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STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION
(2010-2011)

(FIFTEENTH LOK SABHA)

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

[Action Taken by the Government on the observations/recommendations contained in the Fourth Report (15th Lok Sabha) of the Committee on Demands for Grants (2010-11) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)]

ELEVENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

March, 2011/Phalguna, 1932 (Saka)

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Presented to Lok Sabha on 11.03.2011
Laid in Rajya Sabha on 10.03.2011

LOK SABHA SECRETARIAT
NEW DELHI

March, 2011/Phalguna, 1932 (Saka)

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Secretariat

1.	Shri P.K. Mishra	-	Joint Secretary
2.	Smt. Veena Sharma	-	Director
3.	Shri Khakhai Zou	-	Under Secretary

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Consumer Affairs and Public Distribution (2009-2010) having been authorized by the Committee to submit the Report on their behalf, present this Eleventh Report on Action Taken by the Government on the observations /recommendations contained in the Fourth Report of the Committee (15th Lok Sabha) on Demands for Grants (2010-11) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The Fourth Report was presented to Lok Sabha and laid in Rajya Sabha on 23rd April, 2010. The Government furnished their replies indicating action taken on the observations /recommendations contained in the Report on 20th July, 2010.

3. The Report was considered and adopted by the Committee at their sitting held on 27th December, 2010.

4. An analysis of the action taken by the Government on Observations/ Recommendations contained in the Report is given in **Appendix-II.**

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

NEW DELHI;
25th February, 2011
6 Phalguna,1932 (Saka)

VILAS MUTTEMWAR
Chairman,
Standing Committee on Food,
Consumer Affairs and Public Distribution

CHAPTER -I

REPORT

This Report of the Standing Committee on Food, Consumer Affairs and Public Distribution deals with the Action Taken by the Government on the Observations/Recommendations contained in the Fourth Report (15th Lok Sabha) on "Demands for Grants (2010-2011) pertaining to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

1.2 The Fourth Report was presented to Lok Sabha and laid on the Table of Rajya Sabha on 23rd April, 2010. It contained 29 observations/ recommendations. Action Taken Notes in respect of all the 29 observations/recommendations contained in the Report have been received and these have been categorized as follows:-

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

Serial Nos.- 1, 2, 3, 7, 10, 11, 12, 13, 14, 15, 16 ,17,18, 24, 25, 26, 27, 28, 29
(Paragraph Nos. –2.6, 2.7, 3.12, 3.37, 3.56, 3.61, 3.67, 3.78, 4.5, 4.9, 4.15, 4.16, 4.25, 6.14, 6.18, 6.27, 7.16, 7.23, 7.27)

(Chapter –II , Total 19)

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

Serial Nos. 19, 20, 21, 23
(Paragraph Nos-5.10, 5.18, 5.19, 6.7)

(Chapter –III , Total 4)

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

Serial Nos. 4, 6, 9
(Paragraph Nos. 3.27, 3.36, 3.50)

(Chapter – IV, Total 3)

(iv) Observations /recommendations in respect of which the interim replies of the Government have been received.
Serial No. 5, 8, 22
(Paragraph No. 3.28, 3.46, 5.23)

(Chapter – V, Total 3)

1.3 The Committee desire that the final replies in respect of the Observations/Recommendations for which only interim replies have been received from the Government as reproduced in Chapter V as well as replies to the observations/recommendations contained in Chapter I of this report, be furnished to the Committee expeditiously.

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

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

A. **Need for adoption of Decentralized Procurement Scheme (DCP) by all the States.**

Recommendation (Serial No. 3 Paragraph 3.12)

1.6 The Committee had recommended as below:-

'The Committee note that the Decentralized Procurement Scheme (DCP) was introduced in 1997-98 for effecting savings, enhancing efficiency of procurement and encouraging local procurement for the benefit of farmers. The Committee find that even after a gap of more than 13 years, the DCP scheme has been undertaken only by 6 States for Wheat and 10 States for Rice, respectively. The Committee feel that the Government has not been able to convince the remaining States about the advantages of the DCP Scheme. The Committee also note that the States that have adopted the DCP Scheme are also facing various problems such as delay in finalizing the procurement incidentals, grant of cash credit by the RBI and valuation of stock. The Committee would urge the Department to make sincere efforts to resolve the problems being faced by the DCP States and also persuade the remaining States/UTs to adopt the DCP Scheme in the interest of the farmers and the poor people so that the objectives of the scheme are achieved.'

1.7 The Ministry in their Action Taken Replies have stated as under:-

'11 State Governments/UTs are currently undertaking procurement of wheat and rice under the decentralized Procurement scheme. Government of West Bengal has started procurement of wheat since RMS 2010-11 and accordingly has signed an MOU with Govt. of India. The Government of Maharashtra had shown its willingness to adopt decentralized Procurement for Wheat since RMS 2008-09 and Government of Madhya Pradesh had shown its willingness to adopt decentralized Procurement for Rice since KMS 2007-08 . However, the Memorandum of Understanding is yet to be signed by them to undertake the decentralized Procurement.

During the meetings held with Food Secretaries, the following advantages of the DCP scheme are being highlighted in order to motivate the remaining States to adopt this scheme:

(i) It extends the benefits of MSP operations to farmers of the State.

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

(iii) It reduces transportation costs of FCI and also reduces pressure on Railways.

Due to the encouragement extended by the Central Government, most of the States with marketable surplus of rice and wheat have already joined the Decentralized Procurement (DCP) scheme, or their State agencies are also procuring rice or wheat on behalf of FCI.

However, many States have not yet adopted DCP Scheme on account of difficulties in tying up storage, required manpower and apprehension of delayed release of subsidy.

Problems faced by DCP States and steps taken to resolve these problems are as under:-

State Government /Agencies are required to submit their provisional subsidy claims. On receipt of claims from State Government, 95% of the admissible claim is released on provisional basis, subject to availability of the funds and the remaining 5% is released after finalization of accounts based on audited accounts, annual reports for each year, etc. State Governments of Gujarat, Orissa and Uttarakhand have not submitted any claims including audited accounts for finalization. Many State Governments are not submitting their claims or submitting their claims after a gap of many years. In absence of claim from State Governments Department cannot release funds for procurement of foodgrains to DCP States and States in turn are facing problems due to lack of funds.

The Government of India extends the single default guarantee to FCI for availing cash credit from consortium of banks as per the norms fixed by the RBI since it is a Central Government agency. Similar guarantee is not extended to agencies of State Government/UT Administrations as their finances are controlled by their respective State Government/UT Administrations.

RBI has authorized valuation of stocks for FCI at the average acquisition cost throughout the year. However, in case of stocks procured by the States, valuation of stocks is done at acquisition cost during three month peak procurement season (April - June for Rabi and October - December for Kharif) and thereafter, at the Central Issue Prices (CIPs). Since cash credit is allowed upto the value of stocks only and CIPs are much lower than the acquisition cost, States are not able to fully utilize the cash credit limit sanctioned to them. RBI, as an interim measure has agreed for valuation of stocks held by the State at average acquisition cost during the three peak procurement months and at the mean of acquisition cost and CIP for the remaining nine months.

The matter has been taken up with RBI for valuation of stocks held by the State agencies at par with FCI but RBI has informed that since Govt. of India has given guarantee to FCI, the food credit account of FCI is not treated as a non-performing asset even when it may become irregular and that State Governments could be considered at par with FCI only when their food credit accounts are also backed by a Central Government guarantee. Government of India cannot give similar guarantee to State Government since their finances are controlled by their respective State Government/UT Administrations.’

1.8 The Committee are constrained to note that so far only 11 States have joined the Decentralized Procurement Scheme (DCP) after 13 years since the scheme was introduced in the year 1997-98. The Committee also regret to note that though the Government of Maharashtra and Madhya Pradesh have shown their willingness to adopt DCP since the RMS 2008-09 and KMS 2007-08 respectively, yet the people of the two States are deprived from the benefits of the scheme as the MOUs between the Central Government and the two State Governments have not been signed so far. The Committee, therefore, recommend that Government should take necessary steps and expedite the signing the MOU by the Government of Maharashtra and Madhya Pradesh for undertaking the DCP scheme without further delay. The Committee further recommend that the Department should take concrete steps to try and convince the remaining States/UTs to adopt the DCP scheme in the interest of the farmers and the poor people of the county.

B. Need to rationalize huge Food Subsidy Bill

Recommendation (Serial No. 4 Paragraph 3.27)

1.9 The Committee had recommended as below:-

'The Committee note that food subsidy is provided to FCI for reimbursement of the difference between economic cost of foodgrains and their issue price. The Committee note with concern that despite several measures taken by the Government to contain the amount of Food Subsidy, there has been huge increase in the allocation of Food Subsidy during the last three years. The Food Subsidy released to FCI and States in 2008-09 was Rs. 43,668 crore, which was increased to Rs. 54,539 crore in 2009-10. The Department of Food and Public Distribution has projected Rs. 72,235 crore for the financial year 2010-11 which as indicated by the Secretary during evidence is short by Rs. 14,952 crore to meet the requirement of Food Subsidy during 2010-11. The Committee are convinced with the arguments of the Department of Food and Public Distribution that less amount of subsidy will affect the functioning of FCI in getting the credit from Financial Institutions. The inadequate allocation of food subsidy also has a cascading effect as interest on cash credit increases, thereby increasing the subsidy further. The decentralised procurement operation of the States will also be seriously affected due to cash crunch on account of inadequate subsidy. The Committee while appreciating the difficulties of the Department, recommend that subsidy given to FCI should be realistic and based on the actual cost. The Ministry of Finance may accordingly allocate sufficient funds as per the requirements under food subsidy.

The Committee also recommend that the proposal to reduce the gap between Central Issue Price for APL households and open market prices may be considered so as to check the growing food subsidy budget.'

1.10 The Ministry in their Action Taken Replies have stated as under:-

'The Department of Food & Public Distribution projected demand of Rs.72,235 crore for the financial year 2009-10,against which only an amount of Rs.58242.45 crore was allocated by the Ministry of Finance and there was a shortfall of Rs.13992.53 crore in 2009-10. The estimated requirement of food subsidy during 2010-11 taking into account the shortfall in funds allocation last year is at Rs.83927.62 crore. However, the food subsidy allocated by Ministry of Finance for 2010-11 (BE) for food subsidy is only Rs.55211 crore. Therefore, there is a shortfall of Rs.28716.62 crore.

The Department of Food & Public Distribution has been continuously pursuing the proposal for increase of Central Issue Prices (CIPs) for Above Poverty Line (APL) families to reduce the increasing food subsidy budget.’

1.11 The Committee in their original report had observed that inadequate allocation of food subsidy would affect the proper functioning of the FCI and it would also have cascading effect as interest on cash credit increases. The Committee had, therefore, recommended that the subsidy given to FCI should be realistic and based on actual cost. However, the Committee note from the action taken reply that against the projected requirement of food subsidy during the year 2010-11 of Rs. 83,927.62 crore, the Ministry of Finance has allocated only Rs. 52,211 crore, thereby leaving a shortfall of Rs. 28,716.62 crore. The Committee are of the firm opinion that there is a need for realistic allocation of funds in order to ensure the effective and efficient functioning of the FCI and the PDS in the country. The Committee, therefore, strongly recommend that while making sustained efforts to contain the food subsidy budget, the Department should also make concerted efforts to persuade the Ministry of Finance/Planning Commission to allocate adequate food subsidy by giving convincing explaination about the requirement of funds with proper justification. The concern of the Committee in this regard should be communicated to Planning Commission/Ministry of Finance for their consideration. The Committee may be apprised of the action taken in the matter.

C. Need for strengthening of PDS in the country.

Recommendation (Serial No. 6, Paragraph 3.36)

1.12 The Committee had recommended as below:-

'The Committee note that strengthening of PDS is a new scheme under the 11th Plan having four components i.e. training, evaluation, curbing leakages/diversion of foodgrains and generating awareness amongst the TPDS beneficiaries. The PDS, which is one of the most important schemes of the Government to provide subsidized foodgrains to the poor people is jointly implemented by the Central and State/UT Governments. The Committee observe that there is no satisfactory improvement in PDS in many States despite the fact that the Government has taken several measures to strengthen the PDS such as undertaking regular review meetings with the State Governments to ensure effective implementation of PDS, directing the State/UT Governments to implement measures such as strengthening monitoring and vigilance, increasing transparency in functioning of TPDS, use of ICT tools for computerization of TPDS operations and improving efficiency of FPS operations by way of doorstep delivery of foodgrains, etc. The Committee hope that the Department would make concerted efforts to closely monitor implementation of the aforementioned measures by the States/UTs so that the AAY and BPL families do get their due share of foodgrains on a regular basis.'

1.13 The Ministry in their Action Taken Replies have stated as under:-

'The State/UT Governments are being requested for implementation of the orders/instructions issued to them from time to time for smooth functioning of TPDS. On certain schemes/plans, the information relating to their implementation is called on monthly/quarterly basis from the State/UT Governments and is being utilized for further monitoring and review.'

1.14 The Committee are unhappy with the casual approach of the Ministry towards the important recommendation of the Committee regarding strengthening of PDS. The Department in its action taken reply have simply stated that States/UT Governments are being requested for implementation of the orders/instructions issued to them for smooth functioning of TPDS and that on certain schemes, information is called on monthly/quarterly basis. The Committee are not satisfied with the reply of the Department as they feel that the PDS being one of the most important schemes of the Government to provide subsidized foodgrains to the poor people of the country, there is a need to strengthen the scheme in terms of monitoring and vigilance, increased transparency in the functioning by use of latest information technology, carrying of surprise visits and inspections and penalizing the officials, the fair price shop owners or agents found guilty of any wrong doing. The Committee, therefore, while reiterating their recommendation desire the Ministry to closely monitor the scheme by proper implementing the aforementioned measures in order to strengthen the PDS in the country.

D. Need for implementation of Revised Citizen Charter by all States/ UTs.

Recommendation (Serial No. 7, Paragraph 3.37)

1.15 The Committee had recommended as below:-

‘The Committee further note that the revised Citizen Charter issued by the Department in July, 2007 for adoption by the State Governments which contains, inter-alia, basic information of interest to consumers and essential information such as entitlement of BPL families, information regarding fair price shops, inspection and checking etc. has been implemented by 23 States/UTs so far. The Committee are of the view that, the implementation of the revised Citizen’s Charter by the remaining States/UTs is imperative in order to improve the functioning of PDS in the country. The Committee, therefore, urge the Department to find out the reasons for non-implementation of the Charter by the remaining States/UTs, and impress upon them to adopt the revised Citizens’ Charter for streamlining the functioning of TPDS operation to ensure food security to weaker sections of the society.’

1.16 The Ministry in their Action Taken Replies have stated as under:-

‘The recommendation of the Committee has been noted and the State/UT governments which have not informed about adoption/implementation of the Revised Citizen’s Charter are being requested to indicate the reasons for non-implementation and to urge them to adopt the Revised Citizen’s Charter at the earliest.’

1.17 The Committee had recommended in their original report that the revised Citizen Charter which had been implemented by 23 States/UTs needed to be implemented by the remaining States/UTs in order to improve the functioning of the PDS in the country and had urged the Department to impress upon those States/UTs to adopt the charter for streamlining the functioning of the TPDS operation to ensure food security to the poor. The Department in their action taken reply have merely stated that the remaining States/UTs were being requested to indicate the reasons for non-implementation of the charter without indicating any concrete steps taken to convince the remaining States/UTs about the need to adopt the revised Citizens Charter. The Committee, therefore, reiterate that the Department should find out the reasons for non-implementation of the revised Citizens Charter by the remaining States/UTs and take urgent necessary steps to address the issues to facilitate early adoption of the revised charter by all the States/UTs in the country.

E. Elimination of bogus ration cards.

Recommendation (Serial No. 9, Paragraph 3.50)

1.18 The Committee had recommended as below:-

'The Committee observe that necessary provisions have been made in the PDS (Control) Order 2001 for issue of ration cards to eligible AAY, BPL and APL families in the country. Elimination of bogus ration cards as well as bogus units in them is a continuous exercise by the State Governments so that diversion of essential commodities could be checked. By issuing special instructions to the State Governments for taking penal action against the staff for issuance of bogus/ineligible ration cards, 21 State Governments have deleted 171.91 lakh bogus/ineligible ration cards between July, 2006 and 31.01.2010. The Committee appreciate that all the State/UT Governments have been further directed to take up a special campaign from October, 2009 to December, 2009 for verification of all AAY and BPL ration card holders so as to detect and eliminate bogus/ineligible ration cards. Despite all these steps taken by the Government, it is noticed that while on the one hand a large number of bogus/ineligible ration card holders continue to exist, on the other hand a large number of genuinely eligible poor remain deprived of the cards. The Committee, therefore, strongly recommend that far more stringent measures may be taken by the Central Government as well as all State/UT Governments to remedy the anomaly in this regard.'

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1.19 The Ministry in their Action Taken Replies have stated as under:-

'The recommendation of the Committee has been noted and the concerns of the Standing Committee for taking more stringent measures to remedy the anomaly will be communicated to all States/UT Governments.'

1.20 The Committee had strongly recommended that far more stringent measures be taken to remedy the anomaly of the existence of large number of bogus/ineligible ration card holders on the one hand and deprivation of ration cards to a large number of genuinely poor people in the country on the other hand. The Ministry in their action taken reply have simply stated that the concern of the Committee has been communicated to the States/UT Governments. The Committee are not satisfied by the reply of the Government and are of the view that mere communication will not serve the purpose. The Committee, therefore, desire that the Central Government should follow up the matter and continuously monitor the action taken by the States/UTs in this regard from time to time so that the genuinely poor people are not deprived of the ration card and get the benefits of the PDS.

F. Need to curb leakages/diversion of foodgrains meant for TPDS.

Recommendation (Serial No. 10, Paragraph 3.56)

1.21 The Committee had recommended as below:-

'The Committee note that innovative/new technologies such as GPS, RFID, Bar-coded coupons, stamping of PDS foodgrains, etc. are being taken up by the Government to curb leakage/diversion of foodgrains meant for TPDS on pilot basis. The Committee have been informed that a financial assistance of Rs. 44.76 lakhs was given to the State Governments of Tamil Nadu, Chhatisgarh and Delhi for installation of GPS devices on the vehicles carrying TPDS foodgrains and that while the Government of Tamil Nadu has so far implemented the installation of GPS devices in two districts and the State Government of Chhatisgarh and Delhi have not implemented the scheme so far. The Committee have been further informed that, as a result of the implementation of GPS device in Tamil Nadu, not a single case of diversion was reported as the system has created moral fear among those involved in transportation and also enabled the civil supplies department/vigilance agencies to track movement of vehicles carrying PDS items. The Committee note with concern that as per the findings of the National Council for Applied Economics Research (NCAER), the level of diversion of foodgrains in the States of Assam and Mizoram have been as high as 100% in case of Wheat allocated for APL families and 83.28% and 81.12%, respectively in case of Rice allocated for BPL families. In other words, the foodgrains meant for APL families have not reached them at all in these two States. The level of diversion of foodgrains in other States like Bihar and Chhatisgarh are also fairly high. The Committee, therefore, strongly recommend that all necessary steps should be taken to implement the installation of GPS devices not only in the three pilot States but in all the States/UTs of the country on top priority. The Committee would like to be apprised of the action taken in this regard.'

1.22 The Ministry in their Action Taken Replies have stated as under:-

'Government of NCT of Delhi and the State Government of Chhattisgarh were sanctioned and released a sum of Rs.4.13 lakh and Rs.29.61 lakh respectively in March, 2008.

2. The reports about implementation of the scheme are awaited from these two State Governments. The Utilization Certificate received from the State of Chhattisgarh has been examined and certain clarifications have been sought from the State Government. Utilization Certificate (UC) from the Government of NCT of Delhi is still awaited.

3. Government of Tamil Nadu was sanctioned an amount of Rs.11.02 lakh in March, 2008. Government of Tamil Nadu have already implemented the installation of GPS devices in two districts.

4. The scheme will be further evaluated on receipt of implementation reports from the Government of NCT of Delhi and the State Government of Chhattisgarh.'

1.23 While noting that one of the steps taken by the Department to prevent leakages/diversion of foodgrains, was installation of Global Positioning System (GPS) in vehicles carrying subsidized foodgrains on pilot basis in three States, namely, Government of NCT of Delhi, State Government of Chattisgarh and Tamil Nadu, the Committee had desired to implement the GPS installations in all the States of the country. The Committee are unhappy to note the stereotyped reply of the Department that till now implementation/performance report from only the State of Tamil Nadu has been received and implementation/performance report from the remaining two States is still awaited and the scheme will be further evaluated on receipt of implementation report from these two States. Action taken reply of the Government is silent on the steps being taken to get the reports from these two States, implying lack of seriousness on the part of the Government and a casual approach to the recommendation of the Committee. The Committee, therefore, reiterate its earlier recommendation and desire that the Government should take up the matter with these two States for obtaining the performance report and getting the scheme evaluated expeditiously.

G. Need for expeditious implementation of Scheme of Computerization of TPDS operations.

Recommendation (Serial No. 11, Para No. 3.61)

The Committee had recommended as under:-

1.24 'The Committee note that Computerisation of PDS operations will be implemented in two stages. While all the TPDS related transactions from the Central Ministry to the Tehsil/Block levels comprising of first four tiers will be covered in stage one, the stage two will cover TPDS operations at Fair Price Shops and digitization of ration cards. The Committee have been informed that National Institute of Smart Governance (NISG) has been appointed as Scheme Consultants and Administrative approval of Rs. 53.5 crore for the scheme has been issued. After finalisation of State level Detailed Project Reports (DPRs), first installment of Rs. 14.77 crore to Andhra Pradesh, Rs. 4.405 crore to Assam, Rs. 3.485 crore to Chhatisgarh and Rs. 4.085 crore to Delhi has been released and selection of Implementing Agencies in these 4 pilot States is under process. The Committee are of the view that Computerisation of PDS operations is very essential to improve its overall efficiency and functioning. The Committee, therefore, strongly recommend that all necessary steps be taken to expedite the implementation of the scheme not only in the 4 pilot States but also to cover and complete Computerisation of the PDS operations in all the other States in a time bound manner.'

Reply of Government

1.25 'The recommendation of the Committee has been noted. The necessary steps for expeditious implementation of the pilot scheme on computerization of TPDS operations are being taken. The empanelment of implementing agencies has been completed and the Request for Proposals shall be released in due course. This department will get the pilot implementation of the scheme in the four States evaluated through an independent agency for feedback on fulfilling of the objectives and for feasibility of replicability in other States/UTs.'

1.26 The Committee had recommended for speedy implementation of the computerization of PDS operations not only on pilot basis in four States but in all the States/UTs of the country. From the action taken reply, the Committee note that the Department will get the pilot implementation of the scheme in four States i.e. Andhra Pradesh, Assam, Chattisgarh and Delhi evaluated through an independent agency for feedback for feasibility of replicability in other States. The Committee urge the Department to get expeditious evaluation of implementation of the scheme and to ensure that the scheme is implemented in other States at the earliest so as to improve the functioning of Public Distribution System in the country.

H. Need for new staffing pattern based on workload norms

Recommendation (Serial No. 17, Paragraph 4.16)

1.27 The Committee had recommended as below:-

'The Committee note that Godowns/Silos/Depots staff constitute 60% of the total staff strength of the FCI, which is sanctioned on the basis of infrastructure created, rather than workload norms. The Committee also note that as per C&AG observation, due to lower utilization of storage capacity, the wages paid to the employees who were not performing any productive functions can be termed as unproductive. The Committee further note that the non-occupancy of the godowns has resulted in losses to the Corporation to the tune of Rs.810 crore (Rs.267.87 crore/per annum) on the salaries and wages in the last three years as these were not occupied. The Committee, therefore, strongly recommend that the Department should exercise utmost care in rationalizing placement of godowns staff, which should be on the basis of work load norms rather than infrastructure created, to prevent undue burden on food subsidy bill, by avoiding infructuous expenditure. The Committee hope that the new staffing norms based on the work load will be implemented expeditiously.'

1.28 The Ministry in their Action Taken Replies have stated as under:-

'The Government has approved the proposal regarding organizational restructuring of FCI with specific reference to man power management and cadre management. The restructuring exercise has been carried out with volume of operations as one of the primary criteria. In the process of implementation of new staffing norms, the Board of Directors of FCI has approved the revised sanctioned strength for Cat. III employees.'

1.29 The Committee note that consequent upon the recommendation made in their earlier report, for new staffing pattern/norms based on workload, the Board of Directors of FCI has approved the revised sanctioned strength of Category – III employees. However, the action taken reply is silent on the issue of current status of implementation of new staffing pattern/norms in Category – IV employees. Action taken reply has also not stated the status of implementation of new staffing pattern to employees other than Category –III employees. The Committee are of the view that proper posting of staff of all categories of employess on the basis of workload is vital for the efficient functioning of any organization, apart from avoiding infructuous expenditure and preventing undue burden on food subsidy amount. The Committee, therefore, would like to be apprised of the action taken by the Government in this regard, within a period of 3 months time.

I. Need to strengthen enforcement machinery

Recommendation (Serial No. 24, Paragraph 6.14)

1.30 The Committee had recommended as below:-

'The Committee observed that the mismatch between domestic production and demand for sugar is primarily responsible for rise in price of sugar. However, in mid December, 2009 and first week of January, 2010 the rise in price of sugar was mainly due to increase in international prices of raw and white/ refined sugar, rumours of very low domestic production of sugar in the current sugar season and restriction on movement and transportation of imported raw sugar in the State of U.P. The Committee find that though the Government have taken various measures in order to arrest the rising trend of sugar price, like import of raw sugar at zero duty, imposing stock holding and turnover limits of sugar dealers, imposing stockholding limit on large consumers of sugar, who are using sugar more than the availability, suspension of future trading, conversion of monthly allocation of non-levy sugar for sale by sugar mills in the open market to weekly targets for sale to ensure even flow of sugar into open market etc., which has shown some positive result, thereby bringing down the price of sugar slightly, yet the sugar price is considerably high in the open market. The Committee feel that one of the major reasons for rise in price of sugar is blackmarketing and hoarding of sugar by traders who create artificial scarcity in the market. The Committee, therefore, strongly recommend that Department should persuade the State Government / UTs to strengthen their enforcement machinery and conduct regular raids to catch hold the hoarders and blackmarketers who create artificial scarcity leading to price rise of sugar in the market.'

1.31 The Ministry in their Action Taken Replies have stated as under:-

'The Central Government has imposed stockholding and turnover limits on dealers of sugar vide the notification dated 12.03.2009 initially for a period of four months, which was subsequently extended for another six months and khandsari sugar was also brought under these limits, vide the notification dated 16.07.2009. The Central Government has again extended such limits vide notification dated 11.01.2010 till 30.09.2010. Further, stockholding limit has also imposed on bulk consumers of sugar. There was a spurt in prices of sugar in the open market from mid –December, 2008 which reached its zenith in the first week of January, 2010. The Central Government immediately responded and took strict measures like weekly system of sale/dispatch of non-levy quota of sugar from sugar mills, reduction in stockholding limit on bulk consumers of sugar etc. With these measures, downward trend in sugar prices started and they have since cooled down as indicated below –

Date	*Ex-mill prices of S-30 grade of sugar. (in Rs. Per quintal)*		*Retail price in Delhi (in Rs. per kg.)*
	Maharashtra	***U.P.***	***Delhi***
15.01.2010	*3650-3670*	*3890-3940*	*47.00*
01.02.2010	*3825-3845*	*4090-4240*	*43.00*
15.02.2010	*3390-3440*	*3650-3690*	*43.00*
02.03.2010	*3050-3150*	*3440-3470*	*41.00*
15.03.2010	*3030-3060*	*3190-3240*	*37.00*
25.03.2010	*2800-2850*	*3065-3090*	*35.00*
29.03.2010	*2875-2925*	*2990-3040*	*35.00*
01.04.2010	*2700-2750*	*2990-3010*	*34.00*
07.04.2010	*2725-2795*	*2930-3010*	*34.00*
15.04.2010	*2620-2660*	*2870-2945*	*34.00*
26.04.2010	*2480-2520*	*2790-2815*	*33.00*
27.04.2010	*2560-2600*	*2790-2815*	*33.00*

The Standing Committee in its 2nd report has also recommended that '***……the Government should strengthen its enforcement machinery to conduct raids on the godowns of traders and take stringent action against them in order to check hoarding and blackmarketing of sugar…..'*** The said recommendation of the Committee has already been forwarded to the State Governments/ UT Administrations.'

1.32 The Committee deplore the casual approach of the Ministry towards their important recommendation as they find the reply evasive to the extent that neither it has been made clear as to what specific steps are being taken to strengthen their enforcement machinery nor any commitment to check hoarding and blackmarketing of foodgrains is made. The Committee note with great concern that the Department did not take the matter seriously and issued general directions to the States/UTs by merely forwarding the recommendation of the Committee to prevent hoarding and blackmarketing. They, however, failed to persuade the State Governments/UTs to report the detail of cases to the Central Government within a prescribed time limit. The Committee, therefore, reiterate their earlier recommendation and strongly recommend that the Department should take concerted measures to strengthen their enforcement machinery at the highest level, conduct regular raids to catch hold of the hoarders and blackmarketers and take stringent punitive action against them as per the law. The Committee would like to be apprised of the action taken in this regard within three months.

CHAPTER II

OBSERVATIONS / RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Serial No.1, Para No. 2.6)

2.1 The Committee note that the Budget Estimate of the Department of Food and Public Distribution for the year 2009-10 was Rs. 95.00 crore for its Plan Schemes which was reduced to Rs. 70.00 crore at RE stage and the actual expenditure incurred upto 31.3.2010 was Rs. 69.07 crore. In the case of Non-plan Schemes, the allocation was increased from BE of Rs. 54,679.27 crore to Rs. 58,323.08 crore at RE stage and the actual expenditure was Rs. 60,751.93 crore. The Committee are pleased to observe that the Department has been able to achieve its financial targets as per their revised estimates in both Plan and Non-Plan Schemes. The Committee hope that the Department would continue with the same trend and meet the financial targets during the coming years also.

<u>Action Taken by the Government</u>

2.2 The recommendation of the Committee has been noted and the Department would strive to meet the financial targets in the coming years also.

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Recommendation (Serial No.2, Para No. 2.7)

2.3 The Committee further note that the Department has proposed allocation of Rs. 142.63 crore for the year 2010-11 for its Plan Scheme, but the Ministry of Finance has allocated Rs. 100.00 crore only, keeping in view the fact that the Department could not utilize the entire BE of Rs. 95.00 crore during the previous year. The reasons for less expenditure of funds cited by the Department such as late submission of DPR by NISG, late administrative approval for implementation of the schemes etc. are more or less similar to the reasoning given last year and as such the Committee are not convinced. The Committee are of the view that this reducing and increasing trend in the budgetary allocation of the Department only reflects lack of proper planning and complacency at the initial stages that ultimately leads to failure to accomplish the projected schemes/programmes. The Committee, therefore, recommend that the Department should make proper planning and propose realistic allocation of funds from the initial stages itself so that the schemes/projects of the other Ministries/Departments do not suffer for want of adequate funds.

Action Taken by the Government

2.4 The Department could not utilize the entire BE of Rs.95 crore during the previous year 2008-09 as the EFC approval for the major plan scheme "Computerization of PDS Operations" could not be obtained in 2008-09 and therefore the BE of Rs.95 crore was pruned to Rs.65 crores for that year. After a series of discussions, final version of DPR was accepted in March, 2009 and EFC approval for piloting of the Scheme in 4 states could be obtained on 02.06.2009. Administrative approval for implementation of the scheme in pilot state was issued on 26.08.2009. Similarly, for the year 2009-10, BE was reduced from Rs.95 crore to Rs.70 crore at RE stage. After submission of (State) approved DPRs and signing of MOUs with pilot states, 1st instalment of Rs.14.4775 crore was released to Governments of pilot states viz. Delhi (Rs.2.80 crore), Andhra Pradesh (Rs.4.405 crore), Chhattisgarh (Rs.4.085) and Assam (Rs.3.485 crore). The expenditure during 2009-10 was Rs.16.2953 crore (say Rs.16.30 crore) against RE of Rs.16.545 crore and BE of Rs.45 crore for the scheme, while it was Rs.1.62 crore against RE of Rs.11 crore and BE of Rs.45 crore in 2008-09. Hence the pace of expenditure has picked up under the scheme in the year 2009-10. However, the Department will ensure that the projected schemes/programmes are accomplished in time and the funds earmarked for them are fully utilized in future. As already noted by the Committee in Point No.2.6, the overall plan expenditure in 2009-10 was Rs.69.07 crore (provisional) which is 98.7 % of RE of Rs.70 crore.

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Recommendation (Serial No.3, Para No. 3.12)

2.5 The Committee note that the Decentralized Procurement Scheme (DCP) was introduced in 1997-98 for effecting savings, enhancing efficiency of procurement and encouraging local procurement for the benefit of farmers. The Committee find that even after a gap of more than 13 years, the DCP scheme has been undertaken only by 6 States for Wheat and 10 States for Rice, respectively. The Committee feel that the Government has not been able to convince the remaining States about the advantages of the DCP Scheme. The Committee also note that the States that have adopted the DCP Scheme are also facing various problems such as delay in finalizing the procurement incidentals, grant of cash credit by the RBI and valuation of stock. The Committee would urge the Department to make sincere efforts to resolve the problems being faced by the DCP States and also persuade the remaining

States/UTs to adopt the DCP Scheme in the interest of the farmers and the poor people so that the objectives of the scheme are achieved.

Action Taken by the Government:

2.6 11 State Governments/UTs are currently undertaking procurement of wheat and rice under the decentralized Procurement scheme. Government of West Bengal has started procurement of wheat since RMS 2010-11 and accordingly has signed an MOU with Govt. of India. The Government of Maharashtra had shown its willingness to adopt decentralized Procurement for Wheat since RMS 2008-09 and Government of Madhya Pradesh had shown its willingness to adopt decentralized Procurement for Rice since KMS 2007-08 . However, the Memorandum of Understanding is yet to be signed by them to undertake the decentralized Procurement.

During the meetings held with Food Secretaries, the following advantages of the DCP scheme are being highlighted in order to motivate the remaining States to adopt this scheme:

(i) It extends the benefits of MSP operations to farmers of the State.

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

(iii) It reduces transportation costs of FCI and also reduces pressure on Railways.

Due to the encouragement extended by the Central Government, most of the States with marketable surplus of rice and wheat have already joined the Decentralized Procurement (DCP) scheme, or their State agencies are also procuring rice or wheat on behalf of FCI.

However, many States have not yet adopted DCP Scheme on account of difficulties in tying up storage, required manpower and apprehension of delayed release of subsidy.

Problems faced by DCP States and steps taken to resolve these problems are as under:-

State Government /Agencies are required to submit their provisional subsidy claims. On receipt of claims from State Government, 95% of the admissible claim is released on provisional basis, subject to availability of the funds and the remaining 5% is released after finalization of accounts based on audited accounts, annual reports for each year, etc. State Governments of Gujarat, Orissa and Uttarakhand have not submitted any claims including audited accounts for finalization. Many State Governments are not submitting their claims or submitting their claims after a gap of many years. In absence of claim from State Governments Department cannot release funds for procurement of foodgrains to DCP States and States in turn are facing problems due to lack of funds.

The Government of India extends the single default guarantee to FCI for availing cash credit from consortium of banks as per the norms fixed by the RBI since it is a Central Government agency. Similar guarantee is not extended to agencies of State Government/UT Administrations as their finances are controlled by their respective State Government/UT Administrations.

RBI has authorized valuation of stocks for FCI at the average acquisition cost throughout the year. However, in case of stocks procured by the States, valuation of stocks is done at acquisition cost during three month peak procurement season (April - June for Rabi and October - December for Kharif) and thereafter, at the Central Issue Prices (CIPs). Since cash credit is allowed upto the value of stocks only and CIPs are much lower than the acquisition cost, States are not able to fully utilize the cash credit limit sanctioned to them. RBI, as an interim measure has agreed for valuation of stocks held by the State at average acquisition cost during the three peak procurement months and at the mean of acquisition cost and CIP for the remaining nine months.

The matter has been taken up with RBI for valuation of stocks held by the State agencies at par with FCI but RBI has informed that since Govt. of India has given guarantee to FCI, the food credit account of FCI is not treated as a non-performing asset even when it may become irregular and that State Governments could be considered at par with FCI only when their food credit accounts are also backed by a Central Government guarantee. Government of India cannot give similar guarantee to State Government since their finances are controlled by their respective State Government/UT Administrations.

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Comments of the Committee

(Please see Para No. 1.8 of Chapter 1 of the Report)

Recommendation (Serial No.7, Para No. 3.37)

2.7 The Committee further note that the revised Citizen Charter issued by the Department in July, 2007 for adoption by the State Governments which contains, inter-alia, basic information of interest to consumers and essential information such as entitlement of BPL families, information regarding fair price shops, inspection and checking etc. has been implemented by 23 States/UTs so far. The Committee are of the view that, the implementation of the revised Citizen's Charter by the remaining States/UTs is imperative in order to improve the functioning of PDS in the country. The Committee, therefore, urge the Department to find out the reasons for non-implementation of the Charter by the remaining States/UTs, and impress upon them to adopt the revised Citizens' Charter for streamlining the functioning of TPDS operation to ensure food security to weaker sections of the society.

Action Taken by the Government

2.8 The recommendation of the Committee has been noted and the State/UT governments which have not informed about adoption/implementation of the Revised Citizen's Charter are being requested to indicate the reasons for non-implementation and to urge them to adopt the Revised Citizen's Charter at the earliest.

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Comments of the Committee

(Please see Para No. 1.17 of Chapter 1 of the Report)

Recommendation (Serial No.10 Para No. 3.56)

2.9 The Committee note that innovative/new technologies such as GPS, RFID, Bar-coded coupons, stamping of PDS foodgrains, etc. are being taken up by the Government to curb leakage/diversion of foodgrains meant for TPDS on pilot basis. The Committee have been informed that a financial assistance of Rs. 44.76 lakhs was given to the State Governments of Tamil Nadu, Chhatisgarh and Delhi for installation of GPS devices on the vehicles carrying TPDS foodgrains and that while the Government of Tamil Nadu has so far implemented the installation of GPS devices in two districts and the State Government of Chhatisgarh and Delhi have not implemented the scheme so far. The Committee have been further informed that, as a result of the implementation of GPS device in Tamil Nadu, not a single case of diversion was reported as the system has created moral fear among those involved in transportation and also enabled the civil supplies department/vigilance agencies to track movement of vehicles carrying PDS items. The Committee note with concern that as per the findings of the National Council for Applied Economics Research (NCAER), the level of diversion of foodgrains in the States of Assam and Mizoram have been as high as 100% in case of Wheat allocated for APL families and 83.28% and 81.12%, respectively in case of Rice allocated for BPL families. In other words, the foodgrains meant for APL families have not reached them at all in these two States. The level of diversion of foodgrains in other States like Bihar and Chhatisgarh are also fairly high. The Committee, therefore, strongly recommend that all necessary steps should be taken to implement the installation of GPS devices not only in the three pilot States but in all the States/UTs of the country on top priority. The Committee would like to be apprised of the action taken in this regard.

Action Taken by the Government:

2.10 Government of NCT of Delhi and the State Government of Chhattisgarh were sanctioned and released a sum of Rs.4.13 lakh and Rs.29.61 lakh respectively in March, 2008.

2. The reports about implementation of the scheme are awaited from these two State Governments. The Utilization Certificate received from the State of Chhattisgarh has been examined and certain clarifications have been sought from the State Government. Utilization Certificate (UC) from the Government of NCT of Delhi is still awaited.

3. Government of Tamil Nadu was sanctioned an amount of Rs.11.02 lakh in March, 2008. Government of Tamil Nadu have already implemented the installation of GPS devices in two districts.

4. The scheme will be further evaluated on receipt of implementation reports from the Government of NCT of Delhi and the State Government of Chhattisgarh.

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Comments of the Committee

(Please see Para No. 1.23 of Chapter 1 of the Report)

Recommendation (Serial No. 11, Para No 3.61)

2.11 The Committee note that Computerisation of PDS operations will be implemented in two stages. While all the TPDS related transactions from the Central Ministry to the Tehsil/Block levels comprising of first four tiers will be covered in stage one, the stage two will cover TPDS operations at Fair Price Shops and digitization of ration cards. The Committee have been informed that National Institute of Smart Governance (NISG) has been appointed as Scheme Consultants and Administrative approval of Rs. 53.5 crore for the scheme has been issued. After finalisation of State level Detailed Project Reports (DPRs), first installment of Rs. 14.77 crore to Andhra Pradesh, Rs. 4.405 crore to Assam, Rs. 3.485 crore to Chhatisgarh and Rs. 4.085 crore to Delhi has been released and selection of Implementing Agencies in these 4 pilot States is under process. The Committee are of the view that Computerisation of PDS operations is very essential to improve its overall efficiency and functioning. The Committee, therefore, strongly recommend that all necessary steps be taken to expedite the implementation of the scheme not only in the 4 pilot States but also to cover and complete Computerisation of the PDS operations in all the other States in a time bound manner.

Action Taken by the Government:

2.12 The recommendation of the Committee has been noted. The necessary steps for expeditious implementation of the pilot scheme on computerization of TPDS operations are being taken. The empanelment of implementing agencies has been completed and the Request for Proposals shall be released in due course. This department will get the pilot implementation of the scheme in the four States evaluated through an independent agency for feedback on fulfilling of the objectives and for feasibility of replicability in other States/UTs.

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Comments of the Committee

(Please see Para No. 1.26 of Chapter 1 of the Report)

Recommendation (Serial No.12, Para No. 3.67)

2.13 The Committee note that the Village Grain Bank (VGB) Scheme started by the Ministry of Tribal Affairs in 11 States during the year 1996-97 with the main objective to provide safeguard against starvation deaths during the period of natural calamity and during lean season, was entrusted to the Department of Food and Public Distribution for implementation since 2005-06. The Committee are unhappy to note that though funds have been sanctioned for establishing

18,692 VGBs in 20 States/UTs, only 11,245 VGBs have been established so far. The Committee further note that the evaluation reports of World Food Programme in two States have indicated some shortcomings and some positive outcome as well. The Committee urge the Department to expeditiously complete examination of the draft evaluation report and take necessary action on the suggestions for improvement in the functioning of the VGBs. The Committee also recommend that the reasons as to why only 11,245 VGBs have so far been established against the funds released for establishment of 18,692 VGBs may be found out and necessary steps taken to establish the VGBs in all the States/UTs of the country.

Action Taken by the Government:

2.14 The concept of Village Grain Bank Scheme is new to the States. They need to identify the villages, the implementing agency such as NGOs and SHGs, required storage space, etc. due to which there have been delays in setting up of the VGBs in some States. States such as Uttarakhand and Madhya Pradesh, etc. have taken the help of World Food Programme in the implementation of the scheme. The State Governments which have not established VGBs are being reminded regularly.

The findings of the evaluation report of World Food Programme have been sent to Orissa and Chhattisgarh and they have been asked to report on the remedial ad corrective steps taken on the shortcomings found in the implementation of the scheme. Replies from them are awaited. The Department is examining the recommendations of the independent agency in respect of 16 States and review the overall implementation of the scheme by the States for appropriate corrective action and make changes if necessary.

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Recommendation (Serial No.13, Para No. 3.78)

2.15 The Committee have been informed that the Government is committed to the enactment of the National Food Security Act. The Department of Food and Public Distribution has circulated the concept note on the proposed legislation to all States/UTs and has held meetings with representatives of States/UTs, Central Ministries, Planning Commission and other Stake-holders. The proposed Act envisages entitling every BPL family to 25 kg. of wheat or rice per month at highly subsidized prices. A draft Bill is under preparation in consultation with the Ministry of Law and Justice at the instance of the Empowered Group of Ministers (EGoM) constituted for the purpose. As per the advise of the EGoM, the Planning Commission on the basis of appropriate Census data of the Registrar General of

India, will notify the poverty estimates. The Planning Commission has not yet conveyed its final decision on the poverty estimates. The Committee further note that most of the State/UT Governments have indicated their acceptance of the need for Food Security Law. Considering the vast population of poor people in the country, the Committee are convinced that the Government's commitment to enact the Food Security Law is an essential step in the right direction. The Committee, therefore, strongly recommend that the Department of Food and Public Distribution should take up the matter with all concerned on top priority to complete all necessary formalities for an early introduction of the National Food Security Bill in Parliament.

Action Taken by the Government:

2.16 The Department of Food and Public Distribution (DFPD) has circulated a Concept Note on the proposed Food Security Law to all States/ Union Territories and concerned Central Ministries on 05.06.2009 and 10.06.2009 and examined the responses received. The Department has also held consultations with the State Food Secretaries, representatives of various Central Ministries, Planning Commission, experts and other stake holders.

To examine various issues relating to the proposed legislation, an Empowered Group of Ministers (EGoM) has been constituted, which has held several meetings to discuss and firm up the provisions of the proposed law.

While the Ministry of Rural Development is in the process of finalising the guidelines for identification by the States of the poor in rural areas, the Planning Commission has been given the responsibility of finalizing the guidelines for similar identification of the urban poor. The EGoM has also asked Planning Commission to consult all concerned Ministries and revert with specific recommendations regarding the proposed legislation.

Thereafter, the draft National Food Security Bill would be prepared in consultation with the Ministry of Law and Justice and, after due approvals, placed on the website of the DFPD for public scrutiny and comments.

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Recommendation (Serial No. 14, Para No. 4.5)

2.17 The Committee note with concern that a large amount of dues are still outstanding against the Ministry of Rural Development and Ministry of Human

Resource Development on account of foodgrains provided to them by FCI for various welfare schemes on payment basis. The Committee have been informed that upto March, 2010, outstanding amount against the Ministry of Rural Development and Ministry of Human Resource Development is Rs. 2890.82 crore and Rs. 265.42 crore, respectively. The Ministry of Human Resource Development has paid Rs. 300 crore as revolving fund against bills in the pipeline. The Committee are not satisfied with the reasoning of the Department for delay in liquidating the dues stating that liquidation of outstanding dues depends on allocation of funds to these Ministries by the Ministry of Finance. The Committee feel that inability to liquidate the outstanding dues of FCI over the years indicates financial indiscipline and it would adversely affect the functioning of FCI. The Committee, therefore, strongly recommend that Department should make serious efforts towards settlement of the outstanding dues and take up the matter with concerned Ministries at the highest level so that the burden on Food Subsidy Bill is reduced.

Action Taken by the Government:

2.18 To liquidate the outstanding dues of FCI, the matter has been taken up regularly by this Department at different levels including at Minister's level with Ministry of Finance and concerned Ministries i.e. Ministry of Rural Development and Ministry of Human Resource Development. FCI is also pursuing the matter regularly with MoRD and MoHRD to recover the dues pending against these Ministries on account of supply of foodgrains for their respective schemes.

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Recommendation (Serial No. 15, Para No. 4.9)

2.19 The Committee note that the establishment cost of FCI which is reimbursed by the Government alongwith the expenditure incurred on procurement, transport and storage of food grains in the form of food subsidy, is constantly showing an upward trend, indicating that large amount of food subsidy goes towards meeting the expenses on establishment cost. In the opinion of the Committee, it is nothing but depriving the ultimate beneficiary, i.e. the poor people of their legitimate benefits. The Committee also do not completely agree with the reasoning that increase in establishment cost was due to the Sixth Pay Commission Arrears with retrospective effect from 01.01.2006. The Committee feel that even after taking into account the payment of salary arrears and other benefits accrued from the Sixth Pay Commission, the establishment cost is still very high. The Committee, therefore, recommend that ways and means should be devised to contain the establishment cost so as to ensure that the benefit of food subsidy reaches the ultimate beneficiary.

Action Taken by the Government:

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

It is also pertinent to mention that in addition to FCI, the State Governments are also undertaking foodgrains procurement and distribution for the Central Pool and the respective States are allowed to include the related establishment and administrative charges in their claims of subsidy. On normative basis, they are allowed administrative charges @ 2.5% of MSP for procurement and @ 1.5% of MSP for distribution. They are also allowed to claim higher administrative charges duly supported by Audited Accounts. While the State agencies confine their operations to within the State, FCI is also expected to operate inter-State and transfer foodgrains from the surplus States to the deficit States. The administrative cost of FCI for the year 2008-09(Prov) works out to 2.12% of economic cost in case of wheat and 1.70% of economic cost in case of rice.

During 2004-05 to 2008-09, the MSP of Wheat increased from Rs.630 to Rs.1000 i.e. 59% and the MSP of Paddy (Gr.A) increased from Rs.590 to Rs.880 i.e. 49%. As the administrative charges allowed to the State Agencies undertaking procurement operations are linked to MSP the same increased by an average 54% between 2004-05 to 2008-09. During the same period the establishment cost of FCI increased from Rs.1618 Crore to Rs.2011 Crore i.e. 24%. Further, during the same period, the Consumer Price Index for Urban Non-Manual Employee (CPI-UNME) increased from 441 to 577 i.e. an increase of 31%.

The establishment cost primarily consist of staff cost. Thus, when compared to the consumer price index, the establishment cost of FCI is reflecting a downward trend during the five years from 2004-05 to 2008-09.

The Staff Sanctioned Strength of the Corporation has been drastically reduced from 55053 to 36318 excluding Hindi and Watch & Ward staff.

The Food Corporation of India has already implemented instructions on economy measures and rationalization of expenditure vide OM No. 7(1)/E.Coord/2009 dated 7th Sept. 2009. The Corporation would monitor to see that the economy instructions are implemented so as to ensure that the establishment cost is controlled.

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Recommendation (Serial No. 16, Para No. 4.15)

2.21 The Committee are disturbed to note that as on 31.01.2010, the utilization of CAP (owned) capacity was only 36% but utilization of CAP (hired) capacity was 59%. The Committee are unable to accept the plea of FCI that there are certain practical/operational constraints for 100% utilization of owned capacity. The Committee further note that as per C&AG observation in Performance Audit on the subject “Functioning of FCI as per FC Act and its impact on food subsidy”, the godowns are hired in places where the owned capacity was available resulting in incurring of unfruitful expenditure of Rs.1324 crore (Approx.) paid as rent for the past three years. Besides, Non-utilisation of hired capacity has resulted in payment of Rs.503 crore rent which can be termed as unproductive. Thus, underutilization of owned godowns capacity and hiring of godowns in places where underutilized capacity is available has resulted in unexpected expenditure of Rs. 1313 crore for the three years. The Committee, therefore, strongly recommend that FCI should utilize their owned capacity to the maximum before hiring any storage capacity in order to save precious funds spent on hiring the storage space.

Reply of Government

2.22 As on 01.06.2010, FCI is having a total storage capacity of 304.37 Lakh MT with a stock level of 275.88 Lakh MT and a capacity utilization of 91%. Out of the total storage capacity available with FCI, 10.68% is Covered and Plinth (CAP) and the rest is covered. Further, 48.85% of the total storage capacity available with FCI is hired from CWC/SWCs/Govt. Agencies/Pvt. Parties and the balance is owned.

The utilization of available storage capacity with FCI as on 01.06.2010 is 91% against an optimal utilization of 75% as per Bureau of Industrial Cost and Pricing (BICP) norms. The capacity utilization at such a high level does not leave much scope for maneuverability and the moving of stocks from procuring regions to consuming regions has become very difficult. Following table shows the percentage utilization of storage capacity available with FCI as on 01.06.2010.

(Figures in Lakh MT)

	Owned		Hired		Total
	Covered	CAP	Covered	CAP	
Capacity	129.69	26.01	142.16	6.51	304.37
Stock	114.76	15.83	138.07	7.22	275.88
% utilization	88%	61%	97%	111%	91%

The recommendation of the Committee regarding maximum utilization of owned capacity before hiring any storage capacity is being pursued vigorously. However, there are certain impediments to 100% owned capacity utilization. The same is not possible on practical/operational grounds as some space is always required for treatment of stocks by way of aeration/fumigation and part stacks as a result of loading/unloading operations. For the purpose of computation and preparing a check on storage loss, stack is taken as a unit and until and unless a stack is completely used, no further receipt in the stack is resorted to which results in part stacks thereby reducing the capacity utilization of the godown. Further, in case of rice, as per the instructions, the mill wise separate identity of stock is required to be maintained, resulting in lower utilisation.

Thus there are certain practical/operational constraints (stated above) for less than 100% utilization of capacity. This is supported by scientific studies.

As far as higher percentage utilization (59%) of hired CAP capacity as compared to owned CAP capacity (36%) as on 31.01.2010 is concerned, it is submitted that the capacity is hired at a particular place only when owned capacity is not available to the extent required and hiring is absolutely necessary which is the reason for it to be utilized more . Most of the CAP capacities are hired on actual utilization basis thereby resulting in higher percentage utilization. Moreover, CAP capacity is generally not used till covered capacity is available at a particular place and even when it is used, only wheat/paddy is stored in CAP. Therefore, owned CAP capacity is used only at the places where covered capacity is not available and therefore its utilization is comparatively low. From the table given below it is clear that in absolute terms, the utilization of owned CAP capacity is almost four times i.e. 8.86 Lakh MT against only 2.41 Lakh MT of hired CAP capacity.

(Figures in Lakh MT)

	Covered		**CAP**		**Total**	
	Owned	Hired	Owned	Hired	Owned	Hired
Capacity	129.69	124.08	24.84	4.07	154.53	128.15
Stock	97.07	98.81	8.86	2.41	105.93	101.22
% utilization	75	80	36	59	69	79

Further it is clarified that all the hired CAP capacity of 4.07 Lakh MT as on 31.01.2010 exists only in North Zone which comprises of the major wheat procuring States of Punjab and Haryana. In no other part of the country, CAP capacity has been hired.

Regarding observations of C&AG on hiring of capacity at places where FCI owned capacity existed, it is submitted that the optimal utilization of capacity must be considered as 75% and not 100% for a particular godown. Apart from this, the operational viability of using owned capacity must also be taken into account on case by case basis and only then the excess rent paid, if any, can be arrived at. Moreover, most of the capacities taken by FCI are on GHB (Guarantee Hiring Basis) basis where the rate of rent to be paid is much less as compared to the rate of rent on commercial/actual utilization basis. However, FCI is dealing with seasonal commodities and the utilization of capacity varies from time to time in a year. But to reduce the overall rental expenditure and also not to run out of capacity at the time of procurement during a year, capacities are taken on GHB basis. So, while calculating extra rent payable against under utilization of capacity, it must be evaluated against the alternate available of hiring on requirement basis on a higher rate of rent and not on the rate payable for GHB.

In procurement areas, godown capacities are created keeping in mind the procurement levels and procurement period which is often confined to a very short span of time. For example, in wheat, the procurement is done within a short period of one month whereas rice is received within a period of 3-4 months. Moreover procurement over the year is not uniform, at times the yearly variations are very huge and often the procurement in a record year takes even much more than a year to move to the consuming areas. The godown capacities in the procurement states are put to maximum use during procurement period and after this they are gradually emptied as capacity utilization during the month of January to March is generally lower as space is required to be created for accommodating the stocks of the ensuing crop year. Further, capacities are to be arranged in a fashion so that they can take care of the peak procurement level. In consuming areas the stocks are kept for four months requirement for Public Distribution System (PDS) and Other Welfare Schemes (OWS). As the replenishment of the stocks cannot be exactly as per the offtake, some capacity remains underutilized. Further, separate stacks are to be kept for wheat and rice and as per FIFO principle, stack wise issues are to be made till a stack is used to ensure quality control and fixing of responsibility for storage losses.

The capacity utilization is maximum in the month of June which is evident from the position as under for the last three years.

Figures in Lakh MTs; as on 30th June

		COVERED			CAP			GRAND TOTAL
		OWNED	HIRED	TOTAL	OWNED	HIRED	TOTAL	
30.6.07	CAPACITY	129.43	92.91	222.34	22.67	2.53	25.2	247.54
	STOCKS	77.73	70.88	148.61	3.17	2.54	5.71	154.32
	UTILIZATION	60%	76%	67%	14%	100%	23%	62%
30.6.08	CAPACITY	129.63	97.49	227.12	22.97	0.86	23.83	250.95
	STOCKS	93.12	86.01	179.13	6.55	0.87	7.42	186.55
	UTILIZATION	72%	88%	79%	29%	101%	31%	74%
30.6.09	CAPACITY	129.67	117.15	246.86	23.07	5.70	28.77	275.59
	STOCKS	112.17	114.28	226.45	10.56	5.65	16.21	242.66
	UTILIZATION	87%	98%	92%	47%	99%	56%	88%

From the given table it is clear that the average capacity utilization based on the utilization for the month of June for the last three years has been optimal i.e. 75% (average of 62%, 74% and 88%). Except for June, 2007, when the stock level in the country was unusually low, the capacity utilization has been optimal for the last three years and in the case of covered it was even more than the optimal.

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Recommendation (Serial No. 17, Para No. 4.16)

2.23 The Committee note that Godowns/Silos/Depots staff constitute 60% of the total staff strength of the FCI, which is sanctioned on the basis of infrastructure created, rather than workload norms. The Committee also note that as per C&AG observation, due to lower utilization of storage capacity, the wages paid to the employees who were not performing any productive functions can be termed as unproductive. The Committee further note that the non-occupancy of the godowns has resulted in losses to the Corporation to the tune of Rs.810 crore (Rs.267.87 crore/per annum) on the salaries and wages in the last three years as these were not occupied. The Committee, therefore, strongly recommend that the Department should exercise utmost care in rationalizing placement of godowns staff, which should be on the basis of work load norms rather than infrastructure created, to prevent undue burden on food subsidy bill, by avoiding infructuous expenditure. The Committee hope that the new staffing norms based on the work load will be implemented expeditiously.

Reply of Government

2.24 The Government has approved the proposal regarding organizational restructuring of FCI with specific reference to man power management and cadre management. The restructuring exercise has been carried out with volume of operations as one of the primary criteria. In the process of implementation of new staffing norms, the Board of Directors of FCI has approved the revised sanctioned strength for Cat. III employees.

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Comments of the Committee

(Please see Para No. 1.29 of Chapter 1 of the Report)

Recommendation (Serial No. 18, Para No. 4.25)

2.25 The Committee are unhappy to note that FCI could not achieve the physical and financial targets set for construction of godowns during 2009-10 in respect of NE States as well as other than NE States. In States other than NE, the set physical target was 1042000 MTs but its achievement was NIL. In the same way, the Corporation failed to achieve the financial target of Rs.17.675 crore, as achievement during the period was only 2.44 crore. As informed by the Secretary during evidence, the problem in construction of godowns by FCI has been due to non-availability of space, where they wanted. The Committee, therefore, strongly recommend that the Department of Food and Public Distribution should take up the matter urgently with States/UTs at highest level for identifying and providing suitable land for construction of godowns and ensuring that funds earmarked for the purpose do not remain unutilized.

The Committee are pained to note that during 2009-10, no physical target for constructions of godowns in NE region has been set. So far as financial targets are concerned that have also not been achieved. Financial target set during 2009-10 for NE region was 6.75 crore but its achievement was only 2.30 crore. The Committee observe that North Eastern States are the most disadvantaged States in terms of lack of infrastructure, communication and rail/road network. Inadequacy of storage space in North Eastern States and J&K poses a serious threat to running of an efficient Public Distribution System. The Committee, therefore, strongly recommend that the Ministry should make sincere efforts by including the NE States in the prospective plan and make all out efforts for achievement of physical as well as financial targets in these States. The construction of godowns in other than NE region should also be speeded up so that the people of NE as well other than NE States are not deprived of the benefits of Public Distribution System.

Reply of Government

2.26 During the year 2009-2010 (RE) Rs.29.485 crore was allocated under the Plan Scheme for construction of storage godowns inclusive of Rs.24.425 crores to FCI (Rs. 17.675 crores for the areas other than NE and Rs. 6.75 crores for NE areas including Sikkim). Physical target of 10,420 MT (9,170 MT at Dungripally/Orissa and 1,250 MT at Lakshadweep) was fixed.

The Government has released a total of Rs. 24.43 crores to FCI as equity (Rs. 17.68 crores for the areas other than NE and Rs.6.75 crores for NE areas including Sikkim) for construction of storage godowns. The Government has also released a total of Rs.5.06 crore as Grants in Aid to State Governments of NE Region including Sikkim and Jammu & Kashmir for construction of storage godowns.

At the end of financial year 2009-10 the achievement was Rs.24.49 crores for FCI (Rs. 17.74 crores for the works other than NE works and Rs.6.75 crores for NE areas including Sikkim). Further, Rs.5.06 crore was released as Grants in Aid to the State Governments of North East Region including Sikkim and J&K.

Thus, it can be seen that there was no shortfall in the financial achievements as against the revised targets. Further, a capacity of 9,170 MT at Dungrapally/Orissa region was also created during 2009-2010. At Lakshadweep/UT capacity of 1250 MT could not be realised since the State Government of Karnataka had banned the lifting of sand from Mangalore Port to Andrott Island. The matter was taken up with the Chief Secretary, Karnataka by the C&MD, FCI as well as by this Department. The State Government allowed FCI to transport sand from Mangalore Port to Andrott Island only during November 2009. As such the physical targets could not be achieved in 2009-10..

However, the recommendations of the Committee have been noted and the action will be taken accordingly.

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Recommendation (Serial No. 24, Para No. 6.14)

2.27 The Committee observed that the mismatch between domestic production and demand for sugar is primarily responsible for rise in price of sugar. However, in mid December, 2009 and first week of January, 2010 the rise in price of sugar was mainly due to increase in international prices of raw and white/ refined sugar, ramous of very low domestic production of sugar in the current sugar season and restriction on movement and transportation of imported raw sugar in the State of U.P. The Committee find that though the Government have taken various measures in order to arrest the rising trend of sugar price, like import of raw sugar at zero duty, imposing stock holding and turnover limits of sugar dealers, imposing stockholding limit on large consumers of sugar, who are using sugar more than the availability, suspension of future trading, conversion of monthly allocation of non-levy sugar for sale by sugar mills in the open market to weekly targets for sale to ensure even flow of sugar into open market etc., which has shown some positive result, thereby bringing down the price of sugar slightly, yet the sugar price is considerably high in the open market. The Committee feel that one of the major reasons for rise in price of sugar is blackmarketing and hoarding of sugar by traders who create artificial scarcity in the market. The Committee, therefore, strongly recommend that Department should persuade the State Government / UTs to strengthen their enforcement machinery and conduct regular raids to catch hold the hoarders and blackmarketers who create artificial scarcity leading to price rise of sugar in the market.

Reply of Government

2.28 The Central Government has imposed stockholding and turnover limits on dealers of sugar vide the notification dated 12.03.2009 initially for a period of four months, which was subsequently extended for another six months and khandsari sugar was also brought under these limits, vide the notification dated 16.07.2009. The Central Government has again extended such limits vide notification dated 11.01.2010 till 30.09.2010. Further, stockholding limit has also imposed on bulk consumers of sugar. There was a spurt in prices of sugar in the open market from mid –December, 2008 which reached its zenith in the first week of January, 2010. The Central Government immediately responded and took strict measures like weekly system of sale/dispatch of non-levy quota of sugar from sugar mills, reduction in stockholding limit on bulk consumers of sugar etc. With these measures, downward trend in sugar prices started and they have since cooled down as indicated below –

Date	***Ex-mill prices of S-30 grade of sugar. (in Rs. Per quintal)***		***Retail price in Delhi (in Rs. per kg.)***
	Maharashtra	***U.P.***	***Delhi***
15.01.2010	*3650-3670*	*3890-3940*	*47.00*
01.02.2010	*3825-3845*	*4090-4240*	*43.00*
15.02.2010	*3390-3440*	*3650-3690*	*43.00*
02.03.2010	*3050-3150*	*3440-3470*	*41.00*
15.03.2010	*3030-3060*	*3190-3240*	*37.00*
25.03.2010	*2800-2850*	*3065-3090*	*35.00*
29.03.2010	*2875-2925*	*2990-3040*	*35.00*
01.04.2010	*2700-2750*	*2990-3010*	*34.00*
07.04.2010	*2725-2795*	*2930-3010*	*34.00*
15.04.2010	*2620-2660*	*2870-2945*	*34.00*
26.04.2010	*2480-2520*	*2790-2815*	*33.00*
27.04.2010	*2560-2600*	*2790-2815*	*33.00*

The Standing Committee in its 2nd report has also recommended that '***……the Government should strengthen its enforcement machinery to conduct raids on the godowns of traders and take stringent action against them in order to check hoarding and blackmarketing of sugar…..'*** The said recommendation of the Committee has already been forwarded to the State Governments/ UT Administrations.

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Comments of the Committee

(Please see Para No. 1.32 of Chapter I of the Report)

Recommendation (Serial No. 25, Para No. 6.18)

2.29 The Committee are shocked to note that cane price arrears are constantly on the rise and the outstanding cane price arrears is as high as Rs. 2748.08 crore as on 31.12.09. The Committee are pained to note that although payment of sugarcane arrear is required to be made within 14 days of the supply of sugarcane by the farmers, it is, however, rarely done. Cane price arrears pertaining to sugar season (2007-08) and earlier are still outstanding. The Committee feel that non payment of cane price arrears in time can be a deterrent and might refrain the farmers from growing sugarcane. The Committee, therefore, recommend that to motivate farmers to continue with sugarcane cultivation, the Government should make sincere efforts to liquidate the various grants/aids given to sugar mills with interest. The Committee further note that the Sugarcane (Control) Order, 1966 empowers the State Government to recover cane price arrears from defaulting sugar mills as land revenue arrears and desire that strict action should be taken against defaulting sugar mills under the provisions of the order. The Committee would also like to be apprised of the details of sugar mills which are still to liquidate their outstanding arrears against the farmers alongwith reasons for not paying the outstanding arrears.

Action taken by the Government

2.30 In order to motivate farmers to continue with sugarcane cultivation the Central Government has taken certain steps which are given in **Annexure - I**.

The State Governments have already been empowered to recover cane dues from the defaulting sugar mills as land revenue arrears under Sugarcane (Control) Order, 1966, and they are being advised to take strict action against the defaulting sugar mills under the provisions of the said Order as desired by the Committee.

As regards details of the sugar mills which are still to liquidate their outstanding arrears against the farmers and the reasons for not paying the outstanding cane price arrears by them, the State Governments are being requested to furnish the requisite details.

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Recommendation (Serial No. 26, Para No. 6.27)

2.31 The Committee note that under the Sugar Development Fund Act, Sugar Development Fund is utilized by the Government of India for rehabilitation and modernization of sugar mills and development of sugarcane areas, carrying out R&D projects and production of anhydrous alcohol or ethanol from alcohol or molasses and cane development. The Government have disbursed Rs. 2903.43 crore to 95 sugar mills during the last three years. The Committee are, however, constrained to note that SDF has not been disbursed to any Sick Sugar Mill due to non-completion of application forms which indicates that the Government is not serious towards the revival of sick sugar mills and to encourage them to join the mainstream in production of sugar in the country. The Committee, therefore, recommend that the Government should relax the eligibility criteria for sanction of loan to sugar mills from SDF so that these sugar mills are not deprived of the benefits of the Sugar Development Fund.

Action taken by the Government

2.32 The committee has expressed their concern over non-disbursement of loans to sick sugar mills due to non completion of application forms, indicating that the Government is not serious towards the revival of sick sugar mills. In this regard it may be stated that no sugar mill has been denied the benefit due to non completion of application form. The fact is that no sick sugar factory has so far applied for the SDF loan as per provisions of SDF Rules. As per the provisions of SDF Rules, a sick undertaking is required to get a revival package approved by the BIFR in the case of private and public sector sugar factories and by the Committee on Rehabilitation (COR) in the case of Co-operative sugar mills, with a component of SDF loan in the package. Loan is available from SDF both for cane development and rehabilitation/modernisation. The eligibility criteria for such loan to a potentially viable sick unit is quite favorable to the sugar factories in so far as loan up to 60% of the project cost (as against 40% in normal cases) can be given from SDF for rehabilitation/modernisation projects and the moratorium period for repayment can be decided by the Central Government on case to case basis (against a fixed moratorium period of 8 years in normal cases). Similarly for cane development loan, the 10% contribution required to met by the sugar factory can be met by the concerned State Government also. The condition of approved revival package by BIFR/COR cannot be dispensed with in view of the fundamentals of financial propriety in the use of public funds.

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Recommendation (Serial No. 27, Para No. 7.16)

2.33 The Committee note with concern that despite various measures undertaken by the Government to increase the production of oilseeds, it has shown a declining trend. Though the Government of India has modified/restructured Centrally Sponsored Integrated Scheme of oilseeds, pulses, oil, palm and maize (ISOPOM) during the XI plan period to increase production of oilseeds, the results are not very effective. As informed by the Ministry, the production of oilseeds in the country in 2007-08 was 297.56 lakh tonnes which was an all time record but it declined to 281.57 lakh tonnes in 2008-09. Consequently, net availability of edible oil from all domestic sources has also shown a declining trend. In 2008-09, the production of oilseeds declined mainly in the States of Andhra Pradesh, Maharashtra and West Bengal for which the main reasons attributed were unfavourable conditions and weather aberrations in these States besides infestation of insect pest in soyabean in Maharashtra during the Kharif season 2008 and unfavourable conditions in winter season impacting production of mustard in West Bengal. The increase in non-agricultural demands for land and water as a result of the higher overall GDP growth and urbanization, etc. has also proved to be detrimental to the production of oilseeds resulting in shortages. Accordingly, the consumption being increased due to increase in population, and improvement in the standards of living of people and consequent increase in demand of edible oils, the country had to import about 101 lakh tones of edible oil during 2009-10. Taking into consideration the overall demand and supply position of oilseeds and edible oils, the Committee feel that the efforts made by the Department to increase production are not sufficient and there is, therefore, an urgent need to pay more attention to R&D. The R&D initiatives need to be demonstrated to farmers practically from labs. to their fields for the development of improved, new and high-yielding varieties of oilseeds. The Committee also desire that incentives to farmers-fiscal and otherwise, low and cheap credit and other inputs should be extended to motivate them to increase production of oilseeds. Production of traditional oilseed crops also needs to be encouraged. Further, to reduce the dependency on imported edible oil, the use of non-traditional secondary source of edible oils should also be encouraged. The Committee also feel that in order to augment the production of edible oils, there is an imperative need to improve technology for extraction of edible oils. The Committee, therefore, desire the Government to take immediate steps to arrest the decline in growth rate of oilseeds as also to enable agriculture to be viable and profitable avocation to the farming community at large. The Committee may be apprised of the steps taken in this direction. The Government should ensure that the funds allocated for R&D projects are fully utilized by the DVVO&F. The Agriculture Ministry should also be advised to undertake latest research, adopt new technology and measures to raise oilseed production. The Committee recommend the Department to take initiatives on above mentioned lines in consultation with the ministries involved in the task such as Ministry of Agriculture etc.

Action taken by the Government

2.34 The subject matter primarily relates to latest research, new technology and measures to raise oilseed production which lies within the purview of Ministry of Agriculture. The matter has been taken up with that Ministry. As per comments received from Ministry of Agriculture, nearly 75% of the oilseeds area is under rainfed conditions. Therefore, there is bound to have fluctuations of oilseeds production, since oilseed crops are very sensitive to both amount and distribution of rainfall and other climatic changes. The data from large number of Frontline demonstrations conducted on oilseed crops over the last 2 decades has clearly established the potential of improved technologies developed through research programmes. These demonstrations indicate that with the adoption of improved technology, the oilseeds production can be increased by about 40-70% as yield gap of improved technology over the Farmers' practice varied from 36% in rapeseed-mustard to 125% in sunflower.

Some of the major constrains in oilseed production are as follows:

1. Non availability of quality seed of improved hybrids/varieties.

2. Non-promotion of nationally released varieties/hybrids, as each state tries to promote the varieties/hybrids released by them.

3. Inspite of production of large quantity of breeder seed, the same is not getting converted to foundation and certified seeds because of weak seed chain.

4. The farmers are not getting motivated to grow oilseed crops because of low remunerative price, since price of oilseeds is going down as compared to other competing crops.

The following programmes have been undertaken to increase the oilseeds production:

a. Development of CMS hybrids in safflower and sunflower hybrids for spring and rabi-summer.

b. Use of genetic engineering tools to incorporate the genes for resistance to major diseases/insect pests into cultivated genotypes is in progress.

c. Integrated nutrient management practices for higher input use efficiency and reduced cost of cultivation.

d. Development of IPM packages to control diseases and insect pests and to reduce cost of production.

e. Besides, a large number of FLD programmes have been planned to be conducted in the farmers fields to demonstrate the benefit of latest technologies.

f. Development of Partnership with Private sectors to strengthen the breeding and yield improvement.

The R&D Projects on edible oils undertaken by Department are in the field of improvement in processing technology in production of edible oils, use of secondary sources of oilseeds/edible oils, refining and storage studies etc.. The Department have utilized 121% budgetary allocation in R&D Projects during 2009-10.

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Recommendation (Serial No. 28, Para No. 7.23)

2.35 The Committee are deeply concerned to note the declining production of oil which is attributed to lower production of oilseeds. The Committee note that the R&D schemes which aim to coordinate and concentrate research efforts for development of technology for increased production of oils from oil bearing material and also optimum utilization of these materials, approve proposals under the Plan schemes which include – proposals regarding cost effective measures that would enable energy conservation, improvement in quantity and quality of oil and co-products and reduction in losses, etc. As informed by the Ministry, the unsatisfactory progress of R&D projects was due to various reasons such as failure to purchase equipment in time, non-availability of material used to carry out the research, non-submission of utilization certificates, dislocation of work due to frequent change in top position in these institutes and change in site locations for installation of pilot plan. The Committee strongly recommend that the Department in consultation with other Ministries involved should streamline the procedure and documentation, for transparency and accountability in operation at each level for giving timely approval for purchase of various research equipments. The Committee also desire that strict instructions should be issued and regular monitoring done so that research projects are pursued with all seriousness.

Action Taken by the Government

2.36 The Directorate of Vanaspati, Vegetable Oils and Fats (DVVO&F) is operating a Plan Scheme on “Research and Development and Modernisation of the Laboratory of the Directorate of VVO&F”.

The new R&D projects are scrutinized by Technical Committee i.e. Sub-Committee of Science and Technology Advisory Committee (STAC) and approved by STAC, consisting of experts from CFTRI, BIS, CSIR, OTAI etc. and representatives of various Ministries like Ministry of Agriculture, Ministry of Health and Department of Science and Technology, under the Chairmanship of Secretary (Food and Public Distribution). The progress of the projects is monitored periodically by the Project Implementation Committee (PIC) of the Department.

Procedures have been streamlined in the Department for giving timely approval and for regular monitoring of projects. The institutes have been advised to complete the project in time. For better operation and monitoring of R&D projects, norms for financial assistance have been revised in 2009-10.

During the 10th Five Year Plan 21 R&D projects were funded out of which 13 projects were completed and 8 projects have been carried over to the 11th Plan period. During the 11th Plan period (2007-2012) out of 8 ongoing R&D projects, 5 projects have been completed. During 2009-10, 3 on-going R&D projects and 4 new R&D projects have been funded and the Department have utilized 121% budgetary allocation in R&D projects.

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Recommendation (Serial No. 29, Para No. 7.27)

2.37 The Committee are concerned to note that the number of inspections carried out by the officials of DVVO&F as well as the number of samples analyzed is on the decline. The number of inspections carried out in 2008-09 is 1125 which declined to 980 in 2009-10. The number of samples analyzed during the year 2008-09 is 3423 which declined to 3089 in 2009-10. The Committee are of the view that in a country like ours, where edible oils are the main cooking medium and adulteration to edible oils is so widespread, the quality control of edible oils is very essential. The Committee, however, are shocked to find that the number of inspections carried out and the number of samples analyzed are almost negligible. The Committee, therefore, recommends that to keep a check on adulteration of edible oils, number of inspections and drawing of samples across length and breadth of the country needs to be increased. The Committee also desire that special attention be paid for drawing samples from rural / tribal / jhugi–jhopdi, unauthorized residential areas in cities and other vulnerable far-flung areas. Cases of adulteration, if proved, should be decided expeditiously. The Committee also desire that exemplary punishment must be imposed on the offenders.

Action Taken by the Government

2.38 The Directorate of VVOF is carrying-out inspections of industries engaged in production of edible oils and collects samples from these units for analysis. The subject matter regarding adulteration of edible oils from retail outlets lies within the purview of Ministry of Health and Family Welfare, Food Safety and Standards Authority of India (PFA). The matter has been taken up with that Ministry. Food Safety and Standards Authority of India (Ministry of Health and Family Welfare) has informed that the implementation of the PFA Act, 1954 & Rules framed there under vest with the Food (Health) Authorities of the States/U.Ts.. The enforcement staff/machinery of the concerned State/U.T. Governments draw the samples of commonly used food commodity suspected to be adulterated/misbranded and take punitive action where samples are not found conforming to PFA Act/Rules. The concern of the Committee to draw large number of samples of edible oils particularly from the vulnerable areas, expeditious disposal of cases and imposition of exemplary punishment have been conveyed to the State/UT Governments.

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CHAPTER III

OBSERVATIONS / RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

Recommendation (Serial No. 19, Para No. 5.10)

3.1 The Committee observe that despite various measures being adopted by the Central Warehousing Corporation (CWC), the expenditure on Establishment Cost has risen from Rs. 234.63 crore during the year 2007-08 to Rs. 394.65 crore during the year 2009-10. The Committee note that no fresh recruitment is being made in CWC since 1998 with a view to reducing the manpower and the resultant cost. The plea of the Government that increase in Establishment Cost during 2007-08 and 2008-09 was mainly due to implementation of the revision of Pay Scales of Employees under CDA and IDA pattern is not convincing. The Committee feel that even after taking into account the payment of salary arrears and other benefits accrued from the Sixth Pay Commission to the employees, the Establishment Cost is still very high. The Committee, therefore, strongly recommend that Government should find ways and means for restructuring the policy, plan and program of CWC to reduce the Establishment Cost which will further enhance its profits.

Action Taken by the Government:

3.2 (i) The rise in establishment cost during the year 2009-10 compared to 2007-08 is attributable mainly to revision in Pay and Allowances in all the categories of employees implemented during 2008-2009 and consequential increase in provisions for gratuity, leave & other employee's benefits. The breakup of increase in establishment cost from 2007-08 to 2009-10(provisional) is as under:

(Amount in crore Rs.)

Head of Account	2007-08	2009-10 (prov)	Increase
Pay & Allowances	157.40	244.25	86.85
Contribution to Provident Fund	14.62	24.15	9.53
Provision for Gratuity	10.89	84.24	73.35
Provision for PLI	3.71	3.18	-0.53
Provision for Leave Benefits	13.68	19.15	5.47
Provision for post-retirement medical benefits	10.90	3.90	-7

Provision for Death Compensation	0.03	0.10	0.07
Provision for LTC	0.00	0.68	0.68
Provision for Pay Revision	23.40	15.00	-8.4
Total	**234.63**	**394.65**	**160.02**

From the table above it may be seen that the increase in the establishment cost in 2009-10 compared to 2007-08 was only due to implementation of the revision of pay scales of employees under CDA pattern pay scales w.e.f. 1.1.2006 and employees under IDA pattern pay scales w.e.f. 1.1.2007 and related provisions. However, in order to reduce the administrative cost, CWC has taken various measures such as reduction in non-plan expenditure on heads like publicity, telephone, travel, entertainment etc.; cost effective methods like computerization etc. Furthermore, Non-Core Services are being outsourced and 13 number of Construction Cells have been closed. No fresh recruitment is being made since 1998 to reduce manpower and establishment costs. The Corporation also implemented VRSs during the years 1994, 1998, 2002, 2005 & 2008 which has resulted in reduction in manpower by **2475** number of employees.

(ii) CWC has given due consideration to the recommendations of TCS on Organisational Restructuring and Human Resource Systems, which were implemented in the Corporation after examination and acceptance by the Board of Directors. The main recommendation of TCS Report was to reduce manpower especially in Groups ‘C’ & ‘D’. There has been no fresh recruitment after 1998 in any cadre. Besides, the Corporation also introduced VRS during the year 1994, 1998, 2000, 2005 and lastly exclusively for Engineers during 2008. However, considering the commercial requirement specially at higher managerial levels, during 2008-09, the Corporation has made some Direct Recruitments of 40 JTAs(Group-C) and 30 Management Trainees (Group-A). The capacity handled per employee has also increased from 1630 MT during 2007-08 to 1773 during 2008-09 while turnover per employee has substantially increased from Rs. 12.81 lakh in 2007-08 to Rs. 14.31 lakh in 2008-09.

(iii) It may therefore be seen that sincere efforts have been made by CWC to reduce establishment costs but due to revision in Pay Scales of employees at all levels there has been unavoidable increase in establishment costs.

(iv) However, the concern expressed by the Committee with regard to increase in the establishment costs has been noted and efforts will be made to reduce establishment cost of CWC.

Ministry of Consumer Affairs, Food & Consumer Affairs, Department of Food & Public Distribution O.M. No.G-20017/2/2010-AC dated 20th July 2010

Recommendation (Serial No. 20, Para No. 5.18)

3.3 The Committee note that the prospective plan drawn by CWC for construction of godowns in 2010-11 does not include any NE States. The Committee are not convinced with the plea of the Government that since the storage capacity available with CWC in the NE region is not fully utilized, therefore, construction of additional capacity in the region could not be considered. The Committee feel that due to difficult geographical conditions in NE region, poor people of the region are deprived of the benefits of Public Distribution System (PDS) due to inadequacy of storage space. The Committee, therefore, reiterate their earlier recommendation made in Demands for Grants (2009-10) that separate funds i.e. 10% of the total plan funds be earmarked for construction of godowns in NE States and construction of godowns in the region be stepped up. The Committee desire to be apprised of the action taken in this regard.

Action taken by the Government

3.4 It is submitted that the storage requirement for PDS is being met by respective State Governments/State Government Agencies like Civil Supplies Corporation, State Warehousing Corporation(SWCs) and also Food Corporation of India. The Central Government's Schemes for creating storage capacity are also available to them.for construction of godowns in identified locations.

Besides, the Assam SWC and Meghalaya SWC were also operating a total of 2.61 Lakh MT with 50 warehouses . CWC is operating 9 warehouses in NE region with a total capacity of 1.01 Lakh MT. The average occupancy of these warehouses during the years 2006-07, 2007-08 and 2008-09 was 65%, 75% and 79% respectively. As on 1st February, 2010, the average capacity of the region was 84%, which shows that the storage space is still available. However CWC is making efforts to get the land allotted and undertake construction wherever land is made available by the State Governments as getting land at suitable locations is difficult. Recently, the Government of Tripura expressed their willingness to make available suitable land and their proposal is being examined. Similarly, Government of Assam has also been requested to allot land at Amingaon, Nowgaon etc. FCI has also desired construction of warehousing capacity on the railway land through CWC at Saichapara, Nowgaon, Dibrugarh, Kokrajhar, Bhairbi, Dimapur & Jiribam.

Ministry of Consumer Affairs, Food & Consumer Affairs, Department of Food & Public Distribution O.M. No.G-20017/2/2010-AC dated 20th July 2010

Recommendation (Serial No. 21, Para No. 5.19)

3.5 The Committee are deeply concerned to note that CWC has failed to achieve physical and financial targets set for construction of godowns during 2008-09 and 2009-10. The total achievement in respect of physical target for construction of godowns during 2008-09 is only 0.54 lakh MT as against set target of 0.92 lakh MT. Total achievement in respect of financial target during this period is Rs. 16.58 crore as against the target of Rs. 35.98 crore. During the financial year 2009-10 also, CWC has constructed merely 24,500 MT capacity by the end of February, 2010 and propose to complete the work in respect of the remaining 66,550 MT capacity by the end of March, 2010. Keeping in view the slow pace of construction of godowns, the Committee doubt whether the CWC would be able to achieve physical and financial targets set for construction of godowns by the end of March, 2010. The Committee feel that inadequacy of storage capacity poses a serious threat to running of efficient public distribution system and desire that CWC should pursue the matter with concerned State Government/UT Administration vigorously and ensure that funds do not remain unutilized for want of locations or otherwise and the efforts for construction of godowns are geared up so as to create adequate storage space.

Action taken by the Government

3.6 The targets and achievements for creation of storage capacity by CWC during last three years are as follows:-

Year	**Target**		Achievement	
	Physical (lakh MT)	**Financial Targets including the cost of land (Rs. In crore)**	**Physical (Lakh MT)**	**Financial Targets including the cost of land (Rs. In crore)**
2006-07	5.90	109.63	3.78	78.66
2007-08	2.13	23.50	2.40	22.88
2008-09	0.92	35.98	0.54	16.58

During the year 2008-09, the shortfall in achieving the physical target was due to dispute in getting land at Hubli, which is still unresolved. This target also included construction of 0.18 lac MT for Central Railside Warehouse Company Limited(CRWC), which had been achieved. i.e. the total achievement for this year was 0.72 lac MT.

During the year 2009-10, the physical target for construction of storage capacity was 91,050 MT with an estimated outlay of Rs. 39.50 crore. The achievement in this regard is 89,500 MT with a financial outlay of Rs. 17.97 crore (provisional). The short fall of 1550 MT was due to the fact that only 23,400 MT capacity at Bhatinda was completed as against proposed 25,000 MT owing to late removal of stocks by F.C.I. from the plinth.

The storage capacity is created by CWC on the basis of demand requirements of either the State Government or FCI or the local market. Whenever such demands are received, feasibility survey is undertaken and the capacity to be created is decided. CWC has tentative plan to construct the storage capacity of about 1.77 lakh MT at different locations during the year 2010-11 which includes 64,000 MT for utilisation by FCI. CWC is also proposing to take up construction of capacity of about one lakh MT on behalf of Orissa SWC and Orissa State Civil Supplies Corporation and 0.35 lakh MT capacity at Visakhapatnam on behalf of APSWC during the year 2010-11.

Due to these additional construction taking place in the year 2010-11, there will be substantial increase in storage capacity available with CWC for foodgrain storage.

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Recommendation (Serial No. 23, Paragraph 6.7)

3.7 The Committee are constrained to note that while on the one hand, the consumption of sugar has drastically increased in the country from 199 lakh tones in 2006-07 to 230 lakh tones in 2009-10, on the other hand the production has decreased from 282 lakh tones to 160 lakh tones during the same period. The Committee observe that despite a number of steps taken by the Government for cane development and to increase the production of sugarcane, the production of sugarcane has not shown any improvement which is evident from the fact that the country has to import a large quantity of raw sugar to meet the domestic requirement. The Committee feel that in order to bridge the gap between demand and supply, the farmers should be made aware of the R&D technology and motivated and given more incentives for opting to grow sugarcane to avoid dependency on imported sugar. The Committee observe that over the years, the level of ground water has gone down considerably, thereby creating irrigation problem for the sugarcane growers. The Committee, therefore, recommend that for improved irrigation, the Government should give a look into the new technology for water conservation and drip system which should be within the reach of every farmer. Further, the Government should make arrangement for distribution of loan directly to farmers from the Sugar

Development Fund to enable them to purchase good quality of seed and fertilizers so as to boost their production capacity.

3.8 The Committee has desired that the farmers should be made aware of the R&D technology and given more incentives for opting to grow sugarcane. The scheme for cane development loan to the sugar factories under SDF already includes a component of incentives to cultivators to switch over to new and improved varieties of sugarcanes and for field demonstrations aimed at farmers' awareness. As regards the concern of depleting water table and need for improved irrigation, it may be stated that the scheme for cane development loan includes the components of irrigation by drip system, rain guns, sprinklers, etc. A provision for assistance for deepening of existing bore-wells and for digging new bore-wells also exists in addition to tube wells.

As regards direct disbursement to the farmers, it may be stated that the Sugar Development Fund has been created for financing activities to improve financial viability of the sugar factories by various methods. It is also not practical to monitor disbursement to and recovery of loan from farmers in the absence of sugar factories taking the responsibility and furnishing the requisite security for SDF loan. The sugar factories are required to pass on the benefits of the cane development to the farmers in cash or in kind by supply of seed and fertilizers etc. within specified time period. The disbursement is monitored both by the Central and the State Government.

Ministry of Consumer Affairs, Food & Consumer Affairs, Department of Food & Public Distribution O.M. No.G-20017/2/2010-AC dated 20th July 2010

CHAPTER IV

OBSERVATIONS / RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Serial No. 4, Para No. 3.27)

4.1 The Committee note that food subsidy is provided to FCI for reimbursement of the difference between economic cost of foodgrains and their issue price. The Committee note with concern that despite several measures taken by the Government to contain the amount of Food Subsidy, there has been huge increase in the allocation of Food Subsidy during the last three years. The Food Subsidy released to FCI and States in 2008-09 was Rs. 43,668 crore, which was increased to Rs. 54,539 crore in 2009-10. The Department of Food and Public Distribution has projected Rs. 72,235 crore for the financial year 2010-11 which as indicated by the Secretary during evidence is short by Rs. 14,952 crore to meet the requirement of Food Subsidy during 2010-11. The Committee are convinced with the arguments of the Department of Food and Public Distribution that less amount of subsidy will affect the functioning of FCI in getting the credit from Financial Institutions. The inadequate allocation of food subsidy also has a cascading effect as interest on cash credit increases, thereby increasing the subsidy further. The decentralised procurement operation of the States will also be seriously affected due to cash crunch on account of inadequate subsidy. The Committee while appreciating the difficulties of the Department, recommend that subsidy given to FCI should be realistic and based on the actual cost. The Ministry of Finance may accordingly allocate sufficient funds as per the requirements under food subsidy.

The Committee also recommend that the proposal to reduce the gap between Central Issue Price for APL households and open market prices may be considered so as to check the growing food subsidy budget.

<u>Action Taken by the Government</u>

4.2 The Department of Food & Public Distribution projected demand of Rs.72,235 crore for the financial year 2009-10,against which only an amount of Rs.58242.45 crore was allocated by the Ministry of Finance and there was a shortfall of Rs.13992.53 crore in 2009-10. The estimated requirement of food subsidy during 2010-11 taking into account the shortfall in funds allocation last year is at Rs.83927.62 crore. However, the food subsidy allocated by Ministry of Finance for 2010-11 (BE) for food subsidy is only Rs.55211 crore. Therefore, there is a shortfall of Rs.28716.62 crore.

The Department of Food & Public Distribution has been continuously pursuing the proposal for increase of Central Issue Prices (CIPs) for Above Poverty Line (APL) families to reduce the increasing food subsidy budget.

Ministry of Consumer Affairs, Food & Consumer Affairs, Department of Food & Public Distribution O.M. No.G-20017/2/2010-AC dated 20th July 2010

Comments of the Committee

(Please see Para No. 1.11 of Chapter 1 of the Report)

Recommendation (Serial No. 6, Para No. 3.36)

4.3 The Committee note that strengthening of PDS is a new scheme under the 11th Plan having four components i.e. training, evaluation, curbing leakages/diversion of foodgrains and generating awareness amongst the TPDS beneficiaries. The PDS, which is one of the most important schemes of the Government to provide subsidized foodgrains to the poor people is jointly implemented by the Central and State/UT Governments. The Committee observe that there is no satisfactory improvement in PDS in many States despite the fact that the Government has taken several measures to strengthen the PDS such as undertaking regular review meetings with the State Governments to ensure effective implementation of PDS, directing the State/UT Governments to implement measures such as strengthening monitoring and vigilance, increasing transparency in functioning of TPDS, use of ICT tools for computerization of TPDS operations and improving efficiency of FPS operations by way of doorstep delivery of foodgrains, etc. The Committee hope that the Department would make concerted efforts to closely monitor implementation of the aforementioned measures by the States/UTs so that the AAY and BPL families do get their due share of foodgrains on a regular basis.

Reply of Government

4.4 The State/UT Governments are being requested for implementation of the orders/instructions issued to them from time to time for smooth functioning of TPDS. On certain schemes/plans, the information relating to their implementation is called on monthly/quarterly basis from the State/UT Governments and is being utilized for further monitoring and review.

Ministry of Consumer Affairs, Food & Consumer Affairs, Department of Food & Public Distribution O.M. No.G-20017/2/2010-AC dated 20th July 2010

Comments of the Committee

(Please see Para No. 1.14 of Chapter 1 of the Report)

Recommendation (Serial No. 9, Para No. 3.50)

4.5 The Committee observe that necessary provisions have been made in the PDS (Control) Order 2001 for issue of ration cards to eligible AAY, BPL and APL families in the country. Elimination of bogus ration cards as well as bogus units in them is a continuous exercise by the State Governments so that diversion of essential commodities could be checked. By issuing special instructions to the State Governments for taking penal action against the staff for issuance of bogus/ineligible ration cards, 21 State Governments have deleted 171.91 lakh bogus/ineligible ration cards between July, 2006 and 31.01.2010. The Committee appreciate that all the State/UT Governments have been further directed to take up a special campaign from October, 2009 to December, 2009 for verification of all AAY and BPL ration card holders so as to detect and eliminate bogus/ineligible ration cards. Despite all these steps taken by the Government, it is noticed that while on the one hand a large number of bogus/ineligible ration card holders continue to exist, on the other hand a large number of genuinely eligible poor remain deprived of the cards. The Committee, therefore, strongly recommend that far more stringent measures may be taken by the Central Government as well as all State/UT Governments to remedy the anomaly in this regard.

Reply of Government

4.6 The recommendation of the Committee has been noted and the concerns of the Standing Committee for taking more stringent measures to remedy the anomaly will be communicated to all States/UT Governments.

Ministry of Consumer Affairs, Food & Consumer Affairs, Department of Food & Public Distribution O.M. No.G-20017/2/2010-AC dated 20th July 2010

Comments of the Committee

(Please see Para No. 1.20 of Chapter 1 of the Report)

CHAPTER V

OBSERVATIONS/ RECOMMENDATIONS IN RESPECT OF WHICH REPLIES TO THE GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 5, Paragraph No. 3.28)

5.1 The Committee also note that a draft scheme for direct transfer of food subsidy in cash to the BPL and AAY beneficiaries, instead of distribution of foodgrains to them, has been prepared. The draft scheme proposes that equivalent amount of food subsidy will be directly deposited by the concerned district authority in the bank/post office accounts to be opened by each of the beneficiaries. The proposal, which was resubmitted to the Ministry of Finance, is still under consideration of that Ministry. The Committee are of the view that implementation of the scheme on pilot basis will test the feasibility of an alternative mode of transfer of food subsidy to the intended population of the country. The Committee, therefore, urge the Department to take all necessary action to expedite finalization and implementation of the draft scheme. The Committee would like to be apprised of the action taken in this regard.

Action Taken by the Government:

5.2 The Department of Expenditure has been requested vide communication dated 22-3-2010 to expedite the decision. The matter is being pursued with Department of Expenditure for early decision.

Ministry of Consumer Affairs, Food & Consumer Affairs, Department of Food & Public Distribution O.M. No.G-20017/2/2010-AC dated 20th July 2010

Recommendation (Serial No. 8, Paragraph No. 3.46)

5.3 The Committee note that the AAY Scheme, which is a segment of the BPL households covered under TPDS, was launched in December, 2000 for one crore poorest of the poor families to be identified from amongst the BPL families. As per the guidelines issued, the State/UT Government shall identify the AAY families from amongst the landless agricultural labourers, marginal farmers, rural artisans, households headed by widows or terminally ill persons/disabled persons/persons aged 60 years or more, primitive tribal households, etc. The States/UTs have so far identified 2.43 crore families to be covered under AAY. The Committee further note that BPL population was determined on the basis of population projection of the Registrar General of India for March, 2000 and the

State-wise poverty estimates of the Planning Commission for 1993-94. The Committee are disturbed to note that as against 6.25 crore accepted number of BPL families, the State Governments have issued 11.12 crore BPL ration cards, the excess being due to inclusion and exclusion errors. The Committees are of the view that considering the rate of increase in population as well as the changes in socio-economic profiles of the people, it is too archaic and unrealistic to rely on almost two decades old methodology. Moreover, considering the number of excess BPL ration cards issued by a large number of State Governments, it becomes all the more necessary to review the methodology and conduct fresh census for finalizing the number of BPL population. The Committee note that the Ministry of Rural Development has constituted an Expert Groups for finalizing the methodology for identification of BPL families in rural areas which has submitted its report in August, 2009 and which is being examined by that Ministry in consultation with the State/UT Governments, etc. The Ministry of Housing and Urban Poverty Alleviation is also yet to issue the new guidelines for identification of BPL families in urban areas. The Committee therefore, strongly recommend that the Department may impress upon the Ministry of Rural Development and Ministry of Housing and Urban Poverty Alleviation to expedite the finalization and issue of the new guidelines for identification of BPL/AAY families in rural and urban areas without further delay.

<u>Action Taken by the Government:</u>

5.4 A copy of the recommendation of the Standing Committee is being sent to Ministry of Rural Development and Ministry of Housing and Urban Poverty Alleviation to expedite the finalization of the new guidelines for identification of BPL families in rural and urban areas and to inform this Department of the action taken thereon.

Ministry of Consumer Affairs, Food & Consumer Affairs, Department of Food & Public Distribution O.M. No.G-20017/2/2010-AC dated 20th July 2010

Recommendation (Serial No. 22, Paragraph No. 5.23)

5.5 The Committee note that the Ministry is in the process of setting up of the Warehousing Development and Regulatory Authority (WDRA) for which one post each of Joint Secretary and Director have been filled up so far. The Selection Committee has also completed the process of selection of the Chairperson and two members. However, in order to be functional, the remaining staff of the WDRA needs to be put in place. As the availability of storage space in all the States/UTs is a basic requirement for the effective implementation of the various welfare schemes of the Department of Food and Public Distribution, the

Committee strongly recommend that the process of setting up of the WDRA be expedited and completed without any delay.

Action Taken by the Government:

5.6 The recommendation of the Standing Committee has been noted for compliance.

Ministry of Consumer Affairs, Food & Consumer Affairs, Department of Food & Public Distribution O.M. No.G-20017/2/2010-AC dated 20th July 2010

NEW DELHI;	**VILAS MUTTEMWAR**
25th February, 2011	**Chairman,**
6 Phalguna,1932 (Saka)	**Standing Committee on Food,**
	Consumer Affairs and Public Distribution

APPENDIX -I

MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON MONDAY, 27TH DECEMBER, 2010

The Committee sat from 1500 hours to 1535 hours in Committee Room No. 'G- 074', Ground Floor, Parliament Library Building, New Delhi.

PRESENT

1. Shri Shantaram Laxman Naik , (Acting Chairman) – M.P. Rajya Sabha

MEMBERS

LOK SABHA

2. Shri Shivraj Bhaiya
3. Shri Arvind Kumar Chaudhary
4. Shri Sanjay Singh Chauhan
5. Shri Sukhdeo Singh Libra
6. Shri Laxman Tudu

RAJYA SABHA

7. Smt. T. Ratna Bai
8. Shri Rajniti Prasad
9. Shri Sanjay Raut
10. Shri Kaptan Singh Solanki

SECRETARIAT

1.	Shri P.K.Misra	-	Joint Secretary
2.	Smt. Veena Sharma	-	Director
3.	Shri Khakhai Zou	-	Under Secretary

2. Hon'ble members were informed by Director, Committee on Food, Consumer Affairs and Public Distribution that a telephonic message was received from Hon. Chairman stating that due to indisposition he would not be able to attend the sitting. Therefore, in the absence of Hon'ble Chairman, Shri Shantaram Laxman Naik was unanimously chosen to preside over the meeting by the Members present, in terms of Rule 258 (3) of the Rules of Procedure and Conduct of Business in Lok Sabha. Thereafter, the acting Chairman welcomed all the Members, specially Shri Sukhdev Singh Libra, the newly nominated member to the sitting of the Committee convened for consideration and adoption of Draft Action Taken Report pertaining to the Department of Food and Public Distribution.

3. The Committee then took up for consideration the said draft report on Action Taken by the Government on the observations/recommendations contained in the Fourth Report (15th Lok Sabha) of the Committee on Demands for Grants (2010-11) relating to the Department of Food and Public Distribution and adopted the same.

4. Thereafter, the Chairman informed the members that Forward Contract (Regulation) Amendment Bill, 2010 had been referred to the Committee by Hon'ble Speaker on 16 December 2010 for examination and report within three months and in this connection, the Department of Consumer Affairs had been requested to furnish the background note and other relevant information. The Committee desired to undertake a study visit to share the views of some of the State Governments/organizations concerned on the provisions of the proposed Bill as well as various subjects selected by the Committee.

5. The Committee authorized the Chairman to finalize the aforesaid report and present the same to both the Houses of Parliament during the ensuing Budget Session of Parliament.

The Committee then adjourned.

APPENDIX- II

(Vide Introduction of the Report)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FOURTH REPORT OF THE COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (FIFTEENTH LOK SABHA)

(i) Total Number of Recommendations 29

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

Recommendation Nos.1,2,3,7, 10, 11, 12, 13, 14, 15, 16, 17, 18, 24, 25, 26, 27, 28, 29

Total 19

Percentage 65.52%

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

Recommendation Nos. 19, 20, 21, 23

Total 4

Percentage 13.80%

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

Recommendation Nos. 4, 6 and 9

Total 3

Percentage 10.34%

(v) Observations /Recommendations in respect of which the replies of the Government are still awaited

Recommendation No. 5, 8 and 22

Total 3

Percentage 10.34%