

**STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS
AND PUBLIC DISTRIBUTION (2009-10)**

FIFTEENTH LOK SABHA

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

**DEMANDS FOR GRANTS
(2009-10)**

SECOND REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2009/, Agrahayana, 1931 (Saka)

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(DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION)**

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(2009-10)**

**Presented to Lok Sabha on 17.12.2009
Laid in Rajya Sabha on 17.12.2009**



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2009/, Agrahayana, 1931 (Saka)

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**COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CONSUMER
AFFAIRS AND PUBLIC DISTRIBUTION – 2009-10.**

Shri Vilas Muttemwar - Chairman

MEMBERS

Lok Sabha

2. Shri Jaywant Gangaram Awale
3. Smt. Harsimrat Kaur Badal
4. Shri Kamlesh Balmiki
5. Shri Tara Chand Bhagora
6. Shri Shivraj Bhaiya
7. Shri Arvind Kumar Chaudhary
8. Shri Sanjay Singh Chauhan
9. Shri Anant Gangaram Geete
10. Shri Abdul Mannan Hossain
11. Shri Lalchand Kataria
12. Shri Marotrao Sainuji Kowase
13. Shri Sohan Potai
14. Shri Purnmasi Ram
15. Shri Dinubhai Solanki
16. Shri Laxman Tudu
17. Shri D. Venugopal
18. Shri Madhusudan Yadav
19. Shri Ramakant Yadav
20. Vacant
21. Vacant

Rajya Sabha

22. Smt. T. Ratna Bai
23. Shri Lalhming Liana
24. Shri Kanjibhai Patel
25. Shri Rajniti Prasad
26. Shri Ram Narayan Sahu
27. Shri Matilal Sarkar
28. Shri Veer Singh
29. Shri Kaptan Singh Solanki
30. Vacant
31. Vacant

SECRETARIAT

- | | | |
|------------------------|---|-------------------|
| 1. Shri P.K. Misra | - | Joint Secretary |
| 3. Smt. Veena Sharma | - | Director |
| 3. Shri Jagdish Prasad | - | Deputy Secretary |
| 4. Shri Khakhai Zou | - | Executive Officer |

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Consumer Affairs and Public Distribution (2009-10) having been authorized by the Committee to submit the Report on their behalf, present this Second Report on Demands for Grants (2009-10) 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 (2009-10) of the Ministry, which were laid on the Table of the House on 7th July, 2009. The Committee took evidence of the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) on 23rd October, 2009.

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 15th December, 2009.

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
15th December, 2009
24 Agrahayana, 1931 (Saka)

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

CHAPTER – I

INTRODUCTORY

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

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

The Department is organized into 13 Divisions. It has two Attached Offices, namely: (i) Directorate of Sugar (ii) Directorate of Vanaspati, Vegetable Oils & Fats

(DVVO&F). There is one subordinate office under Sugar Division namely National Sugar Institute, Kanpur.

There are other Subordinate Offices under the Department, namely:

- (i) Eight Quality Control Cells (QCCs) located at New Delhi (headquarter), Kolkata, Hyderabad, Bangalore, Bhopal, Bhubaneswar, Lucknow and Pune.
- (ii) One Indian Grain Storage Management and Research Institute (IGMRI), Hapur (Uttar Pradesh) with 2 field stations located at Hyderabad, and Ludhiana.

1.2 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 (2009-10) relating to the Department of Food and Public Distribution on 7th July, 2009. The Detailed Demands for Grants, for the Department of Food and Public Distribution shows a budgetary provision of Rs. 54774.27 crore. This includes Rs. 95 crore for plan activities and Rs. 54679.27 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 2009-10. The detailed analysis along with observations/ recommendations of the Committee on various issues have been given in the succeeding Chapters of the Report.

CHAPTER –II

Status of Implementation of the recommendations made by the Committee in their Twenty-third Report (14th Lok Sabha) on Demands for Grants (2008-09) under Direction 73-A of the Directions by the Speaker, Lok Sabha.

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

2.2 The Standing Committee on Food and Public Distribution presented their Twenty-third Report on Demands for Grants (2008-2009) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) on 16 April, 2008. The Twenty-sixth Report on Action taken by the Government on the recommendations contained in the Twenty-third Report on Demands for Grants (2008-2009) of Department of Food and Public Distribution was presented to Lok Sabha on 12 December, 2008.

2.3 **Out of 31 recommendations, 7 recommendations (Rec. paragraph Nos.3.16, 3.17, 3.18, 4.26, 6.14, 6.26, 7.26) have been implemented by the Government. Rec. No.- 3.16, 3.17, 3.18- Steps to avoid underspending and to minimize the procedural delay:-** Government have taken steps to avoid underspending in plan and non-plan schemes. Further, to minimize the procedural delays in disbursement of the sanctioned loans, Government have reviewed some of its existing guidelines. **Rec. No. 4.26- Spurt in prices of foodgrains-** Prices of rice and wheat are monitored regularly by Department of Food and Public Distribution. Further Government have taken various steps to curb price rise of Essential Commodities. **Rec. No. 6.14: Increase in establishment cost of CWC:-** The recommendation of M/s. TCS to reduce establishment cost of CWC were accepted by CWC in general. No fresh recruitment were made for the year 1998. **Rec. No.- 6.26 – Maximum utilization of owned capacity:-** Storage capacity is hired by CWC where the Corporation do not have its own godowns and hired godowns had maximum utilizations. **Rec. No. 7.26- Procedural delay in disbursement**

of loans from SDF: To minimize the procedural delays in disbursement of sanctioned loans, the Government have reviewed some of its existing guidelines.

2.4 16 Recommendations (Rec. No. 3.19, 4.24, 4.72, 4.73, 4.74, 4.75, 4.76, 5.7, 5.11, 5.24, 5.25, 5.32, 5.46, 6.8, 7.28, 7.29) are under process of implementation by the Government. **Rec. No. 3.19- Need to obtain utilization certificate. The Department has taken the matter in this regard:-** Matter has been taken up at the level of States Food Secretaries. **Rec. No.- 4.24- Need to increase the production of Wheat:-** The Government have taken various steps to increase the production of wheat. **Rec. No. 4.72:- Diversion of Foodgrains:-** Various steps to curb the Diversion of foodgrains are being taken. **Rec.No.4.73:- Elimination of bogus cards.** All the States/UTs Government have been requested to send a detailed report on (i) number of bogus/ghost ration cards deleted w.e.f. July,2006(ii) action taken against the families who were found possessing of bogus/ghost ration cards. Five States/UT Government have reported deletion of 29,55,868 no. of ration cards. **Rec. No. 4.74- Issue of ration cards to migrant labours -** Five states have stated that there is a provision to cover migrant labour for the issue of ration cards under TPDS. The remaining states have again been reminded 24.06.2008 to issue ration card to migrant labour. **Rec. No.4.75- Area Officer's visit to the States to inspect functioning of TPDS-** Area Officers are making visits to the States to inspect functioning of TPDS. **Rec. No. 4.76- Need to establish more and more village grain banks:-** During the year, 2007-08, 2598 additional village grain banks have been sanctioned in 9 States. **Rec. No. 5.7- Liquidation of outstanding dues of the FCI-** Additional Secretary, Department of Expenditure, suggested that Ministry of Rural Development may move a proposal for 1/3rd of Rural Development dues through 1st supplementary grants. Accordingly, Ministry of Rural Development has already moved a proposal through first supplementary grants of the Ministry for 2008-09 to Ministry of Finance for provision of Rs.4000/- crore to them. Issue of making payments to the FCI for supply of foodgrains to the Ministry of Human Resource Development, Ministry for their mid day meal programme has also been taken up with that Ministry regularly. **Rec. No. 5.11- Reduction in Establishment Cost of FCI:-** The FCI has been directed to reduce its establishment cost. **Rec. No. 5.24 – De-hiring of hired godowns and maximum utilization of owned capacity-** Steps are being taken by FCI to reduce the hired capacity. **Rec. No.5.25- Construction of storage godowns at Lakshadweep:-** The Government has decided to construct the storage godown at Lakshadweep during the XI five year plan. **Rec. No.5.32- Need to minimize the Storage and Transit Losses:-** The Government have taken various steps to minimize storage

and transit losses. **Rec.No.5.46- Strengthening of vigilance mechanism and disposal of pending cases-** Strengthening of vigilance mechanism is a continuous process and there is reduction in total number of pending cases. **Rec. No.6.8- Liquidation of CWC outstanding dues fully and reasons for huge jump in amount of bad debts written off:-** Amount of outstanding dues had gone high due to increase in turnover of CWC and the bad debts written off had increased due to huge outstanding godown rent in respect of Maharashtra Government on whose behalf CWC was handling PDS stocks, which were in dispute. **Rec. No. 7.28- Decline in a number of claims being settled on account of reimbursement of internal transport and freight charges.** Efforts are being made to settle more and more claims pending disposal under this scheme to avoid surrender of funds. **Rec. No. 7.29- Recovery of funds from the Financial Assistance provided to the sugar mills from sugar development fund-** The matter has been taken with the Ministry of Finance for the recovery of outstanding SDF dues from the normal Central Assistance to the State of Maharashtra, Punjab and Uttar Pradesh.

2.5 **4 Recommendations (Rec. No. 4.25, 7.27, 8.13, 8.14) have not been implemented by the Government** **Rec. No. 4.25- Imposition of uniform stock limit on purchase of wheat by trader-** The Government feels that imposing a uniform stock limit on purchase of wheat by traders is not desirable for the entire country since production and availability of wheat and its demand and requirement differ from state to state. **Rec. No. 7.27- Aids/grants given to the sugar mills should be kept in abeyance till they liquidate the cane price arrears with interest-** The Central Government has take various steps to help the sugar industry in liquidating the outstanding cane price arrears but Committee reiterate that all the incentives-grant in aid to sugar mills be contingent upon the liquidation of cane arrears in future. **Rec. No. 8.13- Increase in the production of oil seeds-** The subject matter has been taken up with the Ministry of Agriculture. **Rec. No.8.14- Decline in number of inspection carried out by the Officials of D/VVO&F as well as analysis of samples being drawn-** Matter has been taken up with the Ministry of Health.

2.6 **4 Recommendations (Rec. No.4.27, 4.28, 5.39, 6.25) are yet to be implemented by the Government.** **Rec. No. 4.27- Modified APL Scheme covering at least 20 percent of the poor persons who are just above the poverty line-** The subject is being further examined in the Department of Food and Public Distribution. **Rec. No. 4.28- To provide 2 kg. of pulses and 1 kg. of edible oil at subsidized rate to each family through PDS:-** Scheme of supply of

pulses through PDS at subsidized rates to the State Government, the scheme is under consideration of Government. Scheme of supply of 1 kg. of edible oil at subsidized rates to each BPL family through PDS has been finalized. **Rec. No. 5.39- Regulation of attendance system in FCI-** The Executive Committee of FCI approved a time bound action plan to ensure implementation of Rec. No.2 regulating attendance in FCI. **Rec. No. 6.25- Construction of godowns in North East region/ Jammu & Kashmir** - It is informed that CWC had six warehouses in Assam, One in Dimapur (Nagaland) and two at Agartala (Tripura). So far as construction of warehouses in Jammu & Kashmir is concerned, CWC offered its services provided Government land is provided to the Corporation.

2.7 The Twenty-third report was sent to the Ministry for furnishing Action Taken Statement on the recommendations made by the Committee. The Minister made a statement in Lok Sabha and in Rajya Sabha on 15th December, 2008 regarding the status of implementation of the recommendations contained in the Twenty-third Report (14th Lok Sabha) of the Committee on Demands for Grants (2008-09) under Direction 73 A of the Directions by the Speaker, Lok Sabha and information made available to the Committee with regard to implementations of the recommendations made in their Report has been critically analysed and is given in the Annexure-I.

Chapter-III

General Performance of the Department

(a) Analysis of Plan and Non Plan Schemes

3.1 The scheme-wise details of BE, RE and expenditure incurred by the Department of Food and Public Distribution on its Plan and Non-Plan Schemes during 2008-09 and 2009-10 (upto 31.08.2009) are as follows:

A. PLAN

(Rs. in crore)

Sl. No	Name of the Scheme	Proposed Allocation 2008-09	BE 2008-09	RE 2008-09	AE 2008-09	% Utilisation (with ref. to)	Proposed Allocation 2009-10	BE 2009-10	A.E. (upto 11.9.09)
1.	Construction of Godowns	35.0	20.00	29.55	21.17	71.6	39.50	25.06	6.50
2.	Integrated Information System for Foodgrains Management (IISFM)	3.00	3.00	3.00	2.10	70	0.01	0.01	0
3.	Computerisation of PDS Operations	100	45.00	11.0	1.62	14.7	60.0	45.0	0.21
4.	Strengthening of PDS	5.50	5.50	1.81	1.71	94.5	2.50	2.5	0.23
5.	NSI, Kanpur	1.50	1.50	1.50	0.10	6.7	1.50	1.50	0
6.	Consultancies , Training & Research	2.50	2.50	1.72	1.62	94.2	2.60	2.60	0.96
7.	Village Grain Bank	22.0	17.00	16.32	16.81	103	17.33	17.33	3.52
8.	Warehousing Development & Regulatory Authority	0.50	0.50	0.10	0	0	1.00	1.00	0
	Total	170	95.00	65.0	45.15	69.5	124.44	95.0	11.42

B. NON-PLAN

(Rupees in crore)

S.No	Head/schemes	2008-2009			2009-2010		
		B.E.	R.E.	Expenditure	B.E.	R.E.	Expenditure (up to 31.08.2009)
1	Secretariat	21.60	24.40	23.79	30.49	-	12.22
2.	Food Subsidy (including Sugar)	32666.59	44167.20	44175.36	52689.72	-	26201.19
3.	Transfer to/from to Sugar Dev Fund	250.00	250.00	250.00	250.00	-	
4	Directorate of sugar	2.77	3.57	3.03	5.07	-	1.44
5	Dev Council	0.07	0.06	0.07	0.07	-	0
6	Admn. Of Sugar	8.00	10.02	9.97	10.27	-	5.26
7	VVOF	2.64	2.83 0.92 (Charged)	2.00 0.91(Charged)	3.13	-	1.04
8	NSI	7.80	9.68	8.87	11.46	-	4.29
9	Reimbursement Shortage in handling of imported fertilizers				0.10	-	0
10	Grants in aids for Dev of Sugar industry	3.00	0.50	0.35	2.00	-	0
11	Departmental Canteen NSI	0.15	0.19	0.19	0.18		0.09
12	Interest subvention to Co-op sugar mills NABARD	36.42	36.42	0	31.11		0
13	Scheme for extending financial Assistance to Sugar Undertaking	-	-	-	300.00		0
14	Reimbursement export shipment of internal transport and freight charges to Sugar factories on export shipment of sugar	300.00	285.00	284.92	300.00		114.69
15.	Subsidy for Maintenance of Buffer Stock of Sugar	350.00	275.00	272.43	300.00		17.67
16.	Other Programmes of Food Storage & Warehousing						
	i) Procurement & Supply	0.01	0.01	0	0.01		0

	ii) International Cooperation	0.40	0.40	0.34	0.40		0
	iii) SGC	2.00	1.31	0.65	-		-
	iv) IGMRI	2.75	3.39	3.70	6.85		2.13
	v) CGAL	0.02	0.01	0	0.02		0
	vi) QCC	5.50	7.37	5.68	9.18		2.94
17	Consumer Industries Amritsar Oil Works	0.02	0.02	0	0.02		0
18	Civil Supplies Other schemes of Civil Supplies	0	1.40	0.95 (Charged)	0.94 (Charged)		0.39 (Charged)
19	Reimbursement of Losses to STC	0.01	0.01	0.19	0.01		0
20.	Loans for consumer Industries						
21.	i) Loans for Modernization / Rehabilitation of Sugar Mills.	150.00	180.00	182.49	250.00		93.18
	ii)HVOC	1.25	1.25	0.88	3.24		0
	iii) Loans to Sugar Mills for Cane Development	25.00	25.00	6.51	25.00		0.76
	iv) Loans to Sugar Mills for Bagasse Based co- Generation Power Projects.	150.00	240.96	256.96	350.00		155.52
	v) Loans for production of anhydrous alcohol or ethanol from alcohol	30.00	60.00	60.00	100.00		30.77
	Total	34016.00	45619.56	45548.38	54679.27		26643.19

3.2 It has been noted that under plan scheme the BE for 2008-09 was Rs. 95 crore which was reduced to Rs. 65 crore at RE stage but the actual expenditure was only Rs. 45.15 crore. Again the allocation for the year 2009-10 is Rs. 95 crore under the plan

schemes. In this context the Committee wanted to know the reasons for shortfall in expenditure during 2008-09. The Committee were informed that the shortfall was mainly due to the fact that EFC approval for major plan scheme 'Computerization of PDS Operations', for which budget provision of Rs.45 crore was kept, could not be obtained in 2008-09. DPR was submitted by NISG (who were appointed Consultant for the scheme). A series of discussions were held with NISG and the final version of DPR was accepted by this Department in March, 2009 and EFC approval for piloting of the scheme in 4 pilot States viz. Delhi, Andhra Pradesh, Chhattisgarh and Assam could be obtained on 2nd June, 2009 and administrative approval for implementation of the scheme in the pilot States was issued on 26.8.2009. Submission of approved DPRs. and signing of MOUs from pilot States is awaited. After signing of MOUs with the concerned States, pace of expenditure will pick up and the funds will be utilized efficiently.

3.3 During evidence, the representative of the Department of Food and Public Distribution further clarified the reasons for less utilisation of funds as under:-

"We found out two major schemes with shortfalls as a result of which expenditure was less. The first was computerization of PDS operations. This was a fairly detailed scheme which was drawn up. The main problem was with the Detailed Project Report (DPR), which was prepared. It went through many alterations, we consulted State Governments on that. We had received a lot of feedback. We could finalize the DPR for sanction only in March 2009. Since that was the last month of the year, as a result of which against Rs. 45 crore which was provided in the budget under the plan head, we could spent only Rs. 1.6 crore. Whatever amount was meant for the State Governments that we could not spend. So, we had to surrender. The second major saving was on account of the other scheme and that was strengthening of PDS and capacity building."

3.4 The Secretary further justified the reasons for low utilisation of Plan Funds as under:-

"There were three major components of our Plan scheme. I am not looking at the smaller ones. One was construction of godowns wherein the Food Corporation of India constructs some godowns in difficult areas where private people are not willing to come forward. This is primarily in the North-East and some hilly areas like Jammu and Kashmir. The BE was Rs. 20 crore and the expenditure last year was Rs. 21.17 crore . so, they spent a little more. This is

Rs. 20 crore out of Rs. 95 crore. It is one of the three major schemes that I am covering.

The second one was, Village Grain Bank, that is, we give in advance foodgrains for ensuring food security in the remote, especially tribal areas and we set up Village Grain Banks through the State Government. There, the outlay was Rs. 17 crore. The expenditure was about Rs. 16.81 crore. There was a very small shortfall because we did not get the utilization certificate for the funds released in previous years to the State Governments. We cannot give fresh releases unless the previous utilisation is there.

But the biggest shortfall was in our bigger scheme which is the scheme for Computerisation of PDS operations. We had an outlay of Rs. 45 crore and our expenditure was very, very low.

It was a very big scheme that is, computerizing right from the Central Ministry level, the Food Corporation of India's Headquarters down to the block level, godowns and finally in the second phase, even up to the fair price shop level. It is a very big complicated network that we have to take up. It involves hardware procurement and supply. It involves availability of infrastructure. It also involves software and designing of application software and then, of course, implementation at the ground level. We had consultants for doing this job. The consultants submitted a report which was finalized only in March, 2009. After that we had a meeting of the EFC. The EFC has cleared it. We had been able to issue the approval only now sometimes in the month of August 2009. As a result, the scheme did not take off because the requisite finalisation of the DPR was not there. It was a big job and we did not want to fast track it."

3.5 As regards the steps being taken to address the problem of underspending, the Committee were informed that in order to address the problem of underspending and to ensure timely expenditure under different plan schemes, the Department prepares monthly expenditure plan and fixes quarterly physical/financial targets. These targets are closely watched in monthly expenditure review meetings under the chairmanship of Secretary (F&PD) with AS&FA and all Joint Secretaries of the Department to ensure that the amount provided in the BE is actually spent on the Plan Schemes.

3.6 The Committee note that the Budget Estimate of the Department of Food and Public Distribution for its Plan and non-plan schemes was Rs. 95 crore and Rs. 34016 crore, respectively for the financial year 2008-09. At Revised Estimate Stage, the allocation for its Plan Schemes was reduced to Rs. 65 crores, whereas the allocation of non-plan schemes was raised to Rs. 45619 crore. The Committee find that the Department has utilised the entire funds allocated for its non-plan schemes, the major portion of which i.e. Rs. 44167.20 crore has gone to food subsidy. The Committee, however, note with surprise that the allocation for Plan Schemes, which was reduced from Rs. 95 crore to 65 crores, could not be fully utilised and the actual expenditure during the year was only Rs. 45.05 crore, indicating that utilisation was merely 69.5%. The position is worst in case of the Schemes of 'Construction of godowns' and 'Computerisation of PDS operation' for which 71.5% and 14.7% of the allocated funds were utilised during the year. The Committee are unable to accept the pleas of the Government that shortfall in expenditure was due to (i) non approval of Computerisation of PDS operation scheme by Expenditure Finance Committee (EFC) (ii) non-finalisation of Detailed Project Report (DPR) (iii) difficulties in construction of godowns by FCI in N.E Region (iv) Delay in setting up of Village Grain Bank in the States and (v) Non-submission of utilisation Certificates by the States/UTs. In the opinion of the Committee, the Department could not take timely action and get completion of procedural formalities well in advance due to which the BE was reduced by the Planning Commission at RE stage and there was less expenditure during the year. The Committee, therefore, strongly recommend that the Department should make sincere efforts for getting timely approval of the schemes and utilisation Certificates from the States/UTs and get clearance from the Competent Authority so that the schemes are implemented and projects are completed within stipulated time limit. The Department should also ensure full utilisation of funds earmarked during 2009-10 for their plan schemes.

CHAPTER- IV

MANAGEMENT OF FOOD

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

(a) Procurement of Foodgrains

4.2 The Department of Food and Public Distribution has forwarded the following statement showing the data of targets of procurement of foodgrains by the States in respect of wheat and rice separately and the actual procurement by them for the last three years.

WHEAT

(In lakh Tonnes)

STATE/UT	RMS 2006-07		RMS 2007-08		<u>RMS 2008-09</u>		RMS 2009-10	
	Est. Proc.	Actual Proc.	Est. Proc.	Actual Proc.	Est. Proc.	Actual Proc.	Est. Proc.	Actual Proc.
Punjab	85	69.46	75	67.57	80	99.41	115	107.19
Haryana	42	22.29	45	33.46	40	52.37	55	69.12
Uttar Pradesh	25	0.49	15	5.49	20	31.37	35	38.98
Uttarakhand	1	Neg.	1	0.02	1	0.84	1.1	1.45
Madhya Pradesh	5	Neg.	3	0.57	3	24.1	20	19.56
Gujarat	-	-	0.5	-	2	4.15	2	0.75
Rajasthan	2	0.02	2	3.84	5	9.35	10	11.52
Bihar	2	-	10	0.08	2	5	6	4.33

Jharkhand	-	-	-	-	-	-	0.1	
Delhi	0.02	-	-	Neg.	-	0.06		
Jammu & Kashmir	0.05	-	-	-	-	-	0.015	
Total :	162.07	92.31	151.5	111.28	153	226.89	244.22	252.92

RICE

STATE/UT	KMS 2006-07		KMS 2007-08		KMS 2008-09	
	Est. Proc.	Actual Proc.	Est. Proc.	Actual Proc.	Est. Proc.	Actual Proc.
ANDHRA PRADESH	50.90	53.28	62.00	74.17	55.00	86.56
ASSAM	0.00	0.00	0.00	0.00	1.00	0.03
BIHAR	6.00	4.76	8.40	5.12	6.70	10.83
CHANDIGARH	0.00	0.10	0.00	0.09	0.00	0.10
CHHATISGARH	31.10	28.65	28.00	27.43	24.00	28.39
GUJARAT	0.00	0.00	0.00	0.19	1.00	0.00
HARYANA	17.40	17.77	19.50	15.72	13.00	14.25
JAMMU & KASHMIR	0.00	0.00	0.00	0.00	0.00	0.06
JHARKHAND	0.20	0.05	0.00	0.19	1.00	1.40
KARNATAKA	0.50	0.22	0.50	0.18	2.00	1.07
KERALA	0.70	1.51	2.00	1.68	2.70	2.37
MADHYA PRADESH	1.20	0.74	1.10	0.69	1.00	2.42
MAHARASHTRA	1.80	0.97	1.50	1.60	1.00	2.58
NAGALAND	0.00	0.00	0.00	0.00	2.00	0.00
ORISSA	17.00	20.02	24.80	23.38	27.80	27.62
PONDICHERY	0.00	0.07	0.00	0.06	0.00	0.07
PUNJAB	84.70	78.29	80.00	79.08	85.00	85.53
RAJASTHAN	0.30	0.10	0.20	0.19	0.00	0.11
TAMIL NADU	8.70	10.77	11.10	9.68	10.00	11.80
UTTAR PRADESH	30.70	25.59	26.70	28.91	31.90	36.12
UTTRANCHAL	3.10	1.76	2.10	1.47	2.00	3.49
WEST BENGAL	15.70	6.42	8.00	15.08	15.80	15.87
ALL INDIA TOTAL:	270.00	251.07	275.90	284.91	282.90	330.67

4.3 From the above-mentioned statement it may be observed that there has been a fluctuating trend in the procurement of wheat and rice during 2007-08 and 2008-09. When asked about the reasons for such increasing/decreasing trends, the Committee was informed that procurement of wheat and rice depends upon a number of factors such as production, marketable surplus, open market prices, market sentiment and extent of participation by private trade. The Central Government extends price support to paddy, coarse grains and wheat through the FCI and State Agencies. All the foodgrains conforming to the prescribed specifications offered for sale at specified centers are bought by the public procurement agencies at the Minimum Support Price (MSP). The producers have the option to sell their produce to FCI/State Agencies at MSP or in the open market as is advantageous to them. Procurement of foodgrains by the Government Agencies is possible only when the MSP is in tune with the market price. Whenever the open market prices are higher than the MSP, the farmer prefers to sell his produce in the open market.

4.4 Explaining the reasons for variations in the procurement of foodgrains, the Secretary Department of Food and Public Distribution stated during evidence as under:-

“As far as procurement is concerned, whatever the farmer brings, whatever he offers at the support price that we offer-provided it conforms to the fair average quality specifications – we are obliged to take it. So, that is one legal obligation that we have. But, procurement, ultimately, would depend on a couple of factors. What is the price that we are offering? What is the production or the size of the crop? What is the outreach of our system or the efficiency and, of course, market perception of the future prices. So, whenever we have a good buffer-stock, the private trade does not procure much. Therefore, more comes to us also. The same applies if we have a good support price. Vice versa, if there is shortage in the market and the prices are naturally high, the farmer prefers to sell to them. We do not have any monopoly procurement. So, whatever the farmer offers to us, we take. But we could always mop up more stocks through better and more efficient systems. If we can reach out to the last point, then, naturally, the farmers are facilitated if procurement is done at the door step. With this in view, we have taken up decentralised procurement. We are also encouraging the Self Help Groups in some of the States like Andhra Pradesh and West Bengal. These Self Help Group of women can also procure and bring forward the

procured crops. But, ultimately, it all depends upon how well our system and machinery is able to respond and procure on time.”

4.5 When asked about the factors that determine the procurement of foodgrains strategy of the Government, the Department in a written note stated that in order to maximize procurement of rice in KMS 2009-10, MSP of paddy has been increased by Rs.100/- per quintal, for both Common and Grade ‘A’ variety. Commission to Societies/Cooperatives, etc. @ 2.5% of MSP has also been approved. State Governments have been advised to impose at least 50% levy on millers. In order to prevent hoarding, State Governments have been empowered to impose stock limits on paddy and rice.

4.6 The Department has further stated that the following steps have been taken by the government to enhance the procurement of wheat:-

(1). The Procurement Price (MSP plus incentive bonus) for wheat has been increased substantially during RMS 2007-08 to 2009-10,

Marketing Season	MSP	Incentive Bonus	Total
2007-08	750	100	850
2008-09	1000	-	1000
2009-10	1080	-	1080

- (2) State Governments were persuaded to make all out efforts to maximize procurement.
- (3) Import of wheat on private account at zero duty has been permitted till further orders.
- (4) Wheat exports were banned.
- (5) In order to increase procurement, NAFED was permitted to procure wheat on behalf of FCI in M.P., Gujarat and Bihar in RMS 2008-09.

4.7 In the case of paddy, the following steps have been taken by the government to enhance the procurement:-

- (1) The Procurement Price (MSP plus incentive bonus) for paddy has been increased substantially during KMS 2006-07 to 2008-09

(Rs. per quintal)

Marketing Season	MSP (Common Paddy)	Incentive Bonus	Total
2007-08	645	100	745
2008-09	850	50	900
2009-10	950		950

- (2) State Governments were asked to make all out efforts to maximize procurement.
- (3) The export of Non-Basmati rice was restricted and later banned from 1.4.2008.
- (4) Import of rice at zero duty was permitted.
- (5) In order to prevent hoarding, State Governments have been empowered to impose stock limits on paddy and rice.
- (6) Commission to Societies/Cooperatives, etc. @ 2.5% of MSP has been approved.
- (7) State Governments have been advised to impose at least 50% levy on millers.

4.8 The Committee wanted to know the estimate of wheat and rice production in the country during the current year and whether it will be sufficient to meet the requirement of the country and if not, the strategy of the government in this regard. In reply, the Department informed the Committee that as per the Fourth Advanced Estimates of the Department of Agriculture & Cooperation, the production of 805.8 and 991.5 lakh tonnes of wheat and rice respectively has been estimated for 2008-09 crops. The above level of production is sufficient to meet the requirement of the country. However, due to delayed and deficient rainfall, there is a possibility of reduction in foodgrains production of cereals in Kharif 2009-10. The Govt. is taking all steps to make arrangements for contingency crop planning for Rabi to improve the availability of foodgrains.

4.9 The Committee pointed out that this year the monsoon in South West region was highly erratic and deficiency in rainfall have created drought/drought like situation in

many parts of the country and enquired whether any Pilot Programme or general programme was contemplated by the Government for providing foodgrains to the people. The Secretary, stated during evidence as under:-

“Sir, you mentioned about special efforts of procurement in the drought situation. We would certainly be looking at incentivising procurement. There is a very strong demand for a bonus on paddy also. We are consulting all the stakeholders and then we would be looking at it collectively very shortly; and see whether there is a need for a bonus and if ‘yes’ then at what rate. One would be offering more remunerative prices. The other would be making sure that our procurement machinery is fully ready and that wherever the farmers have something to offer, we are in position to mop it up. As I have mentioned, we are looking at incentivising the cooperative societies, the Self Help Groups and other organizations which have a better outreach than the FCI and the State Government agencies. We are also again calling a meeting of all the Secretaries of the State Governments to make sure that there are no shortfalls in arrangements for procurement. It should be very timely. There should be no delay. The farmers should get their money very quickly so that he is incentivised to bring up more. So, we hope to bring about even greater efficiencies than we have achieved in the past procurement”.

4.10 Asked to state the steps taken for improving the agricultural production, the Department has stated that the government of India has initiated two schemes for increasing foodgrains production and improving the agricultural growth in the country. These are (i) National Food Security Mission (NFSM), and (ii) Rashtriya Krishi Vikas Yojana (RKVY). NFSM has been launched in the country from 2007-08. It aims at increasing the production of rice by 10 mts by the end of 11th plan (2011-12). This, alongwith the RKVY will improve the supply position of foodgrains in the country.

4.11 The Department have informed the Committee that to increase cereals production, centrally sponsored Integrated Cereals Development Programme (ICDP) in rice, wheat and coarse cereals is in operation from October, 2000. Under these schemes, assistance is provided on 90:10 basis between the government of India and the state governments for propagation of improved/hybrid production technology, pest management, farm implements, installation of sprinkler irrigation system, varietal replacement and production of certified seeds. Likewise, to increase the production of pulses, centrally sponsored scheme “Integrated Scheme Of Oilseeds, Pulses, Oil Palm

And Maize”(ISOPOM) is under operation since 01.04.2004. Under this scheme, assistance is provided on 75:25 basis by the government of India and the state governments. Further, to conserve stocks of wheat and rice, export of non-basmati rice and wheat has been banned and import duty for wheat has been reduced to zero and a proposal for reduction of import duty on rice is under consideration.

4.12 The Department further stated that KMS 2009-10 would commence from 1.10.2009. Estimates for procurement of Rice in KMS 2009-10 will be firmed up by the Department on receipt of 1st advance estimate of production by Department of Agriculture & Cooperation. State Governments are also being consulted before firming up estimate of rice procurement.

4.13 The Committee desired to know about the measures that are being taken by the Government to promote procurement of foodgrains in non-traditional States, the Department in a written note stated that the Government of India has been encouraging the non-traditional states to adopt the Decentralized Scheme of Procurement by informing them of the benefits the scheme provides for ensuring MSP to farmers as well the additional benefit that local variety of foodgrains can be issued under TPDS through the scheme. Due to the encouragement provided by the Government eleven States/UTs namely West Bengal, Madhya Pradesh, Uttar Pradesh, Chhattisgarh, Uttrakhand, Andaman & Nicobar, Orissa, Tamil Nadu, Gujarat, Karnataka and Kerala have adopted DCP scheme, thus contributing to increased procurement of foodgrains within the States. The procurement of rice (including paddy in terms of rice) has increased in the States, which have adopted the scheme from 40 lakh tonnes in KMS 2002-03 to 107.8 lakh tonnes in KMS 2007-08. In current KMS 2008-09, 126.7 lakh tonnes of rice has been procured as on 9.9.2009 by DCP States.

4.14 When enquired about the steps being taken to contain malpractices that force the farmers to opt for distress sale, the Department replied that to curb malpractices like under-weight, quality not conforming to the specifications, dearth of storage space, denial of on-the-spot payment etc. Officials of the Department, FCI and State Agencies

go for inspections of the States where the procurement is taking place and verify the arrangements for procurement. Besides this, control rooms are set up in the Department, FCI and States to monitor the procurement operations. Any report received on distress sale is investigated in depth.

4.15 As regard the steps taken to ensure Food Security to poor people, the Secretary during evidence stated:-

“As I mentioned, we are trying to ensure food security through the Public Distribution System. But the objective is that we cater to about 50 per cent of the requirement of an average family which is below the poverty line. If we cater to 50 per cent requirement, it is expected that he will make good the remaining 50 per cent by purchasing from the open market. Government’s strategy is to improve the wage earning capacity of the people through better employment generation schemes so that he can purchase from the open market the balance requirement. PDS is committed to supply about 50 per cent of the requirement of the poorer families. I think we have been able to meet those requirements. So there is not really a shortfall on that. Our procurement has been improving and we are confident that with better efficiency, we would be able to hopefully ensure food security to the targeted population in the years to come also.”

4.16 To a query whether the Government contemplate to introduce the Food Security Bill for guarantee of foodgrains to people who are below the poverty line, the Secretary during evidence stated:-

“As far as the Food Security Legislation is concerned, this is a very important legislation and we have a very onerous responsibility. The reason for that is that if we are guaranteeing food security for all, we have to do certain things. The President’s Address in Parliament said that the Government would bring forward a legislation on Food Security for all. So, we will guarantee a certain quantity to the people who are below the poverty line. We have worked out the financial implication which is huge in terms of the cost requirement as well as requirement of food grain’s assured availability. We want to make sure that we do whatever we can after taking the State Governments on board because, after all, implementation has to be done in partnership with them. So, we have had a series of discussions with the State Government officials, with other experts and now the Government has set up an Empowered Group of Ministers which is looking into these aspects. The EGM will be meeting very shortly. They have had some preliminary discussions. Again, they will be meeting very shortly to discuss the Food Security Legislation in detail. The way we see it, after we have worked out the broad outlines of the Legislation, we will be putting it on our website for eliciting a wider debate so that we can really take care of everybody’s concerns on the Food Security Legislation.”

4.17 The Committee note with concern that there has been fluctuating trends in the procurement of wheat and rice during the last two years. The Committee are given to understand that the reasons for increase/decrease in procurement of foodgrains depends upon various factors such as production, marketable surplus, open market price, market sentiment and extent of participation by private trade. The Committee note that the Government have taken various measures to enhance the procurement of wheat and rice, such as increase in procurement price of wheat to Rs. 1080 per quintal and Paddy to Rs. 950 per quintal from the marketing season 2009-10. Besides, to maximize procurement of rice, the Government has given commission to Societies/Cooperatives, etc. @ 2.5% of MSP. The Government has also banned export of wheat and non-basmati rice and reduced the import duty of wheat to zero. The proposal for deduction of import duty on rice is also under consideration. The Committee further note that the production of 805.8 and 991.5 lakh tonnes of wheat and rice, respectively has been estimated for 2008-09 crops, which is sufficient to meet the requirement of the country. Besides, in order to increase foodgrains production and improving the agricultural growth in the country, the Government has initiated two schemes namely (i) National Food Security Mission (NSFM) and (ii) Rashtriya Krishi Vikas Yojana (RKVY). The Committee are of the view that despite the various measures taken by the Government, there is likelihood of decline in production of wheat and rice due to delayed monsoon and consequently there will be shortage of foodgrains in the country. The Committee are aware that every year in one or the other parts of the country there is drought and flood due to which the crops are destroyed. Due to the global warming and climate change, the drought have become a recurring feature. In order to deal with such situations, the Committee desire that the Government should adopt new method of agriculture and irrigation to increase the production of foodgrains, so that the procurement by FCI and other agencies is further enhanced. The Committee also desire that the Department should keep a close watch on other aspects which affect the procurement of foodgrains and take every possible measure to ensure

that availability of foodgrains in the central pool is maintained and poor people are not forced to purchase foodgrains at higher prices.

4.18 The Committee note that the Government is committed to ensure Food Security to all the BPL and AAY families through Public Distribution System. The Government is also contemplating to adopt a strategy to improve the wage earning capacity of the people by giving them better employment opportunity, so that they can purchase the balance requirement of foodgrains from open market. The Committee are happy to note that the Government would bring forward a legislation for food guarantee to all the citizens, especially the targeted families. Therefore, a bill namely, Food Security Legislation is under consideration of Empowered Group of Ministers. After the broad outlines of the legislation is worked out, it would be posted on the website of the Ministry for eliciting public opinion and wider debate. The Committee are of the opinion that this is the right step taken by the Government to ensure food for all. The Committee, therefore, recommend that the Government should make sincere efforts to get early clearance of the Bill from Empowered Group of Ministers and ensure that the Bill is introduced during the next session of Parliament.

(b) Food Subsidy

4.19 Food Subsidy is paid to the Food Corporation of India (FCI) for reimbursement of the difference between the economic cost of food grains and their issue price, carrying cost of buffer stocks, and on account of levy sugar, import of sugar etc. The economic cost comprises of procurement price, procurement incidentals. Eleven States have undertaken the responsibility of not only procuring foodgrains from within the States but also distributing the same to the targeted population under TPDS and other welfare schemes. Under this scheme of Decentralized procurement, State specific economic cost is determined by the Government of India and the difference between the economic cost so fixed and the Central Issue Prices is passed on the State as food subsidy. Besides the demands of FCI the item of Food Subsidy also includes other schemes. The BE, RE and Actual Expenditure incurred on Food subsidy during 2007-08 and 2008-09 and funds allocated for the financial year 2009-10 is as under:-

(Rs. in crore)

Year	BE	RE	Actual Expenditure
2007-08	25424.89	31342.78	31259.68
2008-09	32400.28	44083.03	44092.33
2009-10	52487.72		

4.20 From the above statement it has been noted that there is huge increase in food subsidy continuously during the last three years. When enquired the reasons for hefty increase in the food subsidy for the last three years, the Committee were informed that the major reason for increase in food subsidy is the increase in economic cost of foodgrains on account of increase in Minimum Support Price (MSP) with Central Issue Prices (CIPs) remaining static over the last seven years since 1.7.2002. The procurement of foodgrains has also increased considerably during the period. The increased offtake of subsidised foodgrains under TPDS has also contributed to the increase in subsidy. The operational costs of FCI have also been impacted by the increased railway freight rates as well as rise in the bank interest rates.

4.21 The Committee were furnished the following statement showing the MSP Economic Cost and Central Issue Price of rice and wheat during 2006-07 to 2009-10:-

(Rupees per quintal)

Year	Minimum Support Price for Rice		Minimum Support Price for Wheat	Economic Cost		Central Issue Price					
	Grade A	Common		Rice	Wheat	Rice			Wheat		
						APL	BPL	AAY	APL	BPL	AAY
2006-07	610+40*	580+40*	650+50*	1411.60	1214.39	830	565	300	610	415	200
2007-08	675+100*	645+100	750+100*	1563.70	1353.24	830	565	300	610	415	200
2008-09	880+50*	850+50*	1000	1789.78	1392.68	830	565	300	610	415	200
2009-10	980	950	1080	1893.71	1504.39 #	830	565	300	610	415	200

*Incentive Bonus

#As per Quick Estimates of FCI made on 18.05.2009.

4.22 As regards the subsidy given by the Union government in respect of PDS/TPDS in various plans, the Committee were furnished the following details of scheme-wise subsidy released during the last three years under TPDS:-

(Rs. in crore)

Year	2006-07	2007-08	2008-09
Total Subsidy	23827.59	31259.68	43668.08
Scheme-wise subsidy			
BPL	10149.00	11685.00	16157.32
APL	3349.00	4673.00	7293.53
AAY	7852.00	9006.00	12615.09
TPDS	21350.00	25364.00	36065.94

4.23 When asked about the steps taken to contain the food subsidy, the Committee were informed that the Government has taken several measures to contain food subsidy during the years 2007-08, 2008-09 and 2009-10, namely (i) Encouraging decentralized procurement and distribution of foodgrains; (ii) Issue of bonds by the FCI

at lower coupon rates, backed by Government guarantee; and (iii) Improving the operational efficiency of FCI.

4.24 The Committee pointed out that on the one hand the Government contemplates to abolish the subsidy and on the other hand, the subsidy on foodgrains has increased manifold and enquired about the measures taken by the Government to contain food subsidy. The Committee were informed that food subsidy is dependent on the actual off take of food grains. Since Economic Cost of food grains is increasing every year on account of increase in Minimum Support Price (MSP) of food grains and Central Issue Price (CIP) remaining static over the last 7 years, the food subsidy has also increased substantially. The Government is committed to procure foodgrains at MSP and distribute the same at CIP, fixed by the Government, to the beneficiaries under the various schemes.

4.25 To reduce the transportation cost of food grains in the economic cost Government has introduced Decentralized Procurement Scheme so that food grains procured in a State are distributed in the same State. This would also avoid double handling and result in procurement of locally preferred varieties of wheat and rice. It was stated that the FCI has been continuously pursued to reduce their administrative expenditure and also the storage and transit losses.

4.26 The Committee were further informed that the Department has prepared a draft scheme to test feasibility of direct transfer of food subsidy in cash to BPL/AAY beneficiaries under TPDS. The scheme envisages testing of feasibility of the alternative mode of transfer of food subsidy in cash to BPL/AAY families instead of distribution of foodgrains as is being done at present. This scheme has been prepared on the basis of proposals received from the State Governments of Uttar Pradesh, Haryana and Delhi. The draft scheme is for pilot implementation in the districts.

4.27 Under the draft scheme, it is proposed to disburse equivalent amount of food subsidy in cash instead of subsidized foodgrains to the eligible BPL & AAY families. The

amount of food subsidy will be deposited directly by the concerned district authorities in bank/post office accounts to be opened by each of the beneficiaries. With the cash subsidy, the BPL/AAY families would be able to purchase foodgrains and sugar of their choice from open market instead of taking delivery from the fair price shops as at present. The draft scheme is under further examination.

4.28 The Committee note that Food Subsidy is paid to FCI for re-imbusement of the difference between economic cost of foodgrains and their issue price, carrying cost of buffer stock, and on account of levy sugar, import of sugar, etc. The Committee observe that despite various measures taken by the Government to reduce the food subsidy Bill, there is huge increase in food subsidy amount continuously during the last three years i.e. from Rs. 25424.89 Crore in 2007-08 to Rs. 32400.28 in 2008-09 and Rs. 52487.72 Crore in 2009-10. The major reason for increase in food subsidy is (i) increase in economic cost of foodgrains on account of increase in Minimum Support Price (MSP) while the Central Issue Price (CIP) remain static over the last seven years, i.e. since 1.7.2002 and (ii) increased offtake of subsidised foodgrains under TPDS. The Committee note that the Government has been taking several measures to contain food subsidy since the year 2007-08 by way of encouraging decentralized procurement and distribution of foodgrains, issue of bonds by FCI at lower coupon rates backed by the Government guarantee and improving the operational efficiency of FCI. The Committee, therefore, recommend that the Department should take the aforementioned measures with all seriousness so as to contain the huge amount of food subsidy. The Committee further note that the Department has also prepared a draft scheme to test feasibility of direct transfer of food subsidy in cash to BPL/AAY beneficiaries under the TPDS. The scheme proposes to disburse equivalent amount of food subsidy in cash to be deposited directly by the concerned district authorities in bank/post office accounts to be opened by each of the beneficiaries instead of releasing subsidized foodgrains to the eligible

BPL & AAY families. The Committee desire that the Department may expedite examination of the proposal for direct transfer of food subsidy in cash to the BPL/AAY families and analyses its pilot implementation in select districts.

(c) Public Distribution System (PDS)

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

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

4.31 The Committee have noted that allocation for Strengthening of PDS during 2008-09 was Rs. 5.50 crore while the actual expenditure was only Rs. 1.71 crore and enquired the reasons for underspending of funds during 2008-09 under the strengthening of PDS and capacity Building scheme. The Department in a note furnished to the Committee stated that for the Scheme on Strengthening of PDS, a provision of Rs.5.5 crore was made during 2008-09. Out of this, Rs.171.38 lakh was spent during the year. Under the component on curbing leakages and diversion, a provision of Rs.2 crore was made. Under this component, Rs.44.76 lakh had been released to three States during 2007-08. However, only Tamilnadu had implemented and incurred expenditure under the scheme but it had not furnished Utilization

Certificate (UC). Other two States, namely Delhi and Chattisgarh have not implemented the scheme and hence no further release could be made to them. Under the component on Publicity cum Awareness campaign on TPDS, a provision of Rs.2.5 crore was made. Due to non-receipt of sufficient proposals from States/UTs, only 73.66 lakh could be spent. Under capacity building, Rs.50 lakh was provided for evaluation and monitoring. Due to non receipt of relevant reports on concurrent evaluation from the concerned agency entire funds could not be released and only Rs.27 lakh could be released.

(d) Targeted Public Distribution System (TPDS)

4.32 Targeted Public Distribution System under implementation since June 1997 is focused on poor families. For allocation of foodgrains to States and UTs for the BPL (including AAY) families, poverty estimates of Planning Commission for 1993-94 and population estimates of Registrar General of India as on 1st March 2000 are used for working out the number of such families in each State & UT. The allocations of foodgrains to all States & UTs are made @ 35 kg per family per month for the accepted number of BPL and AAY families as per allocation norms. These BPL and AAY families are to be covered in all areas including inaccessible hilly/tribal/backward and forest areas in each State & UT. Allocations of foodgrains to States & UT under TPDS are also made for APL category of ration card holders depending upon availability of foodgrains in the Central Pool. Presently, the allocations to different States & UTs range between 10 kg and 35 kg per APL family per month. Most of the North Eastern States get 35 kg per family per month.

4.33 As regards per capita income for identification of BPL families, the Committee were informed that for identification of BPL families, income criteria were used earlier. However, of late, poverty estimates by the Planning Commission are made based on level of consumption expenditure. For the poverty estimates of 2004-05, this level of consumption expenditure per person per month was Rs.356.30 per month in rural areas and Rs.538.60 in urban areas.

(e) Coverage of AAY

4.34 The identification of the Antyodaya families and issuing of distinctive Ration Cards to these families is the responsibility of the concerned State Governments. Detailed guidelines were issued to the States/UTs for identification of the Antyodaya families under the AAY and additional Antyodaya families under the expanded AAY. Allocation of food grains under the scheme is being released to the States/UTs on the basis of issue of distinctive AAY Ration Cards to the identified Antyodaya families. The present monthly allocation of food grains under AAY is around 8.496 lakh tonnes per month as on 31.03.2009.

4.35 The Committee have been further informed that coverage of AAY families increased from 1.00 crore to 2.50 crore household in three expansion. Additional families were to be from BPL household by including, inter-alia, all households at the risk of hunger and from amongst widows, terminally ill persons, disabled persons, persons aged 60 years or more and primitive tribal groups. Guidelines for implementation on the expanded AAY have been issued on 05.06.2003, 03.08.2004 and 12.05.2005.

4.36 The Central Issue Price (CIP) of Wheat and Rice for the families covered under APL, BPL and AAY during last three years is as under :-

(Rs per kg.)

	Central Issue Price					
	Rice			Wheat		
Year	APL	BPL	AAY	APL	BPL	AAY
2006-07	8.30	5.65	3.00	6.10	4.15	2.00
2007-08	-do-	-do-	-do-	-do-	-do-	-do-
2008-09	-do-	-do-	-do-	-do-	-do-	-do-
2009-10	-do-	-do-	-do-	-do-	-do-	-do-

4.37 The Committee pointed out that TPDS in most of the States are not functioning satisfactorily and asked about the steps taken by the Government to ensure proper

functioning of the TPDS in all the States. In reply, the Committee was informed that TPDS is implemented jointly by Government of India and State/UT Governments. Under this mechanism, the responsibility for identification of eligible BPL and AAY families based on estimates of Planning Commission, issuance of ration cards, for lifting and distribution of allotted foodgrains to ration card holders through FPS within the States/UTs and monitoring of TPDS are done by State/UT Governments.

4.38 To streamline the functioning of TPDS, Government has taken a number of measures under four categories:-

- (a) For improving functioning of TPDS machinery, continuous review of lists of BPL and AAY families, door step delivery of foodgrains to fair price shops, timely availability of foodgrains at fair price shops and training of staff as well as vigilance committee members are being emphasized.
- (b) For greater transparency in functioning of TPDS, display of lists of BPL and AAY families at fair price shops, display of allocated quantities on web sites, adoption and implementation of revised Citizens' Charter, monthly certification of delivery of foodgrains to fair price shops and their distribution to ration card holders and taking up publicity-cum-awareness campaign have been initiated.
- (c) Improved vigilance at various levels and strict penal action against those involved in malpractices, including action against staff responsible for issuing ineligible ration cards and persons found in possession of such ration cards are being emphasized.
- (d) Introduction of new technologies such as Computerization of TPDS operations at various levels, smart-card-based delivery of essential commodities and use of global positioning system on vehicles transporting TPDS commodities is being piloted.

4.39 Asked whether the Government has chalked out any special programme/scheme for providing foodgrains to the poor people living in hilly/tribal/backward areas of the country particularly in the North East region, the Committee was informed that under TPDS, allocations of foodgrains made to the State/UT Governments are to be distributed by the concerned State or UT Government under TPDS by identification of

the eligible families in all rural and urban areas including in hilly/tribal/backward and forest areas of the country such as in the North East region.

4.40 Asked as to how the Public Distribution System (Control) Order, 2001 has helped in curbing willful adulteration/substitution, diversion, theft of stocks from the Central godowns to the fair price shops, the Committee was informed that the PDS (Control) Order, 2001 has prescribed mechanism for monitoring of TPDS by State and UT Governments under clause 8 and para 6 of the annexure attached to the order. Under clause 9, penalties have also been prescribed for contravention of provisions of this Order. State Governments have been taking action as per the stipulations under the Order.

4.41 The Committee note that the Public Distribution System (PDS) Scheme is one of the most important schemes of the Government to provide subsidized foodgrains to poor people. The Committee also note that BE for strengthening of PDS during 2008-09 was Rs. 5.50 crore but the Department could utilize only Rs. 1.71 crore during the year. The Committee, regret that this scheme, like other schemes of the Department of Food and Public Distribution, has suffered for want of sufficient proposals and utilization certificates from the States/ UTs. The Committee are not inclined to accept the plea of the Department that the under-utilization of funds was due to non-receipt of sufficient proposals from States/UTs under the component Publicity-cum-Awareness Campaign on TPDS and non-submission of utilization certificates under the component curbing leakage and diversion. In the opinion of the Committee, it is the lack of coordination with the State Governments and weak monitoring over the scheme on the part of the Department. The Committee feel that due to non-utilisation of funds by the State Governments, ultimately the targeted population i.e. BPL and AAY families will suffer and will be deprived of the benefits intended for them. The Committee, therefore, recommend that the Government should take up the matter with State Governments/UT Administration at highest level and find out the reasons for non-submission of utilization certificates and sufficient proposals and persuade them to implement the scheme so that allocated funds are fully utilized in the financial year itself.

4.42 The Committee note that Central Government has a very important role to ensure efficient functioning of the TPDS since in most of the States/UTs the Foodgrains are procured by Food Corporation of India on behalf of the Central Government for distribution to APL/BPL/AAY beneficiaries at subsidised rates. The Committee note that though the Government has taken a number of measures to strengthen and streamline the functioning of TPDS such as continuous review of the lists of BPL and AAY families, greater transparency in the functioning of TPDS by displaying allocated quantities of foodgrains on web sites, improve vigilance at various levels and introduction of new technologies etc., yet in the opinion of the Committee the scheme is not being implemented effectively in all the States/UTs particularly in hilly/tribal/backward areas of the country. The Committee are given to understand that all the BPL and AAY families are covered in all the areas including inaccessible hilly/tribal/backward and forest areas in each State & UT for allocation of foodgrains as per allocation norms. The Committee, however, feel that all the BPL and AAY families do not get their share of foodgrains as per allocation norms on regular basis. The Committee, therefore, recommend that functioning of TPDS may further be strengthened and the Government should ensure that whatever measures are taken by them are sincerely implemented by all the State/UT Governments for the benefit of the BPL/AAY families.

4.43 The Committee note that for identification of BPL families under the Targeted Public Distribution System (TPDS), poverty estimates are made based on level of consumption expenditure. As per the poverty estimates of 2004-05, the level of consumption expenditure per person per month was Rs. 356.30 in rural areas and Rs. 538.60 in urban areas. The Committee are aware that the TPDS is being implemented jointly by the Government of India and State/UT Governments. The State/UT Governments are responsible for identification of eligible BPL and AAY families based on estimates of Planning Commission, issue of ration cards, lifting and distribution of allotted foodgrains to ration card holders through Fair Price Shops (FPS) within the States/UTs including monitoring of TPDS. The Committee find that in order to streamline the functioning of TPDS, the Government has taken a number of measures which include improving the functioning of TPDS machinery, continuous review of lists of BPL and AAY families, door step delivery of foodgrains to Fair Price Shops, improved vigilance at various levels and introduction of new technologies such as computerization of TPDS operations. The Committee, however, feel that the Central Government has a very important role which includes monitoring of TPDS to ensure the efficient functioning of the TPDS since in most of the States/UTs the FCI is procuring and allocating foodgrains on behalf of the Central Government. The Committee, therefore, recommend that the Department should make all out efforts to implement the aforementioned measures in letter and sprit as also strictly monitor and improve the functioning of TPDS in the country.

(f) Identification of BPL families

4.44 To work out the population below the poverty line under the TPDS, there was a general consensus at the Food Minister's conference held in August, 1996, for adopting the methodology used by the expert groups set up by the Planning Commission under the Chairmanship of Late Prof. Lakadawala. The BPL households were determined on the basis of population projections of the Registrar General of India for 1995 and the State wise poverty estimates of the Planning Commission for 1993-94. The total number of BPL household so determined was 596.23 lakh. Guidelines for implementing the TPDS were issued in which the State Governments had been advised to identify the BPL families by involving the Gram Panchayats and Nagar Palikas. While doing so, the thrust was to include the really poor and vulnerable sections of the society such as landless agricultural labourers, marginal farmers, rural artisans/craftsmen such as potters, tappers, weavers, black-smith, carpenters etc. in the rural areas and slum dwellers and persons earning their livelihood on daily basis in the informal sector like porters, rickshaw-pullers, cart-pullers, fruit and flower sellers on the pavement etc. in urban areas. The Gram Panchayats and Gram-Sabhas were also to be involved in the identification of eligible families. The number of BPL families has been increased w.e.f. 1.12.2000 by shifting the base to the population projections of the Registrar General as on 1.3.2000 instead of the earlier population projections of 1995. with this increase, the total number of BPL families is 652.03 lakh as against 596.23 lakh families originally estimated when TPDS was introduced in June 1997.

4.45 The Committee pointed out that there has been errors of both exclusion and inclusion of BPL families and asked about the corrective measure taken to minimize the errors in issue of ration cards to BPL families, the Department in reply stated that functioning of TPDS in twelve States has been evaluated by the National Council of Applied Economic Research (NCAER). The details of inclusion and exclusion errors pointed out by NCAER in respect of twelve States are given below:-

Sl. No.	Name of State	Inclusion errors in percentage	Exclusion errors in percentage
1.	Assam	50-60	70
2.	Bihar	50	30-35
3.	Chhattisgarh	35	30-35
4.	Delhi	50	50-60
5.	Jharkhand	20-40	80
6.	Kerala	80	70-80
7.	Madhya Pradesh	20-40	70-80
8.	Maharashtra	40	50-60
9.	Mizoram	75	70
10.	Rajasthan	50	30-35
11.	Uttar Pradesh	20-30	30-35
12.	Uttarakhand	20-40	70-80

4.46 The Committee have been informed that the reports received from NCAER have been sent to the concerned State/UT Governments for taking necessary action to stream-line the functioning of TPDS. The Department of Food & Publication has been taking up with the State/UT Governments to eliminate the inclusion and exclusion errors. Later, the Department has written, vide D.O. letter dated 5.10.2009 to all State/UT Governments to carry out an intensive campaign for verification/review of every BPL and AAY ration card issued under TPDS.

4.47 Asked whether there is any variation between the number of BPL/AAY families recognized by Central Government and those identified and issued ration cards by the State Governments, the Department stated that for the purpose of allocations of foodgrains to States and UTs under TPDS, Government of India has accepted 6.52 crores BPL (including AAY) families. This number has been worked out on the basis of poverty estimates of 1993-94 and population estimates of 1st March 2000. Out of these, 2.5 crores are the estimated AAY families. As against these, State and UT

Governments have issued 11.03 crore BPL ration cards consisting of 8.61 crore BPL and 2.43 crore AAY ration cards. While the State and UT Governments have issued only 2.43 crore AAY ration cards, the higher number of BPL ration cards issued is because of improper targeting and identification of the BPL families which have exclusion and inclusion errors.

4.48 During evidence, the Committee wanted to know whether the Government contemplate to conduct survey and to revised the methodology for identification of BPL families, the Secretary, Department of Food and Public Distribution stated as under:-

“The Planning Commission determines the poverty estimates of each State. Based on that, you can work out district-wise and even city-wise the poverty estimates. But identification of the poor has to be done also through some methodology. We are in dialogue with the Rural Development Ministry which does a survey for the BPL for the rural areas. They have set up a committee headed by one Mr. N.C. Saxena. He is a Commissioner for the Supreme Court also. Mr. Saxena has given a report which is being finalized by the Rural Development Ministry which will also be looked at by the empowered Group of Ministers. We hope that we will have a methodology common across the country for identification so that there is a lot of objectivity and there is no subjectivity in identification of the poor. The genuine poor are getting included and those who are not so poor should not remain in the BPL List. But, today, of course, we have a situation where some of the State Governments had determined, their own norms like, for example, Tamil Nadu. They have said everybody in the State will be treated at par. Of course it is a cash-rich State so they can afford to give more subsidy, but they are treating everybody at par; everybody is BPL. In Andhra Pradesh also we have discovered that they have more poor families than the total number of estimated families in the State. Obviously there are errors and we are trying to correct it through both technology-based application and through insistence with the State Governments that they should review. We hope that our BPL Guidelines that should be finalized very shortly would take care of this. We would be able to take up a fresh BPL Survey after that. The Rural Development Ministry will be doing it for the rural areas and hopefully the Urban Poverty Alleviation Ministry will be issuing guidelines for the urban poor. What we are trying to make sure collectively is that the guidelines are adhered and followed strictly. We have set certain timelines, but, as I mentioned, we are also having the technology-based application, discussion with the UID Authority. We will endeavour to make sure that the genuinely poor are there. Once we have smart cards, once we have Computerisation of the system, it may be better able to track both inclusion and omission errors.”

4.49 The Committee find that at present the total number of BPL families is 652.03 lakh as against 596.23 lakh families originally estimated when the TPDS was introduced in June, 1997. For determination of the BPL families, the Government rely on the data of State-wise poverty estimates of the Planning Commission for the year 1993-94, which is more than one and half decade old. The Committee feel that while identifying the BPL families, the thrust should be to include the really poor and vulnerable sections of the society such as landless agricultural labourers, marginal farmers, rural artisans/craftsmen like potters, tappers, weavers, blacksmith, carpenters, etc. in the rural areas and slum dwellers and persons earning their livelihood on daily basis in the informal sectors like porters, rickshaw-pullers, cart-pullers, fruit and flower sellers on the pavement, etc. in urban areas. The Committee are given to understand that a Committee headed by Mr. N.C. Saxena, Commissioner for the Supreme Court had been set up by the Ministry of Rural Development to identify the poor in rural areas. The said report is being finalized by the Department of Rural Development which will also be looked at by the empowered Group of Ministers. The Committee desire that the recommendations of the Saxena Committee report be finalized soon. The Committee recommend that the Department should evolve a common methodology across the country for identification of the poor so that the chances for erroneous inclusion or exclusion is checked. The Committee also recommend that the base year for identification of the poor should be revised and the latest information available on the census report of the Registrar General of India may be made the basis for identification of the poor in the country.

(g) Elimination of Bogus/Ineligible Ration Cards

4.50 For issuing ration cards to eligible AAY, BPL and APL families under TPDS necessary provisions have been made under the PDS (Control) Order 2001. As per para 2 of the Order, the State Governments have to ensure that no eligible applicant is denied a ration card and they have to conduct periodic checking of ration cards to weed-out ineligible and bogus ration cards and bogus units in the ration cards. Elimination of bogus ration cards as well as bogus units in them shall be a continuous exercise by the State Governments to check diversion of essential commodities.

4.51 The State Governments have been directed from time to time to carry out this exercise on a continuous basis. Under the 9-point Action Plan, the first action point is to continuously review lists of BPL and AAY families to eliminate bogus/ineligible ration cards. Special instructions have also been issued to the State Governments for taking penal action against the staff responsible for issuance of bogus/ineligible ration cards and those found in possession of such rations. As per reports received on 10.09.2009, 16 State Governments have deleted 149.16 lakh bogus/ineligible ration cards since July, 2006 because of these instructions. However, only 2 State Governments have reported to have taken penal action against those responsible for issuance of such ration cards. Reports on eliminated bogus/ineligible ration cards have been sought from other State Governments.

4.52 All the State & UT Governments have been further directed in August, 2009 to take up a special campaign from October, 2009 to December, 2009 for verification of all AAY and BPL ration card holders so as to detect and eliminate bogus/ineligible ration cards.

4.53 The Committee note that the Government of India have directed the State/UT Governments from time to time to carry out checking of bogus/ineligible ration cards on a continuous basis. As a result of such exercise, 16 State Governments have reported to have deleted 149.16 lakh bogus/ineligible ration cards till 10.9.2009. However, it is believed that a lot of bogus/ineligible ration cardholders still continue to exist in most of the States. The Committee, therefore, desire that all the State/UT Governments should be directed to take necessary steps to eliminate bogus/ineligible ration cards while taking due care to ensure that those persons who are genuinely eligible to have ration cards are not deprived of the same.

(h) Damaged Foodgrains

4.54 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 part of the country and a large number of complaints are received from General Public from time to time and enquired whether FCI take the responsibility for supply of rotten foodgrains to Fair Price Shops. The CMD, FCI in response stated during evidence as under:-

“There is no doubt that in each district we take the entire responsibility of transporting it right from our godowns. Distribution or releases are to be done as per the allocations made by the government of India. The procedure is that at the time of release of stock we take three samples. Three samples of food grains to be supplied are taken jointly by the nominee of the Food and Civil Supplies Department and our own FCI personnel. Out of these three samples one is given to the State government nominee, one we retain with ourselves for three months and the third one is expected to be given by the State nominee to the person who is finally consuming it”.

He further added:-

“From the Food Corporation of India godown we are giving fair, average, quality stocks. Only after the satisfaction of the State nominee the food grains are released to the State Government. After that they take it to their godowns from where it goes to the Fair Price Shop dealer. It could be because of the transit between the State Government and Fair Price Shops. We should keep that in mind.

4.55 When enquired about the steps taken to supply good quality of foodgrains to BPL/AAY families covered under PDS, the Secretary, Department of Food and Public Distribution stated that:-

“We are trying to insist that the system of sampling should be done at every level. As he mentioned, one of the three samples is given to the end point destination also. We also have to involve the Panchayats. After all, it is the local Government which should be actively involved in taking care of the quality. We are trying to say that Panchayat level committee should oversee fair price shops everywhere and secondly, if possible, give the fair price shops from private dealers, to self-help groups or even to cooperative societies. Systems are known

to have improved wherever this has happened. Thirdly, because of huge elements of subsidization, the temptation to replace this is also there. So, it is not that the quality of food when it starts that is bad but at the last point. It can deteriorate due to long storage as sometimes the fair price shops are keeping them for a long time like five or six months. Sometimes, it is because of interchange during movement but we admit that we need to be vigilant at every level.”

4.56 The Committee express their serious concern that poor quality of foodgrains which is not fit for human consumption are sometimes being supplied by FCI through Fair Price Shops to the BPL and AAY families covered under PDS. The plea of the Government that they have always supplied fair quality of foodgrains from the FCI godowns to the State Government representatives who in turn supplied the foodgrains to the Fair Price Shop dealers is not acceptable to the Committee. The Committee are also unable to accept the contention of the Government that it could be the handiwork of some vested interest as after the stocks are released by FCI there are many intermediaries in the process i.e. State agency, issue centres, wholesalers and Fair Price Shops. The Committee are of the strong view that there is lack of proper monitoring by the Department which leads to such situations. The Committee, therefore, recommend that instead of shifting the responsibility to the State Governments, the Department should evolve a foolproof and transparent system and strengthen its monitoring mechanism by setting up Vigilance Committees at every level to keep strong vigil on the quality of foodgrains supply by FCI through PDS. The Committee also desire that Gram Panchayats should be roped in the process to oversee the functioning of Fair Price Shops. The Department should also look into the possibility of giving the dealership of Fair Price Shops to Self-help Groups and Cooperative Societies to improve its functioning.

(i) Diversion of Foodgrains

4.57 Under innovative scheme to curb leakage /diversion of foodgrains the BE in 2008-09 was Rs. 2 crore but the RE and expenditure was nil. The allocation for 2009-10 is Rs. 50 lakh. Asked as to how the Department would justify the allocation and reduction of funds in 2008-09 and allocation of less amount during 2009-10, the Committee were informed that under a Plan scheme on strengthening of TPDS, assistance is provided to State and UT Governments for taking up training of TPDS functionaries, publicity-cum-awareness campaign and innovative measures for checking leakages and diversions of foodgrains. Under this scheme, financial assistance of Rs.44.76 lakh was given to the State Governments of Tamil Nadu, Chhattisgarh and Delhi during 2007-08 for installing Global Positioning System (GPS) devices on the vehicles transporting TPDS foodgrains. While Tamil Nadu State Government has implemented installation of GPS devices, the State Governments of Chhattisgarh and Delhi have not yet fully implemented the scheme. Since the latter State Governments are yet to utilize the already released funds, budgetary allocations under this component of this scheme during 2009-10 has been kept as Rs.50 lakh only.

4.58 The State Governments have already been directed to display banners on the vehicles transporting TPDS commodities as per instruction dated 2.11.2006. In addition, under the scheme of TPDS computerization approved for pilot implementation in 4 States, tracking of movement of foodgrain bags from FCI depots to fair price shops is proposed to be done with the help of barcoded coupons in Raipur district in Chhattisgarh.

4.59 The Committee specifically desired to know the percentage of the subsidized foodgrains issued from Central Pool that did not reach the target group. In this regard the Committee were informed in a written note that the Government has taken up concurrent evaluation of TPDS in 26 States & UTs. Reports of this evaluation for 12 States have been received from NCAER. The levels of diversion of foodgrains reported in the NCAER reports are as follows:-

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

4.60 From the above statement it may be seen that there has been heavy diversion and leakage of foodgrains (Rice and Wheat) allocated for APL, BPL and AAY beneficiaries. In this connection, the Committee enquired the reasons for heavy diversion and steps taken to prevent such leakages and diversion. The Department stated that the steps taken by the Government to prevent leakage and diversion of foodgrains are as under:-

- A. Measures to strengthen monitoring and vigilance
 - (i) Implementation of the Nine Point Action Plan
 - (ii) Action against those with Bogus Ration Cards
 - (iii) Greater involvement of Panchayati Raj Institutions (PRIs)
- B. Increased transparency in functioning of TPDS
 - (i) Adoption and implementation of revised Model Citizen's Charter.
 - (ii) Introduction of monthly certification of delivery of foodgrains at price shops and their distribution to ration card holders.
 - (iii) Publicity-cum-awareness Campaign.
 - (iv) Display of allocation of foodgrains – district and FPS wise on website for public scrutiny.

C. Use of ICT tools

- (i) Computerization of TPDS Operations.
- (ii) Pilot Scheme on Smart Card based Operations in Haryana and Chandigarh.
- (iii) Piloting of new technologies for tracking movement of vehicles transporting TPDS Commodities.

D. Improve the efficiency of FPS operations

- (i) Doorstep delivery of foodgrains
- (ii) Timely availability of foodgrains.
- (iii) Distribution of wheat flour/fortified wheat flour under TPDS.
- (iv) Allotment of Fair Price Shops to Institutions and Groups.
- (v) Sale of non-PDS items in FPS.
- (vi) Commission to FPS licensees.

4.61 During evidence, the Secretary, Department of Food and Public Distribution explained the measures taken by the Government to check diversion of foodgrains meant for APL, BPL and AAY categories as below:-

“If I go back to the element of subsidy, the extent of subsidy in the case of AAY for wheat is about 87 per cent and for BPL, it is 72 per cent. For rice, it is approximately the same. There is a very big element of subsidization between the market cost and the cost at which we are giving. That could be one reason for a fair shop dealer to show bogus issues and not really issue them. To check it, we have also come with the idea of smart card. We are doing it in two places, Chandigarh and Haryana. If it works out well, we will take it up across the country. This is one of the measures which will prevent somebody else taking the ration on behalf of the beneficiary intended because the smart card will have photographs, biometrics of the beneficiary. It will not be easy for somebody else to take the rations.”

4.62 The Committee note that as per the findings of the National Council for Applied Economics Research (NCAER), the level of diversion of foodgrains in the States of Assam and Mizoram have been as high as 47.97% in case of Rice allocated for BPL families and 100% in case of wheat allocated for APL families. In other words, the foodgrains meant for APL families have not reached the beneficiary APL families at all in these two States. The level of diversion of foodgrains in other States are also fairly high. The Committee, therefore, strongly recommend that all necessary steps be taken to prevent diversion of foodgrains meant for TPDS. The scheme for installing Global Positioning System (GPS) devices on vehicles transporting TPDS foodgrains should also be implemented in all the States on top priority.

(j) Computerisation of PDS operations

4.63 A new scheme namely 'Computerisation of TPDS Operations' has been taken up from 2007-08. The scheme will essentially provide for computerization of Back end operations only. The RE for the financial year 2008-09 was Rs. 11 crore. BE for 2009-10, is Rs. 45 crores.

4.64 Digitization of PDS operations of National/State/District and Block levels of all over the country is proposed to be taken up under a Plan Scheme on computerization of TPDS during the 11th Plan Period. Planning Commission has approved an allocation of Rs. 376 crores for this Scheme under the 11th Plan. National Institute for Smart Government (NISG), Hyderabad has been engaged by the Department from March, 2008 as project consultant for implementation of this scheme. The scheme will also include States of North Eastern Region. Presently, the scheme is being implemented on Pilot basis in 4 States/UT including Assam for which a detailed project report has been submitted by NISG. Under the scheme for 2009-10, there is budget provision for Rs. 45 crore for the scheme out of which Rs. 7 crore is for development of North Eastern Region (NER). The scheme is being approved for implementation during the current year.

4.65 The Committee are happy to note that a new scheme namely, “Computerization of TPDS operations” has been taken up from 2007-08 to provide for computerization of back end operations essentially. Under the scheme, Rs. 45 crore has been allocated in BE 2009-10 and the Planning Commission has approved an allocation of Rs. 376 crore for this scheme under the 11th Five Year Plan. The Committee further note that the scheme is being implemented on Pilot basis in 4 States/UTs, including Assam. The Committee are of the view that computerization of TPDS operations will facilitate and improve the efficient functioning of the TPDS operations, which will in turn benefit the entire beneficiary families across the country. The Committee, therefore, recommend that the work of Computerisation of TPDS operations should be accorded priority and necessary steps be taken to implement the scheme not only on Pilot basis in 4 States/UTs but on regular basis all over the country.

(k) Pilot Scheme on Smart Card based on TPDS:

4.66 The Committee have been informed that implementation of a pilot scheme on smart card based delivery of essential commodities under TPDS was announced in Union Budget, 2008-09. Accordingly, a pilot scheme on smart card based delivery of essential commodities under TPDS has been sanctioned during 2008-09 for Chandigarh UT & Haryana. Administrative Approval to this pilot scheme has been issued on 18.12.2008 with an expenditure of Rs. 142.29 crore to be incurred during 2008-09 and 2009-10. First installment of Rs. 27.10 crores has been released to State Government of Haryana, Chandigarh UT and National Informatics Center (NIC) on 26.12.2008. Work is in progress by the implementing agency. The State Government of Haryana, Chandigarh UT Administration and National Informatics Centre (NIC) are the implementing agencies for this scheme. Implementation of the scheme was to commence in Chandigarh and 2 districts of Haryana in March, 2009. However, there has been some delay in some of the activities under the scheme.

4.67 The Committee have further been informed that Digitization of ration card data base is presently in progress in 7 districts in Haryana. This work is being taken up now in Chandigarh. The State Government of Haryana and Chandigarh UT Administration have floated Requests For Proposals (RFP) for selection of agencies for implementing next stage of activities. NIC has supplied the required technical standards for fingerprints, smart cards and smart card transaction terminals. Smart card based delivery of essential commodities is likely to commence in Chandigarh by February, 2010 in 2/3 districts in Haryana. This scheme has been approved on a pilot basis. After its implementation, it will be got evaluated to assess its replicability in other States. A decision about extending it to other States will be taken based thereon.

4.68 The Committee enquired as to why the Smart Card Scheme has been implemented in Punjab and Haryana, the Secretary, Department of Food and Public Distribution stated during evidence as below:-

“we are proposing a lot of initiatives to improve the Public Distribution System. Smart Card project is a pilot project that is being taken up in Chandigarh and

Haryana. The results of that would then tell us how to improve the system elsewhere. It is being done on a limited scale. Then, based on the success and after studying its shortcomings, we will improve it and then we will take it up all over the country”.

4.69 The Committee note that the Government has initiated implementation of a pilot scheme on Smart Card based delivery of essential commodities under the TPDS announced in Union Budget 2008-09. Administrative approval for Rs. 142.29 crore to be incurred on this pilot scheme during 2008-09 and 2009-10 has been issued on 18.12.2008. Work on implementation of the scheme is currently in progress in two districts of Haryana and work is being taken up in Chandigarh. Based on the success and after studying its shortcomings, the Governments will improve it and take it up all over the country. The Committee hope that Smart Card based delivery of essential commodities will go a long way in improving the efficiency of the PDS and therefore, recommend that the Department should take all essential steps to expedite the project for implementation all over the country.

(I) Village Grain Bank Scheme

4.70 Village Grain Bank Scheme is a centrally sponsored scheme for the establishment of grain banks in tribal villages. The scheme was started during 1996-97 by Ministry of Tribal Affairs in 11 States. The main objectives of the scheme is to provide safeguard against starvation during the period of natural calamity and during lean season. The scheme was revised and approved by Ministry of Finance on 15th February, 2006. The budgetary allocations under the scheme since the year 2007-08 are as follows:

(Rs. in Crore)

Year	BE	RE	Actual
2006-07	50.00	50.00	51.79
2007-08	16.90	17.45	17.44
2008-09	17.00	16.32	16.81
2009-10	17.33	-	-

4.71 The Committee asked the reasons for reduced allocation under the scheme from Rs.50 crore to about Rs.17 crore during subsequent years and whether the allocation of Rs. 17.33 crore would be sufficient to meet the anticipated requirements for the year 2009-10. In reply, the Committee were informed that the total approved Plan outlay for the Village Grain Bank Scheme in the 11th Five Year Plan is Rs.87.00 crores. The annual distribution of the above allocation is, accordingly, in the range of Rs.17 crores. The allocation of Rs.17.33 crores for the year 2009-10 would be sufficient to meet the anticipated requirements. In case of additional requirements, the budget provision could be enhanced in RE.

4.72 Asked whether the scheme has been evaluated by any independent agency and action taken on each of the suggestions made by the evaluating agency, the Committee were informed that the scheme is being implemented by the Department of Food & Public Distribution since 2005-06. So far, funds for establishing 16478 VGBs have been sanctioned for 20 States/UTs. The scheme has been evaluated only in respect of two States namely, Orissa and Chattisgarh by World Food Programme. The evaluation of the scheme in 16 more States has been given to an independent agency which is

expected to give its report in the next six months. The evaluation reports of WFP indicate some shortcomings in the implementation. It also has reported the following positive outcomes: (i) a reduction in the absolute proportion of households that faced food shortage from 87% to 49.3% since the introduction of the scheme. The reduction is more pronounced in Orissa where it is down by 60% while in Chattisgarh it has reduced by around 10% and (ii) reduction in the migration of villagers, among landless population in view of the food security provided by the grain banks. The findings of the evaluation report have been made available to the State Governments concerned and report on remedial/corrective steps taken by them on the shortcomings found in the implementation of the scheme has been called for.

4.73 As per the Scheme guidelines, organisations which are eligible for receiving assistance for setting up of Village Grain Banks are Village Panchayat/Gram Sabha, Women's Self Help Group or Non-Governmental Organization with proven track record who can set up grain banks in natural calamity-prone, food scarce village or hamlet as identified by the State/UT Governments. As per information received from the State/UT Governments, they have assigned the above agencies to manage the VGBs.

4.74 The Village Grain Bank Scheme was revised in January, 2008 and now details are being compiled to prepare a data base on Village Grain Bank which would have information on date of setting up of each Village Grain Bank, its location current status of operation and operating agency etc., so that monitoring/checks can be facilitated. The Village Grain Banks established during 2005-06 and 2006-07 are being evaluated through an independent Agency with a view to consider improvement that may be required in its implementation in future.

4.75 The Committee note that Village Grain Bank Scheme (VGBs), which is a centrally sponsored scheme, was started during the year 1996-97 by the Ministry of Tribal Affairs in 11 States. The main objective of the scheme is to provide safeguard against starvation during the period of natural calamity and during lean season. The VGB Scheme has been implemented by the Department of Food and Public Distribution since the year 2005-06. So far, funds have been sanctioned for establishing 16478 VGBs in 20 States/UTs. The Committee further note that the performance of the VGB Scheme has been evaluated in two States viz. Orissa and Chhattisgarh by World Food Programme. An independent agency is evaluating the performance of the scheme in 16 States which is expected to give its report within six months. From the report of the World Food Programme, the Committee find that the absolute proportion of households that faced food shortage has been reduced from 87% to 47%, since the introduction of the scheme. The households that faced food shortage have come down by 60% in Orissa and by 10% in Chhattisgarh. The Committee are, therefore, convinced that the VGB scheme is very important to provide food security to the poorest of the poor sections of the country's population. The Committee, therefore, strongly recommend that the Department of Food and Public Distribution should evolve and put in place an effective system of monitoring and control over the performance of the VGB Scheme on top priority. The Committee desire that action taken by the Government in this regard be intimated to them.

CHAPTER V

FOOD CORPORATION OF INDIA (FCI)

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

5.2 Since the FCI is established under a special Act of Parliament and does not come under the Companies Act, hence the Capital of FCI is in the form of Equity only and is not divided into shares. The authorized and paid up capital of FCI as on 31.03.2009 stood at Rs. 3,500 crores and Rs. 2528.30 crores respectively.

(a) Dues and Liabilities of FCI

5.3 Since the FCI is established under a special Act of Parliament and does not come under the Companies Act, hence the Capital of FCI is in the form of Equity only and is not divided into shares. The authorized and paid up capital of FCI as on 31.03.2009 stood at Rs. 3,500 crores and Rs. 2528.30 crores respectively.

(Rs. in crores)

Sl. No.	Particulars	Amount Outstanding
1.	Ministry of Rural Development	2890.82 (Prov.)
2.	Ministry of Human Resource Development	148.47

* The Ministry of Human Resource Development has paid Rs. 300 crores as revolving fund against bills in pipeline.

5.4 Asked whether any time limit has been fixed within which Ministries are required to make payment of outstanding dues, the Committee have been informed that no time limit has been fixed for payment of outstanding dues by the Ministry of Rural Development and Ministry of Human Resource Development. When asked about the reasons for such leniency in not fixing any time limit, the Ministry stated in post evidence replies that outstanding dues of FCI pending against Ministry of Rural Development (MoRD) and Ministry of Human Resource Development (MoHRD) are on account of providing foodgrains at subsidized rates under various welfare schemes of these Ministries. Payment of the outstanding dues depends on allocation of funds to these Deptts./concerned nodal Ministries by Ministry of Finance. It may not be possible to fix any time limit to liquidate outstanding dues of FCI by the concerned nodal Ministries i.e. Ministry of Rural Development and Ministry of Human Resource Development as they are dependent on allocation of funds by Ministry of Finance.

5.5 When enquired about the steps taken to liquidate the outstanding dues of FCI, the Committee have been informed by the Department of Food and Public Distribution that the matter has been taken up regularly by the Deptt. at different levels with Ministry of Finance, Ministry of Rural Development and Ministry of Human Resource Development. The Department has further stated that the amount of pending outstanding dues has reduced considerably due to the continuous efforts made by the Department of Food & PD.

5.6 The Committee note with concern that a huge amount to the tune of Rs. 3039.29 crore is still outstanding against the Ministry of Rural Development and Ministry of Human Resource Development on account of foodgrains provided to them by the FCI for various welfare schemes on payment basis. The Committee note from the information furnished by the Department that the Ministry of Human Resource Development (HRD) has paid Rs. 300 crores as revolving fund against bills in the pipeline. As far as the Ministry of Rural Development is concerned, the Department seems to be justifying the delay in liquidating the dues by stating that liquidation of outstanding dues depends on allocation of funds to these ministries by Ministry of Finance. The Committee are shocked to observe that instead of fixing any time limit for recovery of outstanding dues, the Department has taken a lenient view towards the Ministries. The Committee feel that instead of justifying the delay, the Department should make serious efforts towards settlement of the dues, especially of the Ministry of Rural Development and also take up the matter with the concerned Ministries to make separate budgetary provision for foodgrain component in their respective Budgets.

(b) Establishment Cost of FCI

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

	Rs. Crores		
	2006-07 (unaudited)	2007-08 (prov.)	2008-09 (RE)
Staff Cost	1236.66	1326.50	1857.67
Other Establishment Cost	133.10	166.40	215.53
Total	1369.76	1492.90	2073.20
% increase over previous year	0.07%	8.99%	38.87%

5.8 When asked to state the reasons for increase in establishment cost, the Department stated that during 2008-09 the Sixth Pay Commission benefits were provided to the CDA staff of FCI with retrospective effect from 1.1.2006 and similarly the benefits of 50% DA merger were provided to IDA Staff with retrospective effect from 1.1.2007. However, in real terms, the Establishment Cost of the year 2008-09 (RE) works out to be 3.7% of the total cost of FCI.

5.9 On being asked by the Committee about the remedial/corrective steps proposed to be taken to keep the establishment cost to its barest minimum, the Ministry stated that in order to reduce the establishment cost, M/s. Mckinsey & Co. was engaged to give suggestions to improve FCI's efficiency including in the field of staff rationalization. The suggestions made by the consultant are at different stages of implementation. In addition, the Corporation has adopted the instructions on economy measures and rationalization of expenditure issued by Department of Expenditure vide OM No. 7(1)/E-Coord-2009 dated 7th September, 2009. .

5.10 The Committee note that the net expenditure incurred by FCI, including the establishment cost, is reimbursed by the Government in the form of food subsidy. The Committee are deeply concerned to note that a large part of the food subsidy goes towards meeting the Establishment Cost of FCI, which is increasing year after year. The steep rise in the Establishment Cost of FCI is evident from the fact that it has risen from Rs. 1369.76 crore (0.07%) in 2006-07 to Rs. 2073.20 crore (38.87%) in 2008-09. The justification given by the Department that the Sixth Pay Commission benefits were provided to the staff with retrospective effect from 01.01.2006 and in real terms, the Establishment Cost for the year 2008-09 comes to only 3.7% of the total cost of FCI is not acceptable to the Committee. The Committee feel that even after making payment of salary arrears and other benefits accrued from the Sixth Pay Commission, the establishment cost is still very high. The Committee feel that cutting down the establishment cost consequently results in the increased allocation of food component under the food subsidy. The Committee further note that the suggestion given by M/s Mckinsey & Co. to improve FCI's efficiency including in the field of staff rationalization is at different stages of implementations. Besides, the Ministry is also stated to have adopted instructions on economy measures issued by the Department of Expenditure. The Committee hope that by adopting various aforesaid measures they would be able to reduce the food subsidy bill by lowering the establishment cost so that the benefits of food subsidy reach the eligible beneficiaries covered under Public Distribution System (PDS).

(c) Storage – covered and open alongwith utilization status

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

(FIG. IN MILLION TONNES)

YEAR As on 31/3	COVERED			CAP(OOPEN)			GRAND TOTAL
	OWNED	HIRED	TOTAL	OWNED	HIRED	TOTAL	
2006-07							
Capacity	12.94	9.34	22.28	2.29	0.63	2.92	25.20
Stocks	6.47	6.36	12.83	0.15	0.62	0.77	15.60
Utlz.	50%	68%	58%	06%	99%	26%	54%
2007-08							
Capacity	12.95	8.71	21.66	2.20	0.03	2.23	23.89
Stocks	6.02	5.67	11.69	0.03	0.03	0.06	11.75
Utlz.	47%	65%	54%	1%	100%	2%	49%
2008-09							
Capacity	12.97	10.12	23.09	2.17	0.02	2.19	25.28
Stocks	9.92	9.04	18.96	0.29	0.01	0.30	19.26
Utlz.	77%	89%	82%	13%	53%	14%	76%

5.12 From the above statement, it is noted that during 2008-09, utilization of owned (covered) capacity is 77% whereas hired capacity is 89%. Similarly, in the case of CAP (open) utilization of capacity, the owned capacity is 13% whereas the hired capacity is 53%.The amount paid as rent by FCI on hiring of godowns during the last three year is as under:-

(Fig. in Rupees crore)

Year	Amount Paid as rent
2006-07	317.31
2007-08	271.06
2008-09	359.30

5.13 During evidence, the Committee enquired about the reasons for less utilization of owned capacity as compared to hired capacity. The CMD, FCI in reply stated as under:-

'We have a shortage of storage as such. Most of the storage which we have is in the procurement States; from the procurement States, we have to evacuate our stocks, because it has to be made available for the next procurement season. If it is kharif, they have to get ready for the rabi and if it is rabi, they have to get ready for kharif; so, within a short time adequate space is to be provided by evacuating stocks from procuring States where we have more owned capacity. Our endeavour is to remove stocks from the procurement States, take it to the consuming State. Unfortunately, only about 22 per cent of FCI total storage capacity is in the consuming States. So we have to go for more of private hiring in consuming States to accommodate stocks evacuated from procuring States like Punjab and Haryana and so, you will find that during a particular time, from the procuring States, the stocks are getting evacuated, whereas we are filling it up our capacity both owned and hired in the consuming States. We depend on more private godowns, which are hired. So, there the utilization has to be more as otherwise they have to be de-hired.'

5.14 On being asked why owned capacity is not being put to maximum use and hiring of more and more capacity avoided the Department in their post-evidence reply stated that the hiring of the covered storage capacities depends upon the trend of procurement in the procuring regions. The storage capacity is hired by FCI at those places where either owned capacity is not available or where the owned capacity is not sufficient to accommodate all the procured stocks. Storage capacity is also required in certain cases for stock required for distribution.

5.15 The Department further stated that storage capacities created by FCI are at fixed places which cannot be moved with changing geographical patterns of procurement and utilization. It is not effective to undertake long distance transportation and double handling of foodgrains just to ensure utilization of FCI vacant storage spaces at far off places instead of hiring the fresh storage space at the place where it is required because of proximity to the procurement or consumption centres. Many times the type of capacity available also becomes an important factor leading to a situation where fresh capacities may be required to be hired in place of using existing FCI owned capacities, for example FCI may have Silos /Owned CAP capacities at a particular place but FCI may still have to hire the fresh covered space to store rice since rice cannot be stored in Silos/CAP.

5.16 Explaining the reasons for less utilization of storage capacity, the CMD, FCI further added:-

'Sir, I would like to submit one thing that there is no doubt that the ideal situation is that we should have had 540 lakh tonnes of covered godowns capacity, but the problem is that from 2002 to 2008 the organization was literally forced to de-hire, I am sorry to say this, because even in the same Standing Committee, there were recommendations to de-hire and implementation of that has taken place. The C&AG paras were there against the officers. Ideally, we should have 500 plus of covered godowns capacity, but the situation of that because of this high and down cyclical operations of the procurement which take place, lot of area, lot of covered space remains unutilized. That gives room for criticism and with that, we start seeing only up to the nose and not beyond that.'

5.17 The Committee note with dissatisfaction that the FCI has not been able to maximize the utilizations of its storage capacity, both Covered and CAP (open), available with them. The Committee find that the FCI has utilized more hired capacity as compared to their own capacity. It is surprising to the Committee that FCI hired 100% open capacity in 2007-2008 whereas their own capacity utilization was only 1% during the same period. Similarly, in 2008-09, they have utilized 77% of their own covered capacity but the utilization of hired capacity was 89%. The position of CAP (Covered) utilization is worst in 2008-09 when the FCI utilized only 13% of their owned capacity but utilization of hired capacity was 53%. The argument put forth by the FCI that they hired storage capacity only in such cases where they do not have their own godowns or where their capacity is not sufficient, is not acceptable to the Committee. The Committee also regret to observe that a huge amount is spent every year on hiring the godowns by FCI whereas the utilization of owned capacity is not optimum. For example, FCI paid Rs. 371.31, Rs. 271.06 and Rs. 359.30, respectively during the years 2006-07, 2007-08 and 2008-09, which in the opinion of the Committee is nothing but wastage of Government money. The Committee are of the opinion that the FCI should, as far as possible, avoid undertaking hiring of godowns and the infructuous expenditure incurred thereon. The Committee, therefore, recommend that the FCI should make proper assessment of the availability of their own storage capacity as well as the required capacity and make maximum utilization of owned storage capacity, so as to avoid huge rent spent on hired storage.

(d) Construction of storage godowns

5.18 The Committee have been informed that the scheme for construction of storage godowns by FCI will be continued but priority will be given during XI Five Year Plan to newly created States like Jharkhand and Chhatisgarh where no capacity has been created during first two years of XI Five Year Plan as State Government could not make available the required land at the proposed centres for construction of godowns by FCI. The matter has been taken up repeatedly with the respective State Governments since August, 2008 at various levels. The selection of land at these places is being actively pursued by FCI with the State Governments. The reason for delay in the acquisition of land by FCI is because of the caution exercised by the State Governments in acquiring land to avoid large scale displacement as well as associate law & order problems.

5.19 In the State of Jharkhand and Chhattisgarh, FCI has proposed to construct the following additional storage capacity during 11th Five Year Plan (2007-12):

State	Location	Capacity
Chhatisgarh	Balaod	15000 MT
	Akaltara	10000 MT
Jharkhand	Chakardharpur	15000 MT

5.20 The Ministry further informed that the Government has announced a “Scheme for Construction of Godowns for FCI – Storage requirements through Private Entrepreneurs - 2008”. Accordingly, on 28.7.2008, the Government circulated a scheme to FCI and State Governments. The salient features of the scheme are as under:-

- (i) Under this scheme, the FCI can take the godown on hire from Private parties through CWC/SWCs for a period of 5 years or more depending on its requirements of storage capacity to meet 4 months of Public Distribution requirement.

- (ii) The purpose of the new scheme on providing guarantee for 5 years is to make available storage capacity to FCI on long-term basis. Under the new scheme, assessment of the storage needs is being made by FCI at the State level, based on the overall procurement/consumption and the storage space already available.
- (iii) Final approval of the High Level Committee of FCI would be required for hiring either any existing godowns constructed earlier under Seven Year Guarantee Scheme or for opting for new construction as per the parameters of the Scheme.
- (iv) The High Level Committee will examine and decide whether such storage capacity is really required and to the extent to which it is required. The re-hiring of and already existing 7 Years Guarantee Scheme godown would be done after having due regard for the written down value, value of storage facilities, market rates etc. Hiring of new godowns would be done through a transparent 2-bid tendering process.

5.21 As informed by the Department further, during the year 2008-09, a capacity of 25,000 MT was projected for construction of godowns in NE States as under:

Changsari(Assam)	- 5,000 MT
Jiribam(Manipur)	2,500 MT
Senapati (Manipur)	- 5,000 MT
Churachandpur(Manipur)	2,500 MT
Kohima (Nagaland)	- 5,000 MT
Hailakandi (Assam)	- 5,000 MT

5.22 It is noted that during the year 2008-09, physical target for construction of storage godowns in NE was 25,000 MTs and achievement was only 2,500 MTs. The reason for shortfall in the capacity realization as stated by the Department was mainly due to non-availability/delay in acquisition of land by the State Government. In this context, the Committee enquired the reasons due to which land could not be acquired thereby preventing construction of godowns in NE

areas. The Committee was informed that a capacity of 2500 MT at Nandandnagar (spill over work of 2007-08) has been completed during the year 2008-09. FCI successfully acquired land for the most important storage project of 50000 MT Railways Siding facility at Changasari ((Assam) for which the major portion of the funds was spent . An amount of Rs.13.66 crores was spent for acquisition of land at Changasari which has been taken over on 10.2.2009. The construction at Jiribam (Manipur) could not be taken up as State PWD Manipur refused to take up the work and finally Manipur Police Housing Corporation has agreed to take up the work and necessary arrangements are being finalized. The land at Senapati & Churachandpur has not been handed over to FCI so far. The State Government is likely to hand over the land at Senapati by 31.10.2009. The land at Kohima was taken over only on 18.2.2009. The said work is likely to be taken up shortly by PWD Housing (Govt. of Nagaland, Kohima). The tender for the work at Hailakandi has already been finalized, work order has already been issued by Regional office, Guwahati and the work is in progress. .

5.23 When the Committee enquired about the difficulties being faced by the Government in construction of storage capacity in North East Region, the CMD, FCI stated:-

'We have the problem of law and order. In addition, we have also very less capacity right now. We have also problem at Lumgding. There is a problem of insurgency. Fixation of the agency takes more time as the private contractors are not coming forward to take up the work there. We have requested the State Governments to fix up the Government Agency to take it up; they changed the agency For example in Manipur, earlier it was the Public Works Department, later on, they put it to the Manipur Police Housing Corporation. There has been some delay in fixing the agency to carry out works. The land that was required was acquired only in February. For these reasons, we could not achieve the physical target. We have achieved the financial target. This year, we will definitely achieve the target. There were two places; Senapati and Choorachandpur that is in Manipur. In case of Chandsari and Kohima we were given the land by the State Government on 10th and 18th February. That is why we could not complete it during that financial year. The work is not in progress and we will be able to achieve the target. There is no problem now.'

5.24 When the Committee pointed out that except two States namely Assam and Manipur other six States are free from extremist activities, the Secretary responded as under:-

'For example, if there is a problem in Lunglei, then we cannot go beyond to Tripura. So, they affect each other. There are temporary blockades that keep happening whether it is black window or whether it is the students economic blockade or anything else, we have a lot of problems. So, we are trying to make sure that every State in the North East has capacity equal to three months requirement for PDS. At the moment, it is quite short of it, and not much private initiative is willing to come forward there. Therefore, FCI has proposed a scheme for creating 4.37 Lakh Metric Tonne (LMT) of capacity. We are going to the Planning Commission with this proposal also.'

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The representative of FCI during briefing also informed as under:-

'The existing capacity in the entire North East is 4.43 LMT whereas the requirement – if we are to keep four months stocking in mind – is 11.78 LMT. Therefore, the gap is almost 7.35 LMT for which we are giving this proposal.'

5.25 The Committee note with concern that the North-eastern States are the most disadvantaged States in maintaining the adequate foodgrain stock. The requirement of the godowns in NE States is 11.78 lakh MT whereas the existing capacity in the entire region is only 4.43 LMT, thereby leaving a gap of 7.35 MT. The Committee are unable to accept the plea of the Government that due to Law and Order problem and delay in providing land by the State Governments, they could not provide adequate storage facilities in the North-eastern States. The Committee feel that there is lack of coordination between the Department of Food and Public Distribution and States/UTs which resulted in non-acquisition of land at different centres of States. The Committee observe that due to the geographical conditions of the NE Region, even the Railway authorities find it difficult to carry the required number of rakes during the monsoon season. The Committee further observe that inspite of the subsidy given for foodgrains, it is not subjected to safe storage as at times it is spread in open and simply covered by Tadapatra leaving it rotting, specially during monsoon season. The Committee, therefore, strongly recommend that the Department of Food and Public Distribution should take up the matter urgently with the North-eastern States/UTs at the highest level for identification of suitable land for construction of godowns in the region to augment the storage capacity.

(e) Storage and Transit Loss

5.26 The Committee have been informed that the storage and transit losses occur in foodgrains operations due to multiple handling, spillage, driage of moisture, insects and pests, long storage, bird and rodent trouble, cleaning and upgradation, pilferage, misappropriation etc. The losses due to theft, misappropriation, manipulation etc. are investigated for fixing the responsibility. The quantity and value of foodgrains losses in storage, transit and pilferage during the last three years are as under:-

Storage Losses

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

Year	Qty of Loss	Value of Loss	Qty issued	% age of Loss in Qty.
2006-07	1.34	155.80	654.89	0.20
2007-08	1.29	160.66	461.45	0.28
2008-09	0.58	101.26	456.84	0.13

Transit Losses

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

Year	Qty of Loss	Value of Loss	Qty. Moved	%age of Loss in Qty.
2006-07	1.39	133.87	322.58	0.43
2007-08	1.18	139.21	287.01	0.41
2008-09	0.96	132.65	239.26	0.40

Pilferage (Theft) Losses

Year	No. of Cases	Quantity of Foodgrains (MT)	Amount (Rs.)
2006-07	3	6.95	53,905.00
2007-08	17	91.29	8,95,766.00
2008-09	2	1.15	17,422.50

5.27 When asked whether FCI has initiated any effort to detect and analyze the reasons for such huge transit, storage and pilferage losses, the Committee was

informed that FCI has issued instructions to the field offices from time to time to take all the necessary remedial/corrective measures, including frequent surprise checks/inspections at loading/unloading points by District/Regional/Zonal Squads, to reduce storage & transit losses. After analyzing the reasons for losses, depots reporting high losses are identified for plugging the loop-holes. Physical verification of the stocks is also conducted periodically as a preventive measure to check losses. Each and every case of S&T loss (above 0.5%) is investigated for fixing responsibility on the delinquents and making recoveries against unjustified losses.

5.28 During evidence, when the Committee wanted to know the reasons for such a heavy loss of foodgrains, the CMD, FCI replied as under:-

'The total quantity which we have handled is 913 lakh MT, whereas the total loss is only 20,000 MT. If you see this quantity in percentage terms, it comes to 0.022 per cent. You will have to take into account the number of times a hamali puts those hooks and takes it right from the mandi. There are at least eight handling points. Then, it is even taken to the farthest corner of the North East. At Lumding and Rangia point, if you see, transshipment takes place from the broad gauge to meter gauge point. Then, there are places where because of floods and cyclonic weather, water got into some of our godowns and the lower layers were spoiled. All that included, in 2008-09, the damaged quantity was only 20,000 MT. In the previous year, it was 34,000 MT. This is my submission. In rupee terms, it comes to a loss of Rs. 13 crore. The total quantity which we have handled is worth Rs. 1,23,885 crore, out of that Rs. 13 crore worth was the damage.'

5.29 On being suggested that in order to reduce the storage and transit loss, the FCI should adopt the modern method of storing the foodgrains, the CMD, FCI stated during evidence:-

'You are absolutely right. Actually, there was a pilot project done on experimental basis in Haryana for a multi-storeyed thing. It was done so that mechanization can be introduced and the vehicle could go right up to the first floor. We can share its analysis with you next time. This particular project is almost complete. There was a few places where they are yet to complete it. They do not carry it in bags. They also do not store it in the bags. It is a bulk handling in

loose form. It is carried in a loose form and at the end, when it is to be released to the consumer, to a particular State Government, then at that point of time, it is bagged. There is a step which has been taken. We are assessing that pilot scheme.'

5.30 The Committee are concerned to note that a large quantity of foodgrains is lost every year in the form of storage, transit and pilferage losses. The Committee have been informed that during 2008-09, a total of 2.69 MT of foodgrains amounting to Rs. 233.91 crore was lost on account of storage, transit and pilferage. Despite the best efforts of the Government, the storage losses in the godowns of Food Corporation of India (FCI) have not shown any decreasing trend. The Committee feel that in order to minimize storage, transit and pilferage losses, it needs constant monitoring through regular inspections. The Committee, therefore, strongly recommend that FCI should the FCI should adopt scientific and modern technology to store the foodgrains. Besides, they should also recruit personnel who have technical knowledge and expertise with a view to ensure safe storage and minimizing the storage losses. The Committee also desire that Government should contemplate fixing of responsibility for such losses and punish the guilty officials in this regard.

5.31 The Committee further note that 20,000 MT of foodgrains amounting to Rs. 13 crore was damaged during storage in 2008-09 due to poor maintenance. The Committee also note that as a result of regular/surprise checks, the quantum of damaged foodgrains declared have been reduced drastically but it is still very high. The Committee are unhappy to note that a large quantity of foodgrains are spoiled every year due to floods and cyclonic weather, which in the opinion of the Committee is lack of farsightedness on the part of FCI. The Committee, therefore take a serious view and recommend that the FCI should make advance planning for storing the foodgrains in a safe place. The Committee also recommend that a comprehensive plan for time bound disposal of the stocks accumulated be prepared by the Government in order to save the accumulated grain from further deterioration and prevent unnecessary expenses on handling and storage of damaged foodgrain which is not fit for human consumption.

CHAPTER VI

CENTRAL WAREHOUSING CORPORATION (CWC)

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

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

6.3 Against the authorized capital of Rs. 100.00 crore, the paid-up capital of the CWC is Rs. 68.02 crore and Net Worth of CWC as on 31.03.2008 is Rs. 1080.24 Crore. The income and expenditure of the Corporation for the last three years are as under:-

(Rs. in crore)

YEAR	INCOME	EXPENDITURE	PROFIT AFTER TAX
2006-07	686.44	552.64	88.70
2007-08	776.23	621.47	136.91
2008-09	849.25	738.81	110.46

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

(Rs. in crore)

YEAR	OUTSTANDING		AMOUNT WRITTEN OFF
	Dues	Liabilities	
2006-07	154.94	146.17	1.65
2007-08	164.94	167.06	0.57
2008-09	151.60	209.72	0.41

6.5 The Ministry has informed that an amount of Rs. 0.41 crore only has been written off as bad debts during the year 2008-2009, which is hardly 0.25% of the total

outstanding dues of Rs. 164.94 crore as on 01.04.2008. Writing off of the bad debts is resorted to very cautiously and selectively after thoroughly ensuring that the amount is not realizable and cannot be recovered from the concerned debtors and only after all efforts made to realize the amount have failed and is done in accordance with prescribed accounting norms.

6.6 The Committee note that although the amount of bad debts written off has declined from Rs. 0.57 crore in 2007-08 to Rs. 0.41 crores in 2008-09, it is still very high. The Committee note from the information furnished to them that writing off of bad debt is resorted to only when all efforts made to realize the amount have failed. The Committee feel that the huge money written off every year may be due to shortcomings in the norms fixed by the Department for the recovery of outstanding dues. The Committee, therefore, recommend that the Government should keep a close watch on the amount of bad debt written off and review the norms fixed for recovery of outstanding dues by CWC for full liquidation of outstanding dues at the earliest so as to enhance its profitability.

(a) Establishment Cost

6.7 The Committee have been informed that the total establishment cost for 5935 employees on the roll of CWC as on 31.03.2009 was Rs. 313.42 crore during the financial year 2008-09. During the past, the Corporation had introduced Voluntary Retirement Scheme (VRS) through which more than 2400 employees opted for VRS. The Establishment cost of CWC for the last three years is as under:-

(Rs. in crore)

Year	Establishment Cost
2006-07	170.17
2007-08	234.62
2008-09	333.42

6.8 Explaining the reasons for increase in the Establishment Cost of CWC, the Department has stated that the establishment cost for 2007-08 was higher than the Preceding Year (2006-07) by approx. Rs. 64 Crore primarily due to 50% DA Merger (Rs.15 Crore), Provision for Pay Revision (Rs.23 Crore), consequential increase in the Provision for Gratuity (Rs. 7 Crore), Provision for Leave Benefits (Rs. 9 Crore). Balance increase is on account of the effect of normal DA increase and Annual Increments. Establishment Cost during 2008-09 has gone up by Rs. 99 Crore as compared to the Previous Year (2007-2008) mainly on account of Impact of Pay Revision on Salary (Rs. 60 Crore) and consequential increase in Gratuity (Rs. 7 Crore) and Leave Benefits (Rs. 32 Crore).

6.9 On being asked about the steps being taken to reduce the administration cost of CWC, the Department in a note furnished to the Committee stated that CWC has taken various measures such as reduction in non-plan expenditure on heads like publicity, telephone, travel, entertainment etc.; cost effective methods like computerization etc., non-core services are being outsourced and 13 Construction Cells have also been closed, retaining only 04 construction cells. Asked whether the recommendations of the Tata Consultancy Services (TCS) regarding cost reduction of CWC have been implemented in toto, the Committee was informed that their recommendation have

generally been accepted and implemented by the Corporation. Voluntary Retirement Schemes were introduced by the Corporation in the years 1994, 1998, 2002 and 2005 in order to reduce manpower. Besides, no fresh recruitment has been made by CWC after 1998 and the manpower of the Corporation has come down from 8954 during March, 1998 to 6059 in March, 2009. A special Voluntary Retirement Scheme was also introduced by CWC for the Engineering Personnel during June, 2008, and seven officials have opted for VRS. Further, the post getting vacated through superannuation of employees are not being filled up.

6.10 The Committee are unhappy to note that despite taking various measures such as reduction in non-plan expenditure on heads like publicity, telephone, travel, entertainment, etc. the establishment cost which was 234.62 crore in 2007-08 has suddenly gone up to Rs. 333.42 crore i.e. Rs. 99 crore more as compared to previous year. The Committee cannot accept the contention of the Department that the establishment cost of CWC has increased mainly on account of impact of pay revision on salary and increase in Gratuity and Leave Benefits, since these are the regular and compulsory expenditure to be incurred by the management. The Committee are also surprised that the recommendations of Tata Consultancy Services (TCS) regarding cost reduction have been taken by CWC very casually. The Committee, therefore, recommend that CWC should restructure its Plan and Policy and make sincere efforts to reduce its establishment cost and enhance its profits.

(b) Construction of Godowns

6.11 The Committee have been informed that the Central Warehousing Corporation (CWC) is constructing additional warehousing capacities in accordance with the Internal & External Budgetary Resources (IEBR) Scheme, which are approved by the Planning Commission. Though no financial allocation is made by the Planning Commission for these schemes, yet the physical & financial targets under the scheme for construction of the warehouses/godowns in the country by CWC are approved by the Planning Commission. Under this scheme, CWC had initially proposed a total outlay of Rs. 360.96 crore during the 11th Five Year Plan (2007-2012) as per details given below:-

(Rupees in crore)

Name of the Scheme		11th Plan
i)	Construction of godowns	195.94 (4.68 lakh MTs)
ii)	Purchase of railway wagons	150.00
iii)	Contribution to share capital of State Warehousing Corporations	15.02
Total		360.96

Utilization of funds

6.12 The details of funds allocated to CWC for augmentation of storage capacity for foodgrains under Internal and Extra Budgetary Resources (IEBR) scheme and actual expenditure incurred during the last three years is as under :-

(Rupees in crore)

Year	Target	Actual
2006-07	110.88	79.06
2007-08	82.49	83.20
2008-09	44.77	30.35
2009-10	135.95	

6.13 From the above statement, it is seen that there was continuous decline in the targets fixed and achievement made by CWC under IEBR scheme. In this context, the

Committee enquired the reasons for decline in target fixed as well as achievement made during 2006-07, 2007-08 and 2008-09. The Committee were informed that the shortfall in the expenditure was due to the following reasons-:

- (1) The Corporation had projected construction of capacities of Railside warehouse complexes at various locations in terms of the MOU signed with the Railways. However, the land at the projected sites were not made available in time by the Railways resulting in delay in construction.
- (2) The Corporation had undertaken the construction of storage capacity at Mundra Port in Gujarat as per the planned schemes.
- (3) The plan scheme included covered capacity at some of the places which could not be undertaken due to non availability of land. However, alternative projects have been undertaken for development of open space for container yards so that the capacity planned could be completed with lesser investment.
- (4) The shortfall during 2008-09 was due to the fact that the construction work of 10,400 MT capacity at Hubli could not be undertaken due to land dispute. Steps have been taken to resolve the same.

6.14 Asked whether CWC has contemplated any plan of action to diversify its business, the Committee was informed that the CWC has the following diversification plans:

- (i) Procurement of foodgrains in selected States.
- (ii) Participation in mega food park scheme of the Govt of India.
- (iii) Participation in the National Horticulture Mission scheme of Govt of India for development of cold chain logistics infrastructure and terminal markets.
- (iv) Creation of a subsidiary company for warehouse receipt financing.
- (v) Development of Container Rail Terminals at some of the existing railfed godowns.
- (vi) Undertaking Container Rail Transportation operations in other corridors such as Loni- Chennai, Loni-Mundra, Loni-Visakhapatnam. etc.

6.15 When enquired whether the foodgrains are scientifically stored in CWC godowns and whether the Central Government/State Government have issued any guidelines for construction / modernization of warehouses in a scientific way, the Department informed the Committee in a written note that the foodgrain stocks stored in the godowns of the Corporation are scientifically preserved. The godowns are scientifically constructed with adequate plinth height and made rodent proof. The stocks are kept on appropriate dunnage to prevent damage from ground moisture. Stack lines are drawn in the godowns after proper stack planning to provide adequate operational space between the stacks and proper ventilation of the stocks. Fortnightly inspections of the stocks stored are undertaken to keep close watch on the health of the stocks. Periodical preventive and curative treatments with approved pesticides in the prescribed dosage are given to the stocks to control infestation.

6.16 The Department has informed the Committee that CWC is constructing conventional type of godowns since long & for storage of foodgrains, minor changes in the godowns towards modernisation has been done by increasing its width & change in the type of doors provided. CWC has now taken up construction of pre-engineered godowns (Pre-fab) at CFSs/ICDs. Further, a study on cost effective and scientific construction of warehouses has been assigned to IIT Delhi and the action will be taken after receiving the report from them.

6.17 When asked whether any guidelines have been issued for construction/modernization of warehouses, the Department have stated that no guidelines have been issued for construction/ modernization of warehouses. However, Bureau of Indian Standard is preparing a Standard on Code of Practice for construction of bagged foodgrains storage structure in place of BIS Code No. IS 607:1971, which was withdrawn by them.

6.18 Asked as to how CWC ensures that the warehousing storage capacity is available to the farmers in the remote and hilly areas, the Committee have been informed that the decision to locate warehouses by CWC is based on survey of requirement and business potential of warehousing in a particular area. There are State

Warehousing Corporations and other State Agencies which are also involved in meeting such requirements.

6.19 The Committee desired to know whether the Government has any plan to make a network of warehouses so that they can cover at block level, the Secretary stated during evidence as under:-

'With regard to the entire network of warehouses, we are looking at big godowns where we can stock in bulk. For that, our policy is, instead of Government constructing godowns, we incentivize the private sector to come forward and construct godowns and Government gives a guarantee for its usage. FCI has announced a 5 year guarantee scheme.'

6.20 The Committee have been informed that no amount has been allocated for the construction of food storage godowns in NE Region to the CWC during the financial year 2009-10. Asked as to why construction in NE States is being neglected, the Department stated that CWC is operating 9 Warehouses in NE region with a total capacity of 1.01 Lakh MT. The average occupancy of these warehouses is 65%, 75% and 79% for the years 2006-07, 2007-08 & 2008-09 respectively. As the utilization is low, additional capacity could not be considered.

Besides, Assam SWC and Meghalaya SWC are operating a total of 2.67 Lakh MT with 50 Warehouses.

6.21 The Committee are deeply concerned to note that there was continuous decline in the funds allocated and achievements made by CWC for augmentation of storage capacity during the last three years. The funds allocated to CWC for augmentation of storage capacity for foodgrains under Internal and External Budgetary Resources (IEBR) Scheme were also not utilized fully. The Committee do not agree with the arguments of the Government that the funds could not be utilized for want of suitable location or due to land dispute. The Committee are of the view that it clearly reflects slackness on the part of CWC which could not timely locate the suitable sites for construction of godowns. The Committee wonder how the CWC will utilize the entire fund of Rs. 360 crore allocated for the XI Five Year Plan period until and unless the above mentioned disputes are resolved. The Committee, therefore, recommend that the CWC should pursue the matter with concerned State Governments/UT Administration vigorously for providing suitable land for construction of storage godowns and ensure that the funds do not remain unutilized for want of locations. Priority should be given to remote, hilly and backward areas so that the small and marginal farmers are not deprived of the benefits of the storage facilities of CWC.

6.22 The Committee further note that CWC did not allocate any amount for construction of godowns for food storage in North-Eastern region during the financial year 2009-10. The Committee are not inclined to accept the plea of the Government that due to less occupancy of warehouses, the additional capacity could not be considered. The Committee are of the view that the North-Eastern States which already face difficult geographical conditions, should not be deprived of storage facilities. The Committee, therefore, strongly recommend that the Government/CWC should earmark separate funds i.e. 10% of the total plan funds for construction of godowns in North-Eastern States and make sincere efforts for construction of godowns in the region at the earliest.

(c) Growth in Storage Capacity

6.23 The storage capacity available with Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWCs) as on 31st March, 2009 is as follows:-

(Lakh Metric Tonnes)

Agency	Constd.	Hired	Mgmt.	Open/Plinth	Total
CWC	67.60	23.15	8.72	14.50	105.25
SWCs	122.63	70.57	----	3.56	196.76
Total	190.23	93.72	8.72	18.06	302.01

Capacity Utilization

6.24 The capacity utilization of each category of storage of Central Warehousing Corporation (CWC) is as under:

(Figures in Lakh MT)

Yearly Average	Covered			Hired		
	Capacity	Utilisation	% of capacity utilisation	Capacity	Utilisation	% of capacity utilisation
2006-07	66.88	49.74	74.37	21.83	19.78	90.60
2007-08	67.27	48.30	71.80	18.00	14.39	79.94
2008-09	67.47	55.16	81.75	18.38	15.94	86.72

6.25 The Committee have been informed that there is no plan to dehire the hired capacity. However, on the basis of business requirement, capacity is either hired or dehired. Only where owned capacity is not available or is inadequate, godowns are hired. It is ensured that owned capacity is utilized fully, before hiring is done.

6.26 As per information furnished to the Committee, the rent paid by Central Warehousing Corporation (CWC) for hiring of godowns for the last three years is given as under:

YEAR	AMOUNT (Rs. in crore)
2006-07	24.68
2007-08	22.98
2008-09	26.23

6.27 From the above statement it is noted that the rent paid by the CWC for hiring the godowns for the last three years has been increasing. When asked about the steps taken to dehire the hired capacity and to put owned capacity to maximum utilization, the Ministry stated that the hiring of godowns is done only as a matter of last resort after undertaking a detailed cost benefit analysis to accommodate the sudden influx of stocks of various govt. agencies as well as the private depositors at places, where the corporation does not have its own constructed capacity or the same is inadequate to meet the depositor's requirement and that too only on firm assurance from the depositor for a certain period. The hired capacity has been decreasing year after year, which was 35.82 lakh MTs in 2006-2007, 32.02 lakh MTs in 2007-2008 and 31.93 lakh MTs in 2008-2009, while the expenditure on godown Rent was Rs. 24.68 crore during 2006-2007, Rs. 22.98 crore during 2007-2008 and Rs. 26.23 crore during 2008-2009. The growth of Rs. 3.25 crore in the expenditure on godown rent during 2008-2009 vis-à-vis the preceding year (2007-2008) was primarily due to the payment of enhanced rent to Mumbai Port Trust (Rs. 2.75 crore) and mainly due to the hiring of godowns in the States of Maharashtra and Andhra Pradesh to accommodate cotton stocks of CCI and NAFED as well as in Karnataka to accommodate maize stocks wherever guaranteed business was available from the agencies undertaking MSP operations. Hired capacity have better utilization because hiring is done only after ensuring the availability of committed business. The utilization of warehousing capacity during 2008-2009 was 82% and thus significantly better than the preceding year (73%), both in respect of hired as well as constructed capacities.

6.28 The Department has further stated that in so far as the de-hiring of the hired capacity is concerned, the same is done as soon as such units are found to be economically unviable and the corporation is not able to reach the break even situation to cover its fixed cost after considering detailed analysis of utilization vis-à-vis the fixed & variable cost.

6.29 The Committee find that while on the one hand the utilization of hired capacity of godowns by CWC has declined as compared to their owned capacity utilization, on the other, the rent paid by CWC on hiring the godowns has been increasing for the last three years. The reason for more expenditure on hiring the godowns during 2008-09 are stated to be payment of enhanced rent to Mumbai Port Trust and other State agencies. The Committee regret that despite the fact that the entire capacity is not put to use, the CWC have no plan to dehire the hired capacity. The Committee, therefore, strongly recommend that the CWC should make vigorous efforts to use their owned capacity and dehire the hired capacity to improve occupancy utilization of godowns as well as profitability.

CHAPTER VII

MANAGEMENT OF SUGAR

(a) Policy of Partial Control on Sugar

Sugar and sugarcane are essential commodities under the Essential Commodities Act, 1955. The power to issue various control orders in sugar is derived from Section 3 of the said Act. At present four control orders viz (i) The Sugarcane (Control) Order, 1966, (ii) The Sugar (Control) Order, 1966, (iii) The Levy Sugar Supply (Control) Order, 1966, (iv) The Sugar (Packing and Marking) Order, 1970 are in operation.

7.2 The Central Government has been following the policy of partial control on sugar since 1967-68 except for two short spells from 25th May, 1971 to 30th June, 1972 and 16th August, 1978 to 16th December, 1979. Under the present system of partial control on sugar, certain percentage 10 per cent from 01.04.2009 to 30.09.2009 and 20 per cent from 01.10.2009 to 31.03.2010 of the sugar production is requisitioned from the producers of sugar at the prices fixed by the Central Government for distribution under Public Distribution System. This is called Levy Sugar. The remaining portion is left to be disposed of by the sugar producers without any restriction on price and movement but subject to monthly release order fixing the quantity to be sold. This is called non levy sugar or free sale sugar.

(b) Supply of Sugar under Public Distribution System (PDS)

7.3 The Government has since restructured the supply of levy sugar in the PDS. Under the restructured scheme, with effect from 01.02.2001, the supply of levy sugar was restricted to BPL families in the country except in North-eastern States, hilly States (J&K, H.P. and Uttranchal) and Island Territories where universal coverage was allowed. The universal coverage in these special categories States was allowed due to relatively higher open market prices, logistical constraints for availability of non levy sugar at affordable prices etc. With this restructuring, the annual levy sugar requirement for PDS got reduced from about 52 lac tons to about 28 lac tons including supply of levy

sugar to Bhutan, annual festival quota of States/UTs, and requirement of Army Purchase Organization (APO)/Paramilitary Forces.

(c) Production, Consumption and Availability of Sugar

7.4 Season-wise production of sugar from sugarcane since 2004-05 is given below:-

(in lakh tonnes)		
Season	Sugar production	Consumption
2004-2005	130.00	171.44
2005-2006	189.59	183.21
2006-2007	282.00	199.00
2007-2008	263.00	215.00
2008-2009	150-155	225.00

7.5 The Committee enquired the reasons for less production of sugar during 2008-09, the Secretary, Department of Food and Public Distribution stated as under:-

‘The Government fixes the Minimum Support Price (MSP) for various crops. If there is more attractive support price for a particular crop, it is possible that farmers may shift their cultivation to that crop. So, this is what has happened at times. Sugar, actually, is very cyclic in nature. As you are aware, we have years of highs and we have years of lows. What happens is that when there is an excessive production of cane and there is a lot of sugar produced, the farmers get lower prices and there are huge cane due arrears because the prices of sugar in the market are low. When the price is low, farmers stop cultivating and they shift to other crops. Then we have the down cycle. When again there is a shortage, the prices shoot up and as a result again more area is brought under cane.’

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

- (i) Statutory Minimum Price (SMP) of sugarcane for the sugar season 2009-10 has been increased to Rs. 107.76 per quintal, with an additional premium of Rs.1.13 for every 0.1% point increase in the recovery above 9.5%, as against SMP for 2008-09 of Rs.81.18 per quintal, with an additional premium of Re.0.90 for every 0.1% point increase in the recovery above 9%.
- (ii) A centrally sponsored scheme of Sustainable Development of Sugarcane Based Cropping System (SUBACS) is under implementation in 22 States/Union Territories. The main thrust of the scheme is on the transfer of improved production technology to the farmers.

- (iii) Concessional loans at an interest rate of 4% per annum are given to sugar factories from Sugar Development Fund (SDF) for modernization of plant and machinery, expansion of crushing capacity, upgradation of technology and sugarcane development programmes.
- (iv) The Government has in July 2009, announced short term soft SDF loan schemes for (1) Development of sugarcane in the specified areas of sugar mills for the purchase of seeds, fertilizers and pesticides and (2) to purchase and install machinery and equipment required for simultaneous processing of raw sugar with crushing of cane for manufacture of sugar.

According to the Government, this would improve the productivity of cane thereby improving availability of cane for crushing and will encourage sugar factories to process raw sugar which is expected to improve the availability of sugar in the coming sugar season 2009-10.

7.7 The Government has fixed the Statutory Minimum Price (SMP) of sugarcane payable by sugar factories for the ensuing sugar season 2009-10 at Rs.107.76 per quintal linked to a basic recovery of 9.5 percent, with the stipulation that in case the recovery rate exceeds 9.5 percent, a premium of Rs.1.13 per quintal will be given for every 0.1 percent increase in the recovery above that level. For the current sugar season 2008-09 (which ends on 30.9.2009), the Government had fixed the SMP at Rs.81.18 per quintal linked to a basic recovery of 9.0 percent with the stipulation that in case the recovery rate exceeds 9.0 percent, a premium of Rs.0.90 per quintal will be given for every 0.1 percent increase in the recovery above that level.

7.8 The Committee are shocked to observe that production of sugar which was more than the consumption level during the years 2006-07 and 2007-08 has got down suddenly in 2008-09. The production of sugar in the country in 2006-07 and 2007-08 was 282 lakh tonnes and 263 lakh tons, respectively, and there was excess stock of sugar in the country. During 2008-09, while the demand of sugar has increased to 225 lakh tonnes, its production has reduced to only 150 lakh tonnes, indicating a shortfall of about 33 per cent. The Committee are unable to accept the argument of the Government that less production of sugar was due to diversion of crops of sugarcane by farmers to other cash crops. The Committee are of the view that the farmers have shifted their crop due to wrong policy of the Government which failed to provide adequate Minimum Support Price (MSP) to the farmers of their cane produce. Besides, there is huge amount of sugarcane arrears pending with the sugar mills. The Committee feel that import of sugar by the Government at zero duty is not the solution because the farmers will continue to opt for other cash crops if not given adequate MSP of cane produce, resulting in less production of sugar in the country. The Committee are aware that recently the Government has increased the MSP of sugarcane, yet in the opinion of the Committee, these prices are not enough to attract the farmers to opt for sugarcane production. The Committee, therefore, recommend that Government should reconsider its decision and suitably increase the MSP of sugarcane. At the same time, to increase the production of sugar, agriculture should be made profitable avocation and the Government should give highest priority to provide the small and marginal farmers opportunity for assured and remunerative

marketing of their produce at the time of harvesting. The Govt. should make sincere efforts to clear all dues of farmers which are pending with Sugar Mills in the form of Sugarcane arrears. Henceforth, the loan for cane development should be given directly to the farmers through Panchayats and not through the Sugar Mills, so that the farmers are benefitted with the various schemes initiated by the Govt. to raise production of sugarcane.

(d) Retail Price of Sugar

7.9 The range of retail price of non-levy sugar in four metro cities during the current 2008-09 sugar season (upto 24th June, 2009) is as under:-

(Rs. per kg.)

Sl. No.	Centre	Nov. 2008	Dec. 2008	Jan. 2009	Feb. 2009	Mar. 2009	Apr. 2009	May 2009	June 2009 (upto 22 nd)
1.	Delhi	20.00	20.00-21.00	21.00-24.50	24.00-25.00	24.00-25.00	24.00-28.00	27.00-28.00	27.00-27.50
2.	Mumbai	20.50	20.50-21.50	21.50-22.00	22.00-24.00	23.00-25.00	24.00-25.50	25.50-26.00	26.00-27.00
3.	Kolkata	21.00	21.00	21.00-22.00	22.00-23.00	22.00-25.00	23.00-27.00	24.00-27.00	24.00-26.00
4.	Chennai	20.00	20.00-21.00	21.00	21.00-22.00	22.00	21.00-25.00	25.00	25.00-26.00

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

7.10 The Committee have observed that the prices of sugar increased as high as Rs. 30/- per kg recently due to acute shortage of sugarcane. In this context, the Committee wanted to know the steps taken to control rise in sugar price and to enhance the availability/production of sugarcane. The Department in a note furnished to the Committee stated that the lower production of sugarcane with consequent lower production of sugar during the current sugar season 2008-09 has put pressure on open market prices of sugar. The retail prices of sugar in the four metros viz. Delhi, Mumbai, Kolkata and Chennai are ruling, at present, in the range of Rs.31.00 to Rs.35.00 per Kg.

7.11 In this context, the Department has stated that the Central Government has taken a slew of measures to augment availability of sugar in the domestic market and moderate sugar prices as indicated below:

- Allowed import of raw sugar under Advance Authorization Scheme by sugar mills at zero duty upto 30.09.2009 (notified on 17.02.2009 and 02.03.2009).

- Allowed import of raw sugar at zero duty under O.G.L. upto 01.08.2009 by sugar mills (notified on 17.04.2009), extended upto 31.03.2010 (notified on 31.07.2009).
- Import of raw sugar has been opened up to private trade upto 31.03.2010 for being processed by domestic factories on job basis (notified on 31.07.2009).
- Allowed import of white/refined sugar by STC/MMTC/PEC and NAFED upto 1 million tons by 01.08.2009 under O.G.L. at zero duty (notified on 17.04.2009). This has now been extended upto 30.11.2009.
- Duty free import of white/refined sugar under OGL has been opened to other Central/State Government agencies and to private trade in addition to existing designated agencies, upto 30.11.2009.
- Ministry of Shipping has issued instructions to all major port trusts to accord priority berthing for one berth at a time firstly upto 30th September, and thereafter till 31st December, 2009 to vessels carrying raw and white/refined sugar arriving at Indian ports on the request of the vessel/agent or importers on payment of applicable charges.
- The Railway Board vide its letter dated 24th July, 2009 has since upgraded loading of imported sugar under priority 'B' until further orders.
- Directed sale of sugar processed out of imported raw sugar at zero duty, within three months of processing.
- Levy obligation has been removed in respect of all imported raw sugar and white/refined sugar. The white/refined sugar has been also allowed to be sold at the discretion of the importing organization, but sugar processed from imported raw sugar is subject to accelerated releases.
- Notified stockholding limit of 200 tons of sugar and 30 days turnover limit all over the country in respect of wholesalers. However, for wholesalers in Kolkata and adjoining areas who import sugar from outside the state, the stockholding limit has been fixed at 1000 tons but turnover limit is 30 days. The States, were, however, authorized to fix higher stockholding and turnover limits than those notified by the Central Government. 17 States/UTs viz. Andhra Pradesh, Bihar, Madhya Pradesh, Maharashtra, Delhi, Punjab, Karnataka, Orissa, Rajasthan, Gujarat, Haryana, Kerala, West Bengal, Jharkhand, Tamil Nadu, Andaman & Nicobar Island and Daman & Diu have already imposed the stockholding and turnover limits on sugar. The stockholding limits on sugar has been extended by another six months i.e. upto 08.01.2010 vide Deptt. of Consumer Affairs Notification dated 02.7.2009 and Deptt. of Food & Public Distribution Notification dated 16.7.2009.

- Vide Notification dated 22nd August, 2009, it has been provided that no person, establishment, or industrial unit using or consuming more than 10 quintals of sugar per month as a raw material for production or consumption or use, in any manner, shall keep stock, at any time, sugar exceeding 15 days of such use or consumption. Certain categories of large consumers have been exempted from this restriction. The notification is to come into effect from 19.09.2009.
- Futures trading in sugar on NCDEX stands suspended to check speculative tendencies in sugar trade with effect from 27th May, 2009.

7.12 During evidence, the Committee pointed out that it was likely to have adverse effect on the domestic sugar producer, if the Government allowed import of sugar at zero duty, since the sugar cane producer would opt for other cash crops. Consequently, there will be less production of sugar in the country. The Secretary, Department of Food and Public Distribution responded as under :-

‘Sir, if I could briefly give you the picture. The consumption estimated in the current sugar season which ends on 30th September is about 225 lakh tonnes and our production is estimated about 150 lakh tonnes. It means we have a shortfall of about 33 per cent. So, therefore, to make good the shortfall what can the Government do? We endeavour to manage supply and the demand. I will take another two minutes. The supply side management is augmenting the domestic availability through liberal imports. So, we facilitated imports by allowing import of raw sugar at zero duty. That is a preferred alternative because that means, the sugar mills continue running and we can keep processing raw sugar also. So, there is more activity and more labour employed. Of course, subsequently, we also allowed import of white or refined sugar at zero duty. But that is presently with a time limit of November, 09. But as far as raw sugar is concerned, it can be imported at zero duty up to end of March 2010. Then we also tried to manage demand. Because there is a big demand and supply mismatch. So, we felt that the bigger consumers, viz. those who manufacture products using sugar as a raw material, they could import sugar more easily as compared to the common man. So, we imposed a stock holding limit even on the bulk consumers stipulating that they can keep up to 15 days’ requirement out of domestic production and beyond that they can import, there being no stock holding limits on imports. So, through augmentation of supply and management of demand, we have hopefully tided over the crisis.’

7.13 The Committee express their concern over the rising trend in prices of sugar during the last one year. The price of sugar which was Rs. 20 per kg in all the four metropolitan cities in November, 2008 has increased to Rs. 40 per kg in November, 2009 i.e. 100% increase in the prices. The Committee note from the information furnished to them that less production of sugar contributes to rise in price of sugar. The Committee feel that despite being fully aware of the inflationary trends prevailing in the country, the Government has failed to take timely action to bring down the prices of sugar. Moreover, the Committee feel that when there was excess production of sugar, the Government could have framed a policy to provide adequate Minimum Support Price (MSP) to sugarcane growers so that the farmers did not shift to growing other crops and would have continued with sugarcane production, in order to obviate occurrence of such a situation. The Committee deplore this lack of farsightedness on the part of the Government. The Government have taken various measures to make available sugar at reasonable prices like import of raw sugar at zero duty, imposing of stock holding and turnover limits on sugar and putting ban on future trading in sugar to check speculative tendencies in sugar trade. The Committee are of the view that all the measures will be a futile exercise if these are not implemented in letter and spirit. The Committee are also aware that one of the reasons for rise in prices is hoarding of sugar by traders who create artificial scarcity in the market with the motive to earn more profits by selling sugar at higher prices. The Committee, therefore, strongly recommend that the Government should strengthen its enforcement machinery to conduct raids on the godowns of

traders and take stringent action against them in order to check hoarding and blackmarketing of sugar. The Committee also recommend that the D0epartment of Food and Public Distribution should draw a long-term plan to meet the situation of rising trend of sugar before it goes out of hands to unbearable proportions.

					any, indicating reasons in brief				If any, indicating reasons in brief				any, indicating reasons in brief	exp. Year-wise	
1	Research & Development & Modernization of the Laboratory of the Directorate of Vanaspati, Vegetable Oils and Fats	40	20	17.67	2.33 (Shortfall) Budget could not be utilized fully, due to unsatisfactory progress of R&D projects	20	20	1.96	18.04 (Shortfall) Budget could not be utilized fully, due to unsatisfactory progress of R&D projects.	20	10	6.33	3.67 (Shortfall) Budget could not be utilized fully, due to unsatisfactory progress of R&D projects.	2006-07 11.65% (shortfall) 2007-08 90.20% (shortfall) 2008-09 36.70% (shortfall)	20

8.3 From the above statement, it has been observed that the Government could not utilize the entire funds during the last three years due to unsatisfactory progress of R&D projects undertaken by Directorate of Vanaspati, Vegetable Oils and Fats (DVVO&F). When enquired the reasons for unsatisfactory progress of R&D projects, the Secretary stated during evidence as under:-

'We have sanctioned a number of proposals. But the consultants have been taking time to complete the research. Only about a month ago, we had reviewed this. We have given clear time lines. Otherwise, we will deduct from the consultancy fees.'

8.4 The Committee have further been informed that during the 11th Five Year Plan, the Directorate of Vanaspati, Vegetable Oils and Fats (DVVO&F) is operating a Plan Scheme on 'Research and Development and Modernisation of the Laboratory of the Directorate of VVO&F'. The total outlay for the scheme during the 11th Five Year Plan is Rs. 1.00 crore. The Plan Scheme is basically aimed at improved recovery of oils and co-products, both quantitatively and qualitatively from oil bearing materials. It is not possible to single out any individual factor, which contributes to the increased production of these oils. 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 also aims at to modernize the Laboratory of the Directorate, for testing oils and fats.

8.5 The broad areas in which R&D proposals under this Plan Scheme are to be encouraged are:-

- (i) R&D proposals which result in greater availability and acceptability of oils primarily for human consumption.
- (ii) Proposals regarding cost effective measures that would enable energy conservations, improvement in quantity and quality of oils and co-products, reduction losses, reduction in solvent consumption, steam consumption etc.

8.6 The specific thrust areas identified for R&D work are:

- (a) Application of frontier areas of technology such as membrane refining technology, bio-refining, bio-interesterification etc. of oilseed/oil processing.
- (b) Storage stability of unrefined and refined edible vegetable oils.
- (c) Nutraceutical/nutritional aspects of value added co-products/by-products of oil industry particularly with regard to suitability for human consumption.
- (d) Development of simple, reliable, low cost analytical methods/techniques for detection/determination of adulterants in fats and oils including Vanaspati.
- (e) Proposals for tie-up arrangement between R&D institutes/organizations and industry for up-scaling of technology developed.
- (f) Addition of micronutrients to vegetable oils.
- (g) Networking project on Rice Bran Oil.

8.7 When asked about the steps being taken to increase the production of edible oils during the last three years, the Ministry stated that in order to increase the production and productivity of oilseed in the country, Ministry of Agriculture have implemented Centrally Sponsored Integrated Scheme of oilseeds, Pulses, Oilpalm & Maize (ISOPOM) in 2009-10. Under the scheme, financial assistance is provided, *inter alia*, for purchase of breeder seeds, production of foundation seeds, production and distribution of certified seeds, distribution of plant protection chemicals, weedicides,

distribution of gypsum/pyrite/liming/dolomite, distribution of sprinkler sets and water carrying pipes, training, publicity, etc. to encourage farmers to grow oilseed crops. Further, block demonstrations and Integrate Pest Management (IPM) demonstrations are also organized.

8.8 When the Committee desired to know about the steps taken by the Government to bridge the gap between demand and supply of edible oils, the Department in a written note stated that in view of stagnation in domestic production of edible oil and steadily increasing consumption, to ensure adequate availability of edible oil, at reasonable prices to consumers the following steps have been taken by the Government:

- (i) Import duty on crude and refined edible oils reduced to nil and 7.5% respectively w.e.f. 1.4.2008 upto 30.9.2010 with a provision for review in the event of likelihood of prices of oilseeds falling below MSP.
- (ii) Tariff value of palm oils and crude soyabean oil have been frozen since September, 2006.
- (iii) Export of edible oil has been banned w.e.f. 17.3.2008 upto 30.9.2010.
- (iv) State Governments have been allowed to impose stock limits on edible oils and oilseeds w.e.f. 7.4.2008.
- (v) Government had introduced a scheme for distribution of 10 lakh tons of imported edible oils in 2008-09 with a subsidy of Rs.15 per kg. through State Governments at a rate of 1 kg. per ration card per month. The subsidy was increased to Rs.25 per kg. from January,2009 to March, 2009. The scheme which ended on 31.3.2009 is believed to have had a moderating effect on edible oil prices in the country as per feedback received from State Governments. The Government has extended the scheme during the current year with a subsidy of Rs.15 per kg. upto 31.3.2010.

8.9 The Committee note that inspite of various initiatives undertaken by the Government, the production of oilseeds have not shown any remarkable rising trend. Every year, the country has to spend a huge amount to import a large quantity of edible oils to meet the domestic demands. The availability of edible oils during 2008-09 from all domestic sources was 85.52 lakh MT and the consumption during this period was 151.18 lakh MT. In order to bridge the gap between demand and supply, the Government had imported 65.66 lakh MT of edible oils during 2008-09. The Committee note that the Directorate of Vanaspati, Vegetable Oils and Fats (DVVO&F) has been given the responsibility for development of technology for increased production of oil from oil bearing materials as also optimum utilization of these materials. The Committee are astonished to note that though the Government has been allocating huge funds under the plan scheme “Research & Development and Modernization of the Laboratories of the Directorate of Vananspati, Vegetable Oils and Fats” for research, development and modernization of laboratory, the entire funds could not be utilized, due to unsatisfactory progress of Research and Development Projects undertaken by the Directorate. The Committee desire that the Government should find out the reasons for unsatisfactory progress of R&D Projects due to which the DVVO&F failed to operate the plan scheme. In view of stagnation in domestic production of edible oils and steadily increasing consumption, the Government have taken a number of steps, but the Committee feel that these steps are not adequate to ensure availability of edible oils. The Committee, therefore, recommend that Government should strengthen its

monitoring over the functioning of DVVO&F to increase the agricultural production of oilseeds by improving the conditions of soil, its nutrient contents, water management and to grow alternative crops. Besides, the Government should ensure that the funds allocated for R&D Projects are fully utilized by the DVVO&F. The Agricultural Ministry should also organize latest researches, adopt new technologies and measures to raise oilseed production. Use of vegetable oil for bio-fuels should not be permitted as long as local production of these oil is short to meet the country's own demand. The nodal ministry should also direct Agriculture Ministry and Agriculture Research Institutes & Universities to take up the responsibility for providing necessary inputs to increase the production of oil. The export of edible oils should not be allowed under any circumstances.

NEW DELHI
15 December, 2009
24 Agrahayana, 1931 (Saka)

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

ANNEXURE
(Vide Para No. 2.7 of the Report)

CRITICAL ANALYSIS OF STATEMENT MADE BY MINISTER UNDER DIRECTION 73-A REGARDING STATUS OF IMPLEMENTATION OF THE RECOMMENDATIONS/OBSERVATIONS CONTAINED IN TWENTY-THIRD REPORT(14TH LOK SABHA) OF THE COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION.

Subject of the Report: Twenty-third Report (14th Lok Sabha) of the Standing Committee on Food, Consumer Affairs and Public Distribution on Demands for Grants (2008-09) Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

Date of presentation: 16.04.2008

Date of presentation of ATR/ 12.12.2008

Date of Receipt of Action 12.08.2008

Taken Notes

Date of Minister's
Statement

In Lok Sabha- 15.12.2008

In Rajya Sabha- 15.12.2008

Name of Committee	Ministry /Department	Total No. of Recs.	Total No of Recs. Accepted	No. of recs. Implemented	No. of Recs under process	No. of Recs. Not implemented	No. of Recs. yet to be implemented
Food, Consumer Affairs and Public Distribution	Ministry of Consumer Affairs, Food and Public Distribution (Deptt. of Food & Public Distribution)	31	21	07	16	04	04

Appendix-I

STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2009-10)

MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON WEDNESDAY, 30th SEPTEMBER, 2009

The Committee sat from 1200 hrs to 1430 hrs in Committee Room '53',
Parliament House , New Delhi.

Present

Shri Vilas Muttemwar - Chairman

Members

Lok Sabha

2. Shri Kamlesh Balmiki
3. Shri Shivraj Bhaiya
4. Shri Arvind Kumar Chaudhary
5. Shri Abdul Mannan Hossain
6. Shri Marotrao Sainuji Kowase
7. Shri Purnmasi Ram
8. Shri Laxman Tudu
9. Shri Danapal Venugopal
10. Shri Madhusudan Yadav

Rajya Sabha

11. Smt. T.Ratna Bai
12. Shri Lalhming Liana
13. Shri Kanjibhai Patel
14. Shri Rajniti Prasad
15. Shri Ram Narayan Sahu
16. Shri Matilal Sarkar
17. Shri Kaptan Singh Solanki

Secretariat

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

Representatives of the Department of Food and Public Distribution:-

1. Smt. Alka Sirohi - Secy. (F&PD)
2. Sh. Chaman Kumar - Addl. Secy. & FA
3. Sh. Siraj Hussain - Joint Secretary
(Policy & FCI)
4. Shri Naveen Prakash - Joint Secretary
(Storage & Admn)
5. Dr. Joy I. Cheenath - Joint Secretary
(SRA, Impex, EOP)
6. Dr. Bhagwan Sahai - Joint Secretary
(BP, PD & IC)
7. Shri C. Viswanath - Joint Secretary
8. Shri Deepak Kumar Panwar - Chairman-cum-Managing Director, Food
Corporation of India (FCI)
9. Shri B.B. Patnaik - Managing Director,
Central Warehousing Corporation (CWC)

2. At the outset, Hon'ble Chairman welcomed the representatives of the Department of Food and Public Distribution to the sitting of the Committee convened for a briefing by the aforesaid Department in connection with the examination of Demands for Grants for the year 2009-10. In his opening remarks, Hon'ble Chairman desired that the Committee may be briefed on various issues in the context of examination of Demands for Grants such as reasons for shortfall in expenditure under Plan schemes, heavy reduction of allocation at Revised Estimates stage, difficulties being faced by the Department in implementation of the various schemes/projects, steps being taken by the Department to increase the procurement of wheat and rice and to enhance the buffer stock of the foodgrains consequent upon declaration of drought in the country due to shortfall in rain during 2009-10, steps taken by the Government to increase the production of sugarcane and oilseeds in the country, reasons for heavy increase in food subsidy; shortcomings noticed in the implementation of Public Distribution System

(PDS) and steps taken for strengthening it, steps taken by the Government to check diversion and leakage of foodgrains; elimination of bogus ration cards, food grains damaged due to poor maintenance, storage and transit losses incurred by FCI, system of proxy labour in FCI and availability of storage capacity with CWC. The representatives of the Department of Food and Public Distribution gave an overview about the functioning of the Department with the help of a Power Point presentation and thereafter addressed to the points raised by Hon'ble Chairman.

3. The Secretary, Department of Food and Public Distribution informed the Committee that as per the estimates of Department of Agriculture there will be a shortfall in production of foodgrain by approximately 16 Million tonnes during this year. They, however, were hopeful that there could be some improvement in rabi rice. She further stated that for effective functioning of Public Distribution System, a pilot project viz. "Smart Card Project" had been implemented in the states of Haryana and Punjab. Based on its success and after studying its shortcomings the project will be improved and will be taken up all over the Country. As regards MSP of various crops, she stated that the MSP was fixed by the Central Government and if there was more attractive support Price for a particular crop, it was possible that farmers might shift their cultivation from one crop to another.

4. In reply to another question the Secretary stated that the consumption of sugar in the country was about 225 lakh tonnes whereas the estimated production was about 150 lakh tonnes. To bridge the gap between demand and supply, the country had to import sugar. Intimating about the steps taken in this regard, she stated that in order to increase the production of sugarcane, the MSP to farmers had been raised from Rs.81.8 per quintal to Rs.107.76 per quintal. In response to another query, she further stated that to stop the monopoly of private traders, procurement of foodgrains was done at the doorstep of farmers through self help Group of Women in the states of Andhra Pradesh and West Bengal. As far as the Food Security Legislation is concerned, the Secretary apprised that they had worked out the broad outlines of the legislation which will be put on the website of the Department for eliciting public opinion.

5. When enquired about the irregularities in the issue of Ration Cards to BPL families, the Secretary stated that they had deleted 149 lakh bogus ration cards in 16 States. The Unique Identification Authority of India (UIAI) was planning to issue unique identity card to every individual which will help in elimination of bogus ration cards. The Ministry of Rural Development had also set up a Committee headed by Shri N.C. Saxena, Commissioner of Supreme Court to have a methodology for identification of the rural BPL families, whereas the Ministry of Urban Poverty Alleviation will frame guidelines for identification of urban poor.

6. Thereafter, the CMD, FCI made a power point presentation about the functioning of the Food Corporation of India. He explained that as on 1.6.2009 the highest stock of the foodgrains available was 535 lakh tonnes, but the covered capacity of FCI was only 277 lakh tonnes. Accordingly, the FCI hired godowns from State agencies and about 137 lakh tonnes had been kept in CAP. To avoid damage of foodgrains kept under CAP and plinth, the FCI was planning construction of scientific godowns in the country including North Eastern States. As regards the quantity and value of foodgrains damaged in FCI godowns due to poor maintenance, the CMD stated that a total of 20,000 MT foodgrains valued at Rs.13 crore had been damaged in 2008-09. The representatives of the Department clarified some of the queries raised by Members and assured to give replies of some other points in writing to the Secretariat

7. 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 briefing the Committee properly. He also invited attention to Direction 55 of the Directions by the Speaker with regard to the confidential nature of the proceedings. The Committee decided to take formal evidence of the representatives of Department of Food and Public Distribution in the 3rd week of October, 2009.

A verbatim record of the proceedings has been kept.

The Committee then adjourned.

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Appendix-II

STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2009-10)

MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON FRIDAY, 23rd OCTOBER, 2009.

The Committee sat from 1400 hrs to 1545 hrs in Committee Room 'B',
Parliament House Annexe , New Delhi.

Present

Shri Vilas Muttemwar - Chairman

Members

Lok Sabha

2. Shri Tarachand Bhagora
3. Shri Arvind Kumar Chaudhary
4. Shri Sanjay Singh Chauhan
5. Shri Anant Gangaram Geete
6. Shri Abdul Mannan Hossain
7. Shri Lal Chand Kataria
8. Shri Marotrao Sainuji Kowase
9. Shri Sohan Potai
10. Shri Purnmasi Ram
11. Shri Madhusudan Yadav

Rajya Sabha

12. Smt. T.Ratna Bai
13. Shri Lalhming Liana
14. Shri Kanjibhai Patel
15. Shri Rajniti Prasad
16. Shri Ram Narayan Sahu
17. Shri Matilal Sarkar
18. Shri Kaptan Singh Solanki

Secretariat

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

Representatives of the Department of Food and Public Distribution:-

1.	Smt. Alka Sirohi	-	Secy. (F&PD)
2.	Sh. A.K.Mangotra	-	Addl. Secy. & FA
3.	Dr. Joy I. Cheenath	-	Joint Secretary (SRA, Impex, EOP)
4.	Dr. Bhagwan Sahai	-	Joint Secretary (BP, PD & IC)
5.	Shri Nilanjan Sanyal	-	Joint Secretary (Sugar & Sugar Admn.)
6.	Shri Naveen Prakash	-	Joint Secretary (Storage & Admn)
7.	Shri P.C.Das	-	CCA
8.	Shri R.P.Bhagria	-	CD (Sugar)
9.	Dr. Y.C. Nijhawan	-	CD (WOF)
10.	Shri Deepak Kumar Panwar	-	Chairman-cum-Managing Director, Food Corporation of India (FCI)
11.	Shri B.B. Patnaik	-	Managing Director, Central Warehousing Corporation (CWC)

2. At the outset, Hon'ble Chairman welcomed the Secretary and other officials of the Department of Food and Public Distribution to the sitting of the Committee and 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 Demands for Grants for the year 2009-10. Hon'ble Chairman, in his welcome speech, raised various important issues which included reduction of plan funds at RE stage, less utilization of non-plan funds, diversion of funds from one scheme to another, uneven utilization of

funds as per monthly expenditure plan, unsatisfactory performance of Targeted Public Distribution System (TPDS), leakage/diversion of foodgrains allocated for distribution to BPL families under PDS, and need to ensure that the benefits of food subsidy percolate to actual beneficiaries i.e. poorest of the poor.

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

4. The following points emerged during the deliberations of the Committee:-

- (i) Need for timely preparation of Detailed Project Report (DPR) for approval of Expenditure Finance Committee (EFC);
- (ii) Need for early computerization of entire Public Distribution System (PDS);
- (iii) Need to cover all the eligible States/UTs under Village Grain Bank Scheme (VGBS);
- (iv) Difficulties being faced by FCI in construction of godowns in North-eastern region;
- (v) The FCI should use its own storage capacity before hiring private godowns;
- (vi) Need to supply good quality of foodgrains by FCI for distribution to BPL families under PDS;
- (vii) Need for delivery of foodgrains at the doorsteps of Fair Price Shops to check its diversion and leakage;
- (viii) Need to change the methodology for identification of BPL persons for distribution of PDS foodgrains;
- (ix) Need to increase production of sugar and edible oil in the country;
- (x) The CWC should convert its CAP capacity into regular cover storage wherever they have permanent requirement;
- (xi) Procurement of foodgrains by CWC through State Government Agencies;
- (xii) Need to abolish the concept of middleman in purchasing the foodgrains;

(xiii) In order to make available the vegetables at fair prices throughout the year, the FCI and CWC should introduce the system of Pre-cooling Refrigeration Vans for their transportation and storing;

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

6. The Hon'ble Chairman then thanked the Secretary and other representatives of the Department of Food and Public Distribution for their free and frank discussion and also briefing the Committee properly. The Committee decided to convene the next sitting on 16th November, 2009.

A verbatim record of the proceedings has been kept.

The Committee then adjourned.

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Appendix-III

STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2009-10)

MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON TUESDAY, 15th DECEMBER, 2009

The Committee sat from 1500 hrs to 1535 hrs in Committee Room '139',
Parliament House Annexe, New Delhi.

Present

Shri Vilas Muttemwar - Chairman

Members

Lok Sabha

2. Shri Jaywant Gangaram Awale
3. Smt. Harsimrat Kaur Badal
4. Shri Kamlesh Balmiki
5. Shri Tarachand Bhagora
6. Shri Sanjay Singh Chauhan
7. Shri Lal Chand Kataria
8. Shri Marotrao Sainuji Kowase
9. Shri Purnmasi Ram
10. Shri Laxman Tudu

Rajya Sabha

11. Shri Kanjibhai Patel
12. Shri Rajniti Prasad
13. Shri Matilal Sarkar
14. Shri Kaptan Singh Solanki

Secretariat

1. Shri P.K. Misra - Joint Secretary
2. Smt. Veena Sharma - Director
3. Shri Jagdish Prasad - Deputy 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 (2009-10) relating to the (i) Department of Food and Public Distribution & (ii) Department of Consumer Affairs. Hon'ble Chairman highlighted the important recommendations contained in these Reports.

3. The Committee then took up for consideration the draft report on Demands for Grants (2009-10) relating to the Department of Food and Public Distribution and after some deliberations adopted the same without any amendment.

4. Thereafter, the Committee took up for consideration the draft report on Demands for Grants (2009-10) relating to the Department of Consumer Affairs and adopted the same without any amendment.

5. The Committee then authorized the Chairman to present the Reports on their behalf to both the Houses of Parliament during the current Session of Parliament.

The Committee then adjourned.

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Appendix-IV

STATEMENT OF OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE REPORT

Sl. No.	Para No.	Observations/Recommendations
1	2	3
1.	3.6	<p>The Committee note that the Budget Estimate of the Department of Food and Public Distribution for its Plan and non-plan schemes was Rs. 95 crore and Rs. 34016 crore, respectively for the financial year 2008-09. At Revised Estimate Stage, the allocation for its Plan Schemes was reduced to Rs. 65 crores, whereas the allocation of non-plan schemes was raised to Rs. 45619 crore. The Committee find that the Department has utilised the entire funds allocated for its non-plan schemes, the major portion of which i.e. Rs. 44167.20 crore has gone to food subsidy. The Committee, however, note with surprise that the allocation for Plan Schemes, which was reduced from Rs. 95 crore to 65 crores, could not be fully utilised and the actual expenditure during the year was only Rs. 45.05 crore, indicating that utilisation was merely 69.5%. The position is worst in case of the Schemes of 'Construction of godowns' and 'Computerisation of PDS operation' for which 71.5% and 14.7% of the allocated funds were utilised during the year. The Committee are unable to accept the pleas of the Government that shortfall in expenditure was due to (i) non approval of Computerisation of PDS operation scheme by Expenditure Finance Committee (EFC) (ii) non-finalisation of Detailed Project Report (DPR) (iii) difficulties in construction of godowns by FCI in N.E Region (iv) Delay in setting up of Village Grain Bank in the States and (v) Non-submission of utilisation Certificates by the States/UTs. In the opinion of the Committee, the Department could not take timely action and get completion of procedural formalities well in advance due to</p>

which the BE was reduced by the Planning Commission at RE stage and there was less expenditure during the year. The Committee, therefore, strongly recommend that the Department should make sincere efforts for getting timely approval of the schemes and utilisation Certificates from the States/UTs and get clearance from the Competent Authority so that the schemes are implemented and projects are completed within stipulated time limit. The Department should also ensure full utilisation of funds earmarked during 2009-10 for their plan schemes.

2. 4.17 The Committee note with concern that there has been fluctuating trends in the procurement of wheat and rice during the last two years. The Committee are given to understand that the reasons for increase/decrease in procurement of foodgrains depends upon various factors such as production, marketable surplus, open market price, market sentiment and extent of participation by private trade. The Committee note that the Government have taken various measures to enhance the procurement of wheat and rice, such as increase in procurement price of wheat to Rs. 1080 per quintal and Paddy to Rs. 950 per quintal from the marketing season 2009-10. Besides, to maximize procurement of rice, the Government has given commission to Societies/Cooperatives, etc. @ 2.5% of MSP. The Government has also banned export of wheat and non-basmati rice and reduced the import duty of wheat to zero. The proposal for deduction of import duty on rice is also under consideration. The Committee further note that the production of 805.8 and 991.5 lakh tonnes of wheat and rice, respectively has been estimated for 2008-09 crops, which is sufficient to meet the requirement of the country. Besides, in order to increase foodgrains production and improving the agricultural growth in the country, the Government has initiated two schemes namely (i) National Food Security Mission (NSFM) and

(ii) Rashtriya Krishi Vikas Yojana (RKVY). The Committee are of the view that despite the various measures taken by the Government, there is likelihood of decline in production of wheat and rice due to delayed monsoon and consequently there will be shortage of foodgrains in the country. The Committee are aware that every year in one or the other parts of the country there is drought and flood due to which the crops are destroyed. Due to the global warming and climate change, the drought have become a recurring feature. In order to deal with such situations, the Committee desire that the Government should adopt new method of agriculture and irrigation to increase the production of foodgrains, so that the procurement by FCI and other agencies is further enhanced. The Committee also desire that the Department should keep a close watch on other aspects which affect the procurement of foodgrains and take every possible measure to ensure that availability of foodgrains in the central pool is maintained and poor people are not forced to purchase foodgrains at higher prices.

3. 4.18 The Committee note that the Government is committed to ensure Food Security to all the BPL and AAY families through Public Distribution System. The Government is also contemplating to adopt a strategy to improve the wage earning capacity of the people by giving them better employment opportunity, so that they can purchase the balance requirement of foodgrains from open market. The Committee are happy to note that the Government would bring forward a legislation for food guarantee to all the citizens, especially the targeted families. Therefore, a bill namely, Food Security Legislation is under consideration of Empowered Group of Ministers. After the broad outlines of the legislation is worked out, it would be posted on the website of the Ministry for eliciting public opinion and wider debate. The Committee are of the opinion that this is the right step

taken by the Government to ensure food for all. The Committee, therefore, recommend that the Government should make sincere efforts to get early clearance of the Bill from Empowered Group of Ministers and ensure that the Bill is introduced during the next session of Parliament.

4. 4.28 The Committee note that Food Subsidy is paid to FCI for reimbursement of the difference between economic cost of foodgrains and their issue price, carrying cost of buffer stock, and on account of levy sugar, import of sugar, etc. The Committee observe that despite various measures taken by the Government to reduce the food subsidy Bill, there is huge increase in food subsidy amount continuously during the last three years i.e. from Rs. 25424.89 Crore in 2007-08 to Rs. 32400.28 in 2008-09 and Rs. 52487.72 Crore in 2009-10. The major reason for increase in food subsidy is (i) increase in economic cost of foodgrains on account of increase in Minimum Support Price (MSP) while the Central Issue Price (CIP) remain static over the last seven years, i.e. since 1.7.2002 and (ii) increased offtake of subsidised foodgrains under TPDS. The Committee note that the Government has been taking several measures to contain food subsidy since the year 2007-08 by way of encouraging decentralized procurement and distribution of foodgrains, issue of bonds by FCI at lower coupon rates backed by the Government guarantee and improving the operational efficiency of FCI. The Committee, therefore, recommend that the Department should take the aforementioned measures with all seriousness so as to contain the huge amount of food subsidy. The Committee further note that the Department has also prepared a draft scheme to test feasibility of direct transfer of food subsidy in cash to BPL/AAY beneficiaries under the TPDS. The scheme proposes to disburse equivalent amount of food subsidy in cash to be deposited directly by the concerned district authorities in

bank/post office accounts to be opened by each of the beneficiaries instead of releasing subsidized foodgrains to the eligible BPL & AAY families. The Committee desire that the Department may expedite examination of the proposal for direct transfer of food subsidy in cash to the BPL/AAY families and analyses its pilot implementation in select districts.

5. 4.41 The Committee note that the Public Distribution System (PDS) Scheme is one of the most important schemes of the Government to provide subsidized foodgrains to poor people. The Committee also note that BE for strengthening of PDS during 2008-09 was Rs. 5.50 crore but the Department could utilize only Rs. 1.71 crore during the year. The Committee, regret that this scheme, like other schemes of the Department of Food and Public Distribution, has suffered for want of sufficient proposals and utilization certificates from the States/UTs. The Committee are not inclined to accept the plea of the Department that the under-utilization of funds was due to non-receipt of sufficient proposals from States/UTs under the component Publicity-cum-Awareness Campaign on TPDS and non-submission of utilization certificates under the component curbing leakage and diversion. In the opinion of the Committee, it is the lack of coordination with the State Governments and weak monitoring over the scheme on the part of the Department. The Committee feel that due to non-utilisation of funds by the State Governments, ultimately the targeted population i.e. BPL and AAY families will suffer and will be deprived of the benefits intended for them. The Committee, therefore, recommend that the Government should take up the matter with State Governments/UT Administration at highest level and find out the reasons for non-submission of utilization certificates and sufficient proposals and persuade them to implement the scheme so that allocated funds are fully utilized in the financial year itself.

6. 4.42 **The Committee note that Central Government has a very important role to ensure efficient functioning of the TPDS since in most of the States/UTs the Foodgrains are procured by Food Corporation of India on behalf of the Central Government for distribution to APL/BPL/AAY beneficiaries at subsidised rates. The Committee note that though the Government has taken a number of measures to strengthen and streamline the functioning of TPDS such as continuous review of the lists of BPL and AAY families, greater transparency in the functioning of TPDS by displaying allocated quantities of foodgrains on web sites, improve vigilance at various levels and introduction of new technologies etc., yet in the opinion of the Committee the scheme is not being implemented effectively in all the States/UTs particularly in hilly/tribal/backward areas of the country. The Committee are given to understand that all the BPL and AAY families are covered in all the areas including inaccessible hilly/tribal/backward and forest areas in each State & UT for allocation of foodgrains as per allocation norms. The Committee, however, feel that all the BPL and AAY families do not get their share of foodgrains as per allocation norms on regular basis. The Committee, therefore, recommend that functioning of TPDS may further be strengthened and the Government should ensure that whatever measures are taken by them are sincerely implemented by all the State/UT Governments for the benefit of the BPL/AAY families.**
7. 4.43 **The Committee note that for identification of BPL families under the Targeted Public Distribution System (TPDS), poverty estimates are made based on level of consumption expenditure. As per the poverty estimates of 2004-05, the level of consumption expenditure per person per month was Rs. 356.30 in rural areas and Rs. 538.60 in urban areas. The Committee are aware that the TPDS is being implemented jointly by the Government of India and State/UT Governments. The State/UT Governments are responsible for identification of eligible**

BPL and AAY families based on estimates of Planning Commission, issue of ration cards, lifting and distribution of allotted foodgrains to ration card holders through Fair Price Shops (FPS) within the States/UTs including monitoring of TPDS. The Committee find that in order to streamline the functioning of TPDS, the Government has taken a number of measures which include improving the functioning of TPDS machinery, continuous review of lists of BPL and AAY families, door step delivery of foodgrains to Fair Price Shops, improved vigilance at various levels and introduction of new technologies such as computerization of TPDS operations. The Committee, however, feel that the Central Government has a very important role which includes monitoring of TPDS to ensure the efficient functioning of the TPDS since in most of the States/UTs the FCI is procuring and allocating foodgrains on behalf of the Central Government. The Committee, therefore, recommend that the Department should make all out efforts to implement the aforementioned measures in letter and sprit as also strictly monitor and improve the functioning of TPDS in the country.

8. 4.49 **The Committee find that at present the total number of BPL families is 652.03 lakh as against 596.23 lakh families originally estimated when the TPDS was introduced in June, 1997. For determination of the BPL families, the Government rely on the data of State-wise poverty estimates of the Planning Commission for the year 1993-94, which is more than one and half decade old. The Committee feel that while identifying the BPL families, the thrust should be to include the really poor and vulnerable sections of the society such as landless agricultural labourers, marginal farmers, rural artisans/craftsmen like potters, tappers, weavers, blacksmith, carpenters, etc. in the rural areas and slum dwellers and persons earning their livelihood on daily basis in the informal sectors like porters, rickshaw-pullers, cart-**

pullers, fruit and flower sellers on the pavement, etc. in urban areas. The Committee are given to understand that a Committee headed by Mr. N.C. Saxena, Commissioner for the Supreme Court had been set up by the Ministry of Rural Development to identify the poor in rural areas. The said report is being finalized by the Department of Rural Development which will also be looked at by the empowered Group of Ministers. The Committee desire that the recommendations of the Saxena Committee report be finalized soon. The Committee recommend that the Department should evolve a common methodology across the country for identification of the poor so that the chances for erroneous inclusion or exclusion is checked. The Committee also recommend that the base year for identification of the poor should be revised and the latest information available on the census report of the Registrar General of India may be made the basis for identification of the poor in the country.

9. 4.53 The Committee note that the Government of India have directed the State/UT Governments from time to time to carry out checking of bogus/ineligible ration cards on a continuous basis. As a result of such exercise, 16 State Governments have reported to have deleted 149.16 lakh bogus/ineligible ration cards till 10.9.2009. However, it is believed that a lot of bogus/ineligible ration cardholders still continue to exist in most of the States. The Committee, therefore, desire that all the State/UT Governments should be directed to take necessary steps to eliminate bogus/ineligible ration cards while taking due care to ensure that those persons who are genuinely eligible to have ration cards are not deprived of the same.
10. 4.56 The Committee express their serious concern that poor quality of foodgrains which is not fit for human consumption are sometimes being supplied by FCI through Fair Price Shops to the BPL and AAY

families covered under PDS. The plea of the Government that they have always supplied fair quality of foodgrains from the FCI godowns to the State Government representatives who in turn supplied the foodgrains to the Fair Price Shop dealers is not acceptable to the Committee. The Committee are also unable to accept the contention of the Government that it could be the handiwork of some vested interest as after the stocks are released by FCI there are many intermediaries in the process i.e. State agency, issue centres, wholesalers and Fair Price Shops. The Committee are of the strong view that there is lack of proper monitoring by the Department which leads to such situations. The Committee, therefore, recommend that instead of shifting the responsibility to the State Governments, the Department should evolve a foolproof and transparent system and strengthen its monitoring mechanism by setting up Vigilance Committees at every level to keep strong vigil on the quality of foodgrains supply by FCI through PDS. The Committee also desire that Gram Panchayats should be roped in the process to oversee the functioning of Fair Price Shops. The Department should also look into the possibility of giving the dealership of Fair Price Shops to Self-help Groups and Cooperative Societies to improve its functioning.

11. 4.62 The Committee note that as per the findings of the National Council for Applied Economics Research (NCAER), the level of diversion of foodgrains in the States of Assam and Mizoram have been as high as 47.97% in case of Rice allocated for BPL families and 100% in case of wheat allocated for APL families. In other words, the foodgrains meant for APL families have not reached the beneficiary APL families at all in these two States. The level of diversion of foodgrains in other States are also fairly high. The Committee, therefore, strongly recommend that all necessary steps be taken to prevent diversion of foodgrains meant for TPDS. The scheme for installing Global

Positioning System (GPS) devices on vehicles transporting TPDS foodgrains should also be implemented in all the States on top priority.

12. 4.65 **The Committee are happy to note that a new scheme namely, “Computerization of TPDS operations” has been taken up from 2007-08 to provide for computerization of back end operations essentially. Under the scheme, Rs. 45 crore has been allocated in BE 2009-10 and the Planning Commission has approved an allocation of Rs. 376 crore for this scheme under the 11th Five Year Plan. The Committee further note that the scheme is being implemented on Pilot basis in 4 States/UTs, including Assam. The Committee are of the view that computerization of TPDS operations will facilitate and improve the efficient functioning of the TPDS operations, which will in turn benefit the entire beneficiary families across the country. The Committee, therefore, recommend that the work of Computerisation of TPDS operations should be accorded priority and necessary steps be taken to implement the scheme not only on Pilot basis in 4 States/UTs but on regular basis all over the country.**
13. 4.69 **The Committee note that the Government has initiated implementation of a pilot scheme on Smart Card based delivery of essential commodities under the TPDS announced in Union Budget 2008-09. Administrative approval for Rs. 142.29 crore to be incurred on this pilot scheme during 2008-09 and 2009-10 has been issued on 18.12.2008. Work on implementation of the scheme is currently in progress in two districts of Haryana and work is being taken up in Chandigarh. Based on the success and after studying its shortcomings, the Governments will improve it and take it up all over the country. The Committee hope that Smart Card based delivery of essential commodities will go a long way in improving the efficiency**

of the PDS and therefore, recommend that the Department should take all essential steps to expedite the project for implementation all over the country.

14. 4.75 The Committee note that Village Grain Bank Scheme (VGBs), which is a centrally sponsored scheme, was started during the year 1996-97 by the Ministry of Tribal Affairs in 11 States. The main objective of the scheme is to provide safeguard against starvation during the period of natural calamity and during lean season. The VGB Scheme has been implemented by the Department of Food and Public Distribution since the year 2005-06. So far, funds have been sanctioned for establishing 16478 VGBs in 20 States/UTs. The Committee further note that the performance of the VGB Scheme has been evaluated in two States viz. Orissa and Chhattisgarh by World Food Programme. An independent agency is evaluating the performance of the scheme in 16 States which is expected to give its report within six months. From the report of the World Food Programme, the Committee find that the absolute proportion of households that faced food shortage has been reduced from 87% to 47%, since the introduction of the scheme. The households that faced food shortage have come down by 60% in Orissa and by 10% in Chhattisgarh. The Committee are, therefore, convinced that the VGB scheme is very important to provide food security to the poorest of the poor sections of the country's population. The Committee, therefore, strongly recommend that the Department of Food and Public Distribution should evolve and put in place an effective system of monitoring and control over the performance of the VGB Scheme on top priority. The Committee desire that action taken by the Government in this regard be intimated to them.

15. 5.6 **The Committee note with concern that a huge amount to the tune of Rs. 3039.29 crore is still outstanding against the Ministry of Rural Development and Ministry of Human Resource Development on account of foodgrains provided to them by the FCI for various welfare schemes on payment basis. The Committee note from the information furnished by the Department that the Ministry of Human Resource Development (HRD) has paid Rs. 300 crores as revolving fund against bills in the pipeline. As far as the Ministry of Rural Development is concerned, the Department seems to be justifying the delay in liquidating the dues by stating that liquidation of outstanding dues depends on allocation of funds to these ministries by Ministry of Finance. The Committee are shocked to observe that instead of fixing any time limit for recovery of outstanding dues, the Department has taken a lenient view towards the Ministries. The Committee feel that instead of justifying the delay, the Department should make serious efforts towards settlement of the dues, especially of the Ministry of Rural Development and also take up the matter with the concerned Ministries to make separate budgetary provision for foodgrain component in their respective Budgets.**
16. 5.10 **The Committee note that the net expenditure incurred by FCI, including the establishment cost, is reimbursed by the Government in the form of food subsidy. The Committee are deeply concerned to note that a large part of the food subsidy goes towards meeting the Establishment Cost of FCI, which is increasing year after year. The steep rise in the Establishment Cost of FCI is evident from the fact that it has risen from Rs. 1369.76 crore (0.07%) in 2006-07 to Rs. 2073.20 crore (38.87%) in 2008-09. The justification given by the Department that the Sixth Pay Commission benefits were provided to the staff with retrospective effect from 01.01.2006 and in real terms, the Establishment Cost for the year 2008-09 comes to only 3.7% of the**

total cost of FCI is not acceptable to the Committee. The Committee feel that even after making payment of salary arrears and other benefits accrued from the Sixth Pay Commission, the establishment cost is still very high. The Committee feel that cutting down the establishment cost consequently results in the increased allocation of food component under the food subsidy. The Committee further note that the suggestion given by M/s Mckinsey & Co. to improve FCI's efficiency including in the field of staff rationalization is at different stages of implementations. Besides, the Ministry is also stated to have adopted instructions on economy measures issued by the Department of Expenditure. The Committee hope that by adopting various aforesaid measures they would be able to reduce the food subsidy bill by lowering the establishment cost so that the benefits of food subsidy reach the eligible beneficiaries covered under Public Distribution System (PDS).

17. 5.17 The Committee note with dissatisfaction that the FCI has not been able to maximize the utilizations of its storage capacity, both Covered and CAP (open), available with them. The Committee find that the FCI has utilized more hired capacity as compared to their own capacity. It is surprising to the Committee that FCI hired 100% open capacity in 2007-2008 whereas their own capacity utilization was only 1% during the same period. Similarly, in 2008-09, they have utilized 77% of their own covered capacity but the utilization of hired capacity was 89%. The position of CAP (Covered) utilization is worst in 2008-09 when the FCI utilized only 13% of their owned capacity but utilization of hired capacity was 53%. The argument put forth by the FCI that they hired storage capacity only in such cases where they do not have their own godowns or where their capacity is not sufficient, is not acceptable to the Committee. The Committee also regret to observe that a huge amount is spent every year on hiring the godowns by FCI whereas the

utilization of owned capacity is not optimum. For example, FCI paid Rs. 371.31, Rs. 271.06 and Rs. 359.30, respectively during the years 2006-07, 2007-08 and 2008-09, which in the opinion of the Committee is nothing but wastage of Government money. The Committee are of the opinion that the FCI should, as far as possible, avoid undertaking hiring of godowns and the infructuous expenditure incurred thereon. The Committee, therefore, recommend that the FCI should make proper assessment of the availability of their own storage capacity as well as the required capacity and make maximum utilization of owned storage capacity, so as to avoid huge rent spent on hired storage.

18. 5.25 The Committee note with concern that the North-eastern States are the most disadvantaged States in maintaining the adequate foodgrain stock. The requirement of the godowns in NE States is 11.78 lakh MT whereas the existing capacity in the entire region is only 4.43 LMT, thereby leaving a gap of 7.35 MT. The Committee are unable to accept the plea of the Government that due to Law and Order problem and delay in providing land by the State Governments, they could not provide adequate storage facilities in the North-eastern States. The Committee feel that there is lack of coordination between the Department of Food and Public Distribution and States/UTs which resulted in non-acquisition of land at different centres of States. The Committee observe that due to the geographical conditions of the NE Region, even the Railway authorities find it difficult to carry the required number of rakes during the monsoon season. The Committee further observe that inspite of the subsidy given for foodgrains, it is not subjected to safe storage as at times it is spread in open and simply covered by Tadapatra leaving it rotting, specially during monsoon season. The Committee, therefore, strongly recommend that the Department of Food and Public Distribution should take up the matter urgently with the North-eastern States/UTs at the highest

level for identification of suitable land for construction of godowns in the region to augment the storage capacity.

19. 5.31 The Committee are concerned to note that a large quantity of foodgrains is lost every year in the form of storage, transit and pilferage losses. The Committee have been informed that during 2008-09, a total of 2.69 MT of foodgrains amounting to Rs. 233.91 crore was lost on account of storage, transit and pilferage. Despite the best efforts of the Government, the storage losses in the godowns of Food Corporation of India (FCI) have not shown any decreasing trend. The Committee feel that in order to minimize storage, transit and pilferage losses, it needs constant monitoring through regular inspections. The Committee, therefore, strongly recommend that FCI should the FCI should adopt scientific and modern technology to store the foodgrains. Besides, they should also recruit personnel who have technical knowledge and expertise with a view to ensure safe storage and minimizing the storage losses. The Committee also desire that Government should contemplate fixing of responsibility for such losses and punish the guilty officials in this regard.
20. 5.31 The Committee further note that 20,000 MT of foodgrains amounting to Rs. 13 crore was damaged during storage in 2008-09 due to poor maintenance. The Committee also note that as a result of regular/surprise checks, the quantum of damaged foodgrains declared have been reduced drastically but it is still very high. The Committee are unhappy to note that a large quantity of foodgrains are spoiled every year due to floods and cyclonic weather, which in the opinion of the Committee is lack of farsightedness on the part of FCI. The Committee, therefore take a serious view and recommend that the FCI should make advance planning for storing the foodgrains in a safe place. The Committee also recommend that a comprehensive plan for

time bound disposal of the stocks accumulated be prepared by the Government in order to save the accumulated grain from further deterioration and prevent unnecessary expenses on handling and storage of damaged foodgrain which is not fit for human consumption.

21. 6.6 The Committee note that although the amount of bad debts written off has declined from Rs. 0.57 crore in 2007-08 to Rs. 0.41 crores in 2008-09, it is still very high. The Committee note from the information furnished to them that writing off of bad debt is resorted to only when all efforts made to realize the amount have failed. The Committee feel that the huge money written off every year may be due to shortcomings in the norms fixed by the Department for the recovery of outstanding dues. The Committee, therefore, recommend that the Government should keep a close watch on the amount of bad debt written off and review the norms fixed for recovery of outstanding dues by CWC for full liquidation of outstanding dues at the earliest so as to enhance its profitability.
22. 6.10 The Committee are unhappy to note that despite taking various measures such as reduction in non-plan expenditure on heads like publicity, telephone, travel, entertainment, etc. the establishment cost which was 234.62 crore in 2007-08 has suddenly gone up to Rs. 333.42 crore i.e. Rs. 99 crore more as compared to previous year. The Committee cannot accept the contention of the Department that the establishment cost of CWC has increased mainly on account of impact of pay revision on salary and increase in Gratuity and Leave Benefits, since these are the regular and compulsory expenditure to be incurred by the management. The Committee are also surprised that the recommendations of Tata Consultancy Services (TCS) regarding cost reduction have been taken by CWC very casually. The

Committee, therefore, recommend that CWC should restructure its Plan and Policy and make sincere efforts to reduce its establishment cost and enhance its profits.

23. 6.21 **The Committee are deeply concerned to note that there was continuous decline in the funds allocated and achievements made by CWC for augmentation of storage capacity during the last three years. The funds allocated to CWC for augmentation of storage capacity for foodgrains under Internal and External Budgetary Resources (IEBR) Scheme were also not utilized fully. The Committee do not agree with the arguments of the Government that the funds could not be utilized for want of suitable location or due to land dispute. The Committee are of the view that it clearly reflects slackness on the part of CWC which could not timely locate the suitable sites for construction of godowns. The Committee wonder how the CWC will utilize the entire fund of Rs. 360 crore allocated for the XI Five Year Plan period until and unless the above mentioned disputes are resolved. The Committee, therefore, recommend that the CWC should pursue the matter with concerned State Governments/UT Administration vigorously for providing suitable land for construction of storage godowns and ensure that the funds do not remain unutilized for want of locations. Priority should be given to remote, hilly and backward areas so that the small and marginal farmers are not deprived of the benefits of the storage facilities of CWC.**

24. 6.22 **The Committee further note that CWC did not allocate any amount for construction of godowns for food storage in North-Eastern region during the financial year 2009-10. The Committee are not inclined to accept the plea of the Government that due to less occupancy of warehouses, the additional capacity could not be considered. The Committee are of the view that the North-Eastern States which already**

face difficult geographical conditions, should not be deprived of storage facilities. The Committee, therefore, strongly recommend that the Government/CWC should earmark separate funds i.e. 10% of the total plan funds for construction of godowns in North-Eastern States and make sincere efforts for construction of godowns in the region at the earliest.

25. 6.29 The Committee find that while on the one hand the utilization of hired capacity of godowns by CWC has declined as compared to their owned capacity utilization, on the other, the rent paid by CWC on hiring the godowns has been increasing for the last three years. The reason for more expenditure on hiring the godowns during 2008-09 are stated to be payment of enhanced rent to Mumbai Port Trust and other State agencies. The Committee regret that despite the fact that the entire capacity is not put to use, the CWC have no plan to dehire the hired capacity. The Committee, therefore, strongly recommend that the CWC should make vigorous efforts to use their owned capacity and dehire the hired capacity to improve occupancy utilization of godowns as well as profitability.
26. 7.8 The Committee are shocked to observe that production of sugar which was more than the consumption level during the years 2006-07 and 2007-08 has got down suddenly in 2008-09. The production of sugar in the country in 2006-07 and 2007-08 was 282 lakh tonnes and 263 lakh tons, respectively, and there was excess stock of sugar in the country. During 2008-09, while the demand of sugar has increased to 225 lakh tonnes, its production has reduced to only 150 lakh tonnes, indicating a shortfall of about 33 per cent. The Committee are unable to accept the argument of the Government that less production of sugar was due to diversion of crops of sugarcane by farmers to other cash crops. The Committee are of the view that the farmers have

shifted their crop due to wrong policy of the Government which failed to provide adequate Minimum Support Price (MSP) to the farmers of their cane produce. Besides, there is huge amount of sugarcane arrears pending with the sugar mills. The Committee feel that import of sugar by the Government at zero duty is not the solution because the farmers will continue to opt for other cash crops if not given adequate MSP of cane produce, resulting in less production of sugar in the country. The Committee are aware that recently the Government has increased the MSP of sugarcane, yet in the opinion of the Committee, these prices are not enough to attract the farmers to opt for sugarcane production. The Committee, therefore, recommend that Government should reconsider its decision and suitably increase the MSP of sugarcane. At the same time, to increase the production of sugar, agriculture should be made profitable avocation and the Government should give highest priority to provide the small and marginal farmers opportunity for assured and remunerative marketing of their produce at the time of harvesting. The Govt. should make sincere efforts to clear all dues of farmers which are pending with Sugar Mills in the form of Sugarcane arrears. Henceforth, the loan for cane development should be given directly to the farmers through Panchayats and not through the Sugar Mills, so that the farmers are benefitted with the various schemes initiated by the Govt. to raise production of sugarcane.

27. 7.13 The Committee express their concern over the rising trend in prices of sugar during the last one year. The price of sugar which was Rs. 20 per kg in all the four metropolitan cities in November, 2008 has increased to Rs. 40 per kg in November, 2009 i.e. 100% increase in the prices. The Committee note from the information furnished to them that less production of sugar contributes to rise in price of sugar. The Committee feel that despite being fully aware of the inflationary trends

prevailing in the country, the Government has failed to take timely action to bring down the prices of sugar. Moreover, the Committee feel that when there was excess production of sugar, the Government could have framed a policy to provide adequate Minimum Support Price (MSP) to sugarcane growers so that the farmers did not shift to growing other crops and would have continued with sugarcane production, in order to obviate occurrence of such a situation. The Committee deplore this lack of farsightedness on the part of the Government. The Government have taken various measures to make available sugar at reasonable prices like import of raw sugar at zero duty, imposing of stock holding and turnover limits on sugar and putting ban on future trading in sugar to check speculative tendencies in sugar trade. The Committee are of the view that all the measures will be a futile exercise if these are not implemented in letter and spirit. The Committee are also aware that one of the reasons for rise in prices is hoarding of sugar by traders who create artificial scarcity in the market with the motive to earn more profits by selling sugar at higher prices. The Committee, therefore, strongly recommend that the Government should strengthen its enforcement machinery to conduct raids on the godowns of traders and take stringent action against them in order to check hoarding and blackmarketing of sugar. The Committee also recommend that the Department of Food and Public Distribution should draw a long-term plan to meet the situation of rising trend of sugar before it goes out of hands to unbearable proportions.

28. 8.9 8.9 The Committee note that inspite of various initiatives undertaken by the Government, the production of oilseeds have not shown any remarkable rising trend. Every year, the country has to spend a huge amount to import a large quantity of edible oils to meet the domestic demands. The availability of edible oils during 2008-09

from all domestic sources was 85.52 lakh MT and the consumption during this period was 151.18 lakh MT. In order to bridge the gap between demand and supply, the Government had imported 65.66 lakh MT of edible oils during 2008-09. The Committee note that the Directorate of Vanaspati, Vegetable Oils and Fats (DVVO&F) has been given the responsibility for development of technology for increased production of oil from oil bearing materials as also optimum utilization of these materials. The Committee are astonished to note that though the Government has been allocating huge funds under the plan scheme “Research & Development and Modernization of the Laboratories of the Directorate of Vananspati, Vegetable Oils and Fats” for research, development and modernization of laboratory, the entire funds could not be utilized, due to unsatisfactory progress of Research and Development Projects undertaken by the Directorate. The Committee desire that the Government should find out the reasons for unsatisfactory progress of R&D Projects due to which the DVVO&F failed to operate the plan scheme. In view of stagnation in domestic production of edible oils and steadily increasing consumption, the Government have taken a number of steps, but the Committee feel that these steps are not adequate to ensure availability of edible oils. The Committee, therefore, recommend that Government should strengthen its monitoring over the functioning of DVVO&F to increase the agricultural production of oilseeds by improving the conditions of soil, its nutrient contents, water management and to grow alternative crops. Besides, the Government should ensure that the funds allocated for R&D Projects are fully utilized by the DVVO&F. The Agricultural Ministry should also organize latest researches, adopt new technologies and measures to raise oilseed production. Use of vegetable oil for bio-fuels should not be permitted as long as local production of these oil is short to meet the country’s own demand. The nodal ministry should also direct Agriculture Ministry

and Agriculture Research Institutes & Universities to take up the responsibility for providing necessary inputs to increase the production of oil. The export of edible oils should not be allowed under any circumstances.