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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 (2010-11)

FOURTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

April, 2010/, Chaitra, 1932 (Saka)

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DEMANDS FOR GRANTS (2010-11)

Presented to Lok Sabha on 23.04.2010
Laid in Rajya Sabha on 23.04.2010

LOK SABHA SECRETARIAT
NEW DELHI

April, 2010/, Chaitra, 1932 (Saka)

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Shri Vilas Muttemwar - Chairman

MEMBERS

Lok Sabha

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

Rajya Sabha

22. Smt. T. Ratna Bai
23. Shri P. Kannan
24. Shri Lalhming Liana
25. Shri Shantaram Laxman Naik
26. Shri Kanjibhai Patel
27. Shri Rajniti Prasad
28. Shri Ram Narayan Sahu
29. Shri Veer Singh
30. Shri Kaptan Singh Solanki
31. Vacant @

@ Shri Matilal Sarkar ceased to be a member of the Committee consequent upon his retirement from Rajya Sabha w.e.f. 2nd April, 2010.

SECRETARIAT

1. Shri P.K. Misra	-	Joint Secretary
3. Smt. Veena Sharma	-	Director
3. Shri Jagdish Prasad	-	Additional Director
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 Fourth Report on Demands for Grants (2010-11) 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 (2010-11) of the Ministry, which were laid on the Table of the House on 12th March, 2010. The Committee took evidence of the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) on 29th March, 2010.

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

4. The Report was considered and adopted by the Committee at their sitting held on 20th April, 2010.

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
<u>20th April, 2010</u>
30 Chaitra, 1932 (Saka)

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

CHAPTER – I

INTRODUCTORY

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

(i) Formulation and implementation of National policies relating to procurement, movement, storage and distribution of foodgrains;

(ii) Implementation of the Public Distribution System (PDS) with special focus on the poor;

(iii) Provision of storage facilities for the maintenance of central Reserves of foodgrains and promotion of scientific storage;

(iv) Formulation of national policies relating to export and import, buffer stocking, quality control and specifications of foodgrains;

(v) Administration of food subsidies relating to rice, wheat and coarse grains;

(vi) Fixation of Fair and Remunerative Price of sugarcane payable by sugar factories, development and regulation of sugar industry (including training in the field of sugar technology), fixation of price of levy sugar and its supply for PDS and regulation of supply of free sale sugar;

(vii) Supporting industries, the control of which by the Union is declared by Parliament by law to be expedient in public interest, as far as these relate to vanaspati, Oilseeds, Vegetable Oils, Cakes and Fats; and

(viii) Price control of, and inter-state trade and commerce in, and supply and distribution of vanaspati, Oilseeds, Vegetable Oils, Cakes and Fats.

In carrying out its various functions, the Department of Food and Public Distribution is assisted by its two attached offices, namely: (i) Directorate of Sugar (ii) Directorate of Vanaspati, Vegetable Oils & Fats (DVVO&F). There is one subordinate office under Sugar Division namely National Sugar Institute, Kanpur.

There are other Subordinate Offices under the Department, namely:

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

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

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

(i) Food Corporation of India (FCI)

(ii) Central Warehousing Corporation (CWC) and

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

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

1.4 The Minister for Consumer Affairs, Food and Public Distribution laid on the Table of the Lok Sabha, the Detailed Demands for Grants (2010-11) relating to the Department of Food and Public Distribution on 12th March, 2010. The Detailed Demands for Grants, for the Department of Food and Public Distribution shows a budgetary provision of Rs. 67624.81 crore. This includes Rs. 100 crore for plan activities and Rs. 67524.81 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 2010-11.

1.6 The detailed analysis along with observations/ recommendations of the Committee on various issues have been given in the succeeding Chapters of the Report.

Chapter-II

General Performance of the Department

(a) Analysis of Plan and Non Plan Schemes

2.1 The Department of Food and Public Distribution furnished the following statements showing the scheme-wise details of BE, RE and actual expenditure incurred on its Plan and Non-Plan Schemes during 2008-09, 2009-10 and 2010-11 (upto 15.03.2010):

(a). PLAN SCHEMES

(Rs. in crore)

S.No	Name of the Scheme	BE 2008-09	RE 2008-09	Actual Exp. in 2008-09	BE 2009-10	RE 2009-10	Actual Exp. in 2009-10 upto (15.3.2010)	Proposed Alln. for 2010-11	BE 2010-11
1.	Construction of Godowns	20.00	29.55	21.17	25.06	29.48	19.81	61.000	40.00
2.	Integrated Information System for Foodgrains Management (IISFM)	3.00	3.00	2.10	0.01	0.01	-	0.01	0.01
3.	Computerisation of PDS Operations	45.00	11.00	1.62	45.00	16.54	14.78 *	45.64	33.40
4.	Strengthening of PDS	5.50	1.81	1.71	2.50	1.58	0.83*	4.42	1.14
5.	NSI, Kanpur	1.50	1.50	1.06	1.50	1.39	1.16*	3.20	2.00
6.	Consultancies, Training & Research	2.50	1.72	1.64	2.60	3.01	2.36	3.03	2.45
7.	Village Grain Bank	17.00	16.32	16.81	17.33	17.23	17.23	17.33	17.00
8.	Warehousing Development & Regulatory Authority	0.50	0.10	0	1.00	0.75	0.36	8.00	4.00
	Total	**95.00**	**65.00**	**46.11**	**95.00**	**70.00**	**56.63***	**142.63**	**100.00**

* **Including authorizations issued.**

Note: Actual Expenditure up to 31.3.2010 was Rs. 69.07 crore as updated by Department of Food and Public Distribution subsequently.

(b). NON-PLAN SCHEMES **(Rs. in crore)**

S.No	Name of the Scheme	BE 2008-09	RE 2008-09	Actual Exp. in 2008-09	BE 2009-10	RE 2009-10	Actual Exp. in 2009-10 upto (15.3.2010)	BE 2010-11
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
1.	Secretariat 3451	21.60	24.40	23.79	30.49	33.71	30.38	30.14
2.	Food Subsidy (including Sugar) 2408	32666.59	44167.20	44175.36	52689.72	56202.01	54893.41	55589.97
3.	Transfer to/from to Sugar Dev Fund 2408	250.00	250.00	250.00	250.00	250.00	250.00	250.00
4.	Directorate of Sugar 2408	2.77	3.57	3.03	5.07	5.11	3.69	6.18
5.	Developmental Council of Sugar Industry 2408	0.07	0.07	0.07	0.07	0.07	0.07	0.08
6.	Admn. of Sugar Development Fund 2408	8.00	10.02	9.96	10.27	9.77	9.78	25.26
7.	VVOF 2408	2.64	3.75	2.91	3.14	3.22	2.63	2.57
8.	NSI **2408**	7.80	9.68	8.87	11.46	13.50	11.72	13.00
9.	Reimbursement of shortage in handling of imported fertilizers by FCI **2408**	0.00	0.00	0.00	0.10	0.10	0.00	0.10
10.	Grants in aids for Development of Sugar industry 2408	3.00	0.50	0.35	2.00	0.50	0.08	2.00
11.	Departmental Canteen NSI 2408	0.15	0.19	0.19	0.18	0.27	0.25	0.25
12.	Interest Subvention to Co-operative Sugar Mills through NABARD 2408	36.42	36.42	0.00	31.11	1.11	0.00	31.60
13.	Scheme for Extending Financial Assistance to Sugar Undertaking, 2007 MH 2408	0.00	34.98	0.00	300.00	501.83	300.00	222.00
14.	Reimbursement of Internal Transport and freight charges to Sugar factories on export shipment and payment of other permissible claims 2408	300.00	285.00	285.00	300.00	285.00	276.45	200.00
15.	Subsidy for Maintenance of Buffer Stock of Sugar 2408	350.00	275.00	272.43	300.00	125.00	104.47	200.00

16.	**Other Programmes of Food Storage & Warehousing**							
	(i) Procurement & Supply 2408	0.01	0.01	0.00	0.01	0.01	0.00	0.01
	(ii) International Cooperation 2408	0.40	0.39	0.34	0.40	0.43	0.43	0.56
	(iii) SGC	2.00	1.31	0.65	0.00	0.00	0.00	0.00
	(iv) IGMRI 2408	2.75	3.39	3.85	6.85	5.68	5.14	5.79
	(v) CGAL 2408	0.02	0.01	0.00	0.02	0.02	0.00	0.02
	(vi) QCC 2408	5.50	7.37	5.69	9.18	8.16	7.21	7.98
17.	Consumer Industries (2852)	0.02	0.02	0.00	0.02	0.02	0.00	0.02
18.	Civil Supplies other schemes of Civil Supplies (CVC-Charged) 3456	0.00	1.40	95.00	0.94	1.25	0.87	1.07
19.	Reimbursement of Losses to STC 3456	0.01	0.01	0.19	0.01	0.01	0.00	0.01
20.	Ways and Means Advance payable to FCI, 6408	0.00	0.00	0.00	0.00	0.00	0.00	10000.00
21.	**Loans for Consumer Industries 6860**							
	(i) Loans for Modernization/ rehabilitation of Sugar Mills.	150.00	180.00	182.49	250.00	275.00	234.38	300.00
	(ii) HVOC	1.25	1.25	0.88	3.24	1.30	1.30	1.20
	(iii) Loans to Sugar Mills for Cane Development	25.00	25.00	6.51	25.00	150.00	149.50	35.00
	(iv) Loans to Sugar Mills for Bagasse Based co-generation power Projects.	150.00	240.96	256.96	350.00	350.00	350.01	450.00
	(v) Loans for production of anhydrous alcohol or ethanol from alcohol.	30.00	60.00	60.00	100.00	100.00	81.65	150.00
	Total	**34015.99**	**45621.90**	**45644.52**	**54679.27**	**58323.08**	**56713.42***	**67524.81**

* **Expenditure as on 31.3.2010 was Rs. 60,751.93 crore as subsequently updated by the Department of Food and Public Distribution.**

2.2 The Department of Food and Public Distribution has proposed an allocation of Rs. 124.44 crores for its Plan Scheme for the year 2009-10 whereas the Planning Commission has approved Rs. 95 crore, that too was reduced to Rs. 70 crores at RE stage. When asked about the reasons for reduction of BE at RE stage, the Department stated that during the year 2009-10, BE from Rs. 95 crore was reduced at RE stage to Rs. 70 crore due to low pace of expenditure in the scheme 'Computerization of PDS operations'. The EFC approval for the Scheme for which a budget provision of Rs. 45 crore was kept could be obtained only in June 2009. The DPR for the Scheme was submitted by NISG (who were appointed Consultant for the scheme on 12.3.2008) in November 2008. A series of discussions were held thereafter with NISG and the final version of DPR prepared/modified by NISG was accepted by this Department in March 2009. EFC approval for piloting of the scheme in 4 pilot states viz. Delhi, Andhra Pradesh, Chhatisgarh and Assam could be obtained on 2nd June 2009 and administrative approval for implementation of the scheme in pilot States was issued on 26.8.2009.

2.3 To an enquiry as to how the Department would justify its projection for higher allocation when it could not utilize the revised estimates of funds during 2009-10, the Committee were informed that higher allocation is required for balance activities of Computerization of PDS operations, purchase of land and construction of godowns in J&K, NE States and other States and other ongoing schemes including setting up of new Authority viz. Warehousing Development and Regulatory Authority.

2.4 It has been noted that there has been huge increase under the Non-plan outlay from Rs. 54679.27 crore in 2009-10 to Rs. 67524.81 crore in 2010-11. When enquired the reasons for such increase in Non-plan allocation during 2010-11, the Committee were informed that the increase in the allocation is on account of increase in Food Subsidy payable to the States on account of decentralised procurement of foodgrains, which is higher by Rs.3900 crore in BE 2010-11 as compared to BE-2009-10. The decision to provide a Ways-and Means Advance to the Food Corporation of India of Rs.10000 crore, which is to be recovered from the Food Subsidy payable during the year is another major increase. The total on these two accounts itself is Rs.13900 crore.

2.5 The Secretary, Department of Food and Public Distribution further elaborated during evidence as under:-

> "We have not yet reached the end of the financial year. As I mentioned in the case of non-Plan expenditure we expect to achieve 100 per cent of the RE. In fact, we have got an additional allocation after RE. So, we will spend much more than the RE because the Supplementary Grant has come thereafter. So, in non-Plan we do not expect to fall short of the RE. The Plan we did not fully meet BE. Today we have reached 98.70 per cent expenditure and probably more than this we may not be able to achieve. But if we look at our past performance, 98.70 per cent is not bad."

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

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

CHAPTER- III

MANAGEMENT OF FOOD

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

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

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

(a) Decentralised Procurement Scheme (DCP)

3.3 The scheme of Decentralized Procurement of foodgrains was introduced by the Government in 1997-98 with a view to effecting savings in the form of reduction in the outgo of food subsidy, enhancing the efficiency of procurement and PDS and encouraging local procurement to the maximum extent thereby extending the benefits of MSP to local farmers. Under the decentralized procurement scheme, the State government itself undertakes direct purchase of paddy and wheat and procurement of levy rice on behalf of Government of India. Purchase centres are opened by the State Governments and their agencies as per their requirements. The State Governments procure, store and distribute foodgrains under TPDS and other welfare schemes.

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

<u>Wheat</u> **(in lakh tonnes)**

State/UT	**2007-08**	**2008-09**	**2009-10**
M.P.	0.57	24.10	19.68
U.P.	5.46	31.37	38.82
Uttarakhand	0.02	0.85	1.45
Chhattisgarh	0.00	0.00	0.00
Gujarat	0.00	4.15	0.75
Total	**6.05**	**60.47**	**60.70**

RICE (in lakh tonnes)

State/UT	2007-08	2008-09	2009-10* as on 22.03.2010
W.B.	15.08	16.67	7.37
U.P.	28.91	36.87	24.83
Chhattisgarh	27.43	28.48	30.03
Uttarakhand	1.47	3.49	2.96
A&N Islands	0.00	0.00	0.00
Orissa	23.38	27.90	16.59
T.N.	9.68	11.99	7.44
Kerala	1.68	2.37	2.84
Karnataka	0.18	1.07	0.33
Total	**107.81**	**128.84**	**92.40**

3.5 It may be seen from the above statement that 6 States viz. UP, MP, Uttrakhand, Chhatisgarh, Gujarat and Maharashtra have undertaken the Decentralised Procurement of Wheat and 10 States/UTs namely, UP, Uttarkhand, Chhatisgarh, Orissa, Tamil Nadu, West Bengal, Kerala, A&N Islands, Karnataka and Madhya Pradesh have undertaken Decentralised Procurement of Rice. When enquired the reasons why majority of the States are not coming forward to adopt the DCP Scheme, the Department stated that due to the encouragement extended by the Central Government, most of the States with marketable surplus of rice and wheat have already joined the Decentralized Procurement (DCP) scheme, or their State agencies are also procuring rice or wheat on behalf of FCI, as may be seen from below.

(i) For Rice - Most of the non-traditional States producing significant marketable surplus of rice like Chattisgarh, Orissa, Tamil Nadu and West Bengal have already adopted the DCP Scheme. Among the non-traditional States only Assam, Bihar and Maharashtra have not yet adopted this scheme. However, in Bihar and Maharashtra State agencies also procure paddy, get it milled and deliver the rice to FCI for the central pool.

Among the traditional States Uttar Pradesh has already adopted the DCP Scheme, while in Punjab and Haryana, State agencies procure most of the paddy and hand over the resultant rice to FCI. In Andhra Pradesh, most of the rice is procured through the levy route.

(ii) For wheat – There are much fewer States having marketable surplus of wheat as compared to paddy/rice. Out of these States Uttar Pradesh, Madhya Pradesh, Gujarat and Uttranchal have already adopted the DCP Scheme while in Punjab and Haryana, State agencies do most of the procurement for the Central Pool. The other significant wheat producing States in which the DCP Scheme is not in operation are Bihar and Rajasthan. However, in these States State agencies also procure wheat in addition to the FCI.

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

- (i) It extends the benefits of MSP operations to farmers of the State.
- (ii) It enhances the efficiency of procurement and PDS and enables procurement of foodgrains more suited to local taste.
- (iii) It reduces transportation costs of FCI and also reduces pressure on Railways.

However, States which have not yet adopted DCP Scheme are on account of their difficulties in tying up storage, required manpower and likely apprehensions of delayed releases of subsidy.

3.7 When enquired whether the States have reported any problems faced by them in undertaking decentralized procurement operations, the Department in a note furnished to the Committee stated that the following problems are observed in respect of States that have adopted the DCP scheme:-

- (1) Delay in finalizing the procurement incidentals
- (2) Grant of Cash Credit Limit by RBI
- (3) Valuation of stock

(a) <u>Delay in finalizing the procurement incidentals:</u>

3.8 This Deptt. has been regularly requesting all the States to submit their pending final accounts for each crop for the past years alongwith other supporting documents so that same could be finalized at the earliest. However, despite that, most of the claims for finalisation of accounts from 2001-02 onwards till 2006-07 were sent by the State Governments only in 2008-June, 2009. These are under examination.

(b) <u>Grant of Cash Credit facility by RBI</u>

3.9 State Government/Agencies of DCP States are reimbursed subsidy by the Central Government on the basis of their claims in respect of foodgrains distributed under TPDS and other welfare schemes from the stocks procured under DCP operations. However, subsidy is released to the States only after the actual distribution of foodgrains whereas States have to incur all related expenditure such as payment of MSP, taxes, storage charges, transportation charges at the time of procurement. Moreover, the State Governments have to incur expenditure on storage till the foodgrains are distributed. Therefore, States have to depend mainly on the cash credit facility provided by the RBI.

(c) <u>Valuation of stock:</u>

3.10 RBI has authorized valuation of stocks for FCI at the average acquisition cost throughout the year. However, in case of stocks procured by the States, valuation of stocks is done at acquisition cost during a three month peak procurement season (April -

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

3.11 When asked about the steps taken by the Government of India to remove the aforementioned demerits from the DCP Scheme, the Committee were informed that Government of India has impressed upon the State Governments to provide adequate facilities at all purchase centers so that farmers are not inconvenienced. Adequate manpower, including the administrative staff and quality control staff, together with quality check equipments are posted in the procurement centres. In the meeting of Food Secretaries on 9.2.2010 for Rabi and 07.08.2009 for Kharif, States were directed to ensure availability of proper infrastructure at all purchase centers. This Deptt. has been regularly requesting all the States to submit their pending final accounts for each crop for the past years alongwith other supporting documents so that same could be finalized at the earliest. Before the commencement of every Kharif and Rabi Marketing Season, the detailed discussion on the Production/Procurement forecast for rice and wheat are being deliberated in the meeting of Food Secretaries and officers of FCI and appropriate decisions are taken for smooth procurement operations.

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

(b) Food Subsidy

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

3.14 As informed by the Department, the subsidy is provided to FCI, which is the main instrument of the Government of India for procurement and distribution of wheat and rice under TPDS and other welfare schemes and for maintaining the buffer stock of foodgrains as a measure of food security. Eleven States, namely Madhya Pradesh, Uttar Pradesh, Chhatisgarh, West Bengal, Uttarakhand, Tamil Nadu, Andaman & Nicobar, Orissa, Gujarat, Karnataka and Kerala have undertaken the responsibility of not only procuring foodgrains from within the State but also distributing the same to the targeted population under TPDS and other welfare schemes. Under the scheme of Decentralised procurement, State specific economic cost is determined by the Government of India and the difference between the economic cost so fixed and the Central Issue Prices is passed on to the State as food subsidy.

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

Year	**Subsidy Released** (Rs. in crores)		
	FCI	**States**	**Total**
2004-05	23280	2466	25746
2005-06	19871	3200	23071
2006-07	20786	3042	23828
2007-08	27760	3500	31260
2008-09	36744	6924	43668
2009-10 (till 25.2.2010)	44879	9660	54539
2010-11(BE)	55211	-	-

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

3.17 In this context, the Department has stated that since 2004-05, the MSP of wheat has increased from Rs. 630 per quintal to Rs. 1080 per quintal. Similarly MSP + bonus of paddy (Common) has increased from Rs. 560 per quintal to Rs. 1000 per quintal. However the Central Issue Price (CIP) of wheat and rice for AAY, BPL and APL families has not been raised in this period. As a result, the gap between economic cost and CIPs has been increasing and food subsidy incurred by the Government has risen substantially.

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

(a) Encouraging decentralized procurement and distribution of foodgrains
(b) Issue of bonds by the FCI at lower coupon rates, backed by Government guarantee.
(c) Improving the operational efficiency of FCI.
(d) FCI is raising unsecured loans to lower cost of funds.

3.19 To a query whether the subsidy given on foodgrains is adequate to meet the requirement of FCI and other State Governments, the Secretary, Department of Food and Public Distribution stated during evidence as under:-

> "Our requirement of food subsidy is about Rs. 72,234.98 crore of which about Rs. 14,952 crore was to be given to State Governments and the balance about Rs. 57,282 crore to the FCI. What we got was short by about Rs.14,007 crore. What will be its impact, I will come to that. In the next year, our requirement is Rs. 68,198 crore. What we have been provided with is Rs. 55,211 crore. There is a shortfall of Rs. 12,987 crore. The impact of this, first of all, is on the FCI. FCI gets institutional credit under the single default guarantee of the Government of India, but if they do not get adequate back up to the subsidy cover, then they have a problem of exceeding that cash and credit limit and their account could become irregular. In the case of State Governments, where they take up decentralised procurement and they are doing good work. These are West Bengal, Uttar Pradesh, Madhya Pradesh, Chhatisgarh and Tamil Nadu. However, We are not able to give adequate subsidy to the States, which are doing good work in procurement. Normally what happens is that we give subsidy to the State Governments when they distribute the foodgrains. They are procuring, storing and incurring cost on the stock but we give them the payment, at the point of distribution. If the subsidy is not adequate then the State Government accounts become non-performing assets.
>
> There have been such instances in the past and we had to take up the matter with the RBI. The RBI does the valuation also of the State Government's stock not at the acquisition cost but at a mean between economic cost and Central issue price. Since the CIP has not been raised these stocks get under valued. If there is a non-payment of subsidy in time, we have a problem. So, my request to the Committee is that they could recommend that the subsidy provision should be realistic and based on actual cost. "

3.20 The food subsidy given to FCI and States by the Union Government has drastically increased during the last three years. In this context, the Committee asked as to how does the Government ensure that the benefits of the food subsidy is actually reaching at the grass root level of the poorest of the poor persons of BPL and AAY families. The Department in a note furnished to the Committee stated that the State/UT Governments have been directed by Department of Food & Public Distribution to strengthen TPDS by taking up various measures to ensure improved monitoring and vigilance, increased transparency in functioning of TPDS, use of Information and communication technology tools and measures aimed at efficient operation of FPS. The measures suggested, inter alia, include (i) implementation of Nine Point Action Plan from July, 2006, (ii) directions to State Governments in January 2008 and in August 2009 to take action against officials/persons involved in issue of bogus/ineligible cards, (iii) adoption and implementation of revised Model Citizens' Charter since July, 2007 (iv) introduction of monthly certification of delivery of foodgrains at fair price shops and their distribution to ration card holders from March, 2008, (v) conducting publicity cum awareness campaign by providing 80% of the expenditure on such campaign from Government of India, (vi) directing State Governments to display the allocation of foodgrains, district and FPS wise, on State websites, (vii) allotment of Fair Price Shops to Institutions and Groups to ensure timely availability of foodgrains.

3.21 The Secretary, Department of Food and Public Distribution supplemented during evidence as under:-

> "If we look at how we measure a subsidy, we can measure in terms of offtake and leakages. Offtake is improving very steadily and it has gone up considerably. Now, when it comes to leakages, in the detailed note, we have given the measures taken by us to take care of the leakages. We have basically the nine-point action plan. Most important is that we want to ensure that there are no bogus cards. We have taken up a very big programme."

3.22 When asked whether the Government contemplates to increase the Central Issue Price of the foodgrains issued under PDS operations to AAY, BPL and APL category in view of the fact that income of the APL and BPL families has also increased during the last two years, the Department stated that there is no proposal to increase the Central Issue Price of the foodgrains issued under PDS operations to AAY and BPL category in order to provide food security as well as to cushion them from the impact of the inflationary trend. However, a proposal to reduce the gap between CIP for APL households and open market prices is under consideration of the Government.

3.23 The Committee desired to know whether the proposal for direct transfer of food subsidy in cash to BPL and AAY families has been finalized, the Department in reply stated that on receipt of proposals from the State Governments of Uttar Pradesh, Haryana and Delhi, this Department has prepared a draft scheme for direct transfer of food subsidy in cash to BPL and AAY beneficiaries under TPDS instead of distribution of foodgrains and sugar to them, on pilot basis, in five districts i.e. Lakhimpur Kheri and Hardoi in Uttar Pradesh, Panchkula and Jhajjar in Haryana and Central District in Delhi. The draft scheme has been prepared to test the feasibility of this alternative mode of transfer of food subsidy in cash to BPL /AAY beneficiaries under the TPDS.

3.24 Under the scheme, it is proposed to disburse equivalent amount of food subsidy in cash instead of subsidized foodgrains to the eligible BPL and AAY families. The amount of food subsidy will be deposited directly by the concerned district authority in bank/post office accounts to be opened by each of the beneficiaries. Food subsidy account in the bank/post offices are to be opened in the name of women heads of households. In case the women head is not surviving, accounts should then be opened in the male head of family. With this 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.

3.25 The proposal was referred to Ministry of Finance in September 2008 for placing the matter before the Committee on Non Plan Expenditure (CNE). On the advice of CNE, the proposal was referred on 28.11.2008 to Ministry of Finance, Department of Expenditure for their consideration. The proposal was examined by Department of Expenditure, which vide their note dated 26.12.2008 have advised to defer the proposal, as in terms of their austerity instructions dated 5.6.2008, no new scheme other than which is part of Budget announcement 2008-09, was to be introduced in that year.

3.26 The proposal has been resubmitted on 26.6.2009 to the Ministry of Finance. The proposal is still under consideration of the Ministry of Finance.

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

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

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

(c) Strengthening of Public Distribution System (PDS)

3.29 Strengthening of Public Distribution System is a new scheme for the 11th Plan. The scheme has four components:

(a) PDS- Training
(b) PDS-Evaluation, Monitoring & Research
(c) Financial Assistance to States/UTs to curb leakages/diversion of foodgrains meant for TPDS
(d) Financial Assistance to States/UTs for generating awareness amongst the TPDS Beneficiaries about their entitlement and Redressal mechanism.

3.30 The Committee wanted to know whether the Central Government has consulted the State/UTs during the last three years for the effective implementation of PDS. The Department in a note furnished to the Committee stated that the Government of India regularly monitors/reviews functioning of TPDS in States and Union Territories. Review meetings with State Food Secretaries are held. During the last 3 years such meetings/consultations have been held on 06.02.2006, 29.03.2006, 26.08.2006, 19.01.2007, 12.02.2007, 06.08.2007, 12.02.2008, 25.07.2008, 13.02.2009 and 07.08.2009. A video conference was also held on 13.11.2009 with State Food Secretaries on the subject. As stipulated under the PDS (Control) Order, 2001, Utilization Certificates are sought from the States for the allocations issued. Reports are also obtained from the State Governments in Form C prescribed under the Order. For formulating and implementing a road map for reforming TPDS, a detailed Workshop-cum-meeting with all State and UT Food Secretaries was held on 8th February 2008 at Hyderabad.

3.31 When the Committee desired to know wheather 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 Department stated 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 been prescribed for contravention of provisions of this Order. State Governments have been taking action as per the stipulations under the Order.

3.32 Details of various measures initiated by the Government for strengthening TPDS are as follows:-

TPDS is implemented jointly by Government of India and State/UT Governments. Under this mechanism, the responsibility of allocation of foodgrains within the States/UT, identification of eligible BPL and AAY families based on estimates of Planning Commission, issuance of ration cards, distribution of allotted foodgrains to ration card holders through FPS and monitoring of PDS are done by State/UT Governments. State/UT Governments have been directed by Department of Food & Public Distribution to strengthen TPDS by taking up the following measures:-

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 Citizens' 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 websites 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

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

3.34 To make TPDS operation transparent and amenable to public scrutiny, the Model Citizens' Charter was again revised and issued in July, 2007. The revised Citizens' Charter contains (1) Streamlined functioning of TPDS for ensuring food security to weaker sections of the society (2) contains the instructions issued by the Central government to State/UT Governments for strengthening TPDS and to curb leakages/diversions and (3) covers the RTI Act and TPDS as the action to be taken at various levels such as Government of India, State Government, intermediate & at FPS levels for effective use of RTI Act in TPDS operation. The revised Citizens' Charter issued by the Department in July, 2007 has been so far adopted by 23 States & UTs, namely, Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Meghalaya, Mizoram, Sikkim, Tripura, Uttar Pradesh, West Bengal, A&N Islands, Chandigarh, D&N Haveli, Daman & Diu and Pondicherry.

3.35 The remaining State Governments/UT Governments are being regularly requested to adopt and implement the revised citizens charter.

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

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

(d) Identification of AAY and BPL families

3.38 The Department in a note furnished to the Committee stated that the Antyodaya Anna Yojana (AAY) was launched in December, 2000 for one crore poorest of the poor families to be identified from amongst the Below Poverty Line (BPL) families. This Scheme is only a segment of the BPL households to be covered under Targeted Public Distribution System (TPDS) being implemented by this Department jointly with the State Governments and UT Administrations. For identification of the poorest of the poor families in rural and urban areas to be covered under AAY, elaborate guidelines were issued. Coverage under this scheme has been expanded thrice during 2003-04, 2004-05 and 2005-06 covering additional 50 lakh households each time, thus increasing its coverage to 2.50 crore households out of BPL families. As per the guidelines for the three expansions, issued to all States/UT Governments, the following criteria is to be adopted by the State/UT Governments for identification of AAY households:

(a) Landless agricultural labourers, marginal farmers, rural artisans/craftsmen such as potters, tanners, weavers, blacksmiths, carpenters, slum dwellers, and persons earning their livelihood on daily basis in the informal sector like porters, coolies, rickshaw pullers, hand cart pullers, fruit and flower sellers, snake charmers, rag pickers, cobblers, destitute and other similar categories in both rural and urban areas.

(b) Households headed by widows or terminally ill persons/disabled persons/persons aged 60 years or more with no assured means of subsistence or societal support.

(c) Widows or terminally ill persons or disabled persons or persons aged 60 years or more or single women or single men with no family or societal support or assured means of subsistence.

(d) All primitive tribal households.

3.39 As indicated above, the total coverage of AAY families is 2.50 crores. These families are to be identified by the State/UT Governments as per the target given to each State/UT Government from the categories of households indicated above from the BPL category. Therefore, the State/UT Governments are required to identify the AAY families within the ceiling of AAY families given to each State from BPL category. The States/UTs have so far identified 2.43 crore families to be covered under AAY.

3.40 The above guidelines have further been amended in June 2009 whereby all State/UT Governments were requested to review the existing list of AAY families in their respective States/UTs, delete ineligible AAY families there from and include all eligible BPL families of HIV positive persons in the AAY list on priority, against the criteria mentioned in para 3.38 and 3.39 above for identification of AAY families under Antyodaya Anna Yojana, within respective ceilings on numbers of the AAY families communicated by this Department.

3.41 The identification of the Antyodaya families and issuing of distinctive Ration Cards to these families, as per the detailed guidelines issued to the State/UTs, is the responsibility of the concerned State Governments. 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.

3.42 As regards identification of BPL families, the Department in a note furnished to the Committee stated that to work out the population below the poverty line under the TPDS, the BPL households were determined on the basis of population projections of the Registrar General of India for March 2000 and the State wise poverty estimates of the Planning Commission for 1993-94. The total number of BPL households so determined was 6.52 crores. 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 should be 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 potters, rickshaw-pullars, cart-pullers, fruit and flower sellers on the pavement etc. in urban areas. The Gram Panchayats and Gram-Sabhas should also be involved in the identification of eligible families.

3.43 When asked how many States/UTs have formulated foolproof arrangements for identification of the poor for delivery and distribution of foodgrains in a transparent and accountable manner at the FPS level, the Department stated that for proper identification of the poor families for distribution of foodgrains under TPDS at fair price shop level, the PDS (Control) Order, 2001 has the necessary enabling provisions. According to these stipulations, the State Governments are expected to identify the eligible BPL families, issue ration cards to them and thereafter ensure delivery of allocated foodgrains to them every month. However, a large number of State Governments have issued BPL ration cards in excess of the targeted number accepted by the Government of India. As against 6.52 crore accepted number of BPL families, the State Governments have issued 1111.77 lakh BPL ration cards. As revealed by the concurrent evaluation studies on TPDS, the BPL ration cards issued by the State Governments are in excess because of inclusion and exclusion errors.

3.44 Asked whether any new guidelines have been issued by the Ministry of Rural Development and Housing and Urban Poverty Alleviation for identification of poor in rural and urban areas of the country, the Committee was informed that for conducting the next BPL Census in rural areas, Ministry of Rural Development constituted an Expert Group in August 2008 to recommend suitable methodology. The Expert Group has submitted its report in August, 2009 which is under examination by the Ministry of Rural Development in consultation with the State/UT Governments, etc. for finalizing the methodology for identification of BPL families.

3.45 It is understood that the new guidelines have not yet been issued by the Ministry of Rural Development and Ministry of Housing and Urban Poverty Alleviation.

3.46 The Committee note that the AAY Scheme, which is a segment of the BPL households covered under TPDS, was launched in December, 2000 for one crore poorest of the poor families to be identified from amongst the BPL families. As per the guidelines issued, the State/UT Government shall identify the AAY families from amongst the landless agricultural labourers, marginal farmers, rural artisans, households headed by widows or terminally ill persons/disabled persons/persons aged 60 years or more, primitive tribal households, etc. The States/UTs have so far identified 2.43 crore families to be covered under AAY. The Committee further note that BPL population was determined on the basis of population projection of the Registrar General of India for March, 2000 and the State-wise poverty estimates of the Planning Commission for 1993-94. The Committee are disturbed to note that as against 6.25 crore accepted number of BPL families, the State Governments have issued 11.12 crore BPL ration cards, the excess being due to inclusion and exclusion errors. The Committees are of the view that considering the rate of increase in population as well as the changes in socio-economic profiles of the people, it is too archaic and unrealistic to rely on almost two decades old methodology. Moreover, considering the number of excess BPL ration cards issued by a large number of State Governments, it becomes all the more necessary to review the methodology and conduct fresh census for finalizing the number of BPL population. The Committee note that the Ministry of Rural Development has constituted an Expert Groups for finalizing the methodology for identification of BPL families in rural areas which has submitted its report in August, 2009 and which is being examined by that Ministry in consultation with the State/UT Governments, etc. The Ministry of Housing and Urban Poverty Alleviation is also yet to issue the new guidelines for identification of BPL families in urban areas. The Committee therefore, strongly recommend that the Department may impress upon the Ministry of Rural Development and Ministry of Housing and Urban Poverty Alleviation to expedite the finalization and issue of the new guidelines for identification of BPL/AAY families in rural and urban areas without further delay.

(e) Elimination of Bogus/Ineligible Ration Cards

3.47 The Committee enquired about the steps being taken by the Government of India to curb the menace of bogus ration cards in the Country. The Department in reply stated that 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 annexure attached to this 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.

3.48 The Department further stated that 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. Because of these instructions, as per reports received upto 31.01.2010 from 21 State Governments, 171.91 lakh bogus/ineligible ration cards have been deleted since July, 2006. However, only 2 State Governments have reported to have taken penal action against those responsible for issuance of such ration cards. Reports on elimination of bogus/ineligible ration cards have been sought from other State Governments.

3.49 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.

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

(f) Diversion/Leakage of Foodgrains

3.51 The Government is taking up piloting of innovative/new technologies such as GPS, RFID, Bar-coded coupons, stamping of PDS foodgrains etc. with a view to curb leakages/diversion of foodgrains meant for TPDS. When asked to explain the technical/legal details of each of the innovative/new technologies and how it will help in curbing diversion/leakages of foodgrains alongwith the States/UTs that have implemented these new technologies, the Department stated that under a Plan Scheme on strengthening of TPDS, the Government has taken up an innovative scheme i.e. installation of Global Positioning System (GPS) sets on the vehicles carrying TPDS commodities in order to curb leakages and diversion of foodgrains. Under this Scheme, financial assistance of Rs.44.76 lakh was given to the State Governments of Tamil Nadu, Chhatisgarh and Delhi for installation of GPS devices on the vehicles carrying TPDS foodgrains. While Tamil Nadu State Government has implemented the installation of GPS devices, the State Governments of Chhatisgarh and Delhi have not implemented the scheme.

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

3.53 In response to a query, the Department stated 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**	**APL**	**AAY**	**BPL**	**APL**
Assam	1.49	44.97	83.28	0	0	100.00
Mizoram	36.21	37.44	81.12	0	0	100.00
Bihar	0	0	0	41.35	46.87	0
Jharkhand	3.80	0	0	16.47	8.97	54.53
Rajasthan	0	0	0	0	0	0
Maharashtra	0	0	0	9.42	17.77	0
Uttar Pd.	0	8.32	0	0.86	20.67	0
Uttarakhand	0	0	0	0	29.71	4.92
Delhi	1.63	3.34	0	3.72	0	0
Kerala	18.66	0	0	0	19.24	13.10
Madhya Pd.	0	18.93	0	16.81	29.14	0
Chhatishgarh	0	0.97	0	0	42.32	78.34

3.54 Copies of these reports have been sent to concerned States Governments requesting them to take corrective action.

3.55 In this context, the Secretary, Department of Food and Public Distribution during evidence stated as under:-

> "But the basic point that I mentioned to you last time also is that there is a big difference between the PDS issue price and the market price. Therefore, the temptation to monetize is always there. We hope that if the central issue price is increased, maybe, if it is brought closer to the support price, the leakages would reduce because the BPL would in any case go to the fair price shops to get the food grains. But APL may not necessarily go there. So, whatever is going in the name of APL could get diverted elsewhere because if APL food grains are sold at Rs. 6 and the economic price is Rs. 15, there is a very big difference. Therefore, increasing the CIP would also be a solution to take care of leakages."

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

(g) Computerisation of PDS operations

3.57 Regarding Computerisation of PDS operations, the Department in a note furnished to the Committee stated that Targeted Public Distribution System is a 6 tier distribution system consisting of the Central Ministry of Consumer Affairs, Food & Public Distribution, State Headquarters, Districts, Taluk/Tehsils, Fair Price Shops and Ration Card holders. Computerisation of TPDS operations at National/State/District and Block levels is proposed to be taken up under this Scheme. The scheme will be implemented in two stages. All TPDS related transactions from the Central Ministry to the Tehsil/Block levels comprising of first four tiers will be covered in stage one of the schemes. The remaining two tiers i.e. TPDS operations at Fair Price Shops and digitization of ration cards will be taken up in stage two of the scheme. The plan outlay approved by the Planning Commission for the scheme for the 11th Plan is Rs.376 crores.

3.58 National Institute of Smart Governance (NISG) has been appointed as Scheme Consultants on 25.3.08. With the help of scheme consultants (NISG-WIPRO), study of the existing systems and processes was done, based on which Detailed Project Report (DPR) was prepared after a series of interactions with NISG in February, 2009. The broad objectives of the scheme are achievement of increased efficiency and transparency in TPDS operations, as well as effectiveness and accountability in working of various TPDS functionaries.

3.59 Based on the DPR, the computerization of TPDS scheme was approved for implementation in 3 districts each of 4 pilot States i.e. Andhra Pradesh, Assam, Chhatisgarh and Delhi. The administrative approval for the scheme has been issued on 26.8.09 with an outlay of Rs.53.5 crore. The Memorandum of Understanding has been signed with the entire pilot States. The State level Detailed Project Reports (DPRs.) of the pilot States/UT have been finalized and first installment of Rs.14.77 crore (Andhra Pradesh – Rs.4.405 crore, Assam – Rs.3.485 crore, Chhatisgarh – Rs.4.085 crore and Delhi Rs.2.80 crore) has been released. The selection of Implementing Agencies for implementation of Pilot Scheme in the said four States is under process. An amount of Rs.1.73 crore has already incurred towards consultancy fee of NISG so far. The pilot study will be completed in 15 months time and thereafter the evaluation of the success of the computerization of TPDS in pilot states will be done. BE 2009-10 is Rs.45 crore. RE is Rs.16.545 crore. BE 2010-11 is Rs.33.40 crore.

3.60 In this context, the Secretary, Department of Food and Public Distribution stated during evidence as under:-

> “We had a very-very big and ambitious project. Then we took up the pilot project and the EFC gave its approval only in June 2009 and thereafter we issued administrative approval in August. The work started thereafter. We started a little slow and so, there have been some saving in computerization of PDS. Everywhere else, I think we would be able to achieve the expenditure levels that we have fixed in the Budget.”

She further stated that:-

> “We are doing it in two parts. The first part would be from the Central Ministry, Food Corporation upto the block or the tehsil level. The second part which is more important would come afterwards because it is more difficult to do. That would be taken down upto the fair price shops. This coupled with the smart card initiatives, means that everything is computerized so that you can see from the central point as to which beneficiary has taken how much of food grains for a particular month.”

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

(h) Village Grain Bank Scheme

3.62 Village Grain Bank Scheme is a centrally sponsored scheme for the establishment of grain banks in tribal villages. Ministry of Tribal Affairs started the scheme during 1996-97 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 scheme was revised and approved by Ministry of Finance on 15th February, 2006. So far, funds for establishing 18,692 VGBs have been sanctioned for 20 States/UTs. Village Panchayat/Gram Sabha, Women's Self Help Group or Non-Governmental Organization with proven track record can set up a Grain Bank in natural calamity-prone, food scarce village or hamlet as identified by the State/UT Governments.

3.63 The Department has informed the Committee that as per approved Expenditure Finance Committee Memo, the Village Grain Bank Scheme is to be evaluated through an independent agency. The World Food Programme scheme has evaluated the implementation of the scheme in respect of two States namely, Orissa and Chhatisgarh. It has also evaluated the scheme in Madhya Pradesh and submitted a preliminary draft report. The final report is awaited. The evaluation of the scheme in 16 more States has been given to an independent agency. The Agency has submitted the draft evaluation report during the current month. It is being examined.

3.64 The evaluation reports of WFP in two States indicate some shortcomings in the implementation of the scheme which include non-compliance of the guidelines strictly by the implementing States in regard to creation of necessary infrastructure facilities such as storage space, purchase of weighing scales, etc., ensuring repayment of grains loaned to members for re-issue to other needy members, not providing training to the executive committee members, etc. 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 Chhatisgarh 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.

3.65 During evidence, the Secretary, Department Food and Public Distribution further stated that:-

> "Sir, as far as village grain banks are concerned, we have set up about 11245 village grain banks so far. You have raised a question as to whether there are any hunger deaths in areas where there are village grain banks. To our knowledge, there are none at all. We are trying to do an evaluation of VGBs also so that we bring out a real picture as to how well they are performing. We keep having these periodic evaluations and a new one is to be done now."

3.66 As regards setting up of village grain banks in the remaining States/UTs is concerned, the Secretary stated during evidence as under:-

> "This is more on a voluntary basis. The proposals come first from the State Government. We pass on the money to the State Governments. We are after them also to set up the VGBs. Initially, they were started in the tribal areas. I think it started in Orissa first. And then other States followed. So, we are trying to spread it across the country and we are telling the States also to track food insecurity and that they must set up village grains banks there. It depends on how proactive the States are and also the availability and the willingness of the NGOs there and other village leaders to participate."

3.67 The Committee note that the Village Grain Bank (VGB) Scheme started by the Ministry of Tribal Affairs in 11 States during the year 1996-97 with the main objective to provide safeguard against starvation deaths during the period of natural calamity and during lean season, was entrusted to the Department of Food and Public Distribution for implementation since 2005-06. The Committee are unhappy to note that though funds have been sanctioned for establishing 18,692 VGBs in 20 States/UTs, only 11,245 VGBs have been established so far. The Committee further note that the evaluation reports of World Food Programme in two States have indicated some shortcomings and some positive outcome as well. The Committee urge the Department to expeditiously complete examination of the draft evaluation report and take necessary action on the suggestions for improvement in the functioning of the VGBs. The Committee also recommend that the reasons as to why only 11,245 VGBs have so far been established against the funds released for establishment of 18,692 VGBs may be found out and necessary steps taken to establish the VGBs in all the States/UTs of the country.

(i) National Food Security Act.

3.68 The Department has stated that as stated by the Hon'ble President of India in her address to joint session of Parliament on 04.06.2009, the Government is committed to the enactment of the National Food Security Act (NFSA). The department of food and public distribution has circulated a concept note on the proposed legislation to all States/Union Territories Governments and concerned Central Ministries, on 05.06.2009 and 10.06.2009. Meetings have also been held with representatives of the States/UTs, Central Ministries, Planning Commission and other stake-holders.

3.69 The Department has further stated that an empowered group of ministers (EGOM) has been constituted which has so far held four meetings in which the proposed law has been discussed on 01.09.2009, 16.09.2009, 12.02.2010 and 18.03.2010.

3.70 Another EGOM meeting is scheduled on 05.04.2010 for discussion of the draft bill. Based on the directions given by the EGOM, a draft National Food Security Bill will be finalized and vetted by Law Ministry.

3.71 As per directions given by an Empowered Group of Ministers (EGoM) constituted for the purpose, a draft Bill is under preparation in consultation with the Ministry of Law and Justice. It is proposed to put the draft Bill, after it is duly vetted and approved, on the website of the Department of Food and Public Distribution for public scrutiny and comments.

3.72 Once the draft Bill is vetted by the Law Ministry, it is proposed to finalize the Bill in consultation with all concerned and place the same before the Cabinet for approval to introduce it in Parliament at the earliest.

3.73 The EGoM had directed that the Ministries of Rural Development and Housing and Urban Poverty Alleviation, respectively, would issue the guidelines for identification of the poor in rural and urban areas of the country. The guidelines are awaited.

3.74 Asked about the salient features of the proposed National Food Security Act and the estimated total cost for implementation of the Food Security Scheme, the Department stated that the proposed National Food Security Act envisages entitling every below poverty line (BPL) family to 25 kg. of wheat and/or rice per month at highly subsidized prices to be fixed under the rules. The proposed Act shall also be used to bring systemic reforms in the Public Distribution System (PDS).

3.75 The Department further stated that the estimated cost of implementation of the proposed legislation would depend on the number of BPL families identified for coverage under the Act and the issue price of foodgrains. As advised by EGoM, this would depend on the poverty estimates finally notified by the Planning Commission and the appropriate Census data of the Registrar-General of India. The Planning Commission is yet to convey a final decision on the poverty estimates.

3.76 The Department has also stated that most of the State and Union Territory Governments have indicated acceptance of the need for a Food Security Law.

3.77 To a query about the efforts made by the Department to expedite the Proposed Legislation, the Secretary, Department of Food and Public Distribution stated during evidence as under:-

> "I think this is not the estimation. If we would have a national level debate, then we would like to keep it open for some time. What we are looking for ultimately is the synthesis of ideas. We have stated our thesis. I am sure, we will get the reactions to this and ultimately we will have something which is acceptable to everybody but we cannot really prescribe a clear time-frame."

3.78 The Committee have been informed that the Government is committed to the enactment of the National Food Security Act. The Department of Food and Public Distribution has circulated the concept note on the proposed legislation to all States/UTs and has held meetings with representatives of States/UTs, Central Ministries, Planning Commission and other Stake-holders. The proposed Act envisages entitling every BPL family to 25 kg. of wheat or rice per month at highly subsidized prices. A draft Bill is under preparation in consultation with the Ministry of Law and Justice at the instance of the Empowered Group of Ministers (EGoM) constituted for the purpose. As per the advise of the EGoM, the Planning Commission on the basis of appropriate Census data of the Registrar General of India, will notify the poverty estimates. The Planning Commission has not yet conveyed its final decision on the poverty estimates. The Committee further note that most of the State/UT Governments have indicated their acceptance of the need for Food Security Law. Considering the vast population of poor people in the country, the Committee are convinced that the Government's commitment to enact the Food Security Law is an essential step in the right direction. The Committee, therefore, strongly recommend that the Department of Food and Public Distribution should take up the matter with all concerned on top priority to complete all necessary formalities for an early introduction of the National Food Security Bill in Parliament.

CHAPTER - IV

FOOD CORPORATION OF INDIA (FCI)

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

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

(a) Dues and Liabilities of FCI

4.3 The Committee have been furnished the following statement showing the outstanding dues of Food Corporation of India to be recovered from various ministries on account of providing foodgrains for various welfare schemes on payment basis and recovery made during the year 2007-08, 2008-09 and 2009-10:-

Ministry of Rural Development		(In crore rupees)
Year	Amount Received	Balance Outstanding (As on 31 March, 2010)
2007-08	2076.53	10390.82(Prov.)
2008-09	7500.00	2890.82(Prov.)
2009-10	-	2890.82(Prov.)

Ministry of Human Resource Development*		(In crore rupees)
Year	Amount Received	Balance Outstanding (As on 31 March, 2010)
2007-08	750.04	367.63
2008-09	1430.68	148.47
2009-10	1025.26	265.42 (as on 20.02.2010)

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

4.4 When asked whether any steps had been taken to liquidate the outstanding dues of FCI over the years and whether any time limit has been fixed within which Ministries are required to make payment of outstanding dues, the Ministry of Consumer Affairs, Food and Public Distribution informed that payment of the outstanding dues depends on allocation of funds to these Departments/Concerned Nodal Ministries by Ministry of Finance. It may not be possible to fix any time limit to liquidate outstanding dues of FCI by 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. To liquidate the outstanding dues of FCI, the matter has been taken up regularly by this Department at different levels with Ministry of Finance and concerned Ministries i.e. Ministry of Rural Development and Ministry of Human Resource Development. The amount of pending outstanding dues has reduced considerably due to the continuous efforts made by this Department.

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

(b) Establishment Cost of FCI

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

(Rupees in Crore)

	2006-07 (Audited)	**2007-08 (unaudited**	**2008-2009 (Prov.)**
Staff Cost	1236.66	1269.20	1841.28
Other Admn. Cost	133.10	145.17	169.27
Total	1369.76	1414.37	2010.55
% increase over previous year	0.07%	3.25%	42.15%

4.7 The Department of Food & Public Distribution has stated that the major component of establishment cost is staff cost. During the year 2008-2009, the pay revision of employees on CDA pay scales was implemented and 60% of the arrears w.e.f. 01.01.2006 was released. Further, for employees on IDA pay scales, the benefit of 50% merger of DA w.e.f. 01.12.2007 was allowed and arrears for the same were released. The staff salary is also subject to regular DA increase. The increase of 0.07% and 3.25% for 2006-07 and 2007-08 respectively is less than the increase in Dearness Allowance during the same period.

4.8 When asked about the remedial/corrective steps proposed to be taken to keep the establishment cost to its barest minimum, the Ministry in its written replies stated that the Food Corporation of India is implementing 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. Against revised sanctioned strength of 36318 employees, FCI has 33514 employees on its rolls at present.

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

(c) Storage

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

(Fig. IN MILLION TONNES)

YEAR	COVERED			CAP(OPEN)			GRAND TOTAL
As on 31/3	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%
2009-10 (As on 31.01.2010)							
Capacity	12.97	12.40	25.37	2.48	0.40	2.76	28.75
Stocks	9.70	9.89	19.59	0.88	0.24	1.12	20.71
Utlz.	75%	80%	77%	36%	59%	39%	73%

4.11 It may be seen from the above statement that the utilization of the owned CAP capacity is less as on 31.01.10 The Ministry has stated that it is due to the reason that the stocks have been evacuated over the period to create space for accommodating the wheat stocks to be procured during RMS 2010-11 . It may also be appreciated that to reduce the rent, FCI has hired many capacities on Actual Utilization Basis (AUB). In such cases the rent is paid as per the stocks actually stored and not for the entire godown. In this way, the payment of rent is much less but the capacity utilization in such cases would always remain 100% as the capacity hired is shown as equal to the stocks stored. Moreover capacities are hired and dehired depending on the need. If the capacities were not required, they would not have been hired. Thus, the capacity utilization in hired cases is more than that for the owned capacity. In this context, the Ministry in its post evidence reply stated that there are certain constraints for 100% utilization of owned capacity due to practical/operational reasons. Hired capacity is taken only when there is absolute necessity of the same at specific location/centres.

4.12 The stock levels are highest sometime between 1st June to 1st July and it gradually goes down reaching the minimum level between 1st January and 31st March depending upon the trend of liquidation/ evacuation of stocks/ rice milling and accordingly percentage utilization also varies.

(a) Findings of C&AG

4.13 In performance Audit on the subject " Functioning of FCI as per FC Act and its impact on Food Subsidy", C&AG made the following observations:-

(i) Godowns/silos/depots staffs constitute 60% of the total staff strength of the FCI. So the rationalization and careful placement of the godowns staff is of utmost importance. The staff has been sanctioned on the basis of the infrastructure created rather than as per workload norms. Due to lower utilisation of storage capacity, the wages paid to the employees who are not performing any productive functions can be termed as unproductive.

(ii) The non-occupancy of the godowns has resulted in losses to the corporation to the tune of Rs. 810 crore (Rs.267.87 crore per annum) on the salaries & wages in the last three years as these were not occupied, mainly due to sanctioning of manpower on the basis of hiring capacity infrastructure created rather than actual work load due to utilization of godowns.

(iii) The godowns are hired in places where the owned capacity was available resulting in incurring of unfruitful expenditure of Rs.1324 crore (Approx.) paid as rent for the past three years ended March, 2007.

(iv) Non-utilization of hired capacity has resulted in payment of Rs. 503 crore rent which can be termed as unproductive. Thus, underutilization of owned godowns capacity and resorting to hiring in places wherein underutilised capacity is available has resulted in avoidable expenditure of Rs. 1313 crore (Rs.810 crore + Rs.503 crore) for the three year period ended March 2007.

4.14 The Committee pointed out that as per findings of C&AG in performance audit, staff have been deputed in godowns/cilos/depots on the basis of infrastructure created but not as per workload norms which has a serious impact on food subsidy bill meant for poorest of the poor and asked about the preventive steps taken by the Ministry for efficient functioning of FCI as per FCI Act so that the food subsidy bill does not get inflated. The Committee were informed that a comprehensive proposal based on the recommendations of the consultants M/s Mckinsey and "Time and Motion Study" regarding restructuring of FCI manpower requirement based on work load duly approved by the Board of Directors was submitted to the Ministry vide letter dated 07.07.08. The Ministry vide its order dated 27.01.10 has approved total revised manpower for the FCI as 36318 excluding watch and ward staff and Hindi cadre. Accordingly, the implementation of new staffing norms based on the work load is in progress.

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

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

(e) Construction of storage godowns

4.17 The Committee enquired about physical and financial targets for construction of godowns during the year 2009-10. The Ministry, in reply, stated that the physical and financial target for construction of godowns during 2009-10 by FCI is as under :

	Physical Targets	Financial Targets
NE Region	-	Rs. 6.75 crores
Other than NE	10,420 MT	Rs. 17.675 crore
Total	10,420 MT	Rs. 24.425 crores

The details of targets/achievements made by the FCI during the last three years are as under:-

Rs. In crores/capacities 000 MTS

Year	Target			Achievements		
	Storage Construction Programme			Storage Construction Programme		
	Genl.	NE	Total	Genl.	NE	Total
2009-10*						
Financial	17.675	6.75	24.425	2.44	2.30	4.74
Physical	10.42	-	10.42	-	-	-

* Position as on 31.12.2009

4.18 The Ministry has informed that the BE for construction of godowns for the year 2009-10 was Rs.20.00 crore for FCI, for 2009-10 is Rs.24.425 crore and the actual expenditure incurred is Rs.14.75 crores as on 17TH February, 2010 . The details of allocation of funds and the actual release made are as under:

Agency	Name of Scheme	BE 2009-10	RE 2009-10	Funds released As on 17th February, 2010
FCI	- Release of Equity to FCI for **construction of storage godowns by FCI** (areas other than NE Region) - **Capital Head**	8.00	17.675	8.00
	- Release of Equity to FCI for Projects/Scheme for North Eastern States including Sikkim - **Capital Head**	12.00	6.75	6.75
Total:		**20.00**	**24.425**	**14.75**

4.19 In this context the Committee pointed out that release of equity to FCI for construction of storage godowns by FCI has been raised from BE to RE i.e. 8.00 crore to 17.675 crore, but funds released are only 8.00 crore. Similarly, release of equity to FCI for Projects/Schemes for North Eastern States including Sikkim has been reduced from BE to RE stage i.e. 12.00 crore to 6.75 crore and the funds released were only 6.75 crore. When enquired about the reasons for mismatch between the BE, RE and actual expenditure, the Committee were informed that due to land acquisition process in the J&K Region, the same has been revised from Rs.8.00 crores (BE) to Rs.17.675 crores at RE Stage. This includes part cost of land at Badgaon and Udhampur in J&K. Action has already been initiated for release of balance equity to the FCI. Considering the pace of works and non-availability of land in NE states including Sikkim, BE. of Rs.12 crores has been reduced to Rs.6.75 crores at RE Stage and this Department has released Rs.6.75 crores during the year 2009-10.

4.20 As informed to the Committee, the Government has also formulated a scheme for construction of godowns for FCI and hiring them on guarantee basis. The proposals for creation of storage capacity in the various States are considered by the State Level Committee (SLC), and are finally approved by the High Level Committee (HLC) of FCI.

The HLC has given its approval for construction of storage godowns for a capacity of 127.65 lakh tonnes. The State-wise details of storage capacity approved by HLC are as under:-

(Figures in tonnes)

State		**Storage Capacity Approved by HLC**
Andhra Pradesh	…	36,000
Bihar	…	3,00,000
Chhatisgarh	…	5,000
Gujarat	…	45,000
Haryana	…	38,80,000
Himachal Pradesh	…	1,42,550
J & K	…	3,61,690
Jharkhand	…	1,75,000
Karnataka	…	2,05,000
Kerala	…	15,000
Maharashtra	…	99,500
Punjab	…	71,25,000
Tamil Nadu	…	3,45,000
Uttarakhand	…	25,000
West Bengal	…	5,000
GRAND TOTAL	**…**	**1,27.65 LMT**

4.21 Explaining the difficulties being faced by the Government in construction of godowns, the Secretary, Department of Food and Public Distribution stated during evidence:-

> 'Broadly the problem in construction of godowns has been the non-availability of land. We have to acquire land. We depend on the State Governments to give us land. We have given godown wise details as to why there have been slippages. Land is not available in the places where we wanted and, therefore, there have been slippages. It is not that it is not happening. Construction is taking place, but there are some delays. Whatever should be completed in January gets completed in May and so on & so forth.'

4.22 As regards the construction of godowns in North-Eastern Region, the Secretary stated during evidence that the Government is considering to create godown space of 50,000 MT in Changassari, Assam, Dimapur, Nagaland, Jiribam, Senapati and Churachandpur in Manipur and Jorthang in Sikkim and added as under:-

> 'In the North-East, the biggest problem is that there are often of blockades/disruption of movement. We are trying to make sure that North-East has at least four months of storage capacity at every place. This problem is compounded by the fact that the Railways are trying to re-do certain tracks. Then again there has been insurgency in some of the areas which has caused some of these disruptions. To make sure that this does not happen in future, we are preparing a blue print for a very big programme for construction of godowns in the North-East.'

4.23 In reply to another question, the Secretary informed the Committee that they have identified storage space worth 127 lakh tones under public-private partnership schemes. She further added:-

> 'What we have done is that we have indexed the cost to the present WPI and on the basis of that we have fixed the cap. We have also given some flexibility to the high level committee of FCI. They can even approve higher rates provided it is justified. They will have to give reasons in writing for that. So, offers have already started coming for godowns.'

4.24 In order to ensure expeditious construction of godowns, the Guarantee Scheme has been reviewed and it has been decided that wherever CWC and SWCs have land and if this is at the identified locations and within storage capacity finalized, CWC/SWCs may construct godowns on priority for which FCI will provide 6 years Guarantee.

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

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

CHAPTER-V

CENTRAL WAREHOUSING CORPORATION (CWC)

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

5.2 Against the authorized capital of Rs. 100 crore, the paid-up capital of the CWC is Rs. 68.02 crore and its net worth as on 31.03.2009 is Rs. 1156.32 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
2007-08	776.23	621.47	136.91
2008-09	849.25	738.81	110.46
2009-10	905.63	800.37	72.66

(a) Establishment Cost

5.3 The Establishment cost of CWC for the last three years is as under:-

(Rs. In crore)

Year	Establishment Cost
2007-08	234.63
2008-09	333.42
2009-10	394.65

5.4 From the above statement, it may be observed that the establishment cost of the CWC has been constantly increasing for the last three years. In this context, the Committee enquired the reasons for constant rise in establishment cost. The Ministry in its written replies stated that the increase in the establishment cost during 2007-08 and 2008-09 was mainly due to implementation of the revision of pay scales of employees under CDA pattern pay scales w.e.f. 1.1.2006 and employees under IDA pattern pay scales w.e.f. 1.1.2007.

5.5 When asked to state the number of employees in CWC at present, the MD, CWC during the course of evidence gave a comparative data since 2001 stating that during the year 2001, there were as 8500 employees and the capacity handled by the Corporation was 83 lakh tones. Today, they have only 5935 employees and capacity handled is 107 lakh tones. In the year 2001, one employee used to handle 978 tonnes, but today one employee handles 1800 tonnes.' During the year 2001, the turnover per employee was 3,96,000 but today, it is 14,31,000 per employee.

5.6 On being asked by the Committee whether any cost pruning measures have been taken to reduce the establishment cost of CWC, the Ministry stated that CWC has taken various measures such as reduction in non-plan expenditure on heads like publicity, telephone, travel, entertainment etc.; cost effective methods like computerization etc., Besides, non-core services are being outsourced and 13 Construction Cells have also been closed, retaining only 04 construction cells.

5.7 The Committee have further been informed that no fresh recruitment was being made since 1998 in any cadre with a view to reducing the manpower and resultant cost. The Corporation also implemented VRSs during the years 1994, 1998, 2002, 2005 & 2008 as a result of which 2475 employees availed the scheme, thereby reducing the establishment cost to that extent. It was further stated that while the total number of employees on the rolls has been getting reduced every year, resulting in reduction of establishment cost proportionally; the total storage capacity has been increasing.

5.8 The table given below indicates the efficient utilisation of the manpower in the Corporation:-

	2007	**2008**	**2009**
Total capacity available (in lakh MTs)	102.20	98.78	105.25
Capacity handled (MT) /per employee	1651	1630	1773
Turnover per employee (lakh Rs.)	11.09	12.81	14.31

5.9 The Ministry has further stated that based on an internal assessment of the manpower vis-à-vis the capacity operated, recruitment of 40 JTAs (Group 'C') and 30 management trainees (Group 'A') was undertaken during 2009 in order to tide over the shortage in these cadres.

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

(b) Construction of Godowns

5.11 The Committee have been informed that as on 1st February, 2010, the Central Warehousing Corporation (CWC) was operating 491 warehouses throughout the country with a total storage capacity of 105.67 lakh MT and overall utilization of 88.78 lakh M.T. i.e. 84% capacity utilisation. This shows that additional storage capacity is available with CWC for further storage. Foodgrain stocks in the Central pool are stored by the Food Corporation of India (FCI) in its own depots besides the storage capacity hired from the CWC and the State Warehousing Corporations (swcs) and State Government agencies. Therefore, CWC only meets a part of the storage requirement for buffer and operational stocks. The storage capacity available with the CWC is also utilized for storage of other commodities including agricultural produce and raw materials, notified commodities etc. belonging to farmers, traders, industries and importers/exporters etc.

5.12 However, as informed by the Ministry, during the current financial year 2009-10, CWC is constructing additional storage capacity of about 0.91 lakh MT as per the details given below:-

S.No.	Centre	State	Capacity (in MT)
1.	Barhi	Haryana	10,750
2.	Tohana	Haryana	4,500(open plinth) 5,000
3.	Naraingarh	Haryana	10,000(open plinth)
4.	Baran	Rajasthan	5,000
5.	Sitapura-II	Rajasthan	5,000
6.	Bhatinda	Punjab	25,000
7.	Ropar	Punjab	5,000
8.	Mandigobindgarh	Punjab	6,200
9.	Moga-II	Punjab	9,600
10.	Bhatapara-II	Chhattisgarh	5,000
		Grand total	91,050

Say 0.91 lakh M.T.

5.13 Further during the year 2010-11, CWC has tentative plans to construct storage capacity of about 1.77 lakh MT at different locations as per the details given below for storage of foodgrains and other commodities:

S,No.	Centre	State	Capacity (in MT)
1.	Akola-II	Maharashtra	17400
2.	Gondia	Maharashtra	10000
3.	Surat-II	Gujarat	1500
4.	Bhatinda	Punjab	10000
5.	Bolangir	Orissa	30000
6.	Junagarh	Orissa	12000
7.	Choudwar	Orissa	3000
8.	Virudhunagar	Tamil Nadu	5250
9.	Tuticorin	Tamil Nadu	7500
10.	Hosur-II	Tamil Nadu	15000
11.	Bodhan	Andhra Pradesh	9000
12.	Kakinada	Andhra Pradesh	10000
13.	Tumkur	Karnataka	13100
14.	Gadag-II	Karnataka	10000
15.	Edathala	Kerala	1700
16.	Kakkanad	Kerala	6850
17.	Bikaner-II	Rajasthan	5000
18.	Chomu	Rajasthan	10000
		Grand Total	177300 MT

Say 1.77 lakh MT.

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

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

5.15 During the current financial year 2009-10, the CWC is constructing additional storage capacity of about 0.91 lakh MT with an estimated outlay of Rs.39.50 crore (RE). Out of this, 24,500 MT capacity has been completed by the end of February, 2010. Work in respect of the remaining (66550 MT) capacity is in progress and it is expected to be completed by the end of March 2010.

5.16 When enquired about the reasons for non-achievement of physical and financial targets regarding construction of godowns, it was stated that shortfalls would be more than made up by additional capacity addition during next two financial years.

5.17 When asked as to why NE States are being neglected for construction of storage capacity, the Ministry 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 during the years 2006-07, 2007-08 and 2008-09 was 65%, 75% and 79% respectively. As on 1st February, 2010, the average capacity of the region was 84%. Since the existing capacity is not even fully utilized, construction of additional capacity could not be considered.

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

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

(c) Warehousing Development and Regulatory Authority

5.20 Section 24 of the Warehousing (Development and Regulation) Act, 2007 provides for establishment of Warehousing Development and Regulatory Authority to register and accredit warehouses intending to issue negotiable warehouse receipts and put in place a system of quality certification. The plan allocation for the WDRA in the 11th Plan is Rs.5.50 crore. Budget provision of Rs.50 lakh was made in the budget for 2008-09. The Department has stated that since the Authority could not be set up in 2008-09, no expenditure could be incurred.

5.21 The Committee have been informed that the BE for Warehousing Development and Regulatory Authority during 2009-10 was Rs. 1 crore but the expenditure upto 15th March, 2010 is Rs. 0.37 crore. The allocation for 2010-11 for setting up Warehousing Development and Regulatory Authority is Rs. 4 crore.

5.22 When enquired the reasons for low expenditure under the scheme during 2009-10 and why an amount of Rs. 4 crore has been allocated during 2010-11 in view of the fact that the authority is yet to be set up, the Department in a note furnished to the Committee stated that Warehousing Development and Regulatory Authority (WDRA) is in the process of being set up. Though the posts of one Joint Secretary and one Director in the WDRA have been filled up and an expenditure of Rs. 0.37 crore has been incurred on salary and other preparatory works for setting up of the Authority upto 25.03.2010, but it could not be booked as the matter of opening of new Heads of Account for WDRA, release of Supplementary Grant, issue of Re-appropriation order for the funds to the newly created Head of Account, took considerable time. For setting up WDRA, the process of selection of Chairperson and 2 Members has been completed by the Selection Committee. Further action on obtaining approval of ACC is under process. Once the Authority is set up, a number of posts would be required to be created in addition to filling up of remaining sanctioned posts. Rent will be required to be paid to Central Warehousing Corporation for the premises to be occupied by the Authority. Besides, consultancy to advice on Grades & Standards, System & Procedure, e-governance, Accounting Systems, Bid process/empanelment of Accreditation Agencies, Bid process/empanelment of Inspection Bodies etc. would be necessary for the smooth functioning of the Authority. Hence, the allocated amount of Rs. 4 crore is just adequate for the setting up and functioning of the Authority and it would be utilized once the Authority is set up.

5.23 The Committee note that the Ministry is in the process of setting up of the Warehousing Development and Regulatory Authority (WDRA) for which one post each of Joint Secretary and Director have been filled up so far. The Selection Committee has also completed the process of selection of the Chairperson and two members. However, in order to be functional, the remaining staff of the WDRA needs to be put in place. As the availability of storage space in all the States/UTs is a basic requirement for the effective implementation of the various welfare schemes of the Department of Food and Public Distribution, the Committee strongly recommend that the process of setting up of the WDRA be expedited and completed without any delay.

CHAPTER - VI

MANAGEMENT OF SUGAR

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

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

(a) Production of Sugar

6.3 Sugar production in India is cyclic in nature. Every peak production year is followed by a low production year two or three years later. This is mainly due to corresponding increase or decrease in area under sugarcane. High production of sugar in 2006-07 and 2007-08 sugar seasons (October-September) gave way to low production in 2008-09 sugar season and also in the current sugar season 2009-10. Season-wise production from sugarcane and consumption of sugar since 2006-07 is given below:

(In lakh tonnes)

Season	Sugar production	Consumption
2006-2007	282.00	199.00
2007-2008	263.00	205.00
2008-2009 (P)	147.00	220.00
2009-2010(E)	160.00	230.00

(E)– Estimated (P) - Provisional

6.4 The Committee have been informed that as per trade sources report dated 01.02.2010, 22.93 lakh tonnes of raw sugar and 2.25 lakh tonnes of white/refined sugar was imported in 2008-09 sugar season. During 2009-10 sugar season, 20.98 lakh tonnes of raw sugar and 3.92 lakh tonnes of white/refined sugar has arrived/arriving shortly. Thus, the total raw sugar imported is 43.91 lakh tonnes and white/refined sugar 6.17 lakh tonnes. Further, APEDA has reported cumulative registration of contracts for import of white / refined sugar amounting to 1.21 million tones.

6.5 When asked about area under sugarcane cultivation, the Ministry informed that the area under sugarcane cultivation during the last three seasons i.e. 2006-07, 2007-08 and 2008-09 and the current 2009-10 sugar seasons is as under:-

Sugar Season	Area under sugarcane (in 000 hectares.)	Increase/ decrease over the previous year. (in 000 hectares)	% increase/ decrease as compared to previous season.
1	2	3	4
2005-06	4201.7	---	---
2006-07	5150.8	(+) 949.1	22.6
2007-08	5055.2	(-) 95.6	1.9
2008-09	4415.4	(-) 639.8	12.6
2009-10	4075.00	(-) 340.40	7.7

Source: Directorate of Economics & Statistics.

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

(a) The Central Government has now fixed the Fair & Remunerative Price (FRP) of sugarcane payable by sugar mills for 2009-10 sugar season at Rs.129.84 per quintal linked to a basic recovery rate of 9.5% subject to a premium of Rs.1.37 per quintal for every 0.1 percentage point increase in recovery above that level. Hitherto, the Central Government was fixing the Statutory Minimum Price (SMP) of sugarcane. This FRP is substantially high over the SMP of 2008-09 sugar season which was Rs.81.18 per quintal, with an additional premium of Rs.0.90 for every 0.1% point increase in the recovery above 9%.

(b) The Sustainable Development of Sugarcane Based Cropping System (SUBACS) is one of the components of Centrally Sponsored Scheme (CSS), namely Revised Macro Management of Agriculture Scheme (RMMA). The main thrust of SUBACS is on the transfer of improved production technology to the farmers through field demonstrations, training of farmers, supply of farm implements, enhancing production of planting materials, efficient use of water, treatment of planting materials etc.

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

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

(e) To optimize processing of raw sugar along with cane juice to produce white sugar, a scheme has been introduced in the current financial year for loans from SDF at 4% simple interest to be given to sugar factories to install balancing equipment so as to maximize availability of processed sugar from imported raw sugar in 2009-10 sugar season.

(f) Keeping in view inadequate sugarcane production during the last year, the Government have also announced a short term scheme for cane development in the current financial year under which loans of Rs. 1 to Rs. 2.5 crore will be available to sugar factories depending upon their crushing capacity, for purchase of seeds, fertilizers and pesticides. This loan is expected to be passed on to the farmers which in turn would encourage sugarcane production.

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

(b) Rising price of sugar

6.8 When asked about the present rate of Statutory Minimum Price for sugarcane along with the reasons for different rate of SMP in different States, if any, the Ministry stated that the Central Government had been fixing the Statutory Minimum Price (SMP) of sugarcane in terms of Clause 3 of the Sugarcane (Control) Order, 1966 for each sugar season. The SMP was being fixed uniformly all over the country, on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP) and after consulting the State Governments and associations of sugar industry and cane growers having regard to following factors :-

- cost of production of sugarcane;
- return to the growers from alternative crops and the general trend of prices of agricultural commodities;
- availability of sugar to consumers at a fair price;
- price at which sugar produced from sugarcane is sold by sugar producers;
- recovery of sugar from sugarcane; and
- the realization made from sale of by-products viz.molasses, bagasse and press mud or their imputed value

6.9 The SMP for 2008-09 sugar season was Rs. 81.18 per quintal for a basic recovery rate of 9% subject to a premium of Re. 0.90 for every 0.1% point increase in the recovery above that level payable by all sugar factories in the country.

6.10 As regards the reasons for rise in the price of sugar, the Ministry has informed that the mismatch between domestic production and demand for sugar is primarily responsible for rise in price of sugar. However, the rise in prices in mid December, 2009 and first week of January,2010, was mainly due to following reasons –

(i) Increase in international prices of raw and white/refined sugar;
(ii) Rumours of very low domestic production of sugar in the current sugar season; and
(iii) Restrictions on movement and transportation of imported raw sugar in the State of U.P.

6.11 When the Committee enquired about the steps taken to contain prices of sugar, the Ministry in a written note stated that the following steps were taken to contain the rise in price of sugar:-

(i) Sugar mills have been directed to sell and dispatch monthly non-levy sugar quota on weekly basis from February, 2010 onwards.

(ii) Stockholding limit on bulk consumers has been reduced from 15 days to 10 days with effect from 20.02.2010 and will continue till 18.08.2010 (180 days).

(iii) The Central Government has permitted on 10th February, 2010, raw sugar imported by a sugar mill to be sold only once to another sugar mill for raw sugar imported up to 30th June, 2010 and sales upto 31st December, 2010.

6.12 The Central Government had also taken a slew of measures to augment domestic stocks of sugar and to enhance availability/production of sugarcane with a view to control rise in sugar price as detailed below:

(i) Allowed duty-free import of raw sugar under Advance Authorization Scheme by sugar mills on ton-to-ton basis with effect from 17.02.2009 upto 30.09.2009.

(ii) Allowed duty-free import of raw sugar by sugar mills under Open General License with effect from 17.04.2009 and opened up to private trade from 31.07.2009 for being processed by domestic factories on job work basis. Presently, this facility is in force upto 31.12.2010.

(iii) Allowed duty-free import of white/refined sugar by STC/MMTC/PEC and NAFED upto 1 million tons with effect from 17.04.2009 and opened up to other Central/State Government agencies and private trade in addition to existing designated agencies with effect from 31.07.2009. Presently, this facility is in force upto 31.12.2010 with out any quantative cap.

(iv) 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 organizations, but sugar processed from imported raw sugar is subject to accelerated releases.

(v) States have been requested to waive VAT on imported white/refined sugar so as to make the imports competitive.

(vi) The levy obligation on sugar factories has been enhanced from 10% to 20% of production for 2009-10 sugar season only.

(vii) Stockholding and turnover limits on sugar dealers were imposed vide notification dated 12.03.2009. Further, khandsari sugar has been brought under the ambit of stockholding and turnover limit from 16.07.2009. Presently these limits are in force upto 30.09.2010.

(viii) An order has been issued vide notification dated 22.08.2009 imposing stockholding limit on large consumers of sugar who are using or consuming more than ten quintals of sugar per month as a raw material for production or consumption or use, stipulating that such bulk consumers shall not hold sugar stock exceeding fifteen days of their requirement. The notification has come into effect from 19.09.2009. The stockholding limit has been lowered to ten days, and the revised limit has been notified on 05.02.2010 to come into effect from 20.02.2010 and will continue for a period of 180 days thereafter i.e. upto 18.08.2010.

(ix) Futures trading in sugar in domestic exchanges has been suspended w.e.f 27th May 2009 to curb any possible speculative tendency. Currently, this is in force upto September, 2010.

(x) Monthly quotas of non-levy sugar for sale by sugar mills in open market, have been sub-divided into fortnightly and periodically weekly targets for sale to ensure even flow of sugar into open market.

6.13 When enquired about imposing of stock holding limits of sugar on bulk consumers such as manufacturers of soft drinks, biscuits etc and the benefits likely to accrue there from particularly with regard to the availability and prices of sugar in the country, the Ministry stated that the Central Government has imposed stockholding limit on bulk consumers of sugar (using or consuming more than ten quintals of sugar per month) vide notification dated 22.08.2009 providing that they shall not hold stocks exceeding 15 days of their requirement from domestically produced sugar. The notification came into effect from 19.09.2009. Vide notification dated 05.02.2010, the Central Government has reduced the stockholding limit on bulk consumers from fifteen days to ten days of requirement, with effect from 20.02.2010 for a period of one hundred eighty days. Since non-household consumers are estimated to be consuming more than sixty percent of the total non-levy (free-sale) sugar consumed in the country, the measure is intended to make adequate quantities of sugar available to the household sector and sobering impact on prices of sugar.

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

(c) Cane Price Arrears

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

(In crore Rs.)

For the Sugar Season	Outstanding cane price arrears as on 31.12.2009
2009-10	2501.49
2008-09	5.71
2007-08 & earlier	240.88
Total	**2748.08**

6.16 From the above statement, it is observed that the cane price arrears for the current sugar season 2009-10 are very high. In this regard, the Ministry has stated that the cane price arrears are generally high in the beginning of the season and starts declining as the sugar season advances. As such, the cane price arrears for 2009-10 sugar season are likely to decline once the current sugar season progresses further.

6.17 The Sugarcane (Control) Order 1966 empowers the State Governments to recover cane price arrears from defaulting sugar mills as land revenue arrears. In the past, the Central Government has assisted the sugar mills to pay cane price arrears to the farmers by giving financial assistance for export of sugar, buffer subsidy for buffer stocks, interest subvention on loans against excise duty paid and payable, etc. These amounts are required to be used to clear cane price arrears if any, before using the same for any other purpose.

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

(d) Sugar Development Fund

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

- ❖ Making loans for facilitating the rehabilitation and modernization of any sugar factory or any unit thereof;
- ❖ Making loans for undertaking any scheme for development of sugarcane in the area in which any sugar factory is situated, including to a potentially viable sugar undertaking.
- ❖ Making grants for the purpose of carrying out any research project aimed at the promotion and development of any aspect of Sugar Industry.
- ❖ Defraying expenditure to a sugar factory on internal transport and freight charges on export shipment of sugar with a view to promoting its export.
- ❖ Making loans to any sugar factory having an installed capacity of 2500 Tonnes Crushing Per Day or higher to implement a project of bagasse-based co-generation of power.
- ❖ Making loans to any sugar factory having an installed capacity of 2500 TCD or higher for production of anhydrous alcohol or ethanol from alcohol or molasses with a view to improving its viability.
- ❖ Defraying expenditure to a sugar factory for the purpose of building up and maintenance of buffer stock with a view to stabilizing price of sugar.
- ❖ Defraying expenditure for the purpose of financial assistance to sugar factories towards interest on loans given in terms of any scheme approved by the Central Government from time to time.
- ❖ Defraying any other expenditure for the purpose of the Act.

6.20 The following Statement shows the overall performance of the Sugar Development Fund during the last three years and current year (upto 28.2.2010):-

(Rs in crore)

Year (1)	Opening balance of SDF as on 1st April of respective year (2)	Cess transferred from CFI to SDF (add) (3)	Recovery of SDF dues (4)	Fund Disbursed from SDF (for all purposes) (5)	Closing Balance (2+3+4-5) (6)
2007-08	1478.25	250.00	**183.60**	545.60	1366.25
2008-09	1366.25	250.00	**554.04**	1074.37	1095.92
2009-10	1095.92	250.00	**285.24 Upto 28-2-2010**	1283.46 Upto 28-2-2010	347.70

6.21 Statement indicating Sugar Mills which have been disbursed loan from Sugar Development Fund during the year 2007-08, 2008-09 and 2009-10 (upto 22.03.2010) for different projects is given below:-

Name of the projects	**No. of Sugar Mills Assisted**		
	2007-08	**2008-09**	**2009-10**
Modernization/Rehabilitation	12	15	57
Co-generation	13	22	29
Ethanol	2	11	9
Cane Development	8	7	80

6.22 Asked about the reasons for sudden increase in the number of sugar mills who have been given loan from Sugar Development Fund during 2009-10, the Ministry in their post evidence reply stated that total number of sugar factories who have been given loans for Modernisation and Cane Development during 2009-10 upto 29.3.2010 are 60 and 85 respectively. The sudden increase in the number of sugar mills who have been given loan from Sugar Development Fund during 2009-10 is due to the announcement of a one-time short-term loan schemes in July, 2009 for cane development and modernisation. During 2009-10, 42 sugar factories have been given short-term loans for modernisation and 81 sugar factories have been given short-term cane development loans. These short term loans were not given in 2007-08 and 2008-09.

6.23 When asked upto what extent, the production of sugar will increase in the country consequent upon the release of loan to the large number of sugar mills during 2009-10, the Committee were informed that under regular scheme for giving loans for modernisation of plant and machinery and expansion of crushing capacity upto 10000 tcd, 18 sugar factories have been given loans who have projected increase in crushing capacity by a total of 26950 TCD. Taking an average of 160 days of crushing in the season, the sugar industry will be able to crush about 43 lakh tonnes of additional sugarcane on completion of the projects. At a recovery rate of 10%, additional sugar production capacity will be 4.3 lakh tonnes of sugar per annum. Short term loans were given to sugar factories for purchase of seeds, fertilizers and pesticides for improvement of sugarcane productivity and production in their area and for setting up facilities for simultaneous processing of raw sugar along with crushing of sugarcane. However, the additional production of sugar on these counts will depend on the quantum of raw sugar imported/otherwise available and availability of sugarcane for the sugar industry.

6.24 The number of sick sugar mills, as reported by the BIFR and NABARD in July' 2009 was 206. The sector-wise detail is given below:-

Sector	No of sick mills
Private	51
Cooperative	145
Public	10
Total	**206**

6.25 When asked about the number of sick sugar mills who have been sanctioned loan from SDF for their revival during the last three years (year-wise, State-wise), the Ministry stated that no complete application for loan from SDF has been received from any sick sugar mill. Therefore, SDF loan has not been sanctioned to any sick sugar mills for their revival during the last three years.

6.26 On being asked about the criteria for sanction of loan to sugar mills from the Sugar Development Fund, the Committee were informed that the following are the important norms/criteria required to be fulfilled by sugar mills:-

(i) There should be no SDF/LSPEF dues against the sugar factory.

(ii) In the case of loan for modernisation, bagasse based cogeneration power projects and production of ethanol, loan upto 40% of the "eligible" project cost is given from SDF.

(iii) Applications should be accompanied by detailed project report and financial appraisal from Financial Institution/Scheduled Bank along with letter of intent for sanctioning term loan from SDF

(iv) At least 10% of the project cost should be met by the sugar factory from its internal resources.

(v) In the case of cogeneration and ethanol project, the sugar factory must be having 2500 TCD installed capacity.

(vi) SDF loan is given for expansion of capacity upto 10000 TCD only.

(vii) In the case of greenfield projects, loan for cogeneration and ethanol projects is disbursed only when the sugar factory starts its commercial production of sugar.

(viii) Cane development loan upto 90% of project cost, for a total project costing upto Rs.6 crore is available for specified schemes is given below.

(ix) Application of the sugar mill for cane development should be forwarded by the concerned State Governments with its recommendations.

(x) A sugar factory can avail SDF loans concurrently for two modernisation projects, two cane development schemes and one each for cogeneration and ethanol projects.

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

CHAPTER - VII

Management of Edible Oils

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

(a) Main Edible Oils

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

(b) Production of oilseeds

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

(In Lakh tones)

Year	Production of Oilseeds (Primary Source)*	Net availability of edible oils from all domestic sources**	Imports***	Total Availability / Consumption of edible oils
2007-2008	297.56	86.54	56.08	142.62
2008-2009	277.19	84.56	82.81	166.39
2009-2010* **	263.24	82.81 (estimated)	98.00 (estimated)	181.00 (estimated)

Source:
* Ministry of Agriculture
** Directorate of Vanaspati, Vegetable Oils and Fats (November-October)
*** Solvent Extractors' Association of India, Mumbai (November-October)

7.4 The production of oilseeds has been stagnating during the last two decades. At the same time, consumption of edible oils in the country has been increasing rapidly from 142.62 lakh tons in 2007-08 to 166.39 lakh tons in 2008-09. Increase in population and living standards are the two major causes for increase in consumption.

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

State wise production of Major Oilseeds

(in thousand tons)

States	Production		
	2006-07	**2007-08**	**2008-09 (Estimated)**
Andhra Pradesh	1362.0	3390.0	1810
Gujarat	2569.0	4725.0	3580
Karnataka	1125.0	1549.0	1460
Madhya Pradesh	5814.2	6352.0	6330
Maharashtra	3721.0	4874.0	2890
Rajasthan	5166.8	4197.6	4300
Uttar Pradesh	1033.3	1146.8	960
West Bengal	645.4	705.1	390
Total	**21436.7**	**26939.5**	**21720**

Source: Department of Agriculture and Co-operation.

7.6 From the above statement, it has been noted that the total production of oilseeds in 2007-08 in all the eight States was 26,939 thousand tonnes whereas the estimated production of oilseeds during 2008-09 is 21720 thousand tonnes i.e. 5219 thousand tonnes less than the previous year. In this context, the Committee enquired the reasons for less production of oilseeds during 2008-09 especially in the States of Andhra Pradesh, Maharashtra and West Bengal. The Committee were informed that the decline in production in the State of Andhra Pradesh, Maharashtra and West Bengal is mainly attributed to unfavourable conditions and weather aberrations in these States besides infestation of insect pest in soyabean in Maharashtra during the Kharif 2008 and unfavourable conditions in winter season impacting production of mustard in West Bengal.

7.7 Based on 2nd advance estimates declared by Ministry of Agriculture on 12.02.2010. The net domestic availability of edible oils in the country during the Oil Year 2009-10 (Nov.-Oct.) has been estimated at 82.81 lakh tons which is lower by 1.75 lakh tons as compared to estimated net domestic availability of edible oils during 2008-09**.** The main reduction has been in case of groundnut oil and sunflower oil.

7.8 The deficit in domestic production over domestic demand is met by imports. Import of about 98.0 lakh tons has been estimated for the current year. During the four months of Nov.2009 to February, 2010, 29.73 lakh tons of edible oils was imported as against 28.25 lakh tons last year during the same period, i.e. an increase of about 5.2%.

7.9 When asked about the concrete measures taken to increase production and improve availability of edible oil in the country, the Ministry stated in its written reply that the Department of Agriculture and Cooperation is implementing a Centrally Sponsored Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize (ISOPOM) in 14 major oilseeds growing States w.e.f.1.4.2004. The production of oilseeds has increased from 25.19 million tonnes in 2003-04 to 29.76 million tonnes in 2007-08. This was brought about not only by increase in area but also by improving the productivity from 1064 kg. to 1086 kg. per hectare during above period.

7.10 Further, to make ISOPOM more effective, the Government of India has modified/restructured Centrally Sponsored Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize (ISOPOM) during XI plan period. The details of modification made under ISOPOM are as under;

i) To increase the Seed Replacement Rate (SRR), the assistance on Production of Foundation and Certified Seed has been enhanced from Rs. 500/- per qtl to Rs. 1000/- per qtl. Similarly, the subsidy on Distribution of Certified Seed has been enhanced from Rs. 800/- per qtl to Rs. 1200/- per qtl during 11th Plan Period. The Government has further enhanced the subsidy for distribution of certified seed of oilseeds from Rs1200/ per quintal to Rs2000/ per quintal for Rabi crop of 2009-10.

ii) The Private Sector seed producing agencies have been involved in the distribution of Certified Seeds of Oilseeds besides NSC, SFCI, NAFED, KRIBHCO and IFFCO.

iii) Enhancement of rationalization of subsidy on demonstration, sprinkler sets, rhizobium cultures, irrigation pipes besides inclusion of new components i.e. supply of improved farm implements and micronutrients during 11th Plan Period.

7.11 Keeping in view the fact that there is a constraint in area expansion under oilseeds, the thrust during 11th plan is being given towards yield improvement in oilseeds besides promoting the cultivation of oil palm under ISOPOM in 8 States, for augmenting the indigenous availability of edible oils in the country. Under ISOPOM, an area of 96552 hectare has been achieved under oil palm plantation from 2004-05 to 2009-10 (estimated till December, 2009). The oil palm starts yield after 4-5 years of its plantation. These new plantations will help in increasing the domestic supply of edible oils.

7.12 Besides ISOPOM, Macro Management of Agriculture (MMA) Scheme provides assistance for oilseeds development to the States not covered under ISOPOM. Under Rashtriya Krishi Vikas Yojana (RKVY), the States can support crop development activities approved by the State Level Sanctioning Committee headed by the Chief Secretary of the State

7.13 Under the National Agricultural Research System (NARS) several high yielding varieties/hybrids having inbuilt resistance to diseases with suitable crop production and protection technologies has been developed as per the requirements of different agro ecologies. Varieties suitable for specific situation have also been developed.

7.14 The Committee have been informed that the study has been entrusted to the Division of Agricultural Economics, Indian Agricultural Research Institute, New Delhi to assess demand and supply scenario of oilseeds and edible oils in the country and to suggest suitable measures to increase the production of oilseeds to make the country self sufficient, the present and future edible oils needs of the country, current production and its deficiencies, quality of seeds availability and their yield position, constraints in terms of availability and utilization of high yielding variety oilseeds. Consumption patterns of edible oils in rural and urban areas of different income groups, import of edible oils and its impact on economy and implications of trade and related policies on domestic oil prices and availability.

7.15 In view of stagnation in domestic production of edible oil and steadily increasing consumption, the following steps have been taken by the Government to ensure adequate availability of edible oil, at reasonable prices to consumers:-

(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 31.10.2010.

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

order to augment the production of edible oils, there is an imperative need to improve technology for extraction of edible oils. The Committee, therefore, desire the Government to take immediate steps to arrest the decline in growth rate of oilseeds as also to enable agriculture to be viable and profitable avocation to the farming community at large. The Committee may be apprised of the steps taken in this direction. The Government should ensure that the funds allocated for R&D projects are fully utilized by the DVVO&F. The Agriculture Ministry should also be advised to undertake latest research, adopt new technology and measures to raise oilseed production. The Committee recommend the Department to take initiatives on above mentioned lines in consultation with the ministries involved in the task such as Ministry of Agriculture etc.

(c) Directorate of Vanaspati, Vegetable Oils and Fats

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

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

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

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

7.20 The Committee have been informed that the unsatisfactory progress of Research and Development projects by research institutes was due to the following reasons:-

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

7.21 Procedures have been streamlined in the Department for giving timely approval and for regular monitoring. The institutes have been advised to complete the projects in time. During 2009-10, the Department has utilized 121% budgetary allocation in R&D projects.

7.22 The broad areas in which R&D proposals under the Plan Scheme being 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 in losses, reduction in solvent consumption, steam consumption etc.

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

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

Year	No. of inspection	No. of samples analyzed
2007-08	610	2515
2008-09	1125	3423
2009-10	980	3089

7.25 As informed by the Department, the competent authority has issued warning to the erring units/defaulters in case of first time failure of their sample(s). However, in cases of second time failure of sample(s) within a year, the competent authority has cancelled registration(s) of erring units/defaulters under the provisions of the Vegetable Oils Products (Regulation) Order, 1998. During the last three years, registrations of four manufacturing units have been cancelled. The Committee were also informed that the number of samples failed, which do not conform to their specification are as under:-

Year	No. of samples failed
2007-08	38
2008-09	55
2009-10	47

7.26 When asked about the reasons for substantial decrease in the number of surprise visits carried out by the officials of DVVO&F, the Ministry in their post-evidence reply stated that the number of inspections conducted and number of samples analysed during 2009-10 have been taken upto 28th February 2010. Out of five Development Officers engaged in inspection, one Development Officer has left on superannuation in July'2009, thereby reducing the number of inspections / number of samples collected. It may be seen that for average number of inspections per month, there has been only a marginal fall from 93.75 inspections/per month to 89.09 inspections/per month. However, per person/per month, inspections have increased from 18.25 inspections to 18.85 inspections.

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

NEW DELHI
20th April, 2010
30 Chaitra, 1932 (Saka)

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

Annexure -I

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

MINUTES OF THE FOURTEENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON MONDAY, 29TH MARCH, 2010.

The Committee sat from 1200 hrs to 1345 hrs in Committee Room 'F'G 074, Parliament Library Building, New Delhi.

Present

Shri Vilas Muttemwar - Chairman

Members

Lok Sabha

2. Shri Kamlesh Balmiki
3. Shri Tarachand Bhagora
4. Shri Arvind Kumar Chaudhary
5. Shri Abdul Mannan Hossain
6. Shri Marotrao Sainuji Kowase
7. Shri Sohan Potai
8. Shri Dinubhai Solanki

Rajya Sabha

9. Smt. T. Ratna Bai
10. Shri Lalhming Liana
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

Representatives of the Department of Food and Public Distribution

Sl No.	Name		Designation
1.	Smt. Alka Sirohi	-	Secretary
2.	Shri Chaman Kumar	-	AS & FA
3.	Shri Siraj Hussain	-	JS & MD(FCI)
4.	Shri N. Sanyal	-	Joint Secretary
5.	Shri C. Vishwanath	-	Joint Secretary
6.	Shri Rakesh Garg	-	Joint Secretary
7.	Shri Naveen Prakash	-	Joint Secretary
8.	Shri P. Das	-	CCA
9.	Shri A.K. Kapoor	-	Adviser (Cost)
10.	Shri Yashpal	-	Economic Adviser
11.	Shri B.B. Patnaik	-	MD, 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 their Demands for Grants for the year 2010-11. Hon'ble Chairman in his opening remarks mentioned that the Committee was not satisfied with the performance of some important schemes of the Department such as Construction of Godowns by FCI/State Governments, Integrated Information System in Foodgrains Management, Computerization of PDS operations, Strengthening of PDS, Village Grain Bank Scheme etc. He further mentioned that the progress of construction of godowns was very slow and the physical target was not achieved in the case of Village Grain Bank Scheme despite full release of the funds under the scheme. He also requested the Secretary to apprise the Committee as to what action has been taken by the Department on the important observations/recommendations made by the Committee in their second report on Demands for Grants (2009-10) which was presented to Parliament on 17th December, 2009.

3. The Secretary, Department of Food and Public Distribution addressed the issues raised by the Hon'ble Chairman as well as the supplementary issues raised by the Members of the Committee. Some of the important points that emerged during the deliberations of the Committee were:-

(i) Steps taken by the Department for full utilization of Plan and Non-Plan Funds;
(ii) Distribution of foodgrains under PDS;
(iii) Mismatch between off-take and allocation of foodgrains under PDS by the States;
(iv) Problems faced by the Department in the construction of godowns;
(v) Construction of godowns through public/private partnership schemes;
(vi) Efforts made by the Department to create storage space in NE States;
(vii) Steps taken to implement Village Grain Bank Scheme in the remaining States;
(viii) Identification and elimination of bogus ration cards;
(ix Steps taken to distribute good quality of foodgrains through PDS;
(x) Need to increase Central Issue Price (CIP) in order to check diversion/leakage of foodgrains;
(xi) Measures taken to strengthen the enforcement machinery for proper implementation of the laws;.
(xii) Status of Computerization of PDS operations;
(xiii) Measures to reduce the food subsidy under TPDS;
(xiv) Reasons for delay in introduction of Food Security Bill;
(xv) Need to increase the production of oilseeds to ensure availability of oils to the consumers at reasonable rates; and
(xvi) Need to reduce transit losses/storage losses and stringent action against the officials of FCI/CWC responsible for such losses.

4. The representatives of the Department responded to the queries raised by the Chairman and Members of the Committee on various aspects of the aforesaid issues and other related matters.

5. The Hon'ble Chairman then thanked the Secretary and other representatives of the Department of Food and Public Distribution for their free and frank discussion and also enlightening the Committee properly.

A verbatim record of the proceedings has been kept.

The Committee then adjourned.

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Annexure -II

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

MINUTES OF THE SIXTEENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON TUESDAY, 20TH APRIL, 2010

The Committee sat from 1500 hrs to 1555 hrs in Committee Room 'D', 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 Lal Chand Kataria
6. Shri Marotrao Sainuji Kowase
7. Shri Madhusudan Yadav

Rajya Sabha

8. Smt. T. Ratna Bai
9. Shri Lalhming Liana
10. Shri Shantaram Laxman Naik
11. Shri Kanjibhai Patel
12. Shri Rajniti Prasad
13. Shri Veer Singh
14. Shri Kaptan Singh Solanki

Secretariat

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

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 (2010-11) relating to the (i) Department of Food and Public Distribution & (ii) Department of Consumer Affairs. Hon'ble Chairman highlighted the important recommendations contained in the Reports.

3. The Committee first took up for consideration the draft report on Demands for Grants (2010-11) relating to the Department of Food and Public Distribution and adopted the slight with some amendments. The Committee then took up for consideration the draft report on Demands for Grants (2010-11) relating to the Department of Consumer Affairs and adopted the same without any amendment.

4. xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx

5. The Committee authorized the Chairman to finalize the aforesaid Reports on the basis of factual verification from the Department and 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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Annexure-III

STATEMENT OF OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE REPORT

Sl. No.	Para No.	Observations/Recommendations
1	**2**	**3**
1.	2.6	**The Committee note that the Budget Estimate of the Department of Food and Public Distribution for the year 2009-10 was Rs. 95.00 crore for its Plan Schemes which was reduced to Rs. 70.00 crore at RE stage and the actual expenditure incurred upto 31.3.2010 was Rs. 69.07 crore. In the case of Non-plan Schemes, the allocation was increased from BE of Rs. 54,679.27 crore to Rs. 58,323.08 crore at RE stage and the actual expenditure was Rs. 60,751.93 crore. The Committee is pleased to observe that the Department has been able to achieve its financial target as per their revised estimate in both Plan and Non-Plan Schemes. The Committee hope that the Department would continue with the same trend and meet the financial targets during the coming years also.**
2.	2.7	**The Committee further note that the Department has proposed allocation of Rs. 142.63 crore for the year 2010-11 for its Plan Scheme, but the Ministry of Finance has allocated Rs. 100.00 crore only, keeping in view the fact that the Department could not utilize the entire BE of Rs. 95.00 crore during the previous year. The reasons for less expenditure of funds cited by the Department such as late submission of DPR by NISG, late administrative approval for implementation of the schemes etc. are more or less similar to the reasoning given last year and as such the Committee are not convinced. The Committee are of the view that this reducing and increasing trend in the budgetary allocation of the Department only reflects lack of proper planning and complacency at the initial stages that ultimately leads to failure to accomplish the projected**

		schemes/programmes. The Committee, therefore, recommend that the Department should make proper planning and propose realistic allocation of funds from the initial stages itself so that the schemes/projects of the other Ministries/Departments do not suffer for want of adequate funds.
3.	3.12	**The Committee note that the Decentralized Procurement Scheme (DCP) was introduced in 1997-98 for effecting savings, enhancing efficiency of procurement and encouraging local procurement for the benefit of farmers. The Committee find that even after a gap of more than 13 years, the DCP scheme has been undertaken only by 6 States for Wheat and 10 States for Rice, respectively. The Committee feel that the Government has not been able to convince the remaining States about the advantages of the DCP Scheme. The Committee also note that the States that have adopted the DCP Scheme are also facing various problems such as delay in finalizing the procurement incidentals, grant of cash credit by the RBI and valuation of stock. The Committee would urge the Department to make sincere efforts to resolve the problems being faced by the DCP States and also persuade the remaining States/UTs to adopt the DCP Scheme in the interest of the farmers and the poor people so that the objectives of the scheme are achieved**
4.	3.27	**The Committee note that food subsidy is provided to FCI for reimbursement of the difference between economic cost of foodgrains and their issue price. The Committee note with concern that despite several measures taken by the Government to contain the amount of Food Subsidy, there has been huge increase in the allocation of Food Subsidy during the last three years. The Food Subsidy released to FCI and States in 2008-09 was Rs. 43,668 crore, which was increased to Rs. 54,539 crore in 2009-10. The Department of Food and Public Distribution has projected Rs. 72,235 crore for the financial year 2010-11 which as indicated by the Secretary during evidence is short by Rs.**

14,952 crore to meet the requirement of Food Subsidy during 2010-11. The Committee are convinced with the arguments of the Department of Food and Public Distribution that less amount of subsidy will affect the functioning of FCI in getting the credit from Financial Institutions. The inadequate allocation of food subsidy also has a cascading effect as interest on cast credit increases, thereby increasing the subsidy further. The decentralised procurement operation of the States will also be seriously affected due to cash crunch on account of inadequate subsidy. The Committee while appreciating the difficulties of the Department, recommend that subsidy given to FCI should be realistic and based on the actual cost. The Ministry of Finance may accordingly allocate sufficient funds as per the requirements under food subsidy.

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

5. 3.28 **The Committee also note that a draft scheme for direct transfer of food subsidy in cash to the BPL and AAY beneficiaries, instead of distribution of foodgrains to them, has been prepared. The draft scheme proposes that equivalent amount of food subsidy will be directly deposited by the concerned district authority in the bank/post office accounts to be opened by each of the beneficiaries. The proposal, which was resubmitted to the Ministry of Finance, is still under consideration of that Ministry. The Committee are of the view that implementation of the scheme on pilot basis will test the feasibility of an alternative mode of transfer of food subsidy to the intended population of the country. The Committee, therefore, urge the Department to take all necessary action to expedite finalization and implementation of the draft scheme. The Committee would like to be apprised of the action taken in this regard.**

6.	3.36	**The Committee note that strengthening of PDS is a new scheme under the 11th Plan having four components i.e. training, evaluation, curbing leakages/diversion of foodgrains and generating awareness amongst the TPDS beneficiaries. The PDS, which is one of the most important schemes of the Government to provide subsidized foodgrains to the poor people is jointly implemented by the Central and State/UT Governments. The Committee observe that there is no satisfactory improvement in PDS in many States despite the fact that the Government has taken several measures to strengthen the PDS such as undertaking regular review meetings with the State Governments to ensure effective implementation of PDS, directing the State/UT Governments to implement measures such as strengthening monitoring and vigilance, increasing transparency in functioning of TPDS, use of ICT tools for computerization of TPDS operations and improving efficiency of FPS operations by way of doorstep delivery of foodgrains, etc. The Committee hope that the Department would make concerted efforts to closely monitor implementation of the aforementioned measures by the States/UTs so that the AAY and BPL families do get their due share of foodgrains on a regular basis.**
7.	3.37	**The Committee further note that the revised Citizen Charter issued by the Department in July, 2007 for adoption by the State Governments which contains, inter-alia, basic information of interest to consumers and essential information such as entitlement of BPL families, information regarding fair price shops, inspection and checking etc. has been implemented by 23 States/UTs so far. The Committee are of the view that, the implementation of the revised Citizen's Charter by the remaining States/UTs is imperative in order to improve the functioning of PDS in the country. The Committee, therefore, urge the Department to find out the reasons for non-implementation of the Charter by the remaining States/UTs, and impress upon them to adopt the revised Citizens' Charter for streamlining the functioning of TPDS**

		operation to ensure food security to weaker sections of the society.
8.	3.46	**The Committee note that the AAY Scheme, which is a segment of the BPL households covered under TPDS, was launched in December, 2000 for one crore poorest of the poor families to be identified from amongst the BPL families. As per the guidelines issued, the State/UT Government shall identify the AAY families from amongst the landless agricultural labourers, marginal farmers, rural artisans, households headed by widows or terminally ill persons/disabled persons/persons aged 60 years or more, primitive tribal households, etc. The States/UTs have so far identified 2.43 crore families to be covered under AAY. The Committee further note that BPL population was determined on the basis of population projection of the Registrar General of India for March, 2000 and the State-wise poverty estimates of the Planning Commission for 1993-94. The Committee are disturbed to note that as against 6.25 crore accepted number of BPL families, the State Governments have issued 11.12 crore BPL ration cards, the excess being due to inclusion and exclusion errors. The Committees are of the view that considering the rate of increase in population as well as the changes in socio-economic profiles of the people, it is too archaic and unrealistic to rely on almost two decades old methodology. Moreover, considering the number of excess BPL ration cards issued by a large number of State Governments, it becomes all the more necessary to review the methodology and conduct fresh census for finalizing the number of BPL population. The Committee note that the Ministry of Rural Development has constituted an Expert Groups for finalizing the methodology for identification of BPL families in rural areas which has submitted its report in August, 2009 and which is being examined by that Ministry in consultation with the State/UT Governments, etc. The Ministry of Housing and Urban Poverty Alleviation is also yet to issue the new guidelines for identification of BPL families in urban areas. The**

		Committee therefore, strongly recommend that the Department may impress upon the Ministry of Rural Development and Ministry of Housing and Urban Poverty Alleviation to expedite the finalization and issue of the new guidelines for identification of BPL/AAY families in rural and urban areas without further delay.
9.	3.50	**The Committee observe that necessary provisions have been made in the PDS (Control) Order 2001 for issue of ration cards to eligible AAY, BPL and APL families in the country. Elimination of bogus ration cards as well as bogus units in them is a continuous exercise by the State Governments so that diversion of essential commodities could be checked. By issuing special instructions to the State Governments for taking penal action against the staff for issuance of bogus/ineligible ration cards, 21 State Governments have deleted 171.91 lakh bogus/ineligible ration cards between July, 2006 and 31.01.2010. The Committee appreciate that all the State/UT Governments have been further directed to take up a special campaign from October, 2009 to December, 2009 for verification of all AAY and BPL ration card holders so as to detect and eliminate bogus/ineligible ration cards. Despite all these steps taken by the Government, it is noticed that while on the one hand a large number of bogus/ineligible ration card holders continue to exist, on the other hand a large number of genuinely eligible poor remain deprived of the cards. The Committee, therefore, strongly recommend that far more stringent measures may be taken by the Central Government as well as all State/UT Governments to remedy the anomaly in this regard.**
10.	3.56	**The Committee note that innovative/new technologies such as GPS, RFID, Bar-coded coupons, stamping of PDS foodgrains, etc. are being taken up by the Government to curb leakage/diversion of foodgrains meant for TPDS on pilot basis. The Committee have been informed that a financial assistance of Rs. 44.76 lakhs was given to the State Governments of Tamil Nadu, Chhatisgarh and Delhi for installation of**

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

11. 3.61 **The Committee note that Computerisation of PDS operations will be implemented in two stages. While all the TPDS related transactions from the Central Ministry to the Tehsil/Block levels comprising of first four tiers will be covered in stage one, the stage two will cover TPDS operations at Fair Price Shops and digitization of ration cards. The Committee have been informed that National Institute of Smart Governance (NISG) has been appointed as Scheme Consultants and Administrative approval of Rs. 53.5 crore for the scheme has been issued. After finalisation of State level Detailed Project Reports**

		(DPRs), first installment of Rs. 14.77 crore to Andhra Pradesh, Rs. 4.405 crore to Assam, Rs. 3.485 crore to Chhatisgarh and Rs. 4.085 crore to Delhi has been released and selection of Implementing Agencies in these 4 pilot States is under process. The Committee are of the view that Computerisation of PDS operations is very essential to improve its overall efficiency and functioning. The Committee, therefore, strongly recommend that all necessary steps be taken to expedite the implementation of the scheme not only in the 4 pilot States but also to cover and complete Computerisation of the PDS operations in all the other States in a time bound manner.
12.	3.67	**The Committee note that the Village Grain Bank (VGB) Scheme started by the Ministry of Tribal Affairs in 11 States during the year 1996-97 with the main objective to provide safeguard against starvation deaths during the period of natural calamity and during lean season, was entrusted to the Department of Food and Public Distribution for implementation since 2005-06. The Committee are unhappy to note that though funds have been sanctioned for establishing 18,692 VGBs in 20 States/UTs, only 11,245 VGBs have been established so far. The Committee further note that the evaluation reports of World Food Programme in two States have indicate some shortcomings and some positive outcome as well. The Committee urge the Department to expeditiously complete examination of the draft evaluation report and take necessary action on the suggestions for improvement in the functioning of the VGBs. The Committee also recommend that the reasons as to why only 11,245 VGBs have so far been established against the funds released for establishment of 18,692 VGBs may be found out and necessary steps taken to establish the VGBs in all the States/UTs of the country.**
13.	3.78	**The Committee have been informed that the Government is committed to the enactment of the National Food Security Act. The Department of Food and Public Distribution has circulated the concept note on the**

proposed legislation to all States/UTs and has held meetings with representatives of States/UTs, Central Ministries, Planning Commission and other Stake-holders. The proposed Act envisages entitling every BPL family to 25 kg. of wheat or rice per month at highly subsidized prices. A draft Bill is under preparation in consultation with the Ministry of Law and Justice at the instance of the Empowered Group of Ministers (EGoM) constituted for the purpose. As per the advise of the EGoM, the Planning Commission on the basis of appropriate Census data of the Registrar General of India, will notify the poverty estimates. The Planning Commission has not yet conveyed its final decision on the poverty estimates. The Committee further note that most of the State/UT Governments have indicated their acceptance of the need for Food Security Law. Considering the vast population of poor people in the country, the Committee are convinced that the Government's commitment to enact the Food Security Law is an essential step in the right direction. The Committee, therefore, strongly recommend that the Department of Food and Public Distribution should take up the matter with all concerned on top priority to complete all necessary formalities for an early introduction of the National Food Security Bill in Parliament.

14. 4.5 **The Committee note with concern that a large amount of dues are still outstanding against the Ministry of Rural Development and Ministry of Human Resource Development on account of foodgrains provided to them by FCI for various welfare schemes on payment basis. The Committee have been informed that upto March, 2010, outstanding amount against the Ministry of Rural Development and Ministry of Human Resource Development is Rs. 2890.82 crore and Rs. 265.42 crore, respectively. The Ministry of Human Resource Development has paid Rs. 300 crore as revolving fund against bills in the pipeline. The Committee are not satisfied with the reasoning of the Department for delay in liquidating the dues stating that liquidation of outstanding**

		dues depends on allocation of funds to these Ministries by the Ministry of Finance. The Committee feel that inability to liquidate the outstanding dues of FCI over the years indicates financial indiscipline and it would adversely affect the functioning of FCI. The Committee, therefore, strongly recommend that Department should make serious efforts towards settlement of the outstanding dues and take up the matter with concerned Ministries at the highest level so that the burden on Food Subsidy Bill is reduced.
15.	4.9	**The Committee note that the establishment cost of FCI which is reimbursed by the Government alongwith the expenditure incurred on procurement, transport and storage of food grains in the form of food subsidy, is constantly showing an upward trend, indicating that large amount of food subsidy goes towards meeting the expenses on establishment cost. In the opinion of the Committee, it is nothing but depriving the ultimate beneficiary, i.e. the poor people of their legitimate benefits. The Committee also do not completely agree with the reasoning that increase in establishment cost was due to the Sixth Pay Commission Arrears with retrospective effect from 01.01.2006. The Committee feel that even after taking into account the payment of salary arrears and other benefits accrued from the Sixth Pay Commission, the establishment cost is still very high. The Committee, therefore, strongly recommend that ways and means should be devised to contain the establishment cost so as to ensure that the benefit of food subsidy reaches the ultimate beneficiary.**
16.	4.15	**The Committee are disturbed to note that as on 31.01.2010, the utilization of CAP (owned) capacity was only 36% but utilization of CAP (hired) capacity was 59%. The Committee are unable to accept the plea of FCI that there are certain practical/operational constraints for 100% utilization of owned capacity. The Committee further note that as per C&AG observation in Performance Audit on the subject "Functioning of FCI as per FC Act and its impact on food subsidy",**

		the godowns are hired in places where the owned capacity was available resulting in incurring of unfruitful expenditure of Rs.1324 crore (Approx.) paid as rent for the past three years. Besides, Non-utilisation of hired capacity has resulted in payment of Rs.503 crore rent which can be termed as unproductive. Thus, underutilization of owned godowns capacity and hiring of godowns in places where underutilized capacity is available has resulted in unexpected expenditure of Rs. 1313 crore for the three years. The Committee, therefore, strongly recommend that FCI should utilize their owned capacity to the maximum before hiring any storage capacity in order to save precious funds spent on hiring the storage space.
17.	4.16	**The Committee note that Godowns/Silos/Depots staff constitute 60% of the total staff strength of the FCI, which is sanctioned on the basis of infrastructure created, rather than workload norms. The Committee also note that as per C&AG observation, due to lower utilization of storage capacity, the wages paid to the employees who were not performing any productive functions can be termed as unproductive. The Committee further note that the non-occupancy of the godowns has resulted in losses to the Corporation to the tune of Rs.810 crore (Rs.267.87 crore/per annum) on the salaries and wages in the last three years as these were not occupied. The Committee, therefore, strongly recommend that the Department should exercise utmost care in rationalizing placement of godowns staff, which should be on the basis of work load norms rather than infrastructure created, to prevent undue burden on food subsidy bill, by avoiding infructuous expenditure. The Committee hope that the new staffing norms based on the work load will be implemented expeditiously.**
18.	4.25	**The Committee are unhappy to note that FCI could not achieve the physical and financial targets set for construction of godowns during 2009-10 in respect of NE States as well as other than NE States. In States other than NE, the set physical target was 1042000 MTs but its**

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

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

19. 5.10 **The Committee observe that despite various measures being adopted by the Central Warehousing Corporation (CWC), the expenditure on Establishment Cost has risen from Rs. 234.63 crore during the year 2007-08 to Rs. 394.65 crore during the year 2009-10. The Committee note that no fresh recruitment is being made in CWC since 1998 with a**

		view to reducing the manpower and the resultant cost. The plea of the Government that increase in Establishment Cost during 2007-08 and 2008-09 was mainly due to implementation of the revision of Pay Scales of Employees under CDA and IDA pattern is not convincing. The Committee feel that even after taking into account the payment of salary arrears and other benefits accrued from the Sixth Pay Commission to the employees, the Establishment Cost is still very high. The Committee, therefore, strongly recommend that Government should find ways and means for restructuring the policy, plan and program of CWC to reduce the Establishment Cost which will further enhance its profits.
20.	5.18	**The Committee note that the prospective plan drawn by CWC for construction of godowns in 2010-11 does not include any NE States. The Committee are not convinced with the plea of the Government that since the storage capacity available with CWC in the NE region is not fully utilized, therefore, construction of additional capacity in the region could not be considered. The Committee feel that due to difficult geographical conditions in NE region, poor people of the region are deprived of the benefits of Public Distribution System (PDS) due to inadequacy of storage space. The Committee, therefore, reiterate their earlier recommendation made in Demands for Grants (2009-10) that separate funds i.e. 10% of the total plan funds be earmarked for construction of godowns in NE States and construction of godowns in the region be stepped up. The Committee desire to be apprised of the action taken in this regard.**
21.	5.19	**The Committee are deeply concerned to note that CWC has failed to achieve physical and financial targets set for construction of godowns during 2008-09 and 2009-10. The total achievement in respect of physical target for construction of godowns during 2008-09 is only 0.54 lakh MT as against set target of 0.92 lakh MT. Total achievement in respect of financial target during this period is Rs. 16.58 crore as**

		against the target of Rs. 35.98 crore. During the financial year 2009-10 also, CWC has constructed merely 24,500 MT capacity by the end of February, 2010 and propose to complete the work in respect of the remaining 66,550 MT capacity by the end of March, 2010. Keeping in view the slow pace of construction of godowns, the Committee doubt whether the CWC would be able to achieve physical and financial targets set for construction of godowns by the end of March, 2010. The Committee feel that inadequacy of storage capacity poses a serious threat to running of efficient public distribution system and desire that CWC should pursue the matter with concerned State Government/UT Administration vigorously and ensure that funds do not remain unutilized for want of locations or otherwise and the efforts for construction of godowns are geared up so as to create adequate storage space.
22.	5.23	**The Committee note that the Ministry is in the process of setting up of the Warehousing Development and Regulatory Authority (WDRA) for which one post each of Joint Secretary and Director have been filled up so far. The Selection Committee has also completed the process of selection of the Chairperson and two members. However, in order to be functional, the remaining staff of the WDRA needs to be put in place. As the availability of storage space in all the States/UTs is a basic requirement for the effective implementation of the various welfare schemes of the Department of Food and Public Distribution, the Committee strongly recommend that the process of setting up of the WDRA be expedited and completed without any delay.**
23.	6.7	**The Committee are constrained to note that while on the one hand, the consumption of sugar has drastically increased in the country from 199 lakh tones in 2006-07 to 230 lakh tones in 2009-10, on the other hand the production has decreased from 282 lakh tones to 160 lakh tones during the same period. The Committee observe that despite a**

number of steps taken by the Government for cane development and to increase the production of sugarcane, the production of sugarcane has not shown any improvement which is evident from the fact that the country has to import a large quantity of raw sugar to meet the domestic requirement. The Committee feel that in order to bridge the gap between demand and supply, the farmers should be made aware of the R&D technology and motivated and given more incentives for opting to grow sugarcane to avoid dependency on imported sugar. The Committee observe that over the years, the level of ground water has gone down considerably, thereby creating irrigation problem for the sugarcane growers. The Committee, therefore, recommend that for improved irrigation, the Government should give a look into the new technology for water conservation and drip system which should be within the reach of every farmer. Further, the Government should make arrangement for distribution of loan directly to farmers from the Sugar Development Fund to enable them to purchase good quality of seed and fertilizers so as to boost their production capacity.

24. 6.14 **The Committee observe that the mismatch between domestic production and demand for sugar is primarily responsible for rise in price of sugar. However, in mid December, 2009 and first week of January, 2010 the rise in price of sugar was mainly due to increase in international prices of raw and white/refined sugar, rumours of very low domestic production of sugar in the current sugar season and restriction on movement and transportation of imported raw sugar in the State of U.P. The Committee find that though the Government have taken various measures in order to arrest the rising trend of sugar price, like import of raw sugar at zero duty, imposing stock holding and turnover limits of sugar dealers, imposing of stockholding limit on large consumers of sugar who are using sugar more than the availability, suspension of future trading, conversion of monthly allocation of non-levy sugar for sale by sugar mills in open**

market to weekly targets for sale to ensure even flow of sugar into open market etc., which has shown some positive results, thereby bringing down the price of sugar slightly, yet the sugar price is considerably high in the open market. The Committee feel that one of the major reasons for rise in price of sugar is black-marketing and hoarding of sugar by traders who create artificial scarcity in the market. The Committee, therefore, strongly recommend that Department should persuade the State Governments/UTs to strengthen their enforcement machinery and conduct regular raids to catch hold the hoarders and black-marketers who create artificial scarcity leading to price rise of sugar in the market.

25. 6.18 **The Committee are shocked to note that cane price arrears are constantly on the rise and the outstanding cane price arrears is as high as Rs. 2748.08 crore as on 31.12.09. The Committee are pained to note that although payment of sugarcane arrear is required to be made within 14 days of the supply of sugarcane by the farmers, it is, however, rarely done. Cane price arrears pertaining to sugar season (2007-08) and earlier are still outstanding. The Committee feel that non payment of cane price arrears in time can be a deterrent and might refrain the farmers from growing sugarcane. The Committee, therefore, recommend that to motivate farmers to continue with sugarcane cultivation, the Government should make sincere efforts to liquidate the various grants/aids given to sugar mills with interest. The Committee further note that the Sugarcane (Control) Order, 1966 empowers the State Government to recover cane price arrears from defaulting sugar mills as land revenue arrears and desire that strict action should be taken against defaulting sugar mills under the provisions of the order. The Committee would also like to be apprised of the details of sugar mills which are still to liquidate their outstanding arrears against the farmers alongwith reasons for not paying the outstanding arrears.**

26.	6.27	**The Committee note that under the Sugar Development Fund Act, Sugar Development Fund is utilized by the Government of India for rehabilitation and modernization of sugar mills and development of sugarcane areas, carrying out R&D projects and production of anhydrous alcohol or ethanol from alcohol or molasses and cane development. The Government have disbursed Rs. 2903.43 crore to 95 sugar mills during the last three years. The Committee are, however, constrained to note that SDF has not been disbursed to any Sick Sugar Mill due to non-completion of application forms which indicates that the Government is not serious towards the revival of sick sugar mills and to encourage them to join the mainstream in production of sugar in the country. The Committee, therefore, recommend that the Government should relax the eligibility criteria for sanction of loan to sugar mills from SDF so that these sugar mills are not deprived of the benefits of the Sugar Development Fund.**
27.	7.16	**The Committee note with concern that despite various measures undertaken by the Government to increase the production of oilseeds, it has shown a declining trend. Though the Government of India has modified/restructured Centrally Sponsored Integrated Scheme of oilseeds, pulses, oil, palm and maize (ISOPOM) during the XI plan period to increase production of oilseeds, the results are not very effective. As informed by the Ministry, the production of oilseeds in the country in 2007-08 was 297.56 lakh tonnes which was an all time record but it declined to 281.57 lakh tonnes in 2008-09. Consequently, net availability of edible oil from all domestic sources has also shown a declining trend. In 2008-09, the production of oilseeds declined mainly in the States of Andhra Pradesh, Maharashtra and West Bengal for which the main reasons attributed were unfavourable conditions and weather aberrations in these States besides infestation of insect pest in soyabean in Maharashtra during the Kharif season 2008 and unfavourable conditions in winter season impacting production of**

mustard in West Bengal. The increase in non-agricultural demands for land and water as a result of the higher overall GDP growth and urbanization, etc. has also proved to be detrimental to the production of oilseeds resulting in shortages. Accordingly, the consumption being increased due to increase in population, and improvement in the standards of living of people and consequent increase in demand of edible oils, the country had to import about 101 lakh tones of edible oil during 2009-10. Taking into consideration the overall demand and supply position of oilseeds and edible oils, the Committee feel that the efforts made by the Department to increase production are not sufficient and there is, therefore, an urgent need to pay more attention to R&D. The R&D initiatives need to be demonstrated to farmers practically from labs. to their fields for the development of improved, new and high-yielding varieties of oilseeds. The Committee also desire that incentives to farmers- fiscal and otherwise, low and cheap credit and other inputs should be extended to motivate them to increase production of oilseeds. Production of traditional oilseed crops also needs to be encouraged. Further, to reduce the dependency on imported edible oil, the use of non-traditional secondary source of edible oils should also be encouraged. The Committee also feel that in order to augment the production of edible oils, there is an imperative need to improve technology for extraction of edible oils. The Committee, therefore, desire the Government to take immediate steps to arrest the decline in growth rate of oilseeds as also to enable agriculture to be viable and profitable avocation to the farming community at large. The Committee may be apprised of the steps taken in this direction. The Government should ensure that the funds allocated for R&D projects are fully utilized by the DVVO&F. The Agriculture Ministry should also be advised to undertake latest research, adopt new technology and measures to raise oilseed production. The Committee recommend the Department to take

		initiatives on above mentioned lines in consultation with the ministries involved in the task such as Ministry of Agriculture etc.
28.	7.23	**The Committee are deeply concerned to note the declining production of oil which is attributed to lower production of oilseeds. The Committee note that the R&D schemes which aim to coordinate and concentrate research efforts for development of technology for increased production of oils from oil bearing material and also optimum utilization of these materials, approve proposals under the Plan schemes which include – proposals regarding cost effective measures that would enable energy conservation, improvement in quantity and quality of oil and co-products and reduction in losses, etc. As informed by the Ministry, the unsatisfactory progress of R&D projects was due to various reasons such as failure to purchase equipment in time, non-availability of material used to carry out the research, non-submission of utilization certificates, dislocation of work due to frequent change in top position in these institutes and change in site locations for installation of pilot plan. The Committee strongly recommend that the Department in consultation with other Ministries involved should streamline the procedure and documentation, for transparency and accountability in operation at each level for giving timely approval for purchase of various research equipments. The Committee also desire that strict instructions should be issued and regular monitoring done so that research projects are pursued with all seriousness.**
29.	7.27	**The Committee are concerned to note that the number of inspections carried out by the officials of DVVO&F as well as the number of samples analyzed is on the decline. The number of inspections carried out in 2008-09 is 1125 which declined to 980 in 2009-10. The number of samples analyzed during the year 2008-09 is 3423 which**

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