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STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (2003)

THIRTEENTH LOK SABHA

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

DEMANDS FOR GRANTS (2003-2004)

TWENTY FIRST REPORT

SEAL

LOK SABHA SECRETARIAT
NEW DELHI
April, 2003/ Chaitra, 1925 (Saka)

COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION – 2003

Shri Devendra Prasad Yadav - Chairman

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LOK SABHA

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3. **Shri Rajbhar Babban**
4. **Shri Tara Chand Bhagora**
5. **Shri Sujan Singh Bundela**
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22. **Shri Ramchandra Veerappa**
23. ***Shri Rammurti Singh Verma**
24. ****Shri Man Singh Patel**
25. **$ Shri Kishan Lal Diler**
26. **$ Shri Jaiprakash**
27. **$ Shri Kalava Srinivasulu**
28. **S Shri Adhi Sankar**
29. **Vacant**
30. **Vacant**

RAJYA SABHA

31. **Smt. Bimba Raikar**
32. **Shri Nandi Yellaiah**
33. **Shri Surendra Lath**
34. **Shri Sk. Khabir Uddin Ahmad**
35. **Shri Ravula Chandra Sekar Reddy**
36. **Shri Munavvar Hassan**
37. **Shri C. Perumal**
38. **Shri M.A.Kadar**
39. **Shri Vijay Singh Yadav**
40. **Shri Isam Singh**
41. **Shri Anil Sharma**
42. **Dr. (Ms.) P. Selvie Das**
43. **Shri N.K. Premachandran**
44. *****Shri Lajpat Rai**
45. **Vacant**

SECRETARIAT

1.	**Shri John Joseph**	**Additional Secretary**
2.	**Dr. (Smt.) Paramjit Kaur Sandhu**	**Joint Secretary**
3.	**Shri A.S. Chera**	**Deputy Secretary**
4.	**Shri R.S. Mishra**	**Under Secretary**
5.	**Shri Santosh Kumar**	**Committee Officer**

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*Nominated to the Committee w.e.f 13th February, 2003 (vide LS Bulletin Part – II. No.3591 dated 13. 2.2003).

*Nominated to the Committee w.e.f 4th March, 2003 (vide LS Bulletin Part – II. No. 3678 dated 4.3.2003).

$ Nominated to the Committee w.e.f. 7th April, 2003 (vide LS Bulletin Part –II, No. 3760, dated 7.4.2003).

***Nominated to the Committee w.e.f 2nd January, 2003 (vide RS Bulletin Part – II. No. 40357 dated 3. 1.2003).

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Civil Supplies and Public Distribution (2003) having been authorised by the Committee to submit the Report on their behalf, present this Twenty First Report on Demands for Grants (2003-2004) 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 (2003-2004 of the Ministry which were laid on the Table of the House on the 12th March, 2003.

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 24th March, 2003.

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 4th April, 2003.

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.

DEVENDRA PRASAD YADAV

New Delhi;
<u>7 April, 2003</u>
17 Chaitra, 1925(Saka)

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

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PART II

CHAPTER-I

INTRODUCTORY

The Ministry of Consumer Affairs, Food and Public Distribution have two Departments, namely, the Department of Food and Public Distribution and the Department of Consumer Affairs.

1.2 The Department of Food and Public Distribution works under the overall guidance of Union Minister of Consumer Affairs, Food and Public Distribution, who is assisted by two Ministers of State.

The main functions of the Department of Food and Public Distribution are :

(i) formulation and implementation of national policies relating to procurement, movement, storage and distribution of foodgrains;

(ii) implementation of the Public Distribution System with special focus on the poor;

(iii) provision of storage facilities for the maintenance of Central Reserves of foodgrains and promotion of scientific storage;

(iv) formulation of national policies relating to export and import, buffer stocking, quality control and specifications of foodgrains;

(v) administration of food subsidies relating to rice, wheat and coarse grains;

(vi) fixation of statutory minimum prices of sugarcane payable by sugar factories, development and regulation of sugar industry (including training in the field of sugar technology), fixation of price of levy sugar and its supply for PDS and regulation of supply of free sale sugar;

(vii) industries, the control of which by the Union is declared by Parliament by law to be expedient in public interest, as far as these relate to Vanaspati, Oilseeds, Vegetable Oils, Cakes and Fats; and

(viii) price control of, and inter-state trade and commerce in, and supply and distribution of Vanaspati, Oilseeds, Vegetable Oils, Cakes and Fats.

1.3 The Department is organised into 13 Divisions. It has two Attached Offices, namely:

(i) Directorate of Sugar

(ii) Directorate of Vanaspati, Vegetable Oils and Fats (DVVO&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 and

(iii) 17 Save Grain Campaign offices at Ahmedabad, Bangalore, Bhopal, Bhubaneshwar, 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 (2002-2003) as well as Budget Estimates for (2003-2004) are as under:-

(Rs. in crore)

	Major Head	**Budget 2002-2003**			**Revised (2002-2003)**			**Budget (2003-2004)**		
		Plan	**Non-Plan**	**Total**	**Plan**	**Non-Plan**	**Total**	**Plan**	**Non-Plan**	**Total**
	1	2	3	4	5	6	7	8	9	10
REVENUE SECTION										
Secretariat-Economic Service	3451	0.15	11.81	11.96	0.15	11.99	12.14	0.15	12.85	13.00
Food, Storage and Warehousing	2408	1.12	21408.11	21409.23	2.03	24337.72	24339.75	1.15	28359.91	28361.06
North Eastern Areas	2552	...	….	….	….	…	….	….	…	….
Industries	2852	…	0.02	0.02	…	0.02	0.02	…	0.02	0.02
Civil Supplies	3456	4.75	0.01	4.76	2.20	0.90	3.10	2.10	0.91	3.01
Grants-in-aid to State Governments	3601	…	…	…..	….	….	…..	….	…..	…..
Total-Revenue Section		**6.02**	**21419.95**	**21425.97**	**4.38**	**24350.63**	**24355.01**	**3.40**	**28373.69**	**28377.09**
CAPITAL SECTION										
Capital Outlay on Food, Storage and Warehousing	4408	34.49	…..	34.49	31.90	…..	31.90	38.05	……	38.05
Capital Outlay on North Eastern Area	4552	3.72	….	3.72	4.03	….	4.03	2.78	…..	2.78
Loans for Consumer Industries	6860	…..	222.50	222.50	….	182.50	182.50	….	321.50	321.50
Loans and Advances to State Governments	7601	….	…	…..	….	….	….	…..	….	…
Total-Capital Section		**38.21**	**222.50**	**260.71**	**35.93**	**182.50**	**218.43**	**40.83**	**321.50**	**362.33**
GRAND TOTAL		**44.23**	**21642.45**	**21686.68**	**40.31**	**24533.13**	**24573.44**	**44.23**	**28695.195**	**28739.42**

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

(Rs. in crore)

	Major Head	Budget 2002-2003			Revised (2002-2003)			Budget (2003-2004)		
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
	1	2	3	4	5	6	7	8	9	10
REVENUE		6.02	21411.82	21417.84	4.38	24313.51	24317.89	3.40	28017.06	28020.46
CAPITAL		38.21	2.50	40.71	35.93	2.50	38.43	40.83	1.50	42.33
TOTAL		**44.23**	**21414.32**	**21458.55**	**40.31**	**24316.01**	**24356.32**	**44.23**	**28018.56**	**28062.79**

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

(Rs. in crore)

	Major Head	Budget 2002-2003			Revised (2002-2003)			Budget (2003-2004)		
		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 Warehousing	2408	…..	-8.13	-8.13	….	-37.12	-37.12	….	-356.63	-356.63
CAPITAL SECTION										
Capital Outlay on Food Storage and Warehousing	4408	….	….	…..	….	….	….	……	…….	……
Capital Outlay on Food, Storage and Warehousing	6860	…	-220.00	-220.00	…..	-180.00	-180.00	…….	-320.00	-320.00
Total – Capital		....	**-220.00**	**-220.00**	….	**-180.00**	**-180.00**	….	**-320.00**	**-320.00**
Total Recovery		….	**-228.13**	**-228.13**	…..	**-217.12**	**-217.12**	….	**-676.63**	**-676.63**

1.9 The total financial requirement of the Department of Food and Public Distribution on Programmes/activities in RE (2002-2003) & BE (2003-2004) are as under :

(Rs. in lakh)

	Revised Estimates 2002-2003			Budget Estimates (2003-2004)		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
	2	3	4	5	6	7
A. Programme/Activity wise classification						
1. Food Management						
Secretariat	15.00	1198.53	1213.53	15.00	1284.58	1299.58
Food Subsidy	-	2420000.00	2420000.00	-	2775000.00	2775000.00
Post Harvest Operation	113.00	815.70	928.70	-	945.50	945.50

Strengthening of PDS						
(a) A Pilot Project on implementation of Food Credit Card in PDS (Smart Card Scheme)	171.00	-	171.00	150.00	-	150.00
(b) Annual Award Scheme	-	90.00	90.00	-	90.00	90.00
Training, Research and Monitoring for PDS	48.88	-	48.88	60.00	-	60.00
Procurement and Supply	-	7.00	7.00	-	7.00	7.00
Contribution to International Grain Council	-	13.00	13.00	-	13.00	13.00
Food Corporation of India						
(a) Construction of Storage Godowns by FCI (Investment)	3140.00	-	3140.00	2505.00	-	2505.00
(b) Integrated Information System for FCI	-	-	-	1200.00	-	1200.00
Lumpsum Provision for Projects/Schemes for benefit of NE States including Sikkim	403.00	-	403.00	278.00	-	278.00
Management of Sugar						
Dte. of Sugar	-	177.00	177.00	-	191.34	191.34
Admn. Of Sugar Development Fund	-	512.00	512.00	-	563.00	563.00
Development Council for Sugar Industry	-	6.00	6.00	-	6.00	6.00
Sugar Subsidy	-	-	-	-	5000.00	5000.00
Sugar Development Fund						
Transfer to Sugar Development Fund	-	8000.00	8000.00	-	18000.00	18000.00

	Revised Estimates 2002-2003			Budget Estimates (2003-2004)		
	Plan	**Non-Plan**	**Total**	**Plan**	**Non-Plan**	**Total**
	2	3	4	5	6	7
Payment from Sugar Development Fund						
(ii) Subsidy for maintenance of Buffer Stock of Sugar	-	100.00	100.00	-	30000.00	30000.00
(iii) Reimbursement of Internal Transport & Freight Charges to Sugar Factory on Export Shipment	-	3000.00	3000.00	-	5000.00	5000.00
(iv) Grant-in-aid for Development Sugar Industry	-	100.00	100.00	-	100.00	100.00
(v) Loans for rehabilitation/modernisation of sugar mills	-	16000.00	16000.00	-	15000.00	15000.00
(vi) Loans on Sugar Mills for Cane development	-	2000.00	2000.00	-	2000.00	2000.00
(vii) Loans to sugar Factories for bagasse based cogeneration power projects	-	-	-	-	10000.00	10000.00
(viii) Loans to sugar factories for production of anhydrous alcohol or ethanol from alcohol	-	-	-	-	5000.00	5000.00
Training and Research Institute						
(a) NSI, Kanpur	115.00	829.10	944.10	190.00	918.00	1108.10
(b) NISST, Mau	-	-	-	-	-	-
Contribution to International Sugar Council	-	18.00	18.00	-	24.00	24.00
3. MANAGEMENT OF EDIBLE OILS						
(i) Directorate of Vanaspati Vegetable Oils and Fats	-	194.60	194.60	-	223.60	223.60
(ii) Research & Development Programme in oilseeds and Oils	25.00	-	25.00	25.00	-	25.00
(iii) Reimbursement of losses to STC in its trading operation on Government account	-	-	-	-	1.00	1.00
(iv) Amritsar Oil Works	-	2.00	2.00	-	2.00	2.00
(v) Loans for HVOC Ltd.	-	250.00	250.00	-	150.00	150.00
TOTAL	**4030.88**	**2453312.93**	**2457343.81**	**4423.00**	**2869519.12**	**2873942.12**

1.10 **The details of object-wise requirement of Budget allocation during RE (2002-2003) and BE (2003-2004) are as under :**

(Rs. in lakh)

	Revised Estimates 2002-2003			**Budget Estimates (2003-2004)**		
	Plan	**Non-Plan**	**Total**	**Plan**	**Non-Plan**	**Total**
	2	3	4	5	6	7
B. OBJECT-WISE CLASSIFICATION						
01. Salaries	30.10	2283.68	2313.78	-	2432.66	2432.66
02. Wages	0.50	15.80	16.30	-	20.95	20.95
03 Overtime Allowance	-	31.10	31.10	-	35.15	35.15
11. Domestic Travel Expenses	11.15	96.85	108.00	-	107.85	107.85
12. Foreign Travel Expenses	-	26.00	26.00	-	30.00	30.00
13. Office Expenses	11.25	402.30	413.55	-	456.60	456.60
14. Rent, Rates and Taxes	-	21.60	21.60	-	24.10	24.10
16. Publication	-	15.60	15.60	-	18.45	18.45
20. Other administrative Services (Departmental Canteen)	12.76	37.23	49.99	4.00	38.99	42.99
21. Supplies and Materials	-	53.50	53.50	-	84.70	84.70
26. Advertising and Publicity	-	13.70	13.70	-	16.00	16.00
27. Minor Works	-	123.50	123.50	-	145.70	145.70
28. Payment for Professional and special Services	51.12	8.60	59.72	71.00	7.10	78.10
31.Grant-in-aid (Development of Sugar Industry)	-	100.21	100.21	-	101.23	101.23
32. Contributions	-	31.00	31.00	-	37.00	37.00
33.subsidies (including sugar)	-	2420100.00	2420100.00	-	2810000.00	2810000.00
34. Scholarship and Stipends	-	33.20	33.20	-	60.20	60.20
42. Lumpsum provision including NE States	403.00	15.00	418.00	278.00	15.00	293.00
50. Other Charges	261.00	3622.06	3883.06	265.00	5695.44	5960.44
52. Machinery & Equipment	25.00	32.00	57.00	35.00	42.00	77.00
53. Major Works	85.00	-	85.00	65.00	-	65.00
54. Investment in Public Sector Undertakings	3140.00	-	3140.00	3705.00	-	3705.00
55. Loans and advances	-	18250.00	18250.00	-	32150.00	32150.00
60.Other Capital Expenditure	-	-	-	-	-	-
63. Inter Accounts Transfer	-	8000.00	8000.00	-	18000.00	18000.00
TOTAL	**4030.88**	**2453312.93**	**2457343.81**	**4423.00**	**2869519.12**	**2873942.12**

1.11 Statement showing BE, RE and actual Expenditure for the year2001-2002 showing Plan and Non Plan expenditure along with percentage of expenditure incurred.

(Rupees in crore)

S.No	Scheme	Major Head	BE 2001-2002	RE 2001-2002	Actual Expenditure	% of expenditure incurred
	PLAN					
1	Secretariat –Economic Services	3451	0.90	0.90	0.85	94.44
2	NISST,Mau	2408 4408	0. 73 0.27	0.45 0.60	0.29 0.56	64.44 98.33
3	Other programmes of Food Storage & Warehousing i) SGC ii) IGMRI iii) CGAL iv) VVOF v) R&D Schemes vi) NSI,Kanpur vii) NSI,Kanpur	 2408 2408 2408 2408 2408 2408 4408	 1.39 1.56 0.29 0.02 0.40 0.36 0.57	 1.37 1.56 0.10 0.02 0.40 0.36 0.57	 1.31 1.53 0.03 0.02 0.21 - -	 95.62 98.07 30.00 100.00 52.50 0.00 0.00
4	**Civil Supplies** Assistance for constructions of godowns for PDS	 3601 7601	 5.75 5.75	 4.00 4.00	 3.28 3.92	 82.00 98.00
	Assistance for constructions of godowns for PDS	3602 7602	- -	- -	0.08 0.08	
5	Assistance for retail outlets in Tribal areas/ purchase of mobile vans	3601 7601	0.15 0.15	0.15 0.15	0.15 0.15	100.00 100.00
S.NO	**Scheme**	**Major Head**	**BE 2001-2002**	**RE 2001-2002**	**Actual Expenditure**	**% of expenditure incurred**
6	Other schemes of Civil Supplies - Training research & monitoring	3456	0.50	0.50	0.25	50.00
7	CONSUMER INDUSTRIES Investment in Public Enterprises – Construction of Godowns by FCI.	4408	27.00	27.00	27.00	100.00
8	Lumpsum provision for Projects/Schemes for North Eastern States including					

	Eastern States including Sikkim					
	(i) Construction of Godowns by FCI	2552	0.50	0.50	0.50	100.00
	(ii) Construction of Godo-wns under Centrally Sponsored Scheme for strengthening of PDS	4552	3.50	3.50	2.00	57.14
	TOTAL		**49.79**	**46.13**	**42.21**	**91.50**

NON-PLAN

(Rs. in crore)

S.NO	Scheme	Major Head	BE 2001-2002	RE 2001-2002	Actual 2001-2002	% of expenditure incurred
1.	Secretariat	3451	12.76	11.65	11.16	95.79
2.	Food Subsidy (including Sugar)	2408	13675.00	17612.00	17499.00	99.36
3.	Transfer to Sugar Development Fund	2408				
	(i) Admn. of SDF	2408	5.70	5.12	5.07	99.02
	(ii) Buffer Stock of Sugar	2408	1.00	1.00	-	0.00
	(iii) Grant-in-Aid for development of sugar Industry	2408	2.50	2.00	1.64	82.00
	(iv) Loans for Modernization/ Rehabilitation of Sugar Mills	6860	200.00	130.00	128.53	98.87
	(v) Loans for Cane Development	6860	20.00	10.00	7.52	75.20
	(vI)Loans for Hindustan Vegetable Oils Corporation (HVOC)	6860	5.00	5.00	1.90	38.00
4.	Others Programmes of Food Storage & Warehousing	2408				
	i) Dte. of Sugar		2.07	1.76	1.58	89.77
	ii) Development council of Sugar Industry		0.08	0.06	0.06	100.00
	iii)Dte. Of VVOF		1.97	1.93	1.53	79.27
	iv)NSI,Kanpur		8.70	8.60	6.94	80.70
	v) Procurement & Supply		0.03	0.07	-	0.00
	vi) International Cooperation		0.59	0.33	0.32	96.97
	vii) SGC					
	viii) IGMRI		4.94	4.40	4.15	94.31
	ix) CGAL		2.36	2.20	2.09	95.00
	x) QCC		0.02	0.02	0.01	50.00
			0.39	0.35	0.34	97.14
5.	Consumer Industries Amritsar Oils Works	2852	0.02	0.02	-	0.00
6.	Reimbursement of losses to STC in trading operation of Edible Oils	3456	50.00	8.65	7.99	92.36
	Total		**14173.13**	**17835.16**	**17679.83**	**99.12**
	Deduct Recoveries From SDF		**229.20**	**148.12**	**143.61**	**96.96**
	Total		**13743.93**	**17657.04**	**17536.22**	**99.31**

1.12 Statement showing BE,RE & Actual Expenditure for the year 2002-2003 Plan and Non-Plan expenditure along with percentage of expenditure incurred

(Rs. In crore)

S.NO	Scheme	Major Head	BE 2002-2003	RE 2002-2003	Actual Expenditure upto February,2003	% of expenditure incurred
	PLAN					
1	Secretariat –Economic Services	3451	0.15	0.15	0.05	33.33
2	NISST,Mau	2408 4408	- -	- -	- -	- -
3	Other programmes of Food Storage & Warehousing					
	i)SGC	2408	-	0.14	0.09	64.28
	ii)IGMRI	2408	-	0.99	0.39	34.39
	iii)CGAL	2408	-	-	-	-
	iv)Strengthening of VVOF	2408	-	-	-	-
	v)R&D Schemes & Moderninsation of lab	2408	0.25	0.25	0.10	40.00
	vi) NSI,Kanpur	2408	0.87	0.65	0.21	32.30
		4408	1.02	0.50	-	
	TOTAL of Other programme		**2.14**	**2.53**	**0.79**	**31.22**
4	**Civil Supplies** Assistance for constructions of godowns for PDS	3601 7601	- -	- -	- -	
5	Assistance for retail outlets in Tribal areas/ purchase of mobile vans	3601 7601	- -	- -	- -	
S.NO	**Scheme**	**Major Head**	**BE 2002-2003**	**RE 2002-2003**	**Actual Expenditure upto February,2003**	**% of expenditure incurred**
6	Other schemes of Civil Supplies – Training research & monitoring	3456	4.75	2.20	0.28	12.73
7	CONSUMER INDUSTRIES Investment in Public Enterprises – Construction of Godowns by FCI	4408	33.47	31.40	15.30	48.72
8	Lumpsum provision for Projects/Schemes for North Eastern States including Sikkim (i)Construction of Godowns by FCI (ii) Construction of Godowns under Centrally	2552 4552	- 3.72	- 4.03	- 0.70	 17.36

	Sponsored Scheme for strengthening of PDS					
	TOTAL		**44.23**	**40.31**	**17.12**	**42.47**

NON-PLAN

S.NO	Scheme	Major Head	BE 2002-2003	RE 2002-2003	Actual 2002-2003 upto Feb.,2003	% of expenditure incurred
1.	Secretariat	3451	11.81	11.99	10.55	87.99
2.	Food Subsidy (including Sugar)	2408	21200.00	24200.00	21059.47	87.02
3.	Transfer to Sugar Development Fund	2408	180.00	80.00		
	(i) Admn. of SDF	2408	5.13	5.12	0.12	2.34
	(ii) Buffer Stock of Sugar	2408	1.00	1.00	-	-
	iii) Reimbursement of internal transport and feirght charges to sugar factories on export shipment of sugar	2408	-	30.00	-	-
	(iii) Grants-in-Aid for Development of sugar Industty	2408	2.00	1.00	0.03	3.00
	(iv) Loans for Modernization/ Rehabilitation of Sugar Mills	6860	200.00	160.00	79.60	49.75
	(v) Loans for Cane Development	6860	20.00	20.00	11.66	58.30
	(vi)Loans for Hindustan Vegetable Oils Corporation (HVOC)	6860	2.50	2.50	-	-
4.	**Others Programmes of Food Storage Warehousing**					
	i) Dte. of Sugar	408	1.78	1.77	1.56	88.14
	ii) Development council of Sugar Industry	2408	0.06	0.06	0.02	33.33
	iii)Dte. Of VVOF	2408	1.95	1.95	1.34	68.72
	iv)NSI,Kanpur	2408	8.66	8.29	5.45	65.74
	v) Procurement & Supply	2408	0.07	0.07	-	0.00
	vi) International Cooperation	2408	0.37	0.31	0.30	96.75
	vii) SGC	2408	4.44	5.05	4.38	86.73
	viii) IGMRI	2408	2.28	2.71	1.91	70.48
	ix) CGAL	2408	0.02	0.02	-	-
	x) QCC	2408	0.35	0.37	0.31	83.78
	Total Other programmes		**19.98**	**20.60**	**15.27**	**74.12**
5.	Consumer Industries Amritsar Oils Works	2852	0.02	0.02	-	-
6.	Civil Supplies Other schemes of Civil Supplies	3456	-	0.90	-	-
7.	Reimbursement of losses to STC in trading operation of Edible Oils	3456	0.01	-	-	-
	Total		**21642.45**	**24533.13**	**21176.70**	**86.32**
	Deduct Recoveries From SDF		**-228.13**	**-217.12**	**(-)91.41**	**42.10**
	Total		**21414.32**	**24316.01**	**21085.29**	**86.71**

1.13 On being asked by the Committee about the reasons for such low utilisation of funds, the representatives of the Ministry during evidence furnished as under:-

"The main reason for shortfall is due to non-clearance of proposals and in specific cases like construction of godowns, the reasons for shortfall include site selection etc."

1.14 On being asked by the Committee whether any amount allocated under BE/RE in various Heads has been diverted to other Heads during the financial year 2002-2003 and if yes, the reasons therefore, the Ministry in their written reply furnished as under:-

"Amount allocated under BE/RE in various Heads has been diverted to other Heads during the financial year 2002-03 through re-appropriation orders Numbers R-1 to R-5 upto 28.2.2003 details of which are given below:-

(a) Re-appropriation Order-I

A sum of Rupees.Three lakh in Directorate of Sugar have been transferred from Office Expenses to Professional Services in order to pay the legal charges and fees to Senior Govt. Counsels by the Directorate of Sugar to defend the various court cases on behalf of Union of India

(b) Re-appropriation Order-2

A sum of Rupees 1 lakh has been transferred under Advertising and Publicity Expenses in Save Grain Campaign to the same head in Indian Grain Management Research Institute (IGMRI) because proposals for disposal of unserviceable vehicles have been received from some IGMRI field stations. Expenditure for insertion of advertisement on account of auction of the vehicles is to be incurred.

(c) Re-appropriation Order-3

Revenue Section
Plan, Voted

Revenue Section
Plan, Voted

From

To

(Rs. in thousand)

3456	Civil Supplies (Major Head)		3456	Civil Supplies (Major Head)	
00.800	Other Expenditure		00.800	Other Expenditure	
16	Scheme relating to Strengthening PDS		14	Expenditure for Andaman, Nicobar Lakshadweep	
01	Pilot Project on Implementati of Food Credit Card in PDS (Smart Card Scheme)		14.1	Expenditure on construction of go-downs	
16.01.50	Other Charges	42,57	14.01.31	Grants-in-aid Expenditu for Chandigarh	38,88
				Expenditure on construction of godown Grants-in-aid	3,69
	Total	**42,57**		**Total**	**42,57**

The reasons are as under:-

Saving: In the Head Pilot Project on Implementation of Food Credit Card in PDS (formerly known as Smart Card Scheme) of P D Division, out of a budget provision of Rs. 4,40,00 thousand, an expenditure of Rs 8,00 thousand only up to December, 2002 has been incurred.

Excess: The funds to the tune of Rs. 43 lakh are to be raised to transfer the outstanding loans to grants-in-aids of Union Territories without legislature.

(d) Re-appropriation Order-4

A sum of Rs.3 lakh in NSI, Kanpur has been transferred from the Head Publication to Advertising and Publicity Expenses for meeting the estimated expenditure of DAVP for Publication of Advertisement pertaining to admission to various courses for the academic session 2003-04 by NSI,Kanpur"

1.15 Also, on being asked about the Supplementary Grants and Excess Grants presented to the House during (2002-2003), the Ministry furnished as under :-

"Supplementary Batch I

An amount of Rs.1.13 crore was obtained for meeting establishment related expenditure in respect of Post Harvest Schemes (SGC & IGMRI) and token supplementary of Rs.0.01 crore obtained for payment of outstandings loans to Union Territories Andaman & Nocobar, Lakshadweep and Chandigarh.

Supplementary Batch II

Token Supplementary of Rs.0.01 crore obtained to meet the expenditure on internal transport and freight charges to sugar factories on export shipment in pursuance of Sugar Development Fund (Amendment) Act, 2002. Further a sum of Rs.0.01 crore obtained for implementation of Annual Award Scheme under Public Distribution System.

Supplementary Batch III

Supplementary of Rs.2986.45 crore has been proposed for meeting the additional expenditure on Food Subsidy payable to FCI on foodgrain transaction of India. Another amount 3.55 crore has been proposed for book adjustment of the interest due from the RBNS Sugar Mills during the moratorium period due to them (1985-86 to 1999-2000) and subsidy due to them for the said period. The proposals are yet to be finalized."

1.16 The Committee in their earlier Reports on Demands for Grants have impressed upon the Government that all efforts should be made to utilise the funds fully within the year and the Ministry had assured the Committee to adhere to cent per cent utilization of the funds within the financial year. However, the Committee have observed that the Ministry have not been able to utilize the funds fully within time. During 2001-2002 too, there was no cent per cent utilization under schemes of CGAL, R&D, training, research and monitoring etc. Even in case of North-East region for which the Government is very much committed for its development, a sum of Rs. 2 crore earmarked for construction of godowns had to be surrendered. The Committee feel that one of the main reasons for non-utilisation of funds is that the fund allocated is not evenly spent during four quarters of the financial year and mid-term review is not done. The Committee, therefore, desire that any assurance given to it must be taken seriously and further recommend that all out efforts should be made by the Government to utilise funds allocated for a year in the same financial year itself. Also, special attention should be given to North East region in order to boost the construction of godowns for strengthening the public distribution system there and every efforts should be made by the Government to utilised the money allocated in BE 2003-2004 under the Head 4552 fully.

CHAPTER II

MANAGEMENT OF FOOD

The Department of Food & 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 consumers especially to the vulnerable sections of the society.

2.2 According to the second all-India estimates of foodgrain production for 2002-03, the expected foodgrain production is at 183.17 million tonnes during 2002-03 season which is less than the production of 212.02 million tonnes in 2001-02 by 28.85 million tonnes or 13.6% . The estimated production of rice at 77.72 million tonnes is lower by 15.36 million tonnes or 16.5% as compared to 2001-02. The expected production of coarse cereals is 25.10 million tonnes is lower by 8.84 million tonnes or by 26.1% compared to the previous year. This apprehended decline in coarse cereals is mainly on account of Bajra and Maize. While the production of Bajra is likely to fall by 4.44 million tonnes or 53%, the production of maize is likely to fall by 2.73 million tonnes or 20.5%. The expected production of pulses is 11.46 million tonnes which is also lower by 1.73 million tonnes or 13.1% vis-à-vis the production of 3.19 million tonnes in 2001-02.

2.3 The summary of the Final Estimates of foodgrain production of 2001-02 and the Second Advance Estimates for 2002-03 is given in the statement below:-

(million tonnes)

CROP	2001-2002			2002-03*		
	KHARIF	**RABI**	**TOTAL**	**KHARIF**	**RABI**	**TOTAL**
Rice	79.36	13.32.25	93.08	67.41	10.31	77.72
Wheat	-	71.81	71.81	-	68.89	68.89
Coarse Cereals	26.92	7.02	33.94	18.86	6.24	25.10
Pulses	4.87	8.32	13.19	3.99	7.47	11.46
Food-Grains	111.55	100.47	212.02	90.26	92.91	183.17

*advance estimates.

PROCUREMENT OF FOODGRAINS

2.4 Procurement of foodgrains is one of the central pillars of the food policy of the Government of India. It serves the twin purposes of (a) providing remunerative prices to the farmers thereby avoiding chances of distress sale of foodgrains and also to enthuse them to increase production and (b) building up public stocks of foodgrains, which are vital to food management policy of the Government of India, including operation of the Targeted Public Distribution System (TPDS).

2.5 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 Season (October-September). The MSP of paddy for the Kharif Marketing Season 2002-03 (KMS 2002-2003) was fixed at the same level of KMS 2001-02. However, Government announced the payment of special drought relief price of Rs.20/- per qtl for paddy for Kharif Marketing Season 2002-03 over and the above the MSP. The MSP for wheat was fixed by the Ministry of Agriculture at Rs.620/- per quintal during 2002-2003 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 Governments and their procuring agencies.

PROCUREMENT OF RICE

2.6 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.

2.7 Punjab suffered a loss of Rs.49 crore in paddy procurement in 2001-2002. When the Committee asked how this loss has occurred, the Ministry in their written reply submitted as under :

"During the Kharif Marketing Season 2000-01, the paddy crop in Punjab was affected by unseasonal rains and blight. In view of several representations from the Punjab Government, the paddy procurement season was preponed to start from 21st September instead of 1st October. To reduce the hardship of farmers as well as to avoid the distress sale of paddy, after a report from a Central Team, it was decided with the approval of Ministry of Consumer Affairs, Food and Public Distribution (on 12th October, 2000) to procure paddy in Punjab with damaged, discoloured, sprouted and weeviled grain up to a maximum limit of 7% (instead of 3% provided under uniform specification) at a price of Rs.515/- per qtl. for Grade-A and Rs.485/- per qtl. for common grade.

2. However, as the State Government wanted further concessions, a Meeting took place of the Chief Minister, Punjab with the Union Finance Minister on 15.10.2000, where the Food Minister was also present and a number of decisions were taken in the context of on-going procurement of paddy in Punjab (Kharif Marketing Season 2000-2001).

3. The decisions covered aspects of further relaxation in the specifications of the paddy to be procured under MSP, out-turn ration, specifications for milling. It was further decided that in respect of farmers whose paddy has been purchased at below MSP, the State Government will make good the difference. The total expenditure arising out of this differential was to be restricted to a maximum of Rs.100 crores. The Ministry of Finance was to compensate to the Punjab Government to an extent of 50% of this expenditure.

4. The Government of Punjab has submitted an Audit Certificate according to which expenditure of a total amount of Rs.97,68,57, 792/- was incurred towards compensation to farmers for distress sale of paddy during September-October 2000. An amount of Rs.48,84,28,896/- has accordingly to been released to the Punjab Government in December, 2002 by the FCI for which it is to be reimbursed."

DECENTRALISED PROCUREMENT

2.8 The Scheme of Decentralised Procurement of Foodgrains was introduced by the Government in 1997-98. Under the Scheme, the States themselves procure foodgrains, retain the quantity required for PDS and surrender the rest to FCI for the Central Pool. The subsidy is passed on directly to the State Government for these operations. Since the inception of scheme of decentralized procurement, the Government of West Bengal has been undertaking decentralized procurement of rice from the Kharif Marketing Season 1997-98. The Government of Madhya Pradesh has taken up decentralized procurement of wheat from the Rabi Marketing Season 1999-2000. The Government of Uttar Pradesh has taken up decentralised procurement of wheat and rice from the Rabi Marketing Season 1999-2000 and the Kharif Marketing Season 1999-2000 respectively. After the bifurcation of Madhya Pradesh, the Government of Chhattisgarh has taken up decentralized procurement of rice from the Kharif Marketing Season 2001-02. The Government of Tamil Nadu and Uttaranchal have commenced procurement of rice from the Kharif Marketing Season 2002-03 under this scheme.

2.9 State-wise details of approximate amount of subsidy claims of various State Governments lying with the Central Government under the Decentralised Procurement Scheme as on 13th March, 2003 is as under :

(Rs. in crore)

STATE	AMOUNT
West Bengal	67.00

Uttar Pradesh	363.50
Madhya Pradesh	4.40
Chhattisgarh	71.00
Uttaranchal	14.70
TOTAL	**520.60**

LEVEL OF PROCUREMENT

2.10 The following table indicates the level of procurement of rice (including paddy in terms of rice) and wheat for the Central Pool since 1996-97 marketing season :-

(in lakh tonnes)

KHARIF		**RABI**	
(OCTOBER-SEPTEMBER)		**APRIL-MARCH**	
YEAR	RICE	COARSEGRAINS	WHEAT
1996-97	122.22	0.13	81.58
1997-98	143.32	0.18	92.98
1998-99	118.45	0.02	126.53
1999-2000	172.73	Neg.	141.44
2000-2001	191.03	6.31	163.57
2001-2002	221.29	2.91	206.30
2002-2003	134.89*	0.59	190.25

*Figure upto 13.3.2003

2.11 Progressive procurement of Kharif cereals during 2002-2003 Marketing Season (October-September).

States/U.T.	Porgressive Procurement 2002-2003				Corresponding Position 2001-2002				**2001-2002 Productio**
	Total Procure ment 2001-02	**Rice (Levy)**	**Paddy**	**Total in terms of Rice**	**Inc. Over Prv. Day**	**Coarse Grains**	**Position as on**	**Rice (Levy)**	**Paddy**
1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	6425498	1623688	1722	1624842	7230	4035	19/03/2003	3155985	82775
Bihar	89322	-	76819	51469	1360	-	18/03/2003	-	12665
Chandigarh	-	-	-	-	-	-	31/12/2002	-	12665
Chhattisgarh	1921457	84226	1463262	1064612	350	-	17/03/2003	370291	1716212
Delhi	-	-	-	-	-	-	31/12/2002	-	-
Gujarat	-	-	-	-	-	-	/	-	-
Haryana	1484488	263064	1541056	1295572	-	-	18/03/2003	350089	1575332
Himachal Pradesh	11515	6471	-	6471	-	-	28/02/2003	315	38
Karnataka	136923	-	-	-	-	990	11/03/2003	136850	109
Madhya Pradesh	273541	75183	97489	140501	-	3039	15/03/2003	70299	244154
Maharashtra	129523	18947	136697	110534	-	50545	04/03/2003	18689	132038
Orissa	1253128	398681	-	398681	10356	-	18/03/2003	594581	-
Pondicherry	10515	-	-	-	-	-	04/02/2003	10515	-
Punjab	7282266	851118	10349036	7784972	4462	-	20/03/2003	793977	9434360
Rajasthan	39194	-	42050	28174	-	-	05/03/2003	20808	16582
Tamil Nadu	852107	-	4147	2778	456	-	20/03/2003	-	992114
Uttar Pradesh	1935515	761477	402119	1030897	-	-	27/02/2003	720591	852388
Uttaranchal	235376	181183	19426	194198	-	-	27/02/2003	178410	39142
West Bengal	48435	2571	-	2571	-	-	15/03/2003	48435	-
Total	22128803	426609	14133823	13736272	24214	58609		6469835	15097909

Note : Procurement under decentralised procurement scheme in Chandigarh, Tamil Nadu, Uttar Pradesh & West Bengal

MARKET ARRIVALS OF PADDY/PADDY PURCHASED BY MILLERS

Marketing Season	Punjab		Haryana		**UttarPradesh**		**Andhra P**
	Progressive	Inc. Over Prev. Day	Progressive	Inc.Over Prev.Day	Progressive	Inc. Over Prev. Day	Progressiv
Market Arrivals of Paddy						-	
2002-2003	12130062	-	3035017	-	3147991	-	1722
2001-2002	11063895	-	3287859		3345687	-	82775
Paddy Purchased by Millers/Dealers				-			
2002-2003	1781026	-	1693961	-	2714172	-	-
2001-2002	1629335	-	1712527	-	2493295	-	-

2.12 State-wise production and procurement of rice made by FCI/State Agencies during 1999-2000 to 2001-2002 are as under :

States/U.T.	**1999-2000**				**2000-2001**				**2001-20**
	Production Procurement				Production		Procurement		**Produc**
	@	**FCI**	**STATE AGENCIES**	**TOTAL**	**@**	**FCI**	**STATE AGENCIES**	**TOTAL**	**@**
1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	10638	5498	-	5498	12458	6923	251	7174	11390
Arunachal Pradesh	135	-	-	-	133	-	-	-	135
Assam	3861	-	-	-	3999	-	-	-	3854
Bihar	7252	20	-	20	8164	8	12	20	5282
Chandigarh	-	15	-	15	-	16	-	16	-
Chhattisgarh	-	-	-	-	2369	506	351	857	533
Delhi	7	-	6	5	-	-	-	6	-
Gujarat	985	-	-	-	473	-	-	-	1029
Haryana	2583	808	179	987	2695	674	807	1481	2724
Himachal Pradesh	-	-	-	-	125	Neg.	-	Neg.	137
Jammu & Kashmir	391	-	-	-	415	-	-	-	422
Karnataka	3717	111	-	111	3847	229	1	230	3170
Madhya Pradesh	6377	791	313	1104	982	96	80	176	1664
Maharashtra	2476	51	-	51	1929	13	21	34	2651
Orissa	5187	889	-	889	4614	918	-	918	7148
Pondicherry	59	9	-	9	64	40	-	40	63
Punjab	8716	2892	3923	6815	9154	3047	3917	6964	8816
Rajasthan	253	32	-	32	156	26	-	26	180
Tamil Nadu	7532	-	919	919	7366	-	1695	1695	6873
Uttar Pradesh	13231	Neg.	1421	1421	11679	-	1174	1174	12459
Uttaranchal	-	-	-	-	622	-	42	42	614
West Bengal	13760	-	351	351	12428	-	434	434	15257
Others	2523	-	-	-	4021	-	-	-	4077
All India Total	89683	11122	7106	18228	87698	12496	8785	21281	93084

2.13 State-wise production and procurement of wheat made by FCI/State Agencies during 1999-2000 to 2001-2002 are as under :

(in '000 tonnes)

States/U.T.	1999-2000				2000-2001				2001-20
	Production	Procurement			Production	Procurement			Produc
	@	FCI	STATE AGENCIES	TOTAL	@	FCI	STATE AGENCIES	TOTAL	@
1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	9	-	-	-	8	-	-	-	10
Arunachal Pradesh	5	-	-	-	6	-	-	-	5
Assam	98	-	-	-	86	-	-	-	85
Bihar	4687	-	-	-	4438	-	-	-	4384
Chandigarh	-	-	-	-	-	-	-	-	-
Chhattisgarh	-	-	-	-	79	-	-	-	99
Delhi	31	2	-	2	98	-	-	-	29
Gujarat	1020	Neg.	-	Neg.	649	-	-	-	1145
Haryana	9650	625	3244	3869	9669	412	4085	4497	9437
Himachal Pradesh	583	-	-	-	251	-	-	-	604
Jammu & Kashmir	434	-	-	-	149	-	-	-	343
Karnataka	218	-	-	0	244	-	-	-	196
Madhya Pradesh	8685	46	496	542	4869	14	337	351	5632
Maharashtra	1436	-	-	-	948	-	-	-	1077
Orissa	8-	-	-	-	13	-	-	-	11
Pondicherry	-	-	-	-	-	-	-	-	-
Punjab	15910	2457	5375	7832	15551	2812	6611	9423	15499
Rajasthan	6732	196	441	637	5547	197	342	539	6389
Tamil Nadu	-	-	-	-	-	-	-	-	-
Uttar Pradesh	25976	61	1201	1262	25168	13	1532	1545	25018
Uttaranchal	-	-	-	-	715	-	-	-	735
West Bengal	851	-	-	-	1059	-	-	-	962
Others	36	-	-	-	134	-	-	-	154
All India Total	76369	3387	10757	14144	69681	3448	12907	16355	71814

2.14 The stocks of wheat, rice, paddy and coarsegrains in the Central Pool, as on Ist February, 2003, is as under:-

(figures in lakh tonnes)

Wheat	213.21
Rice(including paddy in terms of rice)	187.77
Coarse grain	0.03
Total	**401.01**

215 When the Committee asked what preparations have been made for procurement of wheat during Rabi procurement Season (2003-2004), the Ministry in their written reply furnished as under :

"A Meeting was held with the State Food Secretaries in February, 2003 to review the arrangements for procurement of wheat during the Rabi Marketing Season 2003-2004. A quantity of 208.50 lakh tonnes of wheat is estimated to be procured in RMS 2003-04. Adequate number of Purchase Centres will be opened in consultation with the State Governments well before the commencement of the marketing season. The Rabi procurement season ordinarily commences from April each year.

All the wheat producing States have been advised that, in order to closely monitor the Procurement Operations and to make certain that there are no instances of distress sale, a Control Room be set up in the State. The Control Room should function round the clock during the peak procurement season and the establishment of the same be given wide publicity. It has also been suggested to these States to convene a meeting of the concerned Officers, including the Zonal Manager and Senior Regional Manager of the FCI, to review the adequacy of the arrangements made for the procurement during the ensuing Rabi Marketing Season 2003-2004, and, thereafter, hold periodical meetings to take stock of the complaints received and to ensure that these are investigated expeditiously and that there is timely response in this behalf. The Government has announced the MSP of Rs.620/-per quintal for wheat for the coming Rabi Marketing Season 2003-2004. In addition to the MSP, the Government has approved the payment of one time special drought relief prices of 10/- per qtl. for wheat for RMS 2003-04 payable to farmers."

FOOD SUBSIDY

2.16 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 represent 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.

2.17 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, West Bengal and Chhattisgarh which have undertaken the responsibility of not only procuring the foodgrains from within the States but storing and distributing foodgrains over the year to the targeted population. This scheme is called 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 Governments, and the difference between the economic cost so fixed and the Central Issue Price fixed on an All-India basis is reimbursed to the States as food subsidy. The Government of India proposes to enlarge the coverage under the Decentralized Procurement Scheme so that more States adopt the scheme in view of its efficiency and cost-effectiveness.

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

(Rs. in crore)

Year	**Subsidy**
1995-96	4,960
1996-97	5,166
1997-98	7,500
1998-99	8,700
1999-2000	9,200
2000-2001	12,010
2001-2002	17,494
2002-2003 (BE)	21,190
2002-2003 (RE)	24,200
2003-2004) (BE)	27,750

2.19 Detailed statements showing the Economic Cost, the Issue Price and Subsidy on various components for the years 2002-2003 (BE and RE) and for the year 2003-2004(BE) are as under:-

Food Subsidy Estimates: 2002-2003 (BE)

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

			Qty In lakh Tonnes	Subsidy Per Tonne	Total (Rs. Crores)
	Subsidy on TPDS (FCI)				
	(i)	BPL			
		Wheat	26.00	4642	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	465
		Rice	5.225	4560	238
		Total			703
	(ii)	APL			
		Wheat	0.174	1680	3
		Rice	----	2205	---
		Total			3
	(iii)	ANTYODAYA			
		Wheat	2.068	6006	125
		Rice	0.55	8462	46
		Total			171
II	**Gross subsidy on TPDS (FCI)**				**6343**
III	**Buffer Carrying Cost**				
	Carry over charges				1500
	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 Shortage pending regularisation	(-) 560
VIII	Arrears for previous year	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 past years	88
XIV	Net subsidy to state	877
XV	Total subsidy on 2002-2003 transactions	21190

Food Subsidy Estimates: 2002-2003 (RE)

Item	Economic cost Per Tonne	Issue Price Per Tonne BPL	APL April,02 to June, 02	APL July,02 Onwards	Buffer carrying Cost Per Tonne
I	FCI				
Wheat	8917	4150	5100	6100	
					2842
Rice	12232	5650	7300	8300	

Subsidy on TPDS (FCI)

	Qty In lakh Tonnes	Subsidy Per Tonnes	Total (Rs. crores)
(i) BPL			
Wheat	34.00	4767	1621
Rice	60.00	6582	3948
Total			5569
(ii) APL			
April to June, 2002			
Wheat	4.37	3817	167
Rice	3.56	4932	176
July,02 onwards			
Wheat	7.63	2817	215
Rice	7.44	3932	292
Total			850
(iii) ANTYODAYA			
Wheat	12.00	6917	830
Rice	15.00	9232	1385
Total			2215

Subsidy on TPDS (States)

		Qty	Subsidy	Total
(i)	BPL			
	Wheat	14.50	3600	522
	Rice	5.19	4204	218
	Total			740
(ii)	APL			
	Wheat	Neg.	----	---
	Rice	Neg.	----	---
	Total			NIL
(iii)	ANTYODAYA			
	Wheat	6.00	5487	329

	Rice		4.50	6634			298
	Total						627
II	**Gross subsidy on TPDS (FCI)**					**8634**	
III	**Buffer Carrying Cost**						
	Carry over charges					2564	
	Normal Buffer	130.68	2842		3714		
	Gross Buffer Subsidy					6278	
IV	Subsidy on other Schemes						
	Wheat		51.00	3513			1792
	Rice		43.50	6368			2770
Total on other Schemes						4562	
V	Total Subsidy to FCI on						
	TPDS+Buffer+Other Schemes (II+III+IV)				*19474		
VI	Deduct 5% for audited accounts					974	
VII	Deduct Shortage pending regularisation				560		
VIII	Arrears for previous years					4716	
IX	Loss on Paddy procurement in 2001-02 to Punjab			49			
X	Subsidy for Coarsegrains					49	
XI	Govt.of Chhattisgarh (Paddy)				59		
X II	Net subsidy to FCI (rounded)				22813		
XIII	Gross Subsidy to States					1367	
XIV	Deduct 5 % for audited accounts					68	
XV	Arrears for past years					88	
XVI	Net subsidy to state					1387	
XV	Total subsidy on 2002-2003 (RE) transactions				24200		

* This figure does not include subsidy on offtake of 130 Lakh MTs approximately under various schemes, payment of which will be effected in the following year (i.e 2003-2004).

Food Subsidy Estimates: 2003-2004 (BE)

Item	**Economic cost Per Tonne**	**Issue Price Per Tonne**		**Buffer carrying Cost Per Tonne**
I	**FCI**			
		BPL	APL	
Wheat	9206	4150	6100	
				Rs. 3393
Rice	12477	5650	8300	

Subsidy on TPDS (FCI)

		Qty In lakh Tonnes	Subsidy Per Tonne	Total (Rs. crores)
(i)	BPL			
Wheat		37.00	5056	1871
Rice		60.00	6827	4096
Total				5967
(ii)	APL			
Wheat		12.00	3106	373
Rice		11.00	4177	459
Total				832
(iii)	ANTYODAYA			
Wheat		12.00	7206	865
Rice		15.00	9477	1422
Total				2287

Subsidy on TPDS (States)

(i)	BPL			
	Wheat	16.00	3780	605
	Rice	6.50	4414	287
	Total			892
(ii)	APL			
	Wheat	Neg.	----	---
	Rice	Neg.	----	---
	Total			NIL
(iii)	ANTYODAYA			
	Wheat	7.00	5761	403
	Rice	5.10	6966	355
	Total			758
II	Gross subsidy on TPDS (FCI)			9086

	III	Buffer Carrying Cost				
	(a)	Carry over charges on Wheat				2534
	(b)	Normal Buffer	82.58	3393		2802
	Gross Buffer Subsidy				5336	
	IV	Subsidy on other Schemes				
		Wheat	86.00	3761		3235
		Rice	35.00	6637		2323
Total on other Schemes						5558
V	Total Subsidy to FCI on					
	TPDS+Buffer+Other Schemes (II+III+IV)					19980
VI	Deduct 5% for audited accounts					999
VII	Deduct Shortages pending regularisation					502
VIII	Arrears for previous years					7221
IX	Export of Wheat by Markfed					374
X	Subsidy for Coarsegrains					109
X I	Net subsidy to FCI (rounded)					26182
XII	Gross Subsidy to States					1650
XIII	Deduct 5 % for audited accounts					83
XIV	Arrears for past years					--
XV	Net subsidy to state					1568
XVI	Total subsidy on 2003-2004 (BE) transactions					27750

2.20 The break-up of consumer subsidy of Rs.13596.29 crore (expenditure incurred upto 13th March, 2003) including the offtake under the various schemes is as under :

Scheme	Rs. in crore
BPL	4791.50
AAY	1735.68
APL	709.89
Food for Work	55.04
Mid-day-Meal	929.42
Open sale	726.17
Defence	18.52
Export	4630.07
TOTAL	**13596.29**

2.21 It may be seen from the above that the total subsidy to BPL households (including AAY) is Rs.6527.18 crore.

2.22 The other Welfare schemes under which foodgrains are issued at BPL rate and the subsidy is borne by FCI are the Mid-Day-Meal, Food for Work and other Schemes under which there is small off-take including Annapurna, Drought relief, SC/ST Hostels, indigent persons etc. This amount has been included in the BPL amount shown above. Thus, the total subsidy incurred at BPL rate and below is Rs.7511.64 crore.

2.23 A sum of Rs.21200 crore had been earmarked under the head in the BE (2002-2003) which has been increased to Rs.24200 crore in RE (2002-2003) and for the year (2003-2004) an amount of Rs.27800 crore (including sugar subsidy of Rs.50 crore) has been earmarked for food subsidy. When the Committee asked what are the reasons for increase in food subsidy bill during (2002-2003) and how the Government propose to utilise the food subsidy amount of Rs.27750 crore, the Ministry in their written reply furnished as under :

"The reasons for increase in the Food subsidy Bill relate to the following

(a) Increase in procurement

(b) Accumulation of stocks resulting in increased expenditure on buffer stock.

(c) Increase in offtake under various welfare schemes.

(d) Increase in Minimum Support Price and other statutory levies and taxes.

The reason for the increase in RE 2002-03 from BE 2002-03 is on account of the increase in offtake under the various Schemes during the year as well as due to payment of arrears. The increase on this account itself is Rs.4500 crores.

(ii) The total allotment of Rs.21200 crore (excluding Rs.10 crore towards sugar subsidy) as allotted at the BE stage has been spent; the details of expenditure (as on 13th March, 2002) are as under:-

Consumer Subsidy	Rs.13596.29 crore
Buffer subsidy	Rs.6566.71 crore
Payment to States (for decentralized procurement)	Rs.1021.33 crore
Total	Rs.21184.33 crore

In the year 2003-04, the amount of Rs.27750 (excluding Rs. 50 crore for sugar subsidy) is proposed to be spent as under:

TPDS	Rs.8129.00 crore
Welfare schemes	Rs.2011.00 crore
Export/OMS sales	Rs.3643.00 crore
Buffer subsidy	Rs.5069.00 crore
Arrears of previous year	Rs.7221.00 crore
Subsidy to States	Rs.1568.00 crore
Coarsegrains	Rs. 109.00 crore
Total:	**Rs, 27,750.00**

2.24 When the Committee further asked whether the benefit of food subsidy is reaching the targetted people, the Ministry in their written reply submitted as under:-

"The States/Departments responsible for the schemes are required to monitor and ensure that the foodgrains reached to the targeted people. However, to ensure that the food subsidy reaches the targeted population, the following measures have been taken:

a) The Public Distribution System (Control) Order, 2001 has been issued on 31st August, 2001 under Section 3 of the Essential Commodities Act, 1955 with a view to curb wilful adulteration, substitution, diversion, theft of stocks from the Central godowns to fair price shops.

b) A Task Force has been constituted to look into the irregularities in the implementation of the TPDS and Antyodaya Anna Yojana in the identified areas.

c) States/UTs have been asked to actively involve the Gram Panchayats in rural areas and local bodies in urban areas in the monitoring of the functioning of fair price shop as a measure of social audit.

d) A model Citizen's Charter has been issued to all the States/UTs for adoption. Most of the States and UTs have adopted the Charter.

e) The State Governments are required to furnish Utilisation Certificate to the effect that the quantities of foodgrains allotted from the Central Pool has reached to the beneficiaries as per PDS (Control) Order, 2001."

CENTRAL ISSUE PRICE

2.25 Wheat and rice are issued from the Central Pool to State Governments/ 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.

2.26 Under TPDS, two different sets of CIPs have been adopted for families Below Poverty Line (BPL) and families Above Poverty Line (APL). A High Level Committee (HLC) constituted to formulate the long term grain policy for the country further observed that in order to revive the offtake from PDS, the APL population needs to be brought 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 be 50% of the economic cost, excluding the statutory levies.

2.27 The Ministry, while broadly agreeing with the above view of the HLC, has, however, revised the CIPs of APL families to 70% of the economic cost w.e.f. 12.7.2001 and retained the existing CIPs prevailing as on 25.7.2000 in respect of BPL families, which are as under :

(Rs. per quintal)

COMMODITY	**BPL**	**APL***
Wheat	415	610
Rice	565	830

*With a view to liquidating stocks from the Central Pool, the Government had further revised downward the CIPs of wheat and rice by Rs.100 per quintal distributed under the PDS for APL families with effect from 1.4.2002 for three months and from 1.7.2002 the CIPs have been reverted back to the previous level.

BUFFER STOCKING POLICY

2.28 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.

2.29 The Government had fixed minimum requirement of buffer stock for the Ninth Five Year Plan (1997-2002) as under :

(In million tonnes)

PRESCRIBED MINIMUM STOCK LEVELS

	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**

2.30 Since the existing Buffer Stocking Policy has become due for review, a Technical Group under the chairmanship of Secretary (F&PD) has been constituted 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). In the meantime, the above buffer norms have been validated till the new norms are finalized.

2.31 As on 1.1.2003, the stock of foodgrains in the Central Pool, held by FCI and State agencies stood at 48.20 million tonnes as against 58.11 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:

YEAR	IN MILLION TONNES
1.1.1999	24.38
1.1.2000	31.88
1.1.2001	45.76
1.1.2002	58.11
1.1.2003	48.20

2.32 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

WHEAT			RICE		TOTAL	
Date	**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
1.10.01	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
1.4.2002	26.04	4.00	24.91	11.80	50.95	15.80
1.7.2002	41.07	14.30	21.94	10.00	63.01	24.30
1.10.02	35.64	11.60	15.77	6.50	51.41	18.10
1.1.2003	28.83	8.40	19.37	8.40	48.20	16.80

2.33 Due to the accumulated stocks of foodgrains, the buffer carrying cost incurred by FCI during the last three years are as under :

2000-2001(actual)	Rs.3286 crore
2001-2002(RE)	Rs.6492 crore
2002-2003(RE)	Rs.6279 crore

2.34 When the Committee asked what is the buffer carrying cost for the surplus of foodgrains during 2001-2002 and what amount of interest is being paid by FCI on this surplus stock, the Ministry in their written reply furnished as under :

" Average buffer stock held by FCI during 2001-2002 (P) was :

Wheat	57.42 lakh tonnes
Rice	149.43 lakh tonnes

The carrying cost of the above stock is Rs.5938 crores inclusive of interest of Rs.2163 crore incurred by FCI., The above carrying cost also includes Rs.1345 crore towards carry over charges paid on wheat stocks delivered by the State Governments/agencies of Punjab and Haryana.

2.35 Having found the stocks of foodgrains above 482 lakh tonnes, when the Committee asked what steps have been taken to liquidate the stock of foodgrains, the Ministry in their Post Evidence Reply furnished to the Committee as under :

"On a review of the stock position of foodgrains, the following measures were approved in March 2002 to liquidate the stock of foodgrains:

(i) To reduce the APL CIPs by Rs.100 per quintal in respect of rice and wheat for a period of three months.

(ii) To fix the scale of issue for APL, BPL and Antyodaya households @ 35 kg per household per month and increase allocations to State/UTs accordingly.

(iii) 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 CIPs on this account.

(iv) To make open market sales of 50 lakh MTs of wheat and 10 lakh MTs of rice at prices to be determined by the existing High Level Committee of the FCI. FCI may be authorized to sell the stocks in the open market either through auction in prefixed lots or by fixation of sale prices keeping in view the prevailing market conditions.

(v) To increase exports of wheat and rice, including luster lost wheat, provide WTO compatible subsidies for exports of wheat, wheat products and rice in accordance with the decision taken on 5th February, 2002.

(vi) To fix no quantitative restrictions on the exports of rice, wheat and wheat products, 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.

(vii) 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.

As a result of these measures the offtake of foodgrains which was 313 lakh MT in 2001-2002 increased to 389.87 MT in 2002-2003 upto January, 2003.

The stock of foodgrains which was 510.23 lakh tonnes as on 1st April, 2002 has decreased to 401.01 lakh MT as on 1st February, 2003.

PUBLIC DISTRIBUTION SYSTEM

2.36 The Public Distribution System (PDS) involves distribution of foodgrains and other items like sugar, edible oils, kerosene oil etc. ensuring availability to the public at affordable prices and providing food security for the poor. The State Governments are responsible for managing a network of about 4.53 lakhs fair price shops, which is perhaps the largest network of its type in the world.

TARGETED PUBLIC DISTRIBUTION SYSTEM (TPDS)

2.37 The Government streamlined the PDS by introducing the Targeted Public Distribution System (TPDS) in June, 1997. At the time of introduction of TPDS in June, 1997 each poor family was entitled to 10 Kg. of foodgrains per family per month at specially subsidized prices. Keeping in view the consensus which emerged during the discussions with the State Governments under the aegis of the Advisory Council on Foodgrains Management and Public Distribution on increasing the allocation of foodgrains for BPL families and to better targetise the food subsidy, the Government of India increased the allocation for BPL families from 10 Kg to 20 Kg of foodgrains per family per month w.e.f April 1, 2000 and further to 25 Kg w.e.f July 2001. The allocation of foodgrains for BPL families has been further increased from 25 Kg. to 35 Kg per family per month w.e.f 1st April, 2002. The scale of issue for APL families has also been fixed at 35 Kg per family per month w.e.f. 1.4.2002.

2.38 The allocation for APL families has, however, been retained at the same level as at the time of introduction of TPDS.

ANTYODAYA ANNA YOJANA (AAY)

2.39 In order to make the Targeted Public Distribution System (TPDS) more focused and targeted towards the 'poorest of the poor' in the country, the Antyodaya Anna Yojana" was launched in December, 2000. The Yojana aims to provide food security to the beneficiary families by providing 25 Kg of foodgrains per family per month at highly subsidized rates. The scale of issue has since been increased to 35 kg per family per month w.e.f. 1.4.2002 for a period of one year.

2.40 The Antyodaya Anna Yojana contemplates identification of one crore poorest families out of the total no. of 6.52 crores BPL families covered under TPDS and provide them 35 kg of foodgrains per family per month at Rs.2/- per kg. for wheat and Rs.3/- per kg, for rice as against the Central Issue Price of Rs.4.15 per kg for wheat and Rs.5.65 per kg for rice to the BPL families (ex-FCI godowns). Antyodaya Anna Yojana has been implemented in all States/UTs on completion of the task of identification of beneficiaries and issue of Antyodaya ration cards.

PDS CONTROL ORDER 2001

2.41 In order to streamline the functioning of the PDS and to make it more accountable and effective, the Central Government has issued the PDS (Control) Order, 2001 under section 3 of the Essential Commodities Act, 1955. The salient features of the Order relate to proper identification of eligible families, issue of ration cards, licensing of fair price shops, scale of issue and issue prices, distribution of essential commodities and monitoring. Any contravention of the provisions of the Order is liable for criminal punishment under Section 7 of the Essential Commodities Act, 1955.

ALLOCATION OF FOODGRAINS FROM CENTRAL POOL TO STATES/UNION TERRITORIES UNDER PUBLIC DISTRIBUTION SYSTEM/TARGETED PUBLIC DISTRIBUTION SYSTEM

2.42 The following Table shows the allotment and offtake of rice and wheat under PDS/TPDS during the financial years 199 6-97 to 2002-2003 (upto January, 2003). This includes allocation and offtake for Defence, CRPF/BSF and Bhutan.

(in lakh tonnes)

	RICE		**WHEAT**		**TOTAL**	
YEAR	**Allotment**	**Offtake**	**Allotment**	**Offtake**	**Allotment**	**Offtake**
1996-97(P)	151.61	111.44	107.22	85.20	258.83	196.64
1997-98(P)	128.32	99.01	101.14	70.80	229.46	169.81
1998-99(P)	129.34	107.43	101.15	79.49	230.49	186.92
1999-2000(P)	138.92	113.14	103.70	57.62	242.62	170.76
2000-2001(P)	162.59	79.74	115.68	40.69	278.27	120.43
2001-2002(P)	172.35	81.59	131.37	56.78	303.72	138.37
2002-2003 upto January 2003	302.30	81.37	307.50	69.01	609.80	150.83

TASK FORCE

2.43 The Government have constituted a Task Force to check irregularities of the TPDS and Antyodaya Anna Yojana in identified areas. When the Committee asked whether PDS Control Order 2001, Essential Commodities Act, 1955 and Rules and Regulation framed by Central Government and State Government to check irregularities are not adequate the Ministry in their Post Evidence Reply submitted as under :

"Task Force Teams are constituted with senior officers of the Department of Food and Public Distribution, Food Corporation of India and Central Warehousing Corporation.

The Task Force has been constituted to check irregularities and for inspection/monitoring of the TPDS and Antyodaya Anna Yojana in identified areas. The duties and responsibilities of the Task Force Teams involve conducting a review of implementation of PDS in terms of opening of Fair Price shops, availability of PDS commodities at FPS, distribution, involvement of Gram Panchayats, maintenance of proper records at FPS and display of Notice Boards.

In addition, on receipt of specific complaints relating to irregularities in procurement, distribution or reports of starvation/hunger deaths, Task Force Teams are constituted to visit the concerned States for on-the-spot verification. The teams are also deputed to drought affected States. The findings of the Task Force Teams are examined and irregularities/shortcomings are forwarded to the State Governments for taking corrective action. The constitution and visit by Task Force Teams is not only one of the effective instruments for monitoring the implementation of TPDS, AAY, etc. at Central government level but its evaluation also provides useful feed back to the Central Government for framing further Guidelines/Instructions.

In addition to the Constitution of the Task Force, other measures like PDS (Control) Order, 2001, have been introduced to strengthen the hands of the State Governments in relation to various Instructions and Guidelines and thus making PDS more accountable and effective. Constitution of Task Force, therefore, supplements the other measures for making PDS more accountable and effective. Considering the vast magnitude and scale of operations of the PDS (involving a distribution net work of more than 4 and a half lakh Fair Price shops spread across the country), different kinds of steps are required to be taken to improve the efficiency, effectiveness and accountability of PDS.

PILOT PROJECT ON IMPLEMENTATION OF SMART CARDS

2.44 The planning Commission had sanctioned an amount of Rs.13.20 crore for the 10th Plan period on Pilot Project for implementation of smart Cards in the Public Distribution System. The PD Division of the Ministry has estimated an outlay of Rs.1.50 crore under the said scheme for the year 2003-2004.

2.45 Administrative approval has been given for launching the Pilot Project in the three districts of Madhya Pradesh (Vidisha), Himachal Pradesh (Kangra) and Kerala (Trivandrum) at an estimated cost of Rs.85.27 lakh. It is proposed to release Rs.47.66 lakh on account of hardware procurement, site preparation and the first installment to NIC during the current financial year in three pilot districts. The balance amount of Rs.37.61 lakh on hiring of manpower, NIC charges and VSAT connection is proposed to be given during the next financial year for these three districts. It is also proposed to select three more States (one district in each State) for the pilot project in the next financial year at an estimated cost of approx. Rs.90 lakh. A sum of Rs.47.66 lakh would be spent during 2002-2003.

2.46 Under the Smart Card Scheme, the Smart Cards issued to each TPDS beneficiary will contain a comprehensive data base containing the personal particular of all members of the family like name, age, sex, date of birth, residential address, annual income, categorization (APL, BPL, Antyodaya) and number of members in a family etc. including their entitlement of a subsidized commodities under the PDS in an electronic chip. As stated above, instead of the present system, in which the relevant entries of sale etc. from fair price shops are made manually in the ration cards, the entries would be made electronically through the Smart Card Reader which is like a credit card reader with a local RAM. The purpose for issue of such cards is to check diversion of foodgrains and arrest the problem of bogus ration cards. Removal of these anomalies will contribute to strengthening the PDS and improvement in its effectiveness for the benefit of consumers.

2.47 After the successful completion of the first phase of back end technology in terms of maintenance and updation of standardized data base on PDS in selected districts**, t**he Smart Cards could be provided to the PDS consumers of the selected districts under the pilot project, when the second phase of the Scheme is taken up. When the second phase is implemented, the present ration cards are to be replaced by the proposed Smart Cards, in a phased manner.

2.48 A sum of Rs.4.40 crore was allocated in BE (2002-2003) which was decreased to a level of Rs.1.71 crore in RE (2002-2003). Now a sum of Rs.1.50 crore has been allocated for BE (2003-2004) for the above-mentioned head. In this connection when the Committee asked reasons for decrease in RE (2002-2003), the Ministry in their Post Evidence Reply stated as under :

"The reasons for decrease in RE (2002-2003) is the change in the objective of the Smart Card Scheme. Earlier, the objective involved preparation of comprehensive data base containing the personal particulars of all individuals like name, age, sex, date of birth, residential address, annual income, categorization {*APL, BPL, Antyodaya*} and number of members in a family etc. and loading this data along with the food entitlement of the family on an electronic chip for issue of subsidized commodities under the Public Distribution System and issue of a Smart Card.

2. Unlike the present system where the relevant entries will be made manually in the ration cards, the entries will be made electronically through the Smart Card Reader, which is like a credit card reader with a local RAM. Smart Card readers could be installed at each ration shop and the card holder at the time of drawing rations, would swap the card at the Card Reader installed at the fair price shop and draw ration as per entitlement for which a bill would be generated by the card reader. The data in the Smart Card Reader installed at the fair price shop will be uploaded through a network using an appropriate output device to a central location mainly the circle office which in turn will be transferred to district headquarters. Earlier, it was proposed to test check this exercise in one or two districts in the country having a well-functioning PDS system. An expenditure of Rs. 6.6 crores was estimated for covering 1000 fair price shops with 500 cards with each shop, in two districts in the country.

3. However, after taking into consideration the suggestions made in meetings with State Governments, NIC and others it has been decided that, an authentic and standardized data base of households and computerization of all PDS operations at the Taluk, District and State level may be completed in the first phase in the pilot districts as a back end operation. To begin with, one district each from Madhya Pradesh, Himachal Pradesh and Kerala are to be taken up in the first phase. In the second phase, a decision regarding the front end technology, which may be either food credit/debit cards or smart ration cards, shall be taken after the back end operations are complete. This change in the scope of the scheme has resulted in the reduction of the proposed expenditure to Rs. 85.27 lakhs."

2.49 When the Committee asked the rationale behind Food Credit Card Scheme when ration cards have not been issued to many BPL and AAY beneficiaries so far, the Ministry in their Post Evidence Reply stated as under :

> "Considering the total number of ration cards issued by the States/UTs in the country and the number of households as per the population projections of Registrar General of India as on 1.3.2000, issue of ration cards does not seem to be a problem. Besides, identification of beneficiaries and issue of ration cards are on going exercises of the State Governments/UT administration.

Regarding the rationale behind Food Credit Card Scheme, the proposed system of smart cards would involve switching over from the present manual system to electronic system of ration cards and the installation of necessary electronic equipments like smart card reader, etc. at the Fair Price Shop for making entries and maintenance of data on PDS on computers. The objective for issue of such cards is to check diversion of foodgrains and arrest the problem of bogus ration cards. It is an innovative measure to improve upon the ration cards. Obviously, both measures may go on simultaneously."

2.50 When the Committee desired to know whether the means adopted to check diversion and eliminate bogus ration cards so far, have failed and if not, whether it will not be a wasteful expenditure on this scheme unless we have tried all other means, the Ministry in their Post Evidence Reply stated as under :

> "The first phase of the Smart Card Scheme involves computerization of PDS operations at Block and District level in one District each in three selected States. On successful completion of Phase 1, a decision regarding the front end technology, which may be a smart Card, is to be taken. This Scheme will help in checking the diversion of foodgrains and arresting the problem of bogus ration cards.
>
> As far as other measures to check diversion, etc. are concerned, Government has, from time to time, been taking several measures like issue of detailed guidelines to the State Governments for greater involvement of Panchayati Raj Institutions in monitoring the functioning of Fair Price Shops, issue of PDS (Control) Order, 2001, circulation of model citizen's charter for adoption by the State Governments, constitution of Task Force, etc. PDS is operated under the joint responsibility of the Central and State Governments wherein the Central Government is responsible for procurement and transportation of foodgrains upto the principal distribution centres of the Food Corporation of India and the State Governments are responsible for proper and correct identification of families, issue of ration cards and distribution of the foodgrains through the Fair Price Shops. All the measures taken to check diversion are complementary to each other and contribute to minimise the chances of diversion. The proposed system of smart cards is one of the innovative measures being considered to supplement these efforts".

DAMAGED FOODGRAINS

2.51 The total value of 1,45,117 MTs of damaged foodgrains available with the FCI as on the 31st January, 2003 is Rs.41.75 crores.

The break up, commodity-wise, is as follows :

COMMODITY	**QUANTITY IN MTs**	**AMOUNT IN Rs.**
Wheat	20850	34869430
Rice	124138	382328710
Paddy	189	306495
TOTAL	**145177**	**417504635**

2.52 When the Committee asked what efforts FCI has made to minimize carrying cost of foodgrains more particularly on damaged foodgrains, the Ministry in their Post Evidence Reply submitted as under :

"Very small quantities of damaged foodgrains are available with the FCI. As on Ist January, 2003, the stock of damaged foodgrains with FCI was reported to be about 1.45 lakh tonnes.

2. The damaged foodgrains are disposed of expeditiously through one or more of the following mechanisms:-

(i) Sale at formula rates to bonafide users;
(ii) through tenders; and
(iii) allotment drought affected States, on free of cost basis, as cattle feed.

The disposal of damaged foodgrains is reviewed from time to time in order to ensure that the stocks are disposed of promptly.

POLICY ON IMPORT & EXPORT OF WHEAT AND RICE ON GOVERNMENT ACCOUNT :

2.53 The 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-à-vis the prescribed buffer norms, production of foodgrains in the country, trend for 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 on the overall situation. For this financial year, there is no proposal to import foodgrains in the Central Pool.

2.54 Export of wheat (including Lustre last wheat) and rice (raw & parboiled) 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	**Lifted**	**Effective Export Price (PER TONNES)**	**FROM**	**UPTO**
2000-01	18.69 (APPROX).*	Rs.4150/-	20.10.2000	31.03.2001
2001-02	39.51	Rs.4300/- Rs.4200/- Rs.4250/-	01.04.2001 17.08.2001 01.12.2001	16.08.2001 30.11.2001 10.05.2002
2002-03	47.76 (As on 31.12.2002)*	Rs.4310/- (Rs.4350/- (current crop)	11.5.2002 1.6.2002	30.09.2002 30.09.2002
		Rs.3960/- (lustre lost)	1.10.2002	31.12.2002
		Rs.4560/- sound (crop Year 2001-02 and before	1.10.2002	31.12.2002
		Rs.4600/- sound (crop year 2002-2003)	1.10.2002	31.12.2002

Export of Rice

(figures in lakh tonnes)

YEAR	Lifted	Effective Export (Per tonnes)	FROM	TO
2000-01	NIL	Rs.6750/-	27.02.2001	31.03.2001
2001-02	19.85*	Rs.5650/- (raw) Rs.6000/-(par-boiled)	26.05.2001	10.05.2002
2002-03	57.23(As on 31.12.2002)*	Rs.5760/-(Raw) per MT	11.5.2002	31.07.2002
		Rs.6115/- (parboiled) per MT	11.5.2002	31.7.2002
		Rs.5910/-(Raw) per MT	1.8.2002	31.12.2002
		Rs.6265/- (parboiled) per MT	1.8.2002	31.12.2002

*lifted for export

Cumulative Export Figures for wheat

(Quantity in MT as on 31.12.2002))

	QUANTITY PAID FOR	QUANTITY LIFTED
WHEAT	1,14,74,662	1,05,97,042
RICE	90,24,376	77,08,774

2.55 There are no quantitative restrictions on the exports of rice and wheat subject to the conditions that the stocks in the Central Pool will not be lower than the buffer norm of 243 lakh MTs (100 lakh MTs of rice and 143 lakh MTs of wheat) at any point of time.

2.56 Wheat and rice lifted for export and amount of revenue realised from Central Pool during 2000-2001, 2001-2002 and 2002-2003 as reported by FCI:-

YEAR	Wheat (in lakh MTs) approx.)	Rice (in lakh MTs) approx.)	Total (in lakh MTs) approx.)	Amount of Revenue Realised (in crores) approx.
2000-2001	18.76	-	18.76	852.24
2001-2002	39.45	19.85	59.30	3182.81
2002-2003#	55.70	59.50	115.20	5691.02
TOTAL	113.91	79.35	193.26	9726.07

#upto 28.02.2003

2.57 The amount of subsidy released to the FCI in respect of disposal of stocks under OMSS (D) and for exports during the last three years has been as under :

(Figs. in crores)

	OMSS (D)			EXPORT			
YEAR	**Wheat**	**Rice**	**Total**	**Wheat**	**Rice**	**Total**	**G.Total**
2000-01	74.00	46.55	120.55	1213.00	-	1213.00	1333.55
2001-02	616.10	-	616.10	531.90	836.47	1368.37	1984.47
2002-03	726.17	-	726.17	1515.90	3114.17	4630.07	5356.24
Total	1416.27	46.55	1462.82	3260.80	3950.64	7211.44	8674.26

2.58 When the Committee asked how much subsidy the Government has to bear for export at BPL rate and whether the scheme is not traders friendly, the Ministry in their written reply furnished as under:

"At present, the effective export price is slightly higher than the BPL rate, but lower than the APL rate. The export price is fixed by the High Level Committee of the FCI after considering various factors such as international market prices, market trends, availability of stocks etc.

The projected subsidy to be incurred on export of foodgrains in the current year is Rs.5778 crore.

OPEN MARKET SALE SHCEME (Domestic) (OMSS (D))

2.59 The Central Pool of foodgrains has been created primarily to maintain a minimum buffer stock for meeting the unforeseen exigencies like drought, flood and other natural calamities and also for providing foodgrains required for Public Distribution system and the other food based welfare programmes launched by the Government from time to time. In addition, the FCI on the instructions from the Government, has been restoring to sale of foodgrains i.e. wheat and rice, at predetermined prices to the open market from time to time to achieve the objectives as under :

(i) to enhance the supply of foodgrains especially during the lean season and thereby to have a healthy and moderating influence on the open market prices.

(ii) To off-load the excess stocks in the Central Pool and to reduce the carrying cost of foodgrains to the extent possible.

(iii) To save the foodgrains from deterioration in quality and to use foodgrains for human consumption.

(iv) To release much needed valuable storage space for stocks procured during the ensuing marketing season of wheat/rice.

SALE OF WHEAT UNDER OMSS (D)

2.60 The Open Market Sale Scheme (domestic) for wheat was introduced in October, 1993. Various pricing patterns like State-wise, Centre-wise, Zone-wise etc. have been adopted on different pricing parameters. Prices of wheat under the OMSS (D) were determined and announced by the Central Government till October, 2000 when the High Level Committee (HLC) of FCI was empowered to fix these prices. The zone based pricing pattern adopted by the HLC of FCI has been switched over to State wise prices since February, 2002. These month-wise prices are now being fixed after taking into account the acquisition cost, the average freight to the State from the procuring region and open market prices.

2.61 During 2001-2002, a total quantity of 51.95 lakh MT (Prov.) of wheat was sold under the OMSS(D). The Government has given a target of 50 lakh tonnes of wheat for sale under the OMSS (D) during 2002-03 to FCI. As reported by FCI, by February, 2003 almost 49.65 lakh MT of wheat were disposed of under the OMSS (D)

2.62 No target for the year 2003-04 has been decided. However sale of the stocks in excess of requirements of the Central Pool is likely to continue under the OMSS (D).

SALE OF LUSTRE LOST WHEAT UNDER OMSS (D)

2.63 The inclement weather conditions with untimely rains during the harvesting/post harvesting period of wheat in 2001, had rendered the bulk of the grains devoid of their customary lustre which reduced their saleability. Considering the requests from the Government of Punjab, U.P. and Haryana, the Central Government had to relax the specifications for procurement of wheat and as a result, a total of over 168 lakh MT of Lustre Lost Wheat was procured for the Central Pool during 2001-2002. Though the nutritional content of wheat remained intact in the lustre lost wheat, it was decided to liquidate the stocks of lustre lost wheat at the earliest utilizing all possible channels of liquidation on account of its comparatively short shelf life. Accordingly, lustre lost wheat is being disposed off under the OMSS(D) at reduced prices keeping difference between sound grains and lustre lost grains. A total quantity of 42.80 lakh MT of wheat reported as sold under the OMSS(D) by the FCI during the current year includes about 31.58 lakh MT lustre lost category.

SALE OF RICE UNDER THE OMSS (D)

2.64 After suspension of sale of rice under the OMSS (D) in April, 1997, sale of rice in the open market under the scheme was resumed in September, 2000 and, as decided by the Government, FCI was authorised to undertake open sale of 30 lakh MT of rice in the consuming States. The price was fixed for one year/two years old rice at Rs.950/- per quintal. Since open sale of rice could not pick up and remained negligible despite efforts, FCI, on the instructions from the Government, discontinued open sale of rice w.e.f. 21st August, 2001. Again, as approved by the Cabinet, FCI has been given a target of 10 lakh MT, of rice for sale under the OMSS (D) during the year 2002-2003. As intimated by FCI, the national price fixed for the open sale of rice at Rs.950/- per qtl. is higher than the prevailing open market prices of comparable grade of rice and there can be no open sale of rice by FCI at this price in the domestic market. However, FCI has been liquidating old stocks and stocks procured under relaxed specifications of rice in the open market through tenders at the rates approved by its High Level Committee.

2.65 When the Committee asked whether the Government has assessed the effect of open sale on the carrying cost of foodgrains during the last three years, the Ministry in their written reply stated as under :

“The year-wise saving in carrying cost of foodgrains in FCI during the last three years has been calculated as under: -

Year	**Carrying cost * (Rs./qtl./month)**	**Saving in carrying cost* (Rs.in crores)**
2000-2001	3.17	32.68
2001-2002	3.55	221.30
2002-2003	4.27	224.30

***Refers to storage and maintenance cost only.**

2.66 When the Committee further asked whether the FCI has ever thought to complete open sale in a time bound manner, the Ministry in their written reply furnished as under :

“For the disposal of the surplus foodgrains with the FCI/Central Pool in the domestic market, the FCI has a Scheme of Open Market Sales Scheme(Domestic) (OMSS(D)). One of the objectives of this Scheme is market intervention, particularly during the lean period when supply in the market decreases considerably and prices tend to increase. The High Level Committee of the FCI (which is an empowered Committee for taking decision in respect of disposal of foodgrains for domestic consumption) takes into account the various related factors, including the availability and prices of wheat in the open market before deciding the quantum to be sold under the OMSS (D) and the prices thereof. The OMSS (D) has proved to be a useful instrument of market intervention both for increasing the availability of wheat in the market and containing the rise in prices of foodgrains.

Under the OMSS (D) Scheme, the Sales prices are announced State-wise, so that private industry/trade are in a position to meet their requirement without following the cumbersome procedure of calling for tenders etc.

STORAGE

2.67 Three Central Schemes relating to storage are being implemented by the Department of Food and Public Distribution. These are :-

(i) Construction of storage godowns by FCI.
(ii) Construction of storage godowns by the Central Warehousing Corporation (CWC).
(iii) Contribution towards share capital of State Warehousing Corporation by CWC.

2.68 The table below indicates the physical and financial targets as well as achievements in respect of creation of storage capacity during 2001-2002, 2002-2003 as well as targets for 2003-2004:-

Agency	**2001-2002 (BE)**		**2002-2003 (RE**		**S003-2004) BE**	
	Physical (Lakh tonnes)	**Financial (Rs.Crore)**	**Physical (Lakh tonnes)**	**Financial (Rs.Crore)**	**Physical (Lakh tonnes)**	**Financial (Rs.Crore)**
FCI						
Target	0.86	22.40	1.61	30.00	--	37.19
Achievement	0.39	22.74	1.33	23.21	--	
CWC						
Target	2.00	70.00	3.25	102.00	3.12	92.00
Achievement	4.75	133.75	1.95* (up to 31.12.02)	62.32 (up to 30.11.02)		
Contribution by CWC Towards share of SWCs						
Target	---	1.75	….	2.00	…	2.25
Achievement	---	0.20	…..	0.60 (up to Dec. 02	….	…..

* Excluding construction of 1.64 lakh tonnes capacity undertaken for FCI's guaranteed utilization for seven years.

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

Food Corporation of India (FCI)

2.70 FCI is the main agency responsible for the execution of the food policy of the Government and is primarily concerned with the purchase, storage, movement, transport, and distribution of food-grains from its depots, on behalf of the Central Government. It is also engaged in the handling, storing and distribution of sugar for some States.

2.71 The net expenditure incurred by the FCI (including the Establishment Cost) is reimbursed by the government of India in the form of Food Subsidy. The payment of salary and other facilities to the FCI officers, is from the Food Subsidy.

2.72 The Establishment Cost of the FCI for the last three years is as under:-

		Rs. Crores
1998-99	1062	
1999-2000 (P)	991	
2000-01(P)		1024
2001-02 (RE)	1441	Increase due to provision of Pay arrears of Rs. 400 crore to IDA staff in respect of pay revision w.e.f 1.1.1997

2.73 When the Committee asked what cost pruning measures have been adopted by FCI to keep its establishment cost to the barest minimum, the Ministry in their written reply furnished as under :

"The following cost-reducing measures have been adopted by the FCI to keep its Establishment Cost to the minimum: -

(a) Non-filling in of vacancies due to retirement of officials etc. at the resultant entry level, except in unavoidable cases;

(b) Reducing the expenditure on over-time allowance (OTA), traveling allowance (TA) and other administrative expenses;

(c) Reducing the medical expenses on indoor treatment of the employees and their families through coverage under the Group Insurance Policy of the National Insurance Company Ltd.

2. The FCI to continue efforts to minimize the Establishment Costs."

CAPITAL STRUCTURE

2.74 The authorized and paid up capital of the Corporation wholly subscribed by Government of India as on 31.12.2002 stood at Rs. 2,500.00 crores and Rs. 2,323.00 crores respectively.

The working capital of the FCI over and above the amount provided by the Government is fully financed by the banking sector. For this purpose the Corporation has been allowed cash credit facility by the State Bank of India alongwith a consortium of nationalized and other banks. The
Bank Borrowing of the Food Corporation of India as on 28.2.2003 are Rs. 27,767 crore.

2.75 As on 31.1.2003, the Food Corporation of India were holding 209.29 lakh tonnes of foodgrains worth Rs. 22,596 crore.

Expenditure on hired godowns

2.76 Year-wise rent paid by the Food Corporation of India for the hired godowns for the last five years as under:-

Year	**Amount Paid (Rs. in Crores)**
1997-1998	110.46
1998-1999	124.93
1999-2000	139.58
2000-2001	205.56
2001-2002 (RE)	375.00

2.77 The total number of hired godowns by the Food Corporation of India is 1170 (986 Covered & 184 CAP/Open) as on 31.12.2002.

THE TRANSIT AND STORAGE LOSSES :

2.78 The details of transit losses and Storage losses incurred by the Food Corporation of India for the last 5 years are as under:-

Transit Losses

Qty. in Lakh MTs

Value in Rs. crores

Year	Wheat			Rice			Paddy		
	Qty. of Loss	Value	% age	Qty. of Loss	Value	% age	Qty. of Loss	Value	% age
1997-98	1.05	66.45	1.20	1.32	100.89	1.17	0.04	3.41	5.56
1998-99	1.36	87.00	1.06	1.28	109.00	0.81	0.02	2.00	2.00
1999-00	1.12	78.00	0.80	1.71	160.00	1.50	0.06	6.00	3.16
2000-01	0.50	36.00	0.52	1.28	130.00	1.11	0.06	6.00	3.00
2001-02	0.92	68.00	0.71	0.90	96.00	0.86	0.00	0.00	0.00 (Prov.)

Storage Losses

Year	Wheat			Rice			Paddy		
	Qty. of Loss	Value	% age	Qty. of Loss	Value	% age	Qty. of Loss	Value	% age
1997-98	-0.12	-9.41	-0.07	1.52	114.57	0.65	0.38	25.78	2.32
1998-99	-0.09	-6.00	-0.00	1.31	112.00	0.47	0.29	24.00	1.60
1999-00	0.02	2.00	-0.01	1.15	108.00	0.49	0.43	40.00	2.24
2000-01	-0.02	-2.00	Nil	1.63	165.00	0.77	0.63	64.00	2.81
2001-02	-0.27	-20.00	-0.10	1.63	175.00	0.64	0.62	66.00	2.38 (Prov.)

(-) denotes storage gain

2.79 When the Committee asked what steps have been taken by FCI to reduce Storage and Transit Losses, the Ministry is post evidence reply stated as under:-

"The following steps have been taken to minimize the storage and transit losses.

- Installation of weigh bridges;
- Tightening of security of depots; intensifying surprise checks, ensuring regular stock verification;
- Encouraging double-line machine stitching of bags;
- Induction of Central Industrial Security Force at vulnerable depots to curb theft and pilferage;
- Streamlining procedures and documentation for transparency and accountability in operations;
- Regular and surprise inspection of depots by senior officers;

- Improvement in size and quality of gunnies;
- Augmentation of covered storage capacity ; and
- Introduction of bulk handling, storage and transportation of foodgrains.

2.80 Wooden crates used as traditional dunnage is much costly and there is unavailability of wood due to ban on felling of trees by Ministry of Forest and Environment. Moreover, alternative dunnage like poly pallets, eco-wood etc. are available in the market which is cost-effective and cheaper in the long run.

2.81 FCI have earlier informed the Committee that as a principle, a decision has been taken to replace the traditional dunnage by modern dunnage. In this context when the Committee asked whether any timeframe has been set to change traditional dunnage to modern dunnage (like poly pallet eco wood), the Ministry in their Post Evidence Reply stated as under :

"With a view to find out suitable alternate dunnage material for phasing out of wooden crates, various alternative products available in the market such as poly pallets and Eco-pallets were tested by FCI under filed conditions in various regions. The brief findings are as follows:-

Poly Pallets of BIS specifications:

These pallets were tested in Andhra Pradesh and Punjab regions by FCI. As per the reports from the filed offices such pallets are considered better than wooden crates because these are easily to handle, having much long life than wooden crates. Besides, there was no breakage/deflection in the pallets during long use, and there is no effect of moisture of grains and the wear tear of bottom layers of gunny bags was eliminated. These pallets are also being tested in Haryana region in CAP complexes.

Eco-Wud Pallets

SRM, FCI West Bengal had purchased 1000 pieces of Eco-Wud Pallets and put them to use during January, 2001. As per field reprot received during August, 2001, these ECO-Wud Pallets were found to be effective dunnage material because there was no breakage/deshaping of pallets. These were able to bear the stack load of 150 MTs. Besides, these are easy to handle and no instance of injuries to labour during the use of the ECO-Wud Pallets were observed. The aeration of the stacks was good and these pallets were also found to be useful even in low plinth sheds where flood water had entered.

During November, 2001, SRM, FCI West Bengal suggested certain structural modifications in these pallets; 1000 pieces of improvised version of Eco-Wud pallets were again purchased by SRM, FCI, West Bengal and put to trail use for 45 days period. The performance of these improvised Eco-Wud Pallets were found to be quite satisfactory and there was no breakage of pallets or incidence of loosening of screws. It was observed that these Eco-Wud pallets are better than the wooden crates. As per the reports of FCI, these pallets are not affected by termite fungi and other Micro-organism etc.

A comprehensive proposal for considering the release of FCI's policy instructions to ZMs /SRMs about the introduction of alternative dunnage material of wooden crates in FCI in a phased manner is under process."

STORAGE LOSSES DUE TO THEFT/PILFERAGE

2.82 The storage loss due to theft/pilferage in respect of foodgrains during the last five years has been reported as under:

Year	Value in Rs / lakhs
1996-97	128.41
1997-98	13.33
1998-99	12.53
1999-2000	40.73
2000-2001	30.23 (Provisional)

2.83 When the Committee asked what steps have been taken to minimise the pilferage/theft, the Ministry replied as under :

"The following measures have been taken to prevent pilferage and theft of foodgrains in the 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 the FCI as well as Home Guards for safety of the foodgrain stocks,

(iii) Deployment of the Central Industrial Security Force/ 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,

(i) In case of occurrence of thefts, prompt lodging of FIRs with the local Police Stations for investigation of the cases.

(ii) Departmental action, including recovery of losses in respect of the FCI officials found responsible for occurrences of thefts."

Physical Verification of Stock

2.84 FCI conducts annual physical verification of stocks held by FCI only and not for the stocks lying with State agencies. The system of physical verification of stocks at the close of financial year is being conducted by physical count of all the bags and tally with the book balance. Besides physical count, 100% weighment of all the stocks in one compartment of depots selected by the Chairman was also being followed for the PV up to 31-3-2002.

2.85 The FCI Management and the Ministry of Consumer Affairs, Food & Public Distribution felt that the present method of physical verification needs to be reviewed. Indian Statistical Institute, Calcutta was entrusted with this work and they after extensive experiments and study, have developed a software for selection of depots and selection of stacks for 100% weighment and this ISI method of conducting PV will be implemented from the APV of March 2003 onwards:

2.86 Irregularities during PV for last 3 years are as under :-

Year	**Number of cases**									**Remarks**
	PV shortage of bags			**Theft cases**			**storage loss more than 1.00% (as per 100% weighment) *stacks**			
	Wheat	Rice	Paddy	Wheat	Rice	Paddy	Wheat	Rice *	Paddy	*No. of stacks
2000	3	3	3	6	5	1	4	101	25	
2001	4	6	1	5	7	-	0	161	0	
2002	3	1	3	3	-	-	0	249	0	
Total	10	10	7	14	12	1	4	511	25	

2.87 The reasons for storage loss beyond 1.0% are:

i) Variation in Moisture content
ii) Different mode of weighment
iii) Long period of storage
iv) Spillage due to weak texture of gunnies
v) Use of hooks by labourers for handling of bags
vi) Bird/rodent trouble.

2.88 Wherever shortage in bags or other irregularities are noticed, the concerned Zonal Managers/Sr. Regional Manager are initiating action against the defaulter to make good the losses.

Vigilance Cases in FCI

2.89 As on 28th February, 2003, 1795 vigilance cases were pending in the FCI, 9 vigilance cases in the Department of Food, and Public Distribution (7 vigilance cases were pending in the Main Department and 2 Vigilance cases were pending in the IGMRI, Hapur, an subordinate office of the Department)

When the Committee asked why 1795 vigilance cases are pending in FCI and whether this is due to incompetency of vigilance officers, the Ministry in their post evidence reply furnished as under:-

"The reasons for pendency of 1795 vigilance cases in the FCI include the following:-

(a) As per the instructions in vogues, storage and transit losses for more than 05% were earlier regularized by the respective competent authorities on the basis of justification/circumstances in each case. However ex-

Chairman restricted the limit of storage and transit losses to 05%. As per the orders of the then Chairman, the officials/officers who were found responsible for the losses beyond 0.5% were chargesheeted and old cases were reviewed and chargesheets issued. As a result, a large number of cases were registered/initiated against the officials who were found responsible for losses beyond 0.5%. The figure under storage and transit losses, therefore, increased from 289 in the year 1997 to above 900 at the end of February 2003.

(b) Initiation of vigilance case in FCI during the period referred to above remained high due to heavy procurement, movement, minimum off-take and increase in number of surprise/regular checks conducted by the vigilance squad in the zones/Regions /Districts including Headquarters.

(c) As per sanctioned strength 25 IOs in the Zones/ Regions have been sanctioned for the purpose of conducting enquires of the vigilance cases. Against the sanctioned strength of 25 IOs, only 3-4 IOs are position. In order to cope with the enquiry work, some retired officers (retired judges, retired Government officers including FCI officers) have been engaged for the same but the rate of disposal of enquiry cases is slow. Instructions are issued by the Hqrs. from time to time to the retired IOs for expeditious disposal of pending enquiry cases with them. Besides, instruction have also been issued to inquiry officers that full remuneration will be paid in case the enquiry is completed in six months and if the enquiry is not completed in six months, half the remuneration will be paid and, further no remuneration would be payable if the enquiry is not completed within 9 months time. It is expected that following these instruction the disposal of cases will markedly increase.

(d) The main issue with regard to non-finalisation/expeditious disposal of vigilance cases is shortage of officers/staff in the Vigilance Division in Zones/Regions including Headquarters. Even as on date, there is no Manager (Vig.) in ZO (E), ZO (S) and ZO (NE). Besides this, there is no regular Zonal Manager (East).

(e) The final action on the charge sheet issued to the delinquents is to be taken by the respective disciplinary authorities i.e. District Manager in District, SRM in the Region, Zonal Manager in the Zone and MD in the Hqurs. (Category –I cases) and not by the vigilance officers.

(f) Out of the total pendency of 1795 cases in the FCI on 28.2.2003, 835 cases alone are pending in RO Punjab. The regular SRM of the Punjab Regions has since been repatriated to his parent department and therefore, finalisation of vigilance cases in respect of Punjab Region is held up. As soon as the regular SRM will join in Punjab Region the pendency of vigilance cases referred to above will be expedited/finalised on war footing and the overall pendency of vigilance cases in the FCI will definitely come down.

For the above reasons mentioned under Para (a) to (f), some 1795 vigilance cases are pending in FCI as on 28.2.2003. It is also brought to kind notice that final action onvigilance cases is to be taken by the disciplinary authorities, i.e. the Managing Director in vigilance cases of category –I, Zonal Manager in vigilance cased of category-II, Sr. Regional Manager in vigilance cases of category –III and District Mangers in vigilance case of category-IV and not by the vigilance officers in the Food Corporation of India. The pendecy of vigilance cased at the level of Managing Director is almost nil.”

2.90 As on 31.12.2002, 69 cases of FCI were pending with CBI and 4 vigilance cases in CVC.

Statement showing FCI cased pending with CBI as on 31.12.2002 are as under:-

No. of Zone	Noof CBI cases pending as on 31.12.2002	No. Of officers/ officials involved (category wise)				Total	Agewise Pendency as on 31.12.2002				
		I	**II**	**III**	**IV**		**Months**			**Years**	
							0-3	**3-6**	**6-12**	**1-2**	**2-3**
North	**28**	**9**	**26**	**49**	**1**	**85**	**1**	**2**	**3**	**9**	**4**
West	**7**	**-**	**1**	**6**	**-**	**7**	**-**	**-**	**-**	**-**	**-**
East	**21**	**9**	**3**	**30**	**1**	**43**	**-**	**-**	**2**	**1**	**-**
NE	**8**	**5**	**18**	**13**	**-**	**36**	**-**	**-**	**-**	**1**	**1**
South	**5**	**2**	**2**	**5**	**-**	**9**	**-**	**-**	**1**	**1**	**-**
Total	**69**	**25**	**50**	**103**	**2**	**180**	**1**	**2**	**6**	**12**	**5**

2.91 **Details of cases referred to CVC for first state/Second state advice are as under:**

SI No.	**Name of the COs (S/Sh.)**	**Present Statues**
	A. Rub, RM, Chennai Madhusudan, Manager (Opn.), ZO (N) R. Sadasivan, DM (G), Dimapur	Case referred to CVC for first stage advice vide letter Advice awaited.
	K.S.Murthy, ZM (West) Ishwari Prasad the then SrM, Chhatisgarh K. Balachandran, DM, Raipur Ashwani Kumar Gupta, DM, Raipur	Case referred to CVC for first stage advice vide letter 312.2003. Advice awaited.
	A.S. Chhabra, ED Smt. Komal Gandhi, DM (Movt.) Raj.	Case referred to CVC vide letter No. Vig. 4 (25)//2000- stage advice. Advice awaited.

	J.P. Sharma, DM (G)	
.	As. Chhabra the then SRM, Jaipur Now ED Sedu Ram the then DM (Fin.) now JM (Fin.) V.S. Mishra, DM (QC), Punjab M.C. Sharam, AM (A/cs)	Case referred to CVC for second stage advice on 10.1. Vig. 4 (7)/97-Raj Vol. VI. Advice awaited.

2.92 In the main Department including subordinate officer mentioned above, one vigilance cases has been referred to CBI 1999 and five cases are referred to CVC. Details of vigilance cases pending on the part of CVC / Department as on 25.03.2003 are as under :-

S .No.	Name of the Charged/Delinquent Officer	Present Status
1	**Shri Sarvesh Kaushal, IAS Ex, SRM, FCI, Punjab**	**In this case relating to irregularities in Open sale of Whea initiation of major penalty proceedings in the matter. officer furnished the reply to the show cause notice a thereon. Matter is under examination.**
2	**Shri Sarvesh Kaushal, IAS Ex, SRM, FCI, Punjab**	**The matter relating to unauthorized tour /journeys underta CVC since 24.1.2003 for Ist Stage Advice which is awaited**
3	**Shri Sarvesh Kaushal, IAS Ex, SRM, FCI, Punjab**	**In the matter relating to storage of 1994-95 paddy in the p has sought comments on the reply of Shri Kaushal wi notice issued to him. The matter is under examination.**
4	**Shri Sarvesh Kaushal, IAS Ex, SRM, FCI, Punjab**	**The matter relating to misappropriation of paddy for the c to CVC for Ist State Advice since 17.09.2002. CVC has f reply of the officer with reference to the show cause noti of the Department will be sent shortly to CVC.**
5	**Shri S.K Shingal, Ex. E.D. (Vig). (FCI.**	**The matter relating to irregularities committed by the extinguishers stands referred to CVC since 18.09.2002. C awaited despite repeated reminders.**

2.93 Detail of case referred by the Department to CBI and pending with CBI is as under:

S.No.	Brief allegations	Present Status
	It was alleged that quota of wheat received by the Government of Assam from FCI, Guwahati was being illegally allotted to RFMs and Chakki Mills in connivance with the State Government officials of Food and Civil Supplies Department and the FCI and the Quota of the Assam Government in respect of wheat was not fully lifted and the majority of the same was getting its way in the	The matter was handed over to CBI in Au has registered a regular case No. (RC-11(A)/2001- Food and Civil Supplies, Government of Assam, un and Modern Atta Chakki Mills and others. Outcome CBI, Guwahati. CBI was last reminded on 21st March,

	black market with the help of fake allotment order.	

2.94 The name of delinquent officials alongwith present status of cases are as under:-

S.No.	NAME OF DELINQUENT OFFICIAL	PRESENT STATUS
1.	Dr. B.K. Maru, Dy. Director (S&R)	The case is relating to Financial Irregularities & Proce Maru, Dy. Director (S&R Division). As per Ist stage a been served upon the charged officer in December, appointed during 2000-01. The Inquiry Report is awai
2.	S/Shri Girish Chand and Ram Prasad, Chowkidars	The case is relating to theft of four wheels of Gover inquiry in the case is in progress in the Institute
3.	Shri P.C. Saini, Asstt. Supdt., IGMRI, Hapur	The case is relating to financial irregularities & proced Saini, Asstt. Suptd. Of IGMRI, Hapur during his tenu National Bio-fertilizer Development Centre, Kamla Neh progress in the Institute.

CENTRAL WAREHOUSING CORPORATION (CWC)

2.95 The Central Warehousing Corporation (CWC) was set up in 1957 under the Agricultural Produce (Development and Warehousing) Corporation Act, 1956. The said Act was subsequently replaced by the Warehousing Corporations Act, 1962.

CAPITAL STRUCTURE

2.96 The authorised share capital of CWC is Rs. 100 crore of which the subscribed and paid up share capital stood at Rs. 74.525 crore and Rs. 68.021 crore respectively. The Government of India has subscribed to shares worth Rs. 37.425 crore which have been fully paid up. The Corporation has no outstanding loans from Central Government. The Capital structure of the CWC is depicted in the following table:-

S.No.	Share holder	Paid up capital (Rs. in crores)	Percentage
1.	Central Government	37.42	55.01
2.	State Bank of India	14.67	21.57
3.	Other Scheduled Banks	10.87	15.98
4.	Insurance Companies	4.78	7.03
5.	Cooperatives	0.27	0.40
6.	Recognised associations and companies dealing in agricultural product	0.01	0.01
	Total	**68.02**	**100.00**

2.97 Shares of the Corporation are guaranteed by the Government of India as to repayment of principal and payment of dividend at the minimum rate which is 3.5% for the first seven issues and 5.5% for the remaining six subsequent issues. However, the Corporation has been consistently paying much higher dividend to its shareholders uniformly on all the thirteen issues ever since 1988-89, the last being at the rate of 20% for 2001-2002. The Government was paid an amount of Rs. 7.49 crores as dividend in 2001-2002.

2.98 A total income of Rs. 48168.53 lakh is expected in the year 2002-2003. The income from Warehousing Charges is expected to be Rs. 31049.43 lakh and the rest of the income is expected from other sources viz. Marketing Facilitating Charges, from SWCs, etc. The expenditure is expected to be Rs. 42147.98 lakh. Thus the Corporation is expecting a profit of Rs. 6020.55 lakh.

2.99 Since no loan is outstanding against the Corporation from Central Government no amount would be due from it on account of loan repayment or interest thereon during 2002-03. However, a provision for Rs. 3.40 crore has been made on account of interest on term loan taken from State Bank of India to finance on going projects Special VRS. The Net Profit (pre-tax) of the Corporation for the year 2001-02 was Rs. 90.72 crore as against Rs. 73.33 crore in 2000-2001. The profit expected during 2002-03 and projected profit (pre-tax) for 2003-2004 are Rs. 60.20 crore and Rs. 72.49 crore respectively.

GROWTH IN STORAGE CAPACITY

2.100 The Corporation had 471 warehouses with a total storage capacity of 91.55 lakh tonnes at the end of 1st January, 2003. As on 31.3.2002, the storage capacity of the Corporation was 89.17 lakh tonnes of which 58.89 lakh tonnes was owned, 17.33 lakh tonnes was hired and 12.95 lakh tonnes was in open storage which includes CAP storage and constructed capacity in open premises. During the year 2002-2003 the average capacity available with CWC is estimated to be around 93.84 lakh tonnes (BE). The warehousing capacity with the CWC has grown significantly over the last five years, as under:-

As on	**Owned**	**Hired**	**Total**
31.03.1998	52.29	19.99	72.28
31.03.1999	53.65	19.83	73.48
31.03.2000	54.47	20.32	74.79
31.03.2001	56.12	27.79	83.91
31.03.2002	73.34	15.67	89.01
01.12.2002	74.95	15.60	90.55

CAPACITY UTILISATION

2.101 The average capacity utilisation during the year 2001-2002 was 71.64 lakh tonnes, i.e. 83%. It is estimated to be around 73.39 lakh tonnes, i.e. 80% in 2002-2003 and 78.20bn lakh tonnes i.e. 82% in 2003-2004. The warehousing capacity, its utilisation and percentage utilisation w.e.f. 1996-97 (average) are as under:-

(In lakh tonnes)

Year	Owned/covered		%	Hired/Covered		%	Total		%
	Capacity	**Utilisation**		**Capacity**	**Utilisation**		**Capacity**	**Utilisation**	
1996-97	51.56	36.88	72	18.44	14.38	78	70.00	51.26	73
1997-98	52.23	37.94	73	19.75	14.22	72	71.98	52.16	72
1998-99	52.93	38.90	73	20.05	14.84	74	72.98	53.74	74
1999-2000	53.82	42.59	79	20.16	14.21	70	73.98	56.80	77
2000-01	55.36	48.52	88	23.62	18.52	78	73.98	56.80	77
2001-02	66.44	55.10	83	20.11	16.54	82	86.55	71.64	83
2002-03 upto 30.11.02	71.63	65.08	78	20.16	15.79	78	91.79	71.87	78

2.102 As the entire expenditure is met by CWC from its Internal and Extra Budgetary Resources (IEBR), no provision in the Budget of the Department has been made for the Corporation's own storage construction programme or for its equity contribution to the State Warehousing Corporations. CWC had a provision of Rs. 148 crore for 2001-2002 (RE) for its own programmes and for matching equity contribution to be given to State Warehousing Corporations. For 2002-2003 the outlay was Rs. 122.21 crore (RE) and for 2003-2004 the outlay is Rs. 94 crore.

2.103 Outstanding dues (Storage and Market Facilitating Charges) and liabilities, as on 31.03.2002, stood at Rs. 102.43crores and Rs. 118.28 crores respectively.

LOSSES ON ACCOUNT OF BAD / DOUBTFUL DEBTS

2.104 Provisions for bad and doubtful debts is created at the end of each year and the following amounts for doubtful or recovery have been written off as Bad Debts and adjusted against the provisions. The amount written off against the provision during the preceding two years, are as under:-

2000-01	Rs.0.11 crore
2001-02	Rs 0.37 crore

2.105 These debts have been written off after proper examination and scrutiny and as such these cannot be treated as a loss

2.106 The Corporation has charged the following amounts towards unabsorbed overheads, as per the accounting policy of the Corporation during the preceding two years. The unabsorbed overhead is a part of revenue expenditure, which is charged to the profit and loss account. Thus, there is no loss to the corporation.

2000-01	Rs.3.58 crore
2001-02	Rs.4.16 crore

2.107 Since these are approved as genuine expenses, they are not treated as loss.

EXPENDITURE ON FOREIGN TRAVEL

2.108 The corporation has spent the following amounts towards expenditure on foreign travel during the preceding two years:-

2000—01	Rs. 0.01 crore
2001-02	Rs. 0.06 crore

2.109 The expenditure on foreign travel related to the Training undertaken by the officials as well as the Seminars / Exhibitions conducted by the Corporation for development of the business activities. The Corporation has been benefited through the exposure to the latest technologies in the areas of storage / handling operations during the training courses imparted to the officials abroad.

LOSSES ON ACCOUNT OF WAIVING OFF DEPOSITOR'S CLAIM

2.110 Though CWC had informed that storage charges were waived in respect of 2 depositors during the last two years, the details for two depositors were given as under:

S.No.	Name of the Party	Amount
1.	M/s Baba Garibdas Dharmarth Nyas Cheritable Trust – Relief material at ICD, ,Patparganj	Rs. 15,95,200/-
2.	M/s Ved Vigyan Vidya Peeth-A Cheritable Trust –for relief material at CFS, JN Port	Rs. 2,06,200/-

Abandoned work of 10,000 MTC godown at Narela

2.111 Due to non-approval of the Building Plan by the Municipal Corporation of Delhi, the construction of 10,000 MTC godown at Narela, Delhi was suspended in April 1996. An expenditure of Rs.14.50 lakhs approximately has been incurred. There has been no delay in pursuing of the matter by RO Delhi for obtaining the approval from the MCD.

2.112 Rs.14.50 lakhs were spent in respect of Narela godowns without taking prior approval of Building Plan by MCD. In this connection when the Committee asked what action has been taken against the defaulting RO, the Ministry furnished as under:

"The Corporate Office had approved this additional construction to meet the business demand at the centre and accordingly the tender was invited and the work awarded in September, 1995, with the expectation that in the meantime the approval of the MCD will be obtained as it was done in the similar other cases of construction of 7500 capacity. However, approval was denied by the MCD mainly about the permissible coverage of ground, which was allowed up to 20%, and total F.A.R. (Floor Area Ratio) up to 60%. Besides completion certificate of godown and the house tax clearance was not given by MCD. Thus the work was stopped in April, 1996. During this period, 2 payments of Bill were made to the contractor for the work done by him (about 13 lakhs).

As the work was taken up in the interest of the Corporation, as approved by the Corporate Office and in anticipation of approval from MCD, there is no fault on the part of any officer. However, the matter is being re-examined in the Ministry.

Vigilance Cases in CWC:

2.113 The number of pending vigilance cases in CWC, in the last two years, are given below :

Year	Opening Balance	Added	Disposed Off	Balance	Number of cases referred back to CBI/CVC
2001	16	34	18	32	NIL
2002	32	34	40	26	3

2.114 The Committee note that out of total production of 8816000 tonne of rice and 15499000 tonne of wheat, 7283000 tonne of rice and 10560000 tonne of wheat was respectively procured in Punjab during 2001-2002. Similarly out of total production of 2724000 tonne of rice and 9437000 tonne of wheat in Haryana, 1484000 tonne of rice and 6407000 tonne of wheat was procured during 2001-2002. However, out of 4394000 tonne of production of wheat in Bihar only 43000 tonne was procured during 2001-2002. Similarly out of 5282000 tonne of production of rice only 89000 tonne was procured. In case of Uttar Pradesh, too out of total production of 25018000 tonne of wheat, only 2446000 tonne was procured. Similarly in case of 12459000 tonne of production of rice in Uttar Pradesh, only 48000 tonnes of rice could be procured. Almost the same declining trend lies in procurement of wheat and rice in other States too in respect of their production. During the kharif procurement season 2002-2003, while 7784972 tonne of rice in Punjab and 1295572 tonnes of rice in Haryana have been procured, only 51469 tonne in Bihar, 2571 tonne in West Bengal, 2778 tonne in Tamil Nadu have been procured by third week of March, 2003. Procurement of 10515 tonne of rice was done in Pondichery during 2001-2002, while no procurement has been done till date. The Committee feel that due weightage is not being given to other States in procurement of wheat and rice in comparison to Punjab and Haryana. The Committee, therefore, recommend that Government should make all efforts for procurement of foodgrains in other potential States like Bihar, West Bengal, Pondichery, Tamil Nadu, etc. Even where the decentralised procurement is in operation, FCI and Central Government cannot escape from their responsibility in case of less procurement. The Committee further recommend that a minimum target of procurement should be kept from each potential States before beginning of procurement season in view of advanced Estimate of production.

2.115 The Committee note that out of total subsidy of Rs.21190 crore in BE (2002-2003), gross subsidy on TPDS (FCI) was earmarked at Rs.6343 crore. In RE (2002-2003) out of total subsidy of Rs.24200 crore, Gross Subsidy in TPDS (FCI) has been allocated as Rs.8634 crore. In BE (2003-2004) out of total Subsidy of Rs.27750 crore, Gross Subsidy on TPDS (FCI) is pegged at Rs.9086 crore. The Committee notice that only about 1/3rd or less subsidy is earmarked for TPDS (FCI) and 2/3rd is used for other purposes which is not the prime objective of providing huge Food subsidy bill. The Committee thus find that Government is deviating from the main purpose of providing Food subsidy to targetted people. The Committee, therefore, recommend that all efforts should be made to provide at least 50% of food subsidy to BPL population.

2.116 The Government had announced introduction of new scheme of Antyodaya Anna Yojna (AAY) on 25th December, 2002 which has made a sub-class among BPL people as if the remaining BPL population are in creamy layer. The Committee feel that the poor is poor and there should not have been any division among poor on the lines of divisions in society on other fronts. After more than two years of examination of this scheme, the Committee have observed that this has not yielded any significant impact on the eradication of poverty. There have been great irregularities in the identification of BPL, AAY beneficiaries and as such the chances of diversion of foodgrains have also increased. Not to speak of AAY ration card, even ration cards to a sizeable number of BPL population have not been issued. In the opinion of the Committee this has further diluted the programme of eradication of poverty. The Committee, therefore, recommend there should be no sub-class among BPL people.

2.117 The Committee is not at all satisfied with the working of PDS/TPDS in the States/UTs. The subsidy on account of foodgrains has increased from 4960 crore in 1995-96 to 27,750 crore in BE (2003-2004). Besides, Government are paying subsidy for sugar, kerosene, etc. However, no such benefit is percolating to the poor due to the non-committal approach of States/UTs whose concerned officials seem to have indulged in corrupt practices. From identification of beneficiary, preparation of ration cards to distribution of essential commodities, everything is not fair in the States. The role of Fair Price shop owners in this operation is also not beyond doubt. Since operation of PDS/TPDS is the joint responsibility of State Governments and Central Government, Central Government cannot remain a silent spectator. The Committee feel that Central Government must keep a close watch over Directorate/Commissionerate of Civil Supplies of States/ UTs and should take over the responsibility wherever they fail. The Committee, therefore, recommend that such ways and means be evolved to ensure that PDS/TPDS works well in States/ UTs and corrupt practices in the system be severely dealt with by invoking existing laws. If necessary, legislation be amended/ formulated accordingly to make the delivery mechanism more effective.

2.118 **The Committee note that buffer carrying cost of foodgrains by FCI has increased from Rs.3286 crore to Rs.6492 crore in 2001-2002 (RE) on which an interest of Rs.2163 crore has also accrued. This figure in 2002-2003 (RE) has been pegged at Rs.6279 crore. The Committee find that buffer carrying cost is thus increasing day-by-day and the benefit of food subsidy which should have been passed on to poor people is not being utilised properly. The Committee, therefore, recommend that Government should make all out efforts to keep subsidy on maintenance of buffer stock of foodgrains to bare minimum.**

2.119 The Committee note that a total of Rs.7211.44 crore of subsidy has been spent on sale of wheat and rice for export purpose during the last three years 2000-2001, 2001-2002 and 2002-2003. The Committee have observed that wheat and rice are being offered to exporters around at BPL rate, while the APL people have resorted to buy the foodgrains from market or at APL rate from Fair Price Shop . This is the reason, the off-take of foodgrains under APL category is very less as APL rate is sometimes more than the market price. The Committee, therefore, recommend that instead of providing subsidy to exporters, the Government should first offer the foodgrains to APL people at BPL rate.

2.120 The Committee note that the Planning Commission has sanctioned an amount of Rs.13.20 crore for the 10th Plan for implementation of Smart Cards in the Public Distribution System. The Government have a plan to replace the existing ration cards by Food Credit Card in the name of checking diversion of foodgrains and arresting the problem of bogus ration cards. The Committee feel that when beneficiary of AAY and BPL category have not yet been issued ration cards fully, the talk of Food Credit Card seems to be an utopian scheme. It is the first and foremost responsibility of the Government to issue ration cards to those who deserve but who do not possess it right now. Secondly replacement of the ration card by Food Credit Card will incur an expenditure of about Rs.3000 crore or more. The Committee are skeptical about the potentiality of food credit card in checking the menace of diversion and even food credit card may be issued in the name of those who do not deserve it. The Committee, therefore, recommend that Government should not go for change in existing ration card system and should provide BPL Card/AAY Card to all the eligible persons who have not been issued ration card as yet.

2.121 The Committee note that as on 31st January, 2003, FCI had about 1,45,117 MT of damaged stock of foodgrains valuing Rs.41.75 crores. The Committee desire that such steps should be taken so that foodgrains do not accumulate and get damaged. Further FCI should give priority to dispose of the damaged stock expeditiously.

2.122 The Committee note that the net expenditure incurred by FCI including the Establishment cost is reimbursed by the Government of India in the form of Food Subsidy. The Establishment Cost of FCI has increased from Rs.1062 crore in 1998-99 to Rs.1441 crore in 2001-2002 (RE) which is likely to increase in succeeding years. The Committee feel that since Food Subsidy is meant for the poorest section of the society, the reimbursement of Establishment Cost out of Food Subsidy is not reasonable. The Committee, therefore, recommend that Establishment Cost of FCI should not be reimbursed out of Food Subsidy. Further FCI should make all efforts to minimise its establishment cost. For this, they may think to introduce Voluntary Retirement Scheme which has not been introduced as yet.

2.123 The Committee note that as on 28.02.2003, 1795 vigilance cases in FCI, 8 vigilance cases in the Department of Food and Public Distribution and two vigilance cases in IGMRI, Hapur were pending. Out of the 1795 cases, 835 cases alone are pending in Regional Office Punjab. The Committee notice that as against the sanctioned strength of 25 Inquiry Officers (IOs), only 3-4 IOs are in position in FCI. Besides, there is no Manager (Vig.) in Zonal Office (E), Zonal Office (S) and Zonal Office (NE). There is also no regular Zonal Manager (East). The Committee thus find that FCI is not giving proper weightage for strengthening its vigilance machinery The Committee further note that as on 31.12.2002, 69 cases of FCI were pending with CBI and 4 vigilance cases with CVC. The Committee feel that if these cases are not decided expeditiously and the guilty are not punished severely, the likely deterrent effect gets diluted. The Committee, therefore, recommend that all vigilance cases be dealt in a time bound manner. The CBI /CVC should also be requested to expedite the matter falling under their jurisdiction.

2.124 **The Committee note that transit losses in case of wheat in 2000-2001 was to the tune of 0.50 lakh MTs valuing Rs. 36 crore, which has increased to 0.92 lakh MTs valuing Rs. 68 crore in 2001-2002. Similarly storage losses in the case of rice has increased from Rs. 165 crore in 2000-2001 to Rs. 175 crore in 2001-02. Further the losses on account of theft and pilferage during 1999-2000 & 2000-2001 was to the tune of Rs.40.73 lakh and Rs.30.23 lakh. The Committee, therefore, recommend that storage and transit losses and losses due to theft/pilferage be kept at minimum. Further to minimize storage losses in view of the low plinth shed and to avoid incidence of termite fungi and other micro- organism, the FCI should replace traditional dunnage by modern dunnage in a time-bound and phased manner.**

2.125 **The Committee note that presently physical verification of stocks held in each Depot is not being done by FCI. This has led to stock variation which was reported in some leading newspapers recently. The Ministry has informed that the system of physical verification of stocks at the close of financial year is being conducted by physical count of all the bags and tally with book balance. Besides physical count, 100% weighment of all the stocks in one Compartment of Depots selected by the Chairman was also being followed for the physical verification upto 31.3.2002. It seems that this practice is being dispensed with which will further increase the incidences of stock variation. The Committee feel that FCI has not as yet evolved any foolproof mechanism of physical verification of stocks held by each Depot. The Committee, therefore, recommend that to eliminate the incidences of stock variation, physical verification of stock held by each depot in terms of quantity and quality be invariably done by FCI. The progress achieved in this regard zone-wise must be intimated to the Committee in each quarter of the financial year.**

2.126 The Committee note that Central Warehousing Corporation (CWC) have written off bad/doubtful debts of Rs.1.11 crore during 2000-01 and Rs.0.37 crore during 2001-02. Though the Corporation claim that these debts have been written off after proper examination and scrutiny and as such these cannot be treated as loss, the Committee is not satisfied with it and do feel that this is a loss on the part of Corporation. The Committee, therefore, recommend that such precautions should be taken by CWC so that losses on account of bad/doubtful debts be kept at the barest minimum. The Committee would also like to know the circumstances under which these debts were written off.

2.127 The Committee have scrutinized that Rs.18,01,400/- was waived as depositors claim in respect of two cases reported to the Committee. The details of one case in Post Evidence Reply have not been mentioned. The Committee would like to know the circumstances under which the claims were waived as this is ultimately a loss on the part of Corporation. The Committee, therefore, recommend that loss of revenue in the name of waiving off depositor's claim be kept at minimum.

2.128 The Committee note that due to non-approval of the building plan by Municipal Corporation of Delhi (MCD), the construction of 10,000 MTC godown at Narela, Delhi was suspended in April, 1996. The Committee feel that an expenditure of Rs.14.50 lakhs was incurred on the scheme without approval of MCD and thus it became a wasteful expenditure. The Committee, therefore, desire no such incidence should occur in future.

2.129 The Committee note that during the year 2002 there are 26 vigilance cases pending in CWC and three cases have been referred to CBI/CVC. The Committee feel that delay in disposal of vigilance cases further encourage incidences of corrupt practices and undermines the authority of law. The Committee, therefore, recommend that all efforts should be made for quick disposal of vigilance cases.

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CHAPTER III

MANAGEMENT OF SUGAR

This Department is 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.

Production, consumption and stock of sugar

3.2 The sugar production during the season 2001-2002 was about 183.34 lakh tonnes(Provisional). The preliminary forecast of sugar production in the 2002-2003 sugar season is estimated at around 175.00 lakh tonnes. Season-wise production of sugar since 1996-97 sugar season is given below:

(in lakh tonnes)

SUGAR SEASONS	PRODUCTION OF SUGAR
1996-97	129.05
1997-98	128.44
1998-99	154.52
1999-2000	181.93
2000-2001	185.10
2001-2002 (Provisional)	185.25 (P)
2002-2003 (Estimate)	183.00 (P)

3.3 Due to favourable monsoon and pragmatic policies of the Government, there has been a rise in sugar production during the last 4 seasons (October-September), which has resulted in increase in carryover stocks in each of these seasons. During the season 2000-2001, the country achieved an all time high production of 185.0 lakh tonnes as against 185.10 llakh tonnes during the previous season.

3.4 There are 534 installed sugar factories in the country as on 31.01.2003. The sector-wise breakup is as follows :

S.NO.	SECTOR	NUMBER OF FACTORIES
1.	Private	167
2.	Public	55
3.	Cooperative	312
	Total	**534**

3.5 The position regarding production, internal consumption import and export of sugar during the 2000-2001 and 2001-2002 seasons (October-September) was as under:-

(Qty. in lakh tonnes)

S.No.	Particulars	2000-2001	2001-2002(P)	2002-2003 (Estimated)
1.	Carry over stocks from previous season	93.40	106.63	100.00
2.	Production of Sugar	185.10	183.00	175.183.00
3.	Import of Sugar	0.45*	0.04*	Negligible
4.	Total availability	278.50	291.88	283.00
5.	Internal consumption	162.00	180.88	185.00
6.	Exports	9.87	11.00	20.00
7.	Closing stocks at the end of the season	106.63	100.00	78.00

Consumption of Sugar

3.6 The internal consumption of sugar, excluding consumption of imported sugar in each sugar season from 1996-1997 has been as under:-

(in lakh tonnes)

SUGAR SEASONS	INTERNAL CONSUMPTION
1996-97	136.75
1997-98	139.78
1998-99	141.35
1999-2000	155.08
2000-2001	162.00
2001-2002	181.88 (Provisional)

3.7 On being asked by the Committee about the efforts being made by the Government to dispose excess stock of sugar the Ministry in their written reply furnished as under :

"The internal consumption of sugar for the season 2001-2002 was of the order of 180.88 lakh tonnes as against the earlier estimated consumption of 173.00 lakh tonnes (if imports are also included, the total consumption worked out to 180.92 lakh tonnes). The consumption has increased due to large scale selling of sugar by the sugar factories after obtaining court orders.

3.8 With the carry over stock of 106.63 lakh tonnes and production of 185.25 (Provisional), the total availability of sugar for the season 2001-2002 was to the tune of 291.88 lakh tonnes which got reduced to 100 lakh tonnes at the close of the season i.e. 30th September, 2002, after taking into account the above internal consumption and exports of the order of 11 lakh tonnes.

3.9 In addition to reimbursement of internal transport and neutralization of ocean freight disadvantage on export shipments of sugar, the following measures have been taken to enable the sugar mills to liquidate their stocks:

(i) The quantitative restrictions on export of sugar has been removed.

(ii) The sugar factories have been extended relief by way of permitting them to sell equivalent quantity of unlifted levy sugar stocks as non-levy sugar in the open market. So far, a quantity of about 240534.4 M.Ts of unlifted levy sugar stocks pertaining to various seasons, has been permitted to be sold as non-levy sugar in the open market,

(iii) Advance releases of non-levy sugar have been made to certain sugar mills to enable them to clear the cane price dues of the farmers and to reduce their stocks. During the season 2001-2002, a quantity of 402830.5 M.Ts has been so released."

DIRECTORATE OF SUGAR

3.10 The Directorate of Sugar deals with the development and regulation of sugar industry, including grant of incentives to sugar factories, quality control of sugar, monitoring of sugar production and allocation of sugar for domestic consumption and export purposes.

3.11 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.

SUGAR CANE PRICING POLICY

3.12 The Central Government fixes the Statutory Minimum Price (SMP)of sugar cane in terms of Clause 3 of the Sugarcane (Control) Order, 1966 for each sugar season. The SMP is fixed on the basis of the recommendations of the Commission on Agricultural Costs and Prices (CACP) and after consulting the State Governments and associations of Sugar Industry and cane growers. The SMP is fixed having regard to the following factors:-

(a) Cost of production of sugarcane;

(b) Return to the cane growers from the alternative crops and the general trend of prices of agricultural commodities;

(c) Availability of sugar to consumer at a fair price;

(d) Price at which sugar produced from sugarcane is sold by sugar producers; and

(e) Recovery of sugar from sugarcane.

STATUTORY MINIMUM PRICE (SMP) OF SUGARCANE

3.13 The Central Government had fixed the Statutory Minimum Price (SMP) of sugarcane for the 2002-2003 sugar season at Rs.64.50 per quintal linked to a basic recovery of 8.5%, subject to a premium of Re.0.76 for every 0.1% point increase in the recovery above that level. On 18th December, 2002, the CACP submitted a Supplementary Note on Price Policy for the sugarcane crop for the 2002-2003 sugar season suggesting increase in the SMP of sugarcane by Rs.5/- per quintal in order to compensate the farmers for loss of yield and increased cost of production due to drought. The Central Government accepted the recommendation of CACP and refixed the SMP of sugarcane at Rs.69.50 per quintal linked to a basic recovery of 8.5% subject to a premium of Re.0.82 for every 0.1% point above that level. The additional Rs.5/- per quintal is only for the current sugar season. The SMP of sugarcane payable by sugar factories for each sugar season since 1998-99 has been as under :-

SUGAR SEASON	SMP (Rs. per quintal)
1998-99	52.70
1999-2000	56.10
2000-01	59.50

2001-02	62.05
2002-03	69.50

3.14 Some of the State Governments, however, have been advising the sugar factories to pay cane price generally at a higher level than the SMP. Although these advised cane prices of the State Governments are not statutorily binding, the sugar factories nevertheless pay cane prices as advised by these State Governments.

RATIONALISATION OF CANE PRICE

3.15 The High Powered Committee on Sugar Industry in its Report submitted in April, 1998 recommended that Government should set up a Sugarcane Pricing Board for determining the final sugarcane prices to be paid by the sugar mills. Government, however, has decided that instead of setting up a separate Sugarcane Pricing Broad, the CACP will be entrusted with the responsibility of determining the sugarcane prices including the growers' share percentage in the final cane prices.

3.16 The Committee wanted to know the amount of cane price arrears till date and the measures taken by the Central Government for the same to which the Ministry in their post evidence reply furnished as under:

As per the information collected from the State Governments, as on 15th January, 2003, the total cane price arrears pertaining to the current 2002-2003 sugar season, were of about Rs.1070.74 crore, as against Rs.1109.29 crore on the corresponding date of the last season.

The responsibility for ensuring timely payment of cane price dues lies with the State Governments, which have necessary powers and field organisations to enforce such payments. The Central Government, on its part, besides writing to the State authorities from time to time for expeditious clearance of the same, has taken the following measures to improve the financial health of domestic sugar industry with a view to facilitating reduction of the cane price arrears:

(i) The sugar factories have been extended temporary relief by way of permitting them to sell equivalent quantity of unlifted levy sugar stocks as non-levy sugar in the open market. During the sugar season 2001-2002 and the current 2002-2003 season, a quantity of 221513.7 M.Ts and 19020.7 M.Ts respectively of unlifted levy sugar stocks has been permitted to be sold as non-levy sugar in the open market.

(ii) Advance releases of non-levy sugar have been made to needy sugar mills to enable them to clear the cane price dues of the farmers and to reduce their stocks. During the season 2001-2002, a quantity of 402830.5 M.Ts has been released under this scheme.

(iii) The quantitative ceiling on export of sugar has been removed in order to encourage the exports of sugar. The Sugar Development Fund (SDF) Act, 1982 and the SDF Rules, 1983 have been amended, enabling reimbursement of the internal transport and neutralization of freight disadvantage on export shipments of sugar.

(iv) Buffer stock of 20 lakh tonne of sugar has been created for a period of one year. This will enable the sugar mills to get a subsidy amount of Rs.412 crore from the Sugar Development Fund. In addition, an amount of Rs.374 crore would be available from the Banks to the mills on account of buffer stock. Thus, a total amount of Rs.786 crore would be provided to the mills to clear the payment of cane price dues to the sugarcane growers.

AMENDMENT OF SUGARCANE (CONTROL) Order, 1966

3.17 Government has amended the Sugarcane (Control) Order, 1966 on 29.11.2000 enabling the Central Government/State Governments/Officers authorised by the Central Government/State Governments to recover the arrears of cane prices remaining unpaid after 14 days supply of sugarcane by the growers, together with interest @ 15% per annum thereon, as arrears of land revenue.

SUGAR DEVELOPMENT FUND

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

3.19 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.

3.20 Amendment of the Sugar Development Fund Act, 1982 and Restructuring of Sugar Development Rules, 1983.

(i) Defraying expenditure on internal transport and freight charges on export shipments of sugar

As indicated earlier, the Government has amended the Sugar Development Fund Act, 1982 for enabling it to defray expenditure from SDF on internal transport and freight charges on export shipments of sugar to promote the export of sugar.

(ii) Funding for by-product utilisation

The Government has amended the Sugar Development Fund Act, 1982 for enabling it to grant loans from SDF at concessional rate of interest to the sugar factories or units thereof for undertaking bagasse based cogeneration of power projects and for production of anhydrous alcohol/ethanol from alcohol, with a view to improving the viability of the sugar factories.

(iii) Revival of potentially viable sick sugar mills

The Government has amended the SDF Rule, 1983 comprehensively for purpose of giving loans from SDF at a concessional rate of interest to the potentially viable sick sugar mills for their revival vide Notification dated 19th August, 2002

(iv) Comprehensive amendment to the SDF Rule, 1983

The Government is also considering to amend the SDF Rule, 1983 comprehensively for better administration of the Rules and for effective monitoring of its provisions.

3.21 The Sugar Development Fund Act 1982 is to be utilised by the Government of India for the following purposes:-

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

(ii) Making loans for facilitating the rehabilitation and modernisation 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 of stabilizing the price of sugar.

(v) Defraying expenditure on internal transport and freight charges to sugar mills on export of sugar.

(vi) Making loans to sugar mills for Bagasse based cogeneration power projects.

(vii) Making loans for production of Anhydrous Alcohol/Ethanol from alcohol.

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

3.22 During the period from 1982-83 to 2002-2003 (Upto 31.12.2002) a cess amount of Rs.3355.34 crore has been collected by the Government and Rs.2746.00 crore has been transferred to the Sugar Development Fund.

3.23 The provision made in 2002-2003 RE and 2003-2004 BE are for transfer of funds from the Consolidated Fund of India to the Sugar Development Fund under the Public Account of India. The expenditure under items (I) to (viii) above is budgeted separately and recovered by transfer from Sugar Development Fund.

The balance at the credit of Fund stood at Rs.1303.27 crore on 31.12.2002.

3.24 The following provisions have been made for payments out of SDF during 2002-2003 and 2003-2004:

(Rs. in Lakh)

		2002-2003	**2002-2003**	**2003-2004**
		BE	**RE**	**BE**
(a)	Subsidy for maintenance of buffer stocks of sugar	1,00	1,00	300,00
(b)	Grants-in-aid for research projects aimed at development of sugar industry	2,00	1,00	1,00
(c)	Loans for modernization rehabilitation of sugar mills	200,00	160,00	150,00
(d)	Loans for sugar mills for cane development	20,00	20,00	20,00
(e)	Administration of Sugar Development Fund	513	512	563
(f)	Expenditure on National Institute Sugarcane and sugar Technology, Mau	--	--	--
(g)	Loans to Sugar Mills for Bagasse based Cogeneration Power Projects	---	---	100,00
(h)	Loans for production of Anhydrous Alcohol/Ehtanol	---	--	50,00
(i)	Subsidy on Internal Transport & Freight Charges to Sugar Mills on export of sugar	----	30,00	50,00
	TOTAL	**22813**	**21712**	**67663**

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

(Rs. in Lakh)

		1999-2000	**2000-2001**	**2001-2002**	**2002-2003 Upto 31.12.02**
(a)	Subsidy for maintenance of buffer stocks of sugar	710.02	21.74	-	--
(b)	Grants-in-aid for research projects aimed at development of sugar industry	65.49	13.77	164.25	3.22
(c)	Loans for modernization/ rehabilitation of sugar mills	16003.53	7728.58	12852.54	6905.88
(d)	Loans for sugar mills for cane development	2685.50	1100.25	752.23	945.82
(e)	Administration of Sugar Development Fund	469.05	527.98	506.61	10.13
(f)	Expenditure on National Institute Sugarcane and sugar Technology, Mau	127.42	159.78	29.18	--

(g)	Loans to Sugar Mills for Bagasse based Cogeneration Power Projects	NA	NA	NA	-
(h)	Loans for production of Anhydrous Alcohol/Ehtanol	NA	NA	NA	-
(i)	Subsidy on Internal Transport & Freight Charges to Sugar Mills on export of sugar	NA	NA	NA	-
	TOTAL	**20061.01**	**9552.10**	**14304.81**	**7865.05**

NA= NOT APPLICABLE

a) **Subsidy for maintenance of buffer stocks of sugar**

The budget provision made for buffer stock of sugar is as under :-

(Rs. in lakh)

RE 2002-2003	**BE 2003-2004**
100	30000

3.26 In order to mitigate the hardships of sugarcane growers, the Government has created a buffer stock of 20 lakh tonnes of sugar for a period of one year with effect from 18.12.2002. This involves an outgo of Rs.412 crore from the Sugar Development Fund. An additional amount of Rs.374 crore will be released by banks on account of the buffer stock.

3.27 There has been a drastic increase in the amount earmarked for subsidy on maintenance of buffer stock of sugar. The RE for the above mentioned head during (2002-2003) was Rs.1 Crore which has drastically been increased in BE (2003-2004) to Rs.300 crore. On being asked about the reason for such a drastic increase in the funds earmarked for BE (2003-2004), the Ministry in their written reply furnished as under :

"In respect of the quantity of sugar decided to be held as the buffer stock, the Central Government authorises payment from the Sugar Development Fund of amounts towards interest on the credit where a sugar factory has pledged the buffer stock with any Scheduled Bank and availed credit from the bank as also storage and insurance charges on the quantity of the buffer stock for the period it is required to be held.

The provision in BE and RE 2002-2003 at Rs.1.00 crore is to meet the expenditure in respect of any outstanding claim in respect of the previous occasion when buffer stock was maintained.

The provision made in 2003-2004 is to meet the likely expenditure on payments (on the basis of claims preferred by the sugar factories) mentioned in the earlier. The likely expenditure in this regard has been estimated at Rs.412.00 crores for a buffer stock of 20 lakh tonnes held for a period of one year. As claims are required to be preferred quarterly, the estimated expenditure from the fund in 2003-2004 is likely to be of the order of Rs.300.00 crores for which a provision has been made in BE 2003-2004."

3.28 The Committee when desired to know about the rationale of maintaining buffer stock of sugar when there is no scarcity of sugar in the country, the Ministry in their written reply stated as under:

"Decision to maintain a buffer stock of sugar is taken in accordance with the provisions of Rule 19(1) of the Sugar Development Fund Rules, 1983 which prescribes that the Central Government may having regard to the stock of sugar held with sugar undertakings, 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, decide, from time to time, the quantity of sugar to be maintained as buffer stock.

Certain factors that were relevant in this connection and were considered necessary included the high stock of sugar, significant fall in realisation in the market from the sale of sugar and the consequent apprehension of rising arrears of cane price payments to the sugarcane farmers. This would have adversely affected sugarcane and sugar production in the coming sugar seasons. Thus, with a view to mitigating the impending hardships to the sugarcane farmers and with a view to stabilizing the price of sugar; a decision was taken to maintain a buffer stock of sugar."

3.29 The Committee were also concerned to know the benefit that will accrue to the Government by maintaining buffer stock of sugar by sugar mills. When asked about it, the Ministry stated as under :

"Maintenance of a buffer stock will enable the sugar factories to pledge their buffer stock with any scheduled Bank and avail additional credit from the Bank. Government will also reimburse amounts towards the interest, storage and insurance on the buffer stock to the factories.

An amount of Rs. 384.00 crore is estimated to be available as additional credit to the sugar factories on account of the pledging of the buffer stock with the banks. An amount of Rs. 412.00 crore is estimated to be made available as buffer subsidy.

The rules framed under the Sugar Development Fund Act, 1982 require that both the additional credit availed and the buffer subsidy received by the factories shall not be used for any purpose other than the payment of price (including arrears of price) payable by the sugar factories for sugarcane purchased from the sugarcane growers.

The timely payment of the price of sugarcane to the sugarcane farmers would enable the farmers to plan and cultivate the sugarcane crop/ other foodgrain crops and would provide funds to the farmers and sugarcane growers in this year of drought. "

b) Grants-in-aid for research schemes of sugar industry

3.30 Government had released an amount of Rs.19.39 lakh to the Indian Institute of Sugarcane Research, Lucknow for undertaking the study on "Forecasting Sugar Production and Demand in India" . The Institute has submitted its final Report. It has developed a computer model named "INDSUGAR" for predicting sugar production in India, which is still under their testing.

3.31 On being asked about the up-to-date details on study on gur and khandsari industry and expenditure incurred thereon, the Ministry in their written reply stated as under :

A study on gur and khandsari industry has entrusted to National Council of Applied Economic Research (NCAER), New Delhi in 2002 at an estimated expenditure of Rs.25,57,375/- with the following terms of reference :

a) To estimate the number, size and output of khandsari and gur units in the selected sugarcane growing States of the country.
b) To examine existing system of cane supply pricing roles of recovery, and economics of production of khandsari and gur units.
c) To assess effects of recent policy changes in the sugar sector and likely changes with introduction of SMP pricing regime for these units.
d) To review existing States/ Central level laws applicable to gur and khandsari units and suggest modifications for liberalisation keeping in view the proposals of sugar industry.

The particulars of expenditure involved in the study are as follows :

1st instalment	Rs.12,80,000	On entrusting the study
2nd instalment	Rs.2,54,425	After sample survey
3rd instalment	Rs.7,67,212	After completion of draft report
4th instalment	Rs.2,55,738	After submission of final report

An amount of Rs.12.80 lakh has been released to NCAER for the purpose. The study is likely to be completed by the end of December, 2003.

c) Loans for modernisation/rehabilitation of sugar mills

3.32 The number of sugar mills that were given a loan for modernization/ rehabilitation from the Sugar Development Fund in the years 1999-2000 to 2001-2002 is indicated below: -

Year	No of sugar mills
1999-2000	22
2000-2001	13
2001-2002	18

3.33 13 sugar factories have been given loan from the Sugar Development Fund during 2002-2003 (up to 13.03.2003).

3.34 As on 31.3.2003, there were 218 sugar mills having capacity less than 2500 TCD.

3.35 On being asked by the Committee whether there are any plans of the Government to enhance capacity of mills running below the Minimum Economic Size, the Ministry in their written reply stated as under :

"In order to facilitate the modernization and expansion of a sugar factory with installed crushing capacity below 2500 TCD, Government extends loans from the Sugar Development Fund at concessional rate of interest. Any sugar undertaking, which is approved by a financial Institution for assistance under its relevant Scheme or is sponsored by the Technology, Information, Forecasting and Assessment Council in respect of the Scheme "Mission Mode Project on Sugar Production Technologies" of the Department of Science and Technology for modernization and rehabilitation of its plant and machinery is normally eligible for a loan. Projects involving expansion of capacity upto 5000 TCD are allowed a loan for modernization."

d) Loans to Sugar mills for cane development :

3.36 The number of sugar factories to whom loan from the Sugar Development Fund for sugarcane development has been given in the last five years is as indicated below: -

Year	Number of Mills
1997-98	18
1998-99	20
1999-2000	16
2000-2001	07
2001-2002	09

3.37 In addition, short-term loans for sugarcane development were given to 179 sugar factories.

3.38 The Committee desired to know the criteria adopted by the Government for disbursing of loans under this Head, to which the Ministry in their written reply stated as under :

"After the application for loan from a sugar factory for sugarcane development is accepted and an approval for the loan is issued, the amount of each instalment of loan is disbursed after the fulfillment of the following conditions: -

(i) Execution of a Tripartite Agreement between the sugar undertaking, the State Government in which the sugar factory is situated and the Central Government (prior to the first instalment only).

(ii) Furnishing adequate security in the shape of a Bank Guarantee or State Government Guarantee (for cooperative sugar factories) for the instalment of the loan.

(iii) Furnishing proof of having deposited 10% of the outlay for the year in respect of which the loan instalment is to be disbursed in a no lien bank account.

(iv) Proof of no default in amounts, which have become due to be paid to the SDF and the Levy Sugar Price Equalization Fund.

(v) Utilization certificate indicating physical and financial achievements/ utilization in respect of the previous instalment of loan.

3.39 The Committee wished to know how would the Government ensure that the money provided under this Head is being utilised properly to which, the Ministry replied as under :

"The loan to a sugar undertaking for sugarcane development is disbursed only through the Government of the State in which the sugar factory is located. After the sugar undertaking executes an agreement with the State Government and the Central Government on the terms and conditions as may be decided by the Central Government in consultation with the State Government. As per the agreement, the utilization of the loan, the progress of the scheme for which the loan is advanced as also the repayment of the loan is monitored by the State Government. In all cases, the utilization certificate in respect of the instalment of loan disbursed to a sugar factory is required to be submitted certified and recommended by the State Government failing which no further instalments are disbursed."

3.40 As on 31.12.2002, the amount outstanding (as overdue) is Rs. 109.63 crore.

e) Loans to sugar factories for products of bagasse based cogeneration power projects :

3.41 There was no provision for the above mentioned head in BE & RE (2002-2003). But a sum of Rs. 100 crore has been earmarked under this Head for BE (2003-2004). Any sugar factory having an installed capacity of 2500 tonnes Crushed Per Day or higher to which financial assistance has been approved by a Financial Institution or a Scheduled Bank for it to implement a project of bagasse based cogeneration of power by installing the required plant and machinery shall be eligible to apply for a loan from the Fund for implementing the project provided that the project envisages marketable surplus of cogenerated power and provided further that at least ten per cent of the cost of the project is being met by the sugar factory from its own internal generation of funds as part of the promoters' contribution required by the Financial Institution or the Scheduled Bank.

3.42 A sugar factory, which is in default of payment that has become due in respect of the Sugar Development Fund and the Levy Sugar Price Equalization Fund, shall not be eligible to apply for loan for this purpose.

3.43 Further, a sugar factory shall not be eligible for the loan in the following situations: -

(i) For second hand project, equipment and machinery

(ii) For refinancing
(iii) For financing of cost over run
(iv) For project commissioned prior to the date of application to the Financial Institution or to the Scheduled Bank.

3.44 The loan from the Fund for implementing bagasse based cogeneration power projects will be given to a sugar factory at a rate of simple interest of 6% per annum.

3.45 The Committee wanted to know how does the Government proposes to spend the amount of Rs.100 crore during (2003-2004) and the potentiality of sugar mills for cogeneration power projects to which Ministry furnished as under:

"The applications received and likely to be received in 2003-2004 will be considered in accordance with the procedures prescribed in the SDF Act, 1982 and SDF Rules, 1983. Applications for loan as are recommended by the Standing Committee of the SDF and approved by the Central Government will be provided with the loan after fulfillment of the conditions prescribed in the rules for this purpose. It is expected that the amount provided in the BE 2003-2004 will be utilized.

As per the estimate made by the Ministry of Non-Conventional Energy Resources, sugar factories in this country have a potential of generating 3500 MW of power through bagasse based cogeneration power projects. "

3.46 The Committee wanted to know how will this ease the energy need in our country to which the Ministry stated :

"To the extent that power/ energy is available from the bagasse based cogeneration power project implemented by the sugar factories, the demand on conventional power projects will be eased."

f) Loans to Sugar Factories for Production of Anhydrous Alcohol or ethanol from Alcohol :

3.47 A sum of Rs.50.00 crore has been earmarked for BE (2003-2004) under this Head .

3.48 The following categories of sugar factories shall be considered eligible to apply for a loan from the Sugar Development Fund for this purpose: -

(a) A sugar factory that has been approved for financial assistance by a Financial Institution or a Scheduled Bank for implementing a project for production of anhydrous alcohol or ethanol from alcohol by installing the required plant and machinery provided that at least twelve and a half per cent of the cost of the project is being met by the sugar factory from its own resources as part of the promoters' contribution required by the Financial Institution or the Scheduled Bank, or

(b) A sugar factory that is implementing a project without financial assistance from a Financial Institution or a Scheduled Bank provided the project for the production of anhydrous alcohol or ethanol from alcohol by installing the required plant and machinery has been appraised by a Financial Institution or a Scheduled bank or an agency approved by the Central Government for this purpose and subject to the said appraisal, the sugar factory undertakes to meet at least twenty five per cent of the cost of the project from its own resources.

3.49 The loan from the Fund for implementing projects for production of anhydrous alcohol/ ethanol from alcohol will be given to a sugar factory at a rate of simple interest of 6% per annum.

3.50 As per the Notification No. P-45018/28/2000-CC dated, 3rd September, 1992, the following 9 States and 4 Union Territories were to be supplied 5% ethanol doped petrol with effect from 1.1.2003:-

States		Union Territories	
1.	Andhra Pradesh	1.	Daman & Diu
2.	Goa	2.	Dadra & Nagar Haveli
3.	Gujarat	3.	Chandigarh
4.	Haryana	4.	Pondicherry
5.	Karnataka		
6.	Maharashtra		
7.	Punjab		
8.	Tamil Nadu		
9.	Uttar Pradesh		

3.51 In partial modification to the above, through Notification No. 843(E) dated 26th December, 2002, the Central Government permitted sale of 5% blended petrol in the States of Andhra Pradesh, Maharasthra, Punjab and U.P starting in a phased manner from 1st January, 2003 and covering of the entire area of the said States by 30th June, 2003. It has further been added that the States of Tamil Nadu, Goa, Haryana, Gujarat and Karnataka and Union Territories of Chandigarh, Pondicherry, Daman & Diu, Dadra and Nagar Haveli will be covered by 30th June, 2003.

3.52 When the Committee enquired about the benefit of the above, the Ministry stated that :

"Production of anhydrous alcohol/ ethanol is likely to improve the viability and profitability of the sugar factories."

Reimbursement of Internal Transport and Freight Charges to Sugar Factories on Export shipment of Sugar

3.53 There was no allocation for the above mentioned Head in BE (2002-2003), but an amount of Rs.30 crore had been earmarked in RE (2002-2003) for this Head. On being asked the reason for this, the Ministry stated as under :
"This amount was provided for defraying the expenditure on internal transport and freight charges on export shipment of sugar in respect of which claims were likely to be preferred by the sugar factory.

The Ministry further stated as under:

"No amount has so far been disbursed to any claimant sugar factory as the claims preferred contained incomplete information/ documentation. All claims received (489 upto as on 28.02.2003) have been scrutinized. The deficiencies in respect of all these claims have been communicated to the claimant sugar factories. On receipt of complete information/ clarifications, amounts as due, will be disbursed. On the basis of the likely export of sugar upto the close of the current sugar year, a provision of Rs. 50.00 crore has been made in BE 2003-2004 on the basis of an average expenditure of Rs. 500 per MT of sugar exported."

3.54 The Committee were concerned to know how is this allocation mitigating the problems being faced by sugar mills in the country to which the Ministry replied as under:

"The allocation on reimbursement of internal transport and freight charges on export shipment of sugar has been made to encourage export of sugar by sugar factories and also to neutralize disadvantages faced by the sugar factories on account of the distances of their locations from the ports. This measure along with other measure will (i) ease the position of excess stocks with the sugar factories, (ii) realize value in the international market, (iii) help in stabilizing prices in the domestic market and (iv) establish Indian sugar factories as exporters of good quality sugar in the international market.

With realizations from exports, the holding cost of excess stocks, which has been a difficulty with the sugar factories, is likely to be reduced. The improved liquidity would also ease the position in regard to payment of cane price to the sugarcane farmers.”

3.55 On being asked by the Committee about the measures being taken by the Government so that no fake claim is made by a sugar factory, the Ministry in their post evidence reply furnished as under :

“In order to establish genuineness of the claim, the sugar factories are required to file certain documents like a certified copy each of the certificate from the Custom Authorities certifying that the sugar consignment has been shipped, Custom attested export promotion copy of shipping bill, and bank certificate of export and realisation. These documents are to be matched against the respective release order of the Directorate of Sugar.”

National Sugar Institute, Kanpur

3.56 NSI is a subordinate establishment of the Department of Food and 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 lakh)

	2002-2003 (BE)	2002-2003(RE)	2003-2004 (BE)
Plan	149.00	115.00	120.00
Non-Plan	866.10	829.10	918.10

3.57 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.

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

3.59 Brief particulars regarding the number of research schemes and the number of students trained from 2000-2001 onwards are given below :

	1999-2000	2000-2001	2001-2002	2002-2003
No. of research schemes implemented	-	02	-	-
No. of students trained	119	174	148	147

3.60 (i) The persons trained in these courses fulfill the requirement of technical manpower of the sugar industry. During the academic session 2002-2003, the number of students admitted in the various courses conducted by the Institute is as follows: -

No.	**Courses**	**No. of Students**
01	Associate Ship of National Sugar Institute (Sugar Technology)	44
02	Associate Ship of National Sugar Institute (Sugar Engineering)	12
03	Diploma in Fermentation and Alcohol Technology	27
04	Sugar Engineering Certificate Courses	04
05	Pre Harvest Cane Maturity Survey Certificate Courses	10
06	Sugar Boiling Certificate Courses	54

(ii) An Experimental Sugar Factory (ESF) is operated for providing practical demonstration to the students.

3.61 The expenditure incurred on various activities of NSI, Kanpur along with achievements are given in the following statement :

(Figures in Lakh of Rupees)

Year	Sub-Head	BE	RE	Actual	% Achievement	
					Phy.	Fin.
1998-99	Major Works	39.00	39.00	05.77	14.79	14.79
	Machinery & Equipment	25.00	25.00	24.45	97.80	97.80
	Other Charges	30.00	30.00	07.59	25.30	25.30
	Minor Works	01.00	01.00	----	--	--
	TOTAL	**95.00**	**95.00**	**37.81**	**39.80**	**39.80**
1999-2000	Major Works	39.00	39.00	05.10	13.07	13.07
	Machinery & Equipment	25.00	25.00	07.76	31.04	31.04
	Other Charges	20.00	20.00	--	--	--
	Minor Works	01.00	01.00	--	--	--
	TOTAL	**85.00**	**85.00**	**12.86**	**15.13**	**15.13**
2000-2001	Major Works	39.00	22.50	--	---	---
	Machinery & Equipment	25.00	22.50	20.26	90.04	90.04
	Other Charges	20.00	04.00	--	--	--
	Minor Works	01.00	01.00	--	--	--
	TOTAL	**95.00**	**50.00**	**20.26**	**40.52**	**40.52**
2001-2002	Major Works	15.00	15.00		100.00	100.00
	Machinery & Equipment	42.00	42.00		100.00	100.00
	Other Charges	36.00	13.00		40.00	40.00
	TOTAL	**93.00**	**70.00**		**75.00**	**75.00**

3.62 The Committee wanted to know whether NSI Kanpur is equipped to take up the responsibility once NISST, Mau is transferred to any other other organisation, the Ministry stated as under :

"The National Sugar Institute is a premier Institute in the field of Sugar Technology, Sugar Engineering, Industrial Fermentation and Alcohol Technology and other related subjects. It has the required infrastructure, land and faculty to take up the activities that were conceived in respect of NISST, Mau."

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

3.63 The Budget allocation and actual expenditure of this Institute from the year 1993-94 are as under :

(Rs. in lakh)

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	161.64
2001-2002	100.00	29.18
2002-2003*	-	-

*No separate budget allocation in respect of NISST, Mau has been made in the Demand for Grants. Provision in respect of Revenue expenditure of the Institute has been made in the Plan budget of NSI, Kanpur.

3.64 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 may 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 modalities of transfer of this Institute to the Ministry of Agriculture are under consideration. No further recruitment of personnel in this Institution has been made. No fresh civil or other works are being undertaken. The scheme is not functional any more.

3.65 The Committee wanted to know the latest position of handing over NISST Mau to ICAR to which the Ministry stated as under :

"The ICAR has obtained the approval of the Planning Commission for using the assets of NISST, Mau for its Institute named, National Bureau of Agriculturally Important Micro-Organisms. The transfer of the assets and staff of NISST, Mau to ICAR is under consideration."

Export of Sugar

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

3.67 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 to EEC & USA, after obtaining Registration-Cum-Allocation-Certification (RCAC) from APEDA.

3.68 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 on sugar exports. The export of sugar from India is being undertaken under the Export Import Policy. Now, the export of sugar can be undertaken by the various sugar mills/ exporters after obtaining the export release order from the Directorate of Sugar under the Ministry of Consumer Affairs, Food and Public Distribution.

3.69 Statement showing position of Export of Sugar as per DGCI&S, Kolkata since 1997-98 to 2001-2002 on financial year basis.

Financial Year (April-March)	Quantity (in tonnes)	Value (Rs. Crores)
1997-98	1,73,282	244.45
1998-99	12,735	17.36

1999-2000	12,990	18.14
2000-2001	3,38,691	430.98
2001-2002	14,56,221 (P)	1728.04 (P)
2002-2003(upto 30/9)	5,59,427 (P)	63,184 (P)

(P) – Provisional

3.70 On being asked about the efforts made by the Government for export of sugar, the Ministry in their written reply stated as under :

3.71 The Government has taken following measures to promote export of sugar:

(i) The quantitative restrictions on export of sugar have been lifted.

(ii) The requirement of registration of quantity to be exported with the Agricultural Processed Food Export Development Agency (APEDA) has been dispensed with.

(iii) Sugar factories exporting sugar have been allowed exemption from levy on the quantity of sugar exported.

(iv) The adjustment in free sale stocks of sugar factories exporting sugar is being made at the end of 18 months from the date of export.

(v) Duty Entitlement Pass Book (DEPB) benefit @ 4% on the f.o.b. value of exports has been allowed on export of sugar.

(vi) With effect from 21st June, 2002, the sugar factories have been allowed to claim reimbursement of expenditure incurred on internal transport on export shipments of sugar.

(vii) With effect from 14th February, 2003, it has been decided that neutralization of ocean freight disadvantage would be reimbursed to sugar factories at the rate of Rs.350 per tonne.

3.72 The efforts to promote export of sugar have borne fruit. The exports of sugar which were only 0.13 lakh tonnes in the financial year 1999-2000 increased to 3.39 lakh tonnes and 14.56 lakh tonnes (valued at Rs.430.98 crore and Rs.1728.04 crores) in 2000-2001 and 2001-2002 respectively. It is anticipated that the exports during the current financial year would be around 13-14 lakh tonnes.

SICKNESS OF SUGAR INDUSTRY

3.73 The sick sugar companies of the Private and Public Sectors are covered under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). Such sick sugar companies are required to make reference to the Board for Industrial and Financial Reconstruction (BIFR) when their accumulated losses become equal to or more than the net worth etc.

3.74 As per the information provided by the BIFR, twenty five sugar companies in Private and Public sector are registered with the BIFR as sick companies as on 31.12.2002 (excluding the cases of declared non-maintainable and no longer sick). The State-wise distribution of the twenty-five companies is given below :

S.No.	State	No. of Companies
1.	Bihar	02
2.	Kerala	01
3.	Karnataka	03
4.	Madhya Pradesh	03
5.	Orissa	01
6.	Punjab	01

7.	Rajasthan	01
8.	Tamil Nadu	04
9.	Uttar Pradesh & Uttranchal	09
	TOTAL	25

3.75 During evidence, the Committee expressed grave concern over the continuing sickness of the sugar industry. The representatives of the Ministry informed the Committee that earlier there was no separate provision in the Sugar Development Fund Rules, 1983 to enable loans being given to sick sugar undertakings or potentially viable sick sugar undertakings. The Government has amended the Sugar Development Fund Rules, 1983 in August 2002, to enable loans from the Funds being granted for modernisation / rehabilitation and cane development to potentially viable sick sugar mills including cooperation sugar mills at a concessional rate of interest.

3.76 Also, the Committee were concerned to know about the details of number of sugar mills which have no chances of recovery, to which the Ministry stated :

"The matter of rehabilitation of sugar factories in the public and private sectors that have eroded their individual net worths is considered and decided by the Board for Industrial and Financial Reconstruction (BIFR) under the provision of SICA, 1985. Of the cases registered by the BIFR, a rehabilitation scheme has been sanctioned by it in respect of four sugar undertakings.

In respect of the cooperative sugar mills, as per a study of 275 cooperative sugar mills conducted by NABARD, 116 cooperative sugar mills have negative net worth (58 on the basis of financial position as on 31.03.2001 and the remaining on the basis of financial position as on 31.03.2002). It is for the management of the cooperative sugar mill and/ or the State Government in which the sugar mill is situated to determine and take steps regarding the recovery/ rehabilitation of such sugar mills."

3.77 The Committee have observed that the loan sanctioned under SDF for modernisation/rehabilitation of sugar mills and for cane development is not being fully utilised and the utilisation percentages upto February, 2002-2003 are 49.75 and 58.30 respectively. The Committee feel that the amount sanctioned under the schemes is very less keeping in view the fact that there are many mills which are in dire need of modernisation and rehabilitation and whose condition can be improved. Also, cane growers need loans for cane development. In the opinion of the Committee this is a very important aspect of the sugar industry and should not be overlooked. The Committee, therefore, recommend that the Government should make sincere efforts so that more and more sugar mills and cane growers come up for loans for modernisation/rehabilitation and cane development respectively.

3.78 The Committee note that the Government has amended the Sugarcane (Control) Order, 1996 enabling the officers of Central Government and State Government to recover arrears of cane prices as arrears of land revenue along with 15% interest accrued thereon. It has come to the notice of the Committee that the order is not being implemented which is detrimental to the interests of sugarcane farmers and the problems of cane growers are continuously increasing on this front . The Committee feel that the amendment has no meaning till the benefit of the Order actually percolates down to the sugarcane farmers. The Committee, therefore, recommend that the amended Sugarcane (Control) Order 1996 be implemented strictly in the interests of the sugarcane farmers.

3.79 The Committee are concerned to note that the carry over stock of the previous season was 106.63 lakh tonnes and production of sugar per year averages to 18.3 lakh tonnes. The Government have not maintained any buffer stock of sugar after July, 1998 and also they have not felt any necessity to create it till 18.12.2002 in view of large availability of sugar at reasonable price in the country. Presently too, the situation has not changed much and hence there is no pressing demand /emergent situation for creation of buffer stock. The Committee, therefore, recommend that the buffer stock of sugar should be kept at barest minimum. If at all it is maintained, the practice should not encourage favoritism to one sugar mill at the cost of the other and should also avoid regional disparities on account of the decision.

3.80 The Committee note that an amount of Rs.50 crore in BE (2003-2004) has been earmarked for Reimbursement of Internal Transport and Freight Charges to Sugar Factories on Export Shipment of Sugar. The Committee feel that the Government should fully scrutinize the claims of sugar factories before disbursing this amount to them and ensure that no fake claim is entertained on this account. The Committee, therefore, recommend that all claims received by the Government on this account should be minutely checked before disbursing the amount under this Head.

3.81 The Committee observe that there is inordinate delay in transfer of National Institute of Sugar and Sugar Technology (NISST), Mau to ICAR or any other research Organisation after the Government have finally decided to wind it up. The Committee feel that the unnecessary delay is increasing the expenditure on the Department. The Committee, therefore, recommend that the Institute should be transferred to ICAR or any other research organisation without any further loss of time.

3.82 The Committee are deeply concerned about the sickness of the sugar mills. The Committee desire that the Government should make efforts to revive the sick sugar mills and ensure that the mills which need funds to recover should be given all help. For this, the Committee feel that the Government should take measures like withdrawal of excise duty and reduction of different taxes levied by the Central and the State Governments. The Committee, therefore, recommend that the Government should impress upon State Governments for opening/revival of closed sugar mills on priority basis.

MANAGEMENT OF EDIBLE OILS

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

4.2 The Directorate of Vanaspati, Vegetable Oils an 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, oilcakes 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. The DVVO&F performs regulatory, developmental and advisory functions in respect of all matters relating to vegetable oils, particularly edible oils and vanaspati. These regulatory functions are exercised through three Control Orders, namely:-

(i) Vegetable Oils Productions (Regulation) Order, 1998;
(ii) Edible Oils Packaging (Regulation) Order, 1998; and
(iii) Solvent Extracted Oil, De-oiled Meal and Edible flour (Control) Order, 1967;

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

4.3 DVVO&F plays a key role in the development of vegetable oil industry. Financial assistance is given for R&D activities for improving the availability and acceptability of oils and processing the quality of products. The provisions for 2002-2003 (BE & RE) and 2003-2004 (BE) for research and development are as under :

(Rs. in lakhs)

	2002-2003 BE	**2002-2003 RE**	**2003-2004 BE**
Plan	25	25	25

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 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 of Organisations which have done significant work.

4.7 DVVO&F is operating a Plan Scheme on Research & Development Programme for development of vegetable oils and Modernisation of Laboratory of Dte. of Van. Veg. Oils & Fats. This is mainly to augment the availability of quality products and to introduce latest modern equipments for testing of oils & fats.

4.8 The R& D work is carried out in three phases :-

Phase-I Research Development

Phase-II Technology propagation including demonstration of the Technology developed

Phase-III Efforts for adoption of technology by the industry

4.9 Some of the important areas of work funded by the DVVOF under this scheme are :

R & D PROJECT	INSTITUTE
Modernisation of huller rice mills	CSIR, New Delhi
Development of 1 TPD high efficiency oil expeller	MERADO Ludhiana
Recovery of waste from vegetable oils processing industries	HBTI, Kanpur
Study on the use of high erucic acid containing rapeseed oil/mustard oil in vanaspati	GSRF, New Delhi
Development of low cost packaging materials	IICT, Hyderabad
Development of Economic and functional packages for food products with emphasis of edible oils and vanaspati, new products development such as development of fat spread	IIP, Mumbai
Upscaling interesterification process for determination of design data and cost for preparation of vegetable oils and margarine wastes etc.	GSRF, New Delhi
Study on Shelf-life of RBD Palmolein	GSRF, New Delhi
Packaging of extruded foods	IIP, Mumbai

The R& D Project is implemented on the basis of the recommendations of the Science & Technology Advisory Committee (STAC).

It is also proposed that an evaluation study would be conducted by an independent agency of the ongoing R & D Programmes.

4.10 The approved outlay for development programme in oilseeds and oils of the DVVOF and actual expenditure during the Ninth Five Year Plan period (1997-2002) has been as under.

(Rupees in Lakhs)

Name of the Schemes	Approved for 9th FYP	Actual Expenditure					Total Expenditure for 9th FYP	Approved Outlay for 2002-2003
		19997-98	1998-99	1999-2000	2000-2001	2001-2002		
R&D Programme for Development in Oilseeds & Oils	230	15.68	20.27	85.86	34.75	31.64	188.20	25
Modernisation of the laboratory of DVVOF	20	13.23*	4.12	2.74	-	1.94	22.03	-
Strengthening of the DVVOF	30	-	1.00	4.34	-	-	5.34	-

MAIN EDIBLE OILS

4.11 There are two sources of oils—primary sources and secondary sources. The primary sources include those oilseeds, which are cultivated. The main edible oils from these sources are groundnut, rapeseed/mustard seed, soyabean, sunflower seed, sesame seed, Niger seed and safflower seed. The main secondary sources of oils include coconut oil, cottonseed oil an rice bran oil. The production of oilseeds and net availability of edible oils from domestic sources (primary source and secondary source) for the years 2000-2001 and 2001-2002 are recorded below :

NAME OF OILSEEDS	**2000-2001**		**2001-2002**	
	OILSEEDS	**OILS**	**OILSEEDS**	**OILS**
(A) Primary Source				
Groundnut	62.23	14.31	73.60	16.93
Rapeseed & Mustard	42.07	13.04	46.50	14.42
Soyabean	52.73	8.44	58.80	9.41
Sunflower	7.33	2.42	8.50	2.81
Sesame	5.87	1.82	6.70	2.08
Nigerseed	1.15	0.35	1.70	0.51
Safflower	2.01	0.60	2.10	0.63
Castor	8.67	3.47	7.20	2.88
Linseed	1.94	0.58	2.20	0.66
Total	184.00	45.04	207.30 (4^{th} Advance Estimate)	50.33

NAME OF OILSEEDS	**2000-2001**		**2001-2002**	
	OILSEEDS	**OILS**	**OILSEEDS**	**OILS**
(B)Secondary Source				
Coconut		5.60		5.50
Cottonseed		4.60		4.40
Rice-bran		4.80		5.50
Solvent Extracted Oils		2.00		2.80
Tree & Forest Origin		1.00		0.80
Sub-Total		**18.00**		**19.00**
Total (A) + (B)		**63.04**		**69.33**
(C) Less : Export & Industrial use		**8.00**		**8.00**
(D) Net Domestic Availability of Edible Oils		**55.04**		**61.33**

DEMAND AND SUPPLY POSITION OF EDIBILE OILS

4.12 Production of oilseeds, which increased significantly in the 1980s hit a plateau in 1990s. In fact, in the last four years, on account of a variety of reasons, it has fallen. During 1998-99, the oilseeds production was 247.48 lakh tonnes. In 1999-2000, the oilseed production decline to 207.15 lakh tonnes. In 2000-2001, it further declined to 184.00 lakh tonnes. In 2001-2002, the oilseed production is estimated at 207.30 lakh tonnes. The domestic supply of edible oils in

1998-99, 1999-00, 2000-01 and 2001-02 was 69.61 lakh tonnes, 60.14 lakh tonnes, 55.04 oils in 1998-99, 1999-00, 2000-01 and 2001-02 was 69.61 lakh tonnes, 60.14 lakh tonnes, 55.04 lakh tonnes and 61.33 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.

4.13 Figures pertaining to production of major cultivated oilseeds, availability of edible oils from all domestic sources and its demand during the last five years are as under :-

(in lakh tonnes)

OIL YEAR	**PRODUCTION OF OILSEEDS @**	**NET AVAILABILITY OF EDIBLE OLILS FROM ALL DOMESTIC SOURCES $**	**DEMAND OF EDIBLE OILS#**
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	96.81
2001-2002	207.30 (4th Advance Estimates)	61.33 (Provisional)	103.47 (P)
2002-2003	270.00 (Target)	-	-

#Demand has been taken as domestic supply + import of edible oils.

Source : @ Production of oilseeds – Ministry of Agriculture

$ Net availability of oils – Dte. of Van., Veg. Oils & Fats

IMPORT POLICY ON EDIBLE OILS

4.14 Since there has been a continuous gap between the demand and supply of edible oils from indigenous sources, 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.

4.15 The quantities of edible oils imported during the last five years as under :-

(Qty. In lakh tonnes)

Year (April-March)	**Import of Edible Oils***
1997-98	12.66
1998-99	26.22
1999-2000	41.96
2000-2001	41.77
2001-2002	42.14 (Provisional)
2002-2003 (April to Oct.)	24.83

*Source : DGCI&S, Kolkata

4.16 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 de-canalised partially in April, 1994 with permission to import edible vegetable palmolein under OGL at 65% duty. This was followed by enlarging the basket of oils under OGL with revision of import duty structure summarized as under :-

April, 1994	Import of RBD Palmolein placed on OGL with 65% import duty.
March, 1995	Import of all edible oils (except coconut oil, palm kernel oil, RBD palm stearin) placed on OGL with 30% import duty
1996-97(in regular Budget)	Further reduction in import duty to 20% +2% (Special duty of customs) bringing total import duty to 22% 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) + 4% (SAD)=50.8%
March, 2001 (As amended on 26.4.2001)	Import duty on crude oils for manufacture of vanaspati/refined oils by the importers registered with Directorate of VVO&F raised to 75% (for others import duty levied at 85%) except soyabean oil, rapeseed oil and CPO at 45%, 75% and 75% respectively. 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 placed at 45% (basic) and 755 (basic) respectively due to WTO binding. In addition, 4% SAD levied on refined oils.
October, 2001	Import duty on Crude Palm Oil and its factions, of edible grade, in loose or bulk form reduced from 75 to 65%
November, 2001	Import duty on crude sunflower oil or safflower oil reduced to 50% upto an aggregate of 1,50,000 (MTs) (Tariff Rate Quota) of total imports of such goods in a financial year subject to certain condition. Import duty on refined rape, colza or mustard oil reduced to 45% upto an aggregate of 1,50,000 MTs (Tariff Rate Quota) of total imports of such goods in a financial year subject to certain condition.
March, 2002	Status quo on import duty structure of vegetable oils/edible oils maintained. Import of vanaspati from Nepal be levied SAD @4%
August, 2002	SAD not applicable on vanaspati imported from Nepal under TRQ.

4.17 Since canalization of edible oils in late 1970s oil imported by the State Trading Corporation (STC) had been distributed through the Public Distribution System. Even after liberalization of import since 1994-95, import of edible oils on Government Accounts by STC continued for PDS only till the year 1999-2000.

4.18 At present there are no stocks of edible oils with the Government. 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 Public Distribution System. No element of subsidy will be borne by Government of India in this regard. The State Governments who have placed their demands for edible oils have been advised to avail the Tariff Rate Quota for the year 2002-2003 featuring concessional rates of customs duty on certain items, notified vide DGFT Public Notice No.38/2002-2007 dated 4.10.2002 for the purposes of importing specified edible oil for the PDS through the designated canalizing agencies if felt necessary by them.

Edible Oils Packaging (Regulation) Order, 1998

4.19 In order to ensure availability of safe and quality edible oils in packed form at pre-determined prices to the consumers, the Central Government promulgated Edible Oils Packaging (Regulation) Order, 1998 under the Essential Commodities Act, 1955 to make packaging of edible oils, sold in retail, compulsory unless specifically exempted by the concerned State Government.

4.20 Some of the salient features of the Packaging Order are edible oils including edible mustard oil be sold only in packed form, packers have to be registered themselves with a registering authority, packer to have his own analytical facilities or adequate arrangements for testing the samples of edible oils to the satisfaction of the Government, only oils which conform to the Standards of quality as specified in the Prevention of Food Adulteration Act, 1954 and rules made thereunder be allowed to be packed, etc.

4.21 State Governments have power to relax any requirement of the Packaging Order for meeting special circumstances. The power for implementation of the Order is basically delegated to the State Governments. Andhra Pradesh, Karnataka, Himachal Pradesh, Tamil Nadu have commenced implementation and are issuing Registration Certificates in respect of certain edible oils under the Order. State Governments of Madhya Pradesh, Maharashtra, Pondicherry, Tripura, Kerala have notified registering authority, inspecting officers and registration fee for the purpose. Central Government is continuously emphasizing to implement the Order to those States, which are not implementing.

4.22 The Finance Minister in the Union Finance Budget 2003-2004 has levied an 8% excise duty on branded edible oils and vanaspati when sold in retail packs. On being asked by the Committee how will the oil industry be adversely affected due to this Order, the Ministry in their post evidence reply furnished as under:

(a) Industry has been put additional burden with the imposition of 8% excise duty which may increase in price of vanaspati by Rs.4/- per kg.

(b) The discriminatory levy of excise duty on branded and packed vanaspati would affect the industry through sale of unbranded and loose oils and would soon outweigh the packaged products which is not in the interest of consumers. The objective to provide edible oils in assured standard of quality and quantity through promulgation of the Edible Oils Packaging (Regulation) Order, 1998 may, therefore be defeated.

(c) Levy of excise would discourage the production of solvent extracted oils and exploitation of non-traditional sources and would be a blow to entire solvent extraction industry. There would also be a set-back for promotion of refined rice bran oil and also other solvent extracted non-traditional oils of edible grade. On the other hand, sale of imported refined edible oils will increase in unbranded form which would ultimately affect oilseed growers.

(d) Several companies with a view to comply with the Edible oils Packaging (Regulation) Order, 1998, have invested in manufacturing, branding and distribution and consequently the share of the organised packaged oil has been increasing which is desirable trend.

Hindustan Vegetable Oils Corporations (HVOC)

4.23 The HVOC was referred to the Disinvestment Commission in March, 1997 for advice as the Company had been incurring losses. The Commission recommended that the HVOC be classified as "non-core" and the Company's operations in Vanaspati and packaging of refined edible oils be discontinued with immediate effect.

4.24 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. Owing to the continually dismal financial performance of the HVOC, and in the light of the recommendations of the Disinvestment Commission, the Government of India decided that it was not feasible to attempt revival or rehabilitation of the Company and approved the introduction of a Voluntary Separation Scheme(VSS) in the Company; provision was made for a non-Plan loan of Rs.75 crores to the HVOC to meet the cost of VSS and other liabilities on account of employees' dues.

4.25 The VSS was introduced in the Company in November 2000, and non-Plan loans totaling Rs.70 crores in 2000-2001 and Rs.1.90 crores in 2001-02 were sanctioned by the Government to the HVOC. At present some 126 regular employees are left in the Company, of whom 121 are working in the Breakfast Food Unit (BFFU) of the HVOC. After considering the Report of the Disinvestment Commission, the findings of the Techno-Economic Viability Study of the HVOC carried out by the Consultants engaged by the IDBI for the purpose, and on consideration of the relevant facts of the case, the BIFR in Order dated 7th December, 2001, confirmed the prima-facie opinion that the HVOC was not likely to make its net worth exceed its accumulated losses within a reasonable time, while meeting all its financial obligations. According to the BIFR, the HVOC is not likely to become viable in future, and, therefore, it would be just, equitable and in public interest to wind up the Company. The BIFR has forwarded a copy of its Order in this regard to the Hon'ble Delhi High Court as well as to the Official Liquidator, Delhi High Court.

4.26 Some employees of the BFFU appealed against the BIFR's Order. The Appellate Authority for Industrial and Financial Reconstruction (AAIFR), vide Order dated 22nd February, 2002, stayed the operation of the aforesaid BIFR Order dated 7th December, 2001 in regard to the BFFU, and ordered that no steps should be taken for the closure of the BFFU. Subsequent hearings in the matter have been held; the last hearing was on 16th January, 2003. During the course of these hearings, the appellants were asked to submit a viable proposal for the continued running of the BFFU, as a separate entity, after its demerger from the HVOC. However, some employees of the BFFU have conveyed disagreement with the proposal for running the unit as a workers' co-operative-managed unit. As a result, further progress has not so far been made in the matter. The AAIFR has ordered that the Appeal be listed for final disposal on 30th May, 2003.

4.27 On being asked about the market prices of assets of different units of HVOC, the Ministry furnished as under :

According to an evaluation made by a technical consultancy firm engaged by the operating agency (IDBI) and presented before the BIFR, the replacement cost and the realizable value of the assets of the different units of the company are as given below: -

LOCATION	PRESENT REPLACEMENT COST (Rs.in lakhs)	REALISABLE VALUE (Rs. in lakhs)
DELHI		
Land	35401.70	35401.70
Building	433.48	21.67
Plant & Machinery	130.00	26.00
SUB-TOTAL	**35965.18**	**35449.3**
KANPUR		
Land	1627.13	1627.13
Building	506.18	50.62
Plant & Machinery	1185.00	118.50
SUB-TOTAL	**3318.31**	**1796.25**
AMRITSAR		
Land	1364.55	1091.64
Building	356.51	17.83
Plant & Machinery	1245.00	62.25
SUB-TOTAL	**2966.09**	**1171.72**

CALCUTTA Land Building Plant & Machinery **SUB-TOTAL**	 70.38 120.54 725.00 **915.92**	 56.30 6.03 36.25 **98.58**
BANGALORE Land Building Plant & Machinery **SUB-TOTAL**	 81.90 36.19 60.00 **178.09**	 81.90 5.43 24.00 **111.33**
CHENNAI **Land** Building Plant & Machinery **SUB-TOTAL**	 0.00 0.00 100.00 **100.00**	 0.00 0.00 30.00 **30.00**
MUMBAI Land Building Plant & Machinery **SUB-TOTAL**	 4139.82 427.03 1800.00 **6366.85**	 3725.84 42.70 270.00 **4038.54**
TOTAL	**49810.44**	**42695.79**

4.28 The Committee wanted to know about the losses incurred by HVOC since its inception to which the Ministry furnished as under :

Total accumulated losses incurred by HVOC, as on 31.3.2001 is Rs.102.85 crores. The unit-wise performance since 1996-97 is given below:

(Rs. in crores)

UNIT	**1996-97**	**1997-98**	**1998-99**	**1999-2000**	**2000-01**
Delhi	(-) 1.78	(-) 2.25	(-) 3.15	(-) 2.52	(-) 0.47
Kanpur	(-) 2.95	(-) 3.32	(-) 2.99	(-) 3.55	(-) 2.38
Amritsar	(-) 1.99	(-) 2.73	(-) 2.23	(-) 2.81	(-) 2.25
Mumbai	(+) 1.07	(+) 0.05	(+) 2.39	(-) 1.45	(-) 2.38
Chennai	(+) 0.42	(+) 0.02	(-) 0.02	(-) 0.57	(-) 0.41
Bangalore	(+) 1.44	(+) 0.23	(+) 0.64	(+) 0.06	(-) 0.29
Kolkata	(+) 1.55	(-) 0.10	(+) 0.24	(-) 0.57	(-) 0.65
BFFU	(+) 0.41	(+) 0.12	(+) 1.00	(-) 0.48	(+) 0.04

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

Performance of Breakfast Food Unit of Delhi

4.29 The Committee wanted to know about the performance of BFFU of Delhi during (2002-2003) to which the Ministry furnished as under :

The accounts for the Breakfast Food Unit as also for the company for the year 2002-2003 have not yet been finalized. However, the physical and financial performance of Breakfast Food Unit since 1997-98 is as given below:

	1997-98	**1998-99**	**1999-2000**	**2000-2001**
Profit & Loss (Rs. in lakhs)	(+) 12.24	(+) 99.92	(-) 47.69	(+) 3.63
Production	630 MT	520 MT	503 MT	516 MT

Note: 1. (+) = Profit, (-) = loss.

4.30 The Committee wanted to know whether some industrial houses like Tata, ITC etc. have shown interest in the privatisation of BFFU of HVOC, to which the representative of the Ministry during evidence replied :

"While no proposal has been received from any company for the privatization of the BFFU, some companies have expressed interest in the brand name of the products of this unit."

4.31 The Committee note that the domestic availability of edible oil from all sources is 61.33 lakh tonnes. The projected demand during 2003-2004 is 103.47 lakh tonnes. The Government is well aware of the continuous gap in demand and supply of edible oils for the last several years. The Committee feel that Government are not very much serious about increasing the domestic production of edible oils and think it better to depend on import. All efforts made by Technology Mission On Oilseeds, Oilseed Production Programme (OPP) and Oil Palm Development Programme (OPDP) are not sufficient in the present context. The Committee also note that even the R.D. Kapoor Committee Report on production of Red Oil Palm in Andaman and Nicobar Islands andother potential areas has not yet been implemented. The Committee, therefore, recommend that sincere efforts should be made by the Government to enhance indigenous production of oilseeds and achieve self-sufficiency in that area.

4.32 The Committee have come to know that 8% excise duty is to be levied during 2003-2004 on sale of packaged edible oils. The Committee feel that this would lead to an immediate increase of Rs.4-5 per litre in the retail prices of packed oil and encourage the sale of edible oil in loose form. This will also increase the sale of crude palm oil in loose form without proper processing. This step is in contradiction of promulgation of Edible Oils Packaging (Regulation) Order, 1998. The Committee are unable to understand the rationale behind it because at one point of time the Government themselves promulgate the Order for sale of packaged edible oil to avoid incidences like dropsy and at the other encourage sale of loose edible oil by recent increase of excise duty. The Committee feel that everything cannot be taken for granted in the name of revenue. If the Government is so keen on realizing funds, this can be done by increasing import duty on crude palm oil to the extent it serves the purpose of the Government. The Committee, therefore, recommend that by taking up the matter with the Ministry of Finance and other concerned agencies, the recent increase in excise duty on packaged edible oil be withdrawn and the Government should realize revenue by alternative means.

4.33 The Committee observe that Breakfast Food Units (BFFU) Delhi has almost continuously been making profit. While the Committee understand the closure/winding of the units which are making losses, the Committee is not able to understand the approach of the Government in closing the BFFU Delhi which has all along been making profit. A lot has been suffered by employees of Hindustan Vegetable Oil Corporation (HVOC) due to the wrong policies and poor management of HVOC. They are also given to

understand that the matter of running this unit is already under the active consideration of AAIFR which has asked the applicants to submit a viable proposal and the next date of hearing has been fixed on 30.5.2003. They are also given to understand that the proposal for running the unit as a workers co-operative unit has not found favour with the employees. The Committee, however, hope that the matter will be resolved soon. The Committee are also of the opinion that the pending decision of AAIFR, the Government should make efforts to run the BFFU efficiently.

New Delhi;
7 April, 2003
17 Chaitra, 1925 (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 MONDAY, THE 24TH MARCH, 2003

The Committee sat from 11.45 hours to 15.00 hours

PRESENT

Shri Devendra Prasad Yadav - Chairman

MEMBERS

LOK SABHA

2. Shri A.P. Abdullakutty
3. Shri Rajbhar Babban
4. Shri Tara Chand Bhagora
5. Shri Dalit Ezhilmalai
6. Shri Namdeo Harbaji Diwathe
7. Shri Rameshwar Dudi
8. Shri Abdul Hamid
9. Shri Bir Singh Mahato
10. Shri Shyam Bihari Mishra
11. Shri Dharam Raj Singh Patel
12. Shri Baju Ban Riyan
13. Shri Rammurti Singh Verma

RAJYA SABHA

14. Smt. Bimba Raikar
15. Shri Nandi Yellaiah
16. Shri Surendra Lath
17. Shri S.K. Khabiruddin Ahmed
18. Shri Ravula Chandra Sekar Reddy
19. Shri C. Perumal
20. Shri Vijay Singh Yadav
21. Dr. (Ms.) P. Selvie Das
22. Shri N.K. Premachandran
23. Shri Lajpat Rai

SECRETARIAT

1.	Shri A.S. Chera	Deputy Secretary
2.	Shri R.S. Mishra	Under Secretary

WITNESSES

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

1. Shri Arun Bhatnagar, Secretary
2. Shri M.Ranjan, AS&FA
3. Dr. Sundeep Khanna, JS(SUN)
4. Shri Sanjay Kaul, JS(SK)
5. Shri S.K. Srivastava, JS(SS)
6. Shri P. Uma Shankar, JS

Food Corporation of India

1. Shri A.M. Gokhale, Chairman

Central Warehousing Corporation (CWC)

1. Shri N.K. Choubey, MD

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 (2003-2004). 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.

MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION HELD ON FRIDAY, THE 4TH APRIL, 2003

The Committee sat from 1500 hours to 1630 hours

PRESENT

Shri Devendra Prasad Yadav - Chairman

MEMBERS

LOK SABHA

2. Shri A.P. Abdullakutty
3. Shri Dalit Ezhilmalai
4. Shri Rameshwar Dudi
5. Smt. Preneet Kaur
6. Shri Bir Singh Mahato
7. Shri Shyam Bihari Mishra
8. Shri Baju Ban Riyan
9. Shri Rammurti Singh Verma
10. Shri Sukdeo Paswan

RAJYA SABHA

11. Smt. Bimba Raikar
12. Shri S.K. Khabiruddin Ahmed
13. Shri Vijay Singh Yadav
14. Dr. (Ms.) P. Selvie Das
15. Shri Lajpat Rai

SECRETARIAT

1. Dr. (Smt.) Paramjit Kaur Sandhu - Joint Secretary
2. Shri A.S. Chera Deputy Secretary
3. Shri R.S. Mishra Under Secretary

(i) Consideration and adoption of Draft Twenty-First Report.

2. The Committee, then, considered and adopted the Draft Twenty-First Report on Demands for Grants (2003-2004) relating to the Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution without any amendment.

(ii) Consideration and adoption of Draft Twenty-Second Report.

3. *** **** ***

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**