ELEVENTH REPORT

STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (2001)

(THIRTEENTH LOK SABHA)

MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION

(DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION)

DEMANDS FOR GRANTS (2001-2002)

Presented to Lok Sabha on 20.4.2001

Laid in Rajya Sabha on 20.4.2001

LOK SABHA SECRETARIAT
NEW DELHI

April, 2001/Chaitra, 1923 (Saka)

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2. Shri Krishan Lal — *Director*
3. Shri R.S. Mishra — *Under Secretary*
4. Smt. Manju Chaudhry — *Committee Officer*
5. Shri Santosh Kumar — *Committee Officer*

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Civil Supplies and Public Distribution (2001) having been authorised by the Committee to submit the Report on their behalf, present this Eleventh Report on Demands for Grants (2001-2002) relating to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The Committee examined/scrutinized the detailed Demands for Grants (2001-2002) of the Ministry which were laid on the Table of the House on 19th March, 2001.

3. The Committee took evidence of the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) on 29th and 30th March, 2001.

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

5. The Report was considered and adopted by the Committee at their sitting held on 17th April, 2001.

6. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;
18 *April*, 2001
22 *Chaitra*, 1923 *(Saka)*

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

PART I

CHAPTER 1

INTRODUCTORY

The Department of Public Distribution is responsible for the formulation and implementation of national policies and programmes on foodgrains relating to procurement, movement, scientific storage, distribution, import-export and buffer stocks aimed at ensuing remunerative prices to the farmers and availability of foodgrains at reasonable prices to consumer especially to the vulnerable sections of the society. This Department is also responsible for development and regulation of the Sugar Industry, formulation/adoption of a suitable programme aimed at ensuring adequate supply of sugar at reasonable prices, safeguarding the interest of cane-growers, allocation of sugar for export and administering the Sugar Development Fund set up under the Sugar Development Fund Act, 1982. It also deals with policy matter relating to import of edible oils for the Public Distribution System (PDS) including allocation to various States/Uts. Management of edible oils economy including Vanaspati, vegetable Oils cakes etc. The Department also monitors aspects relating to the production, quality control, processing and distribution of these items.

1.2 The Department is organised into 13 Divisions. It has two attached offices, namely:

(i) Directorate of Sugar;

(ii) Directorate of Vanaspati, Vegetable Oils & Fats (VVO&F);

There are 28 Subordinate Offices, namely:

(i) Three quality Control Cells located at New Delhi, Kolkata and Hyderabad.

(ii) One Indian Grains Storage Management and Research Institute (IGMRI), Hapur (Uttar Pradesh) with 5 Sub-Stations at Hyderabad, Ludhiana, Jabalpur, Jorhat and Udaipur; and

(iii) 17 Save Grains Compaign offices at Ahmedabad, Bangalore, Bhopal, Kolkata, Bhubaneshwar, Chandigarh, Chennai, Ghaziabad, Guwahati, Hyderabad, Jaipur, Lucknow, Patna, Pune, Raipur, Thiruvananthapuram and Varanasi.

(iv) National Sugar Institute, Kanpur; and

(v) National Institute of sugarcane and Sugar Technology, Mau.

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

(i) Food Corporation of India (FCI);

(ii) Central Warehousing Corporation (CWC); and

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

1.4 Now this Department has challenge to solve successfully the problem of surplus stock of foodgrains lying in its various godown. At one hand the department has to provide profitable value of produce of farmers so that they are not forced to distress sale, at another the Department has to dispose the foodgrains within time to targeted people.

1.5 The details of the Budget Estimate and Revised Estimates for 2000-2001 as well as Budget Estimates for (2001-2002 are as under:—

(In crores of Rupees)

	Major Head	2000-2001 Budget			2000-2001 Revised			2001-2002 Budget		
		Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
	1	2	3	4	5	6	7	8	9	10
Revenue Section										
Secretariat—Economic Services	3451	1.10	11.65	12.75	1.10	11.84	12.94	0.90	12.76	13.66
Food, Storage and Warehousing	2408	6.14	8438.44	8444.58	4.18	12351.56	12355.74	4.75	13885.35	13890.10
North Eastern Areas	2552	1.30	—	1.30	1.30	—	1.30	0.50	—	0.50
Industries	2852	—	0.02	0.02	—	0.02	0.02	—	0.02	0.02
Civil Supplies	3456	1.50	50.00	51.50	0.50	40.00	40.50	0.50	50.00	50.50
Grants-in-aid to State Govts.	3601	6.90	—	6.90	6.40	—	6.40	5.90	—	5.90
Total Revenue Section		16.94	8500.11	8517.05	13.48	12403.42	12416.90	12.55	13948.13	13960.68

	1	2	3	4	5	6	7	8	9	10
Capital Section										
Capital Outlay on Food, Storage and Warehousing	4408	30.46	—	30.46	21.85	—	21.85	27.84	—	27.84
Capital Outlay on North Eastern Areas	4552	3.70	—	3.70	3.70	—	3.70	3.50	—	3.50
Loans for Consumer Industries	6860	—	220.00	220.00	—	240.00	240.00	—	225.00	225.00
Loan and Advances to State Government	7601	6.90	—	6.90	6.40	—	6.40	5.90	—	5.90
Total Capital Section		41.06	220.00	261.06	31.95	240.00	271.95	37.24	225.00	262.24
Grand Total		58.00	8720.11	8778.11	45.43	12643.42	12688.85	49.79	14173.13	4222.92

1.6 The details of recoveries adjusted on account in reducing of expenditure for revenue and capital section are as under:—

Revenue Section	—	-12.12	-12.12	—	-9.33	-9.33	—	-9.93	-9.93
Capital Section	—	-224.25	-224.25	—	-171.40	-171.40	—	-220.27	-220.27
Total Recovery	—	-236.37	-236.37	—	-180.73	-180.73	—	-230.20	-230.20
Net Total	58.00	8483.74	8541.74	45.43	12462.69	12508.12	49.79	13942.93	13992.72

1.7 The Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) has furnished the following statement regarding their actual Plan and Non-Plan expenditure alongwith their percentage upto 15th March, 2001.

Demand No. 39 & 41

Plan

(Rs. in crore)

S.No.	Scheme	Major Head	BE 2000-2001	RE 2000-2001	Actual Expen-diture upto 15.3.2001	%of expenditure incurred
1	2	3	4	5	6	7
1.	Secretariat					
	(i) Information technology	3451	1.00	1.00	0.58	58
	(ii) Technical Studies & Consultancies	3451	0.10	0.10	0.01	10
2.	NISST, Mau	2408	2.40	0.60	0.37	61.66
		4408	4.25	1.40	—	—

1	2	3	4	5	6	7
3.	Other programmes of Food Storage & Warehousing					
	(i) SGC	2408	1.34	1.34	1.18	88.06
	(ii) IGMRI	2408	1.69	1.69	0.67	39.64
	(iii) CGAL	2408	0.10	0.10	—	—
	(iv) Strengthening of VVOF	2408	0.05	—	—	—
	(v) Modernisation of Lab	2408	0.05	0.05	—	—
	(vi) R&D Schemes	2408	0.30	0.35	0.10	28.57
	(vii), NSI, Kanpur	2408 4408	0.21 0.64	0.05 0.45	— —	— —
4.	Civil Supplies Assistance for construction of godowns for PDS	3601 7601	6.25 6.25	6.25 6.25	3.80 4.19	60.80 67.04
5.	Assistance for retail outlets in Tribal areas/ purchase of mobile vans	3601 7601	0.65 0.65	0.15 0.15	0.12 0.12	80 80

1	2	3	4	5	6	7
6.	Other schemes of Civil Supplies— Training research & monitoring	3456	1.50	0.50	0.10	20
7.	**Consumer Industries** Investment in Public Enterprises— Construction of Godowns by FCI	4408	25.57	20.00	20.00	100
8.	**Lumpsum provision for Projects/Schemes for North Eastern States including Sikkim**					
	(i) Construction of Godowns by FCI	2552 4552	2.40	2.40	0.90	37.50
	(ii) Construction of Godowns under Centrally Sponsored Scheme for strengthening of PDS	4552	2.60	2.60	0.84	32.31
	Total		58.00	45.43	32.98	72.59

Non-Plan

S.No.	Scheme	Major Head	BE 2000-2001	RE 2000-2001	Actual 2000-2001	%of expenditure incurred
1	2	3	4	5	6	7
1.	Secretariat	3451	11.65	11.84	10.44	88.18
2.	Food Subsidy (including Sugar)	2408	8210.00	12125.00	8092.08	66.74
3.	Transfer to Sugar Development Fund	2408	200.00	200.00	200.00	100
	(i) Admn. of SDF	2408	5.22	5.48	0.13	2.37
	(ii) Buffer Stock of Sugar	2408	2.00	2.00	2.22	11
	(iii) Grant-in-Aid	2408	2.50	1.25	0.46	36.80
	(iv) Loans for Modernization/ Rehabilitation of Sugar Mills	6860	200.00	150.00	40.63	27.09

1	2	3	4	5	6	7
	(v) Loans for Cane Development	6860	20.00	20.00	14.35	71.75
	(v) Loans for Hindustan Vegetable Oils Corporation (HVOC)	6860	—	70.00	45.00	64.29
5.	Other Programmes of Food Storage Warehousing	2408				
	(i) Dte. of Sugar		1.94	1.92	1.58	82.29
			0.08	0.08	0.03	37.50
	(ii) Development Council of Sugar Industry		1.65	1.68	1.46	86.90
	(iii) Dte. of VVOF		6.80	6.55	5.06	77.25
	(iv) NSI, Kanpur		0.03	0.07	—	—
	(v) Procurement & Supply		0.37	0.33	0.31	93.94

1	2	3	4	5	6	7
	(vi) International Cooperation		4.88	4.51	3.95	87.58
	(vii) SGC		2.57	2.32	1.98	85.34
	(viii) IGMRI		0.02	0.02	0.01	50
	(ix) CGAL		0.38	0.35	0.30	85.71
	(x) QCC					
6.	Consumer Industries Amritsar Oils Works	2852	0.02	0.02	—	—
7.	Reimbursement of losses to STC in trading operation of Edible Oils	3456	50.00	40.00	34.85	87.12
	Total		8720.11	12643.42	8452.85	66.85
	Deduct Recoveries		236.37	180.73	58.16	
	From SDF					
	Total		8483.74	12462.69	8394.69	67.36

1.8 When the Committee enquired as to what are the reason for less expenditure of Budget allocation, Secretary (Food and Public Distribution) deposed before the Committee as under:—

"There were three main reasons for reduction in the outlay at the Revised Estimate Stage. One was reduction in outlay in respect of the National Institute of Sugar Technology at Mau. We have already decided not to go ahead with this project. So, there was a reduction of Rs. 4.65 crore in respect of the scheme relating to the Institute. Then, there was a reduction of Rs. 1 crore in so far as the outlay for purchase of vans is concerned. In the Revised Estimate, we have provided for 30 lakh as against Rs. 1.30 crore in the Budget Estimates. The C&AG has adversely commented upon the performance under this scheme and we have decided to scrap this scheme. The third reason for reduction in expenditure was construction of godowns by FCI. There is a saving of Rs. 5.57 crore on this account. As against the Revised Estimate of Rs. 45.43 crore, the actual expenditure estimated is approximately Rs. 40 crore. The main shorfall is in respect of construction of godowns for PDS. The extent of shortfall is Rs. 4.50 crore. The C&AG has also adversely commented on this scheme. We have decided to restrict this scheme to the States in the North East, Hill States and inland territories. That would be with effect from the Tenth Plan. Earlier, a view was taken in the Department that this Scheme should be transferred to the States. But keeping in view the observations made by the C&AG, we have decided not to transfer this scheme now to the States."

1.9 Further the Ministry has re-appropriated Rs. 40 lakh from SGC/QCC/IGMRI/CGAL for payment of additional subsidy to FCI and has also provided Rs. 2499.00 lakh loan to HVOC from modernisation/rehabilitation of sugar mills. In this context when the Committee asked how Ministry have been able to save such amount while there is need to strengthen SGC/QCC/IGMRI/CGAL and also there is need of funds for modernisation/rehabilitation, the representatives of Ministry furnished as under:—

"This is re-appropriation proposed by our Ministry for re-appropriating about Rs. 40 lakh out of the saving of the SGC quality Control Cell, IGMRI, CGAL."

The Ministry of Finance first insists that before we take up a supplementary grant, we identify what the savings are, re-appropriate the saving and take the supplementary grant for balance only for the amount that is required over and above the saving.

It is because the Parliament has already voted a certain amount and instead of lapsing that amount, re-appropriate it and take supplementary grant for balance only. While taking it, we also indicate that we are also going to re-appropriate saving so that the Parliament comes to know of it. The total requirement by way of additional subsidy is Rs. 3775 crore. So we went to the Finance Ministry for taking a supplementary Grant for Rs. 3774.00 crore. They said the remaining Rs. 40 lakh we have to re-appropriate from our own savings. Thus Rs. 40 lakhs will be re-appropriated for the purpose of meeting the food subsidy requirements. We want Rs. 25.00 crore for HVOC. We have a saving of Rs. 50 crore. For modernisation of sugar mills, we made a budget provision of Rs. 200 crores. At RE stage, it has been reduced to Rs. 150 crore because the number of applications are less. Even in cases where loan has been sanctioned, the sugar mills are taking a little time to create the second charge on the mill because unless they create equitable mortgage for us, we will not release the amount. We are surrendering Rs. 50 crore. We require Rs. 25 crore for paying compensation to the employees of the Hindustan Vegetable Oils Corporation who are opting for VRS. We are re-appropriating of Rs. 24.99 crore and we have taken a supplementary grant of Rs. 1 lakh to bring to the notice of the hon. House that we are re-appropriating this amount from the saving of same Department. This taking of Rs. 1 lakh supplementary grant is only to bring to the notice of the House that we are diverting money from one Head to another Head. That is why we have indicated here. It is because this Committee wanted to know what is the amount we are re-appropriating it from out of the saving. As to why the savings have arisen in the case of Save Grain Campaign, quality control, etc. of it.

Sir, saving from the Save Grain Campaign, quality control, and IGMRI are mostly on account of the saving from the office expenses TA etc., out of 589 posts, 73 posts have remained vacant. So, we have taken a decision not to fill up the posts. Regarding expenditure by CPWD, out of Rs. 169 lakh, we have provided Rs. 50 lakh at the beginning of the financial year. They have assured us that the entire amount will be utilised during the current financial year."

1.10 It has been noticed that in most of the cases the Budget allocation could not be utilised due to slow progress by CPWD. In Indian Grain Storage Management and Research Institute (IGMRI) and its field station, only Rs. 5 Lakh could be utilised out of 90 lakh during 1999-2000. During 2000-2001, too only Rs. 67 lakh could be utilised out of Rs. 169 lakh. When the Committee during oral evidence asked about the kind of control over CPWD, the Secretary, Department of Food and Public Distribution stated as under:

"Accordingly to the General Financial Rules, all civil works of the Central Government other than the works of Railways and Defence Departments are required to be primarily executed through the CPWD only. If the CPWD gives No. Objection, then civil works can be entrusted to other organisations. It is possible, but only if we get a No Objection from the CPWD.

Review meetings are held. Periodical statements are received. If required, the matter can always be reported to the Ministry of Urban Development. That is also a limb of the Government."

1.11 When the Committee enquired the reasons for non-execution of work and responsibility to be fixed for the same and escalation of cost, if any, the Ministry in the post evidence reply stated as under:

"Against the budget provision of Rs. 90.00 lakh provided for the IGMRI during 1999-2000, the CPWD, Bhopal could utilise Rs. 5.00 lakh only. During 2000-2001, out of a total budgetary provision of Rs. 169 lakhs for the IGMRI, Rs. 50 lakhs has been provided under the Head "Major Works" for the construction of hostel buildings at the IGMRI, Jabalpur and Udaipur. After the receipt of the approval to the budget, the entire amount was placed at the disposal of the CPWD during June/July 2000. The dissatisfaction of the Standing Committee towards the poor utilization of funds by the CPWD was conveyed to the Director General (Works), CPWD by the Secretary (F&PD) during July, 2000 itself. The DDG of works, CPWD in turn, had conveyed the concern expressed by the Standing Committee to its concerned Superintending Engineers and directed them to ensure full utilization of funds, during 2000-2001.

The officers of this Department have been pursuing the matter with the officers of the CPWD, from time to time. The DDG of works, CPWD during November 2000 had assured full utilisation of Rs. 50 lakh during 2000-2001. An officer from the Ministry was also deputed to the CPWD, Jaipur to review the progress in respect of the IGMRI, Udaipur. Besides, the respective Officers-in-Charge have remained in constant touch with the Executive Engineers/ Superintending Engineers of the CPWD to ensure full utilization of funds. In view of various steps taken by this Department as explained above, the budgeted amount is likely to be spent during 2000-2001.

1.12 The Committee note that Budget allocation (2000-2001) could not be utilized fully. For Technical studies and consultancies, out of allocated fund of Rs. 10 lakh, only 1 lakh could be utilised by 15.3.2001 which amounts to 10% only. Similarly for IGMRI, out of allocated fund of Rs. 1.69 crores, only Rs. 67 lakh could be spent till 15.3.2001, which is only 39.64%. In the Research and Development work also the percentage utilisation of fund is only 28.57%. In training, research and monitoring, construction of godowns by FCI and under centrally sponsored scheme in North Eastern States the percentage utilisation is 20%, 37.5% and 32.31% respectively which is quite deplorable. Since spillover of one scheme has its bearing on another alongwith cost escalation and discontinuation/non-taking up of another new scheme, the Committee, therefore, recommend that all efforts should be made by the Government to utilise the fund fully within the financial year and actual expenditure incurred during (2000-2001) be intimated to the Committee for all its plan and non-plan schemes. The Committee would also like to know the steps taken by the Govt. to utilise the funds earmarked under plan and non-plan schemes in the BE for the year (2001-2002) in an even manner.

1.13 The Committee note that in many cases budget allocation could not be utilized due to slow progress by CPWD. For Indian Grains storage Management and Research Institute (IGMRI) only Rs. 5 lakh could be utilized out of Rs. 90 lakh during 1999-2000. Also during 2000-2001, only 67 lakh could be utilized out of Rs. 169 lakh earmarked under the head. The Govt. has informed the Committee that according to General Financial Rules, all civil works of Central Govt. are required to be executed through CPWD and if CPWD gives no objection, Civil works can be entrusted to other Organisations. The Committee are of the opinion that if monitoring would have been strengthened by the Ministry, the delay in execution of work by CPWD could have been avoided. The Committee, therefore strongly recommend that review meetings and monitoring be augmented adequately and if no breakthrough is achieved, the work should be awarded to other organizations for its completion within the stipulated time.

CHAPTER II

FOOD MANAGEMENT

Production

2.1 The overall production of foodgrain during 1999-2000 was 208.9 million tonne as against the production level of 203.64 million tonnes during 1998-99. The Planning Commission has set the target of foodgrains production for 2000-2001 at 212.00 million tonnes. But the same is likely to be 199.00 million tonnes only primarily on account of drought conditions prevailing in 71 districts and deficient rainfall in some areas. The broad crop-wise break up of production for 1999-2000 and 2000-2001 is as under:

(Million Tonnes)

Crop	Foodgrains Production	
	1999-2000	2000-2001*
Rice	89.5	86.8
Wheat	75.6	70.0
Coarse Cereals	30.5	29.9
Pulses	13.4	12.3
Foodgrains	208.9	199.0
Kharif	104.9	102.7
Rabi	104.0	96.3

*Estimated

Procurement of Foodgrains

2.2 FCI procures foodgrains as Central Pool directly as well as through various agencies of the State Government. The Corporation is responsible for handling movement, distribution and maintenance of buffer stocks of foodgrains on behalf of the Central Government. The Corporation has purchased 129.89 lakh tonnes of wheat in 1999-2000 and expects to purchase 127.91 lakh tonnes during the year 2000-2001. The likely purchase of wheat by the Corporation for the Central Pool is estimated at 112.00 lakh tonnes during 2001-2002. Similarly the procurement of rice (including paddy in terms of rice) during 1999-2000 was 150.22 lakh tonnes and likely purchase during 2000-2001 is 163.76 lakh tonnes. The purchase of paddy and rice for the Central Pool by the Corporation is estimated at 148.00 lakh tonnes (in terms of rice) during 2001-2002.

2.3 The major foodgrains in the country viz. wheat paddy and coarse grains are procured at Minimum Support Price (MSP) offered by the Government. The MSP for common and grade 'A' variety of paddy has been fixed at Rs. 510/- and Rs. 540/- per quintal respectively for the 2000-2001 Kharif Marketing Season (October-September), the MSP for wheat was Rs. 580 per quintal during 2000-2001 Rabi Marketing Season (April-March). MSP of wheat Rabi Marketing season (2001-2002) has been fixed at Rs. 610. The price support operations for wheat and paddy are undertaken by the Food Corporation of India in association with State agencies.

2.4 Besides wheat and paddy, rice is also collected under a system of Levy from rice millers/dealers at the price announced separately for each State.

2.5 State-wise final estimates of production under Foodgrains during 1999-2000 are as under:

(Production '000 Tonnes)

State/UT	Rice			Wheat	Jowar			Bajra	Maize			Ragi	Small	Barley	Coarse Cereals		
	Kharif	Rabi	Total		Kharif	Rabi	Total		Kharif	Rabi	Total		Millets		Kharif	Rabi	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Andhra Pradesh	7046.0	3443.6	10489.6	6.2	246.0	292.0	538.0	87.3	1091.0	306.0	1397.0	110.0	34.7	—	1569.0	598.0	2167.0
Arunachal Pradesh	134.8	—	134.8	5.1	—	—	0.0	—	48.3	—	48.3	—	17.1	—	65.4	0.0	65.4
Assam	3206.9	653.8	3860.7	97.6	—	—	0.0	—	14.1	—	—	—	5.5	—	19.6	0.0	19.6
Bihar	7441.6	300.0	7741.6	4367.0	2.0	—	2.0	3.6	611.3	1000.0	1611.3	61.4	19.1	42.0	697.4	1042.0	1739.4
Goa	139.9	—	139.9	—	—	—	0.0	—	0.8	—	0.8	1.1	—	—	1.9	0.0	1.9
Gujarat	984.9	—	984.9	1020.0	201.9	58.1	260.0	850.6	504.0	—	504.0	21.5	5.1	1583.1	—	58.1	1641.2
Haryana	2594.0	—	2594.0	9642.0	23.0	—	23.0	581.0	51.0	—	51.0	—	—	99.0	655.0	99.0	754.0
Himachal Pradesh	120.9	—	120.9	481.0	—	—	0.0	0.3	681.4	—	681.4	4.0	7.0	29.0	692.7	29.0	721.7
Jammu & Kashmir	391.1	—	391.1	365.0	—	—	0.0	6.4	471.2	—	471.2	—	1.2	9.8	478.8	9.8	488.6
Karnataka	2604.0	1031.0	3635.0	211.2	567.0	1279.0	1846.0	254.0	1504.0	184.0	1688.0	1431.0	30.0	—	3786.0	1463.0	5249.0

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Kerala	626.2	144.6	770.8	—	1.5	—	1.5	—	—	—	0.0	0.9	2.8	—	4.4	0.0	4.4
Madhya Pradesh	6376.5	—	6276.5	6658.1	556.4	2.5	558.9	133.9	1354.7	—	1354.7	3.7	223.9	109.0	2272.6	111.5	2384.1
Maharashtra	3475.9	60.0	3535.9	1436.1	2539.4	2120.6	4660.0	1134.0	323.0	94.0	417.0	160.1	66.6	1.1	4231.1	2215.7	6446.8
Manipur	365.0	—	365.0	—	—	—	0.0	—	10.7	—	10.7	—	—	—	10.7	0.0	10.7
Meghalaya	156.9	—	156.9	7.0	—	—	0.0	—	24.1	—	24.1	—	2.3	—	26.4	0.0	26.4
Mizoram	87.0	6.6	80.4	—	—	—	0.0	—	9.5	0.2	9.7	—	—	—	9.5	0.2	9.7
Nagaland	220.0	—	220.0	12.0	1.3	—	1.3	1.3	48.0	—	48.0	—	6.0	3.5	56.6	3.5	60.1
Orissa	4275.0	912.0	5187.0	7.7	6.0	—	6.0	2.0	79.6	1.2	80.8	52.9	16.0	—	158.5	1.2	159.7
Punjab	8716.0	—	8716.0	15910.0	0.00	—	0.0	4.0	417.0	—	417.0	—	—	106.0	421.0	106.0	527.0
Rajasthan	252.6	—	252.6	6731.9	173.2	—	173.2	1290.9	973.2	—	973.2	—	0.8	365.2	2446.1	365.2	2811.3
Sikkim	23.4	—	23.4	12.8	—	—	0.0	—	52.8	—	52.8	4.7	—	1.7	57.5	1.7	59.2
Tamil Nadu	5778.6	1446.7	7225.3	0.0	194.2	286.7	480.9	212.8	29.6	158.6	188.2	310.2	71.1	—	817.9	445.3	1263.2
Tripura	401.9	89.6	491.5	2.1	—	—	0.0	—	1.7	—	1.7	—	—	—	1.7	0.0	1.7

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Uttar Pradesh	12898.0	14.0	12912.0	25976.4	307.0	—	307.0	1085.5	1358.0	—	1358.0	197.9	127.5	674.9	3075.9	674.9	3750.8
West Bengal	9291.0	4660.0	13951.0	796.0	0.5	—	0.5	0.1	69.7	—	69.7	15.1	3.4	15.0	88.8	15.0	103.8
A&N Islands	26.2	—	26.2	—	—	—	0.0	—	—	—	0.0	—	—	—	0.0	0.0	0.0
D&N Haveli	17.0	—	17.0	0.3	0.3	—	0.3	—	—	—	0.0	2.0	0.2	—	2.5	0.0	2.5
Delhi	6.0	—	6.0	28.5	4.1	—	4.1	1.5	—	—	0.0	—	—	0.3	5.6	0.3	5.9
Daman & Diu	3.3	—	3.3	—	—	—	0.0	—	—	—	0.0	—	—	—	0.0	0.0	0.0
Pondicherry	44.3	14.0	58.3	—	—	—	0.0	0.2	—	—	0.0	0.2	—	—	0.4	0.0	0.4
All India	76705.7	12769.9	89475.6	75574.0	4023.8	4038.9	8862.7	5657.4	9728.7	1744.0	11472.7	2384.7	643.5	1456.5	23236.1	7239.4	30475.5

2.6 The details of paddy, wheat and rice procured during 1999-2000 and 2000-2001 upto 19.3.2001 is as under:

Procurement

(Fig. in lakh tonnes)

Commodities	1999-2000	2000-2001 (Upto 19.3.2001)
Paddy	91.90	114.07
Levy Rice	111.46	76.28
Total Rice	172.73	152.33
Wheat	141.43	163.55

2.7 State-wise procurement of foodgrains and coarsegrains upto 28.2.2001 during Kharif Season (2000-2001) are as under:

(Figures in tonnes)

State/UT	Rice	Jowar	Bajra	Maize	Ragi
Andhra Pradesh	4069962	—	—	39342	—
Bihar	4203	—	—	—	—
Chhattisgarh	545312	—	—	—	—
Haryana	1416363	—	—	—	—
Himachal Pradesh	475	—	—	—	—
Karnataka	190651	—	230	184331	403
Madhya Pradesh	122127	1168	7373	19535	—
Maharashtra	19699	89819	4744	12292	—
Orissa	394871	—	—	—	—
Punjab	6731395	—	—	—	—
Rajasthan	25796	—	—	—	—
Uttaranchal	41729	—	—	—	—
Uttar Pradesh	1016910	—	—	—	—
Chandigarh	16249	—	—	—	—
Pondicherry	29837	—	—	—	—
Tamil Nadu	1224564	—	—	—	—
Total:	15850143	90987	12347	255500	403

2.8 When the Committee asked about the details of procurement centres opened State-wise to procure paddy for the year 1999-2000 and 2000-2001, the Ministry in the written reply furnished as under:

	1999-2000				2000-2001			
	FCI	Jointly	State Agency	Total	FCI	Jointly	State Agency	Total
Punjab	476	81	895	1452	460	87	1040	1587
Haryana	25	6	218	244	22	10	192	224
UP	27	—	1293	1320	—	—	1400	1400
Delhi	4	—	—	4	4	—	—	4
Rajasthan	12	—	—	12	12	—	—	12
Andhra Pradesh	172	—	—	172	173	—	156	329
Madhya Pradesh	55	—	2122	2177	—	—	2155	2155
Karnataka	18	—	82	100	18	—	13	31
Pondicherry	2	—	2	4	2	—	2	4
Bihar	11	—	142	153	40	—	512	552
Orissa	42	—	—	42	42	—	—	42
H.P.	—	—	—	—	2	—	—	2
Maharashtra	—	—	255	255	—	—	255	255
J&K	—	—	—	—	2	—	—	2
Total	844	87	5009	5935	777	97	5725	6599

2.9 Further, the Ministry also submitted the details of procurement centres opened for wheat during Rabi Marketing season 1999-2000 and 2000-2001 as under:

State	1999-2000				2000-2001			
	FCI	Jointly with State Agency	State Agency	Total	FCI	Jointly with State Agency	State Agency	Total
Punjab	416	27	734	1177	446	49	1059	1554
Haryana	89	33	246	368	40	90	227	357
U.P.	115	—	4818	4933	44	—	4881	4925
Rajasthan	25	—	138	163	22	—	118	140
M.P.	FCI 3 Coop. 33	—	830	866	22	—	1086	1108
Delhi	2	—	—	2	—	—	—	—
Bihar	12	—	—	12	26	—	—	26
Total	695	60	6766	7521	600	139	7371	8110

Decentralised Procurement

2.10 The scheme of Decentralized Procurement of foodgrains was started in some States. Under the scheme the states themselves procure and distribute foodgrains under PDS. The subsidy is passed on directly to the State Government for these operations. The Govt. of West Bengal commenced decentralized procurement of rice for the first time from Kharif Marketing Season 1997-98. Thereafter, the States of Madhya Pradesh and Uttar Pradesh commenced procurement of wheat from Rabi Marketing Season 1999-2000 under the Scheme. Government of UP has also commenced decentralized procurement of paddy/rice from Kharif Marketing Season 1999-2000.

2.11 A provision of Rs. 300 crores was made in B.E. 2000-2001 as subsidy to the States towards decentralized procurement which has been revised to Rs. 613 crores in R.E. 2000-2001.

Procurement of Coarse grains

2.12 In the States of Maharashtra, Andhra Pradesh and Madhya Pradesh, FCI has engaged state Govt. agencies as Sub-agents of FCI to procure coarse grains to make use of the infrastructure available with the State Agencies. Procurement of coarse grains made till 30.11.2000 is as follows:

(In Tonnes)

Region	Maize	Jawar	Bajra
Karnataka	15557	—	—
Andhra Pradesh	13495	—	—
Madhya Pradesh	3038	176	2915
Maharashtra	3092	22268	944
Total	35182	22444	3859

2.13 When the Committee asked how for decentralized procurement have been instrumental in reducing economic cost of foodgrains, the Ministry in the written reply furnished as under:

"The Economic cost of wheat and rice of FCI, as compared to the Economic Cost of States, is given below:

(Rs. per quintal)

Year : 2000-2001

Wheat

1.	FCI	830
2.	Uttar Pradesh	776.93 (Cap)
		784.04 (Covered)
3.	Madhya Pradesh	749.50 (Cap)
		756.61 (Covered)

Rice

1.	FCI	1130 (Average)
2.	West Bengal	988.94 (Common)
		1037.51 (Grade 'A')

From the above figures, it will be seen that the Economic Costs of the States in respect of both wheat and rice are lower than the FCI's Economic Cost".

2.14 Finance Minister in his Budget speech for the year 2001-2002 has stated in Parliament House that increased production and rising productivity makes the proper management of the food economy more critical then ever before. Our policy has to be transformed to deal with surpluses rather than only shortages. The present arrangement of Government of India procuring foodgrains and States managing the PDS has led to many problems. While the subsidy has increased from Rs. 8210 crore at BE to Rs. 12,125 crore at RE stage this year, the satisfaction level has gone down. I propose, therefore, to give an enlarged role to the State Governments in both procurement and distribution of foodgrains for PDS in their respective States. Instead of providing subsidized foodgrains, Financial assistance will be provided to the State Governments to enable them to procure and distribute foodgrains to BPL families at subsidized rates. FCI will continue to procure foodgrains for maintaining food security reserves and for such State Governments who will assign it this task on their behalf. Details for operationalising these arrangement will be worked out in consultation with the State Governments at the earliest.

2.15 In the light of the above when the Committee asked Ministry that how far procurement by States, as proposed in Budget speech, will be helpful in reducing the subsidy, the Ministry in written reply furnished as under:

"The Finance Minister, in his budget speech for the year 2001-2002, has proposed to give an enlarged role to the State Governments in both procurement and distribution of foodgrains for PDS in their respective States. Instead of providing subsidized foodgrains, financial assistance will be provided to the State Governments to enable them to procure and distribute foodgrains to BPL families at subsidized rates. FCI will continue to procure foodgrains for maintaining food security reserves and for such State Governments who will assign it this task on their behalf.

Government has introduced a Scheme of Decentralised Procurement of Foodgrains, under which State Governments procure, store and distribute foodgrains under TPDS. They retain the quantity of foodgrains as per their TPDS allocation, and the surplus is handed over to the FCI. The different between the Economic Cost of the States and the CIP is given as subsidy to the States. This Scheme has been adopted by the Government of West Bengal from Kharif Marketing Season (KMS) 1997-98 in respect of paddy/rice by the Government of UP from RMS/KMS 1999-2000 for wheat and paddy/rice, and by the Government of MP from RMS 1999-2000 for wheat. Since the Economic Cost of foodgrains of the States is less than that of the FCI, overall saving in subsidy is expected to the extent of the different between the Economic Cost of the States and that of FCI. Other States are being persuaded to adopt this Scheme, so that the subsidy will be passed on to the State Government directly.

Buffer Stocking Policy

2.16 Foodstocks are maintained by the Central Government to:

(i) Meet the prescribed minimum buffer stock norms for food security.

(ii) For monthly releases of foodgrains for supply through PDS/ welfare schemes.

(iii) To meet emerging situations arising out of unexpected crop failure, natural disaster etc. and

(iv) For market intervention to augment supply so as to help moderate the open market prices.

2.17 The Government has fixed minimum requirement of stock for the Ninth Five-Year Plan (1997–2002) as under:

Prescribed Minimum stock levels

(In million tonnes)

	January	April	July	October
Wheat	8.4	4.0	14.3	11.6
Rice	8.4	11.8	10.0	6.5
Total	16.8	15.8	24.3	18.1

2.18 One of the major problems faced by the Food Corporation of India during past few years is that it is saddled with large volume of stocks, particularly of wheat much above the stipulated buffer stock norms. This is largely on account of record levels of procurement because of attractive. Minimum support Prices (MSP) fixed by the Government and poor offtake of foodgrains under PDS.

2.19 As on 1.1.2001, the stock of foodgrains in the Central Pool, held by FCI and State agencies stood at 45.77 million tonnes as against 31.89 million tonnes on the same day in the preceding year. The total stocks of foodgrains in the Central Pool as on 1st January, during the last five years are as under:

(In Million Tonnes)

1.1.1996	28.56
1.1.1997	20.02
1.1.1998	18.24
1.1.1999	24.38
1.1.2000	31.89
1.1.2001	45.77

2.20 The following table indicates the actual stock position in the Central Pool, *vis-a-vis* minimum buffer norms during the current year.

(In million tonnes)

Date	Wheat		Rice		Total	
	Actual stock	Minimum Buffer Norms	Actual stock	Minimum Buffer Norms	Actual stock	Minimum Buffer Norms
1.1.2000	17.17	8.40	14.18	8.40	31.35	16.80
1.4.2000	13.08	4.00	14.92	11.80	28.00	15.80
1.7.2000	27.75	14.30	14.49	10.00	42.24	24.30
1.10.2000	26.85	11.60	13.21	6.50	40.06	18.10

2.21 The State-wise UTs allocation and offtake of Wheat under BPL and APL categories alongwith additional allocation has been shown below:

(Wheat-2000-2001)
(In '000 tonnes)

Sl. No.	States/UTs	Allotment			Offtake		
		BPL	APL+ADDL	Total	BPL	APL+ADDL	Total
1	2	3	4	5	6	7	8
1.	Andhra Pradesh	0.000	88.000	88.000	0.000	3.295	3.295
2.	Arunachal Pradesh	1.660	5.830	7.490	0.091	0.445	0.536
3.	Assam	0.000	113.300	113.300	0.000	0.396	0.396
4.	Bihar	1050.855	121.191	1172.046	407.894	1.044	408.938
5.	Chhatisgarh	22.281	10.275	32.556	0.709	0.000	0.709
6.	Delhi	16.360	452.680	469.040	4.573	0.085	4.658
7.	Goa	2.634	18.590	21.224	0.361	1.272	1.633
8.	Gujarat	268.323	596.023	864.346	253.719	2.684	256.403

1	2	3	4	5	6	7	8
9.	Haryana	161.258	7.920	169.178	43.149	0.000	43.149
10.	Himachal Pradesh	63.896	35.200	99.096	21.938	2.727	24.665
11.	Jammu & Kashmir	32.560	80.960	113.520	20.243	7.862	28.105
12.	Jharkhand	83.025	9.489	92.514	15.825	0.009	15.834
13.	Karnataka	129.551	201.750	331.301	123.277	61.797	185.074
14.	Kerala	0.000	414.920	414.920	0.000	29.702	29.702
15.	Madhya Pradesh	623.199	128.875	752.074	261.525	3.648	265.173
16.	Maharashtra	883.635	455.180	1338.815	550.181	8.032	558.213
17.	Manipur	0.000	18.810	18.810	0.000	0.000	0.000
18.	Meghalaya	0.000	11.000	11.000	0.003	0.115	0.118
19.	Mizoram	0.000	13.110	13.110	0.000	1.676	1.676
20.	Nagaland	4.180	16.940	21.120	3.043	1.487	4.530
21.	Orissa	0.000	102.300	102.300	86.528	0.000	86.528
22.	Punjab	81.557	16.710	98.167	7.259	1.515	8.774
23.	Rajasthan	478.839	693.369	1172.208	294.978	1.340	296.318
24.	Sikkim	0.000	1.100	1.100	0.000	0.350	0.350
25.	Tamil Nadu	0.000	0.000	0.000	0.000	0.759	0.759
26.	Tripura	0.000	14.080	14.080	0.000	0.000	0.000
27.	Uttar Pradesh	1399.120	253.527	1652.647	714.666	1.863	716.529
28.	Uttaranchal	8.880	3.843	12.723	0.000	0.000	0.000
29.	West Bengal	526.972	713.700	1240.672	446.830	37.307	484.137
30.	A&N Islands	1.540	7.480	9.020	1.737	4.177	5.914
31.	Chandigarh	3.518	10.670	14.188	0.000	0.000	0.000

1	2	3	4	5	6	7	8
32.	D&N Haveli	0.672	0.550	1.222	0.364	0.120	0.484
33.	Daman & Diu	0.241	0.440	0.681	0.014	0.000	0.014
34.	Lakshadweep	0.000	0.462	0.462	0.000	0.016	0.016
35.	Pondicherry	0.00	5.720	5.720	0.000	0.827	0.827
	Total	5844.756	4623.894	10468.650	3258.907	174.550	3433.457
	CRP/BSF	0.000	31.306	31.306	0.000	9.188	9.188
	Defence	0.000	132.957	132.957	0.000	105.234	105.234
	Bhutan	0.000	18.700	18.700	0.000	0.000	0.000
	Grand Total (All India)	5844.756	4806.857	10651.613	3258.907	288.972	3547.879

2.22 State-wise/UT-wise allocation and offtake of rice under APL and BPL category alongwith additional allocation is placed below:

(Rice 2000-2001)
(In '000 tonnes)

Sl. No.	States/UTs Allotment	Allotment			Offtake		
		BPL	APL+ ADDL	Total	BPL	APL+ ADDL	Total
1	2	3	4	5	6	7	8
1.	Andhra Pradesh	848.248	2092.720	2940.968	846.935	917.544	1764.479
2.	Arunachal Pradesh	16.588	64.460	81.048	13.596	13.328	26.924
3.	Assam	419.308	305.340	724.648	316.148	5.570	321.718
4.	Bihar	700.570	80.793	781.363	131.596	1.004	132.600
5.	Chhattisgarh	77.772	15.003	92.775	10.579	0.000	10.579
6.	Delhi	0.000	149.710	149.710	0.000	1.910	1.910
7.	Goa	5.710	39.270	44.980	1.333	7.069	8.402
8.	Gujarat	178.883	345.682	524.565	101.912	2.584	104.496
9.	Haryana	0.000	0.000	0.000	1.640	0.000	1.640

1	2	3	4	5	6	7	8
10.	Himachal Pradesh	29.816	59.188	89.004	19.553	3.539	23.092
11.	Jammu & Kashmir	103.400	137.610	241.010	58.399	3.450	61.849
12.	Jharkhand	55.350	6.327	61.677	2.379	0.018	2.397
13.	Karnataka	518.204	837.000	1355.204	477.784	386.038	863.822
14.	Kerala	338.831	1260.820	1599.651	381.874	70.971	452.845
15.	Madhya Pradesh	450.228	98.847	549.075	311.877	1.054	312.931
16.	Maharashtra	475.768	246.180	721.948	304.382	33.283	337.665
17.	Manipur	28.614	31.460	60.074	18.670	4.606	23.276
18.	Meghalaya	31.494	174.548	206.042	27.363	1.026	28.389
19.	Mizoram	12.575	74.910	87.485	12.573	24.122	36.695
20.	Nagaland	16.940	94.930	111.870	15.968	0.271	16.239
21.	Orissa	706.985	217.902	924.887	607.978	2.939	610.917
22.	Punjab	15.320	3.080	18.400	0.266	0.070	0.336
23.	Rajasthan	5.581	26.153	31.734	1.012	0.020	1.032
24.	Sikkim	8.047	76.670	84.717	4.880	3.284	8.164
25.	Tamil Nadu	1024.408	422.840	1447.248	1020.307	78.586	1098.893
26.	Tripura	50.830	100.320	151.150	48.768	6.225	54.933
27.	Uttar Pradesh	676.371	129.059	805.430	305.593	0.942	306.535
28.	Uttaranchal	16.629	1.941	18.570	0.000	0.000	0.000
29.	West Bengal	491.768	326.110	817.878	302.001	32.136	334.137
30.	A&N Islands	3.303	25.850	29.153	2.338	2.357	4.695
31.	Chandigarh	0.440	1.870	2.310	0.000	0.000	0.000
32.	D&N Haveli	2.688	1.980	4.668	1.872	0.530	2.402

1	2	3	4	5	6	7	8
33.	Daman & Diu	0.479	1.210	1.689	0.142	0.150	0.292
34.	Lakshadweep	0.000	5.995	5.995	0.000	5.288	5.288
35.	Pondicherry	15.416	19.190	3.606	6.967	2.394	9.361
	Total	7326.564	7474.966	14801.532	5356.685	1612.308	6968.993
	CRP/BSF	0.000	18.600	18.600	0.000	16.496	16.496
	Defence	0.000	114.540	114.540	0.00	78.728	78.728
	Bhutan	0.000	20.350	20.350	0.000	0.000	0.000
	Grand Total (All India)	7326.564	7628.458	14955.022	5356.685	1707.532	7064.217

2.23 During the year 2000-2001, BPL offtake of wheat for Andhra Pradesh, Assam, Kerala, Manipur, Mizoram, Sikkim, Tamilnadu, Tripura, Chandigarh, Lakshadweep and Pondicherry have been nil. Similarly the offtake of wheat for Arunachal Pradesh, Meghalaya is also very negligible. The offtake of wheat under APL has also reduced substantially. The main reasons attributed to less offtake has been that the price of wheat under TPDS was kept above prevailing market price. Ministry has also accepted that poor offtake in APL was due to depressed wholesale prices for agricultural commodities. In this connection when the Committee asked what efforts were made to reduce surplus stock of foodgrains from time to time by open market sale of rice and wheat, the Ministry in their post evidence reply stated as under:

1. Consequent upon the revision of Minimum Support Price (MSP) of wheat on 1.4.2000 and the resultant increase in the economic cost, of wheat, the Open Market Sale Price of wheat was fixed at par with the economic cost, *i.e.*, at a uniform rate of Rs. 900 per quintal throughout the country. Since the open market prices of wheat were depressed, there was no lifting under the scheme in the early part of 2000-2001.

2. In order to liquidate the excess stocks of wheat, open market sale scheme (Domestic) of wheat was resumed in Punjab from 11.7.2000 at the predetermined prices of Rs. 700, 750 and Rs. 800 per quintal for the months of July, August and September 2000 respectively, in consultation with the Ministry of Finance. As there was no open sale of wheat at Rs. 700 per qtl. during the month of July 2000, the scheme was extended to all other Zones of the country from 9.8.2000, and the Open sale rates of wheat were fixed for the months of August and September, 2000 as under:

Zone	Rate per qtl.	Effective from
North	Rs. 650	9.8.2000
South	Rs. 743	11.8.2000
West	Rs. 724	11.8.2000
East	Rs. 736	11.8.2000

3. The High Level Committee (HLC) of FCI was authorised to fix Open Sale rates of wheat from October 2000 onwards, which is fixing these rates on a monthly basis after reviewing the lifting position of wheat. The above rates remained in force from August 2000 to February 2001. A quantity of 5.30 lakh of wheat has been disposed upto February, 2001.

4. For the month of March 2001, the High Level Committee (HLC) of FCI has fixed a uniform issue price of OMSS (D) wheat at Rs. 700 per qtl. for the East, West and South Zones of the country and, for the North Zone, it is Rs. 650 per qtl.

Rice

Open sale of rice during 2000-2001 was started from 4.9.2000. FCI was authorised to undertake open sale of rice to the extent of 30 lakh tonnes only in the consuming States where there was no/negligible procurement of rice for the Central Pool. FCI was authorised to undertake sale of D category rice, URS rice of 1997-98, 1998-99 and more than one and two years old rice. The High Level Committee (HLC) of FCI, in its meeting held on 27.9.2000, fixed the rate of Rs. 525 and above for D Category rice for sale in Tamilnadu and Kerala, Rs. 531 per qtl. and above for Rajasthan, and for the balance stocks, a rate of Rs 425/- per qtl. was fixed. The issue price for URS rice (1997-98) was fixed at Rs. 595 per qtl. For URS rice 1998-99, the issue price was fixed at Rs. 601 per qtl. The rate for more than one and two years old rice was fixed at Rs. 950 per qtl. Keeping in view the low offtake rice under the scheme, it was also decided to offer these categories of rice to the State Governments of non procuring States and their nominees. FCI has disposed off a quantity of 0.74 lakh tonnes of 1997-98 and 0.73 lakh tonnes of 1998-99 URS rice under the scheme upto January 2001.

2.24 On being asked a question (Unstarred R.S.Q. No. 158 dated 22.2.2001) regarding surplus stock of foodgrains held by FCI and their per day carrying cost of the surplus stock the Minister of State in the Ministry of Consumer Affairs, Food and Public Distribution informed the House as under:

The stock of wheat and rice in central pool as on 31.1.2001 as compared to buffer norms as on 1st January, is as under:

(Figures in Lakh tonnes)

Commodity	Stock Position As on 31/1/20001	Buffer norms as on 1st January	Surplus
Wheat	241.18	84.00	157.18
Rice	223.97	84.00	139.97
Total	465.15	168.00	297.15

The quantum of surplus varies with reference to the level of procurement and offtake of foodgrains. The per day carrying cost of surplus with reference to stocks as on 31st January, 2001 is Rs. 18 crores. The average per day cost of carrying surplus stock would be known after the close of the year and the accounts are finalized as the quantities vary on a daily basis.

2.25 When the Committee asked what efforts have been made to reduce the surplus stock of foodgrains, Secretary (Department of Food & Public Distribution) delivered before the Committee as under:

"We have to look into the problem at its variables as to why our stocks are growing up and who is responsible for this phenomenon. If you just think over it, you will find that the single factor responsible for this is the high minimum support price. Now, whether we like it or not, it is fact.

The Present price of wheat of Rs. 580 has gone upto Rs. 610 and the carrying cost has come from 823 to 580 and 70 present MSP in being provided here beside normal taxes. They account for 10 to 11.5 per cent of the MSP. If we do not tackle this problem, then the problem will not be solved."

Buffer Carrying Cost

2.26 The subsidy towards buffer carrying cost has increased from Rs. 1385 crore from B.E. (2000-2001) stage to Rs. 5262 crore at R.E. Stage. This is about 400% increase in this connection, when the Committee asked whether this increase is due to new methodology of Expenditure Reforms Commission or due to some other reasons, representatives of the Ministry replied during official evidence under:

"There are two reasons. One is the change in the methodology. According to the original methodology, when we charging a certain amount, that amount has gone up. Rs. 1,788 per tonne was the original cost of buffer. Now, that has gone up to Rs. 2,211. There is an increase of nearly Rs. 400. But, then, in addition to that, the buffer quantity itself has gone up from 77 lakh tonnes, which we expected at the beginning of the year, to 198.71 lakh tonnes. So, the quantity of buffer has also gone up by nearly 120 lakh tonnes and the rate, which we are charging, has gone up. So, it is a combination of two factors. One is the rate itself has undergone a change because of change in methodology. The other is the quantity has substantially increased and the quantity has increased because of increase in procurement and reduced offtake under the APL. The offtake has come down drastically in the case of APL and the procurement has also gone by almost 68 lakh tonnes extra over the previous years. There is a substantial procurement. In fact, we expect almost 198 lakh tonnes of procurement of wheat in the current year. This itself is an improvement on the record procurement of previous years. So, these two things have happened. The quantity has gone up substantially and the rate also has gone up."

2.27 Supplementing the above, the Ministry in their post evidence reply have added the following:

The buffer carrying cost, which was indicated for 2000-2001 RE has two components, namely, (a) carry over charges on wheat and (b) normal buffer. The carry over charges on wheat are the interest and storage charges paid to the States and their agencies for the delayed take-over of wheat from them by the Food Corporation of India. In the acquisition cost of wheat, storage and interest is provided up to 30th June of the financial year. In recent times, it was not possible for the Food Corporation of India to take over the stocks procured by the States and its agencies before 30th June of the same year. In fact, the stocks are often taken over with a delay which can be anywhere between 6 months to one year. This carry over charges on wheat was earlier a component in the economic cost of wheat. The ERC argued that the Food Corporation of India was not taking over this wheat, because it was not required immediately for public distribution and, had it taken over the stocks before 30th June, it would have been reflected in the accounts of the Food Corporation of India as part of buffer stocks. They, therefore, suggested that the appropriate way of classifying this expenditure is by including it as part of buffer. Out of a buffer outlay of Rs. 5262 crores projected in the RE, Rs. 869 crores represents the carry over charges on wheat.

Since the buffer cost as projected in the beginning of the year did not contain an element of carry over charges of wheat, the correct comparison is between Rs. 1385 crores included in the BE and Rs. 4393 crores (Rs. 5262 crores—Rs. 869 crores) included in the Revised Estimates. This increase from Rs. 1385 crores to Rs. 4393 crores is partly due to increase in per tonne cost as per the methodology suggested by the ERC and also partly due to an increase in the quantum of buffer, increased from Rs. 1788 per metric tonne to Rs. 2212 per metric tonne, the buffer quantity has increased from 77.50 lakh tonnes to 198.71 lakh tonnes.

Thus, the increase in buffer carrying cost is partly due to a shift in the classification of the carry over charges of wheat, the change in the methodology followed for computation of distribution cost and buffer carrying cost and also due to a substantial increase in the quantities of buffer stocks.

High borrowing by FCI

2.28 Due to higher procurement, the Bank overdraft of FCI has also increased from Rs. 15985 crores in 1999-2000 to Rs. 25167 crores in RE 2000-2001 and is proposed to enhance at Rs. 30200 crores in 2001-2002. In this connection, when the Committee asked the details of circumstances in which FCI has been compelled to enhance its debt liability and also the efforts made by the Government to lessen its burden, the Ministry in their written reply furnished as under:

> Increased level of stock holding necessitates higher level of bank finance. Except for Rs. 1480 crores sanctioned by the Government for financing of stocks, the remaining value of stocks held are financed out of bank credit. Though the value of stock held is around Rs. 27000 crores, the FCI cannot avail cash credit in excess of Rs. 22850 crores in view of the cap on borrowing (10 times it's paid up capital) envisaged in the FCI Act.
>
> Thus FCI is resorting to temporary deferred payment for stock taken over from the Agencies/Mills. Around Rs. 100 crores is payable to the Agencies/Mills which would be released when the balance funds under RE are obtained from the Government.
>
> Hence, even if the value of stocks is around Rs. 30200 crores as mentioned, FCI cannot draw more than Rs. 22850 crores from the State Bank of India at present.

2.29 The interest liability of FCI has also increased from 1688 crore to Rs. 2297 crore in 2000-2001 which is expected to be inflated during 2001-2002. In this context when the Committee asked about the interest paid by FCI for the last five years alongwith the efforts made to decrease the burden, the Ministry in their written reply furnished as under:

The total interest amount charged by the Banks on the cash credit availed from the banks by FCI for the last five years is as under:

(In Rs. Crores)

Year	Interest incurred	Value of Stock	Interest at Bank rates on value of stocks
1996-97	1299	8596	1332
1997-1998 (P)	1392	9247	1414
1998-99 (P)	1609	12682	1699
1999-2000 (P)	1675	15160	1871
2000-2001 (RE)	2290	21781	2581

Interest charges would be reduced if stock levels reduce or if additional funds are given to the FCI.

The cash credit availed covers the overall position. Sale proceeds of foodgrains, subsidy and other receipts are deposited immediately in the bank account to reduce the cash credit level. The overdraft is controlled with reference to the value of stocks held.

2.30 When the quantum and value of foodgrains stocks held by FCI increases, FCI has to increase the level of borrowing from banking sector. When the Committee asked what is the impact on FCI due to high borrowings and whether FCI is leading towards resource crunch, the Ministry in their post evidence reply have stated as below:

The Government has provided Rs. 1480 crores only to finance the value of stocks with the FCI. FCI, therefore, resorts to bank overdraft to finance the remaining portion of the value of stocks. When the quantum and value of the foodgrain stocks held by FCI increases, naturally FCI has to increase the level of borrowing from the banking sector, who levy prime rate of interest on foodgrain transactions on the overdraft availed. Two columns in the table have been made to highlight the reasonableness of the interest incurred by the FCI and chargeable interest against value of stocks held.

Just as the storage capacity with the FCI had increased to accommodate the high level of foodgrains in the recent year, the overdraft has also to be suitably revised upwards. Government converted loan of Rs. 900 crores as equity which made FCI raise overdraft further by Rs. 9000 crores. Inspite of the above, the FCI stock level has gone up to Rs. 27000 crores which is beyond the maximum permissible overdraft limit of Rs. 22,850 crores presently fixed. The above ceiling has resulted in FCI deferring the payments to the State Governments and the millers. In order to have a permanent solution to the above, it is proposed to remove the cap on borrowings. The interest charges are growing up because the acquisition cost is increasing every year due to increases in MSP, transportation charges and substantial increase in the quantities procured for which there is no demand in the market.

2.31 As per FCI Act, 1964, FCI cannot borrow more than 10 times its paid up capital. When the Committee asked about the rationale behind cap and what benefits/problem have been faced by FCI due to the said ceiling in previous years, the Ministry in their post evidence reply have stated as under:

As a measure of financial prudence, the FCI Act incorporated a cap on its borrowing capacity.

In view of the stock turnover till recently, the FCI did not feel the impact of the above provision in the Act. However, with the increasing levels of stocks as well as the increase in acquisition cost of these foodgrains. FCI is feeling severe financial constraints due to the above proviso. The Government had earlier converted its loan into equity so that the borrowing powers of FCI could increase to tide over this problem. However, this measure brought only temporary relief. A proposal to remove the cap on borrowing is under consideration of the Government to meet the situation arising out of substantial increase in procurement with reduced level of off-take.

Procurement and Distribution Incidentals

2.32 Procurement and distribution incidentals like MSP, statutory charges, non-statutory charges, Freight, handling, storage, interest etc. are the factors which increases the economic cost of foodgrains:

Economic Cost of Rice based on MSP of Kharif 2000-01 is as under:

A. Acquisition Cost

I.	**Minimum Support Price (MSP)**	514.30
II.	**Statutory Charges**	
	Mandi Charges and Purchase Tax	54.47
III.	**Non-Statutory Charges**	
	Mandi Labour	17.20
	Transportation	
	Driage	43.94
	Custody & Maintenance	
	Interest	
	Milling Charges	13.20
	Total non-statutory charges	74.34

IV.	**Cost of 1 qtl. of paddy**		643.11
V.	**Cost of 1 qtl. of Rice**		959.87
VI.	**Gunny costs including depreciation**		47.46
	Cost of acquisition of 1 qtl. of rice		1007.33
B. Distribution Cost			
	Freight		32.67
	Handling Expenses		22.26
	Storage Expenses		12.05
	Shortages		11.61
	Interest Charges		39.53
	Administrative Overhead		17.59
	Wage revision arrear		10.00
	Cost of Distribution		**145.71**
C. Estimated Economic Cost			**1153.04**
	Deduct:		
	Adjustments for opening stock		**(-)24.44**
	Economic Cost		**1128.60 per qtl., or say 1130.00**

2.33 Similarly Economic Cost of Wheat for 2000-2001 as under:

			Rupees per qtl.
I.	**Cost of Grain (MSP)**		**580.00**
II.	**Statutory Charges**		
	Mandi Charges	34.80	—
	Purchase Tax	23.20	—
	Infrastructure cess	5.80	63.80
	Gunny cost	—	35.35

III. Non-Statutory Charges		
Mandi Labour	6.04	
Labour & Transport Charges	9.53	
Forwarding charges	0.55	16.12
IV. Storage & Interest Charges paid to State Agencies		
Storage charges	1.91	—
Interest charges	10.07	—
Guarantee Fees & others	0.46	—
Extra for machine stitching 50 kg. Bagging, difference between provisional and final rate due to inflationary increase	9.20	
Administrative charges to State Government	9.81	31.45
V. Total Procurement Charges		726.72
VI. Carry over charges		Nil
VII. Acquisition cost		726.72
VIII. Distribution Cost		
Freight	32.65	
Handling	22.35	
Storage charges	12.04	
Interest charges	33.27	
Transit shortages	5.71	
Storage shortages	(-)0.20	
Administrative Charges	17.65	
Wage Revision arrear	10.00	133.47
IX. Estimated Economic Cost		860.19
X. Deduct Adjustment for opening Stock		(-)33.11
XI. Estimated Economic Cost		827.08
	or, say	830.00

2.34 The economic cost of rice for Kharif 2000-2001 was Rs. 1130 per quintal while MSP was Rs. 514.30/quintal. Similarly, economic cost of wheat for the year 2000-2001 was Rs. 830 per quintal while its minimum support price was Rs. 580/quintal. When the committee asked what efforts have been made to reduce statutory charges, non-statutory charges, distribution cost, administration cost, etc. the Ministry in their written reply furnished as under:—

> "Statutory Charges on foodgrains, *i.e.*, purchase/sales tax, market fee, Arhatia Commission, RD Cess, etc. are as high as 10% to 11.5% in the States of Andhra Pradesh, Haryana and Punjab. These Statutory Charges increase the Economic Cost of foodgrains, and, thereby increase the Central Issue Prices. A proposal is under consideration of Government to reduce/freeze the Statutory Charges.
>
> In order to arrive at the ways and means for reducing the economic cost of acquisition and distribution of foodgrains by the Food Corporation of India, the Ministry has engaged an independent organisation, *i.e.*, the Administrative Staff College of India (ASCI), Hyderabad, to study the same and make suitable recommendations. Over this year, the ASCI has held three Workshops. The final report of ASCI is awaited."

The following measures have also been taken by FCI to control/ reduce subsidy:—

1. Capacity utilization achieved as against the norm of 75%

1997-1998	62%
1998-1999	69%
1999-2000	76%
2000-2001 (Upto Dec. 2000)	90%

2. As against the BICP norms of 1:1.35 towards procurement and movement ratio, the actual movement has been only 1.20 in 1997-98, 1.20 in 1998-99, 0.92 in 1999-2000 and 0.62 upto December, 2000.

3. Improvement in handling of foodgrains includes machine stitching, packing in smaller size etc. to reduce losses in grains.

4. Railway demurrage paid during the last few years is as follows:—

(Rs. in crores)

1997-98 (p)	18.75
1998-99 (p)	18.50

The Railway Demurrage which was in the order of 7.23 crores in April, 2000 has been brought down to Rs. 1.39 crores in December, 2000.

5. Saving in subsidy due to open market sale at the prices above CIP for APL during the last three years as follows:—

(Rs. in crores)

1997-98 (P)	4
1998-99 (P)	180
1999-2000 (P)	75

6. The total number of staff in FCI was as under:—

Date	Number of Persons
31.3.1998	64,135
31.3.1999	62,959
31.3.2000	62,430
30.9.2000	61,312

(a) Saving on account of non-filling of post on account of retirement/resignation etc.

Retirement since 30.3.2000 till 30.9.2000	—	118
Staff cost per employee per month	—	Rs. 18776
Saving Projected for the year	—	Rs. 15 crores

(b) Saving on account of utilized post as per norms sanctioned

Strength as on 30.9.2000	66,355
Staff in position	61,312
Unfilled post	5,043
Staff cost per Empl. Per month	8776

Saving per month Rs. 9.47 crores, per annum Rs. 113.64 crores.

7. Efforts are being taken to reduce the Administrative cost like overtime, medical and Travelling Expenses etc. by around 15%.

2.35 On being asked how far FCI has been able to reduce its administrative expenditure, Chairman (FCI) during official evidence deposed as under:—

"FCI has no control over near about 80% cost. Other 20% cost, which is related to administrating and other charges, is within our control. I am not happy to state but I want to bring it in your cognizance that OTA which was perennial problem has been checked in FCI. Those hospitals which were providing fake medical bills have been blacklisted. Demurrage was also acting as a drain to our resources as there was no one to take off the racks. Now the responsibility has been pin pointed for all this. As a result expenses over demurrage are getting down. Expenses towards, telephones, motor vehicles and other items have started registering decrease."

Central Issue Price

2.36 Wheat and rice are issued from the Central Pool to State Govts./Union Territories at uniform Central Issue Prices (CIP) for distribution under Targeted Public Distribution System (TPDS). The CIPs of foodgrains issued under the TPDS are fixed below the Economic Cost as a result of which the Central Government bears a huge subsidy burden on this account, especially for making foodgrains available at subsidized rates for population below poverty line.

2.37 Under the Targeted Public Distribution system (TPDS) two different sets of CIPs have been adopted for families Below the Poverty Line (BPL) and families Above the Poverty Line (APL).

2.38 In order to channelise the food subsidy to the targeted group, the following modifications were made in the Central Issue Prices w.e.f. 1.4.2000:—

(i) The Central issue Price under BPL was enhanced to 50% of the economic cost;

(ii) The Central Issue Price for the APL category was fixed at economic cost.

2.39 Consequently, the issue prices of wheat and rice as on 1.4.2000 were fixed as under:—

Economic cost (Rs. Per Qtl.)		Issue Price (Rs. per Qtl.)		Issue price as percentage of economic cost	
		BPL	APL	BPL	APL
Wheat	900	450	900	50%	100%
Rice	1180	590	1180	50%	100%

2.40 On the recommendations of Expenditure Reforms Commission (ERC) the economic cost and consequentially the issue prices were revised w.e.f. 25.7.2000 as under:—

(Rs. per qtl.)

Item	Economic cost	Issue Price BPL	Issue Price APL
Wheat	830	415	900
Rice	1130	565	1130

Food Subsidy

2.41 Food Management consists mainly of procurement of wheat and rice by providing support prices to the farmers and allocation of foodgrains so procured amongst States for eventual distribution to the targeted population. Since the Issue Price fixed for issue of foodgrains to the targeted population is less than the economic cost of foodgrains, the difference between the two represents the food subsidy. In addition to procuring foodgrains for meeting the requirements of the public distribution system, the Central Government is also under obligation to procure foodgrains for meeting the requirements of the buffer stock. Hence, part of the food subsidy also goes towards meeting the carrying cost of the buffer stock. In recent times, the quantities of foodgrains, procured by way of support operations for the farmers have tended to be far in excess of the requirements of the public distribution system and also the buffer stocks. The offtake of foodgrains from the public distribution system depends PDS system of concerned States primarily on the efficiency with which the foodgrains are distributed by the States. This calls for a firm infrastructure as the foodgrains have to be supplied on a sustained basis month after month and year after year. Where the infrastructure is weak, the offtake gets reduced and to that extent the targeted population stands to be deprived. There are, however, certain periods of the year when the targeted population have sufficient stocks of foodgrains which they have acquired either as part of the wages or have easy access to foodgrains at reasonable rates. On such occasions also the offtake suffers; but that is only seasonal and temporary aberration.

2.42 The year-wise break-up of subsidy on foodgrains in recent years is as under:—

(Rs. in crores)

Year	Subsidy
1995-96	4960.00
1996-97	5166.00
1997-98	7500.00
1998-99	8700.00
1999-2000	9200.00
2000-2001 (BE)	8100.00
2000-2001 (RE)	12075.00
2001-2002 (BE)	13670.00

2.43 Detailed statements showing the Economic Cost, the Issue Price and Subsidy on various components for the year 2000-2001 (BE & RE) and for the year 2001-2002 (BE) are as under:—

Food Subsidy Estimates: 2000-2001 (BE)

I.	Item	Economic Cost Per Tonne	Issue Price Per Tonne		Buffer Carrying Cost Per Tonne
			BPL	APL	
	Wheat	9000	4500	9000	1788
	Rice	11800	5900	11800	
II.	Subsidy on TPDS	Qty. In lakh Tonnes	Subsidy Per Tonne		Total (Rs. crores)
	BPL				
	Wheat	63.00*	4500		2855
	Rice	78.92*	5900		4656
	Total				7511
	APL				
	Wheat	23.00	—		—
	Rice	65.00	—		—
III.	Total Subsidy on TPDS				7511
IV.	Subsidy on other Schemes				
	Wheat	59.00			—
	Rice	34.00			—
V.	Carrying cost of Buffer	77.50	1788		1385
VI.	(a) Deduct 5% for audited account				(-) 445
	(b) Deduct shortages pending regularisation				(-) 357
VII.	Net Subsidy				8094 or 8100

*This also includes allocations for the States under decentralised procurement Scheme.

Food Subsidy Estimate: 2000-2001 (RE)

	Item	Economic Cost Per Tonne	Issue Price Per Tonne		Buffer Carrying Cost Per Tonne
			BPL	APL	
I.	FCI				
	Wheat	8296	4270*	8300	Rs. 2211
	Rice	11480	5738*	11300	

	Subsidy on TPDS	Qty. In Lakh Tonnes	Subsidy Per Tonne	Total (Rs. Crores)
	(i) BPL (FCI)			
	Wheat	31.62	4026	1276
	Rice	60.00	5742	3445
	Total			4718
	(ii) BPL (States)			
	Wheat	8.74	3364	294
	Rice	5.71	4221	240
	Total			534
	(iii) APL (FCI)			
	Wheat	1.64	—	(-)5
	Rice	17.00	180	6
	Total			1
	(iv) APL (States)	—	—	—
II.	Gross subsidy on TPDS (FCI)			4719
III.	Buffer Carrying Cost			
	(a) Carry over charges on Wheat			869
	(b) Normal Buffer	198.71	2211	4393
	Gross Buffer Subsidy			5262

IV.	Subsidy on other Schemes			
	Wheat	59	3290	894
	Rice	34	3958	715
	Total on other Schemes			1609
V.	Total Subsidy to FCI on TPDS+Buffer+Other Schemes (II+III+IV)			11590
VI.	Deduct 5% for audited accounts			(-) 580
VII.	Deduct Shortages pending regularisation			(-) 506
VIII.	Net Subsidy to FCI			10505
IX.	Gross subsidy to States			534
X.	Deduct 10% for audited accounts			(-) 53
XI.	Net Subsidy to States			481
XII.	Total Subsidy 2000-2001 transactions			10986
XIII.	Arrears			
	(a) FCI			957
	(b) State Govts.			132
XIV.	Total Subsidy on Foodgrains			12075

*Weighted average of issue price as on 1.4.2000 and as revised from 25.7.2000.

2.44 The statement showing the economist cost, the issue price and subsidy on various components for the year (2001-2002) are as under:

Food Subsidy Estimate: 2001-2002 (BE)

	Item	Economic Cost Per Tonne	Issue Price Per Tonne		Buffer Carrying Cost Per Tonne
			BPL	APL	
I.	FCI				
	Wheat	8396	4150	8300	Rs. 2260
	Rice	11744	5650	11300	

Subsidy on TPDS (FCI	Qty. In Lakh Tonnes	Subsidy Per Tonne	Total (Rs. crores)
(i) BPL			
Wheat	22.00	4239	933
Rice	50.00	6094	3047
Total			3980
(ii) APL			
Wheat	3.00	89	3
Rice	17.00	444	75
Total			78
(iii) Antyodaya			
Wheat	8.00	6389	511
Rice	15.30	8744	1338
Total			1849
Subsidy on TPDS (States)			
(i) BPL			
Wheat	8.74	3546.91	310
Rice	5.71	4343.20	248
Total			558
(ii) APL			
Wheat	—	—	—
Rice	—	—	—
(iii) Antyodaya			
Wheat	5.00	5720	286
Rice	1.70	8059	137
Total			423
II. Gross Subsidy on TPDS (FCI)			5907
III. Buffer Carrying Cost			
(a) Carry over charges on Wheat			931
(b) Normal Buffer	223.40	2260	5048
Gross Buffer Subsidy			5979

IV.	Subsidy on other Schemes			
	Wheat	40	3585	1434
	Rice	16	4537	726
	Total on other Schemes			2160
V.	Total Subsidy to FCI on TPDS+Buffer+Other Schemes (II+III+IV)			14046
VI.	Deduct 5% for audited accounts			(-) 702
VII.	Deduct Shortages pending regularisation			(-) 557
VIII.	Net Subsidy to FCI			12787
IX.	Gross subsidy to States			981
X.	Deduct 10% for audited accounts			(-) 98
XI.	Net Subsidy to States			883
XII.	Total Subsidy on 2001-2002 transactions			13670

2.45 The Budget Estimate for food subsidy during the 2000-2001 was Rs. 8210 crore which was increased to Rs. 12125 crore in R.E. (2000-2001) and has further been increased to Rs. 13,675 crore in B.E. (2000-2001). When the Committee asked the reasons for increase in food subsidy in R.E. (2000-2001) and B.E. (2001-2002) the Ministry in their written reply submitted as under:—

The food subsidy for 2000-2001, which was originally estimated at Rs. 8100 crores in BE 2000-2001, has increased to Rs. 12075 crores in RE 2000-2001. The steep increased is attributable to:—

(i) Record level of procurement. The procurement of wheat has gone up from 141.44 lakh tonnes in 1999-2000 to 163.55 lakh tonnes during 2000-2001. In the case of rice, the procurement during 1999-2000 has been of the order of 172.73 lakh tonnes as against the procurement of 117.90 lakh tonnes in 1998-1999.

(ii) Low off take of foodgrains under APL and open market sale scheme. The quantities of foodgrains (wheat and rice) distributed under BPL for the year 2000-2001 (till February, 2001) are 32.59 lakh tonnes of wheat and 53.57 lakh tonnes of rice which are far more than the quantities of wheat and rice distributed during 1999-2000 for the same period at 26.19 lakh tonnes and 35.05 lakh tonnes of rice. There is, however, a sharp fall in the quantities of foodgrains distributed under APL during 2000-2001 (upto February, 2001) as compared to the quantities distributed during 1999-2000 for the same period. The offtake of wheat under APL is less by almost 23 lakh tonnes and rice by 49 lakh tonnes as compared to the offtake during 1999-2000. The poor offtake is also due to depressed wholesale prices for agricultural commodities.

(iii) A sharp increase in buffer carrying cost partly on account of increase in the buffer quantity from the estimated 78 lakh tonnes in BE 2000-2001 to nearly 200 lakh tonnes in RE 2000-2001 and partly due to methodological changes in computation of buffer cost based on the recommendations of Expenditure Reforms Commission (ERC). Consequently, the buffer carrying cost, which was estimated at Rs. 1385 crores in BE 2000-2001 has increase to Rs. 5262 crores in RE 2000-2001. The carrying cost per tonne has also increased from Rs. 1788 to Rs. 2211 due to changes in the methodologies for computing costs.

(iv) The downward revision of economic cost of Food Corporation of India and consequently the issue prices under TPDS with effect from July, 2000 on the recommendations of ERC. The issue prices for welfare schemes also underwent a downward revision to BPL rates during the year resulting in an increase in food subsidy.

2.46 When the Committee asked whether the increase in food subsidy is due to higher buffer carrying cost, the Ministry in their written reply submitted as under:—

"The increase in the food subsidy is on account of a combination of two factors, namely, less offtake under APL and Open Market Sales Scheme and higher level of procurement with the resultant increase in the quantity of buffer stock."

2. The statement given below indicates the position with regard to the offtake of foodgrains in 2000-2001 compared to last year:—

Wheat

(Lakh MTs)

	1999-2000	2000-2001	Increase/Decrease
BPL	28.77	31.62	(+) 2.85
APL	26.96	1.64	(-) 28.32
Open Market	44.17	7.82	(-) 36.35
Exports & Scheme	4.48	19.89	(+) 15.41
Total	104.38	60.97	(-) 43.41

Rice

	1999-2000	2000-2001	Increase/Decrease
BPL	38.79	60.00	(+) 21.21
APL	72.22	17.00	(-) 55.22
Open Market	1.14	3.00	(-) 1.86
Exports & Scheme	9.92	16.87	(-) 6.95
Total	122.07	96.87	(-) 25.24

3. As may be seen from the above statement, there has been an increase in the offtake in respect of both wheat and rice for the BPL families compared to last year. However, there has been a substantial fall in APL of both wheat and rice and in the open market sale of wheat.

4. The loss in offtake compared to last year for the foodgrains as a whole is of the order of 68 lakh tonnes. The drop in issues in respect of categories of APL and open market sales is a major factor for the increase in the buffer quantities resulting in higher carrying cost.

5. In addition, the procurement in 2000-2001 itself is far higher than the record level of procurement reached in 1999-2000. The procurement of wheat has gone up from 141.44 lakh tonnes in 1999-2000 to 163.55 lakh tonnes during 2000-2001. In the case of rice, the procurement during 1999-2000 has been of the order of 172.73 lakh tonnes as against 117.90 lakh tonnes in 1998-99.

6. The combined effect of increased procurement and low offtake in respect of categories other than BPL is responsible for further additions to the buffer stock already built up to a high level in 1999-2000. The buffer stock during the year 1999-2000 was of the order of 110 lakh tonnes. It will go up further to nearly 200 lakh tonnes during the current year.

7. The increase in buffer is arising as a result of attractive MSP, open-ended procurement, reduction in offtake of foodgrains for the non-BPL categories etc. The buffer quantities can be controlled only when procurement is regulated with reference to demand under PDS and a realistic assessment of buffer required for overcoming any difficult situations arising out of fluctuations in the open market prices of foodgrains.

2.47 When the Committee asked to furnish the details under which foodgrains were made available at BPL rates other than TPDS, during 2000-2001 along with their quantities, the Ministry furnished as under:—

> "Besides Targeted Public Distribution System (TPDS), foodgrains were made available to the States/UTs, as decided by the Government on 2.11.2000, at rates applicable for families below poverty line (BPL) for Wheat based Nutrition programme, S.C./S.T./O.B.C. Hostels, Mid-Day Meals scheme and Annapurna scheme. The details of allotment and latest offtake under these schemes during 2000-2001 are given in Annexure-I.
>
> Foodgrains were also allotted at BPL rates for relief in case of natural calamities and for distribution to the pilgrims during Kumbh Mela 2001. The details of allotment and latest offtake in these programmes during 2000-2001 are given in Annexure-II.
>
> The beneficiaries under the various welfare schemes belong to poorer sections of the society although they all may not belong to BPL families identified under TPDS. As regards allocations for programmes like calamity relief, etc., the beneficiaries were people affected by the calamities, etc. and included population above poverty line (APL) also. The allocation for Kumbh Mela was meant mainly to provide subsidised foodgrains to the poor pilgrims."

Statement showing allotment and offtake of foodgrains (rice & wheat) under Welfare Schemes during 2000-2001

(figures in tonnes)

S.No.	Name of Scheme	Nodal Ministry/ Department	Allotment			Offtake (P)		
			Rice	Wheat	Total	Rice	Wheat	Total
1.	Wheat Based Nutrition Programme	M/o HRD (D/o Women & Child Development	14000	75000	89000	0	48100	48100
2.	Supply of foodgrains to SC/ST/OBC Hostels	M/o Social Justice & Empowerment	235000	10000	245000	0	0	0
3.	Mid Day Meals Scheme	M/o HRD (D/o Elementary Edu. & Literacy)	1657000	823000	2480000	1026800	355300	1382100
4.	Anna Purna Scheme	M/o Rural Development	165000	—	165000*	8116	5984	14100

(Allocation under these schemes was at economic cost upto October, 2000 and at BPL rates from November, 2000)
(P) Provisional
*Bifurcation of rice and wheat not available.

Statement showing allotment and offtake of foodgrains (rice & wheat) made at BPL rates for calamity relief, etc. during 2000-2001

(figure in tonnes)

S.No.	Name of States	Purpose	Allotment			Offtake (P)		
			Rice	Wheat	Total	Rice	Wheat	Total
1	2	3	4	5	6	7	8	9
For distribution to affected families (both BPL & APL)								
1.	Orissa	Cyclone relief	128982	90000	218982	NA	NA	NA
2.	Andhra Pradesh	Drought relief	399600	0	399600	395031	0	395031
3.	Gujarat	Drought relief	127682	191523	319205	16251	51235	67486
4.	Rajasthan	Drought relief	17573	333889	351462	1016	251225	252241
5.	Himachal Pradesh	Food Relief	1658	0	1658	NA	NA	NA
6.	West Bengal	Flood Relief	138080	1000	139080	42835	0	42835
7.	Orissa	Drought relief (for current drought)	48000	12300	60300	21772	2370	24142

1	2	3	4	5	6	7	8	9
For food for work programmes in affected areas								
1.	Orissa	Cyclone relief	90600	0	90600	22087	0	22087
2.	Andhra Pradesh	Drought relief	36160	0	36160	34233	0	34233
3.	Gujarat	Drought relief	15000	60000	75000	4970	15775	20745
4.	Rajasthan	Drought relief	0	150000	150000	0	100241	100241
5.	Chhattisgarh	Drought relief (for current drought)	96600	0	96600	0	0	0
6.	Rajasthan	Drought relief (for Current drought)	0	252500	252500	0	0	0
(A) For Issue to N.G.Os. for free kitchen in affected areas								
1.	Gujarat	Drought relief	5,000	20,000	25000	0	0	0
2.	Rajasthan	Drought relief	5,000	20,000	25000	0	37	37
(B) For distribution to pilgrims during Kumbh Mela 2001								
1.	Uttar Pradesh	Kumbh Mela	7800	13500	21300	611	674	1285

NA : Not available
(P) Provisional

Transit losses and storage losses

2.48 The statement of transit and storage losses during the last three years are as under:—

(Quantity in Lakh MT)
Value in Rs. Crores

Year	Transit shortages			Storage shortages			Total shortage		
	Quantity	Value	%age	Quantity	Value	%age	Quantity	Value	%age
1997-98	2.78	192.05	1.18	1.81	137.84	0.40	4.59	329.89	1.00
1998-99	2.66	198.00	1.17	1.51	130.00	0.40	4.17	328.00	1.00
1999-2000	2.89	244.00	1.13	1.60	150.00	0.32	4.49	394.00	0.90

2.49 When the Committee asked what are the reasons for increase in transit and storage losses from 1997-98 to 1999-2000, the Ministry in their post evidence reply stated as under:—

"The transit & storage losses have not registered any increase in terms of percentage to the total volume of foodgrains handled. In fact, over the three years under reference, it has registered a marginal decline. However, in terms of value, losses is due to increase in MSP and related costs over the years, resulting in higher acquisition cost. As a consequence, the value of losses of foodgrains also increased proportionately."

2.50 When the Committee asked that efforts have been made by FCI to contain storage and transit losses, Chairman (FCI) deposed before the Committee as under:—

"Mr. Chairman, Sir, I am thankful for the words of encouragement extended by you and also for the views expressed by Hon'ble members. I would like to say that the trend of transit and storage shortage has fallens. I, myself, am not satisfied with it. I presume that it is a wrong practice because when one tonne foodgrain is given, it should be exactly one tonne. It should not be so that it is kept in rail wagon and it has disappeared. I have personally seen the loading work and found that it suffers from various irregularities. This trend has further fallen this year. The loss seems to be only 1 per cent but it amounts to hundred crore of rupees. It would be further tightened up so that it comes to the minimum. The irregularities such as wagons are seen full but they were not unloaded, are being recovered promptly. Action is also being initiated in the instances, when the sacks are being torn out deliberately. I am of the opinion that where there are more than 5 transit loss reports, action should be initiated there by the sending and receiving station to identify the persons in fault and take action against him.

Mr. Chairman, Sir, it comprises of three major parts transit losses, sending and receiving station and railways. Railways do not provide RR to us. You are well aware of this problem that we are clients of Railways and when we are giving them a daily business of Rs. 5 crores, they should at least give us proper RR. For that, we had given them an offer from our side that we are ready to give a moving bridge of Rs. 15.20 lakhs but they are saying that we should also provide our staff at the station. If we have started to do all this, we will have to take over the railways in the days to come. But this is not our intention. We request through you that you recommend that we should be given proper RR.

So far as the officers and employees of FCI are concerned, action is being taken on them. I am not satisfied with the entire action. We have tightened our machinery and if we will get your support, much better results would come forth. So far as storage losses are concerned, I have seen 2-3 reasons for that. One of them is negligence on the part of the employees. We have issued orders to the effect that all the officers visiting the fields from the headquarters will compulsorily inspect the godowns of FCI located behind this and to check the losses of other kinds.

Like if our camp storage are not set up outside in the low lying areas so that these are not destroyed when it rains. When heaps on heaps are piled up, then it is destroyed. I ensure that all the officers, gong to the field, shall invest the godowns. I myself inspect once in a week this. I will not hide this fact from you that once there was such a situation when the chemical meant for checking disinfestation was out of shock for quite some time. Now I am ensuring the availability of the chemical at all our places for three months so that our employees will not have a chance to say that they could not ensure disinfestation due to non-availability of chemical and the foodgrains was spoiled.

Chairman, Sir, our Secretary has told that storage losses are related to bags. We have to purchase these gunny bags from the fills. It is all right that it is an indigenous industry and it should been couraged. But the quality of gunny bags is poor. When heaps on heaps are piled up, these gunny bags are torn due to pressure of the weight resulting in spillage. Our officers are a bit indifferent. They don't clean it fully or are not doing it with laying some cloth or terpolin. Attention is being given to this. There was suggestion of plastic bags for rice but it has not been approved. You should look into the quality and rate of jute bags."

2.51 The cases reported on account of transit and storage shortages during the last three years have increased from 862 to 1283. On being asked the measures Government is contemplating to check this trend, the Ministry in post evidence reply furnished as under:—

"It is true that the number of disciplinary cases have increased from 862 to 1283 during the years (1998 to 2000). This is on account of various irregularities committed by the officials and also include irregularities relating to transit and storage losses. The tendency of disciplinary cases on account of storage and transit losses increased from 78 to 110 from 1998 to 1999. In the year 2000, these have further increased to 257.

In order to check the increasing trend of storage and transit losses in the FCI squads are constituted at the Zonal/Regional/District and Hqrs. levels from the Operative Divisions and Vigilance Division to conduct surprise/regular checks on the Depots/Railheads. During the last 3 years following number of regular/surprise checks were conducted in order to curtail transit and storage losses:—

Year	No. of regular Checks conducted	No. of surprise checks conducted	Total
1998	793	807	1600
1999	969	1543	2512
2000	1043	2240	3283

From the figures indicated above, it may be seen that number of regular checks/surprise checks have been accelerated in order to curtail the storage and transit losses in the FCI."

2.52 When the Committee asked whether any accountability has been fixed for the losses on erring officials, the Ministry in their written reply furnished as under:—

"Whenever regularisation orders are passed by various authorities, subject to fixation of responsibility, on the erring officials, copies of such orders are marked to the local vigilance division of FCI, which are processed independently by them and suitable punishment orders issued by various disciplinary authorities after complying with the procedure prescribed for awarding of various types of punishment.

During the last three years *i.e.* 1998, 1999 and 2000, 975, 700 and 929 disciplinary cases respectively (Major Penalty/Minor Penalty) were initiated against the erring officials/officers. Out of these cases, 78, 110 and 257 disciplinary cases respectively were initiated against the erring officials who were found responsible for Storage and Transit Losses. The following penalties were imposed on the erring officials including officials found responsible for Storage and Transit Losses:—

1. **Major Penalty imposed During the Last Three Years *i.e.* 1998, 1999 & 2000 is as under:**

Nature of Penalty	1998	1999	2000
Dismissal/Removal Cumpulsorily Retired	13	3	13
Reduction in Rank	26	18	16
Reduction in Time Scale of Pay	123	126	230
Total	162	147	259
2. Minor Penalties Imposed			
With-Holding of increment/ Recovery from pay	466	679	575
With-Holding of Promotion	9	13	19
Censure	148	165	140
	623	857	734
Total (1+2)**	785	1004	993
**Out of total pendency	862	1189	1283

Quality Control Cells

2.53 The Quality Control Cells situated at New Delhi, Calcutta and Hyderabad monitor the quality of foodgrains at the time of procurement, storage and distribution. Surprise inspections of procurement centres, Food Storage Depots, Rail Heads, Fair Price Shops are carried out by the officers of these Quality Cells to ensure that the quality of foodgrains conforms to laid down specifications/standards of Government of India.

2.54 The Budget Estimates and Revised Estimates for 2000-2001 and Budget Estimates for 2000-2001 in respect of Quality Control Cells under Plan and Non-Plan heads are as under:—

(Rs. in Lakhs)

	BE 2000-2001	RE 2000-2001	BE 2001-2002
Plan	—	—	—
Non-Plan	38.19	35.64	38.99

2.55 The targets and achievements of the Quality Control Cells during 1999-2000 & 2000-2001 (up to December, 2000) as well as the target set for 2001-2002 are as under:—

	Item of work	1999-2000		2000-2001		2001-2002
		Target	Achievements	Target	Achievement (till Dec. 2000)	Target
1.	Inspection of Food Storage Depots	480	554	720	453	720
2.	Inspection of Procurement Centres	168	333	250	323	250
3.	Inspection of Rail Heads	120	134	180	110	180
4.	Inspection of Fair Price Shops	480	492	720	810	720
5.	Inspection of Rice Mills (at the time of Delivery of rice)	240	241	360	109	360
6.	Investigation of Quality	—	28	—	40	—

2.56 The officers of Quality Control Cells at Delhi, Calcutta and Hyderabad had found some shortcoming in the Food Storage Depots, when the Committee desired to know follow up action has been taken in this matter, the Ministry in the written reply furnished as under:—

"The lacunae/shortcomings noticed by the officers of the Quality Control Cells during the course of their inspection of food storage depots, have been communicated to the concerned authorities of the storage agencies at appropriate level for taking necessary remedial measures. Some of the follow up action are as follows:

(i) In compliance with the instructions of the Ministry on different occasions, the hygienic conditions of the CWC depots at Saharanpur and Muzaffarnagar in U.P., Miraj, Kolhapur and Nasik in Maharashtra; FSDs Mulakunnathukavu, Chalakudy, Kundara, Karunagapally, Angamaly, Cochin, Valliyathura and Kazhakuttom in Kerala; FSD Udupi, Mysore, Maddur, Nangangud and K.R. Nagar in Karnataka; FSDs Bikaner, Ajmer, Nagaur and Sriganganagar in Rajasthan have improved and all the infested stocks of foodgrains have been fumigated.

(ii) On the instructions of this Ministry issued in February 2000, immediate supplies of insecticides were made in various depots of FCI district Raipur in M.P. Besides, the damaged rice stocks lying in FSDs Baghbahra and Mandirhasud in FCI district Raipur have been disposed of 17,504 Mts. of lower category rice stocks have been liquidated in this district. 454 Mts. of damaged stocks of rice has been disposed in FSD Kollam in A.P. Lower ('D') quality of rice in this depot has been disposed of.

(iii) During the inspection of levy rice stocks being received by the FCI in Krishna, West and East Godawari districts of Andhra Pradesh by an officer of Ministry from 25.12.1999 to 8.1.2000, out of 189 samples of raw and parboiled rice, 90 samples were found Beyond Rejection Limit (BRL). Action has been initiated against the delinquent FCI officers by the management."

2.57 During the inspection of Fair Price Shops in 1998-99, 1999-2000 and 2000-2001 (up to December), 55.32 and 65 samples were found beyond PFA norms. In some shops, type sealed samples were not found. Complaint registers were not maintained. When the Committee asked what is the progress in this matter till date, the Ministry in the written reply furnished as under:—

The following steps have been taken by the Government in this regard:—

(i) Beyond PFA rice stocks being distributed under TPDS were found in Kesinga in Kalahandi district of Orissa. On investigation, the origin of such stocks was found to be FCI district Ferozepur in Punjab. As a follow up action, two category I, 10 category II and 23 category III officers/officials of FCI district Ferozepur in Punjab who had despatched inferior quality rice stocks to Orissa during September 1999 for TPDS have been charge sheeted under major penalty.

(ii) The matters regarding non-availability of type sealed samples of foodgrains and complaint register were brought to the notices of State Government of A.P., Kerala, Karnataka and NCT of Delhi for taking necessary remedial measures.

(iii) On the advice of this Ministry, the State Governments of Karnataka and A.P. *vide* their circulars dated 14-12-98 and 31-8-99 respectively reiterated their strict instructions to their field officers that type sealed samples should be displayed at the FPS for the benefit of consumers.

(iv) Ample opportunities are provided to the officers/officials of the State Governments to inspect the stocks of foodgrains prior to lifting from the FCI godowns after fully satisfying themselves about the quality. Instructions have been issued by this Department to the Food Secretaries of all the State Governments that an officer not below the rank of Inspector should be deputed to check the quality of foodgrains before lifting from the FCI godowns.

(v) Inspection of fair price shops by the QC officials of the Ministry have been stepped up. Besides, the Area Officers are also inspecting the FPS for checking *inter alia*, the quality of foodgrains being issued under TPDS during their visit to the States.

Non-issuable stock of foodgrains

2.58 All stocks of foodgrains held by the FCI are divided into two categories, issueable stocks and non-issueable stocks. Issueable stocks are fit for human consumption and within PFA standards. Issueable stocks are categorized as A, B, C and D depending on the percentage of brokens, discoloured grains, chalky grains, red grains and dehusked grains. Non-issueable stocks are unfit for human consumption and are categorized as Feed-I, Feed-II, Feed-III and for industrial use, manure and dumping.

2.59 The reason-wise, category-wise details of non-issuable foodgrains as on 1.3.2001 is as under:—

(Figs. in M)

Name of Region	Opening Balance	Receipt	Issue	Feed-I	Feed-II	Feed-III	Industrial use	Manure use	Dumping	Misc. uncat.	% of Misc.	Total	Qty. covered by Tender/ Auction
1	2	3	4	5	6	7	8	9	10	11	12	13	14
East Zone													
Bihar	17084	1401	171	16115	676	236	144	102	0	1061	6	18334	7271
Orissa	5557	20	95	5390	27	44	4	0	5	12	0	5482	5462
West Bengal	39292	290	765	21207	5140	3435	2029	4945	1710	331	1	38797	0
Zonal Total	61933	1711	1031	42712	5843	3715	2177	5047	1715	1404	2	62613	12733
NEF Zone													
Assam	1126	62	246	344	104	76	262	37	53	66	7	942	0
NEF States	3093	0	112	2300	331	96	160	39	10	45	2	2981	2808
Zone Total	4219	62	358	2644	435	172	422	76	63	111	3	3923	2808

1	2	3	4	5	6	7	8	9	10	11	12	13	14
North Zone													
Delhi	2189	0	0	1875	53	50	64	112	35	0	0	2189	2154
Haryana	6976	0	4952	1807	0	1	1	215	0	0	0	2024	1752
Himachal Pradesh	0	0	0	0	0	0	0	0	0	0	0	0	0
Jammu & Kashmir	3262	243	121	3139	7	237	1	0	0	0	0	3384	3384
Punjab	7195	2247	566	2443	6311	79	22	21	0	0	0	8876	6629
Rajasthan	3806	9	2543	914	167	157	11	4	0	13	1	1272	1258
Uttar Pradesh	14295	702	886	10718	1455	327	569	268	74	700	5	14111	6169
Zone Total	37723	3201	9068	20896	7993	851	668	620	115	713	2	31856	21346
South Zone													
Andhra Pradesh	389	25	4	22	200	75	19	24	0	70	17	410	330
Kerala	4301	34	33	4001	236	48	1	8	0	8	0	4302	4260
Karnataka	2746	101	732	133	1779	31	341	1	18	119	6	2115	1662
Tamil Nadu	2355	87	50	2166	196	14	4	9	3	0	0	2392	2303
Zone Total	9791	247	819	6322	2411	168	58	42	21	197	2	9219	8555

1	2	3	4	5	6	7	8	9	10	11	12	13	14
West Zone													
Gujarat	6869	46	407	4380	1274	355	394	77	12	16	0	6508	464
Maharasthra	8076	117	402	6800	718	160	80	26	7	0	0	7791	7445
Madhya Pradesh	17423	42	2040	14649	451	63	122	107	0	33	0	15425	13668
Zone Total	32368	205	2849	2829	2443	578	596	210	19	49	0	29724	21577

2.60 Details of Category-wise Non-Issuable Foodgrains unfit for animal consumption are as under:—

Sl.No.	Name of Regions	Industrial use	Manure Use	Dumping	Total
1	2	3	4	5	6
1.	Bihar	144	102	0	246
2.	Orissa	4	0	5	9
3.	West Bengal	2029	4945	1710	8684
	Zone Total	2177	5047	1715	8939

1	2	3	4	5	6
4.	Assam	262	37	53	352
5.	NEF States	160	39	10	209
6.	Delhi	422	76	63	561
7.	Haryana	64	112	35	211
8.	Himachal Pradesh	1	215	0	216
9.	Jammu & Kashmir	1	0	0	1
10.	Punjab	22	21	0	43
11.	Rajasthan	11	4	6	21
12.	Uttar Pradesh	569	268	74	911
	Zonal Total	668	820	115	1403
13.	Andhra Pradesh	19	24	0	43
14.	Kerala	1	8	0	9

1	2	3	4	5	6
15.	Karnataka	34	1	18	53
16.	Tamil Nadu	4	9	3	16
	Zonal Total	58	42	21	121
17.	Gujarat	394	77	12	483
18.	Maharashtra	80	26	7	113
19.	Madhya Pradesh	122	107	0	229
	Zonal Total	596	210	19	825
	Grand Total	3921	5995	1933	11849

Industrial Use = 3921 MTs (Age 1 to 2 years)

Manure Use = 5995 MTs (Age 1 to 2 years)

Dumping = 1933 MTs (Age 1 year old)

2.61 When the Committee asked what steps have been taken to dispose non-issuable stocks of foodgrains, the Ministry in their written reply furnished as under:—

Following steps have been taken to dispose of non-issuable stocks:

1. On 16.1.2001, this Ministry has instructed FCI to release food category foodgrains, free of cost, to the drought affected States of Chhattisgarh, Gujarat, Himachal Pradesh, Maharashtra, Madhya Pradesh, Orissa, Rajasthan and Uttaranchal.

2. A quantity of 5,500 M.T. of Feed Category foodgrains has been allotted to the Animal Welfare Board, free of cost, for distribution in the States of Gujarat, Rajasthan, Madhya Pradesh, Orissa and Chhattisgarh.

3. The Chief Secretary, Government of Gujarat has been informed on 28th February, 2001 that the feed category foodgrains issued, free of cost by FCI, can be utilized by them for the Earth Quake affected areas also.

4. The reserve prices of non-issuable foodgrains were revised downwards on 23.6.2000 to expedite their disposal.

5. FCI has carried out some modifications in the existing procedure. As per the new procedure, to expedite the lifting of tendered feed category foodgrains, the earnest money to be deposited by the tenderers for purchase of such foodgrains has been raised from 5% to 10% of the tendered value. In case of SSI units, this deposit has been raised from the existing 1% to 5%, without any upper limits/ceiling. Earlier, the tenderers did not lift the tendered quantities, since 5% of the value was not much of a financial loss to them. Raising of the earnest money is expected to improve lifting by the tenderers.

6. On 26.2.2001, the existing procedure for disposal of feed category foodgrains was relaxed. It was provided that if the highest rate received in the tender is found to be below the prescribed reserve price, the tenders can be accepted and stocks disposed of by the Senior Regional Manager of FCI, with the approval of his higher authority *i.e.*, the concerned Zonal Manager.

2.62 Non-issuable stock of foodgrains are lying in different godowns of FCI. Out of which 3921 MTs are of industrial use, 5995 MTs are of manure use and 1933 MTs are of dumping. When the Committee asked what are the reasons for delay in disposing these foodgrains, the Managing Director (FCI) deposed before the Committee as under:—

"You have rightly said that there is inordinate delay in dumping of non-issuable stock of foodgrains. The main reason behind delay was this specific instruction that State Government, municipal committees, Panchayats and local bodies would be consulted before dumping whether they are willing to accept it or not. This was main reasons for delay. You will be glad to know and we have also mentioned it in our reply that all those instructions have been changed now, we have issued instructions that municipal committees and local panchayats should be made formal offers for dumpable stocks and if they fail to reply it within ten days it should be dumped at the expenses of FCI. I would like to assure you and as Hon'ble Chairman has desired day before yesterday of that 1.37 lakh tonnes of foodgrains should be lifted within three months. Hon'ble Chairman orders will be obeyed and I would like to inform the Committee that the work pending since a long time would be completed."

2.63 When the Committee asked what is the storage cost for 1933 MT of foodgrain categorie for dumping and why these foodgrains, for dumping, has not been dumped as yet, the Ministry in their post evidence reply submitted the following:—

"The storage cost of these stocks works out to about Rs. 8 lakhs per year. The process of downgradation of stocks and their disposal is a continuous one. The procedure for disposal/dumping of stocks unfit for animal consumption has been simplified recently. The FCI regions have been instructed to dump such stocks on priority."

Export and Import of Foodgrains

2.64 The EXIM POLICY in respect of various commodities including foodgrains is decided by the Ministry of Commerce and Industries in consultation with the Ministries/Departments concerned. Accordingly, the EXIM POLICY in respect of foodgrains is finalized by that Ministry in consultation with the Ministry of Agriculture and the Ministry of Consumer Affairs, Food & Public Distribution.

2.65 As per the current EXIM POLICY, the position regarding export and import of foodgrains is as follows:

Policy & Conditions Relating to the Policy	
Import	Export
1	2
Paddy	**Paddy**
Canalized. Import through FCI. Import duty—80% *w.e.f.* 5.4.2000.	Restricted. Export permitted under license.
Rice-Basmati	**Rice-Basmati**
50% or more brokens—import freely allowed. Other basmati rice—import canalized through FCI. Import duty—80% on husked (brown) rice and broken rice and 70% on semi-milled and wholly milled rice *w.e.f.* 5.4.2000.	Free. Export allowed subject to registration of contracts with Agricultural and Processed Food Products Export Development Authority (APEDA).
Rice-Non Basmati	**Rice-Non Basmati**
50% or more brokens and common and coarse varieties—import freely allowed. Other rice import canalized through FCI. Import duty—80% on husked (brown) rice and broken rice and 70% on semi-milled and wholly milled rice *w.e.f.* 5.4.2000.	Free. Export allowed subject to registration of contracts with APEDA.
Wheat	**Wheat**
Canalized. Import through FCI. However, import by Roller Flour Mills either directly or through STC/MMTC/PEC for milling purposes is allowed. Import duty—50% *w.e.f.* 1.12.99.	Export freely allowed subject to quantitative ceilings as may be notified by Department of Commerce (DGFT) from time to time and Registration-cum Allocation Certificate issued by APEDA. For the year 2000-2001, a ceiling of 20 lakh MTs has been fixed.
Wheat Products	**Wheat Products**
Restricted. Not permitted to be imported except against licence or in accordance with public notice.	Free

1	2
Coarsegrains	**Coarsegrains**
Canalized. Import through FCI.	Export freely allowed subject to quantitative ceilings as may be notified by Department of Commerce (DGFT) from time to time and Registration-cum Allocation Certificate issued by APEDA. For the year 2000-2001, a ceiling of 25,000 MTs has been fixed. However, export of Hybrid Jowar produced as Kharif crop is free.
Pulses	**Pulses**
Free	All types including flour made therefrom (except those in consumer packs upto 5.00 Kg.) Restricted. Export permitted under licence. Export of pulses in consumer packs upto 5.00 Kg is free.

Policy on Import & Export of Wheat and Rice on Government Account

2.66 In pursuance of policy decision, the Ministry permitted Food Corporation of India to offer wheat for export at a price equal to the economic cost minus two years' carrying cost but not lower than the CIP for BPL category.

2.67 This decision was communicated to the Ministry of Commerce (and through it, to STC, MMTC & PEC, the public sector enterprises under its control), as well as to the Food Corporation of India for exploring the possibilities of export of wheat in the international market. The Govt. has so far nominated three public sector agencies, namely, the STC, MMTC, PEC and two Government Agencies viz. NCCF and NAFED for undertaking export of wheat from the Central Pool. A quantitative ceiling of 20 lakh metric tonnes was fixed for the purpose of export of wheat in the year 2000-2001. The export price of wheat was fixed at Rs. 4150 per MT. A quantity of 7.14 lakh MTs of wheat has been issued for export by FCI up to January, 2001.

2.68 With effect from 20th December, 2000, Government has authorized FCI to offer 20 lakh MTs of rice for the purpose of export upto 31st March, 2001. The cut off price for delivery of rice for export is to be determined on the basis of tenders. FCI has invited bids for export of rice in January, 2001.

Import of Foodgrains

2.69 As on date, there is no decision to import foodgrains (wheat and rice) on Government account during 2001-2002.

Removal of Quantitative Restrictions (QRs)

2.70 More recently considerable concern has been expressed on whether Indian agriculture would be adversely affected by a flood of subsidised imports under the WTO regime. QRs have been removed with effect form 1 April, 2001. One of the problems that is likely to arise is that sudden and large fluctuations in world prices may pose a threat to agricultural producers in India.

2.71 There is a fear among the farmers that after the removal of QRs on various agro-items they will not be able to compete with their import that will be much cheaper than the present rates prevalent in the domestic market. The Punjab Government has specifically requested the Government of India to impose anti-dumping duties on wheat and milk products to protect the interest of farmers.

2.72 Indian has generally bound its tariffs on primary agricultural commodities at 100% on processed items, at 150% and on edible oils at 300%. But import duties have to be calibrated keeping in mind domestic availability and also consumers' interests.

2.73 When the Committee asked about the import on foodgrains scenario in the country after removal of quantitative restrictions, the Ministry in their written reply submitted as under:—

"Recently, against the backdrop of the removal of quantitative restrictions (QRs), there have been apprehensions that domestic agricultural production would be adversely affected. The Government have, therefore, put in place a suitable mechanism for monitoring the import sensitive items, and are committed to provide adequate protection to the domestic producers by resorting to various WTO compatible measures which include appropriate calibration of applied tariffs within the bound tariffs, anti-dumping and safeguard actions, as well as imposition of countervailing duties under specified circumstances as provided in various WTO Agreements. Government have also set up an inter-Ministerial Group to assess the impact of removal of QRs and to suggest corrective measures.

2.74 Supplementing the above, during official evidence Secretary (Department of Food and Public Distribution) deposed as under:—

"This is done by the Ministry of Agriculture. So far as my Ministry is concerned, I am providing the information with regard to the maximum duty which can be imposed. I have informed that on wheat we can go up to 80 per cent. We can check the import by this. If we will impose more duty, then the price of imported commodities also increases. Presently, it is 42.50 on wheat and we are making it 80. We have talked to the Minister and we are sending the proposal. Further, it was said that already 80 and 70 per cent duty has been imposed on rice and it was 60 per cent on sugar as on 9 February, 2000. It was 40 per cent before that and 25 per cent prior to that. We can go up to 150 per cent in this. The import of sugar was more than 11 lakh tonne last year and when we have imposed 80 per cent duty this year, the import of sugar decreased to less than 23,000 tonne by December. We can make further hike in this also. Further, we can go up to 150 per cent. In case we fail, it is necessary to protect our indigenous industries."

Construction of Godowns

2.75 The plan targets (both physical & financial) during the 9th Five year Plan and the percentage of achievement so far is indicated below:—

Year	Physical (in lakh tonnes)		Financial (Rs. in crores)		Percentage of Achievement	
	Target	Achievement	Approved outlay	Exp.	Physical	Financial
1995-96	1.43	1.18	18.26	25.34	83%	139%
1996-97	0.33	0.22	17.86	22.55	67%	126%
1997-98	0.81	0.71	19.00	21.75	88%	115%
1998-99	0.83 (Original) 0.43 (Rev.)	0.41	20.00	20.62	95%	103%
1999-2000	1.15	0.84	20.00	22.23	73%	111%
2000-2001	0.86	0.15 (upto Jan. 2001)	22.40	11.20 (upto Jan. 2001)	—	—

2.76 The storage capacity available with FCI as on 1.12.2000 was 300.30 lakh tonnes and with CWC is 80.54 lakh tonnes. Further, the State agencies procuring on behalf of FCI or undertaking decentralised procurement had a capacity of 137.84 lakh tonnes. These are:

(in lakh tonne)

	Owned	Hired	Total
FCI	150.61	150.09	300.70
CWC	64.86	15.68	80.54
SWCs	87.01	50.83	137.84
			519.08

2.77 The stocks of foodgrains available with FCI as on 1.3.2001 are as under:

Figures in lakh tonnes

Grains	With FCI	With State Agencies	Total
Rice ($)	186.80	45.44	232.24
Wheat	95.22	137.81	233.03
Coarse-Grains	2.25	0.00	2.25
Total	284.27	183.25	467.52

$ = Rice includes paddy in terms of Rice

2.78 The Government proposes to procure about 112.00 lakh tonnes of wheat during coming rabi season and is also purchasing about 163.67 lakh tonnes of rice. When 467.52 lakh tonnes of space is already occupied, on being asked how and in what manner Government will be able to store these foodgrains, the Ministry in their written reply has furnished as under:—

"FCI has a total capacity (owned, hired, covered and CAP) of about 31 million tonne as on 1.3.2001 as against the stocks of 28.9 MT. Procuring States of Punjab, A.P., Haryana and U.P. are creating additional storage capacity which would be hired by the

FCI and about 3-4 million tonnes capacity is expected to be available to FCI by the next kharif. Exports of foodgrains and off-take under various schemes would also reduce the stock inventory. FCI has successfully met the increased demand of storage capacity due to unprecedented procurement of foodgrains and decline in off-take this time and it would be the endeavour of FCI to ensure that there is no problem of storage capacity in the procurement of foodgrains on Central Pool Account."

2.79 When the Committee asked about the requirement to create additional number of godowns in different States, the Ministry further submitted as under:—

"FCI creates additional storage capacity considering its requirement based on the trend of procurement/off-take in two ways *i.e.* by construction of its own godowns at the most strategic locations during the 5 Year Plan against the budget allocation by the Government of India and secondly by hiring godowns from the Central Warehousing Corporation (CWC), State Warehousing Corporation (SWC), State Government and private parties. Based on the present trend of procurement and the inventory of stocks with FCI on Central Pool Account, a target of creation of about 6 lakh MT conventional godowns under private participation Scheme at 78 centres in 14 States has been proposed.

In this regard a Notice inviting "Expression of Interest" from entrepreneurs for development and operation of conventional storage godowns, for storage of foodgrains under Build-Own-Operate (BOO) scheme has been published in the Times of India dated 12th March, 2001.

National Policy on Handling, Storage and Transportation of Foodgrains

2.80 In order to reduce storage and transit losses at farm and commercial level, and to modernize the system of handling, storage and transportation of the foodgrains in India, the Government announced on 20.6.2000 a National Policy on Handling Storage and Transportation of Foodgrains. The objectives of the policy are:—

(i) To reduce storage and transit losses at farm level where about 70% of the total foodgrains production is retained and consumed and also to encourage the farmers to adopt scientific storage methods.

(ii) To modernize the system of handling, storage and transportation of the foodgrain procured by the Food Corporation of India (FCI).

(iii) To harness efforts and resources of public and private sectors, both domestic and foreign, to build and operate infrastructure for introduction of bulk handling, storage and transportation of foodgrains in the country.

2.81 The salient features of the policy are:—

(i) Creation of integrated bulk handling facilities with silos of large capacities for wheat along with testing facilities for quality control at identified central locations in producing, consuming and a few port towns for storage of foodgrains procured by FCI.

(ii) These facilities including the facilities for bulk transportation to these centres through specially designed top-filling-bottom-discharge wagons to be created and maintained in the private sector under the overall coordination of FCI.

(iii) FCI to guarantee utilization of these facilities to the extent of 100% for the first year and 75% for the next ten years.

(iv) Bulk grain handling has been accorded the status of infrastructure and various fiscal incentives for participation of private sector in creation of bulk handling infrastructure have been extended.

(v) The private sector will also be encouraged to build godowns in which they will store and maintain food grains procured by the government agencies, for which they will be entitled to storage charges.

2.82 M/s. RITES has been appointed as a Consultant by the FCI for the selection of Developer cum Operator through a process of International Competitive Bidding (ICB) for bulk handling, storage and transportation of foodgrains facilities at identified locations.

2.83 When the Committee asked about the breakthrough the National Policy of handling, storage and transportation of foodgrains has achieved so far, the representatives of Ministry stated as under:—

"As you know, the National Policy on Handling storage and transportation of foodgrains was notified on 4th of July, 2000 that was after the Committee met last time. This policy seeks to reduce storage and transit losses of foodgrains and to modernise the system of handling storage and transportation of foodgrains procured by the FCI. The policy also envisages harnessing the efforts and resources of the public and private sectors, both domestic and foreign; the identification of location for establishment of integrated bulk handling and storage facilities under this policy is under finalisation. Hereafter bids will be invited from interested parties.

I would like to tell that the sites selected by FCI are in the procuring States of Punjab and Haryana *i.e.* Nabha, Barnala and Moga in Punjab and Sirsa and Kaithal in Haryana. FCI is to make sites of 3 lakh tonne capacity and so far as consuming States are concerned, they can make it at Hugly in West Bengal, at Chennai and Coimbatore in Tamil Nadu, at Bangalore in Karnataka and at Mumbai in Maharashtra. This will be of two lakh tonne capacity in Maharashtra. Thus, the proposal is for 21 lakh tonne. Tender documents have been finalised. The Executive Committee of FCI have examined it. Information of three or four points have been sought for. We will consider it and then submit a report to the Government after which tenders will be floated and work will be done on the basis of the tender.

Sir, in the policy we have decided that we will take up the silos capacity in 20 locations all over the country. Some are in producing areas and some are in consumer areas on the towns for the purpose of export.

Sir, we have decided to do it in phases. In the first phase, we have decided that 7 to 8 locations involving 2 million tonnes capacity will be constructed. Now, the tenders will be invited. It will be an international competitive bidding. A lot of people are expected to participate from the international market. Once the tenders are received, we will shortlist them and then we will ask them to demonstrate their technical and financial capabilities. We will be evaluating their proposal."

Central Warehousing Corporation (CWC)

2.84 The percentage of achievement of plan target relating to construction of warehouses during the last five years is given as under:—

Year	Physical (in lakh MT)		Financial (Rs. in crores)	
	Target	Achievement	Target	Achievement
1995-96	0.90	1.09 (121%)	21.00	19.11 (91%)
1996-97	1.00	1.35 (135%)	27.90	35.24 (126%)
1997-98	1.40	1.54 (110%)	32.00	42.04 (131%)
1998-99	1.64	1.66 (101%)	32.00	51.93 (162%)
1999-2000	1.89	1.96 (104%)	62.94	56.41 (90%)
2000-2001	2.00	0.98 (upto Jan., 2001)	94.00	90.98 (upto Jan., 2001)

2.84 (a) The capacity utilization during 2000-01 as on March 1, 2001 was 86%. Region-wise capacity and its utilization as on March 1, 2001 are as under:—

Region	Total Capacity (in MTs)	Capacity Utilisation (in MTs)	Percentage of Utilisation
1	2	3	4
Ahemadabad	429383	288315	67
Bangalore	389561	379942	98
Bhopal	883905	712520	81
Bhubaneshwar	154306	125771	82
Kolkata	559172	359499	64
Chandigarh	807152	748408	93
Chennai	669592	601416	90
Delhi	236306	249461	106

1	2	3	4
Gowahati	85434	47530	56
Hyderabad	1202613	1159374	96
Jaipur	298676	198142	66
Kochi	78599	67753	86
Lucknow	919078	957575	104
Mumbai	905031	692905	77
Navi Mumbai	325450	279759	86
Panchkula	274563	236652	86
Patna	148044	113319	77
Total	8366865	7218341	86

2.85 The Central Warehousing Corporation had taken the following measures to increase its profitability during the year 2000-2001:—

(i) The main focus of the CWC has been to increase the storage capacity and its utilization. The storage capacity, which was 74.79 lakh MT on March 31, 2000, has increased to 81.43 lakh MT on January 31, 2001. The average utilization during 2000-2001 is estimated to be 64.02 lakh MT as against 56.79 lakh MT during 1999-2000. Accordingly, the percentage of utilization during 2000-2001 is expected to be 81% as against 77% last year.

(ii) CAP capacity of 4.06 lakh tonnes has been added during 2000-01.

(iii) With a view to controlling the establishment cost, no fresh recruitment is being undertaken by the Corporation.

(iv) The Corporation has proposed to introduce Special Voluntary Retirement Scheme with the aim of reducing the establishment cost.

(v) The CWC has taken up long haulage of containers in Delhi-Mumbai sector.

The income and profit of the Corporation for the last five years are as under:—

(Rs. in crores)

Year	Income	Profit
1995-96	209.30	60.98
1996-97	234.68	84.95
1997-98	253.34	67.73
1998-99	255.64	41.50
1999-2000	276.34	48.30
2000-01 (expected)	315.33	56.26

2.86 The profit of CWC in 1996-97 was Rs. 84.95 crore. In 1997-98, the profit slumped at Rs. 67.73 crore and to a level of Rs. 41.50 crore in 1998-99. In this connection when the Committee enquired of what efforts are being made to bring back the profit of organization to the level of 1996-97, MD(CWC) deposed before the Committee as under:

"Hon'ble Sir, you have rightly said that there was a declining trend in it. Last year when the Committee discussed it, they asked why it was making less profit and directed us to take steps to increase the profit. Before I go into the details of it, I would like to bring to the notice of the Committee two or three basic things which had affected our profitability. The most important reason of it was that there was a virtual monopoly of CWC for several years on custom bonded business and ICD/CFS business, but when the policy of liberalisation and globalisation was adopted by the Government, private sector was made totally free for bonding. Then the rate of duty was reduced. After that, if there was delay in customs, interest was to be changed on the duty, and it happened. Thus, for these three or four reasons the work which was earlier in the Government sector only and which was done only by Central Warehousing Corporation and Container Corporation of India, has now come into the private sector resulting in decrease in profit. Up to 1996-97, only 1994-95 PSU and 6-7 private companies have such permission, but after 1998 within a span of three years 120 parties were given permission and out of them 24-25 private parties also included multinationals such as the world's largest marks, sealands etc. which got permission. Forty-one per cent of our income in 1996 was bounded/CFS income. For example if our income was Rs. 230 crore, then our loss in income was 41 per cent of it *i.e.* Rs. 95 crore, custom bounded, ICD/CFS business which was the most profitable segment and was highly profitable, 91 crores was from the custom bonded. ICD/CFS business, which is a highly profitable segment. As a result of its going to the private sector, its share has reduced to 25 per cent of our turn over. We also know that next year too, we are not going to make more income. Sir, in view of this, we are taking recourse to diversification and taking up in other areas. Besides, there was a slowdown of economy also.

Sir, 18 PSUs of training and marketing services are number two in 1998-99 and 1999-2000. MMTC, STC, Cotton Corporation and CMC etc. are such 18 PSUs which have shown an increase in 1999-2000 as against 1998-99. This is about Rs. 10 crore of STC whereas ours is Rs. 7 crores. I am pleased to say that during 2000-2001 our turnover will be Rs. 315 crore and our net profit would be about 56 per cent.

Sir, I am also pleased to say that in the light of the fresh results of January which has come up before us, our profit may be between 56 and 60% instead of 56 per cent. The ultimate result would be more profit in 2000-2001 as against 1998-99.

Also, the question arising as to when we will reach up to 1996-97 level. The most important is that we have kept the same staff strength but have increased our capacity up to about 9-10 lakh ton. Not a single manpower has been added. Besides this, the Board of Directors have approved the voluntary retirement scheme. We have sent the same to the Government. If it got approved the same trend remains and the same strategy exists, we hope to reach that level in a year or two.

Sir, the greatest difficulty we are facing is that we are not able to provide a single window service to the exporters and importers. Exporters and importers come to us. Recently, a few months ago, the Government have announced a policy to develop LCL Hub, which at present, is in Singapore and Dubai only. To counter this, the Government has said that they would like to develop OMPT (Jawahar Lal Port) for LCL Hub. Now for this, it is necessary not only to provide ICD/CFS facility to the exporters and importers, but also that we ourselves take them to the LCL Hub point in case of clearance and customs. The existing practice is that we do the formalities in CFS and then by road transfer it to the container corporation which in turn take it by rail to JNP and finally it again comes down to CFS. We have installed 10 trollers on an experimental basis the results of which are highly encouraging. We want to review them to take farther."

2.87 Further, Secretary (FPD) informed the Committee as under:—

"I would like to submit that as far as the business of CWC is concerned, at present CWC cannot enter into a joint venture with any private company or with the corporation. CWC cannot construct the warehouses abroad. These are the restrictions imposed on CWC by the Warehousing Corporation Act. We are going to amend that Act and a proposal in this regard is going to the Cabinet."

Irregularities in CWC

2.88 The Ministry has informed that CBI, New Delhi has registered a PE No. 5(A)/99-DLI dated 15.3.99 against Maj. Gen. Kulwant Singh, Ex-MD, Sh. Ajay Khera, CM and Sh. R.C. Aggarwal, RM, Mumbai and M/s. Ispat Mettalic India Ltd. (IMIL), New Mumbai, for undue pecuniary advantage of Rs. 48.86 lakhs to the M/s. IMIL by way of reduction in storage charges from Rs. 27/- per sq. mtr. per week to Rs. 19/- per sq. mtr. per week at *Dolvi*. The said PE has been converted to RC vide No. RC-DAI-1999-A-0063 dated 29.12.99 the CBI have seized all the documents.

2.89 The CBI have already summoned the concerned officials and obtained clarifications from them. Their final report is awaited.

2.90 Maj. General Kulwant Singh, Ex-MD, has retired from service. Shri Ajay Khera and Shri R.C. Aggarwal, are functioning as Commercial Manager (Planning) and Manager (Quality Systems) respectively. These are non-sensitive posts.

2.91 When the Committee desired to know about the irregularities committed in connection with *Dhuri* warehouse in Punjab, the Ministry in their post evidence reply furnished as under:—

"*Dhuri* had been used for storage of paddy during 1994-1998 and has been thereafter closed:

(i) Unscientific storage practices were followed which resulted in damage and abnormal storage losses of paddy stocks.

(ii) A sub-Committee consisting of three members of BoD investigated the matter.

(iii) Smt. Manju Verma, the then Regional Manager and Shri R.K. Sikka, the then Warehouse Manager, have been charge-sheeted for major penalties and inquiry is in progress."

2.92 On being asked whether 10 trucks have been purchased by corporation during the last two years and while the laid-down purchase procedure of the corporation have been followed, the Ministry in post evidence reply furnished to the Committee as under:—

"In order to provide single window service to exporters and to retain and increase CWC's market share of container business, the high technology tractor trailers of Volvo India Ltd. were put on trial for two months on experimental basis. Based on the satisfactory results achieved in terms of cost and time, a decision was taken to purchase 10 tractor trailers in the first stage for movement of containers between ICD, Patparganj and CFS, JNP.

Though the tractor trailers were purchased by the CWC, it was decided not to handle and transport departmentally. The operation and management of the tractor was also given to M/s. Volvo India Pvt. Ltd. The cost of 10 trailers was Rs. 2.7 crores. This being a proprietary item, no tenders were invited. As per the delegation of powers, such power rests with the Board of Directors. Therefore, a proposal was put up for purchase of 25 tractor trailers to the BOD on May 24, 1999, who approved purchase of 10 tractor trailers in the first stage and directed more purchases to be made on review of the performance of the 10 tractor trailers. One of the conditions in the fixation of the rate was that the Company should not have sold any tractor trailers at a lower rate to any one, that supplied to the Corporation.

A proposal had been put up to the Board for purchase of 15 more tractor trailers which has been approved in principle. Detailed terms and conditions of the purchase would be put up to the Board again for their approval after which further purchases would be made."

2.93 Detailing further about the irregularities detected in the corporation, the Ministry has informed that CWC has been taking actions against 99 cases of irregularities commited by their employees during the last few years. However, in some cases the case has still been not finalised after lapse of 7-8 years. In this connection, when the Committee asked what steps have been taken by the Government towards prompt action in such cases, the Ministry in their post evidence reply have submitted as under:—

"Following steps have been/are being taken for prompt action in such cases:—

(a) Monitoring of cases at various levels including the BoD and the Ministry.

(b) Best Management Practice on inquiries issued incorporating CVC Guidelines/Provisions of Staff Regulations.

(c) Training of officers for IOs and POs.

(d) Proposed amendment to the Staff Regulations for appointment of retired Government Officials as IO.

(e) Regional Managers have been made responsible to ensure timely completion of inquiries.

These measures have already shown a significant reduction in average time taken in completion of cases from 43 months during 1990-91 — 1997-98 to 17 months after 1998-99 onwards."

2.94 When the Committee asked about the details of austerity measures that have been taken by the corporation to reduce the establishment/administrative expenditure, the Ministry in their written reply has furnished as under:—

"In order to control the establishment cost, the CWC has decided not to make any fresh recruitment of staff in spite of substantial increase in the capacity. The total number of employees is likely to come down from 8676 as on 31.3.2000 to 8562 as on 31.3.2001 as a result of normal retirement. As such, the percentage of establishment cost to the total turnover is expected to come down from 53% in the year 1999-2000 to 50.7% in the year 2000-2001. In addition, a Voluntary Retirement Scheme, approved by the BoD, is under the consideration of the Government.

The CWC has gone for a large-scale computerization in Regional Offices/Corporate Office and also for ISO certification. This has resulted in marginal increase in the administrative expenses from 4.2% of turnover in the year 1999-2000 to 4.6% of the turnover in the year 2000-2001. However, the CWC have now issued instructions on March 22, 2001 to all the field units to impose a mandatory 10% cut on all controllable budgeted expenses, the impact of which would be known in the next financial year."

2.95 All the appointments in CWC made from January 1, 1989 were to be governed on IDA pay scales as per the DEP O.M. dated 12, 1990 issued in the light of the Supreme Court judgement dated May 3, 1990. These, after formulation by the administrative Ministry, were to be sent to the DPE for approval. In this context, when the Committee asked what steps have been taken by the Corporation and the Ministry to bring the employees appointed during January 1, 1989 to June 12, 1990 to IDA pattern and whether the matter referred to the DPE for approval and if so, what are the comments of the DPE, the Ministry in their post evidence reply furnished as under:—

"The DPE's O.M. dated June 12, 1990 was circulated among the employees who had been extended the CDA pattern of pay scales. None of those appointed on CDA pattern of pay scales during the period from January 1, 1989 to June 12, 1990 exercised the option. Further, switching over to IDA scales against their terms of appointment could not be possible without their consent since such switching over from CDA to IDA would reduce their pay."

The matter had been referred to the DPE which directed their order to be followed.

2.96 CWC is providing 30% discount in tariff to farmers for the stock stored by them in CWC godowns. In this context, when the Committee was asked about the capacity utilisation of CWC godowns by farmers, the representative of Ministry deposed before the Committee as under:—

"The capacity utilization of farmers as individual number has not been more. I shall check and tell the actual figures. Its historical background is that when it was formed, the expectations for farmers in its initial period were that the farmers will directly approach warehouses and keep their commodities and they will get loan from the warehouse on the basis of receipt, which they could utilize. Later on, FCI came into existence and gradually the position has turned in such a way that now the products brought by farmers are either procured by FCI or Government agency. If you see the entire foodgrains procured by FCI belongs to the farmers along and if they procure it will account for over 30 lakh tonnes. Farmers as individual approaching to us are very less. Combination of both individuals and cooperatives will account for about 8 lakh tonnes."

2.97 Supplementing above, the Ministry in their post evidence reply furnished as under:—

"The CWC has been offering its services for keeping foodgrains of the farmers, which is either brought by them directly or through the procurement agencies, *viz.*, Food Corporation of India and different State Civil Supplies Corporations at its warehouses. The utilization of CWC warehouses for keeping foodgrains for the last three years is as follows:

Year	In lakh MT
1998-99	22.20
1999-2000	25.78
2000-2001 (11 months)	33.36

The amount of foodgrains stored directly by the farmers during the above mentioned years is as follows :

Year	In lakh MT
1998-99	1.40
1999-2000	1.31
2000-2001 (11 months)	1.66

The farmers are given 30% discount in the tariff by the CWC for the stock stored by them. Farmers can take loans from the Banks by pledging warehouse receipts issued by the CWC. In addition to the above, a special scheme, namely, the Farmers Extension Service Scheme (FESS) is being operated at 200 warehouses by the CWC under which well qualified and experienced technical staff of the CWC visit the Panchayats, Blocks and farmers with a view to disseminating the Post Harvest Technology to them at their door steps.

ANTYODAYA ANNA YOJANA

Guidelines

Objective

2.97 (a) Antyodaya Anna Yojana has been launched by the Hon'ble Prime Minister of India on the 25th December, 2000. This scheme reflects the commitment of the Government of India to ensure food security for all, create a hunger free India in the next five years and to reform and improve the Public Distribution System so as to serve the *poorest of the poor* in rural and urban areas. It is for the *poorest of poor* that the Antyodaya Anna Yojana has been conceived. It is estimated that 5% of our population are unable to get two square meals a day on a substained basis through out the year. Their purchasing power is so low that they are not in a position to buy foodgrains round the year even at BPL rates. It is this 5% of our population (5 crores of people or 1 crore families) which constitutes the target group of Antyodaya Anna Yojana.

Scale and Issue Price

2.97 (b) Antyodaya Anna Yojana contemplates identification of one crore families out of the number of BPL families who would be provided foodgrains at the rate of 25 Kg. per family per month. The foodgrains will be issued by the Government of India @ Rs. 2/- per Kg. for wheat and Rs. 3/- per Kg. for rice. The Government of India suggests that in view of abject poverty of this group of beneficiaries, the State Governments may ensure that the end retail price is retained at Rs. 2/- per kg. for wheat ahd Rs. 3 per Kg. for rice.

Identification of Beneficiaries

2.97 (c) The most crucial element for ensuring the success of Antyodaya Anna Yojana is the correct identification of Antyodaya families. It is estimated that there are 6.52 crore families below poverty line in the country as on 1.3.2000. These families are being provided foodgrains under the TPDS at BPL rates. One crore Antyodaya families would constitute about 15.33% of the BPL families in the country. The identification of these families will have to be carried out by the State Governments/UT administrations, *from amongst the number of BPL families within the State*. The number of Antyodaya families for each State and UT has been worked out and is at Annexure.

2.97 (d) The following steps are suggested for identification of Antyodaya families:

(a) The number of Antyodaya families has been indicated for each State/UT. The States/UTs may, in turn, distribute this number among the various districts, keeping in view the incidence of poverty and backwardness etc. for which primary data would be available with the States/UTs from various sources.

(b) Similarly, in the districts the number of Antyodaya families can again be distributed among various Panchayats and the municipal areas.

(c) District Collectors may then start the process of identification after giving it wide publicity. This work may be taken up as a campaign so that people are aware of the process and procedure adopted for identification of beneficiaries under the scheme.

(d) District Collectors may press into service all district level officers working with them for supervising the process of identification in various Development Blocks.

(e) At the Block level, each Panchayat may be assigned to an Officer of Revenue, Development or some other Department who should be held accountable for proper identification of beneficiaries.

(f) In each Panchayat, in the first phase, a tentative list of the poorest of the poor may be drawn up keeping in view the overall number of the families allotted to the Panchayat.

(g) The State Government/UT Administration may devise a suitable form for identifying the beneficiary families under the scheme. The data contained in the form should be verified by the Officer nominated for this purpose. The Officer verifying should be held accountable for the verification.

(h) Once the tentative list for a Panchayat is ready, in the second phase, a meeting of the Gram Sabha may be held. This meeting should be attended by the officer, who has been assigned the particular Panchayat. The officer should ensure that the meeting of Gram Sabha is held when there is quorum.

(i) The tentative list may be read-out in the meeting of the Gram Sabha and the Gram Sabha may finalise the list of beneficiaries and arrange the names in the order of priority with the family mentioned at Sl. No. 1 as the most deserving.

(j) Once the list is approved by the Gram Sabha, it may be consolidated at the Block and then at the District level.

(k) In the case of urban areas, the State Governments/UT Administrations may also undertake a similar exercise by involving the urban Local Bodies. The Preliminary identification may be done Ward-wise by the Chief Executive of the Urban Local Body with the help of the officers/officials working under him. The preliminary list of beneficiaries may be given wide publicity and also displayed at the Ward Level inviting objections. After going through this process, the consolidated list for the Urban Local Body may be placed before the House of the Urban Local Body and its approval obtained.

(l) In cases where elected bodies in rural/urban areas are not in position, the State Government/UT Administration may evolve a suitable mechanism for identification of beneficiaries in an impartial and objective manner.

Issue of Ration Cards

2.97 (e) After the identification of Antyodaya families, distinctive ration cards to be known as "Antyodaya Ration Card" should be issued to the Antyodaya families by the designated authority. The ration card should have the necessary details about the Antyodaya family, scale of ration etc.

Allocation of Foodgrains by Government of India

2.97 (f) Once these ration cards are issued, the allocation of foodgrains will be made by the Government of India to the State Governments/UT Admn. for distribution to the Antyodaya families through Fair Price Shops.

2.97 (g) The Government of India expects that the State Governments/UT Administrations will be able to complete the identification of beneficiaries within a period of two months. In case a State Government/UT Administration completes the process earlier, the Government of India will allocate foodgrains in favour of that State Government/UT Administration earlier.

2.97 (h) Correct and honest identification of Antyodaya families will be the key to the success of Antyodaya Anna Yojana. It should, therefore, be the endeavour of the State Government/UT Administration that only the deserving and the needy are identified and they get the benefits of Antyodaya Anna Yojana. The Antyodaya families list should reflect the poorest of the poor in the district.

2.97 (i) The Government of India will link the allocation of foodgrains to State/UTs to the receipt of utilization certificates from them to the effect that the foodgrains have actually reached the Antyodaya families.

2.98 The Committee note that there is wide-scale aberration in the procurement of foodgrains more particularly by FCI. Though the Government claim that farmers will be given Minimum Support Price (MSP)of their produce, the cases of distress sale of paddy and wheat have been reported from various parts of the country. There may be various reasons for non-procurement of foodgrains including lack of coordination between FCI and State Governments, Central Government cannot be absolved with their responsibility of providing MSP to farmers of the country. The Committee also note that while

the production of rice in Andhra Pradesh is around 104.89 lakh tonne, the procurement is to the tune of about 40.69 lakh tonne. The production of rice in Haryana is around 25.94 lakh tonne, the procurement is about 14.16 lakh tonne. The production of rice in Karnataka is about 36.35 lakh tonne, the procurement is about 1.9 lakh tonne. Production of rice in Punjab in about 87.16 lakh tonne, procurement is 67 lakh tonne. The production of rice in Uttar Pradesh is about 129.12 lakh tonne, the procurement is only about 10 lakh tonne. The production of rice in Madhya Pradesh is about 63.76 lakh tonne, the procurement is 1.22 lakh tonne. The production of rice in Tamil Nadu is 72.25 lakh tonne, procurement is about 12 lakh tonne. Production of paddy in Bihar is about 123.85 lakh tonne, 77.41 lakh tonne in term of rice the procurement is about 0.05 lakh tonne which is quite negligible. Orissa with production of about 51 lakh tonne has, procurement of about 4 lakh tonne. Almost the same trend lies with production and procurement of wheat too. The committee feel that no procurement of wheat in Bihar was done despite production of about 42 lakh tonne which is clear cut injustice meted out to the State by FCI in comparision to procurement done is other states. It seems that in the name of providing MSP, Government is taking care of interest of farmers of a few States like Punjab, Andhra Pradesh only. The reasons put forth by Government for less procurement in other States is that they do not get the infrastructure and facility as they get in Punjab. However, the Committee is of the opinion that a raw deal is being done with some of the States more particularly in cases of Bihar, Orissa, Maharashtra, Karnataka, etc. The Committee, therefore, strongly recommend that there should be no double standard and discrimination against farmers of other States specially for Bihar and there should be uniform policy of procurement in the largest interest of farmers of the country. Infrasture, if necessary, be created in other States too, as it was done in case of Punjab so that farmers in the country may not suffer for want of procurement of wheat in the coming Rabi season (2001-2002) despite announcement of MSP. Otherwise announcement of MSP will have no substantial meaning for the farmers of many States.

2.99 The Committee observe that FCI has engaged the State Govt. as sub-agents of FCI to procure coarse-grains in Karnataka, Maharashtra, Andhra Pradesh and Madhya Pradesh. There is also vast potential of procurement of Bajra in Rajasthan and Uttar Pradesh and procurement of Maize in Bihar, Uttar Pradesh and Rajasthan. Bihar is fourth in production of Maize. The Committee is astonished that maize was procured in other States but no arrangement was made for that purpose in Bihar. The Committee feel that the State has been overlooked. Such possibilities may be explored for other States too. The procurement of coarse-grains may prove fruitful in distributing the same for BPL people of the concerned States at affordable prices. The Committee, therefore, recommend that Govt. should extend its base for procurement of coarse-grain in other potential States too.

2.100 The Committee note that Government has introduced decentralised procurement in States of West Bengal, Madhya Pradesh and Uttar Pradesh wherein the economic cost of wheat and rice has been less than economic cost of FCI. Finance Minister enthused with the above reduction of economic cost and embarrassed with jump in food subsidy from Rs. 8,210 crore to Rs. 12,125 crore has suddenly proposed to give an enlarged role to the State Governments in both procurement and distribution of foodgrains for PDS in respective States. He has further proposed that instead of providing subsidized foodgrains, financial assistance will be provided to the State Governments to enable them to procure and distribute foodgrains to BPL families at subsidized rates. However, FCI will continue to procure foodgrains for maintaining food security reserves and for such State Governments who will assign this task to FCI on their behalf. The Committee feel that State Governments have no necessary infrastructure for the purpose and have no adequate finance. When FCI itself is running into resource crunch due to high borrowing as a result of high procurement, surplus stock and less off-take, the successful operation of the scheme by State Governments is questionable. There are several examples where State Government has diverted the fund for other purposes and desired scheme could not be successful. The Committee are of the opinion that there is more likelihood of less procurement/non-procurement due to insufficient infrastructure and there will be beginning in shifting of responsibility to cover up their failure from State Government to Central Government and vice-versa and thus interest of needy farmers will be affected and this will have adverse impact on food deficient States. The Committee feel that no comprehensive study has been done before arriving at such decision. The Committee, therefore, recommend that all such problems be given due weightage while working out arrangements with State Governments by taking them into confidence and making proper favourable situation for procurement so that farmer may not suffer due to less procurement and non-procurement.

2.101 The Committee note that authorised capital of Food Corporation of India (FCI) fully subscribed by Government of India as on 31.3.2000 was Rs. 2,500 crore. The paid up capital of FCI up to 30.11.2000 was Rs. 2,278.60 crore. The working capital of Corporation over and above the amount provided by Government is fully financed by the Banking Sector and cash credit facility is allowed by the State Bank of India along with consortium of nationalised and other banks to ten times of its paid up capital. The Bank overdraft of FCI has increased from Rs. 15,985 crore in 1999-2000 to Rs. 25,167 crore in RE (2000-2001) and is estimated to enhance to Rs. 30,200 crore in 2001-2002. The interest on cash credit availed from bank by FCI has increased from Rs. 1,299 crore in 1996-97 to Rs. 2,290 crore in BE (2000-2001) which is expected to increase in the coming years. The Committee is of the opinion that FCI is running towards resource crunch mainly due to surplus stock of foodgrains held by them. The interest per day comes out to about Rs. 6 crore 27 lakh. There is also a proposal under consideration of Government to remove cap on borrowing by FCI. The Committee, therefore, recommend that Government should evolve such ways and means which will reduce the borrowing of FCI and hence interest being incurred therefrom. All caution should be taken in removing cap on borrowing so that it does not result in financial indiscipline.

2.102 The Committee note that out of subsidy of Rs. 8,210 crore in BE (2000-2001), Rs. 2,855 crore was earmarked for 63.00 lakh tonnes of wheat and Rs. 4,656 crore was earmarked for 78.92 lakh tonnes of rice for BPL. In RE (2000-2001) the food subsidy was increased to Rs. 12,125 crore, however the off-take of wheat for BPL could only be 31.62 lakh tonne incurring a subsidy of Rs. 1,276 crore and off-take of rice for BPL could only be 60 lakh tonne incurring a subsidy of Rs. 3445 crore. The subsidy for wheat and rice for BPL (States) was Rs. 534 crore. Thus, it is clear that Government could not achieve its target for off-take of wheat and rice earmarked for BPL and thus could not utilize a subsidy of Rs. 2,259 crore which was further utilized for maintaining buffer stock. The Committee further note that Government has proposed a target of 43.74 lakh tonne off-take of wheat in all the scheme under BPL during 2001-2002 incurring a total subsidy of Rs. 2,046 crore, which is less than BE (2000-2001) of Rs. 2,855 crore. The Committee, therefore, recommend that Government should not retreat from their committed liability of providing foodgrains at subsidised rates to BPL people and should allocate more subsidy for them with the increased annual allocation. Also the Government should ensure that the benefit is delivered to needy beneficiaries.

2.103 Though the Government is willing to cut subsidy on foodgrains, they are unable to find ways and means so as to minimise the subsidy at one hand and provide the foodgrains at affordable prices on the other. The Government had made a drastic move to cut subsidy in BE (2000-2001) to a level of Rs. 8210 crore from the level of Rs. 9200 crore of RE (1999-2000) but the efforts in the exercise has proved futile. Instead the Government did not take note of the alarming stock of foodgrains even on 1.1.2000 which was at the level of 313.50 lakh tonnes (171.70 lakh tonnes of wheat and 141.80 lakh tonnes of rice). The Government has also not taken into account the purchasing power of the poor people. It seems that the Government has not taken into account that, besides 35.97% of BPL population. there is 21.58% of population in the income group of Rs. 11400 to Rs. 20,000 and 25.86% of population is in the income group of Rs. 20000 to Rs. 40000. Even if Rs. 40,000 for the family of five is taken, the income per member per day comes to about Rs. 21. It seems that the Government had not taken this fact into mind while cutting subsidy which is the main reason for decrease in the off-take under APL. The Committee, therefore, strongly recommend that Government should devise such ways and means so that lowest and lower strata of APL and the BPL people can get advantage of public distribution system and Targeted Public Distribution System.

2.104 The Committee note that stock of foodgrains with FCI as on 31.1.2001 was 465.15 lakh tonnes as against Buffer stocking norm of 168.00 lakh tonnes. The surplus stock of foodgrains on 31st January, 2001 was 297.15 lakh tonnes for which FCI was incurring per day carrying cost of Rs. 18 crore. If this trend continues the total Buffer subsidy for surplus foodgrains for the year will come out to about Rs. 6500 crore. The Committee also note that subsidy towards carrying cost of foodgrains has also increased from Rs. 1385 crore in BE (2000-2001) to Rs. 5262 crore in RE (2000-2001) which is about 400% increase. The Committee are of the opinion that out of subsidy of Rs. 8210 crore BE (2000-2001), Rs. 5262 crore went for buffer carrying cost and about Rs. 2948 crore towards consumer subsidy which is about half of buffer carrying cost. Thus the Govt. have not been able to deliver the subsidy to targeted consumer as envisaged in the budget. The Committee, therefore, strongly recommend that all efforts should be made to minimize surplus buffer carrying cost so that subsidy is utilised for targeted people.

2.105 The Government has furnished that off-take for BPL wheat has increased from 28.77 lakh tonne in 1999-2000 to 31.62 lakh tonne in 2000-2001 and has claimed that the off-take of wheat has increased over 1999-2000. The Committee are not satisfied with the trend of off-take throughout 2000-2001. Off-take of wheat during 2000-2001 for BPL for Andhra Pradesh, Assam, Kerala, Manipur, Mizoram, Sikkim, Tamil Nadu, Tripura, Chandigarh, Lakshadweep and Pondicherry has been nil. Similarly the off-take of wheat for Arunachal Pradesh, Meghalaya is also very negligible. If 4.09 lakh tonne off-take of wheat under welfare schemes and 4.21 lakh tonne off-take of wheat under calamity relief is deducted, the off-take figure of 31.62 lakh tonne will be reduced substantially. It seems that off-take of BPL is not encouraging despite increased allocation of foodgrains from 10 kg to 20 kg w.e.f. 1.4.2000. Comparing the figure on pro-rata basis, the off-take for BPL of 28.77 lakh tonne of wheat in 1999-2000 should have been doubled in 2000-2001 in view of increased allocation as the poor people are in constant need of subsidised foodgrains. The Committee are of the opinion that there is some grave lacunae in interpretation and implementation of Government policy on Food Security. The off-take of wheat for APL has decreased from 26.97 lakh tonne in 1999-2000 to 1.64 lakh tonne in 2000-2001 which is about 6% in comparison to 1999-2000. The efforts of the Government to dispose the wheat by open sale has also not yielded any fruitful result. Upto February, 2001, only 5.30 lakh MT of wheat has been disposed. The open sale has not yielded desired results for disposal of rice too. The Committee, therefore, recommend that all out efforts should be made to increase off-take of foodgrains even by revising policy and down-grading central issue price, otherwise the claim of Government for food security will turn into food insecurity despite availability of surplus stock.

2.106 The Committee observe that 20 lakh tonne of wheat was placed for export during the year 2000-2001 while the Government has excess of 297.15 lakh tonne as on 31.1.2001. The export price of wheat was kept at Rs. 4150 per MT. A quantity of 7.14 lakh MT of wheat has been issued for export by FCI upto January, 2001. The Committee, therefore, recommend that more quantity of foodgrains should be placed on export and possibility of potential buyers should be explored by requesting consulate office situated abroad. The Committee also desire that FCI with all its infrastructure available, should explore possibility to export their own and earn profit which may be used for cross-subsiding the poor.

2.107 The Committee is concerned about the plight of farmers due to removal of quantitative restriction w.e.f. April 1st, 2001. The sudden and large fluctuations in world price may pose a threat to agro producers in India. The Committee are of the opinion that farmers will not be able to compete with the import of agro-items which will be much cheaper than the present rates prevalent for the domestic produce in the market. The Government has fixed the MSP of wheat at Rs. 610 for (2001-2002) Rabi marketing season, but the wheat price in international market is between Rs. 400 to Rs. 450 per quintal due to high subsidies provided by the foreign countries on their produce. In view of the above, large scale import of foodgrains is bound to occur and small and marginal farmers particularly may lose their livelihood who constitute 70% of the population of the country. In the opinion of the Committee the Government should not forget suicide incidents of commercial/cash crops farmers in the State of Andhra Pradesh, Maharashtra, Karnataka etc. and take a lesson from the incident so that the same situation does not occur among producers of foodgrains. The Committee feel that some strict steps should be initiated as safeguard measures against WTO conditions for traditional farming in interest of farmers. The Committee, therefore, strongly recommend that the Govt. should impose anti-dumping duties on import of foodgrains without loss of time and ensure remunerative prices to Indian farmers.

2.108 The Committee are of the view that a huge amount of foodgrains are damaged due to lack of strict monitoring by quality controlling authorities. As on 1.1.2001, 1.71 lakh tones of 'D' category of foodgrains were available with Food Corporation of India (FCI). The Ministry has furnished that action has been initialed against delinquent FCI officers. In cases where samples were found beyond PFA norms, typed sealed samples were not found, complaint registers were not maintained during the visit, the Government have taken up the matter with the State Govts. The Committee, therefore, recommend that activities of quality control be augmented and where necessary the matter be taken up promptly with the concerned State Govts., so that consumers may get good quality of foodgrains. Also action taken against the FCI employees held responsible for the lapse should be communicated to the Committee.

2.109 The Committee note that about 11849 MTs of non-issuable stock of foodgrains are lying in various godowns of FCI. Out of this 3921 MTs have been categorized as industrial use, 4995 MTs have been categorized as manure use and 1933 MTs for dumping. The Committee observe that sincere efforts have not been made to dispose of these foodgrains. The Committee also note that storage cost of about Rs. 8 lakh per year is being incurred for storage of 1933 MTs. of foodgrains categorized as dumping. The Committee fail to understand the reasons behind storing the completely destroyed foodgrains and paying Rs. 8 lakh per year for its storage. In the opinion of the Committee this is a clear cut example of careless approach of the officers of FCI towards storage policy. The Committee, therefore, recommend that these non-issueable stock of foodgrains be disposed of without further delay. Also, responsibility should be fixed on officials who are responsible for delay in disposal of such foodgrains. Laid down Principles of FIFO should regularly and strictly be followed.

2.110 Though the Government has resolved some measures to decrease administrative cost, distribution cost, still a lot is required to be done. The Committee, therefore, recommend that the Government should make constant and continuous efforts to decrease further non-statutory charges. If necessary, the State Governments may also be persuaded to reduce statutory charges like Mandi charges, purchase tax etc. The Committee may also be apprised of the study report of the Administrative Staff College of India (ASCI), Hyderabad in this regard.

2.111 The Committee is concerned about storage of foodgrains in the coming rabi season (2001-2002). The Government has stated that they propose to procure 112 lakh tonnes of wheat and 163.67 lakh tonnes of rice. For this the total storage capacity will be required to the tune of about 275 lakh tonnes. The Government has also furnished that about 30-40 lakh tonnes capacity will be available by the next kharif season. The Committee, therefore, recommend that Government should make all out efforts to make available sufficient storage space so that there should be no problem in coming rabi season.

2.111(a) The national policy on handling, storage and transportation of foodgrains has been announced on 20.6.2000. One of the objective of the policy is to harness efforts and resources of public and private sector both domestic and foreign, to the build and operate infrastructure for introduction of bulk handling, storage and transportation of foodgrains. The Committee envisage that private big multinational companies dealing in foodgrains may enter into the trade and may make monopoly over the business and may utilize the opportunities in their favour at the cost of Indian counter parts, farmers and the Government. The Committee, therefore, desire that no such situation be allowed to develop where MNC have monopoly over handling, storage and transportation of foodgrains.

2.112 The Committee note that Transit shortages have increased from 198 crore in 1998-99 to Rs. 244 crore in 1999-2000 and the storage shortage has increased from Rs. 130 crore in 1998-99 to Rs. 150 crore in 1999-2000. In the opinion of the Committee, these losses can be avoided or minimised to the maximum extent by maintaining strict coordination among FCI, Railways, DGS&D and other allied agencies. Also, storage losses can be minimized by proper upkeep of stocks in godowns, good quality storage bag, chemical disinfestation etc. The committee feel that the steps taken by FCI till date are not sufficient. The Committee, therefore, recommend that transit losses be minimized by augmenting immediate action by sending and receiving stations and taking up the matter with various agencies like Railways, DGS&D, etc. The storage losses should also be minimized by augmenting storage inspection and follow up action thereon. Further, cases of transit and shortage losses should be investigated thoroughly in time and officers held responsible for the losses should be penalised severely. Details of steps taken in this regard should be communicated to the Committee.

2.113 The Committee note that the profit of CWC in 1996-97 was Rs. 84.95 crore which declined to a level of Rs. 67.73 crore in 1997-98 and further slumped at Rs. 41.50 crore. Though the corporation has tried to increase its profit to a level of 48.30 crore in 1999-2000, still a lot requires to be done. The Committee, therefore, desire that CWC should adopt ways and means to achieve gross profit target of 1996-97. Steps taken and progress achieved should be communicated to the Committee.

2.114 The Committee note that the declining trend of profit in CWC is also due to irregularities committed by some employees and ex-employees of CWC. The Committee have been informed that such officers have been kept on non-sensitive posts like planning and quality system which Committee do not agree. The Committee, therefore, desire that all such cases of irregularities be dealt with utmost promptness and officers concerned should not be placed on sensitive posts rather they should be placed on routine jobs. The Committee would also like to know the details of activities along with tours undertaken by such officers since 1997. During course of evidence a reference was made towards the irregularities committed by some of the officials of CWC in regard to Dhuri, Dolvi, CFS (JNP) etc. The Ministry has informed that the cases are still under investigation which Committee do not at all appreciate. The Committee express deep concern that the cases of irregularities of such big size as Dhuri in Punjab and CFS (JNP), have been badly delayed and the Govt. did not think fit even to refer such cases to CBI. Further the Committee doubt whether these cases were put for consideration of BOD or not. The Committee, therefore, strongly recommend that, besides departmental inquiries, the Govt. should think to refer such cases to CBI with a reference for their thorough investigation at the earliest. The Committee would also like to know the details of such cases alongwith the reasons for inordinate delay in disposal of such cases. Steps taken and progress achieved, should be communicated to the Committee.

2.115 The Committee note that all appointments in CWC made from January 1, 1989 were to be governed on IDA pay scales as per DPE O.M. dated June 12, 1990 issued in the light of the Supreme Court judgement, dated May 3, 1990. However, the employees appointed during January 1, 1989 to June 12, 1990 could not be brought to IDA pattern and are continuing on CDA pattern. The matter was also referred to DPE which directed that their orders be followed. The Committee are of the opinion that by such measures CWC is losing money against the established norms of austerity measure. The Committee, therefore, strongly recommend that the matter may be reviewed afresh in the light of DPE O.M. dated 12.6.1990. CWC should try all measures to reduce its establishment/administrative expenditure. Steps taken and progress achieved should be communicated to the Committee.

2.116 The Farmers are given 30% discount in the tariff by CWC for the stock stored by them. During 1998-99 and 1999-2000, the foodgrains stored by farmer was 1.40 lakh tonne and 1.31 lakh tonne. In 2000-2001 upto February, 2001, the total stock held was 1.66 lakh tonne, however a lot is desired to be done. The Committee, therefore, recommend that more and more farmers be encouraged to store their stock in CWC godowns.

2.117 The Committee note that Antyodaya Anna Yojna is among the many other welfare schemes like JRY, Annapurna, Midday Meal, etc. announced by the Government from time to time. The Committee, however, have their doubts on successful implementation of the scheme due to the fact that no criteria still has been fixed by the Government to identify the poorest among the poor people. Further the methodology adopted by the Planning Commission in lowering the percentage of BPL from 36 to 26 is also not acceptable to the Committee because the estimate of 35.97% of BPL population was arrived at by a High Powered Committee constituted by the Planning Commission under the Chairmanship of Prof. Lakdawala and thereafter no estimation for poorest of the poor population has been undertaken by the Govt. In the opinion of the Committee, the hasty step taken by the Govt. in announcing the scheme without visualizing its pros & cons may lead to manipulations in the identification of beneficiaries under the scheme. Further, the Committee feel that there are chances of diversion of highly subsidized foodgrains meant for the poor people as has been witnessed earlier also in other schemes. The Committee are also very much concerned about the availability of foodgrains at half of the normal price to the BPL families. The Committee, therefore very strongly recommend that the Government should not dilute the BPL estimate by creating a separate category among BPL people and all the BPL people as estimated by Prof. Lakdawala Committee should be provided subsidized foodgrains at affordable rates. This in turn will also increase the offtake of the foodgrains and food security will be ensured for all BPL population which is social responsibility of a welfare state.

CHAPTER III

MANAGEMENT OF SUGAR

India has emerged as the largest producer of sugar in the world in the sugar season 1999-2000 (October-September) with production of 181.41 lakh tonnes.

3.2 There were 495 installed sugar factories in the country as on 30.11.2000. The Sector-wise break-up is as follows:

(i)	Private Sector	—	152
(ii)	Public Sector	—	67
(iii)	Co-operative Sector	—	276
	Total	—	495

Highlights of Policy Changes in the Sugar Sector

3.3 Government has taken a number of important policy decisions as part of reform process in the sugar sector. These decisions are as follows :—

- Reduction of levy obligation of domestic sugar producers from 40% to 30% with effect from 1.1.2000 and further reduction from 30% to 15% with effect from 1.2.2001.
- PDS has been restructured in so far as sugar is concerned. Income tax assesses and the members of their families were excluded from supply of levy sugar under the PDS with effect from 1.7.2000. Further, with effect from 1.2.2001 levy sugar supply under the PDS has been restricted only to BPL families except in North-Eastern States, Hill States and Island territories.
- Decisions have been taken on the recommendations of the High Powered Committee on Sugar industry.
- Stockholding limits on wholesale dealers of sugar has been withdrawn with effect from 7.7.2000.

- The Sugarcane (Control) Order, 1966 has been amended on 29.11.2000 enabling the Central Government/State Governments to recover cane price arrears as arrears of land revenue.
- Action has been initiated to restructure the Sugar Development Fund Rules, 1983 for providing loans at concessional rates for by-product utilisation.
- Action has been initiated to amend the Sugar Development Fund Rules, 1983 for providing loans at concessional rates for rehabilitation of potentially viable sick sugar mills.
- Action has been initiated to introduce futures/forward trading in sugar.

Production, Consumption and Stock of Sugar

Production & Stocks of Sugar

3.4 The production of sugar during the last five sugar seasons (October-September) is given below:

1995-96	164.29
1996-97	129.05
1997-98	128.44
1998-99	155.20
1999-2000	181.41

3.5 During the current sugar season (October 2000 — September 2001), the production of sugar is estimated to be about 181.00 lakh tonnes. The carried forward stock of sugar at the beginning of the current sugar season was 92.97 lakh tonnes. Therefore, the total availability of sugar during the current sugar season is estimated at 274 lakh tonnes against estimated consumption of about 162 lakh tonnes.

Consumption of Sugar

3.6 The internal consumption of sugar, excluding consumption of imported during the last five sugar seasons, has been as under:—

Sugar Season	Internal Consumption (lakh tonnes)
1995-96	131.72
1996-97	136.75
1997-98	139.78
1998-99	141.35
1999-2000	155.36

Closing Stocks of Sugar

3.7 The closing stocks of sugar at the end of last five sugar seasons have been as under:—

Sugar Season	Internal Consumption (lakh tonnes)
1995-96	79.07
1996-97	66.01
1997-98	53.79
1998-99	67.46 (Provisional)
1999-2000	92.97 (Provisional)

3.8 The position regarding production, internal consumption and export of sugar during 1998-99 and 1999-2000 sugar seasons was as under:—

(Quantity in lakh tonnes)

Carryover stock from previous season	53.70	67.46
Production of sugar	155.20	181.41
Total availability	208.90	248.87
Internal consumption	141.35	155.36
Export	0.09 (P)	0.54 (P)
Closing stocks at the end of season	67.46	92.97

(P) = Provisional

Policy of Partial Control for Sugar

3.9 The policy of partial control and dual pricing for sugar continued during the 1999-2000 sugar season. However, the ratio of levy and freesale sugar, which was 40:60, was reduced to 30:70 with effect from 1.1.2000. This ratio has been further reduced to 15:85 with effect from 1.2.2001.

3.10 Sugar industry is one of the regulated industries. The management of the industry coupled with management of sugar for public distribution, is done in the Department of Food and Public Distribution. The Sugar Development Fund is the main instrument through which assistance is provided to the Sugar Industries for effecting modernization and expansion of the existing mills and for bringing about varietal improvement in the cane grown in the catchment area of the sugar factories. The activities in relation to sugar broadly cover:—

(a) Regulation of the industry through Directorate of Sugar;

(b) Administration of subsidy on sugar;

(c) Administration of Sugar Development Fund; and

(d) Training and Research institution

A. Directorate of Sugar

3.11 Directorate of Sugar is concerned with the quality control of sugar produced by Vacuum Pan Sugar Factories. For this purpose, periodical visits to sugar factories are made. Samples of sugar are drawn from the stocks of sugar held by the factories and also consignments under despatch. In case, actual grades of sugar represented by the sample are found to be inferior to the grades marked on the bags by the factories, action is taken against the defaulting sugar factories according to the prescribed procedure. In pursuance of the policy, 24 sugar factories were inspected by this Directorate during the period 1.4.2000 to 31.10.2000 and in 11 cases sugar factories have been issued warning letters for being more careful in future in marking grades on the sugar produced by them in terms of clause 4(1) of Sugar (Packing & Marking) Order, 1970.

3.12 The number of sugar factories visited by the officers of the Directorate of Sugar during the last three years is given below:—

Sl. No.	Year	No. of Factories visited
1.	1997-98	72
2.	1998-99	65
3.	1999-2000	59

3.13 The Committee asked in how many samples the test failed and what penalties were imposed for the purpose on sugar factories, the Ministry in their written reply submitted as under:—

Information about the number of samples drawn and the number of samples failed in the last three years is given below, year-wise:—

Year	No. of Samples drawn	No. of Samples failed
1997-98	979	170
1998-99	843	121
1999-2000	518	124

Samples were drawn to determine the exact grade of sugar in terms of grain size (Small, Medium and Large) and colour (based on three colour series *i.e.* 29, 30 and 31). The samples have failed in respect of colour only.

As per the existing parameters, if the colour of sugar marked on the bag from which the sample is drawn is found to be of lower grade as compared to the standard fixed under the Sugar (Control) Order, 1966 for that sugar season, the Directorate of Sugar is required to issue warning letters for the first offence. For subsequent offence the factory may be prosecuted. The above samples have failed in colour and the factories concerned have made first offence in the particular season. Therefore, warning letters were issued to the concerned sugar factories. The number of sugar factories which were issued warning letters is given below, year-wise:-

Year	Number of sugar factories which were issued warning letters
1997-98	21
1998-99	33
1999-2000	24

Enforcement and Vigilance

3.14 An Enforcement & Vigilance Cell has been set up in the Directorate of Sugar since July, 1986 to ensure strict compliance with the various statutory as well as Administrative Orders and directions issued by the Government and Directorate of Sugar. The functions of this Cell include scrutiny of records/returns regarding 'Sales and Dispatches' of freesale sugar received from the sugar factories and 'Enforcement of Quality and Packing of sugar' with regard to the provisions of sugar (Packing & Marking) Order, 1970. Government of India *vide* order dated 13th April, 1999 has directed that no producer shall:-

(i) Subject to availability of sugar covered by an order permitting such sale, refuse to sell sugar to a recognized dealer or.

(ii) Sell and dispatch less than monthly quota of sugar released to him for sale by the monthly order, within a period specified therein to any recognized dealer and that the particulars of dispatches made during the month shall be reported by the producer within ten days from the date of expiry of the relevant monthly order in the format annexed with the order, to the Chief Director (Sugar), Directorate of Sugar, New Delhi, Subsequently, *vide* circular letter dated 15th April, 1999 Government of India has decided to do away with the restrictions on the sugar factories to sell and dispatch not less than 47.5% of their monthly quota of freesale sugar in each fortnight.

(iii) On the recommendation of the Mahajan Committee, it has been decided by the Government with effect from 25.01.2000 to allow sugar mills to sell and dispatch at least 90% of their monthly sale of free sale quota up to the end of the month as against 100% stipulated earlier and the remaining 10% during the first week of the next month in order to provide greater flexibility in disposing off their stocks.

3.15 When the Committee asked in how many cases sugar factories have violated Statutory/Administrative Orders/directions by the Government/Directorate and what action have been taken against them, the Ministry in their written reply have submitted as under:—

During the financial year 2000-2001 (upto January, 2001), there were 131 cases of violation of statutory release orders on account of dispatching/selling less quantity of freesale sugar. The number of sugar factories involved in these cases is 97. In respect of all the 97 sugar factories, the undispatched/unsold quantities of freesale sugar have been converted into levy sugar.

Besides, during the financial year 2000-2001 (upto February, 2001), 12 sugar factories were, *prima facie*, found to have violated the statutory release orders issued by the Directorate of Sugar by dispatching/selling more quantity of freesale sugar. All these 12 sugar factories have been served with show cause notices. In addition, information from the Central Excise authorities to cross check the alleged excess sale of freesale sugar has been called for.

Replies to show cause notices have been received from two sugar factories, so far. However, replies from the Central Excise authorities in respect of these two sugar factories are yet to be received. The Central Excise authorities have replied in respect of two other sugar factories which have been served with show cause notices but the replies to the show cause notices from these two concerned sugar factories have not been received. Appropriate action would be taken on receipt of replies from the sugar factories and the Central Excise authorities.

3.16 The Directorate also processes the claims of the various sugar factories for grant of incentives under the Incentive Scheme. The Sugar Incentive Scheme, 1997 is presently in operation.

3.17 Due to steep rise in the cost of plant and machinery, the new and expansive projects were not proving economically viable. With a view to mitigate the hardships of the entrepreneur involved in the execution of high cost sugar project, as well as to enable them to become viable by utilising surplus funds generated through higher free sale quota for repayment of Loan advanced by the Central Financial Institutions and the Sugar Development Fund, the incentive scheme was formulated for new and expansion projects established at high capital cost. Now by the levy to 15% and their further proposed decontrol, old and new sugar projects will be treated equally and now expansion projects will have to depend on market forces for their existence whose trend at the present time is not encouraging. The situation was made worse by import of sugar for the last two years. In this context, when the Committee asked what steps are being taken for the industries which have been set up on the basis of incentive and whether this will not push them towards sickness, the Ministry in their written reply submitted as under:—

1.0 The incentive schemes for the sugar factories were framed in the context of the policy of partial control and dual pricing in respect of sugar. Under this policy, 40% of the sugar was being procured by the Central Government at controlled ex-factory levy sugar prices, while the remaining 60% was allowed to be sold, subject to the quantity allowed under the release orders, as freesale sugar. The realisations of the sugar factories from the freesale sugar were high, while the levy sugar prices were fixed by the Government at a lower level.

1.1 Under such partial control and dual pricing policy, new/expansion projects in the sugar sector were not proving economically viable. As higher capital investment is required for establishing new sugar factories/expansion of existing capacities, investment in the sugar sector was not forthcoming. On the other hand, the country needed higher sugar production.

1.2 Therefore, with a view to mitigating hardships of the entrepreneurs in the sugar factory and to make the investment in the sugar sector viable by utilising surplus funds generated from higher freesale quota of sugar for repayment of term loans availed from the financial institutions/banks, the incentive schemes were formulated. Under the incentive schemes, the new sugar factories and the expansion projects of existing sugar factories were allowed higher freesale quota for a certain number of years, so that higher realisations from the freesale sugar sales would enable them to be viable.

2.0 Government has decided to decontrol the sugar industry in a phased manner. The Finance Minister in his budget speech has mentioned that the complete decontrol must be irreversible. Government has decided to introduce futures/ forward trading in sugar, a step that is necessary before full decontrol of sugar.

2.1 As the incentive schemes were framed in the context of the partial control and dual pricing policy in respect of sugar with compulsory levy at 40%, with proposed complete decontrol, the basis on which incentive schemes were formulated would not longer exist.

3.0 As with proposed complete decontrol, the sugar factories will be able to sell their sugar in the open market without paying any compulsory levy and the futures/forward trading in sugar would help in achieving a certain degree of price stability, these measures may not lead to sickness of the sugar industry.

3.18 Finance Minister in his Budget speech has stated that the Government is committed to complete decontrol of sugar. But this must be irreversible. Government had decided to introduce futures/ forward trading in sugar within the coming year, a step that is necessary before full decontrol. Sugar under the Public Distribution System will continue to be supplied to ration cardholders in the special category States, hill States, island territories and to BPL families in other States and UTs. Such supplies can even continue after sugar is completely decontrolled.

3.19 In this context, when the Committee asked how future/forward trading in sugar will help in decontrol of sugar, the Ministry in a written reply submitted as under:—

> Government is committed to complete decontrol of sugar in a phased manner. The levy obligation of domestic producers, which was reduced from 40% to 30% *w.e.f.* 1.1.2000, has been further reduced to 15% *w.e.f.* 1.2.2001.

In order to ensure that the complete of sugar is achieved, Government has decided to introduce futures/forward trading in sugar, a step that is necessary before full decontrol. The futures/forward trading would help in achieving certain degree of stability in the sugar prices as this would allow the producers and the traders to hedge their price risk effectively and would facilitate price discovery.

Levy Sugar Price Equalization Fund

3.20 Since 1972, the Government of India has been maintaining a uniform retail issue price of levy sugar under the Public Distribution System (PDS) throughout the country.

3.21 The delivered cost of levy sugar under the PDS includes the following elements of cost/expenditure.

(a) Ex-factory prices of levy sugar.

(b) Excise duty, additional excise duty and sugar cess.

(c) Transportation & distribution costs.

3.22 The ex-factory prices of levy sugar vary from zone to zone. The transporation & distribution costs also very from State to State. The excise duty, additional excise duty and sugar cess remain uniform, *i.e.* Rs. 52 per quintal of levy sugar. Therefore, delivered costs of levy sugar under the PDS vary from State to State, while the retail issue price of levy sugar under the PDS is uniform throughout the country.

3.23 In order to ensure that no State gets undue advantage or faces disadvantage in the matter of delivered costs of levy sugar under the PDS, the Government has established a non-statutory Fund, called the Levy Sugar Price Equalization Fund, which is maintained and operated by the Food Corporation of India (FCI).

3.24 The surplus amount generated in low cost States (where the delivered cost of levy sugar is less than the retail issue price) is required to be credited to the LSPEF and the deficit amount of high cost States (where the delivered cost of levy sugar is more than the retail issue price) is required to be reimbursed from the LSPEF.

3.25 For the payment of the levy sugar price differential, sugar factories are required to prefer claims with the FCI. After verification and scrutiny of the claims, levy sugar price differentials are paid to them.

3.26 For the 2000-2001 sugar season, the ex-factory levy sugar prices have been notified on 31.1.2001. The payment of levy sugar price differential to the sugar factories on the quantity of levy sugar supplied by them out of the current season's production between 1.10.2000 and 30.1.2001 would depend upon the submission of claims duly complete in all respect by the sugar factories and verification/scrutiny of the same by the FCI.

3.27 When the Committee asked to furnish in detail the cases where shortages have been detected in supply of levy sugar to FCI/ State Governments alongwith steps taken by the Government in checking the malpractices and also whether the mills have been paid the amount of levy sugar supplied by them in case of shortages, the Ministry submitted as under:—

"Levy sugar for the Public Distribution System (PDS) is allotted to each State/UT by the Directorate of Sugar. The levy sugar allotment orders indicate the factory-wise quantities to be lifted by the State Government/UTs. or their nominees, and the FCI in respect of the States/UTs. where the FCI is the lifting agency.

The responsibility for lifting the levy sugar from the sugar factories is that of the State Governments/UTs or their nominees, and the FCI.

The levy sugar allotment orders mention that the transactions arising out of the orders shall be entirely and strictly on commercial basis between the sugar factory and the State Governments/UT Administrations or their nominees or the FCI and any claim or dispute arising out of this transaction shall be the responsibility of the sugar factory and no claim shall be against the Central Government.

The FCI has informed that details regarding shortages in supply of levy sugar are being collected from their field offices.

As regard the State Governments, the nominee of the U.P. State Government, *i.e.* the U.P. Cooperative Federation Ltd. has informed that it makes payment to the sugar factories for the quantities actually received.

The nominee of the Madhya Pradesh State Government, *i.e.*, the M.P. State Civil Supplies Corporation Ltd. has informed that during 2000-2001, shortages detected were in respect of 10 sugar mills and in all these cases recoveries were made from the bills of the concerned sugar factories."

3.28 Further, when the Committee asked about the outstanding levy-sugar price differential claims of sugar factories, MD (FCI), during the oral evidence submitted as under:—

"It is correct that old claims are outstanding. The reasons have already been explained. This problem has minimized because the quantity of sugar supplied by FCI is very less. Today, FCI is very less. Today, FCI supplies sugar to two major regions of J&K and North East. Rest of the regions are being taken care of the State Governments. Now, new claims are not coming up. Supply of sugar to North East and Jammu & Kashmir is made by the mills of UP and Maharashtra. The claims which have been raised recently do not involve much delay. Only circular issued by FCI regarding quantity has come to my notice because a clear RR is issued for movement of sugar. Yesterday also, it was discussed that since a sent to contain RR is issued in movement of foodgrains, responsibility regarding any loss shall not be with Railways and my submission in this regard is that the Railways shall bear the loss of quantity caused during transportation. Wherever Railways do not bear such loss, the same is deducted from the sugar mills and if claim made to Railways is received, the same is adjusted otherwise the loss would be borne by the mills alone because FCI shall not go in loss for such quantitative loss. Perhaps circular like this has been issued before two to three years. If Ministries ask for my comments for taking this action, then I shall speak to them."

3.29 Supplementing MD [FCI, JS (Sugar)] furnished as under:—

"When the circular issued by FCI was brought to our notice, we asked, them, under what circumstances it has been issued. In case of sugar a clear RR is given that it should not contain RF.

So the responsibility then is not that of the sugar factory but may be it is of the Railways. That has to be verified."

3.30 When the Committee asked why the shortage, during levy sugar transaction is responsibility of sugar factories and not of the States, UTs or their nominees or FCI, the Ministry in post evidence reply submitted as under:—

"At present, as per the condition of the levy sugar release orders, the transactions arising out of the release orders shall be entirely and strictly on commercial basis between the sugar factory and the State Governments/UT Administrations or their nominees or the FCI and any claim or dispute arising out of the levy sugar transaction shall be the responsibility of the sugar factory and no claim shall be against the Central Government.

As the transactions resulting from the levy sugar release orders are between the sugar factory and the concerned State Government/UT Administrations or their nominees or the FCI, any claim or dispute arising out of such transactions logically should be settled between the parties to such transactions. The Government would examine the issue in consultation with the State Governments/UT Administrations or their nominees, the FCI, the apex bodies of the sugar industry and the Ministry of Law and take necessary corrective action."

Sugar Development Fund

3.31 Under the Sugar Cess Act, 1982 a cess of Rs. 14.00 per quintal is being collected on all sugar produced by any sugar factory in India.

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

3.33 As provided under the Sugar Development Fund Act, the Fund is to be utilized by the Government of India for the following purposes:—

(i) Making loans for undertaking of any scheme for development of sugarcane in the area in which any sugar factory is situated.

(ii) Making loans for facilitating the rehabilitation and modernization of any sugar factory.

(iii) Making grant for the purpose of any research project aimed at development of sugar factory.

(iv) Defraying expenditure for the purpose of building up and maintenance of buffer stock of sugar with a view to stabilizing the price of sugar.

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

3.34 During the period from 1982-83 to 2000-2001 (upto 31 Dec. 2000) a cess amount of Rs. 2725.67 crores has been collected. As on 31.12.2000, an amount of Rs. 2366.00 crores has been transferred to the Sugar Development Fund.

3.35 An amount of Rs. 1903.42 crore has been disbursed from the Fund upto 31st Dec. 2000. Net Fund available in Sugar Development Fund (excluding repayment of principal amount and interest thereon) as on 31-12-2000 was Rs. 462.58 crore. As on 31-12-2000 an amount of Rs. 585.07 crores has been repaid by the Sugar units (principal plus interest) against loan advanced to them.

3.36 The following provisions have been made for payments out of Sugar Development Fund during 2000-2001 and 2001-2002:—

(Rs. in lakhs)

	Budget Estimates 2000-2001	Revised Estimates 2000-2001	Budget Estimates 2001-2002
	1	2	3
(a) Subsidy for maintenance of buffer stocks of sugar	200.00	200.00	100.00

	1	2	3
(b) Grants-in-aid for research projects aimed at development of sugar industry	250.00	125.00	250.00
(c) Loans for modernization rehabilitation of sugar mills	20000.00	15000.00	20000.00
(d) Loans to sugar mills for cane development	2000.00	2000.00	2000.00
(e) Administration of Sugar Development Fund	522.00	548.00	570.00
(f) Expenditure on National Institute of Sugarcane and Sugar Technology, Mau.	665.00	200.00	100.00
Total	23637.00	18073.00	23020.00

3.37 Rule 16 (6) (b) fourth proviso and rule 17 (1) third proviso of the SDF Rules, 1983 provide that the Central Government shall authorise payment of loans from the Sugar Development Fund only to such sugar undertakings which have fully repaid all the sums due in respect of Sugar Development Fund (SDF) and Levy Sugar Price Equalisation Fund (LSPEF). Most of the sugar mills who had applied for loans from SDF and whose cases were considered for grant of loan had availed of SDF loan that had not been fully repaid. There were also cases of sugar mills which had not settled the Government claims with regard to the LSPEF dues and had obtained Stay Orders from the Allahabad High Court on its recovery. As, pending a final order of the Court, the amounts of claim remained due, disbursal of loan from SDF was not possible.

3.38 When the Committee asked what efforts have been made by the Government to remove such obstacle, the representative of Ministry while during official evidence stated as under:—

"The SDF rules had a provisions that no loan from the SDF shall be disbursed if the amount is due, if the earlier loan has not been fully repaid and if any amount is due to the Levy Sugar Prices

Equalisation Fund Account. In the case of short-term loans, when it was introduced, rule 17 (a) had a different provision. It said that loan can be distributed provided the loan amount which has become due has been paid. So, there was a different interpretation given. On the one hand, we are saying that all sums due must be repaid before we give the loan. It was interpreted differently by the Standing on SDF. At one point of time it was said that unless the full loan has been repaid, no SDF loan can be given. As you are aware, in the case of modernisation, the period of moratorium is eight years and after eight years there are five annual instalments. That means 13 years. One of the view earlier taken was if you give SDF loan for modernisation today, then for thirteen years you cannot give the second loan. Then the matter was discussed in the Standing Committee. It was decided that since modernisation is a continuous process we cannot wait so long and that there should be a gap of seven years. Subsequently it was thought that seven years is a too long period. Then it was decided that if the first loan has been given and the project has been implemented, then you can give the second loan. That was the policy before. The result was that some mills got more than two loans. Some mills got three or four loans. This has also become a problem from security point of view. If was examined and it was established on the 12th February and it was notified saying that at any given point of time, there cannot be more than two loans, either for modernisation or for Cane Development. The maximum loan that can be given to a unit is two loans at a time. Third loan cannot be given unless one of the two previous loans has been fully repaid both for modernisation and for cane development. Similarly about the 'all sums due' and 'amount which has become due' has now been clarified. The rules have been amended saying that if they had paid sums due then they are eligible. In other words, if the instalment is due and if he has paid the instalments, then he become eligible for that. Settling that took time."

3.39 When the Committee asked how many applications for modernisation/rehabilitation have been received during 1999-2000 and 2000-2001, the Ministry in their post evidence reply submitted as under:—

"During the 1999-2000 & 2000-2001 the number of applications received from sugar factories for grant of SDF loan for modernisation was 14 and 13 respectively.

Out of 14 cases of 1999-2000, in 7 cases Administrative Approval conveying sanction of loan has been issued. In 4 more cases, the Standing Committee of the SDF has made its recommendations and the issue of administrative approval is under process. Out of the remaining 3 cases, 2 cases are pending for consideration while in one case the financial institution (NCDC) is revising its appraisal report.

Out of 13 cases of 2000-2001, 6 cases have been considered by the Standing Committee of the SDF in its meeting held on 21.3.2001. Issue of administrative approval in the cases recommended by the Standing Committee is under process. The remaining 7 cases are pending for consideration."

3.40 When the Committee further asked how many sugar factories could not be disbursed loan due to their dues to levy sugar price equalization fund and how many sugar factories would be able to avail loan by amending SDF rule, the Ministry in their Post evidence reply stated as under:—

"During the year 2000-2001 disbursement of modernisation/rehabilitation loan to 5 sugar mills was held up due to outstanding LSPEF dues. Out of these cases loans have since been disbursed to 3 mills.

(ii) The Sugar Development Fund Rules, 1983 were amended on 12.2.2001 *vide* GSR No. 91 (E) published in the Gazette of India extraordinary so as to provide that:

(a) The Central Government shall authorise payment of SDF loan only to such sugar undertakings which have fully repaid all sums which have become due in respect of SDF and LSPEF.

(b) A sugar undertaking, which has availed of a loan whether for modernisation or cane development, shall be eligible for loan only on one more occasion during the period in which the previous loan for modernisation or cane development loan, along with interest thereon, has not been fully repaid.

The above amendment in the SDF Rules was made in order to remove any doubt regarding the eligibility of the sugar undertaking to avail of SDF loans."

3.41 The BE (2000-2001) for the purpose was Rs. 250 lakhs which has been decreased to Rs. 125 lakhs in RE (2000-2001), and no money could be disbursed upto December, 2000. When the Committee asked the reasons for non-utilisation of fund, the Ministry in a written reply furnished as under:—

> "An amount of Rs. 13.77 lakhs has been disbursed towards grant-in-aid till date. Grants-in-aid for research projects sanctioned from the SDF are to be completed over a period of time which generally ranges between 3 to 5 years. Annual instalments of grants are to be disbursed to the grantee institutions on this basis. Release of grants-in-aid from the SDF is subject to detailed terms and conditions. The first instalment is released on execution of necessary bond and completion of other related formalities and the subsequent instalments are released only on the production of utilisation certificates and satisfactory progress reports. During the current year, the low expenditure on account of grants-in-aid has been mainly due to lack of proposals for releases of first and subsequent instalments. Letters have been sent to all organisations/institutions to whom grants-in-aid has been sanctioned to expedite the process of availing balance instalments."

National Institute of Sugarcane and Sugar Technology, Mau

3.42 Government of India, Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution took a decision in May 93 to set up a National Institute of Sugarcane and Sugar Technology at Kushmour, Distt. Mau Nath Bhanjan in U.P.

3.43 The Budget allocation and actual expenditure of this Institute from the year 1993-94 is as under:—

(Rs. in lakhs)

Year	Budget Allocation	Actual Expenditure
1	2	3
1993-94	305.10	9.54
1994-95	525.00	11.67
1995-96	753.00	263.73

1	2	3
1996-97	852.00	162.81
1997-98	773.00	419.05
1998-99	873.00	288.07
1999-2000	775.00	127.42
2000-2001 (Upto 31.12.2000)	665.00	31.31

3.44 The Central Monitoring Group, in its meeting held on 27.1.2000, has recommended as follows:—

"As the National Institute of Sugarcane and Sugar Technology, Mau has not yet fully developed as an Institution, though a substantial investment has been made in infrastructure like buildings; the group strongly recommended the winding up of this Institution and transfer of the buildings along with land to any Central Agency which is looking for accommodation in this area. If no such central institution shows any interest, the Department should also explore the possibility of transferring the assets to the State Government. The specialized functions, if any, which are to be performed by this Institute could as well be entrusted to the NSI, Kanpur which has a good track record in promotion of sugar technology and in training of personnel for eventual employment in sugar industry."

3.45 Pursuant to the above recommendation, it has been decided to examine the feasibility of transferring this Institute to the Ministry of Agriculture which is primarily concerned with agricultural research. No further recruitment to the Institute has been made.

3.46 When the Committee asked what circumstances has changed that we do not want NISST, MAU, the Secretary (Department of Food and Public Distribution) stated as under:—

"This is stated in the recommendation itself. There will be a duplication of efforts. This is what this Group felt and that is why they recommended that this work would be looked after by NSI or some other research institution. And if need be, it could also be transferred to the State Government. It would not be appropriate for me to comment on the decision taken. If the august body wants this decision to be reviewed, it can make an appropriate recommendation."

3.47 When the Committee further asked whether NSI Kanpur is sufficient to take up, the challenge and whether NSI Kanpur has made a major breakthrough that we do not want NISST, MAU, the representatives of Ministry furnished as under:—

"As discussed an original effort was made to establish NISST, Mau in 1993. This was for providing training in the fields of sugar technology, sugar engineering and industrial fermentation. NISST, Mau was conceived to focus on these three subjects. This was set up also to serve the sugarcane growers needs in Eastern Uttar Pradesh and Bihar. Thereafter, the project was reviewed in 1996. At that time also it was recommended that steps should be taken to dispose of the building concerned, if there is no justification to locate the institute at Mau. It was decided that the institute, in addition to training and extension services initially intended to be rendered could also cover teaching of post-graduate courses. It was thought that the post-graduate courses which were not there in Kanpur could also be accommodated here. Recommendations of Central monitoring group were submitted in January, 2000. Mahajan Committee recommendations were submitted in 1998. The main recommendation of Mahajan Committee was to strengthen National Sugar Institute at Kanpur which was once quite reputed and make it autonomous body. Government has decided to strengthen NSI. This is also being discussed that the institute should be strengthened as per the need of the industry after discussing with them. If this is done, it will produce people who will be beneficial to the industry. In so far as the recovery of sugarcane is concerned, the percentage of recovery is less now, though Government of UP has taken varietal replacement programme. Consultation on sugarcane is not being done in Kanpur now. That is being looked after by the Sugarcane Breeding Institute, Coimbatore and IISR, Lucknow. The Government has already taken steps in this regard and the Government of Uttar Pradesh has also taken steps for varietal development."

Import of Sugar

3.48 In the Union Budget 1999-2000, the duty on imported sugar was increased from 20% to 25% plus a 10% surcharge and the countervailing duty of Rs. 850 per tonne was also continued. The basic custom duty was further raised to 40% with effect from 30.12.1999 and thereafter to 60% with effect from 09.02.2000, with the continuance of countervailing duty of Rs. 850 per tonne. During the financial year 2000-2001 (upto November 2000) a quantity of about 0.23 lakh tonne (provisional) of sugar has been imported by various private parties under OGL as against a quantity of about 11.15 lakh tonnes (provisional) imported during 1999-2000 as per DGCIS-Calcutta. The import/export performance of India during the financial years 1998-99 to 2000-2001 has been as under:—

(Qty in lakh tonnes)

Financial Year	Imports
1998-1999	9.00
1999-2000 (P)	11.15
2000-2001 (upto Nov. 2000) (P)	0.23

(P) = Provisional

Stocks of Sugar

3.49 Month-wise carry over stock, production, off take and month-end stocks for the season 2000-2001 are as under:—

(In lakh tonnes)

Months	Carry Over Stock	Production	Offtake	Month-end stock
Oct. 2000	92.97	2.03	14.38	80.62
Nov. 2000	80.62	15.21	12.83	83.00
Dec. 2000	83.00	32.05	13.43	101.62

Export of Sugar

3.50 Government has allowed export of 10 lakh tonnes of sugar during the licencing year 2000-2001, which can be undertaken by the sugar mills either directly or through the exporters.

3.51 In order to boost export of sugar, Government have taken the following measures:—

(i) The sugar meant for export has been exempted from the levy obligation. This exemption, which was initially available for a period of six months, commencing from 1st June, 2000, has been extended upto 31.3.2001.

(ii) The quantity exported for commercial exports is being treated as advance freesale release to be adjusted after a period of 12 months from the date of release.

(iii) The levy exemption on the quantity of sugar meant for commercial exports, if it could not be availed of by the sugar factory out of 1999-2000 season's production due to the completion of its levy obligation, the same may be availed by the concerned sugar factory from the production in the current sugar season.

DEPB at the rate of 5% of the F.O.B. value of exports of sugar has been allowed.

3.52 When the Committee asked how much quantity of sugar has been exported, the Ministry in their post evidence reply furnished as under:—

"As per the information published by DGCI&S, Calcutta, a quantity of about 1.84 lakh tonnes (provisional) has actually been exported during the financial year 2000-2001 (upto December, 2000).

As per the information furnished by the exporters, a quantity of about 4.34 lakh tonnes (provisional) has been exported during the financial year 2000-2001 (upto 14.3.2001). Further exports are in progress."

Cane Price Arrear

3.53 As on 30.09.2000, the total cane price arrears of 1999-2000 sugar season and the earlier sugar seasons were Rs. 799 crores.

3.54 On the basis of the information received from the States, the cane price arrears, as on 15.3.2001, were Rs. 245.60 crores.

3.55 Therefore, the cane price arrears paid to the sugarcane growers between 1.10.2000 and 15.3.2001 were Rs. 553.40 crores.

3.56 Cane price payment position is required to be furnished by the sugar mills on fortnightly basis which on receipt is compiled by the Directorate of Sugar. As a number of sugar mills do not send the information on time, the compilation gets delayed by 4-6 weeks.

3.57 As per the latest compilation, as on 31.1.2001, for the current 2000-2001 sugar season, the cane price arrears are to the tune of Rs. 125475.43 lakhs.

3.58 The cane price arrears in respect of public, cooperative and private sector sugar mills are to the tune of Rs. 160.66 crores, Rs. 556.97 crores and Rs. 537.13 crores respectively.

Sick Sugar Industry

3.59 State/Union Territory-wise position of sugar companies registered with the BIFR is given as follows:—

S. No.	State	No. of Companies
1.	Andhra Pradesh	3
2.	Bihar	3
3.	Kerala	1
4.	Karnataka	5
5.	Madhya Pradesh	3
6.	Maharashtra	3
7.	Orissa	1
8.	Punjab	1
9.	Rajasthan	1
10.	Tamil Nadu	3
11.	Uttar Pradesh	14
12.	West Bengal	1
	Total	39

3.60 According to information received from the National Bank for Agriculture and Rural Development (NABARD), as on 31.3.1999, out of 241 sugar mills under the Cooperative sector, 92 mills had negative net worth. State-wise details in this regard are given below:—

State	Number of Mills	Number of Mills with negative Net-worth
Maharashtra	123	35
Gujarat	18	6
Andhra Pradesh	14	7
Haryana	10	4
Punjab	14	6
Uttar Pradesh	32	20
Tamil Nadu	16	10
Karnataka	14	4
Total	241	92

3.61 When the Committee asked what efforts have been made by the Govt. to remove sickness, the Ministry in their post evidence reply submitted as under:—

"The Government of India has taken the following steps to revive the sick sugar mills:—

1. Levy obligation of sugar mills, which was reduced from 40% to 30% w.e.f. 1.1.2000, has been further reduced to 15% w.e.f. 1.2.2001.
2. Monthly release of free-sale sugar are being made judiciously to ensure fair realization to sugar industry.
3. Advance releases of free-sale sugar are being given to needy sugar mills to enable them to clear cane price dues of the farmers.
4. Government is also considering to amend the Sugar Development Fund Rules, 1983 for providing financial assistance at confessional rate of interest to potentially viable sick sugar mills."

3.62 A Committee has been constituted by the Government under the Chairmanship of Secretary (F&PD) to examine the cases of sick Cooperative Sugar Mills and to recommend revival packages of potentially viable units.

3.63 When the Committee further asked whether Government is considering to open/revive the closed sugar mills, the Ministry in their post evidence reply submitted:—

"The State Government of Bihar have informed that there are 15 sugar factories under the administrative control of Bihar State Sugar Corporation Ltd. (BSSCL), a Bihar State Government undertaking, which are lying closed. The Bihar State Government has informed that the following steps are being taken by the State Government for the revival of the closed sugar units of BSSCL.

1. The three factories, namely, Hathuwa, Lauriya and Siwan, which were taken over from their erstwhile owners, *i.e.*, S.K.G. group in the year 1985 are proposed to the returned to their erstwhile owners. The matter of handling over these mills back to the old management is under the consideration of the State Government. The old management has assured the State Government to modernise these mills gradually and make them viable.

2. In so far as other twelve mills under Bihar State Sugar Corporation are concerned, a decision has been taken to get them evaluated by a technical consultant and then dispose them off. The IFCI has been appointed as technical consultant for evaluation of these mills. The IFCI will also invite tenders and do necessary negotiation so that outright sale of these units may be finalized. Buyers of these mills are expected to modernize and operate them. In a meeting convened by the Hon'ble Minister for Consumer Affairs, Food & Public Distribution on 19.1.2001 to discuss, *inter-alia* the issue of revival of closed/sick sugar mills. The representatives of IFCI were also present in the meeting and they assured to provide all possible cooperation in improving the viability of the sugar mill.

   This Ministry has no information regarding the steps being taken by the other States to privatize the closed sugar mills in their respective State.

The Central Government is considering a proposal to amend the Sugar Development Fund Rules, 1983 to grant loans from the SDF at confessional rate of interest to potentially viable sick sugar mills.

The Central Government has also decided to give concession in levy percentage to sugar mills which will be rehabilitated with financial assistance from the Centre."

High Powered Committee on Sugar Industry

3.64 In pursuance of the directions of the Allahabad High Court, Government had, in 1997, set up a High Powered Committee under the chairmanship of Shri B.B. Mahajan, retired Food Secretary, to study the entire gamut of sugar economy and make recommendations for its improvement. The Committee submitted its report on 15.4.1998 and made 167 recommendations (including sub-recommendations) on various aspects of sugar policy. Government has taken decisions on all the recommendations of the Committee. The main decisions of the Government are as follows:—

- Government has decided to decontrol the sugar industry in a phased manner. The phased decontrol shall be accompanied by a number of steps including establishment of a forward/furtures market for sugar to achieve long-term price stabilisation.

- The Public Distribution System (PDS) for sugar has been restructured to achieve better targeting. The income tax assesses and the members of their family have been excluded from the purview of distribution of sugar under the PDS with effect from 1.7.2000. With effect from 1.2.2001, supply of sugar under the PDS has been restricted to the Below Poverty Line (BPL) families in all States/Union Territories except North Eastern States, Hill States and Island territories. The minimum per head per month sugar under the PDS has been increased from 425 gms. to 500 gms. with effect from 1.2.2001.

- Government has decided that instead of setting up a Sugarcane Pricing Board for determining the final sugarcane prices to be paid by the sugar mills, the Commission on Agricultural Costs & Prices (CACP) will be entrusted with the responsibility of determining the sugarcane prices including the growers' share percentage in the final cane prices. The Government has lifted on 13.4.1999 the restriction on sale of at least 47.5% of the monthly freesale sugar quota during each fortnight. Government has also allowed w.e.f. 25.1.2000, the sugar factories to sell upto 10% of their monthly freesale quota by the 7th of the succeeding months.
- Government has w.e.f. 7.7.2000 removed the stockholding limits on recognised dealers of sugar.
- Government has set up a Committee under the chairmanship of Secretary, Department of Food & Public Distribution to examine the cases of sick cooperative sugar mills for recommending revival packages for potentially viable sick cooperative sugar mills.
- Government has decided to amend the Sugar Development Fund Rules, 1983 for providing loans at concessional rates from the Sugar Development Fund for potentially viable sick sugar mills.
- Government had decided to amend the Sugar Development Fund Rules, 1983 for giving loans to the sugar mills for utilisation of by-products with a view to improving their viability.

3.65 **The Committee note that the number of samples of sugar failed from 1998-99 to 1999-2000 has increased from 121 to 124 though the number of samples decreased from 843 to 518 during the year. The number of sugar factories which were issued warning letters have also decreased from 33 in 1998-99 to 24 in 1999-2000. The Committee feel that the Government is not giving adequate weightage to quality control of sugar. In the opinion of the Committee, if the quality of sugar is to maintained, Indian Sugar will not compete in the international market and thus have an impact on export scenario. The Committee, therefore, recommend that the quality of sugar should be strictly maintained.**

3.66 The Committee note that during 2000-2001, disbursement of modernization/rehabilitation loan was also held up due to levy sugar Price equalisation Fund dues. Also during 1999-2000 and 2000-2001, the disposal of applications for modernization/rehabilitation is also not encouraging due to which the whole sum of Rs. 200 crore for modernization/rehabilitation could not be utilized and the amount had to be reduced to 150 crore at RE (2000-2001) stage. The Committee, therefore, recommend that all technical snags in disbursal of loan for modernization/rehabilitation be removed and all out efforts should be made to utilize the sum earmarked in a financial year fully.

3.67 With a view to cater to the need of cane-growers of eastern U.P., Bihar and other adjoining areas and also in regard to cane development, the Government had taken a decision to establish National Institute of Sugarcane and Sugar Technology (NISST), MAU in 1993. In 1996, the project was reviewed by the Ministry of Finance and it was recommended by them to take steps for disposal of land building, if there was no justification to establish the institute of MAU. Later, it was decided that the institute, in addition to training and extension services, could also cover teaching post-graduate course which was not available in NSI, Kanpur and as such the Government continued with the project. Now, Central Monitoring Group of the Ministry of Finance has recommended for winding up of NISST, MAU and transferring the land and building to any Central agency/ State Government in the related field. The Committee are constrained to understand as to why the Government took a decision to establish NISST, revised the same later on, again continued with the project and finally decided to wind up. The Committee feel that there is some major lacunae at policy level in the Government and Government is not able to make firm decision in fixing priority. It seems that no care was taken for the financial position of the country *vis-a-vis* the interest of sugarcane growers of the area in taking such a hasty decision. The Committee, while expressing their deep concern over this ridiculous activity, record their disagreement. They, therefore, recommend that the Government should review the decision, go along with the NISST, MAU, and should not wind up the Institute in the larger interest of farmers of Eastern U.P. and Bihar.

3.68 The Committee have come to know that in many cases there has been shortage in supply of levy sugar to FCI/State Government or their nominees and the shortage in all the cases is being recovered from respective mills even when a clear RR is given to them. The Committee recommend that the Government should rectify the anomaly immediately in consultation with FCI, State Govt. and Railways etc. for positive disposal of genuine claims as has been ascertained by Ministry during evidence. The Committee desire that such steps should be taken so that no such anomaly should recur in future. Steps taken in this regard should be communicated to the Committee.

3.69 The Committee note that internal consumption of sugar during 1999-2000 was 155.36 lakh tonne. The closing stock of sugar was about 92.97 lakh tonne at the end of sugar season 1999-2000. India has become the largest producer of sugar in the world with production of 181.41 lakh tonnes in 1999-2000. However, as per information of DGCI&S, Calcutta, a quantity of about 1.84 lakh tonne only has been exported during 2000-2001 up to December 2000. The Committee feel that there is great need to augment export of sugar in the interest of sugar industry, otherwise sugar mills will not be able to sell sugar in the domestic market in time. The Committee, therefore, strongly recommend to devise ways and means for export of sugar which is in excess of domestic consumption.

3.70 About 23000 tonne of sugar has been imported upto November 2000. The landed cost of imported sugar comes to Rs. 9.25/kg approximately which is cheaper than domestic sugar. The Government has stated that such imported sugar is for pharmaceutical purposes. The Committee feel that when there is already excess of sugar in the country, the import of sugar is not justified. The Committee, therefore, recommend that the import of sugar be substantialy minimized and for need of pharmaceutical industries, R&D work be augmented in sugar institutes and laboratories.

3.71 As on 30.09.2000, the total cane price arrears of 1999-2000 sugar season and of earlier sugar season were Rs. 799 crores. As on 31.1.2001, for current sugar season (2000-2001), the cane price arrears are Rs. 12,5475.43 lakh which accounts to about 32% of total cane price. The Committee appreciate that Government have amended the sugarcane (control) order, 1966 to enable the Central Government/ State Governments to recover cane price arrears as arrears of land revenue. The Committee, therefore, strongly recommend to invoke the sugarcane (control) Order, 1966 strictly so that all the cane price arrears are paid to sugarcane farmers in time.

3.72 The Committee have been informed that 39 private/public sugar industries are reported sick to BIFR. About 92 sugar cooperative sugar mills have also their negative net worth. The Committee note that about 25% of sugar industries are either sick or with negative net worth. The Committee, therefore, recommend that positive efforts be made to open/revive closed/sick sugar mills even by privatizing them for which the matter may be taken up at the appropriate level with the State Governments immediately. Further, funds should be given out of SDF for modernization/rehabilitation of sick sugar industry. Excise duty levy and other fax exemption be considered on production of sugar and their by-products like molasses etc. Research should also be conducted for by-product utilization of sugar so that ancillary units may be established and sick sugar units should be capable of utilising revenue obtained from by-products to strengthen themselves.

3.73 The Government have reduced levy obligation of sugar factories to 15% w.e.f. 1.2.2001. Finance Minister has also announced that complete decontrol of sugar is irreversible. Once sugar is fully decontrolled old sugar mills and new sugarmills alongwith expansion projects will be treated at par and those with sound financial position alone will survive. In such situation the new/expansion projects may not prove economically viable as domestic sugar industry is saddled with high production of sugar to the tune of 248.87 lakh tonne while internal consumption is only 155.36 lakh tonnes. Thus, in a limited market with very less scope of export alongwith subsidized imported sugar, the sale of sugar is bound to be affected. The Committee, therefore, desire that for new/expansion project, exemption of excise duty on total production and molasses should be considered so that they may withstand competition.

CHAPTER IV

MANAGEMENT OF EDIBLE OIL

Edible oils and fats are an essential ingredient for a wholesome and balanced diet and more vital items of mass consumption. Because of the importance of edible oil in our national economy, the Department of Food & Public Distribution has been entrusted with the responsibility of management of edible oils so as to ensure their easy availability to the consumers at reasonable prices throughout the country.

Main Edible Oils

4.2 There are two sources of oils-primary sources and secondary sources. The primary sources include those oilseeds, which are cultivated. The main edible oils from these sources are groundnut, rapeseed/mustardseed, soyabean, sunflower, sesame, digressed and safflower seed. he main secondary sources of oils include coconut oil, cottonseed oil and rice barn oil. The production of oilseeds and net availability of edible oils from domestic sources (parimary source and secondary source) for the years 1998-99 and 1999-2000 are recorded below:—

(In lakh MTs)

Name of Oilseeds	1998-99		1999-2000	
	Oilseeds	Oils	Oilseeds	Oils
1	2	3	4	5
(A) Primary Source				
Groundnut	91.70	21.05	56.10	12.88
Rapeseed & Mustard	57.80	17.91	56.70	17.58
Soyabean	69.40	11.09	68.40	10.94
Sunflower	11.70	3.51	8.10	2.43
Sesame	5.60	1.74	5.40	1.67

1	2	3	4	5
Nigerseed	1.60	0.48	1.30	0.39
Safflower	3.20	0.96	2.70	0.81
Castor	8.40	3.36	7.70	3.85
Linseed	2.70	0.81	5.40	1.62
Total	252.10	60.91	211.80	52.17
(B) Secondary Source				
Coconut	—	4.90	—	5.00
Cottonseed	—	4.80	—	5.00
Rice-bran	—	5.00	—	4.50
Solvent Extracted Oils		3.70		2.50
Tree & Forest Origin	—	1.50	—	1.0
Sub-Total	—	19.90	—	18.0
Total (A) + (B)	—	80.81	—	70.18
(C) Less: Export & Industrial use	—	10.00	—	8.00
(D) Net Domestic Availability of Edible Oils	—	70.81	—	62.17

4.3 The management of edible oils is done through the Directorate of Vanaspati, Vegetable Oils & Fats. The main activities involved in the management of edible oils are (A) administration of various control orders through the Directorate of Vanaspati, Vegetable Oils & Fats (B) distribution of imported oils through public distribution system at subsidized rates and (C) management of the public sector undertaking, namely, the Hindustan Vegetable Oils Corporation.

Directorate of Vanaspati, Vegetable Oil and Fats

4.4 Directorate of Vanaspati, Vegetable Oils and Fats plays a key role in the development of vegetable industry. Financial assistance is given for research and development activities for improving the availability and acceptability of oils and processing the quality of products. The plan outlay for Budget Estimates & Revised Estimates 2000-2001 and Budget Estimates 2001-2002 for Research & Evaluation (Research & Development) is as under:

(Rs. in lakhs)

	Budget Estimates 2000-2001	Revised Estimates 2000-2001	Budget Estimates 2001-2002
Plan	30.00	35.00	40.00

4.5 The aforesaid provision has been utilized for funding a number of nationally recognized institutes/R&D organizations, who have done significant work. The Directorate has qualified Chemists with experience in the analysis of fats and oils. Irregularities pointed out by the Field Officers in their Inspection Reports are considered for appropriate action against the defaulting units. The samples drawn by the Field Officers are sent to the Laboratory of the Directorate for analysis for checking conformity with the prescribed requirements. In case of the failure of samples, concerned State Governments are required to launch prosecution against the defaulting units. On an average, the Directorate has been analyzing about 4000 samples per annum. The number of samples received/analyzed during Financial Year 1997-98, 1998-99 and 1999-2000 are as below:-

Name of Oil	No. of Samples Tested		
	1997-98	1998-99	1999-2000
VOP	3704	3016	3827
SEO	144	244	91
Special	40	153	1
Total	3888	3413	3919
Failed	11 VOP 12 GNO 7 VOP from Nepal	22 VOP 17 SEO	22 VOP 5 Special Samples

4.6 The non-plan outlay for the Directorate is Rs. 168.00 lakhs in RE 2000-2001 and Rs. 197.00 lakhs in BE 2001-2002.

4.7 When the Committee asked how many samples of different oils have been tested during 2000-2001 till March 15,2001 and how many of them have failed in test, the Ministry in their written reply have furnished as under:-

"Details of the samples analysed in the laboratory of the Directorate of Vanaspati, Vegetable Oils & Fats during 2000-2001 till March, 15, 2001 are as under:-

Name of the Oil	Number of Samples Tested During 2000-2001 (till 15th March)	Number of Samples Failed* During 2000-2001 (till 15 March)
Vanaspati	2394	63
Vegetable Oils	42	9
Solvent Extracted Oil	17	—
Margarine	7	6
Total	2454	78

*Samples failed mainly in respect of Melting Point, Baudou in Test, BR Reading, Free Fatty Acid (FFA), Vitamin-A, etc."

4.8 When the Committee further asked what actions have been taken against the units whose sample, taken in 1997-98, 1998-1999 and 1999-2000, have failed test, the Ministry replied as under:-

"Details of the samples analysed in the laboratory of the Directorate of Vanspati, Vegetable Oils & Fats during the last three years are as under:

Name of the Product	Number of Samples Tested		
	1997-98	1998-99	1999-2000
1	2	3	4
Vanasati	3704	3016	3827
Refined Solvent Extracted Oil	144	244	91

1	2	3	4
Special Samples	40	153	1
Total	3888	3413	3918
Samples Failed			
Vanaspati	11	22	22
SEO	—	17	—
Groundnut Oil	12	—	—
Van. from Nepal	7	—	—
Special Samples	—	—	5

Show cause notices were issued to defaulting units for such failure of samples and subsequently considering the merit of the case, prosecution was recommended in two cases to the concerned State Governments in the year 1997-98. Permission granted to certain vanaspati units for manufacture of vanaspati under the Vegetable Oil Products (Control) Order was suspended for presence of Argemone Oil detected in the year 1998-99. Registration granted to one of the vanaspati units was cancelled on account of failure of samples in the year 1999-2000."

4.9 When the Committee desired to know the reasons for less prosecution, action taken on the samples failed, the representatives of Ministry during the evidence submitted as under:—

"We have collected 2454 samples out of which 78 samples failed. You wanted to know the details of the causes. The causes of failure were that most of the cases have failed in the vitamin A test or in the Banaldwin test in which sesame oil is required. Since they are not very grave defaults, show-cause notices ere issued in 78 cases. We have received replies, and action is being taken only in the case of one where he was a major defaulter. We can only check at the manufacturing stage in the factory. After that, when it comes to the shelf or to the market, it is for the Health Ministry and the PFA authorities to seize the sample and take action."

4.10 When the Committee desired to know how many samples have been tested to detect adulteration of oils in different States along with action taken thereon, the Ministry in their post evidence reply have furnished as follows:—

"Detection of adulteration of food items, including oils and fats, comes under the purview of the Prevention of Food Adulteration, Act, 1954 and Rules make thereunder, which are administered by the Director General of Health Services in the Ministry of Health.

The Vegetable Oil Products (Regulation) Order, 1998 and Solvent Extracted Oils, De-oiled Meal and Edible Flour (Control) Order, 1967 promulgated under the Essential Commodities Act, 1955 are administered by this Department. Vegetable oil products, including vanaspati and solvent extracted oils, are checked at the manufacturing stage. 2454 samples were drawn from the manufacturing units in the country during 2000-2001, and out of these, 78 samples were found not conforming to the standards of quality. Show cause notices to the defaulting units have been/are being issued and action as appropriate would be taken against them."

4.11 Statewise details of samples tested in the Laboratory of the Directorate of Vanaspati, Vegetable Oils & Fats during the year 2000-2001 (upto 15.3.2001)

State	Number of Samples Tested				
	Vanaspati	Vegetable Oil	Solvent Extracted Oil	Margarine	Total
1	2	3	4	5	6
Haryana	95	9	—	—	104
Himachal Pradesh	11	—	—	—	11
Uttar Pradesh	465	1	—	—	466
Punjab	382	1	—	—	383
Jammu & Kashmir	75	3	—	—	78
Rajasthan	214	1	—	—	215

1	2	3	4	5	6
Bihar	42	1	—	—	43
West Bengal	178	7	2	7	194
Madhya Pradesh	181	10	4	—	195
Orissa	66	2	—	—	68
Maharashtra	263	5	—	—	268
Andhra Pradesh	176	—	—	—	176
Karnataka	24	—	—	—	24
Gujarat	150	1	5	—	156
Tamil Nadu	69	1	—	—	70
Manipur	3	—	—	—	3
Total	2394	42	11	7	2454

4.12 India has potentials to extract edible oils from indigenous resources if research and development work is conducted properly. In this context, when the Committee desired to know what efforts have been made on development of palm oil, the representative of Ministry during evidence submitted as under:—

> "Sir, I would like to say one thing about it. The Government of India has spent a lot on development of palm oil. We had a fund of about Rs. 10-12 crores and work is being done in this direction for the past 4-5 years. Sufficient progress did take place. Andhra Pradesh, Karnataka and States of coastal areas as well as Andaman and Nicobar Islands are also included in it. Area coverage was increasing. However, there has been decline in it during the last year. Additional area is not increasing. The main reason is decline in the oil prices in the domestic market. Those who are engaged in this field are not getting the remunerative prices. They are being demotivated. Farmers have uprooted 12000 hectare production out of the total 56000 hectare of land. MIS is going on. There is inclination for fresh fruits. Identified companies hand over the product."

4.13 The Ministry have informed that out of 30 samples that failed in 1997-98, 11 vanaspati samples failed mainly because of Free Fatty Acid (FFA) being more than 0.25%. Baudouin Test (BT) and Vitamin 'A' show cause notices to the defaulting vanaspati units were served. The replies in the case of two parties involving seven samples were found unsatisfactory and, despite warning, they refused to rectify, resulting in issuance of recommendation for prosecution. Twelve samples of Groundnut Oil collected from the market and analyzed for quality assessment failed. The test reports of the samples with necessary details were sent to Ministry of Health with the request to take appropriate action under the Prevention of Food Adulteration Act. Seven vanaspati samples of Nepal origin also failed in FFA, BT and Vitamin 'A'. The Ministry of Health was asked to take action under the Prevention of Food Adulteration Act.

4.14 There is increase in failure of sample tests of different oils from 30 in 1997-98, it has increased to 78 in 2000-2001. When the Committee desired to know the kind of monitoring being done which has increased such failure and samples, the Ministry in written reply have submitted:—

"It is a fact that in 2000-2001 the number of samples, which failed the test, increased to 78 whereas, in the previous years, the failure was 27 samples in 1999-2000, 39 samples in 1998-99 and 30 samples in 1997-98. Monitoring was stricter in 2000-2001. Government had changed its policy of encouraging import of crude oil at a concessional rate for vanaspati units, for increased capacity utilization of its domestic industries. As a result of the higher usage of Crude Palm Oil in the manufacture of vanaspati, there was a higher rate of failure of samples.

4.15 One Consumer Service Centre under the Department of Consumer Affairs for detection of common adulterants by simple test methods was in operation at Super Bazar, New Delhi during 1998. No proposal to set up such consumer service centers at other places by this Department is under consideration.

4.16 During 1999-2000, 22 samples of vanaspati failed, out of which registration was cancelled in one case only. When the Committee asked what action was taken in the case of other units, the Ministry replied:

"The samples failed mainly in Baudouin Test (BT) and Vitamin A. These samples were collected from the manufacturing units. In general, for failure of samples in minor parameters/items, warning is issued to the defaulting units so that they are careful in future.

Registration was cancelled in one case in which the sample failed. Out of the remaining 21 samples, five vanaspati samples that were of Nepal origin, failed in FFA, BT and Vitamin 'A'. The Ministry of Health was asked to take action under the Prevention of Food Adulteration Act. In the remaining 16 samples, show cause notices to the defaulting units were served. Since they carried out the necessary corrections, they were warned to be careful in future."

Recent Developments in the Vegetable Oils Sector

4.17 The Government has reviewed the edible oil sector in depth and has taken a number of measures to correct the situation:—

(a) In order to give boost to the efforts for indigenous production of oilseeds and hence of edible oils, use of indigenous oils in the manufacture of vanaspati to at least 25% of the production on a monthly basis has been made mandatory. The measure should also help in effectively regulating the unrestricted import of edible oils.

(b) Higher use of expeller mustard oil in the manufacture of vanaspati up to 30% has been allowed. The objective is to incentivise the farmers in terms of better returns for their produce.

(c) Duties on crude palm oils meant for processing have been kept lower than those on refined edible oils.

4.18 Further, the following measures have been announced in the Budget 2001-2002:—

(i) The import duty structure has been designed so as to protect the interest of farmers and processors particularly sick vanaspati industry. The duty on crude-palm oil for the manufacturing of vanaspati by sick units has been fixed @ 55%. In this regard a certificate will be issued by the Directorate of VVO & F that it is a sick unit. For others the duty has been fixed @ 75%.

(ii) Actual user condition has been stipulated so as to give support to the processors. The stipulation of actual user condition is designed to minimize the diversion of edible oils for usage not intended and thus, regulate the import of edible oils.

There are 218 vanaspati units with an annual installed capacity of 45.05 lakh MT. Capacity utilization in the year 1999-2000 is estimated at 31% (based on total capacity created) and at 45% (based on running units).

According to available information, 84 vanaspati units (with annual capacity of about 13.7 lakh MTs) are closed, while 34 vanaspati units have gone to BIFR.

4.19 In order to give effect the Budget announcement and Notification No. 17-1/2001-Custom dated Ist March, 2001. The guidelines framed by the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution for determining the eligibility of sick vanaspati units for the purpose of availing concessional rate of import duty [@ 55%] were notified *vide* Order No. 1-VP(13)/2001 dated 16th March, 2001. A copy of the said:—

(i) Concessional rate of duty shall be applicable to the sick vanaspati units of the sick companies only. The profit making vanaspati units of the sick companies shall to be eligible for this concession.

(ii) The sick companies having sick vanaspati units should have been referred to the BIFR as on the date of presentation of the Union Budget 2001-2002, *i.e.* 28.2.2001.

(iii) If any sick company referred to the BIFR as on the date of presentation of the Union Budget 2001-2002, *i.e.*, 28.2.2001, makes some modification/addition in the existing plant and machinery, so as to start manufacturing vanaspati after the said date, the concessional rate of duty shall not be available in such cases.

(iv) The concessional rate of duty shall be applicable to the sick companies in respect of the sick vanaspati units from the date on which the scheme for rehabilitation is sanctioned by the BIFR and accepted by the concerned Financial Institutions and Banks. Further, in order to be eligible for the concessional rate of duty, the sick companies having vanaspati units should have started making payment to the Financial Institutions and Banks as per the scheme.

(v) The sick companies availing of the concessional rate of duty in respect of their sick vanaspati units shall submit a certificate from the concerned Financial Institution and Banks to the effect that payments are being made by the said companies as provided for in the rehabilitation scheme sanctioned by the BIFR and that there is no default in respect of these payments. This certificate will be submitted to the Directorate of Vanaspati, Vegetable Oils and Fats.

(vi) The sick companies availing of the concessional rate of duty in respect of their sick vanaspati units shall also submit an affidavit that they are making all payments due to the financial Institutions and Banks as per the rehabilitation scheme sanctioned by the BIFR and that there is no default in this regard.

(vii) In case there is any default in payment as envisaged in the rehabilitation scheme sanctioned by the BIFR, the facility of concessional rate of duty shall stand withdrawn.

(viii) The profit and loss suffered by the sick vanaspati units of the sick companies, which are also manufacturing other products, would be looked into by the Directorate of Vanaspati, Vegetable Oils and Fats.

Edible Oils

4.20 As an essential ingredient for a wholesome and balanced diet, edible oils and fats are vital items of mass consumption. Considering their widespread requirement, it has been the policy of the Government to have an efficient management of edible oils so as to ensure its easy availability to consumers at reasonable prices, throughout the country.

Demand & Supply Position of Edible Oils

4.21 Production of oilseeds, the main source of edible oils in the country, has increased during this decade from 186 lakh tonnes in 1990-91 to 215.40 lakh tonnes in 1998-99. Potential of the secondary sources of edible oils like cotton seed, copra, rice barn and oil bearing materials from tree and forest origin has also been exploited moderately and these sources are now contributing to the level of 25% of the domestic vegetable oils production. Despite this, supply from indigenous sources still falls short because demand of edible oils has also been increasing at a pace faster than that of production due to growth in population and improvement in the standards of living of people.

4.22 In this connection when the Committee asked what efforts have been made to convert Secondary Oils to Primary Oils, the representatives of Ministry informed as under:—

The production of edible oil was 19.90 lakh metric tonnes during the year 1998-99 and it decreased to 18 lakh metric tonnes during the year 1999-2000. It has reduced in 1999-2000 because the production of oil-seeds went down. So, the oil meal available for the solvent extractors was less.

4.23 Supplementing the quantum of edible oils being extracted from forest origin, they further added:—

The quantum of edible oil was 1 lakh 50 thousand metric tonnes during the year 1998-99 and 1 lakh metric tonnes during the year 1999-2000.

4.24 Figures pertaining to production of major cultivated oilseeds, availability of oils from indigenous sources and its demand during the last five years are as under:—

(In lakh tonnes)

Oil Year (Nov.-Oct.)	Production of oil seeds	Supply	Demand of Edible oils
1996-97	243.80	70.89	83.72
1997-98	213.20	60.32	87.69
1998-99	252.10	70.81	91.99
1999-2000	211.80	62.17	96.43
2000-2001	301.95	86.90	100.96
2001-2002*	317.41	91.35	105.67

*Projections made by the Planning Commission.

4.25 When the Committee asked what quantity of edible oils have been imported by private traders during the last three years, the Ministry in their written reply submitted as under:—

The quantities of edible oils imported for the last three years by the Indian Traders inclusive of small quantities of STC on PDS account (November to October) are indicated as under:—

(Quantity in lakh tonnes)

	Source SEAI	Source DGCIS
1997-98	20.83	18.68
1998-99	43.93	38.59
1999-2000	44.95	34.55

SEAI—Solvent Extractor Association of India

DGCIS—Director General of Central Intelligence and Statistics

4.26 When the Committee further asked about the impact on hike of import duty on imported edible oils, the Ministry replies as under:—

In order to protect the interests of the farmers the Customs Duties were raised four times during the fifteen months as per table given below. The recent hike in Customs Duty has resulted in a 10-15% raise in the domestic wholesale prices of edible oils.

4.27 The duties *w.e.f.* 1.3.2001 are as under:—

Name of the Vegetable Edible Oils	w.e.f. 30.12.99	w.e.f. 12.6.2000	w.e.f. 21.11.2000	w.e.f. 1.3.2001
1	2	3	4	5
Crude Edible Oils				
Soyabean Oil	15% (basic)	27.5%	35%	45%
#Palm oil for manufacture of vanaspati by sick units	16.5%	16.5%	25%	55%*
Palm Oil	16.5%	50.8%	55%	75%
*Groundnut Oil, Sunflower Oil, and Mustard/Rapeseed	16.5% (Actual users condition)	27.5%	35%	75%

1	2	3	4	5
Other Oil				
Other Oil *	44.04%	50.8%	35%	75%**
Refined Edible Oils				
Soyabean Oil	25% (basic)	44.04%	50.8%	45%+4% SAD = 50.8%
Mustard/Rapeseed Oil	25% (basic)	4.04%	50.8%	75%+4% SAD = 82%
RBD Palmolein	44.04%	44.04%	71.6%	85%+4% SAD = 92.4%
Palm Oil	44.04%	50.8%	71.6%	85%+4% SAD = 92.4%
Groundnut Oil & Sunflower Oil	32.6%	44.04%	50.8%	85%+4% SAD = 92.4%
Other Oils	44.04%	50.8%	50.8%	85%+4% SAD = 92.4%

N.B.

Crude Palm Oil and its fractions of edible grade, with Free Fatty Acid content of atleast 2%, in looses or bulk form, imported for the manufacture of oil commonly known as "Vanaspati".

Vegetable Oils of edible grade, in loose or bulk form, other than refined vegetable oils of edible grade in loose or bulk form, imported for the manufacture of oil commonly known as "Vanaspati" or for refining.

Explanation—The expression "Vegetable oil" means—

(a) in the case of cottonseed oil, oil having a Free Fatty Acid content of at least 0.2%; and

(b) in the case of any other vegetable oil, oil with free fatty acid content of at least 0.5%.

*If the importer,—

(i) is registered with the Directorate of Vanaspati & Vegetable Oils and Fats in the Department of Food & Public Distribution in the Government of India;

(ii) produces a certificate from the said Directorate that it is a sick unit manufacturing Vanaspati;

(iii) satisfies the jurisdictional Deputy Commissioner of Central Excise or the Assistant Commissioner of Central Excise, as the case may be, that the goods are intended for use in the manufacture of Vanaspati in a factory having captive hydrogen generation facility;

(iv) follows the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996.

**If the importer,—

(i) is registered with the Directorate of Vanaspati & Vegetable Oils and Fats in the Department of Food & Public Distribution in the Government of India;

(ii) follows the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excusable Goods) Rules, 1996.

4.28 The Custom duty on oilseeds is 35% while on Palm Oil it is 75%. In this connection when the Committee asked what attempts have been made to import oilseeds and then processing in the country, the Ministry furnished as under:—

> The import of oilseeds for processing in the country rather than importing edible oils has been an issue which is often raised by the oil industry & trade. Such a policy will affect oilseeds growers very badly as the farmers will not be getting remunerative price for the oilseeds. In addition, the import of certain oilseeds like soyabean may pose a serious threat to the cultivation of soyabean in the country as there is danger of import of dangerous pathogens along with the seeds. There are several diseases in soyabean which are not prevalent in our country but are very much present in other countries particularly in USA from where the soyabean is likely to be imported.

In view of the above, this matter has been debated at length in this Department in consultation with ICAR. The ICAR has also prepared a report on the import of soyabean seeds and they have also come up with suggestion that the import of soyabean seeds should not be allowed as it will bring diseases in the country and pose a serious threat to the soyabean cultivation in India. With this point in view, it was decided that if at all the oil industry is interested in the import of soyabean, they may do so in the split and create necessary splitting facilities at the port of import in the country.

Another aspect which is involved in the large scale import of soyabean is the disposal of soya meal. At present, we have been facing the problem in the disposal of soyameal (DOC) which is produced indigenously and the import of soyabean will further aggravate the problem of disposal of soya meal (DOC) causing financial loss to the country.

Therefore, in order to protect the interests of Indian farmers, this Department is not in favour of import of Oilseeds.

4.29 When the Committee asked what efforts have been made to increase productivity of oilseeds, the representatives of Ministry during evidence, informed as under:—

"I had raised this point in a meeting taking by Secretary, Agriculture about three months ago but that suggestion did not find favour with him. Imported seeds may cause diseases to our indigenous seeds. Seeds which can split are allright. Soyabean can be split but not others including rapseed and sunflower. Productivity, in other countries, is high in USA and low in India. It is a fact that oil production in India is not adequate. We do grow oilseeds in our country. There are short duration crops having a total of six months duration, whereas those in America have eleven months duration. They adopt mono-cropping practice there, whereas in India two crops are reaped in eleven to twelve months duration. Farmers tend to grow only those crops which fetch them monetary gain. We have a practice of giving six months duration to Soyabean crop whereas in USA, the duration for the same crop is eleven months. Their productivity is highest. We are producing oilseeds in inferior quality of land, the areas having no irrigation facilities and depending totally on monsoon. Oilseeds are produced by small and marginal farmers having very low investment capacity. This causes fluctuation in production. Gujarat, Rajasthan, Madhya Pradesh and Andhra Pradesh are the major oilseed producing States whereas Madhya Pradesh, Gujarat, Rajasthan are drought affected areas. These States have been hit by drought during the last two years. That is why the production during last year was also low there. I may submit the figures of last four years *i.e.* the production was 211.8 lakh metric tonnes during 1999-2000, 252.10 lakh metric tonnes during 1998-99, 220 lakh metric tonnes during 1997-98, 243 metric tonnes during 1996-97, 221 lakh metric tonnes during 1995-96 and about 213 lakh metric tonnes prior to it. In this manner, the production of 252 lakh metric tonnes in 1998-99 has been the highest. There was drought in 1999-2000 and this year too in these States."

Hindustan Vegetable Oils Corporation (HVOC)

4.30 The HVOC has been incurring losses continuously since 1991-92. Against a paid-up capital of Rs. 7.71 crores, the accumulated losses of the Corporation, which stood at Rs. 33.58 crores as on 31.03.1999, have gone upto 53.01 crores as on 31.3.2000. On the basis of annual accounts of the Corporation for the year 1997-98, the Board took the decision to make a reference to the BIFR. This reference which was made in October 1999 and the BIFR, by its Order dated December 24, 1999 declared the HVOC as a sick industrial company under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985. The loss incurred by the HVOC sine 1991-92 is given below:

Year	Loss (Rs. in crores)
1991-92	4.57
1992-93	3.64
1993-94	10.25
1994-95	08.46
1995-96	03.88
1996-97	01.72
1997-98	28.24
1998-99	05.66
1999-2000	19.44

4.31 The important recommendations of the Disinvestment Commission are as follows:

(a) The Commission classified HVOC as a non-core Corporation.

(b) The Company's operations in Vanaspati and packaging of refined oils be discontinued with immediate effect. Prior to such discontinuation, *i.e.* of the Vanaspati and packaging of Refined Oils, the Government should announce a package for the employees.

(c) Government should also assist the employees in Career Counselling on alternative options available in private sector.

(d) The Break fast Food activities be hived off into a new company and subsequent sale of 100% holding through a competitive bidding process.

4.32 The BIFR declared the HVOC a sick industrial company in December, 1999.

4.33 In view of the dwindling prospects of the company, it was considered prudent to accept the recommendations of the Disinvestments Commission and close down all the units of the company including the Breakfast Food Unit.

4.34 On September 27, 2000 the Government decided as follows:

(i) To inform the BIFR that it does not consider feasible to attempt revival/rehabilitation of the company.

(ii) To offer a voluntary separation scheme (VSS) to all the employees of the Company, giving them the option to either the Gujarat pattern or the existing scheme.

(iii) To sanction a non-plan loan of Rs. 75 crores to the company during 2000-2001 to implement the Voluntary Separation Scheme and to take care of the liabilities towards wages during the period of the implementation of VSS.

4.35 The BIFR was informed accordingly. The VSS was notified for all the regular employees in all the units of the HVOC w.e.f. 10.11.2000 for a period of 90 days.

4.36 Following number of employees in various units have applied for voluntary separation under the VSS:—

Name of the Unit	Total Strength	No. offered for VSS
Amritsar	232	232
DVU	37	36
Kanpur	290	289
Kolkata	175	175
Mumbai	336	336
Bangalore	25	25
Chennai	28	28
BFF Unit	158	36
Corporate Office	88	84
Total	1369	1241

The dues of the employees are being calculated and payment will be made shortly.

4.37 The BIFR in its hearing on December 24, 1999, had declared the HVOC as a sick industrial company and appointed the IDBI as the Operating Agency to examine the viability of the Company and formulate a rehabilitation scheme for its revival if it was found viable. The BIFR had another hearing on October 31, 2001 in which it directed the IDBI to submit its report by 28.2.2001 with regard to the (i) units to be closed down as per the Supreme Court order, (ii) the remaining units which could be put to sale for purposes of revival, either individually or collectively under section 18 (2) (i) read with 18 (11) of the Act. The Report is yet to be furnished by the IDBI.

4.38 Meanwhile the Government of NCT of Delhi has shown some interest in taking over the Breakfast Food Unit of the HVOC. The Minister of Consumer Affairs, Food & Public Distribution had written to the Chief Minister, Delhi to communicate their irrevocable consent to taking over the BFFU. The Government of NCT of Delhi has wanted some additional information. The matter is under correspondence with them.

4.39 The Committee note that out of 2454 samples of vanaspati, vegetable oils, margarine drawn from manufacturing units in the country during 2000-2001, 78 samples were not found conforming to the standards of quality. The samples failed in respect of melting point bandouin test, BR Reading, free Fatty Acid and vitamin A. The Ministry has further informed that show cause notice were issued to the concerned Vanaspati units but action is being taken in one case only where the unit was a major defaulter. In this regard, the Committee refer to a study undertaken by National Nutritional Monitoring Bureau—NCAER wherein it has been stated that Vitamin-A deficiency is a public health problem in all the States of the country as its prevalence among pre-school children was more than WHO cut off level of 0.5%. Keeping in view the text of the report the Committee failed to understand as to why the samples found deficient in Vitamin-A were laid scot free. The Committee view the situation seriously and, therefore, recommend that all these detected cases should be reviewed afresh and guilty should be punished. The Committee further recommend that the Ministry should devise ways and means to test more number of samples in all the States of the country. For this, matter should be taken up at appropriate level with State Governments as well as with Ministry of Health by establishing coordination for positive solution.

4.40 The Committee note that edible oil from primary sources like groundnut, rapeseed and mustard, soyabean, sunflower, sesame, etc. has decreased in 1999-2000 in comparison to 1998-99. Similarly, the edible oils from secondary sources such as rice-bran, solvent extracted oils, too have decreased in 1999-2000 from the level of 1998-99. The Committee feel that declining trend of edible oils is not a good sign for domestic industry. The Committee, therefore, recommend that all out efforts should be made to increase production of oil so that the country may become self-sufficient in edible oils.

4.41 The Committee note that coverage of area for oilseed production is shrinking due to excessive import of edible oils. The oilseeds producers are compelled to distress sale of their produce and Producers are deprived of MSP of oilseeds. Selling price of mustard oilseeds came to Rs. 900/ quintal last year from the level of Rs. 2000/ quintal much below MSP of Rs. 1100/ quintal. The Committee, therefore, desire that interest of oilseeds producer must be saved by market intervention operation. For this, the matter may be taken up with Ministry of Agriculture so that oilseeds producer may not to resort to distress sale. The Committee further recommend that Government should establish Oilseeds Development Fund, encourage oilseeds production and, if necessary, new technology should be adopted for oilseeds production.

4.42 The Government has issued order No. 1-VP (13)/2001 dated 16th March, 2001 in the light of notification No. 17-1/2001-Custom dated 1st March, 2001 to fulfil the Budget proposal of Finance Minister for revival of sick vanaspati units. The order specifies that only those sick vanaspati units will be entitled for concessional duty of 55% who have been referred to BIFR as 28.2.2001. This debars the other sick vanaspati units which are not referred on that date. Besides, the order has so much complicated provisions namely V, VI, VII and VIII resulting from basic provision III and IV which is ultravires to the spirit of SICA Act, 1985. The Committee, therefore, feel that this order will debar the sick vanaspati units more than it will help them. The Committee, have, however been informed by the Ministry that the matter is being reviewed in order to make them more sick vanaspati units friendly. The Committee, therefore, strongly recommend that final decision for withdrawal of the order in question should be arrived at with immediate effect so that more number of sick vanaspati units may avail the concession for making themselves viable.

4.43 The Committee note that Disinvestment Commission had recommended that the breakfast food unit Delhi of HVOC be hived off into a new company and its 100% share be sold through a competitive bidding process. The Ministry have informed that out of total strength of 158, only 36 employees of BFF unit have opted for VSS. The Committee feel that rest of the employees have not still lost hope of making this unit viable and competitive with other BFF units including that of MNCs. The Committee have been further informed that the report of rehabilitation/revival from IDBI is still awaited. It is appreciable that the Central Government have contracted GNCT, Delhi for taking over of BFF unit. The Committee, therefore, recommend that the Government should come out with a conclusion at the earliest in the larger interest of the employees of BFF, unit Delhi. For this, the matter should be taken with GNCT, Delhi at the highest level.

4.44 The Committee note that the Government have imposed increased custom duty on import of edible oils finally w.e.f. 1.3.2001. The Committee are of the opinion that such steps should have been initiated much earlier to safeguard the interest of the edible oil industry and also the farmers of the country. The Committee further note that though the Govt. have imposed ban on import of soyabean seeds there is no ban on import of soya oil. While the indigenous oil industry is being pushed to extinction, a food and crops monoculture is being created through free imports of soyabean oil. The Committee feel that the shift from diversity to monoculture is a shift of economic democracy to monopolies and there is all likelihood of import of soya oil as the production of genetically engineered soyabean in USA has increased from 0 to 18 Million hectares which has its own health hazards. Considering the above facts, the Committee very strongly recommend that the Government should increase import duty further from the existing duty of 45% by invoking emergent provisions under world trade agreement. The Committee also recommend that the cultivation of soyabean in the country should be encouraged to enthuse farmers and to save foreign exchange.

NEW DELHI;
18 *April*, 2001
28 *Chaitra*, 1923 *(Saka)*

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

PART II

MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION HELD ON THURSDAY THE 29TH MARCH, 2001

The Committee sat from 11.00 hrs to 15.30 hrs.

PRESENT

Shri Devendra Prasad Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Shri A.P. Abdullakutty
3. Shri Ranen Barman
4. Shri Namdeorao Harbaji Diwathe
5. Shri Abdul Hamid
6. Shri Jai Prakash
7. Shri Brijlal Khabri
8. Shri Shyam Bihari Mishra
9. Shri Sisram Ola
10. Shri Mansinh Patel
11. Shri Abdul Rashid Shaheen
12. Shri Ram Naresh Tripathee
13. Shri Sahib Singh Verma
14. Shri Rama Mohan Gadde
15. Shri P.D. Elangovan

Rajya Sabha

16. Shri W. Angou Singh
17. Shri Abdul Gaiyur Qureshi
18. Shri Lajpat Rai
19. Shri Dawa Lama
20. Shri Vijay Singh Yadav
21. Smt. Bimba Raikar
22. Dr. A.K. Patel
23. Shri Ghanshyam Chandra Kharwar

SECRETARIAT

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

WITNESSES

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

1. Shri R.D. Kapur, Secretary
2. Shri C.S. Rao, AS&FA
3. Shri Bhure Lal, Chairman (FCI)
4. Shri J.S. Gill, M.D. (FCI)
5. Shri K.M. Sahni, JS (P)
6. Shri R.N. Das, JS (S)
7. Ms. Rajni Razadan, JS (EO&C)
8. Shri S.C. Brahma, JS (CS)
9. Shri B.K. Bal, JS (A&S)
10. Shri N.K. Choubey, MD (CWC)

2. At the outset, the Chairman welcomed the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution). The Chairman then asked the Secretary concerned to introduce his colleagues and the Secretary introduced his colleagues.

3. The Committee then discussed with the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) the various points mentioned in the list of points. The queries of Members were resolved by the representatives. The evidence was not concluded.

4. A Verbatim record of the proceedings has been kept.

The Committee then adjourned to meet at 11.00 hrs. on 30th March, 2001 for further discussion.

MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION HELD ON FRIDAY, THE 30TH MARCH, 2001

The Committee sat from 11.00 hrs. to 15.30 hrs.

PRESENT

Shri Devendra Prasad Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Shri Shyamlal Bansiwal
3. Shri Ranen Barman
4. Shri Namdeorao Harbaji Diwathe
5. Shri Abdul Hamid
6. Shri Jai Prakash
7. Shri Brijlal Khabri
8. Shri Shyam Bihari Mishra
9. Shri Sisram Ola
10. Shri Abdul Rashid Shaheen
11. Shri Ram Naresh Tripathee
12. Shri Sahib Singh Verma
13. Shri Rama Mohan Gadde
14. Shri P.D. Elangovan

Rajya Sabha

15. Shri Abdul Gaiyur Qureshi
16. Shri Lajpat Rai
17. Shri Dawa Lama
18. Shri M.A. Kadar
19. Shri Vijay Singh Yadav
20. Smt. Bimba Raikar
21. Shri Ghanshyam Chandra Kharwar

SECRETARIAT

1. Shri Babu Ram Kanathia — *Joint Secretary*
2. Shri Krishan Lal — *Director*
3. Shri R.S. Mishra — *Under Secretary*

WITNESSES

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

1. Shri R.D. Kapur, Secretary
2. Shri C.S. Rao, AS&FA
3. Shri J.S. Gill, M.D. (FCI)
4. Shri K.M. Sahni, JS (P)
5. Shri R.N. Das, JS (S)
6. Ms. Rajni Razadan, JS (EO&C)
7. Shri S.C. Brahma, JS (CS)
8. Shri B.K. Bal, JS (A&S)
9. Shri N.K. Choubey, MD (CWC)

2. At the outset, the Chairman welcomed the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution). The Chairman then asked the Secretary concerned to introduce his colleagues and the Secretary introduced his colleagues.

3. The Committee then discussed with the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) the various points mentioned in the list of points. The queries of Members were resolved by the representatives. The evidence was concluded. The witnesses then withdrew.

4. A Verbatim record of the ~~proceedings~~ Sitting has been kept separately.

The Committee then adjourned.

MINUTES OF THE SIXTH SITTING OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION HELD ON TUESDAY, THE 17TH APRIL, 2001

The Committee sat from 15.00 hrs. to 17.30 hrs.

PRESENT

Shri Devendra Prasad Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Shri Shyamlal Bansiwal
3. Shri Abdul Hamid
4. Shrimati Preneet Kaur
5. Shri Mansinh Patel
6. Shri Laxmanrao Patil
7. Shri Baju Ban Riyan
8. Shri Abdul Rashid Shaheen
9. Shri Ram Naresh Tripathee
10. Shri Tejveer Singh
11. Shri Ramshakal

Rajya Sabha

12. Shri W. Angou Singh
13. Shri Abdul Gaiyur Qureshi
14. Shri Lajpat Rai
15. Shri Dawa Lama
16. Shri Vijay Singh Yadav

SECRETARIAT

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

(i) Consideration and adoption of Draft Tenth Report.

2. *** *** ***

(iii) Consideration and adoption of Draft Eleventh Report.

3. The Committee, then, considered and adopted the Draft Eleventh Report on Demands for Grants (2001-2002) relating to the Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution.

4. The Committee also authorised the Chairman to make consequential changes arising out of the factual verification of the reports by two Departments of Ministry of Consumer Affairs, Food and Public Distribution and present/lay the same in both the Houses of Parliament.

The Committee, thereafter, adjourned.

***Not related to this Report.