8

STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2015-2016)

SIXTEENTH LOK SABHA

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

{Action Taken by the Government on the observations/ recommendations contained in the Third Report of the Committee (2014-15) on Demands for Grants (2015-16) pertaining to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)

EIGHTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

March, 2016/ Phalguna, 1937 (Saka)

EIGHTH REPORT

STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2015-2016)

(**SIXTEENTH LOK SABHA**)

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

{Action Taken by the Government on the observations/ recommendations contained in the Third Report of the Committee (2014-15) on Demands for Grants (2015-16) pertaining to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)}

Presented to Lok Sabha on 03.03.2016

Laid in Rajya Sabha on 03.03.2016

LOK SABHA SECRETARIAT
NEW DELHI

March, 2016/ Phalguna, 1937 (Saka)

CONTENTS

Composition of the 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 Nagarbhai Vasava
21. Shri Nandi Yellaiah

Rajya Sabha

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

LOK SABHA SECRETARIAT

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

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 Eighth Report on Action Taken by the Government on the Observations/Recommendations contained in the Third Report of the Committee (2014-15) on Demands for Grants (2015-16) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The Third Report was presented to Lok Sabha and laid in Rajya Sabha on 27 April, 2015. The Government have furnished their replies indicating Action Taken on the recommendations contained in the Report on 13 July, 2015.

3. The Report was considered and adopted by the Committee at their sitting held on 25 February, 2016.

4. An analysis of the action taken by the Government on Observations/Recommendations contained in the Report is given in **Appendix II**.

5. For facility of reference and convenience, the Observations/Comments of the Committee have been printed in thick type in the text of the Report.

NEW DELHI;
25 February, 2016
06 Phalguna, 1937 (Saka)

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

REPORT

CHAPTER - I

This Report of the Standing Committee on Food, Consumer Affairs and Public Distribution deals with the action taken by the Government on the Observations/Recommendations contained in the Third Report of the Committee (2014-15), (16th Lok Sabha) on Demands for Grants (2015-16) pertaining to the Department of Food and Public Distribution (Ministry of Consumer Affairs, Food and Public Distribution)

1.2 The Third Report was presented to Lok Sabha and laid on the Table of Rajya Sabha on 27 April, 2015. It contained 15 observations/ recommendations. Action taken replies in respect of all the 15 observations/recommendations contained in the Report have been received and these have been categorized as follows:-

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

Serial Nos.:- 1, 2, 4, 5, 7, 8, 12, 13, 14 and 15

(ii) Recommendations which the Committee do not desire to pursue in view of the replies received from the Government -

Serial No. 3.

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

Serial Nos. 10 and 11

(iv) Recommendations in respect of which the interim replies of the Government have been received -

Serial Nos. 6 and 9

1.3 The Committee desire that action taken notes on the Observations/Recommendations contained in Chapter I and final replies in respect of recommendations for which only interim replies have been given by the Government, should be furnished to the Committee expeditiously.

1.4 The Committee will now deal with action taken by the Government on some of the recommendations.

A. Settlement of pending arrears of FCI with Ministry of Finance

Recommendation (Serial No. 1)

1.5 The Committee in their earlier report observed/recommended as follows:-

> "The Committee are constrained to note Demands for Grants (2015-16) of Department of Food and Public Distribution that seeks to provide a sum of Rs. 1,24,419.00 crore as food subsidy that constitute around 23% of total of Government's non-plan expenditure next only to liability on interest payment which is as high as 38%.....
>
> .....The Committee also find that since less subsidy is allocated than requirement, the FCI is forced to approach Government for sanction of ways and means advance of Rs. 10,000 crore to be refunded with interest to Government in the beginning of financial year for meeting working capital requirement for 1st quarter as the interest thereon is lower than Bank loans. In this connection, the Committee find that the High Level Committee (HLC) on Re-structuring of FCI has also apprehended that financial burden arising out of food subsidy along with arrears referred to above is already becoming unsustainable and unless some drastic steps are taken to reform this, the situation is going to become worse very soon. The Committee also recall that they had also dealt with this issue at length last year also while examining the Demands for Grants (2014-15) and had found that due to inadequate allocation of funds for food subsidy, funds are being managed by FCI though other avenues such as Cash Credit Limit recommended by RBI, short-term loans from market etc, in order to meet the subsidy gap and ensure smooth procurement and distribution operations. The Committee had thus recommended that the issue should be examined in detail and the matter should be taken up with Ministry of Finance for appropriate action so that some way out is found with the budgetary resources in consultation with FCI/RBI, Banks, State Governments. In the light of findings of HLC, the Committee recommend that this issue of gap between demand and allocation and clearance of pending arrears need to be sorted out expeditiously."

1.6 The Ministry in their action taken reply have stated as under:-

> "In this regard, it is submitted that this Department is fully conscious about the need for making available sufficient funds to FCI to enable it to carry out its operations smoothly. Accordingly, Department has regularly been taking up the matter with Ministry of Finance for allocation of additional funds in the Budget for FCI. However, due to budgetary constraints and need to allocate adequate funds for other priority sectors of the Government, Ministry of Finance is unable to allocate the sufficient funds as per requirement. The recommendation given by the Committee now for taking expeditious action to settle the pending arrears of FCI which has increased over the year due to gap between demand and allocation of funds has been noted by the department and will be taken up with Ministry of Finance accordingly."

1.7 The Committee had recommended that the issue of gap between demand and allocation of funds as also clearance of pending arrears of food subsidy be sorted out expeditiously. The Committee further noted that due to inadequate allocation of funds for food subsidy, funds are being managed by FCI through other avenues in order to meet the subsidy gap and to ensure smooth procurement and distribution operation. In their Action Taken Reply, the Department has merely stated that the recommendation of the Committee for expeditious action to settle the pending arrears of FCI has been noted for taking up with the Ministry of Finance. However, the Department has not indicated if at all any steps have been taken on the matter. While they are unhappy over the manner in which reply to this recommendation has been furnished, the Committee urge the Department to apprise them about the concrete steps taken to address the issue of gap between demand and allocation of funds to FCI as also the ever increasing arrears of food subsidy. The Committee further caution the

Department to refrain from furnishing replies to the Committee's recommendations in such a casual manner in future.

B. Implementation of High Level Committee recommendations

Recommendation (Serial No.5)

1.8 The Committee earlier observed/recommend as under:

"The other prominent issue that has come up before the Committee is need for uniform taxation on MSP across the States that may lead huge outgo of subsidy. In this connection the Committee have come across that certain States have very high level of taxes. It is as high as 14.5% in Punjab and as high as 13.5% in Andhra Pradesh. The Committee also find that despite the request of Department of Food and Public Distribution to reduce the taxes, States thinking their Constitutional Right are not reducing their taxes. In this connection, the Committee also find that the High Level Committee on 'Restructuring of FCI' has also recommended to bring down these taxes uniformly to 3 percent or at the most 4 percent of MSP. The Committee have also been informed by CMD, FCI that taxation is varying in States between 4% to 5% and higher taxation is not allowing private sector to grow.

In proposed action by Government, the Committee find that Department of Food and Public Distribution has handed over the issue to Department of Agriculture saying that Agriculture Ministry to decide in consultation with States. The Committee find that the issue be sorted out at the earliest with Ministry of Agriculture as it has a direct bearing on reduction of food subsidy on the one hand and will open the door for competition for others on the other."

1.9 The Ministry in their action taken reply stated as under:-

"As recommended by the Committee, the matter was taken up with Department of Agriculture and Cooperation who has commented that the taxes levied by some of the States notably Andhra Pradesh, Haryana and Punjab are quite high. The Department of Agriculture and Cooperation agrees with the recommendation of the Committee of the need for uniformity in taxation and lowering and capping them to around 4% to 5%. However, it may be pointed out that under the Constitution, imposition of taxes is within the purview of the State Governments."

1.10 While expressing concern over very high level of taxation on MSP across the States that may lead to huge outgo on account of food subsidy, the Committee had desired that there is a need to have uniform taxation on MSP across the States but are dismayed to note that action taken reply of the Govt. does not address the Committee's recommendation about convincing the States to adopt uniform taxation. It has also been informed that the Department of Agriculture agrees with the recommendation of the Committee regarding need for uniformity in taxation, but pointed out that the imposition of taxes is within the purview of State Govt. In view of this, the Committee urge the Department to make sincere efforts to persuade/convince States in mitigating their high level of taxes to ensure uniformity in taxation on MSP across States to prevent loss of food subsidy.

C. National Open Market for Agricultural Commodities

Recommendation (Serial No. 6)

1.11 The Committee recommended as follows:-

"It came out during the course of examination that there is a need for opening up a National Market for Agricultural Commodities with a view to get rid of current multiplicity of taxes and exorbitant commissions that are allowed under Agricultural Produce Marketing Commodities Act (APMC) being implemented in different States that gives right of first sale of agricultural produce to APMC through its commission agents. In this connection, it also came out during the course of examination that over a decade, Ministry of Agriculture has been pursuing State Governments to modify their State laws in line with Model Act brought out by the Ministry of Agriculture and there is a need to make a Central Law on the issue overriding all State laws thereby opening the door for opening National Market for Agricultural Commodities. In this connection the Committee find that Department of Food and Public Distribution has also agreed that need for integrating agricultural market at National Level has been felt for long and will benefit the farmers in terms of better price discovery and would also benefit the consumers as well due to reduction in number of intermediaries in supply chain at the same time help in maintaining supplies of seasonal products throughout the year at reasonable prices and will avoid glut in market during harvesting seasons. The Committee have been further informed that a 'Group of Experts' under the Chairmanship of Dr. Ashok Gulati has been constituted on 7 January, 2015 to suggest an action plan to implement the agri-marketing reforms including this aspect. The Committee feel that concept of opening up National Open Market for Agricultural Commodities is need of the hour and recommend that Department of Food and Public Distribution will move faster with Ministry of Agriculture on the issue the moment the Report of Group of Experts is received. The Committee also desire that action taken thereon be communicated to them also for arriving at logical conclusions."

1.12 The Ministry in their action taken note stated:-

"As recommended by the Committee, the matter was taken up with Department of Agriculture and Cooperation who has commented that to formulate a Central Sector Scheme for Promotion of National Agricultural Market through Agri-Tech Infrastructure Fund (ATIF), a proposal has been sent to the Cabinet Committee on Economic Affairs on 24.06.2015 for their approval. The proposed Scheme entails setting up of the National Agriculture Market by Department of Agriculture through Small Farmers Agribusiness Consortium (SFAC) by creation of a common electronic platform deployable in selected regulated markets across the country with a budget amount of Rs. 200 crores during 2015-16 to 2017 -18. Simultaneously, the States and UT's are being pursued to carry out essential reforms that are pre -requisites for integrating with the e-platform.

As far as the Group of Experts is concerned, they have sought an extension upto 7th July, 2015 to submit its recommendations on the concept of opening up National Open Market for Agricultural commodities."

1.13 The Committee have noted that 'Group of Experts' under the Chairmanship of Dr. Ashok Gulati had been constituted to suggest an action plan to implement the agri-marketing reforms. The Department in their Action Taken Reply have informed that the Group of Experts have sought extension upto 7 July, 2015 to submit their recommendations. Further, the matter regarding National Agriculture Market was taken up with the Department of Agriculture and Cooperation, who had commented that

with a view to formulate a Central Sector Scheme for Promotion of National Agricultural Market through Agri-Tech infrastructure Fund (ATIF), a proposal has been sent to the Cabinet Committee on Economic Affairs on 24.06.2015 for their approval. The Committee, therefore, urge the Government to apprise them of the current status of the aforesaid proposal and status of report of Group of Experts. The Committee also desire that steps be taken to persuade States/UTs to carry out the 'Essential Reforms' which are pre-requisite for integrating with the e-platform at the earliest. They would like to be apprised of the outcome of the steps taken by the Ministry including the recommendations of the Group of Experts.

D. Exclusion of APL from TPDS

Recommendation (Serial No. 7)

1.14 The Committee earlier recommended as follows:-

> "Another major issue that came up before the Committee was the issue of keeping APL outside fold due to less offtake of foodgrains by APL families during the last few years. In this connection, the Committee have been informed by the Department of Food and Public Distribution that as against the foodgrain allocations of 211.99 lakh tonnes to APL during 2011-12, the offtake was as low as 160.90 lakh tonnes. Similarly, during 2012-13 the allocation was 227.91 and offtake was 168.99 lakh tonnes. Likewise, in 2013-14, the allocation was 202.68 lakh tonnes whereas the offtake was only 156.39 lakh tonnes. During 2014-15 (upto February, 2015) against the allocation of 125.43 lakh tonnes, the offtake was only 96.16 lakh tonnes. In this connection, the Department of Food and Public Distribution has agreed to re-look the issue of allocation of foodgrains to APL in the light of less offtake by APL households and have informed that for NFSA coverage there is no APL. The Committee have also been informed that the States which are yet to implement NFSA, allocation to them would be considered at MSP. In this connection, the Department of Food and Public Distribution has conveyed that the move of keeping APL outside TPDS is likely to be resisted by State Governments and States are already against any proposal to increase the issue price for APL to MSP. In this connection it also came out during the course of examination that the allocation for APL household (normal + additional) States/UTs not

implementing NFSA was 137.27 lakh tonnes involving a subsidy of about Rs. 23,171 crore. In view of recurring less offtake of allocated quantity of foodgrains by APL year after year, the Committee fail to understand the reasons for showing resistance of giving the foodgrains at MSP. The Committee, therefore, recommend the issue be resolved with States/UTs expeditiously so that outgo of subsidy to the above extent is saved."

1.15 The Ministry in their action taken reply stated as noted below:-

"The Department, in a meeting dated 10.12.2014 with the State Food Secretaries held for reviewing the implementation of NFSA, had suggested that from April, 2015 the allocation for APL category, in case of States who had not implemented NFSA, would be made at MSP rate. However, the States expressed their inability to bear the extra expenditure that may arise due to increase in APL rates citing financial constraints. Considering the views expressed by the States, the department has not moved any proposal to increase the existing APL rates. The time limit for implementation of NFSA has been extended upto 30.09.2015. After all States/UTs implement NFSA, there will be no APL category."

1.16 The Committee examined the issue of keeping APL outside TPDS fold due to the less offtake of foodgrain by APL families during the last few years. In this connection, the Department of Food and Public distribution has agreed to re-look at the issue of allocation of foodgrains to APL in the light of less offtake by APL household and have informed that for NFSA coverage there is no APL and the States which are yet to implement the NFSA, allocation to them would be considered at MSP and to that extent, States are already against any such proposal to increase the issue price for APL to MSP. The Committee also observed that allocation for APL households in States not implementing the NFSA was 137.27 lakh tonnes involving a subsidy of about Rs. 23,171 crores. The Committee desired the Government to resolve the issue with States/UTs expeditiously to prevent the precious loss due to subsidy. In their action taken reply, the Department stated that from April, 2015 the allocation for APL category in case of States who had not implemented NFSA, would be made at MSP rate. However, the States expressed their inability to bear the extra expenditure due to increase in APL rates citing financial constraints. Further, the time limit for implementation of NFSA has been extended upto

30 September, 2015 and no proposal was moved to increase the existing APL rates. The Committee would like to be apprised of the current status of implementation of NFSA in States/UTs whose timeline had been extended up to 30 September, 2015. They also desire the Department to persuade the States to implement NFSA at an early date as well as find ways and means to tide over likely impact of implementation of NFSA.

E. Leakages in TPDS

(Recommendation Serial No. 8)

1.17 The Committee in their earlier report observed/ recommended as follows:-

"The Committee's examination has revealed that reports of huge extent of leakage in TPDS are pouring in reported News Magazines like Economic and Political Weekly and Study Report brought out by eminent institutions like Indian Council for Research on International Economic Relation (ICRIER) and the issue has been raised before media and also before Parliament more than once. In this connection the Committee are constrained to find that nodal Department of Food and Public Distribution has admitted that based on NSSO data on household consumption and foodgrains offtake data though indicative in nature indicate that at all India level, 46.7% of the off-taken grain did not reach the intended beneficiaries in 2011-12. The Committee further note with dismay that the High Level Committee has also observed that problem of relying on PDS to NFSA is that it suffers from large leakage of as high as 46.7% based on 2011 data. The Committee's own examination has revealed that large number of complaints like under weighing, error or inclusion etc. about irregularities in AAY under TPDS during the last three years from big States like Uttar Pradesh, Maharashtra, Bihar and also from National Capital Delhi. For instance, in Uttar Pradesh, the number of complaints were 72 in 2012 which rose to 92 in 2013 and in 2014 it reached to 137. Likewise in Bihar the figures were 14 in 2012, 32 in 2013 and 55 in 2014. In Delhi, the figures are also quite alarming at the level of 22 in 2012, 37 in 2013 and 55 in 2014. The Committee find that all these figures do not augur well with the overall delivery mechanism. The Department of Food and Public Distribution has counted number of steps taken like advisories issued to States/UTs, prevalence of grievance redressal mechanism etc. In this connection, the Committee also find that High Level Committee have suggested that any State implementing NFSA must first improve its PDS by introducing biometrics and UID and Gradual Direct Transfer else pouring of more resources will go waste and never reach the intended beneficiaries. In this context on the issue of Jandhan, Aadhaar and Mobile JAM Trinity for checking leakage especially in APL category, the

Committee find that Department of Food and Public Distribution have expressed apprehensions on different reasons like Aadhaar seeding Bank accounts, compilation, their authentication, etc. The Department of Food and Public Distribution has also stated that quick cash transfer is being thought of only by very few States and level of computerization depends on the interest and initiatives taken by the State Governments and necessary action in this regard is already underway. The Committee feel that there is substance in High Level Committee for gradual introduction of Direct Transfer of food subsidy. However in the light of ground preparations, it has to be done expeditiously taking into confidence the State Governments/UTs apprising them about the urgency and benefits of the Computerization by explaining that computerization in TPDS is lagging way behind as compared to Banks and Railways."

1.18 The Ministry in their action taken reply to have stated as under:-

" Details about the End-to-end Computerization scheme including efforts made by the Department of Food and Public Distribution (DoF&PD) for its implementation are given in detail in response to recommendation no. 14.

For checking of leakage and diversions, this Department is pursuing two models with States/UTs, besides other steps for strengthening of TPDS. One of the models is Direct Benefit Transfer (DBT) in lieu of foodgrains under which subsidy component will be credited to Bank accounts of beneficiaries who will be free to buy foodgrains from anywhere in the market. Second model is of Fair Price Shop (FPS) automation wherein beneficiary is issued foodgrains under TPDS after his/her successful authentication at FPS using Point of Sale (PoS) device/ mobile terminal. For taking any of the models, pre-requisites for the States/UTs would be to complete digitization of beneficiary data and seed Aadhaar number therein. States/UTs are also required to seed bank account details if they intend to opt for cash transfer model. For financing the installation of Point of Sale (PoS) devices at Fair Price Shops (FPSs) for automation, Government has already decided about pattern of central assistance to States/UTs, which has been communicated to them. Government has approved FPS dealers’ margin (@Rs. 87/qtl. in normal States & Rs.160/qtl. in 13 special category States) under NFSA which also includes reimbursement of Rs.17/qt. for their expenditure towards purchase and operations of the PoS device/Mobile terminal at FPS for automation. Except 3 UTs, namely Chandigarh, Dadra & Nagar Haveli and Puducherry no other States/UT has indicated its willingness to implement cash transfer.

As regard comparison with computerization in banks and railways with End-to-end Computerization of TPDS, it must be borne in mind that unlike in case of banks and railways it is the States/UTs that have to carry out the TPDS computerization.."

1.19 Noting the findings of High Level Committee for gradual introduction of direct transfer of food subsidy to check leakages of foodgrains under TPDS scheme, the Committee have desired that the Department should expedite the scheme of computerization in TPDS operations by taking the States/UTs into confidence. The Ministry have now stated that the Department is pursuing two models with States/UTs, besides other steps for strengthening of TPDS. One of the models is Direct Benefit Transfer (DBT) in lieu of foodgrains under which subsidy component will be credited directly to Bank accounts of beneficiaries who will be free to buy foodgrains from anywhere in the market. Second model is of Fair Price Shop (FPS) automation wherein beneficiary is issued foodgrains under TPDS after his/her successful authentication at FPS using Point of Sale (PoS) device/ mobile terminal. For taking any of the models, pre-requisites for the States/UTs would be to complete digitization of beneficiary data and seed Aadhaar number therein. The Ministry has also informed that except 3 UTs, namely Chandigarh, Dadra & Nagar Haveli and Puducherry, no other States/UT has indicated its willingness to implement cash transfer. The Committee feel that Direct Benefits Transfer (DBT) Scheme in lieu of foodgrains will help in preventing leakages/ diversion of foodgrains and therefore, reiterates their recommendation that the Department should closely monitor and expedite the implementation of Computerization of TPDS operations by the States/UTs.

F. Labour pooling in FCI

Recommendation (Serial No.9)

1.20 The Committee in their earlier report recommended as:

"During the course of evidence of the representatives of the Department of Food and Public Distribution the Committee while examining the issue of bringing about efficiency in FCI in the light of recommendations of High Level Committee on 'Re-structuring of FCI', it came out before the

Committee that FCI has as large as 1 lakh of dedicated workforce as contract labour with monthly earning of as low as Rs. 10,000 in 2012-13 and 2013-14. On the other hand, it also has as many as 370 persons as departmental labour doing loading and unloading work who get as high as Rs. 79,000 per month i.e. seven to eight times higher than contract labour and HLC has recommended de-notifying the department labours in 218 Depots of FCI and pooling them wherever these are needed. The Committee have been assured by CMD, FCI that the departmental labour will not be removed. The Committee feel that the step is appropriate and needs to be proceeded with."

1.21 The Ministry in their action taken reply stated as under:

"Department of Food & Public Distribution and Food Corporation of India have been regularly requesting the Ministry of Labour and employment to exempt and denotify its 226 depot railheads under section 31 of the Contract Labour (Regulation and Abolition) Act.

The Food Corporation of India's applications in this regard taken up in the 85th meeting of the Central Advisory Contract Labour Board (CACLB) held on 31st October, 2014, which was attended by two senior officers of FCI.

A working group comprising Dr. Vivek Monteiro, Shri R.V.Subha Rao and Shri R. Mohan Das, has been constituted by CACLB to make a study and prepare the draft Report.

Regarding the status to declare labour of FCI as the dying cadre with reference to Shanta Kumar Committee's Report is concerned, the Board Level Sub-Committee (BLSC) is examining the matter. The report of BLSC is awaited."

1.22 The Committee while taking note of the recommendation of Shanta Kumar Committee's Report to de-notify the Departmental labourers in 218 Depots of FCI and pooling them wherever they are needed had desired that without removing the Departmental labour this task may be attempted. The Committee also felt that the step is appropriate and needs compliance.

They further noted that the Board Level Sub-Committee (BLSC) of FCI is examining the matter and report is still awaited. The Department in their action taken reply have stated that the Department of Food & Public Distribution and Food Corporation of India have been regularly requesting

the Ministry of Labour and Employment to exempt and denotify its 226 depot railheads under Section 31 of the Contract Labour (Regulation and Abolition) Act. The issue was taken up in the 85th meeting of the Central Advisory Contract Labour Board (CACLB) held on 31st October, 2014, which was attended by two senior officers of FCI and a working group comprising Dr. Vivek Monteiro, Shri R.V.Subha Rao and Shri R. Mohan Das, has been constituted by Central Advisory Contract Labour Board (CACLB) to study and prepare the draft report. The Committee would like to be apprised of the outcome/ recommendations of the working group as well as Board Level Sub-Committee (BLSC) at the earliest. They further desire the Department to actively pursue this matter with Ministry of Labour and Employment for an early resolution of this matter. They would like to be apprised of the action taken in the matter.

G. Computerization in non-NFSA compliant States

(Recommendation Serial Nos. 10)

1.23 The Committee in their earlier report observed/ recommended as follows:-

> "The Committee are constrained to note that National Food Security Act, 2013 enforced since 05.07.2013 that seeks to complete work of identification of eligible household receiving foodgrains at subsidized prices under TPDS within 365 days have been partially implemented in 11 States and remaining 25 States are non-NFSA compliant States as these are unable to comply pre-conditions prescribed by Central Government and extension after extension with varying time lines from April to September, 2015 have been given to these States. The Committee find with dismay that it has further been extended upto 6 months. The Committee feel that preparedness for implementation of NFSA has been badly delayed. The Committee feel that giving extension after extension to National Food Security Act non-compliant does not augur well with over-all preparedness towards implementation of the NFSA and recommend the Department of Food and Public Distribution to set up a task force for quickening/completion of the work in these 25 non-compliant States."

1.24 The Ministry in their action taken reply have stated as under:-

" The National Food Security Act, 2013 (NFSA) which came into force on 5th July, 2013 provided for a period not exceeding one year, i.e. upto 04.07.2014, for identification of households to be covered under TPDS. So far, foodgrains under the Act have been allocated to 12 States/Union Territories (UTs) viz., Haryana, Rajasthan, Delhi, Himachal Pradesh, Punjab, Karnataka, Chhattisgarh, Maharashtra, Chandigarh, Madhya Pradesh, Bihar and West Bengal, based on preparedness to implement the Act and progress in identification of beneficiaries reported by them. Remaining 24 States/UTs are at different levels of preparedness to implement the Act. Accordingly, the period for identification of beneficiaries and completion of other preparatory measures had to be extended thrice, latest extension being upto 30.09.2015.

The preparedness for implementation of NFSA involves various activities such as preparation of guidelines for identification of eligible households, their actual identification, completion of various activities under the ongoing scheme of end-to-end computerization of TPDS operations, setting up of grievance redressal mechanism etc. All these steps are to be taken by respective State/UT. As such, not much useful purpose would be served by setting a task force at the Central level for completion of the preparatory work required for implementation of the Act.

It is, however, submitted that States/UTs are regularly impressed upon during conferences, meetings and through letters to complete all the preparatory measures required for implementation of NFSA. Status of preparedness to implement the Act was reviewed by the Hon'ble Minister for Consumer Affairs, Food and Public Distribution in a conference of Food Secretaries of States/UTs where the Act is yet to be implemented, held on 10th December, 2014. Aspects such as correct identification of beneficiaries, delivery of foodgrains upto door-steps of fair price shops, effective Grievance Redressal Mechanism, time bound completion of the TPDS computerization scheme were emphasized during the conference and States/UTs were requested to ensure implementation of the Act at the earliest, after completion of necessary preparatory measures.

Recently, Hon'ble Minister for Consumer Affairs, Food & Public Distribution has written to the Chief Ministers/Administrators of concerned States/UTs on 08.04.2015 about the non-implementation of the Act and informed them that the Government has given one last extension upto 30.09.2015 to complete identification of beneficiaries and other preparatory measures and requested them to personally review the progress to ensure implementation of the Act within the extended period."

1.25 As the National Food Security Act, 2013 have been implemented only in 11 States, the Committee had recommended the Department to set up a task force for quickening/completion of the work in the 25 remaining

States. The Department in their Action Taken Reply have stated, inter-alia, that setting up a task force at the Central level will not serve any useful purpose as the preparedness for implementation of NFSA involves various activities such as preparation of guidelines for identification of eligible households, their actual identification, completion of various activities under the ongoing scheme of end-to-end computerization of TPDS operations, setting up of grievance redressal mechanism etc. which have to be taken by respective State/UT. The Department have further stated that States/UTs are being regularly impressed upon during conferences, meetings and through letters to complete all preparatory measures required for implementation of the National Food Security Act and the Hon'ble Minister for Consumer Affairs, Food and Public Distribution has also written to the Chief Ministers/Administrators of concerned States/UTs on 08.04.2015 requesting them to personally review the progress to ensure implementation of the Act within the extended period i.e. 30.09.2015. The Committee appreciate the various steps taken by the Government for convincing the States/UTs to implement the National Food Security Act. However, the Committee are not satisfied with the reply of the Department regarding setting up of a task force. The Committee, therefore, reiterate their recommendation and desire that the Department should set up a task force to closely monitor the measures taken for early implementation of the National Food Security Act by the remaining States/UTs without any further delay. They desire to be apprised of the action taken in the matter within a month of presentation of this Report.

H. Reduction in coverage under NFSA

Recommendation (Serial No.11)

1.26 The Committee in their earlier report observed/ recommended as follows:-

> "The Committee are constrained to note that 'High Level Committee on Re-structuring of FCI' has, inter-alia, recommended for reduction in coverage of population under NFSA from current 67% to at around 40% deferring implementation of NFSA in States which have not done end-to-end computerization, have not put up list of beneficiaries on line and have

not set up vigilance committees, gradual introduction of Cash Transfer in PDS etc. On the issue of reduction in coverage from 67% to 40%, the Committee find that there is no proposal to amend the NFS Act whereas on the issue of deferring of implementation of NFSA, the view of the Department of Food and Public Distribution has been that States/UTs are already required to comply certain pre-requisities of Computerization of TPDS whereas on the issue of Direct Transfer, the Department has submitted that it is one of the options discussed in various fora, its implementation depends upon the readiness of States/UTs in digitization, de-duplication of beneficiary data base with Bank Account numbers and can be taken up with specific request of the States/UTs. However, final decision of direct transfer is to be taken by States/UTs keeping in view their preparedness. The Committee feel that Department of Food and Public Distribution should impress upon States/UTs to aggressively work on areas shown above so that NFS Act is implemented urgently."

1.27 The Ministry in their action taken reply have stated as under:-

"The National Food Security Act, 2013 (NFSA) has been enacted and there is at present no proposal to reduce the coverage. However, before allocation of foodgrains under NFSA, State Governments are required to convey their preparedness in terms of necessary strengthening of TPDS which includes completion of various activities. Computerization of TPDS is already a pre-condition for implementation of the NFSA. Besides, Department of Food & Public Distribution has been persuading all States/UTs in various fora to expedite TPDS computerization, details of which are given in the reply to recommendation no. 14. Response of Department of Food & Public Distribution on implementation of Direct Benefit Transfer (DBT) as a measure to check leakage and diversion has already been given in reply to recommendation no. 8."

1.28 The Committee observed on the issue of implementation of National Food Security Act (NFSA) and Direct Benefit Transfer (DBT), States/UTs are required to comply with certain pre-requisites of computerization of TPDS, the readiness of States/UTs in digitization, de-duplication of beneficiary database with bank account numbers respectively and can be taken up with specific request of the States/UTs and decision in this regard is to be taken by States/UTs keeping in view their preparedness. The Department of Food and Public Distribution has been persuading all States/UTs in various fora to expedite TPDS computerization. As far as implementation of Direct

Benefit Transfer in lieu of foodgrains and fair price automation as a measure to check leakage and diversion is concerned, States/UTs are required to comply certain pre-requisites i.e. complete digitization of beneficiary data and to seed Aadhaar numbers on it. The Committee are not fully convinced with the reply of the Department and, therefore, desire that strenuous efforts should be made to expedite TPDS computerization in States/UTs to facilitate early implementation of National Food Security Act as also Direct Benefit Transfer to beneficiaries in lieu of foodgrains and automation of fair price shops to prevent leakage/diversion. They further desire that the task force to be set up at Central level to monitor the preparedness of States/UTs on implementation of NFSA be also entrusted with this task of monitoring steps required to be taken for implementation of Direct Benefit Transfer also. They desire to be apprised of the action taken in the matter within a month.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Serial No.1)

2.1 The Committee are constrained to note Demands for Grants (2015-16) of Department of Food and Public Distribution that seeks to provide a sum of Rs. 1,24,419.00 crore as food subsidy that constitute around 23% of total of Government's non-plan expenditure next only to liability on interest payment which is as high as 38%.

From the data made available to the Committee, the Committee find that Department of Food and Public Distribution is getting less funds than requirement for food subsidy and thousand of crores of food subsidy arrears pertaining to previous years are yet to be paid to FCI. For instance, the demand of fund for food subsidy during 2012-13 was Rs. 1.17 lakh crores, the allocation was only Rs. 0.84 lakh crores. Similarly in 2013-14, the demand was Rs. 1.43 lakh crore, the alloction was Rs. 0.89 lakh crore. Likewise in 2014-15, Rs. 1.71 lakh crore was the demand whereas the allocation was as low as Rs. 1.10 lakh crore. Finally, during the current year, demand at BE level is Rs. 1.46 lakh crore whereas the allocation is only Rs. 1.24 lakh crore. The Committee are also constrained to note that the Department of Food and Public Distribution has been struggling with over-all shortage of funds for food subsidy of as high as Rs. 54,858.84 crore as on 01.04.2015 out of which Rs. 50,990 crore are to be paid to FCI and Rs. 3868.84 crore are payable to DCP States. If the less allocation at BE 2015-16 of Rs. 26,429 crore is added, the total shortage of funds to be payable to FCI/DCP States reaches to Rs. 81,287.84 crore out of which Rs. 73,338 crore was to be paid to FCI and Rs. 7949.84 crore is payable to DCP States.

The Committee also find that since less subsidy is allocated than requirement, the FCI is forced to approach Government for sanction of ways and means advance of Rs. 10,000 crore to be refunded with interest to Government in the beginning of financial year for meeting working capital requirement for 1st quarter as the interest thereon is lower than Bank loans. In this connection, the Committee find that the High Level Committee (HLC) on Re-structuring of FCI has also apprehended that financial burden arising out of food subsidy along with arrears referred to above is already becoming unsustainable and unless some drastic steps are taken to reform this, the situation is going to become worse very soon. The Committee also recall that they had also dealt with this issue at length last year also while examining the Demands for Grants (2014-15) and had found that due to inadequate allocation of funds for food subsidy, funds are being managed by FCI though other avenues such as Cash Credit Limit recommended by RBI, short-term loans from market etc, in order to meet the subsidy gap and ensure smooth procurement and distribution operations. The Committee had thus recommended that the issue should be examined in detail and the matter should be taken up with Ministry of Finance for appropriate action so that some way out is found with the budgetary resources in consultation with FCI/RBI, Banks, State Governments. In action taken reply submitted before the Committee, the Committee find that the issue has been taken up by the Hon'ble Minister on 10 February, 2015 with Hon'ble Minister of Finance. In the light of findings of HLC, the Committee recommend that this issue of gap between demand and allocation and clearance of pending arrears need to be sorted out expeditiously.

(Reply of the Government)

2.2 In this regard, it is submitted that this Department is fully conscious about the need for making available sufficient funds to FCI to enable it to carry out its operations smoothly. Accordingly, Department has regularly been taking up the matter with Ministry of Finance for allocation of additional funds in the Budget for FCI. However, due to budgetary constraints and need to allocate adequate funds for other priority sectors of the Government, Ministry of Finance is unable to allocate the sufficient funds as per requirement. The recommendation given by the Committee now for taking expeditious action to settle the pending arrears of FCI which has increased over the year due to gap between demand and allocation of funds has been noted by the department and will be taken up with Ministry of Finance accordingly.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/7/2015-AC Dated the 13th July, 2015]

Comments of the Committee

(Please see Para No. 1.7 of Chapter -I of the Report)

Recommendation (Serial No. 2)

2.3 The Committee find that with a view to reduce the gap between demand vis-a-vis actual fund for food subsidy, various measures like additional funds in Budget, increasing Central Issue Price (CIPs) of foodgrains which has not been revised upward for more than 12 years, enhancing operational efficiency of FCI, reduction in taxes/ statutory charges by FCI have been brought out by the Department of Food and Public Distribution before the Committee. The Committee also find that Report of High Level Committee on Re-structuring of FCI have also dealt with some of these issues and Department of Food and Public Distribution have submitted before the Committee that Government is finalizing an Action Plan for implementation of the acceptable recommendations with due diligence. The Committee, therefore, await the final view of the Department of Food and Public Distribution on all these issues.

Reply of the Government

2.4 The High Level Committee constituted by the Government under the Chairmanship of Shri Shanta Kumar, M.P. and former Union Food Minister with experts and officials from the State Governments and FCI has evaluated the performance of Food Corporation of India (FCI) in its report submitted in January, 2015 with respect to three objectives namely, giving an effective price support to farmers, to provide foodgrains for Public Distribution System (PDS) and to maintain satisfactory level of buffer stocks to ensure food security of the country. HLC has made several recommendations and a summary of these recommendations and decisions taken by the Department on them is at Annexure-**I.**

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/7/2015-AC Dated the 13th July, 2015]

Recommendation (Serial No. 4)

2.5 Enhancing efficiency of FCI and bringing down surplus of foodgrains are the two major issues that have come up before the Committee's examination in a big way for bringing down the food subsidy to a large extent. In this connection, the Department of Food and Public Distribution has also submitted before the Committee that various measures like timely releases of due subsidy to FCI, obtaining loans from consortium of Banks at reduced rate of interest, improving efficiency of FCI and bringing down the level of surplus stocks will definitely check increase in the food subsidy outgo even though it will not help in reducing food subsidy burden. In this connection, the Committee find that the Department of Food and Public Distribution has consented that involvement of private sector in procurement and storage of foodgrains at competitive rates can help the pace of increase in food subsidy.

With regard to enhancing efficiency of FCI, the Committee while perusing the HLC Report learn about finance and accounts and cost of procurement, storage etc of foodgrains by FCI. The Committee find as compared to equity the loan component is quite huge with interest thereon is as high as 9.9% with major amount of funds going to cost of acquisition and distribution with very less cost realization leaving a huge amount as food subsidy. In this connection, the High Level Committee Report has severely criticised that in most of the years from 2002-2003 to 2012-13, the actual stock with public agencies vis-a-vis buffer stocks were much higher than buffer norms without serving much purpose to the tune of Rs. 1 lakh crore and thus putting a big question mark on efficiency of FCI.

On the other hand, the Committee have been informed by the Financial Advisor that no stock is more than two years old in Central Pool. The Committee were further clarified by the Secretary, Department of Food and Public

Distribution that keeping in view the three months requirements of TPDS and less production by bad weather, two kinds of reserves, one operational stock and strategic reserve are kept so that there is not shortage of foodgrains. As on 1st January, 2015 a total of 210.41 lakh tonnes of foodgrains is in the Central Pool. The Secretary, Department of Food and Public Distribution also informed before the Committee that the foodgrains can be stored upto three years in normal godowns and for longer periods in silo and the Department wants to distribute it as early as possible. In this connection, CMD, FCI clarified before the Committee that instead of 'Buffer norms', the term 'stocking norms' is more appropriate. The Committee feel that the term should be accordingly modified. In the light of the above position, on the issue of enhancing efficiency and bringing down surplus foodgrains held by HLC as also Department of Food and Public Distribution, the Committee feel that both these issues need further examination before arriving at a logical conclusion.

Reply of the Government

2.6 It is stated that the nomenclature of the ‘buffer norms’ has been changed to ‘Foodgrains stocking Norms for the Central Pool’ vide this Department’s OM dated 23.04.2015.

So far as the enhancing the efficiency and bringing down the surplus foodgrains is concerned it is submitted that the High Level Committee constituted by the Government under the Chairmanship of Shri Shanta Kumar, M.P. and former Union Food Minister with experts and officials from the State Governments and FCI has evaluated the performance of Food Corporation of India (FCI) in its report submitted in January, 2015 with respect to three objectives namely, giving an effective price support to farmers, to provide foodgrains for Public Distribution System (PDS) and to maintain satisfactory level of buffer stocks to ensure food security of the country. HLC has stated that the direct benefit of procurement of wheat and rice does not go to more than 6% of agricultural households, PDS suffers from large leakages and quite often the stocks maintained by public agencies have been way above the norms, inflicting thousands of crores of unproductive expenditure without serving any cause. However, HLC has concluded that FCI is not directly responsible for many of these things as its hands are tied and has suggested that a desirable solution to FCI’s restructuring can be found only by looking at the issue of food security somewhat holistically. HLC has made several recommendations and a summary of these recommendations and decisions taken by the Department on them is at **Annexure-I.**

With regard to involvement of private sector in procurement, it is submitted that High Level Committee headed by Shri Shanta Kumar recommended that FCI should move on to help those states where farmers suffer from distress sales at prices much below MSP, and which are dominated by small holdings, like Eastern Uttar Pradesh, Bihar, West Bengal, Assam etc. This is the belt from where second green revolution is expected, and where FCI needs to be pro-active, mobilizing state and other agencies to provide benefits of MSP and procurement to larger number of farmers, especially small and marginal ones. Based on this recommendation Government of India decided that FCI will provide only guidance and outside support in procurement work in case of DCP States. In Non-DCP States, in order to increase procurement where FCI and State Government Agencies will not be able to open procurement centers, procurement would be done through private agencies. Ministry in consultation with FCI is actively devising policy paper for procurement through private players.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/7/2015-AC Dated the 13th July, 2015]

Recommendation (Serial No.5)

2.7 The other prominent issue that has come up before the Committee is need for uniform taxation on MSP across the States that may lead huge outgo of subsidy. In this connection the Committee have come across that certain States have very high level of taxes. It is as high as 14.5% in Punjab and as high as 13.5% in Andhra Pradesh. The Committee also find that despite the request of Department of Food and Public Distribution to reduce the taxes, States thinking their Constitutional Right are not reducing their taxes. In this connection, the Committee also find that the High Level Committee on 'Restructuring of FCI' has also recommended to bring down these taxes uniformly to 3 percent or at the most 4 percent of MSP. The Committee have also been informed by CMD, FCI that taxation is varying in States between 4% to 5% and higher taxation is not allowing private sector to grow.

In proposed action by Government, the Committee find that Department of Food and Public Distribution has handed over the issue to Department of Agriculture saying that Agriculture Ministry to decide in consultation with States. The Committee find that the issue be sorted out at the earliest with Ministry of Agriculture as it has a direct bearing on reduction of food subsidy on the one hand and will open the door for competition for others on the other.

Reply of the Government

2.8 As recommended by the Committee, the matter was taken up with Department of Agriculture and Cooperation who has commented that the taxes levied by some of the States notably Andhra Pradesh, Haryana and Punjab are quite high. The Department of Agriculture and Cooperation agrees with the recommendation of the Committee of the need for uniformity in taxation and lowering and capping them to around 4% to 5%. However, it may be point out that under the Constitution, imposition of taxes is within the purview of the State Governments.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/7/2015-AC Dated the 13th July, 2015]

Comments of the Committee

(Please see Para No. 1.10 of Chapter -I of the Report)

Recommendation (Serial No. 7)

2.9 Another major issue that came up before the Committee was the issue of keeping APL outside fold due to less offtake of foodgrains by APL families during the last few years. In this connection, the Committee have been informed by the Department of Food and Public Distribution that as against the foodgrain allocations of 211.99 lakh tonnes to APL during 2011-12, the offtake was as low as 160.90 lakh tonnes. Similarly, during 2012-13 the allocation was 227.91 and offtake was 168.99 lakh tonnes. Likewise, in 2013-14, the allocation was 202.68 lakh tonnes whereas the offtake was only 156.39 lakh tonnes. During 2014-15 (upto February, 2015) against the allocation of 125.43 lakh tonnes, the offtake was only 96.16 lakh tonnes. In this connection, the Department of Food and Public Distribution has agreed to re-look the issue of allocation of foodgrains to APL in the light of less offtake by APL households and have informed that for NFSA coverage there is no APL. The Committee have also been informed that the States which are yet to implement NFSA, allocation to them would be considered at MSP. In this connection, the Department of Food and Public Distribution has conveyed that the move of keeping APL outside TPDS is likely to be resisted by State Governments and States are already against any proposal to increase the issue price for APL to MSP. In this connection it also came out during the course of examination that the allocation for APL household (normal + additional) States/UTs not implementing NFSA was 137.27 lakh tonnes involving a subsidy of about Rs. 23,171 crore. In view of recurring less offtake of allocated quantity of foodgrains by APL year after year, the Committee fail to understand the reasons for showing resistance of giving the foodgrains at MSP. The Committee, therefore, recommend the issue be resolved with States/UTs expeditiously so that outgo of subsidy to the above extent is saved.

Action taken by the Government

2.10 The Department, in a meeting dated 10.12.2014 with the State Food Secretaries held for reviewing the implementation of NFSA, had suggested that from April, 2015 the allocation for APL category, in case of States who had not implemented NFSA, would be made at MSP rate. However, the States expressed their inability to bear the extra expenditure that may arise due to increase in APL rates citing financial constraints. Considering the views expressed by the States, the department has not moved any proposal to increase the existing APL rates. The time limit for implementation of NFSA has been extended upto 30.09.2015. After all States/UTs implement NFSA, there will be no APL category.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/7/2015-AC Dated the 13th July, 2015]

Comments of the Committee

(Please see Para No. 1.13 of Chapter -I of the Report)

Recommendation (Serial No. 8)

2.11 The Committee's examination has revealed that reports of huge extent of leakage in TPDS are pouring in reported News Magazines like Economic and Political Weekly and Study Report brought out by eminent institutions like Indian Council for Research on International Economic Relation (ICRIER) and the issue has been raised before media and also before Parliament more than once. In this connection the Committee are constrained to find that nodal Department of Food and Public Distribution has admitted that based on NSSO data on household consumption and foodgrains offtake data though indicative in nature indicate that at all India level, 46.7% of the off-taken grain did not reach the intended beneficiaries in 2011-12. The Committee further note with dismay that the High Level Committee has also observed that problem of relying on PDS to NFSA is that it suffers from large leakage of as high as 46.7% based on 2011 data. The Committee's own examination has revealed that large number of complaints like under weighing, error or inclusion etc. about irregularities in AAY under TPDS during the last three years from big States like Uttar Pradesh, Maharashtra, Bihar and also from National Capital Delhi. For instance, in Uttar Pradesh, the number of complaints were 72 in 2012 which rose to 92 in 2013 and in 2014 it reached to 137. Likewise in Bihar the figures were 14 in 2012, 32 in 2013 and 55 in 2014. In Delhi, the figures are also quite alarming at the level of 22 in 2012, 37 in 2013 and 55 in 2014. The Committee find that all these figures do not augur well with the overall delivery mechanism. The Department of Food and Public Distribution has counted number of steps taken like advisories issued to States/UTs, prevalence of grievance redressal mechanism etc. In this connection, the Committee also find that High Level Committee have suggested that any State implementing NFSA must first improve its PDS by introducing biometrics and UID and Gradual Direct Transfer else pouring of more resources will go waste and never reach the intended beneficiaries. In this context on the issue of Jandhan, Aadhaar and Mobile JAM Trinity for checking leakage especially in APL category, the Committee find that Department of Food and Public Distribution have expressed apprehensions on different reasons like Aadhaar seeding Bank accounts, compilation, their authentication, etc. The Department of Food and

Public Distribution has also stated that quick cash transfer is being thought of only by very few States and level of computerization depends on the interest and initiatives taken by the State Governments and necessary action in this regard is already underway. The Committee feel that there is substance in High Level Committee for gradual introduction of Direct Transfer of food subsidy. However in the light of ground preparations, it has to be done expeditiously taking into confidence the State Governments/UTs apprising them about the urgency and benefits of the Computerization by explaining that computerization in TPDS is lagging way behind as compared to Banks and Railways.

Reply of the Government

2.12 Details about the End-to-end Computerization scheme including efforts made by the Department of Food and Public Distribution (DoF&PD) for its implementation are given in detail in response to recommendation no. 14.

For checking of leakage and diversions, this Department is pursuing two models with States/UTs, besides other steps for strengthening of TPDS. One of the models is Direct Benefit Transfer (DBT) in lieu of foodgrains under which subsidy component will be credited to Bank accounts of beneficiaries who will be free to buy foodgrains from anywhere in the market. Second model is of Fair Price Shop (FPS) automation wherein beneficiary is issued foodgrains under TPDS after his/her successful authentication at FPS using Point of Sale (PoS) device/ mobile terminal. For taking any of the models, pre-requisites for the States/UTs would be to complete digitization of beneficiary data and seed Aadhaar number therein. States/UTs are also required to seed bank account details if they intend to opt for cash transfer model. For financing the installation of Point of Sale (PoS) devices at Fair Price Shops (FPSs) for automation, Government has already decided about pattern of central assistance to States/UTs, which has been communicated to them. Government has approved FPS dealers' margin (@Rs. 87/qtl. in normal States & Rs.160/qtl. in 13 special category States) under NFSA which also includes reimbursement of Rs.17/qt. for their expenditure towards purchase and operations of the PoS device/Mobile terminal at FPS for automation. Except 3 UTs, namely Chandigarh, Dadra & Nagar Haveli and Puducherry no other States/UT has indicated its willingness to implement cash transfer.

As regard comparison with computerization in banks and railways with End-to-end Computerization of TPDS, it must be borne in mind that unlike in case of banks and railways it is the States/UTs that have to carry out the TPDS computerization.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/7/2015-AC Dated the 13th July, 2015]

Comments of the Committee

(Please see Para No. 1.16 of Chapter -I of the Report)

Recommendation (Serial No. 12)

2.13 Issue of non-payment of arrears to Sugarcane Growers by Sugar Mills in different States

The Committee are constrained to note that crores of rupees of sugarcane growers are awaiting for payment at the hands of sugar mills in different States during the last two years. As a result, reports of farmers' suicide have been pouring in from different States. The Committee are constrained to find that during 2013-14 (as on 15 March, 2014), this figure was Rs. 1803 crore which by 2014-15 rose to Rs. 18,249.77 crore and the prominent States with large number of unpaid amount are Uttar Pradesh (Rs. 8,667.08 crore), Maharashtra (Rs. 2,864.5 crore), Karnataka (Rs. 2402.39 crore) and Punjab (Rs. 736.12 crore). The Committee find that as per Sugarcane (Control) Order, 1956 necessary payment is to be done within 15 days of supply beyond which interest at the rate of 15% is payable on delayed amount. In this connection in the case of non-payment of sugarcane price in Uttar Pradesh, the Committee find that Secretary, Department of Food and Public Distribution has left the issue with State Government saying that decision to impose tax higher than fair and remunerative price is of State Governments. In this connection, the Secretary, Department of Food and Public Distribution during the evidence submitted before the Committee that prior to de-regulation of sugar industry, there used to be a levy on sale which after de-control has been removed except for some control in some States that farmer is bound to supply to sugar mills may be in Uttar Pradesh, Bihar etc., in other States, it is free. The Government of India in the interest of farmers fixes fair and remunerative price and farmers should get it and States have fixed higher prices which the Sugar Mills say are not commensurating with sugar prices. The Committee have been further explained that experience in sugar sector has been governed by two cycles, two year's excess and one year shortage and in excess year, the Sugar Mills were in distress but in one year shortage they earned profit. The Secretary, Department of Food and Public Distribution further added that during the last three years, cycle of shortage is not seen and production is more than requirement, both within and internationally, as a result sugar mills are unable to export and thus Sugar Mills are under distress and as such, the farmers are not getting payment on time. In the decontrolled sugar scenario, the Government took two-three policy decisions for survival of sugar mills which include giving soft loans to Mills to take off their burden and the interest burden of that loan has been taken over by the Government. Last year around Rs. 6600 crore was given to the Banks with condition that this will be kept in separate account and will be used only for payment to sugarcane growers. The Committee feel that in the interest of sugarcane growers, the Department of Food and Public Distribution should impress upon State Governments to ensure that dues of sugarcane growers be paid by sugar mills without further loss of time.

The Committee also feel that the Sugarcane (Control) Order 1966 stipulating 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 be strictly enforced in letter and spirit.

Reply of the Government

2.14 The Department of Food & Public Distribution has requested the Secretaries/Commissioners of all sugar producing States that serious efforts be made for clearing the cane price arrears to the farmers. Since the powers of enforcing the provisions of the Sugarcane (Control) Order, 1966 relating to payment of cane price dues of sugarcane farmers are delegated and vested with the State Government, the appropriate action for ensuring settlement of the cane dues of the farmers is to be taken by the State government.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/7/2015-AC Dated the 13th July, 2015]

Recommendation (Serial No.13)

2.15 Construction of Godowns by FCI/State Governments

The Committee while analyzing the 12th Plan (2012-17) funds of Department of Food and Public Distribution find that out of the total of Rs. 1523 crore for different Plan schemes, major constituents are Schemes of Construction of Godowns by FCI/State Government (Rs. 530 crore) and Computerization of PDS operations (Rs. 817 crore). While reviewing allocation vis-a-vis utilization of Plan funds under these two major schemes during first three years of the Plan period i.e. 2012-13, 2013-14 and 2014-15, the Committee are constrained to note that the scheme of Construction of Godowns by FCI/State Governments has hugely suffered loss of funds to the tune of Rs. 26.72 crore in first year and Rs. 42 crore in second year and Rs. 89.16 crore in third year of Current Plan at Revised Estimate stage for different reasons like delay in handing over of land on the part of State Governments and other factors peculiar to the North-East, during 2012-13 and 2013-14. In this connection the Committee also find that as high as 1.61 lakh tonnes of capacity is pending mainly on account of State Governments have either to hand over or identify land. In this connection, data made available before the Committee, the Committee find that State Governments of Assam, Meghalaya, Tripura, Sikkim and Manipur have been responsible for causing a delay of one to two years even after FCI had deposited the land cost. In this connection, the Committee have been informed that matter has been taken up with concerned Chief Secretaries and problems are being resolved. The Committee find that the for different regions, the other projects of FCI for construction of godowns in North-East at Aola (Arunchal Pradesh) and Sarang (Mizoram) from the angle of suitability of land whereas in Kokrajhar (Assam) and Chandel (Manipur) projects have been stuck up at the hand of Ministry of Railways. The Committee however feel that the matter should be pursued expeditiously so that pending projects see the light of the day at the earliest.

The Committee also came across that a total of 20 lakh tonnes capacity for construction of silos for scientific storage of foodgrains has been approved in different States such as Punjab (4 lakh tonnes), Madhya Pradesh (3.5 lakh tonnes), Haryana and Punjab (3 lakh tonnes each) including Assam (50,000 tonnes) etc. The Committee feel that the construction of silos in all the States should be expedited in a time bound manner.

Reply of the Government

2.16 Expenditure incurred on construction of godowns under the Plan Scheme by FCI, in the first three years i.e. 2012-13, 2013-14 and 2014-15 were Rs.27.72 crores, Rs.30.94 crores and Rs. 76.48 crores respectively.

Out of the total approved Capacity of 2,92,730 MT in the 12th Five Year Plan, the status of construction of godowns as on 31.03.2015 is as under:-

Capacity Completed	48,890 MT
Capacity of works in progress	87,550 MT
Capacity for which Land cost has been deposited and State Government has not handed over the land	46,000 MT
Capacity for which Land has been identified and cost is to be deposited by FCI	37,500 MT
Capacity for which Land is yet to be identified by the State Governments	72,790 MT
Total	2,92,730 MT

FCI as well as Department of Food and Public Distribution is pursuing the matter vigorously with the State Governments. In this regard, a D.O. letter dated 6.4.2015 has been sent by the Secretary (F&PD) to the Chief Secretary, Meghalaya for restoration of original land at Shillong. Further, CMD, FCI has also addressed the issue with the Chief Secretary, Government of Tripura vide D.O. letter dated 01.05.2015 in respect of handing over of land at Jirania.

As regards, the land at Aalo in Arunachal Pradesh, the State Govt. is yet to identify suitable land and at Sairang in Mizoram, the land offered by the State Govt. at two locations was not found suitable by the FCI.

As regards, the identified land at Bongaigaon (Assam), Railways have categorically stated that railway siding is not feasible and the State Govt. is yet to identify and provide alternate land. And for accommodating full rake facility at

Jonai(Dhemaji) (Assam), State Govt. has already been requested for handing over additional land measuring approx. 1 acre.

Regarding construction of silos in various states, it is submitted that FCI has taken up a project for construction of modern silos for storage of wheat in PPP mode. Earlier, FCI had floated tenders for construction of silos under a non-VGF based PPP model for 36 locations (9 States) in 2013. Unfortunately, out of 45 proposals received from 16 applicants, only 3 had been found to be eligible and hence the e-tender had been scrapped.

Now, FCI plans to construct silos through VGF model in existing depots having rail sidings and sufficient vacant land. FCI has finalized tender documents in consultation with NITI Aayog and Department of Economic Affairs. Based on feasibility studies, 6 locations with 2.50 LMT capacity have been identified where land with Railway siding is available, viz. Changsari (Assam), Katihar (Bihar), Sahnewal (Punjab), Kotkapura (Punjab), Whitefield (Karnataka), and Narela (Delhi). RFQ was opened on 02.06.2015 for these 6 places and 21 applications have been received which are under evaluation.

Two other locations in Punjab and Maharashtra have also been found feasible. However, since the land belongs to the State Governments, FCI has taken up the matter with the States for construction of silos.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/7/2015-AC Dated the 13th July, 2015]

Recommendation (Serial No.14)

2.17 The Committee are constrained to note that another major Plan Scheme being run jointly by Department of Food and Public Distribution and State Governments/UT Administrations with a Twelfth Plan (2012-17) funds of Rs. 813 crore that was revised to Rs. 884 crore by Cabinet Committee on Economic Affairs (CCEA) way back in October, 2012 for two purposes of Digitization of Ration Cards (by March, 2013) and Computerization of Supply Chain (by October, 2013) has not progressed on expected lines during first three years viz. 2012-13, 2013-14 and 2014-15 of the Current Plan and whatever progress is 'at advance stage' or 'significant stage' as claimed by Department of Food and Public Distribution has been limited to six-seven States of Chhatisgarh, Goa, Gujarat, Karnataka, Bihar, Delhi, Puducherry and West Bengal. The Committee are constrained to note that in remaining States that include big States of Uttar Pradesh, Madhya Pradesh, Tamil Nadu, Andhra Pradesh, Rajasthan etc., work is either at initial stage or not much progress has been forthcoming.

While reviewing utilization position of funds during all these years, the Committee find that it was by and large full in first two years i.e. 2012-13 and 2013-14. As sufficient financial proposals from State Governments/ UTs complying certain conditions in this behalf have not been forthcoming during 2014-15, budgeted amount of Rs. 128.50 crore was reduced to Rs. 35 crore at RE out of which (upto 15 February, 2015) Rs. 28.27 crore were utilized. The Committee also find that for 2015-16 for which Rs. 90 crore have been proposed, the Department have apprehended that utilization depends upon the receipt of financial proposals from States/UTs fulfilling specified conditions. The Committee have been informed by Department of Food and Public Distribution that problems like lack of initiative on the part of States/UTs, delay in decision by States Governments/UT Administrations on implementation of NFSA leading to delay in finalization of list of beneficiaries, delay in availability of SECC/ NPR data from concerned departments are coming in the way for quickening the pace of computerization. In this scenario, the Committee find that with the start of Component II of End to End Computerization of automation of 4.2 lakh Fair Price Shops necessary works like preparation of Software of NIC, issuing guidelines to States/UTs and submission of financial proposals is done whereas holding of consultations with States/UTs, UIDAI, NIC is underway.

The Committee feel that since successful implementation of end to end computerization of TPDS is the joint responsibility of Department of Food and Public Distribution, the implementation constraints spelt out before the Committee should be addressed urgently as has been done by six seven better performing States and if necessary, help and experience from Indian Railways and Banks who have fully computerized their operations be taken for making necessary headway in this area.

Reply of the Government

2.18 Modernization of Targeted Public Distribution System (TPDS) is the foremost priority of the Department of Food & Public Distribution (DoF&PD). With a view to provide infrastructure and financial support to the States/UTs, a Plan scheme on End-to-end Computerization of TPDS operations was approved on 04.12.2012. It is being implemented in the 12th Five Year Plan (2012-17) on cost sharing basis with States/UTs. The cost of sharing between Centre and States is on 90:10 bases for North-Eastern States and for other States it is 50:50. DoF&PD has issued detailed guidelines in 2013 regarding setting up of institutional mechanism and implementation of the scheme. The scheme comprises of activities, namely, digitization of ration cards / beneficiaries and other databases, computerization of supply-chain management, setting up of transparency portal and grievance redressal mechanisms. For undertaking these activities, National Informatics Center (NIC), being the technical partner, has developed a Common Application Software (CAS) which has been made available to all States/UTs. CAS can be customized as per State/UT specific requirements. At present, 21 States/UTs have opted for CAS for TPDS computerization. NIC has also developed a Common Architecture Broker (CAB) through which data of the States/UTs can be standardized and de-duplicated using Aadhaar. CAB would be especially useful for States/UTs which are not using CAS. So far, 24 States/UTs have migrated beneficiary data of their one district on CAB. Under the scheme, proposals for financial assistance have been received from several States/UTs, out of which 1st installment of Central share of funds totaling Rs. 269.17 crore has been sanctioned to 28 States/UTs, NIC, etc. up to 31.05.2015. DoF&PD has been pursuing with the States/UTs to send their request for release of 2nd installment which is subject to completion of aforesaid activities and submission of Utilization Certificates (UCs). However, no State/UT has fulfilled requisite conditions for release of 2nd installment of central share.

The progress of implementation of scheme is regularly reviewed at various levels. The progress was reviewed at the level of the then Minister of CA,F&PD in the Conference of the State Food Ministers' and State Food Secretaries' in Sep' 2012, Sep-Oct 2013 and July 2014. Recently, a detailed review of progress in Computerization was undertaken at the level of the Minister of CA, F&PD in a conference of State Food Secretaries in Dec 2014. Minister of CA, F&PD has also written to the State Chief Ministers/ Food Ministers to expedite Computerization of TPDS in July 2014 and April 2015. Secretary (F&PD) has also, in May 2015, requested Chief Secretaries/ Administrators to expedite Computerization. During the frequent meetings with States/UTs and Vide-conferences progress of computerization is reviewed and best practices are also shared with States/UTs. To further persuade States/UTs to complete End-to-end computerization, it has been made one of the preconditions for implementation of NFSA for the States/UTs. Despite technical and financial assistance provided to States/UTs and regular review of their progress, the performance of the States/UTs is at different levels, depending on the leadership and motivation levels.

Under End-to-end Computerization of TPDS operations, States/UTs have to perform various activities, such as, complete digitizing of beneficiary data, procurement of IT hardware, training of staff & officers, implementing toll free numbers and setting up of dedicated team at the State Hqrs. level for rolling out TPDS computerization program. States/UTs which have implemented NFSA, but have not completed all the activities as per TPDS computerization program have been requested to complete the same by July 2015, as after this date, foodgrains allocation might be as per the digitized list of NFSA beneficiaries provided on the State Portal. Those States/UTs which have not implemented NFSA, have been asked to complete TPDS computerization by September 2015, failing which no additional allocations would be made and beyond December 2015, foodgrains allocation would be as per the digitized list provided on the respective States' portal. Response of DoF&PD on comparing banks and railways with TPDS Computerization for their help and experience has already been given in reply to recommendation no. 8.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/7/2015-AC Dated the 13th July, 2015]

Comments of the Committee

(Please see Para No. 1.16 of Chapter -I of the Report)

Recommendation (Serial No. 15)

2.19 The Committee are constrained to note that untimely rains and hailstorms in February/March, 2015 have affected wheat crops to a significant extent in Andhra Pradesh, Madhya Pradesh, Telengana, Rajasthan, Haryana and Uttar Pradesh and as a result only 6.60 lakh tonnes of wheat has been procured mainly in Gujarat as on 1st April, 2015 as compared to 10.26 lakh tonnes of last year mainly due to delayed arrival of wheat in the market, unusual weather conditions and due to deterioration in quality. The Department of Food and Public Distribution has apprehended that due to damage of crop, procurement of wheat may get reduced by about 10% compared to last year. However, the Department has opined that even at the level of 280 lakh tonnes, it will be more than sufficient for maintaining buffer stocks. The Committee has been further informed by the Department of Food and Public Distribution that States of Gujarat, Madhya Pradesh, Rajasthan, Haryana and Uttar Pradesh have approached for relaxing the norms in specifications of wheat and based on samples of wheat collected from Gujarat, Madhya Pradesh and Rajasthan, relaxation have been given to these States whereas State Governments of Haryana and Uttar Pradesh have been requested to collect samples from affected areas jointly with FCI on arrival of wheat in mandi immediately and get the samples analyzed by Regional Laboratory of FCI for submission of Report to Department for considering necessary relaxation. The Committee feel that in the interest of farmers in affected areas necessary relaxation should be given to Uttar Pradesh and Haryana without further loss of time.

Reply of the Government

2.20 In view of unseasonal rains and its impact on quality of wheat, Governments of Gujarat, Madhya Pradesh, Rajasthan, Haryana, Uttar Pradesh and Punjab have requested for relaxation in specifications of wheat for central pool procurement. Immediately on receipt of the request from State Governments, joint teams comprising officers of this Department, FCI and State Governments collected samples of wheat from mandies which were analysed in FCI Regional Labs and based on the analysis results of field samples, necessary relaxation in uniform specifications of wheat for Central Pool procurement has been allowed with nominal value cut immediately in the States including Uttar Pradesh and Haryana.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/7/2015-AC Dated the 13th July, 2015]

CHAPTER III

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

Recommendation (Serial No. 3)

3.1 Decentralized Procurement Scheme (DCP)

The Committee's examination has revealed that based on figures of subsidy released to FCI and States during the last seven years, the level of subsidy released to FCI is four to five times higher than subsidies released to States under Decentralized Procurement Scheme (DCP). In this connection, the Department of Food and Public Distribution has submitted before the Committee that this is due to the fact that though DCP Scheme started in 1997 and 15 States have adopted it fully or partially most of them distribute either one grain either wheat or rice, thus in addition to catering the needs of non-DCP States, FCI has to cater to the needs of DCP States partially as well. Further, FCI has to incur sufficient amount on maintenance of buffer stock also. In this connection, the Committee have been informed that in major foodgrains procuring States such as Madhya Pradesh, Chhattisgarh, Odisha, Andhra Pradesh, Telegana, Tamil Nadu, West Bengal, Bihar, Karnataka and Gujarat have adopted DCP Scheme. Punjab has adopted the DCP Scheme to the extent of their distribution requirement under NFSA. In Punjab and Haryana, most of surplus fund is handled by State Agencies only till lifting by FCI.

In this connection, the Committee find that the High Level Committee on Re-structuring of FCI has recommended that FCI should hand over all procurement operations of wheat and rice States of Andhra Pradesh, Chhattisgarh, Haryana, Madhya Pradesh, Odisha and Punjab that have gained sufficient experience in this regard and have created reasonable infrastructure for procurement whereas FCI will accept only the surplus (after deducting the needs of States under NFSA). In this connection, the Committee have been informed by CMD, FCI that the HLC felt that FCI are procuring very high level of procurement in some States and in rest of the States, it is not as high. In proposed action by Government, the Committee find that Government has accepted the recommendations of HLC. However, the Committee find that in a country like India where 49% of workforce constitute farmers and out of 893.50 lakh agricultural households as large as 747.57 lakh agricultural households have less than 2 hectares of agricultural holding with a very little retaining capacity of harvest crops with different States especially Andhra Pradesh has neither resources nor infrastructure for procurement, storage etc. this move of handing over the procurement operations of wheat and rice will severely affect food security and will go against the interest of farmers as they will be forced to sell their foodgrains much below the MSP. The Committee find from the feedback received from Department of Food and Public Distribution that FCI's role in Andhra Pradesh has remained to only stocking of rice and its movement to other

Districts/States which will continue in future also and as such recommendations of HLC does not affect MSP support to farmers in Andhra Pradesh. The Committee, however, do not share the views of the Department of Food and Public Distribution and still fear that Government's proposed decision for handing over procurement and distribution operations from FCI to State Governments may go against the interest of farmers and jeopardize food subsidy in long run.

Reply of the Government

3.2 All States excluding Punjab and Haryana are DCP States where FCI is not involved in procurement. In Punjab and Haryana, FCI will stop procurement only on getting request from concerned State Governments. The State Government of Haryana has already given consent for not to involve FCI in procurement of wheat for RMS 2015-16, consequently, FCI is not taking part in procurement of wheat this year there. Similarly, FCI will not take part in procurement of paddy in KMS 2015-16 in Haryana as per consent of the State Government. FCI is taking part in procurement of wheat in RMS 2015-16 as per the request of State Government of Punjab.

There is no procurement of wheat in Andhra Pradesh. Further, Andhra Pradesh is a DCP state for procurement of paddy/ rice only for 6 revenue districts which are given below:

i) Guntur
ii) Prakasam
iii) Nellore
iv) Chittoor
v) Vizianagaram
vi) Kurnool

In the above mentioned DCP Districts, the state undertakes the responsibility of procurement of paddy/rice under MSP, ensuring its storage, and distribution of these food grains through the TPDS/ OWS. In case the quantity of raw rice procured is more than the allocation for the State (TPDS/OWS requirements), excess quantity is handed over to FCI for central pool by the State Government like other DCP States.

After the procurement of paddy, it is milled by the rice millers and resultant rice is delivered to the State Govt. The paddy procured by the traders is also milled by them and levy rice is deposited with State Govt. at levy percentage fixed by State Government in consultation with Central Government. At the moment the levy percentage is 25% in all the States including Andhra Pradesh. However, the GOI has issued directions for abolition of levy w.e.f. the ensuing KMS 2015-16.

The 7 Non-DCP revenue districts of Andhra Pradesh are as given hereunder:

i) Anantpur
ii) East Godavari

iii) YSR Kadapa
iv) Krishna
v) Srikakulam
vi) Visakhapatnam
vii) West Godavari

In the above mentioned non-DCP districts, the procurement of paddy in central pool are undertaken by State Govt. who deliver rice to FCI for storage and subsequent issue against GOI allocations in the same State/ District or movement of surplus stocks to other States. FCI is responsible for procuring raw rice under levy/CMR operation in these districts. The cost of the foodgrains procured by State agencies is reimbursed by FCI as per cost-sheets issued by GOI as soon as the stocks are delivered to FCI.

FCI is also responsible for taking over of boiled rice in the entire State whether procured through levy operation or CMR.

Thus, it can be seen that FCI is extending its full cooperation in procurement operations in both the DCP and non-DCP districts of Andhra Pradesh.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/7/2015-AC Dated the 13th July, 2015]

CHAPTER IV

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

Recommendation (Serial No. 10)

4.1 Preparedness about implementation of NFSA

The Committee are constrained to note that National Food Security Act, 2013 enforced since 05.07.2013 that seeks to complete work of identification of eligible household receiving foodgrains at subsidized prices under TPDS within 365 days have been partially implemented in 11 States and remaining 25 States are non-NFSA compliant States as these are unable to comply pre-conditions prescribed by Central Government and extension after extension with varying time lines from April to September, 2015 have been given to these States. The Committee find with dismay that it has further been extended upto 6 months. The Committee feel that preparedness for implementation of NFSA has been badly delayed. The Committee feel that giving extension after extension to National Food Security Act non-compliant does not augur well with over-all preparedness towards implementation of the NFSA and recommend the Department of Food and Public Distribution to set up a task force for quickening/completion of the work in these 25 non-compliant States.

Reply of the Government

4.2 The National Food Security Act, 2013 (NFSA) which came into force on 5th July, 2013 provided for a period not exceeding one year, i.e. upto 04.07.2014, for identification of households to be covered under TPDS. So far, foodgrains under the Act have been allocated to 12 States/Union Territories (UTs) viz., Haryana, Rajasthan, Delhi, Himachal Pradesh, Punjab, Karnataka, Chhattisgarh, Maharashtra, Chandigarh, Madhya Pradesh, Bihar and West Bengal, based on preparedness to implement the Act and progress in identification of beneficiaries reported by them. Remaining 24 States/UTs are at different levels of preparedness to implement the Act. Accordingly, the period for identification of beneficiaries and completion of other preparatory measures had to be extended thrice, latest extension being upto 30.09.2015.

The preparedness for implementation of NFSA involves various activities such as preparation of guidelines for identification of eligible households, their actual identification, completion of various activities under the ongoing scheme of end-to-end computerization of TPDS operations, setting up of grievance redressal mechanism etc. All these steps are to be taken by respective State/UT. As such, not much useful purpose would be served by setting a task force at the Central level for completion of the preparatory work required for implementation of the Act.

It is, however, submitted that States/UTs are regularly impressed upon during conferences, meetings and through letters to complete all the preparatory measures required for implementation of NFSA. Status of preparedness to implement the Act was reviewed by the Hon'ble Minister for Consumer Affairs, Food and Public Distribution in a conference of Food Secretaries of States/UTs where the Act is yet to be implemented, held on 10th December, 2014. Aspects such as correct identification of beneficiaries, delivery of foodgrains upto door-steps of fair price shops, effective Grievance Redressal Mechanism, time bound completion of the TPDS computerization scheme were emphasized during the conference and States/UTs were requested to ensure implementation of the Act at the earliest, after completion of necessary preparatory measures.

Recently, Hon'ble Minister for Consumer Affairs, Food & Public Distribution has written to the Chief Ministers/Administrators of concerned States/UTs on 08.04.2015 about the non-implementation of the Act and informed them that the Government has given one last extension upto 30.09.2015 to complete identification of beneficiaries and other preparatory measures and requested them to personally review the progress to ensure implementation of the Act within the extended period.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/7/2015-AC Dated the 13th July, 2015]

Comments of the Committee

(Please see Para No. 1.21 of Chapter -I of the Report)

Recommendation (Serial No.11)

4.3 The Committee are constrained to note that 'High Level Committee on Re-structuring of FCI' has, inter-alia, recommended for reduction in coverage of population under NFSA from current 67% at around 40% deferring implementation of NFSA in States which have not done end-to-end computerization, have not put up list of beneficiaries on line and have not set up vigilance committees, gradual introduction of Cash Transfer in PDS etc. On the issue of reduction in coverage from 67% to 40%, the Committee find that there is no proposal to amend the NFS Act whereas on the issue of deferring of implementation of NFSA, the view of the Department of Food and Public Distribution has been that States/UTs are already required to comply certain pre-requisities of Computerization of TPDS whereas on the issue of Direct Transfer, the Department has submitted that it is one of the options discussed in various fora, its implementation depends upon the readiness of States/UTs in digitization, de-duplication of beneficiary data base with Bank Account numbers and can be taken up with specific request of the States/UTs. However, final decision of direct transfer is to be taken by States/UTs keeping in view their preparedness. The Committee feel that Department of Food and Public Distribution should impress upon States/UTs to aggressively work on areas shown above so that NFS Act is implemented urgently.

Reply of the Government

4.4 The National Food Security Act, 2013 (NFSA) has been enacted and there is at present no proposal to reduce the coverage. However, before allocation of foodgrains under NFSA, State Governments are required to convey their preparedness in terms of necessary strengthening of TPDS which includes completion of various activities. Computerization of TPDS is already a pre-condition for implementation of the NFSA. Besides, Department of Food & Public Distribution has been persuading all States/UTs in various fora to expedite TPDS computerization, details of which are given in the reply to recommendation no. 14. Response of Department of Food & Public Distribution on implementation of Direct Benefit Transfer (DBT) as a measure to check leakage and diversion has already been given in reply to recommendation no. 8.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/7/2015-AC Dated the 13th July, 2015]

Comments of the Committee

(Please see Para No. 1.28 of Chapter -I of the Report)

CHAPTER V

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

Recommendation (Serial No. 6)

5.1 Need for opening National Market for Agricultural Commodities

It came out during the course of examination that there is a need for opening up a National Market for Agricultural Commodities with a view to get rid of current multiplicity of taxes and exorbitant commissions that are allowed under Agricultural Produce Marketing Commodities Act (APMC) being implemented in different States that gives right of first sale of agricultural produce to APMC through its commission agents. In this connection, it also came out during the course of examination that over a decade, Ministry of Agriculture has been pursuing State Governments to modify their State laws in line with Model Act brought out by the Ministry of Agriculture and there is a need to make a Central Law on the issue overriding all State laws thereby opening the door for opening National Market for Agricultural Commodities. In this connection the Committee find that Department of Food and Public Distribution has also agreed that need for integrating agricultural market at National Level has been felt for long and will benefit the farmers in terms of better price discovery and would also benefit the consumers as well due to reduction in number of intermediaries in supply chain at the same time help in maintaining supplies of seasonal products throughout the year at reasonable prices and will avoid glut in market during harvesting seasons. The Committee have been further informed that a 'Group of Experts' under the Chairmanship of Dr. Ashok Gulati has been constituted on 7 January, 2015 to suggest an action plan to implement the agri-marketing reforms including this aspect. The Committee feel that concept of opening up National Open Market for Agricultural Commodities is need of the hour and recommend that Department of Food and Public Distribution will move faster with Ministry of Agriculture on the issue the moment the Report of Group of Experts is received. The Committee also desire that action taken thereon be communicated to them also for arriving at logical conclusions.

Reply of the Government

5.2 As recommended by the Committee, the matter was taken up with Department of Agriculture and Cooperation who has commented that to formulate a Central Sector Scheme for Promotion of National Agricultural Market through Agri-Tech Infrastructure Fund (ATIF), a proposal has been sent to the Cabinet Committee on Economic Affairs on 24.06.2015 for their approval. The proposed Scheme entails setting up of the National Agriculture Market by Department of Agriculture through Small Farmers Agribusiness Consortium (SFAC) by creation of a common electronic platform deployable in selected regulated markets across the country with a budget amount of Rs. 200 crores during 2015-16 to 2017 -18. Simultaneously, the States and UT's are being pursued to carry out essential reforms that are pre -requisites for integrating with the e-platform.

As far as the Group of Experts is concerned, they have sought an extension upto 7th July, 2015 to submit its recommendations on the concept of opening up National Open Market for Agricultural commodities.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/7/2015-AC Dated the 13th July, 2015]

Comments of the Committee

(Please see Para No. 1.11 of Chapter -I of the Report)

Recommendation (Serial No. 9)

5.3 Need for pooling of labour in FCI for foodgrains movement

During the course of evidence of the representatives of the Department of Food and Public Distribution the Committee while examining the issue of bringing about efficiency in FCI in the light of recommendations of High Level Committee on 'Re-structuring of FCI', it came out before the Committee that FCI has as large as 1 lakh of dedicated workforce as contract labour with monthly earning of as low as Rs. 10,000 in 2012-13 and 2013-14. On the other hand, it also has as many as 370 persons as departmental labour doing loading and unloading work who get as high as Rs. 79,000 per month i.e. seven to eight times higher than contract labour and HLC has recommended de-notifying the department labours in 218 Depots of FCI and pooling them wherever these are needed. The Committee have been assured by CMD, FCI that the departmental labour will not be removed. The Committee feel that the step is appropriate and needs to be proceeded with.

Reply of the Government

5.4 Department of Food & Public Distribution and Food Corporation of India have been regularly requesting the Ministry of Labour and employment to exempt and denotify its 226 depot railheads under section 31 of the Contract Labour (Regulation and Abolition) Act.

The Food Corporation of India's applications in this regard taken up in the 85th meeting of the Central Advisory Contract Labour Board (CACLB) held on 31st October, 2014, which was attended by two senior officers of FCI.

A working group comprising Dr. Vivek Monteiro, Shri R.V.Subha Rao and Shri R. Mohan Das, has been constituted by CACLB to make a study and prepare the draft Report.

Regarding the status to declare labour of FCI as the dying cadre with reference to Shanta Kumar Committee's Report is concerned, the Board Level Sub-Committee (BLSC) is examining the matter. The report of BLSC is awaited.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/7/2015-AC Dated the 13th July, 2015]

Comments of the Committee

(Please see Para No. 1.22 of Chapter -I of the Report)

NEW DELHI;
25 February, 2016
06 Phalguna, 1937 (Saka)

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

Annexure-I

Recommendations of High Level Committee and decisions taken by Government of India

Sl. No.	Recommendations	Decisions taken
1	HLC recommends that FCI hand over all procurement operations of wheat, paddy and rice to states that have gained sufficient experience in this regard and have created reasonable infrastructure for procurement. These States are Andhra Pradesh, Chhattisgarh, Haryana, Madhya Pradesh, Odisha and Punjab	All States excluding Punjab and Haryana are DCP States where FCI is not involved in procurement. In Punjab and Haryana, FCI will stop procurement only on getting request from concerned State Governments. The State Government of Haryana has already given consent for not to involve FCI in procurement of wheat for RMS 2015-16, consequently, FCI is not taking part in procurement of wheat this year there. Similarly, FCI will not take part in procurement of paddy in KMS 2015-16 in Haryana as per consent of the State Government. FCI is taking part in procurement of wheat in RMS 2015-16 as per the request of State Government of Punjab.
2	FCI will accept only the surplus (after deducting the needs of the states under NFSA) from these state governments (not millers) to be moved to deficit states.	FCI is of the view that transfer of stock of rice from one state to another is to be done by FCI, therefore, if they do not check the quality of rice themselves, it will create problem. If FCI would not accept the rice later on, due to poor quality of rice procured by State Governments, then it would create problems to the State Governments also. Therefore, the existing system may be continued.
3	FCI should move on to help those states where farmers suffer from distress sales at prices much below MSP, and which are dominated by small	FCI will provide only guidance and outside support in procurement work in case of DCP States. In Non-DCP States, FCI will help in the following manner-

Sl. No.	Recommendations	Decisions taken
	holdings, like Eastern Uttar Pradesh, Bihar, West Bengal, Assam etc. This is the belt from where second green revolution is expected, and where FCI needs to be pro-active, mobilizing state and other agencies to provide benefits of MSP and procurement to larger number of farmers, especially small and marginal ones. .	(1) Procurement plan will be prepared in consultation with the State Governments. (2) FCI, as far as possible, will open its procurement centers in larger numbers. (3) Where FCI and State Government Agencies will not be able to open procurement centers, procurement would be done through of private agencies. (4) Training would be imparted to State Governments on quality and storage for doing arrangements like States of Madhya Pradesh, Chhattisgarh etc from time to time. (5) For creating infrastructure in these States, development of Agricultural Mandies, arrangements of storage, arrangements of machines equipments etc could be done under the purview of Ministry of Agriculture.
4	DFPD/ FCI at the Centre should enter into an agreement with states before every procurement season regarding costing norms and basic rules for procurement.	There is already agreement with DCP States. FCI would prepare agreements for Non- DCP States in consultation with State Governments.
5	Centre should make it clear to states that in case of any bonus being given by them on top of MSP, Centre will not accept grains under the central pool beyond the quantity needed by the state for its own PDS/ OWS.	Decision has already been taken by the Department vide its order dated 12.06.2014 on this issue.
6	The statutory levies including commissions, which vary from less than 2 percent in Gujarat and West Bengal to 14.5 percent in Punjab, need to be brought down uniformly to 3 percent, or	State Governments have not agreed for uniform Taxation. It is not justified to include taxes, commissions etc. in MSP.

Sl. No.	Recommendations	Decisions taken
	at most 4 percent of MSP, and this should be included in MSP itself (states losing revenue due to this rationalization of levies can be compensated through a diversification package for the next 3-5 years).	
7	Quality checks in procurement have to be adhered to, and anything below the specified quality will not be acceptable under central pool. Quality checks can be done either by FCI and/ or any third party accredited agency in a transparent manner with the help of mechanized processes of quality checking.	FCI would strengthen its quality control infrastructure and modernize its laboratories. FCI would make arrangements for quality checks by External agencies, as per need. FCI would contact premier institutions of the country for mechanized quality checking.
8	HLC also recommends that levy on rice millers be done away with. HLC notes and commends that some steps have been taken recently by DFPD in this direction, but they should be institutionalized for their logical conclusion.	Levy has been withdrawn with effect from KMS 2015-16.
9	Negotiable warehouse receipt system (NWRs) should be taken up on priority and scaled up quickly. Under this system, farmers can deposit their produce to the registered warehouses, and get say 80 percent advance from banks against their produce valued at MSP. They can sell later when they feel prices are good for them. This will bring back the private sector, reduce massively the costs of storage to the government, and be more compatible with a market economy. GoI, through FCI and Warehousing Development	At present farmers of the country are totally dependent on government procurement and they do not have adequate knowledge and arrangements to bring their produce directly in the market. However, steps would be taken in this direction with the help of WDRA and Finance Ministry.

Sl. No.	Recommendations	Decisions taken
	Regulatory Authority (WDRA) can encourage building of these warehouses with better technology, and keep an on-line track of grain stocks with them on daily/ weekly basis. In due course, GoI can explore whether this system can be used to compensate the farmers in case of market prices falling below MSP without physically handling large quantities of grain.	
10	(a) GoI needs to revisit its MSP policy. Currently, MSPs are announced for 23 commodities, but effectively price support operates primarily in wheat and rice and that too in selected states. This creates highly skewed incentive structures in favour of wheat and rice.	Department has agreed for procurement of pulses and oilseeds through FCI on the pattern of NAFED under the Price Support Scheme of the Department of Agriculture & Cooperation. This will not create burden on food subsidy and FCI will create separate fund for this procurement with the assistance of Department of Agriculture & Cooperation.
	(b) While country is short of pulses and oilseeds (edible oils), their prices often go below MSP without any effective price support. Further, trade policy works independently of MSP policy, and many a times, imports of pulses come at prices much below their MSP. This hampers diversification. HLC recommends that pulses and oilseeds deserve priority and GoI must provide better price support operations for them, and dovetail their MSP policy with trade policy so that their landed costs are not below their MSP.	Department of Commerce has been requested for making changes in the trade policy in such a manner that prices of imported pulses and oilseeds would not be lower than MSP.
	(c) On trade policy front, HLC also notes that while India is	Import duty is being imposed as per the recommendations of High Level

Sl. No.	Recommendations	Decisions taken
	the largest exporter of rice in the world, it has currently an import duty of 70 percent. This is not a good idea for using trade policy for providing stability. HLC recommends bringing down this duty to 5-10 percent and decanalizing rice imports. This would help India to bring rice in its north-eastern hills through Myanmar route in a cost effective manner and save resources of FCI. Similarly, wheat imports can also be kept open at appropriate duty levels to augment stability of food system.	Committee for import of rice from Mayanmar.
11.	HLC recommends that FCI should outsource its stocking operations to various agencies such as Central Warehousing Corporation, State Warehousing Corporation, Private Sector under Private Entrepreneur Guarantee (PEG) scheme, and even state governments that are building silos through private sector on state lands (as in Madhya Pradesh). It should be done on competitive bidding basis, inviting various stakeholders and creating competition to bring down costs of storage.	FCI would outsource of management of newly constructed godowns under Plan Schemes. Godowns of CWC/ SWC will be hired as per existing arrangement and where such godowns are not available; private godowns will be hired on the basis of competitive bidding.
12.	India needs more bulk handling facilities than it currently has. Many of FCI's old conventional storages that have existed for long number of years can be converted to silos with the help of private sector and other stocking agencies. Better mechanization is needed in all silos as well as conventional	FCI will undertake construction of approx. 43.5 lakh tons capacity of silos in next five years. FCI depots having railway sidings, will be upgraded to Silos first. Where FCI or State Agencies do not have their own land, Silos would be built on Private land.

Sl. No.	Recommendations	Decisions taken
	storages. While there is need to work out specific quantity and what places it needs to be through a more detailed study, HLC's overall assessment is that given the overall production in the country, and drought prone nature of many regions, a silo capacity of about 10 MMT (together for wheat and rice) should be created in the next 3-5 years.	 FCI has already engaged a Consultant for this work.
11.	HLC recommends that FCI should outsource its stocking operations to various agencies such as Central Warehousing Corporation, State Warehousing Corporation, Private Sector under Private Entrepreneur Guarantee (PEG) scheme, and even state governments that are building silos through private sector on state lands (as in Madhya Pradesh). It should be done on competitive bidding basis, inviting various stakeholders and creating competition to bring down costs of storage.	FCI would outsource of management of newly constructed godowns under Plan Schemes. Godowns of CWC/ SWC will be hired as per existing arrangement and where such godowns are not available; private godowns will be hired on the basis of competitive bidding.
12.	India needs more bulk handling facilities than it currently has. Many of FCI's old conventional storages that have existed for long number of years can be converted to silos with the help of private sector and other stocking agencies. Better mechanization is needed in all silos as well as conventional storages. While there is need to work out specific quantity and what places it needs to be through a more	FCI will undertake construction of approx. 43.5 lakh tons capacity of silos in next five years. FCI depots having railway sidings, will be upgraded to Silos first. Where FCI or State Agencies do not have their own land, Silos would be built on Private land. FCI has already engaged a Consultant for this work.

Sl. No.	Recommendations	Decisions taken
	detailed study, HLC's overall assessment is that given the overall production in the country, and drought prone nature of many regions, a silo capacity of about 10 MMT (together for wheat and rice) should be created in the next 3-5 years.	
13.	Covered and plinth (CAP) storage should be gradually phased out with no grain stocks remaining in CAP for more than 3 months. Silo bag technology and conventional storages where ever possible should replace CAP.	FCI will de-hire its currently hired CAP capacity of 1.94 lakh MT within 1 month. There are 8.90 LMT FCI owned CAP capacity. CAP Complexes having 5000 MT or above capacity will be taken up for conversion into silos. In addition, grains kept in CAP will be evacuated within 6-8 months.
14.	Movement of grains needs to be gradually containerized which will help reduce transit losses, and have faster turn-around-time by having more mechanized facilities at railway sidings.	As Railways do not have facilities of containerized movement at present, it is not feasible to implement it as of now.
15.	Each state, especially the deficit ones in difficult terrain (like hilly areas of North-East, Jammu and Kashmir etc), must have storage of grains for at least three months of their consumption requirement.	The construction work of godowns is going on in the States of North-East region under Plan Schemes. By the end of September, storage capacity of two months consumption requirement of grains, will be available in the States of North-East region. On construction of additional 5 LMT storage capacity, it would be feasible to store foodgrains for 3 months consumption requirement in NER. Efforts will be made to increase storage capacity in J&K to store foodgrains for 3 months requirement against existing two-month capability.

Sl. No.	Recommendations	Decisions taken
16.	FCI engages large number of workers (loaders) to get the job of loading/ unloading done smoothly and in time. Currently there are roughly 16,000 departmental workers, about 26,000 workers that operate under Direct Payment System (DPS), some under no work no pay, and about one lakh contract workers. A departmental worker (loader) costs FCI about Rs 79,500/ per month (Apri-Nov 2014 data) vis-a-vis DPS worker at Rs 26,000/per month and contract labour costs about Rs 10,000/ per month. Some of the departmental labour (more than 300) have received wages (including arrears) even more than Rs 4 lakhs/per month in August 2014. This happens because of the incentive system in notified depots, and widely used proxy labour. This is a major aberration and must be fixed, either by de-notifying these depots, or handing them over to states or private sector on service contracts, and by fixing a maximum limit on the incentives per person that will not allow him to work for more than say 1.25 times the work agreed with him. These depots should be put on priority for mechanization so that reliance on departmental labour reduces. If need be, FCI should be allowed to hire people under DPS/ NWNP system. HLC recommends that the condition of contract labour, which works the hardest and are the largest in number, should be improved by giving them better facilities.	FCI has already requested the Ministry of Labour & Employment to de-notify the depots. Only contractual labour will be engaged in the depots after their de-notification. If, Ministry of Labour & Employment agrees, contractual labour would be engaged in all its depots and the cadres of Departmental Labour will be declared as dying cadres. The restructuring of labour force of FCI would be done by taking the labour unions in confidence. Capping of incentive being given to the regular workers of FCI is not advisable as it would lead to delay in unloading at the railheads. Regular strict vigil would be kept to provide better facilities to contractual labour prescribed under various labour laws.

Sl. No.	Recommendations	Decisions taken
17.	One of the key challenges for FCI has been to carry buffer stocks way in excess of buffer stocking norms. During the last five years, on an average, buffer stocks with FCI have been more than double the buffer stocking norms costing the nation thousands of crores of rupees loss without any worthwhile purpose being served. The underlying reasons for this situation are many, starting with export bans to open ended procurement with distortions (through bonuses and high statutory levies), but the key factor is that there is no pro-active liquidation policy. DFPD/ FCI have to work in tandem to liquidate stocks in OMSS or in export markets, whenever stocks go beyond the buffer stock norms. The current system is extremely ad-hoc, slow and costs the nation heavily. A transparent liquidation policy is the need of hour, which should automatically kick-in when FCI is faced with surplus stocks than buffer norms. Greater flexibility to FCI with business orientation to operate in OMSS and export markets is needed.	A decision has already been taken in this regard under which FCI would sell surplus wheat and rice in the open market in smooth manner.
18.	HLC recommends total end to end computerization of the entire food management system, starting from procurement from farmers, to stocking, movement and finally distribution through TPDS. It can be done on real time basis, and some states have done a commendable job on computerizing the procurement operations. But its dovetailing with movement and	FCI has invited tenders for Depot Online Project. It will be done in phases. Depot Online Project will be done in 10 depots in current year and all other depots of FCI in the next year. Depot on line project would be implemented in hired Depot in third phase.

Sl. No.	Recommendations	Decisions taken
	distribution in TPDS has been a weak link, and that is where much of the diversions take place.	
19.	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 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. Bulk rail movement from mandis to distribution end. 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.	A Cabinet Note has been prepared by this Department for seeking relaxation for essential packing of wheat in jute bag. Other aspects have been mostly covered elsewhere.

Sl. No.	Recommendations	Decisions taken
20.	Since the whole system of food management operates within the ambit of providing food security at a national as well as at household level, it must be realized that farmers need due incentives to raise productivity and overall food production in the country. Most of the OECD countries as well as large emerging economies do support their farmers. India also gives large subsidy on fertilizers (more than Rs 72,000 crores in budget of FY 2015 plus pending bills of about Rs 30,000-35,000 crores). Urea prices are administered at a very low level compared to prices of DAP and MOP, creating highly imbalanced use of N, P and K. HLC recommends that farmers be given direct cash subsidy (of about Rs 7000/ha) and fertilizer sector can then be deregulated. This would help plug diversion of urea to non-agricultural uses as well as to neighbouring countries, and help raise the efficiency of fertilizer use. It may be noted that this type of direct cash subsidy to farmers will go a long way to help those who take loans from money lenders at exorbitant interest rates to buy fertilizers or other inputs, thus relieving some distress in the agrarian sector.	Department of Fertilizers is actively considering this matter.
21.	HLC also recommends to have a relook at the current coverage of 67 percent of population; priority households getting only 5 kgs/ person as allocation; and central issue prices being frozen for three years at Rs 3/2/1/kg for rice/wheat/coarse cereals respectively. HLC's examination	There is no proposal to make amendments in the NFSA, 2013.

Sl. No.	Recommendations	Decisions taken
	of these issue reveals that 67 percent coverage of population is on much higher side, and should be brought down to around 40 percent, which will comfortably cover BPL families and some even above that; 5kg grain per person to priority households is actually making BPL households worse off, who used to get 7kg/ person under the TPDS. So, HLC recommends that they be given 7kg/ person. On central issue prices, HLC recommends while Antyodya households can be given grains at Rs 3/2/1/ kg for the time being, but pricing for priority households must be linked to MSP, say 50 percent of MSP. Else, HLC feels that this NFSA will put undue financial burden on the exchequer, and investments in agriculture and food space may suffer. HLC would recommend greater investments in agriculture in stabilizing production and building efficient value chains to help the poor as well as farmers.	
22.	Leakages in PDS range from 40 to 50 percent, and in some states go as high as 60 to 70 percent, GoI should defer implementation of NFSA in states that have not done end to end computerization; have not put the list of beneficiaries online for anyone to verify, and have not set up vigilance committees to check pilferage from PDS.	Government has made all States and Union Territories aware about NFSA and asked to implement it, so that leakage in the PDS can be reduced.
23.	HLC recommends that targeted beneficiaries under NFSA or TPDS are given 6 months ration immediately after the	Ministry has already issued instructions for release of foodgrains upto 6 months requirement at a time.

Sl. No.	Recommendations	Decisions taken
	procurement season ends. This will save the consumers from various hassles of monthly arrivals at FPS and also save on the storage costs of agencies. Consumers can be given well designed bins at highly subsidized rates to keep the rations safely in their homes.	
24.	HLC recommends gradual introduction of cash transfers in PDS, starting with large cities with more than 1 million population; extending it to grain surplus states, and then giving option to deficit states to opt for cash or physical grain distribution. This will be much more cost effective way to help the poor, without much distortion in the production basket, and in line with best international practices. HLC's calculations reveal that it can save the exchequer more than Rs. 30,000 crores annually, and still giving better deal to consumers. Cash transfers can be indexed with overall price level to protect the amount of real income transfers, given in the name of lady of the house, and routed through Prime Minister's Jan-Dhan Yojana (PMJDY) and dovetailing Aadhaar and Unique Identification (UID) number. This will empower the consumers, plug high leakages in PDS, save resources, and it can be rolled out over the next 2-3 years.	This Department has decided to implement this with an appropriate strategy to maintain a balance between the cash transfer of subsidy and availability of foodgrains in the market. It will be implemented in the States/ UTs which are agreed to and ready for it.

APPENDIX I

MINUTES OF THE FIFTEENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2015-16) HELD ON 25 FEBRUARY, 2016

The Committee sat from 1500 hrs. to 1545 hrs. in Committee Room 'B', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri J C Divakar Reddy - Chairperson

Members

Lok Sabha

2. Shri Babu Lal Choudhary
3. Shri Dinesh Kashyap
4. Shri Dharmendra Kumar
5. Shri Ravinder Kushawaha
6. Smt. Sakuntala Laguri
7. Shri Kamlesh Paswan
8. Shri Bhola Singh
9. Shri Prabhubhai Nagarbhai Vasava

Rajya Sabha

10. Shri Bhushan Lal Jangde
11. Dr. K. Keshava Rao

SECRETARIAT

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

At the outset, Hon'ble Chairperson welcomed the Members to the sitting of the Committee. Thereafter, the Committee took up for consideration Memoranda No. 4 containing Draft Report (Chapter-I) on action taken by the Government on the observations/recommendations contained in Third Report on Demands for Grants (2015-16) pertaining to Department of Food and Public Distribution.

2. After some discussion, the Committee adopted the draft Action Taken Report without any amendment. The Committee then authorized the Chairperson to finalize the aforesaid Draft Report in the light of the factual verification of the Department concerned, if any, and present the same to Parliament during the current Budget Session.

3. xxxxx xxxx xxxx xxxx xxxx xxxx xxxx xxxx xxxx xxxx xxxx

The Committee then adjourned.

****

xxxx Matter not related to the Report.

APPENDIX II

(*Vide* Para No. 4 of Introduction of the Report)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE THIRD REPORT OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2014-15)

(SIXTEENTH LOK SABHA)

(i) Total number of Recommendations: 15

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

Serial Nos.:- 1, 2, 4, 5, 7, 8, 12, 13,14 and 15.

(Chapter – II, Total - 10)

Percentage : 66.67%

(iii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government

Serial No. 3.

(Chapter – III, Total - 1)

Percentage : 6.67%

(iv) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Serial Nos. 10 and 11

(Chapter – IV, Total -2)

Percentage : 13.33%

(v) Observations/Recommendations in respect of which the interim replies of the Government have been received.

Serial Nos.:- 6 and 9

(Chapter – V, Total - 2)

Percentage : 13.33%