

**COMMITTEE ON PUBLIC  
UNDERTAKINGS  
(1981-82)**

(SEVENTH LOK SABHA)

THIRTY-SIXTH REPORT

Action Taken by Government on the recommendations contained in the Twenty-Second Report of the Committee on Public Undertakings (Seventh Lok Sabha).

ON

FOOD CORPORATION OF INDIA

(MINISTRY OF AGRICULTURE—DEPARTMENT  
OF FOOD).

*Presented in Lok Sabha and*

*Laid in Rajya Sabha on*



LOK SABHA SECRETARIAT  
NEW DELHI

March, 1982/Phalgunā, 1903 (Saka)

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Corrigenda  
to

36th Action Taken Report of the Committee  
on Public Undertakings on Food Corporation  
of India

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
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7	31	5	liason	liaison
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## COMMITTEE ON PUBLIC UNDERTAKINGS

(1981-82)

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2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer*
3. Shri S. C. Gupta—*Senior Financial Committee Officer.*

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\*Ceased to be a Member consequent on his appointment as Deputy Minister on 15 January, 1982

**SUB-COMMITTEE ON ACTION TAKEN OF THE COMMITTEE ON  
PUBLIC UNDERTAKINGS**

1. Shri Bansi Lal—*Chairman*
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5. Shri Darur Pullaiah
6. Shri Nagina Rai
7. Shri K. Mamamurthy
8. Shri Lal K. Advani
9. Shri Shrikant Verma

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 36th Report on Action Taken by Government on the recommendations contained in the 22nd Report of the Committee on Public Undertakings (Seventh Lok Sabha) on Food Corporation of India.

2. The 22nd Report of the Committee on Public Undertakings was presented to Lok Sabha on 29 April, 1981. Replies of Government to all the recommendations contained in the Report were received by 26 November 1981. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 4 March, 1982. The Report was finally adopted by the Committee on Public Undertakings on 8 March, 1982.

3. An analysis of the action taken by Government on the recommendations contained in the 22nd Report (1980-81) of the Committee is given in Appendix.

NEW DELHI,

March 12, 1982

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Phalgun, 21 1903 (S)

BANSI LAL,

Chairman

Committee on Public Undertakings.

## CHAPTER I

### REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Twenty-Second Report (Seventh Lok Sabha) of the Committee on Public Undertakings on Food Corporation of India which was presented to Lok Sabha on 29 April, 1981.

2. Action Taken notes have been received from Government in respect of all the 28 recommendations contained in the Report. These have been categorised as follows:—

- (i) *Recommendations/Observations that have been accepted by Government:*

Serial Nos. 1, 3 to 6, 8, 12 to 21 and 23 to 28.

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

Serial Nos. 2 and 22

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

Serial Nos. 7, 9, 10 and 11.

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

Nil.

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

#### **A. Unified institutional arrangement for food-stuff trade in the Public Sector.**

##### **Recommendation (Serial No. 2, Paragraph 1.28)**

3. The Committee had pointed out that there was no unified institutional arrangement for the foodstuff trade in the country. They felt that States ought to be actively involved in the operation of the FCI and recommended that in order to make the operations of the FCI more effective and purposeful, a fresh initiative should be taken by the Central Government to set up



State Food Corporations or the Boards of Management in the States under the FCI as envisaged in the Food Corporations Act, 1964.

4. In their reply the Government have stated, amongst other things, that the Food Corporations Act provides that State Food Corporations may be set up after consultation with the State Governments, and that the State Governments have not shown any interest in setting up of State Food Corporations perhaps because such a Corporation would be functioning more-or-less under the direct control of the Central Government/FCI. Most of the States have set up their own warehousing Corporations/Civil Supplies Corporations and other Co-operative Agencies like MARKFED, NAFED etc. which handle major portion of the procurement operations and at this stage, these states may not like to set up any State Food Corporations. The Boards of Management set up earlier in States like Orissa and Andhra Pradesh had to be discontinued at the request of the State Governments. It has, therefore, not been considered necessary at present to set up such Board of Management.

5. It is unfortunate that the scheme of the Food Corporations Act, 1964 could not be implemented in an integrated manner and the opportunity which was available in the earlier years after the enactment of the Act was lost. The result today is that there is no unified institutional arrangement for foodgrains trade in the public sector in the country. The Committee do not, however, wish to make any further comment at this stage.

### **B. Constitution of Advisory Committees**

#### **Recommendation (Serial No. 3, Paragraph 1.29)**

6. The Committee, while pointing out that there had been no mechanism as envisaged by the FCI Act to make the Corporation continuously responsive to the interests of the producer and consumer, desired that the Central Government should frame suitable rules and see that the apex level Advisory Committee mainly consisting of representatives of the producer and consumer were formed without delay.

7. The Government have stated in their reply that Government may consider setting up of such an Advisory Committee to advise the Central Government on protecting the interests of consumers and producers.

8. The Committee would urge that the Central Government should frame suitable rules in this regard as required under the Act and constitute the Advisory Committee early.

### C. Vacancies on the Board of Directors

#### Recommendation (Serial No. 4, Paragraph 1.30)

9. The Committee noted that the Board of Directors of FCI was without Chairman and six non-official Directors. They desired that an organisation like FCI having huge turnover and operational dimension should not remain without Chairman and a number of Directors for a long time.

10. The Government in their reply have stated that they have noted the recommendation of the Committee.

11. The Committee desire that the vacancies on the Board of Directors of the FCI should be filled up early, if not already done.

### D. Marketable Surplus of Foodgrains

#### Recommendation (Serial No. 7, Paragraph 2.41)

12. The Committee suggested that there should be a scientific system of ascertaining the marketable surplus of wheat and rice and the data should be fairly up-to-date. A comparison of the purchases made by the FCI with the marketable surplus of foodgrains should be given in Annual Reports of the FCI.

13. The Government have stated in their reply that the task of Collection of Market Intelligence is undertaken by the various agencies like the Directorate of Economics and Statistics and Market Intelligence Units of the Central Government in each State, the Directorate of Marketing and Inspection and State Directorates of Food and Civil Supplies. The Directorate of Economics & Statistics does play a role in this but it is mostly upto the State Agencies to collect up-to-date data. It was never the intention that the task of generating or providing statistics on all aspects of Agricultural Marketing should be given to FCI or that FCI may create even for foodgrains, a parallel machinery to obtain the statistics on all vital aspects including marketable surplus. In fact, the activities of monitoring and evaluation of Agricultural Marketing data has been centralised and all statistics on finalisation are released by Directorate of Economics & Statistics on all India and State level basis through their regular Bulletins such as Food Statistics, Indian Agriculture-in-Brief, Bulletins of Market Arrivals etc. According to Government a basis for judging the efficiency of the FCI may be whether it has succeeded in offering Price support. From that point, the record of FCI is creditable.

14. The Committee still feel that the quantum of purchases by the FCI viewed against the marketable surplus of foodgrains is one of the indices of performance of the Corporation and that this should be reflected in the Annual Reports of the Corporation. They, however, wish to clarify that

it was not their intention to make the FCI responsible for collecting from the field and providing statistics on all aspects of agricultural marketing or to create even for foodgrains a parallel machinery to obtain the statistics on all vital aspects including marketable surplus. All that they wanted was that there should be a scientific system of ascertaining the marketable surplus and that the data should be fairly up-to-date.

**E. Need to ensure that the primary producer gets the price.**

**Recommendation (Serial No. 9, Paragraph 2.43)**

15. The Committee expressed their regret that no survey had been conducted to ascertain how far the primary producer got the benefit of the operations of the FCI for his produce. When the purchases were made from the intermediaries it was not ensured that the producer got the price fixed. They desired that it should be ensured by the FCI that the payment for the value at the prescribed rate was made to the producer by the arhtiyas whenever purchases were made through the arhtiyas.

16. The Government have stated in their reply that in order to ensure that Katcha Arhtiyas pay full price to the producer necessary vigilance will have to be exercised by the State Governments who are the agency to implement Market Acts and the Essential Commodities Act. Unless the State Governments made provisions for by-passing the Market Act for direct purchases without recourse to Arhtiyas, it is not possible for FCI to implement the recommendation in question.

17. The Committee desire that there should be at least some sample check by the FCI to ensure that Katcha arhtiyas pay full price to the producer. Since safeguarding the interests of the producer is one of the main objectives of FCI, such checks should be made from time to time with the help of the State Governments if necessary.

**F. Linking of Agricultural credit with price support operation.**

**Recommendation (Serial No. 10, Paragraph 2.44) . . . .**

18. Noting that the experience of the FCI in regard to loans advanced directly to the producer in the past on the security of foodgrains without linking it to the price support was not encouraging, the Committee desired that a beginning should be made at least in the case of small and marginal farmers in concert with the agricultural credit institutions. This according to them would go a long way in obviating distress sales and giving the much needed holding power for the weaker section of the producer.

19. The Government have stated in their reply that the work of linking credit to marketing can probably be done more effectively by State

Organisations who are already implementing a variety of schemes for betterment of small and marginal farmers. It is difficult for an organisation handling buffer stocks to directly enter this area.

**20. The Committee wish to reiterate that a beginning should be made by the FCI to link credit with marketing at least on an experimental basis in concert with the apex level agricultural credit institution, ARDC (NBARD.) The matter may be accordingly re-examined in consultation with the Ministry of Finance.**

#### **G. Tie-up with the Millers for procurement of paddy.**

##### **Recommendation (Sl. No. 11, Paragraph 2.45)**

21. The Committee suggested that in order to avoid double handling gradually there could be a tie-up with the millers in the cooperative or public sector in the matter of procurement under price support operation. The Committee desired that instead of waiting for the millers to come forward, the FCI should take the initiative in this regard. Taking into account the incidental expenses, the percentages of paddy to be delivered as rice could be fixed and the price paid on the basis of the support price for paddy.

22. The Government have stated in their reply that the millers are encouraged to arrange purchases on their own. The State Government issues levy orders under which the miller is required to deliver the quantity of rice specified by the Government and he is free to sell the balance. The paddy which is purchased by the Food Corporation of India and other agencies, is also got milled from the rice millers on contract basis. The out-turn ratio is fixed by the Food Corporation of India as well as by other State agencies and the miller is required to supply rice fixed against this out-turn ratio and the by-products are retained by him.

Gradually millers are being encouraged to buy more and more paddy and pay levy.

**23. The Committee wish to reiterate that there should be gradually a tie-up with the millers in the cooperative and public sector in the matter of procurement of paddy under price support operation on behalf of the FCI unless all such millers are under obligation to make over some rice under levy orders. Whether, in procuring paddy, the millers act on their own or on behalf of the FCI, it should be ensured that they pay not less than the minimum support price to the primary producer.**

**H. Need to minimise the margin between Retail and Issue prices of foodgrains.**

**Recommendation (Serial No. 15, Paragraph 3.46)**

24. The Committee were distressed to note that in some States the retail price fixed by the States for the ultimate sale of foodgrains to the consumer from the Public Distribution System was much higher than the price at which the grains were issued from the Central Pool to the States. In some States the retail price seemed closer to the open market price. The Committee strongly felt that the whole sale and retail margin should be minimum possible. The States should be persuaded to ensure this.

25. The Government have stated in their reply that the Central Government has formed a Group of officers to look into this matter with a view to arriving at broad conclusions regarding limit upto which the State Governments may be allowed to fix the retail prices of foodgrains.

26. The Committee would urge that the group of officers should report early and attempts should be made on the basis of their report to minimise the margin between the issue price and the final retail price of foodgrains.

**J. Control on Pricing and distribution of End Products of Roller Flour Mills.**

**Recommendation (Serial No. 16, Paragraph 3.47)**

27. The Committee expressed surprise that despite substantial issues of wheat from the Central Pool to the Roller Flour Mills, the FCI or the Central Government did not have much of a control on the pricing and distribution of the end products of the Mills, viz. Maida, Suji and Atta. The Committee suggested a critical study of the position to take suitable action to ensure that the consumer actually derived the benefit. If it was not possible to have a strict check on distribution and price of end products, the mills should be charged economic price for wheat supplies.

28. The Government have stated in their reply that the State Governments have been requested to fix ex-mill and retail prices of Maida and Suji, the primary wheat products mostly demanded by the consumers. Most States have in fact fixed these prices and the distribution of these two commodities is largely controlled. A detailed study for fixing the milling margins had been entrusted to Bureau of Industrial Costs & Prices. The questions of prices of resultant atta and bran will be decided after the milling margins are revised. The regulation of prices of wheat products is done under the Essential Commodities Act which is implemented by the State Governments and it is not possible for the FCI to play any effective role in this regard.

29. The Committee would only wish to clarify that according to them it was not the responsibility of the FCI to have a strict check on distribution and price of end-products of the roller flour mills. They, however, note that the State Governments have been requested to fix the retail price of the main products and that the distribution of these products is largely controlled by the States. They trust that the question of prices of atta and bran will also be decided early.

#### **K. Storage to be regarded a distinct activity**

##### **Recommendation (Serial No. 20, Paragraph 4.33)**

30. The Committee suggested that for ensuring a scientific and safe storage of foodgrains and monitoring the utilisation of the godowns as well as undertaking construction/renovation programmes, 'storage' should be treated as a distinct activity of the FCI and it should be put under the charges of a competent and well qualified Executive. He could be a functional Director of the Board of the Corporation.

31. The Government have stated in their reply that at present in the FCI adequate facilities are in existence for ensuring scientific and safe storage of foodgrains and for monitoring the utilization of godown space. The Departments relating to Storage and Quality Control are handled by full Managers and there is also a Chief Traffic Manager with whom close liason is maintained to ensure effective utilization of storage space. The work of coordinating activities in these fields is achieved through Chief Commercial Manager and Managing Director and this system does not appear to call for any change. However, as a part of general study, the question of further restructuring can be re-examined.

32. The Committee trust that the general study of restructuring of the FCI taking into account inter alia their suggestion in regard to 'storage' activity will be undertaken early and appropriate action taken.

#### **L. Economy in the operations of FCI.**

##### **Recommendation (Serial No. 24, Paragraph 5.52)**

33. The Committee had observed that there was scope for reduction in the expenses of FCI through rationalisation of purchases and handling of foodgrains, economisation of administrative overheads and cutting down storage and transit losses. Admittedly there was no in-built compulsion for economy in the operations of FCI. They desired that a system of incentives for economy and disincentives for extravagance should be involved in consultation with the Comptroller and Auditor General of India.

34. In their reply the Ministry have stated that the Corporation has taken and continues to take a number of steps to effect economy in the various items of expenses. Steps being taken should be sufficient and bring in the desired economy. Therefore, there may not be any need to introduce any incentive scheme for effecting economy.

35. The Committee had recommended that a system of incentives for economy and disincentives for extravagance should be evolved in consultation with the Comptroller & Auditor General of India. They, therefore, desire that the C&AG should be consulted before ruling out the need for introducing any incentive scheme for effecting economy in the working of FCI.

## CHAPTER II

### RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### **Recommendation (Serial No. 1, Paragraph No. 1.27)**

The Food Corporations Act, 1964 is a comprehensive piece of Union Legislation on a concurrent subject. The Act provided for the establishment of Food Corporations for the purpose of trading in foodgrains and other foodstuffs. The Act extended to the whole of India. The Food Corporation of India was set up in January, 1965 under the Act. The primary duty of the Corporation was to undertake the purchase, storage, movement, transport, distribution and sale of foodgrains and other foodstuffs. The Corporation was required to act on business principles having regard to the interests of the producer and consumer. The Act enabled setting up of State Food Corporations in consultation with the States. The capital of the State Corporations was to be provided by the Central Government and the Food Corporation of India. The Boards of Directors of the State Corporations were to be appointed by the Food Corporation of India after consultation with the Central Government and State Governments and the Boards were to be guided by such instructions of policy as might be given to them by the Food Corporation of India. The Act also enabled setting up of a Board of Management for a State or two or more contiguous States, having no State Food Corporation. The Board of Management was to advise the Food Corporation of India on matters referred to it and perform such other functions as delegated to it by the Corporation. Thus, the structure of the Act clearly visualises the Food Corporation of India to function either by itself or in combination with the State Food Corporations/Boards of Management, as the sole trader in foodgrains in the public sector. This is necessary to realise the avowed objectives of securing for itself a strategic and commanding position in the foodgrains trade all over the country and of bringing about the much needed discipline in the trade. Unless these are realised neither the interests of the producer nor the interests of the consumer could be served well. Unfortunately, after-examining the working of the Food Corporation of India the Committee are left with an impression that the Corporation as it is structured at present would not be able to make much of an impact.



### Reply of the Government

The primary responsibility of the Food Corporation of India is to procure foodgrains at support price for maintaining the public distributions system and to build up sizeable buffer stocks. Buffer stocks are built up on purchases through price support operations or through various levy orders. Releases are made to State Governments from these stocks according to the needs. The Corporation has by and large, succeeded in carrying out these functions and all steps are being taken to further improve the functioning of the Corporation.

2. The other suggestions made in this observation, have also been raised elsewhere and replied to.

[Department of Food O.M. No. 4(9)/81-FC-II dated 26-11-81]

#### Recommendation (Serial No. 3, Paragraph No. 1.29)

The Act also envisaged constitution of one or more advisory Committees to advise the Central Government or the FCI in regard to any matter connected with the purposes of the Act. Rules providing for the composition of the Advisory Committees and the terms and conditions of service of members thereof, were to be framed by the Central Government. Surprisingly, no such rules have been framed so far. An all India Committee of representatives of the trade in foodgrains set up in December, 1964 was converted as an Advisory Committee for the FCI in October, 1966 much against the wishes of the Corporation. The Advisory Committee consisting mainly of non-official members who represented the trade could not serve the purpose. It was naturally interested in serving the interest of private trade which the Corporation was expected to discipline. The Committee was, therefore, wound up in November, 1968. During the period of 2 years of its existence the Committee held only one meeting. The Corporation goes without an Advisory Committee for more than 12 years now. Thus, there has been no such mechanism as envisaged by the Act to make the Corporation continuously responsive to the interests of the producer and consumer. This shows that the Corporation is not serious to implement the spirit of the Act. The Committee are at loss to understand how an Advisory Committee consisting mainly of traders came to be appointed for two years in the beginning. By no stretch of imagination could it be presumed that the FCI was to serve the interests of the traders. The Committee desire that the Central Government should frame suitable rules and see that the apex level advisory committees mainly consisting of representatives of the producer and consumer are formed without delay.

### Reply of the Government

As already pointed out during evidence before the Committee, the Advisory Committee set up on 1-10-66 did not serve the purpose for

which it was set up. The Committee was, therefore, wound up. No Advisory Committee was thereafter set up under the Food Corporations Act. It may, however, not be correct to state that in the absence of Advisory Committee, the Corporation has not been able to serve the interest of consumers and producers effectively. In fact, the Corporation has a very good record of maintaining excellent relations with various agencies of different State Governments to provide effective assistance to both producers and consumers. Nevertheless, Government may consider setting up of such an Advisory Committee to advise the Central Government on protecting the interests of consumers and producers.

[Department of Food O.M. No. 4(9)/81-FC-II dated 26-11-81]

#### **Comments of the Committee**

Please see paragraph 8 of Chapter I of the Report

#### **Recommendation (Serial No. 4, Paragraph No. 1.30)**

The Board of Directors of the FCI consists of the Chairman and 11 Directors of whom 5 are officials. The Board, however, goes without the Chairman and six non-official Directors whose terms expired in June/September, 1980. The Committee desire that an organisation like FCI having huge turnover and operational dimension should not remain without Chairman and a number of Directors for such a long time. The Board as constituted last did not have on it representatives of the consumers' federation or council. This deficiency should be made good while filling up the vacancies.

#### **Reply of the Government**

Noted. So far as representation of a Consumers' Federation or Council on the Board of Directors of the Food Corporation of India is concerned, FCI is largely managing buffer stocks and assuring supplies of foodgrains in bulk quantities and since retail distribution is mainly in the hands of State Governments, perhaps such representation is not necessary. In any case the Government will keep the recommendation to have a Consumers' representatives in view.

[Department of Food O.M. No. 4(9)/81-FC-II dated 26-11-81]

#### **Comments of the Committee**

Please see paragraph 11 of Chapter I of the Report.

#### **Recommendation (Serial No. 5, Paragraph No. 1.31)**

In the earlier years our country was deficient in foodgrains, but has become by and large self-sufficient in the past 5 years or so. There has,

therefore, been a shift from the compulsory levy to support purchase operations and building up of a buffer stock to take care of cyclical changes. This has thrown up added responsibilities for the FCI. The Committee are inclined to agree with the Managing Director of the Corporation that the role and structure of the Corporation have to be redefined. The Committee, however, note the view of the Secretary, Department of Food, that the Food Corporations Act, 1964, is flexible enough to accommodate the change that has taken place and that no radical restructuring of the Corporation would be needed. Nevertheless the Committee feel that the matter requires serious consideration. The Committee trust that the inadequacies brought out and suggestions given in this report would be the basis for such a consideration by the Government.

### **Reply of the Government**

The position in regard to the various inadequacies brought out and suggestions made by the Committee has been indicated in the relevant replies. As already explained by the Department, the existing provisions of the Food Corporations Act, 1964 are flexible enough to accommodate the changing role of the Corporation. If, however, at any stage, it is found that the existing provisions stand in the way of the proper functioning of the Corporation in regard to the changing role, changes in the Act as may be considered necessary could be made.

(Department of Food O.M. No. 4(9)/81-FC-II dated 26-11-81)

### **Recommendation (Serial No. 6, Paragraph No. 2.40)**

As stated earlier there is no uniform purchase policy or programme in the various States. The Committee regret to hear from the Managing Director, FCI that no initiative was taken by the Corporation to bring about uniformity. In some States the Corporation is the sole purchasing agency, in some, it acts through State Agencies and in some it acts along with others, while in some other States it does not make any purchase at all. The procurement policies and arrangements not only differ from State to State but in each State these also differ from time to time. On account of the fluctuations and uncertainties the Corporation is evidently not in a position to plan ahead and make suitable administrative arrangements for its operations, which have now become enlarged. If only the State Food Corporations/Boards of Management were formed as contemplated in the Food Corporations Act, this difficulty would not have been encountered.

### Reply of the Government

Food is a concurrent subject and the manner of procurement and distribution in each State is decided largely by the level of agriculture, quantum of surplus and the commitment for distribution. While the Government of India draws up general guidelines with the overall national objectives in view, the details of procurement and the distribution have necessarily to be left with the State Government for decision. Efforts shall, however, be continued to be made to coordinate actions of various State Governments in order to arrive at uniform policy as far as possible. Wherever the State Governments have set up their own Civil Supplies Corporation, special efforts will be made to see whether through this organisation greater implementation of procurement policy is possible and whether procurement laws can be made uniform.

(Department of Food O.M. No. 4(9)81-FC-II dated 26-11-81)

#### Recommendation (Serial No. 8, Paragraph 2.42)

The quantum of the purchase does not impress the Committee. Although the whole of the wheat and a large part of rice procured was under the price support operation, regrettably, the direct purchases from the producer were negligible. The purchases through farmers' cooperatives during the last three years was than 30 per cent of the total purchases in the case of wheat, whereas it was negligibly small in the case of paddy. During the current year there has been some improvement inasmuch as 7.5 lakh tonnes of paddy was procured from farmers' cooperatives. The Committee need hardly point out that greater efforts are needed to go in for more of direct procurement from the producer or from producer cooperatives rather than through intermediaries so that the benefit could reach the producer fully.

### Reply of the Government

The Food Corporation of India, as one of the procuring agencies, procuring foodgrains on behalf of the Government of India and the State Governments has necessarily to adopt the procedure laid down by the respective State Governments for procurement of foodgrains. While the aim of the FCI is to purchase from the farmers directly, it has to function within the present marketing framework evolved by the State Government. The Food Corporation of India is following the instructions of the Government that progressively intermediaries, between the producers and the public agencies purchasing foodgrains for the Government, should be eliminated. Progress in this regard depends mainly on the State Governments who decide the policy. In U.P. for instance most of wheat is purchased directly from farmers.

(Department of Food O.M. No. 4(9)81-FC-II dated 26-11-81)

**Recommendation (Serial No. 12, Paragraph 3.43)**

Till 1975-76 targets were fixed by Government for the purpose of procurement under compulsory levy. After switching over to minimum support approach consequent on enhanced production and availability of foodgrains targets became irrelevant. The Committee presume that the FCI is committed to purchasing all the grains offered at the minimum price fixed. The purchase arrangements thus need a change if the producer is to be assured of minimum price. The buffer stocks to be maintained by the Corporation also demand suitable storage capacity and scientific preservation techniques being employed. The Committee trust that the FCI would measure up to the new challenges.

**Reply of the Government**

Noted.

(Department of Food O.M. No. 4(9)/81-FC-II dated 26-11-81)

**Recommendation (Serial No. 13, Paragraph 3.44)**

The annual level of buffer and operational stocks varied from 77.24 lakh tonnes to 110.80 lakh tonnes and from 32.88 lakh tonnes to 43.25 lakh tonnes respectively during the years 1977-80. The Corporation mainly arranges issue of foodgrains for the Public Distribution System and of wheat to the Roller Flour Mills as per allocations made by the Government. The Committee note that some times stocks are held for 4 years and even longer. In view of heavy carrying cost of stocks, the Committee suggest that where the buffer stocks are held beyond a reasonable level the excess could be disposed of by the sale in the open market or the issue price for the Public Distribution System slightly lowered so that off-take can be more. Having regard to all relevant factors the level of buffer stocks should be carefully determined from time to time. The economics of holding excessive stock vis-a-vis the course suggested by the Committee should be worked out and suitable action taken on that basis from time to time.

**Reply of the Government**

The Corporation has been holding buffer reserves in addition to the operational stocks required for the maintenance of the Public Distribution System as directed by the Government from time to time. At present the buffer reserve that is to be kept by the Food Corporation of India is 12 million tonnes. The matter regarding revision of buffer level to 15 million tonnes is under consideration. A decision on the size of buffer stock is taken after examining all aspects including the economics of holding stocks

in excess of immediate requirements. At present the stocks available with Corporation are not in excess of our normal needs and the suggestion regarding downward revision of issue prices is not of relevance.

(Department of Food O.M.No. 4(9)/81-FC-II dated 26-11-81)

#### **Recommendation (Serial No. 14, Paragraph 3.45)**

At present Internal distribution of foodgrains issued from the Central Pool is regarded as the responsibility of the States. The FCI, however, undertakes distribution as wholesale selling agents in West Bengal, Andhra Pradesh, Madhya Pradesh, Rajasthan and Kerala. In certain places, the Corporation undertakes retail distribution to the fair price shops also. The Committee feel that in view of the commitment of the FCI to serve the interests of the consumer it could undertake the distribution function fully if only there could be a network of State Food Corporations/State Boards of Management as contemplated by the Act. Till such a net work is developed, it is prudent for the Corporation to confine itself to the procurement for the Central Pool and issue to the States leaving it to them to organise the distribution.

#### **Reply of the Government**

The Corporation has already approached the State Governments concerned requesting them to take over the retail distribution of foodgrains in their States. Government of Rajasthan and Uttar Pradesh have already taken over this work from FCI with effect from 1st April, 1981.

(Department of Food O.M.No. 4(9)/81-FC-II dated 26-11-81)

#### **Recommendation (Serial No. 15, Paragraph 3.46)**

The Committee are distressed to note that in some States the retail price fixed by the States for the ultimate sale of foodgrains to the consumer from the Public Distribution System is much higher than the price at which the grains are issued from the Central Pool to the States. The difference was as high as Rs. 19 in Orissa, Rs. 15 in West Bengal, Rs. 13 in Andhra Pradesh and Rs. 11 in Rajasthan per quintal of wheat and Rs. 28 in Orissa, Rs. 20 in Gujarat, Rs. 19 in West Bengal and Rs. 15 in U.P. per quintal of rice. In some States the retail price seems closer to the open market price allowing for the quality variations. The Committee have been informed that neither the FCI nor the Central Government has control over the retail price fixed by the States. The attempts of the Government to bring about certain homogeneity if not uniformity and to peg the margin between the issue price and the retail price down to Rs. 10 seem to have failed. Thus, although the procurement price and issue price of Central Pool are uniform there is wide disparity in the final retail price that the consumer pays.

It cannot, therefore, be claimed that the operation of the FCI fully services the interests of the consumers. It is very unfortunate that the consumer subsidy of the order of Rs. 300 crores and the buffer stock carrying cost of about Rs. 260 crores paid annually from the Central Exchequer did not achieve the purpose. The Committee strongly feel that the whole sale and retail margin should be minimum possible. The States should be persuaded to ensure this.

### **Reply of the Government**

The Central Government has formed a Group of officers to look into this matter with a view to arriving at broad conclusions regarding limit upto which the State Governments may be allowed to fix the retail prices of food-grains.

[Department of Food O.M. No. 4(9)/81-FC-II dated 26-11-81]

### **Comments of the Committee**

(Please see paragraph 26 of Chapter I of Report)

### **Recommendation Serial No. 16, (Paragraph No. 3.47)**

The Roller Flour Mills in all the States are given separate allotments of wheat from the Central Pool stock held by the FCI. The annual off take by the mills ranged from 27 lakh tonnes to 36 lakh tonnes during the period 1977—80. This worked out to about 40 to 50 per cent of the total issues of wheat from the Central Pool. Despite such substantial issues to the mills, it is surprising that FCI or the Central Govt. does not have much of a control on the pricing and distribution of the end products of the mills, viz. Maida, Suji and Atta. It should be noted that wheat is issued at a subsidised price and the Central Govt. bears the subsidy. It is common knowledge that the benefit of the subsidy goes largely to the mills rather than to the consumer for whom it is meant. The Committee would, therefore, suggest a critical study of the position to take suitable action to ensure that the consumer actually derived the benefit. Further, it should be made a rule that if the mills wanted to buy from the FCI, they must buy for all requirements from the Corporation only so that no alibi could be given for charging higher prices for the end products and rigid control could be exercised on their distribution and price. Such a control is necessary in the prevailing situation. The Committee welcome the recent decision of the Govt. to charge Rs. 10 more to the flour mills for the supply of wheat to them. If it is not possible to have a strict check on distribution and price of end products the mills should be charged economic price for wheat supplies.

### **Reply of the Government**

At present, Roller Flour Mills are not allowed to purchase wheat from the Open Market. There has also been a control on the prices of the products produced by the Roller Flour Mills. The State Govts. have been requested to fix ex-mill and retail prices of Maida and Suji, the primary wheat products mostly demanded by the Consumers. Most States have in fact fixed these prices and the distribution of these two commodities is largely controlled. A detailed study for fixing the milling margins had been entrusted to Bureau of Industrial Costs & Prices. The question of prices of resultant atta and bran will be decided after the milling margins are revised. The regulation of prices of wheat products is done under the Essential Commodities Act which is implemented by the State Govts. and it is not possible for the FCI to play any effective role in this regard.

[Department of Food O.M. No. 4(9)/81-FC-II dated 26-11-81]

### **Comments of the Committee**

(Please see paragraph 29 of Chapter I of the Report)

### **Recommendation, Serial No. 17 (Paragraph No. 4.30)**

Storage of foodgrains has assumed enormous importance in the context of the enhanced agricultural production in recent years and the need to maintain huge buffer stocks for balancing the supply without being affected by the level of production which still largely depends on the vagaries of the weather. Though there is adequate storage space available at present, a large part of it is hired. As the cost of hiring is stated to be higher than that of owned accommodation, it is necessary to relinquish the hired private accommodation. The Committee, however, note that the construction of godowns by the FCI is proceeding at a slow pace. This should be speeded up. Incidentally, the Committee desire that in future godowns should be constructed as far as possible at the rail heads so that railway wagons could be moved through sidings to the godowns and handling operations could go on under all conditions of weather.

### **Reply of the Government**

Efforts are already being made by the Food Corporation to dehire/release the surplus capacity hired from various sources where no guarantees are involved. During the year 1979-80 and 1980-81 (upto November, 1980) 1.59 lakh tonnes covered space and 3.63 lakh tonnes of open space has been dehired. A decision has also been taken with regard to the godowns hired under guarantee scheme that extension of guarantee will be



given only after a detailed analysis of the Corporation's interest with particular regard to the extent of utilisation and the prospect of storage adequacy or inadequacy in the particular locality in the years to come. It is also now the policy of the Corporation to set up rail-fed depots as far as practicable. All large depots under construction and the future ones proposed are planned accordingly.

During the last five years, i.e., from 1-4-75, to 31-3-80, the Food Corporation has constructed an additional covered storage capacity of 22.08 lakh tonnes. The Corporation plans to add a capacity of 35.60 lakh tonnes during the Sixth Five Year Plan period.

[Department of Food, O.M. No. 4(9)/81-FC-II, dated 26-11-81]

### **Recommendation Serial No. 18, (Paragraph No. 4.31)**

The average utilisation of storage space was as low as 70.4 per cent during 1979-80. This had undoubtedly caused an avoidable increase in the overhead costs of the Corporation. Storage losses touched an all time high of 2.03 lakh tonnes valued at Rs. 31.51 crores during the year 1979-80. A number of cases of theft and misappropriation have also been reported. The Committee desire that proper precaution should be taken against losses and damages and the stock should invariably be held in covered accommodation and well guarded.

### **Reply of the Government.**

The Corporation has to plan in advance the storage capacity for procurement operations taking into account the estimated procurement in Kharif and Rabi Seasons. The utilization of storage capacity, both owned and hired, depends to a great extent on the availability of stocks at different places, which is linked with the procurement and distribution policy of both the Govt. of India and the State Governments, availability of infrastructure like transport, labour etc. The Corporation has to maintain adequate storage capacity in various places not only for catering to the Public Distribution System but also for maintaining buffer stocks. Often the source of supply of grain is also relevant as for instance ports or surplus States in the interior. It is not always possible to utilise full capacity at such sources although godowns have to be kept.

It has to be remembered that during 1979-80 due to drought, the Kharif procurement was somewhat lower and drawals from godowns of

FCI were very heavy. Therefore, the capacity utilisation went down to 70.4 per cent.

The Corporation has been keeping the stocks of foodgrains as far as possible in the covered accommodations. However, operationally it becomes necessary to keep certain stocks like Paddy (which can withstand open storage) in open storage. The FCI nevertheless is already taking measures to gradually dispense with CAP Storage.

The Corporation had to dispose of during 1979-80, the vast quantities of wheat, imported and indigenous, lying in various CAP Storages since 1976-77. Consequently, the storage loss revealed during 1979-80 was much more. Overall shortage of stocks during that year was 1.9 per cent which is considered reasonable. Regarding thefts and pilferages, the Corporation has strengthened both its security wing and vigilance machinery. The Corporation is taking all possible steps to reduce the incidence of storage shortages.

[Department of Food, O.M. No. 4(9)/81-FC-II dated 26-11-81]

#### **Recommendation, Serial No. 19 (Paragraph No. 4.32)**

There is reportedly imbalance in the availability of storage space. The FCI has storage spaces at places more than what is needed and at other places inadequate space. This imbalance should be corrected early on a planned basis under a time bound programme. This again is tied up with the question of uniformity in procurement policies and distribution arrangements in all the States.

#### **Reply of the Government**

Noted. In the very nature of things when the provisions of storage space in different areas is dependent not only the requirements of public distribution system but also on the levels of procurement and movement, there are bound to be certain imbalances when the various factors governing provision of the storage space vary from time to time. Nevertheless as far as is practicable, the Corporation will make all efforts to correct the imbalances in the storage availability.

(Department of Food, O.M. No. 4(9)/81-FC-II, dated 26-11-81)

### **Recommendation (Serial No. 20, Paragraph No. 4.33)**

The Committee would suggest that for ensuring a scientific and safe storage of foodgrains and monitoring the utilisation of the godowns as well as undertaking construction/renovation programmes, 'storage' should be treated as a distinct activity of the FCI and it should be put under the charges of a competent and well qualified Executive. He could be a functional Director of the Board of the Corporation.

### **Reply of the Government**

It is felt that at present in the FCI adequate facilities are in existence for ensuring scientific and safe storage of foodgrains and for monitoring the utilization of godown space. The Departments relating to Storage and Quality Control are handled by full Managers and there is also a Chief Traffic Manager with whom close liaison is maintained to ensure effective utilization of storage space. The work of coordinating activities in these fields is achieved through Chief Commercial Manager and Managing Director and this system does not appear to call for any change. However, as a part of general study, the question of further restructuring can be re-examined.

[Department of Food, O.M. No. 4(9)/81-FC-II dated 26-11-81]

### **Comments of the Committee**

(Please see paragraph 32 of Chapter I of the Report).

### **Recommendation (Serial No. 21, Paragraph No. 5.49)**

The important social obligation of the FCI is to protect the producer and the consumer from exploitation by the trader. The index of efficiency of the Corporation is the extent to which this obligation has been discharged by it. It is not exactly an edifying spectacle that has emerged out of the examination of the Committee. However, it is equally important to ensure the cost efficiency of the Corporation as the overhead expenses of the Corporation is borne ultimately by the tax payer. The difference between the final cost of foodgrains to the Corporation and the issue price is reimbursed by the Central Government as consumer subsidy. The carrying charges of the buffer stocks are also reimbursed fully by the Government. The total payment was of the order of Rs. 589 crores representing Rs. 324 crores of consumer subsidy and Rs. 265 crores of carrying cost of buffer stocks during 1979-80. The consumer subsidy per quintal of wheat was Rs. 28.14 and of rice was Rs. 17.71. The carrying cost of buffer stocks was Rs. 25.77. The Committee are concerned that the cost per quintal including the cost of retail distribution appears

to exceed 75 per cent of the price paid to the producer. A large part of it is subsidised by the Central Government. Yet the consumer has to pay a heavy price.

### **Reply of the Government**

The observation has been noted. As explained elsewhere, the Corporation has no control on the retail price for consumers. The charges incurred by the Corporation in maintaining the Public Distribution System and the buffer stocks are also largely statutory. Constant attention is however being paid to such items of cost as are capable of control. The overall distribution expenses of the FCI have been ranging between 16 per cent to 19 per cent of the acquisition cost, which appear to be reasonable.

(Department of Food O.M. No. 4(9)/81-FC-II dated 26-11-81)

### **Recommendation (Serial No. 23, Paragraph No. 5.51)**

As mentioned earlier in this report, the FCI uses the agency of the States for procurement. There is stated to be a difference of about Rs. 2/- between the procurement cost of the FCI and that of the States, the former being lower. There is scope for reduction in the expenses incurred by the States on behalf of the FCI and which are reimbursed in full. The Committee feel that either these should be reimbursed at a fixed rate per quintal or limited to the average cost of the FCI. The State-wise position may be analysed and appropriate action taken in consultation with the State concerned.

### **Reply of the Government**

It is not that the FCI uses the agency of the State Government for procurement. The State Governments decide the agencies through whom the procurement is to be made in their States. The procurement procedure is also decided by them. The payment is made by the FCI on the quantities procured by the State agencies and handed over to them as per their cost. The procuring agencies cannot be allowed to incur loss on account of procurement of foodgrains. As explained earlier, the difference of Rs. 2/- per quintal is on account of variation in the rates of labour contract, internal movement charges, etc. Some variation was also due to the areas/mandis from where the procurement was made by the Corporation as compared to the State Government agencies. It will not be possible to reimburse the cost to the State Governments at any fixed rate or at the average cost of FCI as the charges vary from State to State. However, every effort is made to ensure that the procurement cost of the State Government is kept within reasonable limits.

(Department of Food O.M.No. 4(9)/81-FC-II dated 26-11-81)

### **Recommendation (Serial No. 24, (Paragraph No. 5.52)**

There is also scope for reduction in the expenses of the FCI through rationalisation of purchase and handling of foodgrains, economising on administrative overheads and cutting down storage and transit losses. The Committee suggest that instructions recently issued to the Corporation in the matter of claiming consumer subsidy and reimbursement of carrying cost of buffer stocks should be rigidly enforced. Admittedly, at present there is no inbuilt compulsion for economy in the operations of the FCI. A system of incentives for economy and disincentives for extravagance should be evolved in consultation with the Comptroller and Auditor General of India. The Committee expect the FCI to function truly on business principles as laid down in the Act. Incidentally, the Committee suggest that the handling contracts should be taken out of private hands and entrusted to labour cooperatives failing which the work should be either departmentalised or a system of direct payment to the labourers introduced. The Committee are not in Favour of private intermediaries.

### **Reply of the Government**

The organisational set up and the working of the Corporation are reviewed not only by the management of the Corporation but also by the Government with a view to effecting such improvement and economies as are possible. The costs incurred for handling foodgrains for the Public Distribution System broadly comprise the procurement incidentals to be borne at the time of procurement, distribution incidentals incurred on movement, storage & distribution of grains. The Corporation is also maintaining buffer stocks of foodgrains and incurs the carrying charges on them.

The procurement incidentals mainly comprise the mandi charges, including market fee, commission to Kutcha Arhtiyas etc. mandi labour, forwarding charges, internal movement, temporary, storage, State Government administrative charges, purchases/sales tax, gunny cost etc. These charges are mostly paid by the Corporation at the rates fixed by the Government of India, to the State Governments and their agencies as the bulk of the procurement is made by them. Even otherwise *most of these charges are either statutory or obligatory in nature and there is practically no scope for effecting economy in them by the Corporation on its own.* The distribution incidentals incurred on the movement, storage and distribution operations mainly comprise the transportation cost, interest charges, godown rent, handling expenses incurred at the time of the receipt and issues of foodgrains, administrative cost and the storage and transit shortages. Here again a large portion of the charges are obligatory or unavoidable and the scope or extent of bringing about a reduction is limited. Over

the last few years, these charges have been maintained by the Corporation between 16 per cent to 19 per cent of the acquisition cost.

It is admitted that there is some limited scope for control over the grain shortages and the administrative overheads. The grain shortages incurred by the Corporation are about 1 per cent to 1.9 per cent of the purchases and sales over the last few years and the administrative overheads of the Corporation are about 2 per cent of the acquisition cost.

The Corporation has taken and continues to take a number of steps to effect economy in the various items of expenses. Some important steps taken by the Corporation to effect economies are imposition of ban on the creation of new posts as well as recruitment at the entry levels. All the vacant posts in Category IV have been abolished. The norms for staff in the storage depots have been scaled down after an examination by a Departmental Committee. Strict instructions have been issued for manning new depots and new purchase centres for procurement by internal adjustments. A ban on overtime work is imposed in all the offices and no overtime work is allowed except for operational and other unavoidable exigencies. The procedure for the reimbursement of medical expenses have been streamlined and tightened. Orders have also been issued to limit the expenditure on promotional advertisements, telephone and stationery. System of reporting the details of the actual expenditure incurred every month by the regions/zones has been introduced and a close watch is kept on the trend of expenditure.

Efforts have also been made to improve upon the Management practices to avoid transit losses. Special squads have been created for making surprise checks at the loading/unloading points and also at vulnerable points to ensure that not only existing instructions and procedures are followed by the field staff but also to check malpractices/pilferages etc. At the purchase points, the stock are purchased at cent per cent weightment for which payment is released. Steps being taken should be sufficient to bring in the desired economy. Therefore there may not be any need to introduce any incentive scheme for effecting economy.

The Corporation has been encouraging workers to form cooperative societies and have been awarding contracts to such labour cooperatives on preferential basis by allowing the following relaxations in keeping with the policy to eliminate the private middleman:—

- (i) Exemption from furnishing earnest money with the tender.
- (ii) Payment of the entire amount of security deposit by the deduction from the admitted bills instead of making deposit partly in lump-sum and partly by deduction from bills.

- (iii) If the tender of the Cooperative labour society is not the lowest, we make counter offer to it to accept the lowest acceptable rate tendered by any other party. The Corporation will ensure that the labour cooperative societies as and when these are formed will be given the above preferential treatment to encourage labour cooperatives for handling and transport work as desired by the Committee.

As an experiment the Corporation had departmentalised labour at several storage complexes. But the experience of the Corporation on departmentalisation of labour has been that it had led to indiscipline, defying of working norms and other instructions of the Management which has resulted in (i) enormous increase in the labour cost of FCI adding to the handling cost directly; (ii) abnormally low output in most of the depots; and (iii) high proportion of idle labour. They have, therefore, decided not to introduce departmentalisation of labour in depots any further. Under the Direct Payment System also the general experience has been that there is no discipline. There were instances when the labourers under the Direct Payment System refused to carry out the instructions of the Depot Incharge and worked according to their own convenience, resulting in dislocation of normal operations. On a comparative study made of the cost of handling, it has been found that the cost of handling under departmental system and under Direct Payment System has been much higher than under the contract labour system.

The Corporation will, however, endeavour to further encourage workers to form cooperative societies and offer them various concession so that they can function as handling and transport contractors.

(Department of Food O.M.No. 4(9)/81-FC-II dated 26-11-81)

### **Comments of the Committee**

#### **Recommendation (Serial No. 25, Paragraph No. 6.27)**

The operations of the FCI fall into three categories viz, Central, State and Commercial Operations. As already observed by the Committee, on the Central Operations there is scope for either loss nor gain, the difference between the cost of sales and issue price for the public distribution system as well as the actual carrying cost of buffer stock being fully reimbursed by the Government. Though overall there is no loss on the other two operations, the FCI has incurred losses on its operations on behalf of a few States and on the supply of pulses, gram, gram products and animal food to the Army Purchase Organisation. Some of the process plants operated

by the Corporation have also disclosed losses. Such losses should not normally arise. The Committee desire that in future the financial results of the three operations should be clearly brought out in the Annual/Reports of the Corporation.

### **REPLY OF THE GOVERNMENT**

Noted.

(Department of Food O.M.No. 4(9)/81-FC-II dated 26-11-81)

#### **Recommendation (Serial No. 26 Paragraph No. 6.28)**

The Committee would like to make a mention of the working of the 25 Modern Rice Mills run by the FCI. The Capital cost of the mills was Rs. 483.27 lakhs. The utilisation of these mills during 1977-78, 1978-79 and 1979-80 was only to the extent of 24 to 44 per cent of the substantially derated capacity. These mills have incurred losses of the order of Rs. 69.53 lakhs during this period.

The Committee desire that the scheme of setting up of the rice mills and the operation of scheme should be investigated to see whether there was anything conceptually wrong with the scheme as such and if not what ails these mills. On the basis of the findings appropriate action should be taken.

#### **Reply of the Government**

Basically there is nothing conceptually wrong with the scheme of setting up of Modern Rice Mills. Problems arose in the operation of the mills due to various factors like power cut, labour problems etc. at the State level some of which are beyond the control of the FCI. All possible steps are being taken to improve the working of the mills. State Governments have been addressed to restore the power supply to the mills. Besides a plan of action to improve the performance of the mills is under active consideration of the Corporation.

(Department of Food O.M. No. 4(9)/81-FC. II dated 26.11.81)

#### **Recommendation (Serial No. 27, Paragraph No. 6.29)**

The bank overdraft was of the order of Rs. 2033.58 crores as at the end of March, 1980. The Committee have indicated earlier, the steps that could be taken to improve the ways and means position and reduce the cash credit. It is a matter of concern that the outstanding dues to the Corporation were Rs. 452.57 crores of which Rs. 183.73 crores were more than six months old. There should be stricter credit control.



### Reply of the Government

Noted. The Corporation has already got a scientific Cash Management system under which the cash realisations/receipt are credited to the various bank accounts then and there and are transferred on the same day to the various zonal cash credit accounts. The borrowings are made to the extent of the stocks purchased and the question of keeping unutilised cash resources at any point of time does not arise.

The bank overdraft as on 31-3-1981 was of the order of Rs. 1122.43 crores only against Rs. 2033.58 crores as on 31.3.1980. As regards outstandings, it is estimated that they would be less than Rs. 220 crores as on 31.3.1981 (the precise figures will be available after the accounts are audited) against the figures of Rs. 452.27 crores as on 31.3.1980.

(Department of Food O.M. No. 4(9)/81-FC, H dated 26.11.81)

### Recommendation (Serial No. 28, Paragraph No. 6.30)

There has been undue delay in presenting of Annual Reports of the Corporation to Parliament. The reports for the years 1978-79 and 1979-80 have not yet been presented until January, 1981. Such delays should be avoided in future. Parliament, which authorises subsidies of the order of Rs. 600 crores annually, would expect the accounts of FCI in time. The Committee would suggest that Government might consider an amendment to the Food Corporation Act to make it incumbent on the Corporation to finalise the accounts and get them audited within 6 months of the close of a financial year as in the case of a Government company.

### Reply of the Government

The Accounts of the Corporation for the years 1978-79 and 1979-80 have since been laid before the Parliament. The Corporation has a vast net-work of Food Storage Depots and District Offices spread all over the country. The Corporation moves millions of tonnes of foodgrains from surplus States to deficit States involving a very large number of transactions. The task of linking of despatches with the receipt is also a time consuming process. The various stages to be followed for finalisation of the accounts are time consuming. To finalise the accounts each year, the statutory audit is initiated at the District level followed by Audit of Regional Consolidated Accounts. In addition to statutory auditors, C&AG Auditors take up the audit and issue their audit report. It is ensured that audit objections of Statutory Auditors and C&AG are met as far as possible and adjustment carried out before finalisation of the accounts. In spite of all the constraints, the Corporation would make strenuous efforts to ensure that the accounts are finalised in time.

Even though there is no provision in the Food Corporations Act, 1964, specifying the time limit for laying of Annual Reports of the Corporation as per the recommendations of the Parliamentary Committee on Papers laid on the Table of the Sabha, such reports are to be laid within a period of 9 months from the close of the accounting year. In case of Government Companies also, the report is to be laid in the Parliament within this period. If the annual report cannot be laid within this period a statement explaining reasons why it could not be laid within this period has to be laid. Making any provision in the Food Corporations Act, 1964 as suggested will not in any way change this position. In view of this, it is not considered necessary to amend the Food Corporations Act, 1964 for this purpose.

(Department of Food O.M. No. 4(9)/81-FC, II dated 26.11.81)

## CHAPTER III

### RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENTS REPLIES

#### **Recommendation Sl. No. 2 (Para No. 1.28)**

In none of the States, the State Food Corporation has been set up so far. The Boards of Management set up in 1967-68 in two States, viz. Andhra Pradesh and Orissa were abolished in 1972 and 1976, respectively. Some of the States have set up their own Food Corporation, Warehousing Corporations, Agro Industries Corporation, Civil Supplies Corporations etc. to handle the business. Thus, there is at present no unified institutional arrangement for the foodstuff trade in the country. The policies differ from State to State. An idea of extent to which the overall interests of the producer and consumer has suffered could be had from the succeeding sections of this Report. The Committee feel that the States ought to be actively involved in the operation of the FCI. In order to make the operations of the FCI more effective and purpose-full a fresh initiative should be taken by the Central Government to set up the State Food Corporations or the Boards of Management in the States.

#### **Reply of the Government**

The Food Corporations Act provides that State Food Corporation may be set up by the Government after consultation with the State Governments. The Act also envisages that if no State Food Corporation is functioning Board of Management may be set up for such State or States on a request received in this behalf from the concerned State Government or Governments or otherwise.

The State Governments have not shown any interest in setting up of State Food Corporations perhaps because such a Corporation will be functioning more or less under the direct control of the Central Govt./FCI. Most of the States have set up their own Warehousing Corporations|Civil Supplies Corporation and other Cooperative agencies like MARKFED, NEFED etc. which handle major portion of the procurement operations and at this stage, these States may not like to set up any State Food Corporations.

The Boards of Management set up earlier in States like Orissa and Andhra Pradesh had to be discontinued at the request of the State Govts. It has, therefore not been considered necessary at present to set up such Boards of Management.

[Department of Food O.M.No. 4(9)/81-FC-II dated 26-11-81]

### Comments of the Committee

Please see Paragraph 5 of Chapter I of the Report.

### Recommendation SI No. 22 (Para No. 5.50)

What is new entirely procured under price support operation. The procurement incidentals of the FCI jumped from Rs. 8.95 in 1974-75 to Rs. 20.34 in 1979-80. The Committee has been informed that the cost was less when the procurement was largely made through traders levy. For levy stocks collected by the State and surrendered to the Central Pool during 1974-75, mandi charges, establishment cost, interest charges and purchase tax were not payable. The Committee note that there is a tendency on the part of the surplus States to impose a variety of fiscal levies in the shape of mandi charges, market fee and sales/purchase tax which load the procurement cost. These vary from State to State. An Expert Committee set up by the Central Government had *inter-alia* recommended that the mandi charges be fixed not *ad-valorem* but as a specific rate per quintal, that the market fee and Katcha Artiyas' commission be fixed at a level not higher than Re. 1/-per quintal and that the purchases/sales tax be reduced from 4 per cent to 2 per cent. The Committee desire that these should be considered for securing the consent of the State in the overall interest of the consumer.

### Reply of the Government

As the mandi charges and the Katcha Artiyas commission are fixed by the State Governments, the concerned State Governments were approached in the matter. They, however, did not agree to reduce these charges. They were also not agreeable to fix these charges on per quintal basis. The Ministry of Finance was approached in regard to purchase/sales tax who did not find it feasible to reduce this tax from 4 per cent to 2 per cent.

[Department of Food O.M. No. 4(9)/81-FC. II dated 26-11-81]

## CHAPTER IV

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

#### **Recommendation (Sl. No. 7, Para No. 2.41)**

The annual purchases of wheat, rice and coarse-grains by the FCI were between 81 lakh tonnes and 115 lakh tonnes during the period 1975—80 and it was between 8 to 12 per cent of the total production. The Corporation was not aware of the extent of the marketable surplus during these years. However, according to the Secretary, Department of Food the arrivals in the market were 31 per cent of production for wheat and 27 per cent for rice in 1976-77. Relying on this statistics he claimed that excluding coarse grains, the purchase of which was not significant, more than half of the marketable surplus of wheat and rice was purchased. The Committee suggest that there should be a scientific system of ascertaining the surplus and the data should be fairly up-to-date. A comparison of the purchases with the marketable surplus should be given in Annual Reports of the FCI. It is necessary for the Corporation to have a decisive intervention in the trading of foodgrains by stepping up the level of purchases.

#### **Reply of the Government**

The task of collection of Market Intelligence is undertaken by the various agencies like the Directorate of Economics and Statistics and Market Intelligence Units of the Central Government in each State, the Directorate of Marketing and Inspection and State Directorates of Food and Supplies. The Directorate of Economics & Statistics does not play a role in this but it is mostly upto the State Agencies to collect upto-date data. It was never the intention that the task of generating or providing statistics on all aspects of Agricultural Marketing should be given to FCI or that FCI may create even for foodgrains, a parallel machinery to obtain the statistics on all vital aspects including marketable surplus. In fact, the activities of monitoring and evaluation of Agricultural Marketing data has been centralised and all statistics on finalisation are released by Directorate of Economics & Statistics on all India and State level basis through their regular Bulletins such as Food Statistics, Indian Agriculture-In-Brief, Bulletins of Market Arrivals etc.

2. As regards purchase of marketable surplus, it has to be kept in mind that purchases are to be made either to provide price support to the producers or by way of legal compulsion as for instance a levy. In the former case one of the basis for judging the efficiency of the FCI may be whether they have succeeded in offering price support. From that point, the record of FCI is creditable. As regards purchases through system of levy etc. the leverage available to the FCI is limited because the powers to implement levy orders effectively rest entirely with the State Governments and the FCI only receives the foodgrains offered.

(Department of Food O.M. No. 4(9)/81-FC, II dated 26.11.81)

### Comments of the Committee

(Please see Paragraph 14 of the Chapter I of the Report)

### Recommendation (Serial No. 9, Paragraph 2.43)

The Committee are anxious to see that the producer actually gets the minimum support price for his produce. They regret that no survey has been conducted to ascertain how far the primary producer got the benefit of the operations of the FCI. When the purchases are made from the inter-mediaries it was not ensured that the producer got the price fixed. For instance, in Punjab or Haryana no purchase is made directly by the FCI. The purchases are made through Katcha arhtiyas. The Committee have been informed that the question of abolishing the intermediaries had been taken up by the Central Government from time to time and lately by the Minister of Agriculture himself. However the Committee note the view expressed before them that it was not legally compulsory for the FCI to procure through the arhtiyas in Punjab or Haryana. In any case the Committee desire that it should be ensured by the FCI that the payment for the value at the prescribed rate—is made to the producer by the arhtiyas whenever purchases are made through the arhtiyas.

### Reply of the Government

Under the law, if the producer comes direct to the Corporation then payment has to be made only to the producer. If the producers come through the Katcha Arhtiya then the payment is to be made to the Katcha Arhtiya and not to the producer. In order to ensure that Katcha Arhtiya pay full price to the producer necessary vigilance will have to be exercised by the State Governments who are the agency to implement Market Acts and the Essential Commodities Act. The Food Corporation of India as an agency can only ensure that provisions of these Acts are carefully followed on its own part. Unless the State Governments made provisions for by-passing the Market Act for direct purchases without recourse to Arhtiyas,

it is not possible for FCI to implement the recommendation in question. Such a step has already been taken by Uttar Pradesh where Bearer Cheques are issued to the cultivators directly.

[Department of Food O.M. No. 4(9)/81-FC-II dated 26-11-81]

### **Comments of the Committee**

Please see Paragraph 17 of Chapter I of the Report.

### **Recommendation (Serial No. 10, Paragraph 2.44)**

Safeguarding the interests of the producer being one of the important obligations of the FCI, especially in the changed context of enhanced agricultural production, the Committee feel that the Corporation should not confine itself to purchase, storage and distribution of foodgrains. The Committee understand that in the USA loans on the basis of target price are advanced directly to the producer on the unprocessed commodity and that if the market price failed to rise above the loan level, the producer could deliver the commodity to the Commodity Credit Corporation discharging their obligation in full. The Committee note that the experience of the FCI in regard to loans advanced in the past on the security of foodgrains without linking it to the price support was not encouraging. The Secretary, Department of Food, expressed his apprehension about quantum of procurement for the Central Pool being kept up if the USA practice was adopted. Nevertheless the Committee desire that a beginning should be made at least in the case of small and marginal farmers in concert with the agricultural credit institutions. This will go a long way in obviating distress sales and giving the much needed holding power for the weaker section of the producer. It should not be too difficult to ensure that procurement is made up to the minimum level required, both for buffer and operational stocks.

### **Reply of the Government**

Implementation of the scheme for advancing loans on the basis of target price as is done in the USA is considered to be difficult by the Corporation. The number of small and marginal farmers in India is far too large. There are thousands of farmers who may be selling their produce to the Corporation and identification of such farmers will pose a difficult problem to the Corporation. In case of defaults, FCI may have to go in for legal suits for recovery resulting in huge blockage of money. This in turn will burden the FCI with the interest amount which is to be paid to the banks. The work of linking credit to marketing can probably be done more effectively by State Organisations who are already implementing a

variety of schemes for betterment of small and marginal farmers. It is difficult for an organisation handling buffer stocks to directly enter this area.

[Department of Food O.M. No. 4(9)/81-FC-II dated 26-11-81]

### **Comments of the Committee**

(Please see Paragraph 20 of Chapter 1 of the Report).

#### **Recommendation (Serial No. 11, Paragraph 2.45)**

At present millers are engaged as contractors for milling the paddy procured by the FCI. In order to avoid double handling the Committee suggest that gradually there could be a tie-up with the millers in the cooperative or public sector in the matter of procurement under price support operation, as in Phillipines where the millers are stated to purchase paddy at a price not lower than the Government support price and act as contractors of the National Grain Authority for milling. The Committee desire that instead of waiting for the millers to come forward, the FCI should take the initiative in this regard. Taking into account the incidental expenses, the percentages of paddy to be delivered as rice could be fixed and the price paid on the basis of the support price for paddy.

### **Reply of the Government**

In Phillipines, the millers act as contractors to the National Authority by making purchases directly from the producers with their own funds at prices not lower than the support price announced by the Government and store the purchases in warehouses. The out-turn ratio is fixed and the miller is required to mill the entire paddy purchased by him as the contractor to NGA. The NGA is also an enforcing authority and is responsible for licensing foodgrains traders and has the authority to inspect the grain business establishments. Food Corporation of India is not envisaged to play any such role.

In India, the procedure of purchase of paddy and rice differ from State to State but each State is obliged to pay the minimum support price fixed by the Govt. The millers are encouraged to arrange purchases on their own. The State Govt. issues levy orders, the provisions for which may differ from State to State. Under the levy orders, the miller is required to deliver the quantity of rice specified by the Govt. and he is free to sell the balance. The paddy which is purchased by the Food Corporation of India and other agencies, is also get milled from the rice millers on contract basis. Here the out-turn ratio is fixed by the Food Corporation of



India as well as by other State agencies and the miller is required to supply rice fixed against this out-turn ratio and the by-products are retained by him.

Gradually millers are being encouraged to buy more and more paddy and pay levy.

[Department of Food O.M. No. 4(9)/81-FC-II dated 26-11-81]

**Comments of the Committee**

Please see Paragraph 23 of Chapter I of the Report.

**CHAPTER V**

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

**NIL.**

**NEW DELHI;**  
*March 12, 1982.*  
*Phalguna 21, 1903 (S).*

**BANSI LAL,**  
*Chairman,*  
*Committee on Public Undertakings.*

## APPENDIX

(Vide Para 3 of Introduction)

*Analysis of action taken by Government on the recommendations contained in the Twenty-second Report of Committee on Public Undertakings (Seventh Lok Sabha).*

I. Total number of recommendations. . . . .	28
II. Recommendations that they have been accepted by the Government ( <i>vide</i> recommendations at S. Nos. 1, 3, 4, 5, 6, 8, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 23, 24, 25, 26, 27 and 28)	22
Percentage to total . . . . .	78.6%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply ( <i>vide</i> recommendations at S. Nos. 2 and 22 ). . . . .	2
Percentage to total . . . . .	7.1%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee ( <i>vide</i> recommendations at S. Nos. 7, 9, 10 and 11). . . . .	4
Percentage to total . . . . .	14.3%
V. Recommendations in respect of which final replies of Government are still awaited. . . . .	Nil