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**STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS
AND PUBLIC DISTRIBUTION (2010-11)**

FIFTEENTH LOK SABHA

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

**DEMANDS FOR GRANTS
(2011-12)**

TWELFTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

May, 2011/ Vaisakha, 1933 (Saka)

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(2011-12)

Presented to Lok Sabha on 05.08.2011
Laid in Rajya Sabha on 05.08.2011



LOK SABHA SECRETARIAT
NEW DELHI

May, 2011/ Vaisakha, 1933 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION – 2010-11.

Shri Vilas Muttemwar - Chairman

MEMBERS

Lok Sabha

2. Smt. Harsimrat Kaur Badal
3. Shri Kamlesh Balmiki
4. Shri Tara Chand Bhagora
5. Shri Shivraj Bhaiya
6. Shri Arvind Kumar Chaudhary
7. Shri Sanjay Singh Chauhan
8. Shri Anant Gangaram Geete
9. Shri Abdul Mannan Hossain
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12. Shri Marotrao Sainuji Kowase
13. Shri Sukhdev Singh Libra
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15. Shri Purnmasi Ram
16. Shri Dinubhai Solanki
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Rajya Sabha

22. Smt. T. Ratna Bai
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25. Shri Shantaram Laxman Naik
26. Shri Kanjibhai Patel
27. Shri Rajniti Prasad
28. Shri Sanjay Raut
29. Dr. T.N. Seema
30. Shri Veer Singh
31. Shri Kaptan Singh Solanki

SECRETARIAT

1. Shri P.K. Misra - Joint Secretary
3. Smt. Veena Sharma - Director

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Consumer Affairs and Public Distribution (2010-11) having been authorized by the Committee to submit the Report on their behalf, present this Twelfth Report on Demands for Grants (2011-12) relating to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The Committee examined/scrutinized the detailed Demands for Grants (2011-12) of the Ministry, which were laid on the Table of the House on 15th March, 2011. The Committee took evidence of the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) on 7th April, 2011.

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

4. The Report was considered and adopted by the Committee at their sitting held on 20th May, 2011.

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
20 May, 2011
30 Vaisakha, 1933 (Saka)

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

CHAPTER – I

INTRODUCTORY

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

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

1.2 The Department is organized into 13 Divisions. It has two Attached Offices, namely: (i) Directorate of Sugar (ii) Directorate of Vanaspati, Vegetable Oils & Fats (DVVO&F). There is one subordinate office under Sugar Division namely National Sugar Institute, Kanpur.

There are other Subordinate Offices under the Department, namely:

- (i) Eight Quality Control Cells (QCCs) located at New Delhi (headquarter), Kolkata, Hyderabad, Bangalore, Bhopal, Bhubaneswar, Lucknow and Pune.

- (ii) One Indian Grain Storage Management and Research Institute (IGMRI), Hapur (Uttar Pradesh) with 2 field stations located at Hyderabad, and Ludhiana.

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

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

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

1.5 The Minister for Consumer Affairs, Food and Public Distribution laid on the Table of the Lok Sabha, the Detailed Demands for Grants (2011-12) relating to the Department of Food and Public Distribution on 15th March, 2011. The Detailed Demands for Grants, for the Department of Food and Public Distribution shows a budgetary provision of Rs. 61606.01 crore for the year 2011-12. This includes Rs. 120 crore for plan activities and Rs. 61486.01 crore, for non-plan programmes and Schemes.

1.6 The Committee in the present Report have examined various issues related to implementation of various schemes and programmes under the jurisdiction of the Department, in the context of Demands for Grants 2011-12. The detailed analysis along with observations/ recommendations of the Committee on various issues have been given in the succeeding Chapters of the Report.

CHAPTER –II

Status of Implementation of the recommendations made by the Committee in their Fourth Report (15th Lok Sabha) on Demands for Grants (2010-11) under Direction 73-A of the Directions by the Speaker, Lok Sabha.

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

2.2 The Standing Committee on Food and Public Distribution presented their Fourth Report on Demands for Grants (2010-2011) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) on 23rd April, 2010. The Eleventh Report on Action taken by the Government on the recommendations contained in the Fourth Report on Demands for Grants (2010-2011) of Department of Food and Public Distribution was presented to Lok Sabha on 11th March, 2011.

2.3 **Out of 29 recommendations, 3 recommendations (Rec. paragraph Nos.4.15, 6.27, 7.23) have been implemented by the Government. Rec. No.- 4.15- Maximum utilization of owned capacity:-** Owned capacity is subjected to maximum utilization but there are certain practical/operational constraints for less than 100% utilization capacity. **Rec. No.- 6.27- Disbursement of loan to sick sugar mill from SDF:-** No sugar mill has been denied the benefit due to non completion of application form but in fact no sick sugar mill has ever applied for the loan. **Rec. No. 7.23- Streamlining the procedural and documentation for timely approval for purchase of various research projects:-** Procedure have been streamlined.

2.4 **18 Recommendations (Rec. Nos. 2.7, 3.12, 3.37, 3.56, 3.61, 3.67, 3.78 , 4.5, 4.9, 4.16, 4.25, 5.10, 5.18, 5.19, 6.7, 6.18, 7.16 and 7.27) are under process of implementation by the Government. Rec. No. 2.7 - Proper planning and realistic allocation of funds for various schemes:** The department will ensure that the projected schemes/programmes are accomplished in time and funds earmarked for them are fully utilised. **Rec. No. 3.12 – Adoption of DCP Schemes by all States/UTs:** Steps are being taken by the Department to convince remaining States/UTs to adopt the DCP Schemes. **Rec. No.3.37- Adoption/implementation of the revised citizen charter by all States:** The matter is being pursued regularly to facilitate an early adoption of the revised citizen charter by all the States/UTs in the Country. **Rec. No. 3.56- Installation of GPS Devices on vehicles carrying TPDS food grains :** Performance of the Scheme in two States is being evaluated and the extension of Scheme in the States is also under examination. **Rec. No.3.61 – Computerisation of PDS operation :** Necessary steps for expeditious implementation of the pilot scheme are being taken. **Rec. No.3.67 - Improvement in functioning of Village Grain Bank Scheme :** The VGB Scheme is evaluated through an independent agency. **Rec. No. 3.78 – Early introduction of draft National Food Security Bill :** Presently bill is under

consideration of EGOM and NAC. After consideration of the recommendation of NAC and other stakeholders and based on the direction of the EGOM, draft Bill will be prepared and placed on the website of the Department for comments. **Rec. No.4.5- Outstanding dues of FCI** : Matter has been taken up regularly with Ministry of Rural Development and Ministry of HRD. **Rec. No. 4.9 – To contain the establishment cost**: Steps have been taken to reduce the establishment cost. **Rec. No. 4.16- New staffing norms in FCI** : Revised sanctioned strength for category – III employees has been sanctioned but Department is silent on the issue of new staffing pattern to employees other than category – III **Rec. No.4.25 – Achievement of physical and financial target in respect of construction of godown by FCI**: Recommendation of the Committee have been noted and the action will be taken accordingly. **Rec. No.5.10 – Reduction of establishment cost of CWC**: Steps are being taken to reduce the establishment cost of CWC. **Rec. No.5.18 – Stepping up of construction of godowns in the NE States by CWC**: Corporation is making efforts to get the land allotted and undertake the construction. **Rec. No.5.19 – Inadequate storage capacity**: Due to the additional construction taking place in 2010-11, there will be substantial increase in storage capacity available with CWC. **Rec. No.6.7 – To increase production of sugarcane**: Various steps are being taken to increase production of sugarcane. **Rec. No.6.18 – To motivate farmers to continue with sugarcane cultivation** : Central government have taken various steps in this regard. **Rec. No. 7.16 – To increase the production of oilseeds** : Matter has been taken up with the Ministry of Agriculture and as a result, various programmes have been undertaken. **Rec. No.7.27 – To increase the number of inspections and sample analysis to prevent adulteration of edible oils** : The subject matter regarding adulteration of edible oil have been taken up with the Ministry of Health & Family Welfare. The concern of the Committee to draw large number of samples from the vulnerable areas have been conveyed to State/UT Governments.

2.5. **3 Recommendations (Rec. No.3.27, 3.36 & 3.50)** have not been implemented by the Government). **Rec. No.3.27 - Food subsidy given to FCI to be realistic and cost based** – Despite the recommendation Ministry of Finance is not making adequate budget provision toward food subsidy requirement of FCI and DCP States. **Rec. No.3.36- Strengthening of TPDS**: Committee are unhappy with the casual approach of the Ministry. The Ministry have informed that States/UT Government have been requested from time to time for smooth functioning of TPDS. But the Committee desire that Ministry to closely monitor the scheme by properly implementing the various measures. **Rec. No. 3.50 - Elimination of bogus ration cards**: The Committee feels that mere communication by the Department to States/UTs will not serve the purpose but the Central Government should closely monitor the action taken by the State/UTs.

2.6 **5 Recommendations (Rec. No. 2.6, 3.28, 3.46, 5.23 & 6.14)** are yet to be implemented by the Government. **Rec. No. 2.6– To achieve the financial targets**: Department should strive to meet the financial targets in the coming years also as in the preceding years. **Rec. No. 3.28– To expedite implementation of the draft scheme for direct transfer of food subsidy in cash to the BPL and AAY beneficiaries.** : The matter is being pursued with the Department of expenditure for early decision **Rec. No. 3.46 - To expedite finalization in issue of new guidelines for identification of**

BPL/AAY families in rural and urban areas: The recommendation has been sent to Ministry of Rural Development and Ministry of Housing and Urban Poverty alleviation to expedite on the matter. **Rec. No. 5.23 – Setting up of the Warehousing Development Regulatory Authority** : Apart from Chairman and Members, other staff of the WDRA needs to be put in place. **Rec. No. 6.14- To prevent rising price of sugar** : The Committee deplores the casual approach of the Ministry as it is not clear what steps have been taken to strengthen enforcement machinery nor any commitment to check hoarding and blackmarketing of sugar.

2.7 The Fourth report was sent to the Ministry for furnishing Action Taken Statement on the recommendations made by the Committee. The Minister made a statement in Lok Sabha on 30th November, 2010 and in Rajya Sabha on 3rd December, 2010 regarding the status of implementation of the recommendations contained in the Fourth Report (15th Lok Sabha) of the Committee on Demands for Grants (2010-11) under Direction 73 A of the Directions by the Speaker, Lok Sabha and information made available to the Committee with regard to implementation of the recommendations made in their Report has been critically analysed and is given in the Annexure-I.

Chapter-III

General Performance of the Department

(a) Analysis of Plan and Non Plan Schemes

3.1 The scheme-wise details of BE, RE and expenditure incurred by the Department of Food and Public Distribution on its Plan and Non-Plan Schemes during 2009-10, 2010-11 and BE for 2011-12 are as follows:

Details of Plan Schemes:

	Name of the Scheme	2009-10			2010-11			2011-12
		BE	RE	Actual Exp.	BE	RE	Actual Exp. upto (28.2.11)	BE
1.	Construction of godowns	25.06	29.485	29.49	40.00	40.00	39.00	86.90
2.	IISFM	0.01	0.01	0	0.01	0.01	0	0.89
3.	Computerisation of PDS	45.00	16.545	16.30	33.40	4.00	1.5662	5.00
4.	Strengthening of PDS	2.5	1.577	1.51	1.14	0.69	0.3580	0.86
5.	NSI, Kanpur	1.5	1.393	1.15	2.00	2.00	1.8877	1.55
6	Consultancies, Training & Research	2.6	3.01	3.00	2.45	2.41	1.3535	1.80
7	Village Grain Bank	17.33	17.23	17.23	17.00	13.00	11.3693	10.00
8	Warehousing, Dev. & Regulatory Authority	1	0.75	0.39	4.00	4.00	3.3125	13.00
	Total	95	70	69.07	100.00	66.11	58.85723	120.00

Budgetary proposals for BE 2010-11 and 2011-12 for Non-Plan expenditure

NON PLAN		Rs. in crores					
Part A-Non-Plan items	Desc.	Major Head		BE 2010-11	BE 2011-12	Variation	Reason
	Revenue			56031.85	61484.81	5452.96	Mainly due to increase in Food Subsidy.
	Capital			1.20	1.20	0.00	
	Total			56033.05	61486.01	5452.96	Mainly due to increase in Food Subsidy.
1	Sectt. Economic Services	3451	Salaries	21.35	29.24	7.89	Increase in 2010-11 was due to re-fixation of Grade pay of Assistant with effect from 01.01.2006.
			Wages	0.16	0.18	0.02	
			Others	8.63	8.62	-0.01	
			Total	30.14	38.04	7.90	
	Food Storage & Warehousing	2408					
2	Food subsidy (incl. Sugar)	2408		55589.97	60939.40	5349.43	Increase in food grains subsidy is due to increase in MSP & Bonus. Major additional requirement is for FCI & DCP.
3	Subsidy on maintenance of buffer stock of sugar	2408		200.00	50.00	-150.00	The existing scheme of Buffer Subsidy is near culmination and subsidy claims only to the projected extent remain for settlement.
4	Reimbursement of internal transport and freight charges to sugar factories on export shipment of sugar	2408		200.00	50.00	-150.00	The existing scheme of Internal Transport Subsidy is near culmination and subsidy claims only to the projected extent remain for settlement.
5	Interest subvention to cooperative sugar mills through NABARD	2408		31.60	30.00	-1.60	Based on expected claims from NABARD for F.Y. 2011-12.
6	Scheme for Extending Financial Assistance to Sugar undertakings-2007	2408		222.00	80.59	-141.41	The existing scheme of Financial Assistance to Sugar Undertaking is near culmination and subsidy claims only to the projected extent remain for settlement.
7	Re-imbursement of shortages in handling of imported fertilizers by FCI	2408		0.10	0.10	0.00	
8	Other expenditure for development of sugar industry	2408	Salaries	0.26	0.30	0.04	
			Other Charges	27.00	28.00	1.00	Commission payments to agencies for services rendered is payable.
			Total	27.26	28.30	1.04	
9	Sugar Development Fund Transfer To	2408		250.00	400.00	150.00	To honor comittment of the existing scheme which are funded through SDF.
	From	2408		-556.76	-175.31	381.45	The transfer entry provision is on account of adjustement of expenditure incurred on the schemes funded through the SDF.
		6860		-935.00	-550.00	385.00	

10	Other Programmes of Food Storage and Warehousing	2408	Salaries	27.04	31.13	4.09	Increase in 2011-12 is due to arrears of pay & allowances in respect of different categories of employees.
			Wages	0.31	0.37	0.06	
			Others (Charged)	0.00	0.00	0.00	
			Others (Voted)	9.09	10.85	1.76	Increase is due to mandatory revision of salary related components like DA, Increment etc. and establishment related releases.
			Total	36.44	42.35	5.91	
	Total-Food, Storage Warehousing	2408		56000.61	61445.43	5444.82	Increase is mainly on account of Food Subsidy as explained above.
	Civil Supplies						
13	Other Schemes of Civil Supplies	3456					
	Central Vigilance Committee (Charged)		Salaries	0.50	0.60	0.10	
			Wages	0.00	0.00	0.00	
			Others	0.57	0.71	0.14	
			Total	1.07	1.31	0.24	Increase is due to mandatory revision of salary related components like DA, Increment etc. and establishment related releases.
14	Reimbursement of losses to STC in trading operation of edible oils	3456		0.01	0.01	0.00	
	Total Civil Supplies (Charged)			1.07	1.31	0.24	
	(Voted)			0.01	0.01	0.00	
17	Consumer Industries						
	(i) Amritsar Oils works	2852		0.02	0.02	0.00	
18	Ways and Means Advance						
	(i) Payment			10000.00	10000.00	0.00	It was decided to provide a Ways and Means Advance to the FCI by Ministry of Finance from the year 2010-11 to ease out cash flow problems of FCI for its operations related to procurement, storage and distribution.
	(ii) Less Recoveries			-10000.00	-10000.00	0.00	Above advance is to be adjusted during the Financial Year itself against the provisions made in the Budget for 2011-12 in Food Subsidy.
	(iii) net			0.00	0.00	0.00	

19	Rehabilitation/modernization of sugar mills	6860		300.00	200.00	-100.00	The decreased provision is according to the existing commitment for disbursal and anticipated number of applications..
20	Loan to Sugar Mills for Cane development	6860		35.00	50.00	15.00	The increased provision is according to the existing commitment for disbursal and anticipated applications.
21	Loan to Sugar factories for Bagasse based cogeneration power projects	6860		450.00	200.00	-250.00	The decreased provision is according to the existing commitment for disbursal and anticipated number of applications
22	Loan to Sugar factories for production of anhydrous alcohol or ethanol from alcohol	6860		150.00	100.00	-50.00	
	Total-Consumer Industries			935.00	550.00	-385.00	
23	Loans for Hindustan Vegetable Oils Corporation.	6860		1.20	1.20	0.00	
	TOTAL	Salaries	(voted)	48.65	60.68	12.03	
			Charged	0.50	0.60	0.10	
		Wages	Voted	0.47	0.55	0.08	
			Charged	0.00	0.00	0.00	
		Others	voted	55982.86	61423.47	5440.61	
			Ch.	0.57	0.71	0.14	
	TOTAL (Net)	Total		56033.05	61486.01	5452.96	
	Recovery from SDF			1491.76	725.31	-766.45	
	Ways & Means Advance to FCI			10000.00	10000.00	0.00	
	TOTAL (Gross)			67524.81	72211.32	4686.51	

3.2 It has been noted that under Plan Schemes the BE for 2010-11 was Rs.100 crore which has been reduced to Rs.66.11 crore at RE stage but the Actual Expenditure was only Rs.58.85 crore. In this context the Committee wanted to know the reasons for drastic reduction at RE stage and shortfall in expenditure during 2010-11. The Committee was informed that such drastic reduction at RE is due to various reasons as given below:-

(i) **Computerisation of PDS Operations** – BE for 2010-11 was Rs.33.40 crore which was reduced to Rs.4 crore at RE stage.

(a) Request for Proposal (RFP) for the Scheme on Computerisation of TPDS Operations was being considered for release to the empanelled Implementation Agencies. In a meeting held on 02.07.2010 to discuss and finalize the implementation model of the Computerization of TPDS Scheme, NIC inter-alia observed that as there is not much variance across the State PDS processes, a single application may be considered for development by one agency for all four Pilot States. Department of Information Technology (DIT) also suggested to

develop an application which can be offered as a nation-wide applicable solution for roll out and to ensure that the existing systems are integrated and are inter-operable.

(b) Moreover, in view of the directions given by the Hon'ble Supreme Court in its order dated 27.07.2010 relating inter-alia to computerization of TPDS that there must be total computerization of the PDS on top priority basis; that Union of India must prepare a software and the same software should be used by all the States; and that Union of India may consider computerization in consultation with the specialised agencies like Unique Identification Authority of India, a Task Force headed by DG-NIC was set up on 09.08.2010 by the Department, for working out the modalities for integration of the existing projects including, Pilot Scheme of Computerisation of TPDS Operation and also to suggest as to how UIDAI will be eventually leveraged.

(c) The Task Force has submitted its report on Computerisation of PDS Operations to this Department on 1.11.2010. The recommendations of the Task Force, including revised timelines for implementation of the scheme in Computerisation of TPDS operation have been accepted by this Department. As, the RFP could not be finalised earlier for reasons explained above, the amount under BE 2010-11 of Rs 33.40 crore was revised to Rs. 4.00 crore at RE 2010-11 stage.

(d) The Scheme of Computerisation of TPDS Operations is now being reviewed as per the recommendations of the Task force.

- (ii) **Strengthening of Public Distribution System and capacity building** – BE for 2010-11 was 1.14 crore which was reduced to 0.69 crore at RE stage. The variation of Rs.45 lakh is due to variation in the training component under this Scheme where BE of Rs.55 lakh has been reduced to Rs.10 lakh at RE stage. Proposals only from six States were received and out of the six States, utilization certificate from the five States are awaited ;
- (iii) **Consultancies, Training & Research** – BE for 2010-11 was Rs.2.45 crore, which was reduced to Rs.2.4058 crore at RE stage. The variation is due to reduction of amount in the 'Consultancies for Research/monitoring in domestic/global markets for Foodgrains' a sub-component of the Scheme Technical Studies/Consultancies . BE-2010-11 for this sub component was Rs.0.53 crore which was proposed to be reduced to Rs.0.39 crore at RE stage.
- (iv) **Village Grain Bank Scheme** - BE for 2010-11 was 17 crore which was reduced to 13 crore at RE stage. The variation is due to absence of adequate number of eligible proposals for setting up of Village Grain Banks (VGBs) in different States and non furnishing of utilization certificate for past grants sanctioned.

In this context, the representatives of the Department during oral evidence while clarifying the reasons for under performance of the some of the Schemes stated as under:-

“Under the ‘Computerisation of PDS Scheme’ there was a plan component for last year of Rs.33.4 crore, out of which the expenditure is only Rs. 3.14 crore. This was the Scheme which was started in the Eleventh Plan. The idea was that, using information technology, all the movement of foodgrains from the entire supply chain right up to the FPS, should be computerized, so that it can be efficiently managed. There were some contractual problems with this but ultimately it took off. The administrative approval was given in the month of August, 2009. Then, four States were selected for pilot Scheme and Rs.16.3 crore was released in 2009-10. Three districts each in Assam, Andhra Pradesh and in two other States, were selected. In July 2010 an issue came up which was taken up by the Hon’ble Supreme Court. They made some suggestions that the complete computerization of the PDS should be done. It should be the total supply chain management right up to the beneficiary. Various options were suggested. At this point it was decided to review the ongoing activities in case they are at divergence with the suggestions made by the Supreme Court. So, a Task Force was set up on 9.8.2010 which submitted its report in November.”

The Secretary, Department of Food and Public Distribution further supplemented as under:-

“In the last four or five months we have given a slight twist to the whole thing. There is UIDAI which is doing its job and I am in constant touch with its Chairman Shri Nandan Nilekani. They are appointing in every State a Government Officer as Registrar. Then they appoint some enrolment agents which can be a Government agency or a bank or a private agency.”

3.3 The Committee note that BE of Department of Food & Public Distribution for the year 2010-11 for its Plan Schemes was Rs.100 crore which was reduced at RE Stage to Rs.66.11 crore but the actual Expenditure was only Rs.58.85 crore. The Department has informed that in the meeting held to finalise the implementation model of computerization of TPDS, it was decided that a single application be considered for development by one agency for all four pilot States. Moreover, Hon'ble Supreme Court also directed for total computerization by using same software by all the States. Since the Request for Proposal (RFP) could not be finalized earlier, the amount under BE of Rs.33.40 crore was revised to Rs.4 crore at RE stage. The Department has also informed that non submission of adequate proposals and utilization certificates in respect of 'Strengthening of PDS and Capacity Building' and 'Village Grain Bank' Schemes resulted into shortfall in expenditure. The Committee are unable to accept the plea of the Government that due to delay in finalization of RFP as well as non-submission of adequate proposals and utilization certificates in respect of Strengthening of PDS & Capacity Building and setting up of Village Grain Banks, there was less expenditure in the Plan Schemes. It indicates nothing but lack of seriousness on the part of the Government to implement the Schemes. In the opinion of the Committee, the Department could not take timely action and get completion of procedural formalities well in advance due to which the BE was reduced by the Planning Commission at RE stage and there was less expenditure during the year. The Committee, therefore, strongly recommend that the Department should make proper planning to get completion of procedural formalities well in advance and take effective steps to convince the States/UTs for submission of adequate/eligible proposals under its various Schemes. The States should also be persuaded to set up sanctioned VGBs and to expedite submission of utilization certificates so that Schemes are implemented within the stipulated time limit.

CHAPTER- IV

MANAGEMENT OF FOOD

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

(a) Decentralised Procurement

4.2 The Scheme of Decentralised Procurement of foodgrains was introduced by the Government in 1997-98 with a view to effecting savings in the form of reduction in the outgo of food subsidy, enhancing the efficiency of procurement and PDS and encouraging local procurement to the maximum extent thereby extending the benefits of MSP to local formers.

4.3 Under the Decentralised Procurement Scheme, the State Government itself undertakes procurement of paddy, wheat and levy rice on behalf of Government of India. Purchase Centres are opened by the State governments and their agencies as per their requirements. The State Governments procure, store and distribute foodgrains under the TPDS and other Welfare Schemes. Under the normal system, the responsibility of the state Government is only to procure wheat and rice and deliver the same to Central Pool through FCI.

4.4 When asked by the Committee as to the number of States/UT Governments opted for decentralized procurement scheme, the Ministry informed that the present no. of States doing the procurement under Decentralised Procurement Scheme is 10 and their details are as under:-

State/UT	DCP adopted for
A&N Islands	Rice
Chhattisgarh	Rice/Wheat
Gujarat	Wheat
Karnataka	Rice
Kerala	Rice
M.P.	Rice/Wheat
Orissa	Rice
Tamil Nadu	Rice
Uttarakhand	Rice/Wheat
West Bengal	Rice/Wheat

4.5 It is evident from the above statement that only 5 States i.e. Chhatisgarh, Gujarat, Madhya Pradesh, Uttrakhand and West Bengal have opted for decentralized Procurement in respect of Wheat and 9 States i.e. A&N Islands, Chhatisgarh, Karnataka, Kerala, Madhya Pradesh, Orissa, Tamilnadu, Uttarakhand and West Bengal have opted for Decentralised Procurement in respect of rice. In reply to a question, the Department has stated that the following are the merits and demerits of Decentralised Scheme vis-à-vis normal Procurement Scheme:

MERITS OF DCP SCHEME

- (i) The State is made self sufficient in production, procurement and distribution of food grains and thereby reducing the over dependence on central govt. agencies towards procurement and distribution of food grains.
- (ii) Can boost local cultivation and enhance coverage of MSP to the farmers.
- (iii) Since the consuming States themselves are the custodian of the stock procured, there will be fewer complaints on quality and quantity front.
- (iv) Higher local production and procurement will save a huge cost toward freight in bringing the stocks from outside the regions
- (v) Generation of additional revenue to the State Government by way of levy and taxes
- (vi) Generation of direct and indirect employment.
- (vii) Encourages the States to contribute more towards the central pool, thereby enhancing the food security.

DEMERITS OF DCP SCHEME

- (i) The success of DCP scheme greatly depends upon the infrastructure and resources available with the respective State Government in carrying out such voluminous operations. Centralized procurement is feasible in such States, where the State does not have requisite infrastructure and resources.
- (ii) The success of DCP scheme again depends upon speedy release of funds to the respective DCP States. Many a times it is observed that finalization of Audited Accounts are getting delayed causing delay in making final payment mainly due to the lapses and delays from the respective DCP State Government in submitting the audited accounts complete in all respects.
- (iii) Poor planning and production/procurement forecast by the DCP States may also result in handing over of their procured stocks to FCI first and then taking it back for distribution purposes, once they face shortfall. This can add to infructuous expenditure, towards additional handling/transportation etc.

4.6 When enquired about need for making reforms and the Decentralised Procurement System, the Ministry stated that the DCP States need to enhance the procurement in their respective States. They also need to establish effective information system so as to have better coordination with FCI. It is generally observed that the bills sent by DCP States for claiming subsidy are generally not accompanied by complete information and required documents and the bills are not sent in time.

4.7 The Committee are constrained to note that even after more than 13 years of its inception, the DCP Scheme has been undertaken by only five States for wheat and nine States for rice which indicates the Government's inability to convince the remaining States about the advantages of the Scheme. The Committee also observe that success of DCP Scheme greatly depends upon the infrastructure and resources available with the respective State Governments; speedy release of funds to the DCP States and proper planning for distribution of foodgrains. In the opinion of the Committee, DCP Scheme is one of the most important Schemes being implemented with a view to lessening the burden on FCI and reducing the dependence on the Central Government. The Committee, therefore, urge the Government to remove the anomalies in the Scheme so that States can contribute towards the central pool thereby enhancing the food security. The Committee, also recommend the Department to take concrete steps to convince the remaining States/UTs to adopt the DCP Scheme in the interest of the farmers and in making the States self sufficient in production, procurement and distribution of foodgrains.

(b) Food Subsidy

4.8 Food Subsidy is paid to the Food Corporation of India (FCI) for reimbursement of the difference between the economic cost of food grains and their issue price, carrying cost of buffer stocks, and on account of levy sugar, import of sugar etc. The economic cost comprises of procurement price, procurement incidentals and distribution cost. Ten States have undertaken the responsibility of not only procuring foodgrains from within the States but also distributing the same to the targeted population under TPDS and other welfare schemes. Under this scheme of Decentralized procurement, State specific economic cost is determined by the Government of India and the difference between the economic cost so fixed and the Central Issue Prices is passed on the State as food subsidy. Besides the demands of FCI, the item of Food Subsidy also includes other schemes.

The Food subsidy during 2008-09, 2009-10 and 2010-11 is as under:-

(Rupees in crore)

Year	Subsidy Released *		
	FCI	States	Total
2008-09	36744	6924	43668
2009-10	46867	11375	58242
2010-11 (till 5.12.2010)	41820	9376	51196

* Excludes subsidy on sugar.

4.9 From the above statement it has been noted that there is huge increase in Food subsidy continuously during the last three years. When enquired about the reasons for sharp increase in food subsidy for the last three years, the Ministry informed that the major reasons for increase in food subsidy are: increase in economic cost of foodgrains with the Central Issue Price (CIPs) remaining static and increase in offtake under TPDS for all three categories i.e. AAY, BPL and APL. The procurement of foodgrains has also increased considerably during the period due to increase in Minimum Support Price (MSP) in the last few years, thus increasing the cost of maintaining buffer stocks. The operational costs of FCI have also been impacted by the increased railway freight rates as well as rise in the bank interest rates. This apart, additional allocation of foodgrains made for APL / BPL families and Open Sale during the current year to provide additional subsidised foodgrains to these categories has also resulted in increase in food subsidy requirement.

For RE 2010-11, an amount of Rs. 62929.56 crore (Rs. 50729.56 crore for FCI and Rs. 12200.00 crore for DCP States) has been allocated by the Ministry of Finance including supplementary grants. Out of this, Rs. 45954.56 crore to FCI and Rs. 12175.83 crore to DCP States has been released till 25.03.2011.

4.10 When asked by the Committee about the steps taken to contain food subsidy, the Ministry informed that the main measures in this regard include:

- (i) Encouraging decentralized procurement and distribution of foodgrains.
- (ii) Improving the operational efficiency of FCI.
- (iii) FCI raising unsecured short term loans to lower cost of funds.
- (iv) Undertaking PDS reforms to streamline distribution.

4.11 When enquired about the full details of the Scheme to test the feasibility of alternative mode of transfer of food subsidy i.e. in cash to BPL/AAY beneficiaries under the TPDS, the Ministry informed that State Governments of Uttar Pradesh, Haryana and Govt. of NCT of Delhi had submitted requests for direct disbursement of food subsidy in cash to BPL/AAY beneficiaries, instead of distribution of foodgrains to them under TPDS, on pilot basis in five districts, namely, Lakhimpur Kheri and Hardoi in Uttar Pradesh, Panchkula and Jhajjar in Haryana and Central District in Delhi. Based on those proposals, a draft scheme was prepared to test the feasibility of this alternative mode of transfer of food subsidy to BPL/AAY beneficiaries under TPDS. The objective of the scheme is to transfer food subsidy more efficiently and transparently to targeted BPL and AAY beneficiaries with minimization of malpractices in TPDS. Instead of allocating foodgrains and sugar under TPDS to BPL/AAY households, the scheme has been mooted to transfer food subsidy in cash to the BPL/AAY families. The subsidy portion will be the same. It does not entail any change in its funding pattern. Only mode of delivery of the food subsidy is being altered under this.

4.12 The Committee have also been informed that the Department will make allocation of funds for disbursement of cash subsidy considering the demand to be raised by the State Governments based upon the number of AAY and BPL ration cards in these selected districts where the scheme is to be implemented. Department of Food & Public Distribution will sanction the entitled cash subsidy for AAY and BPL families for full one year equivalent to the foodgrains and sugar allocation to AAY and BPL beneficiaries, but release it in installments on quarterly basis, 15 days in advance/beginning of quarter upon submission of expenditure statement of previous quarter and Utilization Certificate for previous year. Disbursement of cash subsidy meant for AAY and BPL card holders in pilot districts would be made by the Department of Food & Public Distribution to district authorities directly (under intimation to the concerned State Governments). The district collectors/district magistrates will have to open an exclusive account for this purpose in the treasury bank branch. The district offices will directly disburse the amount of food subsidy to the respective bank/post office accounts of AAY and BPL ration cardholders on the basis of their entitlement. The districts authorities will publicize through newspapers about depositing of the cash food subsidy into respective bank/post office accounts of the beneficiaries. The district authorities would also fix date by which the subsidy amount would be deposited into the accounts of beneficiaries every month so as to enable them to know about its crediting to their bank/post office accounts. In the meantime, a request has been also been received from Government of Bihar for introduction of direct cash transfer of food subsidy to BPL families in lieu of foodgrains. Some details relating to the proposal have been called for from the State Government of Bihar, which are still awaited.

4.13 Planning Commission vide their O.M. dated 17.9.2009 has also forwarded a copy of d.o. letter dated 27.7.2009 from the Chief Minister of Delhi containing a proposal from Govt. of NCT of Delhi requesting inclusion of all the 9 districts of Delhi State in pilot scheme on transfer of food subsidy directly in cash to BPL/AAY and also to APL categories of beneficiaries under TPDS.

4.14 Ministry of Finance, Department of Expenditure vide their OM dated 24.1.2011 has stated that in the Inter-Ministerial Meeting, involving Ministry of Petroleum and Natural Gas, Department of Food & Public Distribution and Delhi Government, held under the Chairmanship of JS (PF-II). Department of Expenditure on 15.4.2010, on the proposal from Delhi Government, it was decided that following the finalization of poverty estimates by the Planning Commission, Department of Food & Public Distribution and Delhi Government would work out the final contours of the scheme in consultation with the Planning Commission taking into account the likelihood of making use of UID cards to be issued in the near future. Department of Expenditure has requested for a revised proposal on the issue. The proposal is under examination in this Department.

4.15 The details of scheme-wise subsidy released in respect of TPDS and various other Welfare Schemes for the last three years are as under:-

(Rupees in crore)

	2007-08	2008-09	2009-10
Total Subsidy	31259.68	43668.08	58242.45
Scheme-wise Subsidy			
BPL	11685	16157	19564
APL	4673	7294	12595
AAY	9006	12615	14224
TPDS	25,364	36066	46383
MDM	1343	2135	3087
OTHER WELFARE SCHEMES	906	1039	1765
Others (including buffer subsidy, etc.)	3646.68	4428.08	7007.45

4.16 The Committee note that on requests received from the State Governments of U.P., Haryana and Government of NCT of Delhi for direct disbursement of food subsidy in cash to BPL/AAY beneficiaries, instead of distributing the foodgrains to them under TPDS, a draft Scheme was prepared to test the feasibility of this alternative mode of transfer of food subsidy. The Committee have been informed that the Department of Expenditure has decided that following the finalization of poverty estimates by the Planning Commission, the Department of Food & Public Distribution and Delhi Government would work out the final contours of the Scheme in consultation with the Planning Commission, taking into account the likelihood of making use of UID Cards to be issued in the near future. The Department of Expenditure has requested for a revised proposal on the issue which is presently under examination by the Department. The Committee, recommend the Department to expedite the finalization of revised proposal as desired by the Department of Expenditure, for an early decision on the issue.

(c) Hill Transport Subsidy

4.17 The Hill Transport Subsidy (HTS) Scheme is in operation since 1.8.1975 and is presently applicable to the following States/UTs:-

1. Arunachal Pradesh
2. Himachal Pradesh
3. Jammu & Kashmir
4. Manipur
5. Meghalaya
6. Mizoram
7. Nagaland
8. Sikkim
9. Tripura
10. Andaman & Nicobar Islands
11. Lakshadweep

4.18 The HTS Scheme is meant for the States/UTs, which are predominantly hilly with little or no railways and poor road communications. In such States/UTs, the Food Corporation of India (FCI) is required to open godowns at Principal Distribution Centres (PDCs) wherever possible, or reimburse the State Governments/UTs the cost of transportation of foodgrains, on actual basis, for lifting of foodgrains from base depots of FCI to the designated PDCs. In predominantly hilly States with difficult and inaccessible terrain moving grains by road to the interior is heavy and such cost gets added to the Central Issue Price of the foodgrains delivered to such States. If sufficient relief is not provided the end retail price of foodgrains may become out of reach for the beneficiaries dependant on PDS.

4.19 Important distributing centres are declared as Principal Distribution Centres (PDCs) in consultation with the State Governments/UT Administrations. FCI is required to open godowns at these designated PDCs, wherever possible, or reimburse the State Governments/U.T.s the cost of transportation of foodgrains, on actual basis, for lifting of foodgrains from Base Depots of the FCI to these designated PDCs. Road Transportation Charges (RTC) are paid to the State Governments by the FCI for lifting foodgrains from FCI depots/ rail-heads other than the designated Base Depots.

4.20 The Scheme covers only the quantities of foodgrains supplied by the FCI to the States/UTs for distribution to the consumers through the network of Public Distribution System.

4.21 The Committee have been furnished the following statement showing the funds released and amount yet to be released towards HTS Schemes for the year 2008-09, 2009-10 and 2010-11 (State/UT-wise/Year-wise).

AMOUNT : IN RS./LAKHS)

STATE/ UT	YEAR/ Period	Amount reimbursed	Amount pending
MIZORAM	2008-09	0.00	388.00
	2009-10	384.46	65.96
	2010-11	0.00	0.00
TRIPURA	2008-09	0.00	7.26
	2009-10	0.00	0.00
	2010-11	0.00	0.00
ARUNACHAL PRADESH	2008-09	2407.00	
	2009-10	2169.00	
	2010-11		
HIMACHAL PRADESH	2008-09	22.63	39.88
	2009-10	337.22	0.00
	2010-11	198.34	1.40
JAMMU & KASHMIR	2008-09	124.44	678.62
	2009-10	0	359.85
	2010-11	0	0
LAKSHADWEEP	2008-09	11.07	0.00
	2009-10	3.66	0.00
	2010-11	13.10	0.00
SIKKIM	2008-09	93.30	5.67
	2009-10	90.26	7.34
	2010-11	61.63	62.87

The main reason for the amounts yet to be released is non submission of proper claims by the concerned State Governments with all the required supporting documents and specific details, in respect of claims.

4.22 The Committee note that under Hill Transport Subsidy, the Union Government reimburses the transportation cost of foodgrains from base depots of FCI upto the designated Principal Distribution Centres in States which are predominantly hilly. The Committee are deeply concerned to note that huge amount is pending with FCI for being paid to State/UTs viz. Mizoram, Tripura, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Lakshadweep and Sikkim on account of cost of transportation of foodgrains under Hill Transport Subsidy (HTS Scheme). The Committee have been informed that no HTS claim has been received from Meghalaya, Manipur, Nagaland and A&N Islands. The States in respect of which full HTS claim have been received i.e. Mizoram, Tripura, Arunachal Pradesh, J&K, Himachal Pradesh, Lakshadweep and Sikkim, only part payment has been made and the huge amount is still pending which clearly indicates that the Department is not serious towards reimbursement of HTS claims of States/UTs. Further, the Department does not seem to have made any efforts to find out the reasons for non-submission of HTS claims which proves that the Government is not serious towards settlement of claims. The Committee are not happy with the situation and recommend that the Department/FCI should find out the reasons for non submission of HTS claims and make sincere efforts for liquidation of outstanding dues of these States/UTs fully, so that States/UTs may be able to lift the foodgrains periodically and the poor people of hilly and inaccessible States are not deprived of the benefits of subsidized foodgrains under HTS Schemes.

(d) Public Distribution System (PDS)

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

4.24 PDS is operated under the joint responsibility of the Central and the State governments. The Central Government, through FCI, has assumed the responsibility for procurement, storage, transportation and bulk allocation of food grains to the State Governments. The operational responsibility including allocation within State, identification of families below the poverty line, issue of Ration Cards and supervision of the functioning of FPS, rest with the State Government. Under the PDS presently the commodities namely wheat, rice, sugar and kerosene, are being allocated to the States/UTs for distribution. Some States/UTs also distribute additional items of mass consumption through the PDS outlets such as cloth, exercise books, pulses, salt and tea, etc.

4.25 The Committee have been informed that PDS, till 1992, was a general entitlement scheme for all consumers without any specific target. Revamped Public Distribution System (RPDS) was launched in June 1992 in 1775 blocks throughout the country with a view to strengthen and streamline the PDS as well as to improve its reach in the far-flung, hilly, remote and inaccessible areas. Targeted Public Distribution System (TPDS) was introduced with effect from June 1997 with focus on the poor. Under the TPDS, States are required to formulate and implement foolproof arrangements for identification of the poor for delivery of food grains and for its distribution in a transparent and accountable manner at the FPS level.

4.26 The Department is taking all necessary measures to closely monitor the implementation of Targeted Public Distribution System (TPDS) by State/UT Governments. Utilisation Certificates (UCs) for the foodgrains allocated to State Government are obtained regularly from the State Governments. Government has also issued instructions to States/Union Territories to strengthen functioning of TPDS by improving monitoring mechanism and vigilance, increased transparency in functioning of TPDS, use of Information and Communication Technology (ICT) tools and improving the efficiency of Fair Price Shop operations. The State/UT Governments are also being reminded to ensure implementation of the Nine –Point Action Plan. Regular meetings at the level of Food Ministers, Food Secretaries and other officials of States/UTs are being held. In order to maintain supplies and securing availability and distribution of essential commodities, Public Distribution System (Control) Order, 2001 has been notified on August 31, 2001 which mandates the State and UT Governments to carry out all required action to ensure smooth functioning of TPDS. As provided under the said Order, the State and UT Governments are responsible for implementing TPDS and competent to take action against those indulging in malpractices in TPDS by invoking provisions of clauses 8 & 9 of the said Order. State Governments/UT

Administrations have reported action taken such as issue of show cause notice, lodging of FIRs, suspension/ cancellation of FPS licenses, arrest, prosecution/ conviction etc. As and when complaints are received by the Government from individuals and organizations as well as through press reports, they have been sent to State/UT Governments concerned for inquiry and appropriate action.

The Committee have also been informed that there is a set procedure of joint inspection of foodgrains stocks in FCI godowns by State Government representatives before issue to the State Governments, State Governments/UT Administrations are to ensure that during transportation and storage at different stages in the distribution chains, the foodgrains retain their required quality specifications. In order to oversee the quality of foodgrains at fair price shops, Quality Control Cells of Department of Food & Public Distribution also inspect fair price shops in the area of jurisdiction in association with concerned State Government agencies.

4.27 It was brought to the notice of the Committee that PDS scam is going on in Panch Mahal District incessantly for the last 15 years in which foodgrains and kerosene of PDS is being sold in open market and scammers are embezzling crore of rupees (black money) and still no action is taken against scammers. When asked to furnish comments in this regard, the Ministry informed that there have been reports about irregularities in implementation of TPDS in certain regions/States in the country. As and when complaints are received by the Government from individuals and organizations as well as through press reports, they have been sent to State/UT Governments concerned for inquiry and appropriate remedial action. They have stated that as the above referred point relates specifically to the State of Gujarat, the same has been sent to the State Government for report, which is awaited.

4.28 When asked by the Committee in how many States/UTs fortified atta and stamping of PDS foodgrains/atta has been introduced, the Ministry informed that the Department issued the revised policy guidelines on distribution of wheat flour to ration card holders of AAY, BPL and APL categories under the TPDS on 17.01.2008. The revised policy guidelines, inter-alia, stipulates that (i) distribution of wheat products other than wheat flour, such as suji, maida, rawa etc. will not be permissible from the allocations of wheat made by the Department of Food and Public Distribution, Government of India under the TPDS, (ii) the wheat flour to be distributed to ration card holders shall conform to all quality standards/specifications of whole wheat atta prescribed under the Prevention of Food Adulteration Rules, 1955, (iii) State/UT Governments should assess the requirement of wheat flour in their State/UT based on options, if any, to be exercised by the ration card holders under the TPDS. However, this requirement of wheat and wheat flour would be limited to the monthly allocation of wheat to the concerned State/UT under the TPDS, (iv) the State/UT Governments should distribute wheat flour in quantities equal to about half of the monthly allocations of wheat to ration card holders under the TPDS from March, 2008 onwards, (v) the State/UT Governments should ensure that no unreasonable monetary advantage is allowed to flour mills in the process, (vi) distribution of wheat flour to the targeted families under the TPDS as per the terms and conditions specified shall be sole responsibility of the concerned State/UT Governments, (vii) the State/UT Governments

shall ensure proper implementation and regular monitoring of the scheme. It shall be ensured that there is no diversion of TPDS wheat flour to the open market, etc.

4.29 The Committee desired to know whether corruption prevalent in Public Distribution System (PDS) in U.P. has led to collapse of ration system in about 40 Districts, the Ministry have informed that as per preliminary enquiry conducted by various investigating agencies, certain irregularities in the Public Distribution System have come to notice in some districts of Uttar Pradesh. The Hon'ble Allahabad High Court has issued order dated 3rd December, 2010 in the above matter for investigation by various agencies including the Central Bureau of Investigation (CBI). Government of Uttar Pradesh has further reported that investigation is being carried out by various agencies i.e. Central Bureau of Investigation (CBI), Economic Offences Wings (EOW), SIT and Food Cell, which is ongoing. Till date, Food Cell and EOW have submitted their investigation reports in respect of three districts and two districts respectively. These reports are under consideration of the State Government. On the basis of the reports of these agencies, action is being taken by the various Departments against their erring officials. As per report received, further action would be taken by the Government of Uttar Pradesh after receipt of the investigation reports of the other agencies.

4.30 The Committee note that as per Public Distribution System (Control) Order, 2001, the State Governments/UT administrations are to ensure that during transportation and storage at different stages in the distribution chains, the foodgrains retain their required quality specifications. The Committee are surprised that despite there being joint inspection of foodgrains stocks in FCI godowns and presence of quality control cells in the Department of Food and Public Distribution, there are complaints of beneficiaries getting inferior quality of foodgrains. The Committee feel that this could be the handiwork of some intermediaries which leads to diversion of good quality foodgrains and making the poor people getting inferior quality of foodgrains. The Committee, therefore, strongly recommend that the Department should make independent surprise visits and inspections at fair price shops or entrust the job to some other independent agency or vigilance committees to evaluate the situation and take immediate action thereon. The Committee are of the view that the CCTV monitoring can also be helpful in monitoring the distribution of the PDS items at fair price shops. The Committee also desire that 24X7 toll free complaining facilities may be set up in all the States/UTs by the Department for registering the grievances/complaints of TPDS beneficiaries. Further, the Committee also desire that foodgrains should be supplied to beneficiaries in packings of 5kg, 10kg, and 20kg bearing FPS stamp on it, which will minimize the chances of diversion.

(e) Strengthening of Public Distribution System

(i) Diversion/Leakages of foodgrains

4.31 The quantum of leakages/diversion of foodgrains in the 12 States/UTs as per the report of NCAER is as follows:-

	NCAER Reports (Fig. in %)					
	Rice			Wheat		
	AAY	BPL	APL	AAY	BPL	APL
Assam	1.49	44.97	83.28	0	0	100.00
Mizoram	36.21	37.44	81.12	0	0	100.00
Bihar	0	0	0	41.35	46.87	0
Jharkhand	3.80	0	0	16.47	8.97	54.53
Rajasthan	0	0	0	0	0	0
Maharashtra	0	0	0	9.42	17.77	0
Uttar Pradesh	0	8.32	0	0.86	20.67	0
Uttarakhand	0	0	0	0	29.71	4.92
Delhi	1.63	3.34	0	3.72	0	0
Kerala	18.66	0	0	0	19.24	13.10
Madhya Pd.	0	18.93	0	16.81	29.14	0
Chhatishgarh	0	0.97	0	0	42.32	78.34

4.32 The information regarding another six States as per Evaluation Study conducted by IIPA is as follows:

State/ Foodgrains	Annual offtake	Annual distribution	Leakage	Leakage as Percentage of offtake
Arunachal Pradesh				
Rice	67714	64673	3041	4.49
Wheat	8268	0	8268	100.00
Foodgrains	75982	64673	11309	14.88
Manipur				
Rice	91585	73837	17748	19.38

Wheat	9560	0	9560	100.00
Foodgrains	101145	73837	27308	27.00
Nagaland				
Rice	94488	53877	40611	42.98
Wheat	36614	12341	24273	66.29
Foodgrains	131102	66218	64884	49.49
Orissa				
Rice	1483850	1461456	22394	1.51
Wheat	143669	54489	89180	62.07
Foodgrains	1627519	1515945	111574	6.86
Tripura				
Rice	229347	228099	1248	0.54
Wheat	20587	13723	6864	33.35
Foodgrains	249934	241822	8112	3.24
West Bengal				
Rice	1152892	1130807	22085	1.91
Wheat	1499117	809274	689843	46.02
Foodgrains	2652009	1940081	711928	26.84

Report in respect of remaining 8 States submitted by IIPA is under examination in the Department.

4.33 In order to maintain supplies and securing availability and distribution of essential commodities, Public Distribution System (Control) Order, 2001 has been notified on August 31, 2001 which mandates the State and UT Governments to carry out all required action to ensure smooth functioning of TPDS. An offence committed in violation of the provisions of this Order is liable for penal action under the Essential Commodities Act, 1955. Utilization Certificates (UCs) for the foodgrains allocated to State Government are obtained regularly from the State Governments. Review meetings are held with State Governments on functioning of the TPDS. State and UT Governments have been directed in July 2006 to implement 9-point action plan for streamlining working of TPDS. Government has regularly reviewed and also has issued instructions to States/Union Territories to strengthen functioning of Targeted Public Distribution System (TPDS) by improving monitoring mechanism and vigilance, increased transparency in functioning of TPDS, adoption of revised Model Citizen's Charter, use of Information and Communication Technology (ICT) tools and improving the efficiency of Fair Price Shop operations.

4.34 When enquired as to how many cases of malpractices were reported during the last 3 years in various States, the Ministry informed that there have been reports about irregularities in implementation of TPDS in certain regions/States in the country. As and when complaints are received by the Government from individuals and organizations as well as through press reports, they have been sent to State/UT Governments concerned for inquiry and appropriate action. A statement indicating State-wise number of complaints on TPDS received in the Department from 2008 to 2010.

S. No.	State/UT	2008	2009	2010
1	Andhra Pradesh	1	-	3
2	Arunachal Pradesh	-	-	1
3	Assam	4	6	1
4	Bihar	5	16	12
5	Chhattisgarh	1	4	3
6	Delhi	26	29	32
7	Goa	-	-	1
8	Gujarat	-	4	2
9	Haryana	6	5	15
10	Himachal Pradesh	1	-	-
11	J&K	-	1	3
12	Jharkhand	1	6	3
13	Karnataka	2	6	1
14	Kerala	4	1	3
15	Madhya Pradesh	2	9	12
16	Maharashtra	7	12	5
17	Manipur	2	-	-
18	Nagaland	-	1	1
19	Orissa	-	1	2
20	Punjab	1	1	2
21	Rajasthan	7	7	5
22	Sikkim	-	3	2
23	Tamil Nadu	2	6	1
24	Uttarakhand	-	1	1
25	Uttar Pradesh	17	46	28
26	West Bengal	4	4	1
27	Chandigarh	-	-	2
28	Pondicherry	1	-	-
TOTAL		94	169	142

(ii) Piloting of innovative/new technologies such as GPS, RFID, Bar-coded coupons, stamping of PDS foodgrains etc.

4.35 The Committee have been informed that under a Plan Scheme on strengthening of TPDS, the Government has taken up an innovative scheme i.e. installation of Global Positioning System (GPS) sets on the vehicles carrying TPDS commodities in order to curb leakages and diversion of foodgrains. Under this Scheme, financial assistance of Rs.44.76 lakh was given in 2007-08 to the State Governments of Tamil Nadu, Chhattisgarh and Delhi for installation of GPS devices on the vehicles carrying TPDS foodgrains. Governments of Tamil Nadu and Chhattisgarh have reported the implementation of the said scheme.

2. Government of Tamil Nadu who have implemented the system in two districts, have reported that it has helped in (i) the quantities of foodgrains allotted from FCI to the indented godowns reached without single case of diversion (ii) created moral fear among those involved in transportation of PDS items and (iii) enabled the civil supplies department and other vigilance agencies to track the movement of vehicles carrying PDS items at short notice and avoided delays in transportation.

3. The Government of NCT of Delhi has not implemented the scheme and has refunded the amount released to them.

4.36 In order to curb diversion and leakages of foodgrains meant for TPDS, Government is taking up piloting of innovative/new technologies such as GPS, RFIDs, barcoded coupons, stamping of PDS foodgrains, etc. An amount of Rs. 6.00 lakh was provided in BE 2010-11 and at R.E stage too it is Rs.6.00 lakh. BE 2011-12 provision is Rs. 6.00 lakh. When asked the reasons due to which funds remained unutilized the Ministry informed that during 2010-11, an amount of Rs.6 lakh was kept as BE and RE for the said scheme. In February, 2011, Government of Chhattisgarh sent a proposal for installation of GPS sets. Their request for sanction of funds could not be processed as Utilization Certificate (UC) received from the State Government for the amount released to the State Government of Chhattisgarh earlier viz. Rs.29.61 lakh was not complete or proper. Hence, the same could not be accepted. Some clarifications have been sought from the State Government, which are awaited.

4.37 The Committee note that in order to curb the diversion and leakages of foodgrains meant for TPDS, Government is taking up piloting of innovatives/new technologies such as GPS, RFIDS, Bar coded coupons, stamping of PDS foodgrains, etc. One of the steps taken by the Department to prevent leakages/diversion of foodgrains was installation of Global Positioning System (GPS) on vehicles carrying subsidized foodgrains on pilot basis in three States, namely NCT of Delhi, Chhatisgarh and Tamilnadu. In this regard, the Committee also note that as per the findings of the National Council for Applied Economic Research (NCAER), the level of diversion of wheat is 100% for APL families in Assam and Mizoram and in respect of rice it is 83.38% and 81.12% for APL families in the States respectively. This shows that foodgrains meant for APL families have not reached to them at all in these two States. The level of diversion of wheat for APL in respect of Chhatisgarh and Jharkhand is 78.34% and 54.53%, respectively. The Committee, therefore, recommend that the procedure for sanction of funds for installation of GPS be simplified and GPS devices be installed not only in the three pilot States, but in all the States/UTs of the Country on top priority to curb the menace of diversion and leakage of foodgrains.

(f) Computerisation of Targeted Public Distribution System operations

4.38 The Committee have been informed that implementation of the Computerisation of TPDS operations in 3 districts each of the 4 Pilot States is under process. A Task Force on Computerisation of PDS was formed and was entrusted with the responsibility of review & integration of existing projects being undertaken by this Department and also to provide insight as to how UIDAI will be eventually leveraged for linking with the said projects. The Task Force report has given its report on 01.11.2010, which has been accepted by the Department.

Based on the proposal of National Informatics Centre (NIC) regarding development of CAS, implementation at Central Ministry and support to States, this Department has issued Letter of Intent on 31.01.2011 to NIC. NIC would also provide the required hardware infrastructure & other operational support at the Centre. NIC is currently preparing the standards for processes, data & meta data for TPDS as well as developing the Common Application Software (CAS). Based on the recommendations of the Task Force, the overall scope of the Project will now extend upto FPS and beneficiary transaction level in terms of software functionality to build single unified software for end to end computerization of TPDS processes. This Department is currently preparing the revised Detailed Project Report (DPR) for the project.

4.39 When asked by the Committee about the reasons for underutilization of funds under the scheme of computerization of targeted Public Distribution System operation in select States/UTs, for which outlay for the year 2010-11 was Rs.33.40 crore, reduced at RE stage to Rs.4.00 crore and actual Expenditure incurred is Rs.1.57 crore (upto January, 2011), in reply, the Ministry informed that under the Scheme for Computerisation of TPDS Operations, a Request for Proposal (RFP) for the scheme was under preparation for release to the empanelled implementation agencies. Further, in view of the directions given by Hon'ble Supreme Court in its order of 27th July, 2010 relating inter-alia to computerisation of TPDS that there must be total computerisation of the PDS on top priority basis; that Union of India must prepare a software and the same software should be used by all the States; and that Union of India may consider computerisation in consultation with the specialised agencies like Unique Identification Authority of India, a Task Force headed by DG-NIC was setup on 09.08.2010 by the Department, for working out the modalities for integration of the existing projects including Pilot Scheme of Computerisation of TPDS Operations and also to suggest as to how UIDAI will be eventually leveraged. The Task Force submitted its report on Computerisation of PDS Operations to this Department on 1st November, 2011. The recommendations of the Task Force, including the revised timelines for implementation of the scheme on Computerisation of TPDS Operations, have been accepted by this Department. As the RFP could not be finalised earlier for reasons explained above, the amount under BE 2010-11 of Rs. 33.40 crore was revised to Rs. 4.00 Crore at RE 2010-11 stage.

4.40 The Committee note that the 'Scheme of Computerisation of TPDS' is under process in three districts each of the four pilot States i.e. Andhra Pradesh, Assam, Chhatisgarh and Delhi. The Committee also note that in view of the direction given by Hon'ble Supreme Court in its order dated 27th July, 2010 relating, *inter-alia*, to computerization of TPDS, there must be total computerisation of the PDS on top priority basis and the Union of India must prepare a software which should be used by all the States and the Union of India may consider computerization in consultation with specialized agencies like Unique Identification Authority of India. The Committee further note that a task force headed by DG/NIC was set up on 9th August, 2010 by the Department which is entrusted with the responsibility of review and integration of the existing projects and to provide as to how UIDAI will be eventually leveraged for linking with the said project. Based on its recommendations, the overall scope of the projects will now be extended upto Fair Price Shops and beneficiary transaction level, in terms of Software functionality to build single unified software for end to end computerization of TPDS processes. Since computerization of PDS operations is very essential to improve its overall efficiency and functioning, the Committee desire that the work of total computerization of PDS operations be accorded priority and necessary steps be taken for implementation of the recommendations of the task force and computerization of PDS operations at the earliest.

(g) Pilot Scheme on introduction of Smart-Card based delivery of essential commodities under TPDS in Haryana and Chandigarh

4.41 The Committee have been informed that to improve quality of delivery of services under TPDS and to assess replicability of new technologies, a pilot scheme on smart card based delivery of TPDS commodities was approved for Chandigarh UT and Haryana in December, 2008 with an outlay of Rs.142.29 crore. Implementing agencies for this Scheme are NIC, State Government of Haryana and Chandigarh UT Administration. Under this scheme, the existing ration cards are to be replaced by smart cards. These smart cards will contain bio-metric features of adult members of the ration card holder families. TPDS commodities to smart card holder families will be issued from fair price shops only after verification of genuineness of the smart card holder through smart card transaction terminal. The smart cards as well as smart card transaction terminals will store details of transactions of TPDS commodities issued. Subsequent issue of TPDS commodities by FPS will be linked to earlier actual off take. Similarly, release of TPDS commodities by State/UT Administration to field units will be based on actual off-take/lifting by smart card holders. An amount of Rs. 25 crore to the Government of Haryana, Rs.1.10 crore to Chandigarh UT and Rs. 1.00 crore to NIC was released on 26-12-2008. Another installment of Rs. 92.50 lakh has been released to NIC on 17.01.2011. Chandigarh UT has completed trial run of smart card based transaction of TPDS commodities on 7th June 2010. Government of Haryana has also completed trial run of smart card based transaction of TPDS commodities on 17th June 2010. In the State/UT Food Secretaries conference at New Delhi, on 13th July 2010, the Hon'ble MOACAF&PD has inaugurated the scheme by issuing Smart Cards to some TPDS beneficiaries of Haryana.

4.42 The Committee have also been informed about status of implementation of smart card scheme in Chandigarh, UT and State of Haryana which is as follows:

i) **State of Haryana** – A sub pilot project was launched on 13th July, 2010 in three ration shops in District Panchkula. Subsequently, tenders/request for proposal for selection of System Integrator i.e. implementing agency were finalised by State of Haryana on 7.9.2010. The selected consortium System Integrator was given the letter of intent and the consortium deposited the Performance Bank Guarantee as terms and conditions of request for proposal. Agreement with the System Integrator is in the process of being finalised. After the signing of the agreement, the project will be implemented in four blocks of the State, before roll out in the entire State.

ii) **Chandigarh UT** – The scheme was launched in Chandigarh UT on 18th May 2010. A System Integrator has been selected who will be responsible for the digitization work, enrolment of beneficiaries and printing of smart cards. Presently, at 5 Fair Price Shops, ration is being drawn through smart cards. Upto 24th March 2011, 14 camps have been held, 1,48,383 forms have been digitized, 7740 enrolments done and 2280 BPL smart cards distributed to the beneficiaries.

4.43 The assessment of the scheme shall be taken upon completion of the Pilot project. As per the recommendations of the Task Force on Computerisation of PDS, the formulation of Centrally Sponsored Scheme (CSS) for remaining States/UTs, integrating the scheme on 'Computerization of TPDS Operations' at Centre and 4 pilot States (covering select districts) and scheme on 'Smart Card based delivery of Essential Commodities' at Chandigarh Union Territory and Haryana, shall be taken up by December 2012.

4.44 Out of the total approved expenditure of Rs. 142.29 crore, Government of Haryana and Chandigarh UT have been provided funds of Rs. 25 crore & Rs. 1.10 crore for implementation of the scheme. Further resources under the scheme shall be made available in terms of the administrative approval dated 18th December, 2008 as per State/UT's requirements and subject to furnishing of Utilisation Certificates.

4.45 The Committee note that the Smart Card based delivery of TPDS Scheme is being implemented on pilot basis in UT of Chandigarh and State of Haryana. The Committee have been informed that out of the total approved expenditure of Rs.142.29 crore, Government of Haryana and Chandigarh UT have been provided funds of Rs.25 crore and Rs.1.10 crore, respectively for the implementation of the Scheme. The Committee have been further informed that the assessment of the Scheme shall be taken upon completion of the pilot project. The Committee hope that Smart card based delivery of essential commodities will improve the efficiency of the Public Distribution System and desire that the Government should persuade the State/UT Governments of Haryana and Chandigarh to expedite completion of the projects so that assessment of the Scheme could be done at the earliest. The Committee also recommend that all necessary steps be taken for expeditious implementation of the project all over the country.

(h) Village Grain Bank Scheme

4.46 Village Grain Bank Scheme was earlier implemented by the Ministry of Tribal Affairs in 11 States. However, since 24.11.2004, the scheme is being implemented by the Department of Food & Public Distribution. The main objective of the scheme presently being implemented is to provide safeguard against starvation during the period of natural calamity or during lean season when the marginalized food insecure households do not have sufficient resources to purchase rations. Such people in need of food grains will be able to borrow food grains from the Village Grain Bank. The grain banks are to be set up in food scarce areas like the drought prone areas, the hot and cold desert areas, tribal areas and the inaccessible hilly areas which remain cut off because of natural calamities like floods, etc. These villages are to be notified by the concerned State Government/Union Territory.

4.47 The scheme envisages inclusion of all willing BPL/AAY families in the villages to be identified by the State Government in food deficit areas. The quantity to be lent and the period of repayment is to be decided by the Group themselves. Village Panchayat/Gram Sabha, Self Help Group for NGOs etc. identified by the State Government are eligible for running the Grain Banks.

4.48 When asked by the Committee about the total number of Village Grain Bank (VGB) in the country at present, the Ministry informed that 20,401 Village Grain Banks have been sanctioned by this Department in the country till date. The State-wise number of VGBs sanctioned by this Department and reported to have been set up by the States till date is as under:

S. No	Name of state	VGB Sanctioned by the Department	VGB set up by the States (reported as of 23.2.2011).
1.	Maharashtra	1377	1101
2	Andhra Pradesh	6585	4957
3	Bihar	415	-
4	West Bengal	820	820
5	Kerala	387	387
6	Rajasthan*	550	-
7	Gujarat	354	226
8	Madhya Pradesh	4240	2644
9	Orissa	646	378
10	Tripura	103	39
11	Chhattisgarh	1904	1904
12	Jharkhand	583	-
13	Meghalaya	44	40
14	Uttar Pradesh	1281	500

15	Assam	100	67
16	Sikkim*	80	-
17	Himachal Pradesh*	55	-
18	Nagaland	529	486
19	Uttarakhand	55	55
20	Manipur	293	192
	Total**	20,401	13,796

* 635 VGBs sanctioned for Rajasthan, HP & Sikkim are not being set up as these State Governments have reported their unwillingness to implement the Scheme in view of lack of interest in the State.

** 1709 VGBs have been sanctioned during the current year and their establishment will be reported in the next year only.

4.49 It is evident from the above statement that out of 20,401 VGBs sanctioned by the Department only 13,796 VGBs have been set by the States. The Scheme has been evaluated by an independent agency in all the States where it has been implemented. The World Food Programme (WFP) has also evaluated the Scheme in MP, Orissa & Chhattisgarh. The report of the independent agency on evaluation of the VGB Scheme has been received. After examination of the report, the agency was asked to revise the report as per comments provided by this Department on the draft report. The agency has submitted revised modified report on 14th December, 2010. Consequent on the examination of modified report submitted by the agency on evaluation of village grain bank scheme, this Department has made some observations relating to the findings of the report and requested to address those issues in their report.

4.50 The Ministry has also informed that Non Achievement of target VGBs was due to non-receipt of adequate eligible proposals from the State Governments during 2010-11. When enquired by the Committee about steps being taken by the Ministry to spread awareness among people about the scheme who are living in the tribal areas of the country, the representative of the Ministry during oral evidence stated as under:-

“We are giving a lot of money. We have pumped in a lot of money to the State Government for publicity also. Wherever there is a demand, we will definitely get to them. As now, suggested by you, we will start initiating from our own side, a little more public campaign as far as Village Grain Bank Scheme is concerned.”

4.51 The Committee note that Village Grain Banks can be set up in food scarce areas like the drought prone areas, hot and cold desert areas, tribal areas and inaccessible hilly areas to provide safe guard against starvation during the period of natural calamity or during lean season when the marginalized food insecure households do not have sufficient resources to purchase ration. These villages are to be identified by the concerned State Governments/UT administrations. The Committee, however, are dismayed to note the overall performance of the Scheme since out of the 20, 401 VGB sanctioned by the Department till date, only 13, 796 VGBs have been set up by the States. The Committee feel that there is need for establishment of more VGBs in food scarce areas where people, especially those in tribal areas, are suffering from malnutrition. The Committee have been informed that during 2010-11, the Department was allocated Rs.17 crore as BE which was reduced to Rs.13 crore at RE stage. The Department has informed that it has sanctioned 1709 VGBs and utilized the funds of Rs.13 crore allocated as RE 2010-11. The Committee are not satisfied with the reasoning of the Department that the reduction of funds at RE stage and non achievement of the targets was due to non-receipt of adequate eligible proposals from the State Governments during 2010-11. It only goes to prove that the Government is not serious about implementation of the Scheme. The Committee desire that the Government should view the setting up of the VGBs seriously and evolve and put in place an effective system of monitoring and control over the performance of the VGB Scheme on top priority. The Committee strongly recommend that the Government should take up the matter with the State Governments/UT Administration at the highest levels and find out the reasons for non submission of sufficient proposals and take necessary remedial measures. The Government should also persuade them for submission of more proposals for setting up of Village Grain Banks so that more and more people, specially those living in tribal areas can take advantage under the Scheme. The Committee also feel that there is need to spread awareness among the poor people by initiating publicity campaigns about the scheme. Local NGO's, Women Self Help Group, etc. could be roped in to facilitate the implementation of the scheme. The Committee,

therefore, desire the Department to examine and revamp the scheme at the earliest to make it more effective so as to achieve its desired objective.

(i) Identification of BPL/AAY families

4.52 For identification of eligible BPL families for issuing ration cards to them, necessary provisions have been made in the Public Distribution System (Control) Order 2001. As per para 1 of the Annexe to this Order, State Governments have to formulate suitable guidelines for identification of BPL/AAY families as per the poverty estimates adopted by the Central Government. Ministry of Rural Development in association with State/UT conducts the BPL Census to identify the rural households living Below the Poverty Line (BPL) who could be targeted under its various programmes. The last BPL Census was conducted in 2002 based on the methodology of Score Based Ranking of rural households for which 13 socio-economic parameters were used. For identification of eligible AAY families, detailed guidelines have been issued by this Department at the time of launching of this scheme in December 2000 and subsequent three expansions in 2003-04, 2004-05 & 2005-06. For allocation of foodgrains (wheat and rice) to States and UTs under TPDS, Department of Food & Public Distribution uses the number of BPL families based on 1993-94 poverty estimates of Planning Commission and the population estimates of the Registrar General of India as on 1st March 2000 or the number of such families actually identified and ration cards issued to them by the State/UT Governments, whichever is less. As per these estimates, the number of BPL families is 6.52 crore, which includes about 2.44 crore Antyodaya Anna Yojana (AAY) families.

4.53 The Ministry of Rural Development provides financial and technical support to the State Governments and Union Territory Administrations to conduct the BPL (below poverty line) Census to identify the BPL households in the rural areas who could be targeted under its various programmes. The last BPL Census was conducted in 2002. For allocation of foodgrains (wheat and rice) to States and Union Territories (UTs) under Targeted Public Distribution System (TPDS), Department of Food & Public Distribution uses the number of Below Poverty Line (BPL) families based on 1993-94 poverty estimates of Planning Commission and the population estimates of the Registrar General of India as on 1st March 2000 or the number of such families actually identified and ration cards issued to them by the State/UT Governments, whichever is less. As per 1993-94 poverty estimates, the percentage of population living below poverty line at all India level is 36%. As per these estimates, the number of BPL families is 6.52 crore, which includes about 2.44 crore Antyodaya Anna Yojana (AAY) families. Allocation of foodgrains to these 6.52 crore BPL families, including AAY families, are made @ 35 kg per family per month.

4.54 When enquired whether Ministry of Rural Development and Ministry of Housing and Urban Poverty Alleviation have issued new guidelines for identification of BPL/AAY families in rural and urban areas, the Ministry stated that Ministry of Rural Development constituted an Expert Group to suggest methodology for conducting the next BPL census in rural areas. The Expert Group under the Chairmanship of Dr. N.C. Saxena submitted its Report which is under consideration of that Ministry. Ministry of Rural Development has conducted a Pilot Survey to field test alternative methodologies and to arrive on methodology for conducting forthcoming BPL Census. Results of pilot study were discussed on 1st February, 2011 in Core Group on BPL Census and subsequently

with States/UTs on 7th Feb. 2011. The Ministry of Rural Development has decided to seek approval of Cabinet for the methodology for conducting the BPL Census 2011 and a Draft Note for Cabinet has been circulated to the concerned Ministries/Departments for their comments. For urban areas, an Expert Group under the Chairmanship of Prof. S.R. Hashim has been constituted by the Planning Commission to recommend a common methodology for identification of BPL households in the urban areas. According to Planning Commission, the Expert Group has been granted extension upto 12.5.2011 and it is expected that this Group would submit its report by that date.

4.55 The Committee observe that Public Distribution System (Control) Order 2001 mandates the States/UT Governments to identify eligible BPL families to issue ration cards. As per this Order, the State Governments have to formulate suitable guidelines for identification of BPL/AAY families as per the poverty estimates adopted by the Central Government. The Committee find that the Expert Group constituted by the Ministry of Rural Development to suggest methodology for conducting next BPL census in rural areas has submitted its report and a draft note for Cabinet has been circulated to the concerned Ministries/Departments for their comments. The Committee desire that the matter may be followed up with the concerned Ministries/Departments and the methodology for identification of rural poor be finalized at the earliest.

The Committee also note that the expert Group constituted by the Planning Commission to recommend common methodology for identification of BPL households in urban areas is expected to submit its report by May, 2011. The Committee hope that the expert group constituted by the Planning Commission would submit its report with in the stipulated time and a common methodology for identification of BPL households in urban areas would be formulated soon.

(j) Elimination of Bogus Ration Cards

4.56 The Ministry have been informed that in consultation with the State/UT Governments, a Nine Point Action Plan was evolved in 2006, which inter-alia includes continuous review of BPL/AAY lists and to eliminate bogus/ineligible ration cards alongwith strict action to be taken against the guilty to ensure leakage free distribution of foodgrains. State/UT Governments were also requested to initiate penal action against the Government staff found responsible for issuing bogus/ineligible ration cards and the families/persons possessing such ration cards. Instructions were also issued to all State/UT Governments to carry out an intensive campaign from October, 2009 to December, 2009 to review the existing lists of BPL/AAY families and eliminate ineligible/bogus ration cards. As a result thereof, as per reports received upto 31.01.2011, 26 State/UT Governments have since July 2006 reported deletion of 208.57 lakh bogus/ineligible ration cards. Instructions have also been issued to all State/UT Governments to issue warning to the bogus ration card holders, through advertisements in the newspapers, to surrender the bogus cards and to initiate criminal prosecution against bogus card holders etc.

4.57 When enquired as to how many bogus ration cards have been detected by the Authority under APL, BPL and AAY Schemes during the last two years and what action has been taken against the guilty officials involved in such irregularities, the Ministry furnished the following statement showing the number of bogus/in illegible ration cards deleted by the States/UTs during 2009 and 2010.

Statement showing the number of bogus/ineligible rations cards deleted by the State/UT Governments during 2009&2010

(as on 31.01.2011)

S.No.	STATE/UT	2009	2010	Total
1.	Andhra Pradesh	0	1681000	1681000
2.	Arunachal Pradesh	3005	1028	4033
3.	Assam	2936	43786	46722
4.	Bihar	151166	8813	159979
5.	Chhattisgarh	191000	0	191000
6.	Delhi	58000	0	58000
7.	Gujarat	103000	0	103000
8.	Haryana	236	2753	2989
9.	Himachal Pradesh	203	496	699
10.	Jharkhand	65000	0	65000
11.	Karnataka	218488	967	219455

12.	Kerala	114	0	114
13.	Maharashtra	0	1275000	1275000
14.	Mizoram	831	0	831
15.	Rajasthan	3092	0	3092
16.	Tamil Nadu	106678	2054	108732
17.	Uttar Pradesh	51736	38971	90707
18.	West Bengal	675036	0	675036
19.	Lakshadweep	300	0	300
20.	Puducherry	16	0	16
Total		1630837	3054868	4685705

4.58 The Committee note that as per the Public Distribution System (Control) Order, 2001, the States/UT Governments have to conduct periodical checking of ration cards to weed out ineligible and bogus ration cards as well as bogus units in ration cards. The Committee note that since July, 2006, States/UT Governments have reported deletion of 208.57 lakh bogus/ineligible ration cards, out of which 46.86 lakh bogus/ineligible ration cards have been deleted during the years 2009 and 2010. The Committee find that instructions have been issued to all State/UT Governments to issue warning to the bogus ration card holders through advertisement in newspapers and to initiate criminal prosecution against bogus ration card holders. The Committee are of the view that it is the responsibility of the Government not only to eliminate bogus ration cards but also to ensure that no eligible person is denied a ration card. The Committee, therefore, feel that identification of bogus/ineligible ration cards should be an ongoing process for which the Central Government should continuously monitor the action taken by the States/UTs, so that targeted beneficiaries get the benefit of the Public Distribution System.

(k) Damaged Foodgrains

4.59 As regards the quality of foodgrains supplied through the PDS, the Committee pointed out that sometimes poor quality of foodgrains are supplied through the PDS in various parts of the country and a large number of complaints are received from general public from time to time.

4.60 When asked by the Committee about details of accrual of damaged/non issuable foodgrains with the FCI and the fair price shops during the last three years, the Ministry informed that foodgrains stock accrued as damaged/non-issuable during the last three years and current year is as under:

Year	Quantity of Accrual of Non-issuable Foodgrains (in MTs)	Approx. value (R in Crore)*
2007-08	34,426	22.33
2008-09	20,114	13.03
2009-10	6702	3.63
2010-11	6420 \$	2.92

\$ As on 1.03.2011

Value of non-issuable stock has been calculated on the basis of Feed-I category of Wheat, Rice and Coarsegrains @75% of Central Issue Price for APL families (CIP for APL for Wheat is Rs. 610/- per qtl, Rice Gr. A is Rs. 830/- per qtl. and Coarsegrains is Rs. 450/- per qtl.).

4.61 The Committee drew attention of the Ministry to the press news, published in the Hindustan Times dated 26th July, 2010 and various other leading dailies, stating that about 48315 tones, wheat got rotten in Punjab and the reasons cited were unscientific storage, lack of covered space for storage etc. The Supreme Court reacted to the press news and directed that as the foodgrains were rotting due to want of storage facilities, the foodgrains be distributed to the poor free of cost.

4.62 When asked by the Committee about the response of the Government over the Supreme Court concern on the matter and direction to the Government to distribute these foodgrains to the poor, the Ministry informed that the Hon'ble Supreme Court, in its order dated 12.8.2010 has inter-alia desired that the Government of India may consider taking some short term measures, like distribution of foodgrains to the deserving population at a very low cost or no cost. This Department, in its affidavit dated 6.9.2010 submitted that pending finalization of the National Food Security Act and the updation of number of eligible Below Poverty Line (BPL) families, as an interim measure, Government have decided to allocate on an adhoc basis, an additional quantity of 25 lakh tons of wheat/rice at BPL prices to the State Governments for the next six months. This will be over and above 469.57 lakh tons of foodgrains already allocated till then under TPDS.

4.63 Further to the above, another ad-hoc additional allocation of 25 lakh tons of foodgrains has been made for BPL families and 25 lakh tons of foodgrains for Above Poverty Line (APL) families in January 2011.

4.64 The Committee during oral evidence were informed that in Punjab which is the largest procuring States, the construction of 16 lakh tones of capacity has been sanctioned but as the rates were not offered as per guidelines of Central Vigilance Commission, it has to be retendered.

4.65 In reply to a query, the Ministry informed that the foodgrains get damaged due to various reasons such as storage pest attack, leakages in godowns, procurement of poor quality stocks, during movement of stocks, exposure to rains, floods etc. and in some cases due to negligence of officials/officers for which suitable administrative action are initiated against defaulters wherever found guilty. The record of actual damaged/non-issuable foodgrains in fair price shops is not available/ maintained.

4.66 The Ministry have further informed that the following steps /measures have been taken by them to ensure safe storage of foodgrains to avoid damages to the foodgrains-

- i) Foodgrains are stored only in scientifically built godowns.
- ii) When covered godown space is not available, stocks are stored in "CAP" which is also based on scientific lines taking all precautionary measures at the time of storing the foodgrains. This type of storage is undertaken as last resort.
- iii) The health of the foodgrains is monitored at regular intervals by a system of checks and super checks at different levels.
- iv) Insect infestation is prevented by undertaking periodic prophylactic treatments. Whenever insect infestation is noticed at any time during periodic inspection immediate curative treatment is given to infested stocks.
- v) Bird infestation is controlled by using door nets.
- vi) Since godowns are built on scientific basis, foodgrains do not get infested by rodents. However in the premises of godowns/ CAP storage whenever rodents are noticed rodenticides are used to eradicate them.
- vii) Foodgrains losses due to moisture is controlled first by procuring the foodgrains within specified limits and aeration on all clear weather days is given to stacks which is very important to check condensation and to maintain the health of the stock.
- viii) FIFO system is followed in liquidation of the stocks to contain any deterioration due to longer storage.
- ix) During natural calamities, stocks if any get affected are immediately salvaged to avoid/reduce the losses to foodgrains.

Government of India has issued instructions to FCI and State Govt. for taking all possible steps, to prevent damage to foodgrains, during storage.

4.67 The Committee are concerned to note that a large quantity of foodgrain i.e. about 48,315 tonnes of wheat procured by Punjab has been declared unfit for human consumption. As per press reports, this stock which was enough to feed about 7.1 million people per month through Public Distribution System, had piled up over the previous three years. The Committee observe that a large quantity of foodgrain lying in open is rotting but the FCI has no adequate arrangements to keep it in covered godowns. In a country where incidents of hunger and malnutrition are still reported, such careless losses are a matter of serious concern. Intervention by the Supreme Court in the matter further highlights the gravity of the situation. The Committee note that in response to Supreme Court's Directions, Government has decided to allocate on *ad hoc* basis, an additional quantity of 25 lakh of wheat/rice at BPL prices to State Governments. The Committee feel that inadequacy of covered capacity is the main reason for rotting of large quantity of foodgrain every year. In such a scenario, the Committee were surprised to learn during their recent study visit to the State of Rajasthan that the FCI is delaying taking over the godowns constructed by Private parties in response to tenders floated by them, resulting in great losses.

Similarly, the Committee were informed during oral evidence that in Punjab, which is the largest procuring State, the construction of 16 lakh tones of capacity had been sanctioned but as the rates were not offered as per guidelines of Central Vigilance Commission, it had to be re-tendered. The Committee also note that movement of foodgrains to distribution centres is also very slow due to shortage of covered space. The Committee have been informed that movement of 18 lakh tones wheat per month is needed from Punjab but only 8 lakh tones is being moved. As a result, huge piling up of foodgrains, and rotting thereby poses heavy losses. The Committee, therefore, recommend that the Department, in consultation with FCI/CWC/State Governments, should construct storage godowns in various States so that surplus foodgrains from Punjab and Haryana could be moved for distribution under PDS throughout the country. The Committee also recommend that the Department should give special attention to the major wheat producing States such as Punjab and Haryana and create

adequate storage capacity there. The Department should also consider creation of storage space in other States such as Rajasthan, Maharashtra and Tamil Nadu where non cultivable land is available and can be used as warehousing HUB to create modern silos/godowns for storing of foodgrains which will serve as supply centres, both for Northern and Southern Regions. Foodgrains can thus be lifted, moved and stored in a decentralized and time bound manner by using latest scientific technology.

(I) Targeted Public Distribution System (TPDS)

4.68 The PDS till 1992 was a general entitlement scheme for all consumers without special targets. The RPDS was launched in 1992 in 1775 blocks in tribal, hill and drought prone areas. PDS as it stood earlier, had been widely criticized for its failure to serve the population Below the Poverty Line (BPL), its urban bias, limited coverage in the States with high concentration of the rural poor and lack of transparent and accountable arrangements for delivery. In June 1997, the Government of India launched the **Targeted Public Distribution System (TPDS) with focus on the poor**. Under the TPDS, States are required to formulate and implement foolproof arrangements for identification of the poor for delivery of food grains and for its distribution in a transparent and accountable manner at the FPS level.

4.69 The scheme, when introduced, was intended to benefit about 6 crore poor families for whom a quantity of about 72 lakh tones of food grains was earmarked annually. The identification of the poor under the scheme is done by the States as per State-wise poverty estimates of the Planning Commission for 1993-94 based on the methodology of the "Expert Group on estimation of proportion and number of poor" chaired by Late Prof. Lakdawala. The allocation of food grains to the States/UTs was made on the basis of average consumption in the past i.e. average annual off-take of food grains under the PDS during the past ten years at the time of introduction of TPDS. Keeping in view the consensus on increasing the allocation of foodgrains to BPL families, and to better target the food subsidy, Government of India increased the allocation to BPL families from 10 kg. to 20 kg of food grains per family per month at 50% of the economic cost and allocation to APL families at economic cost w.e.f. 1.4.2000. The allocation of APL families was retained at the same level as at the time of introduction of TPDS but the Central Issue Prices (CIP) for APL were fixed at 100% of economic cost from that date so that the entire consumer subsidy could be directed to the benefit of the BPL population.

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

4.71 The Committee have been informed that for greater transparency in functioning of TPDS, various measures such as display of lists of BPL and AAY families at FPS, display of allocated quantities of foodgrains on web sites, adoption and implementation of citizen's charter, public awareness campaign have reportedly been initiated. When asked by the Committee as to how many States have actually adopted and implemented the Citizen's charter so far, the Ministry stated that upto 29 March 2011, 30 State/UT Governments have reported the adoption and implementation of the revised model Citizen's Charter issued in July, 2007. The States which have not reported implementation/adoption of the revised Citizen's Charter are being pursued on

regular basis to adopt the same urgently and to give wide publicity to its provisions so as to ensure greater transparency in the functioning of the TPDS. The Ministry also informed that under the scheme for Generating Awareness amongst TPDS beneficiaries about their entitlement and redressal mechanism, State Governments/Union Territory Administrations are provided financial support for undertaking Publicity Campaign on Targeted Public Distribution System to create awareness among beneficiaries of the PDS. Detailed guidelines have been laid down for the States/UTs to undertake the publicity cum awareness campaigns.

4.72 When asked by the Committee that Public Distribution System is a joint responsibility of Central and State Governments and leakage/diversion at State levels is going on unabated and whether Central Governments has ever intervened and monitored the distribution of foodgrains to benefit/protect the end consumers, the Ministry stated that Targeted Public Distribution System (TPDS) is operated under the joint responsibility of the Central and the State/Union Territory (UT) Governments. Central Government is responsible for procurement, allocation and transportation of foodgrains upto the designated depots of the Food Corporation of India. The operational responsibilities for allocation of foodgrains within the States/UTs, identification of eligible Below Poverty Line (BPL) families, issuance of ration cards to them and supervision over and monitoring of functioning of Fair Price Shops (FPSs) rest with the concerned State/UT Governments.

4.73 Government from time to time gets evaluation done of functioning of Targeted Public Distribution System (TPDS). The evaluation reports have indicated leakages/diversion of foodgrains, inclusion/exclusion errors etc. In consultation with the State/UT Governments, a Nine Point Action Plan was evolved in 2006, which inter-alia includes review of BPL/AAY lists to eliminate bogus/ineligible ration cards, involvement of elected PRI members in the distribution of foodgrains, district-wise and FPS-wise allocation of foodgrains to be put up on websites and other prominent places for public scrutiny, door step delivery of foodgrains ensured by States, timely availability of foodgrains at FPS level and fixed dates of distribution to ration card holders. Utilisation Certificates (UCs) for the foodgrains allocated to State Governments are obtained regularly from the State Governments. Review meetings are held with State Governments on functioning of the TPDS. Government has regularly reviewed and also has issued instructions to States/Union Territories to strengthen functioning of Targeted Public Distribution System (TPDS) by improving monitoring mechanism and vigilance, increased transparency in functioning of TPDS, adoption of revised Model Citizen's Charter, use of Information and Communication Technology (ICT) tools and improving the efficiency of Fair Price Shop operations.

4.74 When asked by the Committee about rate of commission being given to FPS owners across the country the Ministry informed that the Central Government allocates the foodgrains to the States/UTs at Central Issue Price for distribution to the TPDS beneficiaries. The State/UT Governments have been authorized to fix margin over and above the CIP rates to be charged by the FPS Dealers to cover transport charges, margins, etc. for distribution of foodgrains to APL and BPL beneficiaries. The State/UT Governments were given flexibility in 2001 in the matter of fixing the margin for the

FPSs by removing the restriction that the difference between the retail issue price and the CIP for distribution of foodgrains to BPL families under TPDS should be within 50 paise per kg. This is, however, not to apply to distribution of foodgrains under Antyodaya Anna Yojana where the end retail price is to be retained at Rs.2/- per kg. for wheat and Rs.3/- per kg. for rice. Since, fixing of margins to the FPS dealers on distribution of foodgrains under TPDS to the TPDS beneficiaries falls within the jurisdiction of State/UT Governments, necessary action in the matter is to be taken by them.

4.75 The Committee have been informed that Public Distribution System (Control) Order, 2001 mandates that while making monthly allocations to the fair price shops, the designated authority of State Governments shall take into account the balance stock, if any, lying un-distributed with the fair price shop owners for the subsequent allocations. In this regard, no practical difficulties have been reported by States/UTs.

4.76 When asked by the Committee whether monthly certification Scheme by Village Panchayats/Urban local bodies/vigilance Committees has been implemented in all the States, the Ministry stated that upto 31.01.2011, 21 State/UT Governments have reported regarding the implementation of Monthly Certification Scheme. The remaining State/UT Governments are being pursued to introduce and implement the Monthly Certification by Village Panchayats/Urban Local Bodies/Vigilance Committees/Women's Self Help Groups on delivery of TPDS commodities (foodgrains, etc.) at fair price shops and their distribution to ration card holders during allocation month.

4.77 The Committee observe that for greater transparency in the functioning of TPDS, various measures such as display of lists of BPL and AAY families at FPS, display of allocated quantities of foodgrains on websites, adoption and implementation of Citizen's Charter and Public Awareness Campaign have reportedly been initiated. Further, the Committee note that upto March 2011, 30 State/UT Governments have reported the adoption and implementation of the revised model Citizen's Charter issued in July, 2007. The Committee feel that delay in implementation of Citizen's Charter by all States/UTs may be due to lack of coordination with the State Governments. The Committee, therefore, desire that the Department should persuade the remaining State Governments to adopt and implement the revised model Citizen's Charter at the earliest so as to ensure greater transparency in the functioning of TPDS.

4.78 The Committee observe that to improve the efficiency of Fair Price Shops operations and to monitor their functioning, directions were issued by the Department to State/UT Governments to introduce Monthly Certification Scheme to be implemented by village panchayats/urban local bodies/vigilance committees/Women's Self Help groups for delivery of TPDS commodities at Fair Price Shops. The Committee note that upto 31st January, 2011, 21 State/UT Governments have reported the implementation of Monthly Certification Scheme. The Committee desire that the Department should take concrete steps to try and convince the remaining States/UTs to facilitate an early adoption of the Scheme.

4.79 The Committee note that the Public Distribution System (Control) Order, 2001 mandates the State and UT Governments to carry out all required action to ensure smooth functioning of TPDS. It also mandates *inter-alia* that while making monthly allocation to the fair price shops, designated authority of State Governments shall take into account the balance stock, if any, lying undistributed with the fair price shop owners for the subsequent allocation. The Committee desire that the amount of foodgrains which remains unlifted during a particular month and left with the Fair Price Shop Dealers after distribution to the beneficiaries, should be adjusted against the next month's allocation of that Fair Price Shop or should be taken back, to prevent black marketing or diversion of foodgrains. The Committee also desire that the matter may be taken up at the highest level in the State Governments for effective implementation of the PDS (Control) Order, 2001 by all the States, to streamline the functioning of TPDS in the country.

4.80 The Committee note that the Central Government allocates foodgrains to the States/UTs at Central issue price for distribution to the TPDS beneficiaries. However, the State/UT Governments have been given flexibility to fix margin over and above the CIP rates to be charged by Fair Price Shop Dealers to cover transport, margin, etc. for distribution to APL and BPL beneficiaries. The Committee feel that one of the major reasons for diversion of foodgrains under TPDS has been the low margin for the Fair Price Shops owners, due to which the dealer is tempted to indulge in malpractices. The Committee are not convinced with the argument of the Ministry that fixing of margin for the Fair Price Shop Dealers on distribution of foodgrains under TPDS falls within the jurisdiction of the State Governments, and as such, necessary action in the matter is to be taken by the State Governments. Since management and operation of Public Distribution System is the joint responsibility of the Central and the State Governments, the Committee desire that the matter regarding increase of commission of Fair Price Shop Owners should be taken up with the State Governments for a reasonable increase in their commission as it would make the Fair Price Shop Owner economically sustainable and help in curbing the diversion of PDS foodgrains to the open market.

(m) National Food Security Act

4.81 Hon'ble President of India in her address to the joint session of Parliament on 4th June, 2009, announced that the Government proposes to enact a new law -- the National Food Security Act -- that will provide a statutory basis for a framework which assures food security for all and every family below the poverty line in rural as well as urban areas who will be entitled, by law, to a certain quantity of rice or wheat per month at subsidized prices. This legislation will also be used to bring about broader systemic reform in the public distribution system. A Concept Note on the proposed legislation was circulated on 5th June, 2009 and 10th June, 2009 to all State / Union Territory Governments and Central Ministries concerned. The National Advisory Council (NAC) is also deliberating on all aspects of the proposed law on food security. The Department of Food and Public Distribution has tentatively estimated the subsidy requirement as Rs.1,06,819 crore in the initial phase. The estimated total cost for implementation of the proposed legislation on food security will depend upon various factors such as coverage, entitlements, etc. A decision in this regard will be taken by Government after receipt of inputs from all stakeholders. Comments of all State Governments and UT Administrations on the Framework Note finalised by NAC on draft National Food Security Bill (NFSB) have been sought by the Department of Food and Public Distribution. The final picture as to how many States/UTs will implement the scheme will emerge only after receipt of views of all the States/UTs. For determination of poverty estimates, the Planning Commission is the Nodal agency in the Government. The methodology for identification of population below poverty line is primarily the concern of Ministry of Rural Development. That Ministry prescribes detailed methodology in this regard and carries out the survey in coordination with concerned States/UTs, keeping in view the State-wise poverty levels finalised by Planning Commission. All aspects of the proposed law on food security, including coverage, entitlements, etc. are under consideration of the Government.

4.82 The Committee note that the Government is working on the National Food Security Bill pursuant to the President's address to the joint session of Parliament on 4th September, 2009. The Department of Food and Public Distribution has tentatively estimated the subsidy requirement as Rs.1,06,819 crore in the initial phase. Comments of all State Governments and UT administrations on the Framework Note finalized by National Advisory Council (NAC) on draft National Food Security Bill (NFSB) have been sought by the Department of Food & Public Distribution. The Committee have also been informed that as per the decision taken in its meeting held on 21.1.2011, the NAC has put a Framework Note on the draft National Food Security Bill in the public domain inviting comments before the draft Bill is taken up for the consideration by the NAC. The Finance Minister in his budget speech 2011-12 has also stated that after detailed consultation with all stake holders including State Governments, the Government is close to the finalisation of National Food Security Bill. Other aspects of the proposed law on the Food Security, including coverage, entitlement are under consideration of the Government. Taking into consideration the paramount importance of the Bill i.e. assuring foodgrains to one and all, the Committee strongly recommend that Department of Food & Public Distribution should take up the matter on priority basis with all concerned i.e. State Governments, UT administrations, Planning Commission and the Ministry of Rural Development, to expedite an early introduction of the Bill in Parliament.

CHAPTER V

FOOD CORPORATION OF INDIA (FCI)

The Food Corporation of India (FCI) was set up in 1965 under an Act of Parliament namely the Food Corporation Act, 1964. The primary duty of the Corporation is to undertake purchase, storage movement, transport, distribution and sale of foodgrains. As the principal implementing agency of the food policy of Government of India, the FCI undertakes procurement of foodgrains at the minimum support price to provide remunerative prices to farmers and also to prevent distress sale of their produce. The FCI also maintains a satisfactory level of operational and buffer stocks of foodgrains to ensure national food security. It offers foodgrains to various State Governments for being distributed to consumers through a wide network of fair price shops under the Public Distribution System (PDS), at the Central Issue Price fixed by the Government.

5.2 Since the FCI is established under a special Act of Parliament and does not come under the Companies Act, hence the capital of FCI is in the form of Equity only and is not divided into shares. The authorized and paid up capital of FCI as on 31.03.2010 stood at Rs. 3,500 crore and Rs. 2552.73 crore respectively.

(a) Dues and Liabilities of FCI

5.3 The Ministry has informed that the outstanding dues of FCI to be recovered from various Ministries on account of providing foodgrains for various welfare schemes on payment basis during the year 2008-09, 2009-10 and 2010-11 are as under:

(Rupees in crore)

Ministry of Rural Development #		
Year	Amount Received	Balance Outstanding (As on 31 March)
2008-09	7500.00	2890.82
2009-10	-	2890.82
2010-11	-	2890.82

Outstanding dues against foodgrains supplied by FCI under SGRY scheme of Ministry of Rural Development, which has been closed on 31.3.2008.

Ministry of Human Resource Development*		
Year	Amount Received	Balance Outstanding (As on 31 March)
2008-09	1430.68	148.47
2009-10	1272.35	166.33
2010-11	300.40	39.53 (as on 28.2.2011)

Upto 31.3.2010, foodgrains supplied to Ministry of Human Resource Development (MoHRD) for its Mid Day Meal (MDM) scheme was on credit sale basis

and the cost of foodgrains was to be reimbursed after submission of bills to the Ministry. Since 1.4.2010, this scheme has been decentralized and the payment is made by concerned Revenue District Authorities. As on 31.1.2011 against the total foodgrains supplied (amounting to Rs.1002.91 crore) payments of Rs. 611.87 crore has been received by FCI. This apart, Revolving Fund of Rs. 300 crore has been provided by MoHRD against bills in pipeline.

5.4 On being asked by the Committee whether any time limit has been fixed within which Ministries are requested to make payment of outstanding dues, the Ministry informed that there was no time limit for making payment by Ministry of Rural Development (MoRD) for foodgrains supplied under SGRY Scheme. In respect of MDM scheme of MoHRD, there is time limit of 20 days for making payment after submission of bills in the subsequent month (time for submission of bills is 10 days) by the District Authorities under the decentralized scheme of payment. However, the prescribed time limit is not adhered to strictly as MoHRD depends on allocation of funds by Ministry of Finance.

5.5 When asked by the Committee whether any steps have been taken to liquidate the outstanding dues of FCI over the years, the Ministry informed that 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.

5.6 The Committee are deeply concerned to note that a high amount of outstanding dues are to be recovered by FCI from the Ministry of Rural Development and the Ministry of Human Resource Development on account of providing foodgrains for various welfare schemes on payment basis. Outstanding dues to be recovered from the Ministry of Rural Development during each of the years 2008-09, 2009-10 and 2010-11 are Rs. 2890.82 crore. From the Ministry of Human Resource Development, the outstanding dues to be recovered during the year 2008-09, 2009-10 and 2010-11 are Rs. 148.47 crore, Rs. 166.33 crore, and Rs. 39.53 crore, respectively. As on 31.1.2011, against the total foodgrains supplied to that Ministry (amounting to Rs. 1002.91 crore), payment of Rs. 611.87 crore has been received by FCI. Apart from this, a revolving fund of Rs. 300 crore has been provided by the Ministry against bills in the pipeline. The Committee are surprised to note that no time limit has been prescribed for making payment by the Ministry of Rural Development. Further, the Committee are not convinced with the reasoning of the Department that prescribed time limit of 20 days in respect of the Ministry of Human Resource Development for making payment after submission of bills is not strictly adhered to as the Ministry is dependent on allocation of funds by the Ministry of Finance. The Committee, therefore, desire that the department should take up the matter with the concerned Ministries, i.e. the Ministry of Finance, the Ministry of Rural Development and the Ministry of Human Resource Development at the highest level so that the outstanding dues of FCI are liquidated at the earliest and the burden on food subsidy bill is reduced.

(b) Establishment Cost of FCI

5.7 The net expenditure incurred by FCI (including establishment cost) is reimbursed by the Government in the form of food subsidy. The details of establishment cost incurred by FCI for the last three years are as under:-

(Amount in Crore)

	2008-09	2009-10 (Prov)	2010-11 (RE)
Staff Cost	2251.14	1846.50	3037.25
Other Establishment Cost	153.11	164.61	270.46
Total	2404.25	2011.11	3307.71
% increase over previous year	69.99	-16.35	64.47

The increase in Establishment cost during 2008-09 and 2009-10(Prov.) is due to the following reasons:

Pay revision of the employees with 30% fitment benefit w.e.f. 1st January, 2006 (for employees under CDA) and w.e.f 1st January, 2007 (for employees under IDA). and consequent payment of arrear. The total arrears paid during 2008-09 was Rs. 742.40 Crore. Revision of maximum gratuity ceiling from Rs. 3.50 Lakhs to Rs. 10 Lakhs w.e.f. 24th May, 2010 (for employees under CDA) and w.e.f 1st January, 2007 (for employees under IDA) and consequent payment of arrears.

The Department has further stated that the increase in Establishment cost during 2010-11(RE) is due to the following reasons:-

1. Pay revision of the executives and announcement of fringe benefits to category I and II employees of the Corporation.
2. Impact of revision of maximum gratuity ceiling from Rs. 3.50 Lakhs to Rs. 10 Lakhs w.e.f. 24/5/2010 (for employees under CDA) and w.e.f 1.1.2007 (for employees under IDA) and consequent payment of arrears.

5.8 When asked by the Committee about the remedial/corrective steps proposed to be taken to keep the establishment cost to its barest minimum, the Ministry stated that in order to reduce the establishment cost, The Food Corporation of India has implemented instructions on economy measures and rationalization of expenditure issued by Department of Expenditure vide OM No.7(1)/E.Coord/2009 dated 7th September, 2009.

5.9 The Corporation monitors to see that the economy instructions are implemented so as to ensure that the establishment cost is controlled. The revised Staff Sanctioned Strength of the Corporation has gone down from 55045 to 36515 (excluding Hindi and Watch & ward posts).

5.10 The Committee note that the net expenditure incurred by FCI including the establishment cost, is reimbursed by the Government in the form of food subsidy. The Committee are deeply concerned to note that in 2010-11, the establishment cost of FCI was Rs.3307.41 crore i.e. an increase of 64.47% over the previous year (2009-10) of Rs. 2011.11 crore. The reasons attributed for the increase in establishment cost during 2010-11 (RE) are the pay revision of executives, announcements of fringe benefits to category I and II employees of the Corporation and impact of revision of maximum gratuity ceiling from Rs.3.50 lakhs to Rs.10 lakhs w.e.f. 24th May, 2010 (for employees under CDA) and w.e.f. 1.1.2007(for employees under IDA) and consequent payment of arrears. While agreeing with the aforesaid reasoning of the Department, the Committee feel that establishment cost is very high and should be kept under check so that there is increase in the food component under the food subsidy. The Committee, therefore, strongly recommend that ways and means should be devised to reduce the establishment cost so that substantial amount of food subsidy which is basically meant for the poor section of the society, percolates down to the legitimate beneficiaries only.

(c) Storage – covered and open alongwith utilization status

5.11 The Committee have been furnished the following statement showing total storage capacity available with the FCI, stocks held therein and capacity utilization during the last three years:-

(Figures in lakh)

YEAR As on 30 th June	COVERED			CAP(OOPEN)			GRAND TOTAL
	OWNE D	HIRED	TOTAL	OWNED	HIRED	TOTAL	
2008							
Capacity	129.63	97.49	227.12	22.97	0.86	23.83	250.95
Stocks	93.12	86.01	179.12	6.55	0.87	7.42	186.55
Utilz.	72%	88%	79%	29%	101%	31%	74%
2009							
Capacity	129.67	117.15	246.82	23.07	5.70	28.77	275.59
Stocks	112.17	114.28	226.45	10.56	5.65	16.21	242.66
Utilz.	87%	98%	92%	47%	99%	56%	88%
2010							
Capacity	129.69	144.3	273.99	26.12	6.33	32.45	306.44
Stocks	114.26	140.46	254.72	16.53	6.76	23.29	278.01
Utilz.	88%	97%	93%	63%	107%	72%	91%
2011 (as on 28.2.2011)							
Capacity	129.91	152.33	282.24	26.26	5.11	31.37	313.61
Stocks	92.50	126.42	218.92	6.79	2.61	9.40	228.32
Utilz.	71%	83%	78%	26%	51%	30%	73%

5.12 From the above statement, it is noted that during 2011 (as on 28th February, 2011), utilization of owned (covered) capacity is 71% whereas hired capacity is 83%. Similarly, utilization of owned (CAP) capacity is 26% whereas the hired (CAP) capacity is 51%. The details of rent paid by FCI for hiring of godowns are as under:-

Figures in lakhs

Year	CWC	SWC	St. Govt.	Pvt. Parties	Port Authorities
2007-08 (Audited)	6448.58	17646.90	1564.63	1322.41	1485.73
2008-09 (Audited)	10327.85	24241.74	1617.30	8534.89	464.35
2009-10 (Provisional)	12591.62	29753.46	2074.20	6553.80	469.94

5.13 When asked by the Committee about the present norms of occupancy levels or capacity utilization of each category of storage, the Ministry informed that as per Bureau of Industrial Costs & Prices (BICP), the present norm for optimum capacity utilization is 75%. There is no proposal for dehiring of the hired capacity in view of the storage requirement by the FCI.

For construction of capacity under the Private Entrepreneur Guarantee (PEG) scheme, capacity utilization norm of 80% has been considered.

5.14 The Committee note that upto 28th February, 2011, utilisation of owned (CAP) storage capacity of FCI was 26% and hired (CAP) storage capacity was 51% and the total utilization of capacity was only 30% whereas the present norm of occupancy level or capacity utilization of each category of storage is 75%. The Committee express their deep anguish over the underutilization of CAP storage capacity (both owned as well as hired). The Committee also regret to observe that a huge amount is spent every year on hiring the godowns by FCI though the owned capacity is not utilized to the optimum. The Committee fail to understand that when Corporation is not able to utilize owned capacity to the maximum, what is the logic behind hiring the capacity and wasting the Government money thereon. The Committee desire that utmost care should be exercised by FCI to maximize storage capacity utilization for owned as well as hired. The Committee also strongly recommend that FCI should make proper assessment of availability of owned storage capacity and required capacity and take necessary steps to maximize utilization of both owned as well as hired capacities so as to avoid infructuous expenditure on account of rental charges.

(d) Construction of storage godowns

5.15 The Committee have been informed an assessment of required storage capacity has been made on the basis of four month's requirement (2 months buffer stock, 1 month operational stock and 1 month for strategic reserve) of foodgrains for the consuming States and the highest stock level achieved in the last three years for the procuring States under the PEG (Private Entrepreneur Guarantee) scheme 2008 and 2009, for creation of covered storage capacity in the country. Accordingly, a capacity of 152.97 lakh MT has been sanctioned in 19 states which is under various stages of implementation.

5.16 With a view to augment the storage capacity, GOI has formulated a scheme for construction of godowns through private entrepreneurs in July, 2008. The Scheme has been revised in 2009-10. The salient features of the scheme are as under:-

- (i) Under this scheme, the FCI can take the godown on hire from Private parties through CWC/SWCs (which will be the implementing agency) for a period now revised to 10 years to meet 4 months of Public Distribution requirements in a consuming State. For procuring States the maximum stock in the last 3 years is considered to arrive at the storage capacity required.
- (ii) The purpose of the new scheme is to make available storage capacity to FCI on long-term basis. Under the new scheme, assessment of the storage needs is being made by FCI at the State level, based on the overall procurement/consumption and the storage space already available.
- (iii) As per the scheme, requirement of additional storage space has been assessed by the State Level Committees, which were headed by the Executive Director (Zone) of FCI and had representatives of State Governments, Railways, Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWCs) as members.
- (iv) Final approval of the High Level Committee of FCI would be required for hiring either any existing godowns constructed earlier under Seven Year Guarantee Scheme or for opting for new construction as per the parameters of the Scheme.
- (v) The High Level Committee will examine and decide whether such storage capacity is really required and to the extent to which it is required. The re-hiring of already existing 7 Years Guarantee Scheme godown would be done after having due regard for the written down value, value of storage facilities, market rates etc. Hiring of new godowns would be done through a transparent 2-bid tendering process.
- (vi) The scheme has the ceiling rates fixed after indexing the rates as estimated by the Chief Advisor, Cost, Ministry of Finance for guaranteed storage in CWC godowns. The Chief Advisor Cost, Ministry of Finance has finalized the storage charges of CWC for the year 2004-05 at Rs.3.80 per quintal per month, which works out to Rs.4.78 per quintal per month after indexing upto September, 2009. HLC has been empowered to accept rates higher than Rs.4.78/ quintal /month after recording reasons.

- (vii) It has also been decided that wherever CWC and SWCs have land and if this is within the identified locations and storage capacity finalized, CWC/SWCs may construct godowns on priority for which FCI will provide 9 years Guarantee. CWC/SWCs are creating a total of 17.06 Lakh MT of storage capacity on their own land and construction work on these have started.
- (viii) Under the PEG scheme, a capacity of 135.91 lakh MT out of total 152.97 lakh MT is being created through private entrepreneurs only.
- (ix) The High Level Committee has finalized the requirements of additional storage capacity in various States.

Details of Target/achievements made by FCI during the last year is as under:-

Capacity in `000 (Rs. In crore)

Year	Target			Achievements		
	Genl	NE	Total	Genl	NE	Total
	Storage construction programme			Storage construction programme		
	Genl	NE	Total	Genl	NE	Total
2010-11* (The position is as on 30.9.10)						
Financial	10.00	30.00	40.00	0.95	0.40	1.35
Physical	2.50	5.00	7.50	-	-	-

5.17 When enquired about reasons for non-achievement of target (physical/financial) as to storage construction programme, the Ministry in its written replies stated that against the targeted capacity of 7500 MT, a capacity of 5000 MT at Hailakandi in Assam Region will be created during this financial year. Construction of godowns at Lakshadweep will be completed by May 2011.

5.18 As far as financial achievement in the areas other than NE is concerned, Rs. 4.25 crore was earmarked for construction of godowns in J&K Region which has subsequently been included in PEG Scheme. Further, in NE areas the target could not be achieved at Changsari in Assam because farmers raised the issue of compensation of land. Construction of boundary wall is however going on.

5.19 The Committee are deeply concerned to note the inability of FCI to achieve the physical as well as financial targets set during the year 2010-11 in respect of North Eastern and other than North Eastern States. In States other than North East, the set physical target during the year 2010-11 was 2.5 lakh tonnes but achievement was nil. In North Eastern States, the set targets during the same period was 5000 tonnes, but achievement was again nil. As far as the financial targets are concerned, the target set for other than North Eastern States during 2010-11 was 10 crore but achievement was only 0.95 crore. In North Eastern States too, set target was 30 crore but achievement was only 0.40 crore. In this context, the Committee have been informed that against the targeted capacity of 7500 MT, a capacity of 5000 MT at Hailakandi in Assam Region will be created during the financial year 2011-12 and construction of godown at Lakshadweep will be completed by May 2011. The Committee, however, are unhappy with the slow pace of construction of godowns in these areas. The Committee feel that inadequacy of storage capacity poses a serious threat to running of efficient Public Distribution System. So far as the North Eastern States are concerned, they are the most disadvantaged States in terms of infrastructure, communication and rail/road network, etc. The Committee, therefore, strongly recommend that FCI should make sincere efforts for speeding up the work of construction of godowns for achievement of set physical and financial targets in North Eastern States as well as other than North Eastern States so that people of the country are not deprived of the benefits of Public Distribution System due to inadequacy of storage space.

(e) Storage and Transit Loss

5.20 The Committee have been informed that details of actual storage, transit and pilferage losses in terms of quantity and value for the last three years by FCI are given as under:

Storage Losses (Wheat+Rice)

(Qty. in lakh MT/ Value in Rupees in Crore)

Year	Qty. received	Qty of Loss	Value of Loss	%age of Loss
2008-09 (Audited)	620.17	0.58	101.31	0.10
2009-10 (Provisional)	490.57	1.32	229.62	0.27
2010-11 (Provisional) (Upto Feb,2011)	476.64	1.44	267.14	0.30

Transit Losses (Wheat+Rice)

(Qty. in lakh MT/ Value in Rupees in Crore)

Year	Qty of Loss	Value of Loss	Qty. Moved	%age of Loss
2008-09 (Audited)	1.06	117.42	303.84	0.35
2009-10 (Provisional)	1.36	204.62	283.59	0.48
2010-11 (Provisional) (Upto Feb,2011)	1.46	233.57	289.32	0.50

(f) Pilferage Losses

Year	No. of cases	Qty. in MTs	Value (Rs.)	Remarks
2008-09	02	01.15	17422	2 cases closed
2009-10	06	03.42	486227	Under process
2010-11 (Upto Dec,2010)	3	10.5	1,64,270	Cases under process

5.21 When asked about measures being taken to obviate such losses, the Ministry informed that steps taken to mitigate losses are as follows:-

Security and Safety of Storage Complexes

- Physical measures like installation of barbed wire fencing of the boundary walls, provision of street lights for illumination of godowns and proper locking of the sheds are taken to secure the godowns.
- Security staff of FCI as well as other Agencies like Home Guards, Special Police Officers are deployed for safety of the stocks.
- Deployment of Central Industrial Security Force and State Armed Police has been done at some depots / godowns, which are vulnerable.
- FIRs have been lodged with the Police.

Inspections

- Security Inspections as well as surprise checks of the Depots are also conducted from time to time at various levels to detect and plug the security lapses.
- Special Squad checking at selected rail-heads, transshipment and destination/ despatch centers.
- Identification of vulnerable points.
- Inspection of Depots by Senior Officers of the HQs, Executive Directors (Zone) / General Managers (Region)/ Area Managers.

Quality Control Measures

- Periodical prophylactic and curative treatment of stocks, as prescribed.
- Maintaining priority list for issue of stocks observing the FIFO principle.
- Undertaking pre-monsoon fumigation.
- Improvement in dunnage material.
- Ensuring proper quality checking of foodgrains at the time of procurement.

Preventive Measures and Monitoring of Losses

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

- Adoption of 50kg packing to avoid use of hooks.
- Double line machine stitching of bags.
- Supervision of loading/unloading operations by the ICCS (Independent Consignment Certification Squad).
- MOU is signed between FCI and Ministry of CAF&PD for the last 5 years. One of the parameters of MOU is to bring down/control storage & transit losses.
- Monitoring of S&T Losses during Monthly Performance Review Meetings at Regional/Zonal/Headquarters levels.

5.22 On being asked whether any complaint regarding storage and transit losses of FCI has been registered with the vigilance division of the Ministry of Consumer Affairs, Food & Public Distribution, the Ministry informed that no formal complaint was registered in the Vigilance Division of the Ministry of Consumer Affairs, Food and Public Distribution. However, based on a Unstarred Question No. 1829 raised in Lok Sabha answered on 4.12.2006, the Department had sought details/clarifications from FCI regarding missing stock of imported wheat bags transported from the Tuticorin Harbour to FCI warehouses in Kerala and Karnataka. The FCI had informed as under:-

- Four vessels loaded with wheat arrived at Tuticorin port from where the wheat was unloaded and dispatched to various depots in Karnataka and Kerala regions.
- As soon as the short receipt of wheat stocks at the destination came to the notice of Headquarters, the investigations were conducted at Headquarters level as well as by Zonal Office (South) and Regional Office, Tamil Nadu.
- Initially the misappropriation or transit loss was projected at higher level, however, the FCI had stated that on reconciliation of weight and number of bags, the loss worked out to be 0.26%, which could not be termed as abnormal under the then prevailing conditions. However, the Department requested FCI to re-investigate the matter and submit a report.
- On the basis of earlier investigation, the FCI has taken action against the following officers/officials for laxity in proper loading/accounting on their part under FCI conduct rule:

A) Category I – Area Manager	01
B) Category II – i) Manager (D) officiating as Area Manager	01
ii) Manager (D)/QC(A/cs.)	08
C) Category III – Asstt. Gr.I(D)/(G)/QC/A/cs.	21
D) Category IV – Watchman	<u>03</u>
Total	<u>34</u>

- (v) The FCI has re-investigated the case and the total loss caused to FCI estimated earlier has worked out to be more than 0.26%. Action has been taken against the delinquent officials/officers on the basis of earlier investigation report and the officials/officers are being identified in the light of re-investigation of the case and departmental action against them will be taken by FCI.

5.23 The total number of regular/surprise checks undertaken by the HQ's Vigilance Squad during the last three years are as under:-

YEAR	No. of inspections conducted
2008	55
2009	23
2010	37

5.24 Abnormal storage and transit loss cases are monitored and vigilance cases are initiated against the delinquent officials. Based on the investigations and disciplinary actions, various penalties, including recovery, have been imposed upon delinquent officials. Details of penalties imposed on finalization of all the vigilance cases including transit and storage loss cases are as under:-

	Nature of Penalty imposed	2008	2009	2010
1	Dismissal/removal/ compulsorily retired	18	17	16
2	Reduction in rank	14	13	8
3	Reduction in time scale	281	165	203
4	Withholding of increment	107	76	111
5	Recovery from pay of the loss caused	1496	922	1063
6	Withholding of promotion	7	1	15
7	Censure	476	337	334
	Total	2399	1531	1750

The details of action pending against the delinquents in terms of number of cases pending against FCI officials responsible for transit and storage losses are as under:-

Nature of irregularity	2010 (as on 31.12.2010)
Transit/Storage Losses	288

5.25 The Committee are concerned to note that despite several remedial steps taken by FCI, the foodgrains loss on account of storage, transit and pilferage continues to increase every year. During 2010-11, the storage and transit loss was of the value of Rs. 267.14 crore and Rs. 233.57 crore, respectively. Further, the value of pilferage loss during 2010-11 amounted to Rs. 1,64,270. The Committee are of the opinion that due to poor maintenance of godowns, large quantity of food grains of high value is lost every year. The Committee, therefore, strongly recommend that FCI should adopt scientific and modern technology for storage of foodgrains. The Committee, also desire that physical verification of stocks of foodgrains should be done frequently i.e. once in six months so that any damage to foodgrains due to storage be timely detected. Besides, the Government should also recruit personnel who have technical knowledge and expertise with a view to ensuring safe storage and minimizing storage loss. Any damage of foodgrains that occurs due to human error should be thoroughly investigated and responsibility for the losses fixed and the guilty official punished. Regular inspection and constant monitoring are also required to ensure that losses do not increase further. The Committee, therefore, recommend that vigorous efforts be made to minimize the storage and transit losses so that the funds earmarked for the poorest of the poor reach the actual beneficiaries. Necessary steps should also be taken so that losses due to thefts/pilferage be kept at the minimum.

(g) Corruption in FCI

5.26 The Ministry have furnished the details with regard to corruption cases including vigilance cases detected on various counts, disposed off & closing balances as under:

PERIOD	Opening Balance at the beginning of the Year/Month		Number of Cases Initiated		No. of Cases Finalized		Closing Balance at the close of Year/Month		Total
	Major	Minor	Major	Minor	Major	Minor	Major	Minor	
2008	337	1045	270	1920	361	2414	246	551	797
2009	278	557	164	1668	243	1514	199	711	910
2010	199	711	224	1935	248	2208	175	438	613

The Committee have been informed that cases charging officials of FCI with corruption have been registered both by the CBI and the Vigilance/Anti corruption Bureau of State Governments. The details have been furnished as under:

Year	Cases registered by CBI	Cases registered by Vigilance /ACB of state
2008	8	3
2009	17	2
2010	9	2

Details of penalties imposed on FCI's officials, submitted by the Ministry are as under:-

Penalties imposed

	Nature of Penalty imposed	2006	2007	2008	2009	2010
1	Dismissal/removal/compulsorily retired	79	50	18	17	16
2	Reduction in rank	30	46	14	13	8
3	Reduction in time scale	318	274	281	165	203
4	Withholding of increment	216	195	107	76	111
5	Recovery from pay of the loss caused	1731	1821	1496	922	1063
6	Withholding of promotion	2	66	7	1	15
7	Censure	382	358	476	337	334
	Total	2758	2810	2399	1531	1750

Details of cases referred to CBI/CVC are as under:-

Year	CBI cases	CVC
2008	1	12
2009	-	2
2010	3	1

5.27 When asked by the Committee as to the remedial steps taken to check corruption in FCI, the Ministry informed that by taking following preventive and punitive measures and by plugging the loopholes in the procedure, the menace of corruption in FCI has been reduced. The details of punitive & preventive measures taken are as under:-

A. Preventive Measures

1. Regular and surprise checks.
2. Watch over officials in Doubtful Integrity and Agreed Lists.
3. Posting of officials in sensitive seats are made only after ascertaining vigilance status.
4. Rotation of officials in sensitive seats.
5. Enforcement of prohibition against negotiations, except in very special cases.
6. Modifications in Model Tender Forms so as to simplify pre-qualification conditions and to provide security for performance in the form of Bank Guarantees.
7. Publishing all the tenders in website with provision for down loading tender form.
8. Publishing tender results in web-site of FCI.
9. Screening of damaged foodgrain cases for fixing responsibility.
10. Introduction of e-payment.
11. Introduction of stringent penalty of recovery from contractor to deter manipulation/losses.
12. Changes made in Quality Super check system to improve effectiveness.
13. Identification of depots where more storage/transit losses are incurred for close review and checks.
14. Liaison and assistance to CBI and joining them in their raids/surprise checks.
15. Plugging loopholes in the system/procedure/instructions.

16. Scrutiny of property returns.
17. Identification of training needs.
18. Vigilance awareness programme to awaken the public against corruption.

B. Punitive Measures

1. Investigation of complaints
2. Issue of charge sheets in prima facie established cases after preliminary inquiry.
3. Finalization of departmental proceedings (major/minor) within the prescribed time limits as far as possible and imposition of appropriate penalties.
4. Review of pending complaints and disciplinary proceedings at the level of lower disciplinary authorities.
5. Exemplary punishment in cases involving conspiracy or misconduct by individual officers as a strategy to sabotage the system, in appropriate cases.
6. Reference to CBI/local police of cases where besides departmental action, criminal misconduct/nexus with outside parties is suspected.

5.28 The Committee are disturbed to note that the number of corruption cases including vigilance cases detected on various counts during the period 2008, 2009 and 2010 were 797, 910 and 613, respectively. During 2010, cases referred to CBI and CVC were 3 and 1 respectively. The Committee feel that such a gigantic proportion of corruption prevalent in FCI is due to lack of institutional mechanism for vigilance available at zonal and regional offices of FCI. The Committee, therefore, strongly recommend that FCI should strengthen its vigilance mechanism in coordination with the States/UTs so as to detect the corrupt practices by FCI officers and take stringent action against them. Further, the Committee also desire that efforts should be made for early disposal of pending cases as delay in disposal of cases would further encourage corrupt practices and undermine the authority of law.

CHAPTER VI

CENTRAL WAREHOUSING CORPORATION (CWC)

The Central Warehousing Corporation (CWC) was set up in 1957 under the Agricultural Produce (Development and Warehousing) Corporation Act, 1956. The said Act was subsequently replaced by The Warehousing Corporation Act, 1962 (No. 58 of 1962).

6.2 The main objective of the CWC is to provide scientific storage and preservation for agricultural inputs and produce and various other notified commodities.

6.3 Against the authorized capital of Rs. 100.00 crore, the paid-up capital of the CWC is Rs. 68.02 crore and Net Worth of CWC as on 31.03.2010 is Rs. 1140.50 crore. The income, expenditure and profit of the Corporation for the last three years are as under:-

(Rs. in crore)

YEAR	INCOME	EXPENDITURE	PROFIT AFTER TAX
2008-09	849.25	738.81	110.46
2009-10	987.95	824.07	130.52
2010-11 (BE)	960.96	815.39	97.30

Central Warehousing Corporation had estimated the Profit After tax of Rs.97.30 crore for the financial year 2010-11, while preparing the Budget Estimates for the year during November 2009, which was enhanced to Rs.147.27 crore in the Revised Estimates framed during November 2010, as against Actual of Rs.130.52 crore for 2009-10. Corporation is likely to achieve over and above the revised estimate as stated in (i) above. Thus, there would be no decline in the Profit for the year 2010-11 vis-à-vis the preceding year (2009-10).

6.4 The outstanding dues, liabilities and written off bad debts of the Corporation for the last three years are as under:-

(Rs. in crore)

Year	Dues(represents the amount receivable by CWC from depositors)	Liabilities(represents the amount payable by CWC i.e. Outstanding Liabilities)	Written off Debts
2008-09	151.60	209.72	0.41
2009-10	185.48	207.79	0.03
2010-11	215.00	206.00	Can be determined only after audit

6.5 The Committee are deeply concerned to note the continuous rise in outstanding dues of CWC during the last 3 years i.e. from Rs.151.60 crore, in 2008-09 to Rs.185.48 crore in 2009-10 and Rs.215.00 crore in 2010-11. The Committee desire that the pending dues should be cleared expeditiously and a time limit should be fixed within which the amount is receivable by CWC from the depositors, failing which some penal interest be levied. The Committee, therefore, recommend that to liquidate the outstanding dues fully at the earliest, CWC should review the norms fixed for recovery of outstanding dues so as to enhance its profitability.

(a) Establishment Cost

6.6 The Establishment cost of CWC for the last three years and the current year (upto Feb, 2011) is as under:-

Year	Establishment Cost (R. in crore)
2007-08	234.62
2008-09	333.42
2009-10	404.70
2010-11 (provisional)	338.74

6.7 The Committee have been informed that increase in establishment cost during 2009-10 was due to revision of fringe benefits as well as provisions due to enhancement of ceiling on gratuity from Rs. 3.50 lakh to Rs. 10.00 lakh. However, in order to reduce the administrative cost, CWC has taken several measures such as reduction in non-plan expenditure on heads like telephone, TA/DA, Advertisement, entertainment etc. 13 Construction Cells have also been closed, retaining only 4 construction cells.

6.8 With a view to reduce the surplus manpower and reduce the establishment cost, the Corporation also implemented VRS during the years 1994, 1998, 2002, 2005 and 2008 as a result of which, 2475 employees availed the scheme. Further, no recruitment is made against retirement of group D employees and other vacancies except the backlog vacancies of SC/ST. Besides, barest minimum number of induction at the level of Junior Technical Assistants, Accountants and Management Trainees are made to meet operational requirements of CWC. Deposit work of construction for outside agencies is also being undertaken by deploying CWC Engineering Personnel. The surplus Engineers have also been deployed to discharge the duties other than engineering by imparting training etc.

6.9 The Department of Food & Public Distribution has informed that while the total number of employees on the rolls has been getting reduced every year, resulting in reduction of establishment cost proportionally; the total storage capacity has been increasing. The table given below indicates the efficient utilization of the manpower in the Corporation over the years:

	2007-08	2008-09	2009-10
No. of employees	6059 (as on 31.3.08)	5935 (as on 31.3.09)	5765 (as on 31.3.10)
Total capacity available (in lakh MTs)	98.78	105.25	105.98
Capacity handled (MT) /per employee	1630	1773	1838
Turnover per employee (lakh Rs.)	12.81	14.31	17.14

(b) Capacity Utilisation and Growth in Storage capacity

6.10 The capacity utilization of owned and hired capacity of Central Warehousing Corporation (CWC) during last three years and the current year is given below:-

(Figures in lakh MT)

Yearly	Owned			Hired		
	Average	Capacity	Utilisation	% of capacity utilisation	Capacity	Utilisation
2007-08	67.27	48.30	72	13.32	9.68	73
2008-09	67.47	55.15	82	12.22	9.79	80
2009-10	67.82	58.30	86	13.30	11.34	82
2010-11 (upto February 2011)	68.64	60.68	88	12.61	10.83	86

6.11 The hiring of godowns is done only as a matter of last resort after undertaking a detailed cost benefit analysis to accommodate the stocks of various depositors at places where the Corporation does not have its own constructed capacity or if the same is inadequate to meet business requirements and that too only on firm assurance from the depositor for a longer period.

6.12 Utilisation of hired capacity is regularly monitored and in the absence of any assured / continuous usage, de-hiring of the hired capacity is resorted to.

6.13 Storage capacity available with the Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWCs) as on 28th February, 2011 was as follows:

(Lakh Metric)

Agency	Constd.	Hired	Mgmt.	Open/Plinth	Total
CWC	68.88	11.78	6.26	14.87	101.79
SWCs	125.81	77.18	----	7.07	210.69
Total	194.69	88.96	6.26	21.94	312.48

In reply to a query, the Ministry has stated that total rent paid by Central Warehousing Corporation (CWC) for the hired godowns during the last three years and for the current year (upto Feb, 2011) is as under:

Year	Amount (Rs. in crore)	Total hired capacity (in lakh MT) as on 31 st March.
2007-08	22.98	12.17
2008-09	26.23	14.43
2009-10	25.94	13.21
Upto February, 2011	22.56	11.78

6.14 When enquired about the targets and achievement for creation of storage capacity by CWC (including CRWC) during the last 3 years the Department stated 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)
2008-09	0.92	47.03	0.54	55.16
2009-10	0.91	46.50	0.85	43.31
2010-11	1.77	96.41	1.62	53.15

During the current financial year 2010-11, CWC is constructing additional storage capacity of about 1.77 Lakh MT at an estimated outlay of Rs.128.27 crore (RE).

Perspective Plan Drawn for construction of godowns during the financial year 2011-12 is as follows:-

State wise details

Andhra Pradesh	- 11000 MT	Maharashtra	- 5000 MT
West Bengal	- 29600 MT		
	+20300 MT (open)	Himachal Pradesh	- 2600 MT
Rajasthan	- 32000 MT	Kerala	- 10490 MT
Uttar Pradesh	- 22000 MT	Odisha	- 40000 MT
Madhya Pradesh	- 26400 MT	Gujarat	- 4800 MT
Karnataka	- 5000 MT		

Since the existing capacity is not even fully utilized, construction of additional capacity could not be considered in NE States.

6.15 When enquired about details of funds allocated to CWC for construction of godowns in NE Region for the last three years, the Ministry informed that no fund has been allocated to CWC for construction of godowns in NE Region. Moreover, since the storage capacity available with CWC in the NE Region is not fully utilized, CWC has no major plan for construction of additional capacity in the Region.

6.16 When asked by the Committee whether N.E. States are being neglected for construction of storage capacity, the Ministry informed that CWC is operating 9 warehouses in NE region with a total capacity of 1.02 Lakh MT. The average occupancy of these warehouses during the years 2007-08, 2008-09 and 2009-10 was 75%, 79% and 93% respectively. As on 28th February, 2011, the average capacity utilization of the region was 93%. Since the existing capacity is not even fully utilized, construction of additional capacity could not be considered.

6.17 In NE Region, besides CWC, the Assam SWC and Meghalaya SWC were operating a total capacity of 2.68 lakh MT with 50 warehouses as on 28.02.2011.

6.18 The Committee are happy to note that the Corporation is making use of owned capacity to the maximum which is evident from the declining trend of rent paid by the Corporation for the last three years i.e. from Rs.26.23 crore in 2008-09 to Rs.22.56 crore upto February, 2011. The Committee hope that the Corporation will continue to make maximum use of owned capacity and minimize dependency on hired capacity during the coming years also thereby enhancing their profits.

6.19 The Committee note with concern that perspective plan drawn for the construction of the godowns during the financial year 2011-12 is devoid of N.E. States. The Committee are not convinced with the plea of the Government that since the storage capacity available with CWC in the N.E. Region is not fully utilized, CWC has no major plan for construction of additional capacity in the Region. The Committee note that in N.E. States, there is 93% utilization of the storage space and construction of additional storage capacity would definitely be profitable for CWC. The Committee had earlier made recommendations in DFG (2010-11) that separate funds i.e. 10% of the total plan funds be earmarked for construction of godowns in N.E. States and construction of godowns in N.E. Region be stepped up. The Committee, therefore, would again like to recommend that the CWC should explore the possibility of constructing additional storage capacity in N.E. Region so that the people of the area could fully avail the benefit of PDS.

(c) Warehousing development and Regulatory Authority (WDRA)

6.20 The Warehousing (Development and Regulation) Act, 2007 was notified in Gazette of India on 20th September, 2007. The provisions of the Act have been made effective from 25th October 2010. The Warehousing Development & Regulatory Authority comprising of a Chairman and two full time members has been set up by the Government on 26th October, 2010. As the Warehousing Development and Regulatory Authority has been constituted recently, it is functioning with meager staff strength of 5 regular officers out of 19 sanctioned posts. These five regular officers include 1 Joint Secretary, 2 Directors, 1 Under Secretary and 1 Section officer. The process for filling up of remaining posts is in progress.

However, the Authority is now fully functional and has started following work:

- (i) The Authority has constituted Warehousing Advisory Committee to advice on matters relating to making of regulations under section 51 of the Act.
- (ii) Four Government and four private agencies have been appointed as Accreditation Agencies. The process of accreditation of warehouses has already started in Delhi, UP, Haryana and Rajasthan.
- (iii) The Authority has approved 40 agricultural commodities including cereals, pulses, oil seeds and spices for issuing Negotiable Warehouse Receipts. Most of these commodities have been approved by various commercial banks for loan to the farmers against pledge.
- (iv) The format of Negotiable Warehouse Receipt(NWR) has been finalized in consultation with warehousemen, banks and Advisory Committee. The NWR will also have unique security features.
- (v) 316 applications from 18 States, namely, Kerala, Karnataka, Rajasthan, Gujarat, Odisha, Haryana, MP, Tamil Nadu, Andhra Pradesh, Uttar Pradesh, Uttarakhand, Maharashtra, Delhi, Punjab, Himachal Pradesh, Assam, Bihar, Chhattisgarh for registration of warehouses, with a capacity of about 9 lakh , have been received till date. All these applications require certification by Accreditation Agencies, process for which has already been started, before they are issued registration certificates by the Warehousing Development & Regulatory Authority. The representatives of the Warehousing Authority while deposing before the Committee further clarified as under:-

“The Warehousing Development and Regulatory Authority registers the warehouses but this is optional. Those godowns who want to issue negotiable Warehouse Receipt, have to get it registered with the Authority. These godowns could be owned by anyone, private or government. CWC has also applied for registration. The Authority will see that the Warehouses are of certain standard and conform to the Bureau of Indian Standards specifications in the whole country.”

6.21 The Committee note that the Warehousing Development and Regulatory Authority has been constituted recently and is functioning with meager staff of five regular officers out of 19 sanctioned posts. These five regular officers include one Joint Secretary, 2 Directors, 1 Under Secretary and 1 Section Officer. The Committee have been informed that for issuance of Negotiable Warehouse Receipt, the Warehouses have to get themselves registered with the Authority. The Committee have also been informed that the format of Negotiable Warehouse Receipts (NWR) has been finalized in consultation with warehousemen, banks and advisory committee. The Committee note that about 316 applications from 18 States for registration of Warehouses have been received by the Authority till date. Taking into consideration wide magnitude and importance of work to be performed by the Authority, process of filling up of remaining posts in WDRA be expedited, to ensure its smooth functioning in the interest of farmers.

CHAPTER VII

MANAGEMENT OF SUGAR

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

7.2 Sugar production in India is cyclical in nature. Due to good monsoon and increase in sugarcane area under cultivation, sugar production from sugarcane during 2006-2007 and 2007-2008 sugar seasons increased substantially to 282 lakh tons and 263 lakh tons respectively. However, sugar production declined to about 147 lakh tons in 2008-09 sugar season and 188 lakh tones in 2009-10 sugar season. Sugar production is estimated to be about 245 lakh tons (latest estimates of Cane Commissioners are of 242 lakh tons) in the current sugar season 2010-11. The Department has furnished the following statement furnishing the estimated production, consumption, demand, availability, exports, opening and closing stocks for last three sugar seasons are given below –

(Figures in Lac tons)

Particulars	2007-08	2008-09	2009-10 Estimated (P)
Carry over stocks with sugar mills from Previous season	105	100	35.83
Production of Sugar	263	147	188
Imports	-	24.77**	41.83**
Total availability	368	271.47	265.63
Internal releases	215	230.8	208.78+ 3.2***
Exports	58*	2.1*	2.4*
Closing stocks with sugar mills at the end of season	105	38.57	51.25

* As per data from DGCIS, Kolkata.

** As per Department of Revenue.

***Estimated direct import consumption by bulk consumers.

The Committee have also been informed that The estimated production, consumption, demand, availability, exports, opening and closing stocks for the current sugar season 2010-11 is as given below –

Sl. No	Particular	Quantity (lac ton)
1	Opening stock	51.25
2	Less - adjusted 5%	2.56
3	Net opening stock	48.69
4	Production Estimates	245
5	Carry forward from last season in white equivalent term	0
6	Estimated total availability	293.69
7	Estimated releases for internal consumption	215-220
7	Direct import consumption by bulk consumer	0
8	Export against ALS/AAS/OGL obligation	16.2
9	Closing Stock on 30.09.2011	57.49-62.49

The sugar production in the current sugar season 2010-11 is provisionally estimated at about 245 lac ton (reduced to 242 lac tons by Cane Commissioners in meeting held on 04.03.2011) which is sufficient to meet the internal demand of about 220-225 lac tons.

(a) Buffer Stock

7.3 The buffer stock maintained by the FCI in respect of wheat and rice and the buffer stock of sugar created by the Central Government and maintained by the sugar factories are entirely different. The Government creates buffer stock when there is excess production of sugar which results in decline in prices of non levy sugar constraining the capacities of the sugar factories to pay cane price including cane price arrears. The quantum of buffer stock to be created and the period for which the buffer stock is to be maintained is decided having regard to the stock of sugar held with the sugar factories, the prospects of sugar production, the requirement of sugar for consumption within the country and export.

When there was excess production of sugar in 2006-07 and 2007-08 sugar seasons, the Government created a buffer stock of 20 lac tons and another buffer stock of 30 lac tons for a period of one year from 01.05.07 to 30.04.08 vide notification dated 20.04.07 and from 01.08.07 to 31.07.08 vide order dated 01.08.07, respectively. Both the buffer stocks were dismantled on their due dates.

At present, no buffer stock of sugar is being maintained by the sugar mills under the direction of the Government.

7.4 The details of area under sugarcane cultivation during the last three years and the current year alongwith percentage increase/decrease in the area are given in the table below:

(Area in lakh hectare)			
Year	Area under Sugarcane cultivation	Increase/decrease in the area over the previous year	% increase/decrease
2007-08	50.55	-0.96	-1.86
2008-09	44.15	-6.40	-12.66
2009-10	41.75	-2.40	-5.44
2010-11*	49.55*	(+)7.8	(+)18.68

* 3rd Advance estimates released by the Department of Agriculture and Co-operation on 06.04.2011.

The increase in the area under sugarcane cultivation have been mainly due to payment of higher sugarcane price by sugarmills in the last sugar season 2009-10 which motivated the farmer to shift to sugarcane cultivation leaving the other competitive crops.

7.5 When enquired about the steps taken by the Government to increase sugarcane production, the Department stated as under:-

(a) The concept of “Minimum Price” has been replaced by “Fair and Remunerative Price” (FRP) of sugarcane to provide reasonable margin to sugarcane farmers on account of ‘risk’ and ‘profit’ which is to be uniformly applicable to all States. The amendments to the Sugarcane (Control) Order, 1966, have come into force from 22.10.2009. For 2009-10 sugar season, the Government fixed the FRP of sugarcane at Rs.129.84 per quintal linked to basic recovery rate of 9.5% subject to premium of Rs.1.37 for every 0.1 percentage increase in recovery above that level as compared to the SMP of Rs. 81.18 per quintal linked to a base recovery of 9% subject to premium of Re. 0.90 for every 0.1% increase in recovery above 9%, fixed for the last sugar season 2008-09. For 2010-11 sugar season, the Government has fixed the FRP of sugarcane at Rs.139.12 per quintal linked to 9.5% recovery level with increase of Rs.1.46 for every 0.1% point increase in the recovery above 9.5%.

(b) For increasing the production and productivity of sugarcane, a Centrally Sponsored Scheme on “Sustainable Development of Sugarcane Based cropping Systems Areas (SUBACS)” is covered under Macro Management Mode of Agriculture to give more flexibility to States and implement the programmes on the basis of State’s priorities and requirements. The main thrust of the scheme is on the transfer of improved technologies to the farmers through field demonstrations, training of farmers, supply of farm implements, enhancing seed production and pest measures etc. Under the scheme, assistance is provided on (i) Field demonstrations (ii) Farmers training (iii) State level training (iv) Implements (a) bullock drawn, (b) tractor drawn (v) Heat treatment plant (vi) Seed multiplication (vii) Drip irrigation infrastructure and (viii) Contingency.

(c) The Central Government provides Concessional loans at an interest rate of 4% per annum to sugar factories from Sugar Development Fund (SDF) for modernization of plant and machinery, expansion of crushing capacity, utilization of by-products viz. baggasse for co-generation of power and molasses for production of ethanol, upgradation of technology and sugarcane development including better irrigation facilities, improved seed variety, ratoon management etc.

(d) A short term scheme was announced for cane development in the last financial year under which loans of Rs.1.0 to 2.5 crore at 4% simple interest from the Sugar Development Fund (SDF) were available to sugar factories depending upon their crushing capacity, for purchase of seeds, fertilizers and pesticides etc. to be passed on to the farmers at the same rate of interest.

7.6 The Committee note that in order to make sugar cultivation more profitable, the Government of India has fixed the Fair and Remunerative Price (FRP) of sugarcane for the sugar season 2010-11 at Rs.139.12 per quintal linked to 9.5% recovery level. The Committee, however, feel that in reality the position is quite different and the cane growers do not get the announced prices and opt for other cash crops. The Committee, therefore, recommend that the Government may take steps to ensure that adequate FRP of sugarcane is paid to the farmers so as to encourage them to cultivate sugarcane crops, thereby ensuring adequate production of sugar by the sugarmills. The Government should fix the FRP every year in advance so that the farmers get right price signal so that sugarcane remains equally competitive with other food/cash crops.

7.7 The Committee note that in order to mitigate the hardship of the sugarcane growers, the Government of India had created a buffer stock of 50 lakh tonnes of sugar for a period of one year in 2006-07, and 2007-08 sugar season when there was excess production of sugar. Subsequently, as the production of sugar declined, the Government did not consider it necessary to maintain the buffer stock of sugar. The plea of the Government that to build up the buffer stock of sugar, the Government have to bear carrying cost for the maintenance which would impose heavy burden on the Government exchequer is not acceptable to the Committee. The Committee, therefore, strongly recommend the Government to review its buffer stock policy with regard to sugar. The Committee are of the opinion that the buffer stock of sugar is very much essential not only to meet the requirement of PDS, but also to meet crisis situation in the years of deficit sugar production. The Committee desire that the Government should take appropriate measures to maintain a strategic stock of sugar.

(b) CANE PRICE ARREARS

7.8 Statement showing the cane price arrears for the last three sugar seasons are as follows:-

(in crore)

For the Sugar Season	Outstanding cane price arrears as on 15.01.2011
2010-11	4318.28
2009-10	17.46
2008-09 & earlier	209.35
Total	4545.09

Since the cane price dues payable to the cane growers for a sugar season pertains to supply of sugarcane to different sugar mills at different points of time and the position is continually changing on account of payment towards fresh supplies by a very large number of farmers during the course of the season, it is not possible to pinpoint the dates from which such dues are pending to individual farmers. The Sugarcane (Control) Order, 1966, contains the necessary provisions for action against defaulting sugar mills and the powers in this regard are delegated and vested with the State Governments concerned who have the necessary field formations.

7.9 The Ministry also informed the State-wise and Sugar Season-wise position of Cane Price Arrears as on 15.01.2010 which is as follows:-

(Rs in lac)

S. NO.	STATE	CANE PRICE ARREARS AS ON 15/01/2010			TOTAL ARREARS
		FOR SUGAR SEASON 2010-11	FOR SUGAR SEASON 2009-10	FOR SUGAR SEASON 2008-09 AND EARLIER	
1	PUNJAB	5,639.69	0	0	5,639.69
2	HARYANA	8,708.55	0	0	8,708.55
3	UTTAR PRADESH	108,308.92	431.32	6,964.34	115,704.58
4	UTTARAKHAND	8,635.95	139.39	629.73	9,405.07
5	GUJARAT	16,871.63	321.32	1,162.00	18,354.95
6	MAHARASHTRA	115,713.81	370.65	1,793.07	117,877.53
7	TOTAL BIHAR	13,929.15	37.72	3,249.73	17,216.60
8	ANDHRA PRADESH	39,193.24	310.46	3,309.32	42,813.02
9	KARNATAKA	92,848.00	5	2,165.00	95,018.00
10	TAMIL NADU	19,383.99	0	215.23	19,599.22
11	KERALA	0.00	0	384.74	384.74
12	ORISSA	1,171.99	40.53	0	1,212.52
13	WEST BENGAL	495.15	0	0	495.15
14	PUDUCHERRY	456.63	0	0	456.63
15	GOA	290.56	0	0	290.56
ALL INDIA TOTAL		431,828.16	1,745.97	20,934.83	454,508.96

7.10 The Ministry also informs the measures taken by State Governments to recover cane price arrears from defaulting sugar mills as per provisions of Sugarcane (Control) Order, 1966, which are as under:-

Andhra Pradesh:- . An amount of Rs. 33.09 crores is due for 2002-03 season from 12 private sugar factories. The matter is pending for decision in Hon'ble AP High Court and Hon'ble Supreme Court of India.

Karnataka:

Bhadra SSK Ltd.- State Government has leased out the factory on LROT basis and the balance Rs. 17.52 lac are to be cleared with the lease amount.

Dakshina Kannada SSK Ltd.- Govt. has leased out the factory and Rs. 192.78 lac are to be cleared out of lease amount.

Naranja SSK.- The process of recovering the balance amount of Rs. 930 lac is going on.

Badami Sugars Ltd.- As per the High Court Order, financing banks are to recover their dues by public auction and first preference will be given towards clearance of cane bills from the amount recovered from public auction of the property.

Dyanyogi Sugars.- The process of recovering Rs. 287 lac. is going on.

Siraguppa Sugars Ltd. Gauribidanur.- The factory has agreed to pay the entire balance dues with interest to concerned farmers.

Maharashtra:- Revenue recovery certificates have been issued against defaulting sugar mills.

Punjab: Government of Punjab has reported nil cane price arrears in respect of 2007-08 and earlier sugar seasons.

Uttar Pradesh: The State Government has informed that recovery certificates have been issued against three sugar factories for sugar season 2006-07, three sugar factories for the sugar season 2007-08 and one sugar factory for the sugar season 2008-09 & 2009-10 which are defaulters in cane price payment.

Tamilnadu:- The State Government has reported that District Collector, Thiruvannamalai has been requested to take action to recover the cane price arrears of Rs. 215.23 lac from Arunachalam Sugar Mills, Thiruvannamalai under Revenue Recovery Act.

7.11 The Committee are constrained to note that as on 15th January, 2011, a total of Rs.4545.09 crore which includes Rs.4318.28 crore for 2010-11 sugar season, Rs.17.46 crore for 2009-10 sugar season and Rs.209.35 crore for 2008-09 and earlier sugar seasons are outstanding as Cane Price Arrears. The Committee are pained to note that although payment of sugar cane is required to be done within 14 days of the supply of sugarcane by the farmers as per Sugarcane (Control) Order, 1966, it is, however seldom done. The Cane Price Arrears pertaining to sugar season 2008-09 and earlier are still outstanding and yet no action has been taken against the sugar mills for recovery of cane arrears alongwith interest @ 15% as per the provision of Sugarcane (Control) Order 1966. The Committee are not convinced with the reply of the Ministry stating that Cane Price Arrears are generally high in the beginning of the season and start declining as the sugar season advances, as such, the cane price arrears for 2010-11 sugar season are likely to decline further in the coming months. The Committee feel that there is a need to protect and promote the interest of farmers in such a manner that farmers continue to cultivate sugarcane without any hindrance. Farmers need to be paid remunerative price immediately on delivery of his agricultural produce. The Committee, therefore, recommend that to motivate farmers to continue with sugarcane cultivation all aid/incentives/assistance given to sugar mills should be subjected to liquidation of cane arrears by the mills. In case of default, such aid/assistance should be suspended and strict action taken against defaulting sugar mills under the provision of this Order.

(c) Pricing of Sugar

7.12 When enquired by the Committee about the range of retail price of non-levy sugar in four metro cities during the year 2010-11 sugar season, the Ministry informed the range of retail price of non-levy sugar in four metro cities during the current 2010-11 sugar season is as under:-

(Per kg.)

Centre	Range of retail price of non-levy sugar (Upto. 25th March, 2011)
Delhi	31.00-33.00
Mumbai	30.00-34.00
Kolkata	30.00-33.00
Chennai	28.00-33.00

7.13 The Committee express concern over the rising trend in prices of sugar during the last two years. The Committee feel that the mismatch between domestic production and demand for sugar is primarily responsible for rise in price of sugar. The Committee find that due to various measures taken by the Government, the price of sugar has come down to some extent but it is still very high in the open market. The Committee feel that the cyclic nature of sugarcane production, which has been observed over the years needs to be regulated. It has been observed that two to three years of very high/surplus production results in a glut in the market and crash of sugar prices, leading to shifting in cultivation from cane to other crops, in turn resulting in reduced production, shortage and consequent rise in sugar prices again. The Committee, therefore, strongly desire that the Government should sincerely work for a long-term policy to deal with the problem. They should also continue to take measures so that the prices of Sugar remain more or less stable during high as well as low production years.

CHAPTER VIII

MANAGEMENT OF EDIBLE OILS

Edible Oils is essential ingredient for a wholesome balanced diet and is the vital item of mass consumption. The main source of edible oil is oilseeds viz. groundnut, rapeseed/mustardseed, soyabeanseed, sunflowerseed, sesameseed, nigerseed, safflowerseed, linseed, castorseed etc. which are the primary source. Besides primary oilseeds, edible oil is also obtained from secondary source viz. coconut, cottonseed, ricebran, solvent extracted oil, tree & forests origin etc. However, the domestic production of oilseeds falls short to meet the demand of edible oils in the country. The production, consumption, availability and import of edible oils/oilseeds during last three years have been as under:

(Qty. In Lakh tones)

Oil year (Nov. – Oct.)	Production of Oilseeds (Primary Source)*	Net availability of edible oils from all domestic sources**	Imports***	Total Availability / Consumption of edible oils
2007-2008	297.55	86.54	56.08	142.62
2008-2009	277.19	84.56	81.83	166.39
2009-2010	248.83	79.46	88.23	167.69

Source:

* Ministry of Agriculture

** Directorate of Vanaspati, Vegetable Oils and Fats

*** Solvent Extractors' Association of India, Mumbai

8.2 The production of oilseeds has been stagnating during the last two decades. At the same time, consumption of edible oils in the country has been increasing rapidly from 142.62 lakh tons in 2007-08, it has gone upto 166.39 lakh tons in 2008-09 and to 167.69 lakh tons in 2009-10. Increase in population and living standards are the two factors for increase in consumption.

8.3 As per the Second Advance Estimates of Ministry of Agriculture released on 09.02.2011 for 2010-11, estimated Oilseeds production is about 278.48 lakh tons, that is 29.65 lakh tons higher than 2009-10. Production of oils from these oilseeds in 2010-11 is likely to be about 66.34 lakh tons, higher by 7.46 lakh tons compared to 2009-10. The groundnut crop during 2010-11 is estimated at 68.11 lakh tons which is about 13.82 lakh tons higher than the 2009-10 crop and mustard crop is likely to be higher by 8.18 lakh tons in 2010-11 as compared to previous year.

8.4 The deficit in domestic production over domestic demand is met by imports. During 2009-10 (Nov. – Oct.), 88.23 lakh tons of edible oils have been imported into the country as against 81.93 lakh tons during the corresponding period of 2008-09. (i.e. an increase of 7.8%). During the current oil year 2010-11 (Nov.2010 to February, 2011),

26.12 lakh tons of edible oils was imported as against 29.72 lakh tons imported last year during the same period, i.e. decrease of about 12% due to estimated higher production of oilseeds in 2011-12. To ensure adequate availability of edible oils, various steps have been taken by the Government as:

- (i) Import duty on crude and refined edible oils has been retained at nil and 7.5% respectively since 1.4.2008 upto 30.9.2011.
- (ii) Ban on Export of edible oils has been continued w.e.f. 17.3.2008 upto 30.9.2011.
- (iii) State Governments have been allowed to impose stock limits on edible oils and oilseeds w.e.f. 7.4.2008.
- (iv) Government introduced a scheme for distribution of upto 10 lakh tons of imported edible oils in 2008-09 with a subsidy of Rs.15 per kg. through State Governments/UTs for distribution to ration card holders. The Government has extended the scheme during the current year upto 31.03.2011.

8.5 The Committee have been furnished the following statement showing the (state-wise) quantity of production of oil seeds during the last three years

States	Production (000 Tones)		
	2007-08	2008-09	2009-10(estimated)
Andhra Pradesh	3390.0	2189.10	1500.00
Gujarat	4725.0	4015.90	3097.00
Karnataka	1549.0	1212.00	1005.00
Madhya Pradesh	6352.0	6976.90	7636.20
Maharashtra	4874.0	3409.70	2814.00
Rajasthan	4197.6	5178.40	4407.20
Uttar Pradesh	1146.8	1164.50	816.00

Source: Ministry of Agriculture and Cooperation.

8.6 The Committee enquired the reasons for less production of oilseeds during 2009-10 in States of Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Rajasthan and U.P. In this context the Department in its post evidence replies stated that the production of oilseeds had declined in 2009-10 due to drought in kharif 2009 in many oilseeds growing States.

8.7 When asked by the Committee about the concrete measures taken to increase production and improve availability of edible oil in the country, the Ministry informed as under :-

- (i) A centrally sponsored Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize (ISOPOM) is being implemented by Department of Agriculture in fourteen major oilseeds growing States and nine oil palm growing States to increase

production. Under the above Scheme, financial assistance is provided for purchase of breeder seed, production of foundation seed, production and distribution of certified seed, distribution of seed minikits, plant protection chemicals, plant protection equipments, weedicides, gypsum/pyrite/lime/dolomite, distribution of sprinkler sets and water carrying pipes, training, publicity etc. to encourage farmers to grow these crops.

Block demonstration and Integrated Pest Management demonstrations are organized through State Department of Agriculture and Front Line Demonstrations through Indian Council of Agricultural Research.

Assistance for oilseeds is available in other programmes viz. Marco Management of Agriculture (MMA) Scheme provides assistance for oilseeds development to the States not covered under ISOPOM and Rashtriya Krishi Vikas Yojana (RKVY), under which, the States can support crop development activities.

(ii) A new sub-scheme has been introduced during 2010-11 under RKVY as a special initiative for pulses and oilseeds for organizing sixty thousand pulses and oilseeds villages in rainfed areas.

(iii) Import duty on crude and refined edible oils has been retained at nil and 7.5% respectively w.e.f. 1.4.2008 upto 30.9.2011.

(iv) Ban on Export of edible oils has been continued w.e.f. 17.3.2008 upto 30.9.2011.

(v) Government introduced a scheme for distribution of upto 10 lakh tons of imported edible oils in 2008-09 with a subsidy of Rs.15 per kg through State Governments/UTs for distribution to ration card holders. The Government has extended the scheme during the current year upto 31.03.2011.

8.8 The Committee are concerned to note that while on the one hand there is stagnating production of oil seeds in the country for the last two decades on the other hand, the consumption of edible oil has been increasing rapidly which is attributed to rise in population and living standards. The Committee note that as per the Second Advance Estimate of Ministry of Agriculture released on 9th February, 2011 for 2010-11, estimated oilseeds production is about 278.48 lakh tonnes, i.e. 29.65 lakh tonnes higher than 2009-10. Production of oil from these oilseeds in 2010-11 is likely to be about 66.34 lakh tonnes, i.e. higher by 7.46 lakh tonnes as compared to 2009-10 but it is still short of the total requirement of the country which is evident from the fact that during the oil year 2010-11, 26.12 lakh tonnes of edible oils had to be imported to meet the deficit in domestic production during the same period. The Committee are of the view that to bridge the gap between demand and supply of edible oils, the rise in production of oil seeds and consequent productivity of edible oils is imperative. The Committee find that the production of oilseeds declined mainly in the States of Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Rajasthan, and U.P. during 2009-10 due to drought in kharif 2009. The Committee observe that though the Government of India has taken various measures including implementation of a centrally sponsored Integrated Scheme of Oil Seeds, Pulses, Oil Palm and Maize (ISOPOM) to increase production and improve availability of edible oil in the country, the results are not very effective. The Committee feel that the Country may be self sufficient in edible oil if new and high yielding varieties are developed on a large scale for which a scientific technology break through is needed. Considering the overall scenario with regard to oilseeds and edible oil in the country, the Committee desire that the Department should make sincere efforts in consultation with the Department of Agriculture in the field of nurturing improved, high yielding varieties of oilseeds. The Committee recommend that other ways and means should also be explored to increase production and productivity of traditional oilseeds crops and adequate steps be taken to popularize use of non-traditional secondary source of edible oils to reduce the

dependency of imported edible oils. Further, to increase production, there is imperative need to have improved technology for extraction of edible oils.

8.9 The Committee have been furnished the following statement showing the achievements of plan targets (both in physical and financial terms) in respect of research and development and modernization of the laboratory

Name of the Plan Scheme	Year	Financial outlay	Expenditure	Physical achievement	Remarks /reasons for variation
Research & Development and modernization of laboratory of the Dte. of VVO&F.	2010-11	Rs. 20 lakhs	Rs. 16 lakhs	IARI has submitted the draft report of the study entrusted to them. 4 R & D projects have been carried over to next year	Indian Agricultural Research Institute (IARI) has reduced their expenditure on the study and the final instalment due in March 2010 may be released in April 2011 after submission of final report.

8.10 When enquired about the difficulties in achieving the targets in respect of Research & Development by Research Institute, the Ministry informed as under:-

1. In some cases the institutes either did not purchase equipments in time or purchased some other equipments. These institutes have been asked to refund the amount sanctioned for purchase of equipments.
2. Non-availability of materials used to carry out the research work.
3. Non-submission of utilization certificates and progress reports.
4. Dislocation of work due to frequent changes in top positions in these Institutes.
5. Change in site location for installation of pilot plan.

Procedures have been streamlined in the Department for giving timely approval and for regular monitoring. The institutes have been advised to complete the projects in time.

8.11 The Committee are pained to note that funds allocated for Research and Development and modernization of laboratory of the Directorate of VVO&F during the year 2010-11 could not be fully utilised. The Committee find that the difficulties faced by the Department in achieving the targets in respect of Research and Development by Research Institute are (a) failure to purchase equipment in time (b) non-availability of material needed to carry out the research, non-submission of utilization certificate and progress report and frequent changes in top positions. Keeping in view the declining production of oilseeds, the Committee feel that the need of the hour is to develop high yielding oilseeds varieties to meet the increasing consumption, for which focused R&D is required to be done. The Committee, therefore, strongly recommend that the Government should ensure that the funds allocated for R&D Projects are fully utilised by the DVVO&F to get the desired results. The Department should also, in consultation with other Ministries, streamline the procedure and documentation for transparency and accountability at each level for giving timely approval for purchase of various research equipments.

NEW DELHI
20 May, 2011
30 Vaisakha, 1933(Saka)

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

ANNEXURE

(Vide Para No. 2.7 of the Report)

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

Subject of the Report: Fourth Report of the Standing Committee on Food, Consumer Affairs and Public Distribution (2009-10) on Demands for Grants (2010-11) of Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)

Date of presentation: 23.4.2010

Date of presentation of ATR/ Not yet presented

Date of Receipt of Action 20.7.2010
Taken Notes

Date of Minister's Statement
In Lok Sabha: 30.11.2010
In Rajya Sabha:- 03.12.2010

Name of Committee	Ministry /Department	Total No. of Recs.	Total No of Recs. Accepted	No. of recs. Implemented	No. of Recs. under process	No. of Recs. Not implemented	No. of Recs. yet to be implemented
Food, Consumer Affairs and Public Distribution	Ministry of Consumer Affairs, Food and Public Distribution (Deptt. of Food and Public Distribution)	29	26	03	18	03	05

APPENDIX - I

MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON THURSDAY, THE 7th APRIL, 2011

The Committee sat from 1200 hrs. to 1420 hrs. and again from 1510 hrs. to 1640 hrs. in Committee Room No. 53, Parliament House, New Delhi.

PRESENT

Shri Vilas Muttemwar - Chairman

MEMBERS

LOK SABHA

2. Shri Tarachand Bhagora
3. Shri Shivraj Bhaiya
4. Shri Sukhdeo Singh Libra
5. Shri Sohan Potai
6. Shri Purnmasi Ram
7. Smt. Harsimrat Kaur Badal
8. Shri Kamlesh Balmiki
9. Shri Adagooru H. Vishwanath
10. Shri Ramakant Yadav

RAJYA SABHA

11. Smt. T. Ratna Bai
12. Shri Lalhming Liana
13. Shri Sanjay Raut
14. Shri Rajniti Prasad
15. Shri Kaptan Singh Solanki

SECRETARIAT

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

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

1. Dr. B. C. Gupta - Secretary (FPD)
2. Shri T. S. Randhawa - AS & FA
3. Shri Siraj Hussain - CMD (FCI)
4. Shri B. B. Pattanaik - MD (CWC)
5. Shri C. Vishwanath - Joint Secretary (BP/PD)
6. Shri Bhagwan Sahai - Joint Secretary (Impex, SRA & EOP and Sugar)

7.	Shri T Jacob	-	Joint Secretary (Administration & Coordination)
8.	Shri Naveen Prakash	-	Joint Secretary (Storage & P & FCI)
9.	Dr. Amar Singh	-	Executive Director (Storage), FCI
10.	Shri Surinder Singh	-	Executive Director (Storage), FCI
11.	Shri S. S. Bhatoa	-	Executive Director (QC), FCI
12.	Shri A. K. Kapoor	-	Advisor (Cost)
13.	Shri R. P. Bhagaria	-	CD (Sugar)
14.	Shri Y. C. Nijhawan	-	CD (VVO&F)
15.	Shri Arvind Kumar	-	Director (Policy)
16.	Shri Amit Mehta	-	Director (FCI)
17.	Shri Nitish Kumar Sinha	-	Director (PD)
18.	Shri V. M. Rao	-	Director (Impax)
19.	Shri Adhir Jha	-	Director (SDF)
20.	Shri Rajan Sehgal	-	Director (Finance)
21.	Shri G. N. Nair	-	Director (Finance), CWC

2. At the outset, Hon'ble Chairman welcomed the members to the sitting. Thereafter Secretary and other Officials of the Department of Food and Public Distribution were invited to the sitting of the Committee. After welcoming them, the Chairman apprised them of the provisions of Direction 55(1) of The Directions by the Speaker. Thereafter, the Committee took evidence of the representatives of the Department of Food and Public Distribution in connection with the examination of Demand for Grants for the year 2011-12. Hon'ble Chairman, in his welcome speech, raised various important issues such as failure to make realistic projection of funds at initial stage, construction of godowns by FCI/ State governments, Integrated Information System in Foodgrains Management (IISFM), Computerization and strengthening of PDS operations, and Village Grain Bank Scheme, etc.

3. Thereafter, the Secretary, Department of Food and Public Distribution addressed to the concerns raised by the Hon'ble Chairman in his opening remarks with the help of a Power point Presentation. The issues raised by Hon'ble Chairman were further supplemented by the Members of the Committee.

4. The following are some of the important points that emerged during the deliberations of the Committee:-

- (i) Need for intensifying the publicity campaign for implementation of Village Grain Bank Scheme in various states namely Bihar, Madhya Pradesh, Jharkhand and North Eastern States;
- (ii) Need for computerization of the Public Distribution System and a suitable universal model to be adopted by all State Governments;
- (iii) The benefits accruing to the farmers from the Warehousing Regulation and Development Act, 2007;
- (iv) Need to enhance the warehousing facilities available to the farmers in various States;

- (v) Need for timely procurement, movement and distribution of foodgrains, especially with respect to the State of Punjab;
- (vi) Need to address the problems faced by other States due to the movement and storage of foodgrains from the State of Punjab;
- (vii) Need to expand the CWC storage capacity and creation of Cold Storage facilities; and
- (viii) Need to create scope for export of excess agricultural produce for the benefit of the farmers, etc.

5. The representatives of the Department responded to the queries raised by the Chairman and the members on the aforesaid issues.

6. The Hon'ble Chairman then thanked the Secretary and other representatives of the Department of Food and Public Distribution for their free and frank discussion and also for briefing the Committee properly. The Committee decided to convene the next sitting on the 12th of May, 2011.

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

The Committee then adjourned.

APPENDIX - II

MINUTES OF THE NINTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON FRIDAY, THE 20th MAY, 2011

The Committee sat from 1430 hrs. to 1505 hrs. in Committee Room 'C', Ground floor,
Parliament House Annexe, New Delhi.

PRESENT

Shri Vilas Muttemwar - Chairman

MEMBERS

LOK SABHA

2. Shri Kamlesh Balmiki
3. Shri Tarachand Bhagora
4. Shri Shivraj Bhaiya
5. Shri Arvind Kumar Chaudhary
6. Shri Sanjay Singh Chauhan
7. Shri Anant Gangaram Geete
8. Shri Lal Chand Kataria
9. Shri Mohinder Singh Kaypee
10. Shri Marotrao Sainuji Kowase
11. Shri Sukhdeo Singh Libra
12. Shri Sohan Potai
13. Shri Purnmasi Ram
14. Shri Dinubhai Solanki
15. Shri Danapal Venugopal
16. Shri Adagooru H. Vishwanath

RAJYA SABHA

17. Smt. T. Ratna Bai
18. Shri Shantaram Laxman Naik
19. Shri Kanjibhai Patel
20. Shri Rajniti Prasad
21. Shri Sanjay Raut
22. Dr. T. N. Seema
23. Shri Kaptan Singh Solanki

SECRETARIAT

- | | | |
|----------------------|---|-----------------|
| 1. Shri P.K.Misra | - | Joint Secretary |
| 2. Smt. Veena Sharma | - | Director |
| 3. Shri Khakhai Zou | - | Under Secretary |
2. At the outset, Hon'ble Chairman welcomed the Members to the sitting of the Committee convened for consideration and adoption of the draft Report on Demands for Grants (2011-12) pertaining to the Department of Food and Public Distribution. In his opening remarks Hon'ble Chairman highlighted the important recommendations contained in the draft Report.
3. The Committee took up for consideration the draft Report and unanimously adopted the same without any amendments/modifications.
5. The Committee then authorized the Chairman to finalize the aforesaid Report and present the same to Parliament in the ensuing Monsoon Session of Parliament. The Committee also decided to convene the next sitting on 15th June, 2011.

The Committee then adjourned.

APPENDIX III

SUMMARY OF RECOMMENDATIONS/OBSERVATIONS

Sl. No.	Para No.	Recommendations/Observations
1.	3.3	<p>The Committee note that BE of Department of Food & Public Distribution for the year 2010-11 for its Plan Schemes was Rs. 100 crore which was reduced at RE Stage to Rs. 66.11 crore but Actual Expenditure was only Rs. 58.85 crore. The Department has informed that in the meeting held to finalise the implementation model of computerization of TPDS, it was decided that a single application be considered for developments by one agency for all four pilot States. Moreover, Hon'ble Supreme Court also directed for total computerization by using same software by all the States. Since the Request for Proposal (RFP) could not be finalized earlier, the amount under BE of Rs. 33.40 crore was revised to Rs. 4 crore at RE stage. The Department has also informed that non submission of adequate proposals and utilization certificates in respect of 'Strengthening of PDS and Capacity Building' and 'Village Grain Bank' Schemes resulted into shortfall in expenditure. The Committee are unable to accept the plea of the Government that due to delay in finalization of RFP as well as non-submission of adequate proposals and utilization certificates in respect of Strengthening of PDS & Capacity Building and setting up of Village Grain Banks, there was less expenditure in the Plan Schemes. It indicates nothing but lack of seriousness on the part of the Government to implement the Schemes. In the opinion of the Committee, the Department could not take timely action and get completion of procedural formalities well in advance due to which the BE was reduced by the Planning Commission at RE stage and there was less expenditure during the year. The Committee, therefore, strongly recommend that the Department should make proper planning to get completion of procedural formalities well in advance and take effective steps to convince the States/UTs for submission of adequate/eligible proposals under its various Schemes. The States should also be persuaded to set up sanctioned VGBs and to expedite submission of utilization certificates so that Schemes are implemented within the stipulated time limit.</p>
2.	4.7	<p>The Committee are constrained to note that even after more than 13 years of its inception, the DCP Scheme has been undertaken by only five States for wheat and nine States for rice which indicates the Government's inability to convince the remaining States about the advantages of the Scheme. The Committee also observe that success of DCP Scheme greatly depends upon the infrastructure and resources available with the respective State Governments; speedy release of funds to the DCP States and proper planning for</p>

distribution of foodgrains. In the opinion of the Committee, DCP Scheme is one of the most important Schemes being implemented with a view to lessening the burden on FCI and reducing the dependence on the Central Government. The Committee, therefore, urge the government to remove the anomalies in the Scheme so that States can contribute towards the central pool thereby enhancing the food security. The Committee, also recommend the Department to take concrete steps to convince the remaining States/UTs to adopt the DCP Scheme in the interest of the farmers and in making the States self sufficient in production, procurement and distribution of foodgrains.

3. 4.16 The Committee note that on requests received from the State Governments of U.P., Haryana and Government of NCT of Delhi for direct disbursement of food subsidy in cash to BPL/AAY beneficiaries, instead of distributing the foodgrains to them under TPDS, a draft Scheme was prepared to test the feasibility of this alternative mode of transfer of food subsidy. The Committee have been informed that the Department of Expenditure has decided that following the finalization of poverty estimates by the Planning Commission, the Department of Food & Public Distribution and Delhi Government would work out the final contours of the Scheme in consultation with the Planning Commission taking into account the likelihood of making use of UID Cards to be issued in the near future. The Department of Expenditure has requested for a revised proposal on the issue which is presently under examination by the Department. The Committee, recommend the Department to expedite the finalization of revised proposal as desired by the Department of Expenditure, for an early decision on the issue.
4. 4.22 The Committee note that under Hill Transport Subsidy, the Union Government reimburses the transportation cost of foodgrains from base depots of FCI upto the designated Principal Distribution Centres in States which are predominantly hilly. The Committee are deeply concerned to note that huge amount is pending with FCI for being paid to State/UTs viz. Mizoram, Tripura, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Lakshadweep and Sikkim on account of cost of transportation of foodgrains under Hill Transport Subsidy (HTS Scheme). The Committee have been informed that no HTS claim has been received from Meghalaya, Manipur, Nagaland, A&N Islands. The States in respect of which full HTS claim have been received i.e Mizoram, Tripura, Arunachal Pradesh, J&K, Himachal Pradesh, Lakshadweep and Sikkim, only part payment has been paid and the huge amount is still pending which clearly indicates that the Department is not serious towards reimbursement of HTS claims of States/UTs. Moreso, the Department does not seem to have made any efforts to find out the reasons for non submission of HTS claims

which proves that the Government is not serious towards settlement of claims. The Committee are not happy with the situation and recommend that the Department/FCI should find out the reasons for non submission of HTS claims and make sincere efforts for liquidation of outstanding dues of these States/UTs fully, so that States/UTs may be able to lift the foodgrains periodically and the poor people of hilly and inaccessible States are not deprived of the benefits of subsidized foodgrains under HTS Schemes.

5. 4.30 The Committee note that as per Public Distribution System (Control) Order, 2001, the State Governments/UT administrations are to ensure that during transportation and storage at different stages in the distribution chains, the foodgrains retain their required quality specifications. The Committee are surprised that despite there being joint inspection of foodgrains stocks in FCI godowns and presence of quality control cells in the Department of Food and Public Distribution, there are complaints of beneficiaries getting inferior quality of foodgrains. The Committee feel that this could be the handiwork of some intermediaries which leads to diversion of good quality foodgrains and making the poor people getting inferior quality of foodgrains. The Committee, therefore, strongly recommend that the Department should make independent surprise visits and inspections at fair price shops or entrust the job to some other independent agency or vigilance committees to evaluate the situation and take immediate action thereon. The Committee are of the view that the CCTV monitoring of fair price shops can also be helpful to monitor the distribution of the PDS items at fair price shops. The Committee also desire that 24X7 toll free complaining facilities may be set up in all the States/UTs by the Department for registering the grievances/complaints of TPDS beneficiaries. Further, the Committee also desire that foodgrains should be supplied to beneficiaries in packings of 5kg, 10kg, and 20kg bearing FPS stamp on it, which will minimize the chances of diversion.
6. 4.37 The Committee note that in order to curb the diversion and leakages of foodgrains meant for TPDS, Government is taking up piloting of innovatives/new technologies such as GPS, RFIDS, Bar coded coupons, stamping of PDS foodgrains, etc. One of the steps taken by the Department to prevent leakages/diversion of foodgrains was installation of Global Positioning System (GPS) on vehicles carrying subsidized foodgrains on pilot basis in three States namely NCT of Delhi, Chhatisgarh and Tamilnadu. In this regard, the Committee also note that as per the findings of the National council for Applied Research (NCAER), the level of diversion of wheat in Assam and Mizoram is 100% for APL and of rice is 83.38% and 81.12% for APL respectively which shows that foodgrains meant for APL families have not reached to them at all in these two States. The level of

diversion of wheat for APL in respect of Chhatisgarh and Jharkhand is 78.34% and 54.53%, respectively. The Committee, therefore, recommend that the procedure for sanction of funds for installation of GPS be simplified and GPS devices be installed not only in the three pilot States but in all the States/UTs of the Country on top priority to curb the menace of diversion and leakage of foodgrains.

7. 4.40 The Committee note that the `Scheme of Computerisation of TPDS' is under process in three districts each of the four pilot States i.e. Andhra Pradesh, Assam, Chhatisgarh and Delhi. The Committee also note that in view of the direction given by Hon'ble Supreme Court in its order dated 27th July, 2010 relating inter-alia to computerization of TPDS, there must be the total computerisation of the PDS on top priority basis and the Union of India must prepare a software which should be used by all the States and the Union of India may consider computerization in consultation with the specialized agencies like Unique Identification Authority of India. The Committee further note that a task force headed by DG/NIC was set up on 9th August, 2010 by the Department which is entrusted with the responsibility of review and integration of existing project and to provide as to how UIDAI will be eventually leveraged for linking with the said projects. Based on its recommendations, the overall scope of the projects will now be extended upto Fair Price Shops and beneficiary transaction level, in terms of Software functionality to build single unified software for end to end computerization of TPDS processes. Since computerization of PDS operations is very essential to improve its overall efficiency and functioning, the Committee desire that the work of total computerization of PDS operations be accorded priority and necessary steps be taken for implementation of the recommendations of the task force and computerization of PDS operations at the earliest.
8. 4.45 The Committee note that the Smart Card based delivery of TPDS Scheme is being implemented on pilot basis in UT of Chandigarh and State of Haryana. The Committee have been informed that out of the total approved expenditure of Rs.142.29 crore, Government of Haryana and Chandigarh UT have been provided funds of Rs.25 crore and Rs.1.10 crore for implementation of the Scheme. The Committee have been further informed that the assessment of the Scheme shall be taken upon completion of the pilot project. The Committee hope that Smart card based delivery of essential commodities will improve the efficiency of the Public Distribution System and desire that the Government should persuade the State/UT Governments of Haryana and Chandigarh to expedite completion of the projects so that assessments of the Scheme could be done at the earliest. The Committee also recommend that all necessary steps be taken for expeditious implementation of the project all over the country.

9. 4.51 The Committee note that Village Grain Banks can be set up in food scarce areas like the drought prone areas, hot and cold desert areas, tribal areas and inaccessible hilly areas to provide safe guard against starvation during the period of natural calamity or during lean season when the marginalized food insecure households do not have sufficient resources to purchase ration. These villages are to be identified by the concerned State Governments/UT administrations. The Committee, however, are dismayed to note the overall performance of the Scheme since out of the 20, 401 VGB sanctioned by the Department till date, only 13, 796 VGBs have been set up by the States. The Committee feel that there is need for establishment of more VGBs in food scarce areas where people, especially those in tribal areas are suffering from malnutrition. The Committee have been informed that during 2010-11, the Department was allocated Rs.17 crore as BE which was reduced to Rs.13 crore at RE stage. The Department has informed that it has sanctioned 1709 VGBs and utilized the funds of Rs.13 crore allocated as RE 2010-11. The Committee are not satisfied with the reasoning of the Department that the reduction of funds at RE stage and non achievement of the targets was due to non-receipt of adequate eligible proposals from the State Governments during 2010-11. It only goes to prove that the Government is not serious about implementation of the Scheme. The Committee desire that the Government should view the setting up of the VGBs seriously and evolve and put in place an effective system of monitoring and control over the performance of the VGB Scheme on top priority. The Committee strongly recommend that the Government should take up the matter with the State Governments/UT administration at the highest levels and find out the reasons for non submission of sufficient proposals and take necessary remedial measures. The Government should also persuade them for submission of more proposals for setting up of Village Grain Banks so that more and more people specially living in tribal areas can take advantage under the Scheme. The Committee also feel that there is need to spread awareness among the poor people by initiating publicity campaigns about the scheme. Local NGO's, Women Self Help Group, etc. could be roped in to facilitate the implementation of the scheme. The Committee, therefore, desire the Department to examine and revamp the scheme at the earliest to make it more effective so as to achieve its desired objective.
10. 4.55 The Committee observe that Public Distribution System (Control) Order, 2001 mandates the States/UT Governments to identify eligible BPL families to issue ration cards. As per this Order, the State Governments have to formulate suitable guidelines for identification of BPL/AAY families as per the poverty estimates adopted by the Central Government. The Committee find that the Expert Group

constituted by the Ministry of Rural Development to suggest methodology for conducting next BPL census in rural areas has submitted its report and a draft note for Cabinet has been circulated to the concerned Ministries/Departments for their comments. The Committee desire that the matter may be followed up with the concerned Ministries/Departments and the methodology for identification of rural poor be finalized at the earliest.

The Committee also note that the expert Group constituted by the Planning Commission to recommend common methodology for identification of BPL households in urban areas is expected to submit its report by May, 2011. The Committee hope that the expert group constituted by the Planning Commission would submit its report with in the stipulated time and a common methodology for identification of BPL households in urban areas would be formulated soon.

11. 4.58 The Committee note that as per the Public Distribution System (Control) Order, 2001, the States/UT Governments have to conduct periodical checking of ration cards to weed out ineligible and bogus ration cards as well as bogus units in ration cards. The Committee note that since July, 2006, States/UT Governments have reported deletion of 208.57 lakhs bogus/ineligible ration cards, out of which 46.86 lakh bogus/ineligible ration cards have been deleted during the years 2009 and 2010. The Committee find that instructions have been issued to all States/UTs Governments to issue warning to the bogus ration cards holders, through advertisement in the newspaper, to surrender the ration cards and to initiate criminal prosecution against bogus ration card holders, etc. The Committee are of the view that it is the responsibility of the Government not only to eliminate the bogus ration cards but also to ensure that no eligible candidate is denied a ration card. The Committee, therefore, feel that identification of bogus/ineligible ration cards should be an ongoing process for which the Central Government should continuously monitor the action taken by the States/UTs in this regard, so that targeted beneficiaries get the benefit of Public Distribution System.
12. 4.67 The Committee are concerned to note that a large quantity of foodgrain i.e. about 48,315 tonnes of wheat procured by Punjab has been declared unfit for human consumption. As per press reports, this stock which was enough to feed about 7.1 million people per month through Public Distribution System, had piled up over the previous three years. The Committee observe that a large quantity of foodgrains lying in open are getting rotten but the FCI has no arrangements to keep it in the covered godowns. In a country where incidents of hunger and malnutrition are still reported, such careless losses are a matter of serious concern. Intervention by Supreme

Court in the matter further highlights the gravity of the situation. The Committee note that in response to Supreme Court Directions, Government has decided to allocate on adhoc basis, an additional quantity of 25 lakh of wheat/rice at BPL prices to State Governments. The Committee feel that while on the one hand inadequacy of covered capacity is the main reason for rotting of large quantity of foodgrains every year, on the other hand it was brought to their notice during their recent study visit to the State of Rajasthan that godowns constructed by private parties in response to tenders floated by FCI, were not taken over by FCI, resulting in losses.

Similarly, the Committee during oral evidence were informed that in Punjab, which is the largest procuring State, the construction of 16 lakh tonnes of capacity had been sanctioned but as the rates were not offered as per guidelines of Central Vigilance Commission, it had to be re-tendered. The Committee also note that movement of foodgrains to distribution centres is also very slow due to shortage of covered space. The Committee have been informed that 18 lakh tonnes movement of wheat per month is needed from Punjab but only 8 lakh tonnes is being moved. As a result of huge piling up of foodgrains, and rotting thereby poses heavy losses to the Government. The Committee, therefore, recommend that the Department, in consultation with FCI/CWC/State Governments should construct storage godowns in various States so that surplus foodgrains from Punjab and Haryana could be moved for distribution under PDS throughout the country. The Committee also recommend that Department should give special attention to the major wheat producing States such as Punjab and Haryana and create adequate storage capacity there. The Department should also consider creation of storage space in other States such as Rajasthan, Maharashtra and Tamil Nadu where non cultivable land is available and can be used as warehousing HUB to create modern silos/godowns for storing of foodgrains which will be beneficial to serve as supply centres both for Northern & Southern Regions, so that foodgrains can be lifted, moved and stored in a decentralized and time bound manner by using latest scientific technology.

13. 4.77 The Committee observe that for greater transparency in the functioning of TPDS, various measures such as display of lists of BPL and AAY families at FPS, display of allocated quantities of foodgrains on websites, adoption and implementation of Citizen's Charter, Public Awareness Campaign have reportedly been initiated. Further, the Committee note that upto March, 2011, 30 States/UT Governments have reported the adoption and implementation of the revised model Citizen's Charter issued in July, 2007. The Committee feel that delay in implementation of Citizen's Charter by all States/UTs may be due to lack of coordination with the State

Governments. The Committee, therefore, desire that the Department should persuade the remaining State Governments to adopt and implement the revised model Citizen's Charter so as to ensure greater transparency in the functioning of TPDS.

14. 4.78 The Committee observe that to improve the efficiency of Fair Price Shops operations and to monitor their functioning, directions were issued to State/UT Governments to introduce Monthly Certification Scheme to be implemented by village panchayats/urban local bodies/vigilance committees/Women's Self Help groups for delivery of TPDS commodities at Fair Price Shops. The Committee note that upto 31st January, 2011, 21 State/UT Governments have reported regarding the implementation of Monthly Certification Scheme. The Committee feel that mere issuance of directions to State/UT Governments is not sufficient and desire that the Department should take concrete steps to try and convince the remaining States/UTs to facilitate an early adoption of the Scheme.
15. 4.79 The Committee note that the Public Distribution System (Control) Order, 2001 mandates the State and UT Governments to carry out all required action to ensure smooth functioning of TPDS. It also mandates *inter-alia* that while making monthly allocation to the fair price shops, designated authority of State Governments shall take into account the balance stock, if any, lying undistributed with the fair price shop owners for the subsequent allocation. The Committee desire that the amount of foodgrains which remains unlifted during a particular month and left with the Fair Price Dealers after distribution to the beneficiaries, should be adjusted against the next month allocation of that Fair Price Shop or should be taken back, to prevent black marketing or diversion of foodgrains. The Committee also desire that the matter may be taken up at the highest level in the State Governments for effective implementation of the PDS (Control) Order, 2001 by all the States, to streamline the functioning of TPDS in the country.
16. 4.80 The Committee note that the Central Government allocates the foodgrains to the States/UTs at Central issue price for distribution to the TPDS beneficiaries. However, the State/UT Governments have been given flexibility fix margin over and above the CIP rates to be charged by Fair Price Dealers to cover transport, margin etc. for distribution to APL and BPL beneficiaries. The Committee feel that one of the major reasons for diversion of foodgrains under TPDS has been due to very less margin for the Fair Price Shops owners, due to which the dealer is tempted to indulge in malpractices. The Committee are not convinced with the argument of the Ministry that fixing of margin to the Fair Price Shop Dealers on distribution of foodgrains under TPDS falls within the jurisdiction of the State

Governments, and as such, necessary action in the matter is to be taken by the State Governments. Since management and operation of Public Distribution System is the joint responsibility of the Central and the State Governments, the Committee, desire that the matter regarding increase of commission of Fair Price Shop Owners should be taken up with the State Governments for a reasonable increase in their commission as it would make the Fair Price Shop Owner economically sustainable and help in curbing the diversion of PDS foodgrains to the open market.

17. 4.82 The Committee note that the Government is working on the National Food Security Bill pursuant to the President's address to the joint session of Parliament on 4th September, 2009. The Department of Food and Public Distribution has tentatively estimated the subsidy requirement as Rs.1,06,819 crore in the initial phase. Comments of all State Governments and UT administrations on the Framework Note finalized by National Advisory Council (NAC) on draft National Food Security Bill (NFSB) have been sought by the Department of Food & Public Distribution. The Committee have also been informed that as per the decision taken in its meeting held on 21.1.2011, the NAC has put a Framework Note on the draft National Food Security Bill in the public domain inviting comments, before the draft Bill is taken up for the consideration by the NAC. The Finance Minister in his budget speech 2011-12 has also stated that after detailed consultation with all stake holders including State Governments, the Government is close to the finalisation of National Food Security Bill. Other aspects of the proposed law on the Food Security, including coverage, entitlement are under consideration of the Government. Taking into consideration the paramount importance of the Bill i.e. assuring foodgrains to one and all, the Committee strongly recommend that Department of Food & Public Distribution should take up the matter on priority basis with all concerned i.e. State Governments, UT administrations, Planning Commission and the Ministry of Rural Development, to expedite an early introduction of the Bill in Parliament.
18. 5.6 The Committee are deeply concerned to note that a high amount of outstanding dues are to be recovered by FCI from the Ministry of Rural Development and the Ministry of Human Resource Development on account of providing foodgrains for various welfare schemes on payment basis. Outstanding dues to be recovered from the Ministry of Rural Development during each of the years 2008-09, 2009-10 and 2010-11 are Rs.2890.82 crore. From the Ministry of Human Resource Development, the outstanding dues to be recovered during the year 2008-09, 2009-10 and 2010-11 are Rs.148.47 crore, Rs.166.33 crore, and Rs.39.53 crore respectively. As on 31.1.2011, against the total foodgrains supplied to that Ministry (amounting to

Rs.1002.91 crore), payment of Rs.611.87 crore has been received by FCI. Apart from this, a revolving fund of Rs.300 crore has been provided by the Ministry against bills in the pipeline. The Committee are surprised to note that no time limit has been prescribed for making payment by the Ministry of Rural Development. Further, the Committee are not convinced with reasoning of the Department that prescribed time limit of 20 days in respect of the Ministry of Human Resource Development for making payment after submission of bills is not strictly adhered to as the Ministry depends on allocation of funds by the Ministry of Finance. The Committee, therefore, desire that the department should take up the matter with the concerned Ministries i.e. the Ministry of Finance, the Ministry of Rural Development and the Ministry of Human Resource Development at the highest level so that the outstanding dues of FCI are liquidated at the earliest and the burden on food subsidy bill is reduced.

19. 5.10 The Committee note that net expenditure incurred by FCI including the establishment cost, is reimbursed by the Government in the form of food subsidy. The Committee are deeply concerned to note that in 2010-11, the establishment cost of FCI was Rs.3307.41 crore i.e. an increase of 64.47% over the previous year (2009-10) of Rs. 2011.11 crore. The reasons attributed for the increase in establishment cost during 2010-11 (RE) are the pay revision of executives, announcements of fringe benefits to category I and II employees of the Corporation and impact of revision of maximum gratuity ceiling from Rs.3.50 lakhs to Rs.10 lakhs w.e.f. 24th May, 2010 (for employees under CDA) and w.e.f. 1.1.2007(for employees under IDA) and consequent payment of arrears. While agreeing with the aforesaid reasoning of the Department, the Committee feel that establishment cost is still very high and can be further reduced so that there is increase in the food component under the food subsidy. The Committee, therefore, strongly recommend that further ways and means should be devised to reduce the establishment cost so that substantial amount of food subsidy which is basically meant for the poor section of the society, percolates down to legitimate beneficiaries only.
20. 5.14 The Committee note that upto 28th February, 2011, utilisation of owned (CAP) storage capacity of FCI was 26% and hired (CAP) storage capacity was 51% and the total utilization of capacity was only 30% whereas the present norm of occupancy level or capacity utilization of each category of storage is 75%. The Committee express their deep anguish over the underutilization of CAP storage capacity (both owned as well as hired). The Committee also regret to observe that a huge amount is spent every year on hiring the godowns by FCI though the owned capacity is not utilized to the

optimum. The Committee fail to understand that when Corporation is not able to utilize owned capacity to the maximum, what is the logic behind hiring the capacity and wasting the Government money thereon. The Committee desire that utmost care should be exercised by FCI to maximize storage capacity utilization for owned as well as hired. The Committee also strongly recommend that FCI should make proper assessment of availability of owned storage capacity and required capacity and take necessary steps to maximize utilization of both owned as well as hired capacities so as to avoid infructuous expenditure on account of rental charges.

21. 5.19 The Committee are deeply concerned to note the inability of FCI to achieve the physical as well as financial targets set during the year 2010-11 in respect of North Eastern and other than North Eastern States. In States other than North East, the set physical target during the year 2010-11 was 2.5 lakh tonnes but achievement was nil. In North Eastern States, the set targets during the same period was 5000 tonnes, but achievement was totally nil. As far as the financial targets are concerned, the target set for other than North Eastern States during 2010-11 was 10 crore but achievement was only 0.95 crore. In North Eastern States too, set target was 30 crore but achievement was only 0.40 crore. In this context, the Committee have been informed that against the targeted capacity of 7500 MT, a capacity of 5000 MT at Hailakandi in Assam Region will be created during the financial year 2011-12 and construction of godown at Lakshadweep will be completed by May 2011. The Committee, however, are unhappy with the slow pace of construction of godowns in these areas. The Committee feel that inadequacy of storage capacity poses a serious threat to running of efficient Public Distribution System. So far as the North Eastern States are concerned, they are the most disadvantaged States in terms of infrastructure, communication and rail/road network etc. The Committee, therefore, strongly recommend that FCI should make sincere efforts for speeding up the work of construction of godowns for achievement of set physical and financial targets in North Eastern States as well as other than North Eastern States so that people of the country are not deprived of the benefits of Public Distribution System due to inadequacy of storage space.
22. 5.25 The Committee are concerned to note that despite several remedial steps taken by FCI, the foodgrains loss on account of storage, transit and pilferage continues to increase every year. During 2010-11, the storage and transit loss was of the value of Rs.267.14 crore and Rs.237.57 crore respectively. Further, the value of pilferage loss during 2010-11 amounted to Rs.1,64,270. The Committee are of the opinion that due to poor maintenance of godowns, large quantity of food grains of high value is lost every year. The Committee,

therefore, strongly recommend that FCI should adopt scientific and modern technology for storage of foodgrains. The Committee, also desire that physical verification of stocks of foodgrains should be done frequently i.e once in the six months so that any damage to foodgrains due to storage be timely detected. Besides, the Government should also recruit personnel who have technical knowledge and expertise with a view to ensuring safe storage, minimizing storage loss. Any damage of foodgrains that occurs due to human error should be thoroughly investigated and responsibility be fixed for the losses and the guilty official be punished. Regular inspection and constant monitoring are also required to ensure that losses do not increase further. The Committee, therefore, recommend that vigorous efforts be made to minimize the storage and transit losses so that the funds earmarked for the poorest of the poor reach the actual beneficiaries. Necessary steps should also be taken so that losses due to thefts/pilferage be kept at the minimum.

23. 5.28 The Committee are disturbed to note that the number of corruption cases including vigilance cases detected on various counts during the period 2008, 2009 and 2010 were 797, 910 and 613 respectively. During 2010, cases referred to CBI and CVC were 3 & 1 respectively. The Committee feel that such a gigantic proportion of corruption prevalent in FCI is due to lack of institutional mechanism for vigilance available at zonal and regional offices of FCI. The Committee, therefore, strongly recommend that FCI should strengthen its vigilance mechanism in coordination with the States/UTs so as to detect the corrupt practices by FCI officers and take stringent action against them. Further, the Committee also desire that efforts should be made for early disposal of pending cases as delay in disposal of cases would further encourage corrupt practices and undermine the authority of law.
24. 6.5 The Committee are deeply concerned to note the continuous rise in outstanding dues of CWC during the last 3 years i.e. from Rs.151.60 crore, in 2008-09 to Rs.185.48 crore in 2009-10 and Rs.215.00 crore in 2010-11. The Committee desire that the pending dues should be cleared expeditiously and a time limit should be fixed within which the amount is receivable by CWC from the depositors, failing which some penal interest be levied. The Committee, therefore, recommend that to liquidate the outstanding dues fully at the earliest CWC should review the norms fixed for recovery of outstanding dues so as to enhance its profitability.
25. 6.18 The Committee are happy to note that the Corporation is making use of owned capacity to the maximum which is evident from the declining trend of rent paid by the Corporation for the last three years i.e. from Rs.26.23 crore in 2008-09 to Rs.22.56 crore upto February,

2011. The Committee hope that the Corporation will continue to make maximum use of owned capacity and minimize dependency on hired capacity during the coming years also thereby enhancing their profits.

26. 6.19 The Committee note with concern that perspective plan drawn for the construction of the godowns during the financial year 2011-12 is devoid of N.E. States. The Committee are not convinced with the plea of the Government that since the storage capacity available with CWC in the N.E. Region is not fully utilized, CWC has no major plan for construction of additional capacity in the Region. The Committee note that in N.E. States, there is 93% utilization of the storage space and construction of additional storage capacity would definitely be profitable for CWC. The Committee had earlier made recommendations in DFG (2010-11) that separate funds i.e. 10% of the total plan funds be earmarked for construction of godowns in N.E. States and construction of godowns in N.E. Region be stepped up. The Committee, therefore, would again like to recommend that the CWC should explore the possibility of constructing additional storage capacity in N.E. Region so that the people of the area could fully avail the benefit of PDS.
27. 6.21 The Committee note that the Warehousing Development and Regulatory Authority has been constituted recently and is functioning with meager staff of five regular officers out of 19 sanctioned posts. These five regular officers include one Joint Secretary, 2 Directors, 1 Under Secretary and 1 Section Officer. The Committee have been informed that for issuance of Negotiable Warehouse Receipt, the Warehouses have to get themselves registered with the Authority. The Committee have also been informed that the format of Negotiable Warehouse Receipts (NWR) has been finalized in consultation with warehousemen, banks and advisory committee. The Committee note that about 316 applications from 18 States for registration of Warehouses have been received by the Authority till date. Taking into consideration wide magnitude and importance of work to be performed by the Authority, process of filling up of remaining posts in WDRA be expedited, to ensure its smooth functioning in the interest of farmers.
28. 7.6 The Committee note that in order to make sugar cultivation more profitable, the Government of India has fixed the Fair and Remunerative Price (FRP) of sugarcane for the sugar season 2010-11 at Rs.139.12 per quintal linked to 9.5% recovery level. The Committee, however, feel that in reality the position is quite different and the cane growers do not get the announced prices and opt for other cash crops. The Committee, therefore, recommend that the Government may take steps to ensure that adequate FRP of

sugarcane is paid to the farmers so as to encourage them to cultivate sugarcane crops, thereby ensuring adequate production of sugar by the sugarmills. The Government should fix the FRP every year in advance so that the farmers get right price signal so that sugarcane remains equally competitive with other food/cash crops.

29. 7.7 The Committee note that in order to mitigate the hardship of the sugarcane growers, the Government of India had created a buffer stock of 50 lakh tonnes of sugar for a period of one year in 2006-07, and 2007-08 sugar season when there was excess production of sugar. Subsequently, as the production of sugar declined, the Government did not consider it necessary to maintain the buffer stock of sugar. The plea of the Government that to build up the buffer stock of sugar, the Government have to bear carrying cost for the maintenance which would impose heavy burden on the Government exchequer is not acceptable to the Committee. The Committee, therefore, strongly recommend the Government to review its buffer stock policy with regard to sugar. The Committee are of the opinion that the buffer stock of sugar is very much essential not only to meet the requirement of PDS, but also to meet crisis situation in the years of deficit sugar production. The Committee desire that the Government should take appropriate measures to maintain a strategic stock of sugar.
30. 7.11 The Committee are constrained to note that as on 15th January, 2011, a total of Rs.4545.09 crore which includes Rs.4318.28 crore for 2010-11 sugar season, Rs.17.46 crore for 2009-10 sugar season and Rs.209.35 crore for 2008-09 and earlier sugar seasons are outstanding as Cane Price Arrears. The Committee are pained to note that although payment of sugar cane is required to be done within 14 days of the supply of sugarcane by the farmers as per Sugarcane (Control) Order, 1966, it is, however seldom done. The Cane Price Arrears pertaining to sugar season 2008-09 and earlier are still outstanding and yet no action has been taken against the sugar mills for recovery of cane arrears alongwith interest @ 15% as per the provision of Sugarcane (Control) Order 1966. The Committee are not convinced with the reply of the Ministry stating that Cane Price Arrears are generally high in the beginning of the season and start declining as the sugar season advances, as such, the cane price arrears for 2010-11 sugar season are likely to decline further in the coming months. The Committee feel that there is a need to protect and promote the interest of farmers in such a manner that farmers continue to cultivate sugarcane without any hindrance. Farmers need to be paid remunerative price immediately on delivery of his agricultural produce. The Committee, therefore, recommend that to motivate farmers to continue with sugarcane cultivation all aid/incentives/assistance given to sugar mills should be subjected to

liquidation of cane arrears by the mills. In case of default, such aid/assistance should be suspended and strict action taken against defaulting sugar mills under the provision of this Order.

31. 7.13 The Committee express concern over the rising trend in prices of sugar during the last two years. The Committee feel that the mismatch between domestic production and demand for sugar is primarily responsible for rise in price of sugar. The Committee find that due to various measures taken by the Government, the price of sugar has come down to some extent but it is still very high in the open market. The Committee feel that the cyclic nature of sugarcane production, which has been observed over the years needs to be regulated. It has been observed that two to three years of very high/surplus production results in a glut in the market and crash of sugar prices, leading to shifting in cultivation from cane to other crops, in turn resulting in reduced production, shortage and consequent rise in sugar prices again. The Committee, therefore, strongly desire that the Government should sincerely work for a long-term policy to deal with the problem. They should also continue to take measures so that the prices of Sugar remain more or less stable during high as well as low production years.
32. 8.8 The Committee are concerned to note that while on the one hand there is stagnating production of oil seeds in the country for the last two decades on the other hand, the consumption of edible oil has been increasing rapidly which is attributed to rise in population and living standards. The Committee note that as per the Second Advance Estimate of Ministry of Agriculture released on 9th February, 2011 for 2010-11, estimated oilseeds production is about 278.48 lakh tonnes, i.e. 29.65 lakh tonnes higher than 2009-10. Production of oil from these oilseeds in 2010-11 is likely to be about 66.34 lakh tonnes, i.e. higher by 7.46 lakh tonnes as compared to 2009-10 but it is still short of the total requirement of the country which is evident from the fact that during the oil year 2010-11, 26.12 lakh tonnes of edible oils had to be imported to meet the deficit in domestic production during the same period. The Committee are of the view that to bridge the gap between demand and supply of edible oils, the rise in production of oil seeds and consequent productivity of edible oils is imperative. The Committee find that the production of oilseeds declined mainly in the States of Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Rajasthan, and U.P. during 2009-10 due to drought in kharif 2009. The Committee observe that though the Government of India has taken various measures including implementation of a centrally sponsored Integrated Scheme of Oil Seeds, Pulses, Oil Palm and Maize (ISOPOM) to increase production

and improve availability of edible oil in the country, the results are not very effective. The Committee feel that the Country may be self sufficient in edible oil if new and high yielding varieties are developed on a large scale for which a scientific technology break through is needed. Considering the overall scenario with regard to oilseeds and edible oil in the country, the Committee desire that the Department should make sincere efforts in consultation with the Department of Agriculture in the field of nurturing improved, high yielding varieties of oilseeds. The Committee recommend that other ways & means should also be explored to increase production and productivity of traditional oilseeds crops and adequate steps be taken to popularize use of non-traditional secondary source of edible oils to reduce the dependency of imported edible oils. Further, to increase production, there is imperative need to have improved technology for extraction of edible oils.

33. 8.11 The Committee are pained to note that funds allocated for Research and Development and modernization of laboratory of the Directorate of VVO&F during the year 2010-11 could not be fully utilised. The Committee find that the difficulties faced by the Department in achieving the targets in respect of Research & Development by Research Institute are (a) failure to purchase equipment in time (b) non-availability of material needed to carry out the research, non-submission of utilization certificate and progress report and frequent changes in top positions. Keeping in view the declining production of oilseeds, the Committee feel that the need of the hour is to develop high yielding oilseeds varieties to meet the increasing consumption, for which focused R&D is required to be done. The Committee, therefore, strongly recommend that the Government should ensure that the funds allocated for R&D Projects are fully utilised by the DVVO&F to get the desired results. The Department should also, in consultation with other Ministries, streamline the procedure and documentation for transparency and accountability at each level for giving timely approval for purchase of various research equipments.