82

SALE AND DISTRIBUTION OF IMPORTED PULSES

MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION; AND MINISTRY OF COMMERCE AND INDUSTRY

PUBLIC ACCOUNTS COMMITTEE

(2012-2013)

EIGHTY-SECOND REPORT

FIFTEENTH LOK SABHA

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

EIGHTY-SECOND REPORT

PUBLIC ACCOUNTS COMMITTEE
(2012-2013)

(FIFTEENTH LOK SABHA)

SALE AND DISTRIBUTION OF IMPORTED PULSES

MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION; AND MINISTRY OF COMMERCE AND INDUSTRY

Presented to Lok Sabha on 30.04.2013

Laid in Rajya Sabha on 30.04.2013

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

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

PAC No. 2009

Price : ₹ 38.00

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Fourteenth Edition) and Printed by the General Manager, Govt. of India Press, Minto Road, New Delhi-110002

CONTENTS

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2012-13)

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Sandeep Dikshit
5. Dr. M. Thambidurai
6. Shri T.K.S. Elangovan
7. Shri Anant Kumar Hegde
8. Shri Bhartruhari Mahtab
9. Shri Sanjay Nirupam
10. Shri Shripad Yesso Naik

*11. Shri Abhijit Mukherjee

12. Shri Ashok Tanwar

†13. Shri Takam Sanjoy

14. Dr. Girija Vyas
15. Shri Dharmendra Yadav

Rajya Sabha

16. Shri Prasanta Chatterjee
17. Shri Prakash Javadekar
18. Shri Satish Chandra Misra
19. Shri Sukhendu Sekhar Roy
20. Shri J.D. Seelam
21. Shri N.K. Singh
22. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri Abhijit Kumar — *Director*
3. Shri M.L.K. Raja — *Deputy Secretary*

---

* Elected *w.e.f.* 6th December, 2012 *vice* Shri Sarvey Sathyanarayana appointed as Minister on 28th October, 2012.

† Elected *w.e.f.* 6th December, 2012 *vice* Dr. Shashi Tharoor appointed as Minister on 28th October, 2012.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2011-12)

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Sandeep Dikshit
5. Shri Anant Kumar Hegde
6. Shri Bhartruhari Mahtab
7. Shri Shripad Yesso Naik
8. Shri Sanjay Nirupam
9. Shri Jagdambika Pal
10. Dr. Kavuru Sambasiva Rao
11. Shri Adhi Shankar
12. Kunwar Rewati Raman Singh
13. Shri K. Sudhakaran
14. Dr. M. Thambidurai
15. Dr. Girija Vyas

Rajya Sabha

16. Shri Tariq Anwar
17. Shri Prasanta Chatterjee
18. Shri Naresh Gujral
19. Shri Prakash Javadekar
20. Shri Satish Chandra Misra

*21. Shri J.D. Seelam

22. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri Abhijit Kumar — *Director*
3. Shri M.L.K. Raja — *Deputy Secretary*

---

* Elected *w.e.f.* 29th August, 2011 *vide* the vacancy occurred *vice* Smt. Jayanti Natarajan appointed Minister *w.e.f.* 12th July, 2011.

INTRODUCTION

I, the Chairman, Public Accounts Committee, having been authorised by the Committee, do present this Eighty-second Report (Fifteenth Lok Sabha) on **"Sale and Distribution of Imported Pulses"** based on C&AG Report No. 26 of 2011-12 Union Government (Civil) (Performance Audit) relating to the Ministries of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs), and Commerce and Industry (Department of Commerce).

2. The Report of Comptroller and Auditor General of India was laid on the Table of the House on 27th December, 2011.

3. The Public Accounts Committee (2011-12) took up the subject for detailed examination and report. The Committee took evidence of the representatives of the Ministries of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs and Department of Food and Public Distribution), and Commerce and Industry (Department of Commerce), on the subject at their sitting held on 28th February, 2012. The Committee considered and adopted this Report at their sitting held on 29th April, 2013. The Minutes of the Sittings form Appendices to the Report.

4. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type and form Part-II of the Report.

5. The Committee thank the Public Accounts Committee (2011-12) for taking oral evidences of the Ministries/Departments concerned and obtaining information on the subject.

6. The Committee would also like to express their thanks to the representatives of the Ministries of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs and Department of Food and Public Distribution), and Commerce and Industry (Department of Commerce) for tendering evidence before the Committee and furnishing the requisite information to the Committee in connection with the examination of the subject.

7. The Committee place on record their appreciation of the assistance rendered to them in the matter by the office of the Comptroller and Auditor General of India.

NEW DELHI;
29 *April,* 2013
9 *Vaisakha,* 1935 *(Saka)*

DR. MURLI MANOHAR JOSHI
Chairman,
Public Accounts Committee.

REPORT

PART I

I. INTRODUCTORY

Pulses are important food crops and have a very significant impact on the health of the average Indian because of their protein content. The main Kharif pulses are moong, tur and urad while the Rabi pulses are gram and masur. The gap between demand (159-192 lakh metric tonnes) and production of pulses in the country has been in the range of 10 to 50 lakh metric tonnes (MT) during 2002-03 to 2010-11. Private importers had been importing pulses since a long time. However, the demands for pulses could not be fully met. To bridge this gap, the Government of India introduced two schemes, one in 2006 and the other in 2008, for import and distribution of pulses through four agencies (NAFED, MMTC, PEC and STC) in order to facilitate the availability of pulses and accordingly, to stabilize prices.

2. In the first scheme introduced in May 2006, the agencies were to import pulses on Government account, subject to reimbursement of losses, if any, up to 15 percent of the landed cost by the Government. The other scheme introduced in November 2008, envisaged import of four lakh MT of pulses for distribution to BPL households through the Public Distribution System at an overall subsidy of ₹10/— kg. Audit scrutiny of both the schemes revealed that they could not achieve their targeted objectives due to serious deficiencies in their design, implementation and monitoring. The comments of Audit are contained in their Report No. 26 of 2011-12. Some of their important observations are as follows:—

- Despite import by designated agencies, growing divergence between whole-sale and retail prices of pulses was noted, which pointed towards increasing control of the market by private traders.

- As against the targeted quantity of import and sale of 53.10 lakh MT of pulses during 2006—11, the agencies imported 30.04 lakh MT and sold 26.95 lakh MT of pulses during this period, incurring losses totalling ₹1201.32 crore on these transactions.

- The delays in clearance of the pulses at the ports led to an avoidable expenditure of ₹42.71 crore upto March, 2011. These delays led to delays in release of imported pulses into the domestic market, with a consequential adverse impact on their prices.

- In the absence of any specific guidelines issued by the Ministry of Consumer Affairs on distribution of imported pulses, all the designated importing agencies sold the imported pulses in the open market through the tendering process, instead of distributing them through State agencies.

- The tender conditions, especially those of high minimum bid quantities (200-1000 MT) and corresponding earnest money deposits (EMDs), ensured that mainly large private players could submit bids, thus restricting the channels of distribution and keeping most of the smaller parties out of the loop.
- Out of the test-checked quantity of sale of 8.38 lakh MT of pulses, it was found that 6.08 lakh MT (73 per cent) was sold to just four large buyers.
- In many cases, the buyers delayed lifting of imported pulses, which led to delaying their arrival into the domestic market, leading to lesser availability in the market.
- The Government decided to import yellow peas in 2007 on the grounds that they were a reasonably good substitute for other types of pulses and their prices were comparatively lower. However, the peas did not find many takers in the domestic market and were sold after considerable delays with heavy losses to the importing agencies. Despite this, the agencies continued to import the peas during the subsequent years even when they had huge unsold stocks. The outcome of the decision of the Cabinet Committee on Prices to import yellow peas up to half of the total imports was a total loss of ₹897.37 crore suffered by the importing agencies, which amounted to 75 per cent of the total loss suffered by them in the process of import.
- The scheme introduced in November 2008 by the Government of India for import of four lakh MT of pulses with a subsidy limit of ₹400 crore and preferential distribution of the same to BPL households through the Public Distribution System at an overall subsidy of ₹10/-kg also suffered from several deficiencies. It was found that despite the scheme being extended to March 2012, it was not fully successful. The State/UT Governments generally failed to intimate their requirements for distribution. Further, the subsidy element of a meagre ₹10/-kg could result in diversion of pulses to non-BPL households as well as to the open market.
- The monitoring mechanism adopted by the Ministry of Consumer Affairs, Food and Public Distribution failed to ensure the proper distribution of imported pulses in the domestic market.

3. Against this backdrop, the Public Accounts Committee (2011-12) and (2012-13) selected the subject for detailed examination and report. In the process of examination of the subject the Committee obtained background material, and detailed written replies from the Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs) (DCA) and Ministry of Commerce and Industry (Department of Commerce). They also took oral evidence of the representatives of the ministries and obtained post evidence replies. Based on written and oral depositions by the Ministry, the Committee examined the subject in details and disucssed some very important issues as enumerated in the succeeding paragraphs.

II. PULSES PRODUCTION AND DEMAND

4. The annual domestic production of pulses increased from 84 lakh MT in 1950-51 to 143 lakh MT in 1990-91, but remained in the range of 111 to 149 lakh MT over the last

decade, except during 2010-11, when it reached 181 lakh MT. The demand for pulses increased from 159 lakh MT in 2002-03 to 192 lakh MT in 2006-07, then suddenly dropped to 168 lakh MT in 2007-08 and increased to 191 lakh MT in 2010-11. Audit observed that this period was marked by a gap between demand and production ranging from 10 to 50 lakh MT.

5. When asked about the current scenario on pulses demand, production and shortfall, the DoCA in their reply stated that the availability, estimated demand for pulses, and calculated shortfall, based on the available information, are as under:—

(in Million Tonnes)

	Production	Imports	Exports	Availability	Demand	Shortfall
2007-08	14.76	2.84	0.16	17.44	16.77	0.67
2008-09	14.57	2.48	0.14	16.91	17.51	-0.60
2009-10	14.66	3.51	0.09	18.08	18.29	-0.21
2010-11	18.24	2.69	0.20	20.73	19.08	1.65
2011-12	17.28*	2.40^	0.12#	19.56	19.91	-0.35

*Second Advance Estimates; ^April-December #April-November

Source: Production-DAC, Imports and Exports-DGCIS, Demand-Estimation of Planning Commission, Availability and Shortfall-Calculated

The Twelfth Plan Working Group on "Performance of Agriculture Sector and Policy Initatives" have estimated that demand for pulses in 2016-17, *i.e.*, the terminal year for the 12th Five Year Plan, will be 22 million tonnes and supply will range between 18-21 million tonnes, concluding that pulses will continue to remain in short supply.

However, as these demand-supply projections are net of exports and imports of pulses, and India has been a net importer of about 2-3 million tonnes of pulses in each year, the supply shortfall from domestic sources are likely to be supplemented by the import of pulses. As a policy measures, therefore, it would be required to continue with the policies of (i) having zero duty on pulses to encourage importers to import and (ii) continuing with the ban on export of pulses to ensure that domestic production is available for domestic consumption".

6. The Committee desired to know the process of assessment of demand of pulses in the country and which organisation is responsible for this exercise. The DoCA in a written reply stated as under:—

> "There is no published statistics regarding actual absolute aggregate levels of demand for pulses in India.
>
> This Department (Department of Consumer Affairs) has been using Planning Commission's estimation of Demand for Pulses as undertaken by them as a part of the Five Year Plan projections for demand-supply of agricultural commodities.
>
> NSSO's Household Consumer Expenditure Surveys, report Monthly Per capita Expenditure on Pulses and Pulse Products. Monthly Per capita Expenditure on

Pulses and Pulse Products as reported by NSSO in their last three surveys are given below:—

Monthly Per capita Expenditure on Pulses and Pulse Products

(in Rupees)

Year	Rural	Urban
2004-05	17.18	22.51
2007-08	25.00	33.00
2009-10	33.6	47.06

#Data source: Household Consumer Expenditure among Socio-Economic Groups: 2004-05, NSS Report No. 514; Household Consumer Expenditure in India 2007-08, NSS Report No. 53, and Key Indicators of Household Consumer Expenditure in India, 2009-10, NSSO 66th Round.

Monthly per capita consumption of various varieties of pulses **in quantity** in 2009-10 are as below:—

Per capita monthly Consumption of Pulses

(in Kg.)

	Arhar, tur	Gram; split	Gram; whole	Moong	Masur	Urad	Peas	Khesari	Other pulses
Rural	0.163	0.077	0.033	0.073	0.079	0.072	0.057	0.013	0.03
Urban	0.264	0.079	0.039	0.104	0.078	0.09	0.025	0.002	0.027

Source: NSS 66th Round: Key Indicators of Household Consumer Expenditure in India, 2009-10.

CAG audit report has used the Planning Commission's estimation for demand for pulses for 10th and 11th Five Year Plans which are as below:—

Planning Commission's estimation of Demand for Pulses

Tenth Five Year Plan		Eleventh Five Year Plan	
Year	Demand for Pulses (Mln. Tonnes)	Year	Demand for Pulses (Mln. Tonnes)
2002-03	15.91	2007-08	16.77
2003-04	16.68	2008-09	17.51
2004-05	17.49	2009-10	18.29
2005-06	18.35	2010-11	19.08
2006-07	19.24	2011-12	19.91

Source: Tenth Five Year Plan Document, Planning Commission, Government of India, New Delhi, and Report of the Working Group on Crop Husbandry, Agricultural Inputs, Demand and Supply Projections for the Eleventh Five Year Plan (2007—12).

It may be observed that the Tenth Plan estimates for 2004-05, 2005-06 and 2006-07 were higher than Eleventh Plan projections for 2007-08 arising out of differences in the estimation procedures and underlying assumptions used for projection."

7. The DCA further stated that it has been mainly using the Planning Commission's estimate of Demand of Pulses as well as the data brought by the NSSO's Household Consumers Expenditure Survey's. As this was by and large, meeting the requirements, hence no specific study was conducted.

8. The Audit has pointed out that per capita availability of pulses was 69 gms per day in 1950 which came down to 37 gms in 2009. The Committee was keen to know about the policy of the Government in ensuring domestic supply of pulses and in protecting the domestic agricultural sector for increased production of pulses in the country. The DCA in their reply stated as under:—

"Department of Agriculture & Cooperation has been actively promoting the production pf pulses through various crop development schemes like National Food Security Mission on Pulses (NFSM-Pulses), Integrated Scheme of Oilseeds, Pulses, Oil palm & Maize (ISOPOM), Macro-Management of Agriculture (MMA), and Integrated Development of 60,000 Pulses villages in Rain fed areas under RKVY in major pulses growing States in the country.

In addition to demonstrate the production and protection technology of pulses to the farmers on their fields through compact area approach, Accelerated Pulses Production Programme (A3P) is implemented in the country with 600 units (one unit of 1000 ha. each) during 2010-11 and 400 units (one unit of 1000 ha. each) is proposed to be covered under A3P during 2011-12."

9. The Ministry further informed that:—

"A programme of Integrated Development of 60,000 Pulses villages in Rain fed areas is also being implemented in 11 major pulses growing States namely A.P., Bihar, Chhattisgarh, Gujarat, Karnataka, M.P., Maharashtra, Odisha, Tamil Nadu, Rajasthan and U.P. in the country to provide the support for in site moisture conservation, accelerated pulses production programme with inclusion of minikits and pests surveillance and market linked extension support through Small Farmers Agriculture Consortium (SFAC) for framework of Farmers Producer Groups (FPOs) and extending end to end support to the farmers for ensuring better economic return to them. In order to boost the production of pulses further during current rabi season through additional coverage of area, an additional allocation of Rs. 80 crore has been made under NFSM-Pulses and released to the States based on the contingency plan prepared by the States. Pulses covered under the scheme are pigeon pea, gram, pea and lentil.

Other measures taken by the Union Government for augmenting availability of pulses and control prices of pulses include (i) lowering of customs duty on import of pulses to zero *w.e.f.* 08.06.2006; (ii) banning export of pulses since 27.6.2006, except export of Kabuli Chana, and export of organic pulses upto 10,000 tonnes; (iii) imposing stock limits on pulses since 29.8.2006; (iv) banning futures trade in pulses since 23.1.2007 except Desi Chan; (v) implementing the 15% reimbursement of losses scheme during December, 2006 to March, 2011;

and (vi) implementing the PDS subsidy scheme for pulses from November, 2008 onwards."

10. The MSPs for the main pulses in the recent years reflect the policy intention of the Government to promote the cultivation of pulses. However a comparative analysis by Audit at gross earning (based on MSPs) by farmers in Rajasthan by growing their wheat or urad in 2007-08 and 2008-09 reveals the following position:—

	2007-08		2008-09	
	Wheat	Urad	Wheat	Urad
Yield (kg/ha)	2,749	466	3,175	318
MSP (₹/MT)	10,000	17,400	10,800	25,200
Gross earning (in '000 ₹/ha)	27,490	8108	34,290	8014

Notwithstanding the substantial increase in the MSP for pulses, the difference in the gross earnings between growing urad and wheat was still so large that it was far more lucrative for the farmers to grow wheat. Thus the price signals given by the increased MSPs for pulses proved to be inadequate to achieve their targeted objectives of increasing yield and the area under cultivation.

III. WIDENING OF GAP BETWEEN WHOLESALE AND RETAIL PRICES

11. Audit analyses of wholesale and retail prices trends revealed that there was a substantial and widening gap between wholesale and retail prices of arhar, masur, moong and urad dal for the period from 2006—11. In other words, the retail prices of pulses increased at a much faster rate than the corresponding wholesale prices. Even though the designated agencies imported pulses on Government account, the retail prices kept on increasing. This growing divergence between wholesale and retail prices pointed towards increasing control of the market by private traders which led to overall increases in the market prices of all major pulses during 2006—11.

12. The Ministry while commenting on Audit analysis *inter alia* stated as under:—

"The trend in market prices (both wholesale and retail) can be analysed in three phase: one between 2006-07 and 2007-08 when prices of pulses (except masur) were generally stable or decreasing (as in the case of tur, moong and urad); the second phase between 2008-09 and 2009-10 when prices showed an increasing trend due to factors such as the increase in international prices and consequent lower imports, and the decline in domestic production due to drought; and the third phase in 2010-11 when prices again showed a distinct fall.

The gap between wholesale and retail prices widened largely during the second phase when prices were rising; the CAG report also acknowledges that the spread was widest in July, 2009 (for tur) and October, 2009 (for urad, moong and masur). This is because of processing of raw pulses to make it worth consumable which adds to its cost, transport cost, heavy rain or drought etc., in addition to the downward stickiness found in retail prices.

Briefly, both wholesale and retail prices in the market are determined by a complex interplay of many macro and micro economic, physical and natural factors on which government has little, if any, control. Cornering of stocks is one such factor, but here, through enabling the State Governments to impose stock limits and closely monitoring their de-hoarding operations, the Consumer Affairs Department attempted to eliminate this factor.

In fact, diversions between wholesale and retail prices are not necessarily confined to pulses alone....."

13. To control the prices, especially in view of the growing divergence between wholesale and retail prices, the Department of Consumer Affairs took several measures which includes extension of validity of notification imposing stock limits on pulses and banning future trading on pulses, export ban and zero duty on import of pulses also continued. DCA also monitors on a daily basis the wholesale as well as retail prices of 27 essential items including pulses from 52 centres across the country.

IV. OPERATION OF THE 15 PER CENT SUBSIDY SCHEME (DECEMBER, 2006)

Shortfall in import and disposal of pulses

14. In order to achieve the objectives of the availability of pulses and stabilization of their prices in the domestic market, GoI decided that NAFED would import 0.6 lakh MT of pulses (Gram, moong and urad) during 2006-07. Thereafter, the targets were fixed at 15 lakh MT of pulses each year from 2007-08 to 2009-10 and at 7.5 lakh MT for 2010-11. These targets were to be met by four implementing agencies (MMTC, NAFED, PEC and STC) put together. Up to half of the targeted quantity of the pulses to be imported from 2007-08 was to be of yellow peas.

15. Audit had noticed that there was a considerable shortfall in the actual import and domestic disposal of pulses *vis-a-vis* the targeted quantities by the importing agencies, as shown in Table 9 of the Audit report produced as below. The shortfall in import was as high as 76.13 per cent in 2009-10, whereas the shortfall in disposal of the available pulses was as high as 50.70 per cent during 2008-09. The shortfall in the import of pulses and their disposal adversely affected the achievement of the objectives of the scheme, *i.e.* to increase availability of pulses and to stabilize their prices in the domestic market.

(Quantity in lakh MT)

Pulses	2006-07	2007-08	2008-09	2009-10	2010-11	Total
Targeted import and domestic sale	0.60	15.00	15.00	15.00	7.50	53.10
Pulses imported	0.89	12.09	9.62	3.58	3.86	30.04
Shortfall/Excess in import	(+) 0.29	(-) 2.91	(-) 5.38	(-) 11.42	(-) 3.64	(-) 23.06
Shortfall in import (per cent)	—	19.40	35.87	76.13	48.53	—

Pulses	2006-07	2007-08	2008-09	2009-10	2010-11	Total
Quantity available for sale*	0.89	12.39	13.53	10.44	6.84	—
Domestic sale of pulses	0.59	8.48	6.67	7.46	3.75	26.95
Shortfall in disposal	0.30	3.91	6.86	2.98	3.09	—
Shortfall in disposal** (percent)	33.70	31.56	50.70	27.97	45.17	—

Source: Annual accounts and supporting documents of these importing agencies.

**Includes the imports made in that year and the previous year's shortfall in disoposal'.*

***Percentage is on the basis of the 'Quantity available for sale' and 'Domestic sale of pulses'.*

Delay in clearance of imported pulses

16. There were abnormal delays in clearance of imported pulses by the importing agencies. The delays in clearance not only had led to avoidable expenditure of ₹42.71 crore as detention and demurrage charges during 2006—11 but availability of the imported pulses in the domestic market was also delayed, with a consequential adverse impact on prices.

17. In response to a query of this Committee, the DCA furnished the reasons for delay in clearance of imported pulses by importing agencies as under:—

> Department of Commerce, the Administrative Department of three of the four designated importing agencies, have stated as below:—
>
> "Certain delays were beyond the control of PSUs, *viz*., clearance delays at port, local holidays/strikes by transport authorities, and difficulty in locating warehousing at major ports.
>
> The local Plant Quarantine Authorities (especially at Kolkata port) delayed clearances which led to detention charges. Consignments arrived at Kolkata Dock during congestion period when port authorities could not discharge the containers from the vessel due to insufficient space within the port operational area and due to insufficient handling equipment."

18. As regards the delay at Kolkata Port, in addition to the reply already given by NAFED, the Ministry further stated as follows:—

> "Since, infrastructural issues have to be addressed to by the port authorities and which is beyond the domain of NAFED, and for that matter, for any importer whose responsibility is limited to the unloading of the imported stock, therefore, there was no way by which there detention charges could have been avoided. Hence, Barges/Boats detention charges of Rs. 52,55,668/- only has been incurred, which was beyond NAFED's control and not Rs. 2.50 crore as stated. This type of problem of congestion in clearance of goods due to its poor infrastructure is

still prevalent in the port. NAFED had made best possible efforts for fast discharge of imported goods to avoid any demurrages charges. NAFED had not paid any demurrage to any mother vessel on handling of imported pulses during 2006—11."

19. The Committee was keen to know why the pulses arrived could not be cleared to supply in the market and who is responsible for delay in lifting of pulses which resulted in loss to Government on account of detention and demurrage charges? The DCA in a written submission stated as follows:—

"Department of Commerce has stated as below:—

In certain cases, bidders took longer time to effect payments and liquidate stocks. In these cases of delayed lifting, the importing agencies forfeited the EMDs of these companies. The carrying cost and delayed payment interest were recovered by the agencies."

STC has stated as below:—

......The delay in clearance of Yellow Peas consignments at Mumbai during October-November 2008 was mainly due to scarcity in the availability of Godown space which resulted because of bunching of shipments. However as per records STC did not incur any demurrage charges. Conversely, STC earned dispatch for having completed the discharge within lesser period than allowed. The free period of 14 days doesn't apply to bulk vessels.

20. The Ministry further submitted that due to bunching of shipments of various importing agencies there was initially no godown space available and STC have had to store and consignments in the port warehouse in excess of the time period allowed resulting in payment of detention charges to port. Wherever detention charges have accrued to STC because of non-receipt of original documents in time, these amounts have been recovered from the foreign sellers. That it would emerge that the detention charges have accrued to STC in majority of the cases due to unavoidable reasons and not because of improper planning. Since Kolkata port has some inherent problems including draft restrictions being a riverine port, excessive time taken for PHO and PQ clearance etc., STC have taken necessary steps to ensure bringing in bare minimal quantities through Kolkata Port.

21. The Ministry also clarified that during 2006—11, STC has not incurred any demurrage in bulk vessels. In case of container cargo, negligible amount of detention charges have been paid at Mumbai which happens naturally during the practical operations. The reply of NAFED is given below:—

"Due to riverine port, poor infrastructure and congestion in clearance of goods at Kolkata port, NAFED paid an amount of Rs. 52,55,668/- only as boats/barges detention charges towards import of yellow peas during 2008—10."

22. Further clarifying the issue, the Secretary, Department of Commerce during evidence *inter-alia* stated as under:—

"The biggest problem was the Kolkata Port as they have no infrastructure there. There is no draft there and nothing can land there. It is just a very serious infrastructure problem. Secondly, most of the pulses, as you would recall, we import from Myanmar. It directly come from Myanmar or through Singapore. So Kolkata becomes the closest Port of all. It takes 3 to 15 days for a ship to reach here. However, the documents reach in 15-20 days. Further, we have to get clearance from Plant quarantine and Health Authorities. Without their clearance the product cannot enter in the country. Third problem is infrastructure problem this is precisely the reason why we have demurrage cost."

23. When categorically asked as to why the extra charges were paid when it was the port's failure, the representatives of the STC replied that it was mainly on account of delay in clearance that were given by Public Health Organisation and Plant Protection Quarantine authorities which come under Ministries of Health and Agriculture respectively.

24. The Audit had found delays in completing the formalities at ports by the Agencies indicate the inefficiencies of the Agencies though they are regularly carrying out such imports/clearance activities. The Committee enquired on this issue from the Ministry which furnished replies given by the importing agencies, as follows:—

STC has stated as below:—

"Such operational delays are inherent with such trading operations and occur in other commodities as well. Most of the reasons are beyond control of importing agencies. STC have incurred an expenditure of Rs. 20.73 crores, most of which is on account of delayed clearance granted by PHO/PPQ authorities particularly at Kolkata CFS. However, considering over all volumes handled by STC, the detention charges paid by STC translate into around 1% of the landed cost spread over a period of 4 years."

NAFED has stated as below:—

"No deficiency of the NAFED was noticed while carrying out clearing activities of imported cargo as NAFED has not paid any demurrage/detention charges for vessels at Mumbai, Chennai, Tuticorin, Hyderabad port. NAFED has paid an amount of Rs. 52,55,668/- only, as Barges/Boats detention charges during 2008-09 & 2009-10 due to non-availability of berthing place for Boats/Barges at Kolkata dock........."

MMTC has stated as below:—

"All such delays are normal which are incurred in other commodities also which are meant for import and export. Many of the reasons are beyond the control of importing agencies. MMTC has incurred expenditure of Rs. 7.72 crores on these accounts in last four years, which is less than 0.5% of landed cost and therefore is normal."

PEC has stated as below:—

"There were many factors beyond the control of PEC which results in delay in completing the formalities as result of which detention was incurred. Regarding the late receipt of documents from the supplier, PEC has recovered detention charges from the supplier and in some cases raised claims on the suppliers. The Performance Guarantees of such suppliers are being withheld. In case of inefficiencies from the Shipping line/Shipping Agent/Clearing Agent, we received additional free days for clearing the cargo and also not released detention amounts to the CHA where the delay in due to their fault."

Delay in lifting by bidders

25. As per the conditions of tenders floated by the importing agencies, the successful bidders were required to lift the awarded quantities within 30 to 90 days after remitting the tendered prices. Audit, however, observed that even after contracting the sales, there were inordinate delays in lifting of the sold stocks by the successful bidder. Consequently, the imported pulses, the bulk of which constituted yellow peas, were not made available in the market promptly, for stabilization of prices. The time taken in lifting ranged from 35 to 670 days as Audit scrutiny has revealed. The MoCI stated (February, 2011) that in certain cases, bidders took longer time to effect payments and liquidate stocks. In all these cases of delayed lifting, the EMDs had been forfeited and the carrying cost and delayed payment interest had been recovered.

26. The Committee desired to know the reason of delayed lifting of stock and whether private sector also suffered loss in import of pulses. The Secretary, MoCI *inter-alia* stated as follows:—

"The evidence for that is indirect. What happens is that some times they directly enter in contracts and some times they do it through trade finance. I mean that they ask the MMTC/STC to import for them. Many of them did not lift the stock as they were aware of the possible loss. It is no proof but it is a clear indication that they also were caught...."

Absence of appropriate channels for distribution of imported pulses

27. The Government envisaged (June, 2006) that the imported pulses would be distributed by NAFED through the network of Kendriya Bhandars, State Civil Supplies Corporations/Departments and other appropriate channels identified by the Department of Food and Public Distribution.

28. The Audit scrutiny revealed that the MoCA, F&PD failed to identify appropriate channels for distribution of imported pulses and to work out a detailed distribution strategy in consultation with the importing agencies, industry and trade for the imported pulses as decided by the Committee of Secretaries (CoS)/as mandated under the scheme. All the designated importing agencies sold the imported pulses in the open market through the tendering process, instead of distributing them through State agencies, as envisaged by the Government in 2006.

29. When asked for the comments of the Ministry on the Audit observation, the DCA in a written submission stated as follows:—

"Audit observation here is limited to imports undertaken by NAFED as part of the Contingency Plan before the 15% scheme was introduced. In 2006-07, to augment the domestic availability of pulses, NAFED was asked to import pulses.

Accordingly, NAFED executed import contracts of 49.300 tonnes of urad and moong and distributed the same through tenders in small lots as per sale procedure of NAFED.

In this regard, NAFED has further stated as below:—

"Before disposal of imported pulses, as per directive of DCA, NAFED had offered the same to all State Governments/their designated agencies *vide* official communications under intimation to DCA but no positive response was received. Besides above, NAFED had also sent offers to cooperative institutions, NCCF, STCL and State Civil Supplies Corporation etc., but no positive response was received regarding their interest in the off-take of imported pulses. Thereafter, in order to maintain proper transparency and getting maximum sales realization, NAFED disposed off entire quantity of imported pulses by adopting sale procedure of NAFED, floating tenders in open market, and uploading on the National Stock Exchange Ltd. The entire contracted imported stock of pulses was received at Indian Ports by NAFED and no high-sea sale was made by NAFED".

In pursuance of the decision of CoS, then Secretary Food had taken a meeting with the State Civil Supplies Corporations and the representatives of NAFED, PEC and MMTC on 29th June, 2006. PEC and MMTC indicated that import of pulses on commercial basis would not be viable in view of the fact that futures prices of these items had already started softening and that by the time the imported shipments arrive, the prices in the domestic market would be much lower than the cost of the imported pulses. The State Civil Supplies Corporations were asked to indicate their requirements based on the landed cost of urad and moong as contracted by NAFED. States were also contracted telephonically. The 4 Southern States of Andhra Pradesh, Karnataka, Tamil Nadu and Kerala were disinclined to accept allotment of imported pulses in view of the high landed cost of imported pulses and the time factor.

As the State Governments were not finding it worthwhile to lift imported pulses for public distribution to have an impact on the retail prices of these itmes, and in view of the decision to subsidize the retail prices of pulses for distribution through State agencies and other agencies like Kendriya Bhandars and National Consumer Cooperative Federation (NCCF) and other approved consumer cooperatives, it was decided to work out the subsidy to be offered to the consumers through discount on landed cost of imported pulses with reference to the future contract prices of urad (moong is not traded in the commodity exchanges).

The issue was discussed in the CoS in July, 2006 and the following decisions were taken:—

(i) No discount or subsidy will be given to the State Civil Supplies Corporations/State Government designated agencies;

(ii) The entire stock should be disposed off by 31.8.2006 as the new crop would start arriving from September, 2006 onwards;

(iii) Entire stock would be disposed off through auction by NAFED at centers to be decided by the Department of Consumer Affairs to impact on retail price levels in these regions;

(iv) The extent of reimbursement of losses to NAFED would be up to 15% of the landed price of imported pulses; and

(v) PEC and MMTC may also import provided they restrict subsidy to 15% of the landed price of imported pulses.

The decision taken in the Contingency Plan to distribute importe pulses in Delhi through the Kendriya Bhandars and the Civil Supplies Corporations was followed up and Kendriya Bhandar distributed imported pulses in Delhi which they received from private importers.

The 15% subsidy scheme audited by CAG, came into operation following the CoS decision taken in the meeting held on 1.12.2006. The basic objective was to increase the pulses availability in the market. The import of pulses was not on Government account (as was the case, for example, with wheat imports by the STC). The DCA, therefore, did not give any specific guidelines on the distribution of the said pulses by the State importing agencies. The Department has no field machinery for distribution of essential commodities including pulses, nor was this mandate given to the Department. The role assigned to the DCA by different competent authorities like the Committee of Secretaries and the Cabinet Committee on Prices (CCP) was to monitor the prices of essential commodities and within that mandate to monitor the import of pulses to fulfil demand-supply gap, as per the decisions of these authorities.

Therefore, the distribution of pulses in the open market was in accordance with the procedures adopted by respective boards of the public sector agencies that were under the purveiw of the Department of Commerce and the Department of Agriculture. However, in one case, when it was noticed that the disposal of imported pulses was being done by the PSU's on high seas basis, DCA brought this to the notice of the CoS. Consequently, CoS in its meeting on 22.5.2007 decided that "To augment the availability of pulses in the market, a mechanism will be put in place so that all agencies bring the imported pulses onshore and do not auction it in the high seas."

30. The Committee asked the Ministry whether they faced difficulties in distribution of imported pulses to the State Government, whether these difficulties were brought to the notice of CoS, CCP, EGoM, before further decisions in this regard were taken by them. The DoCA in their reply furnished as under:—

"Under the scheme, the Department of Consumer Affairs was not given the mandate for distribution of imported pulses."

31. Further, clarifying the issue the DCA stated as under:—

"Since the import of pulses was not on Government account, the Department did not give any specific guidelines on the distribution of pulses. The role assigned to the Department was to monitor the prices of essential commodities and within that mandate to monitor the import of pulses to meet the demand-supply gap.

In view of the above, the distribution of pulses in the open market was according to the procedures to be followed by the PSUs. As mentioned in our earlier submissions the decision of the Government to distribute the imported pulses through KB, PDS etc. were limited to the period April-August, 2006. This was not the decision in respect of the 15% dispensation that was introduced in December, 2006. As the two sets of interventions are different, it cannot be stated that the Ministry failed to establish a distribution strategy".

Tender conditions favouring Larger Private Buyers

32. The tender conditions, especially those of high minimum bid quantities (200-1000 MT) and corresponding earnest money deposits, ensured that mainly large private players could submit bids, thus restricting the channels of distribution and keeping most of the smaller parties out of the loop. Out of the test checked quantity of sale of 8.38 lakh MT of pulses, it was found that 6.08 lakh MT (73 per cent) was sold to far large buyers. In view of the tender conditions restricting the number of bidders, the designated importing agencies were not able to dispose of the pulses in a timely manner, as the prices offered by the bidders were substantially lower than the import prices paid by them. This process also pointed towards the cartelization in purchases of imported pulses leading to lower sales realization by the agencies.

33. The Committee enquired whether the Ministry proposes to investigate the role of the importing agencies in incurring loss of more than Rs. 1200 crore as well and the delay in import and sale of pusles due to restrictive tendering, delay in lifting by bidders etc. The Department of Commerce in their reply stated as follows:—

"As regards restrictive tendering, it is submitted that actual trade of pulses in international markets is quite small and international prices of pulses are generally higher than domestic pulses. When PSUs enter the international market by floating global tenders, this signals domestic shortage and results in upward movement of prices.

As PSUs do not have the advantage of a complete supply chain in the domestic market, pulses were disposed through tendering. Smaller traders generally do not participate in PSU sale tenders because they buy only in smaller lots on credit basis and rely on brokers. However, to facilitate wider participation in the tender process, PSUs brought down the bid quantities and the EMD amount primarily to discourage non-serious buyers and to ensure that smaller lots were not sold at higher prices.

As already explained, in all cases of delayed lifting, the EMD was enforced by PSUs and carrying costs and delayed payment interest were recovered by them.

The PSUs operated in volatile international and domestic markets but continued to import pulses in view of the escalating domestic prices and in the process suffered losses which went beyond the stipulated 15% under the subsidy scheme of the Government. These facts were clearly known to the Department of

Consumer Affairs and it was felt that even if the losses went beyond 15%, there was no escape from importing pulses in view of the domestic compulsions.

In view of the above, Department of Commerce does not propose to investigate the role of importing agencies as PSUs were implementing a Government directive and the losses incurred by PSUs in pursuance thereof were attributable to factors which were laregly beyond their control."

34. As regards tenders given to larger companies as pointed out by the Audit, the Secretary, DCA while deposing before the Committee stated the following:—

"The Audit was based on sample and not on full details. Now I have full details. Fifty-five per cent went to others. The total number of parties bidding was not four or five, but 351. I can give you the company-wise ratio. In STC, the ratio was 53:47; in MMTC, the ratio was 40:60; and in PEC, it was 42:58."

35. The Committee enquired as to why the imported pulses were sold in the open market through tendering process and not through the State agencies to dissuade control of private traders from the market and soften pulse prices in domestic market.

The DCA furnished the reply as given by NAFED as under:

"Before disposal of imported pulses, as per directive of DCA, NAFED had offered the same to all State Governments/their designated agencies *vide* official communications under intimation to DCA but no postive response was received. Besides above, Nafed had also sent offers to cooperative institutions, NCCF, STCL and State Civil Supplies Corporation etc., but no positive response was received regarding their interest in the off-take of imported pulses. Thereafter, in order to maintain proper transparency and getting maximum sales realization, NAFED disposed off entire quantity of imported pulses by adopting sale procedure of NAFED, floating tenders in open market, and uploading on the National Stock Exchange Ltd. The entire contracted imported stock of pulses was received at Indian Ports by NAFED and no high-sea sale was made by NAFED."

Losses suffered by importing agencies

36. These pusles were sold at substantial losses by the agencies. Audit observed that of the losses of Rs. 1201.32 crore, Rs. 897.37 crore (75 per cent) was incurred only on account of yellow peas. While the EGoM recognized the limitations of the scheme and decided to close it, they did not discuss the non-achievement of the envisaged objectives of availability of pulses and stabilization of their prices in the domestic market.

37. The Committee was inquisitive to know why the import of yellow peas was continued by the agencies during subsequent years in spite of huge unsold stock balances with them during 2007-08 and 2008-09. Also, they wanted to know whether it is correct to say that major portion of losses caused on import of yellow peas only. The DCA in their reply furnished the comments of the importing agencies to the Committee as under:—

"STC has stated as below:—

"As per authorization issued by Department of Consumer Affairs each PSU was mandated to import a quantity of 3.75 lak tons (50% Yellow Peas and 50% other Pulses) to be imported each year so as to improve availability in the domestic market and to ease pressure on the local prices. During the periodic reviews, directions were issued to the importing agencies by CoS, CCP to formulate an import plan to reach the targeted import of 15 lakh MT of Pulses every year. It was pursuant to these directions of the Government issued from time to time that the import of Yellow Peas was performed.

However, for a period of about 6-8 months, there was a ban imposed by the Government on further import of Yellow Peas in view of sufficient availability of Yellow Peas with the country. As a result of this ban, STC abrogated signed contracts for about 70,000 tons of Yellow Peas and the contracts were cancelled which prompted the foreign sellers to initiate arbitration proceedings against the STC claiming damanges for non-performance, carrying charges, etc."

NAFED has stated as below:—

"No fresh contract for import of yellow peas was made by NAFED during 2009-10 and NAFED executed four contracts with different suppliers for import of 2.00 lakh MTS yellow peas (+/-10%) during 2008-09. Out of this, a quantity of 1,03,348 MTS arrived during 2008-09 and balance a quantity around 97254 MTS yellow peas arrived during 2009-10 at Indian ports.

MMTC has stated as under:—

"MMTC discontinued import of Yellow Peas after it was left with stock of about 1,32,175 MTS during 2008-09. MMTC imported only about 32,000 MT of Yellow Peas during 2009-10 which arrived at Mumbai port in first week of 2010 and was sold on profit. No quantity of Yellow Peas was imported by MMTC during 2010-11."

PEC has stated as below:—

"During the year 2009-10 and as advised by MoCA, no imports of yellow peas were undertaken by PEC and it is only after the carry forward stock of the previous years was disposed off that PEC resumed import of yellow peas in 2010-11. The imports of yellow peas in 2010-11 were carried out mainly to meet the requirement of Uttar Pradesh State under PDS Subsidy Scheme of the Government of India."

38. The Secretary, Ministry of Commerce during evidence *inter-alia* informed that during 2008-09 all the public sector agencies imported yellow peas. When they signed contract the rate was $ 250 and when it reached our country the rupee to dollar rate depreciated because of international pressures. Therefore, the product which was Rs. 10/kg by the time it reached here the rate climbed to Rs. 12-15 per kg which resulted in losses. During 2009-10 the prices of pulses started increasing upto Rs. 80, Rs. 90 and Rs. 100 kg. That time the agencies were told to purchase yellow peas. At that time, the prices of the pulses which were $ 200-250 increased to $ 550. And when these pulses reached here, the demand had fallen. Therefore, the recovery which was expected could not be materialized.

39. When asked to state whether CCP/CoS was appraised of action taken in this regard, the Secretary DCA stated as follows:—

> "Yes. Various notes submitted by this Department to CoS, CCP and EGoM during the year 2009 indicate that information regarding yellow peas were reported to these committee."

40. In response to the query of the Committee regarding exact amount of loss suffered by importing agencies in purchase and distribution of pulses under 15% subsidy scheme the DCA informed that:—

> "Cost Accounts Branch (CAB), Department of Expenditure, Ministry of Finance, have calculated the aggregate losses for all the years (2006-07 to 2010-11) of all the agencies taken together, at Rs. 1161,86,34,454/-. Admissible aggregate subsidy reimbursement under the existing provisions of the 15% scheme, against this total losses, has been calculated by CAB at Rs. 690,64,39,756/-".

Inadequate/delayed financial assistance by Government

41. The importing agencies suffered huge loss amounting to Rs. 1201.32 crore an import and sale of pulses during 2006—11. Government of India did not extend separate financial assistance to the agencies either in terms of adequate working capital funds or for meeting consequential expenses such as handling transportation and storage, interest etc. Initially, the reimbursements were delayed and the first reimbursement was made only in March, 2009. The PSUs had been requesting that the losses made on actual basis be reimbursed to them as this was having a serious impact on their financial viability.

42. The Government reimbursed losses to the extent of Rs. 329.23 crore upto March 2011 as against the total loss of Rs. 1201.32 crore suffered by the agencies. While giving details of reimbursement, the Secretary, DCA deposed before the Committee that the total reimbursement so far is Rs. 361 crore and they have claims pending for Rs. 295 crore. Only one claim is not yet finalized that is MMTC for 2010-11. So after that is received that will give the total picture. This is for the 15 per cent scheme. The other scheme of course Rs. 600 crore is till last year and this year (2011-12) the Government has permitted upto Rs. 500 crore subsidy.

Final review and closure of the 15 per cent subsidy scheme

43. The 15 per cent subsidy scheme was introduced in 2006. This scheme was extended up to 31 March, 2008 in April, 2007. It was further extended up to 31 March, 2009 by the CCP in its meeting held on 31st March, 2008 and still further up to 31 March, 2010 during the Cabinet meeting held on 18th March, 2009. The EGoM, in its meeting held on 18 March, 2010, extended this scheme up to 30 September, 2010, reducing the total targeted imports to a maximum of 7.5 lakh MT. Subsequently, the scheme was further extended up to 31 March, 2011 by the EGoM in its meeting held on 23 September, 2010. However, the reduced target of 7.5 lakh MT was not revised. Finally, the EGoM, while reviewing the status of implementation of the scheme, decided (March, 2011) upon its discontinuance with effect from 1 April, 2011.

44. In reply to a query of the Committee in this regard the DCA informed that the Government discontinued the scheme as it was noticed that imports by PSUs were not very significant, PSUs should be able to operate without government backing, international volatility in prices resulting in huge losses for PSUs and a feeling that entry of PSUs in the market tends to distort the market by pushing up prices.

45. In response to another query of the Committee in this regard, the DCA informed that 15% subsidy was introduced as a non-plan scheme. No independent agency has been engaged to evaluate the scheme.

V. SCHEME FOR DISTRIBUTION OF PULSES TO BPL HOUSEHOLDS THROUGH PDS

46. In November, 2008, GoI launched a scheme for import of four lakh MT of pulses through four designated angencies (MMTC, NAFED, PEC and STC) at a subsidy not exceeding Rs. 10/kg (inclusive of adminsitrative costs, margins and interest), the total subsidy being Rs. 400 crore. Imports were to be undertaken by the four agencies based on the requirement for each type of pulse received from the State Governments. The State Governments/UTs would receive the pulses and distribute them only through PDS. The maximum quantity so distributed by State Government would be one kg. of pulses per family per month. The distribution would be primarly restricted to BPL families or it could cover some APL families as well, depending upon availability and logistics. MoCA, F&PD reimbursed an amount of Rs. 419.71 crore against claims of Rs. 430.39 crore preferred by the agencies upto March, 2011. Even as huge unsold stock of yellow peas were lying with PSUs under the first scheme of 15% subsidy, the second scheme was launched.

47. The Committee asked about the mechanism which was in place to ensure that the subsidized pulses reached the intended beneficiaries. The DCA in their reply furnished to the Committee stated that:—

> "Distribution of imported pulses under PDS is the responsibility of the State Governments and hence ensuring that it reached the intended beneficiaries rested with them. On its part, the DCA while processing the subsidy reimbursement claims, ensured that the State Government certify that the pulses purchased by them from the designated importing agencies are sold in the PDS only and not in the open market."

48. The Committee desired to know why did the Government implemented the second scheme in parallel to the first scheme and whether the shortcomings noticed in the first scheme were properly addressed in the second scheme. The DCA in their response submitted as under:—

> "The Minister for Consumer Affairs, Food & Public Distribution made a statement in both Houses of Parliament during Budget Session that a scheme of distribution of imported pulses through Public Distribution System at subsidized rates would be formulated on the lines of a recently launched scheme for distribution of imported edible oils.
>
> The second scheme ensured that the imported pulses are distributed by the State Government agencies in the PDS. Also, by fixing the subsidy at Rs. 10/- per kg. it ruled out the scope for making losses by importing agencies, on the one

> hand, and done away with the need for looking into the details of the agencies accounts to verify the losses made by them, on the other."

49. The State Governments/Union Territories were required to indicate their demands of the varieties and quantity of pulses to the importing agencies. However, the responses of the States were not very encouraging. The Committee desired to know what in the opinion of the Ministry were the reasons for non-responses of the State Governments under the scheme and whether State Governments were encouraged to come forward to seek the imported pulses for distribution in their States. They also desired to know the present status in this regard. The DCA in their reply stated as under:—

> "Department of Consumer Affairs encouraged the State Governments to seek imported pulses for distribution in their states by writing letters to them and also holding meetings with them."

50. The Committee asked whether the lukewarm response of the State Governments was brought to the notice of the Government/Cabinet/EGoM/CoS/CCP to raise the level of interaction with the State Government for addressing the issues involved and also whether audit considered revising the rate of subsidy element of Rs. 10/kg, the Secretary, DCA deposed before the Committee:—

> "In fact, there were suggestions to the Committee of Secretaries that where the subsidy is significant especially for the pulses which are more popular in the country like *Arhar, Mung* and *Urad* should be increased. At that time *Chana* was Rs. 30 per kg, we thought that Rs. 10 is all right. But that proposal did not find favour with the policy makers, as it would probably have meant bigger financial burdern."

51. When asked about the steps the Government now proposed to take to augment intake of pulses by BPL households, the DCA replied that the existing Scheme for Distribution of Imported Pulses at subsidised rates through PDS will take care of the intake requirement of pulses by BPL households.

52. While replying vetting comments, the DCA stated that the operation of the scheme has been only till 30th June, 2012.

VI. MONITORING BY THE MINISTRIES CONCERNED

53. It was ascertained by Audit that the Government had reviewed the prices and availability situation of pulses in the country periodically through CCP/CoS meetings. MoCA, F&PD received weekly reports about the implementation of the schemes and also reported the status of imports of pulses to the CCP/CoS. However, Audit could not find any evidence as to whether the Ministry had reported the fact to the CCP/CoS that the pulses imported under the 15 per cent subsidy scheme by the designated agencies were being distributed through the network of Kendriya Bhandars, State Civil Supplies Corporations/Departments and other appropriate channels identified by the Department of Food and Public Distribution and reached the intended beneficiaries. The recommendations of CCP/CoS regarding monitoring were not adequately addressed, which resulted in non-achievement of the desired objectives of enhancing of the availability and stabilizing the prices of pulses.

54. The Committee desired to know about the monitoring mechanism which was in place for successful implementation of the scheme and its effectiveness. The DCA in their response stated that:—

> "Importing agencies were required to submit weekly report regarding import of pulses under the PDS subsidy scheme. Information received from them on a weekly basis are compiled together. Department of Consumer Affairs held regular meetings with the importing agencies to review the status of imports of pulses under the subsidy schemes. Further, the import status of pulses have been regularly reported in the CoS notes and EGoM notes submitted by this Department."

55. When asked whether the Ministry reported the fact to the CCP/CoS that the pulses imported under the 15 per cent subsidy scheme by the designated agencies were not being distributed through the network of Kendriya Bhandars, State Civil Supplies Corporations/Department and other appropriate channels identified by the Department of Food and Public Distribution and their response. The DCA in their reply stated:—

> "The provisions of involving the network of Kendriya Bhandars, State Civil Supplies Corporations and other appropriate channels were only in respect of the Contingency Plan for import of pulses that was executed during April-August, 2006. In respect of 15% dispensation that was introduced since December, 2006, no such distribution mechanism was mandated under the scheme."

56. As regards the mechanism in place to closely monitor the price situation and maintain vigil on any attempts to manipulate the market and coordinate with the State Governments the DCA informed the Committee as follows:—

> "Monitoring price situation and market developments for various essential commodities is a general mandate of the Department of Consumer Affairs. Under this mandate, this Department closely monitors the prices of 22 essential commodities including pulses on a daily basis. The wholesale and retail prices of these commodities are collected from 49 centers representing all States and regions of the country. Daily prices are collected from the State Civil Supplies Departments. Other variables at the national and global level that are likely to impact prices are also monitored closely.

The prevailing price situation, as well as factors which impact on prices, in both domestic and international markets, are studied and brought to the notice of high level Committees, such as Committee of Secretaries (CoS), Cabinet Committee on Prices (CCP), through agenda notes prepared for their meetings, for appropriate action at the policy level. This note puts up the review and status of the general inflation scenario, Production situation of major food crops, Price scenario of Essential Commodities, Domestic Spot and Futures prices of Essential Commodities, International Futures Prices, World Markets and Trade scenario of food grains, Commodity-wise details for wheat, rice, sugar, pulses, edible oils. vegetables and milk containing Area and Production scenario, Procurement scenario, domestic and international prices, and World Markets and Trade Scenario for the specific commodity.

The decisions taken at the Cabinet Committee on Prices (CCP)/Committee of Secretaries (CoS) meetings are conveyed to the Ministries/Departments concerned to take appropriate action. The decisions taken in these meetings are implemented by the Ministry/Department concerned which is charged with the responsibility of the subject matter of the decision. Department of Consumer Affairs (PMC) monitors the action taken on those decisions by the concerned Ministries/departments and submits the action taken report before the Cabinet/CCP/CoS."

VII. CONCLUSION

57. Audit found that the MoCA, F&PD did not assess the requirement of pulses in the country in order to calculate the correct amounts needed to be imported. Delays in clearance of imported pulses at the ports led to an avoidable expenditure of ₹ 42.71 crore up to March, 2011. The MoCA, F&PD failed to identify appropriate alternative channels for distribution of imported pulses and work out a detailed distribution strategy as mandated under the scheme. The Government directed the agencies to continue importing the pulse in spite of the fact that the agencies had huge unsold stock balances. Inadequate monitoring by the Ministry of Consumer Affairs, Food & Public Distribution led to failure in ensuring the proper distribution of imported pulses in the domestic market.

58. The Committee desired to know as to what action is being contemplated by the Government to evaluate the performance of the scheme for import and distribution of pulses the DCA informed as follows:—

> "The second scheme ensured that the imported pulses are distributed by the State Government agencies in the PDS. Also, by fixing the subsidy at ₹ 10/- per kg. it ruled out the scope for making losses by the importing agencies, on the one hand, and done away with the need for looking into the details of the agencies accounts to verify the losses incurred by them, on the other.
>
> At present, the Department is planning to get a study conducted on pulses demand and consumption pattern. As a part of this study, views of particularly BPL families will be taken regarding the efficacies of the subsidy scheme which may help improving performance of the scheme to ensure improving availability of pulses of BPL households.
>
> The intentions of implementing the pulses subsidy scheme are to augment availability that will have impact on reducing prices as well. However, pulses imports undertaken by the designated agencies under the scheme appear to be inadequate and insignificant given the total requirements. Also, probably the subsidy of ₹ 10/- per kg. is inaquate to make pulses available to the poor at affordable prices."

59. When Committee enquired whether the Government proposes to review the roles of the departments and agencies implementing this scheme to fix responsibility for the loss and lapses, if any, in this regard, the DCA in a written reply furnished as under:—

> "The 15% scheme has been discontinued after 31.3.2011. Therefore, there is no scope for reviewing and fixing different roles to the concerned departments and

agencies at this state may not rise. However, it may be noted that the scheme had been operated in accordance with the decisions taken at the highest level. It may also be mentioned here that even before introduction of the scheme, agencies like PEC and MMTC indicated that it was uneconomical for them to import pulses. It was the considered view of the Government to enhance domestic availability and reimburse upto 15% of the landed cost as subsidy. In the light of the above, it is felt that the roles of the Department implementing the scheme have been in line with the decisions taken at the highest level."

60. Further, replying to comments of Audit on above reply of the Department, the DCA submitted as under:—

"The losses as assessed by CAB come to ₹ 690.64 crore. These losses mainly occurred because of factors such as rise in the international prices of pulses and Rupee depreciation. Some of these factors were beyond the control of the designated importing agencies. Factors such as distribution of imported pulses, monitoring etc. were not part of the mandate of the Department. Further, the loss to be borne by the Government under the scheme has been limited to 15% of the landed cost of imported pulses.

NAFED have stated that losses that had been incurred by NAFED in import and sale of yellow peas was not due to inefficient or ineffective mechanism, but due to complex interplay of national and international factor. NAFED had adopted all ways and means to dispose off the stocks within the given constraints."

61. In response to a query of the Committee regarding steps the Government would take to stabilize the increasing prices of pulses by way of better productivity of pulses, improvements in trade, better distribution mechanism etc. the DCA replied that an integrated approach for long term is necessary in the case of pulses. *Ad-hoc* responses like augmenting supply through imports, banning exports, imposing stock limits, or banning pulses from futures trade may not actually lead to stabilizing prices of pulses. The aspects relating to production and productivity will have to be looked into by the Department of Agriculture Cooperation, the concerned administrative Department.

62. In this regard, the Department of Agriculture & Cooperation has stated as follows:—

"As expert group on pulses has been constituted by the Department of Agriculture for suggesting long and medium term strategies for increasing the production of pulses. The report of the Committee is under finalization.

NFSM is proposed to be revamped during 12th Plan with promotion of location specific production strategies focusing on accelerated production of food grains crops including pulses with focus on area expansion, asset building, strengthening of institutions, conservation agriculture etc. There would be more focus on eastern region, rained areas and crop specific initiatives for increasing pulses production."

63. The Committee note that the Standing Committee on Finance (2009-10) in their Sixth Rerport (15th Lok Sabha) on "Inflation and Price Rise" had raised serious concern over severe scarcity of pulses due to huge shortfall in production.

PART II

OBSERVATIONS AND RECOMMENDATIONS

1. The Committee are deeply concerned that despite the fact that India is the largest producer and consumer of pulses in the world, there were gaps between demand (159-192 lakh metric tonne) and production of pulses in the country in the range of 10 to 50 lakh MT during 2002-03 to 2010-11. Further, despite import by Private importers since a long time, the demands for pulses could not be fully met. To bridge this gap, the Government of India introduced two schemes, first in 2006 and the second in 2008, after observing results of an *ad-hoc* measure, for import and distribution of pulses through four agencies (NAFED, MMTC, PEC and STC) in order to facilitate the availability of pulses and to stabilize prices. In the first scheme introduced in May, 2006, the agencies were to import pulses on Government account, subject to reimbursement of losses, if any, up to 15 per cent of the landed cost by the Government. The other scheme introduced in November, 2008, envisage import of four lakh MT of pulses for distribution to BPL households through the Public Distribution System at an overall subsidy of ₹10/- kg. The Ministry of Consumer Affairs, Food and Public Distribution (MoCA, F&PD) [Department of Consumer Affairs (DCA)] was the nodal Ministry for implementation of the scheme. The Ministry of Commerce and Industry was to coordinate the import arrangements. Based on the current review of the schemes by the C&AG through test check of the records of the Ministries and the Corporate/Branch offices of the importing agencies, namely MMTC, NAFED, PEC and PTC, the examination of the subject by the Committee makes startling revelations with respect to serious deficiencies in the design of the scheme, and its implementation as discussed in the succeeding paragraphs.

2. The Committee note that DCA depends on Planning Commission estimation of demand and supply for pulses. The annual domestic production of pulses increased from 84 lakh MT in 1950-51 to 143 lakh MT in 1990-91 but remained in the range of 111 to 149 lakh MT over the last decade, except during the year 2010-11 when it reached 181 lakh MT. On the other side, the demand for pulses increased from 159 lakh MT in 2002-03 to 192 lakh MT in 2006-07, which dropped suddenly to 168 lakh MT in 2007-08 and increased to 191 lakh MT in 2010-11. Thus, this period was marked by a gap between demand and production ranging from 10 to 50 lakh MT. The demand in 2016-17, as per Twelfth Plan, is likely to be 22 million tonnes and supply will range from 18-21 million tonnes, hence pulses well continued to be in short supply. This shortfall was to be met by import with policy of zero percent duty and also on account of ban on export of pulses. However, the per capita availability of pulses decreased to 37 grams per day in 2009 which was 69 grams in 1950. The Government has been promoting the production of pulses through various crop development schemes like National Food Security Mission on Pulses (NFSM Pulses), Integrated scheme of oil seeds, pulses oil palm and maize (150 POM) and integrated development of 60,000 pulses villagers in Rain fed areas under RKVY in major

pulses growing States. However, the data based on MSPs of wheat and urad shows that the difference in the gross earning per hectare between growing urad and wheat was still so large that it was far more lucrativce for the farmers to grow wheat. The Committee, taking note of the various steps taken by the Government to encourage farmers to grow more pulses by way of providing good quality seeds, introduction of new and advanced techniques to increase production of pulses, are far from satisfied.The Committee are,of the considered view that unless the MSP is increased enough to an attractive level, keeping in view the MSP of other agricultural produces, the farmers will not venture to grow more pulses. Having regard to the fact that India is the biggest pulse consumer of the world being the protein giving nutritional diet of the people, the Committee recommend that the Government, after necessary inter-ministerial consultation, evolve a suitable mechanism for periodic increase in the MSP of pulses, institute measures for increasing the quality and quantity of pulses through suitable incentives, research and extension and apprise the Committee in due course.

3. The Committee note that the Government has data of Planning Commission which shows that there is persistent shortfall in production of pulses which is met through import by Government agencies and private parties. However, observing that the efforts to fill the gap by the imports have obviously not made any changes in the retail prices of pulses and in view of the fact that the specific programmes, support and schemes have not increased production of pulses to the level of self sufficiency, the Committee are of the considered view that the Government should formulate a long term policy to meet the demand for pulses in the Country mindful of the fact that shortage of pulses in India, being the largest producer and consumer of pulses, has a bearing on the prices in world market. The Committee also recommend that Government explore the possibility of maintaining buffer stock of pulses as is maintained for wheat, sugar, rice, etc. Further, if import of pulses becomes unavoidable, it should be done well in advance keeping in view the prices of pulses in the international market and the tendency of future trading, hoarding and undue profiteering by unscrupulous traders.

4. The Committee find that there was a substantial and widening gap between wholesale and retail prices of arher, masur, moong and urad dal for the period from 2006-11. The retail prices of pulses increased at a much faster rate than the corresponding wholesale prices. Further, despite efforts made by the Government to increase availability of pulses in the market through import of pulses, the retail prices of pulses in the market could not be controlled which indicate that the efforts were flawed as the Government failed to monitor/control the retail prices of pulses in the domestic market. Evidently, the market was under the control of private traders which resulted in steep escalation in the prices of pulses leading to public outery. According to DCA this was because of decline in productivity due to drought, processing of raw pulses to make it worth consumable which adds to its cost, transport cost in addition to the downward stickiness found in retail prices. Surprisingly, despite the claim of DCA that they monitor, on daily basis, the wholesale prices as well as retail prices of 27 essential items including pulses from 52 centres, the pulses were in severe scarcity leading to steep price escalation making the much needed 'dal' unaffordable to the common man. The Committee deplore that despite the

tall-claim of monitoring, as well as intervention in the market, the prices of pulses could not be effectively controlled by the Government and recommend that the MoCA, F&PD strengthen and streamline their monitoring mechanism with real-time feedback and stringent penal provisions against erring intermediaries to increase the availability of pulses and control/contain the prices of pulses in the market in future.

5. The Committee note that apart from shortfall in import and disposal, there were delay in clearance of imported pulses from the port by the importing agencies, which affected the availability of pulses in the market apart from adversely impacting their prices. It also resulted in avoidable expenditure of ₹ 42.71 crore as detention and demurrage charges during the period 2006—11. The department of Commerce and the importing agencies have claimed that certain delays were beyond their control *viz.* dalay in clearance at ports, local holiday/strike and difficulty in locating werehouses at major ports infrastructure at the ports, etc. The local Plant Quarantine Authorities (especially at Kolkata port) and Health authority mainly delayed the clearances which resulted in increased port charges, storage and demurrange charges. The importing agencies also delayed completion of formalities at ports as Audit has pointed out. The agencies, however, denied any failure on their part stating that such operational delays are normal and inherent with such trading operations which occur in other commodities as well. But the Committee find it abundantly clear that the agencies did not bother to consider such 'inherent' operational delays in import and incorporate them in scheduling of imports to ensure 'timely' imports. Further, they failed to bring the delays on various counts, to the immediate notice of the Department of Commerce with a view to surmounting the hurdles. the Committee hope that the Department of Commerce and Department of Consumer Affairs, become wiser after causing so much avoidable public misery and outcry due to their apparent complicity and prophylactic and preventive action on their part. The Committee would like to be apprised of any new procedures or mechanism evolved/designed to obviate such a recurrence.

6. The Committee note that the Government decided in June, 2006 that the imported pulses would be distributed by NAFED through the network of Kendriya Bhandars, State Civil Supplies Corporations/Departments and other appropriate channels identified by the Department of Food and Public Distribution. The Audit found that MoCA, F&PD failed to identify appropriate channels for distribution and the imported pulses were sold by the importing agencies in the open market through tendering process. However, according to DCA the Audit observation is limited to the contingency plan under which the imports made by NAFED were to be disposed of before the August, 2006 but due to poor response from State Governments NAFED could not do so. Further, the 15% subsidy scheme came into operation following the decision taken by CoS in their meeting held on 01.12.2006 with the basic objective of increasing the availability of pulses in the domestic market. The import of pulses was not on Government account. The DCA, therefore, did not give any specific Guidelines on the distribution of the pulses. Notably, the Department had no field machinery for distribution of essential commodities including pulses. The Committee are appalled to note the callous reply given by Department of Consumer Affairs that they do not have field machinery to distribute pulses, a fact the Committee are well aware of. The Department, being the entity that was bestowed upon with the responsibility of

monitoring the import and distribution, ought to have acted with foresight and in close concert with the governmental agencies responsible for distribution. The Committee deplore the utter lack of synergy and effective coordination between the various agencies of the Government that resulted in the private players jacking up the prices of pulses and unduly benefiting from the subsidized exports causing avoidable hardship and financial distress to the common people. The Committee would like to be apprised of the mechanism instituted by the Government to ward off such a situation in future.

7. The Committee not that tender conditions especially those of high minimum bid quantities (200-1000 MT) and corresponding EMD, ensured that only large private buyers could submit bids and restricted the channels of distribution and kept most of the smaller parties out of the race of tender process. This is axiomatic from the fact that 73 per cent of pulses were sold to four large byers as pointed out by Audit. As the prices offered by the bidders were substantially lower than the import prices it also indicate towards the formation of certel in purchases of imported pulses leading to lower sales realization. DCA denied such an inference and submitted that the Audit findings were based on sample and not full details which shows that 55 per cent of the total 351 parties were smaller parties who bid for purchase. The Department of Commerce further submitted that the PSUs were implementing a Government directive and the losses incurred by them in pursuance thereof were attributable to factors which were largely beyond their control. The Committee, however, feel that despite bids given by large and small buyers for purchase of imported pulses, the fact remains that the availability of pulses in the domestic market could not be ensured which resulted in steep rise in prices of pulses causing avoidable misery and hardship to the people. In their considered view the whole issue needs examination by the CVC. The Committee further desire the Department of Consumer Affairs to conduct a detailed study on the prices at which the imported pulses were sold to the private buyers and the retail prices of such pulses in the market, taking into account the rate of retails sale of such pulses that were sold before the retail sale of the imported pulses and submit a report within four months from the date of presentation of this Report to the Parliament.

8. The Committee note that conditions of tenders provided that successful bidders were required to lift the awarded quantities within 30 to 90 days after remitting the tendered prices. However, it is observed that after contracting the sales, there were inordinate delays in lifting the sold stock by the bidders. The Audit has pointed out delay of 35 to 670 days. The MoCI and importing agencies also accepted the fact that some of the bidders took longer time to make payment and lift the stocks. Though MoCI has forefeited EMDs in cases where delayed lifting took place and also recovered interest on delayed payment, however, the fact remains that delayed lifting of sold stock of pulses, bulk of which constituted yellow peas, could not reach the market in time leading to avoidable price spiral. The Committee feel that in the absence of stronger punitive cluase in the tenders, the bidders delayed the lifting of pulses which indicate that there was hoarding by the bidders so as to create artificial shortage and jacking up of prices. The Committee also feel that the MoCA, F&PD should have directed the importing agencies to ensure that the sold stocks were lifted within the prescribed time limit so that pulses reached the market without delay. The Committee

deprecate lack of concerted efforts on the part of MoCA, F&PD and designated importing agencies to direct bidders to lift pulses promptly and make the pulses available in the market. They also desire that in future, punitive clause must be added in the tenders to avoid such delay in lifting of sold stock and to ward off any possibility of hoarding.

9. The imported pulses were sold by the agencies at substantial losses. Audit has reported that out of ₹ 1201.32 crore losses suffered, ₹ 897.37 crore (75 per cent) was only on account of yellow peas being 50% of the total import of pulses. However, the DCA informed that agencies did not import yellow peas in 2009-10 as Audit has observed and only disposed of the previous stock in 2009-10. Further, out of the total quantity of approx. 21.12 lakh tonnes of imported pulses that were disposed of in all the years under 15% scheme. 12.79 lakh tonnes was yellow peas *i.e.* 60.58 per cent. The dollars rate depreciation between the period of signing of the contract and the actual supply of pulses was the main reason for losses in yellow peas in addition to rise in prices of pulses in the international market. The total losses as calculated by Coast Accounts Branch (CAB), Department of Expenditure during 2006-07 to 2010-11, were ₹ 1161,86,34,454/- and admissible subsidy under 15% scheme has been calculated as ₹ 690,74,39,756/-. However, despite demand from importing agencies to reimburse the actual losses and not limiting it to 15%, the same has not been accepted by the Government. As on February, 2012, the reimbursement made was ₹ 361 crore and claims of ₹295 crore were pending in addition to one claim of MMTC which was still to be finalized. The EGoM while reviewing the status of implementation of the scheme in March, 2011 decided to discontinue it *w.e.f* 1st April, 2011 as it was noticed that imports by PSUs was not significant and international volatility in prices resulted in huge losses for the PSUs. The Committee are of the considered view that having compelled the agencies to import pulses, a larger part of it being yellow peas, inspite of their expressing apprehensions about the possible losses, the Government should have compensated the agencies fully and not just the 15 per cent that the scheme provides for. The Committee, therefore, desire the Government to reimburse the total losses suffered by the PSUs at the earliest and to explain what necessitated the Government to import yellow peas for which there were hardly any buyers.

10. The Committee note that another scheme was launched by the Government of India in November, 2008 for import of four lakh MT of pulses through MMTC, NAFED, PEC and STC at a subsidy not exceedings ₹ 10/-per kg. the total subsidy being ₹ 400 crore. Imports were to be undertaken based on State Governments' requirements and distributed through PDS primarily to BPL families, at the rate of 1 kg. of pulses per family per month. MoCA, F&PD reimbursed an amount of ₹ 419.71 crore against the claim of ₹ 430.39 crore upto March, 2011. The concerned State Governments had to certify that these pulses were sold in the PDS and not in the open market while claiming the subsidy reimbursements. The Department of Consumer Affairs approached State Governments to seek imported pulses for distribution. However, only 13 States availed the benefit of this scheme. The proposal to hike the subsidy to attract more States did not get favour of policy makers probably for fear of bigger financial burden. The scheme was in operation till 30th June, 2012. The Committee demand explanation to their satisfaction for the continuation of the earlier scheme

even after implementing the new scheme, particularly in view of the fact that the earlier scheme was a failure and a wastrel. The Committee observe that the scheme was flawed from the beginning as the real stakeholders/implementing agencies, that is, the State Governments/Agencies were not consulted before finalizing the scheme. They feel that ₹ 10/- subsidy for 1 kg. pulse for a month was grossly inadequate for the BPL families, as is evident from the response of the State Governments. The Committee would therefore like to be apprised of the action taken to fix responsibility for sheer waste of public money on such an ill-conceived scheme.

11. The Committee note that the MoCA, F&PD does not have any structured mechanism to assess the requirement of pulses in the country as they depend solely on the estimated demand of pulses as assessed by the Planning Commission. In fact, there is no well-designated agency to assess the requirement of pulses among other agricultural products in the country. Further, the Committee are distressed to note that during implementation of the scheme for imported pulses, delays in their clearance at the ports led to an avoidable expenditure of ₹ 42.71 crore on account of storage, demurrage charges till March 2011. Failure of MoCA, F&PD to work out the detailed channels of distribution of imported pulses, of course through the existing agencies/ mechanisms available and to increase the availability of pulses in the domestic market was visible as the prices in retail market did not come down despite their import. The Committee note that after the pulse import fiasco, the DCA is planning to get a study conducted on the demand for pulses and their consumption pattern. The Committee recommend that an institutional mechanism within/under the department of Consumer Affairs be created to collect, collate and analyse the actual demand month-wise/ product-wise/District, State-wise, in a real time database, so as to have scientific data basis about the production and demand of pulses each year.

12. To sum up, the Committee find that serious flaws and weaknesses in design, implementation, distribution and monitoring reduced a well intended scheme into a loss bearing scheme. The Committee find that several key issues merit urgent attention which *inter-alia* include fixing of MSP on the higher side to attract farmers to grow more pulses; formulation of long term policy to meet demand of pulses; explore possibility of maintaining buffer stock of pulses; strengthening and streamlining the monitoring mechanism by the concerned Ministries to increase availability of pulses and control prices in the market in future; DCA to conduct a detailed study on the prices at which the imported pulses were sold to the private buyers and retail prices of such pulses in the market taking into account the rate of retail sale of such pulses; inclusion of punitive clause in the tenders to avoid delay in lifting of pulses by the bidders and to ward off any possibility of hoarding; reimbursement of total losses suffered by the PSUs in import of pulses. The Committee reiterate the recommendations of the Standing Committee on Finance (Sixth Report-Fifteenth Lok Sabha) and would like the MoCA, F&PD and MoCI to take concerted action in consultation with other Ministries/Departments concerned, on their suggestions/ recommendations and apprise them in due course.

NEW DELHI;
29 *April*, 2013
9 *Vaisakha*, 1935 (*Saka*)

DR. MURLI MANOHAR JOSHI
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE EIGHTEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2011-12) HELD ON 28TH FEBRUARY, 2012

The Public Accounts Committee sat on Tuesday, the 28th February, 2012 from 1500 hrs. to 1700 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Shri Bhartruhari Mahtab
4. Shri Jagdambika Pal
5. Dr. Girija Vyas

Rajya Sabha

6. Shri Tariq Anwar
7. Shri Naresh Gujral

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri H.R. Kamboj — *Additional Director*

Representatives of The Office of The Comptroller And Auditor General of India

1. Ms. Malashri Prasad — Deputy C&AG
2. Ms. Subha Kumar — Director General of Audit (Report Central)
3. Shri A.M. Bajaj — Principal Director of Audit (Economic and Service Ministries)
4. Shri Gautam Guha — Director General

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

1. Shri Rajiv Aggarwal — Secretary
2. Smt. Ganga Murthy — Principal Advisor
3. Dr. (Mrs.) Anandi Ravichandran — Economic Advisor

Representatives of Ministry of Commerce and Industry (Department of Commerce)

1. Dr. Rahul Khullar — Commerce Secretary
2. Shri M. Prasad — Additional Secretary

3.	Shri N.K. Mathur	—	CMD (STC Limited)
4.	Shri Khaleel Rahim	—	Director (STC Limited)
5.	Shri Sameer Kaul	—	CGM (STC Limited)
6.	Shri A.K. Mirchandani	—	CMD (PEC Limited)
7.	Shri Ravi Kumar	—	Director (PEC Limited)
8.	Shri Sunir Khurana	—	Director (MMTC Limited)
9.	Shri Ashish Majumdar	—	CGM (MMTC Limited)

Representatives o f Ministry of Food And Public Distribution

1.	Shri T.S. Randhawa	—	AS&FA
2.	Dr. D.K. Bhalla	—	Joint Secretary

2. At the outset, the Chairman, PAC welcomed the Members of the Committee, the Audit Officers, the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs and Department of Food and Public Distribution) and Ministry of Commerce and Industry (Department of Commerce) to the sitting of the Committee convened to have briefing on the subject 'Sale and Distribution of Imported Pulses' based on C&AG's Report No. 26 of 2011-12 (Performance Audit). He also drew the attention of the representatives to Direction 55(1) relating to confidentiality of the matter till the report is presented to the House.

3. The representative of the Ministries/Departments then briefed the Committee on various issues relating to the subject which *inter alia* include pulses production and demand in the country, widening gap between wholesale and retail prices, persistent increase in prices despite import of pulses, import of yellow peas despite huge stocks, operation of 15 per cent subsidy scheme, scheme for BPL Households for distribution of pulses through PDS, losses incurred during implementation of the schemes and monitoring by the Ministries concerned. They also responded to the queries raised by the Members of the Committee. In regard to certain points, to which the representatives of the Ministry could not provide the desired information, the Committee asked them to submit written replies expeditiously along with the replies to the questionnaire to be issued by the Secretariat. The representatives of the Ministry agreed to furnish the information.

4.The Chairman then thanked the representatives of the Ministries/Departments for deposing before the Committee. The Committee also thanked the representatives of the Officers of the C&AG of India for providing valuable assistance to the Committee in the examination of the subject. The Committee also decided to hear the representatives of the concerned Ministries after receipt of complete answers/information from them.

The witnesses, then, withdrew.

A copy of the verbatim proceedings of the Sitting was kept on record.

The Committee, then, adjourned.

APPENDIX II

MINUTES OF THE TWENTY-NINTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2012-13) HELD ON 29TH APRIL, 2013

The Committee sat on Monday, the 29th April, 2013 from 1500 hrs. to 1600 hrs. in Room No. '51', (Chairman's Chamber) Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi—*Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. M. Thambidurai
4. Shri Bhartruhari Mahtab
5. Shri Abhijit Mukherjee

Rajya Sabha

6. Shri Prasanta Chatterjee
7. Shri Prakash Javadekar
8. Shri Sukhendu Sekhar Roy
9. Shri J.D. Seelam
10. Shri N.K. Singh

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri Abhijit Kumar — *Director*
3. Shri D.R. Mohanty — *Deputy Secretary*
4. Smt. A. Jyothirmayi — *Deputy Secretary*
5. Ms. Miranda Ingudam — *Under Secretary*
6. Shri A.K. Yadav — *Under Secretary*
7. Smt. Anju Kukreja — *Under Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Ms. Divya Malhotra — Director General
2. Shri Jayant Sinha — Principal Director
3. Ms. Athoorva Sinha — Director
4. Shri Likhariya — Director

2. At the outset, the Chairman welcomed the Members and the representatives of the Office of the C&AG of India to the last sitting of the Committee (2012-13). Giving an overview of the performance of the Committee in the year 2012-13 as well as in the 15th Lok Sabha, the Chairman observed that the years have been very productive due to the hard work of the C&AG and his team, the PAC Secretariat led by the Joint Secretary and above all the co-operation and active participation of the Members in the deliberations. The Committee unanimously endorsed the views of the Chairman.

3. The Chairman, then, apprised that the meeting had been convened to consider the following Draft Report of the Committee:

(i) *** *** ***

(ii) *** *** ***

(iii) **'Sale and Distribution of Imported Pulses'** based on C&AG Report No. 26 of 2011-12, Union Government (Performance Audit);

(iv) *** *** ***

(v) *** *** ***

(vi) *** *** ***

(vii) *** *** ***

4. Giving an overview of the issues contained in the Draft Reports and the comments of the Committee thereupon, the Chairman solicited the views/suggestions of the Members.

5. After some discussions, the Committee adopted the above mentioned Draft Reports. The Committee, then, authorized the Chairman to finalize the Reports in the light of the factual verifications, if any, made by the Audit and present them to Parliament on a convenient date.

6. The Chairman thanked the Members for their active participation in the consideration and adoption of the Draft Reports. The Members also conveyed their thanks to the Chair for his able leadership in conducting the meetings of the Committee in a probing and educative manner.

The Committee, then, adjourned.

*** Not related this report.

GMGIPMRND—746LS—4.6.2013.