NINTH REPORT

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

(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 contained in the Sixth Report of the Committee on Food, Civil Supplies and Public Distribution on Demands for Grants (2000-2001) of the erstwhile Ministry of Consumer Affairs and Public Distribution (erstwhile Department of Sugar and Edible Oils]

Presented to Lok Sabha on ....
Laid in Rajya Sabha on 19/12/2000

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 2000/Agrahayana, 1922 (Saka)

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

Shri Devendra Prasad Yadav — *Chairman*

MEMBERS

Lok Sabha

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

$$$$22. Shri Kodikunnil Suresh

23. Shri Ram Naresh Tripathee
24. Shri Ram Chandra Veerappa
25. Dr. Sahib Singh Verma

**26. Shri Akhilesh Yadav

***27. Shri Tejveer Singh

***28. Shri Kishan Lal Diler

***29. Shri Ramshakal

***30. Shri Rama Mohan Gadde

***31. Shri P.D. Elangovan

Rajya Sabha

$32. Shri Sushil Barongpa
33. Shri W. Angou Singh
34. Shri Abdul Gaiyur Qureshi
35. Shri Lajpat Rai
36. Shri Dawa Lama
37. Shri M.A. Kadar
38. Shri Kaushok Thiksey
39. Shri D.P. Yadav
*40. Shri Nanaji Deshmukh
$$41. Shri Vijay Singh Yadav
$$$42. Smt. Bimba Raikar
##43. Dr. A.K. Patel
###44. Shri K.G. Bhutia
####45. Shri G.C. Kharwar

SECRETARIAT

1. Shri Harnam Singh	—	*Joint Secretary*
2. Shri Krishan Lal	—	*Director*
3. Shri R.S. Mishra	—	*Under Secretary*
4. Shri Santosh Kumar	—	*Committee Officer*

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* Ceased to be a member of the Committee w.e.f. 24.1.2000 *vide* Bulletin Part-II Para No. 400, dated 24.01.2000.

** Nominated to the Committee w.e.f. 14th March, 2000 *vide* Bulletin Part-II No. 667, dated 14th March 2000.

$ Ceased to be a member of the Committee consequent upon his retirement from Rajya Sabha w.e.f. 2.4.2000.

*** Nominated to the Committee w.e.f. 6th April, 2000 *vide* Bulletin Part-II, No. 708, dated 6th April, 2000.

$$ Nominated to the Committee w.e.f. 1st May, 2000 *vide* Bulletin Part-II, No. 811, dated 3rd May, 2000.

$$$ Nominated to the Committee w.e.f. 5th May, 2000 *vide* Bulletin Part-II, No. 847, dated 8th May, 2000.

Ceased to be a member of the Committee consequent upon his resignation from the Committee w.e.f. 10th October, 2000 *vide* Bulletin Part II dated 13th October, 2000.

Nominated to the Committtee w.e.f. 19th May, 2000 *vide* Bulletin Part-II, No. 911, dated 19th May, 2000.

Nominated to the Committee w.e.f. 29th May 2000 *vide* Bulletin Part-II, No. 942, dated 31st May, 2000 and ceased to be Member of the Committee due to his demise w.e.f 12th August, 2000.

Nominated to the Committee w.e.f. 29th May, 2000 *vide* Bulletin Part-II, No. 942, dated 31st May, 2000.

$$$$ Ceased to be a member of the Committee w.e.f. 1st August, 2000 *vide* Bulletin Part-II, No. 1121, dated 1st August, 2000.

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Civil Supplies and Public Distribution (1999-2000) having been authorised by the Committee to submit the Report on their behalf, present this Ninth Report on Action Taken by the Government on the Recommendations/ Observations contained in the Sixth Report of the Committee (Thirteenth Lok Sabha) on "Demands for Grants" (2000-2001) of the erstwhile Ministry of Consumer Affairs and Public Distribution (erstwhile Department of Sugar and Edible Oils).

2. The Sixth Report was presented to Lok Sabha on 20th April, 2000. The Government furnished their replies indicating action taken on the recommendations contained in the Report on 24th August, 2000. The Draft Action Taken Report was considered and adopted by the Standing Committee on Food, Civil Supplies and Public Distribution (1999-2000) at their sitting held on 13th December, 2000

3. An analysis of the action taken by the Government on recommendations contained in the Third Report of the Standing Committee (Thirteenth Lok Sabha) on "Demands for Grants" (2000-2001) is given in Appendix-II.

NEW DELHI;
13 *December*, 2000
22 *Agrahayana*, 1922 *(Saka)*

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

CHAPTER I

REPORT

1.1. This Report of the Standing Committee on Food, Civil Supplies and Public Distribution deals with the Action taken by the Government on the recommendations contained in the Sixth Report (13th Lok Sabha) on Demands for Grants (2000-2001).

1.2 The Report was presented to Lok Sabha on April 20, 2000 and laid on the Table of Rajya Sabha on April 20, 2000. It contained 15 observations/recommendations.

1.3 Action Taken Notes in respect of all the 15 observations/recommendations contained in the report have been received and categorized as follows:—

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

Para Nos. 2.12, 2.14, 2.25, 2.32, 2.37 and 2.46

(Chapter II, Total 6)

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

Para Nos. 2.15 and 2.24

(Chapter III, Total 2)

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

Para Nos. 2.13, 2.42, 3.9 and 3.23

(Chapter IV, Total 4)

(iv) Recommendations/Observations in respect of which reply of the Government is still awaited.

Para Nos. 1.8, 2.16 and 3.31

(Chapter V, Total 3)

1.4 The Committee desire that the final reply in respect of the recommendations for which only interim reply has been given by 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 recommendation 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.

Short Term Loan for Inputs:

1.7 While Advocating the need of short term loan for inputs like fertilizer, seeds and pesticides to farmers in view their financial positioin, the Committee had recommended as follows:—

> It has come to the notice of the Committee that a provision for granting loans to the farmers under the cane development schemes for procuring inputs like fertilizers, seeds and pesticides for the cultivation of sugarcane was incorporated in the SDF Rules, 1983 on 21.1.1997, but this scheme was operational only upto 31.3.98 and thereafter no loan has since been disbursed. The Committee do not agree with the reasons put forth for non-disbursal of loans on this account which is very much essential for cane cultivation. The Committee, therefore, strongly recommend that the Government should encourage the sugar undertakings to come forward with the applications for short term loans which in turn will increase the sugar cane production.

1.8 The Ministry in their Action Taken Reply have stated:

> A provision to provide for loans from the SDF for purchase of inputs like fertilizers, seed and pesticides has been made in the SDF Rules 1983 without any date being prescribed up to which loans could be granted. This provision was introduced to extend help to the sugar mill at a time when the sugar industry was facing a problem of liquidity and resource mobilization. As the financial situation in the industry has improved short-term loans are not being given for the present. As far as increasing sugarcane production is concerned the sugar units can avail of the regular cane development loan that has the benefit of moratorium for three years and annual repayments thereafter. The maximum amount of loan permissible for cane development is up to six times higher than the short term loans.

1.9 The Committee do not fully agree with the reply of the Government that the provision of short term loan was incorporated in SDF Rules to help to the sugar industry at a time when the industry was facing problem of liquidity and resource mobilization. The financial status of the industry has improved and therefore they are not being given short term loan for inputs, like pesticides, fertilizer and seeds. But the actual fact is that the short-term loan which was beneficial for small farmers to purchase inputs was not properly monitored as a result most of the small farmers could not get the benefit of short-term loan scheme. More and more mills in all the private, public and cooperative sectors are becoming sick due to non-availability of improved variety of sugarcane and as such short term loan can be quite instrumental in arresting the sickness to some extent. About 39 mills are sick in public and private sector, 93 have negative net-worth in cooperative sector and 101 cooperative mills have their negtive net disposable resources. The short term loan, in addition to the regular cane development loan can decrease the rate of sickness and can help at other fronts too. Further, no serious effort seems to have been made by the Government in persuading the sugar units to set up monitoring Committes. The Committee, therefore, while reiterating its earlier recommendation, desire that the Government should restart the short term loan scheme on easy terms in addition to regular cane development loan scheme to help the farmers to produce more cane of improved variety which in trun will also help in curbing the sickness of the industry. The short-term loan should also be strictly monitored. At the same time, in order to maintain the quality of sugar cane crop, the farmers should be advised not to go for premature harvesting.

Import of Sugar

1.10 Considering the glut of sugar due to import and the problems being faced by the indigenous industry to clear off their stock, the Committee had recommended:

> The Committee have been informed that a quantity of 884024 MTs of sugar has been imported in the country. Due to glut in the global market and a very sharp decline in the international price of sugar, the Government of Brazil, China, Thailand and Pakistan etc. are providing the huge subsidy on their sugar to clear off their excess stock and save the interest of their domestic sugar industry. The total availability of sugar during 1998-99 was

208.89 lakh tonnes including the carrying over stock of 54.70 lakh tones, while the internal consumption was only 141.45 lakh tonnes. In such a situation the domestic industry is finding it difficult to sell their stock. Though Government have increased the custom duty from 40% to 60% w.e.f. 9.2.2000, a lot requires to be done at this front. The Committee, therefore, recommend that Government should make all out efforts to get the stock of sugar mills cleared and import be only allowed to the extent it maintains the reasonable price level throughout the country and this country should not be made a dumping ground for cheap quality of subsidized sugar which is not fit for health of domestic sugar industry.

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

Till the import of sugar remains under Open General Licence (O.G.L.) regime, increase in the import duty is the only effective way to check the heavy imports of sugar. With the increase in the import duty on sugar to 60% w.e.f. 9.2.2000 by the Government, a declining trend in registeration of import contracts with APEDA and arrival of imported sugar has been noticed from March, 2000 onwards. Between 1.4.2000 and upto 12.5.2000 APEDA have reported registration of 2 import contracts for a quanity of 30 MTs only. A quantity of about 11,362.22 MTs (Provisional) of imported sugar has reportedly arrived into India between April, 2000 to June, 2000 (up to 19.6.2000).

2. The prices of sugar in the international market are showing an increasing trend. The average f.o.b. London Daily Price of sugar which was US$ 190.68 during the month of April, 2000 increased to US$ 200.9 during May, 2000. The prices in June 2000 have reportedly touched US$ 242.00 on 15.6.2000. At this level of international prices, coupled with the basic Customs duty of 60% and a countervailing duty of Rs. 850/- per tonne levied by the Government on sugar imports further import of sugar into India does not seem economically viable.

3. Government, in order to ease the burden of the domestic sugar industry, have recently decided to export upto 10 lakh tonnes of domestically produced sugar, which can be carried out by the sugar mills directly or through the exporters. The sugar mills and the exporters intending to export sugar are required to approach the Ministry of Consumer Affairs and Public Distribution (Directorate of Sugar) for grant of permission before they under take export of sugar in addition to registration with APEDA as per the existing procedures.

4. Government, in order to make export of sugar viable have decided to exempt the sugar meant for export free from levy obligation. This concession would be available for a period of six months, w.e.f. 1st June, 2000.

5. However, the recommendation of the Committee has been noted for future guidance.

1.12 The Committee is not fully satisfied with the reply of the Government in regard to check further import of sugar. Though the Government has taken up the recommendation of the Committee for future guidance, no concrete long-term measures seem to have been taken by the Government in curbing import of sugar. Whatever has resulted as decling trend in the import of sugar is the sequel of international price trend. It may be true that importers may not find it economically viable to import in the present scenario, but the situation of glut may arise again as soon as the trend in international prices change. The international price situation need to be strictly watched by the Government and preventive measures must be taken in time so that there should not be any delay in arriving at a decision as had happened in the past. The import duty, if necessary, be increased to a level, where it bridges the gap in demand and supply position and maintain a reasonable price of sugar throughout the country. Further, the Committee note that to ease the burden of domestic sugar industry, the Government has decided to export 10 lakh tonnes of domestically produced sugar and has also decided to exempt the sugar meant for export from levy obligatioin for six months from 1st June, 2000 onwards. Presently the country has about 248 lakh tonnes of stocks of sugar while annual consumption is only to the tune of 150 lakh tonnes. The Committee, therefore, reiterate their earlier recommendations and strongly urge the Government not to import sugar when there is already glut in the domestic market. However, to maintain the gap between demand and supply, they may export surplus sugar.

Import of Edible Oils

1.13 Sympathising with the misery meted out to domestic oilseeds producers the Committee had recommended:

> The Committee note that more than 29 lakh tonnes of edible oils have been imported under OGL in the country during (1999-2000) while the estimated shortfall was only to the tune of 14.56 lakh tonnes. Out of 19.38 lakh tonnes of shortfall, last year, the import was to the tune of about 43 lakh tonnes. This excess import of edible oil has virtually resulted in downward revision of Central Issue Price as it was available at the rate cheaper than PDS retail price in the market. The Committee feel that if this trend continues, the Government would be compelled to downgrade the CIP of edible oil again. The Committe, therefore, recommend that the Government should not allow import of edible oils more than the shortage in the country and closely monitor its availability so that losses/subsidy provided by the Government in trading operation of edible oils is reduced to the maximum extent possible.

1.14 The Ministry in their Action Taken Reply explained as under:

The comments on the Recommendation No. 3.23 of the Action Taken Report on the recommendations/observations on Demands for Grants (2000-2001) contained in the Sixth Report of the Standing Committee on Food, Civil Supplies and Public Distribution are as under:

2. In an effort to bridge the gap between demand and supply of edible oils, import of edible oils has to be allowed so as to ensure availability of edible oils and maintain the prices at a reasonable level. It is correct that the shortfall between the demand and supply of edible oils was originally estimated to be of the order of 15 lakh tonnes for the year 1998-99. This supply projection was made on the basis of Agriculture Ministry's production target of 270 lakh tonnes which was never met. As a result, actual shortfall was substantially higher than what was projected originally. Depressed prices of edible oils in the international market have also triggered the import to some extent.

3. There were persistent requests from the State Governments to raise the issue prices of edible oils being supplied through PDS, since the lifting of PDS had been very poor because of the very low difference between the then ruling market prices and the then issue prices. The central issue prices had, therefore, to be revised down suitably.

4. Further, in a span of six months, the Government has raised the duty on edible oils twice, first upward revision on 30th December, 1999 and the second upward revision on 12th June, 2000. The duty on crude oil, at present, is 27.5% (basic + surcharge) and the duty on refined oil is 44.06% (basic + surcharge + SAD). The duty on others not specified, like coconut oil, palm Kernel oil, etc. is 50.8% (basic + SAD). Under the present trade policy constraints qualitative restrictions are not favoured since these will be inconsistent with our commitments to WTO.

1.15 The Committee is not satisfied with the reply of the Government due to the fact that the Government has not been able to fully justify the high import of edible oils more than its shortage in the country. The import in the past years have occurred double/ triple of its shortage in the country taking the toll of domestic oil industry and also compelling the Government to downgrade the price of edible oils. The Government is not closely monitoring the price situation in the international market. Further, the reply of the Government that quantitative restrictions are not favoured since these will be inconsistent with the Government's commitment to WTO, is more perturbing to the Committee. This implies that by signing WTO, the Government is more keen to safeguard the interest of the farmers and traders of other country than that of their own. This is a very serious situation and the country should not be made a dumping ground for imported edible oils at the cost of indigenous industry. The Committee, therefore, while reiterating their earlier recommendation strongly urge the Government to take immediate steps henceforth to contain import of edible oils more than its shortage in the country and closely monitor the international market prices.

Research work on Palm Fruit

1.16 Being dissatisfied with the research work undertaken by the Government so far in the field of oil seeds to make the country self-sufficient, the Committee had recommended as follows:

> The Committee note that though the Government increased the Budget Estimate for the year (1999-2000) from Rs. 25 lakh to Rs. 105 lakh at RE stage and have proposed an amount of Rs. 180 lakh in BE (2000-2001) for R&D programme for the development of vegetable oils but nothing substantial has been achieved as yet. It seems that no concrete effort has been made by the Government to acquire self-sufficiency in edible oils. In the opinion of the Committee, Governments all over the world are exploiting their domestic resources for meeting their domestic requirements and to save foreign exchange. Malaysia with the production of palm oil of about 16 lakh tonnes in 1975 has been successful to extract about 90 lakh tonne in 1999 which has virtually boosted its economy. Though there is vast availability of good quality of palm fruit in India mainly in States of Bihar, Assam, Orissa, U.P. and Andhra Pradesh, no concrete step including the research work has been taken by the Government to extract oil from the palm fruit. The Committee, therefore, recommend that the Government should conduct research work on palm fruit available in the country so that the country may become self-sufficient in production of edible oils and save valuable foreign exchange being spent on the import of edible oils.

1.17 The Ministry in their Action Taken Reply have furnished as under:

The comments on the Recommendation No. 3.9 of the Action Taken Report on the Recommendations/Observations on Demands for Grants (2000-2001) contained in the Sixth Report of the Standing Committee on Food, Civil Supplies and Public Distribution are as under:

2. It is the endeavour of this Department to see that R&D programme is carried out in three phases:

(i) Phase-I—Research and Development.

(ii) Phase-II—Technology Propagation including demonstration of the technology developed.

(iii) Phase-III—Efforts for Adoption of Technology by the Industry.

3. The approved outlay for the R&D Programme for Development of Vegetable Oils for the year 1999-2000 was Rs. 25 lakhs. The amount was revised upward to Rs. 105 lakhs at the RE stage. The approved outlay for this Programme for the year 2000-2001 is only Rs. 30 lakhs. It may be appreciated that the amount is too meager to make any meaningful impact. Even so, with this meager amount of fund, we have been able to fund a number of Schemes to nationally recognised Institutes like Central Food Technological Research Institue (CFTRI), Mysore, Indian Institute of Chemical Technology (IICT), Hyderabad; Harcourt Butler Technological Research Institute (HBTI), Kanpur; Ganesh Scientific Research Foundation (GSRF), Delhi; University of Mumbai, Mumbai and University of Calcutta, Calcutta. Some of them have done significant work although the work could be carried out only at the laboratory stage basically because of financial constraint.

4. The Committee has also recommended that the Government should conduct research work on palm fruit available in the country so that the country may become self-sufficient in the production of edible oils and save valuable foreign exchange being spent on the import of edible oils. The subject matter of Oil Palm Development, it may be mentioned, is being looked after by the Ministry of Agriculture. The potential area identified suitable for cultivation of oil palm is as under:

Potential Area (in thousand ha.) identified for cultivation of Oil Palm

S.No.	Name of State	Area
1.	Andhra Pradesh	400
2.	Karnataka	250
3.	Gujarat	61
4.	Tamil Nadu	30
5.	Orissa	10
6.	Goa	10
7.	Assam	10
8.	Tripura	5
9.	Kerala	5
10.	Others	20
	Total	801

Technology Mission on Oilseeds and Pulses (TMO&P) was made Nodal Agency for Oil Palm Development in December, 1990.

Oil Palm Development Programme (OPDP)

5. To promote oil palm cultivation in areas identified as suitable for cultivation of oil palm, a Centrally Sponsored Scheme, Oil Palm Development Programme (OPDP) was launched in 1992-93 for implementation during Eighth Plan. Implementation of the scheme during Ninth Plan has been approved with enhanced subsidies to farmers and introduction of new components with effect from 8.2.2000. It is envisaged to bring an additional area of 80,000 ha. under oil palm cultivation during Ninth Plan.

Progress under OPDP

Year	Financial (Rs. in Lakhs)		Area expansion under Oil Palm (in Ha.)	
	Approved Outlay	Expenditure	Target	Achievement
1992-93	8.05	3.05	2,600	1,526
1993-94	15.00	14.32	18,000	5,176
1994-95	29.50	19.72	18,600	7,782
1995-96	25.00	19.92	23,700	10,230
1996-97	25.00	4.64	17,100	8,523
1997-98	25.00	2.45	7,097	6,807
1998-99	12.00	3.80	15,975	4,168
1999-2000	12.00	9.00	17,500	8,000

1.18 The Committee is not satisfied with the reply of the Government as nothing substantial has been reported on research work done on plam fruit so far. It is true that the oil palm development is being looked after by Ministry of Agriculture but the responsibility of coordinated management of vegetable oil particularly edible oil comes under Ministry of Consumer Affairs, Food and Public Distribution. The Comittee, therefore, while reiterating their earlier recommendation desire that all efforts should be made to make the country self-sufficient in production of edible oils by conducting research on palm fruits available in the country in coordination with both the Ministries instead of shifting the responsibility to other Ministry.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 2.12)

The Committee observed that the BE and RE (1999-200) for cane development loan was Rs. 2500 lakh, however, the actual expenditure upto 10th March, 2000 was only to the tune of Rs. 1338.27 lakhs which is about 49% utilisation. The reasons given by the Ministry for less expenditure that the sugar units do not approach the Government for cane development loan in time is not convincing to the Committee. In their view the needy farmer require the loans in time, but sugar undertakings come in their way through whom the application of loan is to be processed. The Government's assertion that it would be difficult to pass the loans to farmers directly due to their large number and vastness of the country is not appealing due to the fact that it is the responsibility of the Government to make available loans to the needy farmers well in time. The Govt., however, without analysing the reasons for less utilisation of fund have further reduced the amount in the BE (2000-2001) with reasons which do not sound well. The Committee, therefore, strongly recommend that the Government, should make all efforts to utilise the amount allocated in the Budget estimate for the year (2000-2001) under the scheme., Vigorous efforts should be made to persuade the sugar units to pass the loans to the needy farmers and if need arises, the budget allocation for the year (2000-2001) should be increased at the RE stage.

Reply of the Government

The actual expenditure for the cane development loans in the financial year 1999-2000 was Rs. 2685.00 lakhs against a budget provision of Rs. 2500.00 lakhs (BE & RE 1999-2000). The additional requirement was met by way of re-appropriation.

The budget provision, BE 2000-2001 that has been made on the basis of present and anticipated applications/proposals from sugar mills for cane development loans, is expected to be fully utilised in this financial year so that the requirement of the needy farmers is met as best as possible. In case additional funds are required the same will be sought at the RE stage.

Recommendation (Para No. 2.14)

The Committee are of the view that for short term loan, each sugar unit is required to constitute a monitoring committee having representatives from ISMA, NFCSFL, the local Government, concerned sugar mills and representatives of the sugarcane growers. However, out of 161 units whom short term loan were disbursed, only 29 sugar units have set up the monitoring committee. No efforts seems to have been taken by the Government, to persuade the sugar mills to constitute the monitoring committee. The Committee, therefore, recommend that the Government, should direct the sugar mills to constitute the monitoring committee without further delay.

Reply of the Government

The matter has been taken up with Indian Sugar Mills Association (ISMA) and National Federation of Cooperation Sugar Factories Ltd. (NFCSFL) to expedite the submission of utilisatioin certificate cum impact report duly verified by the Monitoring Committee by sugar units who have availed the short term loan.

Recommendation (Para No. 2.25)

The Committee is aware that the purpose/object of any scheme is defected by implementing agencies and the unscrupulous element of the society enjoys the benefit by misusing the loopholes of the provisions/guidelines. Even in the identification of below poverty line people, it has been observed that at some places genuine people have been deprived the benefit while those who are unentitled are enjoying the benefit at the cost of poor. The Committee, therefore, desire that while excluding the income tax assesses, no genuine persons be excluded and no unentitled person remain on the list.

Reply of the Gvernment

The exercise for exclusion of the income tax assesses and their family members from the benefits of PDS sugar is currently on in all the States/UTs. For implementation of the recommendation made by the Committee, all State Governments/UTs' Administrations have been advised to carry out the exercise meticulously in consultation with the Commissionarates of Income Tax to ensure that no genuine person is excluded and no ineligible person remains on the list of beneficiries of the PDS sugar.

Recommendation (Para No. 2.32)

The Committee are not at all satisfied with the progress of construction work in NISST, Mau. First of all, the way this very project was dealt at the Ministry level, shows a lot of poor planning and lacklustre attitude of concerned officers/departments. At one time, it was decided to wind up the proejct and dispose off the buildings already constructed, later on it was decided to continue the project. Though the Government has constituted a monitoring committee at Ministry level headed by Joint Secretary, no effective result seems to have been achieved. The Committee feel with great concern as to why the matter was not taken up with the Ministry of Urban Development in the right earnest. Further, the reasons put forth by the Ministry for the slow progress of the construction work such as delay in furnishing estimates, vetting up estimates, issue of sanction letter are not at all convincing as these procedural delay could have been avoided by effective monitoring. The Committee, therefore, strongly recommend that the matter should be taken up with the Ministry of Urban Development at the highest level to ensure that the proejct is completed within the current financial year. Further, the Ministry should also examine the reasons for delay in various construction activities taken up by the Ministry and responsibility should be fixed on erring officials for delay. Steps taken and progress achieved should be communicated to the Committee within three months.

Reply of the Government

As desired by the Committee, the progress of civil works for the NISST, Mau is being monitored at the highest level and it is expected that all these works will be completed very shortly. The progress of construction activities over the year has been studied and it is felt that the delay in completion of the project has been more on account of the remoteness and topography of the site for the project at Mau as also the many reviews about the usefulness of the project and its scope leading to stoppages of work. The records with the Ministry reveal that there has been no probem on account of budgetary provisions or entrusting works to the CPWD.

Recommendation (Para No. 2.37)

The Committee note with concern that as per information furnished by the Ministry, 38 private/public sugar mills are sick and 78 Cooperative Mills have their net worth negative. However, nothing concrete seems to have been done by the Ministry in making these mills viable. The Committee, therefore, urge the Ministry to make concrete and sincere efforts to run the closed/sick Cooperative sugar mills in right earnest in consultation with the respective State Government. If need be, finance may be arranged through SDF, ICICI, IDBI and IFCI. In case the Government finds it difficult to finance closed/sick/public sector sugar mills, they may think to trun towards Privatization of these mills. Special efforts should be made in the States of U.P., Bihar, Tamil Nadu, Maharashtra, where closed/sick sugar mills are more in number.

Reply of the Government

Private & Public Sector Units

The sugar units of the country are grouped into three sectors namely Private, Public and Co-operative. The sick sugar units belonging to Private and Public sectors are covered under the provisions of Sick Industrial Companies (special Provisions) Act, 1985 (SICA). The sick sugar units under Private and Public sectors are required to make reference to the Board for Industrial & Fiancial Reconstruction (BIFR) for determination of sickness. The main objective of the Act is to determine sickness and expedite revival of viable units or closure of unviable units. The criteria to determine the sickness under SICA for Private and Public sectors companies are as under:

(1) Accumulated losses should be equal to or more than the net worth (paid up capital plus free reserves)

(2) The industrial company should have completed five years after incorporation.

(3) The company should have employed not less than 50 industrial workers during the preceding 12 months.

The sick companies registered with the Board are dealt with in accordance with the provisions of SICA and wherever feasible, rehabilitation schems sanctioned by BIFR include various measures like restructuring the capital, induction of fresh funds by promoters, merger with other companies, change of management, provision for working capital and term loans by banks and financial institutions. As on 31.3.2000, 43 sugar mills cases were registered with BIFR under the provisions of SICA. Out of 43 cases 4 were registered twice at different point of time. In view of that actually 39 mills were registered with BIFR. The State-wise detail of cases registered with BIFR is placed at Annexure-II and the status of cases registered with BIFR is as under:

1.	Revival Scheme Sunctioned	7
2.	Dismissed as Non Maintanable	8
3.	Draft Scheme Circulated	2
4.	Winding up Recommended	6
5.	Winding up Notice issued	1
6.	Under Inquiry	8
7.	Failed & Reopened	1
8.	Declared no Longer Sick	6
	Total	39

Co-operative Sugar Mills

The co-operative sugar mills are not covered by SICA. They falls under the Co-operative Societies Acts of the respective State Government. The State Governments are expected to prepare suitable rehabilitation scheme for the revival of sick cooperative sugar mills with or without the participation of the financial institutions including National Cooperative Development Corporation (NCDC). As per the informatioin provided by the National Bank for Agriculture and Rural Development (NABARD) as on 31.3.1999 out of 241 number of sugar mills under co-operative sector, 177 mills were in losses, 92 mills were having negative net worth and 101 were having negative net disposable resources. The State wise details of sick cooperative sugar mills and their status is placed at Annexure-IV.

The recommendations of High Powered Committee in respect of Sick mills is as follows:

> Sick mills in the private and Government sector are covered by Sick Industries Companies (Special Provision) Act, 1985 and their case for possible rehabilitation is examined by BIFR. Sugar factories in the cooperative sector are not covered by this and no legislation has been enacted to examine the case of sick cooperative units for possible rehabilitation if there is potential viability. Government may consider the desirability of either including the cooperative industrial untis within the scope of the Act or enacting a separate legislation for the purpose. Till such enactment, a committee under Secretary, Department of Sugar & Edible Oils, with representative from Department of Revenue, NCDC, NABARD IFCI, (STM) and NFCSF may be set up. The concerned State Government representative may be co-opted as a member when the case of a cooperative sugar mill from that state is considered. NCDC may act as the convener and nodal agency of the Committee. The Committee may examine the cases of Sick Cooperative sugar mills for recommending revival packages of potentially viable units or merger of non viable units with adjoining mills.

The Government of India has accepted the recommendation of the High Powered Committee and has set up a committee under the Chairmanship of Secretary (Food & Public Distribution) to examine the cases of Sick Cooperative sugar mills. The Committee shall meet periodically and examine the revival package of potentially viable units or merger of nonviable units with adjoining units of sick sugar mills on receipt of reference from State Governments/UT Administration. The matter has been taken up with NABARD, State Governments of U.P., A.P., T.N., Maharashtra, Haryana, Punjab, Gujarat, Karnataka. The details of each Sick Cooperative sugar mill from every State including the reasons of their sickness, physical & financial performance of the mills in the last five years, the steps taken by the cooperative sugar mills and the State Governments to make the mills viable and the suggestion to ensure the viability of the mills has been called for as on May 1st, 2000.

So far as the revival of closed/sick sugar mills is concerned, the Government can consider the financing of such sugar mills from the Sugar Development Fund (SDF), if rehabilitation scheme sanctioned by BIFR provides for such financing. In the cases of M/s Ajudhia Sugar Mills and M/s The Shervani Sugar Syndicate Ltd. loan for modernization and in the case of M/s Kakatiya Cement Sugar & Industries Ltd. loan for cane development were sanctioned by SDF on the recommendations of BIFR. Further, since the Committee under the Chairmanship of Secretary (F&PD) has been recently constituted, the recommendations of this Committee, whenever made in respect to such mills would also be considered.

As regards the privatization of the closed/sick sugar mills of the public sector units, it may be mentioned that the action in this regard is required to be taken by the concerned State Government.

Measures taken by the Government of India to improve the viability of the sugar industry recently:

(i) Levy Freesale Ratio.

The Government of India has changed the ratio of levy freesale from 40:60 to 30:70 w.e.f. 1.1.2000.

(ii) Hike in Import Duty.

The import duty has further increased to 60% along with the continuance of countervailing duty of Rs. 850/- per tonne w.e.f. 9.2.2000.

(iii) Imported Sugar Brought Under Release Mechanism.

The imported sugar has been brought under the release mechanism.

(iv) Levy is imposed on Imported Sugar.

Levy @ 30% on the stocks of imported sugar held by the importer has been imposed with effect from 17.2.2000.

Recommendation (Para No. 2.46)

The Committee note that the Cane Price Arrears for the sugar season (1998-99) is Rs. 13253.98 lakh and the arrears outstanding for the year 1997 and earlier year is Rs. 18098.68 lakh. The cane price payable for the year 1999-2000 is Rs. 4487.34 lakh. The position of cane price arrear in the States of Punjab, Uttar Pradesh, Maharashtra, Bihar and Tamil Nadu is worse. Though there is provision of charging 15% p.a. interest on amount payable after 14 days of delivery of sugarcane, this provision is not being invoked and sugar undertaking are using this money for their own purpose. The Central Government is even unaware of the fact as to whether any sugar mill has paid the cane arrears to the farmers alongwith the interest accrued on it. In the opinion of the Committee, the collection of data relating to the cane price payment is the responsibility of the Government. The Committee, therefore, strongly recommend that Central Government should monitor *i.e.* cane arrear position effectively in close coordination with the State Government so that cane price arrears are paid to the farmers in time with interest and it also be ensured that the cane arrears are paid to the farmers at the end of each sugar season to obviate accumulation of arrears for long.

Reply of the Government

The Central Government have been monitoring periodically the cane price arrears position in close coordination with the State Governments/UTs and advising them from time to time to ensure timely payment of cane price dues of farmers with a view to minimizing the arrears at the end of each sugar season. The communications for this purpose are sent to the concerned State Governments/UTs at various levels including the Minister of CA & PD addressed to the Chief Ministers of the major sugar producing States. However, as may kindly be appreciated, the micro level implementation of the Central Government's instructions in this regard under the relevant statutory provisions of the Essential Commodities Act, 1955 and the orders made thereunder, is the responsibility of the concerned State Governments/UTs which has the necessary infrastructure including the field organization to enforce such instruction.

During the current sugar season beginning from October 1999 & still 15th May, 2000 against cane price dues of Rs. 7954.12 crores, cane price paid by the sugar factories is Rs. 6820.15 crores *i.e.* 85.74% of the cane price payable.

Similarly, in respect of past arrears of 1998-99 sugar season & earlier sugar seasons, during 01.10.99 and 14.05.2000, above 39% of the dues have been paid as explained below:

Sugar Season	Cane Price Arrears (Rs. in crores)		Percentage of arrears paid during the period 01.10.99 to 14.05.2000
	As on 30.09.99	As on 15.05.2000	
1998-99	288.64	128.87	55.35%
1997-98	92.58	180.44	18.50%
1996-97 and earlier period	128.84		
	510.06	309.31	39.36%

There have also been stay by Courts on the cane prices fixed in Tamil Nadu & Karnataka.

Notwithstanding these concerted efforts made in this direction, the concerned State Governments/UTs administrations have been apprised of the feelings/recommendations of the Committee and advised to furnish relevant information so that the latest cane price arrears situation as on 15.06.2000 could be reviewed.

CHAPTER III

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

Recommendation (Para No. 2.15)

The Committee note that the loan for modernisation/rehabilitation under BE (1999-2000) was Rs. 17500 lakh which was increased in RE (1999-2000) to Rs. 20000 lakh. However, the actual expenditure upto 10.3.2000 was Rs. 14387.64 lakh. As on 31.1.2000 out of 487 installed sugar mills, 220 are of the capacity less than 2500 TCD. The mills having capacity less than 2500 TCD are not considered viable and are bound to become sick which may result in less sugar production. The Government's assertion that the mills are not coming forward for grant of loan for modernisation is not convincing. The Committee, therefore, recommend that Government, should take concrete steps to formulate a plan to modernise mills with capacity below 2500 TCD in a phased manner so that these mills may become viable by attaining the capacity of 2500 TCD. Meanwhile the Government, may encourage Khandsari units having Vacuum Pan Technology, if necessary, by modifying the existing Sugarcane Control Order (1966). Further, the Government should also consider to relax 13 years moratorium for the mills having sound repayment capacity.

Reply of the Government

The prime responsibility and initiative for modernizing and expanding capacity of a sugar unit rests with its management. Sugar units wanting to modernize and expand capacity up to 5000 TCD are eligible to be considered for loan assistance from the Sugar Development Fund in cases where the sugar unit has been approved by a Financial Institution for assistance under a relevant scheme of the FI or has been sponsored by the Technology Information Forecasting and Assessment Council.

With particular reference to sugar mills in the cooperative sector in which there are a large number of sugar mills below 2500 TCD, Government has a scheme for modernization and expansion of such units that is being implemented through the NCDC and also with financial assistance from SDF. Other than direct financial assistance the Government has allowed incentives so that mills take up modernization.

The Committee's recommendation regarding moratorium for mills having sound repayment capacity has been noted by Government and the matter is currently being examined in consultation with the Financial Institutions and the representative apex bodies of the industry.

The Government have already allowed the Khandsari units located outside the areas reserved for sugar mills to convert to vacuum pan technology. A copy of Press Note dated 16.5.1998 issued in this regard is at *Annexure–II.* The Khandsari units which adopted the vacuum pan technology would also be granted incentives applicable to Other Recovery Areas (ORA), irrespective of their location under the Incentive Scheme 1997.

Recommendation (Para No. 2.24)

The Committee note that the Government has reduced the levy obligation of mills from 40% to 30% w.e.f. 1.1.2000 and the population basis of 1991 of allocation of sugar under PDS has been shifted to the projected population on 1.3.1999 w.e.f. 1.3.2000. On this projected population leaving aside the income tax assessees, the annual requirement of PDS sugar will be 48.85 lakh tonne while the effective levy sugar procurement will be only to the tune of 38.4 lakh tonnes. Thus there will be a gap of 10.45 lakh tonnes of levy sugar. Though the Government has imposed 30% levy on all imported sugar, it has not fixed any target of collection of levy procured from imported sugar. If the Government procures less than 10.45 lakh tonne of sugar from importers, the remaining quantity would have to be managed through loan or purchase from sugar industry, but in the case of purchase, it will further increase the sugar subsidy bill. The Committee, therefore, recommend that the shortfall in domestic levy sugar be compensated from the levy on imported sugar and in case of further gap, the shortfall should be fulfilled from loan from the industry. The Committee would also like to know the manner in which the Government is thinking to implement the recommendations of Mahajan Committee in a phased manner as has been assured on the floor of both Houses.

Reply of the Government

As per revised estimates, the production of sugar for sugar season 1999-2000 is provisionally estimated at 175 lakh tonnes. At this level of production and taking into account the carry over stocks of 7.27 lakh tonnes of levy sugar, the total availability of levy sugar is provisionally estimated at 54.74 lakh tonnes as against the requirement of about 50.80 lakh tonnes in the 1999-2000 sugar season. As such, no shortfall in the levy sugar availability is expected in the current sugar season. As regards implementation of the recommendations of the Mahajan Committee in a phased manner, it is informed that recommendations of the Committee on decontrol of sugar and PDS have already been processed and Department has formed its view. Government is likely to take final decision on it shortly.

CHAPTER IV

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

Recommendation (Para No. 2.13)

It has come to the notice of the Committee that a provision for granting loans to the farmers under the cane development scheme for procuring inputs like fertilizers, seeds and pesticides for the cultivation of sugarcane was incorporated in the SDF Rules, 1983 on 21.11.1997, but this scheme was operational only upto 31.3.98 and thereafter no loan has since been disbursed. The Committee do not agree with the reasons put forth for non-disbursal of loans on this account which is very much essential for cane cultivation. The Committee, therefore, strongly recommend that the Government should encourage the sugar undertakings to come forward with the applications for short term loans which in turn will increase the sugarcane production.

Reply of the Government

A provision to provide for loans from the SDF for purchase of inputs like fertilizers, seeds and pesticides has been made in the SDF Rules 1983 without any date being prescribed up to which loans could be granted. This provision was introduced to extend help to the sugar mill at a time when the sugar industry was facing a problem of liquidity and resource mobilization. As the financial situation in the industry has improved short-term loans are not being given for the present. As far as increasing sugarcane production is concerned the sugar units can avail of the regular cane development loan that has the benefit of moratorium for three years and annual repayments threafter. The maximum amount of loan permissible for cane development is up to six times higher than the short term loans.

(Please *see* Para 1.9 of Chapter I)

Recommendation (Para No. 2.42)

The Committee have been informed that a quantity of 884024 MTs of sugar has been imported in the country. Due to glut in the global market and a very sharp decline in the international price of sugar, the Government of Brazil, China, Thailand and Pakistan etc. are providing the huge subsidy on their sugar to clear off their excess stock and save the interest of their domestic sugar industry. The total availability of sugar during 1998-99 was 208.89 lakh tonnes including the carrying over stock of 54.70 lakh tonnes, while the internal consumption was only 141.45 lakh tonnes. In such a situation the domestic industry is finding it difficult to sell their stock. Though Government have increased the custom duty from 40% to 60% w.e.f. 9.2.2000, a lot requires to be done at this front. The Committee, therefore, recommend that Government should make all out efforts to get the stock of sugar mills cleared and import be only allowed to the extent it maintains the reasonable price level throughout the country and this country should not be made a dumping ground for cheap quality of ubsidized sugar which is not fit for health of domestic sugar industry.

Reply of the Government

Till the import of sugar remains under Open General Licence (O.G.L.) regime, increase in the import duty is the only effective way to check the heavy imports of sugar. With the increase in the import duty on sugar to 60% w.e.f. 9.2.2000 by the Government, a declining trend in registration of import contracts with APEDA and arrival of imported sugar has been noticed from March, 2000 onwards. Between 1.4.2000 and upto 12.5.2000 APEDA have reported registration of 2 import contracts for a quantity of 30 MTs only. A quantity of about 11,362.22 MTs (Provisional) of imported sugar has reportedly arrived into India between April, 2000 to June, 2000 (upto 19.6.2000).

2. The prices of sugar in the international market are showing an increasing trend. The average f.o.b. London Daily Price of sugar which was US$ 190.68 during the month of April, 2000 increased to US$ 2000.39 during May, 2000. The prices in June 2000 have reportedly touched US$ 242.00 on 15.6.2000. At this level of international prices, coupled with the basic Customs duty of 60% and a countervailing duty of Rs. 850/- per tonne levied by the Government on sugar imports further import of sugar into India does not seem economically viable.

3. Government, in order to ease the burden of the domestic sugar industry, have recently decided to export upto 10 lakh tonnes of domestically produced sugar, which can be carried out by the sugar mills directly or through the exporters. The sugar mills and the exporters intending to export sugar are required to approach the Ministry of Consumer Affairs and Public Distribution (Directorate of Sugar) for grant of permission before they under-take export of sugar in addition to registration with APEDA as per the existing procedures.

4. Government, in order to make export of sugar viable have decided to exempt the sugar meant for export free from levy obligation. This concession would be available for a period of six months, w.e.f. 1st June, 2000.

5. However, the recommendation of the Committee has been noted for future guidance.

(Please *see* Para 1.12 of Chapter-I)

Recommendation (Para No. 3.9)

The Committee note that though the Government increased the Budget estimate for the year (1999-2000) from Rs. 25 lakh to Rs. 105 lakh at RE stage and have proposed an amount of Rs. 180 lakhs in BE (2000-2001) for R&D Programme for the development of vegetable oils but nothing substantial has been achieved as yet, it seems that no concrete effort has been made by the Government to acquire self-sufficiency in Edible Oils. In the opinion of the Committee, Governments all over the world are exploiting their domestic resources for meeting their domestic requirements and to save foreign exchange. Malaysia with the production of Palm oil of about 16 lakh tonnes in 1976 has been successful to extract about 90 lakh tonnes in 1999 which has virtually boosted its economy. Though there is vast availability of good quality of Palm fruit in India mainly in States of Bihar, Assam, Orissa, U.P. and Andhra Pradesh, no concrete step including the research work has been taken by the Government to extract oil from the Palm fruit. The Committee, therefore, recommend that the Government should conduct Research work on Palm fruit available in the country so that the country may become self-sufficient in production of Edible Oils and save valuable foreign exchange being spent on the import of edible oils.

Reply of the Government

The comments on the Recommendation No. 3.9 of the Action Taken Report on the Recommendations/Observations on Demands for Grants (2000-2001) contained in the Sixth Report of the Standing Committee on Food, Civil Supplies and Public Distribution are as under:

2. It is the endeavour of this Department to see that R&D programme is carried out in three phases:

(i) Phase I—Research and Development.

(ii) Phase II—Technology propagation including demonstration of the technology developed.

(iii) Phase III—Efforts for adoption of technology by the Industry.

3. The approved outlay for the R&D Programme for Development of Vegetable Oils for the year 1999-2000 was Rs. 25 lakhs. The amount was revised upward to Rs. 105 lakhs at the RE stage. The approved outlay for this Programme for the year 2000-01 is only Rs. 30 lakhs. It may be appreciated that the amount is too meager to make any meaningful impact. Even so, with this meager amount of fund, we have been able to fund a number of Schemes to nationally recognised Institutes like Central Food Technological Research Institute (CFTRI), Mysore, Indian Institute of Chemical Technology (IICT), Hyderabad, Harcourt Butler Technological Research Institute (HBTI), Kanpur, Ganesh Scientific Research Foundation (GSRF), Delhi, University of Mumbai, Mumbai, University of Calcutta, Calcutta. Some of them have done significant work although the work could be carried out only at the laboratory stage basically because of financial constraint.

4. The Committee has also recommended that the Government should conduct research work on palm fruit available in the country so that the country may become self-sufficient in the production of edible oils and save valuable foreign exchange being spent on the import of edible oils. The subject matter of Oil Palm Development, it may be mentioned, is being looked after by the Ministry of Agriculture. The potential area identified suitable for cultivation of oil

palm is as under:

Potential Area
(in thousand ha.) identified for cultivation of oil palm

S.No.	Name of Sate	Area
1.	Andhra Pradesh	400
2.	Karnataka	250
3.	Gujarat	61
4.	Tamil Nadu	30
5.	Orissa	10
6.	Goa	10
7.	Assam	10
8.	Tripura	5
9.	Kerala	5
10.	Others	20
	Total	801

Technology Mission on Oilseeds and Pulses (TMO&P) was made Nodal Agency for Oil Palm Development in December, 1990.

Oil Palm Development Programme (OPDP)

5. To promote oil palm cultivation in areas identified as suitable for cultivation of oil palm, a Centrally Sponsored Scheme, Oil Palm Development Programme (OPDP) was launched in 1992-93 for implementation during Eighth Plan. Implementation of the scheme during Ninth Plan has been approved with enhanced subsidies to farmers and introduction of new components with effect from 8.2.2000. It is envisaged to bring an additional area of 80,000 ha. under oil palm during Ninth Plan.

Progress under OPDP

Year	Financial (Rs. in lakhs)		Area expansion under Oil Palm (In Ha.)	
	Approved Outlay	Expenditure	Target	Achievement
1992-93	8.05	8.05	2,600	1,526
1993-94	15.00	14.32	18,000	5,176
1994-95	23.50	19.72	18,600	7,782
1995-96	25.00	19.92	23,700	10,230
1996-97	25.00	4.64	17,100	8,523
1997-98	25.00	2.45	7,097	6,807
1998-99	12.00	3.80	15,975	4,168
1999-00	12.00	9.00	17,500	8,000

(Please *see* Para 1.15 of Chapter-I)

Recommendation (Para No. 3.23)

The Committee note that more than 29 lakh tonnes of edible oils has been imported under OGL in the country during (1999-2000) while the estimated shortfall was only to the tune of 14.56 lakh tonnes. Out of 19.38 lakh tonnes of shortfall, last year, the import was to the tune of about 43 lakh tonnes. This excess import of edible oil has virtually resulted in downward revision of Central Issue Price as it was available at the rate cheaper than PDS retail price in the market. The Committee feel that if this trend continues, the Government would be compelled to downgrade the CIP of edible oil again. The Committee, therefore, recommend that the Government should not allow import of edible oils more than the shortage in the country and closely monitor its availability so that losses/subsidy provided by the Government in trading operation of edible oils is reduced to the maximum extent possible.

Reply of the Government

The comments on the Recommendation No. 3.23 of Action Taken Report on the Recommendatioins/Observations on Demands for Grants

(2000-2001) contained in the Sixth Report of the Standing Committee on Food, Civil Supplies and Public Distribution are as under:

2. In an effort to bridge the gap between demand and supply of edible oils, import of edible oils has to be allowed so as to ensure availability of edible oils and maintain the prices at a reasonable level. It is correct that the shortfall between the demand and supply of edible oils was originally estimated to be of the order of 15 lakh tonnes for the year 1998-99. This supply projection was made on the basis of Agriculture Ministry's production target of 270 lakh tonnes which was never met. As a result, actual shortfall was substantially higher than what was projected originally. Depressed prices of edible oils in the international market have also triggered the import to some extent.

3. There were persistent requests from the State Governments to raise the issue prices of edible oils being supplied through PDS, since the lifting of PDS had been very poor because of the very low difference between the then ruling market prices and the then issue prices. The central issue prices had, therefore, to be revised down suitably.

4. Further, in a span of six months, the Government has raised the duty on edible oils twice, first upward revision on 30th December, 1999 and the second upward revision on 12th June, 2000. The duty on crude oil, at present, is 27.5% (basic + surcharge) and the duty on refined oil is 44.06% (basic + surcharge + SAD). The duty on others not specified, like coconut oil, palm kernel oil, etc. is 50.8% (basic+SAD). Under the present trade policy constraints qualitative restrictions are not favoured since these will be inconsistent with our commitments to WTO.

(Please *see* Para 1.18 of Chapter-I)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLY OF GOVERNMENT IS STILL AWAITED

Recommendation (Para No. 1.8)

The Committee note that Budget allocation of National Institute of Sugarcane and Sugar Technology (NISST), Mau under Head 2408 was Rs. 2 crore in BE (1999-2000) which was reduced to Rs. 0.93 crore in RE (1999-2000). Out of this reduced allocation, only an amount to the tune of Rs. 32 lakh could be spent which is 16% of BE (1999-2000) and 34.40% of RE (1999-2000). Similarly for the Head 4408, the BE (1999-2000) was Rs. 5.75 crore which was reduced to Rs. 3.35 crore in (RE 1999-2000). The actual expenditure was only to the level of Rs. 70 lakh, which amounts to 12.1% of B.E. For other programmes of Food, Storage and Warehousing, under the Head 2408, the Plan allocation BE (1999-2000) was Rs. 51 lakhs which was increased to Rs. 1.59 crore in RE (1999-2000). But no actual expenditure could take place upto Feb. 2000. For the same plan scheme under the Head 4408, the BE and RE (1999-2000) was Rs. 64 lakh, however, upto Feb. 2000, only Rs. 1 lakh could be utilised which amounts to only 1.56%. Similarly for other Non-Plan schemes, like Food Subsidy (Sugar), Grants-in-Aid, Loan for Cane Development etc., the actual expenditure is not satisfactory and no pain seems to have been taken to utilise the funds fully. When the Government agrees that the Budget Estimate/Revised Estimate provided in a particular Financial Year should be fully utilised during the year, no effort has been made to adhere to the principle strictly. Since the spill-over of one scheme has its bearing on another, alongwith cost escalation and discontinuation/non-taking up of another schemes, the Committee, therefore, recommend that all efforts should be made by Government to utilise the funds within a particular financial year and the actual expenditure incurred during (1999-2000) be intimated to the Committee for all its Plan and Non-Plan schemes. The Committee would also like to know the steps taken by the Government to utilise the funds earmarked under Plan and Non-Plan schemes for the year (2000-2001) in an even manner and progress achieved in this regard in six months time.

Reply of the Government

The amounts released against the Budget provision made as Revised Estimates 1999-2000 is enclosed (Annexure-I). As desired, the progress in the matter of utilisation of funds in the current financial year will be intimated to the Committee.

Recommendation (Para No. 2.16)

The Committee observe that the total disbursement for both the scheme of modernisation/rehabilitation and sugarcane development has been 124791.20 lakh upto 31.12.1999. Out of this, only an amount of Rs. 44177.02 lakh has been recovered and Rs. 80614.18 lakh is still outstanding. Even considering the exemption of payment due to moratorium for different schemes, a large amount is still recoverable. Since SDF loan is a soft loan with varying interest of 6% to 9% p.a. sugar units might not a repaying the dues to the Government in time and diverting the same for other purposes. The Committee are of the view that the Government should adopt strict measures in consultation with concerned State Government to realise the outstanding loans so that other needy mills may benefited and diversion of fund is totally discouraged. Steps taken and progress achieved in this regard should be communicated to the Committee within three months.

Reply of the Government

The Department has taken up matter of realizing outstanding loans of sugar mills that are over-due, with the respective sugar units, apex representative bodies and the State Governments, the latter with particular reference to the Guarantees given by State Governments for repayment of loans. The position is reviewed from time to time. The progress achieved in this regard will be communicated to the Committee.

Recommendation (Para No. 3.31)

The Committee note that the Hindustan Vegetable Oils Corporation is at present engaged in the activity of packaging of edible oils for Public Distribution System in bulk and small packs. The Corporation is also manufacturing Cornflakes/Oats. However, the corporation is running into losses since 1991, due to managerial inefficiency, shortsightedness, obsolete technology and competition from multinational. All efforts to modernize the corporation has proved futile. It seems that corporation has become redundant and their staff/officers are getting salary/wage virtually for no work. The Committee have been informed by the Ministry that recommendations of disinvestments commission in regard to HVOC is under consideration of the Cabinet. The Committee, therefore, recommend that the Ministry should make positive efforts to get the recommendations of the Disinvestment Commission approved by the Cabinet at the earliest.

Reply of the Government

The matter has been placed before the Cabinet for decision on the recommendations of the Disinvestment Commission regarding Hindustan Vegetable Oils Corporation Limited.

NEW DELHI;
13 *December*, 2000
22 *Agrahayana*, 1922 *(Saka)*

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

ANNEXURE I

ACTUAL EXPENDITURE IN RESPECT OF NSI, NISST AND SDF INCURRED DURING 1999-2000

(Rs. in lakhs)

	Revised Estimate (1999-2000)	Actual Expenditure
Plan		
1. National Institute of Sugarcane & Sugar Technology, Mau		
(i) Revenue	200.00	33.61
(ii) Capital Section	500.00	235.94
2. NSI		
(i) Revenue	21.00	Nil
(ii) Capital	64.00	12.86
Non Plan		
1. NSI		
(i) Revenue	539.80	540.81
2. Sugar Development Fund		
Administration of SDF	480.00	469.00
Subsidy for maintenance of Buffer Stock	650.00	710.00
Grants-in-aid	125.00	065.00
Modernisation/Rehabilitation Loan	20000.00	16004.00
Cane Development Loan	2500.00	2685.00
Total:	25079.80	20756.22

ANNEXURE II

PRESS NOTE

Dated: 16.05.1998

Khandsari Units Allowed to Convert to Vacuum-Pan Technology

In a decision of far-reaching impact, the Group of Ministers at its meeting today decided to allow Khandsari Units, located outside areas reserved for Sugar Mills, to convert to vacuum-pan technology. It is expected that as a result of this decision, Khandsari Units adopting the vacuum-pan technology will be able to improve the recovery of sugar by as much as 2% from the current level of recovery of 6.5-7.5%. This decision is on the basis of the recommendations of the High-Powered Committee on the Sugar Industry which submitted its Report a few days ago. Khandsari Units adopting vacuum-pan technology would be exempt from the minimum economic size criteria under the Industries (Development and Regulation) Act. Also, such Units will be exempted from the levy liability in accordance with the Scheme applicable to sugar factories under the 'Incentive Scheme-1997'. The decision will result in improved financial viability of a large number of decentralised Khandsari Units located mainly in U.P. State. Besides this, lakhs of Sugar Cane cultivators, situated in areas outside those reserved for supply of Cane to Sugar Mills, would also now find a more stable market for their produce.

State-wise Details of Sick Sugar Mills Registered with BIFR as on 31.3.2000

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

ANNEXURE III

Position of Sick Sugar Mills Registered with BIFR as on 31.3.2000

Status	States												
	U.P.	Bihar	Raasthan	Punjab	M.P.	Maharashtra	Orissa	W. Bengal	Tamil Nadu	A.P.	Karnataka	Kerala	Total
Revival Scheme Sanctioned	4	—	1	—	—	—	—	—	1	1	—	—	7
Dismissed as Non Maintainable	4	1	—	—	—	2	—	—	—	—	1	—	8
Draft Scheme Circulated	—	1	—	—	—	—	—	—	—	—	—	1	2
Winding up Recommended	2	1	—	—	1	—	—	—	—	—	2	—	6
Winding up Notice Issued	1	—	—	—	—	—	—	—	—	—	—	—	1
Under Inquiry	2	—	—	—	2	—	1	—	2	—	1	—	8
Failed & Reopened	1	—	—	—	—	—	—	—	—	—	—	—	1
Declared No Longer Sick	—	—	—	1	—	1	—	1	—	2	1	—	6
Total:	14	3	1	1	3	3	1	1	3	3	5	1	39

ANNEXURE IV

STATE POSITION OF SICK SUGAR MILLS UNDER COOPERATIVE SECTOR AS ON 31.03.1999

State	No. of Cooperative Sugar Mills	No. of Cooperative Sugar Mills in Losses	No. of Cooperative Sugar Mills with Negative Net Worth	No. of Cooperative Sugar Mills with negative Net Disposable Resources (NDR)
Andha Pradesh	14	14	7	4
Gujarat	18	12	6	3
Haryana	10	6	4	6
Karnataka	14	10	4	9
Maharashtra	123	82	35	47
Punjab	14	14	6	4
Tamil Nadu	16	16	10	8
Uttar Pradesh	32	23	20	20
Total:	241	177	92	101

APPENDIX I

MINUTES OF THE FIFTEENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION HELD ON WEDNESDAY THE 13TH DECEMBER, 2000

The Committee sat from 15.00 hrs. to 16.00 hrs.

PRESENT

Shri Devendra Prasad Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Prof. S.P. Singh Baghel
3. Shri Namdeorao Harbaji Diwathe
4. Shrimati Preneet Kaur
5. Shri Brijlal Khabri
6. Shri Shyam Bihari Mishra
7. Shri Vishnu Dev Sai
8. Shri Ram Naresh Tripathee
9. Shri Kishan Lal Diler
10. Shri P.D. Elangovan

Rajya Sabha

11. Shri W. Angou Singh
12. Shri Lajpat Rai
13. Shri Vijay Singh Yadav
14. Shrimati Bimba Raikar
15. Shri G.C. Kharwar

SECRETARIAT

Shri R.S. Mishra — *Under Secretary*

(I) Consideration and adoption of Draft Seventh Report.

2. ** ** **

(II) Consideration and adoption of Draft Eighth Report.

3. ** ** **

(III) Consideration and adoption of Draft Ninth Report.

4. The Committee considered the Draft Ninth Report on Action Taken by the Government on the recommendations contained in their Sixth Report on Demands for Grants (2000-2001) relating to erstwhile Ministry of Consumer Affairs and Public Distribution (Erstwhile Department of Sugar and Edible Oils) and adopted the report without any amendment.

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

The Committee then adjourned.

**Not related to this report.

APPENDIX II

[*Vide* Introduction of the Report]

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

(i)	Total Number of Recommendations	15
(ii)	Recommendations/Observations which have been accepted by the Government: Para Nos. 2.12, 2.14, 2.25, 2.32, 2.37 and 2.46	
	Total	6
	Percentage	40
(iii)	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies: Para Nos. 2.15 and 2.24	
	Total	2
	Percentage	13.33
(iv)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee: Para Nos. 2.13, 2.42, 3.9 and 3.23	
	Total	4
	Percentage	26.67
(v)	Recommendations/Observations in respect of which reply of the Government is still awaited: Para Nos. 1.8, 2.16 and 3.31	
	Total	3
	Percentage	20