

SIXTEENTH REPORT

**STANDING COMMITTEE ON FOOD, CIVIL
SUPPLIES AND PUBLIC DISTRIBUTION
(2002)**

THIRTEENTH LOK SABHA

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

**DEMANDS FOR GRANTS
(2002-2003)**

*Presented to Lok Sabha on 23.4.2002
Laid in Rajya Sabha on 27.4.2002*



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2002/ Chaitra, 1924 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CIVIL
SUPPLIES AND PUBLIC DISTRIBUTION (2002)

Shri Devendra Prasad Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Shri Vishnu Dev Sai
3. Shri Sahib Singh Verma
4. Shri Mansinh Patel
5. Shri Ram Chandra Veerappa
6. Shri Ram Naresh Tripathee
7. Shri Namdeorao Harbaji Diwathe
8. Shri Shyam Bihari Mishra
9. Shri Abdul Hamid
10. Smt. Preneet Kaur
11. Shri Rameshwar Dudi
12. Shri Tara Chand Bhagora
13. Shri Sujan Singh Bundela
14. Shri Sisram Ola
15. Shri A.P. Abdullakutty
16. Shri Bajju Ban Riyan
17. Shri Ram Sagar Rawat
18. Shri Rajbhar Babhan
19. Shri Ezhilmalai Dalit
20. Capt. (Retd.) Inder Singh
21. Shri Nagmani
22. Shri Jai Prakash
23. *Shri M.V.V.S. Murthi
24. Vacant
25. Vacant
26. Vacant
27. Vacant

(iv)

28. Vacant
29. Vacant
30. Vacant

Rajya Sabha

31. Smt. Bimba Raikar
32. **Shri Abdul Gaiyur Qureshi
33. **Shri W. Angou Singh
34. Smt. Gurcharan Kaur
35. **Shri Lakkhiram Agarwal
36. Shri Lajpat Rai
37. ***Shri Dawa Lama
38. Shri M.A. Kadar
39. Dr. Swami Sakshi Ji Maharaj
40. Shri Vijay Singh Yadav
41. Shri Anil Sharma
42. Shri R.N. Arya
43. @Dr. (Ms.) P. Selvie Das
44. @@Shri C. Perumal
45. Vacant

SECRETARIAT

- | | | |
|-----------------------|---|-----------------------------|
| 1. Shri John Joseph | — | <i>Additional Secretary</i> |
| 2. Shri Ram Autar Ram | — | <i>Joint Secretary</i> |
| 3. Shri A.S. Chera | — | <i>Deputy Secretary</i> |
| 4. Shri R.S. Mishra | — | <i>Under Secretary</i> |
| 5. Shri Santosh Kumar | — | <i>Committee Officer</i> |

* Ceased to be a member of the Committee w.e.f 18th January, 2002 (vide Bulletin Part-II, No. 2540, dated 18th January, 2002).

** Ceased to be a member of the Committee consequent upon retirement from Rajya Sabha w.e.f. 9.4.2002.

*** Ceased to be a member of the Committee consequent upon retirement from Rajya Sabha w.e.f. 2.4.2002.

@ Nominated to the committee w.e.f. 17th January, 2002 (vide Bulletin, Part-II No. 2575 dated 25th January, 2002)

@@ Nominated to the Committee w.e.f. 8th April, 2002 (vide Bulletin Part - II, No. 2796, dated 10th April, 2002)

INTRODUCTION

1. The Chairman of the Standing Committee on Food, Civil Supplies and Public Distribution (2002) having been authorised by the Committee to submit the Report on their behalf, present this Sixteenth Report on Demands for Grants (2002-2003) 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 (2002-2003) of the Ministry which were laid on the Table of the House on 19th March, 2002.

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 28th March, 2002.

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 11th April, 2002.

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;
April 12, 2002
22 Chaitra, 1924 (Saka)

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

CHAPTER-I

INTRODUCTORY

The Department of Food and 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 stock aimed at ensuring 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 matters relating to import of edible oils for Public Distribution System (PDS) including allocation to various States/UTs, management of edible oils economy including vanaspati, Vegetable oils, oil cakes etc. The Department also monitors aspects relating to the production, quality control, processing and distribution of these items.

- 1.2 The Minister of Consumer Affairs, Food and Public Distribution holds the overall charge of the Ministry. He is assisted by the two Ministers of State. The Secretary (Food and Public Distribution) is the Head of the Department and the principal adviser to the Minister on all matters of policy and administration within the Department of Food and Public Distribution. He is assisted by an Additional Secretary and Financial Adviser, five Joint Secretaries, one Executive Director (Movement) One Joint Commissioner (Storage and Research), and a number of other officers and supporting staff.
- 1.3 The Department is organized into 13 Divisions. It has two attached offices, namely:
 - (i) Directorate of Sugar
 - (ii) Directorate of Vanaspati, Vegetable Oils and Fats (VVO&F)

- 1.4 There are 28 Subordinate Offices, namely:
- (i) Three Quality Control Cells located at New Delhi, Kolkata and Hyderabad.
 - (ii) One Indian Grain Storage Management and Research Institute (IGMRI), Hapur (Uttar Pradesh) with 5 Sub-Stations at Hyderabad, Ludhiana, Jabalpur, Jorhat and Udaipur.
 - (iii) 17 Save Grain Campaign offices at Ahmedabad, Bangalore, Bhopal, Bhubaneswar, Chandigarh, Chennai, Ghaziabad, Guwahati, Hyderabad, Jaipur, Kolkata, Lucknow, Patna, Pune, Raipur, Thiruvananthapuram and Varanasi.
 - (iv) National Sugar Institute, Kanpur and
 - (v) National Institute of Sugarcane and Sugar Technology, Mau.
- 1.5 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)

1.6 The details of the Budget Estimate and Revised Estimate for (2001-2002) as well as Budget Estimates for (2002-2003) are as under:-

Major Head	Budget 2001-2002			Revised (2001-2002)			Budget (2001-2002)		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
	2	3	4	5	6	7	8	9	10
REVENUE SECTION									
3451	0.90	12.76	13.66	0.90	11.65	12.55	0.15	11.81	11.96
2408	4.75	13885.35	13890.10	4.03	17819.84	17823.87	1.12	21408.11	21409.23
2552	0.50	...	0.50	0.50	...	0.50	...	...	...
2852	...	0.02	0.02	...	0.02	0.02	...	0.02	0.02
3456	0.50	50.00	50.50	0.50	8.65	9.15	4.75	0.01	4.76
3601	5.90	...	5.90	4.15	...	4.15	...	...	...
Total Revenue Section	12.55	13948.13	13860.68	10.08	17840.16	17850.24	6.02	21419.95	21435.97
CAPITAL SECTION									
4408	27.84	...	27.84	28.17	...	28.17	34.49	...	34.49
4552	3.50	...	3.50	3.50	...	3.50	3.72	...	3.72
6860	...	225.00	225.00	...	145.00	145.00	...	222.50	222.50
7601	5.90	...	5.90	4.15	...	4.15	...	...	...
Government	...	...	...	...	...	...	...	...	...
Total Capital Section	37.24	225.00	262.24	35.82	145.00	180.82	38.21	222.50	260.71
GRAND TOTAL	49.79	14173.13	14222.92	45.90	17985.16	18031.06	44.23	21642.45	21686.68

1.7 The details of Recoveries adjusted on account of expenditure for Revenue and Capital Section are as under:-

Major Head	Budget 2001-2002			Revised (2001-2002)			Budget (2001-2002)		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1	2	3	4	5	6	7	8	9	10
REVENUE SECTION									
Food Storage and Warehouse	2408	....	-9.93	-9.93	....	-8.57	....	-8.13	-8.13
Capital Section	4408	....	-0.27	-0.27	....	0.60	....	....	....
Capital Outlay on Food Storage and Warehousing	6860	....	-220.00	-220.00	....	-140.00	....	-220.00	-220.00
Capital Outlay on Food Storage and Warehousing		....	-220.27	-220.27	....	-140.60	....	-220.00	-220.00
Total Capital		....	-230.20	-230.20	....	149.17	....	-228.13	-228.13
Total Recovery									

1.8 The Expenditure provisions, net of the above recoveries, will be as under :-

Major Head	Budget 2001-2002			Revised (2001-2002)			Budget (2001-2002)		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
	2	3	4	5	6	7	8	9	10
REVENUE	12.55	13936.20	13950.75	10.08	17831.59	17841.67	6.02	21411.82	21417.84
CAPITAL	37.24	4.73	41.97	35.82	4.40	40.22	38.21	2.50	40.71
TOTAL	49.79	13942.93	13992.72	45.90	17835.99	17881.89	44.23	21414.32	21458.55

1.9 The total financial requirement of the Department of Food and Public Distribution on Programmes/activities in RE (2002-2002) and BE (2002-2003) is as under :-

1	(Rs. In Lakhs)					
	Revised Estimates			Budget Estimates		
	2001-2002			2002-2003		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
	2	3	4	5	6	7
Food Management						
Secretariat	90.00	1165.03	1255.03	15.00	1181.03	1196.03
Food Subsidy	-	1760700.00	1760700.00	-	2119000.00	2119000.00
Post Harvest operation	303.30	696.97	1000.27	-	709.60	709.60
Strengthening of P.D.S						
Assistance of State Govts/UTs, for Construction of Godowns	800.00	-	800.00	-	-	-
Assistance to State Govts/UTs, for Mobile Vans	30.00	-	30.00	-	-	-
(c) Training Research and Monitoring for PDS	50.00	-	50.00	35.00	-	35.00
Storage	2700.00	-	2700.00	3347.00	-	3347.00
Procurement and Supply	-	7.00	7.00	-	7.00	7.00
Smart Card	-	-	-	440.00	-	440.00
Management of Sugar						
Dte. of Sugar	-	176.00	176.00	-	177.70	177.70

1	2	3	4	5	6	7
Development Council for Sugar industry	-	6.00	6.00	-	6.00	6.00
Sugar Subsidy	-	500.00	500.00	-	1000.00	1000.00
Sugar Development Fund	-	18000.00	18000.00	-	18000.00	18000.00
Transfer and net proceeds of Cess on sugar	-	512.00	512.00	-	513.00	513.00
Administration of Sugar Development	-	200.00	200.00	-	200.00	200.00
Grant-in-aid for Development Sugar Industry	-	13000.00	13000.00	-	20000.00	2000.00
Loans for rehabilitation/ Modernization of Sugar mills						

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1	Revised Estimates				Budget Estimates		
	2001-2002		2002-2003		Plan	Non-Plan	Total
	Plan	Non-Plan	Total	Plan			
(v) Loans on Sugar Mills for cane development	-	1000.00	1000.00	-	2000.00	2000.00	
(vi) Subsidy for maintenance of Buffer Stock of Sugar	-	100.00	100.00	-	100.00	100.00	
(vii) Training and Research Institute	70.00	860.00	930.00	189.00	866.10	1055.10	
(a) NSI Kanpur							

1	2	3	4	5	6	7
(b) NISST, Mau	105.00	-	105.00	-	-	-
Management of Edible Oils						
(i) Directorate of Vanaspathi	2.00	193.00	195.00	-	194.60	194.60
Vegetable Oils and Fats	40.00	-	40.00	25.00	-	25.00
(a) Research & Development	-	-	-	-	-	-
Programme in Oilseeds and Oils	-	865.00	865.00	-	1.00	1.00
(ii) Reimbursement of losses to	-	-	-	-	-	-
STC in its trading operation on Govt. account	-	2.00	2.00	-	2.00	2.00
(iii) Annistar Oil works	-	500.00	500.00	-	250.00	250.00
(iv) Loans for HVOC Ltd.	-	-	-	-	-	∞
4 International Cooperation	-	33.00	33.00	-	37.00	37.00
5. Lumpsum provision for	400.00	-	400.00	372.00	-	372.00
Projects/Schemes for benefit of NE						
States including Sikkim						
Total	4598.30	1798516.0	1803106.30	4423.00	2154245.03	2168669.03

1.10 The details of object-wise requirement of Budget allocation during RE (2001-2002) and BE (2002-2003) is as under:-

	Revised Estimates			Budget Estimates		
	2001-2002			2002-2003		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1	2	3	4	5	6	7
01. Salaries	82.00	2188.10	2270.10	-	2222.50	2222.50
02. Wages	6.40	21.25	27.65	-	20.60	20.60
03. Overtime Allowance	0.50	33.75	34.25	-	33.65	33.65
11. Domestic Travel Expenses	22.30	94.20	116.50	-	94.70	94.70
12. Foreign Travel Expenses	-	26.00	26.00	-	30.00	30.00
13. Office Expenses	107.00	393.22	500.22	-	394.30	394.30
14. Rent Rates and Taxes	1.50	22.00	23.50	-	22.10	22.10
16. Publication	-	18.75	18.75	-	18.75	18.75
20. Other administrative Services (Departmental Canteen)	30.00	37.10	67.10	10.00	36.80	46.80
21. Supplies and Materials	12.60	74.50	87.10	-	74.70	74.70
26. Advertising and Publicities	7.40	16.00	23.40	-	16.00	16.00
27. Minor Works	0.50	125.40	125.90	-	125.00	125.00
28. Payment for Professional and Special Services	35.00	4.60	39.60	40.00	4.60	46.60

1	2	3	4	5	6	7
31. Grant-in-aid (Development of Sugar Industry)	415.00	1065.23	1480.23	-	201.23	201.23
32. Contributions	-	33.00	33.00	-	37.00	37.00
33. Subsidies (including Sugar)	-	1761300.00	1761300.00	-	2120100.00	2120100.0
34. Scholarship and stipends	55.20	5.00	60.20	-	5.00	5.00
42. Lumpsum Provision including North East States	400.00	15.00	415.00	372.00	15.00	387.00
50. Other Charges	107.40	510.90	618.30	112.00	511.10	623.10
52. Machinery & Equipment	47.50	32.00	79.50	35.00	32.00	32.00
53. Major Works	145.00	-	145.00	67.00	-	67.00
54. Investment in Public Sector Undertakings	2700.00	-	2700.00	3347.00	-	3347.00
55. Loans and advances	415.00	14500.00	14915.00	-	22250.00	22250.00
63. Inter Accounts Transfer	-	18000.00	18000.00	-	18000.00	18000.00
50. Other charges (Smart Card)	-	-	-	440.00	-	440.00
TOTAL	4590.30	1798616.90	1803106.30	4423.00	2164245.03	2168668.03

1.11 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, 2002.

(Rs. in crores)

S.NO	Scheme	Major Head	BE 2001-2002	RE 2001-2002	Actual 2001-2002 up to (15.3.2002)	% of expenditure incurred
1	2	3	4	5	6	7
	PLAN					
1.	Secretarial-Economic Services	3451	0.90	0.90	0.50	55.56
2.	Other programmes of Food Storage & Warehousing	2408	4.02	3.58	2.03	56.70
		4408	0.57	0.57	-	
3.	Other expenditure for development of sugar Industry	2408	0.73	0.45	0.28	62.22
		4408	0.27	0.60	-	-
4.	Civil Supplies					
	Assistance for constructions of godowns	3601	5.75	4.00	2.71	67.75
		7601	5.75	4.00	3.36	84
5.	Assistance for retail outlets in Tribal areas/ purchase of mobile vans	3601	0.15	0.15	-	-
		7601	0.15	0.15	-	-
6.	Other schemes of Civil Supplies	3456	0.50	0.50	0.12	24
7.	Lump-sum provision for projects Sikkim for the benefit of N.E. States including Sikkim	2552	0.50	0.50	0.18	36
8.	Consumer Industries					
	Investment in Public enterprises	4408	27.00	27.00	27.00	100
9.	Lump-sum provision for project/Schemes for the benefit of NE States including Sikkim	4552	3.50	3.50	3.18	90.86
TOTAL			49.79	45.90	39.36	85.75

1	2	3	4	5	6	7
NON PLAN						
1.	Secretariat	3451	12.76	11.65	9.67	83
2.	Food Subsidy/(including Sugar)	2408	13675.00	17612.00	13401.38	76.09
3.	Subsidy on maintenance of buffer stock of sugar	2408	1.00	1.00	-	-
4.	Other expenditure for development of sugar Industry	2408	8.20	7.12	1.26	17.70
5.	Sugar Development Fund transfer to	2408	180.00	180.00	180.00	100
6.	Other programme of Food Storage & Warehousing	2408	21.15	19.72	*14.65	74.29
7.	Reimbursement of losses to STC in trading operation of Edible Oils	3456	50.00	8.65	5.00	57.80
8.	Consumer Industries Amritsar Oil works	2852	0.02	0.02	-	-
9.	Rehabilitation/Modernisation of Sugar Mills	6860	200.00	130.00	129.81	99.85
10.	Loan to sugar Mills for Cane Development	6860	20.00	10.00	3.69	36.90
11.	Loans to Hindustan Vegetable Oils Corp.	6860	5.00	5.00	1.00	20
TOTAL			14173.13	17985.16	13785.82	76.65
Deduct recoveries from SDF			230.20	149.17	21.64	14.51
TOTAL			13942.93	17835.99	13764.18	77.17

1.12 When the Committee enquired as to what are the reasons for less expenditure of Budget allocation, Secretary, Department of Food and Public Distribution deposed before the Committee that there is no grave problem during (2001-2002). In Revised Estimate (2001-2002), there is plan provision of Rs. 46.80 crore, out of which upto February, 2002, Rs. 37 Crore has been spent. The remaining sum will also be spent except Rs. 1.50 Crore sum earmarked for North-Eastern States. The progress of work in North East is slow. The law and order situation is not well there.

Last year, less amount could be disbursed out of SDF, as the matter whether a loan out of SDF can be given to a sugar mill against which dues are outstanding for modernization/rehabilitation or for cane development was under consideration. Now the SDF Rules, 1983 have been amended and a loan can be given to a mill against which such loan for modernization/rehabilitation or cane development is outstanding. JS (Sugar) added that the constitution of the Development Council for Sugar Industries under the Industries (Development and Regulation) Act by the Ministry of Commerce and Industry took time and there was less expenditure under 'other expenditure for Development of Sugar Industries'. Recently, the Development Council for Sugar Industries has been re-constituted. Out of Rs. 6.65 crore for NISST, an expenditure of Rs. 1.67 crore was incurred.

1.13 When the Committee asked about the reasons for non utilization of full amount in Plan and Non-Plan Scheme for the year 2001-2002, the Ministry in their Post Evidence reply stated as under:-

"The reasons for not full utilization of provided amount in Plan and Non-Plan Scheme for the year 2001-2002 are as under:-

Reasons for Plan Scheme

1. Due to significant reduction in the revised estimates.
2. Funds not utilised due to poor law & Order situation in the N.E. region and non-identification of suitable sites for constructions of godowns.

Reasons for Non-Plan Scheme

1. Suspension of LTC and less increase in % of DA.
2. Economy measures issued by Ministry of Finance.
3. Due to non-filling of vacant post.
4. Less number of official tour and less purchase of stationery items, office equipment and furniture etc.
5. Non-utilisation of funds due to lesser off-take. Partition of States of UP&MP and Non-submission of final audited account by State Govts.
6. Short crushing period of experimental sugar factory due to which large quantity of raw-materials could not be purchased.

7. Due to decrease in price of Edible Oils in the International as well as Domestic Market and no import of edible oil during the financial year.
8. No fresh claims received and a few pending claims could not be finalized in respect of subsidy for maintenance of Buffer stocks of sugar.
9. Less number of Meetings/Conferences.
10. Due to incomplete documentation in respect of grant in aid/loan of sugar mills."

1.14 When the Committee asked about the details of diversion of amount allocated under BE/RE in various heads during the financial year (2001-2002), alongwith the reasons for diversion, the Ministry in written reply furnished to the Committee stated as under:-

The details of funds diverted from one head to another head so far during 2001-2002 as well as the proposals for re-appropriation sent to Ministry of Finance are as follows:-

(i) Diversion of funds already made during the year 2001-02 :

Major Head	From	Major Head	To	Amount (Rs.lakhs)	Reasons
3451	Other Charges	3451	Professional services	0.60	More claims for legal charges.

(ii) Proposals sent to Ministry of Finance for re-appropriation.

Major Head	From	Major Head	To	Amount (Rs. lakhs)	Reasons
1	2	3	4	5	6
2408	Dte. Sugar (OE)/ NSI, Kanpur (Minor works)	2048	Dte. of sugar (Professional Services)/ Procurement & Supply Residual Expenditure on	4.50	More claims for legal charges/ extra fund for maintenance of vacuators in respect of Kandla Port Trust, etc.

1	2	3	4	5	6
			purchase of foodgrains		
2408	IGMRI (Advertising & Publicity)/ GFCL(OE)	2408	IGMRI (Scholarship & Stipend) & (Major Works)	5.80	Due to increase in targets of stipendary training and additional funds required as per progress of construction work of hostel building at IGMI, Udaipur.
3451	Secretariat Eco. Services	2408	Food Subsidy (FCI)	110.97	Increase in MSP of Wheat and rice and more procurement of both the grains.
2408	Dte. of Sugar/DCSI /SDF/NSI/ International Cooperation/Grants- in-Aid/SGC/IGSI/ CFGL/QCC/Residual Claim in respect of Construction of Food Storage godowns	2408	Food Subsidy (FCI)	247.03	-do-
3456	Reimbursement of losses to STC in its trading operations on Government Account	2408	Food Subsidy (FCI)	4135.00	-do-
2408	Subsidy to State Government on decentralized procurement of foodgrains	2408	Food Subsidy (FCI)	11300.00	-do-
2408	Sugar subsidy payable to FCI and others on account of levy sugar import of sugar, etc.	2408	Interest subsidy	500.00	For the provision of interest subsidy for RBNS Sugar Mills.

1.15 The Committee observe that the Budget allocation (2001-2002) for construction of godowns for PDS and purchase of Mobile Vans in North-Eastern States including Sikkim could not be utilized fully. Under the head 2552 (Revenue), out of the allocation of Rs. 50 lakh, only Rs. 18 lakh could be utilized by 15th March, 2002. Similarly, for the same purpose under the head 4552 (Capital), out of an amount of Rs. 50 lakh, only a sum of Rs. 18 lakh could be utilized. Though the Government expected to utilize the allocated sum fully by 31st March, 2002, the Committee are very much sceptical about this.

1.16 In addition to the above, under the construction of godwon by FCI, out of a sum of Rs. 3 crore, only an amount of Rs. 98 lakh has been spent upto 15.3.2002, though the Government expected to spend Rs. 1.50 crore by 31.3.2002, still leaving a saving of Rs. 1.50 crore. Under the Scheme for loan to sugar Mills for cane development, out of an allocation of Rs. 20 crore, only Ra. 3.69 crore could be utilized by 15.3.2002 which works out to only 20%. The Committee feel that funds earmarked for North-Eastern States and hilly, inaccessible areas should be Utilized by making special efforts because these are the most sensitive areas and require special attention. The Committee, therefore, recommend that all efforts should be made by the Government of utilize the funds fully within the financial year and the actual expenditure incurred during (2001-2002) for all its Plan and non-Plan schemes be intimated to the Committee. The Committee would also like to know the steps taken by the Government to utilize the funds earmarked under Plan and non-Plan schemes in the proposed BE (2002-2003) in an even manner.

CHAPTER II

FOOD MANAGEMENT

The main ingredients of the Government's food management policy are procurement of foodgrains, their movement, storage, distribution through the public distribution system and maintenance of buffer stock.

(i) Foodgrains Production and Crop Outlook

2.2 During 2000-2001, the production of rice was 84.87 million tonnes as against 89.68 million tonnes achieved during 1999-2000. The production of wheat was 68.76 million tonnes during 2000-2001 as against 76.37 million tonnes during the year 1999-2000. The production of coarse cereals during 2000-2001 was 31.62 million tonnes as against 30.34 million tonnes recorded during 1999-2000. The production of pulses during 2000-2001 is 10.67 million tonnes as against 13.41 million tonnes achieved during 1999-2000.

2.3 The overall production of foodgrains during 2000-2001 was 195.92 million tonnes as against the production level of 209.80 million tonnes during 1999-2000. The Planning Commission had set the target of foodgrains production for 2001-2002 at 218.00 million tonnes, but the same is likely to be 209.17 million tonnes primarily on account of 131 districts receiving deficient rainfall during monsoon 2001. The broad crop-wise break up of production for 2000-01 and 2001-2002 is as under :

(Million Tonnes)

Foodgrains Production		
Crop	2000-2001	2001-2002*
Rice	84.87	91.05
Wheat	68.76	73.06
Coarse Cereals	31.62	31.91
Pulses	10.67	13.15
Food grains	195.92	209.17
Kharif	103.36	108.45
Rabi	92.56	100.72

*Advance Estimates as on 22.01.2002

2.4 The State-wise production of wheat, rice and coarsegrains during 1998-99, 1999-2000 and 2000-2001 as received from the Directorate of Economics and Statistics, Department of Agriculture and Cooperation, Ministry of Agriculture, is given below:

(In '000 Tonnes)

States/U.T.	1998-99			1999-00			2000-01		
	Wheat	Rice	Coarse-grains	Wheat	Rice	Coarse-grains	Wheat	Rice	Coarse-grains
Andhra Pradesh	6	11878	2194	9	10638	2249	6	11448	2221
Arunachal Pradesh	4	114	63	5	135	65	5	126	65
Assam	91	3255	20	98	3861	19	86	3999	20
Bihar	4404	6769	1661	4687	7252	1702	4497	5417	1515
Chhattisgarh	-	-	-	-	-	-	66	3238	129
Haryana	8568	2425	777	9650	2583	754	9652	2684	842
Himachal Pradesh	641	118	719	583	120	726	588	125	728
Karnataka	219	3657	5373	218	3717	5076	244	3734	6001
Madhya Pradesh	8333	5061	2488	8585	6377	2430	3887	960	1999
Maharashtra	1309	2468	6722	1436	2559	6500	948	1945	5548
Orissa	4	5392	148	8	5187	163	13	4614	146
Punjab	14460	7940	456	15910	8716	530	15551	9154	575
Rajasthan	6880	206	3415	6732	253	2809	5554	156	3599
Uttaranchal	-	-	-	-	-	-	715	622	369
Uttar Pradesh	23465	11387	3242	25976	13231	3843	24940	11540	3671
West Bengal	778	13317	147	851	13760	94	1059	12428	109
Chandigarh	-	-	-	-	-	-	-	-	-
Delhi	29	6	6	31	7	5	29	5	6
Pondicherry	-	52	1	-	59	1	-	61	-
Gujarat	1703	1016	2215	1020	985	1641	649	1014	1827
Jammu & Kashmir	368	589	544	434	391	489	145	415	540
Tamil Nadu	-	8141	973	-	7532	1066	-	7218	1360
Others	26	2286	171	36	2320	169	130	3968	346
Total	71288	86077	31335	76369	89683	30331	68763	84871	31616

(ii) Procurement of Foodgrains

2.5 Procurement of foodgrains is one of the central pillars of the food policy of the Government of India. It serves the twin purpose of (a) providing remunerative prices to the farmers thereby avoiding chances of distress sale of foodgrains and also to enthruse them to increase production and (b) building up of buffer stocks of foodgrains. Procurement operations are carried out by the Food Corporation of India (FCI) in association with State Government agencies.

2.6 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 by the Ministry of Agriculture at Rs.530/- and Rs. 560/- per quintal respectively for the 2001-2002 Kharif Marketing Seasons (October-September). The MSP for wheat was fixed by the Ministry of Agriculture of Rs. 610/- per quintal during 2001-2002 Rabi Marketing Season (April-March). The price support operations for wheat and paddy are undertaken by the Food Corporation of India in association with State Government agencies.

For Rabi Procurement year (2002-2003) MSP of wheat has been fixed at Rs. 620.00 per quintal.

2.7 When the Committee asked what is the estimate of procurement of wheat, rice and paddy during the next Rabi season and Khariff season, the Ministry in their reply stated as under :-

"The Additional Secretary, Department of Food & Public Distribution convened a meeting on 23.1.2002 with the Food Secretaries of the wheat producing States, to discuss procurement policy of wheat for Rabi Marketing Seasons 2002-2003. After discussions with the Food Secretaries of these States, it was estimated that the procurement of wheat during the Rabi Marketing Season 2002-2003 would be about 226 lakh tonnes.

The Kharif Marketing Season 2001-02 for procurement of rice and paddy has started form 1st October, 2001. The estimated procurement of rice during Kharif Marketing Season 2001-2002 is 185 lakh tonnes. As on 21.3.2002, 141.66 lakh tonnes of paddy and 67.10 lakh tonnes of levy rice has been procured for the Central Pool. The total quantity in terms of rice is 161.60 lakh tonnes, as compared to 153.30 lakh tonnes in the corresponding period last year."

(iii) Procurement of Rice

2.8 Besides extending price support to farmers for wheat and paddy, rice is also collected under a system of levy from rice millers and dealers at the prices announced separately for each State.

2.9 STATE-WISE PRODUCTION AND PROCUREMENT AND PER CAPITA AVAILABILITY OF WHEAT, RICE AND COARSEGRAINS

States/U.T.	Total Population (Projected) as on 1.3.2000 (in lakh)	(in '000 tonnes)																	
		1998-99									1999-2000								
		Wheat			Rice			Coarsegrains			Wheat			Rice			Coarsegrains		
		Production	Procurement	Per Capita Annual Availability (in kg.)	Production	Procurement	Per Capita Annual Availability (in kg.)	Production	Procurement	Per Capita Annual Availability (in kg.)	Production	Procurement	Per Capita Annual Availability (in kg.)	Production	Procurement	Per Capita Annual Availability (in kg.)	Production	Procurement	Per Capita Annual Availability (in kg.)
Andhra Pradesh	757.28	6	-	0.0	11878	5119	156.9	2190	Neg.	28.9	-	-	-	-	-	-	-	-	
Arunachal Pradesh	10.91	4	-	0.0	114	-	104.5	-	-	-	-	-	-	-	-	-	-	-	
Assam	266.38	91	-	0.0	3254	-	122.2	-	-	-	-	-	-	-	-	-	-	-	
Bihar	828.79	4403	Neg.	53.1	6769	-	81.7	1660	-	-	-	-	-	-	-	-	-	-	
Chhattisgarh	207.96	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Haryana	210.83	8568	3138	406.4	2423	300	115.0	780	-	-	-	4367	Neg.	52.7	7742	20	93.4	1740	
Himachal Pradesh	60.77	641	Neg.	105.5	118	-	19.4	730	-	-	-	9642	3870	457.3	2594	986	123.0	750	
Karnataka	527.34	219	-	4.2	3656	100	89.3	5370	-	-	-	481	-	79.2	-	-	0.0	720	
Madhya Pradesh	603.85	8333	590	138.0	5060	429	83.8	2490	Neg.	101.8	-	-	-	4.0	3635	111	68.9	5250	
Maharashtra	967.52	1310	-	13.5	2467	5	25.5	6720	-	-	-	41.2	8458	542	140.1	6377	1103	105.6	
Orissa	367.07	4	-	0.1	5391	481	146.9	150	Neg.	69.5	1440	-	-	14.8	2536	51	26.2	6450	
Punjab	242.89	14460	6146	595.3	7940	4384	326.9	460	-	-	-	4.1	-	0.2	5187	889	141.3	160	
Rajasthan	564.73	6879	667	121.8	205	4	3.6	3410	-	-	-	18.9	15910	7832	655.0	8716	6787	358.8	
Uttaranchal	84.8	-	-	0.0	-	-	0.0	-	-	-	-	60.4	6732	637	119.2	253	32	4.5	
Uttar Pradesh	1660.53	23465	2141	141.3	11386	868	68.6	3240	-	-	-	-	-	-	-	-	-	-	
W. Bengal	802.21	780	-	9.7	13316	141	166.0	150	-	-	-	19.5	25976	1261	156.4	12912	1421	77.8	
Chandigarh	9.01	-	-	Value	5	-	0.0	-	-	-	-	1.9	800	-	9.9	13951	351	173.9	
Delhi	137.83	28	8	2.0	6	-	0.4	-	-	-	-	-	-	-	15	-	0.0	-	
Pondicherry	9.74	-	-	-	51	9	32.4	-	-	-	-	29	2	2.1	6	6	0.4	-	
Gujarat	505.97	1702	2	33.6	1015	-	20.1	2210	-	-	-	-	-	-	58	8	59.5	-	
Jammu & Kashmir	100.7	368	-	36.5	589	-	58.5	540	-	160.3	1020	Neg.	20.2	985	-	19.5	1640	-	
Tamilnadu	621.11	-	-	-	8141	745	131.1	970	-	53.6	365	-	-	58.5	391	-	38.8	490	
Others	721.93	350	-	-	2417	-	33.5	280	-	15.6	-	-	-	-	7225	933	116.3	1260	
Total	10270.15	57892	12652	56.4	86198	12990	83.98	31340	1	30.52	75524	14144	73.99	89480	18210	87.1	30480	0	

Neg - Below 500 tonnes

- State-wise production data not available.

State-wise Production and Procurement and Per Capita Availability of Wheat, Rice and Coarsegrains
(In '000 Tonnes)
2000-01

States/U.T.	Total Population (Projected) in million	Wheat			Rice			Coarsegrains	
		Production	Procurement	Per Capita Annual availability (In Kg.)	Production	Procurement	Per Capita Annual availability (In Kg.)	Production	Procurement
Andhra Pradesh	757.28	-	-	-	7173	-	-	-	43
Assam	10.91	-	-	-	-	-	-	-	-
Bihar	266.38	-	-	-	-	-	-	-	-
Chattisgarh	828.79	-	-	-	-	-	-	-	-
Haryana	207.96	-	-	-	-	-	-	-	-
Himachal Pradesh	210.83	-	4498	-	-	-	-	-	-
Karnataka	80.77	-	-	-	-	-	-	-	-
Kerala	527.34	-	-	-	-	-	-	-	-
Madhya Pradesh	603.89	-	351	-	-	-	-	-	400
Maharashtra	967.52	-	-	-	-	-	-	-	30
Orissa	367.07	-	-	-	-	-	-	-	178
Punjab	242.89	-	-	-	-	-	-	-	-
Rajasthan	564.73	-	9424	-	-	-	-	-	-
Uttaranchal	84.8	-	539	-	-	-	-	-	-
Uttar Pradesh	1660.53	-	-	-	-	-	-	-	-
West Bengal	802.21	-	1545	-	-	-	-	-	-
Chandigarh	9.01	-	-	-	-	-	-	-	-
Delhi	137.83	-	-	-	-	-	-	-	-
Pondicherry	9.74	-	-	-	-	-	-	-	-
Gujarat	505.97	-	-	-	-	-	-	-	-
Jammu & Kashmir	100.7	-	-	-	-	-	-	-	-
Tamil Nadu	621.11	-	-	-	-	-	-	-	-
Others	721.93	-	-	-	-	-	-	-	-
Total :	10270.15	-	-	-	-	-	-	-	-

Neg. - Below 500 tonnes

- State-wise production data not available.

2.10 Statement showing State-wise details of complaints of distress sale of paddy during the Karif Marketing Season 2001-2002 (till 23.03.2002) is placed below :

Sl. No.	State	Districts(s) from which complaints have been received	Date of receipt of complaint
1.	Bihar	Darbhanga, Aurangabad,	04.12.2001, 24.01.2002, 14.02.2002,
		Rohtas, Sone division	15.02.2002, 04.03.2002
2.	Gujarat	Dohad	01.02.2002, 11.03.2002
3.	Madhya Pradesh	Khargone	21.02.2002
4.	Orissa	Kalahandi, Jeypore	23.11.2001, 21.12.2001, 11.03.2002
5.	<u>Punjab</u>	<u>Amritsar, Bataia</u>	<u>22.10.2001, 06.11.2001</u>
6.	Tamil Nadu	Kumbakonam, Vellore, Kancheepuram	06.11.2001, 12.11.2001, 21.02.2002
7.	Uttar Pradesh	Bahraich, Varanasi, Banda	15.10.2001, 12.11.2001, 15.01.2002, 28.01.2002, 21.02.2002, 04.03.2002, 11.03.2002
8.	West Bengal	Bankura, Contai, Sainthia	15.10.2001, 22.10.2001, 12.11.2001, 04.12.2001, 07.01.2002, 18.01.2002, 01.02.2002, 22.02.2002, 11.03.2002,

(iv) Decentralised Procurement

2.11 The Scheme of Decentralized Procurement of foodgrains was started in some States. Under the Scheme, the States themselves procure foodgrains, retain the quantity required for PDS and surrender the rest of FCI for the Central Pool. The subsidy is passed on directly to the State Government for these operations. The Government of West Bengal commenced decentralized procurement of rice for the first time from the Karif Marketing Season 1997-98. Thereafter, the States of Madhya Pradesh and Uttar Pradesh

commenced procurement of wheat from the Rabi Marketing Season 1999-2000 under the Scheme. Government of UP has also commenced decentralized procurement of paddy and rice from the Kharif Marketing Season 1999-2000.

2.12 When the Committee asked how much subsidy claims are outstanding in respect of Madhya Pradesh and Uttar Pradesh as on date, the Ministry in their written reply furnished as under:-

"The details of the pending subsidy claims of the State Governments of U.P. and M.P. are as follows :

(Rs. in Crores)

(a) Targetted Public Distribution System (TPDS)

Year	Madhya Pradesh	Uttar Pradesh
1999-2000	2.24*	30.25
2000-2001	9.89	44.18
2001-2002	11.04	32.58

(upto January,02)

These claims pertain to the 10% of the total claim withheld for want of audited statement of accounts for the relevant years.

* There were certain discrepancies noticed in the two audited statements of accounts submitted by the State Government of M.P. for the year 1999-2000 due to which the amount could not be released.

(Rs. in Crores)

(b) Antyodaya Anna Yojna (AAY)

The pending claims of the State Governments are as follows :

Year	Madhya Pradesh	Uttar Pradesh
2001-2002	Nil	*

(upto Jan., 02)

*The claim of the Government of U.P. for Rs.185.49 crore is under

examination in consultation with the Government of U.P. According to our calculations, the claim is to be restricted to Rs. 101.03 crore. Meanwhile, an 'on account' payment of Rs. 55.15 crore has been released to the State Government during the year 2001-2002."

2.13 Consequent upon the Chief Ministers Conference on WTO Agreement on Agriculture and Food Management held on 21.5.2001, a Standing Committee comprising some Union Ministers and Chief Ministers, besides Deputy Chairman, Planning Commission has been constituted. The Standing Committee, in its first meeting held on 6.7.2001 discussed the issue of decentralize procurement.

2.14 It was clarified in the said meeting that the scheme of decentralized procurement would not be imposed on any State Government. It was also emphasized that in order to make the concept of minimum Support Prices a reality for all farmers every where in the country. It was necessary to encourage the States & to take up procurement operations. The Government of India would work out a detailed scheme in consultation with the State Government to share the gains of localised procurement.

2.15 In pursuance to the above decision, the Union Food Secretary convened meetings on 14.9.2001, 19.9.2001 and 9.10.2001 with Food Secretaries of Assam, Bihar, Chhattisgarh, Gujarat, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Uttar Pradesh and West Bengal. The Food Secretaries of Uttaranchal and Jammu & Kashmir were also invited to participate in the meeting, but could not attend. The States were made aware of the benefits of decentralized procurement scheme and were asked to submit comprehensive proposals for this purpose. So far, only the Govt. of Assam has sent a detailed proposal for undertaking decentralized procurement of rice.

2.16 When the Committee asked what is the progress for making available storage facilities, trained manpower, credit facilities, etc. to the States in order to encourage decentralized procurement, the Ministry in their written reply furnished as under:-

"The Central Government is to help those State Governments which take up decentralised procurement. So far, only one more State, viz. Chhattisgarh, has opted to undertake decentralised procurement. FCI has already given seven years' guarantee for the creation of 2.50 lakh

MT of storage capacity in the State. This was done on 19.3.2002. Depending upon its requirement, the State Government can hire the storage capacity available with FCI, CWC, private parties, etc. in Chhattisgarh.

2. FCI will be too glad to provide training to the staff of the State Government, if required. The request of the State Government for sanction of Cash Credit Limit from the RBI will be duly considered, when received.
3. The Central Government is formulating a scheme for sharing of efficiency gains with the State Government that have taken up the scheme of decentralised procurement.”

(v) Level of Procurement

2.17 The following table indicates the level of procurement of rice (including paddy in terms of rice) and wheat for the Central Pool since 1995-96 marketing season:-

Marketing Year	(in Lakh tonnes)	
	Rice (Oct. to Sep.)	Wheat (April to March)
1995-96	99.50	123.27
1996-97	122.22	81.57
1997-98	143.34	92.98
1998-99	118.44	126.54
1999-2000	172.78	141.44
2000-2001	191.03	163.55
2001-2002	144.03*	206.30

* Current Marketing Season—as on 13.2.2002

COARSEGRAINS

2.18 Coarsegrains are normally procured by the State Governments and their agencies. During Kharif 2000-01, 6.51 lakh MT of coarsegrains were procured in the States of Andhra Pradesh, Karnataka, Madhya Pradesh, Maharashtra.

2.19 The Economic Cost of procurement for each State is finalized and the quantities of coarsegrains that are not distributed in the PDS are disposed of by FCI by calling tenders on "as is where is" basis. The difference between the Economic cost of the State and the tendered rate is reimbursed to the State Government as subsidy.

2.20 The approximate subsidy incurred on the sale of coarsegrains is as follows:-

State	Commodity	Subsidy Rs. per MT	Quantity (in MT)	Total (Rs. in Crores)
Andhra Pradesh	Maize	1390.00	42919	5.96
Karnataka	Bajra	2330.50	4514	1.05
	Ragi		15413	NA
	Maize	1180.50	379740	4.48
Madhya Pradesh	Jowar	3238.50	1214	0.39
	Bajra	3238.50	7405	2.39
	Maize	1188.50	21673	2.57
Maharashtra	Jowar	3237.60	151229	4.89
	Bajra	3237.60	10510	3.40
	Maize	1187.60	16107	1.91
Total				27.05

2.21 At the time of procurement, all the State Governments are asked to distribute coarsegrains under the PDS. However, except for the States of Gujarat and Maharashtra, which distribute small quantities of coarsegrains under PDS, no other State has been able to distribute foodgrains under PDS.

2.22 When the Committee asked what action Government is taking to increase procurement base of coarsegrains so that other States can also be benefited, the Ministry in their written reply, furnished as under-

"Coarsegrains are grown mainly in 15 States of the country. The production of coarse grains in 1999-2000 (in descending order of production) are shown below.

States	Production (In million tonnes)
Maharashtra	6.45
Karnataka	5.25
Uttar Pradesh	3.75
Rajasthan	2.81
Madhya Pradesh	2.38
Andhra Pradesh	2.17
Bihar	1.74
Gujarat	1.64
Tamil Nadu	1.26
Haryana	0.75
Himachal Pradesh	0.72
Punjab	0.53
Jammu & Kashmir	0.49
Orissa	0.16
West Bengal	0.10
Others	0.28
Total	30.48

A study conducted by the Ministry of Agriculture has shown that the cultivated area under coarsegrains has declined as shown in the table below.

Foodgrains	Area in Million Hectares		Production in Million Tonnes			
	1980-81		1990-91		1999-2000	
	Area	Production	Area	Production	Area	Production
Rice	40.02	53.6	42.7	74.3	45.0	89.5
Wheat	22.3	36.3	24.2	55.1	27.4	75.6
Coarse grains	41.8	29.0	36.3	32.7	29.5	30.5

The production of coarse cereals has remained static at around 30 million tonnes since 1999-2000. The consumption on coarse cereals has also declined. The working Group of the Planning Commission has noted that

dramatic changes have taken place in the food consumption pattern in the post Green Revolution Era. At an all India level, cereal consumption has declined from 15.3kg. per capita per month to 13.4kg. per month per capita in rural areas between 1972-73 and 1993-94. Similarly, in urban areas, the cereal consumption has declined from 11.3 to 10.6kg. per capita per month. Even among cereals, there is a shift in consumption from coarse cereals to rice and wheat.

With declining production, the market prices of coarse cereals generally rule higher than MSP and there is negligible procurement. Large scale procurement of coarsegrains has been witnessed only in the last two years, mostly because of bumper harvests which brought the market prices below the MSP. Procurement in the major States in the last two years is shown below:-

State	In Tonnes	
	2000-2001	2001-2001 (As on 27.3.2002)
Andhra Pradesh	42919	14961
Gujarat	-	54031
Karnataka	399677	41537
Madhya Pradesh	30292	56317
Maharashtra	177846	57630
Rajasthan	-	36163
Total	650724	260639

The procurement of coarse grains is mainly done by the State Governments, and sanctions have been given to all the States which have requested for procurement of coarsegrains. The CACP, in its non-price recommendations for the Rabi Crops, has recommended that NAFED should be nominated as the procuring agency for procurement of coarsegrains.

There is little demand for coarse cereals for distribution under PDS.”

(vi) Central Issue Price

2.23 Wheat and rice are issued from the Central Pool to State Govts/

Union Territories at uniform Central Issue Prices (CIP) for distribution under the Targeted Public Distribution System (TPDS). The CIPs of foodgrains issued under TPDS are fixed below the Economic Cost as a result of which the Central Government bears a huge subsidy burden, especially for making foodgrains available at highly subsidized rates for the population below the poverty line.

2.24 Under TPDS, two different sets of CIPs have been adopted for families Below the Poverty Line (BPL) and families Above the Poverty Line (APL).

2.25 In order to channelise the food subsidy to the targeted group, the following modifications were made in the Central Issue Prices in 2000-2001:-

- (i) The Central Issue Price under BPL was fixed at 50% of the economic cost;
- (ii) The Central Issue Price for the APL category was fixed at economic cost.

2.26 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%

2.27 On the recommendations of the Expenditure Reforms Commission (ERC), the economic cost and consequently the issue prices were revised w.e.f. 25.7.2000 as under:-

Item	Economic cost	(Rs. per Qtl.)	
		Issue Price BPL	Issue Price APL
Wheat	830	415	830
Rice	1130	565	1130

2.28 A High Level committee (HLC) was constituted on 16.11.2000 by the Department of Food & Public Distribution under the Chairmanship of Prof. Abhijit Sen, Ex-Chairman of the Commission for Agricultural Costs & Prices (CACP), for formulating a Long Term Grain Policy. The HLC has, in its Interim report submitted on 3.5.2001, suggested that in order to revive the offtake from PDS, the APL population needs to be brought back into the net by reducing the APL price to 80% of the economic cost, excluding statutory levies or about 75% of the present economic cost including levies. The BPL price should however, be 50% of the economic cost, excluding the statutory levies.

2.29 The Ministry, while broadly agreeing with the above view of the HLC, has revised the CIPs for APL families to 70% of the economic cost w.e.f. 12.7.2001 and retained the existing CIPs for BPL families, as under:-

Commodity	(Rs. per quintal)	
	BPL	APL
Wheat	415	610
Rice	565	830

2.30 In the month of March 2002 the Government again downgraded CIP of wheat and rice for APL by Rs. 1 for the next three months. Now wheat and rice are available at Rs. 510 per quintal and Rs.730 per quintal respectively for APL.

(vii) Buffer Stocking Policy

2.31 Food stocks 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 emergency 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.

2.32 The Government has fixed minimum requirement of buffer 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

2.33 Since the existing Buffer Stocking Policy has become due for review, a Technical Group under the chairmanship of Secretary (F&PD) has been constituted on 19.3.2001 to review the existing Buffer Stocking Policy and to recommend the Buffer Stocking norms of foodgrains for the Tenth Five Year Plan period (2002-2007).

2.34 As on 1.1.2002, the stock of foodgrains in the Central Pool, held by FCI and State agencies stood at 58.03 million tonnes as against 45.74 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)
1.1.1998	18.24(P)
1.1.1999	24.38 (P)
1.1.2000	31.89 (P)
1.1.2001	45.76 (P)
1.1.2002	58.11 (P)

2.35 The following table indicates the provisional stock position in the Central Pool, *vis-à-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
1.1.2001	25.04	8.40	20.70	8.40	45.74	16.80
1.4.2001	21.50	4.00	23.19	11.80	44.69	15.80
1.7.2001	38.92	14.30	22.75	10.00	61.67	24.30
1.10.2001	36.83	11.60	21.45	6.50	58.28	18.10
1.1.2002	32.41	8.40	25.62	8.40	58.03	16.80

2.36 The latest stock position of foodgrains as on 1.3.2002 is indicated below:-

	(In lakh tonnes)
Rice	259.68
Wheat	284.64
Coarse grains	0.92
Total	545.24

2.37 When the Committee asked what steps have been taken to liquidate the stocks of foodgrains, the Ministry furnished as under:-

“In order to dispose off the accumulated stocks of foodgrains, the Ministry has already initiated a number of steps since November, 2000 which are as follows:-

1.4.2000

- (i) The entitlement for BPL families was raised from 10kg. per family per month to 20 kg. per family per month from April 2000.

2.11.2000

- (ii) It was decided to make foodgrains available at CIPs for BPL families for all welfare schemes, including SC/ST/OBC hostels scheme, implemented by the various Ministries of the Government of India.
- (iii) It was decided to make foodgrains available at BPL rates for allotment

to State Governments @ 5kg. per head per month for covering categories of indigent people living in welfare institutions, such as beggar homes, orphanages/Nari Niketans, etc. sponsored by the State Governments and the concerned administrative Ministry of the Government of India.

- (iv) A decision was taken to make foodgrains available at BPL rates for development schemes (where the beneficiaries belong to the BPL category) implemented by Non-Government Organisations (NGOs), sponsored by the State Governments and endorsed by the administrative Ministry in the Government of India, as also by international organizations like the World Food Programme.
- (v) FCI was permitted to make wheat available from the Central Pool for the purpose of export. A quantity of 42.96 lakh tonnes of wheat has been exported so far.

1.12.2000

- (vi) The allocation of foodgrains for Below the Poverty Line (BPL) families was revised *w.e.f.* 1.12.2000 on the basis of population projections of the Registrar General as on 1.3.2000. As a result, the number of BPL families eligible for subsidised foodgrains has increased from 5.96 crore families to 6.52 crore families.

25.12.2000

- (vii) The Antyodaya Anna Yojana was announced for the one crore poorest of the poor BPL families. The scheme is now under implementation in all States/UTs. Each of the Antyodaya families is given 25kg. of foodgrains @ Rs. 2 per kg. for wheat and Rs. 3 per kg. for rice.

1.1.2001

- (vii) The Food for Work Programme was introduced in eight drought affected States in January, 2001 by the Ministry of Rural Development. Under FFW the foodgrains are allocated to State Governments free of cost. The programme has been subsequently extended to cover floods and other national calamities. From January, 2001 till 7.3.2002 39.33 lakh tonnes of foodgrains under FFW have been allotted to 11 States.

29.1.2001

- (ix) The Government of India allocated one lakh MTs of foodgrains for distribution in the earthquake-affected areas of Gujarat on 29 January 2001.

1.5.2001

- (x) It was decided to make additional allocation of foodgrains at BPL rates to drought affected States for distribution to all the drought affected families (BPL & APL) @ 20kg per family per month for a period of three months in the current financial year. The Governments of Andhra Pradesh, Gujarat, Himachal Pradesh, Madhya Pradesh, Maharashtra and Rajasthan have already been allocated additional foodgrains aggregating 19.53 lakh tonnes. The Govt. of Bihar has been given additional allocation of 1.80 lakh Mts of wheat at BPL rate for flood relief.

2.5.2001

- (xi) It was decided to permit FCI to offer rice from the Central Pool for the purpose of export. The quantity of rice lifted for export upto 25.2.2002 during the current financial year is 16.46 lakh tonnes.

10.7.2001

- (xii) It was decided to make available 20 lakh tonnes of wheat from the Central Pool for the purpose of export of wheat products.

12.7.2001

- (xiii) The entitlement for BPL families was raised from 20kg. per family per month to 25kg. per family per month.
- (xiv) The Central Issue Price (CIP) of wheat and rice was retained for BPL and reduced for the APL category as under, which will be valid till 31.3.2002:

	(Rs. per quintal)	
	BPL	APL
Wheat	415	610
Rice	565	830

15.8.2001

(xv) The Prime Minister announced the Sampoorna Gramin Rozgar Yojana (SGRY) on 15th August 2001. The Scheme was launched by the Ministry of Rural Development on 25.9.2001. Under the programme, it is envisaged to utilize 50 lakh MTs of foodgrains every year. The allocation of foodgrains under SGRY upto 28.2.2000 has been 30.82 lakh MTs.

2.38 The buffer carrying cost for the surplus stock of foodgrains during 2001-02 and the amount of interest included in the carrying cost are given below:

Stocks with	Average Surplus Stocks for 2001-02 (lakh tonnes)	Annual Buffer Carrying Cost (crore)	Interest Charges included in Col.3 (crore)
1	2	3	4
State Govt/Agencies	265.53	6447	2591
FCI	33.85	822	353
Total	299.38	7269	2944

2.39 When the Committee asked what is the finding of study on buffer stocking policy and whether buffer stocks should be reduced in view of smooth availability of foodgrains in the country, the Ministry in their reply furnished as under:-

"The Expenditure Reforms Commission, in its report of July 2001, has stressed the desirability of FCI maintaining an average stock of no more than 17 million tonnes in a year, including 10 million tonnes by way of food security buffer stock, with a break-up of 4 million tonnes of wheat and six million tonnes of rice.

2. The Government has constituted a Technical Group under the Chairmanship of Secretary (F&PD) to review the present buffer stocking policy of foodgrains and recommend the buffer stocking policy to be followed for the Tenth Five-Year Plan period (2002-2007). The terms of reference of the Technical Group (5th) are as follows:-

- (a) To suggest the minimum and maximum level of national buffer stocks along with the grain mix in the light of the experience gained

so far, changes in policy regarding supply of rice and wheat from the Central pool, distribution by the State agencies and the announcement made in the Budget Speech of the Finance Minister for the year 2001-2002 on the FCI's role.

- (b) To suggest the levels of operational stocks and food security reserves alongwith the grains mix.
- (c) To report on the role of the State Governments/their agencies in holding a part of these stocks and the manner in which these would be held.

3. The Technical Group has held two meetings so far. In pursuance of the decision taken by the Technical Group, a Sub-Group, with AS&FA as Convenor and Prof. Prem S. Vashistha, Director, Agricultural Economics Research Centre, Delhi School of Economics, Campus, University of Delhi as Co-ordinator, has been constituted. The Sub-Group will review all aspects of buffer stocking policy and will submit its report for consideration of 5th Technical Group. The Sub-Group is presently awaiting a Technical Paper on this issue from Dr. Prem S. Vashistha.

4. The 5th Technical Group, while finalizing the buffer stocking policy for the 10th Five-Year Plan, will address the question whether the buffer stock should be reduced in view of the smooth availability of foodgrains in the country. The recommendations of ERC referred to in para 1 above will also be taken into consideration by the 5th Technical Group while finalizing its report.”

(viii) Food Subsidy

2.40 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 for the Central Pool by offering minimum support prices to farmers have tended to be far in excess of the requirements of the public distribution system and also the normative buffer stock levels. The offtake of foodgrains from the public distribution system depends on the purchasing power of the targeted population and also on the efficiency of the delivery mechanism that the public distribution system represents. The offtake of foodgrains shows seasonal fluctuation also.

2.41. The main instrument available to Government of India for procurement from farmers and supply to the States is the Food Corporation of India. There are, however, a few States like Uttar Pradesh, Madhya Pradesh and West Bengal which have undertaken the responsibility of not only procuring the foodgrains from within the State but storing and distributing foodgrains over the year to the targeted population. This scheme is called the Decentralized Procurement Scheme under which the State specific economic cost is determined by the Government of India well in advance in consultation with the State Government, and the Difference between the economic cost so fixed and the Central Issue Price fixed on an All-India basis is reimbursed to the State as food subsidy. The Government of India proposes to enlarge the coverage under the Decentralized Procurement Scheme so that more and more States adopt the scheme in view of its efficiency and cost-effectiveness.

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

Year	(Rs. in crores)
	Subsidy
1995-96	4,960.00
1996-97	5,166.00
1997-98	7,500.00
1998-99	8,700.00
1999-2000	9,200.00
2000-2001	12,010.00
2001-2002 (BE)	13,670.00

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

and for the year 2002-2003 (BE) are as under :—

Food Subsidy Estimates : 2001-2002 (BE)			
Item	Economic Cost 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) Anthodaya			
Wheat	8.00	6389	511
Rice	15.30	8744	1338
Total			5907
Gross Subsidy on TPDS (FCI)			
II Subsidy on TPDS (States)			
(i) BPL			
Wheat	8.74	3546.91	310
Rice	5.71	4343/26	248
Total			558

(ii) APL			
Wheat	-	-	-
Rice	-	-	-
(iii) Antyodaya			
Wheat	5.00	5720	286
Rice	1.70	8059	137
Total			423
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. Gros 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

Food Subsidy Estimate : 2001-2002 (RE)

Item	Economic Cost	Issue Price	Buffer Carrying Cost	Rs.
	Per Tonne	Per Tonne	Per Tonne	
		BPL	APL	
I. FCI				
Wheat	8713	4150	6100	2428
Rice	12044	5650	8300	

SUBSIDY ON TPDS (FCI)

	Qty In lakh Tonnes	Subsidy Per Tonnes	Total (Rs. Crores)
(i) BPL			
Wheat	26.00	4563	1180
Rice	52.00	6394	3296
Total			4476
(ii) APL			
Wheat	6.00	2613	169
Rice	13.00	2848	382
Total			551
(iii) Antyodaya			
Wheat	6.00	6713	385
Rice	8.00	9044	685
Total			1070

Subsidy on TPDS (States)

(i) BPL			
Wheat	11.34	3546.91	402
Rice	4.75	4343.26	206
Total			608
(ii) APL			
Wheat	0.158	1600.00	3
Rice	---	2100.00	-
Total			3
(iii) Antyodaya			
Wheat	1.88	5720.00	108
Rice	0.50	8059.00	40
Total			148

II. Gross Subsidy on TPDS (FCI)

6097

III. Buffer Carrying Cost

(a) Carry over charges on Wheat			1035
(b) Normal Buffer	224.80	2428	5457
Gross Buffer Subsidy			6492

IV. Subsidy on other Schemes

Wheat	85	3000	2550
Rice	47	5932	2788
Total on other schemes			5338

V. Total Subsidy to FCI on TPDS+Buffer+Other Schemes (II+III+IV)			17927
VI. Deduct 5% for audited accounts			(-) 896
VII. Deduct Shortages pending regularization			(-) 530
VIII. Arrears for previous years			260
IX. Subsidy for Coarsegrains			76
X. Net Subsidy to FCI (rounded)			16837
XI. Gros Subsidy to States			759
XII. Deduct 10% for audited accounts			(-) 76
XIII. Arrears for past years			87
XIV. Net Subsidy to States			770
XV. Total Subsidy on 2001-2002 transactions			17607

Food Subsidy estimate : 2002-2003 (BE)

Item	Economic Cost	Issue Price	Buffer Carrying Cost	
	Per Tonne	Per Tonne	Per Tonne	
I. FCI				
		BPL	APL	
Wheat	8792	4150	6100	
Rice	12064	5650	8300	Rs. 2231

Subsidy on TPDS (FCI)

	Qty. In lakh Tonnes	Subsidy Per Tonne	Total (Rs. Crores)
(i) BPL			
Wheat	26.00	4641.60	1207
Rice	52.00	6414	3335
Total			4542
(ii) APL			
Wheat	7.00	2692	188
Rice	13.00	3764	481
Total			669
(iii) Antyodaya			
Wheat	6.00	6792	407
Rice	8.00	9064	725
Total			1132
Subsidy on TPDS (States)			
(i) BPL			
Wheat	12.474	3724.26	465
Rice	5.225	4560.42	238
Total			703
(ii) APL			
Wheat	0.174	1680.00	3
Rice	---	2205.00	---
Total			3
(iii) Antyodaya			
Wheat	2.068	6006.00	125
Rice	0.55	8461.95	46
Total			171
II. Gross Subsidy on TPDS (FCI)			6343

III. Buffer Carrying Cost			
(a) Carry over charges on Wheat			1500
(b) Normal Buffer	306.60	2231	6839
Gross Buffer Subsidy			8339
IV. Subsidy on other Schemes			
Wheat	87	3077	2679
Rice	46	5367	2470
Total on other Schemes			(rounded) 5149
V. Total Subsidy to FCI on TPDS+Buffer+Other Schemes (II+III+IV)			
			19831
VI. Deduct 5% for audited accounts			
			(-) 992
VII. Deduct Shortages pending regularization			
			(-) 560
VIII. Arrears for previous years			
			1900
IX. Subsidy for Coarsegrains			
			134
X. Net Subsidy to FCI			
			20313
XI. Gross Subsidy to States			
			877
XII. Deduct 10% for audited accounts			
			(-) 88
XIII. Arrears for pass Years			
			88
XIV. Net Subsidy to States			
			877
XV. Total Subsidy on 2002-2003 transactions			
			21190

2.44 In Budget Estimate (2001-2002) food subsidy was placed at Rs. 13,675 crore which has been raised to a level of 17,612 crore in Revised Estimate (2001-2002). The Budget Estimate (2002-2003) has been proposed this at Rs. 21,200 crore. When the Committee asked what are the reasons for such a great hike in food subsidy the 2001-2002 while Government is claiming to reduce food subsidy, the Ministry in their written reply furnished as under :—

“Major reasons of the increase in food subsidy over the Budget Estimates during 2001-2002 are as follows:—

- (a) Increase in MSP of foodgrains without corresponding upward revision in Central Issue Prices (C P).
- (b) Increase off take over estimates.

- (c) Increase in buffer stocks with FCI.
- (d) Increase in distribution cost due to
- (i) higher incidence of interest on account of MSP increase;
 - (ii) Payment of wage arrears to the employees;
 - (iii) higher level of carry over charges paid to the State Agencies on stocks taken over by FCI."

2.45 When the committee asked about sincere efforts made and timely action taken since April, 2000 to reduce the Food Subsidy by Government/ Food Corporation of India (FCI), the Ministry in their written reply furnished as under:—

- "(a) Action has been taken to increase the utilization of storage capacity. The extent of utilization has crossed the BICP Norms of 75% as stated below:—

Year	Utilisation	Saving Rs. Crores
1999-2000	76%	3
2000-2001	87%	88
2001-2002	94%	102

(Estimated)

- (b) Controlling the administrative cost by following the ban on recruitment of resultant entry level except in exceptional cases has resulted in following savings.

Year	Rs. Crores
1999-2000	181
2000-2001	82
2001-2002	180

(Estimated)

- (c) Major Administrative expenses have been reduced as could be seen from the table below :—

Rs. Crores

Year	OTA	TA	Medical	Others	Total
1999-2000	6	7	-1	10	22
2000-2001	6	-3	5	2	10
2001-2002	20	7	10	2	39

Estimated

(d) Demurrage charges is showing a declining trend as under:—

Year	Rs. Crores
1999-2000	27
2000-2001	20
2001-2002	7

Estimated

(e) Reduction in level of shortages incurred.

Year	%	Savings over previous year
		Rs. Crores
1998-1999	1.23	
1999-2000(P)	1.15	35
2000-2001 (P)	0.95	82
2001-2002 (RE)	0.91	20

In addition to the above the following steps are taken which would result in subsidy savings.

- (1) Issuing of old stock, disposing of C&D category of stock and introducing direct supervision at the time of loading and unloading of foodgrains to control the incidence of transit and storage shortages.
- (2) Machine stitching of gunnies and handling of foodgrains in 50kg. bags.
- (3) Ensuring strict quality control measures during procurement storage.
- (4) Development of Performance Indicators and review of field

performance with reference to these on monthly basis.

- (5) Increasing the level of depot inspections by Senior Officers for monitoring/ensuring proper up keeps of godowns, availability of chemicals, proper preservation of stocks.

2.46 The break-up of consumer subsidy and subsidy for buffer stock maintained by FCI for the last three years as on 24.3.2002 is as under:—

(Rs. in Crore)

Commodity	1998-1999	1999-2000	2000-2001	2001-2002(RE)
1	2	3	4	5
Consumer Subsidy				
Wheat	2803.70	2144.75	1468.94	1598.36
Rice	3220.33	3815.17	2977.25	3952.89
Total	6024.03	5959.92	4446.19	5551.25
Carrying Cost of Buffer	1552.30	1753.71	3740.13	4676.75
Carry Over	---	---	492.62	1205.15
Charges to State Govts.				
Total	7576.33	7713.63	8678.94	11433.15

2.47 Details of subsidy spent on different scheme are as under:—

(Rs. Crore)

Category	Wheat			Rice		
	1999-00	2000-01	2001-02	1999-0	2000-01	2001-02
			(RE)			(RE)
BPL	1449.80	1469.00	1477.50	2535.54	2977.31	3611.05
APL	328.18	--	120.85	1279.63	---	341.84
AAV	----	----	398.20	---	---	688.60
MDM&	---	99.58	1867.88	---	388.53	3120.59
others						
Total	1777.98	1568.58	3864.43	3815.17	3365.84	7761.88

2.48 Statement Showing allocation/offtake and subsidy under various welfare schemes for the year 2001-2002 are as under:—

S.NO.	Name of the Scheme	Allocation (in tonnes)			Offtake (upto Jan, 2002) (in tonnes)			Food subsidy (on offtake) (Rs. in crores)		
		Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total
1.	Food for Work	2726658	1206795	3933453	1984776	1093093	3077869	1269.07	498.78	1767.64
2.	Mid Day Meal	1863668	9806	1873474	1092013	581935	1673948	698.23	265.54	963.77
3.	Integrated Child Development Scheme (ICDS)	78477	160951	239428	20579	51398	71977	13.16	23.45	36.61
4.	Antapurna	901126	901127	1802253	29884	41872	71756	19.11	19.11	38.21
5.	SC/ST/OBC Hostels	107963	107963	215926	47848	3710	51558	30.59	1.69	32.29
6.	Welfare Homes/ Emergency Feeding Prog.	12750	0	12750	0	0	0	0.00	0.00	0.00
7.	Sampoorna Gramin Rozgar Yojana	2101320	1081880	3183200	276350	71630	347980	-	-	-
	Total	7791962	3468522	11260484	3451450	1843638	5295088	2030.16	808.57	2838.73

2.49 When the Committee asked what efforts the Government is proposing to make during Financial Year (2002-2003) to reduce surplus buffer subsidy, the Ministry in their written reply furnished as under:—

“The problem of surplus stocks of wheat & rice and the need to increase the offtake of foodgrains from the Central Pool has been constantly engaging the attention of the Government of India, as would be clear from the following:—

1.4.2000

- (i) The entitlement for BPL families was raised from 10 Kg. per family per month to 20 Kg. per family per month from April, 2000.

2.11.2000

- (ii) It was decided to make foodgrains available at CIPs for BPL families for all welfare schemes, including SC/ST/OBC hostels scheme, implemented by the various Ministries of the Government of India.
- (iii) It was decided to make foodgrains available at BPL rates for allotment to State Government @ 5 Kg. per head per month for covering categories of indigent people living in welfare institutions, such as beggar homes, orphanages/Nari Niketans, etc. sponsored by the State Governments and the concerned administrative Ministry of the Government of India.
- (iv) A decision was taken to make foodgrains available at BPL rates for development schemes (where the beneficiaries belong to the BPL category) implemented by Non-Government Organisations (NGOs), sponsored by the State Governments and endorsed by the administrative Ministry in the Government of India, as also by international organization like the World Food Programme.
- (v) Food Corporation of India was permitted to make wheat available from the Central Pool for the purpose of export. A quantity of 42.96 lakh tonnes of wheat has been exported so far.

1.12.2000

- (vi) The allocation of foodgrains for Below the Poverty Line (BPL) families was revised *w.e.f.* 1.12.2000 on the basis of population

projections of the Registrar General as on 1.3.2000. As a result, the number of BPL families eligible for subsidized foodgrains has increased from 5.96 crore Families to 6.52 crore families.

25.12.2000

- (vii) The Antyodaya Anna Yojana was announced for the one crore poorest of the poor BPL families. The scheme is now under implementation in all States/UTs. Each of the Antyodaya families is given 25 Kg. of foodgrains @ Rs. 2 per Kg. for wheat and Rs. 3 per Kg. for rice.
- (viii) The Food for Work Programme was introduced in eight drought affected States in January, 2001 by the Ministry of Rural Development. Under FFW the foodgrains are allocated to States Governments free-of-cost. The programme has been subsequently extended to cover floods and other national calamities. From January, 2001 till 7.3.2002, 39.33 lakh tonnes of foodgrains under FFW have been allocated to 11 States.

29.1.2001

- (ix) The Government of India allocated one lakh MTs of foodgrains for distribution in the earthquake-affected areas of Gujarat on 29 January, 2001.

1.5. 2001

- (x) It was decided to make additional allocation of foodgrains at BPL rates to drought affected States for distribution to all the drought affected families (BPL & APL) @ 20 Kg. per family per month for a period of three months in the current financial year. The Governments of Andhra Pradesh, Gujarat, Himachal Pradesh, Madhya Pradesh, Maharashtra, and Rajasthan have already been allocated additional foodgrains aggregating 19.53 lakh tonnes. The Government of Bihar has been given additional allocation of 1.80 lakh MTs of wheat at BPL rate for flood relief.

2.5.2001

- (xi) It was decided to permit Food Corporation of India to offer rice from the Central Pool for the purpose of export. The quantity of

rice lifted for export upto 25.2.2002 during the current financial year is 16.46 lakh tonnes.

10.7.2001

- (xii) It was decided to make available 20 lakh tonnes of wheat from the Central Pool for the purpose of export of wheat products.

12.7.2001

- (xiii) The entitlement for BPL families was raised from 20 Kg per family per month to 25 Kg. per family per month.
- (xiv) The Central Issue Price (CIP) of wheat and rice was retained for BPL and reduced for the APL category as under, which will be valid till 31.3.2002.

	(Rs. per quintal)	
	BPL	APL
Wheat	415	610
Rice	565	830

15. 8. 2001

- (xv) The Prime Minister announced the Sampoorna Gramin Rozgar Yojana (SGRY) on 15th August, 2001. The scheme was launched by the Ministry of Rural Development on 25.9.2001. Under the Programme, it is envisaged to Utilize 50 lakh MTs of foodgrains every year. The allocation of foodgrains under SGRY upto 28.2.2002 has been 30.82 lakh MTs.

The offtake of wheat and rice from the Central Pool during the first 10 months of the current financial year, 2001-2002, was 230.25 lakh tonnes as against 136.83 lakh tonnes during the corresponding period of the last financial year, i.e. 2000-01, thus registering an increase of 68.27%. The total increase in the offtake of foodgrains under TPDS during this period has been 10.98 lakh tonnes. The increase in the open market sales (domestic) has been 32.82 lakh tonnes., while the increase under welfare schemes has been 22.09 lakh tonnes.

It may also be pointed out that there has been a significant increase in offtake in respect of BPL is seen below :—

(Figures in lakh tonnes)

	1998-1999	1999-2000	2000-2001	2001-2002 (upto 31.1.02)
BPL	61.70	69.94	95.35	91.64

Additional Measures

To further reduce the excess stocks in the Central Pool, the following additional measures are under consideration:

- (i) Further reduction in CIPs for wheat and rice.
- (ii) Increase in the scale of issue in respect of APL, BPL and Antyodaya Categories.
- (iii) Increase in the allotment of foodgrains under welfare schemes.
- (iv) Removal of quantitative restrictions in the exports of foodgrains."

2.50 The Ministry in its Post Evidence Reply further submitted that in order to liquidate the excess stocks of foodgrains available in the Central Pool during the year 2002-03 it has been decided as under:—

- (i) 50 lakh MTs of wheat and 10 lakh MTs of rice will be disposed of under the Open Market Sale Scheme (Domestic) at prices to be determined by the High Level Committee of the Food Corporation of India.
- (ii) Quantitative restrictions on the export of rice, wheat and wheat products have been removed. This is, however, subject to the condition that the stocks in the Central Pool will not be lower than the buffer stock of 243 lakh MTs (100 lakh MTs of rice and 143 lakh MTs of wheat) at any point of time.
- (iii) It has been decided to increase exports of wheat and rice, including lustre loss wheat and provide WTO compatible subsidies for exports of wheat, wheat products and rice.
- (iv) It has been decided to enter into counter trade and/or extend commodity assistance in the form of foodgrains to other countries on terms to be decided on a case to case basis.

In order to increase the offtake under the PDS, the allocation of foodgrains for APL, BPL and Antyodaya households has been increased to 35 kg per family per month with effect from 1.4. 2002. Further, the Central Issue Price in respect of APL category has been reduced by Rs. 100/- per quintal for both wheat and rice. However, the position in this regard will be reviewed after three months.

With effect from 1.4.2002, it has also been decided to fix the scale of issue for all welfare institutions and hostels uniformly @ 15 Kg. per head per month and make an additional allocation equal to 5% of the BPL allocation to States/UTs at BPL rates on this account.

2.51 Out of the total foodgrains subsidy, the carrying cost of buffer and carry over charges paid to State Government are treated as buffer subsidy. The remainder is assigned to consumer subsidy. Accordingly, the share of consumer subsidy as a percentage of the total food subsidy released from 1998-99 onwards, is as follows:-

<i>(Rs. in Crores)</i>			
	Consumer Subsidy (%)	Buffer Subsidy	Total
1998-1999	7147.69 (82.16%)	1552.31	8700.00
1999-2000	7446.29 (80.94%)	1753.71	9200.00
2000-2001	7777.25 (64.76%)	4232.75	12010.00
2001-2002 (RE)	11612.10 (66.38%)	5881.90	17494.00

2.52 70-80% of food subsidy must reach to the people Below Poverty Line. When the Committee asked whether Government have any alternative scheme under consideration, the Ministry in their Post Evidence reply furnished as under :—

“The Working Group on Public Distribution System and Food Security for the 10th Five Year Plan, in its Report, has recommended that it may be more efficient to supply subsidized foodgrains through the system of food stamps or food credit cards (smart cards) The Working Group has stated that the benefits in terms of elimination of leakages at all stages of current food procurement, storage and distribution system (including FCI) would more than offset the high cost of credit cards.

The system of food coupons implies the fair price shops will no longer be required and the beneficiaries can buy foodgrains from any shop owner who, in turn, will get the reimbursement from the Government. The system

of food coupons can operate only where proper market infrastructure exists, not only in rural and urban areas but even in the remote and inaccessible areas, which is not so in India. The system of food coupons, without the involvement of fair prices shops, may, therefore, not be appropriate for India as an alternative to the distribution of foodgrains. However, within the framework of the PDS and the fair price shops, the system of food coupons could be considered for introduction for preventing leakages/diversions.

A detailed proposal for a Pilot Project on implementation of Smart Cards under the Public Distribution System has been formulated and sent to the Planning Commission in the light of the recommendations of the Working Group. The Planning Commission has sanctioned an amount of Rs. 4.4 crores for the said proposal during the Annual Plan 2002-2003."

(ix) Food Corporation of India (FCI)

2.53 The Food Corporation of India has 59,459 employees against the total sanctioned strength of 66,358 as on 31.12.2001. The establishment cost of FCI for the last three years is given below :—

	Rs. in Crores
1998-99	1062
1999-2000 (p)	991
2000-2001 (p)	1024
2001-2002 (RE)	1444

2.54 Major efforts taken to minimize the establishment cost are:—

- (a) non-filling up of vacancies at entry level posts due to retirement of officials, except in exceptional cases.
- (b) non-filling up of other vacant posts except when absolutely unavoidable.
- (c) reducing the expenditure on over-time allowance (OTA).
- (d) reducing the medical expenses on indoor treatment of the employees of FCI and their families by covering them under the Group Insurance Policy from the National Insurance Company Ltd.

2.55 In view of above efforts, the following estimated savings have occurred in FCI

S.N. Item	Rs. Crore						
	1998-99 Expenses (Actual)	1999-2000 Exp. (Prov.)	Savings over 98-99	2000-01 Exp. (Prov.)	Savings over 99-2000	2001-02 Expenses (Estimated)	Savings Over 2000- 2001
1. O.T.A.	47	41	6	35	6	15	20
2. T.A.	27	20	7	23	(-) 3	16	7
3. Medical	34	35	(-) 1	30	5	20	10
4. Demurrage	30	27	3	20	7	7	13
5. Saving on a/c of utilisation over 75% @ Rs. 25 per Qtl. per annum		76%	3	87%	88	94%	102
6. Storage & Transit shortages			35		82		80
7. Saving due to vacant posts for the year			181		82		180
8. Other Admn. expenses	88	78	10	76	2	74	2
Total			244		269		414

2.56 Physical and Financial performance of Food Corporation of India (FCI) during (2001-2002) and projected during (2002-2003) are as under:-

	Qty. Lakh tonnes						Value Rs. Crore	
	Previous Year		Current Year		Next Financial Year			
	2000-2001 (Prov.)		2001-2002 (RE)		2002-2003 (BE)			
	Qty.	Value	Qty.	Value	Qty.	Value		
1	2	3	4	5	6	7	8	
1. Physical Achievement								
A. Procurement								
1.	Wheat Indigenous	80.10	4,508.00	122.60	7,201.00	145.00	8,652.00	

1	2	3	4	5	6	7	8
	Wheat Imported	-	-	-	-	-	-
2.	Rice (including paddy in term of rice)	173.55	16,337.00	306.12	20,550.00	200.00	20,147.00
	Rice Imports	-	-	-	-	-	-
3.	Sugar	4.08	506.00	4.10	508.00	4.08	595.00
4.	Sugar Imports	-	-	-	-	-	-
5.	Coarsegrains	-	-	-	-	-	-
6.	Other (Gunny, stores & Spares)	-	1,039.00	-	1,351.00	-	1,590.00
	Total	257.73	22,390.00	312.82	29,610.00	349.08	30,904.00
B.	Sales						
	Wheat	65.86	3,239.00	120.00	5,609.00	132.00	5,635.00
	Wheat Export	-	-	-	-	-	-
	Rice	96.74	7,173.00	130.00	8,153.00	144.00	8,539.00
	Rice Export	-	-	-	-	-	-
	Sugar (Ind. & Imported)	4.82	627.00	4.00	530.00	4.86	644.00
	Coarsegrains	-	-	-	-	-	-
	Total	167.42	11,039.00	254.00	14,292.00	280.86	14,818.00
	Fertilizer	-	-	-	-	-	-
	Total						
II	RESULT OF OPERATIONS						
	(a) Receipt						
	(i) Sales & other income	11,039.00		14,292.00		14,818.00	
	(ii) (a) Subsidy for the year (Consumer subsidy)	5,308.00		12,350.00		14,803.00	
	(b) Subsidy towards buffer carrying cost for the year	4,456.00		6,620.00		9,637.00	
	(iii) (a) Shortages reimbursable on regularization	399.00		530.00		560.00	
	(b) Deficit on Sugar Operation	80.00		69.00		83.00	
	Total (i+ii+iii)	21,482.00		33,861.00		39,901.00	

1	2	3	4	5	6	7	8
	(b) Cost of Sales excluding interest and depreciation	15,203.00		23,195.00		25,103.00	
	(c) Depreciation	36.00		37.00		34.00	
	(d) Interest	2,529.00		3,469.00		4,555.00	
	(e) Tax provision	-		-		-	
	(f) Balance amount realizable	3,714.00		7,160.00		10,209.00	
	(a) —(b+c-d+e) @						
	(g) Net profit-loss after taxation						
III	Inventories						
	Raw Material						
	Stores & Spares						
	i) Wheat	₹4.05	6,023.00	₹3.85	6,346.00	97.94	7,420.00
	ii) Rice (incl. Paddy in rice terms)	191.30	19,399.00	262.95	27,679.00	314.37	33,722.00
	iii) Sugar (incl. Imp.)	0.99	120.00	1.00	124.00	0.86	107.00
	iv) Others						
	v) Coarsegrains	-	102.00	-	-	-	-
	vi) Gunny, Stores and Spares	-	130.00	-	133.00	-	145.00
	vii) Fertilizers	-	-	-	-	-	-
	TOTAL	276.34	25,774.00	349.80	34,282.00	413.13	41,394.00
	INVENTORIES						
IV	Resources and application of Funds						
	A) Sources						
	i) Equity	2,295.00		2,325.00		2,339.00	
	ii) Reserves (Other than depreciation reserve)	-		-		-	
	iii) Depreciation Reserve	659.00		696.00		730.00	
	iv) Govt. of India Loan	-		-		-	
	v) Bank overdraft	22,246.00		32,625.00		39,742.00	

1	2	3	4	5	6	7	8
	vi) Credit over debts (other than subsidy)	8,025.00		6,618.00		7,167.00	
	vii) Surplus in SPEF	158.00		220.00		219.00	
	viii) Other Loans	-		-		-	
	ix) Other Borrowings	15.00		14.00		12.00	
	Total	33,398.00		42,498.00		50,209.00	
	B. Application						
	i) Fixed Assets (incl. Deposits for construction)	1,33.00		1,095.00		1,134.00	
	ii) Stock of foodgrains stores and spares fertilizers bldg. Materials & Other commodity	25,774.00		34,282.00		41,394.00	
	iii) Sy. Debtors	6,192.00		6,722.00		7,282.00	
	iv) Loan & Advance including claims	384.00		384.00		384.00	
	v) Cash & Bank Balance	15.00		13.00		15.00	
	Total	33,398.00	42,498.00	50,209.00			
V	Net worth/capital employed						
	i) Net worth (Equity)	2,293.00		2,325.00		2,339.00	
	ii) Capital employed (Total of IV-A) (i+ii+iv+v)	24,541.00		34,950.00		42,081.00	
VI	Result of Central Govt. Investment-interest of Govt. loan						
VII	Performance and efficiency indices						
	Total Inventories to Sale (Qty. terms)	165.06%		137.72%		147.11%	
VIII	Target and Achievement:						
	A. Foodgrains (incl. Coarsegrains)						
	i) Purchase (including Imports)	291.67	253.65		328.72		345.00
	ii) Sales	182.00	162.00		250.00		276.00
	iii) Stocks	304.45	275.35		348.80		412.31
	B. Construction of storage						
	Capacity (lakh tonnes)	0.86	0.39		1.29		-
	C. Storage capacity						
	at the end Of Financial Year	307.65	314.46		355.60		425.00
	D. Capacity						
	Utilisation	91%	87%		94%		97%

E. Turn Over				
Ratio Storage	1:1.1	1:0.9	1:1.0	1:1.2
Capacity to purchase				
F. Turn Over				
Ratio Storage	1:0.7	1:0.6	1:1.8	1:0.7
Capacity of Sales				
O. Percentage of distribution				
Expenses to				
Economic Cost-Wheat	15.2	16.5	15.2	13.8
Rice	13.3	14.1	12.6	11.1

2.57 The Cash Credit availed by FCI as on 20.3.2002 is Rs. 28,314 crore. Interest per annum on this amount would be Rs. 3,270 crore. FCI has also taken Rs. 10.54 crore as loan from HDFC for meeting the requirement of House Building Advance (HBA) of its staff.

2.58 Estimated current liabilities of FCI towards creditors for supply of goods and services, deposits repayable, etc. are Rs. 3,000 crore approximately.

2.59 Besides, at present, due to certain problems relating to Cash Credit Limit, a temporary liability of Rs. 2,064 crore towards payment to State Governments, as account of stocks taken over from them, has arisen.

2.60 When the Committee asked whether FCI is claiming or paying any interest subsidy, the Ministry in their written reply stated as under :-

“FCI is working on no profit no loss basis. The issue prices of foodgrains under various schemes fixed by the Government does not cover FCI's full cost of grain. The difference is reimbursed of FCI as food subsidy. In fact the CIPs do not fully cover the acquisition cost. Hence, interest cost incurred by FCI is reimbursed through subsidy. The table below indicated the interest claimed by FCI from the Government :—

Year	Average stocks held		Interest on value of stock less equity of Rs. 1480 Crore.	Interest claimed against this Rs./crore
	Quantity (Lakh Tonnes)	Value (Rs. in crore)		
1998-99	165.02	12222	1684	1554

1999-00 (P)	182.98	15161	1688	1599
2000-01(P)	246.16	21900	2426	2345
2001-02(RE)	315.62	29815	3301	2177

(Upto Dec. 2001)

(x) Storage and Warehousing

2.61 The storage plan of the Department of Food & Public Distribution aims at providing storage capacity required for :

- (i) Buffer and operational stock of foodgrains to maintain the public distribution System, and
- (ii) general warehousing

2.62 There are three agencies in the public sector, which are engaged in building storage and warehousing capacity. These are the Food Corporation of India (FCI), Central Warehousing Corporation (CWC) and 16 State Warehousing Corporations (SWCs).

2.63 The storage capacity (owned and hired) of these 3 public agencies as on 1.1.2002 is as under :-

(In Lakh Tonnes)

Agencies	As on 1.1.2002		
	Owned	Hired	Total
F.C.I	149.93	206.65	356.58
CWC	69.67	17.32	86.99
SWCs	102.05	65.42	167.47

2.64 The Storage capacity (owned and hired) of these 3 public agencies as on 31.3.2001 were as under:-

(In Lakh Tonnes)

Agencies	As on 31.3.2002		
	Owned	Hired	Total
F.C.I	148.88	165.58	314.46
CWC	56.12	27.79	83.91
SWCs	86.01	63.04	149.05

2.65 The rentals payable to hired godowns, during 2001-2002 (RE) have been estimated as Rs. 375 crore.

2.66 Hiring and dehiring of godowns by the FCI is a continuous process depending upon the requirement. The position is reviewed every month so as to avoid infructuous expenditure.

2.67 FCI has a Plan scheme for the construction of godowns. The provision available in this regard during the 9th Plan was Rs. 111.40 crore. The total expenditure during the 9th Plan period (upto February, 2002) was Rs. 106.90 crore and the capacity created (upto February, 2002) was 3.86 lakh MTs. During the 10th Plan, the approved allocation for construction of godowns by FCI is Rs. 185.46 crore.

2.68 The physical and financial targets as well as achievements in respect of creation of storage capacity during 2001-2002 as well as targets for 2002-2003 are as under :—

Agency	2001-2002 (BE)		2002-2002(RE)		2002-2003 (BE)	
	Physical (lakh tonnes)	Financial (Rs. crores)	Physical (in lakh tonnes)	Financial (Rs. crores)	Physical (lakh tonnes)	Financial (Rs. crores)
FCI						
Target	086	22.40	1.61	30.00	-	37.19
Achievement	0.39	22.74	1.33	23.21	-	-
CWC			8.34+			
Target	2.00	94.00	0.57 CAP	176.94	3.25	96.50
Achievement	2.01+	104.96	1.45*	87.06	-	-
	4.06 (CAP)		(upto Dec. 2001½)			
Contribution by CWC towards share capital of SWCs						
Target	-	1.00	-	1.75	-	3.50@
Achievement	-	1.38	-	1.25	-	-

* In addition, 0.57 lakh tonnes open plinths (CAP) and 1.15 lakh tonnes under FCIs guarantee also constructed upto December, 2001.

@The figures include the backlog of 2001-02 and fresh investment in the equity of SWCs.

2.69 The entire outlay of godown construction by FCI met from budgetary sources. So far as CWC is concerned, the entire expenditure on construction of godowns as well as contribution towards the share capital of State Warehousing Corporation for their storage construction programme is met out of the Internal and Extra Budgetary Resources (IEBR).

2.70 When the Committee asked what is the programme of capacity creation of FCI during Financial Year (2002-2003) and also how many warehouses have been given guarantee by FCI under National Policy of handling, storage and transportation of foodgrains, the Ministry in their written reply stated as under :—

“The programme of storage capacity creation of FCI under the Annual Plan 2002-2003 is as under :—

		<i>(Capacity in '000 tonnes)</i>
S.No.	Centre/State/Capacity	Physical Target
I	Works sanctioned earlier/works in progress	
a.	Plain Area	
	1. Nellore (Phase-II)/AP/10,000	10,000
	2. Miryalguda/AP/20,000	10,000
	3. Nalgonda/AP/20,000	10,000
	4. Malouta (Ph. II) Punjab/10,000	10,000
	5. Rangpo/Sikkim/2,500	2,500
b.	Hill and Remote Areas	
	1. Leh/J&K/2,500	2,500
	2. Kishtwar/J&K/2,500	2,500
c.	North East Areas	
	1. Jiribam/Manipur/2,500	2,500
	Total	50,000
II	New Works	
A.	Conversion of convertible plinths	

a. Plain Areas	
1. Kazipet/AP/10,000	10,000
2. Sevir/TN/5,000	5,000
3. Maddur/Karnataka/5,000	5,000
4. Mysore/Karnataka/2,970	2,970
5. B.G. Sirsa/Haryana/26,670	15,000
6. Manmad/Maharashtra/18,600	18,600
7. Godhra/Gujarat/25,000	15,000
8. Hanumangarh/Rajasthan/15,000	10,000
9. Baran/Rajasthan/ 5,000	5,000
Total	86,570
Grand Total	1,36,570

Under the National policy on handling, storage and transportation of foodgrains, the FCI has proposed to give seven years guarantee for creation of conventional godowns/warehouses at 73 locations with an aggregate capacity of 5.71 lakh tonnes in 14 States, on Build-Own-Operate (BOO) basis through private sector participation."

2.71 The Storage and Transit losses and losses due to theft its quantity and percentage are given below :—

(Qty. in lakh MT.)

(Rupees in crore)

Year	Transit Loss (Provisional)		Storage Loss (Provisional)		Losses due to Theft	
	Qty.	Value	Qty.	Value	Qty.	Value
2000-2001	1.84	172.00	2.24	227.00	1186	019
					Bags	(approx.)
					3374	
					Kattas	

2.72 The Ministry has stated that the following steps have been taken by the FCI to prevent storage losses : —

- (a) adoption of 50 kg. packing in a phased manner;
- (b) installation of weighbridges;
- (c) administrative measures, such as tightening of security at depots, intensifying surprise checks & ensuring regular stock verification;
- (d) encouraging machine stitching of bags;
- (e) induction of Central Industrial Security Force at vulnerable depots to curb theft and pilferage;
- (f) to streamline procedure and documentation for transparency and accountability in operations;
- (g) identification of vulnerable points;
- (h) expediting fixation of responsibility, wherever called for;
- (i) inspection of depots and record by Sr. Regional Manager/District Managers;
- (j) inspection of weighbridges by Joint Manager (Mechanical) and District Manager;
- (k) double line Machine stitching of bags;
- (l) improvement in size and quality of gunnies, etc;

2.73 The following steps have been taken to prevent transit losses:—

- (a) special squad checkings at selected transshipment and destination rail head points;
- (b) reduction in open wagon movement to the extent possible;
- (c) intensifying surprise checks at loading and unloading points;
- (d) a set of instructions has been issued by FCI to control the transit losses prescribing a systematic approach to achieve transparency and accountability, etc.

The following remedial measures have been taken to prevent theft of foodgrains in FCI godowns:—

- (i) Physical measures like installation of barbed wire fencing of the boundary walls. Provision of light for illumination of godowns and proper locking of the sheds to secure the godowns.
- (ii) Deployment of security staff of FCI as well as Home Guards for safety of the foodgrain stocks.
- (iii) Deployment of Central Industrial Security Force and State Armed Police at vulnerable godowns.
- (iv) Periodic security inspections as well as surprise checks of the depots at various levels to detect and plug the theft/security lapses.
- (v) In case of occurrence of thefts, lodging of FIRs with the local police stations for investigation of the cases.

(xi) Non-issuable stock of foodgrains

2.74 As on 1st February, 2002, the quantity of damaged foodgrains available with the Food Corporation of India (FCI) was 2.05 lakh tonnes.

State-wise and commodity-wise details are placed below:-

(Figures in MTs)

Region	Commodity			Total stock
	wheat	Rice	Paddy	
1	2	3	4	5
Bihar	7879	4453	35	12367
Jharkhand	168	393	0	561
Orissa	209	44	0	253
West Bengal	1783	32008	0	33791
Assam (including Arunachal Pradesh)	50	690	0	740
NEF States (comprising of Meghalaya, Mizoram, Tripura, Manipur & Nagaland)	13	1743	0	1756
Delhi	27	6	0	133

1	2	3	4	5
Haryana	189	40	216	445
Himachal Pradesh	0	0	0	0
Jammu & Kashmir	33	194	0	227
Punjab	11706	11257	117424	140387
Rajasthan	757	1	0	758
Uttar Pradesh	1588	4462	11	6061
Uttaranchal	35	60	78	173
Andhra Pradesh	797	33	0	830
Kerala	9	230	0	239
Karnataka	1103	32	0	1135
Tamil Nadu	124	27	0	151
Gujarat	3347	81	0	1827
Maharashtra	1708	119	0	1827
Madhya Pradesh	344	74	0	418
Chhattisgarh	40	54	0	94
Total	31909	56001	117764	2,05,674

2.75 The consolidated commodity-wise stock position of damaged foodgrains (non-issuable) with FCI as on 28.2.2002 is indicated below:—

(Fig. in MTs)

Wheat :	29848
Rice :	53041
Paddy:	117548
Total :	200437 MTs

2.76 The category-wise position of damaged foodgrains with FCI as on 28.2.2002 is as follows :—

Feed-I	Feed-II	Feed-III	Industrial Use	Manure Use	Dumping	Un-Category	Total
45619	117676	21576	5960	5913	1324	2369	200437

Against the above, a quantity of 1.87 lakh tonnes is covered under tenders already issued. Action for disposal of remaining 0.13 lakh tonnes is continuing.

2.77 The Ministry has informed that 45,069 tonnes of damaged foodgrains have been disposed of during the period of August, 2001 to January, 2002.

2.78 To prevent damage to foodgrains, the following measures are taken :—

- (i) Foodgrains are stored mostly in rodent and damp proof godowns.
- (ii) Disinfestation measures are undertaken regularly as per laid down protocol.
- (iii) Qualified and technically trained staff are deployed for proper upkeep of foodgrains.
- (iv) To avoid damage in transit, foodgrains are moved in covered wagons, as far as possible. When moved in open wagons the same are covered with tarpaulins etc.
- (v) In Cover and Plinth (CAP) storage complexes, the stocks are stored on wooden crates and covered with low density black polythene covers properly lashed with nylon ropes to prevent damage by ballooning of covers during high velocity winds. Surprise checks of foodgrains stocks are also undertaken by the quality control officers.

2.79 For the last about 3 years the stocks of non issuable foodgrains has remained around 2 lakh MT which is valued at around Rs. 200 crores. When the Committee asked as to why the stock has not reduced and the FCI not taking steps sincerely in this regard, the Ministry in their Post Evidence reply furnished as under: —

“Foodgrains, which are procured by the FCI, have specified shelf life. Therefore, sliding down of foodgrains is a continuous process depending on the period of storage of these foodgrains. Such non-issuable foodgrains are disposed of on a continuous basis through tender sale or at the rates approved by the High Level Committee of the FCI. Thus, against the quantity of 2.00 lakh MTs of non-issuable foodgrains available with FCI as on 28.2.2002, 1.87 lakh MTs is covered under tenders already issued

The disposal of non-issuable/damaged foodgrains is regularly monitored by FCI Headquarters and the progress is also being reviewed by the Executive Committee.

The position of accrual and disposal of non-issuable foodgrains from September 2001 to February, 2002 is indicated below :—

(Figures in MTs)

Month	Accrual	Disposal
September, 2001	5488	16441
October, 2001	3036	6546
November, 2001	2847	3243
December, 2001	2667	5818
January, 2002	1895	7939
February, 2002	3486	8727
Total	19,419	48,714

(xii) Policy on Import and Export of wheat and rice on Government account

2.80. Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) is primarily concerned with the food security of the country. Government constantly reviews the stock position of foodgrains with it in the Central Pool *vis-a-vis* the prescribed buffed norms, production of foodgrains in the country, trend of procurement for Central Pool, requirement for Public Distribution system (PDS) and other welfare schemes, open market prices, etc. A decision to import or export foodgrains on Government account is taken depending of the overall situation.

2.81 For the current Financial Year there is no proposal to import foodgrains in the Central Pool.

2.82 The Government has taken the following special measures *inter-alia* for export of foodgrains :—

- (a) Wheat and rice are being offered from the Central Pool for export purposes.
- (b) Exporters have been allowed to lift stocks from the depots of FCI according to their choice.

- (c) An empowered Standing Committee on Exports has been set up to take expeditious decisions on matters relating to export of foodgrains regularly.
- (d) In order to establish a stable price regime, the Government has decided to fix the offer price for export of wheat and rice from the Central Pool for a period of 3 months, with an additional month given for lifting of stocks, and to announce the prices 45 days in advance before the commencement of the concerned quarter.

2.83 Export of wheat and rice from the Central Pool started from November, 2000 and February, 2001 respectively. Some details in this respect are indicated below :—

Export of Wheat

(Figures in lakh tonnes)

Year	Target	Achievement	Rate (per tonne)	From	upto
2000-01	50	16 (approx.)	Rs. 4150/-	20.10.2000	31.3.2001
			Rs. 4300/-	01.04.2001	16.8.2001
2001-02	50	26.97 (upto 31.1.02)	Rs. 4200/-	17.08.2001	30.11.2001
			Rs. 4250/-	1.12.2001	31.3.2002

Export of Rice

(Figures in lakh tonnes)

Year	Target	Achievement	Rate (per tonne)	
Shipped Lifted by exporters upto 15.1.2002				
2000-01	20	Nil	1,08,743	Rs. 6750/-
2001-02	30	2.75 (as on 30.11.2001)	3,38,058	Rs. 5650/-
			8,01,315	Rs. 6000/-
Total Rice lifted by exporters (upto 5.2.2002) : 14,34,655 tonnes.				

2.84 The export prices of wheat were revised on the following dates:—

Issue Price	From	To
Rs. 4150/-	20.10.2000	31.03.2001
Rs. 4300/-	01.04.2001	16.08.2001
Rs. 4200/-	17.08.2001	30.11.2001
Rs. 4250/-	01.12.2001	31.03.2002

2.85 When the Committee asked what are the reasons for variation in export price of wheat during (2000-2001) and (2001-2002) on different dates, the Ministry in their written reply furnished that the decision to revise export price of wheat made from time to time is intended to make the export prices of Indian wheat competitive in the international market.

2.86 In view of large manpower and commercial skill available with Food Corporation of India (FCI) when the Committee asked whether FCI/ Government has reconsidered it fit to export foodgrains as their own, the Ministry in their written reply stated that FCI has been advised to prepare itself to undertake exports directly in view of its specialized functions and expertise in the area of procurement, storage and distribution of foodgrains.

(xiii) Post Harvest Management of foodgrains

2.87 With a view to minimizin the post harvest losses occurring at farm level, the Department of Food & Public Distribution is actively engaged in improving the storage practices at the farm level where a major portion of the foodgrains (about 70%) produced is retained by the farming community for food, feed and seed purposes.

2.88 Under the Post Harvest Operations, the following institutions implement various programmes for improvement of storage :—

- (i) Indian Grain Storage Management & Research Institute (IGMRI)
- (ii) Save Grain Campaign (SGC)
- (iii) Quality Control Cells (QCC)
- (iv) Central Grain Analysis Laboratory (CGAL)

2.89 The provisions of BE & RE in 2001-2002 and BE for 2002-

2003 in respect of Post Harvest Operations is as under :—

	(Rs. in lakhs)		
	BE 2001-2002	RE 2002-2002	BE 2002-2003
Plan	324.00	303.30	112.90
Non-Plan	771.00	696.30	776.00

2.90. The detailed scheme-wise break-up of the aforesaid budget provision along with activities under each scheme is as under :—

(a) Indian Grain Storage Management & Research Institute (IGMRI).

2.91 IGMRI, Hapur alongwith its five field stations located at Hyderabad, Jabalpur, Jorhat, Ludhiana & Udaipur carry out research and development activities on storage and preservation of foodgrains both at the farm and commercial levels besides developing code of practices for grain storage (including storage structure) and imparting apex level training in scientific storage, preservation and inspection of foodgrains to the officials of the agencies engaged in procurement, storage and distribution of foodgrains. IGMRI is also one of the 38 institutions of repute identified by the Ministry of Finance for imparting training on various courses to the participants of its member countries under the Colombo Plan.

2.92 2001-2002 (BE & RE) and 2002-2003 (BE) in respect of IGMRI under Plan and Non-Plan heads are as under :—

	(Rs. in lakhs)		
	2002-2002	2001-2002	2002-2003
	(BE)	(RE)	(BE)
PLAN			
a) New Construction works	64.40	70.00	60.00*
b) Upgradation of CGAL	20.00	10.00	
c) Machinery & Equipment	7.00	5.80	
d) Material and Supplies	2.30	2.30	
e) Stipend to Artisans	2.50	2.70	

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f) Advertisement & Publicity	2.10	1.90	
g) Other Charges	1.00	1.00	
h) Infrastructure support and other facilities	76.80	74.70	38.90*
	156.10	156.10	98.90

*Committed liability

NON-PLAN*(Rs. in lakhs)*

	2001-2002	2001-2002	2002-2003
	(BE)	(RE)	(BE)
Non Plan	236.00	220.10	259.00

2.93 Non-Plan provision is intended to continue various activities of post harvest operations, viz., extension activities, developing a scientific code of storage practices, research & development and training programmes at the apex level aimed at storage, inspection and maintaining quality of foodgrains while the Plan provision is for meeting the salary for six months and other committed liabilities.

2.94 The performance of IGMRI under various activities during 2001-2002 (up to January, 2002) as compared to the performance during 2000-2001 are as under :—

Item of work/Activities	2000-2001		2001-2002	
	Target	Achievements	Target	Achievements (till jan, 2002)
A Training				
(i) Long/Short term	57	61	57	51
(ii) artisan (No. Of trainees)	360	360	360	243
B Other Activities				
(i) Analysis of foodgrain samples of physical quality parameters (No.of Samples)	4,200	4,272	4,200	3,698

(ii) Monitoring of foodgrain samples for pesticidal contamination/residues (No. of Samples)	950	961	950	802
(iii) Monitoring of foodgrain samples for mycotoxin contamination (No. of samples)	550	553	550	495

(b) Save grain campaign (SGC)

2.95 SGC was launched as a pilot scheme in 1965-66. It is being operated as a regular scheme since 1965-70. with the objective of disseminating the techniques of scientific storage of foodgrains to the farming community. The scheme is implemented through a network of 17 SGC offices in close collaboration with the State Governments, Non-Government Organisations (NGOs) and corporate houses like SAIL, Tata Steel ACC Ltd. etc. The main objectives of the scheme is to transfer the technical know how developed by IGMRI to the farmers for safe storage of foodgrains at the farm level and to minimize the post harvest losses in foodgrains. The major planks of the scheme are training, demonstration and publicity in selected villages in order to educate motivate and persuade farmers to adopt recommended practices.

2.96 2002-2002 (BE & RE) and 2002-2003 (BE) in respect of SGC under Plan and Non-Plan heads are as under :—

	<i>(Rs. in lakhs)</i>		
	2001-2002 (BE)	2001-2002 (RE)	2002-2003 (BE)
PLAN			
a) Development of Nucleus villages	43.40	43.40	
b) Stipend to farmers and volunteers	52.50	52.50	
c) Provision of inputs for non-metallic Storage structures	11.00	10.30	
d) Advertisement and Publicity	5.00	5.00	

e) Infrastructure support and honorarium to State Govt. Personnel and voluntary agencies	27.00	26.00	14.00*
Total Plan	138.90	137.20	14.00*

* Committed liability

NON-PLAN

	2001-2002 (BE)	2001-2002 (RE)	2002-2003 (BE)
	494.00	439.60	477.00

2.97 The Plan provision covers the expenditure on salary and other committed liabilities for six months while the Non-Plan provision covers the administrative and operational cost for the 17 existing Save Grain Campaign offices and the headquarters unit.

2.98 The performance of SGC under various activities during 2000-2001 and 2001-2002 (up to January, 2002) are as under :—

Item of work	2000-2001		2001-2002	
	Target	Achievements	Target	Achievements (till Jan; 2002)
1. No. of Training Courses for farmers, traders, volunteers, etc.	1,429	1635	1,429	1,373

(c) Central Grain Analysis Laboratory (CGAL)

2.99 The functions of Central Grain Analysis Laboratory (CGAL) broadly involve :—

- (i) Laying down quality standards for procurement of Kharif and Rabi foodgrains for the Central Pool.
- (ii) Classification of rice and paddy varieties for fixation of procurement and issue prices.
- (iii) Assesment of the quality of foodgrains that are imported or exported in relation to the contractual specifications.

- (vi) Assessment of the quality of foodgrains that are procured, stored and distributed by FCI.
- (v) Imparting training to the personnel involved in food management and analysis of foodgrains.
- (vi) Rendering technical advice to the State Governments and Public agencies on scientific storage and preservation of foodgrains.

CGAL also acts as reference laboratory in the matter of food standards and Prevention of Food Adulteration Act (PFA).

2.100 2001-2002 (BE&RE) and 2002-2003 (BE) in respect of CGAL under Plan and non-Plan heads are as under :—

(Rs. in lakhs)

	2001-2002 (BE)	2001-2002 (RE)	2002-2003 (BE)
Plan	29.00	10.00	NJ
Non-plan	2.00	1.80	2.00

The above provisions are to cover the cost of new laboratory equipment, chemicals and other laboratory items. Up to January, 2002, the laboratory analyzed 2429 samples of foodgrains and wheat products.

2.101 The Planning Commission, on a review of the Central sector Schemes as a result of zero based budgeting exercise have decided that the SGC, IGMRI and CGAL be weeded out during the 10th Plan. However, considering the importance of the SGC and IGMRI in the field of post harvest management of foodgrains, the matter was taken up with the planning Commission to review its decision and allow continuation of these activities during the 10th Plan. The Planning Commission has communicated its decision and allowed retention of SGC, IGMRI and CGAL for six months to meet the salary and committed liabilities and there after, the schemes would be weeded out from the Plan.

2.102 In view of the above decision of Planning Commission when the Committee asked whether there is no utility of these institutions and laboratory for the Government, the Ministry in their Post Evidence reply stated as under:—

"The objective for which the Save Grain Campaign (SGC) was set up during 1969-70 has not yet been fully achieved. Although the post-harvest losses in foodgrains earlier estimated by Dr Panse Committee during 1966-68 as 9.33% have been reduced, the losses are still enormous. According to a study recently conducted by the Indian Grain Storage Management and Research Institute (IGMRI) Hapur, in the major wheat growing areas of the country, the post-harvest losses in wheat has been estimated at 4.75%, taking into consideration the annual production of foodgrains to the tune of more than 200 million tones, the post harvest losses at the farm level works to approximately by around 9.5 million tonnes annually, which is quite alarming and the country can not afford such a loss.

The usefulness of SGC scheme has been reviewed by various committees from time to time :

The Parliamentary Standing Committee of the then Department of Food & Civil Supplies, while considering the Demand for Grants for 1996-97, had appreciated the activities carried out by Save Grain Campaign for minimising post-harvest grain losses. The Committee has also observed that a Social Audit of the scheme needed to be carried out to assess the actual utilisation by the farmers of all the R&D activities carried out by the Ministry in the field of post harvest technology of foodgrains. Accordingly, The task for social audit and impact evaluation of SGC was assigned to the National Productivity Council (NPC) in July 1998. NPC conducted an extensive survey covering 3120 respondents including beneficiary and non-beneficiary farmers, Village Level Workers, traders, etc. in 150 villages covering all major States and UTs. NPC submitted its draft report in March, 1999 and the final report in November 1999, the major findings of the NPC study are:

- (i) The SGC Scheme has achieved a fair degree of success in meeting its major objective for which it was launched.
- (ii) The scheme has a potential to spread the message of scientific storage of foodgrains to the entire farming community for reducing post harvest grain losses to a great extent.
- (iii) As a result of activities carried out by the Scheme, the post harvest losses have come down from 16% to 4% 42.7% of the farmers

who were covered under the study have rated the scheme as excellent. 30.9% rated as very good and 18.1% as good.

- (iv) SGC has succeeded to a greater extent in convincing the farmers for using improved storage structures for foodgrains. The usage of metal bins which was only 4.7% before the inception of SGC has gone up to 31.3% after its implementation. Thus, there is a clear shift from traditional storage structures to modern scientific storage structures for the storage of foodgrains.
- (v) Lack of information about scientific storage of foodgrains among farmers and non availability of the inputs like EDB ampules, anticogulants etc., are the major constraints in this scheme.
- (vi) Training activities conducted by SGC have been received extremely well by the farmers and 99.5% of the farmers have expressed full satisfaction about the relevance of such training activities by SGC.

Views of the Committee of Secretaries (COS) :

A note on the National policy on handling, storage and transportation of foodgrains submitted by this Department was considered and examined in the meeting of the COS held on January 14, 2000. The COS made the following observations about SGC scheme :

“Since the household sector retains about 70% of the total production, substantial quantity of the foodgrains are wasted due to improper storage at farm level. A major focus will, therefore, have to be provided on improvement of storage standards at farm level. For this purpose a scheme could be introduced to encourage use of metal bins as well as non-metallic storage structures at individual farm level and construction of RCC bins at community level with appropriate financial incentives. This initiative would be taken up in grain surplus areas to begin with. In this connection, it was mentioned that there is already a scheme for providing such support through SGC. It was felt that the scheme could be reviewed and suitably strengthened by the Department of Public Distribution.”

Decision of the Cabinet Committee on Economic Affairs (CCEA):

In its meeting held on June. 20, 2000, the CCEA, approved the National Policy on handling storage and transportation of foodgrains. In order to have a greater success in the household storage of foodgrains, the policy, as approved by the CCEA, *inter alia*, envisages the following initiatives:

- a) introduction of scheme to encourage use of metal bins as well as non-metallic storage structures at individual farm level and construction of Reinforced Cement Concrete (RCC) bins at community level with appropriate financial incentives.
- b) strengthening of the existing research and training components of the Save Grain Campaign Scheme for scientific storage and preservation of foodgrains and their propagation among farmers.

The Indian Grain Storage Management and Research Institute (IGMRI), which was set up in 1958, has been carrying out Research and Development activities relating to grain storage management at farm and commercial level. It has also been conducting specialized training courses for officials of State Governments, public sector agencies, private institutions besides the officials of other developing countries sponsored by FAO, UNDP, WFP etc. The training programmes organized by the institute are well accepted in the international fora and training to the foreign trainees/ personnels sponsored by international organization like FAO, UNDP, Common Wealth Secretariat etc. is imparted. In fact, the IGMRI is the one of the 38 premier institutions of the Government of India recognized by the Department of Economic Affairs under the Technical Cooperation Scheme (TCS) of the Colombo plan as well as by the Ministry of External Affairs under the Indian Technical and Economic Cooperation (ITEC) for training of officials of developing countries in the field of Grain Storage Management. So Far 208 foreign nationals have been trained by the IGMRI. The activities being undertaken by the IGMRI are of a very specialized nature specially focused on minimization of post harvest losses with specific reference to foodgrains only. The IGMRI and its field stations have been recognized by various Universities for the purpose of research work leading to award of the Phd degree. The IGMRI has also been recognised by leading international research institutions like Natural Research Institute (NRI), UK for the purpose of Collaborative research work relating to foodgrain management.

While addressing the current Budget session of Parliament, the Hon ble President of India has highlighted the enormous losses occurring to the national economy towards post-harvest losses in agricultural produce and emphasized the need for making sustained efforts in curtailing such loss. Foodgrains constitute a major chunk of the agricultural production. Although the post harvest losses in foodgrains have been brought down from about 10% estimated during 1966-68 to about 5% estimated during 1998-2000. There is an imperative need to continue our efforts in the direction of post harvest management of foodgrains both at the farm and the commercial level.

The Central Grain Analysis Laboratory (CGAL) is an integral part of the Quality Control System CGAL which is the apex laboratory of the Department is also functioning as a referral laboratory in the matter of foodgrains analysis.

Therefore the Department, feels that there is a strong case for not only continuance of SGC, IGMRI and CGAL but also strengthening of the same suitably.”

2.103 When the Committee desired to know how the Government proposes to utilise the manpower and available infrastructure, the Ministry in their reply stated as under :—

“As regards utilization of the qualified technical trained manpower and available infrastructure is concerned, it is stated that considering the urgent need for strengthening the mechanism of monitoring the quality of foodgrains of the Central Pool and keeping in view the earlier recommendations of the Standing Committee as well as the Expenditure Reforms Commission, a Central Sector scheme, “Strengthening the mechanism of monitoring the quality of foodgrains in the Central Pool,” is being proposed. The scheme is proposed to be implemented by redeployment of the existing staff of IGMRI and SGC. The existing infrastructure of IGMRI is proposed to be utilised for operating the proposed Quality Management Research and Training Institute with focus on research activities on grain quality management and related training. The proposed non-scheme, new scheme has been submitted to the Minister of Consumer Affairs, Food and Public Distribution for its approval after which it will be sent to the Planning Commission for its approval.”

(d) Quality Control Cells (QCC)

2.104 The Quality Control Cells are situated at New Delhi, Calcutta and Hyderabad to monitor the quality of foodgrains at the time of procurement, storage and distribution. Inspections of procurement centres, food storage depots, rail heads, fair price shops, etc. are carried out by the officers of these Quality Control Cells to ensure that the quality of foodgrains conforms to laid down specifications and standards of the Government of India.

2.105 2001-2002 (BE & RE) and 2002-2003 (BE) in respect of QCC under Plan and Non-Plan heads are as under:-

(Rs. in lakhs)

	BE 2001-2002	RE 2001-2002	BE 2002-2003
Plan	-	-	-
Non-Plan	38.99	34.80	38.00

2.106 The targets and achievements of the Quality Control Cells during 2000-2001 & 2001-2002 (upto January 2002) as well as the targets set for 2002-2003 are as under:-

1	2	2000-2001		2001-2002		2002-2003
		Target	Achievements	Target	Achievements	Target
						(till Jan. - 2002)
		3	4	5	6	7
1.	Inspection of Food Storage Depots	720	683	720	618	720
2.	Inspection of Procurement Centres	250	392	250	244	250
3.	Inspection of Rail Heads	180	176	180	112	180
4.	Inspection of Fair Price Shops	720	1200	720	884	720

1	2	3	4	5	6	7
5.	Inspection of Rice Mills (at the time of delivery of rice)	360	344	360	152	360
6.	Investigation of Quality Complaints		54		59	

2.107 Details of major shortcomings observed during the course of inspection are given below,

- (i) It was observed that sizeable quantities of stock with infestation and poor quality foodgrains were despatched from various depots of FCI in Punjab to consuming areas. These stocks were received at the destination depots under protest. The details are as follows:-

Sl. No.	Name of the receiving depot	Name of the despatching depot	Quantity and commodity
1.	FSD, Harduaganj, (U.P.)	Nabha (Patiala)	2250 MT BRL Raw Rice Grade 'A'
2.	FSD, Hanumangarh, (Rajasthan)	Maulat and Budhlada (Punjab)	695 MT BRL Raw Rice Grade 'A'
3.	CWC, Khandwa, (M.P.)	FCI depots in Punjab	17889 MT infested wheat and rice
4.	FSD, Devgram, (West Bengal)	Ajitwal and Muktsar, in Punjab	3855 MT BRL Raw Rice Grade 'A'
5.	FSD, Mysore (Karnataka)	Maulat (Punjab)	1820 MT BRL Raw Rice Grade 'A'
6.	FSD, Balyathura, (Kerala)	Goniana (Punjab)	567 MT BRL Raw Rice Grade 'A'

BRL: Beyond Rejection Limit

- (ii) Substantial quantities of C & D category stocks were found in various depots of FCI in Haryana, Punjab, Uttaranchal, Rajasthan, West Bengal, Bihar, Kerala and Tamil Nadu region as given below:-

Sl.No.	Name of the depot	Commodity	Quantity in MT
1.	FSD, Dhand, Haryana	'C' Category Raw Rice Gr. 'A'	104.5
2.	FSD, Guruharsahai, Punjab	'C' Category Raw Rice Gr. 'A' 'D' Category Parboiled Rice Grade 'A'	799 3878
3.	CWC Base Depot, Nabha	'C' Category Raw Rice Gr. 'A' 'D' Category Raw Rice Gr. 'A'	19143 664
4.	PCF Godown, Haldichur, U.P.	'D' Category Raw Rice Common	120
5.	FSD, Chandri, U.P.	'C' Category wheat 'D' Category wheat	5926 2569
6.	FSD, Harduaganj	'C' Category wheat 'D' Category wheat	508 1654

- (iii) Substantial quantities of damaged wheat, paddy and rice were found in various depots in FCI districts Ferozepur, Amritsar and Patiala in Punjab, Agra in U.P., Midnapur, Purulia and Bankura in West Bengal, Patna in Bihar.
- (iv) The extent of storage losses in some of the depots, viz., B.G. Sirsa (Haryana), FSD, Sunam, ARDC, Butari (Punjab), FSD, Midnapur & Bikna (West Bengal) was found to be quite high.
- (v) Out of 564 samples of wheat and rice collected from these depots, only 47 samples of rice were found Beyond Rejection Limit (BRL). These BRL samples were drawn from FSD, Mysore, FSD, Whitefield, CWC, Base depot Nabha, FSD, Rajnandgaon, CWC, Khandwa, FSD, Ujjain, PCF, Haldnachaur, FSD, Moradabad, FSD, Ruderpur, FSD, Harduaganj and FSD, Dabgram and were containing excessive damaged, broken and dehusked grains. Mainly these stocks were procured in Punjab and despatched to various districts. The matter regarding procurement of substandard rice stocks have already been taken up with MD, FCI.
- (vi) During the inspection of wheat procurement centres in FCI district, Ferozepur in Punjab in April, 2001, it was found that at some centres, the quality of the wheat procured did not conform to

uniform specifications. The matter was taken up with the Food and Supplies Department, Govt. of Punjab.

- (vii) During the inspection of wheat procurement centres in FCI district Hissar in Haryana during April 2001, it was also found that the quality of wheat procured by FCI and State Procuring agencies viz. HSWC, HAFED, Haryana Agro Industries Corporation and DFSC did not conform to uniform specifications. The matter was taken up with FCI and Govt. of Haryana.
- (viii) During the inspection of FSD, Rangpo in Sikkim in June 2001, it was found that heavily infested wheat was lying in the depot. The matter was reported to FCI for taking necessary action.
- (ix) In FSD, Atarra in Banda district of U.P. storage losses were found to be on higher side. Two officials of the FCI have been dismissed from service.
- (x) During the inspection of rice stocks in FSD, Tarantaran, it was found that BRL rice stocks have been procured by the FCI staff. Major/minor penalty proceedings have been initiated against 7 delinquent officials.
- (xi) During the inspection of Fair Price Shops in Pune in Maharashtra, it was found that type sealed samples of foodgrains from the stocks being issued to the State Government under TPDS were not available. The matter was taken up with the FCI and State Government.
- (xii) During the inspection of various Food Storage Depots in FCI District, Nagpur in August, 2001, it was found that BRL rice stocks were received from Punjab. The matter was reported to FCI for taking necessary action.
- (xiii) During the inspection of various Food Storage Depots in FCI districts of Amritsar and Patiala, it was found that BRL rice stocks were accepted. The matter was reported to FCI for taking necessary action against delinquent officials.

2.108 When the Committee asked how many irregularities were found by quality control cells during last three years and whether it has been found

that non-conforming standard foodgrains are being procured or have been procured, the Ministry in their Post Evidence reply submitted as under:-

“During last three years, i.e, 1999-2000, 2000-2001 & 2001-2002 (upto February, 2002) following major irregularities were found during inspection by Quality Control Cells:-

- a. A complaint made by the Commissioner, Food & Supplies, Government of UP about damage of wheat stock in CAP storage in FCI district Sitapur (Gola & Mehmudi depot) was investigated by the officers of the Ministry, and it was found that under weight wheat stocks were received by the FCI staff, and no proper code of practices for storage in CAP was adopted by the QC staff. As a result, substantial quantities of wheat stock was completely damaged. FCI has taken action against delinquent officers.
- b. A complaint about supply of poor quality rice from FCI godown at Agartala, was investigated by FCI. On investigation the complaint was substantiated and MD, FCI has ordered suspension of FCI staff who had procured BRL rice in Punjab and also who had accepted this rice in Tripura, without lodging complaints for receipt of BRL/beyond PFA rice.
- c. A complaint about acceptance of BRL rice stocks in FSD, Rajpura and CWC, Nabha in Patiala District was investigated by a team of officers of the Ministry and it was found that substantial quantity of BRL rice stocks were accepted as levy rice in these two depots. The matter has been taken up with FCI for taking action against the delinquent officials.
- d. A news item was published in 'The Tribune' dated 2.2.2001 that BRL rice stocks had been despatched from FSD Rampura Phul in Bhatinda District to Ahmednagar. The complaint was investigated by an officer of the Ministry and was found to be based on facts. The FCI had initiated action against the delinquent officials.
- e. The rice traders of Mumbai who had deposited money for

purchase of rice procured under relaxed specifications (URS Rice) had complained to the Minister of Consumer Affairs, Food & Public Distribution during his visit to Mumbai that URS rice despatched from some depots in Punjab to Mumbai was of very poor quality and even beyond PFA standards. The complaint was investigated by an officer of the Ministry during September, 2001. It was found on investigation that most of the URS rice stocks despatched from Punjab were beyond PFA limits in respect of the presence of damaged grains. 16 officials of the FCI have been placed under suspension and their Head Quarters have been shifted. Three other officials of FCI, who were also found responsible for acceptance of BRL/beyond PFA rice, have been dismissed. In addition to above, SRM, Punjab has been advised to initiate disciplinary proceedings against category II and III officials found responsible for such lapse."

2.109 In addition to above, Disciplinary action for major/minor penalty has been initiated against five Class-I Officers in the Eastern Region of FCI during the year 2001. Disciplinary action for major penalty is being initiated against another Class-I Officers.

The number of pending departmental enquiries under major penalty proceedings initiated during the year 2001 in the Eastern Region are as follows-

Category	No. of Officials
I	05
II	26
III	31
IV	01

(xiv) Strengthening of the Public Distribution System

2.110 Three schemes are being operated for strengthening the PDS infrastructure in the States/UTs. These are:-

- (i) Scheme of financial assistance to States/UTs for construction of

godowns

- (ii) Scheme of financial assistance to States/UTs for purchase of mobile vans and trucks.
- (iii) Scheme for training, research and monitoring.

(a) SCHEME OF FINANCIAL ASSISTANCE TO STATES / UTs FOR CONSTRUCTION OF GODOWNS.

2.111 The Scheme is intended to assist the State Governments / UTs in the construction of small godowns up to 2000 MTs in interior areas where it is necessary to maintain adequate stocks to ensure regular supplies under PDS. From 1983-84 this scheme is being implemented to augment storage capacity in remote, inaccessible, hilly, rural and tribal areas. Funds under the scheme are released for small godowns where Central agencies like CWC, FCI etc. do not operate. The present pattern of financial assistance to 50% loan and 50% subsidy. However, in the case of UTs without legislatures the entire assistance is in the form of subsidy.

2.112 Since the inception of the scheme, financial assistance to the extent of Rs. 96.44 crores has been sanctioned for construction of 716 godowns, creating a storage capacity of 4.63 lakh tonnes in 28 States and UTs upto 20.11.2001. The outlay for 2001-2002 is Rs. 11.50 crores. A sum of Rs. 6.24 crores have been sanctioned upto 15.2.2002 to Kerala, Madhya Pradesh & Chhattisgarh. An amount of Rs. 35.069 lakh has also been sanctioned under the scheme to Govt. of Tripura for construction of 7 godowns with total capacity of 500 tonnes for which funds have been sanctioned from the earmarked provisions for the North East. Receipt of utilization certificate from the State Government is a pre-requisite for grant of fresh financial assistance under the scheme.

2.113 Utilization certificates in respect of the past assistance under the scheme are pending from 20 States/UTs. Details in this regard are given below:-

S.No.	State/U.T.	Year of sanction	Amount (in Lakh)	Remarks
1.	Arunachal Pradesh	1992-93	4.00	
2.	Assam	1996-97	95.04	

3. Assam	1997-98	168.66	
4. Assam	1998-99	258.88	
5. Bihar	1993-94	48.00	
6. Bihar	1994-95	58.40	
7. Gujarat	1997-98	183.30	
8. Haryana	1998-99	165.29	
9. Himachal Pradesh	1997-98	77.76	
10. Jammu and Kashmir	1993-98	555.54	
11. Karnataka	1992-93	132.00	Five godowns have been partially constructed. The State Govt. has confirmed that they shall refund the unutilized amount of Rs. 103.69 lakhs.
12. Kerala	1999-2000	207.50	
13. Maharashtra	1992-93	78.86	
14. Maharashtra	1993-94	19.98	
15. Maharashtra	1994-95	66.22	
16. Maharashtra	1995-96	41.20	
17. Meghalaya	1988-89	6.00	
18. Meghalaya	1994-95	40.00	
19. Nagaland	1996-97	60.00	
20. Orissa	1999-2000	1247.735	
21. Rajasthan	1998-2000	87.35	Godowns constructed. Unutilised amount to be refunded.
22. Tamil Nadu	1996-97	50.00	
23. U.P./Uttaranchal	1996-97	162.00	
24. U.P./Uttaranchal	1997-98	460.50	

25. U.P./Uttaranchal	1998-99	111.92	
26. Uttar Pradesh	1998-1999	98.085	All godowns as sanctioned constructed except tow. Unutilised amount to be refunded.
27. West Bengal	1992-93	96.46	
28. A & N Island	1991-92	46.00	
29. Lakshadweep	1991-92	07.50	

2.114 Financial assistance released during the past five years under the scheme is as under:-

(Rs. in lakhs)

Assistance for construction of godowns

year	provision in BE	Amount sanctioned	Capacity (tonnes)
1997-97	1250	1188	50,000
1998-99	1250	1250	80,820
1999-2000	1250	2228.725	92,500
2000-2001	1250	883.631	29,604
2001-2002	1150	624.302	41,000

(upto 15.2.2002)

2.115 State-wise details of capacity created and expenditure incurred thereon under the scheme since inception are given below:-

S.No.	State/UTs	Expenditure incurred (Rs. in lakhs)	Capacity created (In MT)	No. of godowns
1	2	3	4	5
1.	Andhra Pradesh	127.30	5300	16
2.	Arunachal Pradesh	23.30	600	3

1	2	3	4	5
3.	Assam	27.70	800	1
4.	Gujarat	327.91	13000	24
5.	Himachal Pradesh	21.60	500	1
6.	Jammu & Kashmir*	589.205	-	34
7.	Karnataka	28.31	900	3
8.	Kerala	86.00	5000	4
9.	Madhya Pradesh	213.046	23400	17
10.	Manipur	194.80	5000	25
11.	Meghalaya	46.00	2400	3
12.	Mizoram	296.25	13200	39
13.	Nagaland	32.82	12000	20
14.	Orissa	208.00	13000	52
15.	Rajasthan	842.04	70650	41
16.	Sikkim	64.50	2600	7
17.	Tripura	113.02	3000	11
18.	Uttar Pradesh	783.125	32,000	17
19.	A&N Islands	41.00	1000	2

2.116 The revised estimate for 2001-2002 in respect of this scheme is Rs. 8.00 crores. As a result of the Zero Based Budgeting exercise undertaken by the Planning Commission it has been decided to discontinue the scheme for the Tenth Plan.

(b) Scheme of Financial Assistance to States/UTs for Purchase of Mobile vans and Trucks.

2.117 The scheme is intended to provide financial assistance to States/UTs for purchase of mobile vans and trucks for distributing essential commodities especially in rural, hilly, remote and other disadvantaged areas where static and regular fair price shops are not found viable or feasible. The financial assistance per van or truck in the case of a delivery van (4 MTs capacity) is Rs. 4 lakhs. For big trucks with a capacity ranging from

8 to 19 MTs and above subject to the ceiling of actual cost the financial assistance is Rs. 8 lakhs. At present, the assistance is given in the form of 50% subsidy and 50% loan. Under this scheme vehicles can be used not only as mobile fair price shops but can also be used for effecting doorstep delivery of PDS commodities to fair price shops. On the recommendation of the Working Group set up for formulation of the Ninth Plan for PDS, the scope of the scheme has been extended to replacement of existing vehicles and purchase of smaller vehicles of 1-2 MTs capacity. The scheme is supplementary in nature as the running costs including maintenance are borne by the concerned State Government from its own budget.

2.118 Since the inception of the scheme in 1985-86, the total financial assistance of Rs. 65.01 crores has been provided to 28 States and UTs for purchase of 1,565 vans and trucks upto 15.2.2002. The outlay for the financial year 2001-2002 is Rs. 0.30 crore. Receipt of utilization certificate from the State Government/UT is a pre-requisite for grant of fresh financial assistance under the Scheme.

2.119 Utilisation Certification in respect of financial assistance sanctioned in the past for purchase of vans/trucks are pending from 13 States. State-wise details along with amounts for which utilization certification are pending under the Scheme are given below:-

S.No.	State/U.T.	Year of sanction	Amount (Rs. in lakh)
1	2	3	4
1.	Arunachal Pradesh	1999-2000	28.00
2.	Arunachal Pradesh	2000-2001	23.53
3.	Assam	1997-98	114.00
4.	Assam	1998-99	26.96
5.	Bihar	1992-93	40.00
6.	Jammu & Kashmir	1997-98	200.00
7.	Karnataka	1992-93	48.00
8.	Meghalaya	1995-96	14.00
9.	Sikkim*	2000-2001	31.10
10.	Tripura*	2000-2001	44.30

* From separate budgetary allocation for North-Eastern States.

11. Uttar Pradesh	1988-89	2.50
12. Uttar Pradesh	1998-99	221.20
13. West Bengal	1992-93	72.00
14. West Bengal	1993-94	28.00
15. A&N Island	1992-93	12.00
16. Dadra & Nagar Haveli	1994-95	08.00
17. Pondicherry	1999-2000	20.00

2.120 When the Committee asked how many Trucks/Vans purchased out of the Budget allocation under the head since inception are not running condition, the Ministry replies as under—

“Financial assistance under the scheme is provided for purchase of vans/trucks to the State/UTs. The subsequent cost on fuel, maintenance and other running costs, and expenditure on drivers, etc. are borne by the State Govts./UT Administrations. Details of vehicles which are in the working/non-working condition in the States/UTs are not maintained by the Department.”

2.121 Assistance for purchase of Mobile vans from 1997-98 are as under:—

<i>(Rs. in lakhs)</i>			
Year	Provision in BE	Amount Sanctioned	No. of Vans/Trucks
1997-98	1000	949.49	157
1998-99	1000	950.00	170
1999-2000	1000	106.27	09
2000-2001	130	98.93	20
2001-2002	30	Nil	Nil
(upto 15.2.2002)			

A decision has been taken to discontinue the scheme during the Tenth Plan.

(c) Scheme for Training Research and Monitoring

2.122 The scheme was initiated during the Sixth Five Year Plan for:

- (i) Providing training to officials of State Governments and State Civil Supplies Corporation to improve the management of essential commodities under PDS;
- (ii) Organizing seminars and workshops for senior level officials of the Central Ministries and States/UTs engaged in supply management of essential commodities; and
- (iii) Research studies on various aspects of PDS.

2.123 The scheme aims to provide financial assistance to States/UTs for financing training programmes organised by States/UTs, civil Supplies Corporations and reputed institutions in the field of public distribution system. With effect from 1998-99, financial assistance under the scheme is also provided for purchase of computers at the level of the Directorate of Civil Supplies of States/UTs as one time assistance to link up the States Units with the NIC network at district, State and national levels.

2.124 The details of assistance sanctioned to the States are as under:

Sl.No.	State	Amount (in Rs.)
1.	Arunachal Pradesh	1,40,000
2.	Gujarat	1,35,000
3.	Haryana	1,45,730
4.	Himachal Pradesh	1,49,000
5.	Karnataka	1,36,340
6.	Kerala	1,35,000
7.	Maharashtra	99,000
8.	Mizoram	66,015
9.	Punjab	1,34,898
10.	Rajasthan	1,34,730
11.	Tamilnadu	1,35,000
12.	Tripura	1,35,000
13.	Uttar Pradesh	1,37,876

2.125 A provision of Rs. 50 lakh has been made in BE 2001-2002 under this scheme out of which a sum of Rs. 12.18 lakhs has been sanctioned upto 15.2.2002.

The financial assistance released w.e.f. 1997-98 under the Scheme is as under:

Year	(Rs. in lakh)	
	Budget Estimates	Expenditure
1997-98	50.00	44.67
1998-99	50.00	35.49
1999-2000	50.00	49.10
2000-2001	150.00	16.09
2001-2002 (upto 15-2-2002)	50.00	12.18291

2.126 It has come to the notice of the Committee that complaints of distress sale of paddy during Kharif marketing season (2001-2002) have been reported from the States of Bihar, Gujarat, Madhya Pradesh, Orissa, Tamil Nadu, Uttar Pradesh, West Bengal and even from Amritsar and Batala Districts of Punjab where the State Governments and the Food Corporation of India have strong and effective procurement machinery. The cases of distress sale of wheat during Rabi marketing season (2001-2002) have also been reported. The Committee feel that the benefit of Minimum Support Price (MSP) of foodgrains is not reaching the farmers in most States/UTs of the country. The claim of the Government that the level of procurement of foodgrains in a State depends upon the surplus production available there is not totally acceptable to the Committee because in that case the benefit of MSP can be enjoyed only by the farmers of States having surplus production of foodgrains. Thus the States having no surplus production of foodgrains would not be able to contribute to the Central Pool. The sole purpose of announcing MSP is that farmers are not forced to resort to distress sale of stocks, but the same is happening in the surplus producing States/areas where procurement centres are not opened by the Food Corporation of India/State Agencies. In those areas farmers

have no alternative but to sell their produce below MSP and the announcement of MSP by Central Government have no meaning for them. The Committee, therefore, strongly recommend that there should be a uniform policy of procurement and special attention should be given to States like Bihar, Gujarat, Madhya Pradesh, Uttar Pradesh, Orissa, etc. where incidents of distress sale has been reported. Also, the Government should ensure maximum contribution of foodgrains from each State/UT to Central Pool on the basis of its percentage production *vis-a-vis* national production.

2.127 The Committee note that though there is a vast potential of procurement of coarse-grains in the States of Andhra Pradesh, Bihar, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, Uttar Pradesh, Gujarat and Tamil Nadu, procurement operation has not yet started in some of these States. The Government have informed the Committee that the procurement of coarse-grains has declined from 6.31 lakh tonnes in 2000-2001 to about 2.32 lakh tonnes during 2001-2002. The Committee feel that the Government have not given due attention to procurement of coarse-grains and the decline in procurement during 2001-2002 may be attributed to the non-existence of procurement agencies in the aforesaid States. The Commission for Agricultural Costs and Prices (CACP) has recommended entrusting the task of price support operation for coarse cereals to NAFED, particularly in those States where it cannot be included in the Public Distribution System. The Committee welcome the suggestion of CACP and feel that this will augment procurement of coarse-grains. The Committee, therefore, recommend that the Government should start procurement of coarse-grains from other potential States like Bihar, Uttar Pradesh, Tamil Nadu too and pursue the matter with the Ministry of Agriculture for appointing NAFED as the procurement agency in those States where it is not included in the Public Distribution System.

2.128 The Committee note that on 1.4.2000 the Central Issue Prices (CIP) of wheat and rice were fixed at Rs. 900 per qtl. and 1180 per qtl. for the Above Poverty Line (APL) people and Rs. 450 per qtl. and Rs. 590 per qtl. for Below the Poverty Line (BPL) people respectively. On the recommendation of the Expenditure Reforms Commission (ERC) on 25.7.2000, the CIP of wheat and rice were

downgraded to Rs. 415 per qtl. and Rs. 565 per qtl. for BPL people and Rs. 830 per qtl. and Rs. 1130 per qtl. for APL people respectively. Since the market prices of these commodities were less than CIP, this contributed in piling up of stocks due to less offtake. On 1.7.2001 the actual stock of foodgrains became 616.70 lakh tonnes, almost unmanageable by the Government resulting in higher buffer subsidy. While increasing the CIP to unrealistic levels, the Government did not keep the fact under consideration that the unit subsidy for APL was Rs. 138 per qtl. and Rs. 170 per qtl. for wheat and rice respectively in (1999-2000) while the unit cost of carrying stocks was Rs. 221 per qtl. in (2000-2001). To cope with the situation, the Government again downgraded CIP of wheat and rice at Rs. 610 per qtl. and Rs. 830 per qtl. respectively on 12.7.2001. This also did not yield the desired result as may be seen from the fact that the actual stock which was 582.80 lakh tonnes as on 1.10.2001 and went upto 580.30 lakh tonnes as on 1.1.2002. This shows lack of crisis and contingency management in the foodgrain management policy of the Government. When the stock reached the level of 545.24 lakh tonnes as on 1.3.2002, the Government rethought its policy and have downgraded the CIP of wheat and rice by Rs. 1 for APL, thereby making available wheat at Rs. 510 per qtl. and rice at Rs. 730 per qtl. The Committee have all along been opposing such a great hike by the Government in April 2000. Even after that, the stock of foodgrains were allowed to overflow and no decision was taken in time and in a single instance due to which the Government are facing the present problem. The Committee, therefore, desire that the Government should thwart all extraneous pressures to cut food subsidy unrealistically and take timely decision in a stretch, for once in a year. The CIP of wheat and rice should not be increased in such a way that people do not like to purchase foodgrains from the Fair Price Shops.

2.129 The Committee note that Gross Buffer Subsidy under Budget Estimate (2001-2002) was placed at Rs. 5979 crore which has increased to Rs. 6492 crore in the Revised Estimate (2001-2002). The Budget Estimate (2002-2003) for Gross Buffer Subsidy is Rs. 8339 crore. The Committee find that there is a continuous increase in Gross Buffer Subsidy. The Committee have been informed that the Buffer Carrying

Cost for 299.38 lakh tonnes of surplus stock during 2001-2002 is Rs. 7269 crore. For surplus stock, an interest charge of Rs. 2944 crore has been accrued. The Committee are constrained to note that out of food subsidy of Rs. 17927 crore, only 3611.05 crore has been spent on BPL people which comes to about 20% only. The Committee, therefore, recommend that buffer subsidy for maintaining surplus stock of foodgrains be minimised and at least 50% of the food subsidy should go to BPL people.

2.130. The Committee note that the establishment cost of the Food Corporation of India (FCI) has been continuously increasing since 1999-2000. However, it is appreciable that FCI has been able to reduce its establishment cost by Rs. 414 crore during 2001-2002 from that in the Financial Year 2000-2001, but still a lot is required to be done. In addition to this, estimated current liabilities of FCI towards creditors for supply of goods and services, etc. are about Rs. 3000 crore. The Committee, therefore, desire that the FCI should take further steps to reduce its establishment cost.

2.131. The Committee note that hired storage capacity of the Food Corporation of India (FCI) as on 1.12.2002 is 206.65 lakh tonnes. Due to open ended procurement and less offtake of foodgrains, the dependency on hired godowns is increasing. The Committee further note that rentals payable to hired godowns during (2001-2002) would be around Rs. 375 crore. The Committee, therefore, recommend that steps should be taken to dispose of the accumulated stocks of foodgrains strictly in a planned and phased manner so that dependence on hired godowns is reduced. Even after that, if the need for storage capacity still arises, the Food Corporation of India should create its own capacity.

2.132. The Committee note that estimated transit and storage losses during 2000-2001 are Rs. 172 crore and Rs. 227 crore respectively. In addition to this, Rs. 19 lakh have been lost by way of theft. A wide scale regional variation has been noticed in transit and storage losses in North-Eastern States where the trend of such losses is more than average. The Committee, therefore, strongly recommend that the Government should take immediate steps to keep the storage and transit losses to the minimum and also to check the occurrence of theft cases in future.

2.133. The Committee observe that for the last two-three years the non-issuable stock of foodgrains has been stagnating around 2 lakh MT. Though the Government are making efforts to dispose of these damaged foodgrains by calling tenders/auction, the actual and timely lifting of foodgrains is not being noticed. As on 28.2.2002, 45619 tonnes of Feed-II and 17676 tonnes of Feed-I category of non-issuable foodgrains were lying in godowns. The Committee feel that this problem can be solved only if the rate of disposal of non-issuable stocks exceeds the fresh accrual of damaged stocks. The Committee, therefore, recommend that non-issuable stock of foodgrains be disposed of within a fixed time in a phased manner and efforts be made so that minimal stock is downgraded to non-issuable category.

2.134 The Committee note that against the export target of 50 lakh tonnes of wheat during 2001-2002, a total of only 29.97 lakh tonnes was exported till 31.1.2002. Similarly against the export target of 30 lakh tonnes of rice during 2001-2002, only 14.34 lakh tonnes could be lifted by exporters up to 5.2.2002. Since these foodgrains are being made available to exporters on less than APL prices, the Government may think of providing this subsidy to APL people first and then offer to exporters. However, as the godowns of FCI are overflowing with foodgrains, there is no problem in offering the foodgrains to exporters on second priority. In addition to the above, the Committee also feel that the FCI with such a large manpower and commercial skill available with them, may be encouraged to undertake exports on their own.

2.135 The Committee have come to know that the schemes of Save Grain Campaign (SGC), Indian Grain Management Research Institute (IGMRI) and Central Grain Analysis Laboratory (CGAL) under Post-Harvest Management, are being weeded out during the 10th Plan. The Committee feel that the objectives for which the Save Grain Campaign (SGC) was started, have not fully been achieved. Presently, the post-harvest losses of foodgrains in the country is about 10 million tonnes. These are mainly due to improper storage at farm level. The Committee further note that a lot of research work is still required to be done in regard to Food Management. Indian Grain Management Research Institute (IGMRI) and its field stations are recognized by various universities for the purpose. Due to their continued efforts,

post-harvest losses in foodgrains have been brought down to about 5% estimated during 1998-2002 in comparison to 10% estimated during 1996-98. Further, the Central Grain Analysis Laboratory (CGAL) is an integral part of Quality control System and also works as a referral laboratory in the matter of foodgrains analysis. The Committee, therefore, recommend that not only the schemes of SGC, IGMRI and CGAL be continued but be strengthened suitably so that available manpower and infrastructure could be grainfully utilized.

2.136 The Committee have been informed that disciplinary proceedings against some officers in the Eastern Region of Food Corporation of India for major/minor penalty had been initiated during 2001. In addition to the above, there are 62 departmental inquiries pending under major penalty proceedings initiated during 2001 in the Eastern Region. The Committee desire that such cases be disposed of speedily and action taken in this regard be communicated to the Committee.

2.137 The Committee have been informed that a number of major shortcomings have been found by the Quality Control Cell of the Food Corporation of India in the course of their inspections of Food Storage Depots and procurement centres, during the last three years. The Committee feel that the activities of the Quality Control Cell need to be increased in view of the huge stock of foodgrains available with the FCI and in view of the ensuing Rabi Procurement Season (2002-2003). The Committee, therefore, recommend that activities of Quality Control Cell be augmented suitably so that foodgrains are saved from further deterioration. Also, the cases of irregularities noticed during the inspections should be dealt with promptly and the guilty should be booked at the earliest. The details of action taken in this regard should be Communicated to the Committee.

2.138 The Committee have come to know that the schemes of financial assistance to States/UTs for construction of small godowns upto 2000 MTs and purchase of mobile vans / trucks is being discontinued during the 10th plan as per recommendation of Planning Commission. The pattern of financial assistance was 50% loan and 50% subsidy. The Committee have also been informed that utilization certificates

in respect of both the schemes are outstanding from many States. It seems that the amount earmarked under the scheme have not been properly utilized by the State Governments and as a result the Government had to take a harsh decision to wind up the schemes in the 10th Plan. The Committee totally disagree with the stand taken by Planning Commission and feel that this step will deprive easy availability of foodgrains to the people living in hilly, inaccessible and remote areas and breed regional imbalance which is against the spirit of national integration. In the opinion of the Committee the schemes of financial assistance to States/UTs for construction of mobile vans/trucks were planned by the Government to facilitate foodgrains movement in hilly and inaccessible areas of the country, particularly the North-Eastern States. The Committee, therefore, strongly recommend that both the schemes should continue during the 10th Plan Period so that movement of foodgrains is not hampered in hilly, inaccessible and remote areas. Also, the Government should take the issue of furnishing of Utilisation Certificates with the State Governments at the highest level. Steps taken and progress achieved in this regard should be communicated to the Committee.

2.139 The Committee note that the scheme for training, research and monitoring for strengthening the public distribution system has not worked well. Though the Government are providing financial assistance for training programmes organized by States/UTs, Civil Supplies Corporations and reputed institutions in the field of public distribution system, the desired result has not been achieved. The Committee further note that one time assistance has been provided to 13 States to link the State Units with NIC network at District, State and National levels. The Committee, therefore, urge the Government that in order to have effective monitoring over Public Distribution System (PDS), the Directorate of Civil Supplies of the remaining States should be computerized at the earliest. Also, an effective study should be made on PDS so that steps can be taken to ensure that its benefits reach the really poor.

CHAPTER III

MANAGEMENT OF SUGAR

Sugar industry is one of the regulated industries. The management of the industry coupled with management of sugar for public distribution is done by the Department of Food and Public Distribution. The Sugar Development Fund is the main instrument through which assistance is provided to the sugar industry 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 the Directorate of Sugar;
- (B) Administration of subsidy on sugar;
- (C) Administration of Sugar Development Fund; and
- (D) Training and research institution.

(i) Directorate of Sugar

3.2 The 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 stock of sugar held by the factories. 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, the Directorate has issued warning to sugar factories in 22 cases in the financial year 2001-2002 (upto 31.10.2002) 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. During the financial year 2002-2003, about 300 inspection visits are likely to be made.

3.3 An Enforcement & Vigilance Cell has been set up in the Directorate since July, 1986 to ensure strict compliance with the various statutory as

well as administrative orders and directions. The functions of this Cell include scrutiny of records and 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, compilation of data received from sugar factories pertaining to various efficiency norms, preparation and publication of a booklet containing comprehensive data relating to the sugar industry.

3.4 The outlay for the Directorate in RE 2001-2002 is Rs. 176.00 under non-Plan and Ra. 178.00 lakhs in BE 2002-2003.

(ii) Sugar Subsidy

3.5 Sugar subsidy is provided in the budget of the Department under non-plan to reimburse the difference between the retail issue price of sugar under PDS and the ex-factory cost of sugar, transportation costs and the margins allowed to the wholesalers and the owners of the fair price shops. The ex-factory levy price is determined by the Government for every sugar season based on the formula devised by expert bodies like the Tariff Commission and the Cost Accounts Branch of the Ministry of Finance. In addition, the Government has to pay the excise duty, the additional excise duty, incur costs on the transportation and provide margins to wholesalers and retail shopkeepers who distribute sugar under PDS.

3.6 The year-wise break up of sugar subsidy *w.e.f.* 1995-96 is as under:

Year	Sugar Subsidy (Rs. In crores)
1995-96	422
1996-97	900
1997-98	400
1998-99	400
1999-2000	235
2000-2001	50
2001-2002 (BE)	5
2001-2002 (RE)	5
2002-2003 (BE)	10

(iii) Sugar Development Fund

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

3.8 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 is 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.

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

- (i) Making loans for undertaking any scheme for development of sugarcane in the catchment area of a sugar factory.
- (ii) Making loans for facilitating the rehabilitation and modernization of a sugar factory.
- (iii) Making grant for the purpose of any research project aimed at the development of sugar industry.
- (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.

3.10 During the period from 1982-83 to 2001-2002 (upto 31.12.2001) a cess amount of Rs. 3,013.23 crores has been collected. As on 31.12.2001, an amount of Rs. 2,566.00 crores has been transferred to the Sugar Development Fund.

3.11 The provision made in 2001-2002 RE and 2002-2003 BE are for transfer of funds from the Consolidated Fund of India to the Sugar Development Fund under the Public Accounts of India. The expenditure under items (i) to (v) above is budgeted separately and recovered by transfer from Sugar Development Fund. The balance at the credit of Fund stood at Rs. 1,208.25 crores on 31.12.2001 against an amount of Rs. 3,013.23 crores of Cess upto 31.12.2001.

3.12 The following provisions have been made for payments out of SDF during 2001-2002 and 2002-2003:

(Rs. in lakhs)

	2001-2002	2001-2002	2002-2003
	BE	RE	BE
(a) Subsidy for maintenance of buffer stocks of sugar	100.00	100.00	100.00
(b) Grants-in-aid for research projects aimed at development of sugar industry	250.00	200.00	200.00
(c) Loans for modernization and rehabilitation of sugar mills	20,000.00	13,000.00	20,000.00
(d) Loans to sugar mills for cane development	2,000.00	1,000.00	2,000.00
(e) Administration of Sugar Development Fund	570.00	512.00	513.00
(f) Expenditure on National Institute of Sugarcane and Sugar Technology, Mau.	100.00	105.00	
Total	23,020.00	14,917.00	22,813.00

3.13 The following disbursements have been made from the SDF during the last three years-

(Rs. in lakh)

	1998-99	1999-2000	2000-2001	2001-2002
				(upto 31.12.2001)
1	2	3	4	5
(a) Subsidy for maintenance of buffer stock of sugar	13,086.25	710.02	21.73	Nil

1	2	3	4	5	6
(b)	Grants-in-aid for research schemes of sugar industry	243.13	65.49	13.77	89.72
(c)	Loans for modernization and rehabilitation of sugar mill	15,355.11	16,003.52	7,728.58	7,513.94
(d)	Loans to sugar mills for cane development	9,990.05	2,685.50	1,100.25	178.31
(e)	Administration of SDF	403.45	469.05	527.98	10.28
(f)	Expenditure on National Institute of Sugarcane and Sugar Technology, Mau.	288.07	127.42	165.24	23.11
Total		39,366.06	20,061.00	9557.55	7,815.36

(a) Subsidy on Maintenance of Buffer Stock of Sugar

3.14 During the period 2000-2001 and 2001-2002 no buffer stock of sugar was maintained and hence no expenditure was incurred on this account. In this connection when the Committee asked the need to maintain buffer stock of sugar, when there is already huge stock of sugar in the country, the Ministry in its written reply furnished to the committee stated as under-

"Section 4 of the Sugar Development Fund Act, 1982 provides that the Sugar Development Fund shall be applied by the Fund, *inter alia*, for defraying expenditure for the purpose of building up the maintenance of buffer stock of sugar with a view to stabilizing price of sugar.

Under the SDF Rules, the Central Government, having regard to the stock of sugar held with the sugar undertaking, the prospects of sugar production, the requirement of sugar for consumption within the country and exports and such other relevant factors as may be considered necessary may decide from time to time regarding the necessity and the quantity of sugar to be maintained as buffer stock.

The buffer stock is not created every year. No buffer stock has been created after 09.07.1998 in view of large carry over stocks of sugar and

the price of sugar remaining relatively stable. The apex bodies of the sugar industry have, however, requested the Government for the creation of a buffer stock of sugar. The Budget provision has been kept to meet the residual payments in respect of claims of reimbursement of interest, storage and insurance charges in respect the buffer stock held up to 09.07.1998 and the likelihood of meeting claims in respect of such charges in case, a buffer stock is created during the year.”

(b) Grants-in-aid for research schemes of Sugar Industry

3.15 Actual expenditure incurred on grant-in-aid, year-wise, since 1997-98 is as indicated below:-

Year	(Rs. in lakhs)
	Expenditure incurred
1997-98	Nil
1998-99	243.1265
1999-2000	65.490
2000-2001	13.77
2001-2002	105.5674
(upto 15.03.2002)	

3.16 The number of research project sanctioned year-wise since 1998-99 is indicated below:-

Year	No. of Research project sanctioned
1998-99	2
1999-2000	3
2000-2001	1
2001-2002	4

3.17 When the Committee asked what benefits have accrued from these research projects and how much amount has been spent on development of a computerized model INDSUGAR for forecasting sugar production in India, the Ministry in its written reply furnished as under:

"The research projects sanctioned grant-in-aid from SDF normally have an implementation period of three years. The result of a research project can, therefore, be known after its completion. The research projects mentioned above are under various stages of implementation.

An amount of Rs. 19.39 lakhs has been released to the Indian Institute of Sugarcane Research, Lucknow for undertaking the study on "Forecasting Sugar Production and Demand in India". The Institute has informed that the actual expenditure on the study is Rs. 13,17,921/- only and the unspent balance is Rs. 6,21,079/-.

The Institute has submitted its final report. The Institute has developed a computer model named 'INDSUGAR' for predicting sugar production in India. The Institute has, however, reported that the principal investigator of the study has intimated the Institute that some data need to be collected and fed for getting the forecasting results. The demonstration of the model can be performed only after collection of data through field survey during specific phase of the crop."

3.18 When the Committee wished to enquire how much amount has been allocated for study on Gur and Khandsari Industry and whether the study has been entrusted to any Research Institute, the Ministry replied as under:-

"The study on 'Gur and Khandsari Industry' has been entrusted to the National Council for Applied Economic Research (NCAER), New Delhi. The total cost of the study is Rs. 25,57,375/-. A budget provision of Rs. 15.00 lakhs was made in the Budget Estimate 2001-2002 for the purpose. The first installment of Rs. 12,80,000/- which is 50% of the cost of the study, has already been released to the NCAER. The remaining cost will be met from the next year's Budget."

(c) Loans for Modernisation and rehabilitation of Sugar Mills

3.19 The Budget Estimate (2001-2002) for this purpose was Rs. 2000 crore which was reduced during Revised Estimate (2001-2002) to a level of Rs. 130 crore. The Budget Estimate (2002-2003) is Rs. 200 crore. In this context, when the Committee asked what are the reasons for reduction of allocation in Revised Estimates (2001-2002) and what is the actual expenditure by 15th March, 2002, the Ministry in its written reply submitted

to the Committee furnished as under:-

"A provision of Rs. 130.00 crores (and not Rs. 1.30 crores) has been made in the RE 2001-2002 on the basis of likely disbursement to be made to the sugar undertakings to whom loans from the Fund have been approved for modernization/rehabilitation and also those sugar undertakings whose applications for loans were likely to be approved in the current financial year.

An amount of Rs. 108.19 crores has been disbursed till 21.03.2002. Disbursements in respect of another Rs. 16.22 crores are under process."

3.20 To facilitate easy availability of loan out of SDF even in case of those sugar mills against whom an earlier loan is outstanding, Govt. has amended SDF Rules, 1983. In this connection when the Committee asked what is the impact of amendment of Sugar Development Fund Rules, 1983 for availing Sugar Development Fund loan for Modernisation/Rehabilitation, the Ministry in its written reply informed as under:-

"An amendment in respect of the eligibility of sugar factories for obtaining loans from the SDF has been made to the SDF Rules, 1983 *vide* Notification of GSR 91 (E) in the Gazette of India on 12.02.2001. (Notification No. 1-10/99-SDF).

This amendment provides as follows:-

- (i) A sugar undertaking that has availed of a loan for modernization/rehabilitation shall be eligible for loan on one occasion during the period in which the previous loan availed for modernization/rehabilitation along with interest has not been fully repaid.
- (ii) The Central Government shall authorize payment of loan only to such sugar undertakings which have fully repaid all the sums which have become due in respect of the Sugar Development Fund and the Levy Sugar Price Equalization Fund.

After this amendment, loans totalling Rs. 109.11 crores have been sanctioned in respect of 10 sugar undertakings that had availed of a loan on an earlier occasion but had not fully repaid it. These sugar undertakings would not have been eligible for the loan but for this amendment."

(d) Loans to sugar mills for cane development

3.21 In Budget Estimate (2001-2002), the allocation for the purpose was 20 crore which has been reduced to Rs. 10 crores during Revised Estimate (2001-2002). Again Budget Estimate (2002-2003) has been proposed as Rs. 20 crores. In this context, when the committee asked what were the reasons for reduction of Budget allocation during Revised Estimate (2001-2002) and what is the actual expenditure incurred till 15th March, 2002 alongwith the names of beneficiary mills, the Ministry in its reply stated as under:-

“A provision of Rs. 10.00 crores in the RE 2001-2002, as against a provision of Rs. 20.00 crores in the BE 2001-02, has been made on the basis of disbursements likely to be made to the sugar undertakings to whom loans from the Fund for sugarcane development have been approved as also the applications from sugar undertakings for such loans that are likely to be approved during the current financial year.

Loans for sugarcane development have been disbursed in this financial year to the following sugar undertakings:-

- (i) M/s Sanjeevni (Takli) Sahakari Sakar Karkhana, Distt. Ahmendnagar, Maharashtra.
- (ii) M/s Bannari Amman Sugars Limited (Sathamangalam unit) Distt. Erode, Tamilnadu.
- (iii) M/s Sahakar Maharishi Bapurooji Deshmukh SSK, Maharashtra.
- (iv) M/s Sangmner Bhag SSK, Maharashtra.”

3.22 When the Committee asked about the impact of amendment of Sugar Development Rules, 1983 made for the purpose, the Ministry in its reply furnished as under:-

“An amendment in respect of the eligibility of sugar factories for obtaining loans from the SDF has been made to the SDF Rules, 1983 vide Notification of GSR 91(E) in the Gazette of India on 12.02.2001. (Notification No. 1-10/99-SDF).

This amendment provides as follows:-

- (i) A sugar undertaking that has availed of a loan for sugarcane

development shall be eligible for loan only on one more occasion during the period in which the previous loan availed for sugarcane development alongwith interest has not been fully repaid.

- (ii) The Central Government shall authorize payment of loan only to such sugar undertakings which have fully repaid all the sums which have become due in respect of the Sugar Development Fund and the Levy Sugar Price Equalization Fund.

After this amendment loans aggregating Rs. 13.5254 crores have been sanctioned in respect of 5 sugar undertakings that had availed of a loan on an earlier occasion but had not fully repaid the loan. These sugar undertakings would not have been eligible for the loan but for this amendment.”

(iv) National Sugar Institute, Kanpur (NSI)

3.23 NSI is a subordinate establishment of the Department of Food & Public Distribution engaged in providing technical education in various branches of sugar engineering, alcohol technology and other allied branches. The Institute has a research farm and an experimental sugar factory for training of students.

The budget provisions for NSI are as under:-

(Rs. in lakhs)

	2001-2002 BE	2001-2002 RE	2002-2003 BE
Plan	93.00	70.00	189.00
Non-Plan	870.00	860.00	866.10

3.24 The Non-Plan Expenditure is meant for meeting the administrative expenses of the Institute, hostel, etc. and the committed expenditure on the experimental sugar factory and the farm.

3.25 The Plan provision is intended to meet the expenditure mainly on civil works, augmenting facilities such as additional equipment for laboratories, etc.

3.26 The provision of Rs. 189.00 lakhs made in the Budget Estimate 2002-2003 is proposed to be utilized as follows:-

	<i>(Rs. in lakhs)</i>
(i) Improvement in facilities at Farm at NSI	12.00
(ii) Construction of complete water grid for residential colony, ESF, office building & hostels.	10.00
(iii) Major Repairs and renovation of main office, building, EFF, workshop and Central Store.	10.00
(iv) Air conditioning of Auditorium and library, acoustic system of auditorium	10.00
(v) Construction of over head water storage tank	10.00
(vi) Construction of complex for out door games and enhancement of existing indoor games facilities.	10.00
(vii) Spill over works including transferred work liability for NISST, Mau.	5.00
(viii) Equipment for research scheme	10.00
(ix) Equipment for upgrading the facilities in the existing research labs.	25.00
(x) Modernization of BSS laboratory and facilities	10.00
(xi) Construction of unit operation labs. in Alcohol Technology	12.00
(xii) Replacement of obsolete machinery in ESF and workshop	5.00
(xiii) Extension activities (New Scheme)	
(a) Varietal replacement demonstration Scheme	10.00
(b) Technology Transfer and familiarization scheme	10.00
(xiv) Revenue expenditure of NISST, transferred to NSI.	40.00

3.27 Brief particular regarding the number of research schemes and the number of students trained from 1999-2000 onwards are given below:-

	1999-2000	2000-2001	2001-2002
(i) No. of research schemes implemented	Nil	02	02
(ii) No. of students trained	119	174	170

3.28 National Sugar Institute (NSI), Kanpur is to be assigned the responsibility of National Institute of Sugarcane and Sugar Technology (NISST), Mau, once the latter institute is transferred to ICAR or any such body. In this connection when the Committee asked whether the Institute is equipped to take up responsibility when National Institute of Sugarcane and Sugar Technology (NISST), Mau is wound up, the Ministry in their reply furnished as under:-

"The National Institute of Sugarcane and Sugar Technology, Mau (NISST) was set up with the objective, *inter alia*, of encouraging the sugarcane growers of the region of Eastern U.P. and Bihar by providing extension services and proper cane cultivation techniques. In order to provide such support to the sugarcane growers and sugar industry in that region, it is proposed to undertake the following new activities, namely (a) Varietal Replacement Demonstration Scheme and (b) Technology Transfer and Familiarization Scheme at the National Sugar Institute, Kanpur (NSI). An outlay of Rs. 100.00 lakhs has been provided in the 10 Five Year Plan for this purpose. NSI has got the necessary physical infrastructure (farm, workshop etc.) and qualified personnel to implement the proposed new activities."

(v) National Institute of Sugarcane and Sugar Technology, Mau (NISST)

3.29 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
1993-94	305.10	9.54
1994-95	525.00	11.67
1995-96	753.00	263.73

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	665.00	165.24
2001-2002	100.00	23.11

(upto 31.12.2001)

3.30 The lower level of expenditure in the initial years is mainly due to delay in commencement and execution of civil work by CPWD. The Central Monitoring Group (CMG) in its meeting held on 27.01.2000 recommended that as National Institute of Sugarcane and Sugar Technology (NISST), Mau has not yet fully developed as an Institution, it may be wound up and the assets be transferred to any Central/State Agency looking for accommodation in that area. The Group has also recommended that the activities proposed to be taken up at NISST may be entrusted to National Sugar Institute, Kanpur. In pursuance of this recommendation the Government is considering the feasibility of transferring the assets of NISST to the Indian Council of Agricultural Research (ICAR) an Institute under the Ministry of Agriculture. The ICAR has submitted a proposal in this regard to the Planning Commission and after obtaining the approval of the Planning Commission they will intimate the final decision. A final decision from ICAR is still awaited. No fresh civil or other works are being undertaken and recruitment of staff has also been stopped resulting in lower actual expenditure in 2001-2002.

3.31 The expenditure incurred on the Institute since its inception, up to 31.12.2001 is Rs. 14,706 crore. In compliance with the recommendation of Central Monitoring Group, the institute is to be wound up and the assets are to be transferred to any Central/State agency. In this regard when the Committee asked what is the latest position in handing over the Institute to ICAR, the Ministry in the reply furnished as under:-

"The ICAR has intimated *vide* its letter dt. 19.03.2002 that it is working the modalities of transfer of the Institute and has requested for the following:-

- (a) Staff strength sanctioned and existing;
- (b) details of the existing staff members indicating their designation,

- group-wise classification of their posts and scale of pay;
- (c) terms and conditions of appointment of staff;
- (d) service conditions, whether governed as per Central Government rules or any other rules; in the case of latter, a copy of relevant rules; and
- (e) any other related details.

The requisite information is being furnished to the ICAR.”

3.32 The provisions in 2001-2002 (BE & RE) and 2002-2003 (BE) are as under:-

(Rs. in lakhs)

	2001-2002 BE	2001-2002 RE	2002-2003 BE
Plan	100.00	105.00	-
Non-Plan	-	-	-

3.33 When the Committee asked how BE (2001-2002) of Rs. 100 lakh been utilized, the Ministry furnished as under-

“Provision was made in the Budget Estimates to meet both Revenue and Capital expenditure. BE 2001-2002 was Rs. 100 lakhs as indicated below:-

Revenue (Plan) - Rs. 73.00 lakhs
(for salaries, wages, TA etc.)

Capital (Plan)

Other Charges - Rs 7.00 lakhs
Machinery & Equipment - Rs. 10.00 lakhs
Major Works - Rs. 10.00 lakhs

In the Revised Estimate (2001-2002), provision has been made as follows:-

Revenue (Plan) - Rs. 45.00 lakhs
Capital (Plan) - —
Major Works - Rs. 60.00 lakhs

The provision in Revenue is being utilized for payment of Salaries, Wages, TA, Office Expenses, etc. for the skeleton staff of the NISST. An expenditure of Rs. 27.53 lakhs has already been incurred up to 28.02.2002.

A demand has been received from the CPWD for payment of Rs. 70.00 lakhs for settlement of final bills in respect of the construction work, which is under process. The provision in the Budget in respect of Capital Expenditure on Major Works in the Revised Estimates is likely to be fully utilized."

(vi) Export of Sugar

3.34 The position regarding production, internal consumption and export during the 1999-2000 and 2000-2001 season (October-September) was as under:

<i>(Qty. in lakh tonnes)</i>			
Sl.No.	Particulars	1999-2000	2000-2001 (P)
1.	Carry over stocks from previous season	66.78	93.40
2.	Production of Sugar	181.93	184.21
3.	Import of Sugar	4.69	0.16(P)
		(P) ^a	^a (upto June, 2001)
4.	Total availability	248.71	277.61
5.	Internal consumption	155.08	162.00 (P)
6.	Exports	0.23(P) ^a	12.00 (P) ^a
7.	Closing stocks at the end of the season	93.40	103.61

(P) Provisional

3.35 Till 15.01.1997, export of sugar was being carried out under the provisions of the Sugar Export Promotion Act, 1958 through the notified export agencies, viz. Indian Sugar & General Industry Export Import Corporation Ltd. (ISGIEIC) and State Trading Corporation of India Ltd., (STC).

3.36 Through an Ordinance, the Sugar Export Promotion Act, 1958 was repealed w.e.f. 15th January, 1997 and the export of Sugar was

decanalised. Under the new system, the export of sugar is being carried out through the Agricultural and Processed Food Products Export Development Authority (APEDA), under the Ministry of Commerce. However ISGIEIC continues to handle all preferential quota exports of EEC & USA, after obtaining Registration-Cum-Allocation-Certificate (RCAC) from APEDA.

3.37 Government has removed the quantitative ceiling on export of sugar and has also dispensed with the requirement of the issue of Registration-cum-Allocation Certificates (RCACs) by APEDA, *w.e.f.* 1.4.2001 for sugar exports. Now export of sugar can be undertaken by sugar mills and exporters after obtaining an export release order from the Directorate of Sugar under the Ministry of Consumer Affairs, Food and Public Distribution.

3.38 As per DGCI&S, Kolkata during financial year 2000-2001 a quantity of 3,31,184 tonnes has been physically exported. During financial year 2001-2002 (upto September, 2001) a quantity of 8,87,866 tonnes has been exported.

3.39 Beginning October 2000 and upto 31.1.2002, a quantity of about 22.45 lakh tonnes (Provisional) has been released for export and over 12.50 lakh tonnes (P) has been physically exported.

3.40 As per the information published by DGCI&S, Kolkata the export of sugar during the last five financial year has been as under:-

Financial Year	Quantity (in tonnes)	Value (Rs. Crores)
1997-98	1,73,282	244.44
1998-99	12,735	17.36
1999-2000	12,990	18.13
2000-2001	3,31,184 (P)	427.74 (P)
2001-2002 (Upto September 2001)	8,87,866 (P)	1083.76 (P)

(P) Provisional

3.41 When the Committee asked what efforts have been made by the Government to increase export of sugar, the Ministry in its written reply furnished as under:-

"In order to boost export of sugar from India, the Government has taken the following measures:-

- (i) The quantities restriction on export of sugar has been removed *w.e.f.* 1.4.2001. The Government has also dispensed with the requirement of registration of exports contracts with APEDA.
- (ii) The sugar meant for export has been exempted from the levy obligation.
- (iii) The quantity of sugar released for export is treated as advance free-sale release to be adjusted in the free-sale stocks of sugar factories after a period of 18 months.
- (iv) The levy exemption on the quantity meant for commercial export of sugar, if its can not be claimed by the sugar factories out of the sugar season from which the sugar is released to them due to completion of their levy obligation, the same can be availed by the concerned sugar factories from their production of next sugar season.
- (v) DEPB at the rate of 5% of the F.O.B. value of export of sugar has been allowed.
- (vi) Hitherto only mill white sugar was being exported. It has been clarified that in addition to mill white sugar the sugar mills/exporters can also export raw sugar under the present EXIM policy.
- (vii) The Government has introduced the Sugar Development Fund (Amendment) Bill, 2002 in the Lok Sabha on 21.3.2002. The Amendment Bill seeks to enable the Government of defray the expenditure on internal transport & freight on export shipments of sugar."

3.42 The Committee note that allocation of loans for modernisation and rehabilitation of sugar mills in the Budget Estimate (2001-2002) was placed at Rs. 200 crore which was reduced to Rs. 130 crore in the Revised Estimate (2001-2002). Similarly, allocation of loan for sugar mills for cane development was reduced to Rs. 10 crore in the Revised Estimate (2001-2002) from a level of Rs. 20 crore earmarked in the Budget Estimate (2001-2002). The Committee are aware of the fact that more than 200 sugar mills in the country are running below 2500 TCD which are in dire need of modernisation/rehabilitation to sustain their viability in future. On the other hand, cane growers require loan for cane development which is not being passed on to them by the respective sugar mill owners. The Committee, therefore, recommend that sugar mill owners be encouraged for availing loan facility for modernisation/

rehabilitation and also for cane development which in turn should be passed on to the needy farmers.

3.43 The Committee have all along been told that the National Institute of Sugarcane and Sugar Technology (NISST), Mau has been established for encouraging the sugarcane growers of the Eastern U.P. and Bihar by providing extension service and proper cane cultivation techniques. However, the Committee are constrained to note that the Government are hell bent on winding up the Institute without making proper alternative arrangement for the welfare of the farmers of the regions and that the Government have taken the matter of transferring the assets of NISST, Mau to the Indian Council of Agricultural Research, an autonomous organisation for agricultural research under the Ministry of Agriculture. Though the Government have informed that the schemes of varietal Replacement Demonstration Scheme and Technology Transfer and Familiarization Scheme have been taken for this purpose at the National Sugar Institute (NSI), Kanpur and an outlay of Rs. 100.00 lakh has been provided in the 10th Five Year Plan, the Committee are not satisfied with the statement that the interests of the farmers of Eastern U.P. and Bihar will be fully served as the NSI, Kanpur is located at a distant place. In addition to this, upto 31.12.2001 an expenditure of Rs. 15.327 crore has already been incurred on NISST, Mau from the Sugar Development Fund (SDF), the benefit of which has not yet reached the farmers. The Committee, therefore, recommend that the Government should have a rethink over the whole issue and all efforts should be made to go ahead with the establishment of the NISST at Mau, taking in view the larger interests of farmers of Eastern U.P. and Bihar.

3.44 The Committee note that the estimated total availability of sugar during (2000-2001) will be 277 lakh tonnes, out of which the estimate internal consumption is only to the tune of 162 lakh tonnes. Thus, there will be about 115 lakh tonnes of excess availability of sugar during sugar season 2000-2001. However upto September, 2001, only 10.42 lakh tonnes of sugar could be exported. The Committee, therefore, recommend that the Government should encourage export of sugar even by amending the Sugar Development Fund Act, 1982 and thereby giving relief to sugar mill owners.

CHAPTER IV

MANAGEMENT OF EDIBLE OILS

The management of edible oils is done through the Directorate of Vansapati, Vegetable Oils & Fats (DVVO&F). The main activities involved in the management of edible oils are (a) administration of various control orders through DVVO&F, (b) distribution of imported oils through PDS at subsidized rates and (c) management of the public sector undertaking, namely, the Hindustan Vegetable Oils Corporation (HVOC).

(i) Directorate of Vansapati, Vegetable Oil and Fats

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

- (i) Vegetable Oils Products (Regulation) Order, 1998;
- (ii) Edible Oil Packaging (Regulation) Order, 1998; and
- (iii) Solvent Extracted Oil, De-oiled Meal and Edible Flour (Control) Order, 1967;
- (iv) Pulses, Edible Oil seeds and Edible Oils (Storage Control) Order 1977.

4.3 All these Orders are statutory and derive their powers under the Essential Commodities Act.

4.4 For the purpose of ensuring proper quality control, regular inspections of vanaspati manufacturing units are carried out in addition to surprise inspection from the Headquarters. Irregularities pointed out by the Field Officers in their Inspection Reports are considered for taking appropriate action against the defaulting units.

4.5 A High Powered Price Monitoring Board (HPPMB) has been constituted under the Chairmanship of Cabinet Secretary to monitor the prices of essential commodities. DVVO&F has been servicing the HPPMB as regards the availability and prices of edible oils including vanaspati

4.6 The Directorate also administers R&D schemes for coordinating and concentrating R&D efforts for improving the availability and acceptability of oils and encouraging improvement in efficiency of operation as also quality of product and co-products of oilseeds processing. A number of schemes have been funded to nationally recognized institutes and R&D Organizations, which have done significant work.

4.7 DVVO&F is operating three Plan Schemes as under:

1. R&D Programme for development of vegetable oils – This is mainly to augment the availability of quality products.
2. Modernisation of the Laboratory of the DVVO&F – To introduce latest modern equipments for testing of oils and fats.
3. Strengthening of DVVO&F – To provide more technical staff for better monitoring of the oil industry.

(a) R&D Programme for Development of Vegetable Oils

(Rs. in lakh)

	BE (2001-2002)	RE (2001-2002)	BE (2002-2003)
Plan	40.00	40.00	25.00

4.8 R&D Programme for Development of Vegetable Oils and Modernisation of the Laboratory of the Directorate of Vanaspati Vegetable Oils & Fats (VVO&F) have been merged and the new scheme will now

be known as 'Research and Development and Modernisation of the Laboratory of the Dte. of VVO&F'. The allocation of funds under the Annual Plan (2002-2003) for the scheme is Rs. 25 lakhs.

4.9 The actual expenditure during the year (2000-2001) and (2001-2002) for the scheme on R&D Programme for Development of Vegetable Oils of the Dte. of VVO&F has been as under:

Year	Expenditure (Rs. in Lakhs)
2000-2001	34
2001-2002	29
(As on 21.3.2002)	

4.10 The number of R&D projects approved by the Science and Technology Advisory Committee (STAC) during 2000-2001 and 2001-2002 is as under:

Year	Number of R&D Projects approved
2000-2001	3
2001-2002	3

4.11 All the R&D projects approved during 2000-2001 are in progress. Studies on the R&D Projects approved in March 2002 (2001-2002) by the STAC are yet to be conducted. The results will be known only after their completion of the projects.

4.12 When the Committee asked how far the scheme has augmented the availability of Vegetable Oils and improved its quality, the Ministry in its reply stated as under:

"The R&D Programme for development vegetable oils is implemented through research projects funded from the scheme to various research organizations. The research studies are conducted at the laboratory stage. Depending upon the outcome of the research studies at the laboratory stage, pilot studies are undertaken. When the pilot studies are successful, these can be commercially exploited by the industry.

One research programme funded under this scheme which has been successful, is development of 1 TPD improved Expeller for increased recovery of oil from mustard seeds with better quality. The 1 TPD improved expeller is now being used by the mustard expelling units."

(b) Modernization of Laboratory of the Directorate of Vanaspati, Vegetable Oils and Fats

4.13 The actual expenditure during the year 2000-2001 and 2001-2002 on the scheme on Modernization of Laboratory of the Directorate of VVO&F has been as under:

Year	Expenditure (Rs. in Lakhs)
2000-2001	Nil
2001-2002	2
(As on 21.3.2002)	

4.14 During the year 2001-2002, one Mettler Balance has been purchased. This equipment will be used for weighing of micro quantity of chemicals etc.

4.15 The Ministry has also informed that the Regional Officers at Chennai, Mumbai and Kolkata for undertaking routine analysis have not yet become operational.

4.16 When the Committee asked whether the facility of testing oils and fats was available with the Directorate throughout India and if not, what arrangements have been made for testing of oils and fats in coordination with different State Governments, the Ministry in its reply furnished as under:

"The Directorate of Vegetable Oils & Fats test the sample drawn from the manufacturing units for monitoring the quality standards laid down under the Vegetable Oils Products (Regulation) Order, 1998 and the Solvent Extracted Oil, Deoiled Meal and Edible Flour (Control) Order, 1967. For this purpose, samples of oils and fats collected from manufacturing units located throughout the country are tested in the laboratory of the Directorate of VVO&F at New Delhi.

Under the Prevention of Food Adulteration (PFA) Act, 1954 and the Rules thereunder, the PFA authorities check the quality of oils and fats sold in the wholesale and retail markets. The provisions of the PFA Act and the Rules made there under are implemented by State/UT Governments through their field staff.”

(c) Strengthening of the Directorate of Vanspati, Vegetable Oils and Fats

4.17 The Scheme of strengthening of the Directorate of Vanaspati, Vegetable Oils and Fats which was meant to provide more technical staff to widen the scope of monitoring the oils industry, has been terminated in view of the instructions on downsizing of the Government Staff. In this connection, when the Committee asked what alternative arrangement has been made by the Government for widening the scope of monitoring the oil industry, the Ministry in its written reply furnished to the Committee stated as under:

“The Directorate of VVO&F, with its existing field staff, continues to monitor the quality of oils and fats at the manufacturing stage by optimizing the number of tested samples. The number of sample tested by the laboratory of the Dte. of VVO&F in 2000-2001 was 2454. During 2001-2002 (upto 28.2.2002) the number of samples tested was 5738.”

(ii) Import of Edible Oils by STC for PDS

4.18 The State Trading Corporation of India Ltd. (STC) had been importing edible oils on Government Account at the prevailing prices in the international markets till 1999-2000, for distribution through PDS. However no import of edible oils has been made during 2000-2001. In view of easy availability of edible oils at comparable prices in domestic market it has been decided, for the time being, not to import edible oils for PDS. The import of edible oils by STC for PDS, allocation thereof made to States/UTs and lifting by them for the last few years as give below:-

(Qty. in lakh tonnes)

Year	Import by STC	Allocated	Lifted
1998-1999	1.67	1.90	1.51
1999-2000	0.81	2.17	0.50
2000-2001	Nil	0.42	0.21
2001-2002	Nil	Nil	Nil

(upto January, 2002)

4.19 The Central Monitoring Group, set up in the Department of Expenditure, Ministry of Finance, regarding introduction of Zero Based Budgeting in this Department with effect from 2000-2001, at its meeting held on 27.1.2000, recommended, *inter alia*, that the scheme of distributing imported edible oil by the States/UTs through their PDS during the festival season may be abolished in view of the poor off-take and favourable domestic and international prices of edible oils. Based on this, the position was reviewed by this Department and it was felt that as the price and availability position of edible oils in the country is presently comfortable, it may not be necessary to import fresh quantities of edible oil. Accordingly, a note was sent for consideration of the high Powered Price Monitoring Board.

4.20 It may be mentioned that the import operations have been suspended for the time being as the price as well as availability situation of edible oils is comfortable in the country. However, given the nature of edible oil economy in the country, the position being constantly reviewed. Moreover, the budget provision, once done away with, would take long to be revived, if the situation warrants action to import oils later in the year.

4.21 At present there are not stocks of edible oils with the Government. The State Governments which demand edible oils have been advised to approach STC to import edible oils at mutually agreed terms. No element of subsidy is to be borne by the Government of India in this regard.

(iii) Demand & Supply Position of Edible Oils

4.22 Production of oilseeds, which increased significantly in the 1980s, hit a plateau in the 1990s. In fact, in the last three years, on account of

a variety of reasons, it has fallen. During 1998-99 the oilseed production was 247.48 lakh tonnes. In 1999-2000, the oilseed production to 207.15 lakh tonnes. In 2000-2001 it further declined to 184 lakh tonnes. The domestic supply of edible oils in 1998-99 and 1999-2000 and 2000-2001 was 69.61 lakh tonnes, 60.14 lakh tonnes and 55.04 lakh tonnes respectively. Despite this, supply from indigenous sources still falls short because demand of edible oils has been increasing at a pace faster than that of production due to growth in population and improvement in the standards of living of the people.

4.23 Figure pertaining to production of major cultivated oilseeds, availability of edible oils from all domestic sources and its demands during the last five year 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	85.06
1997-98	213.20	60.32	72.98
1998-99	247.48	69.61	95.83
1999-2000	207.15	60.14	102.10
2000-2001	184.00	55.04	94.79 (Est)

4.24 Net availability of edible oils from all domestic sources was around 55 lakh tonnes in the year 2000-2001. The Production of oilseeds and net availability of edible oils from domestic sources (primary source and secondary source) for the Oil year 2000-2001 (November-October) is indicated below:-

(In lakh MTs)

Name of Oilseeds		2000-2001	
		Oilseeds	Oils
1	2	3	4
(A) Primary Sources			
	Groundnut	62.23	14.31
	Rapeseed & Mustard	42.07	13.04
	Soyabean	52.73	8.44

1	2	3	4
	Sunflower	7.33	2.43
	Seame	5.87	1.82
	Nigerseed	1.15	0.35
	Safflower	2.01	0.60
	Castor	8.67	3.47
	Linseed	1.94	0.58
	Total	184.00	45.04
(B)	Secondary Source		
	Coconut		5.60
	Cottonseed		4.60
	Rice-bran		4.80
	Solvent Extracted Oils		2.00
	Tree & Forest Origin		1.00
	Sub-Total		18.00
	Total (A) + (B)		63.04
(C)	Less: Export & Industrial use		8.00
(D)	Net Domestic Availability of Edible Oils		55.04

4.25 In view of above position of production and availability of oilseeds and Edible Oils, when the Committee asked what efforts are being made by the Government for increase production of oilseeds in view of its declining trend to increase availability of edible oil, the Ministry in its written reply furnished as under:-

"Basically, this concerns the Ministry of Agriculture. However, the matter was taken up with the Ministry of Agriculture. The Ministry has reported that the production of oilseeds has declined during the last two years due to drought like conditions prevailing in the major oilseed growing areas of the country. The production of oilseeds during the last two years is given below:-

Year	Production (in Lakh MT)
1999-2000	207.0
2000-2001	184.0

The Production of oilseeds is highly sensitive to weather conditions. Therefore, the area coverage and production keeps on fluctuating due to the behaviour of monsoon. Efforts are being made to increase the production of oilseeds in the country through the implementation of the Centrally Sponsored Scheme of Oilseeds Production Programme (OPP) which is being implemented in 28 States covering 409 Districts. For this purpose, an action plan has also been prepared by the Ministry of Agriculture and the same has been circulated to all the oilseed growing States to prepare their own 'State Action Plan' using the action plan of the Ministry of Agriculture as guidelines, for implementation during the 10th Five Year Plan so as to achieve the desired objective of achieving the self-sufficiency in the production of oilseeds & edible oils.

Besides, efforts are being made to increase the production of edible oils from non-traditional sources like rice bran, cotton seed and oil cakes as also from the oilseeds of tree-origin. The National Oilseeds Vegetable Oils Development Board (NOBOD) has been making efforts to harness the natural potential of vegetable oils from oilseeds of tree origin in order to exploit the existing potential of oilseeds of tree origin and to augment the future potential through integrated approach. The significant achievements of the NOVOD Board in this regard has been identification & promotion of superior tree having less gestation period, higher yield, more oil contents of Tree Borne Oilseeds (TBOs), dissemination of technology and technical know how on TBOs through trainings and seminars."

(iv) Policy on Import of Edible Oils

4.26 Since there has been a continuous excess of demand over domestic supply of edible oils, import of edible oils has been resorted to for more than two decades to make this item of mass consumption easily available to consumers at reasonable prices.

4.27 In pursuance of the policy of liberalization of the Government, there have been progressive changes in the Import Policy in respect of edible oils during the past few years. Edible Oil, which was in the negative list of imports was first decanalised partially in April, 1994 with permission to import edible vegetable palmolein under OGL. This was followed by enlarging the basket of oils under OGL with revision of import duty structure summarized as up:

April, 1994	import of RBD Palmolein placed on OGL with 65% import duty.
March, 1995	Import of all edible oils (except coconut oil, plam kernel oil, RBD palm oil, RBD palm stearin) placed on OGL with 30% import duty.
1996-97 (in regular Budget)	Further reduction in import duty to 20% + 2% surcharge.
	Another special duty of custom @ 3% was later imposed bringing the total import duty to 25%
July, 1998	Import duty further reduced to 15%.
1999-2000 (Budget)	Import duty raised to 15% (basic) + 10% (Surcharge) = 16.5%
December, 1999	Import duty on refined oils raised to 25% (basic) + 10% (surcharge) = 27.5%. In addition, 4% SAD levied on refined oils.
June, 2000	import duty on crude oils raised to 25% (basic) + 10% (Surcharge) = 27.5% and on refined oils raised to 35% (basic) + 10% (Surcharge) + 4% (SAD) = 44.04%. Import duty on Crude Palm Oil (CPO) for manufacture of vanaspati retained at 15% (basic) + 10% (Surcharge) = 16.5%.
November 2000	Import duty on CPO for manufacture of

vanaspati raised to 25% and on crude vegetable oils raised to 35%. Import duty on CPO for other than vanaspati manufacture raised to 55%. Import duty on refined vegetable oils raised to 45% (basic) along with 4% SAD. Import duty on refined palm oil and RBD palmolein raised to 65% (basic) plus 4% SAD.

March, 2001 (as amended on 26.4.2001)	Import duty on crude oils raised to 75% except on Soyabean oil. The duty on refined oils including RBD Palmolein raised to 85% (basic) except in the cases of Soyabean Oil and Mustard oil where the duty is placed at 45% (basic) and 75% (basic) respectively due to WTO binding. In addition, 4% SAD is levied on refined oils.
October, 2001	Import duty on Crude Palm Oil and its fractions, of edible grade, in loose or bulk form reduced from 75% to 65%.

4.28 The quantities of edible Oils imported during the last five years are as under:-

Year	Import of Edible Oils <i>(Qty. in lakh tonnes)</i>
1996-97	14.16
1997-98	12.66
1998-99	26.22
1999-2000	41.96
2000-2001	39.75

(v) Hindustan Vegetable Oils Corporation (HVOC)

4.29 As HVOC had been incurring losses, it was referred to the Disinvestment Commission in March, 1997 for advice. The Commission recommended that HVOC should be classified as a non-core Corporation,

and the company's operations in Vanaspati and packaging of refined edible oils be discontinued with immediate effect. The Delhi Vanaspati Unit has been closed since Nov, 1996 following the orders of the Supreme Court in the case, M.C.Mehta vs Union of India. Vanaspati operations in Calcutta were also stopped following the Court's order. Subsequently, operations in all other units of HVOC, except the Breakfast Foods Unit, were stopped. The company was referred to the Board for Industrial and Financial Reconstruction (BIFR) which declared it a sick industrial company in 1999 under the Sick Industrial Companies (Special Provisions) Act, 1985. Due to the continual dismal financial performance of HVOC, and in the light of the recommendations of the Disinvestment Commission, the Government of India decided that it did not consider it feasible to attempt revival or rehabilitation of the company. The Government approved a proposal to introduce a Voluntary Separation Scheme (VSS) in the company, and also made a provision for a non-plan loan of Rs. 75.00 crores to HVOC to meet the cost of VSS and other liabilities on account of employees' dues.

4.30 VSS was introduced in the company in November 2000, and non-Plan loans totaling Rs. 70.00 crores in 2000-01 and Rs. 1.90 crores in 2001-02 were sanctioned by the Government to HVOC. At present, only 126 regular employees are left in the company, of which 121 are working in the Breakfast Food unit (BFFU) of HVOC. BIFR, in its order dated 07.12.2001, confirmed its *prima-facie* opinion that HVOC was not likely to make its net worth exceed its accumulated losses within a reasonable time while meeting all its financial obligations. BIFR concluded that it would be just, equitable and in public interest to wind up the company. BIFR has forwarded a copy of its order in this regard to the Delhi High Court as well as to the Official Liquidator, Delhi High Court.

4.31 Some employees of BFFU appealed against the BIFR's Order. The Appellate Authority for Industrial and Financial Reconstruction (AAFIR), *vide* its Order dated 22.02.2002, has stayed the operation of the aforesaid BIFR's Order dated 07.12.2001 in regard to BFFU, and have ordered that no steps should be taken for the closure of the BFFU. The next hearing in this connection is to be held on 26.03.2002.

4.32 Assets of the different Units of HVOC, as recently evaluated by the technical consultant firm engaged by the Operating Agency (IDBI), are given below:-

LOCATTON	PRESENT REPLACEMENT COST (Rs. in lakhs)	PERCENTAGE REALISATION	REALISABLE VALUE (Rs. in lakhs)
DELHI			
Land	35401.70	100.00	35401.70
Building	433.48	5.00	21.67
Plant & Machineries	130.00	20.00	26.00
SUB-TOTAL	35965.18	98.57	35449.37
KANPUR			
Land	1627.13	100.00	1627.13
Building	506.18	10.00	50.62
Plant & Machineries	1185.00	10.00	118.50
SUB-TOTAL	3318.31	54.13	1796.25
AMRITSAR			
Land	1364.55	80.00	1091.64
Building	356.51	5.00	17.83
Plant & Machineries	1245.00	5.00	62.25
SUB-TOTAL	2966.09	39.50	1171.72
CALCUTTA			
Land	70.38	80.00	56.30
Building	120.54	5.00	6.03
Plant & Machineries	725.00	5.00	36.25
SUB-TOTAL	915.92	10.76	98.58
BANGALORE			
Land	81.90	100.00	81.90
Building	36.19	15.00	5.43
Plant & Machineries	60.00	40.00	24.00
SUB-TOTAL	178.09	62.51	111.33
CHENNAI			
Land	0.00	0.00	0.00
Building	0.00	0.00	0.00
Plant & Machineries	100.00	30.00	30.00
SUB-TOTAL	100.00	30.00	30.00

MUMBAI			
Land	4139.82	90.00	3725.84
Building	427.03	10.00	42.70
Plant & Machineries	1800.00	15.00	270.00
SUB-TOTAL	6366.85	73.43	4038.54
TOTAL	49810.44	85.72	42695.79

4.33 The physical and financial performance of Breakfast Food Unit during the last 4 years is given below:

	1997-98	1998-99	1999-2000	2000-2001
Profit & Loss (in Rs. lakhs)	(+) 12.24	(+) 99.92	(-) 47.69	(+) 3.63*
Production	630MT	520MT	507MT	540MT

Note: + profit, (-) = loss.

4.34 As on 31.03.2000, the current liability of HVOC, including Provisions, stood at Rs. 27.39 crores. The Company has not yet finalized its consolidated accounts for the year 2000-01.

The exact figures of the current liabilities as on 31.03.2001 will be known after the finalisation of the consolidated accounts of HVOC for the year 2000-2001.

4.35 IDBI had been appointed as the Operating Agency by BIFR to evaluate the viability of the various units of HVOC and had submitted its Report to the BIFR. According to IDBI, the company was expected to incur gross losses throughout the next 9 years of the rehabilitation and that the networth of the company was not likely to turn positive during a reasonable time. Besides, IDBI had stated that most of the units of the Company were technically unviable; as for financial viability, except for Mumbai and Bangalore units, all the divisions of the company were expected to suffer continuous losses and that the company as a whole would be incurring continuous losses.

4.36 When the Committee asked about unit-wise loss incurred by different units of HVOC since its inception alongwith the action taken to make these units viable, the Ministry in its reply furnished as under:-

“Total accumulated loss incurred by HVOC as on 31.3.2000 is Rs. 53.01 crores. The unit-wise performance since 1996-97 is given below:-

UNIT	1996-97	1997-98	1998-99	1999-2000
Delhi	(-) 1.78	(-) 2.25	(-) 3.15	(-) 2.52
Kanpur	(-) 2.95	(-) 3.32	(-) 2.99	(-) 3.55
Amritsar	(-) 1.99	(-) 2.73	(-) 2.23	(-) 2.81
Mumbai	(+) 1.07	(+) 0.05	(+) 2.39	(-) 1.45
Chennai	(+) 0.42	(+) 0.02	(-) 0.02	(-) 0.57
Bangalore	(+) 1.44	(+) 0.23	(+) 0.64	(+) 0.06
Kolkata	(+) 1.55	(-) 0.10	(+) 0.24	(-) 0.57
BFFU	(+) 0.41	(+) 0.12	(+) 1.00	(-) 0.48

NOTE (-) = Loss, (+) = Profit.

Most of the units of HVOC were engaged in the packaging of imported edible oils for the PDS, except Kanpur and Amritsar units. After, the Government has stopped import of edible oils and allocation for PDS was discontinued, consumer preferences also shifted from Vanaspati. The machinery and equipment in all the units were old and obsolete. In view of all these, and also in view of the recommendations of the Disinvestment Commission which had recommended that the company's operations in vanaspati and packaging of edible oils should be discontinued with immediate effect, the Government came to the conclusion that it was not feasible to attempt revival/rehabilitation of the company. At present, BFFU is the only operating unit in HVOC."

4.37 The Committee note that the Directorate of Vanaspati, Vegetable Oils and Fats (DVVO&F) tests samples drawn from manufacturing units for monitoring the quality standards laid down under the Vegetable Oils Products (Regulation) Order, 1998 and the Solvent Extracted Oil, Deoiled Meal and Edible Flour (Control) Order, 1967. The Committee are happy to note that the number of samples drawn during 2001-2002 has increased to a level of 5738 from its earlier mark of 2454 during 2000-2001. However, the samples of oils and fats collected from manufacturing units located throughout the country are tested in the laboratory of the DVVO&F at New Delhi only. The Committee feel that there is a great need for increasing the number of laboratories for widening the monitoring activity on the manufacture of edible oil and fats. Also, the regional offices for undertaking routine analysis at Chennai, Mumbai, and Kolkata have not yet become operational. The Committee, therefore, recommend that regional offices at

Chennai, Mumbai and Kolkata be made functional in a time bound manner and more laboratories be established in other parts of the country for testing oils and fats.

4.38 The Committee note that Board of Industrial and Financial Reconstruction (BIFR), in its order dated 7.12.2001 has confirmed that HVOC was not likely to make its net worth exceed its accumulated losses within a reasonable time after meeting all its financial obligations and, therefore, it would be just, equitable and in public interest to wind up the company. Some employees of Breakfast Food Unit (BFFU) has appealed against BIFR's order. The Appellate Authority for Industrial and Financial Reconstruction (AAFIR) has stayed the operation of the above order of BIFR. The Committee note this will again lengthen the process of winding up of HVOC. Also, the total value of assets of different units of HVOC comes out to Rs. 42695.79 lakh. The Committee, therefore, recommend that Government should continue with the Breakfast Food Unit, Delhi for the present and make it viable. In case it is finally decided to wind up the company, the Government may do so without disinvesting/selling the company's assets such as land and buildings of different units of HVOC.

4.39 The Committee are concerned to note that the production of oilseeds is continuously decreasing. From 247.48 lakh tonnes in 1998-99 it has gone down to 182 lakh tonnes during 2000-2001. This has resulted in decreasing the availability of Edible Oil from 69.61 lakh tonnes in 1998-99 to 54.54 lakh tonnes during 2000-2001. Though the Department of Agriculture and Cooperation is implementing Centrally sponsored schemes of Oilseeds Production Programme (OPP) and Oil Palm Development Programme (OPDP), there is no noticeable impact of the schemes on production of oils seeds. It seems that the incentives as incorporated in these programmes are not reaching the producer of oilseeds. The end result is that import of Edible Oil is regularly increasing from the year 1997-98. The Committee, therefore, recommend that the programmes of OPP and OPDP be reviewed to make it more suitable for producers of oilseeds, so that import of edible oil can be reduced to the maximum extent.

NEW DELHI,
April 12, 2002
22 Chaitra, 1924 (Saka)

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

PART II

**MINUTES OF THE SECOND SITTING OF THE STANDING
COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC
DISTRIBUTION HELD ON THURSDAY,
THE 28TH MARCH, 2002.**

The Committee sat from 12.00 hours to 15.00 hours.

PRESENT

Shri Devendra Prasad Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Shri Sahib Singh Verma
3. Shri Shyam Bihari Mishra
4. Shri Rameshwar Dudi
5. Shri Tara Chand Bhagora
6. Shri A.P. Abdullakutty
7. Shri Biju Ban Riyan
8. Shri Rajbhar Babbar
9. Shri Ezhilmatai Dalit
10. Shri Jai Prakash

Rajya Sabha

11. Smt. Bimba Raikar
12. Smt. Gurcharan Kaur
13. Shri Lajpat Rai
14. Shri Dewa Lama
15. Shri Anil Sharma
16. Dr. (Ms.) P. Selvie Das

SECRETARIAT

1. Shri Ram Autar Ram - *Joint Secretary*
2. Shri A.S. Chera - *Deputy Secretary*
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 R.N. Das, JS (S&EO)
3. Ms. Rajni Razdan, J.S. (Stg).
4. Shri Sanjay Kaul, JS (BP & PD)
5. Shri A.K. Mohapatra, JS (FCI)

Food Corporation of India (FCI)

Shri Bhure Lal, Chairman, FCI

Central Warehousing Corporation (CWC)

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 accordingly.
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 arising out of List of Points on Demands for Grants (2002-2003). The queries raised by Members were resolved by the representatives of the Ministry. The evidence was concluded.
The witnesses then withdrew.
4. A verbatim record of the sitting has been kept separately.

The Committee then adjourned.

PART III

MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION HELD ON THURSDAY, THE 11TH APRIL, 2002.

The Committee sat from 12.00 hours to 13.30 hours.

PRESENT

Shri Devendra Prasad Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Shri Sahib Singh Verma
3. Shri Ram Naresh Tripathee
4. Shri Namdeorao Harbaji Diwathe
5. Smt. Prencet Kaur
6. Shri Tara Chand Bhagora
7. Shri A.P. Abdullakutty
8. Shri Bajju Ban Riyan
9. Shri Rajbhar Babban
10. Shri Ezhimalai Dalit

Rajya Sabha

11. Smt. Bimba Raikar
12. Smt. Gurcharan Kaur
13. Shri Lajpat Rai
14. Dr. Swami Sakshi Ji Maharaj
15. Shri Vijay Singh Yadav
16. Dr. (Ms.) P. Selvie Das

SECRETARIAT

1. Shri Ram Autar Ram — *Joint Secretary*
2. Shri A.S. Chera — *Deputy Secretary*
3. Shri R.S. Mishra — *Under Secretary*

2. Consideration and adoption of Draft Fifteenth Report.

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

(ii) Consideration and adoption of Draft Sixteenth Report.

3. The Committee, then, considered and adopted the Draft Sixteenth Report on Demands for Grants (2002-2003) relating to the Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution.

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

The Committee then adjourned.

*** Not related to this Report.