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STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2011-12)

FIFTEENTH LOK SABHA

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

DEMANDS FOR GRANTS
(2012-13)

SEVENTEENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

May, 2012/ Vaisakha, 1934 (Saka)

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DEMANDS FOR GRANTS (2012-13)

Presented to Lok Sabha on 03.05.2012
Laid in Rajya Sabha on 03.05.2012

LOK SABHA SECRETARIAT
NEW DELHI

May, 2012/ Vaisakha, 1934 (Saka)

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MEMBERS

Lok Sabha

2. Shri Jaywant Gangaram Awale**
3. Shri Tarachand Bhagora
4. Shri Shivraj Bhaiya
5. Shri Arvind Kumar Chaudhary
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12. Shri Gobinda Chandra Naskar
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14. Shri Sohan Potai
15. Shri Purnmasi Ram
16. Shri Ramkishun
17. Shri Chandulal Sahu (Chandu Bhaiya)
18. Dr. Naramalli Sivaprasad*
19. Shri E.G. Sugavanam$
20. Smt. Usha Verma**
21. Vacant

Rajya Sabha

22. Smt. T. Ratna Bai
23. Dr. M.S. Gill
24. Shri P. Kannan
25. Shri Lalhming Liana
26. Shri Sanjay Raut
27. Dr. T.N. Seema
28. Shri Veer Singh
29. Vacant #
30. Vacant#
31. Vacant#

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* Nominated w.e.f. 25.11.2011
** Nominated w.e.f. 03.01.2012
$ Nominated w.e.f. 12.04.2012
# Vice Shri Kanjibhai Patel, Shri Rajniti Prasad and Shri Kaptan Singh Solanki retired from Rajya Sabha w.e.f. 02.04.2012.

Lok Sabha Secretariat

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

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Consumer Affairs and Public Distribution (2011-12) having been authorized by the Committee to submit the Report on their behalf, present this Seventeenth Report on Demands for Grants (2012-13) 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 (2012-13) of the Ministry, which were laid on the Table of the House on 27th March, 2012. The Committee took evidence of the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) on 12th April, 2012.

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 02.05.2012.

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
02 May, 2012
12 Vaisakha, 1934 (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 Fair and Remunerative Price 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.

In carrying out its various functions, the Department of Food and Public Distribution is assisted by its 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, Bhubaneshwar, 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.

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

(i) Food Corporation of India (FCI)

(ii) Central Warehousing Corporation (CWC) and

(iii) Hindustan Vegetable Oils Corporation Ltd. (HVOC)

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

1.4 The Minister for Consumer Affairs, Food and Public Distribution laid on the Table of the Lok Sabha, the Detailed Demands for Grants (2012-13) relating to the Department of Food and Public Distribution on 27th March, 2012. The Detailed Demands for Grants, for the Department of Food and Public Distribution shows a budgetary provision of Rs. 86,961.66 crore. This includes Rs. 126 crore for plan activities and Rs. 86,835.66 crore, for non-plan programmes and Schemes.

1.5 The Committee in the present Report have examined various issues related to implementation of various schemes and programmes under the jurisdiction of the Department, in the context of Demands for Grants 2012-13.

1.6 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

General Performance of the Department

(a) Analysis of Plan and Non Plan Schemes

2.1 The Department of Food and Public Distribution furnished the following statements showing the scheme-wise details of BE, RE and actual expenditure incurred on its Plan and Non-Plan Schemes during 2010-11, 2011-12 and BE for 2012-13 as follows:-

(a). PLAN SCHEMES

Sr. No	Name of the Scheme/Project /Programme	2010-11			2011-12			BE 2012-13
		BE	RE	AE	BE	RE	AE	
1.	Construction of Godowns by FCI	40.00	40.00	40.00	86.90	73.90	73.90	60.00
2.	Integrated Information System for Foodgrains Management (IISFM)	0.01	0.01	0.00	0.89	0.01	0.00	0
3.	Computerization of PDS Operations	33.40	4.00	3.15	5.00	1.92	1.31	40.00
4.	Strengthening of PDS & Capacity Building	1.14	0.69	0.73	0.86	2.10	2.10	2.05
5.	National Sugar Institute, Kanpur	2.00	2.00	1.89	1.55	1.55	0.00	0.75
6.	Village Grain Bank Scheme	2.45	2.41	2.01	1.80	1.79	1.66	1.20
7.	Consultancies, Training & Research	17.00	13.00	12.96	10.00	10.00	9.99	8.00
8.	Setting up of Warehousing & Development Regulatory Authority	4.00	4.00	4.00	13.00	2.21	2.21	6.00
	New Scheme							
9.	Strengthening of Quality Control							1.00
10.	Construction of Fair Price Shop-cum godowns							5.00
11.	Setting up of National Food Commission and state Food Commissions							2.00
	Total	100.00	66.11	64.74	120.00	93.48	91.17	126.00

SCHEME-WISE DETAILS OF BE, RE AND ACTUAL EXPENDITURE INCURRED ON NON-PLAN SCHEMES DURING 2010-11, 2011-12 AND BE 2012-13.

(Rs. in crores)

Non-Plan		Year 2010-2011			Year 2011-2012			Year 2012-13
S. No.	Budget Sub-Head / Schemes	B.E.	R.E.	Actual Expenditure	B.E.	R.E.	Actual Expenditure (Up to 28.03.2012)	B.E.
1	Secretariat **3451**	30.14	31.63	32.15	38.04	35.67	32.06	38.15
2	Food Subsidy (including Sugar) **2408**	55589.97	61517.41	64356.52	60939.40	73189.42	61767.51	75366.42
3	Transfer to / from to Sugar Dev Fund **2408**	250.00	1116.12	1050.00	400.00	400.00	400.00	400.00
4	Directorate of sugar **2408**	6.18	3.75	3.62	8.39	4.20	3.56	4.66
5	Dev Council **2408**	0.08	0.08	0.08	0.09	0.09	0.08	0.10
6	Admn. of Sugar **2408**	25.26	25.26	25.26	26.30	26.30	25.42	20.32
7	VVOF **2408**	2.57	2.60	2.35	3.15	2.56	2.12	2.78
8	NSI **2408**	13.00	12.60	12.18	15.74	13.68	11.56	13.98
9	Reimbursement Shortage in handling of imported fertilizers **2408**	0.10	0.10	0.00	0.10	0.00	0.00	0.01
10	Reimbursement of losses to Edible oils importing agencies on account of disposal of Edible Oils imported under 'Scheme for distribution of subsidized imported edible oils through State/UTs Government'	0.00	0.00	0.00	0.00	0.00	0.00	248.67
11	Grants in aids for Dev of Sugar industry **2408**	2.00	1.62	0.99	2.00	1.00	0.11	2.00
12	Departmental Canteen NSI **2408**	0.25	0.28	0.23	0.35	0.25	0.25	0.32
13	Interest subvention to Cooperative sugar mills NABARD **2408**	31.60	31.60	31.60	30.00	35.01	30.00	30.50
14	Scheme for extending financial Assistance to Sugar Undertaking 2007 **2408**	222.00	538.25	538.25	80.59	46.74	46.74	51.73
15	Reimbursement export shipment of internal transport and freight chargesto Sugar factories on export shipment of sugar **2408**	200.00	150.00	146.81	50.00	25.00	3.41	25.00
16	Subsidy for Maintenance of Buffer Stock of Sugar **2408**	200.00	100.00	88.00	50.00	50.00	9.39	17.00
17	**Other Programmes of Food Storage & Warehousing**							
	i) Procurement & Supply **2408**	0.01	0.01	0.00	0.01	0.01	0.00	0.01
	ii) International Cooperation **2408**	0.56	0.51	0.42	0.56	0.48	0.46	0.51

Non-Plan		Year 2010-2011			Year 2011-2012			Year 2012-13
	iii) IGMRI **2408**	5.79	4.43	3.81	4.96	4.31	3.52	4.40
	iv) CGAL **2408**	0.02	0.01	0.00	0.80	0.80	0.18	0.10
	v) QCC **2408**	7.98	6.99	6.03	8.30	7.17	6.24	7.57
18	Amritsar Oil Works (**2852**)	0.02	0.02	0.00	0.02	0.01	0.00	0.01
19	Central Vigilance Committee (Charged) **3456**	1.07	1.13	1.12	1.31	1.22	1.07	1.40
20	Reimbursement of Losses to STC **3456**	0.01	0.01	0.00	0.01	0.01	0.00	0.01
21	Loans for Ways and Means Advance payable to FCI **6408**	10000.00	15000.00	15000.00	10000.00	10000.00	10000.00	10000.00
22	Short term loan for procurement - operations of FCI under Targeted Public Distribution System (TPDS) **6408**	0.00	5000.00	5000.00	0.00	0.00	0.00	0.00
	Loans for consumer Industries 6860							
	i) Modernization / Rehabilitation of Sugar Mills.	300.00	300.00	285.11	200.00	125.00	78.75	100.00
	ii) HVOC	1.20	1.20	1.20	1.20	0.00	0.00	0.01
	iii) Mills for Cane Development	35.00	60.00	59.92	50.00	50.00	35.22	75.00
	iv) Sugar Mills for Bagasse Based co-generation Power Projects.	450.00	450.00	450.00	200.00	275.00	200.00	350.00
	v) Production of anhydrous alcohol or ethanol from alcohol	150.00	125.00	98.00	100.00	100.00	69.02	75.00
	Total	**67524.81**	**84480.61**	**87193.65**	**72211.32**	**84393.93**	**72726.67**	**86835.66**

2.2 The Committee have been informed that Plan budget during 2011-12 was Rs. 120 crore which was reduced to Rs. 93.48 crore at RE stage and Actual Expenditure was Rs. 91.17 crore (upto March, 2012). When asked about the reasons for mismatch between BE and AE, the Department furnished a statement citing scheme-wise reasons for mismatch between BE and AE which is as under:-

Sr. No.	Name of the Scheme/ Project/ Programme	BE	RE	Actual Exp. (31.01.12)	Actual exp. (Provisional) (31.03.2012)	(Rs. In Crore) Reason for mismatch Between BE & Actual Expenditure
1	Construction of godowns by FCI/State Govt.	86.90	73.90	30.86	73.90	The whole amount of RE has been spent up to 31st March 2012.
2	Integrated Information System for Foodgrains Management (IISFM)	0.89	0.01	0.00	0.00	The amount could not be spent due to non submission of UCs by FCI.
3	Computerization of PDS Operation	5.00	1.92	0.29	1.31	Rs. 5.00 crore was allocated for Computerization of PDS under 2011-12 (B.E.). At RE stage, it was decided that during 2011-12, the scheme on Computerization of PDS may be continued to the extent of funding the requirements of States/ UTs, NIC as well as of a Central Project Monitoring Unit (CPMU) for the purposes of implementing the orders of Hon'ble Supreme Court dated 14.09.2011. Accordingly, RE (2011-12) was kept at Rs. 1.923 crore. The actual expenditure for the Scheme during 2011-12 is Rs. 1, 30, 64,511/-. As the requirements of fund by States/ UTs would be taken up under the scheme on end-to-end Computerization of PDS as part of 12th Five Year Plan (2012-17), the funds sought by States/ UTs were not released during 2011-12.
4	Strengthening of PDS & Capacity Building	0.86	2.10	0.64	2.10	The Expenditure of TPDS beneficiaries is dependent on submission of proposals by the States/UTs and receipt of Utilization Certificates for the previous release in this regards.
5	NSI, Kanpur	1.55	1.55	0.00	0.00	Schemes could not be finalized in time for implementation due to procedural issues.
6	Consultancies, Training & Research	1.80	1.79	0.94	1.66	The report submitted by NICR in Indian Sugar Industry Unpredistable Risks and Mitigation Policy Options has not yet been accepted. As such, the final installment of Rs.3,71,912/- could not be released to NICR. II. The study on the Technical efficiency of Indian Sugar Industry was awarded to National Sugar Industry. However, NSI has expressed its inability to conduct the study due to technical reasons and also Due to delay in the appointment of fresh consultant on research/ monitoring of domestic/global prices of foodgrains
7	Village Grain Bank	10.00	10.00	7.35	9.99	An amount of Rs.9,99,46,238/- has been spent during the current financial year.
8	Assistance to Warehousing, Development & Regulatory Authority	13.00	2.21	1.11	2.21	The expenditure during 2011-12 is less as the approved outlay of the 11th Plan was Rs. 5.50 crores and it could be enhanced by 20% only viz. by Rs. 1.10 crore. Therefore, RE had to be reduced to Rs.2.21 crore It was possible to manage the expenditure of the Authority during 2011-12 due to carry forward of unspent balance of Rs. 2.65 crore out of the amount released during 2010-11.
	Total	120.00	93.48	41.19	91.17	

2.3 To an enquiry as to how the department would justify its projections for higher allocation under plan & non-plan schemes when it could not utilize the revised estimates of funds during 2011-12, the Committee were informed that the department had made a projection of Rs. 1298.26 crore for the Annual Plan 2012-13 which included the projection of 8 continuing and 5 new Plan Schemes. New proposed Plan Scheme namely Market Intervention Scheme for non formal PDS through the State Civil Supplies Corporation and Consumers Marketing Federations for which an amount of Rs.365 crore was projected was not agreed to by the Planning Commission. Therefore, an amount of Rs. 931.26 crores has been projected for the remaining schemes. Out of this the lion share's projection is for the Plan Scheme Computerization of PDS Operations for which an amount of Rs.588.07 crore has been projected. This amount was projected in order to comply with the directions of the Hon'ble Supreme Court of India. It is planned to undertake end-to-end Computerization of PDS, Computerization of Supply-Chain, FPS automation and digitisation of beneficiary database in all States/UTs in time bound manner. However, due to lower allocations of funds (Rs. 126 crore) by the Planning Commission, only an amount of Rs.40 crore has been provided for this Scheme. Higher projections of an amount of Rs. 164 crore were also made for the Plan Scheme Construction of Godowns by FCI. In the Scheme Construction of Godowns by FCI, RE of Rs. 73.90 crore has been fully utilized. Higher projections were also made for the Plan Scheme Village Grains Bank for which an amount of Rs. 14.95 crore was projected as the actual expenditure in this plan Scheme during 2011-12 was 99.9% of BE/RE of Rs. 10 crore.

The Department further submitted that against BE of Rs. 120 crore for the Plan Schemes of the Department, RE was fixed at Rs. 93.48 crore. Expenditure (Provisional) for the FY 2011-12 was Rs 91.17 crore amounting to 97.5% utilization of RE. Higher Projections of Rs.11.66 crore was made for the Plan Scheme Assistance to Warehousing Development and Regulatory Authority as the Authority has become fully operational. In Actual Rs. 6 crore has been allocated to this Plan Scheme due to lower allotment of total funds to the Department. It may, therefore, be seen that compared to 2011-12, in the current year i.e. 2012-13, being the Ist year of 12th Five Year Plan, apart from new schemes, substantial allocation was projected for computerization of PDS due to the mandate of Hon'ble Supreme Court and in the wake of ensuing Food Security Legislation. The Department has also taken up the issue of increasing the allocation for the computerization of PDS with Deputy Chairman, Planning Commission so that the directions of the Hon'ble Supreme Court could be complied with and the storage capacity in the country could be increased.

In so far as allocation of Non-Plan for 2011-12 (RE) and projection for 2012-13 are concerned, the Department stated that the total Revised Estimates for 2011-12 is Rs. 84393.93 crores against which the total expenditure incurred during the year 2011-12 is Rs. 84331.62 crores and accordingly, the utilization is 99.93 %. The projection for 2012-13 is Rs. 86835.66 crores which is 2.89 % higher than the RE of 2011-12

2.4 The Committee observed that there has been huge increase under the Non-Plan outlay from Rs. 72211.32 crore in 2011-12 to Rs. 86835.66 crore in 2012-13. When enquired the reasons for such increase in Non-Plan allocation, the Department informed that the main reasons for huge increase in the Non-Plan outlay between BE (2011-12) and BE (2012-13) are as follows:-

(i) Increase in foodgrains subsidy which is due to:

a) Rise in Minimum Support Prices (MSP) and Central Issue Price (CIP).
b) Increase in allocation of foodgrains.
c) Rise in Statutory Charges, being based on fixed percent of MSP.
d) Huge procurement leading to rise in Stock volume with consequent increase in storage cost.
e) Increase in Interest costs due to rising arrears of food subsidy as well as increase in interest charges of the bank.
f) Increase in freight and handling charges due to higher operational levels.
g) Increase in Freight Costs due to increase Rail Freight.

(ii) Extension of the schemes by EGoM for reimbursement of losses to Edible oil importing agencies.

2.5 On being enquired about the difficulties being faced by the Department of Food and Public Distribution in the implementation of various schemes/programmes/projects, the Department informed as under:-

B. <u>Problems in movement of foodgrains</u> :

(i) Non-fulfillment of monthly region-wise rake requirement as per FCI's monthly LP plan.

The movement of foodgrain is mainly dependent on railways and therefore it is required that railways provide the rakes as per the monthly Linear Programming (LP) plan provided by FCI. FCI is issuing date wise as well as destination wise movement plan ex-North based on Linear Programming to the Northern Railway every month but the Railways is sending rakes as per their own priorities and not adhering to the date wise/destination wise plan resulting in bunching, rebooking, diversion, undue detention, demurrages etc. and also leading to low compliance of LP. Also, due to less supply of rakes by the Railways, evacuation from Punjab and Haryana gets affected.

Railways have also not been providing sufficient rakes for loading ex-Andhra Pradesh, ex-Chhattisgarh and ex-Madhya Pradesh. South central railway is most reluctant to provide the sufficient rakes to AP and Kerala.

(ii) Lack of priority given by railways for foodgrain movement.

Although foodgrain has been given 'Priority B' but it has been observed that priority is practically given to other commodities like cement, steel, fertilizers etc. Movement of Foodgrains under 'B' priority takes place if the movement is sponsored by FCI and is accepted by the Zonal Railway/ Railway Board. It has been observed in past that the proposal for sponsorship submitted by FCI was not accepted by Zonal Railway/ Railway Board in toto and the required priority was not assigned to the movement sponsored by FCI. Due to this other commodities were moved by Railways instead of the foodgrains.

(iii) Shortage of supply of rakes of half rake loading points and two-point combination.

In some of the regions (e.g. Kerala, Bihar, Assam) most of the FCI depots are totally linked with Railway Sidings/ Railheads having half rake loading/ unloading facilities. During busy season (October to March) railways are not providing rake for half rake points and supply to the godowns linked with these loading points becomes difficult especially for Kerala, Jharkhand, Bihar .

(iv) In-sufficient wagon supply at Lumding.

Supply of foodgrains to many north-eastern states is dependent upon MG network. The supply of foodgrains to these states is routed through 2 transhipment points located at Rangiya and Lumding. Rangiya transhipment point is closed for gauge conversion at present. The trans-shipment requirement at Lumding is 80 MG wagons per day respectively but the shortfall is affecting the stock position and PDS in Tripura, Mizoram, Assam and Manipur. The Average number of wagons provided per day by railways since April,11 is as given below:

Month(2011)	Lumding
April	43
May	50
June	74
July	66
August	51
September	56
October	63
November	47
December	71
January	69

C. Difficulties in acquisition of land for construction of godowns by FCI/State Governments.

With respect of construction of storage godowns under Plan Scheme, the government releases funds to FCI. Under Plan Schemes, thrust is mainly given to the North Eastern States where private participation may not be easily forthcoming. It has been observed that at many locations in the North East land has been identified for construction of godowns, but the same is yet to be acquired and handed over by the State Government.

D. Delay in submission of fresh proposals and Utilisation Certificates by States/UTs.

Under the scheme for Generating Awareness amongst TPDS beneficiaries about their entitlement and redressal mechanism, which is a component of Plan Scheme on Strengthening of PDS, 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. The State/UT Government contributes at least 20% of the total expenditure to be incurred on the campaign and the remaining 80% is contributed by the Government of India. Detailed guidelines have been laid down for the States/UTs to undertake the publicity cum awareness campaigns.

The expenditure under the Scheme is dependent on submission of proper proposal by States/UTs and receipt of UCs for the funds allocated during the previous years. The State Governments are required to be persuaded to send their demands for funds as well as in regard to submission of UCs for the funds received in previous years. State Governments have to be periodically reminded and also called to review their performances.

Under the two components of this Plan Scheme viz. (i) PDS-Training and (ii) Innovative scheme to curb leakage/diversion of foodgrains meant for TPDS (Global Positioning System), funds are released to the State/UT Governments on receipt of appropriate proposals from the State/UT Governments. Release of funds is further subject to receipt of Utilization Certificates (UCs) from these States/UTs for the releases made to them under the schemes in the past.

E. Lack of interest for Village Grain Bank Scheme

As per the guidelines of the scheme, Village Grain Banks are to be established in food scarce areas like drought prone areas, hot and cold desert areas, tribal areas and the inaccessible hilly areas. The number of VGBs to be established will therefore be limited to such villages as per above criteria. 21,751 villages have been so far identified in 17 States for establishing VGBs. There are limitations in the number of eligible villages, based on the criteria where such VGBs could be set up.

VGB Scheme is presently being implemented by 17 States only. Remaining 18 States/UTs have conveyed that there is no interest among the people in the scheme.

The State Governments require to be persuaded to send their demands for funds as well as in regard to submission of UCs for the funds received in previous years. State Governments have to be periodically reminded and also called to review their performances.

As directed by the Committee earlier, the Department also wrote to MPs from tribal areas vide Secretary (F&PD)'s do letter dated 21.4.2011 for forwarding proposals for establishment of VGBs in the tribal villages in their constituencies. Subsequently, the matter was taken up with Chief Secretaries for sending fresh proposals for establishment of VGBs vide do letter dated 17.2.2012. But, there is very little response to these letters.

F. Dependence on State/UT Governments for implementation of Computerization Scheme.

This Department has sent the detailed guidelines on Computerization of PDS to Chief Secretaries/ Administrators of all States/ UTs and has requested them to send the Action Plans. So far, Action Plans from 34 States/ UTs have been received in this Department. As the Scheme for end-to-end Computerization of PDS is to be implemented by the States and UTs, the success of Computerization of PDS depends upon their framing of detailed action plans, initiatives taken and time-bound implementation as per specified milestones.

NIC has been asked to prepare draft Detailed Project Report (DPR), which is awaited in this Department. NIC will also provide the requisite application software to States/ UTs and to customize the same as per their requirements.

The total cost of proposed Plan Scheme for end to end Computerization of PDS in all the States/UTs is estimated at Rs.3497.21 crore. It is proposed to be shared between the Centre and the States on a 50:50 sharing basis for all States other than the North-East and on 90:10 basis sharing for North-East States. Accordingly, the requirement of Central share for the entire plan period works out to Rs.1992.54 crores. The requirement of funds in the first year, i.e. 2012-13 is Rs.588.07crore. However, only Rs.40.00 crore has been allocated for the year 2012-13 under the Plan Scheme for end to end Computerization of PDS.

G. Setting up of procurement centres by State Governments.

Procurement Centres for procurement of wheat/rice are required to be set up by the concerned State Governments. However, in the absence of adequate and proper procurement centres and agri-marketing infrastructure by State Governments , difficulties are faced by the agencies in procurement of foodgrains in some States.

All the aforementioned problems being faced by the Department will be taken up in the succeeding chapters.

2.6 The Committee note that BE of the Department for the year 2011-12 was Rs. 120 crore for its Plan Schemes which was reduced to Rs. 93.48 crore at RE stage and the actual expenditure incurred up to 31.03.2012 was Rs. 91.17 crore which indicates 97.5% utilization of RE. The Committee note that for Non-Plan Schemes during 2011-12, BE was Rs. 72211.32 crore which was raised to Rs. 84393.93 crore at RE stage but actual expenditure was Rs. 72726.67 crore. The Committee feel that revising the estimate at RE stage and then not utilizing the revised allocated funds shows lack of perspective planning on the part of the Department. The Committee further note that in Non-Plan Schemes, there is under spending in various Schemes such as Scheme for `financial assistance to sugar undertakings', `reimbursement export shipment of internal transport and freight charges to sugar factories', `Indian Grain Storage Management & Research Institute(IGMRI)', `modernization/rehabilitation of sugar mills', etc. In view of the above observations, the Committee strongly recommend that Department should make advance and better planning to fix realistic targets so as to avoid fluctuations in allocation of funds at RE stage and ensure that the allocations earmarked for different schemes are fully utilized during the year.

CHAPTER- III

MANAGEMENT OF FOOD

3.1 The Department of Food and Public Distribution is responsible for 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 protected 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.

3.2 The aims and objectives of procurement policy of foodgrains of the Government are as under: -

1. To ensure that farmers get remunerative prices for their produce and do not have to resort to distress sale.
2. To service the TPDS and other welfare schemes of the Government so that subsidised foodgrains are supplied to the poor and needy.
3. To build up buffer stocks of foodgrains to ensure foodgrain security.

(a) Decentralised Procurement Scheme (DCP)

3.3 The scheme of Decentralized 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 farmers. Under the decentralized procurement scheme, the State government itself undertakes direct purchase of paddy and wheat and procurement of levy rice on behalf of Government of India. Purchase centres are opened by the State Governments and their agencies as per their requirements under DCP Scheme. The State Governments procure, store and distribute foodgrains under TPDS and other welfare schemes.

When asked about the major differences between the Decentralized Procurement System by States/UTs vis-à-vis the existing system of central procurement by FCI, the Ministry informed that under the Decentralized 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 requirement. The State Governments procure, store and distribute foodgrains under the TPDS and Other Welfare Scheme. 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. The features of the DCP system over the normal systems are as under :

FEATURES OF DCP SCHEME

(i) The State is made itself sufficient in production, procurement and distribution of food grains and thereby reducing the over dependence on Central Government agencies towards procurement and distribution of foodgrains.

(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 cost toward freight in bringing the stocks from outside the State.

(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 State to contribute more towards the central pool, thereby enhancing the food security.

(viii) the success of DCP scheme greatly depends upon the infrastructure and resources available with the respective State Government in carrying out such voluminous operations. Procurement is not feasible in such States, where the State does not have requisite infrastructure and resources.

(ix) the success of DCP scheme depends also upon speedy release of funds to the respective DCP States. Finalization of Audited Accounts by State gets delayed causing delay in making final payment to DCP State Government.

3.4 When asked about the number of States who have so far opted for Decentralized Procurement Scheme, the Department 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

3.5 The Department furnished the details of State-wise procurement of Wheat and Rice under Decentralised Procurement Scheme for the last three years as follows:-

WHEAT

(In lakh tonnes)

State/UT	2009-10	2010-11	2011-12
M.P.	19.68	35.39	49.65
U.P.	38.82		
Uttarakhand	1.45	0.86	0.42
Chhattisgarh	0.00	0.00	0.00
Gujarat	0.75	0.01	1.05
West Bengal		0.09	0.00
Total	**60.70**	**36.35**	**51.12**

RICE

(In lakh tonnes)

State/UT	2008-09	2009-10	2010-11
W.B.	17.44	12.40	13.10
U.P.	40.07	29.01	25.54
Chhattisgarh	28.48	33.57	37.46
Uttarakhand	3.49	3.75	4.22
A&N Islands	0.00	0.00	0.00
Orissa	28.01	24.97	24.65
T.N.	12.01	12.41	15.43
Kerala	2.37	2.61	2.63
Karnataka	1.07	0.86	1.80
MP	2.47	2.55	5.16
Total	**135.41**	**122.13**	**129.99**

3.6 It is evident from the above statement that only 6 States have opted for Decentralized Procurement in respect of wheat and 10 States have opted for Decentralized Procurement in respect of rice.

When enquired about the difficulties being faced by the Department of Food and Public Distribution in the implementation of various schemes/programmes/projects, the Department stated one of the reasons as under:-

Procurement Centres for procurement of wheat/rice are required to be set up by the concerned State Governments. However, in the absence of adequate and proper procurement centres and agri-marketing infrastructure, difficulties are faced by the agencies in procurement of foodgrains in some States.

3.7 The Committee are dismayed to note that the Decentralized Procurement Scheme (DCP) like other schemes of the Department also suffers for want of infrastructural facilities, timely release of funds, submission of utilization certificates and proper planning for distribution of foodgrains. Besides, even after 13 years of its inception, the DCP scheme was undertaken by only 6 States for wheat and 10 States for rice. The Committee feel that DCP scheme is one of the most important schemes being implemented with a view to lessening the burden of FCI and reducing the dependence of Central Government. The Committee feel that the Department/FCI should create necessary infrastructure in coordination with the State Governments in Public Private Partnership (PPP) mode in a time bound manner by using the modern scientific technology so that more and more States opt for the DCP Scheme for procurement of foodgrains. The Committee desire that the Department should also take vigorous steps to motivate the remaining States to adopt the DCP scheme. The specific benefits of adopting the scheme along with the achievement of DCP States should be duly communicated at the highest level through various meetings so as to persuade the States to contribute towards the Central Pool thereby enhancing food security.

(b) Food Subsidy

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

3.9 Under the scheme of Decentralised procurement, State specific economic cost is determined by the Government of India and the difference between the economic cost so fixed and the Central Issue Prices is passed on to the State as food subsidy.

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

(Rupees in crores)

Year	**Subsidy Released**		
	FCI	**States**	**Total**
2005-06	19871	3200	23071
2006-07	20786	3042	23828
2007-08	27760	3500	31260
2008-09	36744	6924	43668
2009-10	46867	11375	58242
2010-11	50729	12200	62929
2011-12 (RE) *	59525.90	12845	72370.90

* Amount proposed to be allocated.

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3.11 From the above statement it may be seen that there is huge increase in the Food Subsidy every year since 2005-06.

3.12 When asked about the reasons for sharp increase in the food subsidy for the last three years, the Department stated that the main reasons for increase in Food Subsidy are:-

(i) Increased procurement of foodgrains in the Central Pool.

(ii) Continuous increase of Minimum Support Price of foodgrains (rice and wheat) and non-revision of Central Issue Price (CIP) under Targeted Public Distribution System (TPDS) since July, 2002,

(iii) Increased offtake of subsidized foodgrains under TPDS and Other Welfare Schemes.

(iv) Additional allocations of foodgrains made for APL/BPL families and for Open Market Sale during the current year to provide additional subsidized foodgrains to these categories and to check rising prices in the open market respectively.

In addition to the above reasons, there has been normal increase in freight, handling and interest cost due to higher quantity of foodgrains handled/procured. It may also be mentioned that there are several schemes which are run by other Ministries and States/UTs in addition to the TPDS scheme of this department. However, the supply of foodgrains for these schemes is also done by this department at BPL rates, thereby adding to the subsidy bill of this department. During 2011-12, extra burden of subsidy on Other Welfare Schemes was Rs.4132 crore. Other Welfare Schemes for which foodgrains is supplied by this department at BPL rates are mentioned below.

(1) Mid-Day-Meal Scheme – Ministry of Human Resource Development
(2) Wheat Based Nutrition Programme – Ministry of Women and Child Development
(3) Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (RGSEAG) 'SABLA' – Ministry of Women and Child Development.
(4) Scheme for supply of foodgrains to Welfare Institutions – States/UTs
(5) Scheme for supply for foodgrains for SC/ST/OBC Hostels – States/UTs
(6) Annapurna Scheme – States/UTs
(7) Emergency Feeding Programme – Odisha Government.

During evidence, the Secretary, Department of Food and Public Distribution stated as under:-

> 'Basically the demand for food subsidy is projected on the basis of certain assumptions. For example, this year we have projected a demand of Rs. 106 lakh crore. That was based on the assumption that food security law will come into force and the off take will accordingly increase. Based on that some projection was given. There seems to be some delay now and, therefore, the requirement of funds will not be Rs. 106 lakh crore but less.'

The Secretary further stated that food bill will be implemented after half of the year and if we do not take into account food bill and census 2011, even then there is requirement of 80,000 crore for food subsidy. He further stressed that for normal PDS 89,000 crore are needed for 2012-13 and more subsidy will be required if additional allocations are made.

3.13 Asked about the measures taken to contain the amount of Food Subsidy, the Department stated that following measures have been taken by the Government of India:-

(i) Encouraging decentralised procurement and distribution of Foodgrains.
(ii) Borrowing of short terms loans by FCI for its operational requirement at lower interest rates as compared to interest rates cash on credit.
(iii) Improving the operational efficiency of the FCI.

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 as under:-

1. 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.

2. 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.

3. The Committee have been further 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 instalments 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 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 also been received from Govt. of Bihar for introduction of direct cash transfer of food subsidy to BPL families in lieu of foodgrains. Further details relating to the proposal were sought from the State Govt. of Bihar.

4. Planning Commission vide their O.M. dated 17.9.2009 had 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.

5. 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, Department of Expenditure on 15.4.2010, on the proposal from Delhi Govt., it was decided that following the finalization of poverty estimates by the Planning Commission, Department of Food & Public Distribution and Delhi Govt. 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.

6. Subsequently, a meeting was held in the Department of Food & Public Distribution on 29.4.2011 to discuss the proposal with the representatives of Governments of Uttar Pradesh, Haryana and Delhi, in which the representative from Government of Bihar did not attend the meeting. Consequently, Governments of NCT of Delhi, Haryana and Uttar Pradesh were requested vide this Department's letter dated 5th May, 2011 to furnish certain details like the categories of beneficiaries, the quantity of rice, wheat and sugar being given to each category, etc. Government of Bihar was also reminded vide this Department's letter dated 24.5.2011, to furnish certain information, as requested earlier. Reply was received from the Government of NCT of Delhi vide their letter dated 11.5.2011 and from Government of Haryana vide their letter dated 30.6.2011. However, as the information from Government of Uttar Pradesh and Bihar was not forthcoming despite reminders, a meeting with the representatives of Government of Uttar Pradesh and Bihar was held on 10.10.2011 under the Charimanship of JS(BP,PD) to discuss the issue and these two State Governments were requested vide letter dated 14.10.2011 to furnish the requisite information. The replies were received from Governments of Uttar Pradesh and Bihar in October, 2011.

7. The replies received from the above four State Governments were considered by this Department and the State Governments of Uttar Pradesh, Bihar and Government of NCT of Delhi were requested vide Department's letter dated 28.11.2011 to furnish certain information not sent earlier by them. Reply from Government of NCT of Delhi has been received, but the information is still awaited from the Governments of Uttar Pradesh and Bihar. These States have again been reminded on 30.3.2012 to expedite the requisite information. The reply received from Government of Haryana will be discussed in a meeting with the State Government. However, notwithstanding the above proposal for cash transfer on pilot basis based on requests received from States, which is under examination in this Department, Government of India is committed to provide foodgrains to the targeted population under the TPDS.

3.14 The Committee note that the subsidy released on foodgrains has risen by leaps and bounds during the last three years for which the reasons attributed by the Department are the increasing gap between Minimum Support Price(MSP) and Central Issue Price (CIP) of wheat and rice supplied to AAY, BPL and APL families under PDS and also due to supply of foodgrains for several schemes run by other ministries and States/UTs at BPL rates such as Mid-Day Meal scheme of the Ministry of Human Resource Development, Annapurna Schemes of States/UTs, etc. The Committee also note that there has been normal increase in freight/handling charges and interest cost due to higher quantity of foodgrains handled/procured. The Committee feel that the need for higher amount of subsidy is due to non-revision of issue price of foodgrains for the past about 10 years whereas MSP of wheat has substantially increased over the years. In view of the aforesaid scenario, the Committee strongly recommend that the Ministry of Finance/Planning Commission should be persuaded to allocate adequate food subsidy for efficient management of various operations of FCI. The concern of the Committee should be communicated to Planning Commission/Ministry of Finance. At the same time, the Committee also desire that encouraging decentralized procurement in the remaining States the Department should also make concrete efforts to finalize the poverty estimates of AAY and BPL population at the earliest by considering the existing level of income and expenditure structure for deciding the allocation of foodgrains under TPDS to reduce the undue burden on food subsidy bill.

3.15 The Committee note that the proposal of the Department to distribute equivalent amount of food subsidy in cash, instead of subsidized foodgrains, based on request received from States i.e. U.P., Haryana, Delhi and Bihar, to the eligible BPL and AAY families is still under examination in the Department. The Committee hope that the Department of Food and Public Distribution will further pursue the matter with State Governments of U.P. and Bihar for an early decision in the matter.

(c) HILL TRANSPORT SUBSIDY

3.16 The Hill Transport Subsidy (HTS) Scheme is in operation since 01.08.1975 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 Island
11. Lakshadweep

The HTS 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.

When enquired about the funds and amount yet to be released towards HTS scheme for the last three years, the Department furnished the information as under:-

(Rs. in lakhs)

States/UT	Year/ period	Amount released	Amount to be released.
Mizoram	2009-10	384.46	65.96
	2010-11	98.58	0.00
	2011-12	0.00	0.00
Tripura	2009-10	0.00	0.00
	2010-11	0.00	0.00
	2011-12	0.00	0.00
Meghalaya	2009-10	0.00	0.00
	2010-11	0.00	0.00
	2011-12	0.00	0.00
Manipur	2009-10	0.00	0.00
	2010-11	0.00	0.00
	2011-12	0.00	0.00
Nagaland	2009-10	0.00	0.00
	2010-11	0.00	0.00
	2011-12	0.00	0.00
Arunachal Pradesh	2009-10	2169.00	0.00
	2010-11	0.00	0.00

	2011-12	0.00	0.00
Himachal Pradesh	2009-10	337.22	0.00
	2010-11	396.30	125.94
	2011-12	8.42	94.33
Jammu & Kashmir	2009-10	0.00	359.85
	2010-11	0.00	0.00
	2011-12	0.00	0.00
Lakshadweep	2009-10	3.66	0.00
	2010-11	13.10	0.00
	2011-12	0.00	0.00
A & N Islands	2009-10	0.00	0.00
	2010-11	0.00	0.00
	2011-12	0.00	0.00
Sikkim	2009-10	90.26	7.34
	2010-11	88.90	0.00
	2011-12	24.14	0.00

The Committee have been informed that the States are required to submit certain details and documentary evidence with the claims such as cheque numbers, particular of banks, details of the recipients and proof of payments to them etc. Accordingly, FCI has been releasing payments to the concerned State in all cases in which proper claims alongwith the required details / documents are received by it. The above-mentioned claims could not be processed and were returned to the concerned State Governments as the same were not accompanied by the required information and documents.

3.17 The Committee are unhappy to note that claims of huge amount are still pending with FCI for being paid to States/UTs on account of cost of transportation of foodgrains under Hill Transport Subsidy (HTS) scheme since 2006 for one or the other reason. The Committee, therefore, strongly recommend that Department/FCI should make sincere efforts for liquidation of the outstanding dues of the States/UTs. The Committee also desire that States should be given proper guidelines in clear and unambiguous terms regarding procedure to be followed by the States while submitting the claims of HTS. They should be given standing instructions in clear terms about the kind of format to be furnished and documents to be submitted for ensuring speedier settlement of HTS claims.

(d) Public Distribution System (PDS)

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

3.19 PDS is operated under the joint responsibility of the Central and the State Governments. The Central Government, through FCI, has assumed the responsibility for procurement, storage, transportation and bulk allocation of foodgrains to the State Governments. 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.

3.20 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 foodgrains and for its distribution in a transparent and accountable manner at the FPS level. The Targeted Public Distribution System(TPDS) covers all the areas including hilly/tribal/backward areas of the country under which allocation @35 kg of foodgrains per family are made for BPL and AAY families at subsidized prices. Further, foodgrains (wheat and rice) are allocated to States and Union Territories (UTs) under Targeted Public Distribution System to 6.52 crore families including Antyodaya Anna Yojana families @ 35 kg per family per month. 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 and Public Distribution also inspect fair price shops in the area of jurisdiction in association with concerned State Government agencies.

3.21 When asked whether Government has received complaints of alleged corruptions/irregularities in the PDS including allocation and supply of foodgrains to various States, 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 Government. Complaints as and when received by the Government from individuals and organizations, as well as through press reports, regarding irregularities in functioning of TPDS are sent to concerned State Governments for inquiry and appropriate action. A statement indicating State-wise number of complaints on TPDS received in the Department during the year 2011 is Annexed.

3.22 In order to maintain supplies and securing availability and distribution of essential commodities, Public Distribution System (Control) Order, 2001 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.

3.23 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.

3.24 Action is being taken by States/UTs against persons/officials for contravention of the provisions of PDS (Control) Order, 2001. The number of such persons/officials against whom action has been reported by the State Governments/UT Administrations in last three years and the current year is as below:

Year	No of persons/officials against whom punitive action taken
2008	5409
2009	5162
2010	7426

2011	1489

3.25 The scheme, when introduced, was intended to benefit about 6 crore poor families for whom a quantity of about 72 lakh tons of foodgrains was earmarked annually. The identification of the poor under the scheme is done by the States as per State-wise poverty estimates of the Planning Commission for 1993-94 based on the methodology of the 'Expert Group on estimation of proportion and number of poor' chaired by Late Prof. Lakdawala. The allocation of foodgrains to the States/UTs was made on the basis of average consumption in the past i.e. average annual off-take of foodgrains 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 foodgrains 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 Price (CIP) for APL were fixed at 100% of economic cost from date so that the entire consumer subsidy could be directed to the benefit of the BPL population.

3.26 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 foodgrains at a difference of not more than 50 paise per kg over and above the CIP for BPL families. Flexibility to States/UTs has been given in the matter of fixing the retail issue prices by removing the restriction of 50 paise per kg over and above the CIP for distribution of foodgrains under TPDS except with respect to Antyodaya Anna Yojana where the end retail price is to be retained at Rs. 2/- per kg. for wheat and Rs. 3/- per kg for rice.

3.27 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. PDS (Control) Order, 2001 also stipulates that State Government shall formulate suitable guidelines for the purpose of identification of families living below the poverty line(BPL), including the Antyodaya families, as per the estimates adopted by the Central Government. Further, State Government shall get the lists of BPL and Antyodaya families reviewed every year for the purpose of deletion of ineligible families and inclusion of eligible families.

The Department has initiated a number of measures to streamline and strengthen Targeted Public Distribution System (TPDS). In consultation with the State/UT Governments, a Nine Point Action Plan was evolved in 2006. The Nine Point Action Plan, is under implementation by State & UT Governments since July 2006. As per information received from States/UTs upto 31.01.2012, the results of the implementation of the Nine Point Action Plan are given as below:-

S. No	Action Plan	Result
1	States should undertake a campaign to review BPL/AAY list to eliminate ghost ration cards.	As per the reports received from the State & UT Governments by 31st January, 2012, implementation of the action plan has resulted in elimination of a total of 221.64 lakh bogus/ineligible ration cards in 26 States.
2	Strict action should be taken against the guilty to ensure leakage free distribution of food grains.	33 States have reported that action is being taken against the guilty to ensure leakage free distribution of food grains.
3	For sake of transparency, involvement of elected PRI members in distribution of food grains be ensured. FPS licenses be given to SHGs, gram panchayatas, cooperatives etc.	There is involvement of PRIs in vigilance committees to monitor FPS in 28 States/UTs. 30 States/UTs have reported FPS being run by SHGs, Gram Panchayats, Cooperatives etc.
4	BPL/AAY lists should be displayed on all FPSs.	BPL lists at FPS is displayed in 30 States/UTs.
5	District-wise and FPS-wise allocation of food grains should be put up on websites and other prominent places, for public scrutiny.	Action in this regard has been initiated in 20 States.
6	Wherever possible, doorstep delivery of food grains should be ensured by States, instead of letting private transporters/wholesalers to transport goods.	Door-step delivery of food grains to FPS is being done in 18 States/UTs.
7	Timely availability of foodgrains at FPS level and fixed dates of distribution to ration card holders should be ensured.	Action is being taken by 32 States in this regard.
8	Training of members of FPS level Vigilance Committees should be ensured.	27 States/UT Govts have taken up training programmes for FPS level vigilance committees.
9	Computerization of TPDS operations is undertaken.	Many States have reported Progress in Computerisation of TPDS operations. Further, to comply with the Hon'ble Supreme Court's order dated 14.09.2011, all the States/UTs have been asked to formulate a time bound Action Plan for end-to-end Computerization of TPDS. Till date, 34 States/UTs have sent their action plan.

Detailed guidelines were issued by the Department for greater involvement of Panchayati Raj Institutions (PRIs) in the functioning of TPDS to bring in more transparent and accountable system of distribution as a measure of social audit. In the guidelines issued in 2005, the States were asked to involve PRIs in the vigilance committees.

3.28 Moreover, the Department is taking all necessary measures to closely monitor the implementation of Targeted Public Distribution System (TPDS) by State/UT Governments. For monitoring the 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. A Conference of State Food Secretaries on Best Practices and the Reforms in TPDS was held in July, 2010 in New Delhi. In the Regional Conferences of State Food Ministers and Secretaries held in February, 2011, all State/UT Governments have been asked to put in place social auditing for bringing transparency in the PDS operations. Another Conference of Food and Agriculture Ministers of States/UTs was held in February, 2012 wherein various subjects including computerization of TPDS were discussed at length. Utilization 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.

3.29 The Committee have been informed that PDS (Control) Order, 2001 mandates that while making monthly allocation 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. Under the TPDS, Government provides foodgrains to State/UT Governments for distribution to Below Poverty Line (BPL) families including Antyodaya Anna Yojana (AAY) ration card holder families @ 35 kg. per family per month.

3.30 During the Conference of the State Food Secretaries on Best Practices and Reforms in TPDS held during July 2010, it was resolved among others that (i) States may adopt innovative ways of distribution involving community participation such as bulk distribution of foodgrains to the beneficiaries in the presence of Gram Sabhas wherever there is such demand (ii) monitoring of distribution of PDS items by Fair Price Shops may be done through social audit by local bodies/community groups/NGOs, use of GPS technology for tracking of movement of vehicles carrying PDS items, SMS alerts, CCTV monitoring of FPS, grievance redressal through toll free call centres and web based complaint registration and monitoring systems and (iii) increased public awareness should be created through regular publicity campaigns at National, State and local levels and provision of information on TPDS in public domain/website.

3.31 To ensure greater transparency in functioning of fair price shops, directions were issued to State & UT Governments in March 2008 to introduce monthly certification by village panchayats/urban local bodies/vigilance committees/women's Self Help Groups for delivery of food grains to fair price shops in time and their distribution to ration card holders during the allocation month. So far, 22 State/UT Governments have reported on implementation of this monthly certification. The matter is being followed up with the remaining States/UTs constantly. 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.

3.32 Enquired about the difficulties being faced by the Department of Food and Public Distribution in the implementation of various schemes under TPDS, the Department stated the reason as under:-

Delay in submission of fresh proposals and Utilisation Certificates by States/UTs.

(a) Under the scheme for Generating Awareness amongst TPDS beneficiaries about their entitlement and redressal mechanism, which is a component of Plan Scheme on Strengthening of PDS, 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. The State/UT Government contributes at least 20% of the total expenditure to be incurred on the campaign and the remaining 80% is contributed by the Government of India. Detailed guidelines have been laid down for the States/UTs to undertake the publicity cum awareness campaigns.

(b) The expenditure under the Scheme is dependent on submission of proper proposal by States/UTs and receipt of UCs for the funds allocated during the previous year. The State Governments are required to be persuaded to send their demands for funds as well as in regard to submission of UCs for the funds received in previous years. State Governments have to be periodically reminded and also called to review their performances.

(c) Under the two components of this Plan Scheme viz. (i) PDS-Training and (ii) Innovative scheme to curb leakage/diversion of foodgrains meant for TPDS (Global Positioning System), funds are released to the State/UT Governments on receipt of appropriate proposals from the State/UT Governments. Release of funds is further subject to receipt of Utilization Certificates (UCs) from these States/UTs for the releases made to them under the schemes in the past.

3.33 The Committee note that the Government of India launched the Targetted Public Distribution System (TPDS) in June, 1997 with a view to making foolproof arrangements for identification of poor population for delivery of foodgrains through FPS at subsidized rates. The poorest of the poor persons are distributed the foodgrains at the lowest price i.e. Rs. 2 per kg of wheat and Rs. 3 per kg. of rice under the Antyodaya Anna Yojana (AAY) Scheme. The Government has adopted Nine Point Action plan in July 2006 to make TPDS more effective. The Committee regret to note that despite various measures taken by the Government to streamline and strengthen the TPDS, there is no satisfactory improvement in its functioning. There is error in inclusion and exclusion of targeted families in the list of BPL and AAY families. Besides, the diversion and leakage of foodgrains has become a more serious problem in the States. The Citizen's Charter issued by GOI in July 2007 to increase the transparency in the functioning of TPDS has not yet been adopted by all the States/UTs. Upto 31.01.2012, 22 States/UT Government have reported implementation of monthly certification scheme. In the opinion of the Committee, this could be attributed to weak monitoring over the scheme on the part of the Department and lack of coordination with the State Governments. Consequently, a large number of poor families are being deprived of the benefits of the subsidized foodgrains. The Committee, therefore, recommend that the Department should make concerted efforts to persuade all the State Governments/UTs to implement the Nine Point Action Plan, monthly certification scheme and Citizen's Charter and closely monitor the implementation of the scheme so that the AAY and BPL families get their due share of foodgrains. The Department should also impress upon all the States/UTs to follow the guidelines

laid down in the revised Citizen's Charter to ensure food security to weaker sections of the society under TPDS.

(e) Diversion/Leakages of Foodgrains

3.34 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.

3.35 When asked about the number of States who have actually adopted and implemented the citizen's charter so far, the Ministry stated that up to 31.01.2012, 32 States/UTs Government except the State of Jammu & Kashmir, Jharkhand and Manipur have reported adoption and implementation of the revised model Citizen's Charter issued in July, 2007. The States who 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. Remaining 3 State Governments have been requested for adoption and implementation of the revised model Citizen's Charter issued in July, 2007 vide letter dated 21.04.2011, d.o. letter dated 23.05.2011, 23.09.2011 & 20.01.2012.

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

Level of leakages and diversion shown in NCAER Report.

	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 Pd.	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

From the above statement, the Committee find that the level of diversion of wheat in Assam and Mizoram is 100 per cent for APL and of rice is 83.28 per cent and 81.12 per cent for APL, in the two States 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 Chhattisgarh and Jharkhand is 78.34 per cent and 54.53 per cent respectively.

3.37 Information regarding another 6 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

3.38 When enquired as to how many cases of malpractices were reported during the last three years in various States, the Ministry informed 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.

3.39 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 2009 to 2012 (upto 30th March, 2012) is as under:-

STATEMENT: COMPLAINTS ON TPDS RECEIVED IN THE DEPARTMENT FROM INDIVIDUALS, ORGANISATIONS & THROUGH MEDIA REPORTS ETC FROM 2010 TO 2012 (UPTO MARCH 2012)

S.No.	State/UT	2010	2011	2012 upto March
1	Andhra Pradesh	3	1	-
2	Arunachal Pradesh	2	2	-
3	Assam	1	1	-
4	Bihar	13	6	3
5	Chhattisgarh	5	1	-
6	Delhi	37	16	14
7	Goa	1	-	-
8	Gujarat	3	2	2
9	Haryana	24	7	3
10	Himachal Pradesh	-	4	-
11	J&K	3	-	2
12	Jharkahand	5	3	3
13	Karnataka	2	1	1
14	Kerala	3	1	-
15	Madhya Pradesh	13	9	1
16	Maharashtra	5	8	3
17	Manipur	-	1	-
18	Meghalaya	-	1	-
19	Nagaland	1	-	-
20	Orissa	3	2	-
21	Punjab	2	-	4
22	Rajasthan	6	6	-
23	Sikkim	2	-	-
24	Tamil Nadu	2	3	1
25	Uttarakhand	1	1	1
26	Uttar Pradesh	33	68	22
27	West Bengal	2	-	2
28	Chandigarh	2	-	-
29	Pondicherry	-	-	-
	TOTAL	174	144	62

Main issues raised through press reports relates to alleged leakage / diversion of foodgrains and that of other complaints from individuals / organizations relates to non-issue of ration cards, alleged non-distribution / diversion of foodgrains, irregular functioning of FPSs etc.

(f) Piloting of Innovative/New Technology such as GPS, RFID, Bar Coded Coupons, Stamping of PDS foodgrains etc.

3.40 When enquired about the steps taken to curb diversion and leakage of foodgrains meant for TPDS, the Department informed that 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.

3.41 In view of the feedback received about success of scheme for installation of GPS sets from the State Governments of Tamil Nadu & Chhattisgarh, it was decided to extend this scheme in all the States/UTs from financial year 2011-12 and onwards. Proposals have been invited from all States/UTs for sanctioning funds under the scheme.

3.42 The Committee note with concern 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 per cent for APL whereas in case of rice, it is 83.38 per cent and 81.12 per cent for APL families in the two 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 Chhattisgarh and Jharkhand is 78.34 per cent and 54.53 per cent, respectively. 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. The Committee hope that GPS devices would be installed in the vehicles carrying TPDS foodgrains/goods in all the States/UTs of the country on top priority basis to curb the menace of diversion and leakages of foodgrains, meant for poorest of the poor, to be allocated through PDS.

(g) Computerisation of Targeted Public Distribution System (TPDS) operations – Renamed as a scheme on end to end computerization of PDS

3.43 The Department have stated that administrative approval for Pilot Scheme on Computerization of TPDS Operations for implementation in 3 districts in each of the four pilot States, namely, Assam, Andhra Pradesh, Chhattisgarh & Delhi and in Department of Food and Public Distribution (DoF&PD) was issued in 2009. Under this Scheme, it was decided that a Request for Proposal (RFP) be sent to four empanelled Implementation Agencies (IA) as well as National Informatics Centre (NIC). Subsequently, NIC had inter-alia suggested that a single application may be considered for development by one agency for all four pilot States. Department of Information Technology also suggested to develop an application which can be offered as a nation–wide application solution for roll out and to ensure that existing systems are integrated and are inter-operable. In pursuance of the above, the release of the RFP to the empanelled IAs was kept in abeyance by this Department.

3.44 Subsequently, Hon'ble Supreme Court, in its orders passed from time to time regarding Computerization of TPDS, has directed that end-to-end Computerization of TPDS be undertaken with the help of a Common Application Software (CAS) and leveraging Aadhaar in consultation with the specialized agencies like the Unique Identification Authority of India or any other agencies. Hon'ble Supreme Court has also directed that Computerization of PDS be taken up in a phased manner comprising of Component-I relating to computerization of complete supply-chain management, digitization of Ration Card database and availability of this information in public domain through a transparency portal as per Chhattisgarh model and Component-II relating to authentication of delivery and payments at the FPS, including use of Aadhaar in due course, as per Gujarat model, or any other advanced model.

3.45 In view of the above, the pilot scheme on Computerization of TPDS operations is proposed to be expanded in the 12th Five Year Plan (2012-17) which will be taken up as a Scheme on end-to-end Computerization of PDS on cost-sharing basis with States/UTs. Planning Commission has informed that the scheme being an existing one, the in principle approval for its continuation in the 12^{th} Plan is not necessary. Further action regarding obtaining approval of the concerned authorities for the scheme is being taken up in consultation with all stakeholders.

3.46 Guidelines framed by this Department for Computerisation of PDS have been sent to Chief Secretaries /Administrators of all States/UTs vide letter dated 21.10.2011. Further, Secretary (F&PD) has been nominated as Chief Coordinator of the Computerisation Programme vide Hon'ble Supreme Court's order dated 03.02.2012. Computerization of PDS has also been taken up as a Mission Mode Project (MMP) under the National e-Governance Plan (NeGP) by the Central Government. As per MMP guidelines, a dedicated institutional mechanism by way of an Empowered Committee (EC) and a Central Project e-Mission Team (CPeMT) for computerization of PDS has been set up. States/UTs have been requested to establish a two-tier structure at their level comprising a State Apex Committee as well as a State Project e-Mission Team (SPeMT).

3.47 During the Conference of Food & Agriculture Ministers of States/UTs held on 8-9th February, 2012, timelines for accomplishing identified milestones of Computerization of PDS were deliberated upon and recommended. All States/UTs have also been requested to send the progress report of computerization of PDS in their respective States/UTs. Progress reports have been received till date from 29 States/ UTs. Detailed directions alongwith timelines for achievement of various milestones towards Computerization of PDS were issued by Secretary (F&PD) to Chief Secretaries of all States / Administrators of all Union Territories on 07.03.2012. These timelines cover various aspects like Digitization of Beneficiary Data Base, Computerization of Supply-Chain Management and FPS Automation.

3.48 When enquired about the difficulties being faced by the Department of Food and Public Distribution in the implementation of the schemes, the Department stated as under:-

Dependence on State/UT Governments for implementation of Computerization Scheme.

3.49 This Department has sent the detailed guidelines on Computerization of PDS to Chief Secretaries/ Administrators of all States/ UTs and has requested them to send the Action Plans. So far, Action Plans from 34 States/ UTs have been received in this Department. As the Scheme for end-to-end Computerization of PDS is to be implemented by the States and UTs, the success of Computerization of PDS depends upon their framing of detailed action plans, initiatives taken and time-bound implementation as per specified milestones.

3.50 NIC has been asked to prepare draft Detailed Project Report (DPR), which is awaited in this Department. NIC will also provide the requisite application software to States/ UTs and to customize the same as per their requirements.

3.51 The total cost of proposed Plan Scheme for end to end Computerization of PDS in all the States/UTs is estimated at Rs.3497.21 crore. It is proposed to be shared between the Centre and the States on a 50:50 sharing basis for all States other than the North-East and on 90:10 basis sharing for North-East States. Accordingly, the requirement of Central share for the entire plan period works out to Rs.1992.54 crores. The requirement of funds in the first year, i.e. 2012-13 is Rs.588.07crore. However, only Rs.40.00 crore has been allocated for the year 2012-13 under the Plan Scheme for end to end Computerization of PDS.

3.52 The Committee note that the Hon'ble Supreme Court, in its orders regarding Computerization of TPDS, has directed that end-to-end Computerization of TPDS be undertaken with the help of a Common Application Software (CAS) and leveraging Aadhaar in consultation with the specialized agencies like the Unique Identification Authority of India or any other agencies. Hon'ble Supreme Court has also directed that Computerization of PDS be taken up in a phased manner comprising of Component-I relating to computerization of complete supply-chain management, digitization of Ration Card database and availability of this information in public domain through a transparency portal as per Chhattisgarh model and Component-II relating to authentication of delivery and payments at the FPS, including use of Aadhaar in due course, as per Gujarat model, or any other advanced model. The Committee also note that the pilot scheme on Computerization of TPDS operations is proposed to be expanded in the 12th Five Year Plan (2012-17) which will be taken up as a Scheme on end-to-end Computerization of PDS on cost-sharing basis with States/UTs. Detailed guidelines have been issued by the Department on 21.10.2011 to States/UTs for computerization of PDS. The Committee have been informed that as the scheme is to be implemented by the State/UTs, the success of computerization of PDS depend upon their framing of detailed action plan, initiatives taken and time bound implementation as per specified milestones. Detailed directions alongwith timelines covering various aspects like Digitization of Beneficiary Data Base, Computerization of Supply-Chain Management and FPS Automation for achievement of various milestones towards Computerization of PDS were issued by Secretary (F&PD) to Chief Secretaries of all States / Administrators of all Union

Territories on 07.03.2012. The Committee desire that the work of end-to-end computerization of PDS operation be accorded priority especially in States like Delhi, U.P. where the number of complaints received from individuals/organizations on TPDS are reportedly higher, so that right quantity of foodgrains/other commodities are issued to the intended beneficiaries only. The Committee further hope that the Department of Food and Public Distribution will pursue the matter with Chief Secretaries/Administrator of all States/UTs for an expeditious implementation of the project all over the country which will in-turn improve the efficiency of the PDS.

(h) Village Grain Bank Scheme

3.53 Village Grain Bank Scheme was initially 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 and 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 foodgrains will be able to borrow foodgrains 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.

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.

3.54 When asked by the Committee about the total number of Village Grain Bank in the country at present, the Ministry informed that 16,196 VGBs have been established by the State/UT Governments as per the UCs received from the State Govts. against 21,751 VGBs sanctioned by this Department. However, the actual VGBs established may be more than this figure as some States have established VGBs but have not sent complete UCs. The effectiveness and usefulness of the scheme has been evaluated through an independent agency. Its continuation beyond 11th Plan is being considered based on the outcome/findings of the evaluation of the report.

Details of VGBs sanctioned since 2005-06 have been as follows:

Year	VGBs Sanctioned	States where sanctioned	Amount (Rs. Crore)
2005-06	3282	Andhra Pradesh, Orissa, Chhattisgarh, Madhya Pradesh, Jharkhand, Tripura & Meghalaya	19.76
2006-07	8191	Andhra Pradesh, Assam, Chhatisgarh, Gujarat, Himachal Pradesh, Maharashtra, Manipur, Nagaland, Sikkim, Uttarakhand, Uttar Pradesh, and West Bengal	51.79
2007-08	2598	Bihar, Gujarat, Kerala, Manipur, Madhya Pradesh, Nagaland, Orissa, Rajasthan and West Bengal	17.44
2008-09	2407	Manipur, Tripura , Uttar Pradesh and M.P.	16.81
2009-10	2214	West Bengal, Andhra Pradesh and Nagaland	17.23
2010-11	1709	Madhya Pradesh, Tripura, Orissa and Nagaland	13.00
2011-12	1350	West Bengal, Uttarakhand, Nagaland and Andhra Pradesh	10.00
Total	21,751		146.03

3.55 In Budget Estimate 2012-13, a provision of Rs.8.00 crore has been made under the scheme. State Governments have been requested to send proposals for setting up of Village Grain Banks in their States.

3.56 During evidence, the representative of Department stated that the scheme is only for tribal areas and demand based.

3.57 The Ministry has also informed that non-achievement of target of Village Grain Banks was due to non-receipt of adequate eligible proposals from the State Government during 2011-12.

3.58 When enquired about the difficulties being faced by the Department of Food and Public Distribution in the implementation of the scheme, the Department stated one of the reasons as under:-

Lack of interest for Village Grain Bank Scheme

3.59 As per the guidelines of the scheme, Village Grain Banks are to be established in food scarce areas like drought prone areas, hot and cold desert areas, tribal areas and the inaccessible hilly areas. The number of VGBs to be established will therefore be limited to such villages as per above criteria. 21,751 villages have been so far identified in 17 States for establishing VGBs. There are limitations in the number of eligible villages, based on the criteria where such VGBs could be set up. VGB Scheme is presently being implemented by 17 States only. Remaining 18 States/UTs have conveyed that there is no interest among the people in the scheme.

The Village Grain Bank Scheme implemented during the 10th and 11th Plan has been evaluated by an independent agency in 15 States. The World Food Programme has also evaluated the implementation of the Scheme in three States where it is one of the implementing agencies. The findings of the evaluation of the Village Grain Bank Scheme by the two agencies was reviewed and it was decided that based on the findings, the scheme may be revised. Accordingly, the scheme is being revised in consultation with the World Food Programme and the independent agency to make it more attractive and effective. The revised scheme will then be submitted for consideration of the Expenditure Finance Committee for approval.

The Department also wrote to MPs from tribal areas vide Secretary (F&PD)'s D.O. letter dated 21.4.2011 for forwarding proposals for establishment of VGBs in the tribal villages in their constituencies. Subsequently, the matter was taken up with Chief Secretaries for sending fresh proposals for establishment of VGBs vide do letter dated 17.2.2012. But, there is very little response to these letters.

3.60 The Committee note that main objective of the Village Grain Bank scheme 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 foodgrains will be able to borrow foodgrains 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. The Committee also note that about 16,196 Village Grain Banks have been established by the State/UT Governments against 21,751 Village Grain Banks sanctioned by the Department. The Department have also informed that the actual VGBs established may be more than this figure as some States have established VGBs but have not sent complete UCs. The Committee note that based on the findings of the evaluation of the Village Grain Bank Scheme by World Food Programme in three States and by independent agency, it was decided that the scheme may be revised. Accordingly, the scheme is being revised in consultation with the World Food Programme and the independent agency to make it more attractive and effective. The revised scheme will then be submitted for consideration of the Expenditure Finance Committee for approval. The Committee has also been given the impression that the scheme is not successful at large. The Committee, therefore, strongly recommend that the Department should thoroughly modify/revamp the scheme at the earliest to make it viable/effective.

CHAPTER - IV

FOOD CORPORATION OF INDIA (FCI)

4.1 Food Corporation of India (FCI) was set up in 1965 under an Act of Parliament namely the Food Corporation Act, 1964 (Act No. 37 of 1964) in order to fulfill the objectives (i) Effective Price Support Operations for safeguarding the interest of the farmers; (ii) Movement and distribution of foodgrains throughout the country for Public Distribution System and other Government of India schemes; (iii) Maintenance of satisfactory level of operational and buffer stock of foodgrains to ensure food security.

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

(a) Dues and Liabilities of FCI

4.3 The Committee have been furnished the following statement showing the outstanding dues of Food Corporation of India to be recovered from various Ministries on account of providing foodgrains for various welfare schemes on payment basis and recovery made during the year 2009-10, 2010-11 and 2011-12:-

(Rupees in crore)

Ministry of Rural Development #		
Year	Amount Received	Balance Outstanding (As on 31 March)
2009-10	-	2890.82 (prov.)
2010-11	-	2890.82 (prov.)
2011-12	-	2890.82 (prov.) as on 30.03.2012

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)
2009-10	1281.04	286.36
2010-11	Centralization 300.40 Decentralization 1057.16	(-) 14.04 191.01
2011-12	Centralization 1.55 Decentralization 673.85	(-) 15.59 (as on 29.02.2012) 435.17 (as on 29.02.2012)

* Since 1.4.2010, this scheme has been decentralized and the payment is made by concerned Revenue District Authorities.

4.4 In case of Ministry of HRD Revolving Fund of Rs.300 crore has been provided by the Ministry of HRD. Besides, this Rs.54.05 crore extra received as on account settlement in absence of bill-wise settlement.

4.5 In reply to a query, the Committee was informed that there was no time limit for making payment by Ministry of Rural Development (MoHRD) 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.

4.6 When enquired about the steps being taken to liquidate the outstanding dues of FCI, the Ministry stated that 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.

4.7 The Committee are concerned to note that a huge amount of Rs. 2890.82 crore each for the year 2009-10, 2010-11 and 2011-12, respectively are outstanding dues of FCI which are to be recovered from Ministry of Rural Development. Further, Rs. 286.36 crore and Rs. 191.01 crore for the year 2009-10 and 2010-11, respectively are outstanding against the Ministry of Human Resource Development on account of providing foodgrains for various welfare schemes on payment basis. In case of Ministry of Human Resource Development, a revolving fund of Rs. 300 crore has been provided by the Ministry of HRD. Besides this, Rs.54.05 crore extra have been received from Ministry of Human Resource Development as account settlement in absence of bill-wise settlement. The Committee are surprised to note that there was no time limit for making payment by Ministry of Rural Development for foodgrains supplied under SGRY Scheme. In respect of Mid-Day-Meal scheme of MoHRD, there is a 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 by MoHRD as it depends on allocation of funds by Ministry of Finance. The Committee find that despite various steps taken by the Department of Food and even after intervention at Minister's level with the Ministry of Finance and other concerned ministries, i.e. Ministry of Rural Development and Ministry of Human Resource Development, the outstanding dues are still very high. The Committee feel that inability to liquidate the outstanding dues of FCI over the years indicate financial indiscipline. The Committee view this with grave concern and desire that the Department should find ways and means to deal with the situation and make regular and continuous efforts at the highest level for liquidation of the outstanding dues at the earliest to avoid undue burden on food subsidy bill. The Committee also desire that a time limit should be fixed within which the Ministries may be asked to make payments in future failing which some penal interest be levied.

(b) Establishment Cost of FCI

4.8 The net expenditure incurred by FCI (including establishment cost) is reimbursed by the Government of India in the form of food subsidy. The establishment cost of FCI since 2008-09 are as under:-

(Amt. in Rs Crores)

	2008-09	**2009-10**	**2010-11**	**2011-12 (RE)**
Staff Cost	2251-14	1674.87	2346.25	2688.40
Other Establishment Cost	153.11	151.78	168.23	284.51
Total	**2404.25**	**1826.65**	**2514.48**	**2972.91**
% increase over previous year	69.99	-24.02	37.66	18.23

On being asked about the reasons for increase in Establishment Cost during 2008-09, the Committee was informed as under:-

(i) Pay revision of the employees with 30% fitment benefit w.e.f. 1.1.2006 (for employees under CDA) and w.e.f. 1.1.2007 (for employees under IDA), and consequent payment of arrears.

(ii) Revision of maximum gratuity ceiling from Rs 3.50 Lakhs to Rs 10 Lakhs w.e.f. 1.1.2006 (for employees under CDA) and w.e.f. 1.1.2007 (for employees under IDA) and consequent payment of arrears.

4.9 In the establishment cost of 2008-09, provision for wage revision was made to the tune of Rs 762.40 Crores, even though payment was made in subsequent years. The increase in establishment cost for 2010-11 is due to increase in average wages, consequent to pay revision, and also due to induction of fresh employees.

4.10 When asked about the remedial/corrective steps proposed to be taken to keep the establishment cost to its barest minimum, the Ministry in its written replies stated that Food Corporation of India is following instructions on economy measures and rationalization of expenditure issued from time to time by the Government of India to keep the establishment cost to its barest minimum.

4.11 After restructuring of manpower in FCI in 2010 as approved by the Government, the revised Staff Sanctioned Strength of the Corporation has been reduced from 55045 to 36515.

4.12 The Committee are deeply concerned to note that a large part of the food subsidy goes towards meeting the establishment cost of FCI which is increasing year after year. Establishment cost for the year 2009-10, 2010-11 and 2011-12 is Rs. 1826.65, Rs. 2514.48 and Rs.2972.91 crore, respectively. Reason cited for increase in the establishment cost since 2008-09 is the increase in average wages, consequent to pay revision, and also induction of fresh employees. Taking into consideration the ever increasing food subsidy bill over the years, the Committee recommend that the FCI should take concrete measures to bring down the establishment cost which will help in reducing the ever increasing burden on Food Subsidy Bill. The Committee, therefore, strongly recommend that ways and means should be devised to contain the establishment cost so as to ensure the benefits of food subsidy to the ultimate beneficiary.

(c) Storage

4.13 The storage plan of the Ministry aims at providing the capacity required for buffer and operational stock of foodgrains to maintain the Public Distribution System. The broad approach is to provide scientific storage capacity and reduce dependence on the capacity under cover and plinth (CAP). The statement showing total storage capacity available with the FCI, stock held therein and capacity utilization during the last three years is as under:-

(Figures in lakh tonnes**)**

YEAR	COVERED			CAP(OPEN)			GRAND
(As on 30th June)	OWNED	HIRED	TOTAL	OWNED	HIRED	TOTAL	TOTAL
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
Utlz.	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
Utlz.	88%	97%	93%	63%	107%	72%	91%
2011							
Capacity	129.91	167.75	297.66	26.36	8.50	34.86	332.52
Stocks	110.80	164.65	275.45	16.15	11.05	27.20	302.65
Utlz.	85%	98%	93%	61%	130%	78%	91%
2012 (as on 29.2.2012)							
Capacity	130.03	171.70	301.73	26.37	7.77	34.14	335.87
Stocks	98.88	152.21	251.09	7.55	5.00	12.55	263.64
Utlz.	76%	89%	83%	29%	64%	37%	78%

From the above statement it is evident that CAP (owned) capacity utilization is 29% but CAP (hired) capacity utilization is 64% indicating that owned CAP capacity is not put to maximum utilization.

4.14 When enquired about the rent paid by FCI to each agency for hiring of godowns for the period (2008-09 to 2010-11) (agency wise) and the present norms of occupancy level or capacity utilization of each category of storage, the Department informed that the details of the rent paid by the FCI for hiring of godowns are as under:-

(Figures in lakhs Rupees)

Year	CWC	SWC	St. Govt.	Pvt. Parties	Port Authorities
2008-09 (Audited)	10327.85	24241.74	1617.30	8534.89	464.35
2009-10 (Audited)	16544.24	46884.17	2636.21	10878.08	512.86
2010-11 (Provisional)	22910.77	50557.61	2061.19	12680.98	539.36

4.15 For construction of capacity under the PEG scheme, capacity utilization norm of 80% has been considered. There is no proposal for dehiring of the hired capacity in view of the overall covered space crunch being faced by the FCI.

4.16 When asked whether it is sufficient to store the buffer and operational stock of foodgrains and the steps taken/contemplated to augment the capacity, the Department stated that due to the increased procurement of foodgrains and to reduce the storage under Cover and Plinth (CAP), the Government formulated a Scheme for construction of storage godowns through private entrepreneurs, Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWCs). 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 formulated by the Ministry for creation of covered storage capacity in the country.

4.17 The Committee note with concern that utilization of CAP (owned) capacity by FCI during 2012 (as on 29.02.2012) is 29% whereas utilization of CAP (hired) capacity is 64%. Thus, under utilization of owned capacity and hiring of godowns when under- utilized owned capacity is available, appears to be irrational and leading to avoidable expenditure of precious funds which can be utilized elsewhere. The Committee feel that due to lack of integrated approach by the Department in disseminating the information about availability of storage space as well as the new programmes of construction of storage space, the small scale farmers cannot utilize/avail the space which eventually result into non-achievement of the targets fixed by the Department. The Committee, therefore, desire that the Department should bring out brochure/pamphlet of various schemes/programmes including storage facilities available to the farmers to enable them to avail the benefits so that the storage space is put to maximum use. The same should also be distributed to MPs/MLAs/MLCs of the respective areas for their information. The Committee are also unhappy to note that the rent paid by FCI for hiring of godowns is constantly on the rise for the last three years. The Committee express their deep anguish over under utilization of owned capacity of the godowns and high rent being paid on account of hiring of godowns, which clearly reflects lack of planning and improper management on the part of FCI. The Committee, therefore, strongly recommend that FCI should re-assess their requirement of storage space and utilize their owned capacity to the maximum before hiring any storage capacity in order to save precious funds spent on hiring the storage space. The Committee would like to be apprised of the steps taken in this direction and also the reasons for under utilization of owned capacity and hiring of godowns.

(d) Construction of storage godowns

4.18 On being asked about the steps taken/contemplated to augment the storage capacity, the Ministry have replied that a capacity of 151.16 lakh MT for construction of godowns Scheme at various locations in 19 states under Private Entrepreneurs Guarantee (PEG) has been approved by High Level Committee (HLC) constituted by GOI. Out of this, tenders have been sanctioned for a capacity of 90.75 lakh MT to private investors. Besides `this, capacities of 5.40 lakh MT and 14.75 lakh MT have been allotted to CWC and SWC's respectively for construction of godowns on their own land under the guarantee scheme. A statement showing state-wise details of additional storage capacity approved, completed and under construction as on 27.03.2012 is given as under**:-**

(Fig. in lakh MT)

Sl. No.	**Agency**	**Total capacity approved**	**Total capacity allotted/ sanctioned**			**Work completed**			**Work under construction**		
			CWC	**SWC**	**Private Investors**	**CWC**	**SWC**	**Private Investors**	**CWC**	**SWC**	**Private Investors**
1	Andhra Pradesh	4.51	0.30	0.55	3.16	0.09	0.36	0.50	0.21	-	2.50
2	Bihar	3.00	-	0.30	0.90	-	0.10	-	-	0.20	-
3	Chhattisgarh (DCP)	2.22	0.30	1.92	-	0.05	-	-	0.20	1.84	-
4	Gujarat	0.80	0.05	-	0.45	-	-	-	0.05	-	-
5	Haryana	38.80	0.05	0.96	19.20	0.05	0.84	-	-	-	8.92
6	H.P.	1.43	0.03	-	0.18	-	-	-	0.03	-	-
7	J&K	3.62	-	-	1.34	-	-	-	-	-	0.28
8	Jharkhand	1.75	-	-	1.15	-	-	-	-	-	-
9	Karnataka	4.17	0.52	1.84	1.00	0.20	-	-	0.32	1.70	-
10	M.P.(DCP)	4.35	0.26	0.85	2.49	0.06	-	-	0.20	0.31	1.54
11	Kerala	0.15	0.05	-	-	-	-	-	-	-	-
12	Maharashtra	6.56	0.47	3.10	2.73	0.16	0.73	-	0.26	0.87	2.03
13	Odisha (DCP)	3.00	1.88	1.13	-	0.32	0.25	-	1.00	0.47	-
14	Punjab	51.25	0.78	2.90	41.27	0.56	0.94	-	0.22	1.34	12.27
15	Rajasthan	2.50	-	0.30	2.05	-	-	-	-	0.30	1.28
16	Tamil Nadu	3.45	0.35	0.45	0.65	0.35	-	-	-	0.20	0.25
17	Uttarakhand	0.25	-	-	-	-	-	-	-	-	-
18	Uttar Pradesh	18.60	0.06	0.47	14.18	-	-	-	-	0.47	7.61
19	WestBengal	1.57	0.30	-	-	-	-	-	0.18	-	-
Total		**151.96**	**5.40**	**14.75**	**90.75**	**1.84**	**3.20**	**0.50**	**2.67**	**7.70**	**36.67**
Grand Total			**110.90**			**5.55**			**47.04**		

The Government has also finalized a plan for construction of an additional total storage capacity of 5.4 lakh tonnes in the North Eastern States, to be completed during the XIIth Plan period. The Government has also decided to create a storage capacity of two million tonne through construction of silos, within the overall storage requirement of FCI.

4.19 When enquired about physical and financial targets for construction of godowns during the year 2011-12, the Ministry replied as under :

Capacity in `000 Tonnes (Rs. In crores)

Year	**Target**			**Achievements**		
	Storage construction programme			**Storage construction programme**		
	Genl	**NE**	**Total**	**Genl**	**NE**	**Total**
2011-12 (The position is as on 29.2.2012)						
Financial	7.30	68.70	76.00	2.69	16.10	18.79
Physical	5.825	15.00	20.825	6.665	-	6.665

4.20 When asked about the reasons for non-achievement of physical and financial targets, the Ministry informed as under:-

PHYSICAL:

1. At Senapati/Manipur a capacity of 5000 MT in progress, being constructed by State Govt. agency. The present progress is 95 % for godown portion & likely to be put in use in April 2012.

2. A capacity of 5000 MT at Kohima/Nagaland, being constructed by State Govt. agency, is in progress. However due to slow progress by the agency the work is likely to be completed by August, 2012.

3. At Jiribam/Manipur, a capacity of 2500 MT is in progress being constructed by State Government agency. The present progress is 95 % for godown portion & likely to be put in use in April 2012.

4. A capacity of 2500 MT at Churachandpur could not be started in 2011-12 as the land cost intimated by the State Government only in November, 2011 and the same was deposited in November, 2011 itself. The State Government submitted the estimate in January, 2012. The approval of the estimate has been conveyed to Executive Director(NE) and the AA & ES is to be issued shortly.

FINANCIAL:

4.21 During 2011-12, though Ministry has made an allocation of Rs.61.94 crores (Rs.59.94 crores for NE and Rs.2 crores for areas other than NE), the target could not be achieved due to following reasons:

(i) Rs. 20 crores were earmarked for Changasari project and only Rs.1.50 crores could be utilized and the balance of Rs.18.50 crores could not be utilized due to compensation demanded by some people who had encroached the land. The matter was vigorously pursued at all level and the same has been resolved only in February, 2012. Still a dispute for land for 3 acres, though on the end of the plot remains un-resolved.

(ii) Some of the State Governments have not identified and handed over the land to FCI as such the amount allocated for the purpose could not be used in FY-2011-12.

4.22 As regards the difficulties being faced by FCI in acquisition of land for construction of godowns, the Department stated that with respect of construction of storage godowns under Plan Scheme, the government releases funds to FCI. Under Plan Schemes, thrust is mainly given to the North Eastern States where private participation may not be easily forthcoming. It has been observed that at many locations in the North East land has been identified for construction of godowns, but the same is yet to be acquired and handed over by the State Government.

> "During evidence, the representatives of the Department stated that there are 47 places in North-East where the construction of godowns was to be started but they got land in 12 places only. Construction work was started wherever they got land".

4.23 The Committee note with concern that though the physical target in respect of construction of godowns in regions other the North East (NE) has been achieved by FCI during 2011-12, it has failed to achieve the target in so far as North-East Region is concerned. The target set by the corporation for construction of godown in NE was 15000 tons but its achievement was nil. Similarly, the corporation failed to achieve the financial target during the same period for NE States as well as States other than NE. Reason cited for non-achievement of physical target in NE States as slow pace of work by one of the State Government agency, does not seem to be convincing. The Committee observe that the North-Eastern States are the most disadvantaged States in terms of lack of infrastructure, communication and rail/road network. Inadequacy of storage space in NE States poses a serious threat to running of an efficient Public Distribution System. The Committee, therefore, strongly recommend that the Ministry should make all out efforts for speeding up the construction of godowns in NE region so that the people of North East are not deprived of the benefits of PDS and the funds earmarked for the purpose do not remain unutilized.

So far as achievement of financial target in NE States/other than NE States is concerned, the Committee desire that pending disputes for 3 acre of land for Changasari Project be resolved at the earliest. The Committee, therefore, strongly recommend the Ministry to take up the matter with State Governments that have not yet identified the land and urge them to hand over the land to FCI at the earliest so that construction of godowns can be started without further delay.

(e) Storage and Transit Loss

4.24 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 Crores)

Year	Qty. received	Qty of Loss	Value of Loss	%age of Loss
2009-10(Audited)	725.27	1.31	228.36	0.18
2010-11(Provisional)	530.77	1.56	292.91	0.29
2011-12*	542.66	1.48	301.17	0.27

Transit Losses (Wheat+Rice)

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

Year	Qty. Moved	Qty of Loss	Value of Loss	%age of Loss
2009-10(Audited)	346.56	1.55	233.32	0.45
2010-11(Provisional)	317.39	1.60	257.42	0.50
2011-12 *	298.69	1.60	275.88	0.54

*** The position of 2011-12 is up to February, 2012 figures are Unaudited/provisional.**

(f) Pilferage Losses

Year	No. of cases	Qty. in MTs	Value (Rs.)	Remarks
2009-10	06	34.2	486227	Under process
2010-11	03	6.5	89100	One case settled
2011-12**	03	14.2	3,52,111	Rs. 2,51,475/- recovered from security staff/agency.

**** The position of 2011-12 is upto December 2011.**

4.25 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. When enquired about the details of accrual of damaged/non issuable foodgrains with the FCI and the fair price shops and the reasons thereof during the last three years, the Ministry furnished the following details. The Ministry stated that no information about accrual of damaged/non-issuable foodgrains in fair price shops is maintained /available.

4.26 They have further stated that foodgrains during storage may get damaged/ become non-issuable due to various reasons such as storage pest attack, leakages in godowns, procurement of poor quality stocks, spillage during movement and handling of stocks, exposure to rains, floods, negligence on the part of concerned persons in taking precautionary measures etc.

4.27 The details of region-wise stock accrued as non-issuable (damaged) for the last three years and current year (upto 01.02.2012) with FCI is given as under:-

(Figures in Tonnes)

S.No	Region	2008-09	2009-10	2010-11	2011-12(upto 01.02.2012)
1.	Bihar	14	726	200	0
2.	Jharkhand	15	17	39	29
3.	Orissa	84	0	18	27
4.	West Bengal	1789	1357	922	470
5.	Assam	83	38	49	442
6.	North East Frontier	212	77	175	0
7.	Nagaland & Manipur	6	0	1	0
8.	Delhi	0	5	1	0
9.	Haryana	16	0	53	0
10.	Himachal Pradesh	0	0	0	0
11.	Jammu & Kashmir	0	11	0	0
12.	Punjab	16798	2273	182	37
13.	Rajasthan	0	12	21	30
14.	Uttar Pradesh	62	14	520	11
15.	Uttrakhand	4	0	1338	0
16.	Andhra Pradesh	0	0	3	4.33
17.	Kerala	98	19	99	200
18.	Karnataka	74	70	17	0
19.	Tamilnadu	1	1	12	28
20.	Gujarat	655	814	2595	226
21.	Maharashtra	189	245	97	1356
22.	Madhya Pradesh	14	49	2	0
23.	Chhattisgarh	0	974	2	13
Total		**20114**	**6702**	**6346**	**2873.33**

4.28 When asked about the details of inspections conducted at all India levels during the last three years and number of surprise checks undertaken by the HQ/Zonal/Regional/District level Vigilance Squad during the last three years and results achieved in reducing the losses to the FCI, the Committee was furnished the following data:-

Surprise Checks	Year	Regular Checks	Total
3705	2009	11163	14868
3135	2010	13390	16525
7979	2011	13359	21338

4.29 The Ministry further informed that due to regular inspections as well as surprise inspections, cases relating to Sub-standard/Damaged stocks could be detected and action was initiated against the following officials during the last three years:

Year	No. of officials proceeded against for rotting /damage of foodgrains
2008-09	50
2009-10	28
2010-11	20
2011-12	19
Total	117

4.30 On being asked about the steps 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 is 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/ dispatch 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 ofS&T Losses during Monthly Performance Review Meetings at Regional/Zonal/Headquarters levels

Safeguards for Movement & Storage

- Inspection and monitoring of calibration of weigh-bridges.

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

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

- Loading of standardized bags as far as possible and leaving 18 inches space near the flap doors.

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

4.31 When asked about steps being taken to raise proper infrastructure in the country to mitigate loss of foodgrains due to shortage of storage facilities, the Ministry informed that with a view to increase the covered storage capacity, the Government launched the Private Entrepreneur Guarantee (PEG) scheme in 2008. A capacity of about 151 lakh tonnes is to be created in 19 states under the scheme through private entrepreneurs and Central and State Warehousing.

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

Year	No. of inspections conducted
2009	23
2010	37
2011	42

4.33 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:-

S.No.	Nature of Penalty imposed	2009	2010	**2011**
1	Dismissal/removal/ compulsorily retired	17	16	22
2	Reduction in rank	13	8	11
3	Reduction in time scale	165	203	155
4	Withholding of increment	76	111	69
5	Recovery from pay of the loss caused	922	1063	840
6	Withholding of promotion	1	15	1
7	Censure	337	334	199
	Total	**1531**	**1750**	**1297**

4.34 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:-

Sl. No	**Nature of irregularity**	**2011 (As on 31.12.2011)**
1.	Transit/Storage Losses	**192**

4.35 The Ministry has also informed that with a view to minimize storage and transit losses and to introduce modern technology, the Govt. had approved the National Policy on Bulk Handling, Storage & Transportation of foodgrains in June, 2000. Under this policy, 550000 MT capacity was sanctioned as per following break up:

Circuit-I		Circuit-II	
Location	Capacity	Location	Capacity
Base Depot Moga (Pb)	2,00,000 MTs	Base Depot Kaithal (Hr)	2,00,000 MTs
Field Depot		Field Depot	
Chennai (TN)	25,000 MTs	Navi Mumbai	50,000
Coimbatore	25,000 MTs	Hooghly (WB)	25,000 MTs
Bangalore (KNK)	25,000 MTs		

M/s AdaniAgri Logistics Ltd., has formed as Special Purpose Company(SPC) for the project as per requirement of RFP document and the service agreements for each Circuit I & II of the project executed between FCI & SPC on 28.6.2005.

The silos have been commissioned and FCI has started using these silos from May, 2007. In the service agreement, a provision of maximum loss of 0.25% of annual receipt of tonnage at base and field depot is given. In case of FCI conventional storage, the norms being followed are 0.43% for transit losses and 0.22% for storage losses. Thus the national policy on Handling, Storage & Transportation is expected to result in reduction of transit and storage losses.

4.36 The bulk storage infrastructure has been proved to be helpful in storage and transportation in the following manner:

1) The handling operation is fully mechanized and manual handling is required only at the time of issue of stocks minimizing the handling losses and time saving. Moreover, it has resulted in saving staff and labour requirement.

2) The stocks can be stored for longer period safely with non-deterioration of quality as the storage is done in a scientific manner having all modern facilities of sampling, weighment and preservation enabling longer and safer storage without any storage loss, theft and pilferage losses.

3) The movement is being done through specialised wagons which has high pay load and being faster, saves time and minimise transit losses. Since movement is through specialized wagons hence availability is not a problem.

4.37 Explaining about the problems being faced by FCI in movement of foodgrains, the Department have informed the Committee as under:-

(i) Non-fulfillment of monthly region-wise rake requirement as per FCI's monthly LP plan.

4.38 The movement of foodgrain is mainly dependent on railways and therefore it is required that railways provide the rakes as per the monthly Linear Programming (LP) plan provided by FCI. FCI is issuing date wise as well as destination wise movement plan ex-North based on Linear Programming to the Northern Railway every month but the Railways is sending rakes as per their own priorities and not adhering to the date wise/destination wise plan resulting in bunching, rebooking, diversion, undue detention, demurrages etc. and also leading to low compliance of LP. Also, due to less supply of rakes by the Railways, evacuation from Punjab and Haryana gets affected.

Railways are also not been providing sufficient rakes for loading ex-Andhra Pradesh, ex-Chhattisgarh and ex-Madhya Pradesh. South central railway is most reluctant to provide the sufficient rakes to AP and Kerala.

(ii) Lack of priority given by railways for foodgrain movement.

4.39 Although foodgrain has been given ‘Priority B’ but it has been observed that priority is practically given to other commodities like cement, steel, fertilizers etc. Movement of Foodgrains under under ‘B’ priority takes place if the movement is sponsored by FCI and is accepted by the Zonal Railway/ Railway Board. It has been observed in past that the proposal for sponsorship submitted by FCI was not accepted by Zonal Railway/ Railway Board in toto and the required priority was not assigned to the movement sponsored by FCI. Due to this other commodities were moved by Railways instead of the foodgrains.

(iii) Shortage of supply of rakes of half rake loading points and two-point combination.

4.40 In some of the regions (e.g. Kerala, Bihar, Assam) most of the FCI depots are totally linked with Railway Sidings/ Railheads having half rake loading/ unloading facilities. During busy season (October to March) railways are not providing rake for half rake points and supply to the godowns linked with these godowns becomes difficult especially for Kerala, Jharkhand, Bihar .

(iv) In-sufficient wagon supply at Lumding.

4.41 Supply of foodgrains to many north-eastern states is dependent upon MG network. The supply of foodgrains to many states is routed through 2 transhipment points located at Rangiya and Lumding. Rangiya transhipment point is closed for gauge conversion at present. The trans-shipment requirement at Lumding is 80 MG wagons per day but the shortfall is affecting the stock position and PDS in Tripura, Mizoram, Assam and Manipur. The Average number of wagons provided per day by railways since April,11 as given below:

Month(2011)	**Lumding**
April	43
May	50
June	74
July	66
August	51
September	56
October	63
November	47
December	71
January	69

In this context, the representatives of FCI during evidence stated as under:-

'Railways do supply rakes against the requirement of PDS in the country but there is always shortfall in the supply of rakes by Railways vis-à-vis the plan of FCI e.g. during 2011-12, FCI had planned movement for 13215 rakes but Railways supplied only 10969 rakes which is about 83% of the planned movement. FCI could have moved about 60 lakh tonnes additional foodgrains if this shortage was not there. Especially two States have suffered which are high procuring States i.e. Punjab for about 24 lakh tonnes and Andhra Pradesh about 16 lakh tons, the other States affected are M.P. (about 6 lakh tones), Chhattisgarh (about 5 lakh tones) and Haryana (about 7 lakh tones).

FCI prepares monthly Movement Plan based on computerized liner programming indicating date wise, destination wise requirement of rakes but Railways during 2011-12 has complied with only 40% of the linear programming. The unplanned rakes sent by Railways lead to bunching, detention and ultimately FCI suffers financial loss because huge amounts have to be paid to the Railways in the form of demurrages. Recently, Railways have started imposing 6 times demurrages without considering their own operational problems which are one of the reasons for detention of rakes.

There are large number of Railways sidings/goodsheds where the platform itself cannot accommodate full rake i.e. about 40 to 42 wagons. The

States where this problem exists are Kerala, Bihar, West Bengal and Jharkhand. Railway Board itself has approved supply of rakes at these locations as two point combinations. But unfortunately Railway Authorities according to their own will impose restrictions on two point combinations for more than 6 months in a year which leads to problem of detention and inadequate supply of foodgrains on these locations.'

4.42 The Committee are concerned to note that despite remedial steps taken by FCI, storage and transit losses are continuously on the rise. Storage losses have increased from Rs. 292.91 crore in 2010-11 to Rs. 301.17 crore in 2011-12. Similarly, transit losses have increased from Rs. 257.42 crore in 2010-11 to Rs. 275.88 crore in 2011-12. The Committee feel that all this goes to prove that the steps taken by the FCI to prevent storage losses are not adequate. The Committee, therefore, desire that FCI should adopt latest scientific and modern technology for storage of foodgrains to minimize storage losses. Regular inspections/surprise checks and constant monitoring are needed so that losses do not increase further. The Committee also recommend that norms for storage losses need to be revised which are still on the higher side and there is need to further reduce the same.

4.43 The Committee note that there is shortfall in the supply of rakes by Railways vis-à-vis the plan of FCI for meeting the PDS requirement in the country. The Committee have been informed that during 2011-12, FCI had planned movement for 13,215 rakes but railways supplied only 10,969 rakes which is about 83% of the planned movement. FCI could have moved about 60 lakh tonnes additional foodgrains if this shortage was not there. Due to this shortfall, many States, especially the two high procuring States i.e. Punjab and Andhra Pradesh have been affected. The other States affected are M.P. (about 6 lakh tones), Chhattisgarh (about 5 lakh tonnes) and Haryana (about 7 lakh tonnes). The Committee have been further informed that FCI prepares monthly Movement Plan based on computerized linear programming indicating date-wise, destination-wise requirement of rakes but railways during 2011-12 has complied with only 40% of the linear programming. The unplanned rakes sent by Railways lead to bunching, detention and consequently FCI suffers financial loss because huge amounts have to be paid to the railways in the form of demurrages. Recently, railways have started imposing 6 times demurrages without considering their own operational problems which is one of the reasons for detention of rakes.

During evidence, the representatives of the Department further informed the Committee that there are large number of railways sidings/goodsheds where the platform itself cannot accommodate full rake i.e. about 40 to 42 wagons. The States where this problem exits are Kerala, Bihar, West Bengal and Jharkhand. According to the Department, Railway Board itself has approved supply of rakes at these locations as two point combinations. But subsequently railway authorities impose restrictions on two point combinations for more than 6 months in a year which

leads to problem of detention and inadequate supply of foodgrains on these locations. The Committee desire that Department should regularly monitor the movement of foodgrains and coordinate with railway authorities for additional supply of rakes on priority basis to augment foodgrain stock in the State where shortfall of foodgrains is reported. In the light of the above circumstances/observations, the Committee, also desire the Department to communicate the concern of the Committee to the Ministry of Railways to explore the feasibility of supplying the rakes of atleast 90% of the requirement of FCI and not to impose restrictions on loading under two point combinations for the states of Kerala, West Bengal, Bihar and Jharkhand so that FCI can ensure movement of foodgrains in these States without any hindrance.

4.44 The Committee have been informed during evidence that the railways supply general purpose wagons for loading of foodgrains, which are also used for loading cement, fertilizers and other general goods. They do not earmark specific rakes for loading of foodgrains. The Committee feel that there is imperative need to supply wagons which are free from remains of dust, coal, cement and fertilizers before they are loaded with foodgrains/sugar. The Committee, therefore, feel that there is laxity on the part of Department of Food and Public Distribution, FCI and railways authorities in accepting and supplying wagons which are not fit to transport foodgrains and may cause serious health hazards to consumers. The Committee, therefore, strongly recommend that under no circumstances wagons which are used for transporting cement, fertilizers, coal etc. be used for transportation of foodgrains. The Committee recommend that Government should take up the matter with the Ministry of Railways for providing special wagons instead of general purpose ones for the transportation of foodgrains so that the quality of foodgrains remain intact till it reaches its final destination.

(g) Corruption in FCI

4.45 When enquired about details of vigilance cases including corruption cases detected on various counts, disposed off and closing balance, the Committee was informed 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	
2009	278	557	164	1668	243	1514	199	711	910
2010	199	711	224	1935	248	2208	175	438	613
2011	175	438	185	1191	156	1253	169	310	479

4.46 Cases charging officials of FCI with corruption have been registered both by the CBI and by the Vigilance/Anti corruption Bureau of State Governments.
Details are as follows:

Year	Cases registered by CBI	Cases registered by Vigilance /ACB of state
2009	17	2
2010	9	2
2011	2	1

Details of penalties imposed are as under:-

Penalties imposed

	Nature of Penalty imposed	2009	2010	2011
1	Dismissal/removal/ compulsorily retired	17	16	22
2	Reduction in rank	13	8	11
3	Reduction in time scale	165	203	155
4	Withholding of increment	76	111	69
5	Recovery from pay of the loss caused	922	1063	840
6	Withholding of promotion	1	15	1
7	Censure	337	334	199
	Total	**1531**	**1750**	**1297**

4.47 When enquired that CBI has raided the residence and office of the Senior Officers of FCI in some States, the Ministry informed that during last three years, there has been one case of raid conducted by the CBI at the residence of a senior officer (Category-I) of FCI , Sh. R. Dorai Raj, the then DGM (Region), Tamilnadu, who was found in possession of assets disproportionate to his known sources of income. An initial investigation has been carried out by CBI and a case has been registered under RC MA 1 2009 A 0061. During last three years, at two instances CBI had raided the offices of Senior Officers (Category-I). The details are as under:

(1) CBI raided the Regional office, Chennai and a case was registered under RC MA 1 2009 A 0051 against four officers namely Sh. T. Jayakumar, Sh. R. Dorairaj, Sh. A. Vellimalayan and Smt. S. Soundaram.

(2) CBI raided the office of Area Manager, Jalandhar and a case was registered under RC CHG. 2009 A 008 against Sh. Sameer Verma, Area Manager (Jalandhar).

4.48 The Committee note that the number of vigilance cases including corruption cases detected on various counts in FCI, disposed off and closing balance during the year 2009, 2010 and 2011 was 910, 613 and 479, respectively. During 2011, cases registered by CBI and Vigilance/ACB of State was 2 and 1, respectively. Though the total number of corruption cases have declined but still it is very high. The Committee also note that CBI has raided the residences and offices of the senior officers of FCI. The Committee desire to be apprised of the outcome of the investigation done by CBI. The Committee also desire that vigilance mechanism should be tightened up and made more transparent and accountable. Further, the Committee also desire early disposal of pending cases as delay in disposal of cases would further aggravate corrupt practices.

CHAPTER-V

CENTRAL WAREHOUSING CORPORATION (CWC)

5.1 The Central Warehousing Corporation (CWC) was set up in March, 1957 after enactment of Agricultural Produce (Development and Warehousing) Corporation Act, 1956, subsequently repealed and re-enacted by the Parliament as the Warehousing Corporation Act, 1962. The main objective of the CWC is to provide scientific storage facilities for agricultural inputs and produce and various other notified commodities.

5.2 The authorized share capital of the Corporation is Rs.100 crore, out of which Rs. 68.02 crore has been paid up. There has been no change in CWC's authorized share capital and paid up share capital since 31.03.1987. The capital structure of CWC as on date is as follows:-

Sl. No.	**Institution**	***Paid up Capital* (in lakh Rs.)**
1.	Central Government	3,742.50
2.	State Bank of India	1,474.39
3.	Other Scheduled Banks	1,091.73
4.	Insurance Companies including Life Insurance Corporation of India	477.74
5.	Cooperative Societies	14.98
6.	Recognized Associations dealing in agricultural produce	0.71
7.	Companies dealing in agricultural produce etc.	0.05
	Total	**6,802.10**

The income and expenditure of the corporation for the last three years are as under:-

(Rs. in crore)

Item	**2009-10**	**2010-11**	**2011-12**
Income	987.95	1029.55	1165.41
Expenditure	824.07	825.82	1024.65

(a) Establishment Cost

5.3 The Establishment cost of the Central Warehousing Corporation (CWC) for the last three years and the current year (upto Feb, 2012) is as under:-

Year	Establishment Cost (Rs. in crore)
2008-09	333.42
2009-10	404.70
2010-11	355.23
2011-12 (upto Feb.2012)	450.26

5.4 The Committee have been informed that the increase in the establishment cost from Rs. 333.42 Crore during 2008-09 to Rs 404.70 Crore during 2009-10 was due to revision of pay scales, allowances/fringe benefits as well as provisions towards enhancement of the ceiling on gratuity from Rs. 3.50 lakh to Rs 10.00 lakh.

5.5 During the Current year 2011-12, the increase in establishment cost is mainly due to provisioning of Rs.100.29 crore for pension fund for introduction of pension scheme for the employees of the Corporation w.e.f 01.01.2007.

5.6 On being asked by the Committee whether any cost pruning measures have been taken to reduce the establishment cost of CWC, the Ministry stated that CWC has taken various 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 04 construction cells.

5.7 The Committee are unhappy to note that expenditure on establishment cost of CWC is constantly increasing despite various remedial measures being adopted by the corporation. The expenditure on establishment cost has risen from Rs. 333.42 crore in 2008-09 to Rs. 450.26 crore in 2011-12. Reasons cited by the corporation for increase in establishment cost is the revision of pay scales, allowances/fringe benefits/enhancement of the ceiling on gratuity and introduction of pension funds for introduction of pension scheme for the employees of the corporation w.e.f. 01.01.2007. The Committee feel that even after taking into account all such factors, establishment cost is still very high. The Committee, therefore, strongly recommend that corporation should devise ways and means, thereby reducing its establishment cost and to further raise its profit.

(b) Outstanding Dues and Liabilities

5.8 When enquired about the outstanding dues, liabilities and written off debts of the corporation for the past three years, the Ministry informed 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	225.87	206.00	9.52
2011-12 (Provisional)	215.18	220.00	5.00

5.9 The Committee are deeply concerned to note the continuous rise in outstanding dues of Central Warehousing Corporation (CWC) during 2010-11 and 2011-12 i.e. Rs. 225.87crore and Rs. 215.18 crore, respectively. The Committee, therefore, recommend for liquidation of outstanding dues fully at the earliest.

The Committee are also unhappy to note the unusual increase in bad debts written off to the tune of Rs. 9.52 crore and Rs. 5 crore during the last two years i.e. 2010-11 and 2011-12. The Committee would like to be apprised about the reasons for such a huge amount of bad debts which have been written off and would like the Ministry to keep a close vigil on this trend and take judicious decisions in writing off the bad debts.

(c) Construction of Godowns

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

Year	Target		Achievement	
	Physical (lakh MT)	Financial Targets including the cost of land (Rs. in crore)	Physical (Lakh MT)	Financial Targets including the cost of land (Rs. in crore)
2008-09	0.92	47.03	0.54	55.16
2009-10	0.77	46.50	0.85	43.31
2010-11	1.77	96.41	1.45	64.75
2011-12 (Likely)	2.07	134.23	2.09	100.00 (Provisional)

The target fixed for construction of additional capacity has been achieved.

5.11 When enquired about the reasons for non-achievement of financial targets regarding construction of godowns, it was stated in Post Evidence Reply that in the year 2011-12, Central Warehousing Corporation has created the additional warehousing capacity of 2.09 Lakh MTs as against the target of 2.07 Lakh MTs. The Corporation has planned for the Capital Outlay of Rs. 134.23 crore for the year 2011-12 against which the Actual Expenditure (Provisional) is given below:-

	Capital Outlay (Amount in Crore Rs.)	**Actual Expenditure (Provisional) upto 31.03.2012**
Purchase of Land	5.97	0.59
Construction Outlay	117.94	102.94
Purchase of Lorry Weigh Bridges /Wooden Crates/Poly Pallets/PCC Blocks	10.32	0.61
Total	**134.23**	**104.14**

The expenditure, as planned for the purchase of Land & Lorry Weigh Bridges /Wooden Crates/Poly Pallets/PCC Blocks etc. could not be made due to various constraints.

5.12 The Ministry have also informed that no fund has been allocated to CWC for construction of godowns in NE Region. However, construction of additional storage capacity of 9000 MT in two Warehouses in Assam (CW Sarbhog and CW, Dhubri) planned for 2012-13 will be under taken by CWC out of its own resources. 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 2008-09, 2009-10 and 2010-11 was 79%, 86% and 92% respectively. As on 29th February, 2012, the average capacity utilization of the Region was 88%. Since the existing capacity was not even fully utilized, construction of additional capacity could not be considered. However, CWC has plans to undertake construction of additional storage capacity in the existing vacant lands at the following warehouses during 2012-13:

(i)	CW, Sorbhog	7000MT
(ii)	CW, Dhubri	2000MT
	Total	**9000MT**

In NE Region, besides CWC, the Assam SWC and Meghalaya SWC were operating a total capacity of 2.67 lakh MT with 50 warehouses as on 29.02.2012. The Utilization of both these SWCs was 71% and 79% respectively as on 01.03.2012.

5.13 The Committee note that during 2011-12, CWC achieved the physical target of construction of godowns but failed to achieve the financial target. The Committee have been informed that the financial target could not be achieved because the expenditure as planned for the purchase of land and lorry weigh bridges/wooden crates/ploy pallets/PCC blocks, etc. could not be made due to various constraints. The reasons put forth by CWC is that they are operating 9 warehouses in NE region with a total capacity of 1.02 lakh MTs. and average capacity utilization as on 29th February, 2012 was 88%. Since the existing capacity was not even fully utilized, construction of additional capacity could not be considered. The Committee, however, note that construction of additional storage capacity of 9000 MT in two Warehouses in Assam (CW Sarbhog and CW, Dhubri) planned will be undertaken by CWC during 2012-13. While appreciating the difficulties in construction of godowns in NE region due to difficult geographical conditions, the Committee hope that corporation will make maximum possible efforts in materializing the plan of construction of additional capacity in the vacant lands at Sorbhog and Dhubri at the earliest so that poor persons are not deprived of the benefits of Public Distribution System (PDS).

(d) Warehousing Development and Regulatory Authority

5.14 The Warehousing Development and Regulatory Authority (WDRA) was set up on 26th October, 2010. The main objectives of the Warehousing (Development and Regulation) Act, 2007 are to make provisions for the development and regulation of warehouses, negotiability of warehouse receipts, establishment of a Warehousing Development and Regulatory Authority (WDRA) and related matters. The Negotiable Warehouse Receipts (NWRs) issued by the warehouses registered under this Act would help farmers to seek loans from banks against NWRs to avoid distress sale of agricultural produce. It will also be beneficial for a number of other stakeholders such as banks, financial Institutions, insurance companies, trade, commodities exchanges as well as consumers. The Committee have been informed about the action initiated by the Warehousing Development and Regulatory Authority which are as under:-

1. Constitution of the Warehousing Advisory Committee:
2. Drafting of Warehousing Regulations:
3. Appointment of Accreditation Agencies
4. Notification of Agricultural Commodities for Negotiable Warehouse Receipt
5. Finalization of format of Negotiable Warehouse Receipt
6. Receipt of Application from Warehouses for Registration
7. Registrations of Warehouses
8. Regional Conferences with FICCI, ASSOCHAM and PHD Chamber by the WDRA to create awareness about the NWR System.
9. Integration of Primary Agriculture Credit Societies (PACS) with Negotiable Warehouse Receipt (NWR)

At the time of setting up of the Authority, one Joint Secretary and one Director (both from central staffing) were in position. The Authority has been making efforts to fill up the remaining vacancies.

5.15 When asked about the proposed/sanctioned staff strength of the WDRA and whether all the proposed/sanctioned vacancies have been filled up, the Department informed that there are 19 sanctioned posts against which 9 persons are in position. The Authority has been making efforts to fill up the remaining vacancies. So far 4 vacancy circulars have been issued on 13th March, 2009, 28th January, 2011 and 19th March, 2012. The Recruitment Rules for sanctioned posts, hiring of services of staff on cost recovery basis and proposal for creation of additional 22 posts are under consideration of the Department.

5.16 The Ministry has also stated that efforts are being made to fill up the vacant posts at the earliest to ensure smooth functioning of the office of WDRA. The recruitment rules are being framed so that the sanctioned posts could be filled up as per rules. Hiring of services of staff by WDRA on cost recovery basis in the interest of smooth functioning of WDRA is also being considered. Another vacancy circular has been issued on 19.03.2012 calling for applications for the vacant posts. The vacancy circular has been displayed on the website of WDRA. The vacancy circular has also been sent to the Employment News for publication in the forthcoming issue. The last date for receipt of applications is 15th May, 2012.

5.17 The Committee note that as against 19 sanctioned posts, 9 are in position in the Warehousing Development and Regulatory Authority, which was set up in October, 2010 for drafting of Warehousing Regulations, Appointment of Accreditation Agencies, Notification of Agricultural Commodities for Negotiable Warehouse Receipt, etc. As informed by the Department, efforts are being made to fill up the vacant posts at the earliest to ensure smooth functioning of the office of WDRA. The recruitment rules are being framed so that the sanctioned posts could be filled up as per rules. Hiring of services of staff by WDRA on cost recovery basis and proposal for creation of additional 22 posts in the interest of smooth functioning of WDRA is also being considered. Taking into consideration, the wide magnitude and importance of work to be performed by the authority, the Committee desire that filling up of remaining vacant posts be expedited.

CHAPTER - VI

MANAGEMENT OF SUGAR

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

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

6.3 At present 672 installed sugar mills are in the country comprising 62 in Public Sector, 324 in Cooperative Sector and 286 in Private Sector. Out of these 672, about 526 sugar mills have reported crushing operations during the current 2011-12 sugar season. Central Government does not take any steps to establish sugar mills in Public Sector. Further, the Government has de-licensed the sugar industry since September, 1998. With the de-licensing of the sugar industry, the entrepreneurs are free to set up sugar factories in any part of the country by maintaining the prescribed radial distance criterion of 15 Km from the existing/new sugar mills and fulfilling other conditions laid down in the Sugarcane (Control) Order, 1966 and Subsequent Order dated 10th November, 2006 may be called the Sugarcane (Control) (Amendment) Order, 2006.

(a) Production of Sugar

6.4 The estimated production, consumption, demand, availability, exports, opening and closing stocks for last three sugar seasons are given below –

(Qty in Lac tons)

Particulars	2008-09	2009-10	2010-11(P)
Carry over stocks with sugar mills from Previous season	100	35.83	51.25
Less –Adjusted 5%	-	-	2.56
Net opening stock	-	-	48.69
Production of Sugar	147.0	188.00	243.50
Imports	24.47**	41.80**	0

Estimated Total availability	271.47	265.63	292.19
Estimated releases for Internal consumption	230.80	208.78+ ###3.2	208
Exports against ALS/AAS obligation and OGL	2.1*	2.4*	26
Total Estimated releases(7+8)			234
Estimated Closing stocks with sugar mills at the end of season	38.57	51.25	**58.19**

* As per data from DGCIS, Kolkata.

** As per Department of Revenue.

Direct import consumption by bulk consumers

P- Provisional

6.5 When asked about area under sugarcane cultivation, the Ministry informed that the details of area under sugarcane during the last three years and the current year alongwith percentage increase/decrease in the area are given in the table below:

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	48.84	7.09	16.98
2011-12*	50.81	1.97	4.03

* 2nd Advance estimates released by the Department of Agriculture and Co-operation on 03.02.2012

The decrease in the area under sugarcane cultivation in 2008-09 and 2009-10 sugar seasons has been mainly due to shift in area to other competing crops.

6.6 As per information furnished to the Committee, the steps being taken by the Government to increase area under sugarcane and production of sugarcane are listed below:

(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 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%.The Central Government has fixed the Fair and Remunerative Price (FRP) of sugarcane for the sugar season 2011-12 at Rs.145 per quintal for 9.5% recovery subject to a premium of Rs.1.53 for every 0.1 percentage point increase in recovery above that level.

(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 (b) 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 2% below the prevailing bank rate at the time of disbursement 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.

When asked about the measures taken/proposed to be taken by the Government to address the problems faced by the sugarcane growers and sugar industry, the Committee was informed that the Government has already taken a number of measures to address the problems of the sugarcane growers and sugar industry. Sugar factories have been allowed to produce ethanol directly from sugarcane of B-Heavy molasses. The Government has amended its sugarcane pricing policy to determine "Fair and Remunerative Price" (FRP) for sugarcane from 2009-10 sugar season instead of a Statutory Minimum Price (SMP) previously fixed by the Government. Under FRP, the farmers would get an "upfront" payment of margins on account of profit and risk, not available under SMP. Further, Government takes appropriate measures, as and when needed, to address the problems of sugarcane growers and sugar industry.

6.7 The Committee are happy to note the increased trend of production of sugar for the last three years. The area under sugarcane cultivation which was 41.75 hectare during 2009-10 and 48.84 hectare during 2010-11 has increased to 50.81 hectare during 2011-12 which is 4.03% increase over the previous year. The Committee further note that to make sugar cultivation more profitable, the Government of India is taking various steps such as fixing of adequate Fair and Remunerative Price (FRP) of sugarcane in advance launching of a Centrally Sponsored Scheme on "Sustainable Development on Sugarcane Based Cropping System(SUBACS)" covered under Macro Management mode of Agriculture, the main thrust of which is transfer of improved technologies to the farmers, training of farmers, enhancing seed production and pest measures etc. The Committee hope that Government will continue to take such steps so as to encourage farmers to continue cultivating sugarcane crop so that sugarcane remain equally competitive with other food/cash crops.

(b) Rising price of sugar

6.8 The range of retail price of non-levy sugar in four metro cities during the current 2011-12 sugar season is as under:-

(Rs. Per kg.)

Centre	**Range of retail price of non-levy sugar (During the period from Oct, 11 to March, 2012)**
Delhi	33.00-36.00
Mumbai	32.00-35.00
Kolkata	32.00-35.00
Chennai	30.00-33.00

(Source: Price Monitoring Cell, Department of Consumer Affairs)

6.9 When enquired about the steps taken by the Department to maintain supply and stabilize the price of sugar in the domestic market so that sugar remain available to the common man at a reasonable price, the Committee was informed that the prices of sugar have remained stable during the last sugar season and the current sugar season. The regulated release mechanism of sugar, high sugar production in the sugar season 2010-11 and estimated high production in sugar season 2011-12, maintenance of sufficient stocks of sugar to meet domestic requirement have been some of the factors that have led to maintenance of supply and stabilization of price of sugar.

6.10 The Committee observe that the mismatch between domestic production and demand for sugar is primarily responsible for rise in price of sugar. The Committee note that due to various steps taken by the Department such as regulated release mechanism of sugar, high sugar production in the sugar season 2010-11 and estimated high production in sugar season 2011-12, maintenance of sufficient stocks of sugar to meet domestic requirement, price of sugar has remained more or less stable during the last and current sugar season. The Committee feel that price of sugar is still on the high side. The Committee desire that with the help of scientifically gathered agricultural intelligence, the long-term production trend can be assessed. Necessary steps, therefore, need to be taken to deal with the situation. The Committee, therefore, recommend that the Department should take necessary steps to bring down the price of sugar and achieve the long-term stabilization of sugar production and prices.

(c) Buffer Stock of Sugar

6.11 When enquired whether there is any proposal to maintain buffer stock of sugar, the Ministry replied that the Central Government creates buffer stock of sugar in years of excess production with a view to stabilize sugar price in the country and to ensure that excess production does not lead to high cane price arrears. The Central Government had created a buffer stock of 50 lakh tones for a period of one year (20 lakh from 01.05.2007 to 30.04.2008 and 30 lakh tones from 01.08.2007 to 31.07.2008) when there was excess production of sugar in 2006-2007 and 2007-08 sugar seasons. Sugar is a controlled commodity and supplies are made in the open market only against Release Orders. The Government thus has control over the stock position, maintained by the sugar mills. Adequate care is taken to ensure that a minimum required quantity of sugar is maintained within the country. Advance action is taken in years of deficit sugar production to ensure that supplies are maintained. Sugar being a perishable commodity, it may not be advisable to maintain stocks over a long period, which will affect its quality adversely. However, the Government would ensure that stock of sugar is not allowed to fall below required levels.

6.12 At present, no buffer stock of sugar is being maintained by the sugar mills. On creation of buffer stock of sugar, the sugar factories are reimbursed the interest charges charged by the bank and the insurance and storage charges for the quantity maintained as buffer stock.

6.13 The Central Government provides subsidy to sugar factories under the following schemes.

Buffer Subsidy

Under the buffer subsidy scheme, the sugar factories are reimbursed the interest charges @12% or the actual interest rate charged by the bank, whichever is lower and the insurance and storage charges @ 1.5% for the quantity maintained as buffer stock.

(a) A buffer stock of 20 lac tons was created for the period of 2 years from 18.12.02 to 17.12.04.

(b) During the sugar season 2006-07, a buffer stock of 20 lac tons was created for a period of 1 year from 1.5.07 to 30.4.08. Another buffer stock of 30 lac tons was created for a period of 1 year from 01.08.07 to 31.07.08

Assistance on Export of Sugar

During the years of surplus production in 2001-02 and 2002-03 sugar seasons and later in 2006-07 and 2007-08 sugar seasons, the Government extended assistance to sugar factories to export sugar by defraying the internal transport and freight charges.

Interest Subvention under Scheme for Extending Financial Assistance to Sugar Undertakings 2007 (SEFASU, 2007):

The Government notified 'Scheme for Extending Financial Assistance to sugar undertakings 2007' on 07.12.2007. The objective was to give assistance through interest subvention to the sugar mills on the loans given by the banks to them. This was to help the sugar mills clear cane price arrears of 2006-07 season and cane price of 2007-08 season relating to Statutory Minimum Price (SMP). The scheme provides full interest subvention to all scheduled commercial Banks, Regional Rural Banks and Cooperative Banks for the total duration of the loan.

Interest subvention to co-operative sugar mills through NABARD

The outstanding term loans of the sugar mils in the co-operative sector was restructured / rescheduled to enable repayment within a maximum period of 15 years. The rate of interest on the restructured loans was reduced to 10% per annum w.e.f. 1st April, 2005, irrespective of the original contracted rate. The Government provides interest subvention on the restructured loans subject to a maximum of 3%. The funds are released to NABARD. Hence, the state-wise details are not available.

(d) Cane Price Arrears

6.14 The status of outstanding cane price arrears as on 29.02.2012, sugar season-wise is as under:-

(Rs. in crores)

For the Sugar Season	Outstanding cane price arrears as on 29.02.2012
2011-12	8409.62
2010-11	84.21
2009-10& earlier	1406.60
Total	9900.43

It was stated by the Department that the cane price arrears are generally high around this part of the sugar season and start declining as the sugar season finishes off.

Under the Sugarcane (control) Order, 1966 under which Central/State Government officers are authorized to recover the arrears of cane prices remaining unpaid after 14 days supplies of cane by the growers, together with interest @15% p.a. as arrears of land revenue.

The problem of cane price arrears had arisen when there was excess production of sugar in the past. During 2006-07 and 2007-08 sugar seasons, Government took several measures to ensure that the excess production of sugar does not lead to excessive cane price arrears, viz., a buffer stock of 50 lac tons was created; export assistance for export of sugar was extended; and a novel scheme under the title '**Scheme for extending financial assistance to sugar undertakings 2007'** was formulated and implemented.

The current sugar season also is a season of surplus sugar production. In order to prevent building up of the arrears, the Central Government has allowed export of 30 lac tons in three tranches of 10 lac tons each to augment the liquidity of sugar mills so as to enable them to pay cane price in time during the 2011-12 sugar season. In 2010-11 sugar season, the Central Government had allowed export of 26.18 lac tons of sugar under various categories for the said purpose.

6.15 The Committee are pained to note that cane price arrears to the tune of Rs. 8409.62 crore, Rs. 84.21 crore and Rs. 1406.60 crore for the sugar season 2011-12, 2010-11 and 2009-10, respectively are still outstanding. The Committee desire that Government should take appropriate action under Sugarcane (Control) Order, 1966 under which Central/State Government officers are authorized to recover the arrears of cane price remaining unpaid after 14 days of supply of cane by the growers, together with interest at the rate of 15 per cent. The Committee, however, note that as yet no action has been taken against the sugar mills to recover the cane price. The Committee, therefore, desire that interest of farmers should be protected in such a manner that they continue to cultivate sugarcane without any hindrance. To ensure this, any aid/assistance given to sugar mills should be suspended and strict action should be taken against defaulting mills under the provision of Sugarcane (Control) Order, 1966.

(e) Sugar Development Fund

6.16 Under the Sugar Development Fund Act 1982, the Sugar Development Fund has to be utilized by the Government of India for the following:

- Making loans for facilitating the rehabilitation and modernization of any sugar factory or any unit thereof;

- Making loans for undertaking any scheme for development of sugarcane in the area in which any sugar factory is situated, including to a potentially viable sugar undertaking.

- Making grants for the purpose of carrying out any research project aimed at the promotion and development of any aspect of Sugar Industry.

- Defraying expenditure to a sugar factory on internal transport and freight charges on export shipment of sugar with a view to promoting its export.

- Making loans to any sugar factory having an installed capacity of 2500 Tonnes Crushing Per Day or higher to implement a project of bagasse-based co-generation of power.

- Making loans to any sugar factory having an installed capacity of 2500 TCD or higher for production of anhydrous alcohol or ethanol from alcohol or molasses with a view to improving its viability.

- Defraying expenditure to a sugar factory for the purpose of building up and maintenance of buffer stock with a view to stabilizing price of sugar.

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

- Defraying any other expenditure for the purpose of the Act.

6.17 The following Statement shows the overall performance of the Sugar Development Fund during the last three years:-

Rs. in crore

Year	Cane Development			Cogeneration			Modernization			Ethanol		
	BE	RE	Actual Expenditure	BE	RE	Actual Expenditure	BE	RE	Actual Expenditure	BE	RE	Actual Expenditure
2009-10	25	160	160	350	350	350	250	275	275	100	90	90
2010-11	35	60	59.92	450	450	450	300	300	285.11	150	150	98.00
2011-12	50	50	50	200	275	275	200	125	117.5	100	100	100

6.18 When enquired about the main reasons for sickness of sugar mills, the Ministry informed that the main reasons for sickness of the sugar mills are non-availability of adequate raw material, poor recovery from sugarcane, uneconomic size, lack of modernization, up-gradation and diversification, high cost of working capital, declaration of high State Advised Price (SAP) of sugarcane by some States, control of molasses, lack of professional management, overstaffing etc.

6.19 A statement indicating the State-wise number of sick sugar mills, as furnished by the National Bank for Agriculture and Rural Development (NABARD) and Board for Financial Reconstruction (BIFR) is given as under:-

STATE – WISE, SECTOR – WISE DETAILS OF SICK SUGAR MILLS

STATE	No. of sick sugar mills in private and public sector as provided by the BIFR*	No. of sick sugar mills in the cooperative sector as provided by the NABARD**	Total
PUNJAB	0	6	6
HARYANA	0	7	7
MAHARASHTRA	6	65	71
UTTAR PRADESH	16	25	41
UTTARAKHAND	1	4	5
KERALA	0	1	1
TAMIL NADU	3	12	15
KARNATAKA	5	15	20
GUJARAT	1	6	7
BIHAR	1	0	1
ANDHRA PRADESH	-	9	9
ASSAM	1	0	1
MADHYA PRADESH	2	1	3
ORISSA	1	0	1
Goa	0	1	1
ALL INDIA	37	152	189

*Out of 37 sugar mills, the BIFR has dismissed 14 cases as ' Non-maintainable' and in 7 cases,[Bihar-1(Champaran), M.P.-1(Jeora), Karantaka-1(Gagavati), UP-2(Ghatampur & Raja–Ka-Sahaspur.), Orissa-1(Dharamgarh), Kerala-1 (Tiruvalla)] they have recommended winding up as intimated by the BIFR vide letter dated 24.11.2011.

** The sugar mills with negative networth as intimated by the NABARD vide letter dated 24.11.2011.

6.20 The Committee note that out of 187 sick sugar mills, majority are located in Maharashtra and U.P. i.e. 71 and 41 in number, respectively. The main reason cited for sickness of the sugar mills are non-availability of adequate raw material, poor recovery from sugarcane, uneconomic size, lack of modernization, up-gradation and diversification, high cost of working capital, declaration of high State Advised Price (SAP) of sugarcane by some States, control of molasses, lack of professional management, overstaffing, etc. The Committee are concerned to note that despite the provision of financial assistance from Sugar Development Fund (SDF) for rehabilitation/modernization, sick sugar mills are not availing the benefits of the scheme. The Committee desire that Government should view the revival of sugar mills seriously and encourage them to join the mainstream in production of sugar thereby combating the problem of shortage of sugar in the country. Further, the Committee also recommend that procedure for availing assistance from SDF be simplified further so that maximum benefit can be availed by sick sugar mills for their revival.

CHAPTER – VII

Management of Edible Oils

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

(a) Main Edible Oils

7.2 There are two sources of oils – primary source and secondary source. The primary sources are nine principal oilseeds viz. groundnut, rapeseed/mustard, soyabean, sunflower, sesame, Niger, Castor, Linseed and safflower seed. The main secondary sources of oils include coconut, cottonseed, rice bran and oilseed cakes.

(b) Production of oilseeds

7.3 Figures pertaining to production of major oilseeds, availability of edible oils from all domestic sources and total availability / consumption of edible oils (from domestic and import sources) during the last three years are as under:-

(Qty. **In Lakh tons)**

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
2009-2010	248.83	79.46	88.23	167.69
2010-2011	324.79	97.82	83.71	181.53
2011-2012 (Estimated)	305.29	92.87	30.02 (Nov.-Feb)	-

Source:

* Ministry of Agriculture

** Directorate of Vanaspati, Vegetable Oils and Fats

*** Solvent Extractors' Association of India, Mumbai

7.4 The Committee have been furnished the following statement showing the (State-wise) quantity of production of oilseeds during the last three years:-

STATE WISE PRODUCTION OF OILSEEDS DURING 2009-10, 2010-11 AND 2011-12 (OIL YEAR NOV-OCT)

(Quantity in lakh tons)

State/UT	2009-10	2010-11*	2011-12**
Andhra Pradesh	15.0	19.96	12.82
Assam	1.4	1.54	1.47
Bihar	1.4	1.36	1.35
Chhattisgarh	--	2.17	1.82
Gujarat	31.0	48.96	50.83
Harayana	8.8	9.64	10.29
Himachal Pradesh	-	0.08	0.084
Jammu &Kashmir	-	0.53	0.51
Jharkhand	-	1.14	1.46
Karanataka	10.1	12.70	10.01
Kerala	-	0.02	0.02
Madhya Pradesh	76.4	80.35	74.14
Maharashtra	28.1	50.40	45.68
Orissa	1.7	1.80	1.98
Punjab	0.8	0.72	0.85
Rajasthan	44.1	66.05	62.10
Tamil Nadu	9.4	9.33	10.78
Uttar Pradesh	8.2	9.19	9.58
Uttarakhand	-	0.28	0.32
West Bengal	7.3	7.04	7.65
Others	5.2	1.54	1.55
All India	**248.9**	**324.8**	**305.29**

***** Based on Final Estimate(declared by M/o Agriculture on 03.02.2012)

** Based on 2nd Estimate(declared by M/o Agriculture on 03.02.2012)

Source: Directorate of Economics & Statistics, Dept. of Agriculture & Cooperation

7.5 From the above statement, it has been noted that the total production of oilseeds in 2010-11 in all the above States was 324.8 lakh tonnes whereas the estimated production of oilseeds during 2011-12 is 305.29 lakh tonnes i.e. 19.51 lakh tonnes less than the previous year. In this context, the Committee was informed that about 72% oilseeds are grown under rain fed conditions in the country. The production of oilseeds is influenced by the climatic conditions prevailing in a crop season particularly in Kharif. In order to enhance the production of oilseeds, Department of Agriculture and Cooperation is implementing a Centrally Sponsored Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize (ISOPOM) in 14 major oilseeds growing States w.e.f. 1.4.2004. The production of oilseeds has increased from 251.86 lakh tons in 2003-04 (prior to ISOPOM) to 324.79 lakh tons in 2010-11. This was brought about not only by increase in area but also by improving the productivity from 1064 kg. to 1193 kg. per hectare during above period. The production of oilseeds in 2010-11 was achieved at 324.79 lakh tons which was an all time record. The final estimates for the production of oilseeds in 2011-12 (2nd Advance Estimates) vis a vis 2010-11, are primarily attributed to the following reasons:

(a) The deficient rains at time of sowing of rapeseeds and mustard (in the months of September-October 2011) particularly in Taramira areas in Rajasthan during 2011-12 was the main reason for less area coverage in 2011-12. Area coverage in Rajasthan during last year was higher due to better rainfall at the time of sowing of Taramira. As per second advance estimates, area coverage under oilseeds is 269.97 lakh hectares against the normal area coverage of 269.17 lakh hectares with a production of 305.29 lakh tons in the country during 2011-12 against normal production of 269.24 lakh tons. The estimated production is higher by 36.05 lakh tons in 2011-12 against the normal production of oilseeds. The production of oilseeds is the product of area coverage and productivity. The actual impact of fluctuation of area coverage can be assessed at the time of final estimates for oilseeds.

(b) Weather aberrations, intermittent dry spells and biotic and abiotic stresses during crops seasons causes an impact on the productivity of oilseeds which are mostly grown in rain fed conditions. Major groundnut growing States viz. Andhra Pradesh, Karnataka and Maharashtra have experienced dry spell during kharif-2011 and excess rains in Madhya Pradesh at the time of harvest of soybean and moisture stress at the time of sowing of rapeseed and mustard and taramira in certain areas of Rajasthan.

On being enquired about the reasons for less production of oilseeds during 2010-11 especially in the States of Assam, Bihar, Chattisgarh, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Kerala, Punjab and Uttarakhand, the Committee was informed that oilseeds crops are cultivated in various States in kharif, rabi and summer seasons in the country. The low production of oilseeds in the States like Assam, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Kerala, Punjab and Uttarakhand is mainly due to low area coverage under oilseeds in these States. The cultivation of oilseeds also depends on the agro-climatic conditions and suitability of the crop to a crop season and comparative profitability from the established competing crops in these States. The States like Bihar, Chattisgarh, Haryana, Karnataka, Odisha, Uttar Pradesh and West Bengal are major oilseeds growing States. The production of oilseeds in major States is affected due to unfavourable conditions, weather aberrations and biotic and abiotic stresses during the crop season. Normal area and production under oilseeds (average from 2005-06 to 2009-10) in the States in question is under:-

(Area: in lakh hectares, Production in lakh tonnes)

Sl. No.	States	Area	Production
1	Assam	2.62	1.34
2	Bihar	1.40	1.41
3	Chhattisgarh	3.39	1.75
4	Himachal Pradesh	0.14	0.05
5	Haryana	5.92	8.23
6	Jammu & Kashmir	0.54	0.39
7	Jharkahand	1.08	0.56
8	Kerala	0.03	0.02
9	Karnataka	23.33	13.21
10	Odisha	3.13	1.82
11	Punjab	0.67	0.81
12	Uttar Pradesh	12.16	10.45
13	Uttarakhand	0.29	0.28
14	West Bengal	6.87	6.54

7.6 When asked about the concrete measures taken to increase production and improve availability of edible oil in the country, the Ministry stated in its written reply that 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, from 167.69 lakh tons in 2009-2010, consumption has gone upto 181.53 lakh tons in 2010-2011. Increase in population and living standards are the two factors for increase in consumption. As per Final Estimates of Ministry of Agriculture released on 03.02.2012 for 2011-12, estimated Oilseeds production is about 305.29 lakh tons.

The deficit in domestic production over domestic demand is met by imports. During 2010-11 (Nov. – Oct.), 83.71 lakh tons of edible oils have been imported into the country as against 88.23 lakh tons during the corresponding period of 2009-10. (i.e. a decrease of 4.52 lakh tons). To ensure adequate availability of edible oils, various steps have been taken by the Government as:

1. Import duties on crude and refined edible oils have been reduced to nil and 7.5% respectively.
2. Export of edible oils has been banned except coconut oil, edible oils from minor forest produce and branded oils in small consumer packs within a quantitative limit.

3. State Governments have been authorized to impose stock limits on edible oils and oilseeds.

4. In order to provide relief to consumers from rising prices and to augment availability of edible oils, since 2008, Government has introduced a “scheme for distribution of subsidized imported edible oils through States/Union Territories” for distribution to ration card holders with a central subsidy of Rs. 15/- per kg. The scheme has been extended up to September, 2012. The scheme is expected to moderate the prices of edible oils in the domestic market.

7.7 The Committee are concerned to note that production of oilseeds in the country has been declining for the past few years and at the same time, consumption of oil is showing an upward trend, the reasons for which have been attributed to increase in population and increase in living standards. Estimated production of oilseeds during 2011-12 is 305.29 lakh tons which is 19.61 lakh tons less than the previous year oilseed production i.e. 324.8 lakh tons. The deficit in domestic production over domestic demand is met by imports. The Committee are of the view that though the country has achieved self-sufficiency in the production of foodgrains, adequate attention has not been paid for raising the production of traditional oilseeds indigenously. While taking note of status of indigenous production and imports alongwith overall demand and supply position of oilseeds and edible oil, the Committee feel that there is an urgent need to pay more attention to R&D for improved varieties of seeds and improved technologies for production of oilseeds. The Department should make sincere efforts in coordination with the Department of Agriculture in the field of nurturing improved, high yielding varieties of oilseeds. Officers of State Government Departments in different States should be directed to mobilize farmers' groups from respective areas to participate in live demonstrations on scientific crop production technologies of oilseeds. The Department of Food and Public Distribution in coordination with Department of Agriculture should arrange direct interaction between scientists, farmers and agro industry personnel. They should also arrange organized farmers' visit to experimental fields of IARI. Besides this, farmers should be encouraged by some incentives based plans/schemes for opting for production

of oilseeds. The Committee recommend to the Department to take initiatives on the lines suggested in consultation with the other ministries so involved.

(c) Directorate of Vanaspati, Vegetable Oils and Fats

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

(i) Vegetable Oil Products (Regulation) Order, 1998;
(ii) Edible Oils Packaging (Regulation) Order; 1998; and
(iii) Solvent Extracted Oil, De-oiled Meal and Edible Flour (Control) Order, 1967.

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

7.10 Directorate of Vanasapti, Vegetable Oils and Fats (DVVO&F) is operating a Plan Scheme on "Research and Development and Modernization of Laboratory of the Directorate of VVO&F" during the 11th Five Year Plan. The broad objectives of the R&D Scheme are to coordinate and concentrate research efforts for development of technology for increased production of oils from oil bearing materials as also optimum utilization of these materials. In addition, the scheme is also aimed at to equip the laboratory of the Directorate by introducing modern equipments for testing of oils & Fats.

7.11 On being enquired about the number of surprise visits and other inspections carried out by the officials of DVVO&F and samples analyzed during 2009-10, 2010-11 and 2011-12 and details of irregularities found, if any and action taken against the erring units/defaulters, the Ministry has furnished the details as under:-

Year	No. of inspection	No. of samples analyzed
2009-10	967	3307
2010-11	915	3180
2011-12 (upto 4.8.2011)	290	2299

Erring units/defaulters had been issued warning in case of first time failure of their sample(s). However, in cases of second time failure of sample(s) within a year, registration of erring units/defaulters were cancelled under the provisions of the Vegetable Oils Products (Regulation) Order, 1998. During the last three years, registration of five manufacturing units were cancelled.

7.12 When asked about the reasons for substantial decrease in the number of surprise visits carried out by the officials of DVVO&F during 2011-12, the Ministry in their post-evidence reply stated that the Directorate of Vanaspati, Vegetable Oils and Fats (DVVO&F) was entrusted with inspection and analysis of samples from industries at the production level under Vegetable Oil Products (Regulation) Order, 1998. These regulatory functions have been taken over by FSSAI under Food Safety Act, 2006 which has been implemented w.e.f. 5th August, 2011. The work of inspection and analysis of samples has been entrusted with Food Safety and Standards Authority of India (FSSAI) w.e.f. 5th August, 2011. Therefore the number of inspections carried out and number of samples analyzed by the officials of DVVOF is less during 2011-12 which is upto 4th August, 2011 only as compared to previous year.

7.13 The Committee are concerned to note that the number of surprise visits and other inspections of the vanaspati manufacturing units carried out by the officials of DVVO&F and samples analyzed for the last three years is on the decline. The number of inspections done during 2010-11 was 915 which declined to 290 during 2011-12. Similarly, number of samples analyzed during the year 2010-11 was 3180 which declined to 2299 in 2011-12. The Committee feel that in a vast country like ours where edible oils are the main cooking medium and adulteration of edible oils is so widespread, number of inspections being carried out and samples being analyzed are almost negligible. The Committee, therefore, recommend that to keep a check on the adulteration of edible oils which is so rampant in our country, and to ensure quality control, the number of inspections and samples analysis should be increased and strict action should be taken against the offenders.

NEW DELHI
02 May, 2012
12 Vaisakha, 1934 (Saka)

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

Annexure -I

MINUTES OF THE TENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2011-12) HELD ON THURSDAY, THE 12th APRIL, 2012

The Committee sat from 1130 hrs. to 1410 hrs. in Committee Room No. G-074, Parliament Library Building, New Delhi.

PRESENT

Shri Vilas Muttemwar - Chairman

MEMBERS

LOK SABHA

2. Shri Tarachand Bhagora
3. Shri Shivraj Bhaiya
4. Shri Sanjay Dhotre
5. Shri Prataprao Ganpatrao Jadhav
6. Shri Lal Chand Kataria
7. Shri Marotrao Sainuji Kowase
8. Shri Gobinda Chandra Naskar
9. Shri Prabodh Panda
10. Shri Purnmasi Ram
11. Shri Ramkishun
12. Smt. Usha Verma

RAJYA SABHA

13. Smt. T. Ratna Bai
14. Shri M. S. Gill
15. Shri Lalhming Liana
16. Shri Sanjay Raut

17. Dr. T. N. Seema
18. Shri Veer Singh

SECRETARIAT

1. Smt. Veena Sharma - Director
2. 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 (D/o FPD)
2.	Shri T. S. Randhawa	-	AS & FA, D/o FPD
3.	Shri Siraj Hussain	-	CMD (FCI)
4.	Shri B. B. Pattanaik	-	MD (CWC)
5.	Shri Dinesh Rai	-	Chairman (WDRA)
6.	Shri Girish Shankar	-	Joint Secretary (Storage), D/o FPD
7.	Shri T Jacob	-	Joint Secretary (A and S&SA), D/o FPD
8.	Shri Naveen Prakash	-	Joint Secretary (P&FCI), D/o FPD
9.	Shri A. K. Kapoor	-	Advisor (Cost), D/o FPD
10.	Dr. Amar Singh	-	Executive Director (Storage), FCI
11.	Shri R. Sridharan	-	Executive Director (Vigilance), FCI
12.	Shri S. S. Bhatoa	-	Executive Director (QC), FCI
13.	Shri Surinder Singh	-	Executive Director (Procurement), FCI
14.	Shri B. S. Mohapatra	-	Executive Director (Finance), FCI
15.	Shri Rajan Sehgal	-	CD (Sugar), D/o FPD
16.	Shri Y. C. Nijhawan	-	CD (VVO&F), D/o FPD

1. 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 2012-13. Hon'ble Chairman, in his welcome speech, raised various important issues such as failure to make realistic projection of funds at initial stage, steps taken by the Government to increase the production of sugar, edible oil and pulses, non-satisfactory performance of various schemes including (i) Construction of godowns by FCI/ State governments, (ii) Integrated Information System in Foodgrains Management (IISFM), (iii) Computerization and strengthening of PDS operations, and (iv) Village Grain Bank Scheme, etc.

2. 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.

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

(i) Need for computerization of the Public Distribution System and a suitable universal model to be adopted by all State Governments at the earliest;

(ii) Need to enhance the warehousing facilities available to the farmers in various States especially by expediting the process of construction of godowns in the North eastern states ;

(iii) Need for intensifying the awareness campaign for enlightening the farmers regarding the benefits such as compensation given by warehouses/godowns for quality loss of food grains deposited by them;

(iv) Need for proper coordination between the Department of Railways and the Department of Food to bring about efficient and timely procurement, movement and distribution of food grains;

(v) Need for an integrated approach regarding all the schemes being pursued by the Department for the benefit of the farmers and a need to spread awareness regarding the same ; and

(vi) Need to bring about reforms in the various functions of the Department in order to facilitate the operationalisation of the National Food Security Bill, 2011 in the current financial year, etc.

4. The representatives of the Department responded to the queries raised by the Chairman and the members on the aforesaid issues. The CMD, FCI also responded to the queries of the Committee with the help of another PowerPoint presentation. MD, CWC also apprised the Committee about the activities of the Corporation particularly about the innovative steps taken by them in the design and construction of godowns in the country.

5. 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.

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

The Committee then adjourned.

Annexure -II

MINUTES OF THE TWELFTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2011-12) HELD ON WEDNESDAY, THE 2ND MAY, 2012

The Committee sat from 1500 hrs. to 1530 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Shri Vilas Muttemwar - Chairman

MEMBERS

LOK SABHA

2. Shri Jaywant Gangaram Awale
3. Shri Shivraj Bhaiya
4. Shri Arvind Kumar Chaudhary
5. Dr. Ram Chandra Dome
6. Shri Lal Chand Kataria
7. Shri Marotrao Sainuji Kowase
8. Shri Gobinda Chandra Naskar
9. Shri Prabodh Panda
10. Shri Chandulal Sahu
11. Shri E.G.Sugavanam

RAJYA SABHA

12. Shri Lalhming Liana
13. Shri Sanjay Raut

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 Reports on Demands for Grants (2012-13) of the Ministry of Consumer Affairs, Food and Public Distribution pertaining to the (i) Department of Food and Public Distribution, and (ii) Department of Consumer Affairs. In his opening remarks Hon'ble Chairman highlighted the important recommendations contained in both the draft Reports.

3. The Committee then took up for consideration the draft Report pertaining to the Department of Food and Public Distribution and Department of Consumer Affairs. After due deliberation, the Committee unanimously adopted the draft Report pertaining to the Department of Food & Public Distribution with minor changes and draft Report pertaining to Department of Consumer Affairs without any amendments/modifications.

4. The Committee then authorized the Chairman to finalize the aforesaid Reports and present the same to Parliament in the current Session of Parliament.

5. The Committee also decided to undertake a study visit to some States during the last week of May, 2012.

The Committee then adjourned.

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Annexure-III

STATEMENT OF OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE REPORT

Sl. No.	Para No.	Observations/Recommendations
1	**2**	**3**
1.	2.6	**The Committee note that BE of the Department for the year 2011-12 was Rs. 120 crore for its Plan Schemes which was reduced to Rs. 93.48 crore at RE stage and the actual expenditure incurred up to 31.03.2012 was Rs. 91.17 crore which indicates 97.5% utilization of RE. The Committee note that for Non-Plan Schemes during 2011-12, BE was Rs. 72211.32 crore which was raised to Rs. 84393.93 crore at RE stage but actual expenditure was Rs. 72726.67 crore. The Committee feel that revising the estimate at RE stage and then not utilizing the revised allocated funds shows lack of perspective planning on the part of the Department. The Committee further note that in Non-Plan Schemes, there is under spending in various Schemes such as Scheme for `financial assistance to sugar undertakings', `reimbursement export shipment of internal transport and freight charges to sugar factories', `Indian Grain Storage Management & Research Institute(IGMRI)', `modernization/rehabilitation of sugar mills', etc. In view of the above observations, the Committee strongly recommend that Department should make advance and better planning to fix realistic targets so as to avoid fluctuations in allocation of funds at RE stage and ensure that the allocations earmarked for different schemes are fully utilized during the year.**
2.	**3.7**	**The Committee note that the Decentralized Procurement Scheme (DCP) like other schemes of the Department also suffers for want of infrastructural facilities, timely release of funds, submission of utilization certificates and proper planning for distribution of foodgrains. Besides, even after 13 years of its inception, the DCP scheme was undertaken by only 6 States for wheat and 10 States for**

rice. The Committee feel that DCP scheme is one of the most important schemes being implemented with a view to lessening the burden of FCI and reducing the dependence of Central Government. The Committee feel that the Department/FCI should create necessary infrastructure in coordination with the State Governments in Public Private Partnership (PPP) mode in a time bound manner by using the modern scientific technology so that more and more States opt for the DCP Scheme for procurement of foodgrains. The Committee desire that the Department should also take vigorous steps to motivate the remaining States to adopt the DCP scheme. The specific benefits of adopting the scheme along with the achievement of DCP States should be duly communicated at the highest level through various meetings so as to persuade the States to contribute towards the Central Pool thereby enhancing food security.

3. 3.14 **The Committee note that the subsidy released on foodgrains has risen by leaps and bounds during the last three years for which the reasons attributed by the Department are the increasing gap between Minimum Support Price(MSP) and Central Issue Price (CIP) of wheat and rice supplied to AAY, BPL and APL families under PDS and also due to supply of foodgrains for several schemes run by other ministries and States/UTs at BPL rates such as Mid-Day Meal scheme of the Ministry of Human Resource Development, Annapurna Schemes of States/UTs, etc. The Committee also note that there has been normal increase in freight/handling charges and interest cost due to higher quantity of foodgrains handled/procured. The Committee feel that the need for higher amount of subsidy is due to non-revision of issue price of foodgrains for the past about 10 years whereas MSP of wheat has substantially increased over the years. In view of the aforesaid scenario, the Committee strongly recommend that the Ministry of Finance/Planning Commission should be persuaded to allocate adequate food subsidy for efficient management of various operations of FCI. The concern of the**

		Committee should be communicated to Planning Commission/Ministry of Finance. At the same time, the Committee also desire that encouraging decentralized procurement in the remaining States the Department should also make concrete efforts to finalize the poverty estimates of AAY and BPL population at the earliest by considering the existing level of income and expenditure structure for deciding the allocation of foodgrains under TPDS to reduce the undue burden on food subsidy bill.
4.	3.15	**The Committee note that the proposal of the Department to distribute equivalent amount of food subsidy in cash, instead of subsidized foodgrains, based on request received from States i.e. U.P., Haryana, Delhi and Bihar, to the eligible BPL and AAY families is still under examination in the Department. The Committee hope that the Department of Food and Public Distribution will further pursue the matter with State Governments of U.P. and Bihar for an early decision in the matter.**
5.	3.17	**The Committee are unhappy to note that claims of huge amount are still pending with FCI for being paid to States/UTs on account of cost of transportation of foodgrains under Hill Transport Subsidy (HTS) scheme since 2006 for one or the other reason. The Committee, therefore, strongly recommend that Department/FCI should make sincere efforts for liquidation of the outstanding dues of the States/UTs. The Committee also desire that States should be given proper guidelines in clear and unambiguous terms regarding procedure to be followed by the States while submitting the claims of HTS. They should be given standing instructions in clear terms about the kind of format to be furnished and documents to be submitted for ensuring speedier settlement of HTS claims.**
6.	3.33	**The Committee note that the Government of India launched the Targetted Public Distribution System (TPDS) in June, 1997 with a view to making foolproof arrangements for identification of poor population for delivery of foodgrains through FPS at subsidized rates. The**

poorest of the poor persons are distributed the foodgrains at the lowest price i.e. Rs. 2 per kg of wheat and Rs. 3 per kg. of rice under the Antyodaya Anna Yojana (AAY) Scheme. The Government has adopted Nine Point Action plan in July 2006 to make TPDS more effective. The Committee regret to note that despite various measures taken by the Government to streamline and strengthen the TPDS, there is no satisfactory improvement in its functioning. There is error in inclusion and exclusion of targeted families in the list of BPL and AAY families. Besides, the diversion and leakage of foodgrains has become a more serious problem in the States. The Citizen's Charter issued by GOI in July 2007 to increase the transparency in the functioning of TPDS has not yet been adopted by all the States/UTs. Upto 31.01.2012, 22 States/UT Government have reported implementation of monthly certification scheme. In the opinion of the Committee, this could be attributed to weak monitoring over the scheme on the part of the Department and lack of coordination with the State Governments. Consequently, a large number of poor families are being deprived of the benefits of the subsidized foodgrains. The Committee, therefore, recommend that the Department should make concerted efforts to persuade all the State Governments/UTs to implement the Nine Point Action Plan, monthly certification scheme and Citizen's Charter and closely monitor the implementation of the scheme so that the AAY and BPL families get their due share of foodgrains. The Department should also impress upon all the States/UTs to follow the guidelines laid down in the revised Citizen's Charter to ensure food security to weaker sections of the society under TPDS.

7. 3.42 **The Committee note with concern 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 per cent for APL whereas in case of rice, it is 83.38 per cent and 81.12 per cent for APL families in the two 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 Chhattisgarh and Jharkhand is 78.34 per cent and 54.53 per cent, respectively. 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. The Committee hope that GPS devices would be installed in the vehicles carrying TPDS foodgrains/goods in all the States/UTs of the country on top priority basis to curb the menace of diversion and leakages of foodgrains, meant for poorest of the poor, to be allocated through PDS.

8. 3.52 **The Committee note that the Hon'ble Supreme Court, in its orders regarding Computerization of TPDS, has directed that end-to-end Computerization of TPDS be undertaken with the help of a Common Application Software (CAS) and leveraging Aadhaar in consultation with the specialized agencies like the Unique Identification Authority of India or any other agencies. Hon'ble Supreme Court has also directed that Computerization of PDS be taken up in a phased manner comprising of Component-I relating to computerization of complete supply-chain management, digitization of Ration Card database and availability of this information in public domain through a transparency portal as per Chhattisgarh model and Component-II relating to authentication of delivery and payments at the FPS, including use of Aadhaar in due course, as per Gujarat model, or any other advanced model. The Committee also note that the pilot scheme on Computerization of TPDS operations is proposed to be expanded in the 12th Five Year Plan (2012-17) which will be taken up as a Scheme on end-to-end Computerization of PDS on cost-sharing basis with States/UTs. Detailed guidelines have been issued by the Department on 21.10.2011 to States/UTs for computerization of PDS. The Committee have been informed that as the scheme is to be implemented by the State/UTs, the success of computerization of PDS**

depend upon their framing of detailed action plan, initiatives taken and time bound implementation as per specified milestones. Detailed directions alongwith timelines covering various aspects like Digitization of Beneficiary Data Base, Computerization of Supply-Chain Management and FPS Automation for achievement of various milestones towards Computerization of PDS were issued by Secretary (F&PD) to Chief Secretaries of all States / Administrators of all Union Territories on 07.03.2012. The Committee desire that the work of end-to-end computerization of PDS operation be accorded priority especially in States like Delhi, U.P. where the number of complaints received from individuals/organizations on TPDS are reportedly higher, so that right quantity of foodgrains/other commodities are issued to the intended beneficiaries only. The Committee further hope that the Department of Food and Public Distribution will pursue the matter with Chief Secretaries/Administrator of all States/UTs for an expeditious implementation of the project all over the country which will in-turn improve the efficiency of the PDS.

9. 3.60 **The Committee note that main objective of the Village Grain Bank scheme 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 foodgrains will be able to borrow foodgrains 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. The Committee also note that about 16,196 Village Grain Banks have been established by the State/UT Governments against 21,751 Village Grain Banks sanctioned by the Department. The Department have also informed that the actual VGBs established may be more than this figure as some States have established VGBs but have not sent complete UCs. The Committee note that based on the findings of the**

		evaluation of the Village Grain Bank Scheme by World Food Programme in three States and by independent agency, it was decided that the scheme may be revised. Accordingly, the scheme is being revised in consultation with the World Food Programme and the independent agency to make it more attractive and effective. The revised scheme will then be submitted for consideration of the Expenditure Finance Committee for approval. The Committee has also been given the impression that the scheme is not successful at large. The Committee, therefore, strongly recommend that the Department should thoroughly modify/revamp the scheme at the earliest to make it viable/effective.
10.	4.7	**The Committee are concerned to note that a huge amount of Rs. 2890.82 crore each for the year 2009-10, 2010-11 and 2011-12, respectively are outstanding dues of FCI which are to be recovered from Ministry of Rural Development. Further, Rs. 286.36 crore and Rs. 191.01 crore for the year 2009-10 and 2010-11, respectively are outstanding against the Ministry of Human Resource Development on account of providing foodgrains for various welfare schemes on payment basis. In case of Ministry of Human Resource Development, a revolving fund of Rs. 300 crore has been provided by the Ministry of HRD. Besides this, Rs.54.05 crore extra have been received from Ministry of Human Resource Development as account settlement in absence of bill-wise settlement. The Committee are surprised to note that there was no time limit for making payment by Ministry of Rural Development for foodgrains supplied under SGRY Scheme. In respect of Mid-Day-Meal scheme of MoHRD, there is a 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 by MoHRD as it depends on allocation of funds by Ministry of Finance. The Committee find that despite various steps taken by the Department of Food and even after**

		intervention at Minister's level with the Ministry of Finance and other concerned ministries, i.e. Ministry of Rural Development and Ministry of Human Resource Development, the outstanding dues are still very high. The Committee feel that inability to liquidate the outstanding dues of FCI over the years indicate financial indiscipline. The Committee view this with grave concern and desire that the Department should find ways and means to deal with the situation and make regular and continuous efforts at the highest level for liquidation of the outstanding dues at the earliest to avoid undue burden on food subsidy bill. The Committee also desire that a time limit should be fixed within which the Ministries may be asked to make payments in future failing which some penal interest be levied.
11.	4.12	**The Committee are deeply concerned to note that a large part of the food subsidy goes towards meeting the establishment cost of FCI which is increasing year after year. Establishment cost for the year 2009-10, 2010-11 and 2011-12 is Rs. 1826.65, Rs. 2514.48 and Rs.2972.91 crore, respectively. Reason cited for increase in the establishment cost since 2008-09 is the increase in average wages, consequent to pay revision, and also induction of fresh employees. Taking into consideration the ever increasing food subsidy bill over the years, the Committee recommend that the FCI should take concrete measures to bring down the establishment cost which will help in reducing the ever increasing burden on Food Subsidy Bill. The Committee, therefore, strongly recommend that ways and means should be devised to contain the establishment cost so as to ensure the benefits of food subsidy to the ultimate beneficiary.**
12.	4.17	**The Committee note with concern that utilization of CAP (owned) capacity by FCI during 2012 (as on 29.02.2012) is 29% whereas utilization of CAP (hired) capacity is 64%. Thus, under utilization of owned capacity and hiring of godowns when under- utilized owned capacity is available, appears to be irrational and leading to avoidable expenditure of precious funds which can be utilized elsewhere. The**

Committee feel that due to lack of integrated approach by the Department in disseminating the information about availability of storage space as well as the new programmes of construction of storage space, the small scale farmers cannot utilize/avail the space which eventually result into non-achievement of the targets fixed by the Department. The Committee, therefore, desire that the Department should bring out brochure/pamphlet of various schemes/programmes including storage facilities available to the farmers to enable them to avail the benefits so that the storage space is put to maximum use. The same should also be distributed to MPs/MLAs/MLCs of the respective areas for their information. The Committee are also unhappy to note that the rent paid by FCI for hiring of godowns is constantly on the rise for the last three years. The Committee express their deep anguish over under utilization of owned capacity of the godowns and high rent being paid on account of hiring of godowns, which clearly reflects lack of planning and improper management on the part of FCI. The Committee, therefore, strongly recommend that FCI should re-assess their requirement of storage space and utilize their owned capacity to the maximum before hiring any storage capacity in order to save precious funds spent on hiring the storage space. The Committee would like to be apprised of the steps taken in this direction and also the reasons for under utilization of owned capacity and hiring of godowns.

13. 4.23 The Committee note with concern that though the physical target in respect of construction of godowns in regions other the North East (NE) has been achieved by FCI during 2011-12, it has failed to achieve the target in so far as North-East Region is concerned. The target set by the corporation for construction of godown in NE was 15000 tons but its achievement was nil. Similarly, the corporation failed to achieve the financial target during the same period for NE States as well as States other than NE. Reason cited for non-achievement of physical target in NE States as slow pace of work by one of the State

Government agency, does not seem to be convincing. The Committee observe that the North-Eastern States are the most disadvantaged States in terms of lack of infrastructure, communication and rail/road network. Inadequacy of storage space in NE States poses a serious threat to running of an efficient Public Distribution System. The Committee, therefore, strongly recommend that the Ministry should make all out efforts for speeding up the construction of godowns in NE region so that the people of North East are not deprived of the benefits of PDS and the funds earmarked for the purpose do not remain unutilized.

So far as achievement of financial target in NE States/other than NE States is concerned, the Committee desire that pending disputes for 3 acre of land for Changasari Project be resolved at the earliest. The Committee, therefore, strongly recommend the Ministry to take up the matter with State Governments that have not yet identified the land and urge them to hand over the land to FCI at the earliest so that construction of godowns can be started without further delay.

14. 4.42 **The Committee are concerned to note that despite remedial steps taken by FCI, storage and transit losses are continuously on the rise. Storage losses have increased from Rs. 292.91 crore in 2010-11 to Rs. 301.17 crore in 2011-12. Similarly, transit losses have increased from Rs. 257.42 crore in 2010-11 to Rs. 275.88 crore in 2011-12. The Committee feel that all this goes to prove that the steps taken by the FCI to prevent storage losses are not adequate. The Committee, therefore, desire that FCI should adopt latest scientific and modern technology for storage of foodgrains to minimize storage losses. Regular inspections/surprise checks and constant monitoring are needed so that losses do not increase further. The Committee also recommend that norms for storage losses need to be revised which are still on the higher side and there is need to further reduce the same.**

15.	4.43	**The Committee note that there is shortfall in the supply of rakes by Railways vis-à-vis the plan of FCI for meeting the PDS requirement in the country. The Committee have been informed that during 2011-12, FCI had planned movement for 13,215 rakes but railways supplied only 10,969 rakes which is about 83% of the planned movement. FCI could have moved about 60 lakh tonnes additional foodgrains if this shortage was not there. Due to this shortfall, many States, especially the two high procuring States i.e. Punjab and Andhra Pradesh have been affected. The other States affected are M.P. (about 6 lakh tones), Chhattisgarh (about 5 lakh tonnes) and Haryana (about 7 lakh tonnes). The Committee have been further informed that FCI prepares monthly Movement Plan based on computerized linear programming indicating date-wise, destination-wise requirement of rakes but railways during 2011-12 has complied with only 40% of the linear programming. The unplanned rakes sent by Railways lead to bunching, detention and consequently FCI suffers financial loss because huge amounts have to be paid to the railways in the form of demurrages. Recently, railways have started imposing 6 times demurrages without considering their own operational problems which is one of the reasons for detention of rakes.** **During evidence, the representatives of the Department further informed the Committee that there are large number of railways sidings/goodsheds where the platform itself cannot accommodate full rake i.e. about 40 to 42 wagons. The States where this problem exits are Kerala, Bihar, West Bengal and Jharkhand. According to the Department, Railway Board itself has approved supply of rakes at these locations as two point combinations. But subsequently railway authorities impose restrictions on two point combinations for more than 6 months in a year which leads to problem of detention and inadequate supply of foodgrains on these locations. The Committee desire that Department should regularly monitor the movement of foodgrains and coordinate with railway authorities for additional**

supply of rakes on priority basis to augment foodgrain stock in the State where shortfall of foodgrains is reported. In the light of the above circumstances/observations, the Committee, also desire the Department to communicate the concern of the Committee to the Ministry of Railways to explore the feasibility of supplying the rakes of atleast 90% of the requirement of FCI and not to impose restrictions on loading under two point combinations for the states of Kerala, West Bengal, Bihar and Jharkhand so that FCI can ensure movement of foodgrains in these States without any hindrance.

16. 4.44 **The Committee have been informed during evidence that the railways supply general purpose wagons for loading of foodgrains, which are also used for loading cement, fertilizers and other general goods. They do not earmark specific rakes for loading of foodgrains. The Committee feel that there is imperative need to supply wagons which are free from remains of dust, coal, cement and fertilizers before they are loaded with foodgrains/sugar. The Committee, therefore, feel that there is laxity on the part of Department of Food and Public Distribution, FCI and railways authorities in accepting and supplying wagons which are not fit to transport foodgrains and may cause serious health hazards to consumers. The Committee, therefore, strongly recommend that under no circumstances wagons which are used for transporting cement, fertilizers, coal etc. be used for transportation of foodgrains. The Committee recommend that Government should take up the matter with the Ministry of Railways for providing special wagons instead of general purpose ones for the transportation of foodgrains so that the quality of foodgrains remain intact till it reaches its final destination.**

17. 4.48 **The Committee note that the number of vigilance cases including corruption cases detected on various counts in FCI, disposed off and closing balance during the year 2009, 2010 and 2011 was 910, 613 and 479, respectively. During 2011, cases registered by CBI and Vigilance/ACB of State was 2 and 1, respectively. Though the total**

		number of corruption cases have declined but still it is very high. The Committee also note that CBI has raided the residences and offices of the senior officers of FCI. The Committee desire to be apprised of the outcome of the investigation done by CBI. The Committee also desire that vigilance mechanism should be tightened up and made more transparent and accountable. Further, the Committee also desire early disposal of pending cases as delay in disposal of cases would further aggravate corrupt practices.
18.	5.7	**The Committee are unhappy to note that expenditure on establishment cost of CWC is constantly increasing despite various remedial measures being adopted by the corporation. The expenditure on establishment cost has risen from Rs. 333.42 crore in 2008-09 to Rs. 450.26 crore in 2011-12. Reasons cited by the corporation for increase in establishment cost is the revision of pay scales, allowances/fringe benefits/enhancement of the ceiling on gratuity and introduction of pension funds for introduction of pension scheme for the employees of the corporation w.e.f. 01.01.2007. The Committee feel that even after taking into account all such factors, establishment cost is still very high. The Committee, therefore, strongly recommend that corporation should devise ways and means, thereby reducing its establishment cost and to further raise its profit.**
19.	5.9	**The Committee are deeply concerned to note the continuous rise in outstanding dues of Central Warehousing Corporation (CWC) during 2010-11 and 2011-12 i.e. Rs. 225.87crore and Rs. 215.18 crore, respectively. The Committee, therefore, recommend for liquidation of outstanding dues fully at the earliest.** **The Committee are also unhappy to note the unusual increase in bad debts written off to the tune of Rs. 9.52 crore and Rs. 5 crore during the last two years i.e. 2010-11 and 2011-12. The Committee would like**

		to be apprised about the reasons for such a huge amount of bad debts which have been written off and would like the Ministry to keep a close vigil on this trend and take judicious decisions in writing off the bad debts.
20.	5.13	**The Committee note that during 2011-12, CWC achieved the physical target of construction of godowns but failed to achieve the financial target. The Committee have been informed that the financial target could not be achieved because the expenditure as planned for the purchase of land and lorry weigh bridges/wooden crates/ploy pallets/PCC blocks, etc. could not be made due to various constraints. The reasons put forth by CWC is that they are operating 9 warehouses in NE region with a total capacity of 1.02 lakh MTs. and average capacity utilization as on 29th February, 2012 was 88%. Since the existing capacity was not even fully utilized, construction of additional capacity could not be considered. The Committee, however, note that construction of additional storage capacity of 9000 MT in two Warehouses in Assam (CW Sarbhog and CW, Dhubri) planned will be undertaken by CWC during 2012-13. While appreciating the difficulties in construction of godowns in NE region due to difficult geographical conditions, the Committee hope that corporation will make maximum possible efforts in materializing the plan of construction of additional capacity in the vacant lands at Sorbhog and Dhubri at the earliest so that poor persons are not deprived of the benefits of Public Distribution System (PDS).**
21.	5.17	**The Committee note that as against 19 sanctioned posts, 9 are in position in the Warehousing Development and Regulatory Authority, which was set up in October, 2010 for drafting of Warehousing Regulations, Appointment of Accreditation Agencies, Notification of Agricultural Commodities for Negotiable Warehouse Receipt, etc. As informed by the Department, efforts are being made to fill up the vacant posts at the earliest to ensure smooth functioning of the office of WDRA. The recruitment rules are being framed so that the**

		sanctioned posts could be filled up as per rules. Hiring of services of staff by WDRA on cost recovery basis and proposal for creation of additional 22 posts in the interest of smooth functioning of WDRA is also being considered. Taking into consideration, the wide magnitude and importance of work to be performed by the authority, the Committee desire that filling up of remaining vacant posts be expedited.
22.	6.7	**The Committee are happy to note the increased trend of production of sugar for the last three years. The area under sugarcane cultivation which was 41.75 hectare during 2009-10 and 48.84 hectare during 2010-11 has increased to 50.81 hectare during 2011-12 which is 4.03% increase over the previous year. The Committee further note that to make sugar cultivation more profitable, the Government of India is taking various steps such as fixing of adequate Fair and Remunerative Price (FRP) of sugarcane in advance launching of a Centrally Sponsored Scheme on "Sustainable Development on Sugarcane Based Cropping System(SUBACS)" covered under Macro Management mode of Agriculture, the main thrust of which is transfer of improved technologies to the farmers, training of farmers, enhancing seed production and pest measures etc. The Committee hope that Government will continue to take such steps so as to encourage farmers to continue cultivating sugarcane crop so that sugarcane remain equally competitive with other food/cash crops.**
23.	6.10	**The Committee observe that the mismatch between domestic production and demand for sugar is primarily responsible for rise in price of sugar. The Committee note that due to various steps taken by the Department such as regulated release mechanism of sugar, high sugar production in the sugar season 2010-11 and estimated high production in sugar season 2011-12, maintenance of sufficient stocks of sugar to meet domestic requirement, price of sugar has remained more or less stable during the last and current sugar season. The Committee feel that price of sugar is still on the high side. The**

		Committee desire that with the help of scientifically gathered agricultural intelligence, the long-term production trend can be assessed. Necessary steps, therefore, need to be taken to deal with the situation. The Committee, therefore, recommend that the Department should take necessary steps to bring down the price of sugar and achieve the long-term stabilization of sugar production and prices.
24.	6.15	**The Committee are pained to note that cane price arrears to the tune of Rs. 8409.62 crore, Rs. 84.21 crore and Rs. 1406.60 crore for the sugar season 2011-12, 2010-11 and 2009-10, respectively are still outstanding. The Committee desire that Government should take appropriate action under Sugarcane (Control) Order, 1966 under which Central/State Government officers are authorized to recover the arrears of cane price remaining unpaid after 14 days of supply of cane by the growers, together with interest at the rate of 15 per cent. The Committee, however, note that as yet no action has been taken against the sugar mills to recover the cane price. The Committee, therefore, desire that interest of farmers should be protected in such a manner that they continue to cultivate sugarcane without any hindrance. To ensure this, any aid/assistance given to sugar mills should be suspended and strict action should be taken against defaulting mills under the provision of Sugarcane (Control) Order, 1966.**
25.	6.20	**The Committee note that out of 187 sick sugar mills, majority are located in Maharashtra and U.P. i.e. 71 and 41 in number, respectively. The main reason cited for sickness of the sugar mills are non-availability of adequate raw material, poor recovery from sugarcane, uneconomic size, lack of modernization, up-gradation and diversification, high cost of working capital, declaration of high State Advised Price (SAP) of sugarcane by some States, control of molasses, lack of professional management, overstaffing, etc. The Committee are concerned to note that despite the provision of**

financial assistance from Sugar Development Fund (SDF) for rehabilitation/modernization, sick sugar mills are not availing the benefits of the scheme. The Committee desire that Government should view the revival of sugar mills seriously and encourage them to join the mainstream in production of sugar thereby combating the problem of shortage of sugar in the country. Further, the Committee also recommend that procedure for availing assistance from SDF be simplified further so that maximum benefit can be availed by sick sugar mills for their revival.

26.	7.7	**The Committee are concerned to note that production of oilseeds in the country has been declining for the past few years and at the same time, consumption of oil is showing an upward trend, the reasons for which have been attributed to increase in population and increase in living standards. Estimated production of oilseeds during 2011-12 is 305.29 lakh tons which is 19.61 lakh tons less than the previous year oilseed production i.e. 324.8 lakh tons. The deficit in domestic production over domestic demand is met by imports. The Committee are of the view that though the country has achieved self-sufficiency in the production of foodgrains, adequate attention has not been paid for raising the production of traditional oilseeds indigenously. While taking note of status of indigenous production and imports alongwith overall demand and supply position of oilseeds and edible oil, the Committee feel that there is an urgent need to pay more attention to R&D for improved varieties of seeds and improved technologies for production of oilseeds. The Department should make sincere efforts in coordination with the Department of Agriculture in the field of nurturing improved, high yielding varieties of oilseeds. Officers of State Government Departments in different States should be directed to mobilize farmers' groups from respective areas to participate in live demonstrations on scientific crop production technologies of oilseeds. The Department of Food and Public Distribution in coordination with Department of Agriculture should arrange direct**

		interaction between scientists, farmers and agro industry personnel. They should also arrange organized farmers' visit to experimental fields of IARI. Besides this, farmers should be encouraged by some incentives based plans/schemes for opting for production of oilseeds. The Committee recommend to the Department to take initiatives on the lines suggested in consultation with the other ministries so involved.
27.	7.13	**7.13 The Committee are concerned to note that the number of surprise visits and other inspections of the vanaspati manufacturing units carried out by the officials of DVVO&F and samples analyzed for the last three years is on the decline. The number of inspections done during 2010-11 was 915 which declined to 290 during 2011-12. Similarly, number of samples analyzed during the year 2010-11 was 3180 which declined to 2299 in 2011-12. The Committee feel that in a vast country like ours where edible oils are the main cooking medium and adulteration of edible oils is so widespread, number of inspections being carried out and samples being analyzed are almost negligible. The Committee, therefore, recommend that to keep a check on the adulteration of edible oils which is so rampant in our country, and to ensure quality control, the number of inspections and samples analysis should be increased and strict action should be taken against the offenders.**