

24

**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 DISTRIBUTION)**

*[Action Taken by the Government on the recommendations/observations
contained in the Twentieth Report of the Committee on "Procurement,
Storage and Distribution of Foodgrains" relating to the Ministry of Consumer
Affairs, Food and Public Distribution (Department of Food and Public
Distribution)]*

TWENTY- FOURTH REPORT



Presented to Lok Sabha on 18.12.2003
Laid in Rajya Sabha on 18.12.2003

**LOK SABHA SECRETARIAT
NEW DELHI
December, 2003/Agrahayana , 1925 (Saka)**

CONTENTS

COMPOSITION OF THE COMMITTEE

INTRODUCTION

CHAPTER I

Report

CHAPTER II

Recommendations/Observations which that have been accepted by the Government

CHAPTER III

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

CHAPTER IV

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

CHAPTER V

Recommendations /Observations in respect of which final replies of the Government are still awaited

APPENDIX

Analysis of the Action Taken by the Government on the recommendations contained in the Twentieth Report of the Standing Committee on Food, Civil Supplies and Public Distribution (Thirteenth Lok Sabha)

ANNEXURE

Minutes of the sittings of the Standing Committee on Food, Civil Supplies and Public Distribution (2003) held on 16 December, 2003

**COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CIVIL
SUPPLIES AND PUBLIC DISTRIBUTION (2003)**

Shri Devendra Prasad Yadav

- Chairman

MEMBERS

LOK SABHA

2. Shri A.P.Abdullakutty
3. Shri Rajbhar Babban
4. Shri Tara Chand Bhagora
5. Shri Sujan Singh Bundela
6. Shri Dalit Ezhilmalai
7. Shri Namdeo Harbaji Diwathe
8. Shri Rameshwar Dudi
9. Shri Dip Gogoi
10. Shri Abdul Hamid
11. Shri Ramesh C.Jigajinagi
12. Smt. Preneet Kaur
13. Shri Bir Singh Mahato
14. Shri Sanat Kumar Mandal
15. Shri Shyam Bihari Mishra
16. Shri Sis Ram Ola
17. Shri Sukdeo Paswan
18. Shri Dharam Raj Singh Patel
19. Shri Ramsagar Rawat
20. Shri Baju Ban Riyan
21. Shri Vishnu Dev Sai
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. Shri Adhi Sankar
29. Shri Alakesh Das

RAJYA SABHA

30. Smt. Bimba Raikar
31. Shri Nandi Yellaiah
32. Shri Surendra Lath
33. Shri S K. Khabir Uddin Ahmad
34. Shri Ravula Chandra Sekar Reddy
35. Shri Munavvar Hassan
36. Shri C. Perumal
37. Shri M.A.Kadar
38. Shri Vijay Singh Yadav
39. Shri Isam Singh
40. Shri Anil Sharma

41. Shri Harendra Singh Malik

SECRETARIAT

1. Dr. (Smt.) Paramjit Kaur Sandhu - Joint Secretary
2. Shri Krishan Lal - Director
3. Shri R.S. Mishra - Deputy Secretary
4. Shri Santosh Kumar - Committee Officer

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Civil Supplies and Public Distribution (2003) having been authorized by the Committee to submit the Report on their behalf, present this Twenty-fourth Report on Action Taken by the Government on the recommendations/observations contained in the Twentieth Report of the Committee (Thirteenth Lok Sabha) on Procurement, Storage and Distribution of Foodgrains, of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The Twentieth Report was presented to Lok Sabha on 19th December, 2002. The Government have furnished their replies indicating Action Taken on the recommendations contained in the Report on 11th June, 2003 and 4th August, 2003. The Draft Action Taken Report was considered and adopted by the Standing Committee on Food, Civil Supplies and Public Distribution (2003) at their sitting held on 16th December, 2003.

3. An analysis of the action taken by the Government on Recommendations contained in the Twentieth Report of the Standing Committee (Thirteenth Lok Sabha) on Procurement, Storage and Distribution of Foodgrains is given in Appendix II.

NEW DELHI;
December 17, 2003
Agrahayana 26, 1925 (Saka)

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

CHAPTER- I

REPORT

1.1 This Report of the Standing Committee on Food, Civil Supplies and Public Distribution deals with the Action Taken by the Government on the Observations/Recommendations contained in the Twentieth Report (Thirteenth Lok Sabha) on the subject "Procurement, Storage and Distribution" pertaining to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

1.2 The Report was presented to Lok Sabha and laid on the Table of Rajya Sabha on the 19th December, 2002. It contained 20 recommendations/observations.

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

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

Para Nos. 1.91, 1.92, 2.79, 2.83, 3.64, 3.66, 3.67, 3.68 and 3.70
(Chapter-II, Total- 9)

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

Para Nos. 1.90, 1.96, 3.65 and 3.69
(Chapter-III, Total-4)

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

Para Nos. 1.94, 1.95 and 2.80
(Chapter-IV, Total - 3)

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

Para Nos. 1.93, 1.97, 2.81 and 2.82
(Chapter V, Total - 4)

1.4 The Committee desire that the final replies in respect of the Observations/Recommendations for which only interim replies have been received by the this Secretariat, from the Government should be furnished to the Committee expeditiously.

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

1.6 The Committee will now deal with action taken by the Government on some of the recommendations as follows. The Committee do not accept those recommendations in which they are not satisfied with the replies of the Government. The Committee have made further recommendations on the following aspects at para Nos. 1.9, 1.12 and 1.15.

A. Central Issue Price (CIP) and Market Price

Recommendation (Para No. 1.94)

1.7 Observing Central Issue Price (CIP) of foodgrains above prevailing market prices continuously for the last 3-4 years resulting in piling up of stocks, the Committee had recommended:

“The Committee note that during the last 3-4 years many a times, the CIP of foodgrains was more than the prevailing market prices, thereby defeating the whole purpose/objective of Public Distribution System (PDS). This may be due to hike in MSP, but the Committee feel that the CIP of foodgrains issued under TPDS should always be less than prevailing market price. The Committee, therefore, strongly urge the Government to ensure that the CIP must be less than the prevailing market prices whatever the burden of subsidy the Government have to bear”.

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

Wheat and rice are issued to the State Governments/UTs from the Central Pool at the uniform Central Issue Prices (CIP) for distribution under the Targeted Public Distribution System (TPDS). Under the TPDS introduced *w.e.f.* 1.6.1997, the Cenral Issue Prices of wheat and rice are fixed for BPL and APL families separately. The CIPs of wheat and rice are heavily subsidized and have remained unchanged for BPL families since April, 2000. The CIPs of wheat and rice since 2000 are as under:-

CIPs of wheat

(Rs. per quintal)

	BPL	APL
Before 1.4.2000	250	682
Effective from :		
1.4.2000	450	900
25.7.2000	415	830
12.7.2001	415	610
1.4.2002	415	510
1.7.2002	415	610

CIPs of rice

(Rs. per quintal)

	BPL	APL
Before 1.4.2000	350	905
Effective from :		
1.4.2000	590	1180
25.7.2000	565	1130
12.7.2001	565	830
1.4.2002	565	730
1.7.2002	565	830

2. Besides this, wheat and rice are also issued under Antyodaya Anna Yojana (AAY) to the poorest of the poor at Rs.2/- per kg. for wheat and Rs.3/- per kg. for rice.

1.9 The Committee note that the objective of declaring the Central Issue Price (CIP) is that the Public Distribution System (PDS) and Targeted Public Distribution System (TPDS) Consumers get foodgrains at a reasonable rate and are not forced to pay exorbitant prices to hoarders and traders. It has been noticed by the Committee that there were instances when prevailing market prices were lower than Central Issue Price of foodgrains meant for PDS and TPDS. If the CIP is more than the prevailing market prices, there will be no buyers for the stocks of the Government. Lowering the CIP below prevailing market prices would serve the dual purpose of supplementing Public Distribution System and Targeted Public Distribution System and also in reduction of stocks which have reached beyond manageable limits. The Committee feel that instead of sticking to age old practices, the Government should adopt professional marketing skills and take practical measures like lowering of CIP below the market prices for Above Poverty Line (APL) population also. For the purpose, Government should closely and constantly monitor the market trends for foodgrains and whenever needed, timely action should be taken by announcing lowering of CIP even for shorter periods during the year. A marginal lowering of APL prices below prevailing market price would encourage in increasing offtake in this category and also prepare FCI for the challenges coming forward in its operation and existence. Therefore, while reiterating their earlier recommendation, the Committee strongly urge the Government to ensure that for smooth functioning of PDS and TPDS the Government must ensure that CIP should always be less than the prevailing market prices so that the foodgrains do not remain stocked in the godowns and their quality does not get deteriorated with the passage of time.

B. Enthusing the field level staff in procurement operations

Recommendation (Para No. 1.95)

1.10 Having been concerned with the complaints received during the Study Tour regarding refusal of samples of foodgrains on flimsy grounds by the

field staff engaged in procurement operations, the Committee had recommended:

-

“It has come to the notice of the Committee that the lower grade staff posted at procurement centres are not very much enthused to get involved in procurement operations. Some times, technical staff posted at the godowns refuse the stocks of the farmers on non-bonafide technical reasons, thereby causing great harassment to the farmers and thus compelling them for distress sale. The Committee, therefore, desire that unless the stock doesn't conform to the FAQ norms, it should not be rejected on flimsy grounds. Further, FCI should organize interaction programme for these officials to understand the responsibility of procurement operation so that they should not harass the farmers any more”.

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

“The views of the Committee have been noted for being conveyed to the FCI/State Governments. All the foodgrains conforming to the prescribed specifications offered for sale at specified centers are bought by the public procuring agencies. In order to closely monitor the price support operations, Special Control Rooms are set up in the FCI at its Headquarters and Regional Offices and in the Ministry. The State Governments are also advised to set up Control Rooms, which function round the clock during the peak procurement season. Reports of “distress sale” is forwarded to the concerned State Government for immediate remedial steps.”

1.12 The Committee feel that most of the maladies of procurement operations lie at the level of the lower staff who are handling the operations at the ground level. They are the ones who are in direct contact with the farmers who bring their stock to the procurement centres. During their study tour to Bihar and other States while visiting the procurement centres, the Committee was specifically informed at one centre that the technical staff posted at Jai Nagar (Bihar) godown had refused a sample of paddy on non-bonafide technical grounds. The Committee received similar complaints at other places as well and realised that there may be many more such instances throughout the country and thus the farmers are discouraged and they are compelled to resort to distress sale of their produce. The Committee are of the opinion that it is very essential that the field level staff should be well polished and well experienced. The Committee also observed that nothing has been done during the last 30-40 years for adequate motivation of the field staff. The Committee therefore believe that procurement operations would be fully successful only when the field level staff are highly motivated and committed to their assigned work. The Committee opine that training programmes must be organised keeping in view both technical and behavioral aspects of procurement operations. They, therefore, strongly reiterate their earlier recommendation that only stock not conforming to FAQ norms should be rejected and interaction programmes be organised

for motivation and training of field staff of FCI to ensure that farmers bringing their produce at the procurement centres should not be harassed and the staff indulging in malpractices and carelessness must be made accountable and punished.

C. Time bound disposal of surplus stocks

Recommendation (Para No. 2.80)

1.13 Having resolved that time bound disposal of surplus stocks of foodgrains is the one and only solution for all the problems in Food Corporation of India (FCI), the Committee had recommended:

“The Committee note that the stock of surplus foodgrains available with the Government has been steadily increasing and its disposal is becoming a problem. The Committee, further note that as on 1.1.2002, there was 58.03 million MT of surplus stock of foodgrains available with the Government. The Committee feel that timely steps to dispose of the stocks in a time bound manner and also in accordance with First-In-First Out (FIFO) principle is quite essential. The Committee also feel that if the corrective steps are not taken in time, it may become very difficult for the Government to manage the food policy of the country effectively. The Committee, therefore, strongly recommend that a comprehensive plan for time bound disposal of the stocks accumulated be prepared by the Government in order to save the accumulated grain from further deterioration and prevent unnecessary expenses on its handling and storage. Further, a policy should be formulated so that the quantity of foodgrains above buffer norms and need of different on-going schemes should be disposed in open tender within time at all cost”.

1.14 The Ministry in their Action Taken reply have stated as under:-

“In addition to encouraging decentralized procurement and non-revision of CIP of wheat and rice, various measures have been taken by the Government to increase the offtake of foodgrains from Central Pool with a view to reduce the level of surplus stock and carrying cost and avoid damage and deterioration in quality. In specific terms, the following measures are being taken:-

- (i) Continue the scale of issue for APL, BPL and Antyodaya households @ 35 kg. per household per month;
- (ii) Continue to make an additional allocation for Welfare Institutions and Hostels at BPL CIPs;
- (iii) Continue open market sales without quantitative restrictions at prices to be determined by the existing High Level Committee of the FCI;
- (iv) Continue exports of rice, wheat and wheat products without quantitative restrictions, 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; WTO compatible subsidies to continue based on the recommendations of the High Level Committee of the FCI, as per the existing practice; and

- (v) Continue 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.

2. As a result of these measures the offtake which was 313.04 lakh tonnes (153.16 lakh tonnes of rice and 159.89 lakh tonnes of wheat) during 2001-2002 has increased to 483.32 lakh tonnes (243.16 lakh tonnes of rice and 240.16 lakh tonnes of wheat) in the current year 2002-03 (upto March 2003).

3. The comparative stock position of wheat and rice on 1.4.2003 and 1.4.2002 are as under:-

	Stock As on 1.4.2003	Stock As on 1.4.2002	(In lakh tonnes)
Rice	171.57	231.91	
Wheat	156.45	215.04	
TOTAL	328.02	446.95	

4. Efforts are made to ensure that the stocks of the earlier years are moved first depending on the availability at the points of issue.

1.15 The Committee observe that the problem of burgeoning stocks will be a perennial one till some concrete measures are taken by the Government to bring the stocks to a manageable level. The ever increasing stocks are a burden on the exchequer of the Government for their upkeep and maintenance. The Committee note that FCI is dependent on the subsidy provided by the Government and credit arranged by the banks, for its functioning and should, therefore, play a pragmatic role in managing stocks. The Committee further observed that the issue of accumulation of stocks has not been taken care of due to apathetic approach of the management with the result that foodgrains valuing crores of rupees get deteriorated and later get rotten in FCI godowns for want of a time bound policy for their disposal. Though the Committee note that due to recent measures adopted by the Government there is a slight decrease in the stock level, yet the Committee feel that the skills, market prudence and commercial intelligence available with FCI is not being fully utilised for the purpose. The Committee also feel that most of the maladies of corruption, irregularities can be curbed if the management of FCI lays due emphasis on time bound disposal of stocks which will go a long way in effective implementation of food policy. The Committee are of the opinion that the Government should work out a specific time frame to realise its targets. Moreover, if the stocks are not cleared /lifted from the godowns for a long period, it would cause difficulties in storage of fresh stock of foodgrains of the ensuing procurement season. The Committee, therefore, reiterate their earlier recommendation that time

bound disposal of stocks be taken up on priority basis in a professional manner without any slackness in this operation.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 1.91)

The Committee note that the media is not being utilized to make the farmers aware of the timing and place of opening of procurement centres. The purpose of opening a procurement centre is that the maximum number of farmers within reach are able to sell their produce to the Government. However, it is not being realized and the farmers are unaware whether a procurement centre is running in their vicinity and hence the procurement at most of the centres is very less, here as on the contrary the Government claims that the farmers are not coming to the procurement centres. This defeats the very purpose of opening of procurement centres. The Committee, therefore, desire that the local media should be utilized optimally and all avenues like Newspapers, pamphlets, television, radio and local announcements should be utilized so that farmers are aware of procurement centres and should sell their produce in time. Also, efforts should be made by the Government to open adequate number of procurement centres well in advance so that farmers get benefit of MSP.

Reply of the Government

The observations of the Committee have been noted. Action is taken by the FCI in each marketing season to inform the farmers, inter alia, about location of Procurement Centers and FAQ quality of paddy through press releases in local newspapers and distribution of leaflets. The FCI and the State Governments would again be suitably advised in the matter.

2. It may be mentioned that before the commencement of each Marketing Season, discussions are convened with the State Food Secretaries to discuss the arrangements for procurement of foodgrains.
3. The States are advised to closely monitor the Procurement Operations and to ensure that there are no instances of distress sale. A Control Room is set up in all the States which functions round the clock during the peak procurement season. Wide publicity is given to the same. It has also been suggested to the States to convene Meetings of the concerned Officers, including the Zonal Manager and Senior Regional Manager, FCI, to review the adequacy of the arrangements made for the procurement during the Marketing Season, and, thereafter, to hold periodical Meetings to take stock of the complaints received so as to ensure that these are investigated expeditiously and that there is timely response in this regard.

[O.M. No. G-20017/3/2003-AC dated 11.6.2003]

Recommendation (Para No. 1.92)

During the last several years, the Committee have noticed that Minimum Support Price of foodgrains is not being announced in time. The farmers are always in doldrums as to whether the Government will purchase their produce on a profitable rate in time or not. The Committee view that this a situation of great uncertainty for the farmers. The Committee, therefore recommend that to ease the problem of farmers and to ward off uncertainty, the Central Government should announce MSP of foodgrains before the sowing season of crop.

Reply of the Government

The MSP of foodgrains are fixed by the Ministry of Agriculture. These prices are announced well in advance of the commencement of each Marketing Season. The recommendation of the Committee is noted.

[O.M. No. G-20017/3/2003-AC dated 11.6.2003]

Recommendation (Para No. 2.79)

The Committee note with the concern that despite the efforts of the Government, the storage losses in the godowns of Food Corporation of India (FCI) have not shown any satisfactory decreasing trend. The storage losses for the years 1999-2000, 2000-2001 and 2001-2002 were to the tune of 0.69%, 0.52% and 0.53% respectively. The Committee feel that the issue of storage losses requires regular monitoring both on part of the Government and the technical staff posted in the field. For this it is also essential that the traditional dunnage be replaced with modern alternate dunnage which has been found to be cost effective over traditional dunnage being used in FCI godowns since several years a fact which has also been accepted by FCI. The Committee also feels that steps taken to prevent storage losses are not enough. Regular inspections and constant monitoring are required for the purpose. The Committee, therefore, recommended that all efforts should be made by the Government to ensure that the losses do not further increase and the Government should contemplate fixing of responsibility for guilty officials in this regard. Also concrete steps should be taken by issuing circulars to Zonal Managers and Senior Regional Managers of FCI to replace traditional dunnage with alternate dunnage without further loss of time. Steps taken in this regard should be communicated to the Committee within the three months time.

Reply of the Government

The FCI has taken several steps to reduce both transit and storage losses. To curb such losses, the field units have been instructed to ensure enforcement of the standing instructions relating to minimising the storage & transit losses. Efforts are also made to maintain proper records at the time of loading and unloading of stocks of foodgrains.

2. As a result of the various steps taken by the FCI, losses have show a downward trend during the last four years, as evident from the statement below:-

Year	Transit Losses		Storage Losses	
	Qty. of Loss (Lakh MTs)	% of Qty. moved	Qty. of Loss (Lakh MTs)	% of Qty. issued
1997-98	2.41	1.11	1.78	0.41
1998-99	2.91	1.33	2.41	0.54
1999-00	2.95	1.17	1.72	0.34
2000-01	1.55	0.84	1.56	0.42
2001-02	1.82	0.78	1.98	0.36

3. The situation is reviewed at the Headquarters, Zonal and Regional levels, regularly. Wherever any abnormality is observed, immediate remedial action is initiated.
4. In case of transit losses, correct weighment of stocks and timely intimation of despatch and receipt particulars by the staff, facilitate checking possible misuse. Further, regular inspection of depots and surprise inspection of loading and unloading centres, keeps the losses under control.
5. The technical staff assist in maintaining the quality of stocks through prophylactic treatment and proper preservation. This would reduce the losses due to long storage. Use of alternate dunnage material as a replacement to wooden crates, is also being considered. After detailed examination, instructions have been issued for purchase the following three alternative dunnage materials upto 5% of total requirement of wooden crates and put them on trial for three procurement seasons of one and a half years with a view to phasing out the wooden crates gradually:-
 - (i) Poly Pallets (as per IS: 13664:1993) of Mayur Brand.
 - (ii) Poly Pallets (as per IS 13664:1993) of Sintex Brand.
 - (iii) Heavy Duty Industrial Pallets made out of Eco-Wud (Jute reinforced Thermoplastic Composite Board)
6. All these steps are expected to result in further reduction of storage & transit losses.

[O.M. No. G-20017/3/2003-AC dated 4.8.2003]

Recommendation (Para No. 2.83)

The Committee noted that the Centrally sponsored scheme of 'Construction of Godowns' which has been operative since 1983-84 under which financial assistance was given to the State Governments/ UTs for construction of small godowns upto 2000 MTs has been discontinued by the Planning Commission in the Tenth Plan. The Committee feel that after discontinuation of the scheme, there is no agency/scheme to cater to the needs of small farmers for storage of their produce. The Committee, therefore, recommend that a comprehensive survey should be conducted for assessing storage need of States

at micro level and if need be, the storage capacity be strengthened accordingly so that the farmers do not suffer for want of storage facilities.

Reply of the Government

While the overall storage capacity in the country with public agencies (FCI, CWC and SWCs) is around 608 lakh tonnes, adequate capacity may be lacking in certain areas. At the macro level, the FCI has a total storage capacity of 317.3 lakh tonnes, the CWC of 91.1 lakh tonnes and the various SWCs a storage capacity of about 200 lakh tonnes. The State-wise position of storage capacity, both under 'covered' and 'CAP', may be seen at the Annex.

2. As against the aggregate storage capacity of 608 lakh tonnes, the total stocks in the Central Pool, as on 1st June, 2003 were about 398 lakh tonnes. Thus, unutilized storage capacity exists which can be made use of by farmers.
3. With a view to develop capacity in areas and regions where there are gaps, the FCI has extended Guarantees to the CWC and SWCs for construction of godowns under the Seven Year Guarantee Scheme, under which about 62.41 lakh tonnes of storage capacity has been created so far. The FCI also constructs godowns under its Plan Scheme under which a total storage capacity of about 2.56 lakh tonnes has been created in the years 2001-02 and 2002-03.
4. In addition, the Central Warehousing Corporation (CWC) constructs godowns through internal resources and borrowings. During the last two years, the CWC have constructed about 5.19 lakh tonnes of storage capacity. The various State Warehousing Corporations also have their own Schemes for creation of additional storage capacity in the respective States. Farmers have the facility to store their farm produce in the CWC and SWC godowns in various States. The Department of Agriculture and Cooperation have a Scheme for construction of rural godowns.

[O.M. NO. G-20017/3/2003-AC dated 4-8-2003]

Recommendation (Para No. 3.64)

The Committee observe that it has been claimed by the Government that poverty ratio of the country has decreased from 35.97% to 26.1%. The committee note that the earlier criteria adopted for identification of Below Poverty Line (BPL) families was based on the methodology adopted by Expert Group by Estimation of Proportion and Number of Poor constituted by the Planning Commission under the Chairmanship of Late Prof. Lakdawala. However, the Consumer expenditure data of the National Sample Survey (in the 55th round), which has been released, estimates the poverty ratio of the country at 26.10% (1999-2000). The Committee note that when the modalities for both the surveys is not the same, the Government should not compare these two figures and thus should not claim a reduction in poverty level in the country. The Committee, therefore, desire that the data released by National Sample Survey should not be taken into account to give a wrong picture of the poverty situation in the country, which in turn can negatively affect the poverty alleviation programmes.

Reply of the Government

Although even as per the latest Poverty Estimates of Planning Commission (1999-2000), the poverty ratio at national level has come down from 36% in 1993-94 to 26% during 1999-2000 with State-wise variations, foodgrains under TPDS are being allocated on the basis of estimates of poverty of 1993-94, which are higher.

[O.M. No. G-20017/3/2003-AC dated 11.6.2003]

Recommendation (Para No. 3.66)

The Committee note that the Public Distribution System (Control) Order, 2001 which was notified on 31-08-2001 contains many important provisions with regard to ration cards, licensing, identification of families Below Poverty Line (BPL), sale and issue prices, distribution of foodgrains, monitoring etc. The Committee also note that any offence committed in violation of the provisions of this Order shall involve criminal liability under the Essential Commodities Act, 1955. The Committee notes that a few States have already implemented this Order and compliance from few other States is awaited. The Committee feels that though the provisions of this Order are very good but only proper implementation of these provisions can go a long way in improving the Public Distribution System to a large extent. The Committee, therefore, strongly recommend that the Government should ensure effective implementation of the Public Distribution System (PDS) Control Order, 2001 by all the States and the matter, if need be, taken up with the State Governments at the highest level.

Reply of the Government

The PDS (Control) Order 2001 has been issued under the Essential Commodities Act, 1955 to strengthen the hands of the State Governments to provide legal binding to the various instructions and guidelines issued in the past to make PDS more accountable and effective. It is for the State Governments to strictly and effectively implement the Order. However, as recommended by the Committee, the matter has been taken up at the highest levels with the State Governments for proper and effective implementation.

[O.M. No. G-20017/3/2003-AC dated 11.6.2003]

Recommendation (Para No. 3.67)

The Committee feels that the diversion of foodgrains from fair price shops (FPSs) to the open markets is a very serious matter, which needs to be looked into urgently. The Committee have been continuously perusing the matter and they have recommended in their Second Report on Demands for Grant (1996-97) that a comprehensive study should be carried out to know the extent of diversion of Public Distribution System (PDS) commodities. In this regard, the survey conducted by M/s Tata economic Consultancy Services (TECS) revealed that diversion of Public Distribution System (PDS) commodities occurs in wheat, rice, sugar and edible oil. However, the State Governments in the meeting of State

Food Secretaries claimed that TECS report had overstated that extent of diversion. The Committee desires that the matter of diversion of foodgrains should not be diluted and be taken up seriously. The Committee, therefore, recommended that stringent measures be adopted by the Government to curb diversion of foodgrains in order to restore the confidence of the beneficiaries in the Public Distribution System (PDS).

Reply of the Government

The findings of the Report submitted by TECS were discussed in a meeting with the State Food Secretaries in August 1998. The representatives of State Governments were generally of the view that while some diversion of foodgrains does take place, they did not agree with the estimates arrived at by M/s TECS, which they felt, were on the higher side. However, the need to eliminate diversion of foodgrains was emphasized and the State Governments were asked to take appropriate action with particular emphasis on elimination of bogus ration cards to minimize diversion. In addition, the Government of India have taken the following measures: -

(i) Detailed Guidelines have been issued in June, 1999 for greater involvement of Panchayati Raj Institutions (PRIs) in the functioning of TPDS and to make the system of distribution more transparent and accountable, as a measure of Social Audit.

(ii) The Government of India issued the Public Distribution System (Control) Order, 2001 in order to further streamline the functioning of TPDS and to make it more effective and accountable. Any offence committed in violation of the Order invokes criminal liability under the Essential Commodities Act, 1955.

(iii) A Task Force has been constituted to look into irregularities in the implementation of the TPDS and Antyodaya Anna Yojana and to suggest remedial measures.

(iv) The State Governments are required to furnish Utilization Certificates confirming that the foodgrains lifted from the Central Pool have been distributed to the intended beneficiaries under the TPDS. The above measures should help curb diversion of foodgrains in the PDS.

[O.M. No. G-20017/3/2003-AC dated 11.6.2003]

Recommendation (Para No. 3.68)

The Committee feel that the fair price shops (FPSs) are the basis of implementation of the Public Distribution System whose proper operation should be the first priority of the Government. Many a times the network of FPSs are not able to serve the desired purpose. Under Section 3 of Essential Commodities Act, 1955, it should be made mandatory for the FPS owners to invariably display information like beneficiary's entitlement of various essential commodities, issue prices, timing of closing and opening of the shops, weekly closing days, stock

position and the name of the shop owner etc. Also a register for recording complaints with regard to quality and quantity of stock and their redressed etc. be maintained at these shops. The Committee feel that these steps, if implemented seriously would go a long way in restoring the confidence of the beneficiaries who are fed up with the system. The Committee, therefore, desire that the above measures should be made mandatory for Fair Price Shop owners and action taken in this regard be communicated to the Committee within three months time.

Reply of the Government

The responsibilities and duties of Fair Price Shop owners as per the provisions of the PDS (control) Order, 2001 include:

Display of information on a notice at a prominent place in the shop on daily basis regarding (a) list of BPL and Antyodaya beneficiaries, (b) entitlement of essential commodities, (c) scale of issue, (d) retail issue prices, (e) timings of opening and closing of the FPS, (f) stock of essential commodities received during the month, (g) opening and closing stock of essential commodities and (h) the authority for redressal of grievances/lodging complaints with respect to quality and quantity of essential commodities under the PDS. State Governments are required to issue licenses to the Fair Price Shop Owner, which should lay down the above as part of the duties and responsibilities of the FPS owner. Non-observance of any of the above provisions is a criminal offence liable for punishment under the Essential Commodities Act, 1955. As recommended by the Committee, the above provisions of the Control Order have been reiterated to the State Governments for strict compliance. State Governments have also been asked to ensure that the name of the shop owner is mentioned on the Notice Board and that a Register for recording complaints relating to quantity and quality of stocks is invariably maintained at the fair price shop alongwith indication of the Authority for redressal of grievances/lodging complaints.

[O.M. No. G-20017/3/2003-AC dated 11.6.2003]

Recommendation (Para No. 3.70)

The Committee note that the vigilance mechanism prevalent for monitoring the Fair Price Shops is not very effective. It is felt by the Committee that the Public Distribution System should be made more transparent and accountable. The huge Public Distribution System network would be meaningful only if the system takes care of the needs of the poor people and deliver the goods. For this, strong network of vigilance committees is very essential as has been stressed from time to time by the Committee. The Committee, therefore, strongly recommend that all the State Governments should be persuaded to make their Public Distribution System effective. For this, Vigilance Committees, where they do not exist, may be constituted without further delay.

Reply of the Government

The State Governments have been advised to constitute Vigilance Committees at various levels, particularly at FPS level, for effective monitoring of their functioning. So far, 22 States have intimated constitution of the Vigilance

Committees in their States. The Department of Food and Public Distribution has been pursuing with the other State Governments to intimate the status and constitute the Vigilance Committees, if not already done, without further delay and to ensure that Vigilance Committees meet regularly so as to effectively supervise the functioning of the PDS, particularly at the Fair Price Shop level.

[O.M. No. G-20017/3/2003-AC dated 11.6.2003]

CHAPTER III

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

Recommendation (Para No. 1.90)

The Committee have repeatedly been informed by the Government that the pace of procurement of foodgrains in Bihar, Orissa etc. is not to the level of Punjab and Haryana as there are no such regulated mandis and adequate infrastructure in Bihar and Orissa as available in Punjab and Haryana. The level of procurement is also not satisfactory in Madhya Pradesh, Gujarat, Tamil Nadu etc. for want of adequate infrastructure. The Committee note that due to this, the benefit of Minimum Support Price is not reaching the farmers of such States. The Committee, therefore, recommend that Central Government should persuade the State Governments and make a comprehensive plan for providing adequate procurement infrastructure in co-ordination with the State Governments having inadequate infrastructure facility. Further, the Food Corporation of India should also play an active role by assisting the State Governments for creation of adequate infrastructure in the States for effective procurement.

Reply of the Government

The present system of procurement is most effective in the States where there is adequate infrastructure in the form of regulated markets and where the farmers have sufficient marketable surplus. The policy of MSPs and procurement of Fair Average Quality standard of foodgrains is being implemented with the help of the State Governments uniformly in all the States which have potential for procurement.

2. The State Governments are responsible to develop adequate infrastructure under the Agricultural Produce Marketing Act. Under the present Acts, the State Governments are empowered to initiate the process of setting up of regulated agricultural markets. Inter-Ministerial Task Force on Agricultural Marketing Reforms set up in the Ministry of Agriculture has made certain recommendations in its Report. A Standing Committee of State Ministers has been set up under the Chairmanship of the Minister of State for Agriculture to suggest measures and an Action Programme for the implementation of the reform measures. The Standing Committee has recommended that the States may appropriately amend the respective Acts to pave the way for promotion of direct marketing and for the establishment of competitive agricultural markets/marketing infrastructure in private and cooperative sectors, subject to safeguarding farmers' interests.

3. During the current Kharif Marketing Season 2002-03, the FCI has made arrangements for extending the benefits of MSP to farmers in several non-traditional States like, Bihar, Orissa, Madhya Pradesh and Assam. The FCI is taking up procurement operations in Assam for the first time. The details in this regard are indicated below:-

(a) Bihar

The FCI has opened 100 paddy Purchase Centres for the Kharif Marketing Season 2002-03 in the Distts. Of Patna, Gaya, Bhagalpur, Purnea, Muzaffarpur, Saharsa, Chhapra, Darbhanga and Samastipur, against 41 opened during the previous year. These Centres are in addition to those opened by the State Government.

(b) Orissa

The FCI, in consultation with the State Government, have opened 20 paddy procurement centers during KMS 2002-03 in the Titlagarh and Sambalpur Districts of FCI which includes the six Revenue Districts of Kalahandi, Bolangir, Nowatara, Sonpur, Bargarh and Sambalpur. The locations have been decided, keeping in view the areas where reports of distress sale are received as also the potential of procurement. However, the paddy brought to the Centres by the farmers has not always been of the prescribed FAQ standards. The State Govt./FCI have been advised to take necessary steps to educate the farmers about measures towards adequate driage of paddy to reduce moisture content and bring the paddy to FAQ standards.

(c) Madhya Pradesh

The Government of Madhya Pradesh has been undertaking procurement of wheat under decentralized procurement scheme from Rabi Marketing Season 1999-2000. During KMS 2002-03 the FCI has taken up paddy procurement in Chambal, Gwalior and Jabalpur Divisions (at 22 centres) directly from farmers. In other parts of the State, the Government of Madhya Pradesh has taken up paddy procurement as an Agent (on behalf of the FCI).

(d) Assam

Six Centres have been notified by the FCI for procurement of levy rice during the Kharif Marketing Season, 2002-03 in the Revenue Districts of Nalbari, Darrang, Sonitpur, Lakhimpur and Kamrup. The State Government is contemplating to entrust the procurement of levy rice to the FCI during the current Kharif Marketing Season 2002-03. Necessary administrative orders are awaited from Govt. of Assam. The State Government has also indicated its willingness to undertake decentralized procurement of rice and the modalities are under finalisation.

(e) Tamil Nadu

The Government of Tamil Nadu is operating the decentralized procurement scheme in respect of rice from the current Kharif Marketing Season 2002-03.

[O.M. No. G-20017/3/2003-AC dated 11.6.2003]

Recommendation (Para No. 1.96)

The Committee note that though the objective behind the scheme of decentralized procurement is very good, there are major hurdles being faced by

the State Governments in its implementation. It has come to the notice of the Committee that the State Governments willing to adopt decentralized procurement are not enthused due to operational problems like lack of necessary infrastructure, adequate number of godowns, cash credit, trained manpower, financing or procurement operations etc. The Committee feel that before expecting the State Governments to opt for decentralized procurement scheme, the necessary infrastructure should be created or made available to them. The Committee, therefore, recommend that the decentralized procurement scheme should be implemented in a phased manner in States by creating necessary infrastructure, rather than implementing the scheme at one stretch. Till that time, the Food Corporation of India and other procuring agencies should not give up their responsibility of procurement operations.

Reply of the Government

The Scheme for decentralized procurement of foodgrains was introduced in 1997 with the following objectives:-

- i) to ensure that local farmers would get the Minimum Support Price;
- ii) reduce dependence of the State Governments on the FCI for PDS requirements.
- iii) reduce pressure on freight movement by rail through more local procurement
- iv) reduce complaints about quality as the consuming States themselves would be the custodians of the procured foodgrains; and
- v) achieve savings in the food subsidy bill; as the economic cost of foodgrains procured under the decentralized scheme is expected to be less than the economic cost of the FCI, on account of lesser transportation and administrative costs

2. Under this Scheme, the designated States procure, store and also issue foodgrains as per allotments indicated by the Central Government under PDS. The difference between the economic cost of the State Government and the Central Issue Prices is passed on to the State Government as subsidy.

3. West Bengal was the first State to start procurement of levy rice under this scheme, during the Kharif Marketing Season 1997-98. In Madhya Pradesh and Uttar Pradesh, the scheme commenced for procurement of wheat with effect from the Rabi Marketing Season, 1999-2000 for wheat. The State Government of Uttar Pradesh commenced procurement of paddy/rice under this scheme with effect from the Kharif Marketing Season 1999-2000. The new States of Uttaranchal and Chhattisgarh have also opted for the Scheme from 2001-02 and 2002-03 respectively. The State of Tamil Nadu has opted for this scheme with effect from 2002-03 in respect of paddy. The States of Assam, Tripura and UT of A&N Islands have also evinced an interest in the scheme.

4. Over the years, the States have developed infrastructure in the form of regulated market yards, apex Marketing Cooperative Societies and Civil Supplies Corporations, to enable them to enter the area of procurement in pockets where marketable surplus is available, store the foodgrains, and move them to the consumption centers.

5. The problems commonly faced by the States in implementing the decentralized procurement scheme and action taken thereon by the Central Government is indicated below:-

Non-availability of funds

The Central Government recommends the proposals of the State Governments to the RBI for cash credit limit for the purpose of procurement of foodgrains.

Delay in payment of subsidy

It has been decided that the State Governments would be paid advance subsidy on quarterly basis on decentralized procurement @ 95% of the Bill raised on the basis of actual distribution accompanied by Utilization Certificate.

Inadequate storage charges

The Government of India is fixing storage charges since Kharif Marketing Season 2001-2002 onwards at the rate payable by FCI to CWC for storage of foodgrains. The storage charges are fixed for an average period of six months. There is a provision for higher storage charges at the time of finalizing the economic cost based on the audited accounts of the State.

Fixation of economic cost of procurement and distribution unilaterally by the Government of India are inadequate

Before fixing the provisional Economic Cost, detailed proposals are sought from the State Governments. The final Economic Cost is fixed only after the State Governments submit their audited accounts and the actual permissible expenditure is reimbursed to the State Governments.

Service charges and commission are denied to State procurement agencies

The Government of India is already releasing administrative charges @ 2.5% of the MSP or the actual, whichever is less on the quantity of foodgrains distributed.

Cost of internal transportation is disallowed

The Economic Cost of wheat includes transportation and handling charges both at acquisition stage as well as distribution stage and for rice at the distribution stage. In the case of rice, the milling charges for converting paddy into rice includes the element of transportation for carrying paddy/rice within a distance of eight km. of the mill.

Paddy milling charge at outdated rates

The milling charges for converting paddy into rice has been uniformly fixed at Rs.13.20 per qtl. throughout the country, on the basis of the report submitted by the Tariff Commission.

Non-acceptance of raw rice by FCI

FCI accepts raw rice conforming to the laid down specifications.

[O.M. No. G-20017/3/2003-AC dated 11.6.2003]

Recommendation (Para No. 3.65)

The Committee note that the offtake of foodgrains for various Welfare Schemes like Mid day Meal, Wheat based Nutrition Programme, Supply of foodgrains to SC/ST/OBC/Hostels, Annapurna, Supply of subsidized foodgrains to

indigent people living in welfare institutions are very less. The Committee feel that as these schemes are meant for poor children, expectant mothers, poor students, the old and indigent people, the foodgrains in these schemes should be given free of cost, keeping in view the fact that the Government have enough foodgrains in their stock. The Committee, therefore, strongly recommend that foodgrains should be provided free of cost by the Government for these schemes so that they do not suffer.

Reply of the Government

As per the Cabinet decision dated 2nd November, 2000, foodgrains at CIP applicable for BPL families are allocated to States/UTs for Welfare Schemes implemented by various Ministries of Government of India. However, individual beneficiaries of various schemes received foodgrains almost free of cost.

[O.M. No. G-20017/3/2003-AC dated 11.6.2003]

Recommendation (Para No. 3.69)

The Committee note that one of the major reasons for diversion of foodgrains has been due to very less margin for the Fair Price Shop (FPS) owners. The Committee feel that because of less margin, the dealer is tempted to indulge in malpractices. The Dealers Association has also been constantly demanding an increase in their margin to improve their lot. The Committee, therefore, desire that the matter be taken up with State Governments to increase the margin for FPS owners suitably to curb malpractice's like adulteration, under measurement and diversion of foodgrains meant for PDS to open market.

Reply of the Government

There was, earlier a restriction that the Retail Issue Price of foodgrains at the FPS level for the BPL under the TPDS should not exceed the Central Issue Price by more than 50 paise per kg which has since been removed, to give flexibility to the State Governments in the matter of fixing the margin for the Fair Price Shops. While an increase in the FPS owners' margin may improve the viability of the FPS, it may however increase the Retail Issue Price and pass on the burden to the PDS consumers. A correct balance between the interests of the FPS owners and consumers is to be ensured. Besides, State Governments have been advised to enlarge the 'basket of commodities' sold through the FPS by adding non-PDS items such as salt, tea and toilet soap to improve the viability of the FPS.

[O.M. NO. G-20017/3/2003-AC dated 11-6-2003]

CHAPTER IV

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

Recommendation (Para No. 1.94)

The Committee note that during the last 3-4 years many a times, the CIP of foodgrains was more than the prevailing market prices, thereby defeating the whole purpose/objective of Public Distribution System (PDS). This may be due to hike in MSP, but the Committee feel that the CIP of foodgrains issued under TPDS should always be less than prevailing market price. The Committee, therefore, strongly urge the Government to ensure that the CIP must be less than the prevailing market prices whatever the burden of subsidy the Government have to bear.

Reply of the Government

Wheat and rice are issued to the State Governments/UTs from the Central Pool at the uniform Central Issue Prices (CIP) for distribution under the Targeted Public Distribution System (TPDS). Under the TPDS introduced w.e.f. 1.6.1997, the Central Issue Prices of wheat and rice are fixed for BPL and APL families separately. The CIPs of wheat and rice are heavily subsidized and have remained unchanged for BPL families since April, 2000. The CIPs of wheat and rice since 2000 are as under:-

CIPs of wheat

(Rs. per quintal)

	BPL	APL
Before 1.4.2000	250	682
Effective from :		
1.4.2000	450	900
25.7.2000	415	830
12.7.2001	415	610
1.4.2002	415	510
1.7.2002	415	610

CIPs of rice

(Rs. per quintal)

	BPL	APL
Before 1.4.2000	350	905
Effective from :		
1.4.2000	590	1180
25.7.2000	565	1130
12.7.2001	565	830
1.4.2002	565	730
1.7.2002	565	830

2. Besides this, wheat and rice are also issued under Antyodaya Anna Yojana (AAY) to the poorest of the poor at Rs.2/- per kg. for wheat and Rs.3/-per kg. for rice.

[O.M. NO. G-20017/3/2003-AC dated 11-6-2003]

Comments of the Committee

(Please see Para 1.9 of Chapter I)

Recommendation (Para No. 1.95)

It has come to the notice of the Committee that the lower grade staff posted at procurement centres are not very much enthused to get involved in procurement operations. Some times, technical staff posted at the godowns refuse the stocks of the farmers on non-bonafide technical reasons, thereby causing great harassment to the farmers and thus compelling them for distress sale. The Committee, therefore, desire that unless the stock doesn't conform to the FAQ norms, it should not be rejected on flimsy grounds. Further, FCI should organize interaction programme for these officials to understand the responsibility of procurement operation so that they should not harass the farmers any more.

Reply of the Government

The views of the Committee have been noted for being conveyed to the FCI/State Governments.

2. All the foodgrains conforming to the prescribed specifications offered for sale at specified centers are bought by the public procuring agencies. In order to closely monitor the price support operations, Special Control Rooms are set up in the FCI at its Headquarters and Regional Offices and in the Ministry. The State Governments are also advised to set up Control Rooms, which function round the clock during the peak procurement season. Reports of "distress sale" is forwarded to the concerned State Government for immediate remedial steps.

[O.M. No. G-20017/3/2003-AC dated 11.6.2003]

Comments of the Committee

(Please see Para 1.12 of Chapter I)

Recommendation(Para No. 2.80)

The Committee note that the stock of surplus foodgrains available with the Government has been steadily increasing and its disposal is becoming a problem. The Committee, further note that as on 1.1.2002, there was 58.03 million MT of surplus stock of foodgrains available with the Government. The Committee feel that timely steps to dispose of the stocks in a time bound manner and also in accordance with First-In-First Out (FIFO) principle is quite essential. The Committee also feel that if the corrective steps are not taken in time, it may become very difficult for the Government to manage the food policy of the country effectively. The Committee, therefore, strongly recommend that a comprehensive plan for time bound disposal of the stocks accumulated be prepared by the Government in order to save the accumulated grain from further deterioration and prevent unnecessary expenses on its handling and storage. Further, a policy should be formulated so that the quantity of foodgrains above buffer norms and need of different on-going schemes should be disposed in open tender within time at all cost.

Reply of the Government

In addition to encouraging decentralized procurement and non-revision of CIP of wheat and rice, various measures have been taken by the Government to increase the offtake of foodgrains from Central Pool with a view to reduce the level of surplus stock and carrying cost and avoid damage and deterioration in quality. In specific terms, the following measures are being taken:-

- (i) Continue the scale of issue for APL, BPL and Antyodaya households @ 35 kg. per household per month;
- (ii) Continue to make an additional allocation for Welfare Institutions and Hostels at BPL CIPs;
- (iii) Continue open market sales without quantitative restrictions at prices to be determined by the existing High Level Committee of the FCI;
- (iv) Continue exports of rice, wheat and wheat products without quantitative restrictions, 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; WTO compatible subsidies to continue based on the recommendations of the High Level Committee of the FCI, as per the existing practice; and
- (v) Continue 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.

2. As a result of these measures the offtake which was 313.04 lakh tonnes (153.16 lakh tonnes of rice and 159.89 lakh tonnes of wheat) during 2001-2002 has increased to 483.32 lakh tonnes (243.16 lakh tonnes of rice and 240.16 lakh tonnes of wheat) in the current year 2002-03 (upto March 2003).

3. The comparative stock position of wheat and rice on 1.4.2003 and 1.4.2002 are as under:-

	Stock As on 1.4.2003	Stock As on 1.4.2002
Rice	171.57	231.91
Wheat	156.45	215.04
TOTAL	328.02	446.95

4. Efforts are made to ensure that the stocks of the earlier years are moved first depending on the availability at the points of issue.

[O.M. No. G-20017/3/2003-AC dated 11.6.2003]

Comments of the Committee

(Please see Para 1.15 of Chapter I)

CHAPTER V

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

Recommendation (Para No. 1.93)

The Committee note that open ended policy of procurement of foodgrains and increased Central Issue Price (CIP) above prevailing market prices have resulted in accumulation of surplus stock of foodgrains. Besides, the benefit of the policy has not percolated to all the potential States uniformly. The Committee do feel that though there is genuine need of such a policy of procurement of foodgrains to ward off distress sale, the situation should not be allowed to aggravate to such a level that it should become rather impossible to run such a scheme. The Committee also feel that such a policy is necessary to run the various Schemes like Mid-day Meal, Wheat Based Nutrition Programme, Supply of foodgrains to SC/ST/OBC Hostels, Annapurna, Food for Work etc. The Committee, therefore desire that Government should consult all concerned like State Governments, representatives of farmers, Ministry of Agriculture and other nodal Ministries as to how this open ended policy of procurement can be run effectively so that the problems being faced in continuation of this policy do not further aggravate.

Reply of the Government

As per the present policy, the Department of Food & Public Distribution extends price support to paddy, coarse grains and wheat through the agency of FCI and the State Agencies. All the foodgrains conforming to the prescribed specifications offered for sale at specified centers are bought by the public procurement agencies. The producers have the option to sell their produce to FCI/State Agencies at support prices or in the open market as is advantageous to them. No targets, as such, are fixed for the procurement of foodgrains.

2. A High Level Committee was constituted under the Chairmanship of Prof. Abhijit Sen to formulate a Long Term Grain Policy. In its Report, the Committee has, inter-alia, made recommendations regarding the existing Food Policy and has recommended lowering of the MSP to average C2 cost, steps to be taken to give statutory status to MSP, removal of levy orders on rice millers and strict maintenance of quality specifications. The lowering of the C2 cost has been recommended alongwith a compensation package to be given to State Governments for compensating cultivators (estimated at about Rs.3915 crores).

3. With regard to the functioning of the FCI, the Committee has expressed the opinion that it has performed its role reasonably well and should continue to do so. It has recommended that FCI should move into areas where reports of distress sale continue to be received and in such areas FCI should open procurement centers. The Committee has also recommended measures for crop diversification given the changing dietary patterns.

4. The HLC has made recommendations which have wide ramifications. The recommendations require inter-Ministerial consultations as also consultation with State Governments which are in progress.

[O.M. NO. G-20017/3/2003-AC dated 11-6-2003]

Recommendation (Para No. 1.97)

The Committee have been informed that till date no transfer policy duly approved by the Board/Government is existing in FCI and in lack of this, certain officials of Food Corporation of India had been transferred during the ongoing Rabi procurement season. The Committee feel that such exercises hamper the procurement process as the concerned official is fully aware of the potentiality of the region where he is posted and also that the new incumbent takes time to cope with the ongoing procurement operation. The Committee also observe that the reasons furnished by the Ministry regarding transfer of officials as per transfer policy, administrative convenience, on promotion etc. during the ongoing procurement season are not very convincing. The Committee, therefore, strongly recommend that a fool proof transfer policy of FCI be formulated without further loss of time and transfers should be effected either before the onset of procurement season or thereafter. Steps taken in this regard should be communicated to the Committee within three months time.

Reply of the Government

FCI has been advised to place the Transfer Policy guidelines before the Board of Directors urgently for their consideration and approval. After the Board has taken a decision, the matter would be reported to the Standing Committee.

Recommendation (Para No. 2.81)

The Committee note that the Buffer Stocking Norms for the Ninth Five Year Plan (1997-2002) and earlier plans had been fixed according to the need of the country at that time. The Committee have come to know that as on 1.1.2002, the stocks of wheat and rice in the Central Pool have increased to a record level of 58.03 million MTs as against the buffer stock requirement of 16.80 million MTs. The Committee have been informed that the 5th Technical Group on Buffer Stocking Policy has been constituted to finalise the revised norms for Buffer Stocking Policy on Foodgrains for the Tenth Five Year Plan. The Committee further note that the country from being deficient in foodgrains earlier, has now become surplus in the production of foodgrains. The Committee, therefore, desire that Buffer Stocking Policy be revised in the light of prevailing need of foodgrains in the country during the plan period.

[O.M. NO. G-20017/3/2003-AC dated 4-8-2003]

Reply of the Government

The 5th Technical Group on Buffer Stocking Policy for the 10th Five Year Plan shall, while finalizing the buffer stocking policy will keep in view the

recommendation of the Standing Committee on Food, Civil Supplies & Public Distribution as contained in the 20th report.

[O.M. NO. G-20017/3/2003-AC dated 11-6-2003]

Recommendation (Para No. 2.82)

The Committee note that the quantity of stocks exceeding the buffer norms has been increasing drastically (nearly 4 fold) i.e. from 5.66 Million Tonnes during 1.4.99 to 22.04 MTs during 1.4.2002. The agricultural scenario of the country has dramatically changed over the years. After the Green Revolution, the recourse to imports has gradually ended and foodgrain stocks in the country are being managed from within. Now foodgrains stocks in the country are in surplus and as such a situation has arisen where the country can export foodgrains in abundance and register its name in the list of exporters. The Committee, therefore, strongly recommend that FCI with such a large manpower and commercial skill available with them, should undertake export on their own.

Reply of the Government

Export of foodgrains by FCI is under consideration.

[O.M. NO. G-20017/3/2003-AC dated 11-6-2003]

NEW DELHI;
17 December, 2003
26 Agrahayana, 1925(Saka)

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

APPENDIX

(Vide Introduction of the Report)

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

Total Number of Recommendations	20
(i) Recommendations/Observations which have been accepted by the Government;	
Para Nos. 1.91, 1.92, 1.95, 1.96, 2.79, 3.66, 3.67, 3.68 and 3.70	
Total	9
Percentage	45

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

Para Nos. 1.90, 2.80, 3.64 and 3.65

Total 4

Percentage 20

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

Para Nos. 1.94, 2.83 and 3.69

Total 3

Percentage 15

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

Para Nos. 1.93, 1.97, 2.81 and 2.82

Total 4

Percentage 20

**Minutes of the eleventh sitting of the standing committee
on Food, civil supplies and public distribution held
on Tuesday, the 16th December, 2003.**

The Committee sat from 15.00 hrs. to 15.45 hrs. in Committee Room No. 139, Parliament House Annexe, New Delhi.

PRESENT

Shri Devendra Prasad Yadav – Chairman

MEMBERS

LOK SABHA

42. Shri Tara Chand Bhagora
43. Shri Rameshwar Dudi
44. Shri Sukdeo Paswan
45. Shri Dharam Raj Singh Patel
46. Shri Bajju Ban Riyan
47. Shri Kishan Lal Diler
48. Shri Jaiprakash
49. Shri Adhi Sankar

50. Shri Alakesh Das

RAJYA SABHA

51. Smt. Bimba Raikar
12. Shri Surendra Lath
13. Shri C. Perumal
14. Shri Vijay Singh Yadav

SECRETARIAT

1. Shri Krishan Lal - Director
2. Shri R. S. Mishra - Deputy Secretary
3. Shri Jagdish Prasad - Assistant Director

2. At the outset, the Hon'ble Chairman welcomed the Members of the Committee. Thereafter, the Committee took up for consideration of Draft Twenty-fourth Report on recommendations/observations contained in their Twentieth Report on "Procurement, Storage and Distribution of Foodgrains" and adopted the same without any amendment.

3. ** ** ** **

4. ** ** ** **

5. The Committee authorized the Chairman to finalise the Reports in the light of consequential changes and present the same to Parliament on their behalf

The Committee then adjourned.