

**STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS  
AND PUBLIC DISTRIBUTION (2012-13)**

**FIFTEENTH LOK SABHA**

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

**DEMANDS FOR GRANTS  
(2013-14)**

**TWENTY-EIGHTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**April, 2013/ Vaisakha, 1935 (Saka)**

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**STANDING COMMITTEE ON FOOD, CONSUMER**  
**AFFAIRS AND PUBLIC DISTRIBUTION**  
**(2012-13)**

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**(DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION)**

**DEMANDS FOR GRANTS**  
**(2013-14)**

**Presented to Lok Sabha on 30.04.2013**  
**Laid in Rajya Sabha on 30.04.2013**



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

**April, 2013/ Vaisakha, 1935 (Saka)**

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**COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2012-2013)**

**Shri Vilas Muttemwar - Chairman**

**MEMBERS**

**Lok Sabha**

2. Smt. Harsimrat Kaur Badal
3. Shri Shivraj Bhaiya
4. Shri Kantilal Bhuria
5. Shri Arvind Kumar Chaudhary
6. Shri Harishchandra Chavan
7. Shri Sanjay Dhotre
8. Shri Eknath M. Gaikwad
9. Shri Abdul Mannan Hossain
10. Shri Prataprao Ganpatrao Jadhav
11. Shri Sohan Potai
12. Shri Ponnamm Prabhakar
13. Shri C. Rajendran
14. Shri Purnmasi Ram
15. Shri Chandulal Sahu (Chandu Bhaiya)
16. Shri Adhi Sankar
17. Shri N. Chaluvaram Swamy
18. Shri Jagdish Thakor
19. Shri Laxman Tudu
20. Vacant\*
21. Vacant\*\*

**Rajya Sabha**

22. Dr. Bhushan Lal Jangde
23. Shri Lalming Liana
24. Smt Rajani Patil<sup>@</sup>
25. Dr. Bharatkumar Raut
26. Ms. Rekha
27. Dr. N. Janardhana Reddy
28. Dr. T.N. Seema
29. Shri Birender Singh
30. Shri Veer Singh
31. Shri Kaptan Singh Solanki

**Lok Sabha Secretariat**

- |                             |   |                            |
|-----------------------------|---|----------------------------|
| 1. Shri P.K. Misra          | - | Joint Secretary            |
| 2. Smt. Veena Sharma        | - | Director                   |
| 3. Shri Khakhai Zou         | - | Under Secretary            |
| 4. Smt. Darshana G.Khanduja | - | Senior Executive Assistant |

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\* Vice Shri Lal Chand Kataria, MP appointed Minister w.e.f 28.10.2012

\*\* Vice Shri A. Sai Prathap has been nominated to the Committee on Chemicals and Fertilizers w.e.f. 09.01.2013.

@Smt Rajani Patil has been nominated to the Committee on FCA&PD w.e.f. 18.03.2013.

(iii)

## INTRODUCTION

I, the Chairman of the Standing Committee on Food, Consumer Affairs and Public Distribution (2012-13) having been authorized by the Committee to submit the Report on their behalf, present this Twenty-Eighth Report on Demands for Grants (2013-14) 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 (2013-14) of the Ministry, which were laid on the Table of the House on 19th March, 2013. The Committee took evidence of the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) on 8<sup>th</sup> April, 2013.

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 26<sup>th</sup> April, 2013.

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**  
**26 April, 2013**  
**6 Vaisakha, 1935 (Saka)**

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

## CHAPTER – I

### INTRODUCTORY

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

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

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

There are other Subordinate Offices under the Department, namely:

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

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

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

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

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

1.5 The Minister for Consumer Affairs, Food and Public Distribution laid on the Table of the Lok Sabha, the Detailed Demands for Grants (2013-14) relating to the Department of Food and Public Distribution on 19<sup>th</sup> March, 2013. The Detailed Demands for Grants, for the Department of Food and Public Distribution shows a budgetary provision of Rs. 101728.64 crore for the year 2013-14. This includes Rs. 259 crore for plan activities and Rs. 101469.64 crore, for non-plan programmes and Schemes.

1.6 The Committee in the present Report have examined various issues related to implementation of various schemes and programmes under the jurisdiction of the Department, in the context of Demands for Grants 2013-14. 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

#### Analysis of Plan and Non Plan Schemes

2.1 The scheme-wise details of BE, RE and actual expenditure incurred by the Department of Food and Public Distribution on its Plan and Non-Plan Schemes during 2011-12, 2012-13 and BE for 2013-14 are as follows:

#### Details of Plan Schemes:

Statement showing Scheme wise (Plan) details of BE,RE,AE unspent balance, Quarter ending expenditure incurred by the Department of Food and Public Distribution during 2011-12.										
(Rs. in crores)										
S. No.	Name of the Central Sector Scheme	BE 2011-12	RE 2011-12	AE 31.3.2012	% Utilization	Unspent balance	Quarterly Expenses			
							1st	2nd	3rd	4th (31.3.2012)
1	Construction of Godowns by FCI/State Govt.	86.90	73.90	73.90	100.00	0.00	0.000	27.96	30.86	73.90
2	Integrated Information System for Foodgrains Management(IIS FM)	0.89	0.01	0.00	0.00	0.01	0.000	0.00	0.00	0.00
3	Computerization of PDS Operation	5.00	1.92	1.31	68.23	0.61	0.000	0.00	0.29	1.31
4	Strengthening of PDS & Capacity Building	0.86	2.10	2.10	100.00	0.00	0.000	0.16	0.62	2.10
5	NSI, Kanpur	1.55	1.55	0.00	0.00	1.55	0.000	0.00	0.00	0.00
6	Consultancies, Training & Research	1.80	1.79	1.66	92.74	0.13	0.003	0.67	0.79	1.66
7	Village Grain Banks	10.00	10.00	9.99	99.90	0.01	0.000	7.35	7.35	9.99
8	Assistance to Warehousing Development & Regulatory Authority	13.00	2.21	2.21	100.00	0.00	0.000	1.11	1.11	2.21
<b>Total</b>		<b>120.00</b>	<b>93.48</b>	<b>91.17</b>	<b>97.53</b>	<b>2.31</b>	<b>0.003</b>	<b>37.25</b>	<b>41.02</b>	<b>91.17</b>

The following statement shows Scheme wise (Plan) details of BE,RE,AE unspent balance Quarter ending expenditure incurred by the Department of Food and Public Distribution during 2012-13 and BE 2013-14.

(R in crores)

Sl. No.	Ongoing Schemes	BE 2012-13	RE 2012-13	AE 28.2.13	% Utilization	Unspent balance	Quarterly Expenses				BE 2013-14
							1st	2nd	3rd	4th (28.2.2013)	
1	Construction of godowns by FCI/State Govt. etc.	60.000	33.280	32.280	96.995	1.000	0.000	0.000	31.280	32.280	45.000
2	Computerization of PDS Operation	40.000	41.690	30.270	72.607	11.420	0.000	0.348	0.705	30.270	200.000
3	NSI, Kanpur	0.750	0.750	0.703	93.747	0.047	0.000	0.000	0.569	0.703	0.878
4	Village Grain Bank	8.000	1.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	1.000
5	Assistance to Warehousing, Development & Regulatory Authority	6.000	6.000	5.730	95.500	0.270	1.000	2.000	3.750	5.730	6.320
<b>Sub Total (A)</b>		<b>114.750</b>	<b>82.720</b>	<b>68.983</b>	<b>83.393</b>	<b>13.737</b>	<b>1.000</b>	<b>2.348</b>	<b>36.304</b>	<b>68.983</b>	<b>254.198</b>
<b>New Schemes</b>											
6*	Strengthening of PDS & Capacity Building, Quality Control, Consultancies & Research										
	(i) Strengthening of PDS & Capacity Building	2.050	1.550	0.808	52.097	0.740	0.000	0.277	0.492	0.808	2.100
	(ii) Consultancies , Training & Research	1.200	0.720	0.156	21.639	0.680	0.015	0.021	0.038	0.156	0.700
	(iii) Strengthening of QC Mechanism	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2.000
7	Setting up of National Food Commission and State Food Commissions	2.000	0.010	0.000	0.000	0.010	0.000	0.000	0.000	0.000	0.0020
8	Construction of Fair Price Shop-cum godowns	5.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>Sub Total (B)</b>		<b>11.250</b>	<b>2.280</b>	<b>0.963</b>	<b>42.250</b>	<b>1.520</b>	<b>0.015</b>	<b>0.298</b>	<b>0.530</b>	<b>0.963</b>	<b>4.810</b>
<b>Grand Total (A)+(B)</b>		<b>126.000</b>	<b>85.000</b>	<b>69.946</b>	<b>82.290</b>	<b>15.257</b>	<b>1.015</b>	<b>2.646</b>	<b>36.834</b>	<b>69.946</b>	<b>259.00</b>

Sl. No.	NON-PLAN SCHEMES Name of Schemes	FOOD & PUBLIC DISTRIBUTION						in Crores				
		BE 2011-12	RE 2011-12	Actual 2011-12	% Utilisation (% of Expenditure of RE)	Unspent balance	BE 2012-13	RE 2012-13	Exp. up to 28.02.2013	%Utilisation (% of Expenditure of RE)	Unspent balance (as on 28.02.2013)	BE 2013-14
	Food Subsidy to FCI	47239.80	59525.90	59525.90	100.00	0.00	61977.99	71980.00	61977.99	86.10	10002.01	65000
	Subsidy payable to FCI after implementation of National Food Security Act											8500
	Food Subsidy to State Government (DCP)	12845.00	12845.00	12845.00	100.00	0.00	12574.00	12574.00	11835.61	94.13	738.39	12740.00
	Subsidy payable toDCP States after implementation of National Food Security Act											1500.00
	Sugar Subsidy to FCI (Levy Sugar)	446.00	446.00	446.00	100.00	0.00	446.00	446.00	446.00	100.00	0.00	2259.98
	Subsidy for settlement of claims of price levy sugar for 1974-75	1.00	0.83	0.00	0.00	0.83	1.00	0.00	0.00	0.00	0.00	0.01
	Subsidy for implementation of pilot scheme of smart card	36.18	0.10	0.00	0.00	0.10	1.00	0.00	0.00	0.00	0.00	0.00
	Subsidy for denotified under SU(TOM) at 1978	5.00	5.17	5.17	100.00	0.00	0.01	0.00	0.00	0.00	0.00	0.01
1	<b>Food Subsidy</b>	<b>60572.98</b>	<b>72823.00</b>	<b>72822.07</b>	<b>100.00</b>	<b>0.93</b>	<b>75000</b>	<b>85000</b>	<b>74259.60</b>	<b>87.36</b>	<b>10740.40</b>	<b>90000</b>
2	<b>Sect., Economic Service</b>	<b>38.04</b>	<b>35.67</b>	<b>34.14</b>	<b>95.71</b>	<b>1.53</b>	<b>38.15</b>	<b>36.39</b>	<b>33.03</b>	<b>90.77</b>	<b>3.36</b>	<b>39.44</b>
3	<b>Subsidy to Buffer Stock</b>	<b>50.00</b>	<b>50.00</b>	<b>11.49</b>	<b>22.98</b>	<b>38.51</b>	<b>17.00</b>	<b>4.00</b>	<b>3.48</b>	<b>87.00</b>	<b>0.52</b>	<b>5.00</b>
4	<b>Reimbursement of Internal Transport and Freight Charges</b>	<b>50.00</b>	<b>25.00</b>	<b>15.00</b>	<b>60.00</b>	<b>10.00</b>	<b>25.00</b>	<b>5.00</b>	<b>4.22</b>	<b>84.40</b>	<b>0.78</b>	<b>0.01</b>
5	<b>Interest Subvention through NABARD</b>	<b>30.00</b>	<b>35.01</b>	<b>35.01</b>	<b>100.00</b>	<b>0.00</b>	<b>30.50</b>	<b>30.50</b>	<b>30.06</b>	<b>98.56</b>	<b>0.44</b>	<b>30.50</b>
6	<b>Scheme for Extending Financial Assistance to Sugar Undertakings 2007</b>	<b>80.59</b>	<b>46.74</b>	<b>46.74</b>	<b>100.00</b>	<b>0.00</b>	<b>51.73</b>	<b>51.73</b>	<b>49.02</b>	<b>94.76</b>	<b>2.71</b>	<b>116.12</b>
7	<b>Reimbursement of shortage in handling of imported fertilizers by FCI</b>	<b>0.10</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.01</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>50.73</b>
	Scheme for distribution of subsidized imported edible oil	0.00	0.00	0.00	0.00	0.00	248.67	248.67	245.54	98.74	3.13	0.00
	Subsidy to Imported Edible Oils	366.42	366.42	366.25	99.95	0.17	366.42	369.31	328.86	89.05	40.45	318.34
8	<b>Subsidy on import of Edible OILS</b>	<b>366.42</b>	<b>366.42</b>	<b>366.25</b>	<b>99.95</b>	<b>0.17</b>	<b>615.09</b>	<b>617.98</b>	<b>574.40</b>	<b>92.95</b>	<b>43.58</b>	<b>318.34</b>
	Other Offices (SDF Administration)	26.30	26.30	25.87	98.37	0.43	20.32	9.72	3.54	36.42	6.18	20.34
	Grant-in-Aid for Development of Sugar Industry	2.00	1.00	1.00	100.00	0.00	2.00	0.66	0.11	16.67	0.55	1.00
9	<b>Other Expenditure for development of Sugar Industry</b>	<b>28.30</b>	<b>27.30</b>	<b>26.87</b>	<b>98.42</b>	<b>0.43</b>	<b>22.32</b>	<b>10.38</b>	<b>3.65</b>	<b>35.16</b>	<b>6.73</b>	<b>21.34</b>
10	<b>Transfer to SDF</b>	<b>400.00</b>	<b>400.00</b>	<b>400.00</b>	<b>100.00</b>	<b>0.00</b>	<b>400.00</b>	<b>400.00</b>	<b>400.00</b>	<b>100.00</b>	<b>0.00</b>	<b>250.00</b>
	Directorate of Sugar	8.39	4.20	3.83	91.19	0.37	4.66	4.40	3.82	86.82	0.58	4.86
	Development Council for Sugar Industry	0.09	0.09	0.08	88.89	0.01	0.10	0.04	0.00	0.00	0.04	0.10
	Directorate of V.V.O.&F	3.15	2.55	2.19	85.88	0.36	2.78	2.15	1.86	86.51	0.29	2.49
	National Sugar Institute, Kanpur	15.74	13.68	13.54	98.98	0.14	13.98	15.00	11.81	78.73	3.19	16.16
	IGMRI	4.96	4.31	3.94	91.42	0.37	4.40	3.90	3.06	78.46	0.84	4.50
	Central Grain Analysis laboratory	0.80	0.80	0.18	22.50	0.62	0.10	0.01	0.00	0.00	0.01	0.03

NON-PLAN SCHEMES		FOOD & PUBLIC DISTRIBUTION							in Crores			
Sl. No.	Name of Schemes	BE 2011-12	RE 2011-12	Actual 2011-12	% Utilisation (% of Expenditure of RE)	Unspent balance	BE 2012-13	RE 2012-13	Exp. up to 28.02.2013	%Utilisation (% of Expenditure of RE)	Unspent balance (as on 28.02.2013)	BE 2013-14
	QCC	8.30	7.17	6.42	89.54	0.75	7.57	7.15	6.51	91.05	0.64	7.77
	Contribution to International Sugar Council	0.26	0.26	0.24	92.31	0.02	0.26	0.27	0.26	96.30	0.01	0.27
	Contribution to International Grain Council	0.30	0.22	0.22	100.00	0.00	0.25	0.26	0.25	96.15	0.01	0.30
	Deptt. Canteen, NSI	0.35	0.25	0.25	100.00	0.00	0.32	0.29	0.26	89.66	0.03	0.32
	Residual Expenditure Purchase of food grain	0.01	0.01	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00	0.01
11	<b>Other programme of Food, Storage and Warehousing</b>	<b>42.35</b>	<b>33.54</b>	<b>30.89</b>	<b>92.10</b>	<b>2.65</b>	<b>34.43</b>	<b>33.47</b>	<b>27.83</b>	<b>83.15</b>	<b>5.64</b>	<b>36.81</b>
12	<b>Loans to PSUs</b>	<b>10000.00</b>	<b>10000.00</b>	<b>10000.00</b>	<b>100.00</b>	<b>0.00</b>	<b>10000.00</b>	<b>10000.00</b>	<b>10000.00</b>	<b>100.00</b>	<b>0.00</b>	<b>10000.00</b>
13	Reimbursement of losses to STC in Trading operation on Govt account	0.01	0.01	0.00	0.00	0.01	0.01	0	0	0.00	0.00	0.01
14	<b>Central Vigilance Committee (on PDS) (Charged)</b>	<b>1.31</b>	<b>1.23</b>	<b>1.12</b>	<b>91.06</b>	<b>0.28</b>	<b>1.40</b>	<b>1.26</b>	<b>0.97</b>	<b>76.98</b>	<b>0.29</b>	<b>1.34</b>
	Amritsar Oil Works	0.02	0.01	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00	0.00
15	<b>Consumer Industry</b>	<b>0.02</b>	<b>0.01</b>	<b>0.00</b>	<b>0.00</b>	<b>0.01</b>	<b>0.01</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
16	Loans to HVOC	1.20	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00
17	Rehabilitation/Modernization of Sugar Mills	200.00	125.00	117.56	94.05	7.44	100.00	100.00	100.00	100.00	0.00	100.00
18	Cane Development	50.00	50.00	50.00	100.00	0.00	75.00	75.00	65.30	87.07	9.70	75.00
19	Bagasse based Co-generation Power Project	200.00	275.00	275.00	100.00	0.00	350.00	350.00	301.97	86.28	48.03	350.00
20	Production of Anhydrous Alcohol	100.00	100.00	100.00	100.00	0.00	75.00	75.00	75.00	100.00	0.00	75.00
	<b>Grant Total</b>	<b>72211.32</b>	<b>84393.93</b>	<b>84332.14</b>	<b>99.93</b>	<b>61.79</b>	<b>86835.66</b>	<b>96790.71</b>	<b>85928.53</b>	<b>88.78</b>	<b>10862.18</b>	<b>101469.64</b>

2.2 It has been noted that under Plan Schemes the BE for 2012-13 was Rs.126 crore which has been reduced to Rs.85.00 crore at RE stage but the Actual Expenditure was only Rs.36.58 crore (upto January, 2013). In this context the Committee wanted to know the reasons for drastic reduction at RE stage and shortfall in expenditure during 2012-13. The Committee through a written note were informed about the reasons for mismatch between BE and Actual Expenditure for plan schemes as below:-

(Rs. In crores)

Sl.No	Ongoing Schemes	2012-13					BE 2013-14
		BE	RE	Actual Expenditure 31.1.13	Shortfall / excess expenditure, if any, indicating reasons in brief	% shortfall Excess Expenses year-wise	
1.	Construction of godowns by FCI / State Government etc.	00	8.28	1.28	non-availability of land in the North East States	% shortfall	45.00
2.	Computerisation of PDS Operations	40.00	41.69	0.7053*	Request for financial assistance received late from States/UTs..	98.31% shortfall	200.00
3.	NSI, Kanpur	0.75	0.75	0.7031	Work on the scheme is in progress and funds available will be fully utilized	6.25	0.8780
4.	Village Grain Bank	8.00	1.00	0.00	Due to late receipt of proposal from the States.	100% shortfall	2.00
5.	Assistance to Warehousing Development & Regulatory Authority	6.00	6.00	3.75	Amount is released on request from WDRA	37.5 % shortfall	6.32
<b>Sub Total (A)</b>		<b>114.75</b>	<b>82.72</b>	<b>36.4384</b>			<b>254.198</b>
<b>NEW SCHEMES</b>							
6*	Strengthening of PDS & Capacity Building, quality control, Consultancies & Research						

Sl.No	Ongoing Schemes	2012-13					BE 2013-14
		BE	RE	Actual Expendi- ture 31.1.13	Shortfall / excess expenditure, if any, indicating reasons in brief	% shortfall Excess Expenses year-wise	
	i) Strengthening of PDS & Capacity Building	2.05	1.55	0.8075	The utilization of funds under the Scheme is dependent on submission of proposals by the States/UTs and receipt of UC for the previous releases	48% shortfall	2.10
	ii) Consultancies, Training & Research	1.20	0.72	0.0376	Delay in execution of scheme due to completion of procedural formalities.	94.78% shortfall	0.70
	iii) Strengthening of QC Mechanism	1.00	0.00	0.00	No shortfall	No shortfall	2.00
7.	Setting up of National Food Commission and State Food Commissions	2.00	0.01	0.00	100% shortfall Position will be reviewed after passing of food security bill by Parliament.	100% shortfall	0.0020
8.	Construction of Fair Price Shop-cum -godowns	5.00	0.00	0.00	No shortfall Schemes not approved by Planning Commission.	No shortfall	0.00
<b>Sub Total (A)</b>		<b>11.25</b>	<b>2.28</b>	<b>0.8451</b>			<b>4.802</b>
<b>Grand Total (A + B)</b>		<b>126.00</b>	<b>85.00</b>	<b>37.2835</b>			<b>259.00</b>
* Amount Authorization upto 31.01.2013							

2.3 During evidence, the Secretary, Department of Food and Public Distribution informed that so far as computerization is concerned, the scheme was approved by the Cabinet on 4th October, 2012 which resulted in delay in submission of the proposals by the States, and in delayed utilization of funds. Keeping this in view, Ministry of Finance had given exemption in utilization of funds in excess of the ceiling limit of the last

quarter of the financial year. He further assured that progress in Expenditure will be taken care of right from the beginning itself.

2.4 When asked about the total amount allocated for XIth and XIIth five year plan for various schemes/programmes, the Ministry informed as under:-

**Statement showing BE, RE and Actual Expenditure (AE) along with unspent balance with reasons for the 11<sup>th</sup> Five Year Plan**

**(Rs. In crore)**

No.	Name of the Scheme/ Project/ Programme	11 <sup>th</sup> Five Year Plan			
		BE	RE	ActualExp.	Reasons and variation
1.	Construction of godowns by FCI/State Govt.	192.36	178.93	170.55	Difficulty in land acquisition and poor performance of some of the State construction agencies.
2.	IISFM	28.91	28.03	27.10	Due to unspent balance with implementing agencies
3.	Computerization of PDS Operation	143.40	38.47	22.38	Due to time taken in EFC approval to the Scheme
4.	Strengthening of PDS & Capacity Building	13.00	9.18	8.16	Due to receipt of fewer Proposals from State Governments and Non-submission of U.Cs.
5.	NSI, Kanpur	8.05	7.69	4.23	Due to procedural issues in execution of work by CPWD
6.	Consultancies, Training & Research	12.55	11.23	9.65	Less Technical Studies/ R&D projects and training could be finalized.
7.	Village Grain Bank	78.23	74.00	74.43	No variation
8.	Assistance to Warehousing Development & Regulatory Authority	18.50	7.06	6.60	Due to delay in setting up of authority.
	<b>Total</b>	<b>495.00</b>	<b>354.59</b>	<b>323.10</b>	

**Statement showing BE, RE and Actual expenditure along with unspent balances for the 12<sup>th</sup> Five Year Plan**

Sr. No.	Name of the Scheme/ Project/ Programme	BE 2012-13	RE 2012-13	Exp upto March, 2013	Reasons for variations
1.	Construction of godowns by FCI/State Govt.	60.00	33.28	33.28	Due to difficulty in land acquisition in NE region
2.	Computerization of PDS Operation	40.00	41.69	41.69	More states/districts are likely to be covered therefore the amount has been enhanced.
3.	Strengthening of PDS & Capacity Building	2.05	1.55	0.876	The UCs in many cases have not been received matter is being pursued with State Govts.
4.	NSI, Kanpur	0.75	0.75	0.7031	Due to difference in BE and estimates given by CPWD.
5.	Consultancies, Training & Research	1.20	0.72	0.3358	Delay in execution of scheme due to completion of procedural formalities
6.	Village Grain Bank	8.00	1.00	0.9914	Due to non-receipt of adequate eligible proposals for setting up of VGBs in their States from the State Government.
7.	Assistance to Warehousing, Development & Regulatory Authority	6.00	6.00	5.73	Due to delay in creation of additional posts.
	<b>New Schemes</b>				
8.	Strengthening of Quality Control	1.00	0.00	0.00	Due to non receipt of in principle approval by Planning Commission, SFC meeting could not take place
9.	Construction of Fair Price Shop-cum godowns	5.00	0.00	0.00	Planning Commission is yet to give in-principal approval to the proposed scheme.
10.	Setting up of National Food Commission and State Food Commissions	2.00	0.01	0.00	A token provision has been kept which will be reviewed after the passage of Food Security Bill by the Parliament
	<b>Total</b>	<b>126.00</b>	<b>85.00</b>	<b>83.54</b>	

2.5 The Committee also enquired whether any scheme/programme were dropped during Eleventh Five Year Plan due to paucity of funds, and whether these scheme/projects have been incorporated during the Twelfth Five Year Plan, the Ministry



informed that no scheme was dropped during Eleventh Five Year Plan due to paucity of fund. However, the pilot Plan Scheme on “Computerization of PDS operations” has been subsumed in the Plan Scheme on “End to end Computerization of TPDS operations” under implementation under Twelfth Five Year Plan (2012-2017). Further a component of Consultancies, Training & Research, i.e. Training & Awareness of Negotiable Warehouse receipt has been subsumed in the scheme assistance to WDRA and will be implemented by the Authority.

2.6 When asked about the total amount allocated by Planning Commission for Twelfth Five Year Plan and whether any road map has been chalked out for the coming Five Years the Ministry has stated that Planning Commission has allocated Rs.1523/- crore for the Twelfth Five Year Plan. Road map chalked out for the coming five years is given as under:

(Rs. In Crore)								
Sr. No	Name of the Plan Schemes	12 <sup>th</sup> Plan (2012-17) Outlays	Expenditure Capital /Revenue	BE 2012-13	BE 2013-14	Proposed BE 2014-15	Proposed BE 2015-16	Proposed BE 2016-17
1.	Construction of Godowns by FCI/State Govt.	530.00	Revenue	10.00	4.00	10.00	10.00	10.00
			Capital	50.00	41.00	157.00	164.00	40.72
			<b>Total</b>	<b>60.00</b>	<b>45.00</b>	<b>167.00</b>	<b>174.00</b>	<b>50.72</b>
2.	Computerization of PDS Operations	817.13	Capital	40.00	200.00	142.71	147.89	155.66
3.	Strengthening of PDS & Capacity Building	20.00	Revenue	2.05	2.10	4.53	5.36	5.96
4.	NSI, Kanpur	3.90	Revenue	0.45	0.35	0.25	0.25	0.40
			Capital	0.30	0.5280	0.48	0.62	0.27
			<b>Total</b>	<b>0.75</b>	<b>0.8780</b>	<b>0.73</b>	<b>0.87</b>	<b>0.67</b>
5.	Consultancies, Training & Research	6.95	Revenue	1.20	0.70	1.39	1.49	1.59
6.	Village Grains Bank Scheme	60.00	Revenue	8.00	2.00	12.00	14.00	16.00
7.	Assistance to Warehousing Development & Regulatory Authority	50.00	Revenue	6.00	6.32	10.00	12.00	14.00
8.	Strengthening of Quality Control	35.00	Revenue	1.00	2.00	9.81	8.43	9.39
9.	Construction of Fair Price Shop-Cum Godowns	0.01	Revenue	5.00	0.00	0.0020	0.0020	0.0020
10.	Setting up of National Food Commission and State Food Commissions	0.01	Revenue	0.50	0.0005	0.0005	0.0005	0.0005
			Capital	1.50	0.0015	0.0015	0.0015	0.0015
			<b>Total</b>	<b>2.00</b>	<b>0.0020</b>	<b>0.0020</b>	<b>0.0020</b>	<b>0.0020</b>
	<b>Total</b>	<b>1523.00</b>	<b>Total</b>	<b>126.00</b>	<b>259.00</b>	<b>347.79</b>	<b>363.58</b>	<b>253.53</b>

2.7 In reply to a query, the Committee have been informed about the difficulties being faced by the Department in the implementation of various schemes/projects/programmes as under:

### **Construction of godowns by FCI/State Govt.**

For construction of godowns in the North East States land acquisition has been a major problem. Further due to the difficult terrain not only the construction costs are higher but also delays occur in the construction.

### **Computerization of PDS Operation**

End to end Computerisation of Targeted Public Distribution System (TPDS) is to be implemented by States/UTs. Under the scheme, financial proposals have been invited from States/UTs for grant of financial assistance. Release of funds, therefore, is subject to receipt of complete and appropriate financial proposals. Also, funds can only be released after receipt of Utilization Certificates (UCs) in respect of funds released earlier.

### **Strengthening of PDS & Capacity Building**

Funds are released to the State/UT Governments on receipt of appropriate and complete proposals from the State/UT Governments. Release of funds is further subject to receipt of Utilization Certificates (UCs) from States/UTs for the releases made to them under the schemes in the past. Matter is regularly followed up/pursued with the States/UTs for sending appropriate and complete proposals and for furnishing Utilization Certificates for the releases made under the schemes in the past.

### **NSI Kanpur**

For taking up the work under plan scheme, administrative approval and financial sanction is issued by the Ministry and thereafter authorization of the funds is issued by the concerned PAO in favour of executing agency i.e. CPWD. Thereafter, the CPWD initiates the work i.e. issue of tender and award of work, etc. Sometimes, delay occurs owing to procedural formalities involved in the process and dependency on CPWD for executing the work which has its own norms for taking up the work.

### **Village Grain Bank Scheme**

As per guidelines of the scheme, Village Grain Banks are to be set up in food scarce areas like the drought prone areas, hot and cold desert areas, tribal areas and the inaccessible hilly areas. The number of VGBs to be established will therefore be limited to such villages as per above criteria. 21, 842 villages have been so far sanctioned in 17 States for establishing VGBs.

VGB Scheme is presently being implemented by 17 States only. Remaining 18 States/UTs have conveyed that there is no interest among the people in the scheme. The Department also wrote to MPs from tribal areas vide Secretary (F&PD)'s DO letter dated 21.4.2011 to forward proposals for setting up of VGBs in the tribal villages in their constituencies. Subsequently, the matter was taken up with Chief Secretaries for sending fresh proposals for establishment of VGBs vide DO letters dated 17.2.2012 & 10.7.2012 respectively. But, there is poor response from them.

#### **Publicity-cum-awareness campaign:**

For effective implementation of the scheme "Generating Awareness Among TPDS Beneficiaries About Their Entitlement and Redressal Mechanism", a component of the Plan Scheme "Strengthening of PDS" timely furnishing of Utilization Certificates (UCs) by the beneficiary States and receipt of proposals from them is necessary. The States are not furnishing UCs in time. Further, proposals are also not forthcoming from them.

#### **Scheme for distribution of subsidized edible oil**

Under the Scheme for distribution of subsidized imported edible oils, due to insufficient budget allocation to meet the subsidy amount for reimbursement to Central Public Sector Undertakings (CPSUs), is resulting in decline in the number of States participating in the scheme. During 2011-12, seven states were participating and since Oct 2012 only two states are distributing the oil through PDS. At present liabilities of Rs.620 crores is pending towards subsidy payments to CPSUs due to shortage of funds for claims pending since January 2012. The Central PSUs are demanding 100% advance payment including subsidy for the quantity allocated from the various State Governments. Due to financial constraints the State Governments are unable to meet this demand. Many of the States are demanding supply of indigenous edible oils according to regional preferences instead of imported oils through PDS.

**2.8 The Committee are not satisfied with the overall performance of the Department in so far as expenditure incurred during 2012-13 is concerned. The Committee note that plan budget during 2012-13 was Rs.126 crores which was reduced to Rs.85 crore at RE stage and the actual expenditure was Rs.69.94crore only (which indicates82.29% of RE). In case of non-plan schemes, the BE for 2012-13 was Rs.86835.66 crore which was increased to Rs.96790.71 crore at RE stage but Actual Expenditure was Rs. 85928.53 crore only which is 88.78% of the RE. This decrease from BE to RE in case of Plan Schemes, increase from BE to RE for non-plan schemes and reduction from RE to Actual Expenditure for both Plan and Non-plan schemes indicates lack of proper planning by the Department at initial stage. The Committee have been informed that various difficulties are being faced by the Department in implementation of various schemes, i.e. non-submission of adequate financial proposals from the States/UTs, non-receipt of utilization certificate under the scheme strengthening of PDS and capacity building; problems in land acquisition in North-Eastern States in the scheme of construction of godowns by FCI/State Governments and lack of interest shown by various States in implementation of Village Grain Bank Scheme etc. The Committee are not convinced with the plea of the Department that the shortfall in expenditure attributed to these problems because such issues could be taken care of by proper planning and better coordination with the States/UTs. In the opinion of the Committee, the Department has not been able to improve its monitoring mechanism over various schemes and it also lacks co-ordination with the States/UTs. The Committee, therefore, strongly recommend that the Department should make sincere efforts in persuading the States/UTs to furnish**

**financial proposals/utilization certificates at the earliest so that the entire funds allocated for the various schemes/projects can be utilized fully during the financial year itself and benefits are passed on to the targeted populace/beneficiaries.**

## CHAPTER- III

### MANAGEMENT OF FOOD

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

#### **(a) Decentralised Procurement**

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

3.3 Under the Decentralised Procurement Scheme, the State Government itself undertakes procurement of paddy, wheat and levy rice on behalf of Government of India. Purchase Centres are opened by the State governments and their agencies as per their requirements. The State Governments procure, store and distribute foodgrains under the TPDS and other Welfare Schemes. Under the normal system, the responsibility of the state Government is only to procure wheat and rice and deliver the same to Central Pool through FCI. Since non-decentralized procurement involves one additional handling transactions of FCI taking over the stock and releasing the stock to the State Govt., DCP mode of procurement is more effective, especially in States which have potential for procurement as well as substantial requirement under PDS.

3.4 When asked by the Committee as to the number of States/UT Governments that have opted for decentralized procurement scheme, the Ministry informed that at present the States/UTs of West Bengal, Madhya Pradesh, Chhattisgarh, Uttarakhand, Andaman and Nicobar Islands, Odisha, Tamil Nadu, Karnataka and Kerala are procuring rice under the decentralised procurement scheme. Andhra Pradesh has started Decentralized Procurement of rice in 7 districts w.e.f. KMS 2012-13. The States of West Bengal, Madhya Pradesh, Chhattisgarh, Uttarakhand and Gujarat are procuring wheat under the DCP Scheme. Government of Uttar Pradesh had been procuring rice and wheat under the DCP scheme upto KMS 2008-09 but have discontinued the system after this period. Government of Andhra Pradesh have agreed to adopt the Decentralised Procurement Scheme (DCP) of procurement from KMS 2012-13

onwards. Discussions were also held with the Government of Rajasthan, who expressed their willingness to adopt the DCP mode of procurement w.e.f RMS 2013-14 only in Alwar district for wheat. The details of State-wise procurement of Wheat and Rice under Decentralized Procurement Scheme for the last three years is as under:-

#### RICE PROCUREMENT FOR CENTRAL POOL FOR DCP STATES DURING THE LAST THREE MARKETING SEASONS

(In lakh tonnes)

S.No.	STATES/ UTs	2010-11	2011-12	2012-13#
	<b>DCP States</b>			
1	Chattisgarh	37.46	41.15	47.94
2	Karnataka	1.80	3.56	0.41
3	Kerala	2.63	3.72	0.92
4	M.P.	5.16	6.35	9.01
5	Odisha	24.65	28.64	23.72
6	Tamilnadu	15.43	15.96	2.50
7	Uttrankhand	4.22	3.78	3.37
8	West Bengal	13.10	20.41	9.18
9	Uttar Pradesh	-	0.00	0.00
	<b>Total</b>	<b>104.45</b>	<b>123.57</b>	<b>97.05</b>
<i>#As on 28.02.13</i>				

#### WHEAT PROCUREMENT FOR CENTRAL POOL FOR DCP STATES DURING LAST THREE MARKETING SEASONS

(In lakh tonnes)

SL No	STATES/ Uts	2010-11	2011-12	2012-13
	<b>DCP States</b>			
1	Gujarat	0.01	1.05	1.56
2	M.P.	35.38	49.65	84.93
3	Uttrakhand	0.86	0.42	1.39
4	West Bengal	0.09		0.01
	<b>Total</b>	<b>36.34</b>	<b>51.12</b>	<b>87.89</b>

3.5 When enquired about need for making reforms in the Decentralised Procurement System, the Ministry stated that to facilitate the States to have sufficient funds available with them for the procurement of foodgrains, norms of release of subsidy have been revised from 2011-12 onwards and now, provisional subsidy is being reimbursed on quarterly basis @ 100% of fixed cost such as MSP, statutory taxes, milling charges etc. and 95% of remaining variable cost such as storage and interest charges etc. The DCP States on their part need to address the issues of augmenting

their milling & storage capacity and develop mechanism for quality control of the foodgrains procured to make the system more effective.



**3.6 The Committee regret to note that after 16 years of launching the scheme and despite of their repeated recommendations for taking concrete steps to try and convince the States/UTs to adopt the Decentralized Procurement Scheme (DCP), the scheme has so far been adopted by only 9 States/UTs for Rice and 5 States for Wheat respectively. Government of Uttar Pradesh had been procuring wheat under the DCP Scheme upto KMS 2008-09 but have discontinued the system. Governments of Andhra Pradesh and Rajasthan have expressed their willingness to adopt the DCP mode from KMS 2012-13 and RMS 2013-14 respectively. While noting that procurement of foodgrains is more effective under the Decentralized Procurement (DCP) Scheme since non-decentralized procurement involves one additional handling transaction of FCI taking over the stock of foodgrains and releasing them to the State Governments, the Committee are fully convinced that the remaining States/UTs should also adopt the DCP Scheme at the earliest possible. It has become all the more essential for the States/UTs to adopt the DCP Scheme in view of the anticipated implementation of the National Food Security Bill. The Committee, therefore, strongly recommend that the Department of Food and Public Distribution should make earnest efforts to ascertain the problems being faced by the States/UTs and provide maximum assistance possible to all the States/UTs to enable them to adopt the DCP Scheme. The Department should expedite discussion not only with the Government of Rajasthan who expressed willingness to adopt the scheme, but also make sincere efforts to encourage the Government of Uttar Pradesh who discontinued DCP Scheme since KMS 2008-09 and all other States/UTs so as to persuade them to adopt the scheme.**

**(b) Food Subsidy**

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

The 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 Decentralized Procurement Scheme is as under:-

**(Rupees in crore)**

Year	Subsidy Released *		
	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	46867	11375	58242
2010-11	50729	12200	62929
2011-12	59525	12845	72370
2012-13 (till 01.02.13)	61977	10540	72518

3.8 From the above statement it has been noted that there is huge increase in Food subsidy continuously during the last three years. When enquired about the reasons for sharp increase in food subsidy for the last three years, the Ministry stated the reasons as under:-

- (i) Increased procurement of foodgrains for the Central Pool.
- (ii) Continuous increase of Minimum Support Price of foodgrains (rice and wheat) and non-revision of Central Issue Price (CIP) under Targetted Public Distribution System (TPDS) since July, 2002.
- (iii) Increased offtake of subsidized foodgrains under TPDS and Other Welfare Schemes.
- (iv) Additional allocations of foodgrains made for APL/BPL families and for Open Market Sale during the current year to provide additional subsidized foodgrains to these categories and to check rising prices in the open market respectively.

In addition to the above reasons, there has been normal increase in freight, handling and interest cost due to handling of higher quantity of foodgrains handled/procured.

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

- (i) Encourage decentralized procurement and distribution of foodgrains.
- (ii) Issue of bonds by the FCI at lower coupon rates, backed by Government guarantee.
- (iii) Improving the operational efficiency of the FCI.
- (iv) Negotiating with the banks of the consortium of food credit to reduce the rate of interest on cash credit.

There are several schemes which are run by other Ministries and States/UTs in addition to the TPDS scheme of this department. However, the supply of foodgrains for these schemes is also done by this department at BPL rates, thereby adding to the subsidy bill of this department. Other Welfare Schemes for which foodgrains is supplied by this department at BPL rates are mentioned below.

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

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

(Rs.in crore)

	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
<b>Total Subsidy released</b>	<b>58242.45</b>	<b>62929.56</b>	<b>72370.90</b>
Scheme-wise subsidy			
BPL	19564	20385	30571
APL	12595	15875	16191
AAY	14224	14083	15486
<b>TPDS</b>	<b>46383</b>	<b>50343</b>	<b>62248</b>
MDM	3087	2849	2703
Other Welfare Schemes	1765	1473	1512
Others (including buffer subsidy etc.)	7007.45	8264.56	5907.90

3.11 When enquired about the full details of the Scheme to test the feasibility of alternative mode of transfer of food subsidy i.e. in cash to BPL/AAY beneficiaries under the TPDS, the Ministry informed that Government has decided that Direct Benefits Transfer will not replace food with cash under the Targeted Public Distribution System. This will take more time as the issues of entitlement are more complex.

Hence, the proposed scheme to test the feasibility of alternative mode of transfer of food subsidy i.e. in cash to BPL/AAY beneficiaries under the TPDS is not being pursued further by the Department.

**3.12 The Committee note that the amount of food subsidy released to FCI has been constantly increasing each year due to increased procurement of foodgrains, continuous increase in MSP of wheat and rice vis-à-vis Central Issue Price, increased off-take of foodgrains under TPDS and other welfare schemes, additional allocation of foodgrains made for APL/BPL families etc. The Committee feel that the amount of food subsidy is expected to further increase substantially with the implementation of the National Food Security Bill. While appreciating the efforts made by the Government to contain the food subsidy, by encouraging decentralized procurement, giving guarantee to FCI for issue of bonds at lower coupon rates, improving operational efficiency of FCI, negotiating with the consortium of banks to provide food credit at lower rate of interest etc., the Committee, however, desire that the Department should make even more vigorous efforts to explore the possibilities of containing food subsidy without compromising the regular supply and availability of subsidized foodgrains to the targeted beneficiaries especially to the marginalized sections of the society.**

**(c) Hill Transport Subsidy**

3.13 The Hill Transport Subsidy (HTS) Scheme is meant for the States/UTs which are predominantly hilly with little or no railways and poor road communications. The scheme is in operation since 1.8.1975 and is presently applicable to the following States/UTs:-

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

3.14 In such States/UTs, the Food Corporation of India (FCI) is required to open godowns at Principal Distribution Centres (PDCs) wherever possible, or reimburse the State Governments/UTs the cost of transportation of foodgrains, on actual basis, for lifting of foodgrains from base depots of FCI to the designated PDCs. In predominantly hilly States with difficult and inaccessible terrain moving grains by road to the interior is heavy and such cost gets added to the Central Issue Price of the foodgrains delivered to such States. If sufficient relief is not provided the end retail price of foodgrains may become out of reach for the beneficiaries dependant on PDS.

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

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

3.17 The Committee have been furnished the following statement showing the funds released and amount yet to be released towards HTS Schemes for the year 2010-11, 2011-12 and 2012-13 (State/UT-wise/Year-wise).

(R In lakhs)

Name of the State	Year	Funds Released	Funds yet to be released
Mizoram	2010-11	192.25	104.03
	2011-12	-	129.86
	2012-13	-	-
Himachal Pradesh	2010-11	486.99	4.62
	2011-12	187.37	287.47
	2012-13	37.07	159.93
J & K	2010-11	-	759.91
	2011-12	-	-
	2012-13	-	-
Lakshadweep	2010-11	13.10	-
	2011-12	-	-
	2012-13	-	-
Sikkim	2010-11	88.90	-
	2011-12	103.73	20.72
	2012-13	-	-
	TOTAL:	1109.41	1646.54

Funds under HTS scheme are released promptly to the states in all cases in which proper claims in the prescribed format with the requisite documents are made. However, total amount of funds yet to be released year wise/state wise for the last three years is indicated in the statement above. Major part of the pendency is accounted for non submission of required documents by the concerned states and other discrepancies found in the claims. Rest of the pending claims are under scrutiny/process in FCI for reimbursement.

3.18 The Committee wanted to know the reason as to why no funds were released to States under the scheme during the year 2012-13, the Department stated that release of funds under Hill Transport Subsidy Scheme is made on the basis of claims, with proper details / documents, preferred by the concerned States/UTs. For 2012-13, only the Government of Himachal Pradesh submitted such claims for Rs.197.30 lakh. On processing the claims, an amount of Rs.37.07 lakh was released and an amount of Rs.0.30 lakh was found inadmissible. Claims for the remaining amount of Rs.159.93 lakhs were returned to the State Government for rectification of deficiencies found therein. No claims for reimbursement under the scheme for expenditure incurred in 2012-13 was received for any other State/UT.

**3.19 The Committee are unhappy to note that an amount of Rs. 1646.54 lakhs are yet to be released under the Hill Transport Subsidy Scheme (HTS) to the States of Mizoram, Himachal Pradesh, J&K, Lakshadweep and Sikkim and in some cases, the claims are pending since the year 2010-11. While agreeing that funds under the scheme are released on the basis of claims made by the concerned States/UTs with proper details/documents, the Committee are dismayed to find that out of Rs. 197.30 lakh claimed by the Government of Himachal Pradesh for the year 2012-13, an amount of Rs. 37.07 lakh only was released and the claims for the remaining amount of Rs. 159.93 lakh were found to be deficient and returned to the State for rectification. The Committee are also surprised to note that no claims for reimbursement under the scheme were received from any other State/UT during the year 2012-13. This gives the impression that either there are no clear guidelines for claiming reimbursement for expenditure incurred under the scheme or the guidelines are too cumbersome/complex. The Committee, therefore, recommend that the Department may look into the issue and simplify the procedure of disbursement to ensure full disbursal of funds under the scheme so as to benefit the target groups who normally comprise of backward and weaker sections of society dwelling in predominantly hilly States with difficult and inaccessible terrain areas.**



#### **(d) Public Distribution System (PDS)**

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

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

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

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

competent to take action against those indulging in malpractices in TPDS by invoking provisions of clauses 8 & 9 of the said Order. State Governments/UT Administrations have reported action taken such as issue of show cause notice, lodging of FIRs, suspension/ cancellation of FPS licenses, arrest, prosecution/ conviction etc. As and when complaints are received by the Government from individuals and organizations as well as through press reports, they have been sent to State/UT Governments concerned for inquiry and appropriate action.

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

3.25 When asked Whether periodical review of the functioning of PDS is done by the State Governments in accordance with the PDS (Control) Order, 2001 to ensure smooth functioning of the PDS, the Department stated that action regarding review of functioning of PDS in accordance with PDS (Control) Order, 2001 is to be taken by States / UTs. A Nine Point Action Plan for curbing the leakages / diversion of foodgrains under TPDS was evolved in July 2006 in consultation with the State / Union Territory (UT) Governments. Government has regularly reviewed and also has issued instructions to States/Union Territories to strengthen functioning of Targeted Public Distribution System (TPDS) by improving monitoring mechanism and vigilance, increased transparency in functioning of TPDS, adoption of revised Model Citizen's Charter and use of Information and Communication Technology (ICT) tools, improving the viability of FPS operations etc.

3.26 The Committee have been further informed that advisories on streamlining/strengthening TPDS are also issued to State/UTs on regular basis. Various aspects of functioning of TPDS are being reviewed from time to time during the Conferences held at the level of Food Ministers, Food Secretaries & other officials of States/UTs.

3.27 When asked as to how many States have so far formulated full proof arrangements for delivery and distribution of foodgrains in a transparent and accountable manner, the Department, inter-alia, stated that in consultation with the State/UT Governments, a Nine Point Action Plan was evolved in 2006. The Nine Point Action Plan, is under implementation by State & UT Governments since July 2006. As per information received from States/UTs upto 31.12.2012, the results of the implementation of the Nine Point Action Plan are given as below:-

S No.	Action Plan	Results
1	States should undertake a campaign to review BPL/AAY list to eliminate ghost ration cards	As per the reports received from the State & UT Governments by 31 <sup>st</sup> December, 2012, implementation of the action plan has resulted in elimination of a total of 362.26 lakh bogus/ ineligible ration cards in 28 States.
2	Strict action should be taken against the guilty to ensure leakage free distribution of food grains	33 States have reported that action is being taken against the guilty to ensure leakage free distribution of food grains.
3	For sake of transparency, involvement of elected PRI members in distribution of food grains be ensured. FPS licenses be given to SHGs, gram panchayats, cooperatives etc.	There is involvement of PRIs in Vigilance Committees to monitor FPS in 29 States/UTs. 30 States/UTs have reported FPS being run by Gram Panchayats, SHGs, Cooperatives etc. Out of more than 5.15 lakh FPS in operation, about 1.21 lakh FPS are being run by such organisations.
4	Display of BPL and AAY lists by fair price shops	BPL lists at FPS are displayed in 32 States/UTs.
5	Display of fair price shop-wise and district-wise allocations of PDS commodities on web-sites for public scrutiny	Action regarding putting up district-wise and FPS-wise allocation of food grains on websites and other prominent places has been initiated in 21 States/UTs.
6	Door-step delivery of PDS commodities to fair price shops	Door-step delivery of food grains to FPS by State Governments instead of letting private transporters to transport goods is being done in 20 States/UTs. This reduces leakages during the transportation of foodgrains and ensures viability of FPS owners.
7	Ensuring timely availability of foodgrains at FPS and distribution of foodgrains by FPS	Action is being taken by 32 States in this regard.
8	Training of Vigilance Committee members	27 State/UT Governments have taken up training programmes for FPS level vigilance committees. Funds are also being provided by Government of India under a Plan Scheme for training of TPDS officers/ officials.
9	Computerization of TPDS operations, use of IT etc.	End-to-end computerisation including Digitisation of ration card and other databases, Supply chain management,

		creation of transparency portal, grievance redressal mechanism and FPS automation has been taken up. States/UTs have prepared their action plans regarding computerisation. Detailed guidelines and timelines for achieving specific milestones have been sent to States/UTs. A Plan Scheme for providing infrastructural and financial support has been approved.
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**3.28 The Committee note that the Public Distribution System (PDS) was evolved as a system of management of scarcity and for distribution of foodgrains at affordable prices and the Department is taking all necessary measures to closely monitor the implementation of the scheme by States/UTs. Utilization Certificates for the foodgrains allocated to State Governments are also obtained regularly. The Committee also note that the Department has issued instructions to States/UTs to strengthen functioning of TPDS by improving monitoring mechanism and vigilance, increasing transparency in functioning of the scheme, use of Information and Communication Technology (ICT) tools and improving the efficiency of Fair Price Shop operations. Besides the States/UTs are reminded to ensure implementation of the Nine-Point Action Plan for curbing leakages/diversion of foodgrains under TPDS. Moreover, the PDS (Control) Order, 2001 which mandates the States/UT Governments to carry out all required action to ensure smooth functioning of PDS in the country has been notified on August, 2001. The Committee are pained to note that despite taking all these measures by the Government which also includes reviewing of its functioning, the functioning of the PDS in the country is far from satisfactory. Door-step delivery of foodgrains to fair price shops is being done by 20 States/UTs and the district-wise/FPS-wise allocation of foodgrains on the websites and other prominent places has been initiated in 21 States/UTs only. The Committee, therefore, strongly recommend that the Department should consult and coordinate with the State/UT Governments on a regular basis and also carry out surprise visits and inspections of the agencies involved in distribution of foodgrains such as**

**principal distribution depots of FCI, fair price shops, transporting agencies etc for efficient and smooth functioning of PDS in the country.**

**(e) Strengthening of Public Distribution System**

**(i) Diversion/Leakages of foodgrains**

3.29 In order to curb leakages and diversion of foodgrains meant for TPDS, a scheme, namely, Innovative scheme for curbing leakages/diversion of foodgrains meant for TPDS was taken up in 11<sup>th</sup> Plan. Under this scheme, funds are to be released for purchase and installation of GPS sets on vehicles carrying TPDS commodities. These funds are to be allotted @ Rs.15,000/- per GPS set + Rs. 300/- for annual maintenance charges of each GPS set. During the year 2012-13, an amount of Rs. 50.00 lakh was kept at BE 2012-13 and at R.E stage it has been revised to Rs.0.00 lakh as the only proposal (upto finalization of RE 2012-13) received from State Government of Manipur asking for financial assistance was on higher side w.r.t the scheme guidelines, which could not be acceded to.

3.30 The Committee has been informed that Government has from time to time taken up Concurrent Evaluation Studies on Targeted Public Distribution System. For 12 States, it has been got conducted by National Council of Applied Economic Research (NCAER) (May, 2006 – January, 2009) and for 14 States, it has been conducted by Indian Institute of Public Administration (IIPA) (January, 2007 – February, 2011).

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

**LEVEL OF LEAKAGES AND DIVERSION SHOWN IN NCAER REPORT.**

	<b>NCAER Reports (Fig. in %)</b>					
	<b>Rice</b>			<b>Wheat</b>		
	<b>AAY</b>	<b>BPL</b>	<b>APL</b>	<b>AAY</b>	<b>BPL</b>	<b>APL</b>
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

The information regarding 14 States as per Evaluation Study conducted by IIPA is as under:-

Consolidated figures of leakages of foodgrains (rice and wheat) indicated in IIPA (Phase- I) Report in respect of States, namely Arunachal Pradesh, Manipur, Nagaland, Orissa, Tripura and West Bengal.

Sr. No.	State	Leakage as Percentage of offtake
1.	Arunachal Pradesh	14.88
2.	Manipur	27.00
3.	Nagaland	49.49
4.	Orissa	6.86
5.	Tripura	3.24
6.	West Bengal	26.84

Consolidated figures of diversion/leakages of foodgrains (rice and wheat) allocated under TPDS as indicated in IIPA (Phase-II) Report in respect of States/UT of Jammu & Kashmir, Himachal Pradesh, Haryana, Punjab, Andhra Pradesh, Tamil Nadu, Karnataka & Chandigarh.

Sr. No.	State/UT	Percentage of diversion/ leakage of foodgrains (Rice & Wheat) allocated under TPDS to AAY and BPL beneficiaries
1.	Haryana	8.69
2.	Punjab	Nil *
3.	Chandigarh	13.6
4.	Tamil Nadu	13.64
5.	Andhra Pradesh	Nil *
6.	Himachal Pradesh	5.6
7.	Jammu & Kashmir	4.1
8.	Karnataka	Nil *

\* Nil percentage of diversion/leakage does not take into account diversion from one category to another category of beneficiaries (AAY/BPL/APL).

3.31 Further, in an independent study conducted by a group of research scholars and student volunteers, including Mr. Jean Dreze, Reetika Khera and others, it has been stated that during the recent years, there has been an impressive revival of Public Distribution System across the country. The group have based their finding on a study made in 106 randomly-selected villages, spread over two districts' each in 9 States, namely, Andhra Pradesh, Bihar, Chhattisgarh, Himachal Pradesh, Jharkhand, Orissa, Rajasthan, Tamil Nadu and Uttar Pradesh, covering a total of 1227 BPL/Antyodaya Households. Based on the survey made, the researchers have also brought out



that there have been major initiatives in the recent past to improve PDS and these efforts are showing results. It has also been pointed out that the days when up to half of the PDS grain was diverted to the open market are gone.

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

**THE FOLLOWING STATEMENT INDICATES STATE-WISE NUMBER OF COMPLAINTS ON TPDS RECEIVED IN THE DEPARTMENT FROM INDIVIDUALS, ORGANISATIONS & THROUGH MEDIA REPORTS ETC FROM 2010 TO 2013 (UPTO 31st JANUARY 2013):-**

S. No.	State/UT	2010	2011	2012	2013
1	Andhra Pradesh	3	1	-	1
2	Arunachal Pradesh	2	2	-	-
3	Assam	1	1	1	
4	Bihar	13	6	14	3
5	Chhattisgarh	5	1	1	1
6	Delhi	37	16	22	3
7	Goa	1	-	-	-
8	Gujarat	3	2	3	-
9	Haryana	24	7	5	-
10	Himachal Pradesh	-	4	-	-
11	J&K	3	-	3	-
12	Jharkhand	5	3	4	1
13	Karnataka	2	1	2	-
14	Kerala	3	1	4	-
15	Madhya Pradesh	13	9	6	-
16	Maharashtra	5	8	9	2
17	Manipur	-	1	1	-
18	Meghalaya	-	1	-	-
19	Mizoram	-	-	1	-
20	Nagaland	1	-	-	-
21	Orissa	3	2	3	-
22	Punjab	2	-	5	-
23	Rajasthan	6	6	3	1
24	Sikkim	2	-	-	-
25	Tamil Nadu	2	3	4	1
26	Uttarakhand	1	1	5	1
27	Uttar Pradesh	33	68	72	9
28	West Bengal	2	-	2	1

29	Chandigarh	2	-	-	-
30	Puducherry	-	-	1	-
TOTAL		174	144	171	24

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

3.33 The Committee have been informed that Under a Plan Scheme on Strengthening of TPDS, the Government has taken up an innovative scheme viz. 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 was given in 2007-08 to the State Governments of Tamil Nadu and Chhattisgarh for installation of GPS devices on the vehicles carrying TPDS foodgrains.

Government of Tamil Nadu who have implemented the system in two districts have reported that it has helped in (i) the quantities of foodgrains allotted from FCI to the intended 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. Government of Chhattisgarh have reported that after installation of GPS sets on vehicles carrying TPDS commodities, from the distribution centres such vehicles are reaching their destination/intended places and no irregularities of any kind have been noticed.

Subsequently, it has been decided to extend this scheme in all the States/Union Territories (UTs) and proposals have been invited from States/UTs for sanctioning funds under the scheme.

3.34 When enquired which are the States/UTs that have implemented GPS, Bar-coded coupons etc. and how far they have been successful, the Committee were informed that no decision has been taken by the Government for introduction of bar coded coupons for PDS foodgrains. However, some States/UTs have reported issuance of smart cards, food coupons, barcoded ration cards, etc. for the delivery of TPDS commodities to the beneficiaries, which will help in checking leakages/diversion of foodgrains. Biometric identification of beneficiaries is expected to ensure that foodgrains are given only to the eligible BPL families under TPDS after due verification.

**3.35** The Committee note that the result of an independent study conducted by a group of scholars in 9 States have shown impressive revival of PDS across the country as it suggests that the days when upto half of the PDS foodgrain was diverted to open market are gone. The Committee are, however, constrained to say that the evaluation study conducted by IIPA in 14 States have shown that the leakage as percentage of offtake has been as high as 49.49% in Nagaland, 27.00% in Manipur and 26.84% in West Bengal. The NCAER Report in 12 States/UTs have also indicated that the level of leakages and diversion of foodgrains was as high as 100% wheat for APL in the States of Assam and Mizoram and in case of rice, it was 83.28% and 81.12%, respectively in these two States. The Committee, therefore, recommend that the Department of Food and Public Distribution, FCI and the States/UT Governments should make earnest efforts to identify the loopholes in the PDS and curb leakage/diversion of foodgrains to the extent possible so as to ensure that the target beneficiaries do receive right quantity and quality of foodgrains at the right price regularly.

**3.36 The Committee also note that the Government has given financial assistance in 2007-08 to the State Governments of Tamil Nadu and Chattisgarh for installation of Global Positioning System (GPS) on the vehicles carrying TPDS commodities in order to curb leakages and diversion of foodgrains. The installation of GPS devices on vehicles carrying PDS foodgrains in the States of Tamil Nadu and Chhattisgarh have shown positive results. Government of Tamil Nadu have reported that the GPS devices not only help in ensuring that the quantities of foodgrains allotted reached the intended godowns of FCI in time without any diversion, but also create moral fear among those involved in transportation of PDS items and enable the concerned officials and vigilance agencies to track the movement of vehicles. The Government of Chhattisgarh have also reported that the vehicles reached their destination/intended places and no irregularities were noticed. The Committee are, therefore, of the view that installation of GPS devices on vehicles carrying PDS items in all States/UTs of the country would go a long way in checking the problem of leakage/diversion of foodgrains. The Committee, therefore, strongly recommend that the proposals received from the States/UTs for sanctioning of funds under the scheme should be processed on priority and released expeditiously. The Department should also persuade all the States/UTs to submit their proposals for sanction of funds under the scheme.**

**(f) Computerisation of Targeted Public Distribution System operations**

3.37 The Committee have been informed that a Central Sector Scheme on TPDS computerization was approved by the Planning Commission for the 11th Plan Period with an outlay of Rs. 376 crore which covered Computerization of TPDS operations on pilot basis in three districts each of four pilot States, namely, Andhra Pradesh, Assam, Chhattisgarh and Delhi. This Scheme was only till Block level and did not cover the FPS automation component. In light of the directions of the Hon'ble Supreme Court vide order dated 14.09.2011, all States/UTs are required to undertake end to end computerization of TPDS in a time bound manner. Hon'ble Supreme Court has also directed that Government of India shall provide necessary infrastructure and financial support to all States/UTs for end-to-end Computerization of TPDS.

3.38 In view of the above, the Plan scheme has been expanded to cover all States / UTs for end-to-end Computerization of TPDS operations. A Plan Scheme on 'End-to-end Computerization of TPDS Operations' in all States/UTs for the 12<sup>th</sup> Five Year Plan (2012-2017) had been prepared with an estimated outlay of Rs. 4273.47 crore on 50:50 cost sharing with States/UTs except for North Eastern States, where the sharing will be on 90:10 basis.

3.39 Government has approved the funding requirement of Rs. 884.07 crore during 2012-17 for Component-I of the Scheme which comprises activities, namely, digitization of ration cards/beneficiary and other databases, computerization of Supply-Chain Management, setting up of Transparency Portal and Grievance Redressal mechanism. Out of Rs. 884.07 crore, Government of India's share is Rs. 489.37 crore and State/UT's share is Rs. 394.70 crore. Rs. 41.69 crore has been allocated for the scheme as RE 2012-13. For BE 2013-14, an amount of Rs. 200 crore has been provided.

The pilot Plan scheme on "Computerisation of TPDS Operations" has been subsumed in the Plan Scheme on "End-to-end Computerisation of TPDS Operations" to be implemented under 12<sup>th</sup> Five Year Plan (2012-17).

3.40 To improve quality of delivery of services under TPDS and to assess replicability of new technologies, a pilot Non-Plan scheme on Smart card based delivery of TPDS commodities was approved for Chandigarh UT and Haryana in December, 2008 with an outlay of Rs. 142.28 crore. Under this scheme, the existing ration cards are to be replaced by smart cards. These smart cards will contain bio-metric features of adult members of the ration card holder families. TPDS commodities to smart card holder families will be issued from fair price shops only after verification of genuineness of the smart card holder through smart card transaction terminal. The smart cards as well as smart card transaction terminals will store details of transactions of TPDS commodities issued. This scheme has also now been subsumed in the Plan Scheme on End-to-end

Computerisation of TPDS Operations to be implemented in all States/UTs under 12<sup>th</sup> Five Year Plan (2012-17).

3.41 In reply to a query regarding amount of funds released to each State/UT during the financial year 2012-13, the Department has stated that during the financial year 2012-13, the amount of funds released to States are as follows:

(Rs. in crore)		
S. No.	Name of State	Amount Released
i.	Madhya Pradesh	5.43
ii.	Manipur	2.60
iii.	Mizoram	4.91
iv.	Nagaland	3.38
v.	Odisha	11.08
vi.	Punjab	7.79
vii.	Uttarakhand	5.24
Total		40.43

3.42 Asked about how many complete and appropriate financial proposals have been received during the financial year 2012-13 and what action has been taken on each proposal, the Department replied that 24 States/UTs have sent proposals seeking financial assistance during the financial year 2012-13. Out of the above, proposals from 7 States have been assessed and found to be complete in all respects. Accordingly, funds have been released to these 7 States. The remaining proposals are under examination in the Department.

3.43 The Committee have been informed that the status of implementation of various activities under Component – I of the plan scheme are as under:-

Digitization of Ration cards/ Beneficiary database has been completed in Andaman and Nicobar Islands, Andhra Pradesh, Chandigarh, Chhattisgarh, Daman and Diu, Delhi, Gujarat, Karnataka, Kerala, Lakshadweep, Punjab, Puducherry, Tamil Nadu and Uttar Pradesh. It is in progress in Arunachal Pradesh, Bihar, Dadra and Nagar Haveli, Haryana, Jammu and Kashmir, Jharkhand, Madhya Pradesh, Maharashtra, Nagaland, Odisha, Rajasthan, Sikkim and Tripura.

Automation of Supply-Chain has been completed in States of Chhattisgarh, Delhi and Gujarat. It is in progress in Andhra Pradesh, Chandigarh, Daman and Diu, Haryana, Jammu and Kashmir, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Puducherry and Punjab.

Transparency Portal with PDS related information has been created in Andaman and Nicobar Islands, Chhattisgarh, Gujarat and Puducherry. It is in progress in Andhra Pradesh, Chandigarh, Delhi, Karnataka, Kerala, Madhya Pradesh, Maharashtra and Rajasthan. Dissemination of information through SMS alerts regarding foodgrain dispatch/availability at FPS is operational in Chhattisgarh and Puducherry. It is in

progress in States of Assam, Chandigarh, Gujarat, Karnataka, Maharashtra and Uttar Pradesh.

Call Centre/Toll free helpline number for PDS has been established in Assam, Chandigarh, Chhattisgarh, Delhi, Gujarat, Haryana, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Mizoram, Odisha, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal. Online Grievance redressal mechanism for registration and tracking of grievances is available in Chhattisgarh, Delhi, Gujarat, Mizoram, Odisha and Tamil Nadu.

**3.44 The Committee note that pursuant to the Hon'ble Supreme Court instructions, all States/UTs are required to undertake end-to-end computerization of TPDS in a time bound manner for which the Government of India shall provide necessary infrastructure and financial support. The Government has accordingly prepared an estimated outlay of Rs. 4273.47 crore for the XII Five Year Plan on 50:50 cost sharing with States/UTs except for North-eastern States, where the sharing will be 90:10 basis. An amount of Rs. 200 crore has been provided for BE 2013-14 under the scheme of 'End-to-end Computerization of TPDS operations' in all States/UTs. The Smart Card Scheme launched in December 2008 for Chandigarh UT and Haryana have now been subsumed in the Plan Scheme on End-to-End Computerization of TPDS operations to be implemented in all States/UTs under the XII Five Year Plan (2012-17). The Committee are surprised to note that out of the 24 States/UTs that have submitted their proposals for financial assistance under the scheme during the year 2012-13, only proposals from 7 States are found to be complete in all respects and funds released to them. The remaining proposals are under examination in the Department. The Committee are of the firm opinion that End-to-end Computerization of PDS operations will solve several problems that are being associated with the functioning of PDS in the country. The Committee are also not happy with the status of computerization of TPDS operations in States/UTs. The Committee, therefore, strongly urge the Department to expedite the examination of the remaining proposals already received by them for financial assistance from the States/UTs under the scheme and release the funds expeditiously. The Department should also pursue with the remaining States/UTs to submit their**



**proposals for financial assistance and make all efforts to complete computerization of PDS operations in all the States/UTs in anticipation of the ensuing enactment of the National Food Security Bill, 2011.**

### **(g) Village Grain Bank Scheme**

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

3.46 The Committee have been informed that the village Grain Bank Scheme is currently being implemented by 17 out of 35 States/UTs only. According to the evaluation report on the scheme, the presence of Village Grain Banks has significantly improved the food security of the villages. Of the households that faced food shortage before the introduction of the scheme, the setting up the Village Grain Banks in these villages have helped those households to overcome food shortage. Among the beneficiary households, the extent of migration during the lean seasons has come down significantly. It has also helped beneficiaries to reduce their dependence on high interest loans during lean season. As regards continuation of the scheme during 12<sup>th</sup> Plan period, majority of the States are interested in continuation of the scheme.

3.47 As per guidelines of the scheme, Village Panchayat/Gram Sabha, Women's Self Help Group or non-Governmental Organization with proven track record are eligible to set up a Grain Bank in natural calamity-prone, food scarce village or hamlet as identified by the State/UT Governments. The State Governments have entrusted the management of the VGBs to Panchayats, SHGs including Women's SHGs, NGOs, etc. In States such as Madhya Pradesh, Odisha, Chhattisgarh the State Governments have entrusted the management of some VGBs to the World Food Programme (WFP). In Uttarakhand, all the VGBs established in the State are managed by WFP. Details of quantum of foodgrains actually lent by each grain bank and the number of beneficiaries in each VGB established by the respective States are not maintained by the Department.

3.48 When asked by the Committee about the total number of Village Grain Bank (VGB) in the country at present, the Ministry informed that 21,842 Village Grain Banks have been sanctioned by this Department in the country till date. The State-wise number of VGBs sanctioned by this Department and reported to have been set up by the States till date is as under:

S. No.	Name of state	VGB Sanctioned by the Department	VGB set up by the States ( reported till date).
1.	Maharashtra	1377	1290
2	Andhra Pradesh	6853	6585
3	Bihar	415	-
4	West Bengal	1590	1590
5	Kerala	387	387
6	Rajasthan*	550	-
7	Gujarat	354	226
8	Madhya Pradesh	4240	2644
9	Orissa	646	378
10	Tripura	103	39
11	Chhattisgarh	1904	1904
12	Jharkhand	583	583
13	Meghalaya	44	40
14	Uttar Pradesh	1281	500
15	Assam	100	67
16	Sikkim*	80	-
17	Himachal Pradesh*	55	-
18	Nagaland	877	786
19	Uttarakhand	110	55
20	Manipur	293	192
	Total**	21,842	17,266

3.49 When asked whether the Department have received any suggestion from the States regarding any modification to be made in the scheme, the Ministry informed that the Government has requested the beneficiary State Government to send their suggestions on modification of the village Grain Bank Scheme. The suggestions on modifications of the scheme received so far from the State Governments are as under:

Sl.No.	Name of the State Government	Suggestions received on modification of the village Grain Bank Scheme
1.	Andhra Pradesh	Grain Bank may be converted to integrated food security bank. Instead of rice from FCI, provide cash/Qntl of rice member to the grain bank.
2.	Chhattisgarh	To ensure regular recovery of foodgrains under the scheme, it may be tied/linked to entitlement of the members under the Targeted Public Distribution System. The Executive Committee of the banks may be empowered to recover the foodgrains.
3.	Gujarat	Women's Self Help Groups must be given priority in setting up of Village Grain Banks. No. of households should be reduced to minimum of 10 and maximum of 20 households with 70% of these from BPL/AAY category households.
4.	Maharashtra	As there is no response from local public, it may not be continued further.
5	Nagaland	The scheme has been successful in mitigating the problems of the rural masses especially during the lean season.

**3.50 The Committee note that the main objective of the Village Grain Bank Scheme is to provide safeguard against starvation during the period of natural calamity or during lean season when the marginalized food insecure households do not have sufficient resources to purchase rations. The Schemes is currently being implemented by 17 out of 35 States/UTs. Out of 21,842 Village Grain Banks sanctioned by the Department, the States have set up 17,266 Village Grain Banks till date. While the State Governments have entrusted the management of Village Grain Banks to Panchayats, SHG, NGOs, etc. the Village Grains Banks established in the state of Uttarakhand is being managed by the World Food Programme (WFP). The Committee also observe that the scheme has helped the beneficiaries reduce their dependence on high interest loans during lean season and the extent of immigration during lean season has also come down significantly. It is also stated that majority of the States are interested in continuation of the scheme during the Twelfth Five Year Plan period and 5 States have given suggestions for modification of the scheme. The Committee, therefore, recommend that the Department of Food and Public Distribution should make sincere efforts to popularize the scheme by engaging the State/UT Governments in a more proactive and regular manner while giving due consideration to the suggestions made by the States/UTs for modification of the scheme.**

## (h) Identification of BPL/AAY families

3.51 For identification of eligible BPL families for issuing ration cards to them, necessary provisions have been made in the Public Distribution System (Control) Order 2001. As per para 1 of the Annexe to this Order, State Governments have to formulate suitable guidelines for identification of BPL/AAY families as per the poverty estimates adopted by the Central Government.

3.52 For identification of eligible AAY families, detailed guidelines have been issued by this Department at the time of launching of this scheme in December 2000 and subsequent three expansions in 2003-04, 2004-05 & 2005-06. The actual identification of AAY families is to be undertaken by States/UTs within the ceilings on number of AAY families given to States/UTs. Details of the State-wise number of BPL and AAY families identified by State and UT Governments and ration cards issued to them are as follows:-

<b>STATEMENT: STATE-WISE TOTAL NO. OF HOUSEHOLDS, BPL/AAY HOUSEHOLDS &amp; RATION CARDS ISSUED TO BPL and AAY HOUSEHOLDS (As reported by 31.12.12)</b>					
<b>(Figures in lakhs)</b>					
<b>S. No.</b>	<b>STATE/UT</b>	<b>NO. OF BPL/AAY HOUSE HOLDS IN 2000</b>	<b>RATION CARDS ISSUED</b>		
			<b>BPL</b>	<b>AAY</b>	<b>TOTAL (BPL+AAY)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
1	Andhra Pradesh	40.63	205.11	15.58	220.69
2	Arunachal Pradesh	0.99	0.61	0.38	0.99
3	Assam	18.36	12.02	7.04	19.06
4	Bihar	65.23	39.22	25.01	64.23
5	Chhattisgarh	18.75	11.56	7.19	18.75
6	Delhi	4.09	1.67	1.50	3.17
7	Goa	0.48	0.14	0.14	0.28
8	Gujarat	21.20	23.70	8.10	31.80
9	Haryana	7.89	9.07	2.92	11.99
10	Himachal Pradesh	5.14	3.17	1.97	5.14
11	Jammu & Kashmir	7.36	4.80	2.56	7.36
12	Jharkand	23.94	14.76	9.18	23.94
13	Karnataka	31.29	84.20	11.38	95.58
14	Kerala	15.54	14.43	5.96	20.39
15	Madhya Pradesh	41.25	52.48	15.82	68.30
16	Maharashtra	65.34	45.88	24.64	70.52
17	Manipur	1.66	1.02	0.64	1.66
18	Meghalaya	1.83	1.13	0.70	1.83
19	Mizoram	0.68	0.42	0.26	0.68
20	Nagaland	1.24	0.77	0.47	1.24
21	Orissa	32.98	36.78	12.65	49.43
22	Punjab	4.68	2.89	1.79	4.68
23	Rajasthan	24.31	16.53	9.32	25.85

24	Sikkim	0.43	0.27	0.16	0.43
25	Tamilnadu *	48.63	176.78	18.65	195.43
26	Tripura	2.95	1.82	1.13	2.95
27	Uttar Pradesh	106.79	65.84	40.95	106.79
28	Uttarakhand	4.98	3.07	1.91	4.98
29	West Bengal	51.79	39.11	14.80	53.91
30	A&N Islands	0.28	0.08	0.04	0.12
31	Chandigarh	0.23	0.09	0.02	0.11
32	D&N Haveli	0.18	0.12	0.05	0.17
33	Daman & Diu	0.04	0.03	0.01	0.04
34	Lakshdweep	0.03	0.02	0.01	0.03
35	Pondicherry	0.84	1.17	0.32	1.49
	<b>TOTAL</b>	<b>652.03</b>	<b>870.76</b>	<b>243.25</b>	<b>1114.01</b>

\* Separate figures of APL/BPL cards has not been made available by the Govt. of Tamil Nadu as there is no categorisation of APL/BPL households

3.53 Ministry of Rural Development has commenced the Socio-economic and Caste Census 2011 through a comprehensive door to door enumeration across the country to generate information on a large number of social and economic indicators relating to households across the country. The SECC 2011 is being conducted in a phased manner throughout the country by the respective State/Union Territory administration with the financial and technical support of the Ministry of Rural Development. One of the main reasons for the delay in completion of the BPL Census/Socio Economic and Caste Census is the delay in starting of the enumeration work in some of the States due to Legislative Assembly and Local body elections, etc. Besides, the enumeration work took more time to complete than anticipated. In order to improve the robustness of the data, a Verification and Correction module has been incorporated into the process over and above the standard procedure which is an added job. This has resulted in a time over run. About 97% of the enumeration has been completed. The Ministry of Rural Development has constituted an Expert Committee on 28<sup>th</sup> December, 2012 under the Chairmanship of Prof. Abhijit Sen to examine the SECC indicators and for the data analysis and recommend appropriate methodologies for determining classes of beneficiaries for different rural development programmes.

The General Status of SECC 2011 as on 1st March, 2013 is given below:

Sl. No.	Name of States/Union Territories	Total EBs	%age of EBs Enumerated	%age of EBs Enumerated
1.	Diu & Daman	439	439	100.00%
2.	Haryana	49,261	49,261	100.00%
3.	Lakshadweep	117	117	100.00%
4.	Nagaland	4,078	4,078	100.00%

5.	Puducherry	2,310	2,310	100.00%
6.	Dadra & N H	690	690	100.00%
7.	Chandigarh	2,067	2,067	100.00%
8.	Tripura	7,316	7,316	100.00%
9.	Punjab	52,243	51,306	98.21%
10.	Himachal Pradesh	25,036	25,036	100.00%
11.	Karnataka	126,925	126,925	100.00%
12.	Rajasthan	138,064	137,292	99.44%
13.	Gujarat	113,507	112,569	99.17%
14.	Arunachal Pradesh	6,791	6,791	100.00%
15.	Chhattisgarh	49,222	49,169	99.89%
16.	Jammu & Kashmir	25,160	25,139	99.92%
17.	A & N Islands	1,198	1,159	96.74%
18.	Sikkim	1,415	1,145	100.00%
19.	Kerala	68,388	68,369	99.97%
20.	Mizoram	2,301	2,234	97.09%
21.	Goa	3,167	3,165	99.94%
22.	Uttarakhand	27,815	27,815	100.00%
23.	Madhya Pradesh	156,359	156,307	99.97%
24.	Delhi	33,174	33,174	100.00%
25.	Andhra Pradesh	191,655	187,738	97.96%
26.	Tamil Nadu	143,690	142,106	98.90%
27.	Maharashtra	222,601	222,601	100.00%
28.	Meghalaya	9,116	9,106	99.89%
29.	Assam	64,458	64,450	99.99%
30.	West Bengal	178,257	177.303	99.46%



31.	Orissa	96,867	94,701	97.76%
32.	Jharkhand	71,719	68,300	95.23%
33.	Manipur	6,002	5,436	90.57%
34.	Bihar	206,844	170,650	82.50%
35.	U.P.	394,253	384,604	97.55%
	<b>Total</b>	<b>2,482,505</b>	<b>2,421,138</b>	<b>97.53%</b>

**EBs: Enumeration Blocks**

**3.54 The Committee observe that the PDS(Control) Order, 2001 mandates the States/UTs to formulate suitable guidelines for identification of BPL/AAY families as per the poverty estimates adopted by the Central Government. Detailed guidelines issued for identification of eligible AAY families in December 2000 have since been expanded three times in 2003-04, 2004-05 and 2005-06. The Committee also note that the Ministry of Rural Development have commenced the Socio-Economic and Caste census 2011 through a comprehensive door to door enumeration across the country to generate information on a large number of socio-economic indicators of households across the country. As about 97% of the enumerators has been completed, the Ministry of Rural Development has constituted an Expert Committee on 28 December, 2012 under the chairmanship of Prof. Abhijit Sen to examine the SECC indicators and for data analysis and recommend appropriate methodologies for determining classes of beneficiaries for different rural development programmes. The Committee understand during the course of their discussion with the representatives of the Ministry of Consumer Affairs, Food and Public Distribution at the time of the examination of the National Food Security Bill, 2011 that the final result of the SECC will be used by the States/UTs for identifying the households for becoming eligible to get benefit under the ensuing National Food Security Bill and various other development/Welfare Schemes of the Central Government. The Committee, therefore, urge the Department of Food and Public Distribution to closely coordinate with the Ministry of Rural Development so as to persuade them to expedite the work relating to examination of the SECC data analysis and**

**recommend appropriate methodologies for determining the classes of beneficiaries for different rural development programmes on topmost priority.**

## **(i) Elimination of Bogus Ration Cards**

3.55 The Ministry have informed that Public Distribution System (Control) Order, 2001 mandates the State/UT Governments to issue ration cards to eligible applicants and to conduct periodical checking of ration cards to weed out ineligible and bogus ration cards as well as bogus units in ration cards.

3.56 In consultation with the State/UT Governments, a Nine Point Action Plan was evolved in 2006, which inter-alia includes continuous review of BPL/AAY lists and to eliminate bogus/ineligible ration cards alongwith strict action to be taken against the guilty to ensure leakage free distribution of foodgrains. State/UT Governments were also requested to initiate penal action against the Government staff found responsible for issuing bogus/ineligible ration cards and the families/persons possessing such ration cards. Instructions were also issued to all State/UT Governments to carry out an intensive campaign from October, 2009 to December, 2009 to review the existing lists of BPL/AAY families and eliminate ineligible/bogus ration cards. As a result thereof, as per reports received upto 31.12.2012, 28 State/UT Governments have since July 2006 reported deletion of 362.26 lakh bogus/ineligible ration cards. Instructions have also been issued to all State/UT Governments to issue warning to the bogus ration card holders, through advertisements in the newspapers, to surrender the bogus cards. So far, 31 States / UTs have reported issuance of advertisements in the newspaper for surrender/deletion of bogus ration cards, initiation of criminal prosecution, etc.

3.57 When enquired as to how many bogus ration cards have been detected by the Authority under APL, BPL and AAY Schemes during the last two years and what action has been taken against the guilty officials involved in such irregularities. The Ministry have stated that during the year 2011 and 2012, State/UT Governments have reported deletion of 27.53 lakh and 90.71 lakh bogus/ineligible ration cards respectively. State/UT Governments have reported departmental action including suspension, lodging of FIR and recovery action in respect of staff held responsible for issue of bogus ration cards.

3.58 The Committee desired to know if it is a fact that in various States/UTs such as Arunachal Pradesh, Bihar, Haryana, Jharkhand, Kerela, Madhya Pradesh, Meghalaya, Mizoram, Odisha, Rajasthan, Sikkim, Tamil Nadu, Uttarakhand, Chandigarh, no exercise as to deletion of bogus/ineligible ration card has been initiated. In reply, the Ministry stated that deletion of bogus/ineligible ration card has been reported by 28 States/UTs including the States/UTs referred above. As reported upto 31.12.2012, 362.26 lakh ration cards have been deleted by them since July, 2006. A State-wise statement showing the number of bogus/ineligible rations cards deleted by the State/UT Governments with effect from July, 2006 onwards is given below:

<b>Statement showing the number of bogus/ineligible rations cards deleted by the State/UT Governments with effect from July 2006 onwards</b>			
(Updated on 31.12.12)			
<b>Sl. No</b>	<b>State</b>	<b>Nos. of bogus/ ineligible ration cards deleted/eliminated</b>	
		(in lakhs)	
<b>1</b>	<b>2</b>	<b>3</b>	
1	Andhra Pradesh	29.19	
2	Arunachal Pradesh	0.05	
3	Assam	0.72	
4	Bihar	1.60	
5	Chhattisgarh	8.37	
6	Delhi	16.90	
7	Gujarat	43.41	
8	Haryana	0.03	
9	Himachal Pradesh	0.03	
10	Jammu & Kashmir	0.04	
11	Jharkhand	0.65	
12	Karnataka	62.12	
13	Kerala	0.00	&&
14	Madhya Pradesh	24.97	
15	Maharashtra	54.07	
16	Meghalaya	0.00	*
17	Mizoram	0.02	
18	Nagaland	0.13	
19	Orissa	5.07	
20	Rajasthan	0.03	
21	Sikkim	0.01	
22	Tamil Nadu	4.01	
23	Uttar Pradesh	9.23	
24	Uttarakhand	0.16	
25	West Bengal	101.37	(individual cards)
26	Chandigarh	0.08	
27	Lakshadweep	0.00	\$
28	Puducherry	0.00	**
<b>TOTAL</b>		<b>362.26</b>	
Actual figures && 114, * 341, \$ 300, **16			

**3.59 The Committee note that a Nine Point Action Plan, which inter-alia includes continuous review of BPL/AAY lists and to eliminate bogus/ineligible ration cards alongwith taking strict action against the guilty was evolved in 2006 in consultation with State/UT Governments so as to ensure leakage free distribution of foodgrains. As a result of the instructions issued to all States/UTs Governments to carry out an extensive campaign to review the existing list of BPL/AAY families and to eliminate bogus/ineligible ration cards, 28 State/UT Governments have reported deletion of 362.26 lakh bogus/ineligible ration cards since July, 2006. All State/UT Governments were also instructed to issue warnings to the bogus ration card holders through advertisements on the newspapers and to surrender the bogus ration cards. The State/UT Governments have also reported departmental action including suspension, lodging of FIR and recovery action in respect of staff held responsible for issue of bogus ration cards. While appreciating all these steps taken, the Committee are constrained to note that a large number of bogus/ineligible ration cards continue to exist in several States/UTs in the country. The Committee, therefore, strongly recommend the Department to take even more proactive steps in consultation with the States/UT Governments to review the BPL/AAY lists so as to detect and delete bogus/ineligible ration cards on a continuing basis while ensuring that genuine BPL/AAY families are not deprived of the benefits of Public Distribution System (PDS).**

## (j) Targeted Public Distribution System (TPDS)

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

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

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

3.63 The Committee have been informed that for greater transparency in functioning of TPDS, various measures such as display of lists of BPL and AAY families at FPS, display of allocated quantities of foodgrains on web sites, adoption and implementation of citizen's charter, public awareness campaign have reportedly been initiated. When asked by the Committee as to how many States have actually adopted and implemented the Citizen's charter so far, the Ministry stated that the Revised Model Citizens' Charter for Targeted Public Distribution System (TPDS) was issued in July, 2007 by the Government for adoption and implementation by State/UT Governments.

All State/UT Governments except State Government of Jharkhand have reported the adoption and implementation of the Revised Model Citizens' Charter. State Government of Jharkhand has been requested to look into the matter and ensure its early adoption/implementation. As per the UCs furnished by the State Governments, the State-wise details of the various publicity-cum-awareness campaigns initiated by them during the last 3 years is as under:-

Sl. No	State/UT	Various publicity-cum-awareness campaigns
1	Bihar	Advertisement in Print Media-local Hindi Newspaper, Briefing to News personnel and press conference at Distt. Level & Audio visual publicity through AIR Chaupal, DD Channel
2	Mizoram	Signboards, coverage on AIR, DD kendras, cable TV network, booklets in regional languages
3	Orissa	Deployment of youth groups, banners, printing designs, flex boards, electronic media (ETV/OTV etc.), stationary, photographs, press meet etc.
4	West Bengal	Campaign through Akashbani, TV channel including DD and regular advertisement in newspapers, distribution of leaflets, calendars with information on PDS, etc.
5	Andhra Pradesh	Awareness campaign in two mediums-Telugu and Urdu through Print media, Electronic media, posters and pamphlets
6	Meghalaya	Print media, hoardings, Electronic Media, audio-visual publicity
7	Nagaland	Newspaper advertisement, hoardings,
8	Sikkim	Advertisement in local newspapers, booklets, posters, bill boards, radio advertisement
9	Kerala	Advertisements through electronic and print media, posters distribution in Panchayats, quiz competitions, documentaries, etc.
10	Karnataka	Advertisement through radio channels, print media, telecast of documentaries, hoardings, handbill, booklets, etc.
11	Rajasthan	Advertisements in local newspapers, placing hoardings, posters and pamphlets, cinema slides, bulk sms, press conferences though local electronic media, etc.

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

In 2001, the State/UT Governments were given flexibility in the matter of fixing the margin for the FPSs by removing the restriction that the difference between the retail issue price and the CIP for distribution of foodgrains to BPL families under TPDS should be within 50 paise per kg. This is, however, not to apply to distribution of



foodgrains under Antyodaya Anna Yojana where the end retail price is to be retained at Rs.2/- per kg for wheat and Rs.3/- per kg for rice.

Since fixing of FPS dealers' margins on distribution of foodgrains to TPDS beneficiaries falls within the jurisdiction of State/UT Governments, necessary action in the matter is to be taken by them. Government has been urging all States/UTs from time to time to ensure the viability of FPS operations by increasing the FPS dealers' margin. Hon'ble Minister of State (IC), CAF&PD vide letter dated 17.10.2012 has also taken up the issue of increase in the commission of FPS dealers with Hon'ble Chief Ministers/Administrators in States/UTs. Further, during the Conferences held in July, 2010 and October, 2012, this Department has impressed upon States/UTs regarding the need for increasing the FPS dealers' margins and ensuring their viability. Some States have proposed that Central Government should bear the expenditure on margins paid to the FPS dealers in respect of distribution of foodgrains for AAY category.

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

3.66 When asked by the Committee whether monthly certification Scheme by Village Panchayats/Urban local bodies/vigilance Committees has been implemented in all the States, the Ministry stated that upto 31.12.2012, 23 State/UT Governments have reported on implementation of monthly certification scheme. The remaining States/UTs are being pursued for the implementation of monthly certification scheme.

**3.67 The Committee observe that for greater transparency in the functioning of TPDS, various measures such as display of list of BPL and AAY families at FPS, display of allocated quantities of foodgrains on websites, adoption and implementation of Revised Model Citizens Charter have been initiated. Besides, 11 States have also undertaken various publicity-cum-awareness campaign's such as advertisements in Print and Electronic Media in local and Hindi Newspapers including AIR and DD Channels, distribution of booklets in regional languages, use of sign boards, banners, posters, billboards, quiz competitions, deployment of Youth groups etc. Despite the various steps taken by the Department and the reported adoption and implementation of the Revised Model Citizen Charter by all State/UT Governments except the State Government of Jharkhand, the Committee feel that there is no visible improvement in regard to transparency and efficiency in the functioning of the TPDS in the country. The Committee, therefore, desire that the Department should impress upon all the State/UT Governments to ensure that the Revised Model Citizen Charter is implemented in letter and spirit and also more publicity-cum-awareness campaign are undertaken during the current financial year.**

**3.68 The Committee also note that the State/UT Governments have been authorized to fix margin over and above the Central Issue Price(CIP) to be charged by the FPS Dealers to cover transport charges, margin etc. for distribution of foodgrains to the TPDS beneficiaries. However, in case of AAY, the end retail price of foodgrains is to be retained at Rs.2/- per kg for wheat and Rs.3/- per kg for rice. Though fixing of FPS margin comes under the domain of State/UT Governments, the Central Government has been advising the State/UT Governments from time to time to ensure viability of FPS operations by increasing FPS dealer's margin. The Committee are happy to note that the issue of FPS dealer's margin was taken up by the Hon'ble Minister of State in-charge of Consumer Affairs, Food and Public Distribution with Hon'ble Chief Ministers/Administrators in States/UTs. The Committee, however, regret that whether all these efforts made by the Government have any positive impact on the FPS operations in the country is not known. The Committee, therefore, recommend that the Department should examine the proposal of some states regarding bearing of expenditure by the Central Government on the margins paid to the FPS dealers in respect of foodgrains distributed to AAY category and also take necessary steps to ensure viability of FPS operations in the country.**

## CHAPTER IV

### **FOOD CORPORATION OF INDIA (FCI)**

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

4.2 Since the FCI is established under a special Act of Parliament and does not come under the Companies Act, hence the capital of FCI is in the form of Equity only and is not divided into shares. The authorized and subscribed capital of FCI as on 31.12.2012 stood at Rs. 3,500 crore and Rs. 2672.95 crore respectively.

#### **(a) Dues and Liabilities of FCI**

4.3 The Ministry has informed that the outstanding dues of FCI to be recovered from various Ministries on account of providing foodgrains for various welfare schemes on payment basis during the year 2010-11, 2011-12 and 2012-13 are as under:

(Rs. in crore)

Ministry of Rural Development #		
Year	Amount Received	Balance Outstanding (As on 31 March)
2010-11	-	2890.82 (prov.)
2011-12	-	2890.82 (prov.)
2012-13	-	2890.82 (prov.) as on 31.01.2013

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

(Rs.in crore)

Ministry of Human Resource Development*		
Year	Amount Received	Balance Outstanding (As on 31 March)
2010-11	1357.56	176.97 (It includes Rs.39.53 crore as outstanding amount against centralized system)
2011-12	1097.87	317.99 (It includes Rs.38.46 crore as outstanding amount against centralized system)

2012-13	774.89	397.93 (Provisional as on 31.01.2013). It includes Rs.9.19 crore as outstanding amount against centralized system.
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\* Since 1.4.2010, this scheme has been decentralized and the payment is made by concerned Revenue District Authorities.

The above outstanding amounts exclude Revolving Fund of R300 crore provided by the Ministry of HRD.

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

4.5 When asked by the Committee whether any steps have been taken to liquidate the outstanding dues of FCI over the years, the Ministry informed that to liquidate the outstanding dues of FCI, the matter has been taken up regularly by this Department at different levels including at Minister's level with Ministry of Finance and concerned Ministries i.e. Ministry of Rural Development and Ministry of Human Resource Development. FCI is also pursuing the matter regularly with MoRD and MoHRD to recover the dues pending against these Ministries on account of supply of foodgrains for their respective schemes.

**4.6 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 outstanding amount against Ministry of Rural Development as on 31.03.2013 is Rs. 2890.82 crore for each of the years 2010-11, 2011-12 and 2012-13. The amount outstanding against Ministry of Human Resource Development as on 31.03.2013 for the year 2010-11, 2011-12 and 2012-13 is Rs. 176.97, Rs. 317.99 and Rs. 397.93 crore respectively, which exclude revolving fund of Rs. 300 crore provided by the Ministry of Human Resource Development. The Committee are surprised to note that no time limit has been fixed for making payment by the Ministry of Rural Development for foodgrains supplied under SGRY Scheme which has been closed on 31.3.2008. In respect of Mid-Day Meal Scheme (MDM) of the Ministry of Human Resource Development, there is time limit of 20 days for making payment after submission of bills in the subsequent month (time for submission of bills is 10 days) by the District Authorities under the Decentralized Scheme of Payment. However, the prescribed time limit is not adhered to strictly by the Ministry of Human Resource Development/District Authorities. The Committee find that despite various steps taken by the Department of Food and Public Distribution and even after intervention at Minister's level with the Ministry of Finance and other concerned Ministries i.e. Ministry of Rural Development and Ministry of Human Resource Development, huge amount is still outstanding for several years. The Committee view this with grave concern and reiterate its earlier recommendation made in the report on Demands for Grants (2012-13) and**

**desire that the Department should find ways and means to liquidate these outstanding dues at the earliest so as to avoid undue burden on ever increasing Food Subsidy Bill. The Committee also desire that a time limit should be fixed within which Ministries are required to make payment.**

**(b) Establishment Cost of FCI**

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

(Amt. in Rs Crores)

	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13 (RE)</b>
Staff Cost	2346.25	2285.28	3058.50
Other Establishment Cost	168.23	160.92	335.11
<b>Total</b>	<b>2514.48</b>	<b>2446.60</b>	<b>3393.61</b>
% increase over previous year	37.66	-2.70	38.71

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

4.9 After restructuring of manpower in FCI in 2010 the revised Sanctioned Staff Strength of the Corporation has been reduced from 55,045 to 36,515. The restructuring of FCI was carried out by the Government to strengthen the functional areas like Quality Control, Accounts etc as well as to bring out economy in the functioning of FCI.



**4.10 The Committee note that the net expenditure incurred by FCI including the Establishment Cost is reimbursed by the Government in the form of food subsidy. The Committee are also deeply concerned that a large part of the food subsidy goes towards the establishment cost of FCI which increased from Rs.160.92 crore in 2011-12 to Rs.335.11 crore in 2012-13 despite reducing the sanctioned staff strength from 55,045 to 36,515 in the year 2010. The Establishment Cost is, therefore, still very high and it should be kept under check as the poor are deprived of foodgrains to the extent the food subsidy amount is diverted towards the establishment cost. The Committee, therefore, strongly recommend that ways and means should be devised by the Department so as to reduce the Establishment Cost and ensure that the maximum amount of food subsidy is utilized for distribution of foodgrains to the poor section of the society, who are the most legitimate beneficiaries.**

**(c) Storage – covered and open alongwith utilization status**

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

(Figures in lakh tonnes)

YEAR As on 30 <sup>th</sup> June	COVERED			CAP(OOPEN)			GRAND TOTAL
	OWNED	HIRED	TOTAL	OWNED	HIRED	TOTAL	
<b>2010</b>							
Capacity	129.69	144.3	273.99	26.12	6.33	32.45	306.44
Stocks	114.26	140.46	254.72	16.53	6.76	23.29	278.01
Utlz.	88%	97%	93%	63%	107%	72%	91%
<b>2011</b>							
Capacity	129.91	167.75	297.66	26.36	8.50	34.86	332.52
Stocks	110.80	164.65	275.45	16.15	11.05	27.20	302.65
Utlz.	85%	98%	93%	61%	130%	78%	91%
<b>2012</b>							
Capacity	130.03	195.64	325.67	26.36	12.35	38.71	364.38
Stocks	118.47	201.00	319.47	18.32	17.12	35.44	354.91
Utlz.	91%	103%	98%	69%	139%	92%	97%
<b>2013 (as on 31.01.2013)</b>							
Capacity	129.93	209.46	339.39	26.37	10.43	36.80	376.19
Stocks	90.14	163.93	254.07	9.87	6.24	16.11	270.18
Utlz.	69%	78%	75%	37%	60%	44%	72%

4.12 When asked by the Committee about the present norms of occupancy levels or capacity utilization of each category of storage, the Ministry informed that as per Bureau of Industrial Costs & Prices (BICP), the optimum storage capacity utilisation of the godowns should be 75 %. However, due to higher stock levels during the last few years, capacity utilization has been often exceeding 80%. For construction of capacity under the PEG Scheme, capacity utilisation norm of 80 % has been considered. There is no proposal for de-hiring of the hired capacity in view of the overall space crunch being faced by the FCI.

4.13 In reply to a query regarding rent paid by FCI to each agency for hiring of godowns agency wise, the Committee are informed that the details of the rent paid by the FCI for hiring of godowns are as under:-

(Figures in lakhs rupees)

Year	CWC	SWC	St. Govt.	Pvt. Parties	Port Authorities
2009-10 (Audited)	16544.24	46884.17	2636.21	10878.08	512.86
2010-11 (Audited)	22910.77	50557.61	2061.19	12680.98	539.36
2011-12 (Audited)	29138.66	63360.74	3863.81	13769.05	1286.70

**4.14 The Committee are concerned to note that as on 31.01.2013, the utilization of CAP (owned) storage capacity of FCI was only 37% and that of CAP(hired) capacity was only 60%. The Committee are constrained to observe that on the one hand, there is overall shortage of storage facilities in the country and, on the other, the FCI could not make full use of their owned and hired CAP storage capacity. Besides, FCI has been spending a huge amount every year for the last many years on hiring the godowns. The Committee, therefore, desire that utmost care should be exercised by FCI to maximize storage capacity utilization for owned as well as hired godowns. The Committee also strongly recommend that FCI should ensure that their owned capacity is utilized to the maximum before hiring any storage capacity in order to save precious funds, on hiring the storage space to the extent possible.**

#### (d) Construction of storage godowns

4.15 When asked about how much storage capacity has been constructed by FCI during the last three years and the targets & achievement for construction of godowns, physical and financial, the Committee was informed as under:-

#### (A) Capacity creation under Plan Schemes

The capacity constructed by FCI during last 3 years i.e. 2010-11, 2011-12 and 2012-13 showing physical & financial targets and actual achievement alongwith reasons for shortfall is as follows:-

(Fig. Rs. in crores) (Capacity in 000' tonnes)

Year	Target			Achievements			Equity released by the Ministry
	Storage construction programme			Storage construction programme			
	General	NE	Total	General	NE	Total	
2010-11							
Financial	10.00	25.00	35.00	3.00	17.24	20.24	35.00
Physical	2.50	5.00	7.50	-	5.00	5.00	
2011-12							
Financial	7.30	59.94	67.24	3.96	17.48	21.44	61.94
Physical	8.325	12.500	20.825	6.665	4.590	11.255	-
2012-13#							
Financial	8.50	70.00	78.50	-	12.32	12.32	78.54##
Physical	-	13.360	13.360	1.660	2.910	4.570	

# Achievement as on 31.12.2012

## This includes the unspent equity of Rs. 55.26 crores (Rs. 51.20 crores NE and Rs. 4.06 crores others) of 11th Five Year Plan as on 31.3.2012

#### (B) Capacity creation under PEG Schemes

Details of storage capacity constructed under PEG Scheme during last three years are as under:

Year	Storage capacity constructed in lakh MT	Target
2011-12	28.16	32.70
2012-13 (upto Feb. 13)	18.72	45.00

4.16 Asked whether construction of godowns is still in progress in any part of the country and about the latest position as to the construction of godowns in J&K, NE States and Lakshadweep, the Ministry stated that the Government has undertaken a Plan Scheme to augment the storage capacity especially in the N.E. by 5.4 lakh MTs.

Under the Plan Scheme being implemented in the NE Region, there are 13 ongoing and 36 new projects. Capacities have been completed at 3 locations (5000 MT – Hailakandi/Assam, 5000 MT Senapati/Manipur and 2500 MT Jiribam/Manipur). The ongoing projects would create a capacity of 85,550MT which is included in the proposed total capacity of 5,46,730 MT. The capacity augmentation would create storage space sufficient for 3 months storage requirements of the region. There have been problems in getting suitable lands for the storage godowns. However with regular monitoring with state Governments substantial progress has been made. In Arunachal Pradesh State Govt. has handed over the land, free of cost for 9 out of 10 sites proposed for construction. Further, no construction is going on in J & K Region, Lakshadweep and A&N. A capacity of 2500MT has been completed during 2011-12 at Lakshadweep. The summary of ongoing projects and new projects is placed as under:-

**Approved location for construction of godowns in North East Region**

<b>NAME OF STATE</b>	<b>TOTAL NO. OF APPROVED PROJECTS</b>	<b>APPROVED CAPACITY IN MT</b>	<b>LOCATIONS AND CAPACITY IN MT</b>
<b>ASSAM</b>	16	3,47,000	Changsari Ph. I&II - 100000 Hojai-2,500 North Lakhimpur-2500 Jogigopa-2,000 Nowgaon Ph.I& II- 50,000 Silchar-25,000 Dibrugarh-25,000 Bindukuri-25,000 Karimganj-5,000 Kokrajhar –30,000 Bongaigaon-25,000 Junai-25,000 Barpeta Road-25,000 Fakiragram-5,000
<b>ARUNACHAL PRADESH</b>	10	19,730	Seppa-1670 Ziro-5000 Yingkiong-640 Roing – 1120 Khuppa-640, Lohit-3340 Anini-640 Bomdilla- 3340 Tawang -1670 Aalo-1670
<b>MANIPUR</b>	07	37,500	Churachandpur-2500 Thoubal-2500 Bishnupur-5,000 JiribamPh.II- 10,000

			Tamenglong-5000 Chandel-2500 Imphal East -10,000
MEGHALAYA	04	35,000	Baghmara-2500 Tura-2500, Shillong -5000 Burnihat -25000
MIZORAM	02	20,000	Bhairabi -10000 Sairang -10000
NAGALAND	02	15,000	Kohima -5,000 Dimapur -10,000
SIKKIM	04	15,000	Rangpoo -1000 Jorhang -2500 West Sikkim -5,000 South Sikkim-6,500
TRIPURA	04	45,000	Kumarghat -5000 Jirania-20,000 Santi Bazar- 15,000 Ambassa -5,000
<b>Total</b>	<b>49</b>	<b>534230</b>	

4.17 When enquired about reasons for non-achievement of target (physical/financial) as to storage construction programme, the Ministry in its written replies stated that while preparing the Annual Plan 2012-13, a capacity of 10,000MT at Baripada/Odisha was envisaged to be created which is now scheduled to be completed in 2013-14. Now considering the requirement of capacity creation, Goa, Kerala and Himachal Pradesh have also been included in the 12<sup>th</sup> Plan period. The work in Kerala Region at one location was awarded in February 2013 and for the other location it is likely to be awarded shortly. The land at Goa and in HP Region at four locations are yet to be identified. As such no targets were fixed during 2012-13 in areas other than NE.

As against the target of 13360MT in NE Region, a capacity of 2910MT has already been achieved and it is likely that the target shall be met out at the end of current year.

**4.18 The Committee are concerned to note that FCI could not achieve the physical and financial targets set for construction of godowns during 2012-13 in respect of NE States as well as other than NE States. The Committee also note that during 2012-13, physical target set for creation of storage space in NE region was 13.36 MT but its achievement was only 2.9 MT. Financial target set during 2012-13 for NE region was Rs. 70.00 crore but its achievement was only Rs. 12.32 crore. The Department has informed that the shortfall has been mainly due to not getting suitable lands for the storage godowns. The North-eastern States are the most disadvantaged States in terms of lack of infrastructure, communication and rail/road network etc. Inadequacy of storage space in NE region poses a serious threat to running of an efficient Public Distribution System (PDS). The Committee, therefore, desire that Department of Food and Public Distribution should take up the matter urgently with States/UTs at highest level for taking over the lands already identified in these States as well as in North-Eastern States for construction of godowns and ensuring that construction of godowns are completed expeditiously. The Committee further recommend that the Ministry should include the NE States also in the perspective plan drawn for the coming year and make sincere 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 region as well as other than NE States are not deprived of the benefits of PDS for lack of foodgrains storage facilities.**

**(e) Storage and Transit Loss**

4.19 The Committee have been furnished the following details of actual storage, transit and pilferage losses in terms of quantity and value for the last three years by FCI:

**Storage Losses (Wheat + Rice)**

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

Year	Qty. issued	Qty of Loss	Value of Loss	% age of Loss
2010-11	817.20	1.74	323.78	0.21
2011-12	885.33	2.05	405.36	0.23
2012-13 (upto Feb, 2013)	570.23	1.54	343.53	0.27

**Transit Losses (Wheat + Rice)**

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

Year	Qty. Moved	Qty of Loss	Value of Loss	% age of Loss
2010-11	376.02	1.77	281.94	0.47
2011-12	406.02	1.96	333.01	0.48
2012-13 (upto Feb, 2013)	316.96	1.64	301.89	0.52

**(f) Pilferage Losses**

Year	No. of cases	Qty. in MTs	Value (R)	Remarks
2010-11	03	6.5	89100	One case settled
2011-12	04	14.1	376291	Three cases settled
2012-13 (upto Feb, 2013)	-	160 Bags (50 kg each) of wheat	152800	FIR has been lodged against 6 Home Guards on 15.08.2012 and matter is under investigation

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



## **Security and Safety of Storage Complexes**

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

## **Inspections**

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

## **Quality Control Measures**

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

## **Preventive Measures and Monitoring of Losses**

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

## Safeguards for Movement and Storage

- i. Inspection and monitoring of calibration of weigh-bridges.
- ii. Ensuring that all FCI owned godowns are constructed and maintained on scientific lines for storage of foodgrains.
- iii. Movement of foodgrains from one place to another by safe means i.e. normally covered wagons etc.
- iv. Loading of standardized bags as far as possible and leaving 18 inches space near the flap doors.
- v. Proper weighment and accounting at the time of receipt and issue.

4.21 On being asked about the steps being taken to raise proper infrastructure in the country to mitigate loss of foodgrains due to shortage of storage facilities, the Committee was informed that to augment the covered storage gap the Government is implementing the Private Entrepreneurs Guarantee (PEG) Scheme for construction of storage godowns through private entrepreneurs, Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWCs). Assessment of additional storage needs under the scheme is based on the overall procurement/consumption and the storage space already available. Capacity augmentation through PEG and Plan Scheme is given high focus by Ministry of Consumer Affairs, Food & Public Distribution. Under the PEG Scheme, FCI guarantees a 10 years usage of storage capacities to the private investors and 9 years to CWC and SWCs.

4.22 The Department has stated that abnormal storage and transit loss cases are monitored and vigilance cases are initiated against the delinquent officials. Based on the investigations and disciplinary actions, various penalties, including recovery have been imposed upon delinquent officials. Details of penalties imposed on number of employees found responsible on finalization of all the vigilance cases including transit and storage loss cases are as under:

	<sup>(a)</sup> <b>Nature of Penalty imposed</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
1	Dismissal/removal/ compulsorily retired	16	22	43
2	Reduction in rank	8	11	09
3	Reduction in time scale	203	155	168
4	Withholding of increment	111	69	66
5	Recovery from pay for the loss caused	1063	840	1174
6	Withholding of promotion	15	1	5
7	Censure	334	199	270
	<b>Total</b>	<b>1750</b>	<b>1297</b>	<b>1735</b>

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

<b>Sl. No</b>	<b>Nature of irregularity</b>	<b>2011 (As on 31.12.11)</b>	<b>2012 (As on 31.12.12)</b>
1.	Transit/Storage Losses	192	218

**4.23** The Committee note that despite the various initiatives taken by the Ministry to reduce the storage and transit losses, the losses have been increasing marginally both in terms of percentage and values over the last 3 years. While the storage loss of wheat and rice increased from 0.21% in the year 2010-11 to 0.27% in the year 2012-13 (upto February, 2013), the transit loss increased from 0.47% to 0.52% during the same period. However, in terms of values, storage loss of Rs.405.36 crore in 2011-12, came down to Rs.343.53 crore in 2012-13 (upto February, 2013). In the same way transit losses have reduced from Rs. 333.01 crore in 2011-12 to 301.89 crore in 2012-13. The Committee, however, feel that these losses are still too high and need to be minimized further. The Committee, therefore, desire that the Department should continue making vigorous efforts to reduce the storage and transit losses of foodgrains to minimum during the year 2013-14 and beyond.

**4.24 The Committee note that abnormal storage and transit loss cases are monitored and vigilance cases are initiated against the delinquent officials by FCI. Based on the investigations and disciplinary actions, various penalties including recovery have also been imposed upon delinquent officials. The Committee also observe that as many as 192 and 218 cases are pending against FCI officials who were responsible for transit losses during the years 2011-12 and 2012-13 respectively, which is showing an upward trend. The Committee desire that the framework for addressing the pendency of legal cases at department level should be reviewed to include all such essential ingredients necessary for speedier disposal of cases such as streamlining/re-engineering the procedure currently followed, setting guidelines/checklist for various officers, incharges, establishing a monitoring system of legal cases, improving the capacity and skill building of staff etc. The Committee also strongly recommend that steps should be taken to dispose off all pending cases against the delinquent officials expeditiously in a time bound manner.**

**4.25 The Committee also note that the steps are being taken to raise proper infrastructure in the country to mitigate loss of foodgrains due to shortage of storage facilities. In order to augment the covered storage gap, the Government is implementing the Private Entrepreneurs Guarantee (PEG) Scheme for construction of storage godowns through private entrepreneurs, Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWCs). The Committee feel that inadequate and improper storage facility is again a common concern for almost all the States/UTs. Lack of proper storage space in FCI godowns or non-availability of private storage facilities is the major bottleneck for efficient functioning of Targeted Public Distribution System in various States. The Committee also note that huge amount of foodgrains reportedly get wasted due to lack of adequate storage capacity. Moreover, this wastage of foodgrains has become an yearly phenomenon and yet the Department failed to take any concrete measures to prevent this wastage. The Committee desire that the FCI should make use of new ways and material available, for storing grains for longer period, to prevent huge storage losses in future.**

**(g) Corruption in FCI**

4.26 The Ministry have furnished the details of vigilance cases including corruption cases detected on various counts, disposed off & closing balances as under:

PERIOD	OPENING BALANCE AT THE BEGINNING OF THE YEAR/MONTH		NUMBER OF CASES INITIATED		NO. OF CASES FINALIZED		CLOSING BALANCE AT THE CLOSE OF YEAR/MONTH		TOTAL
	MAJOR	MINOR	MAJOR	MINOR	MAJOR	MINOR	MAJOR	MINOR	
2010	199	711	224	1935	248	2208	175	438	613
2011	175	438	185	1191	156	1253	169	310	479
2012	169	310	184	1075	175	1021	178	364	542

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

Year	Cases registered by CBI	Cases registered by Vigilance /ACB of state
2010	9	2
2011	2	1
2012	10	1

It is also stated that responsibilities of the erring officials have been fixed and details of penalties imposed on the FCI employees found responsible for various irregularities including corruption cases are as under:-

	Nature of Penalty imposed	2010	2011	2012
1	Dismissal/removal/ compulsorily retired	16	22	43
2	Reduction in rank	8	11	9
3	Reduction in time scale	203	155	168
4	Withholding of increment	111	69	66
5	Recovery from pay of the loss caused	1063	840	1174
6	Withholding of promotion	15	1	5
7	Censure	334	199	270
	<b>Total</b>	<b>1750</b>	<b>1297</b>	<b>1735</b>

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

Year	CBI cases	CVC
2010	3	1
2011	2	1
2012	13	1

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

**A. PREVENTIVE VIGILANCE MEASURES-**A number of measures of preventive nature which are aimed to reduce the scope for any corruption/ irregularities/fraud have been taken up. Following are by way of illustration :-

**1. Ensuring Fairness and Transparency in food grain procurement functions by-**

- a. Pin-pointing ambiguity in definitions of various Quality Parameters /Refraction of food grains and getting the ambiguity removed
- b. Getting necessary modifications in QC guidelines relating to determination of FAQ quality of food grains to be procured and to put in place an effective system of Appeal for grievance redressal in effective and expeditious manner
- c. Continued emphasis on introduction of Good Laboratory Practices in respect of QC labs
- d. Continued emphasis on introduction of system of Referral Laboratory for grievance redressal
- e. Making Senior Management Functionaries responsible for exercising effective Supervision & Control in QC functions during the period of food grain procurement.

**2. Ensuring Fairness and Transparency in Sales of Food Grain Stock etc.-**

- a. System of procurement of food grains at MSP through a nodal agency of State Government and its distribution as subsidized issue rate through the same State agency does not lapse in recording fictitious procurement and fictitious issue of food grains under government scheme
- b. To ensure that only the food-grain stock which qualifies for PFA quality standards are issued to consumers including under Government scheme
- c. Food grain to be released under schemes of open market sale / sales to targeted users like millers etc is so released in a transparent and fair manner

**3. Ensuring Fairness and Transparency in Procurement of H & T services-**

- a. By ensuring that the terms & conditions of tender notice are not designed to block wider participation of bidders. To ensure monopoly business situation is not created.
- b. Modifications have been made in Model Tender Forms so as to simplify pre-qualification conditions and increase competition.

**4. Ensuring Scientific Management of food grain stocks at Depots and Book Keeping**



- a. By reporting cases in which various records at depot are not maintained properly
- b. By reporting the cases of violation of guidelines regarding proper stacking & preservation of food grains, periodic quality- inspection and categorization, preparation of priority list and cases of violation of FIFO Principles
- c. To check discrepancy in stock position of chemicals and equipments.

**5. Preventive measures against misappropriation / pilferage of food grain stocks**

- a. Investigating cases of discrepancies found in stock position during PV
- b. Ensuring that good stock is not passed off as damaged stock.

**6. Administrative Measures of Preventive Nature-**

- a. All tenders are published in website with provision for downloading tender form.
- b. Tender results are published in web-site of FCI.
- c. Stringent penalty of recovery from contractors has been introduced to deter manipulation/losses.
- d. E-procurement has been successfully implemented in one Region and is now being extended across FCI in a phased manner.
- e. E-payment has been introduced on a comprehensive scale.

**B. PUNITIVE VIGILANCE MEASURES**

As far as punitive vigilance is concerned, following general measures are being taken to check corruption/irregularities/fraud in FCI:

**1. General Punitive Measures-**

- a. Prompt investigation of complaints, Issue of charge sheets in prima facie established cases after preliminary inquiry.
- b. Finalization of departmental proceedings (major/minor) within the prescribed time limits as far as possible and imposition of appropriate penalties.
- c. Review of pending complaints and disciplinary proceedings at the level of lower disciplinary authorities.
- d. Exemplary punishment in cases involving conspiracy or misconduct by individual officers as a strategy to sabotage the system, in appropriate cases.

- e. Reference to CBI/local police of cases where besides departmental action, criminal misconduct/nexus with outside parties is suspected.

**2. Special Punitive Measures-**

- a. Cases of corrupt practices / misappropriation / losses to FCI in which involvement of members of senior management of FCI by 'Act' or 'Omission' is prima facie established, are being brought to the notice of disciplinary authority for seeking advice of CVC at the two prescribed stages of inquiry.
- b. Cases of corrupt practices of serious nature in which CBI has declined to undertake investigation are being brought to the notice of CVC.

**4.28 The Committee are disturbed to note that as many as 613, 479 and 542 vigilance and corruption cases were pending at the end of the year 2010-11, 2011-12 and 2012-13 respectively. It is also noted that as many as 1750, 1297 and 1735 employees of FCI were held guilty of various irregularities during the years 2010-11, 2011-12 and 2012-13 and were given different penalties such as dismissal/removal/compulsorily retired from service, reduction in rank or time scale of pay, withholding increment or promotion, recovery of the loss caused and censure. Apart from these, 13 cases were referred to CBI in the year 2012-13. The number of vigilance and corruption cases detected over the years only reflects the level of rampant corruption amongst the employees of the FCI. The Committee are of the view that the various preventive and punitive measures initiated by the Ministry such as ensuring fairness and transparency in foodgrain procurement functions, sales of foodgrain stock, procurement of H&T services, scientific management of foodgrain stocks at depots, etc. does not have the desired effect to contain corruption. The Committee also feel that inordinate delay in prosecution of cases could be another factor encouraging employees indulging in corrupt practices. The Committee, therefore, recommend that the Department should strictly enforce the various preventive and punitive measures initiated by them and also speedily dispose of cases of corruption so as to create fears in the minds of the employees of FCI and prevent corrupt practices assuming gigantic proportion.**

## CHAPTER V

### CENTRAL WAREHOUSING CORPORATION (CWC)

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

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

5.3 The authorized share capital of the Corporation is Rs.100 crore, out of which Rs.68.02 crore has been paid up. There has been no change in CWC's authorized share capital and paid up share capital since 31.03.1987. The income, expenditure and profit of the Corporation for the year 2012-13 is as under:-

(Rs. in Crore)

Item	2012-13	
	Revised Estimate	Actual upto Feb, 2013
Turn over	1361.64	1249.79
Expenditure	1171.01	1071.46
Profit Before Tax	190.63	178.33
Profit After Tax	120.06	117.00

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

(Rs. in crore)

Year	Dues (represents the amount receivable by CWC from depositors)	Liabilities (represents the amount payable by CWC i.e. Outstanding Liabilities)	Written off Debts
2010-11	215.00	206.00	9.52*
2011-12	222.42	257.80	0.01
2012-13	260.00	250.00	0.50

\*As regards the writing off bad debts amounting to Rs.9.52 crore during 2010-11, it is informed that the Corporation had given an interest bearing loan of Rs.5.00 crore to Fertilizer Corporation of India Ltd. (FCIL), a CPSE under the Department of Fertilizer, in the year 1990. The FCIL had been defaulting in payment of principal and interest thereon. The total amount due against FCIL including interest was Rs.10.96 crore. The Corporation had been pursuing with FCIL and also with Ministry of Chemicals &

Fertilizers, Government of India through the administrative Ministry from time to time. However, in spite of all efforts, the amount could not be realized from FCIL. Under the financial rehabilitation scheme of FCIL, Ministry of Chemicals & Fertilizers had proposed payment of 30% of the principal amount of loan (Rs.5.00 crore) as one time settlement. In view of the fact that the FCIL has been referred to BIFR, the offer made by the Ministry of Chemicals & Fertilizers, the Board of Directors of CWC, in its meeting held on 9<sup>th</sup> May 2011 approved acceptance of 30% of dues and to write off balance 70% of the principal together with the interest accrued thereon as a onetime settlement. Accordingly during the year 2010-11 an amount of Rs.9.47 crore was written off against the provisions in respect of FCIL.

**5.5 The Committee note that the outstanding dues of Central Warehousing Corporation (CWC) have been rising continuously during the last three years - from Rs.215.00 crore in 2010-11 to Rs.260.00 crore in 2012-13. The Committee also observe that with the approval of the Board of Directors of CWC, an amount of Rs.9.47crore was written off in the year 2010-11 against the outstanding dues in respect of the Fertiliser Corporation of India Ltd.(FCIL) considering the fact that FCIL was referred to Board for Industrial and Financial Reconstruction (BIFR). Though the functioning of CWC may not suffer on account of outstanding dues being a profit making PSU, yet the Committee desire that the Corporation should make efforts to liquidate the outstanding dues fully at the earliest. The Committee further urge the Corporation not to write off bad debts in respect of any PSU before exercising every option available under the rules in this regard.**

**(a) Establishment Cost**

5.6 The Establishment cost of the Central Warehousing Corporation (CWC) for the last three years and the current year (upto February, 2013) is as under :-

(Rs. in crore)		
Year	Establishment Cost	No. of Employees
2009-10	404.70	5765
2010-11	355.23	5667
2011-12	501.05	5492
2012-13 (upto Feb. 13)	470.78	5253

The increase in establishment cost from Rs.355.23 crore during 2010-11 to Rs.501.05 crore during 2011-12 was due to provisioning of Rs.100.13 crore for introduction of pension scheme for the employees of the Corporation w.e.f. 01.01.2007. During the current year, the establishment cost is likely to be around Rs.510 crore and the increase is mostly due to likely introduction of PRP scheme for the Executives and likely revision of perquisites of the Group C & D employees w.e.f. 1.1.2012. However, in order to reduce the administrative cost, CWC has taken several measures such as reduction in non-plan expenditure on heads like telephone TA/DA, Advertisement, entertainment etc. 13 Construction Cells have also been closed, retaining only 04 Construction Cells.

5.7 The Department has informed the Committee that with a view to reduce the surplus manpower and reduce the establishment cost, the Corporation had implemented, VRS during the years 1994, 1998, 2002, 2005 and 2008 as a result of which, 2475 employees availed the scheme. As may be seen from the above table, the total manpower has been progressively getting reduced every year. Further, no recruitment is made against retirement of group D employees and other vacancies except the backlog vacancies of SC/ST. Besides, barest minimum number of induction at the level of Junior Technical Assistants, Accountants and Management Trainees are made to meet the operational requirement. Deposit work of construction for other agencies is also being undertaken for gainful deployment of Engineers and to increase the income.

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

	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13 (As on 28.2.13)</b>
<b>No. of employees (as on 31<sup>st</sup> March)</b>	<b>5935</b>	<b>5765</b>	<b>5667</b>	<b>5492</b>	<b>5253</b>
Total capacity available (in lakh MTs)	105.25	105.98	102.47	100.85	105.55
Capacity handled (MT) /per employee	1773	1838	1808	1836	2009
Turnover per employee (lakh Rs.)	14.31	17.14	18.17	22.19	23.80



**5.9 The Committee are happy to note that Central Warehousing Corporation (CWC) has taken various remedial steps/measures to reduce the administrative cost such as reduction in non-plan expenditure on heads like telephones, TA/DA, Advertisement, entertainment etc. Further, steps have been taken to reduce Establishment Cost such as closing of 13 Construction Cells, implementation of VRs schemes etc. Consequently, the Corporation has been able to reduce its manpower from 5765 employees in 2009-10 to 5253 employees in 2012-13 and also reduced the Establishment Cost from Rs.501.05 crore in the year 2011-12 to Rs.470.78 crore in 2012-13 (upto February, 2013). However, the establishment cost is likely to be around Rs.510 crore during the current year due to likely introduction of PRP scheme for the Executives and revision of perquisites of the Group C & D employees w.e.f. 1.1.2012. The Committee feel that though reducing the Establishment Cost to the extent possible is desirable, yet the Corporation should not compromise the manpower strength necessary to not only maintain its efficient overall functioning but also to improve it. The Committee, therefore, recommend that Corporation should make all efforts to minimize its Establishment Cost and also recruit manpower necessary to ensure improved performance of the Corporation.**

**(b) Capacity Utilisation and Construction of additional Storage capacity**

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

(Figure in lakh MT)

Yearly average	Particulars	Owned/ Covered	Hired	Open	Management	Total
2010-11	Capacity	68.74	12.52	15.30	6.95	103.51
	Utilization	60.64	10.74	12.44	6.95	90.77
	%age of Utilisation	88	86	81	100	88
2011-12	Capacity	70.48	10.97	14.58	4.29	100.32
	Utilization	64.06	10.05	12.42	4.29	90.82
	%age of Utilisation	91	92	85	100	91
2012-13	Capacity	72.60	10.82	14.39	4.01	101.82
(Apr'12-Feb'13)	Utilization	68.30	10.08	12.26	4.01	94.65
	%age of Utilisation	94	93	85	100	93

5.11 It is stated that hiring of godowns is done only as a last resort to accommodate the stocks of various depositors at places, where the Corporation does not have its own constructed capacity or if the same is inadequate to meet the business requirement. This is done after undertaking a detailed cost benefit analysis and after satisfying about long-term utilization of the hired godowns.

5.12 Utilisation of hired capacity is regularly monitored to ensure that these are gainfully utilized and in the absence of any assured/continuous usage, de-hiring of the hired capacity is also resorted to. It may be seen from the above tables that the utilization of both owned and hired capacity is constantly increasing and CWC is undertaking creation of more own storage capacity.

5.13 Storage capacity available with the Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWCs) as on 28<sup>th</sup> February, 2013 was as follows:

**Central Warehousing Corporation**

(figure in lakh MT)

Owned		Hired		Total capacity
Covered	73.20	Covered	10.30	83.50
Open	12.97	Open	1.20	14.17
		Management	7.88	7.88
Total	86.17	Total	19.38	105.55

### State Warehousing Corporations

(figure in lakh MT)

Owned		Hired		Total capacity
Covered	135.41	Covered	60.69	196.10
Open	4.76	Open	12.12	16.88
		Management	45.88	45.88
<b>Total</b>	<b>140.17</b>	<b>Total</b>	<b>118.69</b>	<b>258.86</b>

In reply to a query, the Ministry has stated that total rent paid by Central Warehousing Corporation (CWC) for the hired godowns during the last three years and for the current year (upto Feb, 2013) is as under:

Year	Total hired capacity (in lakh MT as on 31 <sup>st</sup> March)	Amount (Rs. in crore)
2009-10	13.90	25.94
2010-11	12.52	24.28
2011-12	10.97	22.30
2012-13 (Provisional)	10.82	23.00

5.14 When enquired about the targets and achievement for creation of storage capacity by CWC (including CRWC) during the year 2012-13, the Department furnished the following table:

(Rs. In Crore)

Item	2012-13				
	Target			Achievement (up to February 2013)	
	Physical (Lakh MT)	Financial		Physical (Lakh MT)	Financial
		BE	RE		
Land plus construction Contribution to share Capital of SWCs	2.10	173.11 4.75	123.90 2.66	2.00	75.15 NIL
<b>Total</b>	<b>2.10</b>	<b>177.86</b>	<b>126.56</b>	<b>2.00</b>	<b>75.15</b>

Regarding non-achievement of physical and financial target in respect of creation of storage space, the Ministry informed that the physical target of the CWC for the year 2012-13 was 2.10 lakh MT against which the actual achievement up to February 2013 has been 2.00 lakh MT. The physical target will be achieved by the end of March 2013.

5.15 The main reason for non-achievement of financial targets regarding contribution to the share capital to the State Warehousing Corporations (SWCs) is the failure of the SWCs to comply with the provisions of the Warehousing Corporations Act, 1962 in the matter of finalization of the Annual Accounts and holding of the Annual General Meeting and lack of demand from the SWCs for infusion of equity, excepting Kerala SWC, Assam SWC, and Meghalaya SWC which are loss making.

Perspective Plan Drawn for construction of godowns during the financial year 2013-14 is as follows:-

**State wise details**

	<b>State</b>	<b>Total (lakh MT)</b>
1.	<b>West Bengal</b>	<b>17000</b>
2.	<b>Assam</b>	<b>7000</b>
3.	<b>Rajasthan</b>	<b>65000</b>
4.	<b>Maharashtra</b>	<b>5000</b>
5.	<b>Odisha</b>	<b>32300</b>
6.	<b>Uttar Pradesh</b>	<b>4200</b>
7.	<b>Madhya Pradesh</b>	<b>25000</b>
8.	<b>Karnataka</b>	<b>32500</b>
9.	<b>Haryana</b>	<b>15500</b>
10.	<b>Bihar</b>	<b>5560</b>
11.	<b>Jharkhand</b>	<b>1800</b>
12.	<b>Chhattisgarh</b>	<b>5000</b>
13.	<b>Tamil Nadu</b>	<b>4400</b>
	<b>Grand Total</b>	<b>220260</b>

5.16 When enquired about details of funds allocated to CWC for construction of godowns in NE Region for the last three years, the Ministry informed that no fund has been allocated by the Government of India to CWC for construction of godowns in NE Region. However, construction of additional storage capacity of 9,000 MT in two warehouses in Assam (CW, Sarbhog and CW, Dhubri) has been planned for 2012-13 out of its own resources. While 2,000 MT at CW, Dhubri is likely to be completed by

31<sup>st</sup> March, 2013, tender in respect of 7,000 MT at CW, Sorbhog has been finalized and Letter of Intent is being issued shortly. Construction of this capacity will be completed in 2013-14.

5.17 When asked by the Committee whether N.E. States are being neglected for construction of storage capacity, the Ministry informed that CWC is operating 9 warehouses in NE region with a total capacity of 1.03 lakh MT. The average occupancy of these warehouses during the years 2009-10, 2010-11 and 2011-12 was 86%, 92% and 90% respectively. The average capacity utilization of the Region during 2012-13 (upto February 2013) was 88%. Since the existing capacity was not even fully utilized, construction of additional capacity could not be considered earlier. However, CWC has planned to undertake construction of additional storage capacity of 2,000 MT and 7,000 MT at Dhubri and Sorbhog, respectively in the existing vacant lands.

**5.18 The Committee are happy to note that CWC is making use of owned as well as hired storage capacities to the maximum which is evident from the percentage utilisation of capacity furnished by the department i.e. 94% for owned/covered capacity and 93% for hired. The Committee hope that the corporation will continue to make best utilization of owned as well as hired capacities and make efforts to minimize dependency on hired capacities in the coming years thereby enhancing its profit.**

**5.19 The Committee are concerned to note that Corporation has failed to achieve its physical as well as financial target for construction of storage space. The physical target set during the year 2012-13 for construction of godowns was 2.10 lakh MT but its achievement was 2.00 lakh MT and the financial target set by the Corporation during the same year was Rs. 126.56 crore but its achievement was only Rs. 75.15 crore. According to the Department, the main reason for non-achievement of financial targets regarding contribution to the share capital to the State Warehousing Corporations (SWCs) is the failure of the SWCs to comply with the provisions of the Warehousing Corporations Act, 1962 in the matter of finalisation of the Annual Accounts and holding of the Annual General Meeting and lack of demand from the SWCs for infusion of equity, excepting Kerala SWC, Assam SWC, and Meghalaya SWC which are loss making. 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 Governments/UT Administrations vigorously and ensure that funds are fully utilized and the physical and financial targets achieved during the current year.**

**5.20 The Committee also note that the perspective plan drawn by CWC for construction of godowns in 2013-14 does not include any NE States except Assam. Construction of additional storage capacity of 9000 MT in two warehouses in Assam (CW, Sarbhog and CW, Dhubri) has been planned for 2012-13. While construction of 2000 MT at CW, Dhubri is likely to be completed by 31<sup>st</sup> March, 2013, tender in respect of 7,000 MT at CW, Sorbhog has been finalized and Letter of Intent is being issued shortly. The CWC is operating 9 warehouses in NE region with a total capacity of 1.03 lakh MT and the average occupancy of these warehouses during the years 2009-10, 2010-11 and 2011-12 was 86%, 92% and 90% respectively. The Committee are not convinced with the plea taken by the Government that since the existing capacity in NE region is not fully utilized, the construction of additional capacity could not be considered earlier as the average capacity utilization of the Region during 2012-13 (upto February 2013) was 88%. The Committee feel that the poor people of the region should not be deprived of benefits of Public Distribution System (PDS) due to shortage of storage space and therefore, recommend that NE region be included in the perspective plan drawn by CWC for construction of godown and ensured that construction of godowns as per the plan are taken up expeditiously so as to complete their construction to facilitate implementation of the National Food Security Act.**



**CHAPTER VI**  
**MANAGEMENT OF SUGAR**

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

**(a) Production of Sugar**

6.2 Sugarcane production is cyclic in nature; cyclicity arising out of cultivation pattern viz. – both by seed and ratoon. There are early and late maturing varieties. Government of India gives grants in aid to research institutes to work on new and improved varieties. Soft loans are also given to sugar factories to give incentives to sugarcane farmers to switch over to new and improved varieties. The Department has furnished the following statement indicating the estimated carry-over stocks, production, consumption, availability, exports, opening and closing stocks for last three sugar seasons:-

(Qty in Lakh tonnes)

Particulars	2009-10	2010-11(P)	2011-12 (P)	2012-13
Carryover stocks with sugar mills from Previous season	35.83	51.25	62.96	66.96
Less -Adjusted 5%	-	2.56	-	-
Export quantity from 2010-11 stock against OGL -3 (allowed but exported after Sep, 11)	-	-	4.42	3.21
Net opening stock	-	48.69	58.54	-
Production of Sugar	188.00	243.50	263.43	246 @
Imports	41.80**	0	-	8.30
Estimated Total availability	265.63	292.19	321.97	312.96
Estimated releases/dispatches for Internal consumption	208.78+ ***3.2	208	227.25	230
Exports against ALS/AAS obligation and OGL	2.4*	26	27.76	-
Total Estimated releases(7+8)		234	255.01	-
Estimated Closing stocks with sugar mills at the end of season	51.25	58.19	66.96	-

\* As per data from DGCI, Kolkata.

\*\* As per Department of Revenue.

\*\*\* Direct import consumption by bulk consumers

@ Estimated

P- Provisional

**NB:** (I) Closing balance of one season is different from opening balance of next season to account for damaged/wet sugar and sugar sold under Court orders etc.

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

(In lakh hectares)

Year	Area under Sugarcane cultivation	Increase/decrease in the area over the previous year	% increase/ decrease
2009-10**	41.75	-2.40	-5.44
2010-11**	48.85	7.10	17.00
2011-12**	50.38	1.53	3.13
2012-13*	50.63	0.25	0.49

\* 2<sup>nd</sup> Advance estimates released by the Department of Agriculture and Co-operation on 08.02.2013

\*\* Final estimates DAC

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

(a) The concept of “ Statutory Minimum Price (SMP)” has been replaced by “Fair and Remunerative Price” (FRP) of sugarcane to provide reasonable margin to sugarcane farmers on account of ‘risk’ and ‘profit’ which is to be uniformly applicable to all States. The amendments to the Sugarcane (Control) Order, 1966, have come into force from 22.10.2009. For 2009-10 sugar season, the Government fixed the FRP of sugarcane at Rs.129.84 per quintal linked to basic recovery rate of 9.5% subject to premium of Rs.1.37 for every 0.1 percentage increase in recovery above that level as compared to the SMP of Rs.81.18 per quintal linked to a base recovery of 9% subject to premium of Re. 0.90 for every 0.1% increase in recovery above 9%, fixed for the last sugar season 2008-09. For 2010-11 sugar season, the Government fixed the FRP of sugarcane at Rs.139.12 per quintal linked to 9.5% recovery level with increase of Rs.1.46 for every 0.1% point increase in the recovery above 9.5%.The Central Government has fixed the Fair and Remunerative Price (FRP) of sugarcane for the sugar season 2011-12 at Rs.145 per quintal for 9.5% recovery subject to a premium of Rs.1.53 for every 0.1 percentage point increase in recovery above that level. Similarly, the Central Government has fixed the Fair and Remunerative Price (FRP) of sugarcane for the sugar season 2012-13 at Rs. 170 per quintal for 9.5% recovery subject to a premium of Rs.1.79 for every 0.1 percentage point increase in recovery above that level and at Rs.210 per quintal for 9.5% recovery subject to a premium of Rs.2.21 for every 0.1 percentage point increase in recovery above that level for the 2013-14 sugar season.

(b) For increasing the production and productivity of sugarcane, a Centrally Sponsored Scheme on “Sustainable Development of Sugarcane Based cropping Systems Areas (SUBACS)” is covered under Macro Management Mode of Agriculture to give more flexibility to States and implement the programmes on the basis of State’s priorities and requirements.

The main thrust of the scheme is on the transfer of improved technologies to the farmers through field demonstrations, training of farmers, supply of farm implements, enhancing seed production and pest measures etc. Under the scheme, assistance is

provided on (i)Field demonstrations (ii)Farmers training(iii)State level training (iv)Implements of bullock drawn and tractor drawn (v)Heat treatment plant (vi)Seed multiplication (vii)Drip irrigation infrastructure and(viii)Contingency.

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

**6.5 The Committee are concerned to note that the production of sugar has declined from 263.43 lakh tonnes in 2011-12 to 246 lakh tonnes in 2012-13. The area under sugarcane cultivation has marginally increased from 50.38 lakh hectares in 2011-12 to 50.63 lakh hectares in 2012-13 i.e. 0.49% increase. The Committee also observe that a number of steps have been taken by the Government to increase sugarcane production in the country such as replacing the concept of "Minimum Price" to "Fair and Remunerative Price", launching a Centrally Sponsored Scheme called "Sustainable Development of Sugarcane Based Cropping System Areas (SUBACS), providing concessional loans to sugar factories from Sugar Development Fund (SDF) etc. Despite all these measures taken by the Government the production of sugarcane in the country has declined during the year 2012-13, which reflects that the steps taken by the Government are not having positive effect. The Committee are of the view that India being the largest consumer of sugar in the world, the production of sugarcane in the country needs to be enhanced. The Committee, therefore, desire that the Government should encourage the farmers to grow early maturing and high-yielding cane varieties, adopt the drip and sprinkler irrigation system and provide every possible assistance/incentive by way of finance, equipments, fertilizers etc. so that sufficient sugarcane is produce domestically and the country need not resort to import of sugar for their consumption requirements. The Committee, therefore, recommend that the nodal ministry in coordination with the Department of Agriculture and Cooperation and the various State Governments should initiate appropriate public private partnership on research and extension programmes, set up soil testing laboratories in sugar cultivation**

**areas to determine and improve fertility of soil, provide training and incentives to farmers for growing sugarcane etc.**

**(b) Buffer Stock**

6.6 The buffer stock maintained by the FCI in respect of wheat and rice and the buffer stock of sugar created by the Central Government and maintained by the sugar factories are entirely different.

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

When there was excess production of sugar in 2006-07 and 2007-08 sugar seasons, the Government had created a buffer stock of 20 lakh tonnes and another buffer stock of 30 lakh tonnes for a period of one year from 01.05.07 to 30.04.08 vide notification dated 20.04.07 and from 01.08.07 to 31.07.08 vide order dated 01.08.07, respectively. Both the buffer stocks were dismantled on their due dates. At present, no buffer stock of sugar is being maintained by the sugar mills.

**6.7 The Committee observe that the Government had created a buffer stock of 20 lakh tonnes and another buffer stock of 30 lakh tonnes for a period of one year from 01.05.07 to 30.04.08 vide notification dated 20.04.07 and from 01.08.07 to 31.07.08 vide order dated 01.08.07 respectively. Subsequently, when the production of sugar declined, the Government dismantled the buffer stock on their due dates. The Committee feel that maintaining buffer stock of sugar is very much essential to meet the requirement of PDS as also crisis situation in the years of deficit sugar production. The Committee, therefore desire that government may review its buffer stock policy with a view to exploring the possibility of maintaining buffer stock of sugar and take appropriate measures in this regard.**

### **(c) SUGAR DEVELOPMENT FUND**

6.8 Under the Sugar Cess Act, 1982, a cess of Rs. 14.00 per quintal was being collected on all sugar produced by any sugar factory in India upto 31<sup>st</sup> December, 2007. The cess has been increased to Rs. 15 per quintal with effect from 1<sup>st</sup> January, 2008, which has further been increased to Rs. 24/- per quintal with effect from 1<sup>st</sup> March, 2008.

The Sugar Development Fund Act, 1982 provides that an amount equivalent to the proceeds of the duty of excise levied and collected under the Sugar Cess Act, 1982 reduced by the cost of collection as determined by the Central Government, together with any money received by the Central Government for the purpose of this Act, shall after due appropriation made by Parliament by law, be credited to the Sugar Development Fund.

6.9 Under the Sugar Development Fund Act, the fund has to be utilized by the Government of India for the following.

- (i) Making loans for facilitating the rehabilitation and modernization of any factory or any unit thereof; including to a potentially viable sugar undertaking.
- (ii) 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.
- (iii) Making grants for the purpose of carrying out any research project aimed at the promotion and development of any aspect of Sugar Industry.
- (iv) Defraying expenditure to a sugar factory on internal transport and freight charges on export shipment of sugar with a view to promoting its export.
- (v) Making loans to any sugar factory having an installed capacity of 2500 TCD or higher to implement a project of bagasse-based co-generation of power.
- (vi) Making loans to any sugar factory having 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.
- (vii) 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.



(viii) 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.

(ix) Defraying any other expenditure for the purpose of the Act.

6.10 During the period from 1982-83 to 2012-2013 (upto 31/12/2012) net amount of Rs. 7124.85 crore was collected as cess, Rs. 6353 crore was transferred to the Sugar Development Fund, Rs. 9296.33 crore (transfer of cess collected and interest earned on SDF loans) were disbursed for the development of sugar industry up to 31/01/2013 as per provisions contained in the Sugar Development Fund Act, 1982 and rules framed there under and as amended from time to time.

This disbursement from SDF on each of the above purpose since inception upto 31/01/2013 is as follows:-

Sl.No.	Particulars	(Rs. in crore)
(i)	Loans to sugar factories for modernization/rehabilitation of plant and machinery including expansion of capacity	2529.46
(ii)	Loans to sugar factories for sugarcane development	849.49
(iii)	Grants to research institutions	26.96
(iv)	Expenditure on buffer stock maintenance	1676.62
(v)	Loan to sugar factories for baggase-based-co-generation power projects	1935.16
(vi)	Loan to sugar factories for projects for production of anhydrous alcohol or ethanol	430.40
(vii)	Expenditure on internal transport & freight charges on export shipment of sugar	952.50
(viii)	Administration of SDF	135.93
(ix)	National Institute of Sugar, Kanpur	15.33
(x)	SEFASU	746.45
	<b>Total</b>	<b>9296.33</b>

As on 31/12/2012, an amount of Rs. 3661.84 crore has been repaid by the sugar factories(principal plus interest) on the loans given to them from SDF, which as per SDF Rules, gets credited to the Fund directly for use for the above-stated purposes.

### **Payment From Sugar Development Fund**

#### **(i) Subsidy for Maintenance of Buffer Stock of Sugar**

There was appreciable decline in the market prices of free sale sugar, which constrained the capacity of the sugar mills to pay the cane price to sugar cane growers. In order to mitigate the hardship of the sugarcane growers, the Government had created

the buffer stock of 20 lakh MTs of sugar for the period of one-year w.e.f. 18.12.2002 to 17.12.2003. The period of above buffer stock was further extended for one more year i.e. up to 17.12.2004. The buffer subsidy disbursed for the buffer stock created during 2002-03 sugar season is Rs. 591.87 crores (up to 06.12.2012). Only a fraction of cases with involved amount of about 20 crores, are pending settlement, mostly due to lack of proper documentation.

Similarly, in order to alleviate the distress of the sugar mills to pay cane price to sugarcane farmers due to fall in prices of sugar in open market and also in the international market, the Government created a buffer stock of 20 lakh MTs for a period of one year from 01.05.2007 to 30.04.2008 vide notification dated 20.04.2007 and an additional buffer stock of 30 lakh MTs for the period of one year from 01.08.2007 to 31.07.2008 vide Order dated 01.08.2007.

Accordingly, buffer stocks were allocated to 432 sugar factories out of 20 lakh MTs buffer stock created for the period from 01.05.2007 to 30.04.2008, and to 371 sugar factories out of 30 lakh MTs buffer stock created for the period from 01.08.2007 to 31.07.2008.

Further, for settlement of buffer stock subsidy claims for the buffer stock created during 2006-07 sugar season onwards, a new Rule 19A was inserted in the SDF Rules, 1983, vide notification dated 08.11.2007. The buffer subsidy disbursed for the buffer stock created during 2006-07 sugar season is Rs. 616.83 crores (up to 06.12.2012). Only a fraction of cases with involved amount of about 30 crores, are pending settlement, mostly due to lack of proper documentation.

The objective of the scheme is to give subsidy to the sugar mill to enable them to liquidate the sugarcane price arrears. The table below indicates the performance for 2011-12 and 2012-13.

(Rs. in crore)

Performance in 2011-12				Performance in 2012-13			
Target		Target		Target		Target	
Physical	Financial	Physical	Financial	Physical	Financial	Physical	Financial
120 cases	50.00	38 cases	11.49	30 cases	6.00	4 cases	1.09

## Loans for rehabilitation/modernization of sugar industry

(₹ in crore)

Performance 2011-12					Performance 2012-13				
Targets		Achievements		Reasons for variation	Targets		Achievements (upto 18.12.12)		Reasons for variation
Physical	Financial	Physical	Financial		Physical	Financial	Physical	Financial	
-	125.00	Increased crushing capacity by 5450 tonnes.	117.5595	Target could not be achieved due to non-furnishing of requisite information/proper documents by the concerned sugar mills.	-	100.00	Increased crushing capacity by 15000 tonnes.	31.59 @	-

**@ Target was achieved before 31.03.2013 and BE of Rs. 100.00 crore was met.**

**6.11 The Committee note that Sugar Development Fund(SDF) is being utilized by the Government for various purposes such as providing loans for facilitating the rehabilitation and modernization of any sugar factory, loans for undertaking any scheme for development of sugarcane, grants for carrying out any project aimed at the promotion and development of any aspect of sugar industry, defraying expenses to sugar factory on internal transport and freight charges on export of sugar, loans to any sugar factory having an installed capacity of 2500 TCD or higher etc. It is observed that an amount of Rs.9296.33 crore have so far been disbursed from SDF since its inception and the sugar factories have repaid an amount of Rs.3661.84 crore (principal plus interest) as on 31.12.2012. The Committee are of the view that modernization of sugar mills and rehabilitation of sick sugar mills should be accorded due importance so as to ensure regular supply and availability of sugar in the market. The Committee, therefore, recommend that the sugar mills should be encouraged to avail loans/financial assistance from the SDF not only for the purpose of reviving the sick sugar mills but also for modernization/upgradation of the mills for improving their efficiency and production.**

**6.12 The Committee note that the objective of the scheme "Subsidy for Maintenance of Buffer Stock of Sugar" is to give subsidy to the sugar mills to enable them liquidate the sugarcane price arrears. Under the Scheme, the amount of buffer subsidy disbursed was Rs.591.87 crore during 2002-03 and Rs.616.83 crore during 2006-07 sugar season respectively and cases involving an amount of Rs.20 crore and Rs.30 crore respectively are pending settlement due to lack of documentation. Now that a new Rule 19A has been inserted in the SDF Rules, 1983 for settlement of buffer stock claims, the Committee hope that the pending cases involving an amount of Rs.20 crore and Rs.30 crore would be settled during the current financial year.**

**Payment of internal transport and freight charges, ocean freight and handling & marketing charges on export shipment of sugar:-**

6.13 The Central Government vide its Notifications dated 21.6.2002 and 19.11.2003 decided to defray the expenditure on internal transport and freight charges and payment of neutralization of ocean freight charges and handling and marketing charges respectively to the sugar factories on export shipment of domestically manufactured sugar with a view to promoting sugar export and liquidating surplus sugar stocks available with the sugar factories. Defraying of expenditure on export shipment of the sugar was made effective for exports made with effect from 21.6.2002 upto exports made till 18.8.2004 in pursuance of release orders issued upto 20.6.2004 with validity of two months.

The Government has announced new export assistance on export of sugar by sugar mills for exports made on or after 19.4.2007 for one year. which was later extended to 30-09-2008 under Govt. order dated 28-03-2008..The new export assistance cover payment of internal transport and freight charges including ocean freight and handling and marketing charges at a flat rate of Rs. 1350 per tonne for sugar mills located in coastal states and Rs. 1450 per tonne for sugar mills located in non-coastal states. The procedural details etc. for new export incentives have been notified on 7<sup>th</sup> November,2007 by amending SDF Rules with insertion of rule 20 A therein.

6.14 The past performance and physical target & achievement during the financial year 2008-09, 2009-2010, 2010-2011, 2011-2012 and 2012-2013 (upto 26.11.2012) are given below:-

(₹ in Crore)					
Year	Target		Achievement		Reason for variation
	Physical	Financial	Physical	Financial	
2008-09	700 Nos. of claim	₹ 285	462 Nos. of claim	₹ 285	Target has been Achieved.
2009-10	700 Nos. of claim	₹ 285	443 Nos. of claim	₹ 285	Target has been Achieved.
2010-11	300 Nos. of claim	₹ 150	268 Nos. of claim	₹ 146.81	Target could not be achieved due to non-furnishing of requisite information/proper documents by the concerned sugar mills.
2011-12	50 Nos. of claim	₹ 15	41 No. of claims	₹ 15	Target has been Achieved.
2012-13 (upto 26.11.2012)	20 Nos. of claim	₹ 10	10 Nos. of claim	₹ 4.21	Target likely to be completed upto 31st March, 2013.

Target met before 31.03.2013.

6.15 The Committee note that the physical target under the scheme reimbursement of internal transport and freight charges, ocean freight and handling and marketing charges on export shipment of sugar has never been achieved since the year 2008-09 onwards. However, the financial targets have been achieved except during the year 2010-11 when the achievement was Rs.146.81 crore against the target of Rs.150 crores. The reason for not achieving the targets is stated to be non-furnishing of requisite information/proper documents by the concerned sugar mills. The Committee, therefore, desire that concerted efforts should be made for achieving the physical targets also by reviewing the procedural formalities, if necessary, for settlement of claims.

**(d) CANE PRICE ARREARS**

6.16 When enquired about the arrears of the amount to be paid to sugarcane growers by sugar mills for procurement during each of the last three years, the Ministry furnished a statement showing the cane price arrears for the last three sugar seasons which are as follows:-

**(Rs. in crores)**

For the Sugar Season	Outstanding cane price arrears as on 15.02.2013
2012-13	10694.93
2011-12	122.03
2010-11 & earlier	285.99
<b>Total</b>	<b>11102.96</b>

The Sugarcane (Control) Order, 1966, contains the necessary provisions for action against defaulting sugar mills and the powers in this regard are delegated and vested with the State Governments concerned who have the necessary field formations.

6.17 The Ministry also informed the State-wise and Sugar Season-wise position of Cane Price Arrears as on 15.02.2013 which is as follows:-

STATE-WISE AND SUGAR SEASON-WISE POSITION OF CANE PRICE ARREARS AS ON  
15.02.2013

**(Rs. In Lakhs)**

STATE	Sugar season 2012-13	Sugar season 2011-12	2010-11 & Earlier	TOTAL
Punjab	13,116.69	0	0	13,116.69
Haryana	19,058.99	0	0	19,058.99
Rajasthan	52.05	0	0	52.05
Uattar Pradesh	5,83,611.00	2,306.70	10,654.55	5,96,572.25
Uttarakhand	33,347.29	2,374.36	117.94	35,839.59
Madhya Pradesh	455.2	0	1,339.46	1,794.66
Chattisgarh	0	0	0	0
Gujarat	36,176.48	5.34	1,340.80	37,522.62
Maharashtra	38,662.97	352.16	4,594.91	43,610.04
Bihar	38,263.41	183.97	3,209.58	41,656.96
Assam	0	0	0	0
Andhra Pradesh	57,848.48	605.78	3,309.32	61,763.58
Karnataka	1,89,210.00	2,505.26	3,818.15	1,95,533.41
Tamilnadu	55,165.26	3,660.97	215.23	59,041.46
Kerala	0	0	0	0



Orissa	1,254.80	202.19	0	1,456.99
West Bengal	425.07	0	0	425.07
Nagaland	0	0	0	0
Puducherry	2,308.50	6.93	0	2,315.43
Goa	537	0	0	537
Dadar & nagar Haveli	0	0	0	0
<b>Total</b>	<b>10,69,493.19</b>	<b>12,203.66</b>	<b>28,599.94</b>	<b>11,10,296.79</b>

Since the cane price dues payable to the cane growers for a sugar season pertains to supply of sugarcane to different sugar mills at different points of time and the position is continually changing on account of payment towards fresh supplies by a very large number of farmers during the course of the season, it is not possible to pinpoint the dates from which such dues are pending to individual farmers.

6.18 During the last sugar season 2011-12, the Central Government has allowed export of 20 lakh tons in two tranches of 10 lakh tons each to augment the liquidity of sugar mills so as to enable them to pay cane price in time. In 2010-11 sugar season, the Central Government had allowed export of 26.18 lakh tons of sugar under various categories for the said purpose. Further, the Sugarcane (Control) Order, 1966, contains the necessary provisions for action against defaulting sugar mills and the powers in this regard are delegated and vested with the State Governments concerned who have the necessary field formations.

6.19 When asked about the concept of decontrol and deregulation of sugar industry the Ministry informed that Some of the regulations in Sugar industry are as under:-

- i. Sugar farmers and factories are bound by cane area reservation.
- ii. Sugar factories are required to maintain minimum radial distance of 15 km from each other.
- iii. Sugar factories are statutorily required to pay FRP as fixed by the Central Government and the SAP as advised by the State Governments – the rationale behind fixing SAP emanates from the logic of cane area reservation. The farmers are bound to supply cane to a particular factory; as such, the Government has to intervene and ensure that the sugarcane farmers get a fair price.
- iv. A part production is requisitioned from sugar factories as levy sugar for distribution in the PDS at a uniform retail issue price throughout the country. The annual requirement of levy sugar is about 28 lakh tonnes.
- v. Sale of non-levy sugar by sugar factories is controlled by the monthly release orders issued by the Central Government.
- vi. Sugar packaging is also subject to The Sugar (Packing and Marking) Order 1970
- vii. The Central Government vide ID Note dated 20.01.2012 constituted a committee headed by Dr. C. Rangarajan on Sugar Industry to comprehensively look into all the issues related to deregulation of the sugar sector. The committee submitted its

report to the Government on 5<sup>th</sup> October, 2012. The Committee has, inter-alia, recommended removal of the levy sugar obligation and dispensing with the regulated release mechanism on non-levy sugar; Rationalisation of sugarcane pricing; Abolition of cane area reservation system and bonding; Doing away with the minimum distance norms as states discontinue cane area reservation; liberalization of sugar trade; market determination of prices of by-products with no earmarked end use allocations; and taking out sugar from the purview of Jute Packaging Materials (Compulsory use in Packaging Commodities) Act, 1987. The recommendations of the Committee are under active consideration of the Government.

6.20 In this context, during evidence, the Secretary, Department of Food & Public Distribution informed that based on recommendations of the Rangarajan Committee, Government has decided to do away with the restriction of 10% requisitioning of sugar as levy sugar from sugar mills which, in turn, improve the financial position of sugar mills and which thereby reduced the cane price arrears.

6.21 The Committee are shocked to note that cane price arrears to farmers are constantly on the rise and the outstanding cane price arrears are as high as Rs. 11102.96 crore as on 15th February, 2013. The Committee are pained to note that although payment of sugarcane arrears 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 2012-13 and earlier are still outstanding. Fatty outstanding cane arrears often prompt cane growers to shift to other crops every two years or so which leads to occasional shortfall in sugar output, pushing up consumer prices and a glut deficit cycle. The Committee feel that non-payment of cane price arrears in time can be discouraging and might refrain the farmers from growing sugarcane who may opt for producing other crops. Farmers need to be paid remunerative price immediately on delivery of his agricultural produce. Based on recommendations of the Rangarajan Committee, Government has further decided for removal of levy sugar obligation and dispensing with the regulated release mechanism on non-levy sugar which in turn would affect the profitability of millers and bargaining power of farmers. During evidence, the Secretary, Department of Food & Public Distribution stated that by doing away with the practice of compulsory requisition of part production from sugar factories as levy sugar for distribution to Public Distribution System will, in turn, improve the financial position of the sugar mills and will enable them to make payment of cane price arrears at the earliest. The Committee hope that the Government's attempt to decontrol sugar will play a significant role in reducing the cane price arrears of sugar mills. The Committee note that Sugarcane (Control) Order, 1966 also 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, therefore, strongly recommend that to protect the interests of the sugarcane farmers and to motivate them to continue growing sugarcane, the aids/grants given to the sugar mills should be suspended till they liquidate the cane price arrears with interest.**

**(e) Pricing of Sugar**

6.22 When enquired by the Committee about the range of retail price of non-levy sugar in four metro cities during the period from October 2012 to February, 2013 sugar season, the Ministry informed that the range of retail price of non-levy sugar in four metro cities during the above stated sugar season is as under:-

(R Per kg.)

<b>Centre</b>	<b>Range of retail price of non-levy sugar (During the period from Oct, 12 to February, 2013)</b>
Delhi	37.00-41.00
Mumbai	38.00-40.00
Kolkata	38.00-41.00
Chennai	34.00-39.00

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

**6.23 The Committee express its concern over the continuous rise in price of sugar in the country. The Committee feel that the mismatch between production and demand for sugar is primarily responsible for rise in price of sugar. The Committee also note that production of sugar during sugar season 2011-12 was 263.43 lakh tonnes and sugar production estimated to be about 230 lakh tonnes in the current sugar season 2012-13. The Committee, therefore, strongly desire that Government should sincerely work for a long-term policy involving concerted efforts on the part of number of Departments/Ministries and take steps to achieve long-term stabilization of sugar production and its price thereof.**

## CHAPTER VII

### MANAGEMENT OF EDIBLE OILS

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

(Qty in lakh tonnes)

Oil Year (Nov-Oct)	Production of Oilseeds(Primary Source)	Net availability of edible oils from all domestic sources**	Imports***	Total Availability/ Consumption of edible oils
2010-11	324.79	97.82	72.42	170.24
2011-12	297.99*	89.57	99.43	189.00
2012-13(Estimated)	294.65	89.90	16.41(upto Dec'12)	

\* Based on the Final Estimate(declared by the M/o Agriculture on 8/2/2013)

\*\* Dte of VVOF

\*\*\* Directorate General of Commercial Intelligence (M/o Commerce)

7.2 The state-wise quantity of production of oil seeds during the last three years is as under:

(Quantity in lakh tonnes)

State/UT	2010-11*	2011-12**	2012-13***
Andhra Pradesh	19.96	12.65	15.46
Bihar	1.36	1.39	1.78
Chhattisgarh	2.17	1.69	2.16
Gujarat	48.96	50.35	33.86
Harayana	9.64	7.71	9.41
Karnataka	12.70	9.42	9.50
Madhya Pradesh	80.35	77.28	82.91
Maharashtra	50.40	44.85	41.29
Odisha	1.80	1.66	1.84
Punjab	0.71	0.68	0.82
Rajasthan	66.05	57.44	60.62
Tamil Nadu	9.33	11.14	11.62

Uttar Pradesh	9.19	9.35	9.50
West Bengal	7.04	6.72	7.74
Others	5.13	5.66	6.14
<b>All India</b>	<b>324.79</b>	<b>297.99</b>	<b>294.65</b>

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

\*\* Based on Final Estimate( declared by M/o Agriculture on 08.02.2013)

\*\*\* Based on 2<sup>nd</sup> Advance Estimate (declared by M/o Agriculture on 08.02.2013).

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

7.3 When asked the reasons for less production of oilseeds during 2012-13, the Department in its written reply stated as under :-

- (a) Decline in acreage under cultivation.
- (b) Less monsoon rains in major oilseeds growing states of Rajasthan, Gujarat, Maharashtra and Karnataka in 2012-13.
- (c) No substantial increase in productivity which remains about 1000-1100kg/ha for last 5 years
- (d) Lesser yield of oilseeds

7.4 The Ministry has also informed that the deficit in domestic production over domestic demand is met by imports and to ensure adequate availability of edible oils, various steps have been taken by the Government such as:-

- (i) The import duty on refined edible oils has been kept at 7.5%
- (ii) The ban on export of edible oils (with certain exemptions) has been continued.
- (iii) State Governments have been authorized to impose stock limits on edible oils and oilseeds.
- (iv) In order to provide relief to consumers especially BPL households, a Scheme for distribution of subsidized imported edible oils through Central PSUs and distributed by State/UT Governments has been implemented since 2008 with a central subsidy of Rs.15/- per Kg for distribution through PDS. The scheme has been extended in October 2012 upto September 2013.

7.5 When asked about reasons for decline in production of oilseeds specifically in Gujarat during 2012-13 as compared to 2011-12, the Ministry stated that in the case of the State of Gujarat, due to less rains during monsoon, the area under cultivation in 2012-13 was 26.54 lakh hectares as against 31.31 lakh hectares in 2011-12, i.e, a drop of 15.23%. The productivity also decreased to 1276kg/ha in 2012-13 from 1606kg/ha in 2011-12, a decrease of 20.65%. This led to a decrease in the production of oilseeds from 50.35 lakh tons in 2011-12 to 33.86 lakh tons in 2012-13 in Gujarat.

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



In order to enhance the production and productivity of oilseeds, Maize and area expansion under Oil Palm, Government of India is implementing, through the Ministry of Agriculture, a Centrally Sponsored Integrated Scheme of Oilseeds, Oil Palm and Maize (ISOPOM) in 14 major oilseeds, 15 Maize growing States and 9 Oil Palm growing States to increase the production and productivity of these crops in the country. Under the scheme, financial assistance is provided for purchase of breeder seeds, production of foundation seed, production and distribution of certified seeds, distribution of seed mini-kits, distribution of plant protection chemicals, plant protection equipments, weedicides, supply of micro-nutrients & improved agricultural implements, supply of Rhizobium culture/phosphate solubilizing bacteria, distribution of gypsum/pyrite/lime/dolomite, distribution of sprinkler sets and water carrying pipes, training, publicity etc. including free distribution of seed mini-kits of oilseeds and maize to encourage all type of farmers including small and marginal farmers to grow these crops. The scheme is being implemented through the State Department of Agriculture. The expenditure on subsidies is mostly shared on 75:25 basis between Central and State Governments

Further, in order to disseminate information on improved production technologies amongst farmers, block demonstrations and integrated pest management (IPM) demonstrations are organized through State Department of Agriculture and frontline demonstration through ICAR.

Union Finance Minister in his budget speech for 2012-13 has announced a Mission on Oilseeds and Oil Palm during the XII Plan which aims at increasing the domestic production of oilseeds/edible oils through several focused and integrated interventions in a time bound manner.

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

Name of the Plan Scheme	Year	Financial Outlay	Expenditure	Physical achievement	Remarks/reasons for variations
Research and Development and Modernization of Laboratory of DVVO&F	2012-13	20 lakhs	12.15 lakhs	60% Four on going projects are being carried over to the next financial year 2013-14	As per utilization certificates submitted by the institutions, the un-utilized amount of the 1 <sup>st</sup> installment has been adjusted while paying the 2 <sup>nd</sup> installment which resulted in less expenditure as against the projected target.

**7.8 The Committee are concerned to note that the production of oilseeds in the country has been gradually declining over the last three years while the consumption of oils is increasing. The Committee observe that the net availability of edible oils during the years 2010-11 and 2011-12 was 97.82 and 89.57 lakh tonnes while the total consumption was 170.24 and 189.00 lakh tonnes respectively. The shortfall was met by import from other countries. The net availability of edible oil from domestic sources in the year 2012-13 was 89.90 lakh tonnes and the edible oil imported was 16.41 lakh tonnes (upto December, 2012) and the total consumption figure is yet to be ascertained. The Committee note that production of oilseeds has decreased due to decline in acreage under cultivation, less monsoon rains in major oilseeds growing states and lesser yield of oilseeds etc. The Government is making efforts to ensure availability of edible oils by fixing import duty on refined edible oils at 7.5%, continuing ban on export of edible oils, authorizing State Governments to impose stock limits on edible oils and providing relief to consumers especially BPL households by distribution of subsidized imported edible oils. A Centrally Sponsored Integrated Scheme of Oilseeds, Oil, Palm and maize (ISOPOM) in 14 major oilseeds, 15 maize growing States and 9 oil Palm growing States is also being implemented to enhance the production and productivity of edible oils. Financial assistance is provided under the scheme for purchase of breeder seeds, distribution of plant protection chemicals, supply of micronutrients and improved agricultural implements, training, publicity etc. Despite all steps taken, the production of oilseeds has not increased to meet the domestic oil consumption requirements. The Committee, therefore, recommend that the Department of Food & Public Distribution in**

**coordination with the Ministry of Agriculture, ICAR and State Governments should pay more attention towards the proper implementation of all the schemes including R&D for increasing the production of oilseeds in the country.**

**NEW DELHI  
26th April, 2013  
6 Vaisakha, 1935(Saka)**

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

## APPENDIX - I

### MINUTES OF THE TWENTY THIRD SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2012-13) HELD ON WEDNESDAY, 13TH MARCH, 2013

The Committee sat from 1500 hrs. to 1730 hrs. in Committee Room No. 'D', Parliament House Annexe, New Delhi.

#### **PRESENT**

Shri Vilas Muttemwar, M.P. - Chairman

#### **MEMBERS**

##### **LOK SABHA**

2. Shri Shivraj Bhaiya
3. Shri Kantilal Bhuria
4. Shri Arvind Kumar Chaudhary
5. Shri Harishchandra Chavan
6. Shri Eknath M. Gaikwad
7. Shri Sohan Potai
8. Shri Ponnamm Prabhakar
9. Shri C.Rajendran
10. Shri Purnmasi Ram
11. Shri Jagdish Thakor
12. Shri Laxman Tudu

##### **RAJYA SABHA**

13. Dr. Bhushan Lal Jangde
14. Dr. Bharatkumar Raut
15. Dr. T.N.Seema
16. Shri Veer Singh
17. Shri Kaptan Singh Solanki

#### **SECRETARIAT**

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

## WITNESSES

### DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION

<u>Sl No.</u>	<u>Name</u>	<u>Designation</u>
<u>1.</u>	Shri Sudhir Kumar	Secretary
<u>2.</u>	Shri P.K.Jha	AS &FA
<u>3.</u>	Shri T. Jacob	JS (Sugar)
<u>4.</u>	Shri U.K.S. Chauhan	JS (P&FCI)
<u>5.</u>	Shri Prashant Trivedi	JS (Storage)
<u>6.</u>	Shri Ajai Saxena	JS (Impex, SRA, EOP)
<u>7.</u>	Dr. A.R.Goyal	JS (Admn.)
<u>8.</u>	Shri A.K.Kapoo	Advisor (Cost)
<u>9.</u>	Shri Rajan Sehgal	CD (Sugar)
<u>10.</u>	Shri Y.C. Nijhawan	CD (VVO&RF)
<u>11.</u>	Shri Amit Mehta	Dir (FCI)
<u>12.</u>	Shri Nitish Sinha	Dir (PD)
<u>13.</u>	Shri V.M.Rao	Dir (Impex)
<u>14.</u>	Shri Adhir Jha	Dir (SDF)
<u>15.</u>	Shri N.K. Mauriya	Dir (Movt).
<u>16.</u>	Shri Nilambuj Sharan	Dir (NFSA)
<u>17.</u>	Shri S.P. Shokhana	Dir (FC)
<u>18.</u>	Shri G.S.Sahu	DS (Fin)
<u>19.</u>	Dr. B.C.Joshi	DC (S&R)

### CENTRAL WAREHOUSING CORPORATION

<u>Sl No.</u>	<u>Name</u>	<u>Designation</u>
<u>1.</u>	<u>Shri B.B. Pattanaik</u>	M.D.
<u>2.</u>	<u>Shri Dinesh Rai</u>	Chairman, W.D.R.A
<u>3.</u>	<u>Shri Vinod Asthana</u>	MD, CRWC
<u>4.</u>	<u>Shri T.K.Doshi</u>	Director, M&CP
<u>5.</u>	<u>Shri V.R.Gupta</u>	Dir (Finance)

## FOOD CORPORATION OF INDIA

<u>Sl No.</u>	<u>Name</u>	<u>Designation</u>
1.	Dr. Amar Singh	CMD
2.	Dr. D. Bhalla	ED (Pers)
3.	Shri Dinesh Kumar	ED(T)
4.	Shri Anoop Kumar	ED (IT)
5.	Shri Sushil Nagpal	ED (IR-L)
6.	Shri Subhash Zadoo	ED (QC)
7.	Shri Bijay Kumar	ED (Vig.)
8.	Shri P.P.Singh	ED (Sales)
9.	Shri B.S. Mohapatra	ED (Finance)
10.	Shri Sandeep Sangal	DGM (P&R)
11.	Shri Chandrasen Kumar	AGM (P&R)

At the outset, the Hon'ble Chairman welcomed the Members of the Committee to the sitting convened to have briefing by the representatives of the Department of Food and Public Distribution in connection with the examination of the Demands for Grant (2013-14) of the Department.

*[The witnesses were then called in]*

2. The Hon'ble Chairman welcomed the representatives of the Department of Food and Public Distribution to the sitting and mentioned, inter-alia, that the discussions held shall be kept confidential as required under the provisions of Direction 55(1) of the Directions by the Speaker. In his opening remarks, Hon'ble Chairman mentioned the issues such as reasons for shortfall in expenditure under the planned schemes, heavy reduction in allocation of funds at RE stage, difficulties being faced in the implementation of schemes/projects/programmes, steps taken to increase procurement of wheat and rice as well as for production of sugarcane and oilseeds in the country, reasons for heavy increase in food subsidy, shortcomings in PDS and steps taken to strengthen it, measures taken/being taken to check diversion and leakage of foodgrains, elimination of bogus ration cards, computerization of PDS operations, storage and transit losses etc. The Secretary, Department of Food and Public Distribution briefly addressed the issues raised by Hon'ble Chairman in his opening remarks. Thereafter, the representatives of the Department briefed the Committee on the budgetary proposals for the year 2013-14 with the help of power-point representation. The

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

- (i) Need to increase allocation of funds for construction of godowns in North-East;
- (ii) Need to enhance the procurement of wheat and rice and ensure its proper storage;
- (iii) The difficulties faced by various States due to inadequate storage capacity and steps taken in this regard;
- (iv) Steps being taken by the Department to increase the procurement of wheat and rice in view of implementation of the National Food Security Bill, 2011;
- (v) Shortcomings noticed in the implementation of Public Distribution System (PDS) and steps taken for strengthening it;
- (vi) Aims and objectives of Village Grain Bank Scheme and its implementation in majority of the States.
- (vii) Steps taken for implementation of computerization of PDS operations,
- (viii) The implementation of the various Welfare Schemes of the Government;
- (ix) Foodgrains damaged due to poor maintenance and steps taken to reduce it;
- (x) Storage and transit losses incurred by FCI ;
- (xi) Availability of storage capacity with FCI and CWC; and
- (xii) Need to take steps for augmentation of storage capacity by CWC etc.

4. The queries raised by the Chairman and Members of the Committee during the course of the deliberation were responded to by the representatives of the Department of Food and Public Distribution. The Hon'ble Chairman then thanked the witnesses for appearing before the Committee and sharing their views with them.

[The witnesses then withdrew.]

A verbatim record of the proceedings has been kept.

**The Committee then adjourned.**

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**MINUTES OF THE TWENTY-FIFTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2012-13) HELD ON MONDAY, 8TH APRIL, 2013**

The Committee sat from 1200 hrs. to 1330 hrs. in Committee Room 'E', Parliament House Annexe, New Delhi.

**PRESENT**

Shri Vilas Muttemwar - Chairman

**MEMBERS**

**LOK SABHA**

2. Shri Kantilal Bhuria
3. Shri Sanjay Dhotre
4. Shri Prataprao Ganpatrao Jadhav
5. Shri Sohan Potai
6. Shri Ponnamp Prabhakar
7. Shri Purnmasi Ram
8. Shri Chandulal Sahu
9. Shri Adhi Sankar

**RAJYA SABHA**

10. Dr. Bhushan Lal Jangde
11. Dr. Bharatkumar Raut
12. Dr. T. N. Seema
13. Shri Birender Singh
14. Shri Kaptan Singh Solanki

**SECRETARIAT**

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

## LIST OF WITNESSES

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

S. No.	Name	Designation
1.	Shri Sudhir Kumar	Secretary
2.	Shri P.K. Jha	AS&FA
3.	Shri T. Jacob	Joint Secretary (Sugar)
4.	Shri U. K. S. Chauhan	Joint Secretary (P&FCI)
5.	Shri Prashant Trivedi	Joint Secretary (Storage)
6.	Shri Deepak Kumar	Joint Secretary (BP/PD)
7.	Shri Ajai Saxena	Joint Secretary (Impex, SRA, EOP)
8.	Dr. A.R. Goyal	Joint Secretary (Admn.)
9.	Shri S.P. Shokhanda	Director (Coord.)
10	Shri G.S. Sahu	Deputy Secretary (Fin.)

### **Food Corporation of India (FCI)**

S. No.	Name	Designation
1.	Dr. Amar Singh	Chairman and Managing Director
2.	Shri Dinesh Kumar	Executive Director (T)
3.	Shri P.P. Singh	Executive Director (Sales/Proc.)
4.	Shri B.S. Mohapatra,	Executive Director (Fin.)
5.	Shri Subash Zadoo,	Executive Director

### **Central Warehousing Corporation (CWC)**

S. No.	Name	Designation
1.	Shri B. B. Pattanaik	Managing Director

### **W.D.R.A.**

S. No.	Name	Designation
1.	Shri Dinesh Rai,	Chairman

At the outset, Hon'ble Chairman welcomed the members to the sitting. Thereafter, the Secretary and other Officials of the Department of Food and Public Distribution were invited to the sitting of the Committee. After welcoming them, the Chairman apprised them of the provisions of Direction 55(1) of The Directions by the Speaker. Thereafter, the Committee took evidence of the representatives of the

Department of Food and Public Distribution in connection with the examination of Demand for Grants for the year 2013-14. Hon'ble Chairman, in his welcome speech, raised various important issues such as failure to make realistic projection of funds at initial stage, construction of godowns by FCI/ State governments, Computerization and strengthening of PDS operations, Village Grain Bank Scheme, etc.

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

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

- (i) Mismatch between Budget Estimate and Actual Expenditure;
- (ii) Steps taken by the Department for full utilization of plan and non-plan funds;
- (iii) Need to enhance the procurement of wheat & rice to ensure its proper storage in the wake of implementation of food subsidy bill.
- (iv) Need to expedite the work relating to Computerization of PDS Operation in the country;
- (v) Strengthening of PDS infrastructure in view of the implementation of the National Food Security Bill;
- (vi) Popularization of Village Grain Scheme; and
- (vii) Decontrol of sugar etc.

4. The CMD, FCI and MD, CWC also briefly explained the activities of their respective Corporation with the help of PowerPoint presentation. The queries raised by the Chairman and the Members on the various issues during the course of discussion were responded to by the representatives of the Department.

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.

6. The Committee also decided to undertake a study visit to some of the States in the month of May-June 2013.

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

**The Committee then adjourned.**

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**MINUTES OF THE TWENTY-EIGHTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2012-13) HELD ON FRIDAY, 26TH APRIL, 2013**

The Committee sat from 1015 hrs. to 1100 hrs. in Chairman's Room No. 115 – A, First Floor, Parliament House Annexe, New Delhi.

**PRESENT**

Shri Vilas Muttemwar - Chairman

**MEMBERS**  
**LOK SABHA**

2. Smt. Harsimrat Kaur Badal
3. Shri Shivraj Bhaiya
4. Shri Arvind Kumar Chaudhary
5. Shri Sanjay Dhotre
6. Shri Eknath M. Gaikwad
7. Shri Ponnamm Prabhakar
8. Shri C. Rajendran

**RAJYA SABHA**

9. Shri Lalhming Liana
10. Shri Veer Singh
11. Shri Kaptan Singh Solanki

**SECRETARIAT**

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

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 (2013-14) of the Ministry of Consumer Affairs, Food and Public Distribution pertaining to the (i) Department of Food and Public Distribution, and (ii) Department of Consumer Affairs. In his opening remarks Hon'ble Chairman highlighted the important recommendations contained in both the draft Reports.

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

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

**The Committee then adjourned.**

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**SUMMARY OF RECOMMENDATIONS/OBSERVATIONS**

Sl. No.	Para No.	Recommendations/Observations
1.	2.8	<p>The Committee are not satisfied with the overall performance of the Department in so far as expenditure incurred during 2012-13 is concerned. The Committee note that plan budget during 2012-13 was Rs.126 crores which was reduced to Rs.85 crore at RE stage and the actual expenditure was Rs.69.94crore only (which indicates82.29% of RE). In case of non-plan schemes, the BE for 2012-13 was Rs.86835.66 crore which was increased to Rs.96790.71 crore at RE stage but Actual Expenditure was Rs. 85928.53 crore only which is 88.78% of the RE. This decrease from BE to RE in case of Plan Schemes, increase from BE to RE for non-plan schemes and reduction from RE to Actual Expenditure for both Plan and Non-plan schemes indicates lack of proper planning by the Department at initial stage. The Committee have been informed that various difficulties are being faced by the Department in implementation of various schemes, i.e. non-submission of adequate financial proposals from the States/UTs, non-receipt of utilization certificate under the scheme strengthening of PDS and capacity building; problems in land acquisition in North-Eastern States in the scheme of construction of godowns by FCI/State Governments and lack of interest shown by various States in implementation of Village Grain Bank Scheme etc. The Committee are not convinced with the plea of the Department that the shortfall in expenditure attributed to these problems because such issues could be taken care of by proper planning and better coordination with the States/UTs. In the opinion of the Committee, the Department has not been able to improve its monitoring mechanism over various schemes and it also lacks co-ordination with the States/UTs. The Committee, therefore, strongly recommend that the Department should make sincere efforts in persuading the States/UTs to furnish financial proposals/utilization certificates at the earliest so that the entire funds allocated for the various schemes/projects can be utilized fully during the financial year itself and benefits are passed on to the targeted populace/beneficiaries.</p>
2.	3.6	<p>The Committee regret to note that after 16 years of launching the scheme and despite of their repeated recommendations for taking concrete steps to try and convince the States/UTs to adopt the Decentralized Procurement Scheme (DCP), the scheme has so far been adopted by only 9 States/UTs for Rice and 5 States for Wheat respectively. Government of Uttar Pradesh had been procuring wheat under the DCP Scheme upto KMS 2008-09 but have discontinued the system. Governments of Andhra Pradesh and Rajasthan have expressed their willingness to adopt the DCP mode from KMS 2012-13</p>

and RMS 2013-14 respectively. While noting that procurement of foodgrains is more effective under the Decentralized Procurement (DCP) Scheme since non-decentralized procurement involves one additional handling transaction of FCI taking over the stock of foodgrains and releasing them to the State Governments, the Committee are fully convinced that the remaining States/UTs should also adopt the DCP Scheme at the earliest possible. It has become all the more essential for the States/UTs to adopt the DCP Scheme in view of the anticipated implementation of the National Food Security Bill. The Committee, therefore, strongly recommend that the Department of Food and Public Distribution should make earnest efforts to ascertain the problems being faced by the States/UTs and provide maximum assistance possible to all the States/UTs to enable them to adopt the DCP Scheme. The Department should expedite discussion not only with the Government of Rajasthan who expressed willingness to adopt the scheme, but also make sincere efforts to encourage the Government of Uttar Pradesh who discontinued DCP Scheme since KMS 2008-09 and all other States/UTs so as to persuade them to adopt the scheme.

3. 3.12 The Committee note that the amount of food subsidy released to FCI has been constantly increasing each year due to increased procurement of foodgrains, continuous increase in MSP of wheat and rice vis-à-vis Central Issue Price, increased off-take of foodgrains under TPDS and other welfare schemes, additional allocation of foodgrains made for APL/BPL families etc. The Committee feel that the amount of food subsidy is expected to further increase substantially with the implementation of the National Food Security Bill. While appreciating the efforts made by the Government to contain the food subsidy, by encouraging decentralized procurement, giving guarantee to FCI for issue of bonds at lower coupon rates, improving operational efficiency of FCI, negotiating with the consortium of banks to provide food credit at lower rate of interest etc., the Committee, however, desire that the Department should make even more vigorous efforts to explore the possibilities of containing food subsidy without compromising the regular supply and availability of subsidized foodgrains to the targeted beneficiaries especially to the marginalized sections of the society.
4. 3.19 The Committee are unhappy to note that an amount of Rs. 1646.54 lakhs are yet to be released under the Hill Transport Subsidy Scheme (HTS) to the States of Mizoram, Himachal Pradesh, J&K, Lakshadweep and Sikkim and in some cases, the claims are pending since the year 2010-11. While agreeing that funds under the scheme are released on the basis of claims made by the concerned States/UTs with proper details/documents, the Committee are dismayed to find that out of Rs. 197.30 lakh claimed by the Government of Himachal Pradesh for the



year 2012-13, an amount of Rs. 37.07 lakh only was released and the claims for the remaining amount of Rs. 159.93 lakh were found to be deficient and returned to the State for rectification. The Committee are also surprised to note that no claims for reimbursement under the scheme were received from any other State/UT during the year 2012-13. This gives the impression that either there are no clear guidelines for claiming reimbursement for expenditure incurred under the scheme or the guidelines are too cumbersome/complex. The Committee, therefore, recommend that the Department may look into the issue and simplify the procedure of disbursement to ensure full disbursement of funds under the scheme so as to benefit the target groups who normally comprise of backward and weaker sections of society dwelling in predominantly hilly States with difficult and inaccessible terrain areas.

5. 3.28 The Committee note that the Public Distribution System (PDS) was evolved as a system of management of scarcity and for distribution of foodgrains at affordable prices and the Department is taking all necessary measures to closely monitor the implementation of the scheme by States/UTs. Utilization Certificates for the foodgrains allocated to State Governments are also obtained regularly. The Committee also note that the Department has issued instructions to States/UTs to strengthen functioning of TPDS by improving monitoring mechanism and vigilance, increasing transparency in functioning of the scheme, use of Information and Communication Technology (ICT) tools and improving the efficiency of Fair Price Shop operations. Besides the States/UTs are reminded to ensure implementation of the Nine-Point Action Plan for curbing leakages/diversion of foodgrains under TPDS. Moreover, the PDS (Control) Order, 2001 which mandates the States/UT Governments to carry out all required action to ensure smooth functioning of PDS in the country has been notified on August, 2001. The Committee are pained to note that despite taking all these measures by the Government which also includes reviewing of its functioning, the functioning of the PDS in the country is far from satisfactory. Door-step delivery of foodgrains to fair price shops is being done by 20 States/UTs and the district-wise/FPS-wise allocation of foodgrains on the websites and other prominent places has been initiated in 21 States/UTs only. The Committee, therefore, strongly recommend that the Department should consult and coordinate with the State/UT Governments on a regular basis and also carry out surprise visits and inspections of the agencies involved in distribution of foodgrains such as principal distribution depots of FCI, fair price shops, transporting agencies etc for efficient and smooth functioning of PDS in the country.

6. 3.35 The Committee note that the result of an independent study conducted by a group of scholars in 9 States have shown impressive revival of PDS across the country as it suggests that the days when upto half of the PDS foodgrain was diverted to open market are gone. The Committee are, however, constrained to say that the evaluation study conducted by IIPA in 14 States have shown that the leakage as percentage of offtake has been as high as 49.49% in Nagaland, 27.00% in Manipur and 26.84% in West Bengal. The NCAER Report in 12 States/UTs have also indicated that the level of leakages and diversion of foodgrains was as high as 100% wheat for APL in the States of Assam and Mizoram and in case of rice, it was 83.28% and 81.12%, respectively in these two States. The Committee, therefore, recommend that the Department of Food and Public Distribution, FCI and the States/UT Governments should make earnest efforts to identify the loopholes in the PDS and curb leakage/diversion of foodgrains to the extent possible so as to ensure that the target beneficiaries do receive right quantity and quality of foodgrains at the right price regularly.
7. 3.36 The Committee also note that the Government has given financial assistance in 2007-08 to the State Governments of Tamil Nadu and Chattisgarh for installation of Global Positioning System (GPS) on the vehicles carrying TPDS commodities in order to curb leakages and diversion of foodgrains. The installation of GPS devices on vehicles carrying PDS foodgrains in the States of Tamil Nadu and Chhattisgarh have shown positive results. Government of Tamil Nadu have reported that the GPS devices not only help in ensuring that the quantities of foodgrains allotted reached the intended godowns of FCI in time without any diversion, but also create moral fear among those involved in transportation of PDS items and enable the concerned officials and vigilance agencies to track the movement of vehicles. The Government of Chhattisgarh have also reported that the vehicles reached their destination/intended places and no irregularities were noticed. The Committee are, therefore, of the view that installation of GPS devices on vehicles carrying PDS items in all States/UTs of the country would go a long way in checking the problem of leakage/diversion of foodgrains. The Committee, therefore, strongly recommend that the proposals received from the States/UTs for sanctioning of funds under the scheme should be processed on priority and released expeditiously. The Department should also persuade all the States/UTs to submit their proposals for sanction of funds under the scheme.
8. 3.44 The Committee note that pursuant to the Hon'ble Supreme Court instructions, all States/UTs are required to undertake end-to-end computerization of TPDS in a time bound manner for which the Government of India shall provide necessary infrastructure and

financial support. The Government has accordingly prepared an estimated outlay of Rs. 4273.47 crore for the XII Five Year Plan on 50:50 cost sharing with States/UTs except for North-eastern States, where the sharing will be 90:10 basis. An amount of Rs. 200 crore has been provided for BE 2013-14 under the scheme of 'End-to-end Computerization of TPDS operations' in all States/UTs. The Smart Card Scheme launched in December 2008 for Chandigarh UT and Haryana have now been subsumed in the Plan Scheme on End-to-End Computerization of TPDS operations to be implemented in all States/UTs under the XII Five Year Plan (2012-17). The Committee are surprised to note that out of the 24 States/UTs that have submitted their proposals for financial assistance under the scheme during the year 2012-13, only proposals from 7 States are found to be complete in all respects and funds released to them. The remaining proposals are under examination in the Department. The Committee are of the firm opinion that End-to-end Computerization of PDS operations will solve several problems that are being associated with the functioning of PDS in the country. The Committee are also not happy with the status of computerization of TPDS operations in States/UTs. The Committee, therefore, strongly urge the Department to expedite the examination of the remaining proposals already received by them for financial assistance from the States/UTs under the scheme and release the funds expeditiously. The Department should also pursue with the remaining States/UTs to submit their proposals for financial assistance and make all efforts to complete computerization of PDS operations in all the States/UTs in anticipation of the ensuing enactment of the National Food Security Bill, 2011.

9. 3.50 The Committee note that the main objective of the Village Grain Bank Scheme is to provide safeguard against starvation during the period of natural calamity or during lean season when the marginalized food insecure households do not have sufficient resources to purchase rations. The Schemes is currently being implemented by 17 out of 35 States/UTs. Out of 21,842 Village Grain Banks sanctioned by the Department, the States have set up 17,266 Village Grain Banks till date. While the State Governments have entrusted the management of Village Grain Banks to Panchayats, SHG, NGOs, etc. the Village Grains Banks established in the state of Uttarakhand is being managed by the World Food Programme (WFP). The Committee also observe that the scheme has helped the beneficiaries reduce their dependence on high interest loans during lean season and the extent of immigration during lean season has also come down significantly. It is also stated that majority of the States are interested in continuation of the scheme during the Twelfth Five Year Plan period and 5 States have given suggestions for modification of the scheme. The Committee, therefore, recommend that the Department of Food

and Public Distribution should make sincere efforts to popularize the scheme by engaging the State/UT Governments in a more proactive and regular manner while giving due consideration to the suggestions made by the States/UTs for modification of the scheme.

10. 3.54 The Committee observe that the PDS(Control) Order, 2001 mandates the States/UTs to formulate suitable guidelines for identification of BPL/AAY families as per the poverty estimates adopted by the Central Government. Detailed guidelines issued for identification of eligible AAY families in December 2000 have since been expanded three times in 2003-04, 2004-05 and 2005-06. The Committee also note that the Ministry of Rural Development have commenced the Socio-Economic and Caste census 2011 through a comprehensive door to door enumeration across the country to generate information on a large number of socio-economic indicators of households across the country. As about 97% of the enumerators has been completed, the Ministry of Rural Development has constituted on Expert Committee on 28 December, 2012 under the chairmanship of Prof. Abhijit Sen to examine the SECC indicators and for data analysis and recommend appropriate methodologies for determining classes of beneficiaries for different rural development programmes. The Committee understand during the course of their discussion with the representatives of the Ministry of Consumer Affairs, Food and Public Distribution at the time of the examination of the National Food Security Bill, 2011 that the final result of the SECC will be used by the States/UTs for identifying the households for becoming eligible to get benefit under the ensuing National Food Security Bill and various other development/Welfare Schemes of the Central Government. The Committee, therefore, urge the Department of Food and Public Distribution to closely coordinate with the Ministry of Rural Development so as to persuade them to expedite the work relating to examination of the SECC data analysis and recommend appropriate methodologies for determining the classes of beneficiaries for different rural development programmes on topmost priority.
11. 3.59 The Committee note that a Nine Point Action Plan, which inter-alia includes continuous review of BPL/AAY lists and to eliminate bogus/ineligible ration cards alongwith taking strict action against the guilty was evolved in 2006 in consultation with State/UT Governments so as to ensure leakage free distribution of foodgrains. As a result of the instructions issued to all States/UTs Governments to carry out an extensive campaign to review the existing list of BPL/AAY families and to eliminate bogus/ineligible ration cards, 28 State/UT Governments have reported deletion of 362.26 lakh bogus/ineligible ration cards since July, 2006. All State/UT Governments were also instructed to issue warnings to the bogus ration card holders through advertisements on the newspapers and

to surrender the bogus ration cards. The State/UT Governments have also reported departmental action including suspension, lodging of FIR and recovery action in respect of staff held responsible for issue of bogus ration cards. While appreciating all these steps taken, the Committee are constrained to note that a large number of bogus/ineligible ration cards continue to exist in several States/UTs in the country. The Committee, therefore, strongly recommend the Department to take even more proactive steps in consultation with the States/UT Governments to review the BPL/AAY lists so as to detect and delete bogus/ineligible ration cards on a continuing basis while ensuring that genuine BPL/AAY families are not deprived of the benefits of Public Distribution System (PDS).

12. 3.67 The Committee observe that for greater transparency in the functioning of TPDS, various measures such as display of list of BPL and AAY families at FPS, display of allocated quantities of foodgrains on websites, adoption and implementation of Revised Model Citizens Charter have been initiated. Besides, 11 States have also undertaken various publicity-cum-awareness campaign's such as advertisements in Print and Electronic Media in local and Hindi Newspapers including AIR and DD Channels, distribution of booklets in regional languages, use of sign boards, banners, posters, billboards, quiz competitions, deployment of Youth groups etc. Despite the various steps taken by the Department and the reported adoption and implementation of the Revised Model Citizen Charter by all State/UT Governments except the State Government of Jharkhand, the Committee feel that there is no visible improvement in regard to transparency and efficiency in the functioning of the TPDS in the country. The Committee, therefore, desire that the Department should impress upon all the State/UT Governments to ensure that the Revised Model Citizen Charter is implemented in letter and spirit and also more publicity-cum-awareness campaign are undertaken during the current financial year.
13. 3.68 The Committee also note that the State/UT Governments have been authorized to fix margin over and above the Central Issue Price(CIP) to be charged by the FPS Dealers to cover transport charges, margin etc. for distribution of foodgrains to the TPDS beneficiaries. However, in case of AAY, the end retail price of foodgrains is to be retained at Rs.2/- per kg for wheat and Rs.3/- per kg for rice. Though fixing of FPS margin comes under the domain of State/UT Governments, the Central Government has been advising the State/UT Governments from time to time to ensure viability of FPS operations by increasing FPS dealer's margin. The Committee are happy to note that the issue of FPS dealer's margin was taken up by the Hon'ble Minister of State in-charge of Consumer Affairs, Food and Public Distribution with Hon'ble Chief Ministers/Administrators in States/UTs. The Committee,

however, regret that whether all these efforts made by the Government have any positive impact on the FPS operations in the country is not known. The Committee, therefore, recommend that the Department should examine the proposal of some states regarding bearing of expenditure by the Central Government on the margins paid to the FPS dealers in respect of foodgrains distributed to AAY category and also take necessary steps to ensure viability of FPS operations in the country.

14. 4.6 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 outstanding amount against Ministry of Rural Development as on 31.03.2013 is Rs. 2890.82 crore for each of the years 2010-11, 2011-12 and 2012-13. The amount outstanding against Ministry of Human Resource Development as on 31.03.2013 for the year 2010-11, 2011-12 and 2012-13 is Rs. 176.97, Rs. 317.99 and Rs. 397.93 crore respectively, which exclude revolving fund of Rs. 300 crore provided by the Ministry of Human Resource Development. The Committee are surprised to note that no time limit has been fixed for making payment by the Ministry of Rural Development for foodgrains supplied under SGRY Scheme which has been closed on 31.3.2008. In respect of Mid-Day Meal Scheme (MDM) of the Ministry of Human Resource Development, there is time limit of 20 days for making payment after submission of bills in the subsequent month (time for submission of bills is 10 days) by the District Authorities under the Decentralized Scheme of Payment. However, the prescribed time limit is not adhered to strictly by the Ministry of Human Resource Development/District Authorities. The Committee find that despite various steps taken by the Department of Food and Public Distribution and even after intervention at Minister's level with the Ministry of Finance and other concerned Ministries i.e. Ministry of Rural Development and Ministry of Human Resource Development, huge amount is still outstanding for several years. The Committee view this with grave concern and reiterate its earlier recommendation made in the report on Demands for Grants (2012-13) and desire that the Department should find ways and means to liquidate these outstanding dues at the earliest so as to avoid undue burden on ever increasing Food Subsidy Bill. The Committee also desire that a time limit should be fixed within which Ministries are required to make payment.
15. 4.10 The Committee note that the net expenditure incurred by FCI including the Establishment Cost is reimbursed by the Government in the form of food subsidy. The Committee are also deeply concerned that a large part of the food subsidy goes towards the

establishment cost of FCI which increased from Rs.160.92 crore in 2011-12 to Rs.335.11 crore in 2012-13 despite reducing the sanctioned staff strength from 55,045 to 36,515 in the year 2010. The Establishment Cost is, therefore, still very high and it should be kept under check as the poor are deprived of foodgrains to the extent the food subsidy amount is diverted towards the establishment cost. The Committee, therefore, strongly recommend that ways and means should be devised by the Department so as to reduce the Establishment Cost and ensure that the maximum amount of food subsidy is utilized for distribution of foodgrains to the poor section of the society, who are the most legitimate beneficiaries.

16. 4.14 The Committee are concerned to note that as on 31.01.2013, the utilization of CAP (owned) storage capacity of FCI was only 37% and that of CAP(hired) capacity was only 60%. The Committee are constrained to observe that on the one hand, there is overall shortage of storage facilities in the country and, on the other, the FCI could not make full use of their owned and hired CAP storage capacity. Besides, FCI has been spending a huge amount every year for the last many years on hiring the godowns. The Committee, therefore, desire that utmost care should be exercised by FCI to maximize storage capacity utilization for owned as well as hired godowns. The Committee also strongly recommend that FCI should ensure that their owned capacity is utilized to the maximum before hiring any storage capacity in order to save precious funds, on hiring the storage space to the extent possible.
17. 4.18 The Committee are concerned to note that FCI could not achieve the physical and financial targets set for construction of godowns during 2012-13 in respect of NE States as well as other than NE States. The Committee also note that during 2012-13, physical target set for creation of storage space in NE region was 13.36 MT but its achievement was only 2.9 MT. Financial target set during 2012-13 for NE region was Rs. 70.00 crore but its achievement was only Rs. 12.32 crore. The Department has informed that the shortfall has been mainly due to not getting suitable lands for the storage godowns. The North-eastern States are the most disadvantaged States in terms of lack of infrastructure, communication and rail/road network etc. Inadequacy of storage space in NE region poses a serious threat to running of an efficient Public Distribution System (PDS). The Committee, therefore, desire that Department of Food and Public Distribution should take up the matter urgently with States/UTs at highest level for taking over the lands already identified in these States as well as in North-Eastern States for construction of godowns and ensuring that construction of godowns are completed expeditiously. The Committee further recommend that the Ministry should include the NE States also in the perspective plan drawn for the coming year and make sincere 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 region as well as other than NE States are not deprived of the benefits of PDS for lack of foodgrains storage facilities.

18. 4.23 The Committee note that despite the various initiatives taken by the Ministry to reduce the storage and transit losses, the losses have been increasing marginally both in terms of percentage and values over the last 3 years. While the storage loss of wheat and rice increased from 0.21% in the year 2010-11 to 0.27% in the year 2012-13 (upto February, 2013), the transit loss increased from 0.47% to 0.52% during the same period. However, in terms of values, storage loss of Rs.405.36 crore in 2011-12, came down to Rs.343.53 crore in 2012-13 (upto February, 2013). In the same way transit losses have reduced from Rs. 333.01 crore in 2011-12 to 301.89 crore in 2012-13. The Committee, however, feel that these losses are still too high and need to be minimized further. The Committee, therefore, desire that the Department should continue making vigorous efforts to reduce the storage and transit losses of foodgrains to minimum during the year 2013-14 and beyond.
19. 4.24 The Committee note that abnormal storage and transit loss cases are monitored and vigilance cases are initiated against the delinquent officials by FCI. Based on the investigations and disciplinary actions, various penalties including recovery have also been imposed upon delinquent officials. The Committee also observe that as many as 192 and 218 cases are pending against FCI officials who were responsible for transit losses during the years 2011-12 and 2012-13 respectively, which is showing an upward trend. The Committee desire that the framework for addressing the pendency of legal cases at department level should be reviewed to include all such essential ingredients necessary for speedier disposal of cases such as streamlining/re-engineering the procedure currently followed, setting guidelines/checklist for various officers, incharges, establishing a monitoring system of legal cases, improving the capacity and skill building of staff etc. The Committee also strongly recommend that steps should be taken to dispose off all pending cases against the delinquent officials expeditiously in a time bound manner.
20. 4.25 The Committee also note that the steps are being taken to raise proper infrastructure in the country to mitigate loss of foodgrains due to shortage of storage facilities. In order to augment the covered storage gap, the Government is implementing the Private Entrepreneurs Guarantee (PEG) Scheme for construction of storage godowns through private entrepreneurs, Central Warehousing



Corporation (CWC) and State Warehousing Corporations (SWCs). The Committee feel that inadequate and improper storage facility is again a common concern for almost all the States/UTs. Lack of proper storage space in FCI godowns or non-availability of private storage facilities is the major bottleneck for efficient functioning of Targeted Public Distribution System in various States. The Committee also note that huge amount of foodgrains reportedly get wasted due to lack of adequate storage capacity. Moreover, this wastage of foodgrains has become an yearly phenomenon and yet the Department failed to take any concrete measures to prevent this wastage. The Committee desire that the FCI should make use of new ways and material available, for storing grains for longer period, to prevent huge storage losses in future.

21. 4.28 The Committee are disturbed to note that as many as 613, 479 and 542 vigilance and corruption cases were pending at the end of the year 2010-11, 2011-12 and 2012-13 respectively. It is also noted that as many as 1750, 1297 and 1735 employees of FCI were held guilty of various irregularities during the years 2010-11, 2011-12 and 2012-13 and were given different penalties such as dismissal/removal/compulsorily retired from service, reduction in rank or time scale of pay, withholding increment or promotion, recovery of the loss caused and censure. Apart from these, 13 cases were referred to CBI in the year 2012-13. The number of vigilance and corruption cases detected over the years only reflects the level of rampant corruption amongst the employees of the FCI. The Committee are of the view that the various preventive and punitive measures initiated by the Ministry such as ensuring fairness and transparency in foodgrain procurement functions, sales of foodgrain stock, procurement of H&T services, scientific management of foodgrain stocks at depots, etc. does not have the desired effect to contain corruption. The Committee also feel that inordinate delay in prosecution of cases could be another factor encouraging employees indulging in corrupt practices. The Committee, therefore, recommend that the Department should strictly enforce the various preventive and punitive measures initiated by them and also speedily dispose of cases of corruption so as to create fears in the minds of the employees of FCI and prevent corrupt practices assuming gigantic proportion.
22. 5.5 The Committee note that the outstanding dues of Central Warehousing Corporation (CWC) have been rising continuously during the last three years - from Rs.215.00 crore in 2010-11 to Rs.260.00 crore in 2012-13. The Committee also observe that with the approval of the Board of Directors of CWC, an amount of Rs.9.47crore was written off in the year 2010-11 against the outstanding dues in respect of the Fertiliser Corporation of India Ltd.(FCIL) considering

the fact that FCIL was referred to Board for Industrial and Financial Reconstruction (BIFR). Though the functioning of CWC may not suffer on account of outstanding dues being a profit making PSU, yet the Committee desire that the Corporation should make efforts to liquidate the outstanding dues fully at the earliest. The Committee further urge the Corporation not to write off bad debts in respect of any PSU before exercising every option available under the rules in this regard.

23. 5.9 The Committee are happy to note that Central Warehousing Corporation (CWC) has taken various remedial steps/measures to reduce the administrative cost such as reduction in non-plan expenditure on heads like telephones, TA/DA, Advertisement, entertainment etc. Further, steps have been taken to reduce Establishment Cost such as closing of 13 Construction Cells, implementation of VRs schemes etc. Consequently, the Corporation has been able to reduce its manpower from 5765 employees in 2009-10 to 5253 employees in 2012-13 and also reduced the Establishment Cost from Rs.501.05 crore in the year 2011-12 to Rs.470.78 crore in 2012-13 (upto February, 2013). However, the establishment cost is likely to be around Rs.510 crore during the current year due to likely introduction of PRP scheme for the Executives and revision of perquisites of the Group C & D employees w.e.f. 1.1.2012. The Committee feel that though reducing the Establishment Cost to the extent possible is desirable, yet the Corporation should not compromise the manpower strength necessary to not only maintain its efficient overall functioning but also to improve it. The Committee, therefore, recommend that Corporation should make all efforts to minimize its Establishment Cost and also recruit manpower necessary to ensure improved performance of the Corporation.
24. 5.18 The Committee are happy to note that CWC is making use of owned as well as hired storage capacities to the maximum which is evident from the percentage utilisation of capacity furnished by the department i.e. 94% for owned/covered capacity and 93% for hired. The Committee hope that the corporation will continue to make best utilization of owned as well as hired capacities and make efforts to minimize dependency on hired capacities in the coming years thereby enhancing its profit.
25. 5.19 The Committee are concerned to note that Corporation has failed to achieve its physical as well as financial target for construction of storage space. The physical target set during the year 2012-13 for construction of godowns was 2.10 lakh MT but its achievement was 2.00 lakh MT and the financial target set by the Corporation during the same year was Rs. 126.56 crore but its achievement was only Rs. 75.15 crore. According to the Department, the main reason for non-

achievement of financial targets regarding contribution to the share capital to the State Warehousing Corporations (SWCs) is the failure of the SWCs to comply with the provisions of the Warehousing Corporations Act, 1962 in the matter of finalisation of the Annual Accounts and holding of the Annual General Meeting and lack of demand from the SWCs for infusion of equity, excepting Kerala SWC, Assam SWC, and Meghalaya SWC which are loss making. 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 Governments/UT Administrations vigorously and ensure that funds are fully utilized and the physical and financial targets achieved during the current year.

26. 5.20 The Committee also note that the perspective plan drawn by CWC for construction of godowns in 2013-14 does not include any NE States except Assam. Construction of additional storage capacity of 9000 MT in two warehouses in Assam (CW, Sarbhog and CW, Dhubri) has been planned for 2012-13. While construction of 2000 MT at CW, Dhubri is likely to be completed by 31<sup>st</sup> March, 2013, tender in respect of 7,000 MT at CW, Sorbhog has been finalized and Letter of Intent is being issued shortly. The CWC is operating 9 warehouses in NE region with a total capacity of 1.03 lakh MT and the average occupancy of these warehouses during the years 2009-10, 2010-11 and 2011-12 was 86%, 92% and 90% respectively. The Committee are not convinced with the plea taken by the Government that since the existing capacity in NE region is not fully utilized, the construction of additional capacity could not be considered earlier as the average capacity utilization of the Region during 2012-13 (upto February 2013) was 88%. The Committee feel that the poor people of the region should not be deprived of benefits of Public Distribution System (PDS) due to shortage of storage space and therefore, recommend that NE region be included in the perspective plan drawn by CWC for construction of godown and ensured that construction of godowns as per the plan are taken up expeditiously so as to complete their construction to facilitate implementation of the National Food Security Act.
27. 6.5 The Committee are concerned to note that the production of sugar has declined from 263.43 lakh tonnes in 2011-12 to 246 lakh tonnes in 2012-13. The area under sugarcane cultivation has marginally increased from 50.38 lakh hectares in 2011-12 to 50.63 lakh hectares in 2012-13 i.e. 0.49% increase. The Committee also observe that a number of steps have been taken by the Government to increase sugarcane production in the country such as replacing the concept of "Minimum Price" to "Fair and Remunerative Price", launching a Centrally Sponsored Scheme called "Sustainable Development of

**Sugarcane Based Cropping System Areas (SUBACS), providing concessional loans to sugar factories from Sugar Development Fund (SDF) etc. Despite all these measures taken by the Government the production of sugarcane in the country has declined during the year 2012-13, which reflects that the steps taken by the Government are not having positive effect. The Committee are of the view that India being the largest consumer of sugar in the world, the production of sugarcane in the country needs to be enhanced. The Committee, therefore, desire that the Government should encourage the farmers to grow early maturing and high-yielding cane varieties, adopt the drip and sprinkler irrigation system and provide every possible assistance/incentive by way of finance, equipments, fertilizers etc. so that sufficient sugarcane is produce domestically and the country need not resort to import of sugar for their consumption requirements. The Committee, therefore, recommend that the nodal ministry in coordination with the Department of Agriculture and Cooperation and the various State Governments should initiate appropriate public private partnership on research and extension programmes, set up soil testing laboratories in sugar cultivation areas to determine and improve fertility of soil, provide training and incentives to farmers for growing sugarcane etc.**

- 28. 6.7 The Committee observe that the Government had created a buffer stock of 20 lakh tonnes and another buffer stock of 30 lakh tonnes for a period of one year from 01.05.07 to 30.04.08 vide notification dated 20.04.07 and from 01.08.07 to 31.07.08 vide order dated 01.08.07 respectively. Subsequently, when the production of sugar declined, the Government dismantled the buffer stock on their due dates. The Committee feel that maintaining buffer stock of sugar is very much essential to meet the requirement of PDS as also crisis situation in the years of deficit sugar production. The Committee, therefore desire that government may review its buffer stock policy with a view to exploring the possibility of maintaining buffer stock of sugar and take appropriate measures in this regard.**
- 29. 6.11 The Committee note that Sugar Development Fund(SDF) is being utilized by the Government for various purposes such as providing loans for facilitating the rehabilitation and modernization of any sugar factory, loans for undertaking any scheme for development of sugarcane, grants for carrying out any project aimed at the promotion and development of any aspect of sugar industry, defraying expenses to sugar factory on internal transport and freight charges on export of sugar, loans to any sugar factory having an installed capacity of 2500 TCD or higher etc. It is observed that an amount of Rs.9296.33 crore have so far been disbursed from SDF since its inception and the sugar factories have repaid an amount of Rs.3661.84 crore (principal plus interest) as on 31.12.2012. The Committee are of the view that**

modernization of sugar mills and rehabilitation of sick sugar mills should be accorded due importance so as to ensure regular supply and availability of sugar in the market. The Committee, therefore, recommend that the sugar mills should be encouraged to avail loans/financial assistance from the SDF not only for the purpose of reviving the sick sugar mills but also for modernization/upgradation of the mills for improving their efficiency and production.

30. 6.12 The Committee note that the objective of the scheme "Subsidy for Maintenance of Buffer Stock of Sugar" is to give subsidy to the sugar mills to enable them liquidate the sugarcane price arrears. Under the Scheme, the amount of buffer subsidy disbursed was Rs.591.87 crore during 2002-03 and Rs.616.83 crore during 2006-07 sugar season respectively and cases involving an amount of Rs.20 crore and Rs.30 crore respectively are pending settlement due to lack of documentation. Now that a new Rule 19A has been inserted in the SDF Rules, 1983 for settlement of buffer stock claims, the Committee hope that the pending cases involving an amount of Rs.20 crore and Rs.30 crore would be settled during the current financial year.
31. 6.15 The Committee note that the physical target under the scheme reimbursement of internal transport and freight charges, ocean freight and handling and marketing charges on export shipment of sugar has never been achieved since the year 2008-09 onwards. However, the financial targets have been achieved except during the year 2010-11 when the achievement was Rs.146.81 crore against the target of Rs.150 crores. The reason for not achieving the targets is stated to be non-furnishing of requisite information/proper documents by the concerned sugar mills. The Committee, therefore, desire that concerted efforts should be made for achieving the physical targets also by reviewing the procedural formalities, if necessary, for settlement of claims.
32. 6.21 The Committee are shocked to note that cane price arrears to farmers are constantly on the rise and the outstanding cane price arrears are as high as Rs. 11102.96 crore as on 15th February, 2013. The Committee are pained to note that although payment of sugarcane arrears 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 2012-13 and earlier are still outstanding. Fatty outstanding cane arrears often prompt cane growers to shift to other crops every two years or so which leads to occasional shortfall in sugar output, pushing up consumer prices and a glut deficit cycle. The Committee feel that non-payment of cane price arrears in time can be discouraging and might refrain the farmers from growing sugarcane who may opt for producing other crops. Farmers need to be paid remunerative price immediately on

delivery of his agricultural produce. Based on recommendations of the Rangarajan Committee, Government has further decided for removal of levy sugar obligation and dispensing with the regulated release mechanism on non-levy sugar which in turn would affect the profitability of millers and bargaining power of farmers. During evidence, the Secretary, Department of Food & Public Distribution stated that by doing away with the practice of compulsory requisition of part production from sugar factories as levy sugar for distribution to Public Distribution System will, in turn, improve the financial position of the sugar mills and will enable them to make payment of cane price arrears at the earliest. The Committee hope that the Government's attempt to decontrol sugar will play a significant role in reducing the cane price arrears of sugar mills. The Committee note that Sugarcane (Control) Order, 1966 also 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, therefore, strongly recommend that to protect the interests of the sugarcane farmers and to motivate them to continue growing sugarcane, the aids/grants given to the sugar mills should be suspended till they liquidate the cane price arrears with interest.

33. 6.23 The Committee express its concern over the continuous rise in price of sugar in the country. The Committee feel that the mismatch between production and demand for sugar is primarily responsible for rise in price of sugar. The Committee also note that production of sugar during sugar season 2011-12 was 263.43 lakh tonnes and sugar production estimated to be about 230 lakh tonnes in the current sugar season 2012-13. The Committee, therefore, strongly desire that Government should sincerely work for a long-term policy involving concerted efforts on the part of number of Departments/Ministries and take steps to achieve long-term stabilization of sugar production and its price thereof.
34. 7.8 The Committee are concerned to note that the production of oilseeds in the country has been gradually declining over the last three years while the consumption of oils is increasing. The Committee observe that the net availability of edible oils during the years 2010-11 and 2011-12 was 97.82 and 89.57 lakh tonnes while the total consumption was 170.24 and 189.00 lakh tonnes respectively. The shortfall was met by import from other countries. The net availability of edible oil from domestic sources in the year 2012-13 was 89.90 lakh tonnes and the edible oil imported was 16.41 lakh tonnes (upto December, 2012) and the total consumption figure is yet to be ascertained. The Committee note that production of oilseeds has decreased due to decline in acreage under cultivation, less monsoon rains in major oilseeds growing states and lesser yield of oilseeds etc. The

**Government is making efforts to ensure availability of edible oils by fixing import duty on refined edible oils at 7.5%, continuing ban on export of edible oils, authorizing State Governments to impose stock limits on edible oils and providing relief to consumers especially BPL households by distribution of subsidized imported edible oils. A Centrally Sponsored Integrated Scheme of Oilseeds, Oil, Palm and maize (ISOPOM) in 14 major oilseeds, 15 maize growing States and 9 oil Palm growing States is also being implemented to enhance the production and productivity of edible oils. Financial assistance is provided under the scheme for purchase of breeder seeds, distribution of plant protection chemicals, supply of micronutrients and improved agricultural implements, training, publicity etc. Despite all steps taken, the production of oilseeds has not increased to meet the domestic oil consumption requirements. The Committee, therefore, recommend that the Department of Food & Public Distribution in coordination with the Ministry of Agriculture, ICAR and State Governments should pay more attention towards the proper implementation of all the schemes including R&D for increasing the production of oilseeds in the country.**