time of procurement, distribution and storage. The Committee desire that the proposal to open seven new quality control centres during 2012 should be implemented this year, and would like to be informed about progress on the same.

14. The Committee note that food subsidy is provided by the Government to meet the difference between economic cost of foodgrains and their sales realization at Central Issue Prices fixed for TPDS and OWSs. In addition, the Government procures foodgrains for maintaining buffer stock, thus a part of the food subsidy also goes towards meeting the carrying cost of buffer stock. As per the Ministry, since 2004-05, the MSP of wheat has increased from ` 630 per quintal to ` 1120 per quintal in RMS 2011-12. Similarly MSP + bonus of paddy (Common) has increased from ` 560 per quintal to ` 1080 per quintal in KMS 2011-12. However, the Central Issue Prices (CIP) of wheat and rice for AAY, BPL and APL families have not been raised during this period. This has increased the gap between economic cost and CIPs and consequently the food subsidy incurred by the Government has risen substantially. The Committee also note that the subsidy is provided to FCI, being main instrument of the Government of India for procurement and distribution of wheat and rice under TPDS and OWSs and for maintaining the buffer stock of foodgrains as a measure of food security. In addition, for 10 DCP States/UTs, State specific economic cost is determined by the Government of India and the difference between the economic cost so fixed and the Central Issue Prices is passed on to them as food subsidy.

The Committee observed that the food subsidy to FCI and the DCP States has grown multifold during the period 2005-06 to 2011-12. The total food subsidy released during 2005-06 was ` 23071 crore. It has reached upto ` 61362.55 crore as on 27.03.2012 which denotes that the food subsidy has increased nearly three times in seven years. The break up of food subsidy released to FCI and the DCP States as provided to the Committee, revealed that the food subsidy released to FCI during 2005-06 was ` 19871 crore which rose to almost four times i.e. ` 49537.31 crore, as on 27.03.2012. During the said period, the food subsidy

released to the DCP States also increased almost four times from ` 3200 crore during 2005-06 to ` 11825.24 crore as on 27.03.2012. Justifying the increase in the subsidy bill the Secretary deposed before the Committee that due to an open ended procurement system, all the stocks that reach the mandis have to be purchased irrespective of whether there are adequate facilities for the storage of foodgrains or not. Besides, owing to the increase of around 15 per cent in the MSP, the subsidy bill is likely to increase further. The Committee also learnt that, if the subsidy is calculated on 2011 census population, instead of the present 2000 census population, the estimated amount required for the food subsidy would be a staggering ` 1,11,000 crore, which means an additional amount of about ` 50,000 crore. However, the Committee were informed that the Expert Group of Ministers on food subsidy has restricted the amount of food subsidy to ` 74,000 crore presently.

With regard to the measures taken to contain food subsidy, the Committee have been apprised that decentralized procurement and its distribution by States themselves has been encouraged to reduce the economic cost. Other measures are also reportedly being taken to improve the operational efficiency of FCI as well as to increase the Central Issue Prices (CIPs) of wheat and rice for APL categories, for which the approval of the EGoM/Cabinet was awaited. The Committee also note that in view of record production and procurement of foodgrains in the Central Pool stock and to overcome the temporary constraints of storage space, the Government has allowed export of non-basmati rice and wheat from privately held stocks since 9.9.2011. As on 3.7.2012, a quantity of 53.72 lakh tonnes of non-basmati rice and 12.51 lakh tonnes of wheat have been exported under Open Government License. Further, a quantity of 91,490 MTs of non-basmati rice and

5,59,415 MTs of wheat have been registered for export through Land Custom Stations (LCS).

From the above, the Committee conclude that a sharp increase in the food subsidy is a matter of serious concern and the Government needs to take concrete initiative to lower the huge fiscal burden. The Committee, while concurring with the views of the Ministry that the open ended system of procurement and a vast network of PDS are substantially contributing to the increasing subsidy bill, opine that although it would be rather premature to roll back the system of open ended procurement, nevertheless, the possibility of close ended procurement system needs to be explored seriously, which has been reflected in the earlier recommendation of this report. The question of downsizing the Public Distribution System is not the solution as the Government has committed itself to fulfilling the objective of universal food security. The Committee, therefore, recommend that the Ministry should also explore innovative ways to generate the requisite funds for bearing the increasing subsidy costs. As the National Food Security Bill is already under examination by a Parliamentary Committee, the Committee would await its outcome. Nonetheless they wish to emphasize that the solution lies not in withdrawing food subsidy but putting in place a system that is equipped with the capability of funding the food subsidy bill. The Government cannot deviate from the responsibility of distributing foodgrains to the hungry by citing economic hardships.

15. The Committee are concerned to note the frequent complaints about the poor delivery mechanism of foodgrains that exists in our country through the Fair Price Ration Shops. As per the reports many ration-shop owners sell subsidized foodgrains in the open market at higher prices, thus depriving the legitimate beneficiaries is a common occurrence. This only shows the failure of the Ministry in providing an efficient delivery mechanism. The Committee cannot rule out the possibility of collusion of officials of Government agencies in such scandals. They, therefore, recommend that officials found guilty of indulging in such malpractices should be identified and stringent action taken against them. Not only the delivery mechanism needs to be revisited, but inspection of Fair Price Shops also needs to be increased. More effective monitoring mechanism should be designed to ensure that the food subsidy is not misused. In this regard, digitalization of ration card database and automation of Fair Price Shop operations has been proposed by the Government and all State Governments, except Goa, have sent their action plans to Central Government. The Committee desire that concrete action on the same must be taken at the earliest. The Committee hope that once implemented, this system would ensure fair deals for the beneficiaries and at the same time would check the unwanted pilferage of foodgrains. The Committee also recommend that changes that have been brought by the introduction of Bar Coded Coupons/Ration Cards under TPDS in Andhra Pradesh, Chhattisgarh, Kerala, Meghalaya, Sikkim and Odisha need to be analyzed to replicate the same in other States too. They would like to be apprised of the latest status of the Government's efforts in curbing leakages/diversion of foodgrains by FPS owners and elimination of bogus ration cards etc.

16. In view of the surplus availability of wheat and rice in the Central Pool, the Committee note that the Ministry of Food and Public Distribution has made a

proposal to the Ministry of Rural Development to consider payment of part of wages under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in kind (foodgrains). The Committee recall that the then Finance Minister, during the Budget Session of Parliament, had made a statement to the same effect, while admitting a mismatch between procurement and storage. As per the Ministry, the operational modalities and also the rate at which the foodgrains that may be provided under MGNREGA are required to be considered on receipt of response from the Ministry of Rural Development. The Committee further note that once the decision is taken by the Ministry of Rural Development, the exact quantity of surplus foodgrains to be utilized and also the saving on account of additional storage cost could be worked out, after knowing the percentage of wages that may be given as foodgrains under the MGNREGA. The response from the Ministry of Rural Development is stated to be awaited. The Committee feel that the step taken up by the Ministry is in positive direction to address the issue of problems of abundance. However, the onus is on the Ministry of Rural Development to take an early decision on the matter, otherwise the very purpose of the proposal would stand defeated. Therefore, the Committee recommend that the matter should be taken up expeditiously with the Ministry of Rural Development and the EGoM so as to arrive at an early decision.

17. The Committee observe that the foodgrain stock in the country is maintained by the Government to meet the prescribed Minimum Buffer Stock norms for food security as well as for monthly release of foodgrains for supply through TPDS and OWSs. The stock is also maintained to meet emergent situations arising out of unexpected crop failure, natural disasters etc. and for market intervention to augment supply so as to help moderate the open market prices. As per the Ministry, the total covered capacity available with FCI and State Governments for storage of foodgrains is about 45.52 million tonnes. According to the present Buffer Stock Policy, certain minimum stocks of foodgrains are to be maintained by FCI/State Agencies in the Central Pool on the first day of each quarter. The Buffer Stocking Policy is reviewed from time to time, normally after every five years.

An analysis of the quarterly stock position of the wheat and rice in the central pool vis-à-vis minimum buffer stock norms during 2007-2012 (till April) indicates that the stocks in the Central Pool have remained way above the prescribed norm except in three quarters for wheat and one quarter for rice during July 2007 to March 2008. The Committee further learn the trend of procurement of rice and wheat during the current year (2012-13) again indicates higher procurement as compared to last year (2011-12). The Committee have been informed that based on the stock position given by FCI and the allocations made by the Department, the estimated Central Pool Rice Budget for October, 2011 to September, 2012 and wheat budget for 2012-13 indicates that the estimated stocks would be 233.41 lakh tonnes of rice at the end of Kharif Marketing Season 2011-12 (as on 1<sup>st</sup> October 2012) and 247.20 lakh tonnes of wheat at the end of RMS 2012-13 (as on 1<sup>st</sup> April 2013). The Committee are convinced that such heavy procurement would certainly lead to a giant surge in the expenditure figures for holding the procured stocks, in light of the fact that the buffer subsidy incurred by FCI during 2007-08 i.e. ₹ 692.43

crore reached ` 6168 crore at the Revised Estimates stage of 2011-12 indicating an increase of almost nine times, compared to the subsidy amount incurred during 2007-08.

In this backdrop, it is essential for the Government to revise their buffer stock norms. A Technical Group under the Chairmanship of Secretary (F&PD) has already been constituted to review and recommend the revised buffer stock norms, while taking into consideration the present stock position, revised requirement of foodgrains under various schemes of the Central Government, procurement situation, and market conditions etc, and recommend buffer norms. The National Center for Agricultural Economics and Policy Research (NCAP), was entrusted by the said Technical Group to undertake a study for revision of Buffer Norms of foodgrains, which has since presented their report. However, the Committee learn that since the proposed National Food Security Bill envisaged higher requirement of foodgrains for distribution under TPDS, therefore, the recommendations of the NCAP are being looked at from the perspective of the proposed Bill. The Committee, while appreciating the steps taken by the Ministry, recommend that in the meantime the conclusions/recommendations in the NCAP report should be analyzed threadbare so as to match the requirements of higher foodgrains as envisaged in the draft National Food Security Bill. While acknowledging that the goal of food security is very legitimate, the Committee emphasize that the Government should at the same time, take due care to concretely identify and revise the buffer stock norms in the changed scenario. Only then a correct estimate of the expenditure required could be identified and the consequent budgetary exercise of the Ministry could be streamlined. The Committee would like to be apprised of the action taken by Government in this direction.



18. Out of the total storage capacity of 45.52 Million Tonnes available with FCI, the Committee find that it is concentrated mainly in the Northern Zone being about 56 per cent of the total available storage capacity. The Southern Zone has about 22 per cent, the Western Zone 13 per cent, the Eastern Zone only about 8 per cent and the North-Eastern Zone has less than 1 per cent of the capacity. The Committee also note that about 63 per cent of the storage capacity is concentrated only in five major procuring States i.e. Punjab, Haryana, Uttar Pradesh, Andhra Pradesh and Chhattisgarh, while about 10 per cent storage capacity is available in the five newly emerging procuring States of Bihar, Odisha, Jharkhand, West Bengal and Madhya Pradesh. Only 27 per cent of total capacity is available in the consuming States. The Committee also note with great concern that the States of Jharkhand and Himachal Pradesh have got storage capacities of even less than one month of their requirement, while some other States, especially in North East Region, have got storage capacities of less than two months' requirement.

The Committee are aware that even States like Punjab and Odisha are continuously requesting FCI to lift old stocks of wheat & custom-Milled Rice, as godowns there are already bursting with the old stock while the new stock is arriving very shortly, for which no storage space is available. The Committee note that storage capacity is mainly required in the procuring States to avoid double handling and secondary/backward movement as it is always better to store the foodgrains in the procuring States so that they can be moved to the deficit/consuming States as per the requirement. The Committee have also been apprised that another reason for the requirement of storage capacity being more in the wheat procuring States is because the wheat procurement has to be made in a span of 30-45 days which makes it

**difficult to move the wheat stocks procured to the deficit regions immediately, thus resulting in an increase in the requirement of storage capacity in the wheat procuring States. Five out of the six procuring States belong to the Northern Zone which is the main wheat procuring zone in the country. The Committee have also been informed that traditionally all consuming States are having a storage capacity for 2-3 months allocation. However, in all the hilly States, the available storage capacity is comparatively less as compared to other consuming States due to problems being faced for construction of godowns on account of issues related to acquisition of land. During the deliberations on the subject 'Procurement and Storage of Foodgrains' the Ministry were candid before the Committee that the period from 2007-08 to 2010-11 saw the highest ever levels of procurement of foodgrains by Government agencies, resulting in severe strain on the available capacities with the Government agencies for storage. The Committee were also apprised that though higher MSP, better reach and consequent higher procurement have helped in ensuring better and remunerative prices to farmers; it has also caused strain on available storage capacities with FCI and the State Government agencies.**

From the foregoing, the Committee observe that though over the years the procurement figures have continuously been increasing, the storage and distribution infrastructure in major grain producing areas of the country has failed to keep pace with it. Taking cognisance of the frequently appearing media reports about deterioration of foodgrains stored in godowns in various parts of the country and sacks of rotting foodgrains lying unattended in the open in railway yards with no precaution against rats, disease causing droplets and damp air, the Committee fail to understand as to why construction of new warehouses and sufficient storage

facilities to tackle the problem has not been done by the Ministry on war footing. The Committee are of the view that when the Government is struggling to fine tune its National Food Security Bill, any wastage of foodgrains due to negligence is a crime against the people of this country.

The Committee also recommend that sincere efforts should be directed towards creating additional storage capacities as early as possible and the direction of the Supreme Court that at least one big godown should be constructed in each State should be expeditiously implemented by the Ministry. They would like to be apprised particularly on the steps taken to ease the current situation in Punjab, Odisha and such other States where the existing capacity is unable to stock fresh arrivals this year. The Committee also suggest that storage gap should be periodically calculated and the construction targets set accordingly so that storage capacities can be developed in proportion to procurement for attaining a perfect balance between procurement and storage of foodgrains. Besides, the Committee also recommend that proper and regular pest control and humidity treatment of godowns should be given top priority by the Ministry.

19. The Committee note that storage of foodgrains in silos ensures longer period of safe storage and maintenance of quality of foodgrains. They further note that the Empowered Group of Ministers (EGoM) had approved a proposal on 7 February, 2012 to create a storage capacity of two million tonnes through construction of standalone silos. The silos are to be constructed under PPP mode for which FCI is the nodal agency. The location of silos are also to be decided by the FCI, after taking into consideration the analysis and recommendations of the consultants as well as the recommendations of the Working Group set up by the Planning Commission. The Committee note that the consultants have since submitted their final report and locations have been identified in 10 States i.e. Bihar, Haryana, Madhya Pradesh (DCP), Maharashtra, Punjab, UP, West Bengal (DCP), Assam, Kerala and Gujarat for the scheme along with silo capacity for each State. The Committee would like to know State-wise progress of the scheme.

The Committee are also of view that besides the FCI, CWC and SWC, the Government should explore the possibilities of providing incentives to the farmers too for the purchase of metallic storage structure and/or construction of modern non-metallic storage as this would encourage them to store their produce with themselves thereby lessening the storage burden on the Government procurement agencies. The Committee desire that a pilot study may be undertaken to assess the impact of such a move which, if found suitable, can be replicated on a wider scale.

20. The Committee note that with a view to augment the storage capacity, the Government has formulated a Private Entrepreneurs Guarantee (PEG) scheme for construction of godowns through private entrepreneurs in July, 2008 wherein the FCI gives a guarantee of 10 years for assured hiring to the private entrepreneurs. As per the Plan of the Ministry, as on 31.3.2012, a capacity of about 151.96 lakh tonnes was to be created in 19 States viz. Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Kerala, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Uttarakhand, Uttar Pradesh and West Bengal under the scheme through private entrepreneurs and Central and State Warehousing Corporations for which tenders have been finalized for creation of storage capacity of about 107.04 lakh tonnes by the private entrepreneurs. The Committee have also been informed that Central Warehousing Corporation (CWC) and State Warehousing Corporation (SWC) are constructing storage capacity for 5.4 and 14.75 lakh tonnes respectively under PEG Scheme.

The Committee acknowledge the fact that the PEG scheme has the potential to achieve the target of not only the balanced distribution of godowns at macro level in different parts of the country but also at micro level among different districts of a region. However, they are distressed to note that the progress of work under the scheme is very slow. The information furnished by the Ministry indicates that no construction has ever commenced in Himachal Pradesh, West Bengal, Jharkhand, Kerala and Gujarat, which is quite surprising. Besides, though a capacity of 36.13 lakh MT should have been completed by the end of March, 2012, there is still 7.96 lakh MT capacity which is yet to be created. Further, the Committee note that out of the total storage capacity of 107.04 lakh tonnes tendered, only 19.57 lakh tonnes storage capacity could be completed as on 31 March, 2012, and around 8.58 lakh

tonnes capacity was in advanced stage of completion. They would like to be apprised of the Statewise capacity completed till date alongwith the latest status of the capacity under construction.

The Committee are not at all convinced with the justification put forth by the Ministry that several modifications in the scheme had to be carried out to make it investor friendly which resulted in some delay. Once private investor category was identified to be the part of PEG Scheme, it is strange why investor friendliness of the same was not ensured before proceeding with it. The Committee regret the inability on the part of the Ministry to anticipate a structured investor friendly scheme and are of the strong opinion that the Ministry should have anticipated the expectations of private investors before formulating the scheme. The Committee strongly recommend that Ministry should learn from its experience and chalk out a detailed plan of action and ensure requisite flexibility to achieve the targets set under the PEG scheme. Only then further delay due to any more modifications can be avoided. The Committee would like to be apprised of the latest progress of the PEG Scheme as well as the utilisation status of the capacity developed under the same by the FCI at the action taken stage.

21. The Committee's analysis of the State wise overall storage capacity with FCI, State Governments, CWC, SWC and Private Parties reveals the alarming fact that in all the zones even the available storage capacity has not been fully utilized. Among the poor performing States are Arunachal Pradesh, Nagaland, Delhi, Bihar and Sikkim. In fact, an analysis of the percentage of effective utilization capacity of the availed storage capacity reveals that none of the States have fully utilized it, particularly Arunachal Pradesh (23 per cent), Bihar (52 per cent), Himachal Pradesh (54 per cent) and Meghalaya (58 per cent). The Committee are disappointed to observe that on one hand, there is problem of abundance and on the other, the Ministry has been able to neither ensure fuller utilization of the available storage capacity nor an effective utilization of the availed storage capacity. It is not understandable how such a situation was allowed to be continued. Therefore, the Committee recommend that the Ministry should immediately assess the performance of FCI, CWC, SWC in terms of handling of storage facilities and a status report on the same should be submitted to them.

22. The Committee note that the ceiling rate fixed for hiring of godowns has been revised from ` 3.80 to ` 4.78 per quintal per month. They further note that in appropriate cases, a High Level Committee has been empowered to decide higher rates by recording reasons in writing. The Guarantee Scheme was also suitably modified based on the feedback obtained from the industry. During the briefing meeting, while discussing the constraints faced particularly by the Government of Punjab on this issue, which is foremost among the States producing, procuring and storing foodgrains in large quantities, the Committee noted that the Punjab Government quoted and pressed for the rate of ` 6/-, ` 7/-, ` 8/-, finally, tenders for the entire quantity of 45 lakh tonnes of foodgrains was sanctioned at about ` 5 per quintal. The Committee were informed that no unilateral offer of storage rent exists. As per the detailed clarification tendered by the Ministry, the PEG scheme envisages market discovered storage rent based on open and transparent bidding and, therefore, it is expected that all factors including land prices would be reflected in the rates offered in the bidding process. The Ministry also insisted that there was no question of FCI offering lower rate as FCI only provides upper ceiling and cap. The Ministry further argued that storage capacity needs to be evenly distributed, and thus cannot be concentrated on locations having cheaper land. Nevertheless, the Committee are of the view that while fixing the tender for hiring of godowns, the Ministry should take into consideration the cost incurred in the construction of the godowns as per the local conditions too, particularly in States where land, being very fertile, is available at higher rates for construction of godowns. Otherwise, it would not incentivize the contractors to construct more godowns and the problems of abundance and storage would always persist in the management of foodgrains.



23. The Committee are concerned to note the huge gap between the required and actual intermediate storage capacity as various States have not able to lift three to six months of their Public Distribution System requirements. The Committee find it shocking that despite such huge gaps between required and actual intermediate storage capacity, the Ministry does not have the requisite data about the actual required intermediate storage capacity as the process of collecting such data is stated to be under process. The Committee though acknowledge the fact that it is primarily the responsibility of State Governments to create intermediate storage capacity yet they feel that the Ministry needs to show better involvement and play an effective role, particularly as a facilitator for creation of intermediate storage capacity in the States. For this, the Committee recommend that the Ministry should assess requirement to encourage the State/UT Governments to create additional intermediate storage capacity for PDS foodgrains by designing an appropriate system of incentives.

The Committee note that various Ministries/Departments are involved in creating storage needs for various Agri-Products. For Example, financial assistance is being given by NABARD under the scheme of 'Rural Infrastructure Development Fund' (RIDF) wherein ` 1494 crore have been sanctioned to 13 States for creation of 9 MT of warehousing infrastructure. The Ministry of Agriculture under the scheme "Grameen Bhandaran Yojana" has planned for capacities of 32 MT in 26 States and has sanctioned 27,000 projects. However, the Committee are distressed to observe that the Ministry of Consumer Affairs, Food and Public Distribution is yet to come out with any particular plan or scheme dedicated for intermediate storage. The Committee have been informed that the Ministry has now planned to give financial support to State Governments for creation of around 73000 MT capacity in North-Eastern States and J&K with a financial allocation of `

60 crore in the form of Grants-in-aid. The Committee would like to be informed about the outcome of the initiatives taken by this Ministry. The Committee also recommend that the Ministry must design an appropriate scheme under which funds could be released every year at regular intervals to the State Governments. Further, the Committee urge the Ministry to immediately assess the total required intermediate storage capacity in the country and apprise them of the progress made in this direction.

24. Though the Ministry claims that stocks are generally issued on the principle of 'First in First out', several State Governments are reportedly – approaching FCI to clear old stocks, before the arrival of new grains. The Committee are of the view that the problem of shortage of storage capacities can be solved to some extent by expeditiously phasing out older stocks of foodgrains before the arrival of new stocks. However, one of in their earlier recommendations the Committee have already referred to the position in Punjab & Odisha where various reports indicate that in most of the godowns, stocks of previous years, being not cleared, are piled up in large quantities and little efforts are being made to move out the same to create space for new stock of foodgrains. The Committee, while deeply regretting such inaction, exhort the Ministry to take immediate steps to move out old stock of foodgrains as early as possible by distributing them to the poor people. As non-availability of adequate number of rail racks by the Ministry of Railways is a major issue in movement of foodgrains, the Committee also recommend that the Ministry should fine-tune their coordination with the Ministry of Railways to get rakes according to their concrete plan of action prepared by FCI for moving out old stock of foodgrains at fixed intervals of time so that the incidences of wastage of foodgrains could be minimized, and fresh stocks could be accommodated in godowns. The Ministry should realise that timely phasing out of old stocks of foodgrains can address the problem of inadequate storage space to a great extent.

25. The Committee observe that the Ministry has long been storing foodgrains in excess of buffer stock level and as a result, a large part of subsidy is being spent on storing foodgrains in excess of buffer stocks. The Committee though agree that sometimes it is necessary to store foodgrains in excess of buffer stock to meet large scale exigencies but this policy may push the level of subsidy to an unimaginable extent. Therefore, the Committee are of the opinion that there is an urgent need to reduce subsidy burden and recommend that the Ministry should look into the possibility of diverting a portion of subsidy used for storing foodgrains in excess of buffer stock for creating additional storage facilities.

The Committee recommend that just as the Ministry has set buffer norm, which is the minimum level of stock which has to be maintained under all circumstances, there also should be an upper ceiling for the stocks over and above the buffer norms, upto which maximum stocks can be maintained and if stocks reach the identified optimal level, it should be obligatory to release foodgrains through different channels, even for APL category.

The Committee wish to emphasize that by restricting stock level and saving subsidy for creation of storage facilities, the Ministry would be able to strike a perfect balance between procurement and storage. Therefore, the Committee recommend that an expert technical group should be constituted to look into the feasibility of stock level reduction for the sake of cost saving, within a set time frame and the Committee be informed accordingly.

NEW DELHI;  
14 December, 2012  
23 Agrahayana, 1934(Saka)

FRANCISCO SARDINHA  
*Chairman,*  
*Committee on Estimates*

## State-wise production and procurement of wheat during last five years

(in lakh tonnes)

STATE	Production (Crop Year)					Procurement (RMS)#						
	2007-08	2008-09	2009-10	2010-11*	2011-12*	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2012-13\$
BIHAR	44.50	43.96	46.23	40.98	48.48	0.08	5.00	4.96	1.83	5.56	2.32	15.0
GUJARAT	38.38	28.97	26.48	40.20	40.77	--	4.15	0.75	3.67	1.05	1.54	1.5
HARYANA	102.36	105.93	105	116.30	120.27	33.46	52.31	69.24	63.35	69.28	86.53	70.0
MADHYA PRADESH	60.33	65.22	78.46	76.27	84.67	0.57	24.10	19.68	35.38	49.65	84.86	65.0
MAHARASHTRA	20.78	14.71	17.57	23.01	12.84	--	--	--	--	--	--	--
PUNJAB	157.20	157.53	152.63	164.72	165.20	67.57	99.39	107.25	102.05	109.58	128.00	108.0
RAJASTHAN	71.25	69.99	68.27	72.15	91.36	3.84	9.35	11.52	4.76	13.03	15.94	14.0
UTTAR PRADESH	256.79	285.64	278.1	300.01	302.93	5.49	31.37	38.82	16.73	34.61	32.25	42.0
UTTARAKHAND	8.14	8.56	8.37	8.78	8.64	0.02	0.84	1.45	0.86	0.42	1.30	1.0
WEST BENGAL	9.17	7.98	8.37	8.74	9.08	--	--	--	0.09	--	--	0.20
OTHERS	16.80	17.34	17.62	17.58	18.08	0.25	0.25	0.14	0.11	0.17	0.50	1.3
<b>ALL INDIA TOTAL</b>	<b>785.70</b>	<b>806.8</b>	<b>808.0</b>	<b>868.74</b>	<b>902.32</b>	<b>111.28</b>	<b>226.82</b>	<b>253.81</b>	<b>225.14</b>	<b>283.85</b>	<b>380.08**</b>	<b>318.00</b>

# Shows crop year from Oct to Sept. RMS for wheat is succeeding year. e.g. Crop Year 2010-11 corresponds to RMS 2011-12

\*As per 3<sup>rd</sup> Advance Estimates(23.4.2012)

\*\*As on 11.07.2012 \$Estimated procurement as given by State Food Secretaries

Statewise production and procurement of rice ( in lakh tonnes )													
	Production (Crop Year)						Procurement (KMS)						
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12**	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12*	2011-12#
<b>ANDHRA PRADESH</b>	118.72	133.24	142.41	105.38	144.18	129.51	53.28	75.4	90.61	75.4	96.09	68.73	107
<b>ASSAM</b>	29.16	33.19	40.09	43.36	47.37	43.45			0.03	0.08	0.16	0.11	--
<b>BIHAR</b>	49.89	44.18	55.9	35.99	31.02	66.76	4.76	5.12	10.83	8.9	8.83	15.34	9.5
<b>CHHATTISGARH</b>	50.41	54.26	43.92	41.1	61.59	60.28	28.65	27.43	28.48	33.51	37.46	41.12	40
<b>GUJARAT</b>	13.9	14.74	13.03	12.92	14.97	17.64	0.19	0.19	-	0	0	0.04	0.15
<b>HARYANA</b>	33.71	36.13	32.98	36.25	34.72	37.59	17.77	15.72	14.25	18.19	16.87	19.81	17.4
<b>HIMACHAL PRADESH</b>	1.23	1.21	1.18	1.06	1.29	1.32	0.19	0.19	-	0	0.005	0.05	--
<b>JHARKHAND</b>	29.68	33.36	34.2	15.38	11.10	34.16	0.05		1.35	0.23	0.002	2.93	--
<b>KARNATAKA</b>	34.46	37.17	38.02	36.91	41.88	38.56	0.22	0.18	1.07	0.86	1.8	3.42	5.2
<b>KERALA</b>	6.31	5.29	5.9	5.98	5.23	5.49	1.51	1.68	2.37	2.61	2.63	3.49	2.92
<b>MADHYA PRADESH</b>	13.68	14.62	15.6	12.61	17.72	18.27	0.74	0.69	2.46	2.14	5.16	6.36	6.5
<b>MAHARASHTRA</b>	25.69	29.96	22.84	21.83	26.96	28.47	0.97	1.6	2.61	2.2	3.08	1.52	1.65
<b>ODISHA</b>	68.24	75.4	68.12	69.18	68.28	58.23	20.02	23.38	27.9	24.96	24.65	21.58	30
<b>PUNJAB</b>	101.38	104.89	110	112.36	108.37	105.43	78.29	79.07	85.53	92.75	86.35	77.31	82
<b>RAJASTHAN</b>	1.7	2.6	2.41	2.28	2.66	2.53	0.1	0.19	0.11	0	0	--	--
<b>TAMIL NADU</b>	66.11	50.4	51.83	56.65	57.92	61.03	10.77	9.68	11.99	12.41	15.43	15.87	20
<b>UTTAR PRADESH</b>	111.24	117.8	130.97	108.07	119.92	140.25	25.59	28.91	36.87	27.26	25.54	33.19	18
<b>UTTARAKHAND</b>	5.5	5.93	5.82	6.08	5.50	5.99	1.76	1.47	3.49	3.75	4.22	3.38	0.5
<b>WEST BENGAL</b>	147.45	147.19	150.37	143.4	130.46	150.44	6.42	15.08	16.67	12.4	13.1	15.46	12
<b>OTHERS</b>	25	25.35	26.23	24.11	28.66	28.66	0.38	0.38	0.23	0.2	0.6	0.12	0.33
<b>ALL INDIA TOTAL :</b>	933.55	966.92	991.82	890.93	959.80	1034.06	251.07	287.36	341.04	320.34	341.98	344.56\$	353.15

\*As on 4.6.2012

\*\*As per 3<sup>rd</sup> Advance Estimate

#Estimated procurement as given by State Food Secretaries

\$ As on 11.07.2012

**Annexure-III****SPECIAL ADHOC ADDITIONAL ALLOCATIONS MADE UNDER TPDS DURING LAST 2009-10,****2010-11 & 2011-12**

(In tons)

Sl. No	State/UT	Adhoc Additional allocation made for BPL/AAY/APL families in January 2010	Adhoc Additional allocation made for BPL/AAY/APL families in May 2010	Adhoc Additional allocation made for BPL families in September 2010 & January 2011	Adhoc Additional allocation made for APL families in January 2011	Adhoc Additional allocation made for BPL families in May 2011	Adhoc Additional allocation made for APL families on in June 2011
1	ANDHRA PRADESH	316420	268957	511570	255220	311570	422820
2	ARUNACHAL PRADESH	4840	4114	12592	3104	7592	0
3	ASSAM	89860	196381	290794	192673	140794	400500
4	BIHAR	237580	201943	500214	116258	500214	267800
5	CHHATTISGARH	88220	149974	143784	205047	143784	126800
6	DELHI	55640	47294	31364	51509	31364	5310
7	GOA	6400	5440	3680	5904	3680	13600
8	GUJARAT	175140	148869	162572	144063	162572	331850
9	HARYANA	62960	53516	60504	51205	60504	117950
10	HIMACHAL PRADESH	25140	21369	39416	16128	39416	43970
11	JAMMU & KASHMIR	36040	30634	56440	63139	56440	0
12	JHARKHAND	87120	74052	183584	42587	183584	98100
13	KARNATAKA	188740	160429	239946	136922	239946	315410
14	KERALA	122200	153870	119168	179893	119168	205070
15	MADHYA PRADESH	194060	164951	516324	121077	316324	278900
16	MAHARASHTRA	354540	301359	501060	242956	501060	559650



17	MANIPUR#	8140	6919	17730	5231	12730	52530
18	MEGHALAYA	8980	7633	19034	5773	14033	34420
19	MIZORAM	3340	5678	10214	2149	5214	0
20	NAGALAND	6040	10268	14510	13864	9510	0
21	ORISSA	135820	115447	252906	75819	252906	0
22	PUNJAB#	79520	67592	35888	276145	35888	69380
23	RAJASTHAN	177340	301478	236420	239700	186420	321800
24	SIKKIM	2100	2285	4498	1646	6098	50
25	TAMIL NADU	277640	235994	372918	195767	372918	0
26	TRIPURA	14440	12274	22622	9269	22622	1030
27	UTTAR PRADESH	522830	444406	818880	335641	818880	81450
28	UTTARAKHAND	24380	20723	38188	165650	38188	773150
29	WEST BENGAL	290460	246891	397152	202822	397152	467210
30	A&N ISLANDS	1620	1377	2146	1150	2146	0
31	CHANDIGARH	4060	3451	1764	3907	1764	9000
32	D&N HAVELI	720	612	1382	391	1382	900
33	DAMAN & DIU	510	0	268	478	268	1110
34	LAKSHADWEE P	220	187	230	174	230	0
35	PUDUCHERRY	4480	3808	6442	3039	6442	7000
	Grand Total	3607540	3470175*	5626204 @	3366300 @	5002803 #	5006760

\* Includes reallocations made to some States within the overall allocation of 30.66 lakh tons.

@ Includes reallocation made to some States within the overall allocation of 25.00 lakh tons under January 2011 allocation.

# Includes reallocation made to some States within the overall allocation of 50 lakh tons under May 2011 allocation.

**STATEMENT: COMPLAINTS ON TPDS RECEIVED IN THE DEPARTMENT FROM  
INDIVIDUALS, ORGANISATIONS & THROUGH MEDIA REPORTS ETC FROM 2006 TO 2012  
(UPTO MAY 2012)**

S.No.	State/UT	2009	2010	2011	2012
1	Andhra Pradesh	-	3	1	-
2	Arunachal Pradesh	-	2	2	-
3	Assam	6	1	1	-
4	Bihar	16	13	6	6
5	Chhattisgarh	4	5	1	-
6	Delhi	29	37	16	16
7	Goa	-	1	-	-
8	Gujarat	4	3	2	3
9	Haryana	5	24	7	3
10	Himachal Pradesh	-	-	4	-
11	Jammu & Kashmir	1	3	-	2
12	Jharkahand	6	5	3	4
13	Karnataka	6	2	1	2
14	Kerala	1	3	1	-
15	Madhya Pradesh	9	13	9	3
16	Maharashtra	12	5	8	6
17	Manipur	-	-	1	1
18	Meghalaya	-	-	1	-
19	Nagaland	1	1	-	-
20	Orissa	1	3	2	-
21	Punjab	1	2	-	4
22	Rajasthan	7	6	6	2
23	Sikkim	3	2	-	-
24	Tamil Nadu	6	2	3	2
25	Uttarakhand	1	1	1	1
26	Uttar Pradesh	46	33	68	42
27	West Bengal	4	2	-	2
28	Chandigarh	-	2	-	-
29	Puducherry	-	-	-	1
<b>TOTAL</b>		<b>169</b>	<b>174</b>	<b>144</b>	<b>100</b>

**DETAILS OF THE COMPLAINTS RECEIVED IN THE MINISTRY REGARDING SUPPLY OF POOR QUALITY FOODGRAINS ISSUED UNDER PUBLIC DISTRIBUTION SYSTEM (PDS) FOR LAST 3 YEARS:**

Year	State	Complaint	Action Taken by the Government
2011-12	West Bengal	<p>1. A complaint received from Shri Jaswant Singh, MP Lok Sabha regarding supply of rotten wheat and rice to hill areas of Darjeeling District by Food Corporation of India</p> <p>2. Complaint received in first week of November 2011 from Principal Secretary, Deptt of Food &amp; Civil Supplies, Govt. of West Bengal regarding supply of inferior quality of rice received from</p>	<p>The complaint was got investigated. FCI informed that foodgrains are issued to State Government after joint inspection/sampling of stocks. During Inspection of food stocks in Food Storage Depot, Debgram (Silliguri) downgraded/ non issuable stocks were found on analysis. For this lapse, the then Area Manager, Manager (Depot) and Manager (QC) of FSD, Dabgram (Silliguri) have been charge sheeted by FCI and disciplinary proceedings initiated against them.</p> <p>The complaint was forwarded to Chairman &amp; Managing Director, FCI for investigation. FCI informed that few rakes of rice from Chhattisgarh were received in West Bengal under complaint. Although the stock is within issuable range under C category, but keeping in view the request of the State Government, FCI has allowed to</p>

		<p>Chhattisgarh distributed under PDS.</p> <p>3. Smt Brinda Karat, MP (Rajya Sabha) had raised an issue in Zero Hour in Rajya Sabha on 24.03.2011 about supply of rotten foodgrains in the tribal areas of the country</p> <p>1. A complaint was received from Shri Shyam Rajak, Minister of Food and Consumer Protection, Govt of Bihar regarding supply of inferior quality foodgrain from FCI depots of Phulwarisharif and Dighaghat under TPDS.</p> <p>2. A complaint</p>	<p>move four rakes of rice received from Chhattisgarh to Jharkhand Region on experimental basis from West Bengal.</p> <p>The matter was investigated and FCI depots in 4 tribal districts in Andhra Pradesh, 2 districts in Maharashtra and 1 each in Madhya Pradesh and Rajasthan were inspected and it was found that all rice samples in all these districts were within issue norms and the Hon'ble M.P. was informed accordingly.</p> <p>The complaint was got investigated and not found to be true. However, instructions were again issued to FCI that only fair average quality foodgrains are to be issued to State Government after joint inspection/sampling with State Government.</p>
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2010-11	Bihar	<p>received from Principal Secretary, Food and Consumer Protection Department, Govt of Bihar addressed to Chairman &amp; Managing Director, FCI in July 2010 regarding supply of inferior quality of foodgrains in Fair Price Shops of Barharwa Lakhansen Village in East Champaran District, Bihar during the visit of Hon'ble Chief Minister of Bihar.</p> <p>A complaint was received from Shri Abdul Razak Kureshi, State President, Nationalist Congress Party, Sarguja District of Chhattisgarh on 08.08.2010 regarding supply of sub standard rice mixed with broken grain under TPDS by State agencies.</p>	<p>The complaint was investigated and not found to be true.</p> <p>The complaint was investigated by an officer of this Ministry who</p>
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	Chhattisgarh	<p>A complaint was received from Vice President, North East District Congress Committee, Mumbai, Maharashtra in June 2010 regarding supply of poor quality foodgrains under TPDS.</p> <p>complaint received from the residents of Village Baberu, District Banda, Uttar Pradesh regarding supply of inferior quality of foodgrains distributed under TPDS and other welfare schemes.</p> <p>A complaint received in June 2009 from Shri Jai Kishen, MLA regarding supply of poor quality</p>	<p>collected samples from Fair Price Shops and these were found slightly exceeding the limits for broken grains prescribed under quality specifications. But they were all within PFA Standards and not damaged. Still the State Government has been asked to ensure supply of good quality foodgrains under TPDS, as per existing instructions in this regard.</p> <p>As the complaint was of general nature, this Department has informed the complainant about the detailed procedure followed by FCI and State Government at the time of issue of foodgrains from FCI godowns to be issued under TPDS. Afterwards no specific complaints about any individual cases have been received.</p> <p>The complaint was got investigated by deputing an officer of this Ministry who reported that that complaint was not found true. All the 8 samples (4 of wheat and 4 of rice) collected from the Fair Price Shops were found well within the</p>
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2009-10	Uttar Pradesh	<p>foodgrains issued under TPDS in Nangloi area of NCT Delhi from FSD, Ghevra.</p>	<p>issue norms.</p> <p>The complaint was got investigated by deputing an officer of this Ministry. Out of 15 samples (9 of wheat and 6 of rice) collected from Food Storage Depots, 10 (7 wheat and 3 rice) samples were found beyond the permissible limits of uniform specifications. FCI has informed that disciplinary action has already been taken against 3 Managers (QC), one AG-I (Depot) and Depot In-charge.</p>
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	NCT Delhi		
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**Extracts from Revised Model Citizen's Charter, 2007****VIGILANCE AND PUBLIC PARTICIPATION**

State Government shall constitute Vigilance Committees to periodically review functioning of the TPDS at FPS/Panchayat/Municipal Council/Corporation level, District/Block/ Taluka level and State/UT level with members from Government, social organizations, consumer organizations, local body, etc. viz.,

- (i) The Panchayat/Municipal Ward level Vigilance Committees: A Vigilance Committee consisting of representatives of card holders ( some of whom shall be women BPL/AAY beneficiaries), elected Sarpanch of the Panchayat/Municipal Ward's elected representative, consumer activists and other social workers of repute shall be set up in each panchayat/municipal ward (in urban areas). In large Panchayats with more than one FPS, more than one Vigilance Committee may be set up. The Chairman of the Panchayat/Municipal Council/Corporation level Vigilance Committee may be the elected head of the local village Panchayat/municipal council or corporation, as the case may be.
- (ii) Block / Taluk Level Vigilance Committees: Block/Taluk level Committees will comprise five-six card holders attached to the FPS, representatives of local bodies, social workers of the area, etc. The Block Level Committee will cover FPSs in a Block and report to the District level Committee about functioning of FPSs and other related problems. The Chairman of the Vigilance Committee at Block Level may be the elected head of the Block/Taluk Level PRI.
- (iii) District Level Vigilance Committee: Each District level Committee, to be constituted by the concerned State/UT Government will comprise about 10 members from different segments like beneficiary groups, social/consumer organizations, people's elected representatives and be headed by the Zila Pramukh of the Zila Parishad. The District level Vigilance Committee shall also be authorized to redress / solve the problems at his level to the maximum extent possible and, whenever it is not possible, he would refer the same with his recommendation to the State level Committee.
- (iv) The State/UT Level Committee: This Committee to be constituted by the State Government may consist of concerned Senior Level Officials from the

Government, a few Members of Parliament, a few Members of Legislative Assemblies, Consumer Activists and Youth & Women's Organisations. The Committee may be Chaired by the Minister in Charge of Food & Civil Supplies of the State/UT Govt. and may include other Ministers of related Ministries such as Rural Development, Panchayat Raj, Urban Development etc., as members in addition to the other members mentioned above. The Committee shall review quarterly the overall functioning of TPDS Scheme in the State, and difficulties being faced, if any, in smooth functioning of the Scheme in the State as a whole. The Committee/its members may also visit FPSs, and offices of Food & Civil Supplies Departments, meet beneficiaries of the Scheme and may recommend to the State Government corrective action for any problems in implementation of TPDS. If a decision on any issue is in jurisdiction of Central Government, the State level Committee may recommend corrective action to the Central Govt.

The State Govt. shall implement a mechanism of grievances redressal for issues pointed out by the Block/Distt./State Level Vigilance Committees.

S. No.	State/UT	Period	Constitution of Vigilance Committees(VCs) and meetings held at various levels								Reasons, if any, for non-constitution/ non- functioning of VCs
			State	District		Block		FPS/Village			
			No. of meetings held	No. of VC set up	No. of meetings held	No. of VC set up	No. of meetings held	No. of FPS/Village in the Village	No. of VC set up	No. of meetings held	
1	2	3	4	6	7	9	10	11	12	13	14
1	Andhra Pradesh	2006-07	2	23	35	Instructions have been issued to conduct Mandal level Food Advisory Committees as per the periodicity prescribed by the Govt.		Instructions have been issued to conduct Village level Food Advisory Committees as per the periodicity prescribed by the Govt.			0
		2007-08	1	23	50						0
		2008-09									
2	Arunachal Pradesh	2006-07									
		2007-08	1	16	10	23	12	787	251	7	
		2008-09									
3	Assam	2006-07									
		2007-08									
		2008-09									
4	Bihar	2006-07	Meeting are not monitored at the level of State Head Quarters, because it is practically not possible								
		2007-08									
		2008-09									
5	Chattisgarh	2006-07	44	16	75	124	693	8665	8628	38853	VCs are constituted & functional at each level
		2007-08	43	16	69	124	664	8706	8629	38293	
		2008-09									
6	Delhi	2006-07									
		2007-08									
		2008-09		170	443						
7	Goa	2006-07									
		2007-08									
		2008-09									
8	Gujarat	2006-07	1	7	4 (monthly average is 1)	95	54 (monthly average is about 14)	13591	13345	28111 (monthly average is about 7028)	N.A
		2007-08	0	23	15 (monthly average is 1.25. 5 meetings in 4 months)	177	335 (monthly average is about 28)	12144	11540	81066 (monthly average is about 6755)	N.A
		2008-09	0	24	No meeting	220	658	12285	11925	88099	N.A
		2009-10	0	24	9	220	670	12435	11986	97725	
		2010-11	0	26	2	229	838	12327	12278	107858	
9	Haryana	2006-07									
		2007-08									
		2008-09									
10	Himachal Pradesh	2006-07	0	12	15	0	35	4283	3008	458	
		2007-08	0	12	10	0	83	4320	4155	352	
		2008-09	0	12	9	0	69	4320	4155	353	
11	Jammu & Kashmir	2006-07									
		2007-08									
		2008-09									
12	Jharkhand	2006-07									
		2007-08									
		2008-09									
13	Karnataka	2006-07									
		2007-08									
		2008-09									

14	Kerala	2006-07	1	14	38	0	0	1478	0	0	Among the 6 Taluks in Thiruvananthapuram district, only 3 VCs have been constituted due to non availability of members.	
		2007-08	2	14	67	0	0	1478	0	0		
		2008-09	1	14	74	62	90	1478	0	0		
		2006-07										
15	Madhya Pradesh	2007-08	The State Government has not collected the information and therefore enable to furnish the same.									
		2008-09		50	932	313	1248	16511	20302	192436	VCs have been setup. But in regard to the functioning of VCs, data is not available from some districts.	
		2006-07										
16	Maharashtra	2006-07	0	31	33	362	476	40754	26887	34322	VCs have set up at Municipal Council & Municipal Corporation level	
		2007-08	1	32	36	453	798	40987	29783	55732		
		2008-09	1	35	43	421	830	35155	32305	69936		
		2010-11	1	35	102	338	1098	37366	30344	104530		
		2006-07										
17	Manipur	2007-08										
		2008-09										
		2006-07										
18	Meghalaya	2007-08										
		2008-09										
		2006-07										
19	Mizoram	2006-07	NIL	8	NIL	NIL	NIL	1205	291	NIL		
		2007-08	NIL	8	NIL	NIL	NIL	1226	459	62		
		2008-09	NIL	8	NIL	NIL	NIL	1233	474	58		
		2009-10	NIL	8	NIL	NIL	NIL	1239	621	81		
		2010-11	NIL	8	NIL	NIL	NIL	1244	773	62		
20	Nagaland	2006-07										
		2007-08										
		2008-09	Vigilance Committees on TPDS at various level have been formed. Details of meeting to be provided later on									
21	Orissa	2006-07	NIL	11	4	94	110	30190	4191	15925	Under constitution	
		2007-08	NIL	26	9	294	203	29845	5971	5640	Under constitution	
		2008-09	NIL	30	14	312	238	29327	7073	12781	Under constitution	
		2009-10	NIL	30	8	289	196	28953	5529	7478	Under constitution	
		2010-11	NIL	30	1	265	163	30710	4732	6533	Under constitution	
22	Punjab	2006-07										
		2007-08	Could not be sent as the whole record has been gutted due to fire which broke out in the office on 15/1/2010.									
		2008-09										
		2009-10		227	11	381	186	10120	7743	3172	NIL	
23	Rajasthan	2006-07		30	130	208	949	21614	19009	94343		
		2007-08		30	117	208	879	21828	19904	94443		
		2008-09										
24	Sikkim	2006-07	NIL	4	NIL	24	NIL	163	163	NIL	No reports regarding meetings have been received	
		2007-08	NIL	4	NIL	24	NIL	163	163	NIL	No reports of meetings held have been received	
		2008-09	NIL	4	NIL	24	NIL	163	163	NIL	No reports of meetings held have been received	
		2009-10	NIL	4	NIL	24	NIL	163	163	NIL	No reports of meetings held have been received	
		2006-07										
25	Tamil Nadu	2006-07										
		2007-08										
		2008-09										
26	Tripura	2006-07	NIL	NIL	NIL	NIL	NIL	1493	1325	FPS level VCs are functioning properly in the State, Block level meetings with members of FPS level VCs of the concerned Block were held one each in 9 Blocks in the State during the	Tripura is having necessary mechanism for ensuring proper vigilance over the functioning of FPSs. In the Village level, there are FPS level VCs covering all FPSs. In the Block level, there is Agriculture Standing Committee that takes stock of the PDS in the	

		2007-08	NIL	NIL	NIL	NIL	NIL	1493	1325	reporting period.	Block regularly. In the Sub-Division level, there is Sub-Divisional Supply Advisory Committee that periodically reviews the PDS in the Sub-Division. In the State level, monthly review meeting with the field functionaries of the Deptt. are also regularly held to take stock of the PDS of the State. Hence, constitution of VC at Block, District & State level has so far not been felt essential.
		2008-09 (upto August 08)	NIL	NIL	NIL	NIL	NIL	1493	1325		
27	Uttar Pradesh	2006-07		66	91				73410	550020	District and FPS/Village level Vigilance Committee is working and Block level Vigilance Committee has been abolished.
		2007-08		60	41				72971	538267	
		2008-09		71	50				59487	411752	
		2009-10		71	255				53638	274970	
		2010-11		66	101				50449	473894	
28	Uttarakhand	2006-07									
		2007-08									
		2008-09									
29	West Bengal	2006-07									
		2007-08									
		2008-09									
30	A&N Island	2006-07	0	1	0	7	0	327	67	0	Since this UT is badly affected due to Tsunami, the PDS items are distributed free of cost under relief & rehabilitation. Moreover, the election of Panchayat & Municipal Council has recently concluded and new Panchayat & Municipal Council is formed in the month of Sept.-Oct., 2010. The VC will be mobilised at the earliest.
		2007-08	0	1	0	7	0	353	67	0	
		2008-09	0	1	0	7	0	354	67	0	
		2009-10	0	1	0	7	0	380	67	0	
		2010-11	0	1	0	7	0	380	67	0	
31	Chandigarh	2006-07	0	1	0	Nil	Nil	23	1	1	
		2007-08	0	1	0	Nil	Nil	23	1	1	
		2008-09	0	1	0	Nil	Nil	33	1	1	
32	Daman & Diu	2006-07									
		2007-08									
		2008-09									
		2009-10	0	1	1	VC has not been set up in blocks	0	26	14	0	0
33	D&N Haveli	2006-07	0	1	0	0	0	0	12	0	
		2007-08	0	1	1	0	0	0	12	0	
		2008-09	0	1	0	0	0	0	12	1	
		2009-10	0	1	2	0	0	0	12	1	
34	Lakhdweep	2006-07	1	1	4	10	4	35	NIL	NIL	0
		2007-08	1	1	2	10	2	35	NIL	NIL	0
		2008-09	1	1	2	10	4	36	NIL	NIL	
		2009-10	1	1	2	10	1	36	NIL	NIL	
		2010-11	1	1	3	10	1	36	NIL	NIL	
35	Puducherry	2006-07									
		2007-08									
		2008-09									

## STATEMENT SHOWING THE STATE-WISE STORAGE CAPACITY WITH F.C.I. AS ON 31.03.2012

Annexure-VIII

ZONE	S.L.N.O.	REGION/U.T.	COVERED							CAP			(FIG.IN LAC TONNES)			TOTAL EFFECTIVE STORAGE CAPACITY AS PER REGION	UTILIZATION (%AGE) ON EFFECTIVE CAPACITY	
			FCI OWNED	HIRED					TOTAL COVERED	OWNED	HIRED	TOTAL	GRAND TOTAL	STOCKS HELD	UTILIZATION (%AGE)			
				STATE GOVT.	CWC	SWC	PRIVATE PARTIES	TOTAL HIRED										
EAST	1	BIHAR	3.66	0.03	0.84	1.11	0.51	2.49	6.15	1.00	0.00	1.00	7.15	3.55	50.00	6.79	52	
	2	JHARKHAND	0.67	0.03	0.27	0.21	0.15	0.66	1.33	0.05	0.00	0.05	1.38	1.21	88.00	1.38	88	
	3	ORISSA	3.02	0.00	0.82	1.97	0.15	2.94	5.96	0.00	0.00	0.00	5.96	3.68	62.00	5.94	62	
	4	WEST BENGAL	8.59	0.19	0.95	0.00	0.87	2.01	10.60	0.51	0.00	0.51	11.11	6.55	59.00	10.51	63	
	5	SIKKIM	0.10	0.01	0.00	0.00	0.00	0.01	0.11	0.00	0.00	0.00	0.11	0.06	55.00			
			TOTAL(E.ZONE)	16.04	0.26	2.88	3.29	1.68	8.11	24.15	1.56	0.00	1.56	25.71	15.05	59.00	24.62	61
N.E.	6	ASSAM	2.12	0.00	0.20	0.16	0.36	0.72	2.84	0.00	0.00	0.00	2.84	2.11	74.00	2.78	76	
	7	ARUNACHAL PD	0.18	0.04	0.00	0.00	0.00	0.04	0.22	0.00	0.00	0.00	0.22	0.05	23.00	0.22	23	
	8	MEGHALAYA	0.14	0.00	0.07	0.05	0.00	0.12	0.26	0.00	0.00	0.00	0.26	0.15	58.00	0.26	58	
	9	MIZORAM	0.25	0.01	0.00	0.00	0.00	0.01	0.26	0.00	0.00	0.00	0.26	0.17	65.00	0.26	65	
	10	TRIPURA	0.29	0.05	0.14	0.00	0.00	0.19	0.48	0.00	0.00	0.00	0.48	0.31	65.00	0.48	65	
	11	MANIPUR	0.20	0.00	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.20	0.14	70.00	0.20	70	
	12	NAGALAND	0.20	0.00	0.13	0.00	0.00	0.13	0.33	0.00	0.00	0.00	0.33	0.16	48.00	0.33	48	
			TOTAL(N.E.Z)	3.38	0.10	0.54	0.21	0.36	1.21	4.59	0.00	0.00	0.00	4.59	3.09	67.00	4.53	68
	NORTH	13	DELHI	3.36	0.00	0.00	0.00	0.00	0.00	3.36	0.31	0.00	0.31	3.67	1.81	49.00	2.95	61
		14	HARYANA	7.68	4.20	3.22	6.17	2.34	15.93	23.61	3.33	0.16	3.49	27.10	22.92	85.00	27.10	85
		15	HIMACHAL PD.	0.14	0.06	0.06	0.00	0.00	0.12	0.26	0.00	0.00	0.00	0.26	0.14	54.00	0.26	54
16		J & K	1.03	0.15	0.00	0.00	0.03	0.18	1.21	0.10	0.00	0.10	1.31	0.82	63.00	0.94	87	
17		PUNJAB	21.17	0.28	4.99	40.14	4.03	49.44	70.61	7.14	2.59	9.73	80.34	67.60	84.00	83.96	84	
18		CHANDIGARH	1.07	0.18	0.84	1.14	0.00	2.16	3.23	0.17	0.23	0.40	3.63	3.07	85.00			
19		RAJASTHAN	7.06	0.00	2.25	4.53	1.88	8.66	15.72	1.85	4.27	6.12	21.84	19.36	89.00	21.55	90	
20		UTTAR PRADESH	14.95	0.15	6.17	20.74	0.12	27.18	42.13	5.19	0.21	5.40	47.53	36.73	77.00	45.39	81	
21		UTTARAKHAND	0.66	0.20	0.41	0.48	0.00	1.09	1.75	0.21	0.05	0.26	2.01	1.73	86.00	1.92	90	
			TOTAL(N.Z.)	57.12	5.22	17.94	73.20	8.40	104.76	161.88	18.30	7.51	25.81	187.69	154.18	82.00	184.07	84
SOUTH	22	ANDHRA PRADESH	12.66	0.10	8.16	22.38	3.54	34.18	46.84	2.62	0.00	2.62	49.46	49.47	100.00	48.93	101	
	23	ANDAMAN NIKOBAR	0.07	0.00	0.00	0.00	0.00	0.00	0.07	0.00	0.00	0.00	0.07	0.05	71.00			
	24	KERALA	5.17	0.00	0.00	0.00	0.00	0.00	5.17	0.20	0.00	0.20	5.37	3.76	70.00	5.33	71	
	25	KARNATAKA	3.81	0.00	1.50	1.59	0.25	3.34	7.15	1.36	0.00	1.36	8.51	7.48	88.00	8.32	90	
	26	TAMIL NADU	5.80	0.00	2.56	0.52	0.50	3.58	9.38	0.61	0.00	0.61	9.99	8.35	84.00	10.15	87	
	27	PONDICHERRY	0.44	0.00	0.13	0.11	0.00	0.24	0.68	0.06	0.00	0.06	0.74	0.51	69.00			
			TOTAL(S.Z.)	27.95	0.10	12.35	24.60	4.29	41.34	69.29	4.85	0.00	4.85	74.14	69.62	94.00	72.73	96
WEST	28	GUJARAT	5.00	0.14	1.49	0.00	0.28	1.91	6.91	0.27	0.00	0.27	7.18	5.35	75.00	7.11	75	
	29	MAHARASHTRA	11.90	0.00	2.62	3.46	2.08	8.16	20.06	1.02	0.00	1.02	21.08	15.87	75.00	17.53	91	
	30	GOA	0.15	0.00	0.00	0.00	0.00	0.00	0.15	0.00	0.00	0.00	0.15	0.09	60.00			
	31	MADHYA PRADESH	3.37	0.00	0.96	0.01	0.90	1.87	5.24	0.36	0.00	0.36	5.60	3.34	60.00	5.37	62	

	32	CHHATTIS GARH	5.12	0.03	1.1 0	3.22	0.42	4.77	9.89	0.01	0.00	0.01	9.90	9.44	95.00	9.90	95
		TOTAL(W.Z.)	25.54	0.17	6.1 7	6.69	3.68	16.7 1	42.25	1.66	0.00	1.66	43.91	34.09	78.00	39.91	85
		GRAND TOTAL	130.0 3	5.85	39. 88	107. 99	18.41	172. 13	302.16	26.37	7.51	33.8 8	336.0 4	276.0 3	82.00	325.86	85

Effective Capacity - Capacity available with FCI for storage of foodgrains, as reported by the Regions.





**Annexure-IX**  
**(Fig. in MT)**

<b>Status of construction of godowns under PEG Scheme as on 31.03.2012</b>												
Sl. No.	Agency	Total capacity approved	Total capacity allotted/ sanctioned			Work completed			Work under construction			Balance capacity
			CWC	SWC	Private Investors	CWC	SWC	Private Investors	CWC	SWC	Private Investors	
1	Andhra Pradesh	4,51,000	30,000	55,000	3,16,000	16,000	35,800	50,000	14,000	-	2,50,000	35,200
2	Bihar	3,00,000	-	30,000	90,000	-	10,000	-	-	20,000	-	90,000
3	Chhattisgarh	2,22,000	30,000	1,92,000	-	12,550	57,200	-	12,600	1,26,600	-	13,050
4	Gujarat	80,000	5,000	-	45,000	-	-	-	5,000	-	-	5,000
5	Haryana	38,80,000	5,000	96,436	19,20,000	5,000	83,500	3,05,930	-	-	5,92,815	0,34,191
6	Himachal Pradesh	1,42,550	2,500	-	18,340	-	-	-	2,500	-	-	18,340
7	Jammu & Kashmir	3,61,690	-	-	1,34,000	-	-	-	-	-	18,000	1,16,000
8	Jharkhand	1,75,000	-	-	1,15,000	-	-	-	-	-	20,000	95,000
9	Karnataka	4,16,500	52,000	1,83,500	1,00,000	20,000	-	-	32,000	1,72,850	95,000	15,650
10	Madhya		26,400		2,48,600	6,400	-	-	20,000			1,20,000

	a Pradesh	4,35,000		85,000						35,000	1,78,600	
11	Kerala	15,000	5,000	-	-	-	-	-	5,000	-	-	-
12	Maharashtra	6,55,500	47,400	3,09,500	2,73,000	22,400	66,850	-	20,000	1,69,430	2,43,000	1,08,220
13	Odisha	3,00,000	1,87,500	1,12,500	-	55,400	50,000	-	76,600	22,000	-	96,000
14	Punjab	51,25,000	78,150	2,89,550	1,27,448	69,600	93,600	9,35,700	8,550	1,30,550	22,52,608	10,04,540
15	Rajasthan	2,50,000	-	30,000	2,05,000	-	20,000	-	-	10,000	1,90,000	15,000
16	Tamil Nadu	3,45,000	35,000	45,000	65,000	35,000	-	-	-	-	25,000	85,000
17	Uttarakhand	25,000	-	-	-	-	-	-	-	-	-	-
18	Uttar Pradesh	18,60,000	6,200	47,000	14,17,500	-	7,000	-	-	40,000	9,61,000	4,62,700
19	West Bengal	1,56,600	29,600	-	-	-	-	-	29,600	-	-	-
<b>Total*</b>		<b>1,51,95,840</b>	<b>5,39,750</b>	<b>14,75,486</b>	<b>90,74,888</b>	<b>2,42,350</b>	<b>4,23,950</b>	<b>12,91,630</b>	<b>2,25,850</b>	<b>7,26,430</b>	<b>48,26,023</b>	
<b>Grand Total</b>		<b>1,10,90,124</b>			<b>19,57,930</b>			<b>57,78,303</b>			<b>33,53,891</b>	

\*The excess transferred capacity of 4500 MT from Punjab is included in the above mentioned capacity of 1,51,20,840. This excess capacity had to be cancelled. Finally the capacity of 151.16 lakh MT has been approved by HLC

## STORAGE CAPACITY of CWC AS ON 1/5/2012 (figures in Lakh MT)

STATE/UT	No. of warehouses	COVERED CAPACITY			CAP CAPACITY			GRAND TOTAL	PERCENTAGE UTILIZATION
		OWNED	HIRED	TOTAL	OWNED	HIRED	TOTAL		
A&N Islands	1	0.03	0	0.03	0	0	0	0.03	100
AP	47	11.98	0.86	12.84	0.5	0.08	0.58	13.42	99
Assam	6	0.64	0	0.64	0.01	0	0.01	0.65	84
Bihar	16	0.93	0.25	1.18	0	0	0	1.18	94
Chandigarh	1	0.11	0	0.11	0.02	0	0.02	0.13	118
Chhattisgarh	12	2	0.36	2.36	0.09	0.29	0.38	2.74	91
Delhi	10	1.13	0.2	1.33	0.15	0	0.15	1.48	116
Goa	2	0.22	0	0.22	0.08	0.11	0.19	0.41	57
Gujarat	26	3.64	0.97	4.61	2.51	0.07	2.58	7.19	89
Haryana	28	3.87	1.24	5.11	0.25	0	0.25	5.36	107
HP	3	0.07	0	0.07	0	0	0	0.07	88
Jharkhand	3	0.34	0	0.34	0.01	0	0.01	0.35	90
Karnataka	33	2.79	1.35	4.14	0.53	0	0.53	4.67	110
Kerala	13	1.31	0.19	1.5	0.04	0	0.04	1.54	84
M. P.	26	4.71	0.49	5.2	0	0.04	0.04	5.24	88
Maharashtra	45	5.91	1.6	7.51	6.25	0.33	6.58	14.09	83
Nagaland	1	0.13	0	0.13	0	0	0	0.13	100
Odisha	18	2.18	0.02	2.2	0	2.14	2.14	4.34	85
Puducherry	1	0.07	0	0.07	0	0	0	0.07	108
Punjab	25	6.35	0.47	6.82	0.04	0	0.04	6.86	95
Rajasthan	31	3.13	0.97	4.1	0.16	0.04	0.2	4.3	94
Tamilnadu	26	5.85	0.11	5.96	0.73	0	0.73	6.69	87
Tripura	2	0.24	0	0.24	0	0	0	0.24	89
U.P.	48	9.98	0.27	10.25	1.29	0.06	1.35	11.6	88

Uttarakhand	6	0.64	0.07	0.71	0	0	0	0.71	86
West Bengal	37	3.56	1.37	4.93	1.51	0.1	1.61	6.54	90
TOTAL	467	71.81	10.79	82.60	14.17	3.26	17.43	100.04	92

## Annexure – XI

## Region wise statement of godown having highest capacity

Sl. No.	Region	Godown	Capacity(in MT)
1	BIHAR	PHULWARISHARIF [EC17004] {A1}	87820
3	ODISHA	BALIJHARI [EE16005] {A1}	40000
4	WEST BENGAL	J J P [EF32001] {A1}	157494
5	ASSAM	NEW GUWAHATI [FB12001] {A1}	31060
7	DELHI	GHEVRA [NB13002] {A1}	106970
8	HARYANA	ADANI SOLU MAJRA [NC15014] {B6}	200000
9	J & K	NEW GODOWN JAMMU [NE12002] {A1}	21680
10	PUNJAB	SUNAM [NF22024] {B4}	220700
11	RAJASTHAN	BC SAWAIMADHOPUR [NG16004] {A1}	110000
12	UTTAR PRADESH	CHANDARI KANPUR [NH20001] {A1}	149880
13	UTTARAKHAND	RUDRAPUR [NI13001] {A1}	51040
14	ANDHRA PRADESH	RAGHUNATHPALLY [SB23016] {B3}	160000
15	KERALA	OLAVAKKOT [SC17002] {A1}	75740
16	KARNATAKA	WHITEFIELD [SD12002] {A1}	138340
17	TAMIL NADU	AVADI [SE14001] {A1}	166510
18	GUJARAT	GANDHIDHAM (SPG) [WB15001] {A1}	93360
19	MAHARASHTRA	MANMAD [WC16001] {A1}	337993
20	MADHYA PRADESH	ITARSI BSC [WD12003] {A1}	103500
21	CHHATTISGARH	MANDIR HASAUD [WF14009] {A1}	125000