

**10**

**STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS  
AND PUBLIC DISTRIBUTION (2015-16)**

**SIXTEENTH LOK SABHA**

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

**DEMANDS FOR GRANTS  
(2016-17)**

**TENTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**May, 2016/ Vaisakha, 1938(Saka)**

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**STANDING COMMITTEE ON FOOD, CONSUMER**  
**AFFAIRS AND PUBLIC DISTRIBUTION**  
**(2015-16)**

**(SIXTEENTH LOK SABHA)**

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

**DEMANDS FOR GRANTS**  
**(2016-17)**

**Presented to Lok Sabha on 03.05.2016**  
**Laid in Rajya Sabha on 03.05.2016**



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

**May, 2016/ Vaisakha, 1938(Saka)**

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## **Standing Committee on Food, Consumer Affairs and Public Distribution (2015-16)**

Shri J.C. Divakar Reddy, Chairperson

### **Lok Sabha**

2. Shri Anto Antony
3. Shri Babu Lal Choudhary
4. Shri Sanjay Jadhav (Bandu) Haribhau
5. Shri Dinesh Kashyap
6. Shri Dharmendra Kumar
7. Shri Ravinder Kushawaha
8. Smt. Sakuntala Laguri
9. Dr. Swami Sakshi Maharaj
10. Shri R. K. Bharathi Mohan
11. Shri Sunil Kumar Mondal
12. Shri Kamlesh Paswan
13. Shri Ram Chander Paswan
14. Shri C.S. Putta Raju
15. Smt. Priyanka Singh Rawat
16. Shri P.V. Midhun Reddy
17. Shri Bhola Singh
18. Shri Brij Bhusan Sharan Singh
19. Shri Shibu Soren
20. Shri Prabhubhai Nagarbhair Vasava
21. Shri Nandi Yellaiah

### **Rajya Sabha**

22. Shri Shadi Lal Batra
23. Shri Mithun Chakraborty
24. Dr. Bhushan Lal Jangde
25. Dr. Prabhakar Kore
26. Ms. Rekha
27. Dr. K. Keshava Rao
28. Shri K.K. Ragesh
29. Shri Dhiraj Prasad Sahu
30. Shri Veer Singh
31. Vacant \*

### **LOK SABHA SECRETARIAT**

- |                                  |   |                            |
|----------------------------------|---|----------------------------|
| 1. Shri P.V.L. Murthy            | - | Joint Secretary            |
| 2. Shri Lovekesh Kumar Sharma    | - | Director                   |
| 3. Shri Khakhai Zou              | - | Additional Director        |
| 4. Smt. Darshana Gulati Khanduja | - | Senior Executive Assistant |

\* Vice Shri Pankaj Bora, M.P. Rajya Sabha ceased to be a member of the Committee consequent upon his retirement from Rajya Sabha w.e.f. 02.04.2016.

## INTRODUCTION

I, the Chairperson of the Standing Committee on Food, Consumer Affairs and Public Distribution (2015-16) having been authorized by the Committee to submit the Report on their behalf, present this Tenth Report on Demands for Grants (2016-17) relating to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The Committee examined/scrutinized the detailed Demands for Grants (2016-17) of the Ministry, which were laid on the Table of the House on 15 March, 2016. The Committee took evidence of the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) on 22 March, 2016.

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

4. The Report was considered and adopted by the Committee at their sitting held on 02 May, 2016.

5. For facility of reference and convenience, the Observations/Recommendations of the Committee have been printed in bold type in the body of the Report.

**NEW DELHI**  
**02 May, 2016**  
**12 Vaisakha, 1938 (Saka)**

**J C DIVAKAR REDDY,**  
**Chairperson,**  
**Standing Committee on Food,**  
**Consumer Affairs and Public Distribution**

## CHAPTER - I

### IMPLEMENTATION OF THE COMMITTEE'S RECOMMENDATIONS

The Third Report of the Committee on Food, Consumer Affairs and Public Distribution on Demands for Grants (2015-16) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) was presented to Lok Sabha on 27 April, 2015 and laid on the Table of Rajya Sabha the same day. The Report contained 15 Observations/Recommendations.

1.2 The Minister concerned is required to make Statement under Direction 73-A of Directions by the Speaker, Lok Sabha about the status of implementation of Recommendations contained in the Original Report of the Committee within six months of presentation of Report to the Parliament. Statement under Direction 73-A in the context of the Third Report was made by the Minister of Food on 04.08.2015 in Lok Sabha and 31.07.2015 in Rajya Sabha.

1.3 On the basis of the Action Taken Notes received on 13 July, 2015 from the Department of Food and Public Distribution in respect of the Third Report, the Committee presented their Eighth Report to Lok Sabha and laid on the Table of Rajya Sabha on 03 March, 2016. The Committee commented on the Action Taken Notes furnished by the Department at Para Nos. 1.7, 1.10, 1.13, 1.16, 1.19., 1.22, 1.25 and 1.28 of the Eighth Report. An analysis of the Action Taken Notes revealed that the Government has accepted 66.67% Recommendations of the Committee. The Committee did not desire to pursue 6.67% Recommendations. 13.33% Recommendations have not been accepted by the Government thus requiring reiteration. Replies in case of 13.33% Recommendations are of interim nature.

**1.4 The Committee note that the Action Taken Replies regarding the action taken by the Government on the Observations/Recommendations contained in the Third Report of the Committee were furnished by the Government within the stipulated three months and the Statement of the Minister under Direction 73-A was made within the stipulated six months period. An analysis of the action taken by the Government reveals that 66.67% Recommendations have been accepted, The Committee did not desire to pursue 6.67% Recommendations. 13.33% Recommendations have not been accepted and 13.33% of Recommendations are in the various stages of implementation. The Committee hope and trust that the Department will continue to adhere to the stipulations laid down under Direction 73-A in future, in letter and spirit and inform them of the status of implementation of the recommendations which were of interim nature or in respect of those that have not been accepted by the Committee.**

## CHAPTER – II

### INTRODUCTORY

The Ministry of Consumer Affairs, Food and Public Distribution consists of two Departments, namely, the Department of Food and Public Distribution and the Department of Consumer Affairs. The Department of Food and Public Distribution as also the Department of Consumer Affairs work under the overall guidance of Union Minister of Consumer Affairs, Food and Public Distribution. The main functions of the Department of Food and Public Distribution are:-

- (i) Formulation and implementation of National policies relating to procurement, movement, storage and distribution of foodgrains;
- (ii) Implementation of the Public Distribution System(PDS) with special focus on the poor;
- (iii) Provision of storage facilities for the maintenance of central Reserves of foodgrains and promotion of scientific storage;
- (iv) Formulation of national policies relating to export and import, buffer stocking, quality control and specifications of foodgrains;
- (v) Administration of food subsidies relating to rice, wheat and coarse grains;
- (vi) Fixation of statutory minimum prices of sugarcane payable by sugar factories, development and regulation of sugar industry (including training in the field of sugar technology), fixation of price of levy sugar and its supply for PDS and regulation of supply of free sale sugar;
- (vii) Supporting industries, the control of which by the Union is declared by Parliament by law to be expedient in public interest, as far as these relate to vanaspati, Oilseeds, Vegetable Oils, Cakes and Fats; and
- (viii) Price control of, and inter-state trade and commerce in, and supply and distribution of vanaspati, Oilseeds, Vegetable Oils, Cakes and Fats.

2.2 The Department is organized into 13 Divisions. It has two Attached Offices, namely: (i) Directorate of Sugar; and (ii) Directorate of Vanaspati, Vegetable Oils & Fats (DVVO&F). There is one subordinate office under Sugar Division namely National Sugar Institute, Kanpur.

There are other Subordinate Offices under the Department, namely:

- (i) Eight Quality Control Cells (QCCs) located at New Delhi (headquarter), Kolkata, Hyderabad, Bangalore, Bhopal, Bhubaneswar, Lucknow and Pune.



- (ii) One Indian Grain Storage Management and Research Institute (IGMRI), Hapur (Uttar Pradesh) with 2 field stations located at Hyderabad, and Ludhiana.

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

- (i) Food Corporation of India (FCI)
- (ii) Central Warehousing Corporation (CWC) and
- (iii) Hindustan Vegetable Oils Corporation Ltd.(HVOC)

2.4 The mandate of the Department of Food and public Distribution is primarily for: (i) Management of foodgrains, (ii) Management of sugar and (iii) Management of edible oils. In respect of management of sugar and edible oils, the Department also caters to the requirements of the Public Distribution System in addition to regulating the industrial units.

2.5 The Minister for Consumer Affairs, Food and Public Distribution laid on the Table of the Lok Sabha, the Detailed Demands for Grants (2016-17) relating to the Department of Food and Public Distribution on 15<sup>th</sup> March, 2016. The Detailed Demands for Grants, for the Department of Food and Public Distribution shows a budgetary provision of Rs. 1,52,704.11 crore for the year 2016-17. This includes Rs. 150 crore for plan activities and Rs. 1,52,554.11 crore, for non-plan programmes and Schemes.

2.6 The Committee in the present Report have examined various issues related to implementation of various schemes and programmes under the jurisdiction of the Department, in the context of Demands for Grants 2016-17. The detailed analysis along with observations/ recommendations of the Committee on various issues have been given in the succeeding paragraphs/Chapters of the Report.

2.7 The overall allocations in respect of the Department of Food and Public Distribution for the year 2016-17 vis-a-vis 2014-15 and 2015-16 with regard to Plan and Non-plan heads of account on Revenue and Capital side are as under :-

(Rs. In Crores)

Head of account	2014-15						2015-16						2016-17			
	Plan			Non-plan			Plan			Non-plan			Plan		Non-plan	
	BE	RE	AE	BE	RE	AE	BE	RE	AE	BE	RE	AE	BE	RE	BE	RE
Revenue	330.00	150.00	146.81	125954.34	134326.54	129303	212.00	165.00	156.32	136325.55	162084.41	135180.40	150.00	-	152554.11	-
Capital	-	-	-	-	-	1000.00	-	-	-	1000.00	2000.00	-	-	-	1000.00	-

## **General Performance of the Department**

### **Analysis of Plan and Non Plan Schemes**

2.8 The scheme-wise details of BE, RE and actual expenditure incurred by the Department of Food and Public Distribution on its Plan and Non-Plan Schemes during 2014-15, 2015-16 and BE for 2016-17 are at Appendix-I.

2.9 When asked about the status of implementation of the various schemes/programmes/projects and the difficulties being faced by the Department in the implementation of various schemes/projects/programmes, the Department stated as under:

#### **1. Plan Schemes:**

##### **I). Construction of godowns by FCI/State Govt.**

Funds are released to the FCI in the form of equity for construction of storage godowns. Funds are also released as grant in aid to the State Governments of North Eastern Region for construction of intermediate storage godowns. Till 31.01.2016, cumulative capacity of 1,05,370 MT has been created by FCI and 28,855 MT by the State Governments in North East.

The main difficulty faced in the implementation of this scheme is issues with regard to identification and acquisition of land by State Governments. Besides, the North Eastern region has special problems like difficult terrains, inclement weather, law and order problem, etc.

##### **II). End-to-end Computerization of PDS Operations**

Technical and financial assistance is being provided to States/UTs under the scheme. However, the actual implementation of the scheme is to be done by States/UTs for which detailed guidelines have been issued. Therefore, the most critical factor affecting progress of the scheme is initiative on the part of the States/UTs for its implementation. The scheme is progressing well, as it may be seen that entire ration card data (~24 crore) has been digitized, Aadhaar seeding has improved to 46% level whereas supply-chain till so far has been computerized by 12 States. Computerization of supply-chain involves procurement of computers, training of staff & godown operators, enabling internet connectivity at godowns and offices, etc. These activities are to be completed by States/UTs.

##### **III). Assistance to Warehousing Development & Regulatory Authority**

The following General Activities have been taken up and completed by the WDRA:-

- i. Organisation of Awareness Programmes farmers, traders and mill owners, etc. - 395 programmes (Cumulative)
- ii. Training for warehouse managers of WDRA registered warehouses - 30 programmes (1038 Trainees)
- iii. Registration of warehouses - 1084
- iv. Appointment of Accreditation Agencies - 14

The WDRA has undertaken Transformation Plan under which the engagement of survey agency for quantitative Survey on Warehousing in India has been completed and the activity for 2015-16 has been completed.

The engagement of Primary Consultant was delayed due to non finalization of issue for declaring the Negotiable Warehouse Receipt (NWR) as 'Security'. The tender for engagement of Primary Consultant was initiated in July 2015 and Primary Consultant will be onboard by April 2016. Therefore, the expenditure under Transformation Plan will be carried forward under BE 2016-17.

#### **IV). National Sugar Institute, Kanpur**

The various schemes at the Institute for enhancing academic and R&D activities viz. conversion of existing class rooms into SMART class rooms, construction of new hostel, construction of computer centre (auto CAD and language laboratory) etc. have been implemented in a time bound manner and no difficulty has been encountered.

#### **V). Strengthening of PDS & Capacity Building, Quality Control, Consultancies & Research**

This is an Umbrella scheme, having following four sub-schemes:-

**A). Strengthening of PDS & Capacity Building:** It has following three components:

**i) Financial assistance to States/UTs for generating awareness amongst TPDS beneficiaries about their entitlements:** The funds under the scheme are released to States/UTs on the basis of proposal received from them. The utilization of the budget allocation has been low during 2014-15 and 2015-16 as proposals are not forthcoming from States/UTs and UCs are pending with them.

**ii) PDS- Evaluation, Monitoring & Research:** Under this component, funds are released to Agencies/Institutions/Organizations after finalization of appropriate Agency/Institution/Organization through inviting of bids or outsourcing by choice and finalization of term of references with them which takes time.

**iii) PDS – Training:** Under this component, funds are released to the State/UT Governments on receipt of appropriate and complete proposals from the State/UT Governments. Release of funds is further subject to receipt of Utilization Certificates

(UCs) from these States/UTs for the releases made to them under the scheme in the past. Matter is regularly followed up/pursued with the States/UTs for sending appropriate and complete proposals and for furnishing Utilization Certificates for the releases made under the schemes in the past.

**B). Consultancies, Training & Research:** It has following two components:

**i) Consultancies for research/ monitoring in domestic/global markets for food grains:** Food Corporation of India (FCI) is entrusted by the Department of Food & Public Distribution to appoint a Consultant in order to have a market intelligence system which could provide regular price alerts and early warnings on possible increases in prices of essential commodities, crucial for policy decisions. This component of the scheme aims to have a market intelligence system which could provide regular market alerts and early warning on likely increase of prices of foodgrains, crucial in formulation of policy measures and interventions for management of food economy. Such market intelligence is also useful in deciding the import-export policy for foodgrains, sugar and edible oils. Reports generated through the study provide periodical price data on wheat, rice, sugar and edible oils.

FCI has engaged a consultant for research/monitoring in domestic/global markets for foodgrains. M/s Indian Agribusiness Systems Private Limited (ASAP), New Delhi was appointed as consultant of FCI and Ministry of CA, F&PD w.e.f. 28.03.2012 for a period of 2 years. The contract of the consultant has been extended for another period of one year w.e.f. 28.03.2014 to 27.03.2015 on same terms and conditions. The data being provided by the consultant is being utilized for reviewing the prevailing domestic and international prices of wheat and rice as well as sugar and edible oils. The contract for the same has been further renewed for period of two years at the revised rates of Rs 1,16,989/- per month with effect from 01.03.2015. The share of the Ministry is Rs 75,281/- per month inclusive of taxes.

**ii) e-Governance:** e-Governance is a sub-scheme for implementation of ICT Activities in the department. As part of E-governance, e-Office is a Mission Mode Project under the National e-Governance Programme (NeGP), implemented in the department since 2010. The e-Office products like e-file/File Management System (FMS), Knowledge Management System (KMS), e-Leave are fully implemented and being utilized in the department improving productivity & transparency in the department. e-Service Book (PIMS) is also being implemented in the department through which one can view his/ her service records online through e-Office portal. Training requirement of DFPD was assessed and to improve productivity of the officers, staff and data entry operators, sensitization of various IT enabled services ongoing in the department along with hand holding support to users for all IT enabled services is being provided in consultation with NIC Cell, DFPD.

**C) Strengthening of Quality Control Mechanism:** Under the plan component "Strengthening of Quality Control Mechanism" 3 Sub-Components namely, (i) Opening of 7 new Quality Control Cells, (ii) Upgradation of laboratories at IGMRI,

Hapur and (iii) Capacity Building were envisaged. 2 Sub-Components i.e. upgradation of laboratories at IGMRI, Hapur and Capacity Building are being implemented smoothly. However, under Sub-Component of opening of 7 new QCCs, there was proposal to create 14 posts of Inspecting Officers (Asstt. Directors) i.e. 2 post for each new QCCs. In view of ban on creation of post, these post could not be created and only 3 new QCCs at Chennai, Guwahati and Patna were made operational in 2015-16 by posting 1 Assistant Director and 1 Technical Officer from existing non-plan strength.

**D) Financial Assistance to States & UTs for providing non-building assets to State Food Commissions:** For 2015-16, Rs.2.00 crore has been allocated under BE however due to deficient proposals from State Governments, budget was reduced at RE level to Rs.0.75 crore, which is likely to be utilized. Rs.1.0 crore has been provided at BE 2016-17. Proposals received from State Governments of Uttar Pradesh, Uttarakhand and Telangana were incomplete and matter has been taken up with the State Governments. Hence, there is a possibility to utilize the same in the next FY 2016-17.

## **2. Non-Plan Schemes:**

**VI) Scheme for Extending Financial Assistance to Sugar Undertakings, (SEFASU) 2014:** Scheme for Extending Financial Assistance to Sugar Undertakings, 2014 (SEFASU, 2014) notified on 03.01.2014 envisages interest free loans by Banks as additional working capital to sugar mills. The loan amount has to be utilized by the sugar mills for clearance of cane price arrears of previous sugar seasons and timely settlement of cane price of sugar season 2013-14 to sugarcane farmers. Expenditure on interest subvention on loan for this scheme is met from the Sugar Development Fund (SDF).

Loans under SEFASU 2014 are sanctioned and disbursed to the sugar mills by the participating banks. Under the Scheme, the disbursement is made in a separate account and the State Sugar/Cane Commissioners are to monitor the utilization of the loans and the sugar mills are required to submit UC duly verified by the respective Sugar / Cane Commissioner certifying that the loan amount has been utilized for the purpose specified for the scheme. As on 17.03.2016, a total amount of **Rs. 1424.37 crores** has been released to the banks for subvention of interest on the loan availed by the sugar factories.

**VII) Scheme for extending soft loan to sugar mills, 2015 (Soft Loan 2015):** Scheme for extending soft loan to sugar mills, 2015 (Soft Loan 2015) was notified on 23.06.2015 to facilitate payment of cane dues of the farmers for the sugar season (SS) 2014-15 relating to the Fair and Remunerative Price (FRP) of sugarcane fixed by the Central Government. Expenditure on interest subvention on loan for this scheme is met from the SDF.

Loans under Soft Loan 2015 are sanctioned and disbursed to the sugar mills by the participating banks. Under the Scheme, the disbursement is made in a

separate account and the State Sugar/Cane Commissioners are to monitor the utilization of the loans and the sugar mills are required to submit UC duly verified by the respective Sugar / Cane Commissioner certifying that the loan amount has been utilized for the purpose specified for the scheme. As on 17.03.2016, a total of Rs. 150.00 crore has been released to the banks for subvention of interest on the loan availed by the sugar factories.

**VIII) Central assistance to State/UTs for meeting expenditure on intra-state movement, handling of foodgrains and FPS dealers' margin under NFSA:** Food Security (Assistance to State Governments) Rules was notified on 17.8.2015 for providing Central assistance towards intra-State movement and handling of foodgrains & fair price shop dealers' margin. There was however no budget allocation for providing assistance to States/UTs in 2015-16 at BE stage. Rs. 2.79 crore has been provided at the RE stage during 2015-16, which is likely to be utilized.

Rs. 2500 crore has been provided for BE 2016-17. This amount is expected to be utilized as implementation of the National Food Security Act, 2013 has started in most of the States/UTs.

**2.10 The Committee note that under the Plan Schemes, the BE during the year 2015-16 was Rs. 212 crore, which was reduced to Rs. 165.00 crore at RE stage and the Department could utilize Rs. 156. 32 crore only upto February, 2016. The Committee also observe that the Department is facing difficulties in the implementation of various schemes due to issues relating to identification and acquisition of land by State Governments, lack of initiative on the part of State/UTs for implementation of different schemes, non-receipt of utilization certificate from the State Governments etc. Besides, the North-East has special problems like difficult terrains, inclement weather, law and order problems etc. The Committee are, however, constrained to note that sharply reducing the allocated funds at RE stage and then not fully utilizing the allocations indicates amongst other things not only lack of proper planning at the initial stage on the part of Department but also inadequate monitoring. The Committee, therefore, urge the Department to improve its monitoring mechanism and regularly persuade the States/UTs to furnish Utilization Certificates well in time to avoid delays in release of subsequent instalments of funds which adversely effects not only future disbursements of allocations funds but also impact attainment of the set physical and financial targets. They further desire the Department to set timelines for submission of Utilization Certificates, release of next instalments etc. They would like to be informed of the action taken in the matter.**



**2.11 Regarding Non-plan schemes, the BE of 2015-16 was Rs. 136325.55 crore and the same was revised upwards to Rs. 162084.41 crore at RE stage but the Actual Expenditure was Rs. 135180.40 crore only upto 14 March, 2016. The Committee are pained to observe that while the allocated funds were sharply revised upwards at RE stage, the AE was even less than the initial allocation at BE stage. This clearly indicates that Department is either unable to project their budget requirement in a realistic manner or they are projecting their budget proposals without giving due consideration. The Committee further note that the Department has been allocated BE of Rs. 152554.11 crore for the year 2016-17. This includes Rs. 2000.00 crore under Transfer to Sugar Development Fund against Actual Expenditure of Rs. 750.00 crore only last year, Rs. 2500.00 crore under Central Assistance to States/UTs for meeting expenditure on intra-State movement, handling of foodgrains and FPS dealers margin under National Food Security Act against Nil expenditure last year, Rs. 200.00 crore against AE of Rs. 59.35 crore only last year under Loans to Sugar Factories for Bagasse based Co-generation Power Projects, Rs. 125.00 crore against AE of Rs. 20.88 crore only last year under Loans for production of anhydrous alcohol or ethanol from alcohol. The Committee strongly deprecate this anomalous situation arising out of a seemingly unplanned method of projecting outlays vis-a-vis actual expenditure as could be seen from the above narrative. They further desire the Department to take all necessary steps to ensure that the allocated funds are utilized fully for the purposes allocated so that various schemes/programmes of the Department get implemented during the financial year and such a situation as is available now does not recur.**

## CHAPTER- III MANAGEMENT OF FOOD

The Department of Food and Public Distribution is concerned with the formulation and implementation of various national policies on foodgrains relating to procurement, movement, scientific storage, distribution and sale. The aim of such policies is to ensure that interests of farmers as well as consumers are saved, which is done by providing remunerative prices to the farmers and making foodgrains available at reasonable prices to consumers, especially to the vulnerable sections of the society. The main elements of the Government's food management policy are procurement, storage and movement of foodgrains; distribution through public distribution system and maintenance of buffer stocks.

### (a) Decentralised Procurement Scheme

3.2 The Scheme of Decentralised Procurement of foodgrains was introduced by the Government in 1997-98 with a view to effecting savings in the form of reduction in the outgo of food subsidy, enhancing the efficiency of procurement and PDS and encouraging local procurement to the maximum extent thereby extending the benefits of MSP to local farmers.

3.3 Under the Decentralised Procurement Scheme, the State Government itself undertakes procurement of paddy, wheat and levy rice on behalf of Government of India. Purchase Centres are opened by the State governments and their agencies as per their requirements. The State Governments procure, store and distribute foodgrains under the TPDS and other Welfare Schemes. Under the normal system, the responsibility of the State Government is only to procure wheat and rice and deliver the same to Central Pool through FCI. Since non-decentralized procurement involves one additional handling transactions of FCI taking over the stock and releasing the stock to the State Govt., DCP mode of procurement is more effective, especially in States which have potential for procurement as well as substantial requirement under PDS.

3.4 In response to a query regarding State-wise procurement of wheat and rice under Decentralized Procurement for the last three years, the Ministry informed as under:-

<b>WHEAT PROCUREMENT IN DCP STATES</b>							
							( in lakh MT)
<b>State/UT</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16#</b>
M.P.	19.68	35.39	49.65	84.93	63.55	70.94	73.09
U.P.	38.82	-	-	-	-	-	-
Uttarakhand	1.45	0.86	0.42	1.39	0.05	.013	0.04
Gujarat	0.75	0.01	1.05	1.56	0.00	0.00	0.73
Bihar(from RMS 2014-	0.00				0.00	0.00	0

15)							
West Bengal		0.09	-	0.01	0.02	0.00	0
<b>Total DCP</b>	<b>60.7</b>	<b>36.35</b>	<b>51.12</b>	<b>87.9</b>	<b>63.62</b>	<b>70.96</b>	<b>73.86</b>

<b>RICE PROCUREMENT IN DCP STATES</b>							
( in lakh MT)							
<b>State/UT</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15#</b>
<b>DCP States</b>							
W.B.	17.44	12.40	13.10	20.41	17.66	13.59	20.31
U.P.*	40.07	29.01	-	-			
Chhattisgarh	28.48	33.57	37.46	41.15	48.04	42.90	34.22
Uttarakhand	3.49	3.75	4.22	3.78	4.97	4.63	4.65
Odisha	28.01	24.96	24.65	28.66	36.13	28.20	34.86
T.N.	12.01	12.41	15.43	15.96	4.81	6.84	10.48
Kerala	2.37	2.61	2.63	3.76	2.40	3.59	3.74
Karnataka	1.07	0.86	1.80	3.56	0.59	0.00	0.88
Madhya Pradesh	2.47	2.55	5.16	6.35	8.98	10.45	8.07
Andhra Pradesh							35.91
Telangana							35.04
<b>Total DCP</b>	<b>135.41</b>	<b>122.12</b>	<b>104.45</b>	<b>123.63</b>	<b>123.59</b>	<b>110.20</b>	<b>188.16</b>
# Procurement figures as on 28.09.2015							
* The state Govt. of U.P. has withdrawn from DCP states of rice from KMS 2010-11							

As regards the number of States/UTs that have so far adopted the DCP Scheme, the Department furnished the following information:-

#### **STATES UNDERTAKING DECENTRALISED PROCUREMENT OF RICE**

<b>DCP for Rice</b>		
<b>S. NO.</b>	<b>State</b>	<b>With Effect From</b>
1	Uttarakhand	2002-03
2	Chhattisgarh	2001-02
3	Odisha	2003-04
4	Tamilnadu	2002-03
5	West Bengal	1997-98
6	Kerala	2004-05
7	Andaman & Nicobar Island	2003-04
8	Karnataka	2009-10
9	Madhya Pradesh	2007-08

10	Andhra Pradesh	2012-13 Only for 7 revenue districts. Before separation 10 districts for 2013-14. After separation, 6 districts for 2013-14 onwards. Fully DCP for KMS 2015-16.
11	Uttar Pradesh	1999-2000 to KMS 2009-10
12.	Bihar	2013-14
13.	Telangana	4 revenue districts for KMS 2013-14 and fully DCP for KMS 2014-15.

### STATES UNDERTAKING DECENTRALISED PROCUREMENT OF WHEAT

DCP for Wheat		
S.	State	With Effect From
1	Madhya Pradesh	1999-2000
2	Uttarakhand	2003-04
3	Chhattisgarh	2001-02
4	Gujarat	2004-05
5	West Bengal	2010-11
6	Uttar Pradesh	1999-2000 to 2010-11
7	Rajasthan for Alwar District	2013-14
8	Bihar	2014-15
9.	Punjab	Partially DCP (to the extent of its requirement)

3.5 When enquired about need for making reforms in the Decentralised Procurement System, the Ministry stated that the reforms have already been made in the Decentralised Procurement Scheme (DCP) recently. A number of changes in the earlier DCP Scheme were proposed by the Department of Food and Public Distribution and suggestion were sought from all the States Governments. After consideration of the comments of the State Government, a new MOU was finalised for rice for KMS 2015-16 and wheat for RMS 2016-17. The new MOU for KMS 2015-16 has already been signed by State Governments before the ongoing KMS season and signing of new MOU for wheat with the State Governments for RMS 2016-17 is in process.

3.6 On being asked whether the States have reported any problems in undertaking decentralized procurement operations and if steps are taken by the Government to overcome those problems, the Committee were informed that the problems raised by State Governments in undertaking decentralized procurement operations are:-

- (i) Haryana: Before considering to adopt DCP, Govt. of Haryana has asked to resolve some issues.
- (ii) Punjab: Representatives of Punjab Govt. informed that production and procurement of foodgrains is already high in Punjab. Thus opting for DCP for

foodgrain procurement will not be beneficial for the State. However, they will be visiting the State of Madhya Pradesh to study the working of DCP so that similar system can be implemented in Punjab also.

(iii) Uttar Pradesh: The State was under DCP mode of operations from 1999-2010. State Govt. has informed that they are not having necessary infrastructure and manpower.

3.7 When asked as to what steps were taken by the Government to resolve some issues raised by Haryana State before considering to adopt DCP Scheme, the Ministry in their post evidence reply stated that a workshop for encouraging Haryana region to adopt DCP mode of operation was held on 07-08-2014. During the workshop, certain clarification regarding role of FCI in certifying quality of stocks in the mandies itself, reimbursement of VAT, component, admissibility of storage and interest charges to State procuring agencies were sought. It was further stated that Government of Haryana was suitably replied by Regional Office, FCI, Haryana on above issues.

3.8 The Ministry has also informed that State representatives from Gujarat, Haryana, Delhi, Rajasthan, Chhattisgarh, Karnataka, Madhya Pradesh, Odisha, Punjab, Telangana, Andhra Pradesh, Bihar, Kerala, Maharashtra, Tamil Nadu, Uttar Pradesh, Uttarakhand, West Bengal and Daman, Diu & Dadra Nagar Haveli have attended the workshop held on 16 February, 2016.

Major deliberations held during the workshop are as under:-

- i. A detailed presentation was made on 'DCP System of procurement-Present Challenges & Expansion to All States'. States were made aware of the advantages of DCP operation, informed about the new initiatives in States, discussed the major issues relating to DCP and funding for DCP operation
- ii. It was suggested that civil supply agencies, cooperative societies and other such agencies may be encouraged to take participation in purchase process and make the MSP to reach of every farmer of the State. Under DCP scheme, the State Govt. can also purchase and distribute local variety of food grains which are mostly preferred by the local public to consume it. By adopting DCP scheme, State Govt. can become self sufficient in respect to food grain.
- iii. A presentation was held on 'Principles of Costing of Foodgrains'. During presentations various topics i.e. Procedure for Finalization of Incidentals, Major Cost Accounting Principles, Application of Costing Principles etc. were elaborated. The latest changes of the procedures of Costing of Foodgrains'

were also described. It was further informed that order for including cost of computerization as expenses under administrative charge is under process.

- iv. Food Secretary, Government of Chhattisgarh made a detailed presentation on 'States Perspective about DCP Operations'. It was informed that in Chhattisgarh procurement from farmer is capped at 15 Quintals/Acre based on average yield of paddy. No bonus was given last year. It was further informed that Chhattisgarh is DCP State from 2002 and it has incurred cumulative losses of 8989.19 crore in DCP operations.
- v. Principal Secretary, Maharashtra informed that Maharashtra is going to be DCP from KMS 2016-17 onwards. There is impression in state that FCI is going to withdraw from procurement in the State. There will be requirement of staff and other strengthening to adopt DCP.

As a follow-up to the above-workshop this Department vide D.O. letter dated 18.03.2016 has directed all wheat/paddy procuring States to make themselves familiar and gear up their procurement agencies for implementation of DCP.

**3.9 The Committee note that the Decentralized Procurement (DCP) Scheme was introduced by the Government way back in the year 1997-98 to encourage local procurement to the maximum extent, thereby extending the benefit of MSP to local farmers besides enhancing efficiency of procurement and PDS. The DCP Scheme was also expected to effect savings in the form of reduction in the outgo of food subsidy. The Committee are, however, surprised to learn that so far only 13 States have adopted the DCP Scheme for Rice and 9 States for Wheat and there is no consequent reduction in the outgo on account of subsidy. On the contrary, the outgo on subsidy has been increasing every year. The Committee are not happy with the progress of DCP Scheme. However, with the reforms made in the DCP Scheme recently, the Committee hope that the Government would be able to convince the remaining States/UTs to adopt the DCP Scheme without any further loss of time. The Committee, therefore, strongly recommend that the Government should make sincere efforts on their part to convince the remaining States/UTs by holding regular meetings with Food Minister/ Secretaries of State/UT Governments so as to enable them understand about the advantages/ benefits of the DCP Scheme. Further, from the material made available to them, it is evident that though the Scheme has been in operation for about two decades, still all States are not on board for varied reasons. They, therefore, strongly desire that Government should carry out a performance evaluation of the scheme as on date in a time bound manner, preferably by an external evaluation agency. The Committee further desire that the Government should take steps to resolve various issues/difficulties faced by States/UTs to enable them to adopt DCP Scheme at the earliest.**

**(b) Food Subsidy - Regular/Under NFSA**

3.10 Food Subsidy is paid to the Food Corporation of India (FCI) for reimbursement of the difference between the economic cost of food grains and their issue price, carrying cost of buffer stocks, and on account of levy sugar, import of sugar etc. The economic cost comprises of procurement price, procurement incidentals and distribution cost.

The year-wise break-up of subsidy released on foodgrains to FCI and the States operating the Decentralized Procurement Scheme is as under:-

(Rs. in crore)

Year	FCI		Total (FCI)	DCP States		Total (DCP States)
	Regular	NFSA		Regular	NFSA	
<b>Requirement</b>						
2012-13*	101887.00	---	101887.00	13564.49	---	13564.49
2013-14	106731.00	11710.00	118441.00	16500.00	1500.00	18000.00
2014-15	67730.00	80000.00	147730.00	10000.00	13500.00	23500.00
<b>Allocated</b>						
2012-13*	71980.00	---	71980.00	12574.00	---	12574.00
2013-14	65000.00	10500.02	75500.02	12740.00	1500.00	14240.00
2014-15	45000.00	52000.00	97000.00	10800.00	10375.81	21175.81

\*There was no separate head for NFSA during FY 2012-13

3.11 When asked how the gap between requirement of funds vis-a-vis actual funds for food subsidy can be bridged, the Ministry stated that the gap between requirements of funds vis-a-vis availability of funds for food subsidy can be bridged to some extent by following measures:

- Allocation of additional funds in the Budget.
- Increasing Central Issue Price (CIP) of food grains which has not been revised upward for more than 12 years.
- Enhancing the operational efficiency of FCI
- Reduction in taxes/ statutory charges by the States.
- Additional borrowings by FCI.

3.12 The year-wise break-up of subsidy released for distribution of subsidized food grains and maintenance of buffer stocks during the last seven years and current financial year to FCI and the States operating the Decentralised Scheme is as under:



Year	Subsidy released		
	FCI	States	Total
2009-10	46867.14	11375.31	58242.45
2010-11	50729.56	12200.00	62929.56
2011-12	59525.90	12845.00	72370.90
2012-13	71980.00	12574.00	84554.00
2013-14	75500.02	14240.00	89740.02
2014-15	91995.35	21175.81	113171.16
2015-16*	87000.00	20075.85	107075.85

\*As on 27.01.2016

3.13 In reply to a query whether the opinion of experts in food management to contain food subsidy has been sought, the Ministry stated that though Department had, as such not sought any opinion from the experts in this regard, but from time to time, CACP in its Price Policy Reports has been suggesting some measures like reduction in taxes by the States and announcing composite MSP inclusive of all taxes. Recently, the High Level Committee headed by Shri Shanta Kumar, M.P., which had experts like Dr. Ashok Gulati, Prof. G. Raghuram and Prof. G. Nancharaiyah, has made some recommendations with regard to bringing in cost efficiency in FCI, such as:-

- (i) Reduce the need for storage by streamlining distortions in procurement (bonus/ taxation etc.) and gradually introducing DBT (as already explained in detail in previous chapter);
- (ii) Improve storage management practices by,
  - Outsourcing the management of storage and handling
  - Focusing on bulk rather than bagged
  - Even to the extent bagged storage has to continue, better quality material like HDPE rather than jute should be used.
  - The possibility of having 'ears' to a bag to eliminate hook based handling should be considered
  - The possibility of palletisation and usage of forklifts should be explored.
- (iii) Reduce the number of stages of handling at procurement end,
  - Rationalize the mandis for procurement
  - Ensure bulk storage capacity at such mandis
  - Rail connectivity to be provided at such mandis.
- (iv) Bulk rail movement from mandis to distribution end.
- (v) Reduce the number of stages of handling at distribution end
  - District-wise storage towards NFSA, OWS and Strategic Reserve

- Ensure bulk storage capacity at such locations
- Rail connectivity to be provided at such locations
- Packaging facility to be provided at such locations
- Direct movement from district-wise storage to the retail outlets/schemes consumers.

3.14 The Department has further stated that they are fully aware about the need for containing the increase in food subsidy and making regular efforts in this regard. The Government has taken several measures to contain the food subsidy, which includes:

- Encouraging decentralized procurement and distribution of foodgrains.
- Issue of bonds by the FCI at lower coupon rates, backed by Government guarantee.
- Improving the operational efficiency of the FCI.
- Negotiating with the banks of the consortium of food credit to reduce the rate of interest on cash credit.
- Bringing in overall cost-effectiveness in the operation of FCI.
- Bringing down the level of surplus food grains stock through more liquidation under Open Market Sale Scheme and optimization of procurement through increasing market competitiveness.

3.15 In a written reply, the Ministry has stated that the Act is currently being implemented in 30 States/UTs namely Bihar, Chhattisgarh, Delhi, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Telangana, Tripura, Uttarakhand, West Bengal, Chandigarh, Lakshadweep, Puducherry, Odisha, Daman & Diu, Andhra Pradesh, Assam, Goa, Sikkim, Uttar Pradesh, Meghalaya, Jammu & Kashmir, Andaman & Nicobar Islands, Mizoram and Dadra & Nagar Haveli. In addition, foodgrains allocation order under NFSA has been issued for Gujarat and Arunachal Pradesh with effect from 1<sup>st</sup> April, 2016. The subsidy allocated for FCI and DCP States since 2013-14 are as under :-

(Rs. in crore)

Year	FCI		Total (FCI)	DCP States		Total (DCP States)
	Regular	NFSA		Regular	NFSA	
<b>Requirement</b>						
2013-14	65000.00	10500.02	75500.02	12740.00	1500.00	14240.00
2014-15	45000.00	52000.00	97000.00	10800.00	10375.81	21175.81
2015-16	45000.00	52000.00	97000.00	10000.00	12919.00	22919.00
<b>Allocated</b>						
2013-14	65000.00	10500.02	75500.02	12740.00	1500.00	14240.00
2014-15	41995.00	50000.00	91995.35	10800.00	10375.81	21175.81
2015-16	40000.00	47000.00	87000.00	9361.59	12606.48	21968.07

The State-wise release of subsidy under DCP Scheme is given below:  
(Rs. in crore)

Sl. No.	Name of the State	Subsidy released		
		2013-14	2014-15	2015-16
1	Bihar	0.00	1146.41	2230.38
2	Punjab	0.00	75.00	0.00
3	Madhya Pradesh	3398.88	568.11	5737.29
4	Andhra Pradesh	1554.83	2254.42	1364.25
5	West Bengal	1551.14	2578.38	2465.86
6	Chhattisgarh	2374.87	3332.71	3328.93
7	Uttarakhand	318.22	385.42	408.67
8	Tamil Nadu	1007.49	914.55	936.89
9	Odisha	3041.11	3785.00	3001.39
10	Kerala	427.82	744.84	834.42
11	Karnataka	492.95	0.00	0.00
12	Rajasthan	67.50	90.97	155.11
13	Telangana	0.00	200.00	1390.08
14	Uttar Pradesh	5.18	0.00	0.00
15	Gujarat	0.00	0.00	55.57

3.16 When asked as to the steps that are taken to persuade the remaining States/UTs to implement the NFSA, the Ministry stated that Government of India has already been pursuing with States/UTs through letters, meetings/Conferences and video conferencing at various levels including at the level of Hon'ble Minister, CAF&PD, for early implementation of the Act. As a result, 21 more States/UTs have joined NFSA since June, 2015, taking total number of such States/UTs to 32.

3.17 The Ministry further stated that allocation of food subsidy/subsidized food grains depends upon the number of identified beneficiaries in the State/UTs and hence the State having larger number of beneficiaries covered under TPDS will be the principal beneficiaries of food subsidy.

3.18 Asked whether there is any scope for the private sector to play any role in containing the ever increasing food subsidy, the Ministry stated that Involvement of private sector in procurement and storage of food grains at comparative rates can help in lowering the pace of increase in food subsidy.

**3.19 The Committee are highly concerned to note that though several measures have reportedly been taken to contain the food subsidy, yet there has been steep rise in the amount of food subsidy released to FCI and States. The Committee further note that during the year 2015-16 (upto 27.01.2016), an amount of Rs. 107075.85 crore has been released for distribution of subsidized foodgrains and maintenance of buffer stocks. This amount may further increase due to implementation of National Food Security Act in all 30 States/UTs. While appreciating the efforts made by the Government to contain rising food subsidy such as encouraging Decentralized Procurement, improving operational efficiency of FCI etc, the Committee are constrained to say that a lot more needs to be done in this regard. They are furthermore concerned to note that though the Government have not sought expert opinion in food management, however, CACP in its Price Policy Reports suggests certain measures from time to time. Also recently the High Level Committee headed by Shri Shanta Kumar had made certain recommendations with regard to bringing cost efficiency in FCI operations. The Committee, therefore, desire that the Department to take all necessary steps to operationalise the recommendations/suggestions of the High Level Committee. The Committee, furthermore, desire the Department to make vigorous efforts to explore new avenues/possibilities of containing food subsidy in a time bound manner without compromising on the regular supply and making available foodgrains to the targetted poor sections of the society. They would like to be apprised of the steps taken in this direction.**

### **(c) Hill Transport Subsidy**

3.20 The Hill Transport Subsidy (HTS) Scheme is meant for the States/UTs which are predominantly hilly with little or no railways and poor road communications. The scheme is in operation since 1.8.1975 and HTS Scheme is applicable in the States/UTs of Himachal Pradesh, Jammu and Kashmir, Andaman and Nicobar Islands, Sikkim and Lakshadweep besides six North Eastern States excluding Assam.

3.21 In such States/UTs, the Food Corporation of India (FCI) is required to open godowns at Principal Distribution Centres (PDCs) wherever possible, or reimburse the State Governments/UTs the cost of transportation of foodgrains, on actual basis, for lifting of foodgrains from base depots of FCI to the designated PDCs. In predominantly hilly States with difficult and inaccessible terrain moving grains by road to the interior is heavy and such cost gets added to the Central Issue Price of the foodgrains delivered to such States. If sufficient relief is not provided the end retail price of foodgrains may become out of reach for the beneficiaries dependant on PDS.

3.22 Important distributing centres are declared as Principal Distribution Centres (PDCs) in consultation with the State Governments/UT Administrations. FCI is required to open godowns at these designated PDCs, wherever possible, or reimburse the State Governments/U.T.s the cost of transportation of foodgrains, on actual basis, for lifting of foodgrains from Base Depots of the FCI to these designated PDCs. Road Transportation Charges (RTC) are paid to the State Governments by the FCI for lifting foodgrains from FCI depots/ rail-heads other than the designated Base Depots.

3.23 The Scheme covers only the quantities of foodgrains supplied by the FCI to the States/UTs for distribution to the consumers through the network of Public Distribution System.

3.24 The Committee have been furnished the following statement showing details of HTS claims of States/UTs, total amount to be released, reasons for non-release of HTS which is at Appendix II.

3.25 The Ministry further stated that Hill Transport Subsidy (HTS) claims are settled on actual basis for distance between Base Depot and PDCs at State notified rate. States have to submit their claim within 15 days of movement of stock to the concerned offices of FCI. On receipt of the bills from State Government, bills be settled within 10 days by FCI.

For settlement of HTS claims, the State Govts. have to submit following documents to FCI along with the bills:

1. Copy of Sub-allocation made by State.
2. Executed original Release Order/ Authenticated copy.

3. Truck-wise details of transportation of food grains.
4. Stock Receipt Certificate from PDC.
5. Distance and Rate Notification from State.
6. Linkage of payment made by State through the Treasury to the transporters bank account.
7. Six point Certificate from State regarding (i) Certificate of delivery & transportation of stocks from FCI covering the shortest distance and receipt of the stock at destination PDC in good condition; (ii) Certificate of entry of stock in PDC/Depot register/relevant TPDS rationing register; (iii) Certificate of rate at which HTS is claimed by State Govt. has been fixed through due tendering process giving wide publicity and after assessing the market rates and duly notified. (iv) Certificate of the transportation charges have been paid to the transporters by ECS / RTGS /NEFT/Cheque; (v) Certificate of the transport charges claimed for transportation of Stock Ex-FCI delivery depot to aforesaid destinations have not been passed on to the consumers under PDS and (vi) Certificate of the bill is prepared on the strength of the receipted challan(s) duly countersigned by the local administrative Officer and verification by representative of vigilance Committee. No investigations by SIC/STF/CBI or any other Govt agency are pending or contemplated with regard to the concerned claims.

**3.26 The Committee note that the Hill Transport Subsidy (HTS) is applicable in the States/UTs of Himachal Pradesh, Jammu & Kashmir, Andaman & Nicobar Islands, Sikkim, Lakshadweep besides the six North-Eastern States (excluding Assam) which are predominantly hilly with little or no railways and poor road communications. The Committee are surprised to see from the Statement showing pending claims that poor States like Meghalaya and Manipur have not made a single claim since the year 2006 under the scheme, while other States like Nagaland, Arunachal Pradesh, Jammu & Kashmir also have not made any claim since the year 2013-14, the States of Mizoram and Tripura have preferred bills for Rs. 11.12 lakh each and Lakshadweep has claimed for Rs. 12.59 lakhs only. Thus, only two States viz. Himachal Pradesh and Sikkim appears to have regular claims under the scheme with pending bills of Rs. 702.53 lakhs and Rs. 69.87 lakhs respectively. The Committee are, therefore, of the opinion that most of the States/UTs are either unaware of the scheme or the conditions and procedure for availing the scheme benefits which appear too cumbersome to comply with. The Committee, therefore, recommend that the procedure for settlement of claims be simplified for the beneficiary States/UTs to avail the scheme and also liquidate the outstanding amount of Rs. 796.11 lakhs only to the States of Tripura, Himachal Pradesh, Sikkim and Lakshadweep at the earliest. Further steps should also be taken to make the states aware of the benefits of the scheme especially to those states who have not preferred any claims so far, besides ascertain the reasons for reluctance, if any, of such States to prefer claims on this account. The Committee further note that this scheme is in operations (since 1975) for more than four decades. This coupled with the fact that the scheme is not very**

popular amongst the beneficiary States calls for a thorough review and evaluation. They, therefore, desire that an independent evaluation of the scheme be made in a time bound manner to find out if the intended benefits have accrued or not. They would like to be apprised of the steps taken in this direction.



#### **(d) Public Distribution System (PDS)**

3.27 The Public Distribution System (PDS) was evolved as a system of management of scarcity and for distribution of food grains at affordable prices. Over the years, PDS has become an important part of Government's policy for management of food economy in the country. PDS is supplemental in nature and is not intended to make available the entire requirement of any of the commodities distributed under it to a household or a section of the society.

3.28 PDS is operated under the joint responsibility of the Central and the State governments. The Central Government, through FCI, has assumed the responsibility for procurement, storage, transportation and bulk allocation of food grains to the State Governments. The operational responsibility including allocation within State, identification of families below the poverty line, issue of Ration Cards and supervision of the functioning of FPS, rest with the State Government. Under the PDS presently the commodities namely wheat, rice, sugar and kerosene, are being allocated to the States/UTs for distribution. Some States/UTs also distribute additional items of mass consumption through the PDS outlets such as cloth, exercise books, pulses, salt and tea, etc.

3.29 When asked about the criteria fixed for allocation of foodgrains to different States for distribution to BPL and AAY families under Public Distribution System and whether any complaints regarding irregularities in AAY under TPDS have been received from States/UTs for the last three years, the Ministry stated that under the National Food Security Act, 2013 75% of the rural and 50% of the urban population of the country is covered to receive subsidized foodgrains under Targeted Public Distribution System (TPDS) i.e. @ Rs.3.00 per kg, Rs. 2.00 per kg for wheat and Rs. 1 per kg for coarse grains. Corresponding to above all India State/UT wise coverage has been determined by the Central Government. The allocation of foodgrains to the States/UTs, where NFSA has been implemented, is made @ 5kg per person per month for Priority Category households and 35 kg per family per month AAY category.

3.30 Under erstwhile TPDS the allocation of foodgrains to States/UTs where National Food Security Act (NFSA) 2013 is yet to be implemented is made @35 kg per family per month for all accepted BPL families (including AAY families) on the basis of 1993-94 poverty estimates of Planning Commission and March 2000 population estimates of Registrar General of India. Allocation of foodgrains for APL category are made depending upon the availability of stocks of foodgrains in the Central Pool and past offtake. There have been reports about irregularities in implementation of TPDS in certain regions/States in the country including irregularities in AAY. Since operational responsibilities of TPDS rest with the concerned, State/UT Government, as and when complaints are received from individuals and organizations as well as through press reports, they are sent to State/UT Governments concerned for inquiry and appropriate action.

3.31 On being asked as to how the identification of BPL/AAY families is done in the States, the Ministry stated that Targeted Public Distribution System (TPDS) is operated

under the joint responsibility of the Central and the State/Union Territory (UT) Governments. The operational responsibilities including identification of eligible beneficiaries as per their norms, and issuance of ration cards rest with the concerned State/UT Governments. Therefore the identification of BPL/AAY families etc. is done by the States/UT Governments.

Under NFSA, coverage has been de-linked from poverty estimates and is under following two categories;

- (i). AAY Households, and
- (ii). Priority Households

As per NFSA, AAY household are to be identified by State Government as per criteria applicable to the said scheme. AAY is an ongoing scheme and such households are already identified. Priority households are to be identified by States as per criteria evolved by them. Different States have adopted different criteria.

3.32 When enquired whether the Central Government have consulted the State/UTs during the last three years for the effective implementation of PDS, the Ministry stated that as part of efforts being made for modernization of Targeted Public Distribution System (TPDS), Department of Food and Public Distribution is implementing a Plan Scheme on End-to-end Computerization of TPDS Operations. With a view to sensitize States/UTs to accelerate the pace of Computerization, the Department has taken following steps:

- i. Institutional mechanism for TPDS computerisation scheme conveyed to all States/UTs in April 2013 and implementation guidelines for scheme were provided to States/UTs in Sep 2013
- ii. Discussions on TPDS Computerisation in States/UTs held during the Conference of State Food Ministers' and State Food Secretaries' in Sep' 2012, Sep-Oct 2013, July 2014 and July 2015.
- iii. Regional conference held in May 2013 at Guwahati wherein all North-Eastern States had participated including Sikkim.
- iv. In July 2014, Hon'ble MoCA,F&PD has written to the State Chief Ministers/Food Ministers to expedite computerisation of TPDS.
- v. Computerisation of TPDS has been made a pre-requisite for allocation of foodgrains under NFSA in July 2014.
- vi. Hon'ble Minister (CA, F&PD) and Hon'ble MoS (CA,F&PD) emphasized on the need of TPDS Computerisation during the Conference held with non-NFSA and NFSA States on 10th and 3rd December, 2014 respectively.
- vii. A regional level meeting held with Northern States, namely, Chandigarh, Haryana, Himachal Pradesh, Jammu & Kashmir and Punjab to review their progress at Chandigarh on 30.06.2015.
- viii. Hon'ble Minister reviewed preparedness of the three UTs, namely, Chandigarh, Dadra & Nagar Haveli and Puducherry UTs on 29.07.2015 for the implementation of Direct Benefit Transfer (DBT) for foodgrains.
- ix. A Central team visited Chandigarh and Puducherry UTs held in March and April 2015 respectively to assess their progress regarding digitisation of ration cards, etc.

- x. Best practices of advanced States/UTs shared with other States from time to time through Newsletter and e-mails etc.
- xi. In October 2015, Odisha had organised a meeting cum workshop in which States such as Andhra Pradesh, Gujarat, Madhya Pradesh and Telangana interacted and shared their experiences in TPDS computerisation.
- xii. A regional conference was organised in Guwahati (Assam) for North-Eastern States on 19.11.2015.
- xiii. A National level conference was held on 23.11.2015 with Food Secretaries of All States/UTs on NFSA and TPDS computerisation.

3.33 The Ministry also stated that In order to maintain supplies and securing availability and distribution of essential commodities, in exercise of the powers conferred by section 3 of the Essential Commodities Act, 1955 (10 of 1955), Public Distribution System (Control) Order, 2001 mandates the State and UT Governments to carry out all required action to ensure smooth functioning of TPDS. A Nine Point Action Plan for curbing the leakages / diversion of foodgrains under TPDS was evolved in July 2006 in consultation with the State / Union Territory (UT) Governments. Government has been regularly monitoring the action being taken by States / UTs including issuing of advisories, holding conferences etc. wherein State / UT Governments are requested to implement the Nine Point Action Plan to ensure that the foodgrains meant for targeted beneficiaries reaches them. The results achieved under the Nine Point Action Plan as reported by States / UTs up to 31.12.2015 is as under:-

S No.	Action Plan	Results
1	States should undertake a campaign to review BPL/AAY list to eliminate ghost ration cards	As per reports received from the State & UT Governments by 31st December, 2015, implementation of the action plan has resulted in elimination of a total of 516.08 lakh bogus/ ineligible ration cards in 30 States.
2	Strict action should be taken against the guilty to ensure leakage free distribution of food grains	33 States have reported that action is being taken against the guilty to ensure leakage free distribution of food grains.
3	For sake of transparency, involvement of elected PRI members in distribution of food grains be ensured. FPS licenses be given to SHGs, gram panchayats, cooperatives etc.	There is involvement of PRIs in Vigilance Committees to monitor FPS in 29 States/UTs. 34 States/UTs have reported FPS being run by Gram Panchayats, SHGs, and Cooperatives etc. Out of about 5.35 lakh FPS in operation, about 1.37 lakh FPS are being run by such organisations.
4	Display of BPL and AAY lists by fair price shops	BPL lists at FPS are displayed in 32 States/UTs.
5	Display of fair price shop-wise and district-wise allocations of PDS commodities on web-sites for public	Action regarding putting up district-wise and FPS-wise allocation of food grains on websites and

	scrutiny	other prominent places has been initiated in 22 States/UTs.
6	Door-step delivery of PDS commodities to fair price shops	Door-step delivery of food grains to FPS by State Governments instead of letting private transporters to transport goods is being done in 27 States/UTs as on 30.09.2015. This reduces leakages during the transportation of foodgrains and ensures viability of FPS owners.
7	Ensuring timely availability of foodgrains at FPS and distribution of foodgrains by FPS	Action is being taken by 32 States in this regard.
8	Training of Vigilance Committee members	27 State/UT Governments have taken up training programmes for FPS level Vigilance Committees. Funds are also being provided by Government of India under a Plan Scheme for training of TPDS officers/ officials.
9	Computerization of TPDS operations, use of IT etc.	Computerisation of TPDS has been taken up across the country. For this purpose, action plans have been finalized by all States/UTs. Government is also providing technical and financial assistance under a Plan Scheme on End-to-end Computerisation of TPDS Operations.

3.34 Details of the action taken by the States/UTs under the relevant clauses of the PDS/TPDS (Control) Orders from January 2013 to December 2015 is at Appendix-III.

**3.35 The Committee note that the Public Distribution System (PDS) is operational under the joint responsibility of the Central and the State Governments. The operational responsibility including allocation within the State, identification of families below poverty line, issue of ration cards and supervision of the functioning of Fair Price Shop (FPS) rest with the State Governments. The Committee are of the view that with the implementation of the National Food Security Act, 2013 by the States/UTs, the need for strengthening the functioning of PDS becomes all the more necessary. The Committee observe that for the effective implementation of PDS, the Government is implementing a plan scheme of 'End-to-End Computerization of TPDS operations' and several steps are taken to sensitize States/UTs to accelerate the pace of computerization. The Committee also note that a Nine Point Action Plan for curbing leakages/diversion of foodgrains under TPDS was evolved way back in the year 2006 in consultation with the State/UT Governments. While appreciating the efforts made by the Government for strengthening PDS, the Committee are, however, compelled to point out that a lot more needs to be done to strengthen the PDS operations in the country. This is all the more visible from the information furnished by the Department in respect of action taken by States/UTs during the period January, 2013 to December, 2015 under PDS Control Orders where except for few States like Goa, Gujarat, Karnataka and Kerala most of the 35 States/UTs have not furnished the information which speaks volumes of the monitoring apparatus in respect of PDS/TPDS. The Committee, therefore, desire that the Department should continuously and vigorously monitor and persuade the State/UT Governments to strictly implement the provisions of the PDS Control Order, National Food Security**

**Act, 2013 and the Nine Point Action Plan to curb leakages/diversion of foodgrains and the results/outcome thereof be apprised to the Committee.**

### **(e) End-to-End Computerization of PDS operations**

3.36 As a part of efforts being made for modernization of Targeted Public Distribution System (TPDS), Department of Food and Public Distribution is implementing a Plan Scheme on 'End-to-end Computerisation of TPDS Operations'. Under the scheme, costs are being shared on 90:10 basis in respect of North Eastern States and on 50:50 basis with other States/UTs. Phase-I of the scheme was approved by the Cabinet Committee on Economic Affairs (CCEA) in October, 2012 with funding requirement of Rs. 884.07 crores, out of which Government of India's share is Rs. 489.37 crore and states/UTs share is Rs. 394.70 crores.

Following are the key activities and their expected outcomes in the first phase:-

- i. Digitization of Beneficiary Database - Enable correct identification of beneficiaries; removal of bogus cards and better targeting of food subsidies.
- ii. Computerisation of Supply Chain Management - Timely availability of foodgrains to intended beneficiaries at Fair Price Shops (FPS); check leakages/diversion.
- iii. Grievance Redressal Mechanism and Transparency Portal - Introduce transparency & public accountability in the implementation of TPDS.

3.37 The Department conveyed administrative approval for the scheme to all States/UTs on 10.12.2012. The Scheme has been declared as a Mission Mode Project (MMP) by the Government. National Informatics Centre (NIC) is the technical partner under the scheme. Financial assistance of ` 313.50 crores has been released to 30 States/UTs, NIC, etc. during financial years 2012-13 (` 41.69 crores), 2013-14 (` 187.05 crores), 2014-15 (` 34.35 crores) and 2015-16 (` 52.41 crores) (upto 31.01.2016).

3.38 A National Transparency Portal <http://pdsportal.nic.in> has been developed by NIC through which citizens may access the Portals of the respective State/UT Food and Civil Supplies Departments. Based on the reports received from States/UTs and NIC, the activity-wise progress in States/UTs (as on 16.02.2016) is summarized as under:-

- (i) Ration cards have been completely digitised in 35 States/UTs.
- (ii) Ration card details are available on transparency portal of all States/UTs.
- (iii) Online Allocation has been implemented in 21 States/UTs.
- (iv) Supply-chain has been computerised in 12 States/UTs.
- (v) Transparency portal, online grievance redressal facility/ Toll-free number has been implemented by all States/UTs.

All States/UTs have been requested to seed Aadhaar numbers in Ration Card database. At present, overall Aadhaar seeding in ration card stands at 43% at the National level.

3.39 As regards phase-II of the scheme i.e. FPS automation, this department in consultation with NIC, Department of Electronics & Information Technology (DeitY) and Unique Identification Authority of India (UIDAI), has prepared guidelines for FPS automation which have been shared with all States/UTs. FPS automation involves, installation of Point of Sale (PoS) devices at FPS for authentication of beneficiaries, recording of sales to beneficiaries at the FPS; and uploading of transaction data in central server. As per the said guidelines, NIC is entrusted to develop software for PoS device and overall solution and this Department has signed a Memorandum of Understanding (MoU) with Standardisation Testing and Quality Certification (STQC) Directorate for testing of PoS/Mobile terminal device. As regards financial assistance, Government has approved FPS dealers' margins (@ ` 87/qtl.) under NFSA which also includes reimbursement of ` 17/qtl. for their expenditure towards purchase and operations of the PoS/Mobile Tablet device at the FPS for automation. So far, more than 79000 FPSs are automated across the country.

3.40 For checking of leakage and diversions, this Department is also pursuing with States/UTs to opt for Direct Benefit Transfer (DBT) under which subsidy component will be credited to bank accounts of beneficiaries who are free to buy foodgrains from anywhere in the market to ensure their foodgrains entitlement. For taking up this model, pre-requisites for the States/UTs would be to complete digitization of beneficiary data and seed bank account details of beneficiaries. The scheme has been implemented in UTs of Chandigarh and Puducherry on pilot basis w.e.f. September, 2015. In Chandigarh and Puducherry, 1.88 lakh and 5.90 lakh beneficiaries respectively are covered under DBT (Cash Transfer) scheme at present. DBT has also been implemented from March, 2016 in Silwasa and Dadra areas of the UT of Dadra and Nagar Haveli.

3.41 The Committee have been informed that in order to ensure distribution of foodgrains in a transparent and accountable manner, Department of Food & Public Distribution has been insisting on completion of certain preparatory activities before implementation of NFSA, which inter alia includes identification of beneficiaries, digitization of their list and placing it on portal, door step delivery and setting up of affective grievance redressal mechanism. Besides, various activities under TPDS computerization scheme are also aimed for bringing transparency and efficiency in the system. State wise progress in TPDS computerization/ status of End-to-End Computerization of TPDS operation as on 01.03.2016 is given below:-

Sl.	States/UTs	NFSA Adoption	Ration Card Digitization	Online Allocation	Supply-chain Management	Transparency Portal	Online Grievance Redressal	Toll Free Helpline Numbers
1	Andaman & Nicobar	Yes	100%	S.Andaman	-	Yes	Yes	Yes
2	Andhra Pradesh	Yes	100%	Implemented	Implemented	Yes	Yes	Yes



3	Arunachal Pradesh*	Yes	100%	-	-	Yes	-	Yes
4	Assam	Yes	100%	Implemented	-	Yes	Yes	Yes
5	Bihar	Yes	100%	Implemented	Implemented	Yes	Yes	Yes
6	Chandigarh	Yes	100%	NA	NA	Yes	Yes	Yes
7	Chhattisgarh	Yes	100%	Implemented	Implemented	Yes	Yes	Yes
8	Dadra & Nagar Haveli	Yes	100%	-	-	Yes	-	Yes
9	Daman & Diu	Yes	100%	-	-	Yes	-	Yes
10	Delhi	Yes	100%	Implemented	Implemented	Yes	Yes	Yes
11	Goa	Yes	100%	Implemented	Implemented	Yes	Yes	Yes
12	Gujarat*	Yes	100%	Implemented	Implemented	Yes	Yes	Yes
13	Haryana	Yes	100%	Implemented	-	Yes	Yes	Yes
14	Himachal Pradesh	Yes	63%	-	-	Yes	Yes	Yes
15	Jammu and Kashmir	Yes	100%	-	-	Yes	-	Yes
16	Jharkhand	Yes	100%	Implemented	-	Yes	Yes	Yes
17	Karnataka	Yes	100%	Implemented	Implemented	Yes	-	Yes
18	Kerala	<b>No</b>	100%	-	-	Yes	Yes	Yes
19	Lakshadweep	Yes	100%	-	NA	Yes	Yes	Yes
20	Madhya Pradesh	Yes	100%	Implemented	Implemented	Yes	Yes	Yes
21	Maharashtra	Yes	100%	Implemented	-	Yes	-	Yes
22	Manipur	<b>No</b>	100%	-	-	Yes	-	Yes
23	Meghalaya	Yes	100%	-	-	Yes	Yes	Yes
24	Mizoram	Yes	100%	-	-	Yes	Yes	Yes
25	Nagaland	<b>No</b>	100%	-	-	Yes	-	Yes
26	Odisha	Yes	100%	Implemented	Implemented	Yes	Yes	Yes
27	Puducherry	Yes	100%	NA	NA	Yes	Yes	Yes
28	Punjab	Yes	100%	Implemented	-	Yes	Yes	-
29	Rajasthan	Yes	100%	-	-	Yes	Yes	Yes
30	Sikkim	Yes	100%	Implemented	-	Yes	Yes	Yes
31	Tamil Nadu	<b>No</b>	100%	Implemented	Implemented	Yes	Yes	Yes
32	Telangana	Yes	100%	Implemented	Implemented	Yes	Yes	Yes
33	Tripura	Yes	100%	Implemented	Implemented	Yes	-	Yes
34	Uttar Pradesh	Yes	100%	Implemented	-	Yes	Yes	Yes
35	Uttarakhand	Yes	100%	Implemented	-	Yes	Yes	Yes
36	West Bengal	Yes	100%	Implemented	-	Yes	Yes	Yes
			<b>35</b>	<b>21</b>	<b>12</b>	<b>36</b>	<b>27</b>	<b>35</b>

Note: \* indicate that NFSA allocation orders have been issued for implementation in state w.e. f. 01/04/2016..

3.42 When asked about the reasons for mismatch of BE, RE and AE in respect of scheme of Computerization of PDS operations, the Ministry stated that as regards smart card based delivery system, it is submitted that this department has suggested only two models to States/UTs for distribution of foodgrains under PDS, one, cash transfer of food subsidy under which subsidy component would be credited to bank accounts of beneficiaries who are free to buy foodgrains from anywhere in the market to ensure

their foodgrains entitlement. Second, Automation of Fair Price Shops (FPS) which involves installation of Point of Sale (PoS) devices at FPS for authentication of beneficiaries, recording of sales to beneficiaries at FPSs; and uploading of transaction data in Central server. As regards financial assistance, under NFSA Government has approved norms for FPS dealer's margins @ Rs.87/qtl. for 23 general category States/UTs and @ Rs.160/qtl. for 13 special category States/UTs, which also includes reimbursement of Rs.17/qtl. for their expenditure towards purchase, operations and maintenance of Point of Sale (PoS) device at the FPS for automation. Such expenditure would be shared between Centre and State Governments on 75:25 basis for special category States/UTs and on 50:50 basis for General category States/UTs.

**3.43 The Committee note that for modernization of TPDS, the Department is implementing a plan scheme on End-to-End Computerization of TPDS operations on cost sharing basis at the ratio of 90:10 in respect of NE States and 50:50 basis with other States/UTs. The Committee further note that the scheme has been declared as a Mission Mode Project by the Government and most of the States/UTs have more or less completed the work of ration card digitization, transparency portal, Online Grievance Redressal and Toll Free Helpline numbers. The Committee, however, regret to note that only 21 of the States/UTs have computerized Online Allocation while 12 States have Computerized Supply Chain Management of TPDS operations. The Committee strongly feel that these are very essential for the effective implementation of the TPDS in the country. While appreciating the steps taken by the Government, the Committee forcefully urge the Department to continuously and persistently follow up with the States/UT Governments and persuade them to accelerate the pace of all works relating to End-to-End Computerization of TPDS in the country in the larger interest of preventing leakages/diversion of foodgrains meant for the vulnerable sections of the society. They further feel that the Department ought to make time bound plan for the remaining States/UTS to complete the Computerization process in this scheme.**

## CHAPTER IV

### FOOD CORPORATION OF INDIA (FCI)

#### Role of Food Corporation of India (FCI) Procurement Operations

As the principal implementing agency of the food policy of Government of India, the FCI undertakes procurement of foodgrains at the minimum support price to provide remunerative prices to farmers and also to prevent distress sale of their produce. The FCI also maintains a satisfactory level of operational and buffer stocks of foodgrains to ensure national food security. It offers foodgrains to various State Governments for being distributed to consumers through a wide network of fair price shops under the Public Distribution System (PDS), at the Central Issue Price fixed by the Government.

#### (a) Dues and Liabilities of FCI

4.2 The Ministry has stated that the outstanding dues of FCI to be recovered from Various Ministries of Government of India (Except CA, F & PD). State Govts. and other Parties on account of providing foodgrains for various welfare schemes on payment basis as on 31.01. 2016 is as follows:-

S.No	PARTICULARS	(Rs. In Crore)
1.	Min. of RD (SGRY, SGRY-SC & NFFWP)*	2452.96*
2.	Min. of HRD MOM Outstanding dues under Decentralized Payment	475.31
3.	Ministry of Ex. Affairs(Supply of Foodgrains to Afghanistan)/Iraq	105.74
4.	Other Central Organisation	79.81
5.	State Govt. /Agencies	20.55
6.	Other Parties & Co-operative Societies	--
7.	Min. of Defence	18.50
	<b>Grand</b>	<b>3,152.87</b>
	<b>Total:-</b>	

\*It excludes Rs. 221.99 crore of state Govt. of Chhattisgarh for supplies made by it under Min. of Rural Development scheme which are to be paid directly by Min. of Rural Development.

4.3 Asked whether any time limit has been fixed within which Ministries are requested to make payment of outstanding dues, the Ministry stated that the distribution of food grains under various welfare schemes of different Ministries is a continuous process and the dues arriving out of this distribution are reimbursed regularly as per the frequency of the bills preferred by FCI from time to time against various Ministries.

4.4 In response to a query regarding the steps taken to liquidate outstanding dues of FCI, the Ministry stated that at present, there are two major issues of outstanding

dues related with the Ministry of Rural Development and Ministry of HRD. The problem of outstanding dues with respect to Ministry of Rural Development has arisen due to non-availability of the bills for which advice of CCA has been received by the Department and FCI will be advised to take necessary action for early settlement. To take care of regular dues of FCI towards Mid-Day-Meal (MDM) Scheme, a revolving fund of Rs.400 crore has been maintained by Ministry of HRD. However, however, there are occurrences when total outstanding exceeds the revolving fund for which regular follow-up is pursued by this Department.

**4.5 The Committee note with concern that an amount of Rs. 3152.87 crores is outstanding for payment to FCI by various Ministries/States/Agencies on account of foodgrains supplied to them under various welfare schemes. Out of this, the amount outstanding against Ministry of Rural Development is Rs. 2452.96 crore & that of the Ministry of Human Resource Development is Rs. 475.31 crore. The Committee are not convinced with the reasons cited by the Government with regard to the problem of outstanding dues of the Ministry of Rural Development as non-availability of the bills for which advice of Chief Controller of Accounts (CCA) has been received by the Department and FCI will be advised to take necessary action for early settlement. To take care of regular dues of FCI towards MDM Scheme, a revolving fund of Rs.400 crore has been maintained by Ministry of HRD. The Government is also silent as to the reasons for outstanding dues in respect of the other Ministries/State Governments/Agencies. The Committee, therefore, strongly recommend that the Department/FCI should make earnest efforts to identify the bottlenecks in realisation of dues and recover in a time bound manner the outstanding dues from all the Ministries/State Governments/Agencies at the earliest. They would like to be apprised of the action taken in the matter.**

**(b) Establishment Cost of FCI**

4.6 The net expenditure incurred by FCI (including establishment cost) is reimbursed by the Government in the form of food subsidy. The details of establishment cost incurred by FCI for the last three years are as under:-

	<b>2013-14</b>	<b>2014-15</b>	<b>(in Rs. crores)</b> <b>2015-16</b> <b>(RE)</b>
Staff Cost	2060.67	2034.18	2366.20
Other Establishment Cost	204.93	249.86	397.00
<b>Total</b>	<b>2265.60</b>	<b>2284.04</b>	<b>2763.20</b>
% increase over previous year	-10.07	0.81	20.98

4.7 When asked to furnish reasons for steep rise in Establishment Cost of FCI during 2015-16, the Department in their post evidence reply stated as under:-

1. The increase in 2015-16 (RE) is roughly 22% over a period of 2 years which is in line with normal inflationary trend of 10% which includes annual increments, increase in DA etc.
2. The amount for 2015-16 (RE) is only an estimate and the actual expenditure can be conveyed only after annual accounts for 2015-16 are closed.
3. Increase in Establishment Cost is mainly due to:
  - (i) Proposed recruitment of 4689 employees in 2015-16 for part of the year;
  - (ii) Normal increment of 3% alongwith other allowances and increase in DA about @ 10% p.a.
4. Increase in Other Administrative Cost is mainly due to the following reasons:
  - (i) There was Misc. Income of Rs. 62 crores in 2013-14 which had reduced the expenditure whereas the income expected in 2015-16 (RE) is only Rs. 16 crores. Thus, as compared to 2013-14, the expenditure of 2015-16 (RE) is higher by Rs. 45 crores.

(ii) Depreciation in 2013-14 was Rs. 24 crores which has to be taken at Rs. 45 crores in 2015-16 (RE). This increase in depreciation is due to change in depreciation rates under Companies Act.

(iii) The expenses on recruitment of 4689 employees in 2015-16 (RE), considered at Rs. 28 crores as against Rs 0.61 crores in 2013-14, is also responsible for rise in establishment cost.

(iv) The expenses on computerization are expected to be Rs. 33 crores in 2015-16 (RE) against Rs 7.5 crores in 2013-14, leading to an increase of Rs. 25.50 crores which is mainly due to computerization of depot online, upgradation of LAN/WAN.

(v) An amount of Rs.8 crores is budgeted for Research & Development activities of the corporation. However, the expenditure is negligible in 2013-14.

4.8 When asked about the remedial/corrective steps proposed to be taken to keep the establishment cost to its barest minimum, the Ministry stated that the Food Corporation of India has implemented instructions on economy measures and rationalization of expenditure issued by Department of Expenditure vide OM No.7(1)/E.Coord/2009 dated 7<sup>th</sup> September,2009. The Corporation monitors to see that the economy instructions are implemented so as to ensure that the establishment cost is controlled. The revised Staff Sanctioned Strength of the Corporation has gone down from 55045 (as on 31-03-2010) to 36515.

4.9 As against the sanction strength of 36515, the men in position as on 31-03-13, 31-03-14 and 31-03-15 was 26716, 22480 and 23218 respectively. With gradual reduction in manpower and increased level of operations (i.e. Purchase, Sale and Stock-holding), there is rare scope for reduction in establishment cost.



**4.10 The Committee are surprised to note that the net expenditure including Establishment Cost of FCI is reimbursed by the Government in the form of food subsidy. It is observed that the total establishment cost of FCI has increased by 20.98% from Rs. 2265.60 crore in the year 2013-14 to Rs. 2763.20 crore in the year 2015-16. The Committee are of the firm opinion that meeting the total Establishment Cost of FCI out of food subsidy is erroneous and inappropriate. Ideally the establishment cost should be entirely borne by FCI from out of its internal resources and not by Government from out of its budget allocations since the Corporation is supposed to function as a commercial entity and not a departmental organisation. The Committee, therefore, urge the Department to look into in this issue afresh and advise FCI to devise other means to recoup its establishment costs from the next financial year.**

**(c) Storage – Capacity Utilization Status**

4.11 The Ministry has furnished the following statement showing total storage capacity available with the FCI, stocks held therein and capacity utilization during the last three years:-

(fig. in lakh MT)

Year		COVERED			CAP			GRAND TOTAL
		OWNED	HIRED	TOTAL	OWNED	HIRED	TOTAL	
2012-13	CAPACITY	130.03	201.03	331.06	26.37	11.52	37.89	368.95
	STOCK	102.22	178.67	280.88	12.78	10.07	22.86	303.74
	UTILISATION	79%	89%	85%	48%	87%	60%	82%
2013-14	CAPACITY	129.99	219.12	349.11	26.38	7.47	33.85	382.95
	STOCK	85.26	179.32	264.58	9.42	5.54	14.96	279.54
	UTILISATION	66%	82%	76%	36%	74%	44%	73%
2014-15	CAPACITY	129.61	217.62	347.23	26.35	3.39	29.74	376.97
	STOCK	75.51	170.19	245.70	7.00	2.50	9.50	255.20
	UTILISATION	58%	78%	71%	27%	74%	32%	68%
2015-16 (upto Feb. 16)	CAPACITY	127.56	212.31	339.88	26.02	0.54	26.56	366.43
	STOCK	84.48	179.49	263.97	2.22	0.48	2.70	266.67
	UTILISATION	66%	85%	78%	9%	90%	10%	73%

4.12 Asked whether the storage capacity is sufficient to store the buffer and operational stock of foodgrains and the steps that have been contemplated to augment the capacity, the Ministry stated that yes, the present storage capacity is sufficient to store the buffer and the operational stock of foodgrains. As on 01.03.2016, the total storage capacity available with FCI and State agencies for storage of central pool stocks was 806.43 LMT, comprising covered capacity of 639.04 LMT and CAP capacity of 167.39 LMT, much more than the Central Pool Stock of 362.89 LMT as on 01.03.2016.

4.13 In reply to a query regarding rent paid by FCI to each agency for hiring of godowns agency wise, the Ministry furnished the details of the rent paid by the FCI for hiring of godowns are as under:-

(Value in Rs. Lakh)

YEAR	CWC	SWC	Pvt Party	Port Authority	State/ Central Govt.	PEG (*)	Other s	Grand Total
2012-13	33081.73	87747.95	14171.47	1695.81	9947.13	0.00	357.09	<b>147001.18</b>
2013-14	41735.20	116185.34	15661.15	1991.00	26771.54	0.00	317.19	<b>202661.42</b>
2014-15	36157.09	106732.37	17116.12	2004.24	19685.88	4068 2.55	387.81	<b>222766.06</b>

\* No separate booking for PEG for 2012-13 and 2013

**4.14 The Committee are constrained to note that owned/covered storage capacity has been consistently underutilized during the last four years as compared to hired storage capacity. While on the one hand, owned storage capacity has been utilized to the extent of 79% in 2012-13, 66% in 2013-14, 58% in 2014-15 and 66% in 2015-16 respectively on the other the capacity utilisation of Hired storage is hovering between 80-90% during the same period. They further note that FCI has been incurring heavy expenditure on hiring of godowns amounting to Rs. 1470.01 crore in 2012-13, Rs. 2026.61 crore in 2013-14 and Rs. 2227.66 crore in 2014-15 respectively. This speaks volumes of the lackadaisical way in which FCI is conducting its storage operations. The Committee cannot but conclude that had the FCI ensured better capacity utilization of its owned storage capacity, a substantial amount of public money could have been saved and better utilized towards meeting the establishment costs as discussed previously thereby lessening subsidy outlay to some extent. The Committee, therefore, desire the Department/FCI to first ensure that owned storage capacity are utilized to the hilt before resorting to hiring storage capacity. They expect the Department to take effective steps so that positive outcomes are reflected in subsequent budgets.**

## CHAPTER V

### MANAGEMENT OF SUGAR

India is one of the largest producers of sugar and sugarcane in the world and the sugar industry is the largest agro-based industry located in rural India. About 45 million sugarcane farmers, their dependents and a large mass of agricultural labourers are involved in sugarcane cultivation, harvesting and ancillary activities constituting 7.5 per cent of rural population. Maharashtra and Uttar Pradesh contribute more than 50 percent share in the country's sugar output. India is also the largest consumer of sugar in the world.

#### (a) Production of Sugar

5.2 Sugarcane production is cyclic in nature; cyclicity arising out of cultivation pattern viz. – both by seed and ratoon. Every 2-3 years of high sugar production are followed by 2-3 years of low sugar production. From the sugar season 2010-11 onwards the country could consistently achieve sugar production more than the domestic requirements and could also generate surpluses for export, earning valuable foreign exchange in the process. Industry has also been encouraged to diversify its activity towards production of raw sugar targeted for export market. As such, it appears that the amplitude of year to year fluctuations in sugar production has diminished. There are early and late maturing varieties. Government of India gives grants in aid to research institutes to work on new and improved varieties. Soft loans are also given to sugar factories to give incentives to sugarcane farmers to switch over to new and improved varieties. The Department has furnished the following statement indicating season-wise production of sugar since 2010-11:-

(Qty. in lakh tons)

Sugar Season	Production of Sugar
2010-11	243.50
2011-12	263.43
2012-13	251.83*
2013-14(P)	245.54
2014-15(P)	284.63
2015-16(Estimated)	260.00

(P) – Provisional                      Table 3.05

\* – Excludes 6.76 lakh tons of sugar produced from imported raw sugar.

5.3 The details of area under sugarcane cultivation during the last three years and the current year alongwith percentage increase/decrease in the area are given in the table below:

Sugar Season	Area under sugarcane Cultivation (Lakhs Hect.)	% Increase/Decrease over presiding Sugar Season
2011-12	50.38	
2012-13	49.99	-1.00

2013-14	49.93	-0.77
2014-15	50.67	-0.12
2015-16*	49.45	+1.48

\*Second Advance Estimates 2015-16 as per Department of Agriculture and Co-operation Released on 15.02.2016.

The Increase/Decrease during last three year was marginal.

5.4 When enquired about the rate of Statutory Minimum Price (SMP) for sugarcane, the Ministry stated that the Central Government fixes Fair and Remunerative Price (FRP) of sugarcane having regard to the factors mentioned in Clause 3(1) of the Sugarcane (Control) Order, 1966 viz., cost of production of sugarcane; return to the growers from alternative crops and the general trend of prices of agricultural commodities; availability of sugar to consumers at a fair price; price at which sugar produced from sugarcane is sold by sugar producers; recovery of sugar from sugarcane; realization made from sale of by-products viz. molasses, bagasse and press-mud or their imputed values; and reasonable margins for the growers of sugarcane on account of risk and profits. The FRP so fixed is based on the recommendations of the Commission for Agricultural Costs and Prices (CACP) and after consultations with State Governments and other stakeholders. **FRP of sugarcane, linked to recovery rate, is uniform throughout the country and not fixed state-wise.** Accordingly, FRP for 2015-16 sugar season has been fixed at Rs. 230 per qtl. linked to a basic recovery of 9.5% subject to a premium of Rs.2.42 per qtl for every 0.1 percentage point increase above that level. The FRP of sugarcane payable by sugar factories for each sugar season from 2012-13 is at tabulated below:-

<b>Sugar Season</b>	<b>FRP (Rs. per quintal)</b>	<b>Basic Recovery Level</b>
2012-13	170.00	9.5%
2013-14	210.00	9.5%
2014-15	220.00	9.5%
2015-16	230.00	9.5%

**(b) Sugar Subsidy**

5.5 Under existing system, to make sugar available in the PDS at the existing retail issue price, the State Government/UT administrations are required to procure it from the open market through a transparent system. The Central Government is reimbursing subsidy to the States/UT's @ ₹ 18.50 per kg, limited to the quantity based on their existing allocations. Further, with a view to ease out the financial burden of the State Governments, the Government has decided to release advance subsidy to all State Governments who approach the Central Government for the same. The Central Govt. vide order date 7<sup>th</sup> Feb,2015 has given liberty to the State Governments/ UT Administrations to either absorb the additional cost, if any, on account of handling transportation and dealer's commission or pass it on the consumers by including it in the Retail Issue Price (RIP).

5.6 The new system of open market procurement by States/UTs and seeking reimbursement from the Department has been adopted by 30 States/UTs. During the financial year 2015-16, an amount of ₹ 3488.48 crores (including ₹ 677.49 Crores to FCI) has been released to States/UTs upto 31.12.2015 against BE of ₹ 4500 Crore.

**5.7 The Committee are happy to note that though sugarcane production is cyclic in nature, the country has been producing sugar more than the domestic requirement since the year 2010-11 onwards. The Committee are, however, concerned to note that the area under sugarcane cultivation has been decreasing every year since the year 2011-12 except in the year 2014-15 where a marginal increase has been shown. The Committee would, therefore, urge the Department to take every possible measures to encourage the sugarcane farmers so that the country would continue to remain one of the largest producers of sugar in the world. The Committee further note that to make sugar available in PDS, the States/UTs are required to procure sugar from the open market through a transparent system. To ease the financial burden of the States/UTs, the Government has decided to release advance subsidy to all States/UTs who approach them. The States/UTs have also been given the liberty to either absorb the additional cost, if any, on account of handling transportation and dealers' commission or pass it on to the consumers by including it in the Retail Issue Price. Further, the new system of open market procurement by States/UTs, and seeking reimbursement from the Department has been adopted by 30 States/UTs. The Committee desire that the Government should encourage the remaining States/UTs to adopt the new system of open market procurement and also take every possible step to increase sugar production in the country.**

**(c) CANE PRICE ARREARS**

5.8 In response to a query on Cane Price Arrears, the Ministry furnished a statement showing the cane price arrears for the last three sugar seasons, State wise details of cane price payable, cane price paid and cane price arrear for 2015-16, 2014-15 and 2013-14 & earlier seasons is as follows:-

<b>STATEMENT SHOWING CANE PRICE PAYABLE, CANE PRICE PAID AND CANE PRICE ARREAR FOR 2015-16 SUGAR SEASON AND CANE PRICE ARREAR FOR 2014-15 &amp; EARLIER SEASON (position as on 29.02.2016)</b>								
SL. NO.	STATE	CANE PRICE PAYABLE 2015-16	CANE PRICE PAID 2015-16	CANE PRICE ARREARS 2015-16	% OF CANE PRICE ARREARS	CANE PRICE ARREARS 2014-15	CANE PRICE ARREARS FOR 2013-14 & EARLIER	<b>Rs. in crores</b>
								TOTAL CANE PRICE ARREARS
	1	2	3	4	5	6	7	8(4+6+7)
1	PUNJAB	1296.55	753.24	543.31	41.90	0.00	0.00	543.31
2	HARYANA	1093.28	629.73	463.55	42.40	10.84	0.00	474.39
3	RAJASTHAN	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	UTTAR PRADESH	10158.91	6525.76	3633.15	35.76	457.23	112.26	4202.64
5	UTTARAKHAND	640.14	248.67	391.47	61.15	34.53	24.92	450.92
6	MADHYA PRADESH	625.78	478.18	147.60	23.59	0.00	13.39	160.99
7	CHHATISGARH	89.95	45.94	44.01	48.93	0.00	0.00	44.01
8	GUJARAT	1231.02	758.30	472.72	38.40	0.00	13.03	485.75
9	MAHARASHTRA	12198.88	8840.51	3358.37	27.53	233.40	80.67	3672.44
10	BIHAR	1162.00	871.84	290.16	0.00	20.16	40.10	350.42
11	ASSAM	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12	ANDHRA PRADESH	1076.69	717.67	359.01	33.34	37.70	0.00	396.71
13	KARNATAKA	8020.70	5106.55	2914.15	36.33	254.28	305.84	3474.27
14	TAMIL NADU	1705.31	863.53	841.78	49.36	316.18	277.38	1435.34
15	KERALA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
16	ODISHA	71.96	48.14	23.82	33.10	0.58	2.94	27.34
17	WEST BENGAL	0.00	0.00	0.00	0.00	1.44	0.00	1.44
18	NAGALAND	0.00	0.00	0.00	0.00	0.00	0.00	0.00
19	PUDUCHERRY	0.00	0.00	0.00	0.00	0.00	9.09	9.09
20	GOA	9.90	8.55	1.35	13.64	0.00	0.00	1.35
21	TELANGANA	528.08	244.39	283.69	53.72	11.91	0.00	295.60
	<b>TOTAL</b>	<b>39909.15</b>	<b>26141.00</b>	<b>13768.15</b>	<b>34.50</b>	<b>1378.25</b>	<b>879.62</b>	<b>16026.01</b>



5.9 The Sugarcane (Control) Order, 1966 stipulates payment of cane price within 14 days of supply, failing which interest at the rate of 15% per annum on amount due for the delayed period beyond 14 days is payable. The powers for enforcing this provision are vested with the State Governments/UT Administrations. Further, the Central Government advises the State Governments/UTs from time to time to ensure timely payment of cane dues to the farmers and to take action against the defaulting sugar mills.

5.10 During evidence the Secretary stated as under:-

"पिछले साल जो केन प्राइस एरियर्स थे, वे 21,800 करोड़ रुपए पर पहुंच गए थे। इस बारे में माननीय समिति ने भी हमें एग्जामिन किया था। अब वे एरियर्स घट कर करीब 1,200 करोड़ रुपए पर आ गए हैं। इसमें एफ.आर.पी. का एरियर्स करीब 500 करोड़ रुपए है। But that is the Central price fixed. बाकी जो एरियर्स हैं, वे उसमें हैं जिसमें हम स्टेट एडमिनिस्टर्ड प्राइस देते हैं। यह काफी कम होना शुरू हुआ है और इसका दूसरा प्रभाव यह रहा है कि हमने इसमें एक्सपोर्ट भी इंसिस्ट किया है, इथेनॉल ब्लेंडिंग को भी इंसिस्ट किया है।"

#### **Soft Loan to sugar mills to facilitate clearance of cane price arrears**

5.11 A scheme was notified on 23.6.2015 to provide soft loan to sugar mills to facilitate clearance of cane price arrears of sugar season 2014-15. A sum of 4212 cores have been disbursed under the scheme. Interest subvention during moratorium period of one year would be borne by the Government. The loan amount was directly credited by the banks in the farmer's accounts against their cane dues. In case, the mills did not have any dues, funds were credited to the sugar mills.

5.12 Ethanol is an agro-based product, basically produced from the by-product of the sugar industry, viz. Molasses. In the years of surplus production of sugarcane, when the sugar prices are depressed, the sugar industry is unable to pay cane price to the farmers. This is mainly due to surplus production of sugar. The ethanol blended petrol programme, besides lowering pollution levels, is expected to provide another outlet for ethanol use, thus insuring utilization of molasses produced as a by-product during manufacture of sugar. This would improve the reserve stream of the sugar mills.

5.13 It has been decided by the Government that 5% mandatory ethanol blending with petrol should be implemented across the country and procurement price of ethanol will be decided between Oil Marketing Companies and suppliers of ethanol. This is expected to generate revenue for sugar mills enabling them to avoid building up of cane price arrears. A few policy for supply of ethanol for EBP has been introduced which offers a remunerative price and 6 months the entire ethanol supply chain.

5.14 During evidence, the Secretary, Department of Food and Public Distribution stated that remunerative price of Ethanol fixed to facilitate blending with petrol; waiver of excise duty, target for blending scaled up from 5% to 10%. She further stated-

"The blending which was allowed earlier was five per cent. Unfortunately, the sugar industry was not even meeting that. वह नहीं हो पा रहा था। अब इस साल जब गवर्नमेंट ने इनको टारगेट्स दिये हैं, इनकी एकाउण्टेबिलिटी फिक्स की है और साथ-साथ रैम्युनेरेटिव प्राइसेज़ भी फिक्स किये हैं। ऑयल मार्केटिंग कम्पनीज़ ने बड़ा अच्छा इनको प्राइस का भी फायदा दिया है प्लस इनको सैण्ट्रल गवर्नमेंट ने एक्साइज़ वेवर भी दिया है। They were not active enough to produce to the capacity that they could. There were many reasons. एक तो इनको प्राइस ठीक नहीं मिल रहा था। दूसरे they were not very motivated to do this either. But after we cracked the whip on them and said when these capacities exist, you must optimise your capacity and these benefits are being given to you, please make use of these benefits so that you pay the farmer. Every week, we monitor it State wise and mill-wise and we look at what they have achieved. Now you will be happy to know कि पिछले सप्ताह तक हमने जो रिव्यू की थी, उसमें यह था कि इन्होंने 28 करोड़ लीटर्स ऑलरेडी सप्लाइ कर दिया था, जबकि अगर हम इसे पिछले साल के मुकाबले देखें, a year before corresponding period, they had only done nine crore litres. So, there is a big change, and they are slowly moving up. The Government has also lifted the barrier and it is 10 per cent blending now. They are nowhere near 10 per cent yet but that is where we have to push them. So, this is going on."

5.15 The Committee note that the Sugarcane (Control) Order, 1966 stipulates payment of cane price arrears within 14 days of supply, failing which interest at the rate of 15% per annum on the amount due for the delayed period beyond 14 days is payable. The Committee are, however, constrained to note that a total amount of Rs. 16026.01 crore is outstanding for payment to the farmers as on 29.02.2016. This amount includes arrears of Rs. 879.62 crore for the year 2013-14 and earlier years and Rs. 1378.25 crores for the year 2014-15. The Committee are, constrained to note that the Government has not been able to enforce the provisions of Sugarcane (Control) Order, 1966 though the primary responsibility to enforce the provision rests with the State Governments/UT Administrations. The Committee are, however, happy to note that the Government has notified a scheme to provide soft loan to the sugar mills to facilitate clearance of cane price arrears. The Committee further note that the Government has decided to make 5% mandatory ethanol blending with petrol across the country and left the oil marketing companies to decide procurement price of ethanol with the suppliers of ethanol to generate revenue for sugar mills to enable them pay the cane price arrears. The Committee further observe that the Government has lifted the barrier of 5% blending of ethanol and raised it to 10% blending now. The Committee, therefore, urge the Government to strongly prevail upon the State Governments/UT Administrations in enforcing the provisions of the Sugarcane (Control) Order, 1966 and also strictly monitor the performance of sugar mills in making early payment of cane price to the farmers. The Committee also desire that they should be apprised of the results in respect of the improved position of clearance of arrears by sugar mills after revision of the blending of ethanol to 10% with petrol thereby facilitating payment of the arrears to cane growers.

NEW DELHI  
May, 2016  
Vaisakha, 1938 (Saka)

J C DIVAKAR REDDY,  
Chairperson,  
Standing Committee on Food,  
Consumer Affairs and Public Distribution

**Appendix-I**  
**(Para 2.8)**

**Details of Plan Schemes**

Statement showing Scheme wise (Plan) details of BE, RE, AE, Quarter ending expenditure incurred by the Department of Food and Public Distribution during 2014-15, 2015-16 and BE for 2016-17:-

(Rs. in crore)

S. No.	Name of the Scheme	2014-15			2015-16			2016-17
		BE	RE	Actual Exp.	BE	RE	Actual Exp.	BE
1.	Construction of godowns by FCI/State Govt.	181.00	91.84	91.84	90.00	80.00	79.31 (upto 31.01.16)	52.00
2.	Computerization of PDS Operations	128.50	35.00	33.81	80.00	60.00	56.37 (upto 17.03.2016)	75.00
3.	Assistance to Warehousing Development & Regulatory Authority	8.00	13.81	13.81	30.00	15.00	12.90 (upto 15.03.2016)	18.00
4.	NSI, Kanpur	2.50	2.50	2.3331	2.50	3.50	3.47 (expected)	Shifted under Non-Plan
5.	Strengthening of PDS & Capacity Building, Quality Control, Consultancies & Research							
5A	Strengthening of PDS & Capacity Building							
	i) Financial assistance to States/UTs for generating awareness amongst TPDS beneficiaries about their entitlements	1.00	0.56	0.159	0.50	0.46	0.222	0.50
	ii) PDS- Evaluation, Monitoring & Research	0.63	0.4343	0.4343	0.90	0.70	0.186	0.85
	iii) PDS Training	0.87	0.51	0.258	0.25	0.24	0.20	0.25
	<b>Sub total</b>	2.50	1.5043	0.8513	1.65	1.40	0.608	1.60
5B	Consultancies, Training & Research							
	i) Consultancies for research/ monitoring in domestic/global markets for Foodgrains;	0.40	0.15	0.12562	0.25	0.09	0.0781 (upto 17.03.2016)	0.12
	(ii) e-governance	1.10	1.50	1.33	0.60	0.76	0.3778	0.28
	<b>Sub total</b>	1.50	1.65	1.45561	0.85	0.85	0.4559	0.40
5C	Strengthening of Quality Control Mechanism	5.00	3.50	2.71	5.00	3.50	3.21 (Upto Feb, 2016)	2.00
5D	Financial Assistance to States & UTs for providing non-building assets to State Food Commissions	1.00	0.20	0.00	2.00	0.75	0.00	1.00
	<b>Total</b>	<b>330.00</b>	<b>150.00</b>	<b>146.81</b>	<b>212.00</b>	<b>165.00</b>	<b>156.32</b>	<b>150.00</b>

## Details of Non-plan Schemes

Statement showing Scheme wise (Non-Plan) details of BE, RE, AE, Quarter ending expenditure incurred by the Department of Food and Public Distribution during 2014-15, 2015-16 and BE for 2016-17:-

(Rs. in Crores)

S. No	Name of the Scheme / Project	F.Y. 2014-15			F.Y. 2015-16			BE 2016-17
		BE	RE	AE	BE	RE	Exp. upto 14.03.2016	
1	2	3	4	5	6	7	8	9
1	Secretariat (3451)	39.87	38.79	37.87	42.22	42.20	40.03	51.85
2	Food Subsidy (including Sugar) (2408)	115000.00	122675.81	117671.16	124419.00	139419.00	113050.07	134834.61
3	Subsidy for Imported Edible Oils for Distribution through States/UTs Government	0.00	0.00	0.00	0.00	150.00	150.00	567.01
4	Transfer to Sugar Development Fund (2408)	250.00	250.00	250.00	500.00	750.00	750.00	2000.00
5	Directorate of Sugar(2408) *	4.90	4.80	4.65	0.00	0.00	0.00	0.00
6	Dte. of Vanaspati, Vegetable Oils & Fats (2408) *	2.22	2.29	2.09	0.00	0.00	0.00	0.00
7	Directorate of Sugar & Vegetable Oils (2408) *	0.00	0.00	0.00	7.20	6.50	5.66	8.04
8	Administration of Sugar Development Fund(2408)	20.50	20.48	20.47	20.54	20.54	13.93	20.60
9	National Sugar Institute, Kanpur (2408)	16.88	16.39	15.86	18.13	17.69	15.56	23.55
10	Central assistance to State/ UTs for meeting expenditure on intra-state movement, handling of foodgrains and FPS dealers margin under NFSA (Grants-in-aid-General) (2408) #	0.00	0.00	0.00	0.00	2.79	0.00	2500.00
11	Grants-in-aid for Development of Sugar Industry (2408)	2.00	0.84	0.75	2.00	0.80	0.08	1.00
12	Departmental Canteen NSI (2408)	0.38	0.39	0.37	0.43	0.40	0.35	0.44
13	Scheme for Extending Financial Assistance to Sugar Undertaking, 2014 (2408)	100.00	703.77	703.77	800.00	800.00	720.61	800.00

14	Reimbursement of internal transport and freight charges to Sugar factories on export shipment and payment of other permissible claims(2408)	0.00	0.00	0.00	0.01	0.00	0.00	0.00
15	Subsidy for Maintenance of Buffer Stock of Sugar (2408)	5.00	5.00	4.94	3.00	3.00	1.81	0.00
16	Incentive on Marketing and Promotion Services for Raw Sugar Production (2408)	0.00	200.00	183.87	0.00	200.00	99.67	30.00
17	Interest subvention on scheme for extending soft loan to sugar mills, 2015 (2408) #	0.00	0.00	0.00	0.00	202.50	150.00	202.50
18	Production Subsidy to Sugar Mills to offset cost of cane and facilitate timely payment of cane price dues to farmers (2408) #	0.00	0.00	0.00	0.00	0.00	0.00	950.01
19	<b>Other Programmes of Food Storage &amp; Warehousing</b>							
	i) International Cooperation (2408)	0.62	0.60	0.59	0.64	0.61	0.61	0.64
	ii) Indian Grain Storage, Management & Research Institute (2408)	3.82	3.53	3.14	4.12	3.92	3.31	5.07
	iii) Central Grain Analysis Laboratory (2408)	0.02	0.02	0.01	0.02	0.02	0.00	0.05
	iv) Quality Control Cell (2408)	8.13	7.38	7.01	8.24	6.87	6.21	8.74
20	Ways and Means Advance payable to FCI (6408)	10000.00	10000.00	10000.00	10000.00	20000.00	20000.00	10000.00
21	<b>Loans for consumer Industries (6860)</b>							
	i) Loans for Modernization / Rehabilitation of Sugar Mills.	150.00	200.00	200.00	150.00	150.00	79.54	150.00
	ii) Loans to Sugar Mills for Cane Development	75.00	75.00	72.93	75.00	30.74	12.73	75.00
	iii) Loans to Sugar Factories for Bagasse based co-generation Power Projects.	200.00	46.45	46.45	200.00	200.00	59.35	200.00
	iv) Loans for production of anhydrous alcohol or ethanol from alcohol	75.00	75.00	77.07	75.00	76.83	20.88	125.00

	TOTAL	125954.34	134326.54	129303.00	136325.55	162084.41	135180.40	152554. 11
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\$ Including authorization

# New Scheme

\* Vide Office Order No. 33/2014 dated 6/8/2014, Directorate of Sugar and Directorate of VVOF have been merged into single entity named as "Directorate of Sugar and Vegetable Oils"

**Appendix II**  
**(Para 3.24)**

**Statement showing the details of HTS Claims of States/UTs, total amount to be released, reasons for Non-release of HTS**

As on: 16.03.2016  
(Amount in Rupees Lakh)

State/UT	Year	Amount claimed	Amount reimbursed	Amount disallowed	Bills returned	Amount pending for less than 6 months	Amount pending for more than 6 months upto 1 year	Amount pending for more than 1 year	Total Amount pending	Reasons for pendency
Mizoram	2013-14	0	0	0	0	0	0	0	0	No bill received.
	2014-15	0	0	0	0	0	0	0	0	No bill received.
	2015-16	0	0	0	0	0	0	0	0	No bill received.
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Tripura	2013-14	17.98	6.17	0.69	0	0	0	11.12	11.12	Bills are under process.
	2014-15	0	0	0	0	0	0	0	0	No bill received.
	2015-16	0	0	0	0	0	0	0	0	No bill received.
	<b>Total</b>	<b>17.98</b>	<b>6.17</b>	<b>0.69</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11.12</b>	<b>11.12</b>	
Meghalaya	2006-07 to 2015-16	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	0	0	0	<b>0</b>	There are no claims from the State Government of Meghalaya.
Manipur	2006-07 to 2015-16	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	0	0	0	<b>0</b>	There are no claims from the State Government of Manipur.
Nagaland	2013-14	0	0	0	0	0	0	0	0	Bill Not submitted.
	2014-15	0	0	0	0	0	0	0	0	Bill Not submitted.
	2015-16	0	0	0	0	0	0	0	0	Bill Not submitted.
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Arunachal Pradesh	2013-14	0	0	0	0	0	0	0	0	No bill received.
	2014-15	0	0	0	0	0	0	0	0	No bill received.
	2015-16	0	0	0	0	0	0	0	0	No bill received.
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Himachal Pradesh	2013-14	690.92	337.56	7.05	157.39	188.92	0.00	0.00	188.92	
	2014-15	567.11	69.52	9.13	40.36	448.10	0.00	0.00	448.10	
	2015-16	76.91	10.51	0.89	0.00	65.51	0.00	0.00	65.51	
	<b>Total</b>	<b>1334.94</b>	<b>417.59</b>	<b>17.07</b>	<b>197.75</b>	<b>702.53</b>	<b>0.00</b>	<b>0.00</b>	<b>702.53</b>	
Jammu and Kashmir	2013-14	0	0	0	0	0	0	0	0	
	2014-15	0	0	0	0	0	0	0	0	
	2015-16	0	0	0	0	0	0	0	0	
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Sikkim	2013-14	173.32	113.25	60.07	0.00	0.00	0.00	0.00	0.00	
	2014-15	189.98	160.45	18.90	0.00	10.63	0.00	0.00	10.63	Under process.
	2015-16	170.63	91.96	19.44	0.00	59.24	0.00	0.00	59.24	
	<b>Total</b>	<b>533.93</b>	<b>365.66</b>	<b>98.41</b>	<b>0.00</b>	<b>69.87</b>	<b>0.00</b>	<b>0.00</b>	<b>69.87</b>	



Lakshadweep	2013-14	14.95	0	2.36	12.59	0	0	0	12.59	Amount is pending for want of proof of payment made.
	2014-15	0	0	0	0	0	0	0	0	
	2015-16	0	0	0	0	0	0	0	0	
	<b>Total</b>	<b>14.95</b>	<b>0</b>	<b>2.36</b>	<b>12.59</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12.59</b>	
A&N Islands	There are no claims of HTS as FCI is directly delivering wheat and rice under PDCs through a private liner.									
Grand Total		1901.80	789.42	118.53	210.34	772.40	0.00	11.12	796.11	Amount released includes Rs.45.76 crore released as Advance to Arunachal Pradesh, as directed by Govt. of India.

**Appendix-III**  
**(Para 3.34)**

Statement showing action taken by the States/UTS under PDS/TPDS (Control) Orders from January, 2013 to December, 2015

Sl. No.	Name of the State/UT	Year	Number of inspections	Number of raids conducted	Number of persons arrested/ prosecuted/ convicted	Number of FPS Licenses suspended/ Cancelled/ Show cause notices issued/FIR lodged
1	Andhra Pradesh	2013	5450	103	00	66
		2014	*	*	*	*
		2015	*	*	*	*
2	Arunachal Pradesh	2013	*	*	*	*
		2014	*	*	*	*
		2015	*	*	*	*
3	Assam	2013	501	162	00	14
		2014	*	*	*	*
		2015	*	*	*	*
4	Bihar	2013	32698	61	4	3984
		2014	*	*	*	*
		2015	*	*	*	*
5	Chhattisgarh	2013	7726	792	64	244
		2014	*	*	*	*
		2015	*	*	*	*
6	Delhi	2013	*	*	*	*
		2014	*	*	*	*
		2015	*	*	*	*
7	Goa	2013	403	02	00	52
		2014	357	27	00	57
		2015	130	03	00	22
8	Gujarat	2013	13911	00	87	310
		2014	8887	00	46	243
		2015	5770	00	11	281
9	Haryana	2013	*	*	*	*
		2014	*	*	*	*
		2015	*	*	*	*
10	Himachal Pradesh	2013	21814	00	02	04
		2014	9635	00	00	08
		2015	3138	00	00	325
11	Jammu & Kashmir	2013	*	*	*	*
		2014	*	*	*	*
		2015	*	*	*	*
12	Jharkhand	2013	*	*	*	*
		2014	*	*	*	*
		2015	*	*	*	*
13	Karnataka	2013	71613	444	94	170
		2014	39239	424	196	263
		2015	39516	441	82	285
14	Kerala	2013	83493	15683	00	139

Sl. No.	Name of the State/UT	Year	Number of inspections	Number of raids conducted	Number of persons arrested/ prosecuted/ convicted	Number of FPS Licenses suspended/ Cancelled/ Show cause notices issued/FIR lodged
		2014	92638	22427	02	115
		2015	15847	2828	00	14
15	Madhya Pradesh	2013	251262	4092	71	4092
		2014	*	*	*	*
		2015	*	*	*	*
16	Maharashtra	2013	*	*	*	*
		2014	*	*	*	*
		2015	*	*	*	*
17	Manipur	2013	*	*	*	*
		2014	*	*	*	*
		2015	*	*	*	*
18	Meghalaya	2013	729	26	00	03
		2014	681	34	00	04
		2015	*	*	*	*
19	Mizoram	2013	204	107	00	00
		2014	242	147	00	00
		2015	166	103	00	00
20	Nagaland	2013	*	*	*	*
		2014	*	*	*	*
		2015	*	*	*	*
21	Odisha	2013	00	27740	80	1229
		2014	*	*	*	*
		2015	*	*	*	*
22	Punjab	2013	*	*	*	*
		2014	*	*	*	*
		2015	*	*	*	*
23	Rajasthan	2013	00	125	170	00
		2014	*	*	*	*
		2015	*	*	*	*
24	Sikkim	2013	00	00	00	00
		2014	*	*	*	*
		2015	*	*	*	*
25	Tamil Nadu	2013	175705	9196	2008	00
		2014	218293	8949	53	00
		2015	180520	7700	25	00
26	Tripura	2013	10150	671	87	1254
		2014	9843	403	20	431
		2015	5560	212	01	223
27	Uttarakhand	2013	10897	1683	11	101
		2014	2236	00	01	15
		2015	*	*	*	*
28	Uttar Pradesh	2013	9220	00	311	1807
		2014	8226	00	261	1906
		2015	*	*	*	*
29	West Bengal	2013	17284	302	04	1840
		2014	22769	75	01	1401

Sl. No.	Name of the State/UT	Year	Number of inspections	Number of raids conducted	Number of persons arrested/ prosecuted/ convicted	Number of FPS Licenses suspended/ Cancelled/ Show cause notices issued/FIR lodged
		2015	7680	52	00	462
30	A&N Islands	2013	126	00	00	00
		2014	*	*	*	*
		2015	*	*	*	*
31	Chandigarh	2013	00	00	10	00
		2014	*	*	*	*
		2015	*	*	*	*
32	D&N Haveli	2013	08	02	00	00
		2014	06	02	00	00
		2015	*	*	*	*
33	Daman & Diu	2013	*	*	*	*
		2014	*	*	*	*
		2015	*	*	*	*
34	Lakshadweep	2013	*	*	*	*
		2014	*	*	*	*
		2015	*	*	*	*
35	Puducherry	2013	1026	520	49	01
		2014	2206	670	13	00
		2015	511	175	00	00
Total		2013	714220	61711	3052	15310
		2014	415258	33158	593	4443
		2015	258838	11514	119	1612
Grand Total= 2013+2014+2015			1388316	106383	3764	21365

\* Information not provided

**MINUTES OF THE SIXTEENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2015-16) HELD ON TUESDAY, 22 MARCH, 2016**

The Committee sat from 1100 hrs. to 1230 hrs. in Committee Room No. 62, First Floor, Parliament House, New Delhi.

**PRESENT**

Shri J.C. Divakar Reddy, MP - Chairperson

**Members**

**Lok Sabha**

2. Shri Babu Lal Choudhary
3. Shri Dharmendra Kumar
4. Shri Ravinder Kushawaha
5. Dr. Sakshi Maharaj
6. Shri R.K.Bharathimohan
7. Shri Sunil Kumar Mondal
8. Shri Ram Chander Paswan
9. Shri C.S.Putta Raju
10. Shri Bhola Singh
11. Shri Brij Bhusan Sharan Singh
12. Shri Prabhubhai Nagarbhai Vasava
13. Shri Nandi Yeliaiah

**Rajya Sabha**

14. Shri Shadi Lal Batra
15. Dr. Bhushan Lal Jangde
16. Shri K.K.Ragesh
17. Dr. K.Keshva Rao
18. Shri Dhiraj Prasad Sahu

**SECRETARIAT**

1. Shri P. V. L.N. Murthy - Joint Secretary
2. Shri Lovekesh Kumar Sharma - Director
3. Shri Khakhai Zou - Additional Director

## WITNESSES

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

SI No.	Name	Designation
1.	Ms. Vrinda Sarup	Secretary
2.	Shri P.K.Jha	SS & FA
3.	Shri T.K.Manoj Kumar	Joint Secretary (Impex & IC)
4.	Shri Prashant Trivedi	Joint Secretary (Sugar & Sugar Admn)
5.	Shri Deepak Kumar	Joint Secretary (PD)
6.	Shri Subhasish Panda	Joint Secretary (Storage & Admn)
7.	Shri Nilambuj Sharan	Economic Advisor
8.	Shri Yogendra Tripathi	CMD, FCI
9.	Shri Harpreet Singh	MD, CWC
10.	Shri G.C.Chaturvedi	Chairman, WDRA

2. At the outset, the Chairperson welcomed the members of the Committee and apprised them that the sitting had been convened to take oral evidence of the representatives of Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) in connection with examination of the Demands for Grants (2016-17).

*[Witnesses were then called in]*

3. The Chairperson then welcomed the representatives of the Department of Food and Public Distribution to the sitting and apprised them about Direction 55 (1) of the Directions by the Speaker regarding confidentiality of the proceedings. Thereafter, the Chairperson and Members raised various issues that inter-alia include viz. subsidy for foodgrains to FCI, implementation of National Food Security Act, Decentralized Procurement Scheme, procurement of foodgrains by FCI as also by State Agencies, construction of silos, construction of godowns, existence of adequate buffer stocks to meet the demands of PDS, storage of foodgrains by FCI for Public Distribution System

(PDS), progress of computerization of PDS operations, installation of e-pos in Fair Price Shops, seeding of Aadhaar Cards in beneficiary database, cane price arrears, remunerative price of ethanol etc. The queries raised by the Chairperson and the Members on the various issues during the course of discussions were responded to by the representatives of the Department.

4. The Hon'ble Chairperson then thanked the Secretary and other representatives of the Department of Food and Public Distribution for their free and frank discussions.

*[Witnesses then withdrew]*

**The Committee then adjourned.**

A verbatim record of the proceedings has been kept.

**MINUTES OF THE NINETEENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2015-16) HELD ON MONDAY, 02 MAY, 2016**

The Committee sat from 1000 hrs. to 1040 hrs. in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

**PRESENT**

Shri J.C. Divakar Reddy - Chairperson

**Members**

**Lok Sabha**

2. Shri Babu Lal Choudhary
3. Shri Sakuntala Laguri
4. Dr. Swami Sakshiji Maharaj
5. Shri Sunil Kumar Mondal
6. Shri Ram Chander Paswan
7. Shri Bhola Singh

**Rajya Sabha**

8. Shri Shadi Lal Batra
9. Dr. Bhushan Lal Jangde
10. Shri Veer Singh

**SECRETARIAT**

1. Shri P.V.L.N. Murthy - Joint Secretary
2. Shri Lovekesh Kumar Sharma - Director
3. Shri Khakhai Zou - Additional Director



2. At the outset, Hon'ble Chairperson welcomed the Members to the sitting of the Committee convened for consideration and adoption of the Draft Reports on Demands for Grants (2016-17) relating to the (i) Department of Food and Public Distribution, and (ii) Department of Consumer Affairs under the Ministry of Consumer Affairs, Food and Public Distribution.

3. Thereafter the Committee took up for consideration the Draft Report :-  
(i) The Demands for Grants (2016-17) of the Department of Food & Public Distribution. After brief discussion, the Committee adopted the Draft Report without any amendments/modifications.  
(ii) XXXX XXXX XXXXX XXXXX XXXX XXXXXX

4. The Committee then authorized the Chairperson to finalize the aforesaid Draft Report in the light of factual verifications from concerned Department and present the same to Parliament in the current Session of Parliament.

**The Committee then adjourned.**

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**XXXX Matter not related to the Report.**