

FIRST REPORT
COMMITTEE ON PUBLIC UNDERTAKINGS
(2014-2015)
(SIXTEENTH LOK SABHA)

FOOD CORPORATION OF INDIA

**PARTIALLY BASED ON C&AG REPORT NO. 7 OF 2013 (PERFORMANCE AUDIT)
ON STORAGE MANAGEMENT AND MOVEMENT OF FOOD GRAINS IN FOOD
CORPORATION OF INDIA**

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

**(Action taken by the Government on the Observations / Recommendations
contained in the Twenty-ninth Report of Committee on Public Undertakings on
Food Corporation of India partially based on C&AG Report No. 7 of 2013
(Performance Audit) on storage management and movement of food grains in
Food Corporation of India)**



Presented to Lok Sabha on 19.12.2014

Laid on the table of Rajya Sabha on 19.12.2014

LOK SABHA SECRETARIAT

NEW DELHI

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COMMITTEE ON PUBLIC UNDERTAKINGS
(2014 – 2015)

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INTRODUCTION

I, the acting Chairperson, Committee on Public Undertakings having been authorized by the Committee to submit the Report on their behalf, present this First Report on action taken by the Government on the Observations / Recommendations contained in the Twenty-ninth Report of Committee on Public Undertakings on Food Corporation of India (partially based on C&AG Report No. 7 of 2013 (Performance Audit) on storage management and movement of food grains in Food Corporation of India).

2. The Twenty-ninth Report was presented to Lok Sabha / laid on the Table of Rajya Sabha on 10 February, 2014 and 11 February, 2014 respectively. Replies of the Government to the Observations / Recommendations contained in the Report were received on 3 November 2014. The draft Report was considered and adopted by the Committee at their sitting held on 16 December, 2014. The Minutes of the Sitting are given in Appendix-I.

3. An analysis of the action taken by Government on the Observations / Recommendations contained in the Twenty-ninth Report is given in Appendix-II.

**New Delhi,
16 December 2014
25 Arghayana 1936(S)**

**Acting Chairperson,
Committee on Public Undertakings.**

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the Observations/Recommendations contained in the Twenty-ninth Report (Fifteenth Lok Sabha) of the Committee on Public Undertakings (2013-14) on “Food Corporation of India (partially based on C&AG Report No. 7 of 2013 (Performance Audit) on storage management and movement of food grains in Food Corporation of India)” which was presented to Lok Sabha on the 10th February, 2014.

2. Action Taken notes have been received from the Government in respect of all the twenty-six Observations / Recommendations contained in the Report. These have been categorized as follows:

- (i) Observations / Recommendations which have been accepted by the Government (Chapter II)
Sl. Nos. 1,3,6,7,8,9,10,11,12, 16,18,20,22,23,24 and 25 (Total 16)
- (ii) Observations / Recommendations which the Committee do not desire to pursue in view of the Government’s replies (Chapter III)
Sl. Nos. 19 and 21 (Total 2)
- (iii) Observations / Recommendations in respect of which replies of the Government have not been accepted by the Committee (Chapter IV)
Sl. Nos. 2, 4, 5,13, 14 and 15 (Total 6)
- (iv) Observations / Recommendations to which the Government have furnished interim replies. (Chapter V)
Sl. Nos. 17 and 26 (Total 2)

3. The Committee desire that final replies on the Observations/Recommendations to which interim replies have been furnished should be expedited. They also desire that response to their comments in Chapter I of the Report should be furnished to them expeditiously.

4. The Committee will now deal with the Action Taken by the Government on some of the Observations/Recommendations in succeeding paragraphs.

Recommendation Serial No. 2

5. The Committee in their Twenty-ninth Report had recommended as follows:-

“One of the objectives of establishing FCI is to ensure effective price support operations for safeguarding the interests of farmers. It is a matter of serious concern that this objective has not been fully achieved even after nearly five decades of FCI’s operations. According to FCI, the possibility of some farmers

being deprived of Minimum Support Price (MSP) cannot be ruled out in States which do not have adequate infrastructure like regulated markets, etc. FCI has claimed that since the bulk of procurement is done by State Governments and their agencies, they are largely responsible for ensuring that farmers get MSP. The Committee do not accept FCI's attempt to shift its responsibility to States in preventing distress sale and in ensuring MSP to farmers. It is for FCI to identify the localities in States which lack requisite infrastructure facilities and take up with the Union and State governments to ensure that the problems are addressed and no farmer, in need, is deprived of MSP. The Committee expect FCI to take necessary action in this regard."

6. The Ministry of Consumer Affairs, Food and Public Distribution in their action taken reply stated as follows:-

"When the State Governments and its agencies directly participate in MSP procurement operations, they are bound to have first-hand assessment of the necessity of basic infrastructure for effective and large scale procurement which propels them to initiate steps towards building such infrastructure like marketing yards/*phads*, regulated *mandis* (which comes under the purview of State Govt.) including storage capacities. The vivid examples are the DCP States of M.P and Chhattisgarh. However, GOI/FCI has also taken various measures including construction of godowns in Private Entrepreneur Guarantee Scheme based on a storage-gap analysis to overcome the constraint of storage capacity."

7. The office of the C&AG in their comments on the action taken reply of the Government stated as under:-

"Ministry has only stated as to how FCI is covering the gap of storage capacity. However, the reply is silent about the action taken by FCI to overcome the lack of requisite infrastructure facilities in the identified locations."

8. In their response to the Audit observations, the Ministry stated as follows:-

"FCI has no mandate to create procurement infrastructure like marketing yards/*phads*/sheds or regulated *mandis*. However, FCI undertakes procurement only at places where such facilities are not available and opens temporary procurement centres by hiring the small godowns/plinths and even rooms where the procured stocks can be safely stored. Such stocks are further despatched to proper storing units, if need be, so as to vacate the available space at procuring centres for further procurement."

9. The Committee do not agree with the contention of the Department of Food and Public Distribution that since State Governments and their agencies are largely responsible for large scale procurement, FCI's role is limited to undertaking procurement only in such places where such facilities are not available. The Department has tried to shift the total responsibility of having first-hand assessment and building infrastructure to States which directly participate in MSP procurement operations. Further, there is no evidence to suggest that any assessment has been carried out by FCI to ensure that procurement

infrastructure is available in all food grain producing States and that there is no shortage in this regard. The Committee may like to emphasize that the foremost mandate of FCI is to ensure Minimum Support Price (MSP) to farmers and this mandate is for all the States whether DCP or other States where procurement is done by FCI. Being the nodal Central agency of Government for food grain operations, it is for FCI to ensure the procurement infrastructure in coordination and support of State Governments so as to address the issue of farmers resorting to distress sales, for which scientific assessment of the available critical procurement infrastructure is the need of the hour. While reiterating their earlier recommendation, the Committee desire that FCI should carry out a comprehensive assessment of procurement infrastructure available in all food grain producing States to ensure that no farmer in need is deprived of MSP for lack of procurement infrastructure/centres in the States.

Recommendation Serial No. 4

Infrastructure Facilities, etc.

10. The Committee in their 29th Report have recommended the following with regard to infrastructural facilities, etc. for procurement of food grains:

“Efficient and well spread out procurement operations are a pre-requisite for ensuring MSP to the farmers for their produce. The Committee note that during Rabi Marketing Season (RMS) 2010-11, 2011-12 and 2012-13 (as on 18.12.2012), FCI and State Agencies operated 10479, 11830 (Prov.) and 19469 (Prov.) purchase centres respectively. In Kharif Marketing Season (KMS) 2010-11, 2011-12 and 2012-13, the number of purchase centres operated/proposed was 15101, 26603 and 29342 respectively. Though the number of purchase centres had registered an increase during the last three years, the Committee feel that for a country with the cultivation spread over 125.03 million hectares, the number of purchase centres as mentioned above is obviously inadequate to ensure a comprehensive reach and spread. The Committee have been assured that more number of centres will be opened to increase the procurement in future. In order to totally prevent distress sale by farmers, the Committee strongly recommend that the corporation should embark on the task of substantially raising the number of purchase centres with all requisite facilities in coordination with the State Governments and their Agencies so that the farmers in all food grain producing States have one or the other purchase centre available in their vicinity.”

11. The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:-

“The purchase centers are opened in the identified potential areas. During KMS 2013-14 around 35733 procurement centers have been opened. Similarly for RMS 2014-15 around 21088 purchase centers were opened for MSP operations.”

12. The office of the C&AG made the following remarks on the reply of the Government:-

“As per FCI, the number of procurement centres opened during KMS 2013-14 was 37368 against 35733 as mentioned in the Ministry reply. This needs to be reconciled. Action taken by the Ministry /FCI for raising the number of purchase centres with all requisite facilities in coordination with the State Governments and their agencies so that the farmers in all food grains producing States have one or the other purchase centre available in their vicinity may be furnished to Audit.”

13. In its reply to the observations of the C&AG, the Government stated follows: -

“As per the available information, FCI/ State Govt./Agencies have opened 37368 purchase centres during KMS 2013-14 and 21088 purchase centres during RMS 2014-15 for MSP operations.

Before the start of every marketing season, Department of Food & PD convenes a meeting of food Secretaries of all States & FCI & targets of procurements are fixed based on production data and necessary arrangement for procurement like no. of procurement centres to be opened, packaging material, storage capacity required etc are also discussed and reviewed in the meeting comprehensively.”

14. From the Ministry's reply, the Committee note that though the number of purchase centres opened by FCI/State Agencies have considerably increased over the last two years, the reply is conspicuously silent as to whether the number of purchase centres opened are adequate to ensure a comprehensive reach and spread so that they fully cater to the needs of the farmers who wish to sell their produce in their vicinity. The Committee reiterate their recommendation that FCI should take all possible measures in cooperation and coordination with respective State Governments to ensure that farmers in all food grain producing States have one or other purchase centres with requisite infrastructural facilities available in their vicinity and that no farmer is deprived of MSP due to lack of adequate infrastructure for sale of their produce.

Recommendation Serial No.5

Procurement of Food Grains by FCI

15. The Committee in their 29th Report have recommended the following with regard to the procurement of food grains carried out by FCI:-

“The Committee find that the number of purchase centres operated by FCI is too insignificant and even this number is going down from year to year. For RMS, the number has gone down from 860 in 2010-11 to 802 in 2011-12 to a mere 710 in 2012-13, with corresponding figures of 696, 684 and 426 for KMS. FCI has attributed this decline to shortage of manpower and inadequacy of infrastructure. The Committee are not convinced of these reasons. It is for the FCI management

to sort out its internal problems and ensure that FCI discharges its functions effectively and efficiently. The Committee urge FCI to increase the number of its purchase centres significantly and ensure that no distress sale is resorted to by farmers in any part of the Country.”

16. The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken reply on the above Recommendation has stated as follows:-

" As already explained in reply to point No 1, stress is being given for greater participation of State Governments in procurement of food grains. Most of the purchase centres are now being operated by the State Government / Agencies. Thus, the number of purchase centres of FCI has decreased. It is also to inform that the purchase centres are being decided by the concerned State Governments and FCI has very little control on opening of purchase centres.

However, it is submitted that overall purchase centres operated by FCI & State Agencies have increased considerably in comparison to past.”

17. In this regard, the office of the C&AG in their remarks stated:-

FCI has not carried out any assessment of shortage of purchase centres required for effective and efficient discharge of its functions. On the contrary, number of purchase centers of FCI opened during RMS 2014-15 has decreased from 2013-14 (773 from 782) and purchase centres opened by FCI during KMS 2013-14 have further decreased from KMS 2012-13 (414 from 426) as per the documents furnished by FCI.

18. In reply to the aforesaid comments of the C&AG, the Government stated as follows:

“Reply is same as given in Recommendation serial No. 4.”

19. On the issue of insignificant number of purchase centres operated by FCI, as well as their number going down year after year as raised during the course of deliberations of the subject, FCI had attributed this to shortage of manpower and inadequacy of infrastructure. In the action taken notes, the Ministry has tried to justify the reduction in the number of purchase centres on the plea that most of the purchase centres are now being operated by the State Governments/Agencies and FCI has very little control on opening of purchase centres. The Committee understand that the Ministry/FCI has tried to justify the decrease in the number of FCI-owned purchase centres without undertaking overall assessment of the ground situation in the country. The Committee may further like to emphasise that with the enactment of Food Security Act, the whole situation of the State-wise infrastructure needs a relook. In such a changed scenario, the role and responsibilities of FCI have increased manifold. In view of this, the Committee may like the Ministry to review the position in this regard and take all the desired initiatives.

Recommendation Serial No.9

20. The Committee in their 29th Report have recommended the following with regard to payment of MSP to farmers:

“In two major food grain producing States viz. Punjab and Haryana the bulk of procurement is through the ‘*arthias*’ (private commission agents) in regulated markets. A major chunk of rice is procured by FCI from millers as levy rice for which the Government pays them the MSP. The Government has no means to ensure that the procurement by *arthias* and the millers is not at rates below MSP as payment is not done through cheques in all cases. The Committee during the course of their examination were time and again apprised by the Department/Corporation that they have been emphasizing that farmers be paid through the mode of e-payment or account payee cheques. Unfortunately, however, the ground situation is not at all encouraging, thereby, putting a big question mark on the efforts of the Government to ensure Minimum Support Prices to the farmers. The Committee, therefore, desire that strict instructions with suitable punitive clauses be issued to ensure that all payments for procurement from farmers be made only through the mode of e-payment or account payee cheque from the next procurement season itself.”

Reply of the Government

21. The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

“GOI has also issued instruction to State government to ensure that payment of MSP for the paddy be made by millers to the farmers by Account payee cheques so that the trail of payment can be established, as and when required. Payments of MSP by millers to the farmers are verified /ensured by the State authorities while issuing the MSP/enforcement certificate to the millers. As regards, mode of payment by *arthias* to farmers, the same comes under the purview of respective State Governments. Through consistent efforts of the Government of India, State Govt. of Punjab has made amendments to the Punjab Agricultural Produce Markets (General) Rules, 1962, for the buyers to make payment to the sellers for his agricultural produce either through account payee cheque or by electronic transfer. Since the Punjab Agricultural Produce Markets (General) Rules, 1962, has been amended, the Chief Minister of Haryana has been requested to make the amended provisions applicable in Haryana also.”

22. The office of the C&AG in their comments stated as follows:-

“The Ministry intimated regarding amendment in the Punjab Agricultural Produce Markets (General) Rules, 1962 but inclusion of penal provisions therein has not been indicated. Similarly, status of amendment in the provisions / rules applicable to Haryana may be intimated.”

23. In response to the aforesaid Audit comments, the Ministry stated as under: -

“Through consistent efforts of the Government of India, State government of Punjab has made amendments to the Punjab Agricultural produce markets (General) Rules, 1962, for the buyers to make payment to the sellers for his agricultural produce either through account payee cheque or by electronic transfer. Since the Punjab Agricultural produce markets (General) Rules, 1962, has been amended, the Government of Haryana has been requested to make the amended provisions applicable in Haryana . However, the state Government of Haryana has not replied. As far as the issue of inclusion of penal provisions is concerned, action against defaulters can be taken as per Act's provisions and separate penal clause is not required.”

24. The Committee note with satisfaction that pursuant to the efforts of the Union Government, the State Government of Punjab has since amended its Agriculture Produce Markets (General) Rules, 1962, wherein buyers will make payment to sellers either through account payee cheque or by electronic transfer. The Committee expect that the Department of Food and Public Distribution would make concerted efforts in persuading State Government of Haryana to carry out similar amendments to their Agriculture Product Markets Rules. The Committee recommend that FCI should not rest content with mere amendment carried by the Punjab Government in their Agriculture Product Markets Rules, but play a proactive role by way of periodical monitoring of the performance of the States in regard to payment to sellers through account payee cheque / electronic transfer. The Committee also desire that they may be apprised of the relevant penal provisions contained in the FCI Act and whether they are adequate enough to bring the defaulters to book.

Recommendation Serial No. 10

Buffer Stock Norms

25. On the issue minimum buffer stock norms the Committee, in their original report had observed as follows: -

“The Committee are concerned to note that the minimum buffer norms for stocking of food grains in the Central Pool have remained unchanged since April, 2005, despite the fact that the Buffer Stocking Policy is required to be reviewed from time to time, normally after every five years. Although the food security scenario has witnessed major changes during the last nine years, the matter of revising the Minimum Buffer Norms has been hanging fire in spite of the recommendations of the National Centre for Agricultural Economics and Policy Research (NCAP) in this regard in March, 2009. Now that the National Food Security Act has come into being and the latest Census figures are available, the Committee, desire that the Department of Food and Public Distribution should revise the Minimum Buffer Norms without any further delay.”

26. The Ministry in its action taken reply had stated: -

“Department of Food & Public Distribution (DFPD) had submitted a CCEA Note on 10.12.2013 for revision of buffer norms. CCEA on 19.12.2013 considered the Note and decided that the matter may, in the first instance, be considered by a Group of Ministers (GoM). The GoM considered the matter on 16.01.2014 and decided that the matter may be deferred till the revised procurement policy of food grain is finalised.

The issue of revision in procurement policy, based on the various suggestions received from the Ministry of Finance, Planning Commission and Commission for Agricultural Costs and Prices, has been since examined by the Department and a revised draft CCEA note is under process.”

27. The office of the C&AG in their remarks to the reply of the Government stated: -

“Revision of Buffer norms was deferred by the Group of Ministers till the finalization of revision of procurements policy which has been stated to be already dropped. Further action taken for revision of minimum buffer norms may be intimated.”

28. In response, the Government stated as under:-

“A revised CCEA Note regarding the revision in buffer norms has been circulated on 29.10.2014 to concerned Department/Ministry for their comments in the matter.”

29. Having noted that a revised note for Cabinet Committee on Economic Affairs (CCEA) regarding revision in buffer norms has since been circulated by the Department of Food and Public Distribution to the concerned Departments / Ministries for their comments in the matter, the Committee trust that the Department would vigorously pursue the matter with concerned Ministry / Department, for expeditiously obtaining their comments, so that the same are duly incorporated in the note for being placed CCEA at the earliest. The Committee expect that the Department would take all possible steps to ensure that the revised buffer norms are put in place without any further delay.

Recommendation Serial No. 13

30. In their original Report, the Committee had recommended as follows:-

“The Committee note with some satisfaction that the Government has taken some initiatives for creation of storage space in the private sector under the Public Private Entrepreneur Guarantee (PEG) Scheme. The decision of the Government to go for capacity creation in private sector has, therefore, not come a day soon. The need of the hour is to fastrack creation of additional storage capacity by all means. The committee, therefore, desire that the 149 LMT of additional storage capacity sanctioned under PEG Scheme should be vigorously

pursued by the government/corporation and got operationalised within the stipulated period of two years.”

31. The Ministry in its action taken reply stated as follows:-

“Under the PEG scheme, a capacity of 203.76 Lakh MT has been approved at various locations in 19 States. Out of this, a capacity of 153.16 Lakh MT has been sanctioned/allotted to Private investors, CWC and SWCs for construction of godowns and 19.50 LMT capacity is earmarked for the construction of Silos. A capacity of 120.30 Lakh MT has been completed as on 30.06.2014.

Under the PEG scheme, storage capacity of 50.11 Lakh MT was completed during 2013-14. The target for 2014-15 is 27 Lakh MT. The Ministry is taking all necessary steps to ensure timely completion of the sanctioned capacities.”

32. The office of the C&AG in their comments on the reply of the Government stated as follows:-

“Under PEG scheme, capacity has been sanctioned for 153.86 lakh MT out of which only 119.20 lakh MT has been completed as on 31.08.2014. Further progress may be intimated.”

33. The Government in its reply to the Audit observation stated as follows:-

“Under PEG scheme, capacity has been sanctioned for 153.86 lakh MT, out of which 119.52 lakh MT has been completed as on 31.09.2014. Capacity of 17.86 lakhs MT is under construction.”

34. The Committee are perturbed over the slow pace of construction of storage capacity under the PEG Scheme so much so that only 119.52 lakh MT capacity could be completed as on 31.9.2014 as against the sanctioned capacity of 153.86 lakh MT. The Committee note that as against the target of 27 lakh MT capacity to be created during 2014-15, 17.86 lakh MT is stated to be under construction. The Committee recommend that the Ministry should take all possible steps in cooperation and coordination with all agencies involved viz. private investors, CWC and SWCS so that the targeted capacity is completed within the stipulated period. The Committee may be apprised of the progress made in this regard within three months of presentation of this Report.

Recommendation Serial No. 14

35. In their original Report, the Committee had recommended as follows:-

“There is an acute shortage of storage capacity in the North-Eastern States and the efforts of the Government for creation of additional capacity have not made much headway. A capacity of 5.4 lakh MT of additional storage space was planned to be created in the North-Eastern States with an allocation of Rs. 568 crore. However, at the end of Eleventh Plan i.e. March, 2012, the capacity approved under this special Scheme has been included in the Twelfth Five Year Plan necessitating the revision of the Scheme. During the first year of the Twelfth Plan, out of this 5.4 lakh MT, only meagre 2,901 MT has been completed. The Committee wonder as to how the balance capacity will be created in these States in the remaining four years of the Twelfth Plan when the Government have themselves admitted to the failure of State Governments in most of the centres in getting the construction work taken up. The Committee are of the opinion that the peculiar situation obtaining in the North-Eastern States is a challenge for the government and it requires out of the box solutions to handle it. The Committee, therefore, recommend the government to come up with workable solutions for the purpose in consultation with the State Governments and other agencies involved so that the work on the massive pendency is completed with due promptitude.”

36. The Ministry in its action taken reply stated as follows:

“The achievements vis-à-vis targets during 11th Five Year Plan (2007-12) are as under:

Year	Physical in MT		Financial (Rs. Crores)		
	Target	Ach.	Target	Ach.	Equity received
2007-08	20000	12090	8.75	2.24	2.47
2008-09	25000	2500	28.30	14.70	15.45
2009-10	-	-	9.15	6.75	6.75
2010-11	5000	5000	25.00	17.24	25.00
2011-12	12500	4590	59.94	17.48	59.94
Total	62500	24180	131.14	58.41	109.61

It is true that during 2012-13 i.e. first year of 12th FYP, a capacity of 2910 MT only could be created in the State of Manipur. It is submitted that the respective State Governments failed to identify and hand over suitable land for construction of godowns. The FCI deposited land cost as and when intimated by the State Govt. Furthermore, executing agencies to whom the works were awarded, failed to ensure timely completion. Working conditions in the States of Arunachal Pradesh and Manipur are difficult because of their terrain.

Due to delay in creation of storage capacity, the position was reviewed by the Ministry in the financial year 2012-13. It was decided that projects where land have already been acquired by FCI or works are in progress or where the State Govt. has identified land and intimated the cost, should be considered under the 12th Five Year Plan. Time & cost overrun issues were also considered.

On direction of the Ministry, a detailed analysis of each and every project was undertaken by the FCI and the revised proposal submitted as detailed below:

Total approved capacity as per EFC dt.1.7.2011	Capacity completed during 11th FYP	Capacity proposed in 12th FYP under Ph.I	Capacity to be augmented in form of Silos through PPP mode at Changsari	Capacity proposed under Ph.II (13th FYP)
540280 MT	24180 MT	292730 MT	50000 MT	173370 MT

The EFC in its meeting held on 14.02.2014, approved the proposal which was approved by CCEA on 20.03.2014.

The achievements in the first two years of 12th Five Year Plan i.e 2012-13 and 2013-14 are as under:

Year	Physical in MT		Financial (Rs. Crores)		
	Target	Ach.	Target	Ach.	Equity received
2012-13 #	2910	2910	27.72	27.72	19.28
2013-14	49350	2500	42.76	30.94	Nil

Rs.51.20 crores was available with FCI as unspent amount of 11th FYP as on 1.4.2012.

The status of land/works in progress as on 30.6.2014 is given below:

Sl.No.	Description	No. of locations	Capacity in MT
1	Work completed (Senapati-1660, Jiribam-1250 in Manipur Region and Ziro - 2500 in Arunachal Pradesh)	03	5410
2.	Works in progress	20	131030
3.	Land cost deposited, land to be handed over	07	66000

4.	Land cost to be deposited/intimated	04	72500
5.	Land yet to be identified	03	17790
	Total	37	292730

All efforts are being made in consultation with the respective State Governments and construction agencies involved for completing the works in time.”

37. The office of C&AG in their comments observed:-

“Despite the Committee’s recommendation for finding solution for completion of the pendency, the Ministry proposes to create 3.43 LMT out of pending 5.40 LMT during 12 five year plan and balance capacity of 1.73 LMT would be carried over to 13th five year plan.”

38. The Ministry in its response to Audit observation replied as follows:-

“The implementation of the projects by FCI in the NE Region has been hampered by the delays in land acquisition. Considering the progress at various sites, the phasing of projects between 12th and 13th FYPs has been done. However, regular meetings are held in the Ministry with FCI/State Governments and construction agencies involved for effective implementation/monitoring of the Scheme and to resolve the problems being faced in achieving the physical/financial targets in time. The FCI also reviews the progress of the scheme at Zonal/HQ levels.”

39. The Committee are perturbed at the slow pace of progress in the creation of additional storage capacity in the North-Eastern States. According to the revised proposal submitted by FCI, as against a total approved capacity of 540280 MT by EFC as on 1.7.2011, only 24180 MT of storage capacity has been completed in the North-Eastern States during the 11th Plan. Further, the Committee are dismayed to note that out of the 292730 MT of storage space which is proposed to be completed under Phase-I of the 12th Five Year Plan, only 5410 MT could be completed during first two years of 12th Plan, i.e., 2012-13 and 2013-14 which is less than 20% of the targeted capacity. Not only that, capacity of 173370 MT has spilled over into the 13th Plan. At this rate, the Committee are quite skeptical as to whether FCI would be in a position to achieve the targets set during the 12th Plan. The Committee are not convinced by the reasons adduced by the Department / FCI as these problems are generic in nature and ought to have been factored into while fixing the targets. The Committee recommend that penalty provisions including debarring should be introduced in the contract agreement and invoked against the defaulting executing agencies to ensure timely completion of projects. The Committee further recommend that FCI in coordination with the Central and State Governments should identify the various constraints / bottlenecks in the creation of adequate storage capacities in the North-Eastern States and address the same with due promptitude so that additional storage capacity is created on a fast track basis.

Recommendation No.15

Modernisation of Storage

40. The Committee in their 29th Report have recommended the following with regard to the importance of modernization of storage:

“Most of the countries are moving towards modern means of storage like silos. In fact, due to their tremendous advantages, silos were constructed in India in the 1960s and 1970s and several of them are reportedly still operating satisfactorily. It has been stated that wheat could be stored in silos upto four years in good condition, and the wheat of 2007-08 is being issued for consumption even now. The Committee have been informed that some private parties have created a capacity of 5.5 LMT in silos in some States and they are operational since 2007.

These modern silos have been hired by FCI for a period of 20 years. The Committee note that the Government have now decided upon creation of 20 LMT capacity of storage in silos. This, in the view of the Committee, is not enough. Given the immense benefits of storing of food grains in silos and the substantial requirements of food grains for implementation of the Food Security Act, the Committee are of the firm belief that in spite of the high cost involved, the silos offer a safe, hygienic and permanent solution to the problem of storage of food grains in the country with a one-time investment. They, therefore, recommend the Government to take a well considered call on this matter without any further delay. The Committee further recommend that the Government should take immediate steps to implement M.S. Swaminathan Committee's recommendation of construction of 50 state-of-the-art technology modern silos in various parts of the country to ensure food security of the country.”

41. The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

“In its meeting held on 07.02.2012, EGoM approved the proposal for creation of 20 Lakh MT capacities in the form of modern silos throughout the country. These silos would be created within the overall capacity approved under the PEG scheme.

Locations of the proposed Silos have been approved as follows:

Sl. No.	State	Silo capacity in MTs	Approved locations
1.	Bihar	2,00,000	Mohania, Buxar, Bhagalpur, Bettiah. (50,000 MT each)
2.	Haryana	3,00,000	Bhattu, Jind, Karnal, Palwal, Rohtak, Sonapat. (50,000 MT each)
3.	M.P.	3,50,000	Sehore, Jabalpur, Raisen, Vidisha, Guna, Hoshangabad, Ujjain (50,000 MT each)

4.	Punjab	4,00,000	Barnala, Chhehreatta, Patiala, Jalalabad, Kilaraipur, Sangrur, Dhuri, Batala. (50,000 MT each).
5.	West Bengal	2,00,000	Rangapani, Malda, Dankuni, Mecheda. (50,000 MT each)
6.	Assam	50,000	Guwahati (Changsari) (50,000 MT)
7.	Kerala	50,000	Eranakulam and Calicut. (25,000 MT each)
8.	Maharashtra	1,00,000	Pune, Nagpur (50,000 MT each)
9.	U.P.	3,00,000	Jaunpur, Kannauj, Faizabad, Fatehpur, Basti, Deoria (50,000 MT each)
10.	Gujarat	50,000	Between Palanpur (Banaskantha) and Siddhapur (Patan)
Total		20,00,000	

42. Tenders for creation of silos of 17.50 Lakh MT under PPP (non-VGF mode) are likely to be floated shortly. First round of tenders floated on 21.11.2013, and opened on 07.04.2014 has been cancelled due to inadequate investor response. Furthermore, bid documents are under preparation by the Planning Commission and DEA (Department of Economic Affairs), Ministry of Finance for VGF mode of PPP.

43. The Office of the C&AG made the following remark on the reply of the Government: -

“Present status of completion of silo capacity created against target may be furnished to Audit.”

44. The Ministry furnished the following information in reply to the C&AG: -

Present status of completion of silo capacity created against target is as under:

(a) **VGF Route (DEA)** : A capacity of 1.00 lakh MT at Mohania and Buxar in Bihar has been identified for this model, where Pvt. Entrepreneurs would bring land. Bid documents are being finalized by DEA. FCI's comments on the provisions of the clauses of bid documents were forwarded to DEA and the same was discussed in the meeting held on 24.09.2014 at Ministry of Finance.

(b) **VGF Route (Planning Commission)**: A capacity of 1.50 lakh MT at Kilaraipur, Pune and Changsari has been identified for this model at land provided by State Govt./FCI. FCI is also identifying more locations under VGF route where vacant land is available in FCI's existing depot premises with railway siding and also in those depots where Railway Siding is possible. RFP for appointment of Technical Consultant for Project Feasibility Report (PFR) is under process.

(c) **Non-VGF Route:** Due to inadequate response to tenders opened in April 2014 for 17.5 lakh MT capacity in Non-VGF route, Project Consultant M/s CRISIL has been advised to revise the bid documents in line with Planning Commission approved Model Concession Agreement.

45. The Committee during the course of examination had been apprised that the Government had decided to create 20 LMT capacity of storage in silos. The Committee in their 29th Report had observed that the planned 20 LMT capacity is not enough and recommended the Government to take a well considered call on the matter without any further delay. The Committee are constrained to note that instead of taking concerted efforts to increase silos capacity, the Ministry in their Action Taken Note has simply apprised about the proposal for 20 LMT capacity already in the knowledge of the Committee. The Committee during the course of examination has been apprised that in most developed countries wheat is stored in silos and it can be stored for four years in good conditions. Even when India started constructing silos way back in 1960s and 1970s, the country could create a capacity of merely 5.5 LMT, that too only by the private parties. The Committee conclude from the aforesaid scenario that due emphasis has not been given by the Government to the modernisation of storage capacity. Even when the issue was raised in the Report of the Committee, the Government has not shown any seriousness on the recommendation. Taking into consideration the benefits of silos, the Committee urge upon the Government to pay serious attention to the issue and create adequate silos storage capacity in the country.

Recommendation Serial No. 22

Board of Directors

46. The Committee in their 29th Report have recommended the following with regard to the Board of Directors of FCI:

“The Committee observe that there has been inordinate delay in filling up the vacancies in the Board of Directors of FCI. During the course of the Oral Evidence on 29 February, 2012 the Committee were informed about there being 5 vacancies (including 4 independent Directors) in the Board of FCI and the Committee was assured of expeditious action to fill-up these vacancies. The number of vacancies went up to six later. In a subsequent Oral Evidence held almost eleven months later on 21 January, 2013, the Secretary of the Department submitted that due to some procedural delays, they could not send the proposal in this regard to the Public Enterprises Selection Board (PSEB). However on 17 June, 2013, the Committee were informed that as against six vacancies in the Board of FCI, the PSEB had found only three candidates suitable. For the remaining three vacancies, fresh names were submitted. The Committee take exception to the inordinate delay on the part of the Department of Food and Public Distribution in sending proposals to PSEB which has caused prolonged vacancies in the Board of FCI. In their opinion, the non-official Directors unarguably provide valuable inputs in the Boards of PSUs through their vast experience. They also provide the much needed element of independent oversight and monitoring to the Boards. The Committee urge the Department of Food and Public Distribution to ensure that there is no delay in future in sending nomination to PSEB. There should be advance action to fill up anticipated vacancies so that FCI Board is not hamstrung by vacancies.”

47. The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

“Two posts of Non-Official Directors are still lying vacant and process to select the suitable appointees is going on.”

48. The office of the C&AG in their comments observed as follows:-

“Further progress may be intimated.”

49. The Government in its reply to the C&AG’s observation stated:-

“Two posts of Non-Official Directors are still lying vacant and process to select the suitable appointees is underway.”

50. The Committee are distressed to note that despite a lapse of more than two years and ten months, since the Committee took up the examination of the subject, vacancies in the Board of Directors have not been filled up as yet. The Committee were informed that the process of selection of two posts of non-official Directors is currently underway. The Committee expect that Ministries / FCI would take up the matter with concerned nodal Ministry / PESB so that the same are filled up expeditiously. They also reiterate that further action should be taken well in advance to fill up anticipated vacancies in FCI Board, so that it is not hamstrung by vacancies.

Recommendation Serial No. 25

Manpower

51. In their original Report, the Committee had recommended as follows:-

“The Committee find that there is surplus staff of over 150% under category-IV whereas there is shortage ranging from 22% to 43% in other categories of FCI manpower. Overall, there was shortage of as many as 9,799 persons as against the sanctioned strength of 36,515 as on 31.03.2013. The Committee note that the process of filling up these vacancies is in advanced stage. It is, however, not clear as to when and on what basis the sanctioned strength was fixed and how a surplus manpower of as much as 150% arose in one category of staff. The Committee would like to be informed how and how soon the surplus strength will be brought down to the sanctioned strength. Now that a number of activities hitherto undertaken by FCI are increasingly being taken over by the State Governments following introduction of Decentralised Procurement System, the Committee feel that there is a need to reassess the manpower strength on scientific basis. The Committee would await expeditious action by FCI in this regard.”

52. The Ministry in its action taken reply stated as follows:-

“Restructuring of manpower in FCI was approved by the Department of Food & Public Distribution, Government of India (GOI) by Order No.18-10/2008-FC.I dated 27th January 2010. GOI approved 36318 posts for FCI (excluding Hindi and Watch & Ward). Thereafter, GOI approved another 197 posts for the newly

created Arunachal Pradesh Region vide letter No.20-11/2007-FCI dated 23.9.2010 resulting in overall approved sanctioned strength of 36515 posts (excluding Watch & Ward and Hindi).

The restructuring of manpower was based on staffing norms derived from the Time & Motion Study of working of depots done by Internal Team of FCI and the study of the Administrative Offices conducted by the consultant M/s. McKinsey & Co appointed by GOI. Studies were based on the 'Volume of Operations' for three years average from 2002-03 to 2004-05. The comparative position of the revised and pre-revised Sanctioned Strength (SS) is given below:

Category	Sanctioned Strength (before 2010)	Sanctioned Strength (after 2010) *	Men-in - position as on 31.03.2013	Men-in - position as on 31.03.2014	Vacant / Excess	% of vacant / excess
Category-I	953	1012	804	801	-211	-21
Category-II	7028	6292	4640	4323	-1969	-31
Category-III	29988	26831	15319	12522	-14309	-53
Category-IV	17074	2380	5953	4834	2454	103
Total	55043	36515	26716	22480	-14035	38
* Figures shown under column Sanctioned Strength are as per the approval conveyed by GOI in 2010. Men-in-position includes incumbents of Hindi and Security posts for which sanctioned strength is yet to be received from GOI. '-' sign denotes vacant posts; + sign denotes excess posts.						

It may be seen that FCI is operating at overall 38% lesser manpower. This problem is aggravated in respect of Category III where there is a shortage of 14309 employees corresponding to shortage of nearly 53% staff. Recruitment of nearly 8500 employees has been undertaken which is likely to be completed by June 2014.

As regards Category IV, at the time of restructuring of Manpower in 2010, against earlier sanctioned strength of 17074 posts, only 2380 Category IV posts related to Quality control operations were sanctioned by the Government. Against these posts, only 1616 incumbents are in position. Further, 4834 'Men-in-position as on 31.03.2014' also include 1749 incumbents against Security posts for which no Sanctioned Strength was conveyed by GOI in 2010.

Other operations of non-critical nature hitherto managed through Category IV employees were to be outsourced. Accordingly, 3609 posts for 36 designations were declared as Redundant posts with the approval of the Board of Directors in 2010 and for them no sanctioned strength was issued. These posts were to be treated as supernumerary till the incumbents vacate the posts by retirement or otherwise. Incumbents against these posts are being utilized for operations related to QC / Security etc. As on 31.12.2013, there were 1611 incumbents against these posts. However, the overall manpower position shows a shortage of 14035 employees against Sanctioned strength of 36515.

As regards the Committee's observation on the activities being undertaken by some of the States on switching over to decentralized pattern of procurement, it is informed that procurement is a seasonal activity which is managed by

existing manpower and it does not have much impact on overall manpower requirement. Moreover, some of the States like U.P. which were earlier following decentralized procurement system have now switched to centralized procurement. Further, even in the States on decentralized procurement, the excess / surplus stocks are handed over to FCI. In some States on decentralized procurement system like West Bengal, the stocks otherwise also is handed over to FCI due to non-availability of sufficient storage space with State Government. In all these cases, FCI's manpower is fully engaged for rice and wheat procurement.

FCI has also sent a proposal to the Government on 08.01.2014 for additional staff requirement of 1086 posts on account of increased storage capacity with the approval of the Board of Directors in 360th meeting held on 19.12.2013. Subsequently, additional information / clarification sought by Ministry of CAF & PD vide letter dated 05.02.2014 was also submitted by FCI vide letter dated 21.04.2014. Approval of Government is awaited."

53. The Ministry in their action taken reply has further stated as under:-

"The cases are under consideration in the Department."

54. The office of the C&AG in their comments observed as under: -

"The reply of the Ministry gives only factual position and does not indicate the reasons for surplus staff in one category and shortage of staff in other categories. Steps taken by the Ministry/FCI to reassess the manpower strength on scientific basis may be intimated."

55. In its response to Audit observation, the Government stated as follows:-

There is shortage of staff in category I, category II and category III. There is surplus in category IV. Revised sanctioned strength along with man in position(MIP) is given below.

Category	Sanctioned strength	MIP as on 30.06.2014	Vacant(-) / Excess	% of vacant / excess
Category-I	1012	791	-221	-22
Category-II	6292	4126	-2166	-34
Category-III	26831	12730	-14101	-53
Category-IV	2380	4697	2317	97
Total	36515	22344	-14171	-39

Surplus in Category IV is due to the fact that MIP includes number of incumbents against redundant posts and earlier sanctioned Security posts as indicated in the remark with the table showing the manpower position. As on 30.06.2014, total Men in position figures of 4697 in Category IV includes 1910 Security posts and 1151 Redundant posts. This surplus in Category IV is due to the reason that

restructuring of manpower in FCI was done in 2010 and total 36515 posts were approved by the Government which comprised of only 2380 posts in Category IV for Quality control operations performed by pickers and dusting operators. A proposal for restructuring of Security posts is under consideration in this Department."

56. The Committee in their original Report had recommended rationalization and reassessment of FCI's manpower. However, from the Ministry's reply, the Committee find that while FCI's manpower was rationalized considerably following a study of its operations by McKinsey & Co., there is still considerable shortfall in FCI's manpower, in three out of its four categories of employees. Further, the Committee note that since the study on the basis of which FCI's manpower was rationalized was based on three years average i.e. from 2002-03 to 2004-05, the exercise done appears to be not relevant. In addition, the Committee find that Category IV employees of FCI are still in excess of the sanctioned strength of employees under that category. The Committee recommend that FCI should carry out periodic review of its manpower to improve its efficiency and achieve optimal staff strength to carry out its operations.

CHAPTER II

Recommendations / observations which have been accepted by the Government

Recommendation Serial No. 1

Role and Objectives of Food Corporation of India

The Committee in their 29th Report have recommended the following with regard to the role and objectives of the Food Corporation of India:-

“The Food Corporation of India (FCI) was established in the year 1965 with the primary task of undertaking the purchase, storage, movement, transport, distribution and sale of food grains and other food stuff. The Committee’s examination of the FCI reveals that FCI has slackened its procurement activity considerably, with the introduction of Decentralized Procurement (DCP) Scheme in the year 1997-98. The Committee find that FCI’s share in procurement has been gradually coming down, both in terms of percentage and in absolute terms in respect of wheat from 23.3% (52.88 LMT) in 2008-09 to 14% in 2011-12 (39.74 LMT) and in respect of paddy (in terms of rice) from 13.22% (18.55 LMT) in the year 2006-07 to 01.14% (2.84 LMT) in the year 2011-12. The Committee feel that the role of FCI in procurement of food grains should not be relegated to the background because of DCP. With the enactment of the Food Security Act, there is a need to augment procurement of food grains and the Committee urge FCI to play its due role effectively and expand its procurement activity, maintaining its percentage of share in procurement as obtained prior to introduction of DCP scheme.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken reply on the above has stated as follows: -

“The very objective of promoting decentralized procurement is to encourage State Governments to undertake procurement to meet their requirement under TPDS and Other Welfare Schemes. In this process, the participation of multiple State procuring agencies in MSP operation helps in achieving the goal of expanding the procurement activities to the every nook and corner of a State. With multiple government agencies carrying out MSP operation in the procuring States, overall reduction in the share of FCI in procurement is bound to occur. This is due to the fact that in DCP mode, it is the State agencies which play a

pivotal role in procurement and FCI's role is limited to undertaking procurement in the backward and poor districts, that too only on the specific requests of the concerned State Government. However, FCI takes over the entire excess stocks of foodgrains from the State procuring agencies.”

Remarks of office of C&AG on the reply of the Government

No further Comments.

Reply of the Government.

Remarks of the C & AG do not call for any reply.

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]

Recommendation Serial No. 3

Procurement under DCP Scheme

The Committee in its original report made the following recommendation with regard to procurement under DCP Scheme:-

“With a view to increasing the participation of States in procurement and PDS, the Union Government introduced Decentralized Procurement Scheme in 1997-98, aiming to effect savings in the form of reduction in food subsidy outgo, enhancing the efficiency of procurement and PDS and encouraging local procurement. The Committee note that the DCP States account for just one fourth of wheat procurement (195.86 LMT) in comparison to non-DCP States (793.39 LMT) during the period of six years from 2006-07 to 2011-12. In case of Paddy (in terms of rice), the DCP States have procured 457.30 LMT as against 676.28 LMT procured by the non-DCP States during the same period. The Committee regret to note that only ten State Governments have come under DCP Scheme during the last one and half decades. These States are West Bengal, Madhya Pradesh, Chhattisgarh, Uttarakhand, Gujarat, Odisha, Tamil Nadu, Karnataka, Kerala and Andaman and Nicobar Islands (UT). The Committee desire that the Department of Food & Public Distribution should play a proactive role and ensure that other state governments also switch over to DCP mode to protect the interests of farmers. The Committee have been informed in this connection that the States are not having adequate quality control staff which is a bottleneck in procurement. The Committee hope that the Department of Food & Public Distribution will look into this issue and render such help as may be needed by the State Governments to overcome the problem.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in its reply stated as follows:-

“To encourage States to adopt DCP mode of procurement, assistance is provided to State Government for augmenting their infrastructure, training of manpower and logistic support by the Government of India. FCI is providing necessary training to the manpower available to the State Governments and necessary logistic support for smooth procurement of food grains under the DCP operations.”

Remarks of office of C&AG on the reply of the Government

Ministry reply is only about what FCI is doing in the present DCP States. Further action taken for including other States under DCP mode may be furnished.

Reply of the Government

Government of India has been encouraging States to adopt decentralised mode of procurement called DCP. By now 11 States and 1 UT have adopted DCP mode for either wheat or rice or both and 2 States have partially adopted DCP for procurement of wheat and rice.

To encourage States to adopt DCP mode of procurement, FCI conducted State wise seminars and workshops for concerned State authorities to familiarize them about process of DCP operations, accounting procedures and procedures for making subsidy claims. So far workshops have been held with officials of Punjab, Haryana, Uttar Pradesh, Rajasthan, Andhra Pradesh, Telangana, Gujarat and Jharkhand. The status of State-wise workshops/seminars are given as under:-

- (a) **Jharkhand:** State Govt. is not having necessary infrastructure and manpower., however, may implement from next KMS 2015-16.
- (b) **Gujarat:** Gujarat is a DCP State for wheat. Various aspects like Quality control mechanism, procedure for submission of bills etc. highlighted during the workshop
- (c) **Delhi:** Delhi Govt. is not participating in procurement directly and FCI is the only procuring agency.
- (d) **Andhra Pradesh and Telengana:** In Andhra Pradesh, 6 districts are already under DCP. In Telengana, 4 rice procuring revenue Districts are under DCP and they may include Nizamabad also from KMS 2014-15. Both State Govts. have requested for FCI QC on temporary basis.
- (e) **Haryana:** Before considering to adopt DCP, Govt. of Haryana has asked to resolve some issues.
- (f) **Rajasthan:** Rajasthan has adopted DCP for procurement of wheat in Alwar district. State Agencies have sought some clarification.
- (g) **Maharashtra:** State Govt will examine the proposal in consultation with their Financial Department.
- (h) **Punjab:** Representatives of Punjab Govt. informed that production and procurement of foodgrains is already high in Punjab. Thus opting for DCP for foodgrain procurement will not be beneficial for the State. However, they will be visiting the State of Madhya Pradesh to study the working of DCP so that similar system can be implemented in Punjab also.

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

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 3.11.2014]

Recommendation Serial No.6

Computerization

The Committee in their 29th Report have recommended the following with regard to computerization of information for management of food grains:

“The Committee note that an Integrated Information System for Food grain (IISFM) consisting of the District Information System for Food grains Management (DISFM) known as District Module has been in use since 2005 and IISFM Rapid Reporting Service known as Depot Module has been in use since 2010. The Committee see no reason why only around 90 per cent of depots are updating their stock position on daily basis. The reason for failure of the rest of the depots in this regard should be looked into immediately and it should be ensured that daily updated stock position in respect of all depots is available to the management to enable informed decision making. Two more projects viz. the Release Order Module to synchronize with end-to-end computerization of TPDS at the State level and the Online Procurement Module to monitor the progress of procurement of wheat/rice online have reportedly been proposed by FCI with the approval of the Department of Food and Public Distribution. The Committee exhort the Government to ensure that requisite funding for these two projects are made available and the projects are completed at the earliest.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken reply on the above Recommendation has stated as follows:-

“IRRS/DISFM

It is informed that, as per the standing instructions, the stock position in the IRRS application is updated, on a daily basis, by all FCI depots. In unavoidable circumstances (such as work overload, shortage of staff, limited computer-literate staff, internet-connectivity issues and technical problems in the application), a few Depot Offices may not be able to update the stock position daily in the module. However, even in such exceptional circumstances, the depot offices update the position at the earliest possible. The stock position in the

DISFM application is updated regularly on fortnightly basis, by all FCI District Offices by 3rd and 18th of every Month. The data entry has been given due attention by FCI and a monthly review is done for the performance of field offices by the FCI HQ/ZOs.

Release Order Module

Release Order Module has been approved on 27.02.2014 at a cost of Rs. 85 Lakhs. The project is under implementation and is expected to be completed in 8 months.

Procurement Monitoring System

Procurement Monitoring System has been developed by NIC and the KMS (Paddy) and RMS (Wheat) module have been rolled-out across all FCI Regional/District Offices. Technical and Administrative issues are being sorted out.

The Online Procurement System (OPMS) have been developed by NIC and the module has been rolled out across all FCI Regional/District offices. State Governments have been requested to ensure that all State Agencies start feeding data at Revenue District Level into the system on a daily basis.

Sufficient Funds have been allocated for those two projects.

Remarks of office of C&AG on the reply of the Government

As on date daily date reporting index for 25/9/2014 1895 Depots out of 1936

Depots i.e. is approximately 97.88% are reporting on daily basis.

Release Order Module Project is still under progress.

Procurement monitoring system is still under joint testing exercise with NIC and FCI committee members.

Reply of the Government.

Online Procurement System (OPMS)

The OPMS has been rolled-out for both KMS and RMS across all District Offices of FCI. A committee of officers from FCI has been constituted, for monitoring of PMS/entries/updation by the FCI regions, on a day-to-day basis and pursue with the concerned regions for both KMS and RMS.

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

[O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]

Recommendation Serial No.7

Allocation of food grains/offtake

The Committee in their 29th Report have recommended the following with regard to the issues of allocation of food grains to the States:-

“The allocation of food grains to the States/UTs is released from the central pool for distribution under Targeted Public Distribution System (TPDS) depending upon availability of food grains in the central pool, relative demand of the State/UTs, off-take trend and other related factors. The Committee find that the allocation of food grains to State/UTs has increased from 44 million tonnes in 2007-08 to 70 million tonnes in 2011-12. The Committee have been informed in this connection that allocation is being made still on the basis of the population data of the year 2001 in spite of the fact that population figures of 2011 are available now. The Committee hardly need to emphasize that the allocation of food grains should be rationalized in the light of latest figures of population which has considerably gone up since 2001. The Committee hope that necessary action in this regard will be taken under intimation to the Committee.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:-

“The National Food Security Act, 2013 inter alia provides that the total number of persons to be covered under the Targeted Public Distribution System (TPDS) in each State shall be calculated on the basis of percentage coverage determined for the State and the population estimates as per census of which the relevant figures have been published. Latest population figures available are of Census, 2011, which has been used for determining the State-wise total coverage and foodgrains allocation. State-wise allocation of foodgrains has accordingly been specified in Schedule-IV to the Act.

Remarks of office of C&AG on the reply of the Government

It may be intimated whether the State allocations have been revised by the Ministry/ FCI as per NFS Act, 2013. If so, since when?

Reply of the Government.

Implementation of the National Food Security Act, 2013 has so far started in 11 States/UTs. Foodgrains as per provisions of the Act is being

allocated to these States/UTs, based on the preparedness and identification of beneficiaries reported by them, details of which are as under:

**DETAILS OF STATES/UTS WHERE ALLOCATION OF FOODGRAINS HAVE BEEN
MADE UNDER NATIONAL FOOD SECURITY ACT, 2013 (NFSA)**

S. No.	Name of the State/UT	Month from which allocation made under NFSA
1.	Haryana	September, 2013
2.	Rajasthan	October, 2013
3.	Delhi	October, 2013
4.	Himachal Pradesh	October, 2013
5.	Punjab	December, 2013
6.	Karnataka	January, 2014
7.	Chhattisgarh	January, 2014
8.	Maharashtra	February, 2014
9.	Chandigarh	February, 2014
10.	Madhya Pradesh	March, 2014
11.	Bihar	March, 2014

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

[O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]

Recommendation Serial No. 8

Off-take

The Committee in their 29th Report have recommended the following with regard to off-take:-

“The Committee are surprised to find that in spite of the fact that the central issue prices of food grains issued under TPDS are far below the economic cost and are highly subsidized, the off-take of allocated food grains by the State/UTs has been considerably lower which ranged between 62% and 85.5% during the five years from 2007-08 to 2011-12. The Committee are concerned to note that some poor States are not even able to lift the additional allocation of food grains made to them on the direction of the Supreme Court. Consequently, the Central Pool has been carrying huge stock of food grains year after year. The Committee desire that the reasons for slow off-take by States/UTs should be studied and

remedial measures taken immediately to ensure that the people below poverty line are not deprived of subsidized food grains.”

Reply of the government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:-

“The role of FCI is limited to supply of foodgrains under TPDS and Other Welfare Schemes against the allotment made by Ministry of CAF&PD from time to time. Though, FCI always endeavours to maintain sufficient foodgrains in the depots of FCI, it is the responsibility of concerned State/UT Governments to lift the stocks from FCI against the allotment and to distribute it to beneficiaries through FPS. FCI field offices also take up the matter from time to time with the concerned State/UT to increase lifting of foodgrains.

Some of the reasons for low off take of foodgrains by the State/UT Govts. are as under:

- Non availability of sufficient intermediary storage capacities with State Governments.
- Paucity of Funds with State Governments.
- Tendency of the State Govts. to lift stock at the fag end of the validity period.
- Delay in making sub-allocations by the State Govt.

Ministry may further supplement with regard to study and remedial undertaken.”

Remarks of office of C&AG on the reply of the Government

FCI has not furnished any reply in this regard. Specific reply may please be furnished.

Reply of the Government.

The allotment and offtake for the period 2007-08 to 2011-12 under TPDS from Central Pool (FCI + DCP) is summarized below:

(Figs. In LMT)

Year	Wheat					Rice				
	Allotment	Offtake			%	Allotment	Offtake			%
		FCI	DCP	Total			FCI	DCP	Total	
2007-08	118.74	105.68	2.58	108.26	91	272.75	175.41	47.51	222.92	82
2008-09	144.42	96.63	28.70	125.33	87	236.63	160.51	59.25	219.76	93
2009-10	213.33	139.37	50.56	189.93	89	240.71	158.41	75.69	234.10	97

2010-11	222.38	173.08	21.08	194.16	87	284.18	187.65	75.36	263.01	93
2011-12	259.97	187.52	22.73	210.25	81	323.26	225.58	64.62	290.20	90

The above table clearly indicates that during the period 2007-08 to 2011-12, Central Pool (FCI+DCP) Offtake of wheat ranged between 81% and 91% and rice ranged between 82% and 97%. The figures mentioned in the recommendation i.e. 62% and 85.5% might be based on the offtake from FCI account only and the stocks issued by the State Govts. out of stocks procured by them under DCP Scheme is not taken into account.

However, it is once again reiterated that the role of FCI is to supply foodgrains to States/UTs under TPDS and Other Welfare Schemes against the allotment made by Ministry of CAF&PD from time to time. FCI field offices take up the matter with the concerned State/UT Govts. to increase lifting of foodgrains from time to time. FCI has to ensure sufficient foodgrains in its depots in order to facilitate State/UT Govts. for timely lifting of foodgrains. The responsibility for lifting of foodgrains against the allotment and its distribution to end consumers rests with the concerned State/UT Govts. or their nominated agencies.

The offtake position against normal and ad-hoc allocations under BPL, AAY and APL/Special Allocations is reviewed both by Ministry and FCI in monthly meetings. The Ministry has delegated powers to GMs(Region)/EDs(Zone) for extension of validity period upto 30 days after expiry of validity period and also has allowed extension from time to time beyond 30 days on the requests of State/UT Govt.

The Ministry of CAF&PD has also allowed State/UT Govts. to lift six months quota in advance under TPDS.

Some of the reasons for low off take of foodgrains by the State/UT Govts. are as under:

- Non-availability of sufficient intermediary storage capacities with State Governments.
- Paucity of Funds with State Governments.
- Tendency of the State Govts. to lift stock at the fag end of the validity period.
- Delay in making sub-allocations by the State Govt.

In order to increase offtake, the field functionaries also ensure the following:

- a) Follow up with State Govt. to make timely and adequate financial arrangements for lifting within validity period.

- b) Ensuring that the allocations against which financial arrangements have been made are not allowed to lapse.
- c) Availability of proper commodity mix of wheat and rice at all points of time in every depot.
- d) Proper liaison with Railways to ensure uninterrupted supply of foodgrains.
- e) FCI also allows State/UT Govts. to deliver stocks directly from rakes to facilitate them for smooth supply of foodgrains under TPDS and also to minimize handling, transportation and storage cost.

It is also pertinent to mention here that the offtake of wheat and rice which was 89% and 88% during 2013-14 under BPL (including BPL Additional) has increased to 102% and 94% of wheat and rice, respectively during 2014-15 (Upto September 2014)

[Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]

Recommendation Serial No. 9

The Committee in its original report made the following recommendation with regard to payment of remuneration to farmers at the time of procurement:-

“In two major food grain producing States viz. Punjab and Haryana the bulk of procurement is through the ‘arthias’ (private commission agents) in regulated markets. A major chunk of rice is procured by FCI from millers as levy rice for which the Government pays them the MSP. The Government has no means to ensure that the procurement by arthias and the millers is not at rates below MSP as payment is not done through cheques in all cases. The Committee during the course of their examination were time and again apprised by the Department/Corporation that they have been emphasizing that farmers be paid through the mode of e-payment or account payee cheques. Unfortunately, however, the ground situation is not at all encouraging, thereby, putting a big question mark on the efforts of the Government to ensure minimum support prices to the farmers. The Committee, therefore, desire that strict instructions with suitable punitive clauses be issued to ensure that all payments for procurement from farmers be made only through the mode of e-payment or account payee cheque from the next procurement season itself.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in its reply stated:-

“GOI has also issued instruction to State govt. to ensure that payment of MSP for the paddy be made by millers to the farmers by Account payee cheques so

that the trail of payment can be established, as and when required. Payments of MSP by millers to the farmers are verified /ensured by the State authorities while issuing the MSP/enforcement certificate to the millers. As regards, mode of payment by arthiyas to farmers, the same comes under the purview of respective State Governments Through consistent efforts of the Government of India, State Govt. of Punjab has made amendments to the Punjab Agricultural Produce Markets (General) Rules, 1962, for the buyers to make payment to the sellers for his agricultural produce either through account payee cheque or by electronic transfer. Since the Punjab Agricultural Produce Markets (General) Rules, 1962, has been amended, the Chief Minister of Haryana has been requested to make the amended provisions applicable in Haryana also.”

Remarks of office of C&AG on the reply of the Government

The Ministry intimated regarding amendment in the Punjab Agricultural Produce Markets (General) Rules, 1962 but inclusion of penal provisions therein has not been indicated. Similarly, status of amendment in the provisions / rules applicable to Haryana may be intimated.

Reply of the Government.

Through consistent efforts of the Government of India, State govt. of Punjab has made amendments to the Punjab Agricultural produce markets (General) Rules, 1962, for the buyers to make payment to the sellers for his agricultural produce either through account payee cheque or by electronic transfer. Since the Punjab Agricultural produce markets (General) Rules, 1962, has been amended, the Government of Haryana has been requested to make the amended provisions applicable in Haryana . However, the state Government of Haryana has not replied. As far as the issue of inclusion of penal provisions is concerned, action against defaulters can be taken as per Act's provisions and separate penal clause is not required.

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]

Comments of the Committee

Please see para 24 of Chapter I.

Recommendation Serial No. 10

Buffer Stock Norms

The Committee, on the issue minimum buffer stock norms, in its 29th report on the subject had observed: -

“The Committee are concerned to note that the minimum buffer norms for stocking of food grains in the Central Pool have remained unchanged since April, 2005, despite the fact that the Buffer Stocking Policy is required to be reviewed from time to time, normally after every five years. Although the food security scenario has witnessed major changes during the last nine years, the matter of revising the Minimum Buffer Norms has been hanging fire in spite of the recommendations of the National Centre for Agricultural Economics and Policy Research (NCAP) in this regard in March, 2009. Now that the National Food Security Act has come into being and the latest census figures are available, the Committee, desire that the Department of Food and Public Distribution should revise the Minimum Buffer Norms without any further delay.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

“Department of Food & Public Distribution(DFPD) had submitted a CCEA Note on 10.12.2013 for revision of buffer norms. CCEA on 19.12.2013 considered the Note and decided that the matter may, in the first instance, be considered by a Group of Ministers (GoM). The GoM considered the matter on 16.01.2014 and decided that the matter may be deferred till the revised procurement policy of foodgrain is finalised.

The issue of revision in procurement policy, based on the various suggestions received from the Ministry of Finance, Planning Commission and Commission for Agricultural Costs and Prices, has been since examined by the Department and a revised draft CCEA note is under process.”

Remarks of office of C&AG on the reply of the Government

Revision of Buffer norms was deferred by the Group of Ministers till the finalization of revision of procurements policy which has been stated to be already dropped. Further action taken for revision of minimum buffer norms may be intimated.

Reply of the Government.

A revised CCEA Note regarding the revision in buffer norms has been circulated on 29.10.2014 to concerned Department/Ministry for their comments in the matter. ”

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]

Comments of the Committee

Please see para 29 of Chapter I.

Recommendation Serial No. 11

Buffer stock norms

The Committee in their 29th Report have recommended the following with regard to buffer stock norms:

“While on the aspect of the Buffer Stock Norms the Committee would also like to comment on the lack of clarity or transparency pointed out by the audit in the maintenance of Buffer Stock Norms. During the period 2000-01 to 2007-08, the Government is stated to have resorted to exports to liquidate food grains stocks beyond the prescribed minimum norms without considering the operational stock requirements at certain points of time even breaching the Minimum Buffer Norms. For instance, on 1 October, 2003, the stock of rice went down to 52.41 LMT as against minimum norm of 65 LMT and in December, 2004 against the norm of 116 LMT, the stock in hand was 106.60 LMT. In February, 2005 and again in March, 2005 against the Minimum Buffer Stock of 84 LMT, the wheat stock stood at 73.03 LMT and 57.50 LMT, respectively. Consequently, the Government had to augment the Buffer Stock through imports of wheat from early 2006 to April, 2008 to the tune 72.23 LMT. Further, the food stock during 18 out of 24 quarters from 1 April, 2006 to 1 April, 2012 was below the Minimum Buffer Norms prescribed by the Government. The Committee, while expressing their concern over this serious lapse, strongly recommend that there should be no recurrence of such lapses in future.”

Reply of the government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

- (a) “The export of foodgrains especially non-basmati rice and wheat are regulated by the Government depending on their production, demand, availability, requirement of TPDS, buffer norms, domestic as well as international prices, etc.
- (b) Regular monitoring of Central Pool stock position, availability in the market and import/export of wheat and rice is being done by the Department of Food & Public Distribution so that situation as arisen during 2006-08 in case of imports and 2006-12 in case of buffer stocks does not recur.

- (c) During the last five years the stock position of foodgrains in Central Pool has been comfortable and hence there was no necessity for imports during this period. Rather the stock position during 2012-13 and 2013-14 was much above the buffer norms necessitating export of surplus wheat stocks. Government has permitted export of 45 lakh tons of wheat during 2012-13 and 20 lakh tons of wheat during 2013-14, ensuring adequate stock in the Central Pool out of which 42.40 lakh tons and 15.57 lakh tons were actually exported.

Remarks of office of C&AG on the reply of the Government

No further comments.

Reply of the Government.

Remarks of the C & AG do not call for any reply.

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]"

Recommendation Serial No. 12

Storage Capacity

The Committee in their 29th Report have recommended the following with regard to the position of storage capacity held by FCI:

“Food grains stock in the Central Pool consists of stock held by FCI, DCP States and the State Government Agencies for both buffer and operational requirements. The Committee in this connection note that the stock position in the Central Pool was 823 LMT as on 1 June, 2012 and 777 LMT as on 31.05.2013 as against the total storage capacity of 751 LMT (397 LMT with FCI and 354 LMT with State agencies) as on 31.05.2013. The shortage in storage capacity was as much as 26 LMT as on 31.05.2013. The Committee note from the information furnished by FCI, that there have been huge storage gaps since the year 2008 because of quantum increase in average stock level. What one would have expected of FCI in the light of persisting acute shortage of storage capacity is to ensure expeditious creation of additional storage capacity as and when funds are made available. The Committee note that FCI’s performance in this regard has been downright dismal. During the Eleventh Plan, it was planned to create a capacity of 1.39 LMT with a financial outlay of Rs. 133 crore. However, it could create a capacity of just 45,015 MT at a cost of Rs. 86.56 crore and the shortfall is purportedly due to non-availability of land in most of the places. The Committee are not satisfied with this lame excuse. If there are serious and sincere efforts, acquiring suitable land for public purpose should not be a problem. The Committee expect FCI to take immediate necessary action in this regard and ensure that the planned storage capacity is created without undue delay.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

“As mandated, procurement by FCI is open ended but liquidation depends on off-take under TPDS (Targeted Public Distribution Schemes), OWS (Other Welfare Schemes) and OMSS (Open Market Sale Schemes). Due to increased procurement during last few years, central pool stock level has increased. The status of stock levels and total storage capacities has been described in the observations of the Committee. To close the concerned storage gaps in the country, the GOI introduced the Public Entrepreneurs Guarantee Scheme (PEG) 2008 and PEG 2009. Under these schemes, 120.30 Lakh MT storage capacity has been created since 2010-11 onwards. (Detailed position given in reply to Point No. 13).

Creation of storage capacities in the Northeast States (including Sikkim) and other areas, have been approved by the GOI through Plan funds. The details of storage capacity created through the Plan scheme are provided in reply to Point No. 14.

Remarks of office of C&AG on the reply of the Government

Ministry reiterated the facts which have already been commented upon by Audit and COPU. Further action taken for filling the gap in storage capacity besides PEG 2008, 2009 and NE states may be intimated to Audit.

Reply of the Government.

Godowns are also being constructed under the Plan Scheme to create capacity of 76,220 MT during 12th Five Year Plan (2012-17) in other than NE Region with the total Plan Outlay of Rs. 56.08 crores.”

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]

Recommendation Serial No. 16

Quality Control and Preservation of Food Grains

The Committee in their 29th Report have recommended the following with regard to the need for quality control and preservation of food grains:

“The Committee note that the Quality Control Division in FCI is mandated with the task of procuring, preserving and supplying quality food grains as per

specifications and guidelines of Government of India. There is an elaborate network of laboratories at depot level which are equipped with physical facilities and technically qualified staff. Moreover, there are laboratories at District, Regional and Zonal levels also. A system of supervisory inspection is also carried out by the Corporation with a view to have checks and super-checks on the procurement operations. The godowns are also constructed based on scientific method to make them rodent proof as well as damp proof. Regular treatment with prophylactic and curative measures is carried out for the control of insects/pests. Resultantly, the Corporation has been able to restrict loss of the stocks stored in its godowns to 0.14% to 0.18 % during the last three years which are lower than the MoU target of 0.22 %. while appreciating these achievements of the Corporation, the Committee would suggest that the Corporation should prevail upon other agencies storing and maintaining food grains for the Central Pool on behalf of FCI viz. CWC and SWCs (whose losses during the corresponding period ranged between 0.29-0.57 % and 0.19-0.91 %, respectively) to bring down their storage losses by adopting FCI's best practices."

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

"FCI has been taking up the matter of reducing losses with the Regions and Zones alongwithSWCs/CWC. In this regard, letters/correspondence has been written to various authorities for minimizing the losses and bringing down their storage losses by adopting FCI's best practices as per the recommendations of the committee.

In this regard, FCI Headquarters has issued letters to the following authorities to bring down the losses under CWC/SWC godowns:

Names of the Authorities
MD CWC, New Delhi
MD, AP State Warehousing Corporation, Hyderabad
ED (East) for Odisha
ED (South) for Tamil Nadu
ED (East) for Bihar
ED (NE) for Assam
MD, Punjab State Warehousing Corporation, Chandigarh
MD, Karnataka State Warehousing Corporation, Bangalore
MD, State Warehousing Corporation, Maharashtra

MD, State Warehousing Corporation, Chhattisgarh
MD, PUNSUP, Punjab
MD, State Warehousing Corporation, Haryana

Remarks of office of C&AG on the reply of the Government

FCI has only written letters to the ROs/ZOs/SWCs/CWC for minimizing the losses and bringing down the storage losses. However, the method/modalities of bringing down the storage loss have not been mentioned. The concrete steps through which the Ministry/FCI is considering to minimize storage losses may be intimated.

Reply of the Government.

In order to reduce storage losses with agencies like CWC/SWCs, besides actions taken by FCI, Department has taken following steps:

1. Technical trained man power is vital for safe storage of foodgrains to minimize the losses. In order to enhance capacity building and to upgrade Indian Grain Storage Management and Research Institute, Hapur, an Institute of the Department, into a Centre of Excellence for post harvest trainings, a MOU had been signed between CWC and the Department in October, 2012.
2. Training infrastructure at IGMRI Hapur has been upgraded with the help of CWC wherein apex level and specialized training programme on safe and scientific storage of foodgrains are being conducted. During 2014-15 till October, 10 training programmes have been conducted at IGMRI Hapur and its field stations wherein 219 candidates from State agencies and CWC have been trained on scientific storage of foodgrains.
3. Quality Control Cells of the Department also impart training programmes on procurement and safe storage of foodgrains for the benefit of the State Governments & their agencies. During 2014-15 upto September, 2014 total 16 training programmes have been conducted wherein 560 officers/officials of State Governments engaged in procurement and storage of foodgrains have been trained.
4. Quality Control Cells of the Department also inspect food storage depots of State agencies and discrepancies noticed during the inspection are communicated to concern authorities to take remedial measures which monitors the storage losses also.
5. IGMRI is also engaged in applied R&D activities and testing of new technologies for scientific storage of foodgrains to minimize storage losses. Recently, Silo bag with 200 tons bulk capacity was tested for wheat and found successful for storage of wheat in open for two years. The study report on Silo bags has been forwarded to FCI, CWC and State Governments/UTs for reference and use as per their need.

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]"

Recommendation Serial No. 18

Movement of food grains in the North-Eastern States

The Committee in their 29th Report have recommended the following with regard to the movement of food grains in the North-Eastern States:-

“The Committee observe that due to location specific problems and typical law and order situation obtaining in several regions of the North-Eastern States, the movement of food grains to the States is beset with far more problems than the movement of food grains to the other deficit States. While there has been some improvement due to the initiative of Inter-departmental Coordination Committee, a lot more is required to be done. The FCI is undertaking a pilot project for riverine movement of a barge each of 300 MT from Varanasi to Tripura via Ashuganj in Bangladesh and from Pandu to North Lakhimpur/Dhamaji/Passighat. The Committee strongly recommend that not only should these projects be completed with due Promptitude but considering the fact that since riverine mode of transport is far more economical and hassle-free as compared to movement by road and rail, FCI should also initiate immediate action with a view to move food grains through the water ways in the riverine and coastal states.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:-

“FCI has been exploring the possibility of transporting food grains through inland waterways to the North East and Southern states as an alternative and environment friendly mode. The progress made is given below:

(i) Riverine Movement to Tripura via Ashuganj (Bangladesh)

FCI started initiating steps for riverine movement of foodgrains with Inland Waterways Authority of India (IWAI) from 2011. However, in July 2012, it was considered to move foodgrain through Indo-Bangladesh protocol from Kolkata, (where surplus raw rice was available) to Agartala (Tripura) via Bangladesh. However, movement of foodgrain from West Bengal could not take place due to delay in receipt of approvals/clearances from Govt. of Bangladesh. Meanwhile, as the earmarked rice stock started deteriorating, it had to be liquidated and a decision was made to move raw rice from Andhra Pradesh through multimodal transportation to Tripura.

The route involved transportation of foodgrain in double bags from designated depots in Andhra Pradesh to Ashuganj Port in Bangladesh through sea and river (under Indo-Bangla Protocol) and further by road from Ashuganj through Akhaura international border to FCI depots in Tripura.

FCI (Andhra Pradesh) invited bids for the proposed multimodal movement of stocks from Andhra Pradesh to Tripura via Ashuganj port in Bangladesh through Akhaura international border to FCI depots in Tripura. After a few failures, the NIT floated on 20.09.2013 was processed and the bid of M/S Sarr Freights Corporation was accepted vide General Manager (Andhra Pradesh) order no 15(3)/AP-Tripura/Riv.Movt/2012-13/Sales Vol.II dated 08.04.2014 and the work was awarded to M/s Sarr Freights Corporation after completing the formalities of depositing Security Deposit (SD) and Bank Guarantee (BG). The movement of 10,000 MT of raw rice in double bags from Andhra Pradesh depots to Tripura depots started on 04.07.2014.

(ii) Riverine movement to Passighat (Arunachal Pradesh) and Dhemaji (Assam)

Simultaneously, a proposal was taken up to move stocks from Pandu to North Lakhimpur/Dhemaji/Passighat. Up to Pandu, the stock was to be brought by rail from northern States. However, as Pandu railway siding was not notified till then for inward traffic by Railway the approach road being thickly populated, narrow and not suitable for trucks movement, it was proposed by NE Zone, FCI in July 2012, to move foodgrains from Dibrugarh to Passighat/Dhemaji.

As a pilot project approx. 3000 MT & 1400 MT quantities of foodgrain were successfully moved from Dibrugarh (Assam) to Passighat (Arunachal Pradesh) and Dhemaji (Assam) respectively through Brahmaputra river during December'12 to February'13. However, when an NIT was floated for awarding regular work in the sectors, no response/bid was received despite repeated attempts.

(iii) Other Riverine/ Coastal Projects

Riverine Movement from Andhra Pradesh to Assam (Karimganj)

FCI has also explored riverine/coastal route from Andhra Pradesh to Assam which involves transportation of foodgrain from designated depots in Andhra Pradesh to Karimganj port in Assam through sea and river (under Indo-Bangla Protocol) and further by road to the designated FCI depots in Southern Assam.

After protracted efforts by FCI, during 30.04.2013 to 20.09.2013, the bid received from M/s Sarr Freights Corporation, New Delhi, in response to NIT floated by Regional Office Andhra Pradesh for movement of 5,000 MT of raw rice ex. AP to Tripura via Ashuganj port in Bangladesh is under

process with the Deptt. of Food & Public Distribution, MoCAF&PD, (Administrative Ministry)

(iv) Riverine Movement/Coastal movement from Kakinada (Andhra Pradesh) to Kerala

In addition to the above projects, FCI has also been exploring coastal movement ex. Andhra Pradesh to Kerala. FCI Regional Office Andhra Pradesh awarded a contract on 15.01.2014 for the period of one year to Shreyas Relays Systems for movement of 20,000 MTs of foodgrain per month and the contract stands awarded in the month of March 2014 and more than 27300 MTs foodgrain has been moved till June 2014.

Remarks of office of C&AG on the reply of the Government

No further comments.

Reply of the Government.

Vetting remarks do not call for any reply.

[Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]"

Recommendation Serial No. 20

Funds

The Committee in their 29th Report have recommended the following with regard to the funds of FCI:

“Incidentally, the Committee recommend expeditious action by the Ministry of Finance as requested by FCI to immediately prevail upon the consortium of banks to not only lend to FCI on a very reasonable rate but also to reduce the spread of 90 BPS or link the interest rate to G-Sec rate of similar maturity so that the interest burden borne by FCI and eventually by the Government is brought down.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

“As recommended by the Committee, the Ministry of CAF&PD, Government of India has already intervened with the consortium of Banks. As a result, the interest rate on Cash Credit Limited (CCL) of FCI has been reduced from 90 bps to 65 bps w.e.f. 01.03.2013. This has resulted in interest cost of Rs. 136.24 crore p.a. for FCI alone. Further the possibility of linking of interest rate of CCL to G-Sec rate was deliberated with the consortium of Banks. It was informed by the banks that the CCL are long term borrowings ranging from 10 to 25 years. The term loans/bonds etc. which are for a longer duration are normally linked with G-Sec rates. Thus the possibility of linking the interest rate of CCL to G-Sec rate was ruled out by the consortium of banks.

Remarks of office of C&AG on the reply of the Government

The rate of interest on cash credit limit has been reduced from 90 basis points to 65 basis points. Thus on the overall limit of Rs. 5449.5 crore, saving of Rs.136.24 crore has been achieved w.e.f 01.03.2013.

Reply of the Government.

Vetting remarks do not call for any reply.

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)][O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]”

Recommendation Serial No. 22

Board of Directors

The Committee in their 29th Report have recommended the following with regard to the Board of Directors of FCI:

“The Committee observe that there has been inordinate delay in filling up the vacancies in the Board of Directors of FCI. During the course of the Oral Evidence on 29 February, 2012 the Committee were informed about there being 5 vacancies (including 4 independent Directors) in the Board of FCI and the Committee was assured of expeditious action to fill-up these vacancies. The number of vacancies went up to six later. In a subsequent Oral Evidence held almost eleven months later on 21 January, 2013, the Secretary of the Department submitted that due to some procedural delays, they could not send the proposal in this regard to the Public Enterprises Selection Board (PSEB). However on 17 June, 2013, the Committee were informed that as against six vacancies in the Board of FCI, the PSEB had found only three candidates suitable. For the remaining three vacancies, fresh names were submitted. The

Committee take exception to the inordinate delay on the part of the Department of Food and Public Distribution in sending proposals to PSEB which has caused prolonged vacancies in the Board of FCI. In their opinion, the non-official Directors unarguably provide valuable inputs in the Boards of PSUs through their vast experience. They also provide the much needed element of independent oversight and monitoring to the Boards. The Committee urge the Department of Food and Public Distribution to ensure that there is no delay in future in sending nomination to PSEB. There should be advance action to fill up anticipated vacancies so that FCI Board is not hamstrung by vacancies.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

“Two posts of Non-Official Directors are still lying vacant and process to select the suitable appointees is going on.

Remarks of office of C&AG on the reply of the Government

Further progress may be intimated.

Reply of the Government.

“Two posts of Non-Official Directors are still lying vacant and process to select the suitable appointees is underway.”

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]

Comments of the Committee

Please see para 50 of Chapter I.

Recommendation Serial No. 23

Vigilance

The Committee in their 29th Report have recommended the following with regard to the need for quality control and preservation of food grains:-

“It is observed from the information furnished to the Committee that the number of vigilance cases for major penalty initiated against the officials of FCI has been declining over the years from 753 in the year 2001 to 184 in the year of

2012. As many as 12 cases were reported to CVC/CBI during 2012. It is not clear whether the decline in the number of major penalty cases is indicative of improvement in the conduct of FCI officials or due to slackness in the vigilance mechanism. The Committee, desire that the vigilance division should ensure constant surveillance and vigilance at all levels within the corporation so that any kind of undesirable and illegal activities are detected in time and dealt with effectively and swiftly. They also desire the Department of Food and Public Distribution to simultaneously take initiatives in tandem with the corporation and stress upon CVC and CBI to expedite the cases pending with them and ensure their timely disposal.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:-

“Vigilance Division of FCI plays an active role, which includes preventive and punitive vigilance, in ensuring that FCI functions in a fair and transparent manner. A mechanism is already in place to ensure constant surveillance at all levels, which has already been communicated through earlier replies. However, following is submitted as ATR on the recommendations mentioned in 29th report of the said Committee:

1. At present following areas of focused attention have been identified for constant surveillance:
 - a) Design to camouflage misappropriation of food- grain stocks by perfunctory Physical Verification (PV), manipulation in bag weight, manipulation in gunny savings and consumption, misclassification of misappropriation / pilferages.
 - b) Design to conceal shortage of stock by classification of the same as damaged stock and putting the same to ordinary storage losses etc.
 - c) Design on business process to incentivize misplacing of depot records so that cases of misappropriation are written off without fixing responsibility
 - d) Auction as unfit for human consumption.
 - e) Ill- practice of “Dala” and proxy Labour.
 - f) Misappropriation of EPF and ESIC contribution of unorganized labourers and not putting effective check ensure payment of minimum wages
 - g) Harassment to rice millers in getting payments for rice tendered on behalf of State agencies.
 - h) Not implementing Quality Assurance Scheme for buyers of foodgrains
 - i) Irregularities in establishment matters such as appointments, promotions, transfers & postings.
 - j) Major contracts covered by CTE Reports during the period from 1st April, 2013 to 31st March 2014, 1380 vigilance cases were initiated and 1275 vigilance cases were disposed of.
2. Vigilance Advisories have been issued from time to time in order to minimize the chance of going irregularities unnoticed.

3. To ensure to quality of food-grains, special squads in FCI conducted 7799 surprise checks and 12265 regular checks during the period 1stApril, 2013 to 31stMarch, 2014.
4. Inspection Performa of senior officers has been revised in such a manner that the same may be helpful in detection/ prevention of irregularities/ corruption.
5. In addition, creating awareness among stake-holders, interaction sessions with them have been organized at several locations.”

Remarks of office of C&AG on the reply of the Government

No further comments.

Reply of the Government

Remarks of the C & AG do not call for any reply.

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]

Recommendation Serial No. 24

Internal Audit

The Committee in their 29th Report have recommended the following with regard to the need for quality control and preservation of food grains:-

“Audit has pointed out several shortcomings and inadequacies in the system of internal audit of FCI. There were significant shortfalls in the number of physical verifications planned and actual coverage during all the six years between 2006-07 and 2011-12. The Committee do not agree with FCI’s attempt to attribute this shortfall to manpower shortage. The number of physical verifications planned by FCI has gradually come down from 561 in 2007-08 to 455 in 2011-12 probably taking into account the truncated manpower availability. What is inexplicable is that even this greatly reduced figure of planned verification has not been achieved. The shortfall in actual physical verification has gone up from 15% in 2006-07 to 33% in 2011-12. This is certainly a reflection on the functioning of the internal audit unit. The Committee have been informed that actual physical verification against those planned was 90% during 2012-13. The Committee hope that internal audit in FCI will not be found wanting in their performance in future.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

“FCI is in agreement with the observation of Committee that there has been significant shortfall in actual physical verification(PV)vis a vis PV planned during the period and also reduction in planning number of units to be covered for PV, it is a fact that the same is due to acute shortage of manpower in the Internal Audit Division. The operations of FCI during the period 2006-07 to 2011-12 have increased manifold whereas the manpower position in the Internal Audit Division has gone down significantly due to retirement of number of officers without any intake of new hands. The closing stock held by FCI as on 31st March, 2007 was 138.03 lakhs MT whereas the same has gone upto 284.31 lakhs MT as on 31st March, 2012. Thus the stock quantity has gone up by 105.98% whereas, on the contrary, the staff strength has gone down from 148 to 141 during the aforesaid period against sanctioned strength of 447. Nevertheless, efforts have been made to cope up with the situation and a recruitment drive has been undertaken recently to recruit accounts personnel. The FCI management has already conducted exams for recruitment of 7 AGM (Accounts), 55 Management Trainee (Accounts) and 790 AG-III (Accounts) in the Finance and Accounts cadreand . Some of the newly recruited accounts personnel would be deployed in Audit as well. The coverage of Audit and PV is therefore likely to improve in future.

To cope up with the shortage of manpower and to increase coverage of physical verification, the FCI management has also recently decided to enhance the coverage of P.V. by outsourcing the P.V. process to the Firm of Chartered Accountants on all India basis. The Board of Directors of FCI has approved the proposal of outsourcing in the month of September, 2013 and field offices have already floated tender for appointment of CA Firm which would be entrusted the IA & PV work.

With above measures, system of internal control is likely to improve.

Remarks of office of C&AG on the reply of the Government

The improvements in the internal audit system will be verified during subsequent audits.

Reply of the Government.

Remarks of the C & AG do not call for any reply.

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)][O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]”

Recommendation Serial No. 25

Manpower

With regard to manpower, the Committee in their 29th Report have recommended as follows:-

“The Committee find that there is surplus staff of over 150% under category-IV whereas there is shortage ranging from 22% to 43% in other categories of FCI manpower. Overall, there was shortage of as many as 9,799 persons as against the sanctioned strength of 36,515 as on 31.03.2013. The Committee note that the process of filling up these vacancies is in advanced stage. It is, however, not clear as to when and on what basis the sanctioned strength was fixed and how a surplus manpower of as much as 150% arose in one category of staff. The Committee would like to be informed how and how soon the surplus strength will be brought down to the sanctioned strength. Now that a number of activities hither to undertaken by FCI are increasingly being taken over by the State Governments following introduction of Decentralised Procurement System, the Committee feel that there is a need to reassess the manpower strength on scientific basis. The Committee would await expeditious action by FCI in this regard.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

“Restructuring of manpower in FCI was approved by the Department of Food & Public Distribution, Government of India (GOI) by Order No.18-10/2008-FC.I dated 27th January 2010. GOI approved 36318 posts for FCI (excluding Hindi and Watch & Ward). Thereafter, GOI approved another 197 posts for the newly created Arunachal Pradesh Region vide letter No.20-11/2007-FCI dated 23.9.2010 resulting in overall approved sanctioned strength of 36515 posts (excluding Watch & Ward and Hindi).

The restructuring of manpower was based on staffing norms derived from the Time & Motion Study of working of depots done by Internal Team of FCI and the study of the Administrative Offices conducted by the consultant M/s. McKinsey & Co appointed by GOI. Studies were based on the ‘Volume of Operations’ for three years average from 2002-03 to 2004-05. The comparative position of the revised and pre-revised Sanctioned Strength (SS) is given below:

Category	Sanctioned Strength (before 2010)	Sanctioned Strength (after 2010) *	Men-in - position as on 31.03.2013	Men-in - position as on 31.03.2014	Vacant / Excess	% of vacant / excess
Category-I	953	1012	804	801	-211	-21

Category-II	7028	6292	4640	4323	-1969	-31
Category-III	29988	26831	15319	12522	-14309	-53
Category-IV	17074	2380	5953	4834	2454	103
Total	55043	36515	26716	22480	-14035	38
<p>* Figures shown under column Sanctioned Strength are as per the approval conveyed by GOI in 2010. Men-in-position includes incumbents of Hindi and Security posts for which sanctioned strength is yet to be received from GOI.</p> <p>‘-’ sign denotes vacant posts; + sign denotes excess posts.</p>						

It may be seen that FCI is operating at overall 38% lesser manpower. This problem is aggravated in respect of Category III where there is a shortage of 14309 employees corresponding to shortage of nearly 53% staff. Recruitment of nearly 8500 employees has been undertaken which is likely to be completed by June 2014.

As regards Category IV, at the time of restructuring of Manpower in 2010, against earlier sanctioned strength of 17074 posts, only 2380 Category IV posts related to Quality control operations were sanctioned by the Government. Against these posts, only 1616 incumbents are in position. Further, 4834 ‘Men-in-position as on 31.03.2014’ also include 1749 incumbents against Security posts for which no Sanctioned Strength was conveyed by GOI in 2010.

Other operations of non-critical nature hitherto managed through Category IV employees were to be outsourced. Accordingly, 3609 posts for 36 designations were declared as Redundant posts with the approval of the Board of Directors in 2010 and for them no sanctioned strength was issued. These posts were to be treated as supernumerary till the incumbents vacate the posts by retirement or otherwise. Incumbents against these posts are being utilized for operations related to QC / Security etc. As on 31.12.2013, there were 1611 incumbents against these posts.

However, the overall manpower position shows a shortage of 14035 employees against Sanctioned strength of 36515.

As regards the Committee’s observation on the activities being undertaken by some of the States on switching over to decentralized pattern of procurement, it is informed that procurement is a seasonal activity which is managed by existing manpower and it does not have much impact on overall manpower requirement. Moreover, some of the States like U.P. which were earlier following decentralized procurement system have now switched to centralized procurement. Further, even in the States on decentralized procurement, the excess / surplus stocks are handed over to FCI. In some States on decentralized procurement system like West Bengal, the stocks otherwise also is handed over

to FCI due to non-availability of sufficient storage space with State Government. In all these cases, FCI's manpower is fully engaged for rice and wheat procurement.

FCI has also sent a proposal to the Government on 08.01.2014 for additional staff requirement of 1086 posts on account of increased storage capacity with the approval of the Board of Directors in 360th meeting held on 19.12.2013. Subsequently, additional information / clarification sought by Ministry of CAF & PD vide letter dated 05.02.2014 was also submitted by FCI vide letter dated 21.04.2014. Approval of Government is awaited.

Reply of the Government

The cases are under consideration in the Department.

Remarks of office of C&AG on the reply of the Government

The reply of the Ministry gives only factual position and does not indicate the reasons for surplus staff in one category and shortage of staff in other categories. Steps taken by the Ministry/FCI to reassess the manpower strength on scientific basis may be intimated.

Reply of the Government.

There is shortage of staff in category I, category II and category III. There is surplus in category IV. Revised sanctioned strength along with man in position (MIP) is given below:-

Category	Sanctioned strength	MIP as on 30.06.2014	Vacant(-) / Excess	% of vacant / excess
Category-I	1012	791	-221	-22
Category-II	6292	4126	-2166	-34
Category-III	26831	12730	-14101	-53
Category-IV	2380	4697	2317	97
Total	36515	22344	-14171	-39

Surplus in Category IV is due to the fact that MIP includes number of incumbents against redundant posts and earlier sanctioned Security posts as indicated in the remark with the table showing the manpower position. As on 30.06.2014, total Men in position figures of 4697 in Category IV includes 1910 Security posts and 1151 Redundant posts.

This surplus in Category IV is due to the reason that restructuring of manpower in FCI was done in 2010 and total 36515 posts were approved by the Government which comprised of only 2380 posts in Category IV for Quality control operations performed by pickers and dusting operators.

A proposal for restructuring of Security posts is under consideration in this Deptt.”

[Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]

Comments of the Committee

Please see para 56 of Chapter I.

CHAPTER III

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

Recommendation Serial No. 19

Accounts

The Committee in their 29th Report have recommended the following with regard to the accounts of FCI:

“The Committee note that FCI has to incur huge interest burden every year on loans taken from banks due to delay in release of food subsidy to FCI by the Government. The annual interest payment during the Eleventh Plan (2007-08 to 2011-12) ranged from Rs. 2448 crore to Rs. 5227 crore. In 2012-13, it was a staggering Rs. 6273 crore. Apart from this interest burden, the Corporation also has to shell out significant amounts of money as State taxes and levies. The Committee note with concern that during the fiscal 2012-13, the Corporation paid Rs. 7481 crore as State taxes and levies. The huge interest burden along with substantial and varying amounts of taxes levied by the State Governments on the procurements made by the Corporation and other agencies for the Central Pool, form a significant part of the economic cost of the Corporation and unjustifiably inflate the food subsidy component borne by the public exchequer. The Committee are of the considered opinion that the figures of food subsidy should reflect true quantum and not an inflated figure inclusive of interests on borrowings, taxes and levies imposed by state governments, etc. The Committee desire that the Government should examine the desirability of reimbursing to FCI interest on borrowings, taxes, etc. under a separate head, different from the head of food subsidy so that a realistic figure of food subsidy is available for information of parliament and the public.”

Reply of the government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

“Taxes and statutory levies imposed by the State Government on the purchase of food grains by FCI or State Agencies are local taxes imposed on intra-State sales/purchase transactions which are well within the power of the respective State Governments. Under Constitution of India, List-II, State List, levy of tax on these transactions are within the power of State Governments. Thus, State taxes

are integral part of purchase cost and has to be included in economic cost of food grains.

Regarding payment of interest by FCI against bank borrowings, the Corporation has normal requirement of working capital to manage its operations i.e. procurement, storage, movement, distribution, etc. till it is disposed through TPDS or other schemes. These operations require working capital for payment for procurement operations, taxes, freight, handling, storage, interest, salary etc. till the food subsidy is released by the Government of India. There is a cyclic requirement of normal working capital by FCI for which the 'payment of interest' is a normal operational expense. However, the additional borrowing is incurred by FCI as there is time gap between actual incurrence of expenditure and reimbursement of fund by Government of India, as during most of the years due to budgetary constraints, fund allocation for FCI has been less than requirement projected by FCI. This part of interest cost affects economic cost of food grains and food subsidy in consequence. The arrear food subsidy of FCI for the last 5 years and the interest burden due to such accumulated arrears subsidy is at **Annexure-I.**

Since taxes and levies imposed by State Governments on purchases of food grains rightly forms a part of economic cost, it may not be feasible to reimburse this expense to FCI under a separate head. However, this amount can be disclosed separately for information of the Government as well as public. Similarly, the additional interest burden due to arrear subsidy can be disclosed separately instead of being reimbursed under a separate head.

ANNEXURE-I

Estimated Impact on Interest Cost due to Food Subsidy Arrears

(Rs. In Crore)

Year	Date	Arrears food subsidy in the beginning of each quarter	Average Cash Credit interest rate in% during the quarter	Impact of interest cost due to food subsidy arrears		Total Interest Cost
				For each quarter	Annual	
2008-09	01-04-2008	11479.00	10.14	290.99	1371.86	3156.07
	01-07-2008	9021.39	11.66	262.97		
	01-10-2008	13581.29	12.09	410.49		
	01-01-2009	13568.54	12.01	407.40		
2009-10	01-04-2009	10311.00	11.90	306.75	955.98	2448.45
	01-07-2009	7807.97	10.75	209.84		
	01-10-2009	9416.41	10.75	253.07		

	01-01-2010	6932.94	10.75	186.32		
2010-11	01-04-2010	7377.00	10.75	198.26	924.87	3204.33
	01-07-2010	11101.39	10.60	294.28		
	01-10-2010	9416.41	10.00	235.49		
	01-01-2011	7246.86	10.87	196.84		
2011-12	01-04-2011	13745.00	11.52	395.86	2375.11	5227.16
	01-07-2011	15664.43	12.29	481.42		
	01-10-2011	18265.31	12.35	563.94		
	01-01-2012	30247.40	12.35	933.89		
2012-13	01-04-2012	23134.00	12.35	714.26	3045.11	6392.07
	01-07-2012	28614.07	12.02	859.50		
	01-10-2012	22420.89	11.85	664.22		
	01-01-2013	27824.26	11.60	807.14		
2013-14	01-04-2013	31753.00	11.34	900.20	4040.36	7058.23
	01-07-2013	35103.21	11.38	998.69		
	01-10-2013	31337.27	11.30	885.28		
	01-01-2014	44310.35	11.34	1256.20		
					12713.28	27486.31

Remarks of office of C&AG on the reply of the Government

“The ministry has not accepted the recommendation of COPU for reimbursement of interest on borrowing, taxes etc. to FCI under a separate head stating that these expenses are part of the economic cost of foodgrains. However, the Ministry has proposed that the above reimbursements can be disclosed separately for information of Government and the public, which can be verified only after implementation.”

Reply of the Government.

FCI has since taken necessary action for disclosing interest on borrowing, taxes separately from FY 2013-14.

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.)..... Dated 3.11.2014]

Recommendation Serial No. 21

Accounts

With regard to accounts, the Committee in their 29th Report have recommended as follows:-

“The Committee further recommend the Department of Consumer Affairs to immediately take up with the State Governments at the highest level and impress upon them to do away with the taxation of FCI operations since by the very mandate of the Corporation, its commercial activities are more in the nature of a social responsibility than trading. Till such time, the Government should as recommended by the committee in the case of the interest component, reflect the expenditure on State taxes and levies in a head different from food subsidy for reasons already enumerated.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

“In so far as booking of expenditure under separate head is concerned, it is proposed that reply given by FCI in response to Point No.19 is valid for this point also. In so far as requesting State Government or exempting the activities of FCI from VAT is concerned, it may be mentioned that in addition to written requests of State Government at various levels including at level of Hon'ble Food Minister's, this Department has regularly taken up the matter with State Government. Subsequently, a proposal for introducing composite MSP including a maximum of 5% of all state taxes was moved by this Department. However, most of the State Govts. failed to give any comments on the proposal of this Department. Even those States like Punjab, Haryana and Odisha which gave their comments did not agree to the proposal of this Department. In their reply Govt. of Punjab where tax rates is higher, stated that taxes/levies on food grains are major source of State's revenue and there is no scope for any reduction. State Govt. were also of the view that receipt from taxes is utilizing in infrastructure on overall development of the State and a substantial part of this is incurred on irrigation/power supply/road/development of mandis. Since proposal failed to get the desired response from the States, it was not pursued further and it was decided to initiate a separate proposal for capping of procurement in order to reduce the food subsidy liability of Govt. of India. Accordingly, comments of State Govt. in this regard has been sought. Once comments of State Govt. is received, matter will be further examined for deciding further course of action.”

Remarks of office of C&AG on the reply of the Government

The reply is interim in nature. Further progress may be intimated.

Reply of the Government.

Since most of the State Govts. did not support the proposal of this Department for capping of procurement and reducing the taxes/levies being imposed by them on procurement of foodgrains, no further progress could be made on the issue.”

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]

CHAPTER IV

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

Recommendation Serial No. 2

Ensuring payment of MSP to farmers

The Committee in their 29th Report have recommended the following with regard to payment of MSP to farmers:

“One of the objectives of establishing FCI is to ensure effective price support operations for safeguarding the interests of farmers. It is a matter of serious concern that this objective has not been fully achieved even after nearly five decades of FCI’s operations. According to FCI, the possibility of some farmers being deprived of Minimum Support Price (MSP) cannot be ruled out in States which do not have adequate infrastructure like regulated markets, etc. FCI has claimed that since the bulk of procurement is done by State Governments and their agencies, they are largely responsible for ensuring that farmers get MSP. The committee do not accept FCI’s attempt to shift its responsibility to States in preventing distress sale and in ensuring MSP to farmers. It is for FCI to identify the localities in states which lack requisite infrastructure facilities and take up with the Union and State governments to ensure that the problems are addressed and no farmer, in need, is deprived of MSP. The Committee expect FCI to take necessary action in this regard.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:-

“When the State Governments and its agencies directly participate in MSP procurement operations, they are bound to have first-hand assessment of the necessity of basic infrastructure for effective and large scale procurement which propels them to initiate steps towards building such infrastructure like marketing yards/*phads*, regulated *mandis* (which comes under the purview of State Government) including storage capacities. The vivid examples are the DCP States of M.P and Chattisgarh. However, Government of India/FCI have also taken various measures including construction of godowns in Private

Entrepreneur Guarantee Scheme to overcome the constraint of storage capacity.”

Remarks of office of C&AG on the reply of the Government

Ministry has only stated as to how FCI is covering the gap of storage capacity. However, the reply is silent about the action taken by FCI to overcome the lack of requisite infrastructure facilities in the identified locations.

Reply of the Government

FCI has no mandate to create procurement infrastructure like marketing yards /phads /sheds or regulated mandies. However, FCI undertakes procurement only at places where such facilities are not available and opens temporary procurement centres by hiring the small godowns/plinths and even rooms where the procured stocks can be safely stored. Such stocks are further despatched to proper storing units, if need be, so as to vacate the available space at procuring centres for further procurement.

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated.03.11.2014]

Comments of the Committee

Please see para 9 of Chapter I.

Recommendation Serial No. 4

Infrastructure Facilities, etc.

The Committee in its original report made the following recommendation with regard on infrastructure facilities at procurement centres:-

“Efficient and well spread out procurement operations are a pre-requisite for ensuring MSP to the farmers for their produce. The Committee note that during Rabi Marketing Season (RMS) 2010-11, 2011-12 and 2012-13 (as on 18.12.2012), FCI and State Agencies operated 10479, 11830 (Prov.) and 19469 (Prov.) purchase centres respectively. In Kharif Marketing Season (KMS) 2010-11, 2011-12 and 2012-13, the number of purchase centres operated/proposed was 15101, 26603 and 29342 respectively. Though the number of purchase centres had registered an increase during the last three years, the Committee feel that for a Country with the cultivation spread over 125.03 million hectares, the number of purchase centres as mentioned above is obviously inadequate to ensure a comprehensive reach and spread. The Committee have been assured that more number of centres will be opened to increase the procurement in

future. In order to totally prevent distress sale by farmers, the Committee strongly recommend that the Corporation should embark on the task of substantially raising the number of purchase centres with all requisite facilities in coordination with the State Governments and their agencies so that the farmers in all food grain producing States have one or the other purchase centre available in their vicinity.

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in its reply stated as follows:-

“The purchase centers are opened in the identified potential areas. During KMS 2013-14 around 35733 procurement centers have been opened. Similarly for RMS 2014-15 around 21088 purchase centers were opened for MSP operations.”

Remarks of office of C&AG on the reply of the Government

As per FCI, the number of procurement centres opened during KMS 2013-14 was 37368 against 35733 as mentioned in the Ministry reply. This needs to be reconciled. Action taken by the Ministry /FCI for raising the number of purchase centres with all requisite facilities in coordination with the State Governments and their agencies so that the farmers in all foodgrains producing States have one or the other purchase centre available in their vicinity may be furnished to Audit.

Reply of the Government.

As per the available information, FCI/ State Govt./Agencies have opened 37368 purchase centres during KMS 2013-14 and 21088 purchase centres during RMS 2014-15 for MSP operations.

Before the start of every marketing season, Department of Food & PD convenes a meeting of food Secretaries of all States & FCI & targets of procurements are fixed based on production data and necessary arrangement for procurement like no. of procurement centres to be opened, packaging material, storage capacity required etc are also discussed and reviewed in the meeting comprehensively.

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 3.11.2014]

Comments of the Committee

Please see para 14 of Chapter I.

The Committee in its original report made the following recommendation with regard to the number of purchase centres in the country:-

“The Committee find that the number of purchase centres operated by FCI is too insignificant and even this number is going down from year to year. For RMS, the number has gone down from 860 in 2010-11 to 802 in 2011-12 to a mere 710 in 2012-13, with corresponding figures of 696, 684 and 426 for KMS. FCI has attributed this decline to shortage of manpower and inadequacy of infrastructure. The Committee are not convinced of these reasons. It is for the FCI management to sort out its internal problems and ensure that FCI discharges its functions effectively and efficiently. The Committee urge FCI to increase the number of its purchase centres significantly and ensure that no distress sale is resorted to by farmers in any part of the Country.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in its reply stated as follows:-

“As already explained in reply to point No 1, stress is being given for greater participation of State Governments in procurement of foodgrains. Most of the purchase centres are now being operated by the State Government / Agencies. Thus, the number of purchase centres of FCI has decreased. It is also to inform that the purchase centres are being decided by the concerned State Governments and FCI has very little control on opening of purchase centres.

However, it is submitted that overall purchase centres operated by FCI & State Agencies have increased considerably in comparison to past.”

Remarks of office of C&AG on the reply of the Government

FCI has not carried out any assessment of shortage of purchase centres required for effective and efficient discharge of its functions. On the contrary, number of purchase centers of FCI opened during RMS 2014-15 has decreased from 2013-14 (773 from 782) and purchase centres opened by FCI during KMS 2013-14 have further decreased from KMS 2012-13 (414 from 426) as per the documents furnished by FCI.

Reply of the Government.

Reply is same as given in Recommendation serial No. 4.

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]

Comments of the Committee

Please see para 19 of Chapter I.

Recommendation Serial No. 13**Creation of additional storage capacity**

The Committee in their 29th Report have recommended the following on creation of additional storage capacities by FCI:

“Under the PEG scheme, a capacity of 153.16 Lakh MT has been sanctioned/allotted to Private investors, CWC and SWCs for construction of godowns and 19.50 LMT capacity is earmarked for the construction of Silos. A capacity of 120.30 Lakh MT has been completed as on 30.06.2014.

Under the PEG scheme, storage capacity of 50.11 Lakh MT was completed during 2013-14. The target for 2014-15 is 27 Lakh MT. The Ministry is taking all necessary steps to ensure timely completion of the sanctioned capacities.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

“Under the PEG scheme, a capacity of 203.76 Lakh MT has been approved at various locations in 19 states. Out of this, a capacity of 153.16 Lakh MT has been sanctioned/allotted to Private investors, CWC and SWCs for construction of godowns and 19.50 LMT capacity is earmarked for the construction of Silos. A capacity of 120.30 Lakh MT has been completed as on 30.06.2014.

Under the PEG scheme, storage capacity of 50.11 Lakh MT was completed during 2013-14. The target for 2014-15 is 27 Lakh MT. The Ministry is taking all necessary steps to ensure timely completion of the sanctioned capacities.

Remarks of office of C&AG on the reply of the Government

Under PEG scheme, capacity has been sanctioned for 153.86 lakh MT out of which only 119.20 lakh MT has been completed as on 31.08.2014. Further progress may be intimated.

Reply of the Government.

Under PEG scheme, capacity has been sanctioned for 153.86 lakh MT, out of which 119.52 lakh MT has been completed as on 31.09.2014. Capacity of 17.86 lakhs MT is under construction.

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]"

Comments of the Committee

Please see para 34 of Chapter I.

Recommendation Serial No. 14

Construction of additional storage capacities in the North-Eastern States

The Committee in their 29th Report have recommended the following with regard construction of additional storage capacities in the North-Eastern States:-

“There is an acute shortage of storage capacity in the North-Eastern States and the efforts of the Government for creation of additional capacity have not made much headway. A capacity of 5.4 lakh MT of additional storage space was planned to be created in the North-Eastern States with an allocation of Rs. 568 crore. However, at the end of Eleventh Plan i.e. March, 2012, the capacity approved under this special Scheme has been included in the Twelfth Five Year Plan necessitating the revision of the Scheme. During the first year of the Twelfth Plan, out of this 5.4 lakh MT, only meagre 2,901 MT has been completed. The Committee wonder as to how the balance capacity will be created in these States in the remaining four years of the Twelfth Plan when the Government have themselves admitted to the failure of State Governments in most of the centres in getting the construction work taken up. The Committee are of the opinion that the peculiar situation obtaining in the North-Eastern States is a challenge for the government and it requires out of the box solutions to handle it. The Committee, therefore, recommend the government to come up with workable solutions for the purpose in consultation with the State Governments and other agencies involved so that the work on the massive pendency is completed with due promptitude.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

“The achievements vis a vis targets during 11th Five Year Plan (2007-12) are as under:

Year	Physical in MT		Financial (Rs. Crores)		
	Target	Ach.	Target	Ach.	Equity received
2007-08	20000	12090	8.75	2.24	2.47
2008-09	25000	2500	28.30	14.70	15.45
2009-10	-	-	9.15	6.75	6.75
2010-11	5000	5000	25.00	17.24	25.00
2011-12	12500	4590	59.94	17.48	59.94
Total	62500	24180	131.14	58.41	109.61

It is true that during 2012-13 i.e. first year of 12th FYP, a capacity of 2910 MT only could be created in the State of Manipur. It is submitted that the respective State Governments failed to identify and hand over suitable land for construction of godowns. The FCI deposited land cost as and when intimated by the State Govt. Furthermore, executing agencies to whom the works were awarded, failed to ensure timely completion. Working conditions in the States of Arunachal Pradesh and Manipur are difficult because of their terrain.

Due to delay in creation of storage capacity, the position was reviewed by the Ministry in the financial year 2012-13. It was decided that projects where land have already been acquired by FCI or works are in progress or where the State Govt. has identified land and intimated the cost, should be considered under the 12th Five Year Plan. Time & cost overrun issues were also considered.

On direction of the Ministry, a detailed analysis of each and every project was undertaken by the FCI and the revised proposal submitted as detailed below:

Total approved capacity as per EFC dt.1.7.2011	Capacity completed during 11th FYP	Capacity proposed in 12th FYP under Ph.I	Capacity to be augmented in form of Silos through PPP mode at Changsari	Capacity proposed under Ph.II (13th FYP)
540280 MT	24180 MT	292730 MT	50000 MT	173370 MT

The EFC in its meeting held on 14.02.2014, approved the proposal which was approved by CCEA on 20.03.2014.

The achievements in the first two years of 12th Five Year Plan i.e 2012-13 and 2013-14 are as under:

Year	Physical in MT		Financial (Rs. Crores)		
	Target	Ach.	Target	Ach.	Equity received
2012-13 #	2910	2910	27.72	27.72	19.28

2013-14	49350	2500	42.76	30.94	Nil
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Rs.51.20 crores was available with FCI as unspent amount of 11th FYP as on 1.4.2012.

The status of land/works in progress as on 30.6.2014 is given below:

Sl.No.	Description	No. of locations	Capacity in MT
1	Work completed (Senapati-1660, Jiribam-1250 in Manipur Region and Ziro - 2500 in Arunachal Pradesh)	03	5410
2.	Works in progress	20	131030
3.	Land cost deposited, land to be handed over	07	66000
4.	Land cost to be deposited/intimated	04	72500
5.	Land yet to be identified	03	17790
	Total	37	292730

All efforts are being made in consultation with the respective State Governments and construction agencies involved for completing the works in time.

Remarks of office of C&AG on the reply of the Government

Despite the committee's recommendation for finding solution for completion of the pendency, the Ministry proposes to create 3.43 LMT out of pending 5.40 LMT during 12 five year plan and balance capacity of 1.73 LMT would be carried over to 13th five year plan.

Reply of the Government.

The implementation of the projects by FCI in the NE Region has been hampered by the delays in land acquisition. Considering the progress at various sites, the phasing of projects between 12th and 13th FYPs has been done. However, regular meetings are held in the Ministry with FCI/State Governments and construction agencies involved for effective implementation/monitoring of the Scheme and to resolve the problems being faced in achieving the physical/financial targets in time. The FCI also reviews the progress of the scheme at Zonal/HQ levels.

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]”

Comments of the Committee

Please see para 39 of Chapter I.

Recommendation No. 15

Modernisation of Storage

The Committee in their 29th Report have recommended the following with regard to the importance of modernization of storage:

“Most of the countries are moving towards modern means of storage like silos. In fact, due to their tremendous advantages, silos were constructed in India in the 1960s and 1970s and several of them are reportedly still operating satisfactorily. It has been stated that wheat could be stored in silos upto four years in good condition, and the wheat of 2007-08 is being issued for consumption even now. The Committee have been informed that some private parties have created a capacity of 5.5 LMT in silos in some States and they are operational since 2007.

These modern silos have been hired by FCI for a period of 20 years. The Committee note that the Government have now decided upon creation of 20 LMT capacity of storage in silos. This, in the view of the Committee, is not enough. Given the immense benefits of storing of food grains in silos and the substantial requirements of food grains for implementation of the Food Security Act, the Committee are of the firm belief that in spite of the high cost involved, the silos offer a safe, hygienic and permanent solution to the problem of storage of food grains in the country with a one-time investment. They, therefore, recommend the Government to take a well considered call on this matter without any further delay. The Committee further recommend that the Government should take immediate steps to implement M.S. Swaminathan Committee’s recommendation of construction of 50 state-of-the-art technology modern silos in various parts of the country to ensure food security of the country.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

“In its meeting held on 07.02.2012, EGoM approved the proposal for creation of 20 Lakh MT capacities in the form of modern silos throughout the country. These silos would be created within the overall capacity approved under the PEG scheme.

Locations of the proposed Silos have been approved as follows:

Sl. No.	State	Silo capacity in MTs	Approved locations
1.	Bihar	2,00,000	Mohania, Buxar, Bhagalpur, Bettiah. (50,000 MT each)
2.	Haryana	3,00,000	Bhattu, Jind, Karnal, Palwal, Rohtak, Sonapat. (50,000 MT each)
3.	M.P.	3,50,000	Sehore, Jabalpur, Raisen, Vidisha, Guna, Hoshangabad, Ujjain (50,000 MT each)
4.	Punjab	4,00,000	Barnala, Chhehreatta, Patiala, Jalalabad, Kilaraipur, Sangrur, Dhuri, Batala. (50,000 MT each).
5.	West Bengal	2,00,000	Rangapani, Malda, Dankuni, Mecheda. (50,000 MT each)
6.	Assam	50,000	Guwahati (Changsari) (50,000 MT)
7.	Kerala	50,000	Eranakulam and Calicut. (25,000 MT each)
8.	Maharashtra	1,00,000	Pune, Nagpur (50,000 MT each)
9.	U.P.	3,00,000	Jaunpur, Kannauj, Faizabad, Fatehpur, Basti, Deoria (50,000 MT each)
10.	Gujarat	50,000	Between Palanpur (Banaskantha) and Siddhapur (Patan)
Total		20,00,000	

Tenders for creation of silos of 17.50 Lakh MT under PPP (non-VGF mode) are likely to be floated shortly. First round of tenders floated on 21.11.2013, and opened on 07.04.2014 has been cancelled due to inadequate investor response. Furthermore, bid documents are under preparation by the Planning Commission and DEA (Department of Economic Affairs), Ministry of Finance for VGF mode of PPP.

Remarks of office of C&AG on the reply of the Government

Present status of completion of silo capacity created against target may be furnished to Audit.

Reply of the Government.

Present status of completion of silo capacity created against target is as under:

(a) VGF Route (DEA) : A capacity of 1.00 lakh MT at Mohania and Buxar in Bihar has been identified for this model, where Pvt. Entrepreneurs would bring land. Bid documents are being finalized by DEA. FCI's comments on the

provisions of the clauses of bid documents were forwarded to DEA and the same was discussed in the meeting held on 24.09.2014 at Ministry of Finance.

(b) VGF Route (Planning Commission): A capacity of 1.50 lakh MT at Kilaraipur, Pune and Changsari has been identified for this model at land provided by State Govt./FCI. FCI is also identifying more locations under VGF route where vacant land is available in FCI's existing depot premises with railway siding and also in those depots where Railway Siding is possible. RFP for appointment of Technical Consultant for Project Feasibility Report (PFR) is under process.

(c) Non-VGF Route: Due to inadequate response to tenders opened in April 2014 for 17.5 lakh MT capacity in Non-VGF route, Project Consultant M/s CRISIL has been advised to revise the bid documents in line with Planning Commission approved Model Concession Agreement.

[Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]"

Comments of the Committee

Please see para 45 of Chapter I.

CHAPTER V

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

Recommendation Serial No. 17

Movement of Food Grains

With regard to movement of food grains, the Committee in their 29th Report have recommended as follows:-

“The Report of C&AG has pointed out substantial shortfalls in movement of food grains against planned/procurement quantities. The Committee note that during the period 2006-07 to 2011-12, the evacuation of good grains from procuring States was deficient in the range of 35% to 60%. The actual movement against the planned quantity was also in the range of 84% to 94 % during this period. The substantial shortfall in movement of food grains obviously results in huge accumulation of food grains stock in the procuring States and the incidental problems. The Committee further note that for 90 % of the movement of food grains the Corporation has to rely on Railways, however, due to several bottlenecks including short-supply of rakes, non-compliance with linear programme of movement, other traffic commitments, non-availability of suitable infrastructure at railway stations, constraints of timely loading and unloading at points of embarkation/disembarkation, etc. all have a negative impact on the optimal movement of food grains. The Committee are, however, satisfied to note that an Inter-departmental Coordination Committee consisting of all the agencies involved has come into being with a view to streamline the movement of food grains by rail. The Committee also note with appreciation that due to various initiatives taken by the Inter-departmental Coordination Committee, there has been perceptible improvement in the movement of food grains by rail. As a result of efforts by this Inter-departmental Coordination Committee, Railways are presently developing a module which can be considered for integration with FCI's Linear Programme for better movement of food grains. Keeping the pressing need of improvement in the movement of food grains by Railways, the Committee desire that the work on module being developed by railways should be accorded top priority so that its implementation commences without any further loss of time.”

Reply of the Government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

“There has been substantial improvement in the movement of foodgrains by rail during the year 2013-14 due to various initiatives taken by the Inter-Ministerial Coordination Committee. During 2013-14, 12,184 rakes were dispatched which is 15.5 % higher than previous years dispatch of 10,549 rakes in 2012-13. However, for further improvement in movement of foodgrains, FCI has been pursuing with Railways in various Coordination Committee Meetings and issuing letters to intimate the latest developments in their computer based module. Apparently, the module is yet to be developed by the Railways. FCI assures to examine the feasibility of integrating Railways module with FCI’s LP as soon as Railways develop such a module.

There has been substantial improvement in the movement of foodgrains by rail due to various initiatives taken by the inter-Ministerial Coordination Committee. Meetings of the Inter-departmental Coordination Committee are also being held at zonal and regional levels. As regards Railways developing a module which can be considered for integration with FCI’s linear programme for better movement of foodgrains, a project namely “Trained pipe line management system (TPMS)” is under consideration/experimentation by Railways. On its successful completion, Railways will explore the possibility of integrating their module with FCI’s linear programming.

Remarks of office of C&AG on the reply of the Government

Further progress in the matter may be intimated to Audit.

Reply of the Government.

There has been substantial improvement in the movement of foodgrains by rail due to various initiatives taken by the Inter-Ministerial Coordination Committee. So far 34 meetings of inter-Ministerial Coordination Committee have taken place. Meetings of the Inter-Ministerial Coordination Committee are also being held at zonal and regional level. As regards Railways project namely “Trained pipe line management system (TPMS)”, it is under consideration/experimentation by Railways. On its successful completion, Railways will explore the possibility of integrating their module with FCI’s linear programming.”

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)] [O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014]

Recommendation Serial No. 26

Handling Operations

The Committee in their 29th Report have recommended the following with regard to handling operations:-

“Handling-operations in the Corporation are carried out by engagement of labour under various systems adopted by the Corporation at a bipartite settlement with the labour unions. The number of workers was 18,376 under the Departmental System, 28,803 under the direct payment system (DPS) of labour and 6,272 under No Work No Pay (NWNP) system of labour as on 31 March, 2013. The Committee have been informed that FCI is awaiting the approval of the Government on two proposals. One, seeking approval for operating notified depots under NWNP which is reportedly a more effective system. The other, seeking exemption from the Government of India Notification under Contract Labour (R&A) Act 1970 for departmentalization as in the case of the State Governments whose contract workers are doing identical and similar nature of work as that of FCI. The rationale for the latter proposal is stated to be in view of the reported unwillingness of the departmental/DPS labour force to work on overtime beyond office hours, holidays and Sundays resulting in disruption in supply of stocks in some States and the higher cost of such labour as compared to contract workers. The Committee desire that the proposals should be examined and a decision thereon taken expeditiously under intimation to the Committee.”

Reply of the government

The Ministry of Food and Public Distribution (Department of Food and Public Distribution) in their Action Taken Reply on the above Recommendation has stated as follows:

“Matter relating to operating notified depots under No work No pay has been examined in the Department in consultation with IFD, who have conveyed their concurrence to extension of No ‘Work No Pay’(NWNP) to the 7 owned depots namely Buniyadpur (W.B.), Tikamgarh (M.P.), Newari, (M.P.), Harpalpur (M.P.), Meghnagar (M.P.), Budalada (Punjab) and Nasrala (Punjab) on the same terms & conditions as approved by Board of Directors of FCI in its 361st urgent meeting held on 24.01.2014 and as applicable in respect of other 75 depots already under ‘NWNP’. The matter is being submitted for approval of Hon’ble Minister.

Fresh proposal for seeking Exemption from provisions of Section 10 of Contract Labour (R&A) Act 1970 and notifications dated 23.04.2010 & 07.02.2011 for hired godowns and railheads along with Performa for 128 depots has been sent to M/o Labour & Employment for necessary action.

Remarks of office of C&AG on the reply of the Government

The reply is interim in nature. Further progress in case of both the proposals may be intimated.

Reply of the Government.

Matter relating to operating notified depots under No Work No Pay has been examined in the Department in consultation with IFD, who have conveyed their concurrence to extension of 'No Work No Pay' (NWNP) to the 7 owned depots namely Buniyadpur (W.B.), Tikamgar(M.P.), Newari, (M.P.), Harpalpur (M.P.), Meghnagar (M.P.), Budalada (Punjab), and Nasrula (Punjab) on the same terms & conditions as approved by Board of Directors of FCI in its 361st urgent meeting held on 24/1/2014 and as applicable in respect of other 75 depots already under 'NWNP'. The matter is being submitted for approval of the competent authority.

Fresh proposal for seeking Exemption from provisions of Section 10 of Contract Labour (R&A) Act 1970 and notifications dated 23/4/2010 & 7/2/2011 for hired godowns and railheads alongwith proforma for all 226 depots/railheads has been sent to M/o labour & Employment for necessary action.

A meeting of the Central Advisory Contract Labour Board is being held on 31.10.2014 for seeking exemption under section 31 of Cl(R&A) Act, 1970 from the purview of various notifications prohibition employment of contract labour in various jobs of loading/unloading, stacking, destacking, weighment, sweeping and cleaning in the all-226 depots/railheads.

[Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution)][O.M.No-9-3/2012-FC-II (Pt.) Dated 03.11.2014"]

New Delhi,
16 December 2014
25 Arghayana 1936(S)

**Acting Chairperson,
Committee on Public Undertakings.**

COMMITTEE ON PUBLIC UNDERTAKINGS

(2014-2015)

MINUTES OF THE NINTH SITTING OF THE COMMITTEE

The Committee sat on Tuesday, the 16th December 2014 from 1500 hrs to 1535 hrs in Committee Room No. '139', Parliament House Annexe, New Delhi.

PRESENT

Shri Lal Krishna Advani - in the chair

MEMBERS

Lok Sabha

2. Shri Nand Kumar Singh Chauhan
3. Shri Dilipkumar Mansukhlal Gandhi
4. Shri Yogi Aditya Nath
5. Shri Prahlad Patel
6. Shri Ram Sinh Rathwa

Rajya Sabha

7. Shri Majeed Memon
8. Shri Rangasayee Ramakrishna
9. Shri Tapan Kumar Sen

SECRETARIAT

- | | | |
|----|-----------------------|------------------|
| 1. | Smt. Sudesh Luthra | Joint Secretary |
| 2. | Shri M.K. Madhusudhan | Director |
| 3. | Shri Tirthankar Das | Deputy Secretary |

OFFICE OF C&AG

- | | | |
|----|-----------------|-------------------------------------|
| 1. | Shri L.S. Singh | Principal Director (Report Central) |
| 2. | Ms. Suparna Deb | PDCA & Ex-officio, MAB-IV |

2. At the outset, the Chairperson, CoPU stated that since he is also the Chairperson of the High Level Committee on restructuring of Food Corporation of India (FCI), constituted by the Government of India and the matter under consideration of the Committee pertains to same subject i.e. FCI, he would like to dissociate from the deliberations of the Committee on the subject.

(The Chairperson, CoPU then left)

3. Thereafter, the Committee chose Shri Lal Krishna Advani to chair the Sitting as stipulated under Rule 258(3). The Committee then took up for consideration the draft Report on action taken by the Government on the Observations/ Recommendations contained in the Twenty-ninth Report (Fifteenth Lok Sabha) of the Committee on Public Undertakings (2013-14) on Food Corporation of India, partially based on C&AG Report No. 7 of 2013 (Performance Audit) on storage management and movement of food grains in Food Corporation of India. The Committee, after deliberations, adopted the Report without modification.

4. The Committee then authorized the acting Chairperson to finalize the Report on the basis of factual verification, authenticate it and present the same to Parliament as per Direction 71 read with Rule 258(3).

The Committee then adjourned.

APPENDIX - II

(Vide para 3 of the Introduction)

Analysis of the Action Taken by Government on the Observations / Recommendations contained in the Twenty-ninth Report of the Committee on Public Undertakings on “Food Corporation of India partially based on C&AG Report No. 7 of 2013 (Performance Audit) on storage management and movement of food grains in Food Corporation of India”.

I	Total number of Recommendations	26
II	Recommendations that have been accepted by the Government [vide Recommendations at Sl. Nos. 1,3,6,7,8,9,10,11,12, 16,18,20,22,23,24 and 25] Percentage of total	16 61.5%
III	Recommendation which the Committee do not desire to pursue in view of Government's replies [vide Recommendation at Sl. No. 19 and 21] Percentage of total	2 7.7 %
IV	Recommendations in respect of which replies of the Government have not been accepted by the Committee [vide Recommendations at Sl. Nos. 2, 4, 5, 13, 14 and 15] Percentage of total	6 23%
V	Recommendations in respect of which final replies of Government are still awaited. [vide Recommendations at Sl. Nos. 17 and 26] Percentage of total	2 7.7%