FIRST REPORT

STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (1999-2000)

(THIRTEENTH LOK SABHA)

MINISTRY OF CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (DEPARTMENT OF SUGAR AND EDIBLE OILS)

[Action Taken by the Government on the Recommendations contained in the Eighth Report of the Committee on Food, Civil Supplies and Public Distribution on Demands for Grants (1999-2000) of the Erstwhile Ministry of Food and Consumer Affairs (Department of Sugar and Edible Oils)]

Presented to Lok Sabha on 15 MAR 2000

Laid in Rajya Sabha on 15 MAR 2000

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

February, 2000/Phalguna, 1921 (Saka)

CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (1999-2000)

Shri Devendra Prasad Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Shri A.P. Abdullakutty
3. Prof. S.P. Singh Baghel
4. Shri Shyamlal Bansiwal
5. Shri Ranen Barman
*6. Shri Surender Singh Barwala
7. Shri Sujan Singh Bundela
8. Shri Namdeorao Harbaji Diwathe
9. Shri Rameshwar Dudi
10. Shri Abdul Hamid
11. Shri Jai Prakash
12. Shrimati Preneet Kaur
13. Shri Brijlal Khabri
14. Shri Shyam Bihari Mishra
15. Shri Aditya Nath
16. Shri Sisram Ola
17. Shri Mansinh Patel
18. Shri Laxmanrao Patil
19. Shri Baju Ban Riyan
20. Shri Vishnu Dev Sai
21. Shri Abdul Rashid Shaheen

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*Shri Surender Singh Barwala ceased to be a member of the Committee *w.e.f.* 24.01.2000 *vide* Bulletin Part II (Para No. 400) dated 24.01.2000.

22. Shri Kodikunnil Suresh
23. Shri Ram Naresh Tripathee
24. Shri Ram Chandra Veerappa
25. Shri Sahib Singh
26. Vacant
27. Vacant
28. Vacant
29. Vacant
30. Vacant

Rajya Sabha

31. Shri Sushil Barongpa
32. Shri W. Angou Singh
33. Shri Abdul Gaiyur Qureshi
34. Shri Lajpat Rai
35. Shri Dawa Lama
36. Shri M.A. Kadar
37. Shri Kaushok Thiksey
38. Shri D.P. Yadav
39. Shri Nanaji Deshmukh
40. Vacant
41. Vacant
42. Vacant
43. Vacant
44. Vacant
45. Vacant

SECRETARIAT

1. Shri Harnam Singh — *Joint Secretary*
2. Shri Krishan Lal — *Deputy Secretary*
3. Shri R.S. Mishra — *Under Secretary*
4. Smt. Manju Chaudhry — *Committee Officer*

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Civil Supplies and Public Distribution (1999-2000) having been authorised by the Committee to submit the Report on their behalf, present this First Report on Action Taken by the Government on the Recommendations/ Observations contained in the Eighth Report of the Committee (Twelfth Lok Sabha) on "Demand for Grants" (1999-2000) of the erstwhile Ministry of Food and Consumer Affairs (Department of Sugar and Edible Oils).

2. The Eighth Report was presented to Lok Sabha on 22nd April, 1999. The Government furnished their replies indicating action taken on the recommendations contained in the Report on 27th September, 1999. The Draft Action Taken Report was considered and adopted by the Standing Committee on Food, Civil Supplies and Public Distribution (1999-2000) at their sitting held on 7th February, 2000.

3. An analysis of the action taken by the Government on recommendations contained in the Eighth Report of the Standing Committee (Twelfth Lok Sabha) on "Demand for Grants" (1999-2000) is given in Appendix II.

NEW DELHI;
24 *February*, 2000
5 *Phalguna*, 1921 *(Saka)*

DEVENDRA PRASAD YADAV,
Chairman,
Standing Committee on Food, Civil Supplies and Public Distribution.

CHAPTER I

REPORT

1.1 This Report of the Standing Committee on Food, Civil Supplies and Public Distribution deals with the Action Taken by the Government on the recommendations contained in the Eighth Report (Twelfth Lok Sabha) on Demands for Grants (1999-2000).

1.2 The Report was presented to Lok Sabha on the 22nd April, 1999 and laid on the Table of Rajya Sabha on the 23rd April, 1999. It contained 20 Recommendations/Observations.

1.3 Action Taken Notes in respect of all the 20 observations/ recommendations contained in the Report have been received and categorized as follows:—

(i) Recommendations/Observations which have been accepted by the Government:

Para Nos. 2.52, 2.55, 3.28 and 3.30

(Chapter II, Total = 4)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:

Para Nos. 2.43, 2.44, 2.45, 2.46, 2.49, 2.54 and 2.56

(Chapter III, Total=7)

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:

Para Nos. 2.47, 2.53, 3.31 and 3.32

(Chapter IV, Total = 4)

(iv) Recommendations/Observations in respect of which final reply of the Government are still awaited:

Para Nos. 2.48, 2.50, 2.51, 2.57 and 3.29

(Chapter V, Total = 5)

1.4 The Committee desire that the final replies in respect of the recommendations for which only interim replies have been given by the Government should be furnished to the Committee expeditiously.

1.5 The Committee strongly emphasise that utmost importance should be given to the implementation of recommendations accepted by the Government. In cases where it is not possible for the Government to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee in time with reasons for non-implementation.

1.6 The Committee will now deal with action taken by the Government on some of the recommendations.

Disbursal of Loan out of the Sugar Development Fund (SDF)

Recommendation (Para No. 2.47)

1.7 With a view to solve the problem in disbursement of second and third instalments, the Committee had recommended as under:—

"Cane development loan is disbursed in three instalments. The second and subsequent instalments are released only after a satisfactory utilisation certificate is received from the sugar units duly certified by the concerned State Governments. The State Government is also required to send an impact report on the cane development scheme funded from SDF. The implementation of the short term loan for inputs of cane development is to be monitored by the separate committee for each sugar unit. But it has been seen that second and third instalments are not being disbursed due to non-presentation of utilisation certificate and impact report. If the funds are being utilised properly, there would have been no problem in furnishing utilisation certificate. There is possibility of diversion of funds and other irregularities. Consequently, cane development programme is hindered and there may be non-availability of sugarcane which may push the sugar mills towards sickness and the sugarcane growers may opt for other crops. For this, proper monitoring and liaisoning with State Governments is necessary. The Committee, therefore, strongly recommend that proper monitoring of the loans out of SDF may be strictly done and frequent liaisoning with the State Governments be made to facilitate disbursement of second and third instalments. Hence there is a great need for setting up a Coordination Cell comprising of the representatives from Central Government, State Governments and Sugar Units for closely monitoring the loans of SDF."

1.8 The Ministry in their Action Taken Reply have stated as under:—

"While the possibility of diversion of funds cannot be ruled out in cases where there is a abnormal delay in submission of utilisation certificates by sugar units there could be several other reasons for not availing remaining instalments of cane development loan from S.D.F. i.e.

(1) The factories having sufficient financial resources at their disposal to implement the schemes.

(2) Due to considerable time gap it is no longer practicable to implement the scheme on account of technical reasons, cost escalation or delay in obtaining clearance from state Government department.

(3) The factory being interested in submitting a fresh cane development loan proposal."

1.9 The Committee are not satisfied with the casual reply submitted by the Ministry in regard to disbursement of second and third instalments of loan out of Sugar Development Fund. What is being observed in this regard for several years is that whenever the matters concerning Sugar Industry, SDF Loan, etc. are brought to the notice of the Ministry, a formal communication regarding observations/recommendations of the Committee is sent to the concerned State Governments/Sugar Undertakings. The Central Government have not been taking any responsibility to monitor the disbursement of loans. In a federal set up as we have in India, it is the responsibility of the Central Government to keep a strict vigil in this regard. The reply is also silent about what actions have been taken to stop diversion of funds which is strictly against the norms of Ministry of Finance and must be adhered to. Besides, the sugar entrepreneurs are facing multiple problems. Unending and unnecessary hurdles are created by the Government officials leading to delays in the delivery of utilization certificate by State Governments. In this context, the Committee had earlier suggested

the constitution of a Coordination Cell comprising representatives from Central and State Governments and also from sugar entrepreneurs which will mitigate the problems faced by the industry and serve as single agency to solve their problems. The Committee, therefore, reiterate their earlier recommendation and desire that a Coordination Cell comprising the representatives of Central Government, State Government and Sugar Units be constituted so that better monitoring could be done, diversion of funds is checked and the problem of entrepreneurs and farmers are fully solved.

Import of Sugar

Recommendation (Para No. 2.53)

1.10 The Department of Sugar and Edible Oils is responsible for the policies regarding sugar. About 60% of sugar mills are below minimum economic size of 2500 TCD. Therefore, to save the interest of consumer, industry and cane growers, the Committee had recommended:—

"From April, 1998 to November, 1998 a quantity of 5,96,775.00 Mts and from December, 1998 to February, 1999, a quantity of 1,42,884.9 Mts of the Sugar have been imported under OGL. The price of open market sugar during this period remained between Rs. 14-17 per kg. Even after increasing the duty upto 25%+10% surcharge, there has been no decline in import of sugar. The Committee desire that the Government should keep a strict watch over this phenomenon of import of sugar in the interest of consumers, industry and cane growers. Any corrective steps, if need be, should be taken well in time. The import of sugar should be allowed only in the interest of consumer, industry and canegrowers."

1.11 The Ministry in their Action Taken Reply have stated as below:-

"Department of Sugar & Edible Oils is keeping a close watch on the imports of sugar in the country. In order to check imports of sugar, Govt. has increased the customs duty on imports of sugar thrice in the financial year 1998-99 from zero percent to 25% alongwith surcharge of 10% and continuance of the countervailing duty of Rs. 850/tonne. Govt. has also amended the Sugar (Control) Order, 1966 to bring the importers of sugar under the purview of Sugar (control) order, 1966 so as to be able to regulate the stock, sale and distribution of imported sugar, if necessary. Government will take further appropriate action as and when the situation warrants.

Since the imports of sugar are on OGL, the private parties are importing sugar based on their best commercial judgment. There has been no import of sugar on Govt. account."

1.12 The Committee are not satisfied with the reply of the Government that there is no responsibility of Government as no import of sugar has been made on Government Account. The Government can't escape with their whole responsibility of development of sugar industry and safeguarding the interests of consumer, industry and cane-growers. The imbalance at one can affect the remaining two substantially. The cane arrear position which was Rs. 1019.36 crores on 31.3.1999 will further increase and sugarcane growers may opt for another crop. Besides, high quantity of subsidies on sugar have been given by the Governments of China, Brazil and Pakistan on the Sugar which have entered in the domestic market. As a result Indian Mills are finding it difficult to sell their sugar in open market even for the allocated monthly release quota. After allowing a provision of 150 lakh tonnes of sugar for domestic consumption in the current season, there will be 60-65 lakh tonnes surplus sugar in the country. When there is already sufficient stock of sugar to meet the requirement of our country, the Government should not at all allow the import of sugar for the benefit of persons having vested interests at the cost of industry, consumers as well as cane-growers. It is in this context that the Committee reiterate their earlier recommendation and desire that a corrective steps be taken immediately to safeguard the interests of consumer, industry and cane growers. The sugar should be imported only when there is shortage/lean period and it must be ensured that the actual delivery must be made during the lean period only.

Curtailing retail prices of Edible Oils

Recommendation (Para No. 3.31)

1.13 Pointing towards widescale malpractices and overcharging by retaliers in sale of edible oil the Committee had recommended:-

> "The other effect of adulteration is that the prices of edible oils which was skyrocketing in September-December, 1998, has not substantially come down. While the whole sale price of some of edible oils is around Rs. 35-40/ltr., the retail price is lying in the range of Rs 55-60/ltr. and thus they are overcharging from the consumers. The profit margin on retail price should not be more than 10% in comparison to whole-sale prices. The Committee desire that the Government should immediately make concrete efforts for curtailing the retail prices of edible oils."

1.14 The Ministry in their Action Taken Reply have furnished as below:—

A trend was discernible in October—November, 1998 that a decline in wholesale prices of edible oils was not accompanied by a commensurate fall in their retail prices, particularly in case of premium brands. Accordingly, the Department of Sugar and Edible Oils wrote to all manufacturers and traders of vegetable oils to bring down the retail prices of packaged edible oils. Retail prices have since fallen substantially in the recent months.

Price Trends in Major Edible Oils (Retail and Wholesale)

Source Eco. Time

Year	Mustard Oil		Groundnut Oil		Sunfower Oil	
	Wholesale Price Rs./Qtl.	Retail Price Packed Oil	Wholesale Price Rs./Qtl.	Retail Price Packed Oil Rs./Ltr.	Wholesale Price Rs./Qtl.	Retail Price Packed Oil Rs./Ltr.
July '98	4550	53-60	5000	59-69	4190	59-65
Aug. '98	4750	57-71	5650	66-76	4150	60-67
Sept. '98	5450	64-78	5958	76-88	4280	63-74
Oct. '98	6000	72-84	6150	78-88	4250	63-74
Nov. '98	5900	70-82	4500	76-83	3720	62-72
Dec. '98	5000	64-76	4400	69-79	3510	62-69
Jan. '99	4395	56-72	4148	67-78	3105	55-63
Feb. '99	3731	55-72	4205	67-76	2950	54-62
Mar. '99	3221	54-71	4115	65-74	2895	51-59
Apr. '99	3150	52-68	4020	64-73	2850	51-59
May '99	3120	44-62	3890	58-73	2760	49-58
June '99	3090	40-59	3700	54-71	2450	45-56 (as on 17.06.99)

1.15 The Committee are not satisfied with the reply of the Government that retail price of edible oils have fallen substantially after Oct.-Nov. 98. It will be clear from the chart furnished by the Ministry that while the wholesale price of Groundnut Oil was Rs. 3700/- per qtl. in June 99, the retail price was in the range of Rs. 54-71 per ltr. with a profit margin of about 48%. Similarly, the wholesale price of Sunflower Oil was Rs. 2760/- per qtl. in May 99, the retail price was Rs. 49-58 per ltr. with a profit margin of about 80%. The difference in wholesale and retail price for the preceding months for both these edible oils was also high. However, the Government is dependent on the chart published by the Economic Times and it seems that they have no independent agency for monitoring the prices of edible oils and other essential commodities and the Government is also not serious about the constitution of any effective machinery for the purpose. The Government are working in a very lackadaisical manner in this regard and they must have the will to bring down the profit margin to 10% by retailers in comparison to wholesale price as there is all possibility of overcharging by retailers in view of substantial gap in demand and supply position of edible oils. The Committee, therefore, reiterate their earlier recommendation and desire that the Government must ensure that the retail price of edible oils is brought down and the profit margin on retail price should not be more than 10% in comparison to wholesale price.

Import of Palmolein

Recommendation (Para No. 3.32)

1.16 Pointing towards the lapse in timely contract of import of Palmolein in view of shortage in the country, the Committee had recommended:—

> "Since there has been a gap between demand and supply of edible oils, import has been resorted to as a measure to make available the oils to consumers at reasonable prices. This year about 19 lakh MT of edible oils have been imported under OGL while the gap is only to the tune of 14-15 lakh MT. The Committee desire that Government should not allow import of edible oils more than the shortage in country. In 1998-99, 1.5 lakh MT of RBD Palmolein was imported during August-November, 1998. During this period the international price of RBD Palmolein was very high. The

estimated fall in production of oilseeds was known to Government in the February-March, 1998 itself and no advance planning was made. Later the RBD Palmolein was imported at high prices. The Committee, therefore, further recommend that timely action should be taken to import edible oils so that valuable foreign exchange is saved."

1.17 The Ministry in their Action Taken Reply have stated:—

"Insofar as limiting import of edible oils to the shortage of edible oils is concerned, the quantity imported by the State Trading Corporation of India (STC) on Government account has been relatively small (2.50 lakh MTs) covering the festival months during August-November, 1998, and calendar year 1999. As regards imports by private traders, these are being effected by them based on their commercial judgment. As the import of edible oils is under the OGL regime, it may not be possible to impose any quantitative restrictions.

2. Regarding timely action that should have been taken while planning imports, it may be mentioned that by the time the decision to import edible oils for festival months of August-November, 1998, was taken by the Government and the STC was authorised to import 1.50 lakh MTs in July, 1998, prices of RBD Palmolein in the international markets had already begun to rise, it being the lean season for the product. However, contracts for importing 1.00 lakh MTs RBD Palmolein during the calendar year 1999 have been entered when international prices were more comfortable."

1.18 The Committee are not satisfied with the casual and routine reply of the Government that the international prices were comfortable when the contract for import of 1.00 lakh MTs of RBD Palmolein was entered into. The price and the contract condition at which it was decided has also not been intimated to enable the Committee to make a subjective assessment of the situation. Besides, the Committee have recommended that Government should not allow import of edible oils more than the estimated shortage in the country. However, upto November 99 more than 33 lakh MTs of RBD Palmolein have already been imported while the shortage of edible oils in the country is only to the tune of 13-15 lakh MTs. The Committee, therefore, strongly reiterate their earlier recommendation and desire that the Government should not allow import of edible oils more than the estimated shortage in the country keeping in view the larger interests of consumers, farmers etc.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 2.52)

As the cost of plant and machinery of new as well as expansion projects are very high, the Government of India, to make them economically viable and mitigate the hardship of the entrepreneurs, have been announcing incentive scheme since 1975. The latest formulated incentive scheme is sugar incentive scheme, 1997. With a view to ensuring the Letters of Intent (LOIs) do not remain unimplemented over longer periods of time, a time frame of 3 years for implementation of LOIs has been stipulated. Though the private entrepreneurs have less difficulty in obtaining term loans, cooperative entrepreneurs are facing deep-rooted multiple problems. In view of the monitoring defaults by the sugar cooperatives/public sector units which have been sanctioned assistance on the strength of the State Government guarantees, Financial Institutions have taken a policy decision of not considering any proposal for sanction of financial assistance to new sugar cooperatives in these States until and unless the defaults by the existing sugar cooperatives where the loans are guaranteed by these State Governments are cleared. However, some financial institutions are considering the cases on merit particularly in Maharashtra but this will take more time in installation of new cooperative sugar mills. The Committee, therefore, recommend that for such deserving entrepreneurs the incentives be continued even beyond three years from the date of issue of Letter of Intent if there is marginal delay due to no fault of their own.

Reply of the Government

With a view to ensuring that Letters of Intent do not remain unimplemented over a long period of time, a time frame of 3 years for implementation of Letters of Intent has been stipulated.

However, keeping in view the difficulties of the entrepreneurs a proposal for grant of incentives under 1997 Scheme on sliding scale basis for a delay beyond the stipulated period of three years upto a maximum period of two years is under consideration of the Government.

[Ministry of Food and Consumer Affairs O.M. No. F 14-10/99-Coord. Date 27.09.99]

Recommendation (Para No. 2.55)

From October, 1997 to June, 1998, 1599 factories furnished the monthly return on sales and despatches while 2596 factories did not furnish the same. This shows that rules are not strictly followed by these factories and there is no impact of E&V Cell on them. It is most likely that there might have been default in despatch of freesale sugar for which they did not file the return. The Committee, therefore, strongly recommend that necessary action may be initiated against defaulting sugar factories so that they must send their monthly returns in time.

Reply of the Government

Under the present policy of partial control freesale orders are issued to sugar mills each month in exercise of the powers conferred by Clause 5 of the Sugar (Control) Order, 1966 which *inter-alia* has been issued under the Essential Commodities Act, 1955. As per the conditions of the freesale release order, the sugar factories are required to sell and despatch the entire released freesale quota within the validity period as indicated therein.

Further, the sugar factories are required to furnish the return every month in the prescribed proforma in respect of sugar sold and despatched in pursuance of an order issued under the aforesaid Order. Such return is required to be sent to the Directorate of Sugar not later than 7th of the month following the month to which it relates.

It has been found that inspite of these instructions, some factories do not send the requisite information as per the above schedule. They are time and again advised to submit the return timely. The Committee's recommendation that necessary action may be initiated against the defaulting sugar factories is noted. Recently a letter has been issued to the defaulting sugar factories indicating that if they fail to submit the return regarding sale and despatch of freesale sugar by the prescribed date the entire quantity released will be taken as lapsed and an equal quantity will be withheld for release as levy sugar.

[Ministry of Food and Consumer Affairs O.M. No. F 14-10-99–Coord. Dated 27.09.99]

Recommendation (Para No. 3.28)

During the last year's (1998) dropsy epidemic, much of the suffering was caused due to lack of coordination between different Departments of Central and State Governments. For example, the production of oilseeds comes under Ministry of Agriculture, the supply, availability and price management of edible oils come under the Ministry of Food and Consumer Affairs. Further when such edible oils are adulterated, they come under the prevention of "Food Adulteration Act, 1954" implementation of which is delegated to the State Governments. The onus of responsibility of timely action shifts from one Department to another and the people of the country go on suffering miserably which is an example of sheer lack of coordination and mismanagement by the aforesaid Departments. The Government are primarily meant for the welfare of people specifically in regard to their health. It is not proper to shift the blame entirely on State Governments which is not in good taste as the people lose their lives for no fault of theirs. The Committee, therefore, strongly recommend that Ministry of Food and Consumer Affairs must form a Coordination Committee comprising of suitable representatives from other related Departments and State Governments to meet the exigencies of such serious situations and concerted efforts be made to firmly deal with them.

Reply of the Government

A Co-ordination Group has been set up in the Department of Sugar and Edible Oils, Ministry of Food and Consumer Affairs, under the chairmanship of the Chief Director-cum-Edible Oils Commissioner and consisting of representatives of agencies involved in the quality control of edible oils, namely, the Directorate General of Health Services, PFA Authorities of State Governments, Bureau of Indian Standards (BIS), the Directorate of Marketing and Inspection (DMI) and the Council of Scientific and Industrial Research (CSIR). The Group has been entrusted with the responsibility of co-ordinating methodology of collection, testing and certification of edible oil samples.

2. On the recommendations of the Group, so far, as many as 597 laboratories with requisite Analytical facilities have been identified so as to cater to the requirement of the whole country and the State Governments have been advised to accord recognition to these laboratories. A procedure has been prescribed for sampling and methods of analysis for oils and fats including Thin Layer Chromatography (TLC) method for detection of argemone oil in edible oils in all testing laboratories. Details of the methods of testing of oil samples have been provided to the State Governments as well as the vegetable oil industry.

3. Realising that packaging is an essential requirement to protect the consumers' interest in terms of health, safety and hygiene and also to ensure that proper accountability is established in the edible oils supply chain, the Government of India through the Department of Sugar and Edible Oils has promulgated the Edible Oils Packaging (Regulation) Order, 1998 with effect from 15.12.1998. The State Governments have been empowered to implement this Order and seek suitable extension so as to ensure that all systems are in place for proper implementation.

4. Further, monitoring of quality of edible oils at the manufacturing stage has been made stringent and surprise checks and frequency of regular inspection increased.

5. State Governments have also been advised to intensify quality control measures. In May, 1999, Secretary, Department of Sugar and Edible Oils, has requested the Chief Secretaries of all State Governments and Union Territory Administrations to maintain constant vigil over the availability and price situation of edible oils and to take appropriate remedial measures including stepping up the checking and testing activities so as to prevent any possibility of dislocation in the supply of safe and quality edible oils as well as recurrence of any tragedy on account of adulteration.

6. Separately, the Edible Oil Commissioner, Department of Sugar and Edible Oils has advised the trade and industry about the imperative need for strict adherence to the standards of quality and regulations with regard to edible oils and other vegetable oil products. They have been warned that any laxity regarding quality control measures or non-compliance with the instructions will be viewed seriously. Simultaneously, the Ministry of Health has also been alerted to activate the checking machineries for the purpose.

[Ministry of Food and Consumer Affairs O.M. No. 14-10/99–Coord.
Dated 27.09.99]

Recommendation (Para No. 3.30)

Since adulteration was also detected in well known and reputed brands like Dhara, Kanodia, Rath, etc., which are sold in packs, faith of the people on packed edible oils and Vanaspati has eroded. Even in the National Capital of Delhi, adulteration in edible oils and Vanaspati was found, the fate of people living farflung, hilly, inaccessible and remote areas can well be understood. Even the Prevention of Food Adulteration Act proved futile. The Committee are highly concerned about this matter and take a serious note of such a unprecedented activities of traders. The Committee, therefore, recommend that Government must make doubly sure that packed edible oils are not adulterated before delivered to consumers in future. There should also be the availability of unadulterated oil other than in the packed form so that the poor can get their quota at reasonable price. Arrangements for testing the quality of oil on sale must be made available in all districts.

Reply of the Government

Edible Oils Packaging (Regulation) Order, 1998, provides for packing of only those oils which conform to the quality standards laid down in the Prevention of Food Adulteration Act, 1954, and the Rules framed thereunder. Each container or pack is required to show all relevant particulars such as the name and address of the packer, description and net mass/volume of the contents, batch number, month and year of manufacture, registration number, etc. The power of implementation of this order has been delegated to the State Governments, who have also been requested to implement this Order at the earliest possible.

2. The production of edible oils is a highly decentralised industry. A substantial quantity of oil production is in the small scale or unorganised sector. Further, a sizeable proportion of the population is living below the poverty line and the Government is aware that it may be difficult for them to afford the additional cost of packaged oils. It is in view of these considerations that the State Governments have been empowered to exempt any edible oil(s) from the provisions of this Order under specific circumstances. This is not to say that there could be any compromise in the quality. In fact, as per the provisions of the PFA, Act, all edible oils meant for human consumption have to conform to the standards of quality prescribed therein. In order to enable an easy access to the analytical facilities, the Department of Sugar and Edible Oils has identified as many as 597 laboratories with requisite analytical facilities in the country and the State Governments have been advised to accord recognition to these laboratories.

[Ministry of Food and Consumer Affairs O.M. No. 14-10-99-Coord. Dated 27.09.99]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

Recommendation (Para No. 2.43)

Cane development loan is provided to sugar units for short term and regular scheme of cane development programmes. The short term loan scheme was started on 21st November, 1997 to make available seeds, pesticides and fertilisers well in time to cater to the needs of farmers. A total of 251 units were sanctioned loan by Government for the aforesaid purpose and the loan were disbursed to 153 units only upto 23.3.99. Further in 55 cases the validity period of administrative approval lapsed as no request for extension of loan came from the concerned sugar units. This shows that Sugar Undertakings are not taking much interest in providing short term loan to cane growers and the misery of farmers still continues. This is a great cause of concern. There is all possibility that sugar units might be charging a higher interest from farmers. The Committee, therefore, recommend that the Government should make all efforts to ensure that short term loan must reach the needy farmers well in time at the same rate of interest as charged by the Government and sugar units be encouraged for said purpose.

Reply of the Government

The short term loan for inputs for cane development has been released to 156 sugar units so far. Disbursement of the loan to more sugar units who have since submitted full documents is currently in process.

In order to ensure proper distribution of loan, a provision is made in bipartite agreement executed between the Central Govt. and Sugar Unit before availing short term loan that the loan granted shall carry a concessional rate of simple interest of 9% per annum and shall be passed on the beneficiary sugarcane growers in the command area of the mill without any modification. One of the conditions of disbursement of short term loan to the Sugar Factories provides that the sugar unit receiving the loan shall constitute a Monitoring Committee which shall be participatory in nature and consist of members from among the beneficiary growers, officials of the sugar unit & representatives of ISMA & NFCSFL and the local State Government. It is expected that this Monitoring Committee which includes representatives of cane growers will ensure that the interest charged is as per the SDF Rules. Besides, no report against any mill charging interest in excess of the rate prescribed by Government of India has been received in the Ministry.

[Ministry of Food and Consumer Affairs O.M. No. 14-10-99-Coord. Dated 27.09.99]

Recommendation (Para No. 2.44)

The expenditure on cane development for the last five years, does not reflect a satisfactory picture. Out of Budget provisions of Rs. 40 crore for 1994-95, the amount actually spent was only 13.26 crore. Similarly the amounts spent for 1995-96, 1996-97 and 1997-98 were Rs. 9.01 crore, 13.71 crore and 14.80 crore only out of 25 crore, 18.00 crore and Rs. 28.64 crore earmarked for the years respectively. In total, from 1986-87 to 1998-99 under this scheme the amount sanctioned was 657.43 crore and the amount disbursed was 388.18 crore which is near 60% utilisation. The year-wise utilisation are in the range of 30-50% for the last five years. Only during 1998-99 upto 23.3.99, the expenditure is 98.80 crore out of 100 crore. The Committee do not agree with the contention of the Ministry that the average requirement of fund for cane development loan is nearly about Rs. 18.00 crore per year. It is clear that the whole amount is not made available to the Sugar Undertakings for further passing on to the needy farmers. This year too, the BE has been kept at Rs. 25.00 crore while the demand may be more than this. In the light of the above anomaly in expenditure of the cane development loan, the Committee are of the view that utmost efforts be made by the Government for full disbursement of sanctioned amount. If necessary Sugar Undertakings and the concerned State Governments must interact regularly and frequently in this regard. The technical snag coming in the way of disbursement of loans must be avoided so that the farmers are not put to any loss.

Reply of the Government

The cane development loan sanctioned from SDF is normally disbursed in three instalments. A sugar unit is generally able to avail the first instalment of loan in the same year in which it is sanctioned i.e. approximately 1/3rd of the sanctioned amount. As such in any given year there is bound to be a gap between the amount sanctioned and amount disbursed.

This Department had written to all concerned State Governments as well as individually to sugar units in cases where 2nd/3rd instalment of cane development loans were due, to expedite the disbursement of the balance instalments. Necessary instructions/guidelines for availing cane development loan from SDF were also forwarded to the State Governments with the request to improve monitoring arrangements and assess the reasons for delay in availing 2nd/3rd instalments of loan by sugar units.

[Ministry of Food and Consumer Affairs O.M. No. 14-10-99-Coord. Dated 27.09.99]

Recommendation (Para No. 2.45)

Out of 158.00 crore in RE 1998-99, for modernisation/expansion, Rs. 157.36 crore has been spent upto 31st March, 1999 which is nearly 100% disbursement. However, since 1985-86, out of sanctioned amount of Rs. 915.34 crore only Rs. 736.01 crore could be disbursed. But it is sorry state of affairs that out of 465 installed sugar factories, about 229 sugar mills have capacity below Minimum Economic Size (MES) i.e. 2500 TCD. These mills are running towards sickness. Though Government of India is providing assistance out of SDF for cane development and expansion/modernisation, much is required to be done on this front. The Committee, therefore, strongly recommend that Government should make all efforts to achieve the Minimum Economic Size of 2500 TCD by these 229 sugar mills in a phased manner and the amount sanctioned out of SDF for modernisation/expansion be fully utilised so that these may be saved from plunging into sickness.

Reply of the Government

This Ministry provides funds at a concessional rate of interest from Sugar Development Fund to Sugar Undertaking for purpose of modernisation/rehabilitation/expansion of their plant and machinery.

Any Sugar Undertaking which is approved by a Financial Institution for assistance under its relevant scheme for purpose of rehabilitation/ modernisation/expansion of its plant and machinery or sponsored by the Technology Information Forecasting and Assessment Council (TIFAC) in respect of the scheme "Mission Mode Project on Sugar Production Technologies" of the Department of Science and Technology is normally eligible for a loan from the Sugar Development Fund.

All efforts are made to ensure that the amount sanctioned out of SDF for modernisation/expansion are fully utilised. However, in a particular year, disbursement of loan may be less than the sanctioned amount. This is primarily due to the fact that the amount sanctioned is always higher as it indicates the full amount of loan sanctioned whereas the amount disbursed pertains to only either the first or the second or the third instalment as the case may be. Therefore, in any given year, there is a difference between the amount sanctioned and the amount disbursed as there is no direct co-relation between the amount sanctioned and the amount disbursed in a given year.

The responsibility of ensuring that the sugar unit is operated/run in such a manner that it not only achieves the minimum economic size of 2500 TCD but also does not become sick lies with its management. Loans from SDF are available at easy terms as already mentioned and it is open to the management of the sugar unit to take advantage of or avail of this facility. In cases where the sugar units have gone into sickness and are registered with BIFR, measures as directed by the BIFR are taken by Government as corrective measures.

[Ministry of Food and Consumer Affairs O.M. No. 14-10/99-Coord. Dated the 27.09.99]

Recommendation (Para 2.46)

The Central Government sanctions Grant-in-aid for research projects aimed at development of sugar industry. The amount is released in three instalments. From 1988-89 to 1998-99 Rs. 33.20 crore were sanctioned and only Rs. 18.22 crore were disbursed which is about 54%. However in 1997-98, no amount was disbursed for this purpose. The Committee desire that Government must ensure full utilisation of funds in a proper way. Research be also conducted on high yielding, disease free early maturing varieties of sugarcane with high sucrose content. Research may also be conducted on gur and khandsari so that it may remain fit for human consumption even after several months.

Reply of the Government

Amounts towards grant-in-aid sanctioned during the period from 1988-89 to 1998-99 was Rs. 33.20 crores but only Rs. 18.97 crores (57.14% of the sanctioned amount) were disbursed. The reason for lower disbursement as compared to the sanctioned amount is primarily due to the fact that the amount sanctioned indicates the full amount of grant-in-aid whereas the amount disbursed pertains to only either 1st or 2nd or 3rd instalment, as the case may be. Therefore in any given year there is a difference between the amount sanctioned and the amount disbursed. There is no direct correlation between the amount sanctioned & disbursed in a given year. The amount sanctioned during a particular year may not be disbursed in the same year and the research project are to be completed in specified period (3 years, 4 years or 5 years as the case may be) as per the implementation schedule of the Institution/Organisation, from the date of release of 1st instalment. Further, the grant-in-aid from the SDF is subject to detailed terms & conditions. The 1st instalment is released on execution of necessary bond and completion of other related formalities and the subsequent instalment is released only on the production of utilisation certificate and satisfactory progress report of the research study and it may occur in the subsequent financial year. The Institute/Organisation to whom the entire SDF Grant-in-aid has not been disbursed so far have not yet completed the required formalities.

During 1997-98, not a single request for release of grant-in-aid for R & D project has been received till the beginning of March 1998 and the possibility of receipt of any proposal for release was considered remote. Therefore, the full RE 1997-98 provision of Rs. 2.49 crores was re-appropriated to the budget head for subsidy for maintenance of buffer stock of sugar where the demands exceeded the RE of Rs. 175 crores.

Subsequent to this, however, request for release of grant-in-aid of Rs. 128.521 lakhs for 6 R & D Projects taken together were received on 21.3.98 but as against this no release could be made during 1997-98 because of the said re-appropriation. The release was made in the following year *i.e.* 1998-99.

The research projects for which grants-in-aid sanctioned/being sanctioned from the SDF also include those schemes which have a direct bearing on cane production and improved quality of sugar produced in the country.

[Ministry of Food and Consumer Affairs O.M. No. 14-10/99-Coord. Dated the 27.09.99]

Recommendation (Para No. 2.49)

National Co-operative Development Corporation is entrusted with the prime responsibility of development of co-operatives in India. As on date, NCDC provides financial assistance to State Governments for equity participation in new sugar mills in accordance with the Centrally Sponsored Schemes. But in the wake of continued increase in sickness in sugar mills in co-operative sectors, the aim of development of cooperatives is being totally defeated and the loan earlier sanctioned is becoming a dead loan. It is hoped that NCDC is moving ahead in rehabilitation of sick sugar mills by amending their respective bye-laws/MoUs. As already much delay has happened in revival of sick Co-operative Mills, the Committee emphasise that the Government should make all efforts for directly providing term loan from NCDC to needy co-operative sick mills/new mills by amending laws/bye-laws without further delay rather than involving State Governments.

Reply of the Government

The above recommendation of the Standing Committee was forwarded to the National Co-operative Development Corporation (NCDC). The Corporation informed that they have suggested extension of the scope of the existing Centrally Sponsored Scheme for providing share capital assistance to new co-op. sugar mills in the 9th Plan so as to provide, among other things, assistance for rehabilitation of sick co-operative sugar mills. Keeping in view the need for taking up rehabilitation of sick co-operative sugar mills, NCDC had sought an outlay of Rs. 105 crores for taking up rehabilitation of 15 mills in the Expenditure Finance Committee (EFC) Memo for 9th Plan proposing financing at a concessional rate of interest alongwith a subsidy component at 20% of project cost. The proposal of NCDC is under consideration of the Government.

[Ministry of Food and Consumer Affairs O.M. No. F-14-10/99-Coord. Dated the 27.09.99]

Recommendation (Para No. 2.54)

Sugar Inspection Section of the Directorate of Sugar is concerned with the quality control of sugar produced by vacuum pan sugar factories. For this, periodical visits to sugar factories are made. Samples of sugar are drawn from stocks of sugar held by the factories and also consignments under despatch. Only in 31 cases, warnings have been issued. The committee, desire that frequent and periodic visits be planned for each sugar factory and the quality of sugar be maintained at all cost.

Reply of the Government

During the financial year 1998-99, the Inspection Staff of the Directorate of Sugar have inspected 65 Sugar factories and have drawn 843 samples of sugar from the stocks of sugar held by the sugar factories. Out of these samples, 121 samples pertaining 33 Sugar factories were found to be mis-graded and accordingly, warning letters were issued to them as per the prescribed parameters.

2. In addition, the Inspection Staff visited 105 sugar factories for collecting information regarding re-fixation of ex-factory levy sugar prices for the period 1974-75 to 1979-80 in the above financial year. Moreover, the officers were also deputed to look into the specific complaints received regarding the quality of sugar etc. In addition to the above duties, the Quality Control Staff collects daily wholesale and retail sugar prices from the Delhi Market.

Thus, the Directorate of Sugar is ensuring the checking of the quality of sugar produced by the sugar factories and also keeping a watch on the prices of sugar in the open market.

[Ministry of Food and Consumer Affairs O.M. No. F-14-10/99-Coord. Dated 27.09.99]

Recommendation (Para No. 2.56)

At present the monthly allocation of levy sugar to all the States/UTs is supplied at the rate of 425 gram per unit from 1st January, 1996 on the basis of 1991 census and more than 8 years have elapsed after the census of 1991 and population is increasing at the rate of 2% per annum. The population has increased substantially and the quantity of sugar allotted is becoming too meagre a quantity to supplement the sugar need of the population of the States/UTs. In addition to this, the trend of consumption of sugar has also increased with the increase in standard of living of the population. It is the persistent demand from the people that the minimum quantity per unit should be at least 500 gram. In the present sugar season the production of sugar is expected to be around 150 lakh tonnes. In addition to this, there is carry over stock of about 53 lakh tonnes. In view of the above fact, the Committee, recommend that monthly allocation of levy sugar to States should be increased in accordance with the population at the rate of 500 gram per unit. The Committee also desire that State Governments/UTs be asked to ensure that at least the quota of 425 grams per capita reach the every Ration Card-holder.

Reply of the Government

Even though the estimated sugar production during the current season together with the carry over stocks of the last season is more than the overall sugar requirement of the country, yet the actual accrual of levy which as against 40% of the production being 32% only due to incentives allowed in the form of higher free sale sugar quota to new units as also to those which have undergone expansion, is just sufficient to meet levy requirement at the current level of allocations and does not provide any room for resorting to enhancement of the levy quota of the States/UTs so as to distribute sugar @ 500 grams per unit per month amongst the projected population of 1998. To implement this recommendation by retaining the existing scale of per capita per month availability in respect of the States/UTs that are being given sugar at a higher norm than 425 grams due to special circumstances, in a year, 61.00 lakh tonnes of levy sugar (58.8 lakh tonnes for PDS +2.2 lakh tonnes for Armed and Para Military Forces + Annual Festival quota of States/UTs), would be required which can only be obtained if the overall annual production of sugar is around 190.62 lakh tonnes.

Accordingly, without being able to increase the existing levy sugar quota, it may also not be appropriate to ask the State Governments/ UTs to ensure distribution of levy sugar @425 gms per capita per month to all the ration card holders out of the quantity allotted as per 1991 census, because the population which was 846.30 millions in 1991 has increased to 957.53 millions in 1998. Even at the rate of 425 grams for the entire present population, the annual levy requirement for monthly levy quota of States/UTs for PDS alone works out to 49.92 lakh tonnes without taking into consideration the requirement of 2.2 lakh tonnes for Armed and Para Military Forces and Annual festival quota of States/UTs.

It is, therefore, regreted that at present it will not be possible to implement the recommendation.

[Ministry of Food and Consumer Affairs O.M. No. F-14-10-99-Coord.
Dated 27.09.99]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Para No. 2.47)

Cane development loan is disbursed in three instalments. The second and subsequent instalments are released only after a satisfactory utilisation certificate is received from the sugar units duly certified by the concerned State Governments. The State Government is also required to send an impact report on the cane development scheme funded from SDF. The implementation of the short term loan for inputs of cane development is to be monitored by the separate Committee for each sugar unit. But it has been seen that second and third instalments are not being disbursed due to non-presentation of utilisation certificate and impact report. If the funds are being utilised properly, there would have been no problem in furnishing utilisation certificate. There is possibility of diversion of funds and other irregularities. Consequently, cane development programme is hindered and there may be non-availability of sugarcane which may push the sugar mills towards sickness and the sugarcane growers may opt for other crops. For this, proper monitoring and liaisoning with State Governments is necessary. The Committee, therefore, strongly recommend that proper monitoring over the loans out of SDF may strictly be done and frequent liaisoning with the State Governments be made to facilitate disbursement of second and third instalments. Hence their is a great need for setting up a Coordination Cell comprising of the representatives from Central Government, State Governments and Sugar Units for close monitoring the loans of SDF.

Reply of the Government

While the possibility of diversion of funds cannot be ruled out in cases where there is abnormal delay in submission of utilisation certificates by sugar units there could be several other reasons for not availing remaining instalments of cane development loan from S.D.F. i.e.

(1) The factories having sufficient financial resources at their disposal to implement the schemes.

(2) Due to considerable time gap it is no longer practicable to implement the scheme on account of technical reasons, cost escalation or delay in obtaining clearance from State Government department.

(3) The factory being interested in submitting a fresh cane development loan proposal.

As mentioned in comments to para 2.44 the Department is monitoring the progress of disbursement of instalments of cane development loans to sugar units regularly and is in touch with the State Governments. Communications are sent to State Governments/ Sugar Units to expedite disbursement although no formal Coordination Cell has been opened.

[Ministry of Food and Consumer Affairs O.M. No. F-14-10-99-Coord. Dated 27.09.99]

Comments of the Committee

(Please *see* Para 1.9 of Chapter 1.9)

Recommendation (Para No. 2.53)

From April, 1998 to November, 1998, a quantity of 5,96,775.00 Mts and from December 1998 to February, 1999, a quantity of 1,42,884.9 Mts of the Sugar have been imported under OGL. The price of open market sugar during this period remained between Rs. 14-17 per kg. Even after increasing the duty upto 25%+10% surcharge, there has been no decline in import of sugar. The Committee desire that the Government should keep a strict watch over this phenomenon of import of sugar in the interest of consumers, industry and cane growers. Any corrective steps if need/should be taken well in time. The import of sugar should be allowed only in the interest of consumers, industry and canegrowers.

Reply of the Government

Department of Sugar and Edible Oils is keeping a close watch on the imports of sugar in the country. In order to check imports of sugar, Government has increased the customs duty on imports of sugar thrice in the financial year 1998-99 from zero per cent to 25% alongwith surcharge of 10% and continuance of the countervailing duty of Rs. 850/tonne Government has also amended the Sugar (Control) Order, 1966 to bring the importers of sugar under the purview of Sugar (Control) Order, 1966 so as to be able to regulate the stock, sale and distribution of imported sugar, if necessary. Govt. will take further appropriate action as and when the situation warrants.

Since the imports of sugar are on OGL, the private parties are importing sugar based on their best commercial judgement. There has been no import of sugar on Govt. account.

[Ministry of Food and Consumer Affairs O.M. No. F-14-10-99-Coord. Dated 27.09.99]

Comments of the Committee

(Please *see* Para 1.12 of Chapter I)

Recommendation (Para No. 3.31)

The other effect of adulteration is that the prices of edible oils which was skyrocketing in September-December, 1998, has not substantially come down. While the whole sale price of some of edible oils is around Rs. 35-40/ltr. the retail price is lying in the range of 55-60/ltr. and thus they are overcharging from the consumers. The profit margin on retail price should not be more than 10% in comparison to whole-sale price. The Committee desire that the Government should immediately make concrete efforts for curtailing the retail prices of edible oils.

Reply of the Government

A trend was discernible in October-November, 1998, that a decline in wholesale prices of edible oils was not accompanied by a commensurate fall in their retail prices, particularly in case of premium brands. Accordingly, the Department of Sugar and Edible Oils wrote to all manufacturers and traders of vegetable oils to bring down the retail prices of packaged edible oils. Retail prices have since fallen substantially in the recent months.

[Ministry of Food and Consumer Affairs O.M. No. F-14-10-99-Coord. Dated 27.09.99]

Comments of the Committee

(Please *see* Para 1.15 of Chapter I)

ANNEXURE

PRICE TRENDS IN MAJOR EDIBLE OILS (RETAIL AND WHOLE SALE)

Year	Mustard Oil		Groundnut Oil		Sunflower Oil	
	Whole Sale Price Rs./Qtl.	Retail Price Packed Oil	Whole Sale Price Rs./Qtl.	Retail Price Packed Oil Rs./Ltr.	Whole Sale Price Rs./Qtl.	Retail Price Packed Oil Rs./Ltr.
July '98	4550	53-60	5000	59-69	4190	59-65
Aug. '98	4750	57-71	5650	66-76	4150	60-67
Spet. '98	5450	64-78	5958	76-88	4280	63-74
Oct. '98	6000	72-84	6150	78-88	4250	63-74
Nov. '98	5900	70-82	4500	76-83	3720	62-72
Dec. '98	5000	64-76	4400	69-79	3510	62-69
Jan. '99	4395	56-72	4148	67-78	3105	55-63
Feb. '99	3731	55-72	4205	67-76	2950	54-62
Mar. '99	3221	54-71	4115	65-74	2895	51-59
Apr. '99	3150	52-68	4020	64-73	2850	51-59
May '99	3120	44-62	3890	58-73	2760	49-58
June '99	3090	40-59	3700	54-71	2450	45-56 (as on 17.06.99)

Recommendation (Para No. 3.32)

Since there has been a gap between demand and supply of edible oils, import has been resorted to as a measure to make available the oils to consumers at reasonable prices. This year about 19 lakh MT of edible oils have been imported under OGL while the gap is only to the tune of 14-15 lakh MT. The Committee desire that Government should not allow import of edible oils more than the shortage in country. In 1998-99, 1.5 lakh MT of RBD Palmolein was imported during August-November, 1998. During this period the international price of RBD Palmolein was very high. The estimated fall in production of oilseeds was known to Government in February-March, 1998 itself and no advance planning was made. Later the RBD Palmolein was imported at high prices. The Committee, therefore, further recommend that timely action should be taken to import edible oils so that valuable foreign exchange is saved.

Reply of the Government

Insofar as limiting import of edible oils to the shortage of edible oils is concerned, the quantity imported by the State Trading Corporation of India (STC) on Government account has been relatively small (2.50 lakh MTs) covering the festival months during August-November, 1998, and calendar year 1999. As regards imports by private traders, these are being effected by them based on their commercial judgement. As the import of edible oils is under the OGL regime, it may not be possible to impose any quantitative restrictions.

2. Regarding timely action that should have been taken while planning imports, it may be mentioned that by the time the decision to import edible oils for festival months of August-November, 1998, was taken by the Government and the STC was authorised to import 1.50 lakh MTs in July, 1998, prices of RBD Palmolein in the international markets had already begun to rise, it being the lean season for the product. However, contracts for importing 1.00 lakh MTs RBD Palmolein during the calendar year 1999 have been entered when international prices were more comfortable.

[Ministry of Food and Consumer Affairs O.M. No. F. 14-10-99 Coord. Dated 27.09.99]

Comments of the Committee

(Please *see* Para 1.18 of Chapter I)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation (Para No. 2.48)

As on 31.3.99 the total cane price arrears due to sugarcane farmers was Rs. 1019.30 crore. Out of this, 152.34 crore is upto 1996-97 season. For 1997-98 and 1998-99 sugar seasons, the arrears are 145.96 crore and 721 crore respectively. While there is provision of charging 15% p.a. interest on amount beyond 14 days of delivery of sugarcane, this provision is not being invoked and sugar undertakings are using this money for their own interest. The non-availability of funds may be taken only as an excuse because there is a provision for mortgaging of stocks of sugar with financial institutions. The accumulation of arrears should be construed as sheer negligence on the part of sugar mill owners in which the State Governments too cannot be spared. The responsibility of timely payment of cane price arrears to farmers lies with the State Government. The Central Government too, should not remain a silent spectator on piling up a huge amount of cane arrears as the development and regulation of sugar industry is under the jurisdiction of Central Government. The Committee, therefore, strongly recommend that Central Government should ensure that cane price arrears are paid well in time with interest and regular coordination/liaison with State Government be maintained to achieve this objective. If necessary, suitable warning may be issued to defaulting mills so that the cane arrears position improves without delay. Calculation of interest should be on the full price of sugarcane (State Advised Price) and not on the MSP.

Reply of the Government

The observations/recommendations of the Committee have since been conveyed to the Chief Secretaries of all the sugar producing states with the request to ensure implementation of the same.

[Ministry of Food and Consumer Affairs O.M. No. F. 14-10-99 Coord. Dated 27.09.99]

Recommendation (Para No. 2.50)

Sugar production is the joint responsibility of Ministry of Agriculture and Ministry of Food and Consumer Affairs as sugar production is fully dependent on sugarcane production. Disease-free, high-yielding, early maturing varieties with high sucrose content of sugarcane is the main concern of the sugar industry. The emphasis need to be made on development of sugarcane varieties suitable for different agro-climatic regions in the country. The disease like 'Red

Rot' and 'Jhulsa' are taking toll of sugarcane in different parts of the country. The Research activity be enhanced for development of such varieties of sugarcane and necessary fund should be made available for this purpose. The committee, therefore, recommend that Ministry of Food and Consumer Affairs should coordinate with Ministry of Agriculture and concentrate for development of high yielding, early maturing disease free varieties of sugarcane with high sucrose content. There should be arrangements for the full consumption of all the sugarcane produced in the reserved areas so that the cultivator is not put to loss. If the sugarcane is not purchased by the concerned mills, the growers should be compensated.

Reply of the Government

The observations/recommendations of the Committee regarding the need for developing disease free, high yielding, early maturing varieties with high sucrose content of sugarcane suitable for different agro-climatic regions of the country have since been conveyed to the Secretary, Department of Agriculture & Cooperation, New Delhi with the request to ensure implementation of the same. The Department of Sugar and Edible Oils will keep following it up with the Department of Agriculture & Cooperation.

As regards the observations of the Committee that the arrangements for full consumption of all the sugarcane produced in the reserved areas so that the cultivator is not put to loss and if the sugarcane is not purchased by the sugar mills, the growers should be compensated, the same has since been conveyed to the Chief Secretaries of all the sugar producing States with the request to ensure its implementation.

[Ministry of Food and Consumer Affairs O.M. No. F. 14-10-99 Coord. Dated 27.09.99]

Recommendation (Para No. 2.51)

The subsidy in BE and RE (1998-99) for maintenance of buffer stock of sugar was Rs. 133 crore. In BE (1999-2000) the amount for the purposes is earmarked as Rs. 24 crore. The buffer stock of sugar is not like buffer stock of foodgrains. What is being done is to help mills in keeping their stock during the period of surplus. The Government had earlier informed the Committee that they were discontinuing buffer stock beyond 09.07.1998. The Committee, therefore, desire, best efforts be made to keep the buffer subsidy at barest minimum.

Reply of the Government

The suggestion of the Standing Committee to keep the buffer subsidy at barest minimum shall be kept in mind as and when Government decides to create the buffer stock of sugar in future.

[Ministry of Food and Consumer Affairs O.M. No. F. 14-10-99 Coord. Dated 27.09.99]

Recommendation (Para No. 2.57)

India is second among the countries producing sugar in the world. The licensed capacity of the sugar industry is 283.388 lakh tonnes.

Once planned optimally there may not be any dearth of sugar within the country and a substantial quantity may be exported too. It has come to the notice that Government is contemplating to discontinue sugar quota of Above Poverty Line (APL) families. If it is implemented, it will be most unfortunate that the country being number two in production of sugar, a larger chunk of population will be deprived of a meagre quota of sugar. The lower rung of the Government employees, unorganised workers and agriculture workers will then be kept out of sugar quota and these people will find themselves in great difficulty, in procuring sugar from open market for the whole month. The Committee, therefore, desire that the sugar quota for APL population should not be discontinued so that the people above poverty line may not be deprived of this benefit and also that people who only buy sugar may not lose their ration-cards.

Reply of the Government

A proposal to restrict the supply of levy sugar to families living below the poverty lines (BPL families) is being considered. No final decision has been taken by the Government in this regard. The views of the Standing Committee shall be taken into account as and when Government takes the final decision in the matter.

[Ministry of Food and Consumer Affairs O.M. No. F. 14-10-99-Coord. Dated 27.09.99]

Recommendation (Para No. 3.29)

Government has promulgated an Edible Oils Packaging (Regulation) Order, 1998 to deal with the menace of adulteration of edible oils. This order is effective from 15 December, 1998 under which the sale of edible oils in loose form is banned. The implementation of the order is delegated to State Governments. Different State Governments have given extension upto different dates for different edible oils. The purchasing power of poor people is very less and they seldom buy more than 250 gram of edible oil at a time. They may buy a quantity of 50 to 100 grams. The packaging cost of 1 Kg/litre of edible oils is estimated at Rs. 3.00. It is most likely that packaging cost of 50 ml/100 ml of edible oil may be 1 Rupee/50 paise and it will be charged from the consumers. The Committee, therefore, desire that utmost care be given to the poor people and their interest may be saved by subsidising the packaging cost.

Reply of the Government

The observations of the Committee have been noted.

[Ministry of Food and Consumer Affairs O.M. No. F. 14-10-99-Coord. Dated 27.09.99]

NEW DELHI;
24 *February*, 2000
5 *Phalguna*, 1921 *(Saka)*

DEVENDRA PRASAD YADAV,
Chairman,
Standing Committee on Food,
Civil Supplies and Public Distribution.

APPENDIX I

MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION HELD ON MONDAY, THE 7TH FEBRUARY, 2000

The Committee sat from 11.40 to 12.40 hours.

PRESENT

Shri Devendra Prasad Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Prof. S.P. Singh Baghel
3. Shri Shyamlal Bansiwal
4. Shri Namdeorao Harbaji Diwathe
5. Shri Abdul Hamid
6. Shri Jai Prakash
7. Shrimati Preneet Kaur
8. Shri Brijlal Khabri
9. Shri Aditya Nath
10. Shri Laxmanrao Patil
11. Shri Baju Ban Riyan
12. Shri Abdul Rashid Shaheen
13. Shri Ram Naresh Tripathee

Rajya Sabha

14. Shri Sushil Barongpa
15. Shri Abdul Gaiyur Qureshi
16. Shri Lajpat Rai

SECRETARIAT

1. Shri Krishan Lal — *Deputy Secretary*
2. Shri R.S. Mishra — *Under Secretary*

(I) Consideration and adoption of Draft First Report.

2. The Committee considered the Draft First Report on Action Taken by the Government on the recommendations contained in their Eighth Report on Demands for Grants (1999-2000) relating to erstwhile Ministry of Food and Consumer Affairs (Department of Sugar and Edible Oils) and adopted the report without any amendment.

(II) Consideration and adoption of Draft Second Report.

3. ** ** **

(III) Consideration and adoption of Draft Third Report.

4. ** ** **

5. The Committee, then authorised the Chairman to make grammatical and consequential changes in the Reports and present/lay the same in both the Houses of Parliament.

The Committee then adjourned.

**Not related to this Report.

APPENDIX II

(*Vide* Introduction of the Report)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE EIGHTH REPORT OF STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (TWELFTH LOK SABHA)

(i) Total Number of Recommendations 20

(ii) Recommendations/Observations which have been accepted by the Government.

Para Nos. 2.52, 2.55, 3.28 and 3.30

Total 4

Percentage 20%

(iii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply.

Para Nos. 2.43, 2.44, 2.45, 2.46, 2.49, 2.54 and 2.56

Total 7

Percentage 35%

(iv) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee.

Para Nos. 2.47, 2.53, 3.31 and 3.32

Total 4

Percentage 20%

(v) Recommendations/Observations in respect of which final reply of the Government are still awaited.

Para Nos. 2.48, 2.50, 2.51, 2.57 and 3.29

Total 5

Percentage 25%