

SIXTEENTH REPORT
COMMITTEE ON PUBLIC
UNDERTAKINGS
(1986-87)

(EIGHTH LOK SABHA)

INDIAN DAIRY CORPORATION (MINISTRY
OF AGRICULTURE—DEPARTMENT OF
AGRICULTURE AND COOPERATION)

[Action Taken by Government on the recommendations contained in the Eleventh Report of the Committee on Public Undertakings (Eighth Lok Sabha)]



सत्यमेव जयते

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LOK SABHA SECRETARIAT
NEW DELHI

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(1986-87)

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**ACTION TAKEN SUB-COMMITTEE OF THE COMMITTEE
ON PUBLIC UNDERTAKINGS
(1986-87)**

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings have been authorised by the Committee to submit the Report on their behalf, present this Sixteenth Report on Action Taken by Government on the recommendations contained in the 11th Report of the Committee on Public Undertakings (Eighth Lok Sabha) on Indian Dairy Corporation.

2. The 11th Report of the Committee on Public Undertakings (1985-86) was presented to Lok Sabha on 30 April, 1986. Replies of Government to all the recommendations contained in the Report were received by 31 December, 1986. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings (1986-87) on 13 March, 1987. The Committee considered and adopted this Report at their sitting held on 13 March, 1987.

3. An analysis of the action taken by Government on the recommendations contained in the 11th Report (1985-86) of the Committee is given in Appendix II.

NEW DELHI;
March 24, 1987

Chaitra 3, 1908 (Saka)

K. RAMAMURTHY,
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 Eleventh Report (Eighth Lok Sabha) of the Committee on Public Undertakings on Indian Dairy Corporation which was presented to Lok Sabha on 30 April, 1986.

2. Action Taken Notes have been received from Government in respect of all the 30 recommendations contained in the Report. These have been categorised as follows:—

- (i) *Recommendations/observations that have been accepted by Government.*
S. Nos. 1, 5, 8-12, 14—23, 27 and 29.
- (ii) *Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies.*
S. Nos. 7, 26 and 28
- (iii) *Recommendations/observations in respect of which replies of Government have not been accepted by the Committee.*
S. Nos. 2, 3 and 13
- (iv) *Recommendations/observations in respect of which final replies of Government are still awaited.*
S. Nos. 4, 6, 24, 25 and 30

3. The Committee desire that the final replies in respect of recommendations for which only interim replies have been given by Government should be furnished to the Committee expeditiously.

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

A. Delay in launching Operation Flood-II

Recommendation Serial No. 2 (Paragraphs 1.49 & 1.50)

4. The Committee had observed that the pre-project phase of Operation Flood II took much longer than originally contemplated; completion time of one year mainly because most of the States took

longer time in completion of such formalities as signing of basic agreements, constitution of State Cooperative Federations, preparation of individual State dairy development project proposals etc. The Committee, however, felt that as the Operation Flood II was to be a logical continuation of Operation Flood I, it should have been possible for the Government to persuade the State Governments to expedite the pre-programme actions and avoid delays in starting OF-II.

5. In their reply, the Government have stated that there was reluctance on the part of the State Governments (i) to permit the Dairy Federations to fix purchase and sale price of milk (ii) to transfer the existing assets and (iii) to take the responsibility of providing land, water and power to the projects to be taken up under OF-II. As regards adoption of date of commencement of OF-II as 1-4-1981, it has been stated that even after signing the agreements with State Governments, there were several other pre-programme formalities, which had to be completed. Certain programme activities under OF-II were taken up even while OF-I was in progress and an expenditure of Rs. 44.26 crores was incurred on OF-II before 1-4-81.

6. The Committee are not satisfied with the Government's reply. No fresh grounds have been adduced to justify the delay in the completion of pre-programme formalities and commencement of OF-II from 1-4-81. All the points now stated were duly considered by the Committee at the time of examination of the company. The Committee are still of the view that with proper planning and anticipation, the impediments coming in the way of entering into agreement with the State Governments could have been removed well in time. The Government have also admitted to have incurred an expenditure of Rs. 44.26 crores on OF-II before 1-4-81. The Committee therefore, see no justification for adopting the starting date of OF-II as 1-4-81. OF-II should have started latest from 1979 by when many of the States had signed the agreements.

B. Targets of Operation Flood

Recommendations Serial No. 3 (Paragraphs 1.51 & 1.52)

7. The Committee had observed that the programme dimensions of Operation Flood II were initially set for a time period of 8 years including a pre-programme year, the actual project duration envisaged being 1978-85. Subsequently, the programme was split into two phases—Phase I ran concurrently with the Sixth Plan period and was completed in March, 1985 and Phase-II of Operation Flood II

(now called Operation Flood III) was to be implemented concurrently with the Seventh Five Year Plan and scheduled to be completed by March, 1990. The total outlay on Phase-I and Phase-II of OF-II also increased from Rs. 485.5 crores to Rs. 958.46 crores for providing funds *inter-alia* for foot and mouth disease control programme, supplementary feeding programme, working capital support to federations etc. Besides, as against the original proposal to cover 155 districts, the project was now expected to cover some 248 districts.

The Committee had also observed that in spite of the fact that the project would cover wider geographical area and its completion time has also extended upto 1990. The targets of the project in physical terms more or less remained the same. The targets of other components like coverage of farmers families, number of milk animals to be brought under cooperative ambit, rural milk procurement etc. have also not been revised upwards. This amounted to the dilution of the programme. The Committee had, therefore, suggested that the targets of the project should be reviewed and revised upward commensurate with the extension of time frame and coverage of the larger number of districts.

8. In reply, the Government have stated that the Operation Flood II should be considered as having been completed in March, 1985 and as such Operation Flood III which is proposed to be implemented with an outlay of Rs. 681.29 crores during 1985-86 to 1989-90 should be considered as an independent project. It has also been stated that under OF-III more than 256 districts would be covered as against only 155 districts earlier envisaged and target for members of dairy cooperative societies to be organised would be 50,000 in these districts as against the achievement of 34,500 societies till the end of March, 1985. It has been further stated that taking into account all these factors, the targets proposed for OF-III were considered reasonable.

9. The Committee are not satisfied with the Government's reply. They do not agree with the contention that Operation Flood II Project should be considered as having been completed in March, 1985 and Operation Flood III, proposed to be implemented with an outlay of Rs. 681.29 crores during 1985-86 to 1989-90, should be considered as an independent project. In this connection, the Committee wish to point out that although the target for number of districts to be covered has been increased from 155 to 256 and that for number of district cooperative societies from 34,000 to 50,000, the targets to be achieved by March, 1990 (i.e. by the end of Operation Flood III) in

respect of Milch Animals under cooperative ambit (152.80 lakhs), peak Rural Milk Procurement (183.30 lakh litres per day), Milk Producer Families to be covered (nearly 100 lakhs) and Rural Processing capacity (200 lakh litres per day) remain the same as envisaged in the original proposal of June, 1978 which were then proposed to be achieved by 1985. This has also been brought out in para 1.28 of the Eleventh Report of the Committee. Thus in spite of the longer time-frame, the larger number of districts to be covered and the larger number of district cooperative societies, the targets for the major components of the project have been kept unchanged. The Department of Agriculture and Cooperation in their written reply have also admitted that this amounts to dilution of the Operation Flood Project to some extent. The Committee, therefore, reiterate their suggestion that the physical targets of the project in the spheres where no change has been made need to be reviewed and revised upwards commensurate with the extension of time frame and coverage of the larger number of districts.

C. Per capita availability of milk

Recommendation Serial No. 10 (Paragraph 2.42)

10. The Committee had observed that the actual per capita availability of milk in India was 144 gms. per day in 1984-85 against the per capita requirement of 220 gms. per day recommended by the Nutrition Advisory Committee of the Indian Council of Medical Research (ICMR). Accordingly, the Committee had recommended that an outer limit should be fixed by when the level of per capita requirement of milk, as recommended by ICMR, is to be actually achieved. The Committee had also suggested that a study should be conducted in the Operation Flood areas to identify the factors responsible for low consumption of milk by the weaker sections of society.

11. The Government have stated in their reply that the National Dairy Development Board shall arrange to get a study carried out in the Operation Flood areas as to what are the factors responsible for low consumption of milk by the weaker sections of society. It has, however, been stated that it might not be possible to fix any outer limit by which the recommended level of per capita requirement of milk would be met, though the per capita availability of milk would tend to increase so long as milk production rises at a faster rate than population.

12. The Committee hope that as agreed to by Government the proposed study to find out the factors responsible for low consumption of milk by the weaker sections of society would be carried out

expeditiously and suitable measures taken to increase the availability of milk to weaker sections. In regard to fixing outer limit by which the recommended limit of per capita requirement of milk would be met, the Committee feel that it should be possible to fix such limit taking into account the expected growth rates of population and milk production.

D. Rearing of National Milch Herd

Recommendation Serial No. 13 (Paragraph 2.45)

13. The Committee while commenting upon the tardy progress in regard to rearing a National Milch Herd, had observed that according to a village enumeration survey carried out from April, 1984 onwards in 110 out of 130 milk-sheds the number of improved milch animals was only 7.75 lakhs while the operation Flood-II aimed at enabling milk producers to rear a National Milch Herd of some 140 lakh cross-bred cows and upgraded buffaloes during 1980's. They had, therefore, recommended that concerted efforts should be made for achieving the targetted number of improved cross bred milch animals with a time bound programme.

14. The Government have stated in their reply that the IDC/ NDDB have already set up 13 Frozen Semen Production Stations where good pedigreed breeding bulls of Indian Cattle, buffalo cross bred and exotic breeds are being maintained. It may not, however, be possible for Federations/Unions alone to achieve the targets regarding National Milch Herd which have to be achieved by combined efforts of State Governments and Cooperative Federations/ Unions.

15. The Committee would like to emphasise once again that in spite of the efforts made so far the progress in regard to rearing a National Milch Herd has been far from satisfactory. They, therefore, reiterate that concerted efforts are needed for achieving the targetted number of improved cross bred milch animals with a time bound programme in coordination with all concerned agencies like IDC, NDDB, State Government and Federations/Unions.

E. Milk and Milk Products Order

Recommendation Serial No. 22 (Paragraph 3.32)

16. The Committee had observed that the proposed Milk and Milk Products Order which aimed at promoting orderly growth of dairy industry in India and ensuring the availability of liquid milk to the consumers especially during the lean season had not been finalised despite having been revised many a time. While commenting upon the lackadaisical manner in which the question of promulgating this order had been treated, the Committee had

strongly urged the Government to finalise and promulgate the Milk and Milk Products Order without any further delay.

17. The Government in their reply have stated that a copy of the draft Order together with a copy of the comments of the Ministry of Health was circulated to the State Government seeking their comments/clearance. Comments have been received from the State Governments of West Bengal, Orissa, Uttar Pradesh, Maharashtra, Himachal Pradesh, Gujarat and Bihar State Cooperative Milk Producers' Federation. The State Governments have raised certain issues which are being examined in consultation with the Ministry of Law. The comments of the State Governments have also been communicated to NDDB for furnishing comments which are awaited. Efforts would be made to expedite finalisation of the Order.

18. The Committee note that the State Governments to whom the proposed Milk and Milk Products Order was referred for comments have raised certain issues which are being examined in consultation with the Ministry of Law. The views of the State Governments were also forwarded to NDDB for comments which are still awaited. The Committee urge that NDDB should be asked to furnish their comments without any further delay so that this important order could be finalised and promulgated by Government at the earliest.

F. Determination of an agency to run Mother Dairy, Delhi

Recommendation Serial No. 24 (Paragraph) 3.46)

19. The Committee had expressed concern over the fact that a final decision on the question of determining the agency which should run the Mother Dairy in Delhi had not so far been taken though the matter had been under consideration of Government since 1973. The Committee had, therefore, desired that a final decision in the matter should be taken immediately and Committee informed.

20. The Government have again stated in their reply that the question of bringing the Delhi Milk Scheme, Mother Dairy and the proposed 3rd Dairy under the management of one statutory corporation is under active consideration.

21. The Committee deplore the inordinate delay in taking a decision in regard to the Administrative structure of the Mother Dairy Delhi which is pending finalisation since 1973. The Committee urge the Government to finalise the matter with a sense of urgency.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sl. No. 1, Paragraph 1.47—1.48)

Under the Operation Flood-I, started in July, 1970, the World Food Programme (WFP) agreed to supply free of cost, at Indian Ports 1,26,000 MT of skim milk powder and 42,000 MT of butter oil. The project originally scheduled to be completed in 1975 was expected to generate Rs. 95.4 crores by sale of imported gifts, commodities and setting up of Mother Dairies which were to be invested in dairy development, enabling the metro dairies in the four major cities to capture commanding shares of their milk markets. As a result of upward revision of sale value of the commodities, the actual generation of funds under the project was Rs. 116.4 crores.

The Committee note that the OF-I submitted to Government in November, 1968 was cleared only in September, 1969. What is more distressing is the fact that the project originally expected to be completed in 1975 was actually completed in March, 1981. Apart from the delay in supply of commodities by the WFP, there was delay in setting up the Mother Dairies which were to generate funds. While the decision to develop the bulk vending machines indigenously instead of importing them as originally planned is commendable, the Committee see no justification for the long time taken in developing these machines which resulted in avoidable delay in implementing the programme. The Committee would stress the need for proper advance planning and timely implementation while undertaking such important projects in future.

Reply of the Government

As indicated in para 1.7 of the Report the World Food Programme could supply during the initial years only 38 per cent and 51 per cent of milk powder and butter oil respectively of the quantities agreed to be supplied. The WFP could complete the supplies agreed to by them only by June, 1981. Similarly the delay in the setting up of the Mother Dairies was, as indicated in para 1.8 of the Report, due to the fact that it took some time for the idea of bulk vending being accepted and also because of the decision to have

necessary bulk vending machines indigenously produced instead of importing them. The Committee's recommendation regarding proper advance planning and timely implementation has been noted and is being circulated to all concerned for strict compliance in the future.

[Ministry of Agriculture, (Department of Agriculture & Cooperation) O.M. No. 17-23/86-LD.I, dated the 29th October, 1986]

Recommendation (Sl. No. 5, Paragraph 1.55)

The Committee note that the average daily import of gift commodities during O.F. II was 84.77 MT of skim milk powder and 24.42 MT of butter oil against 31.76 MT and 9.89 MT, respectively, of these commodities during O.F. I. They need hardly stress that the aim of the dairy development programme of the country in the long run should be to become self-sustaining without depending on foreign commodity aid but unfortunately, this aspect does not appear to have been given any thought. The Committee expect that the long term policy for dairy development stated to be under formulation should be finalised early laying down a time bound programme in this regard.

Reply of the Government

The proposal to set up a Committee referred to in Para 1.21 of the Report has for the present been given up in favour of a proposal to establish a technology mission for dairy development with the main objective of accelerating the pace of application and adoption of modern technology by the Dairy Industry in the country, which is under active consideration of the Government.

The need for dairy development programme of the country to become self-sustaining in the long run is being kept in view.

[Ministry of Agriculture, (Department of Agriculture & Cooperation), O.M. No. 17-23/86-LD.I, dated the 30th December, 1986]

Recommendation (Sl. No. 8, Paragraph 2.9)

Although the annual milk production in the country is stated to have increased from 21.6 million tonnes in 1969-70 to 38.7 million tonnes in 1984-85, the Committee find that different authorities have used different techniques for assessing the volume of milk production. Prior to 1977-78, the estimates of milk production were either given by the Directorate of Marketing and Inspection or those given by State Animal Husbandry Departments to the planning

Commission. These estimates, according to the Ministry, were based neither on a representative sample survey nor on an objective survey. However, in 1977-78, under the centrally sponsored scheme, the State level milk production estimates were prepared based on random sample surveys but at the end of Fifth Five Year Plan, this scheme was transferred to State sector resulting in stoppage of random sample survey in some States. In the absence of uniformity of methodology, the Committee wonder how far the available statistics in regard to increase in milk production was reliable.

Reply of the Government

Under the Centrally sponsored Scheme of Estimation of major Livestock Products' which was initiated in the second year of the 5th Plan, 14 major milk producing states conducted the surveys during the three years 1977-80. After the transfer of the scheme to the State Sector, however, only 12 States conducted these surveys during 1980-83. The All India estimates of milk production were prepared for these years on the basis of these surveys plus estimates of milk production provided by the remaining States. Now almost all the States/Union Territories are conducting these surveys and the future All India estimates of milk production will be based on these surveys.

[Ministry of Agriculture (Deptt. of Agri. & Coopn.) O.M. No. 17-23/86-L.D.I, dated the 29th October, 1986.]

Recommendation (Sl. No. 9, Paragraph 2.10)

The Committee feel that even the milk production estimation under the centrally sponsored scheme introduced in 1977-78 is far from satisfactory, as this scheme is neither being implemented in all the States nor the statistical base available for the purpose is adequate. Further, there is no independent check to ensure the veracity of the estimates as is reportedly done in the case of crop statistics. There is, thus, a need for improving both the methodology and the instruments for collecting the relevant data. The Committee recommend that the mechanism for collecting milk production data should be gone into by an expert body with a view to suggesting a scientific and reliable technique for assessing the milk production estimates realistically. The Ministry have admitted that no assessment has been made so far of the extent of contribution made by Operation Flood in the increase of milk production. The Committee, therefore, desire that immediate steps should be taken for conducting bench-mark surveys of milk production in Operation Flood areas to enable a proper evaluation of the contri-

bution made. Further, in order that the assessment of the milk production in the country is realistic which is essential for chalking out long term policy for increasing milk production in the country, there is imperative need for collection of milk production data on a scientific and continuous basis with an independent check to ensure the veracity of the estimates.

Reply of the Government

The methodology recommended for taking up sample surveys is the one approved by the Technical Committee of Direction, for improvement of animal husbandry and dairying statistics. One of the functions of the Committee is to review the sampling techniques and also to consider the state-wise sample survey results for approval and release. The Committee has on it members/representatives of the Central Statistical Organisation, National Sample Survey Organisation, Indian Agricultural Statistics Research Institute, Dte. of E. & S., Department of Agriculture and Cooperation and State representatives. The question of setting up of an expert group for improvement in the methodology and instruments for collection of data regarding milk production and conducting of bench-mark survey on milk production in O.F. areas is under consideration.

For continuous check of the accuracy of data collection and analysis under the sample surveys there is need for strengthening the supervision by the officers from the State Govts. They are being asked to strengthen their staff for the purpose suitably.

[Ministry of Agriculture (Deptt. of Agri. & Coopn.) O.M. No. 17-23/86-LD.I, dated the 29th October, 1986.]

Recommendation (Sl. No. 10, Paragraph 2.42)

The Committee regret to note that although the total production of milk is claimed to have been substantially increased in the country, its per capita availability still continues to be low. As per the recommendation of Nutrition Advisory Committee of the Indian Council of Medical Research (ICMR), the per capita requirement of milk per day is 220 gms. for a nutritious diet. The target in this regard set under the Operation Flood is stated to be 165 gms. per day to be achieved by 1990. The actual per capita availability of milk was however, only 144 gms. per day in 1984-85. Thus even after more than 15 years of start of the Operation Flood Project the per capita availability of milk in the country remains far below the level recommended by the Nutrition Advisory Committee of

ICMR and the prospects of its being achieved in the near future appear to be bleak to the Committee since the per capita target for 1990 of 165 gms. per day is itself much below the minimum of 220 gms. required for a nutritious diet. The Committee would like to stress that an outer time limit should be fixed by when the level of per capita requirement of milk, as recommended by ICMR, is to be actually achieved. Besides, a study should also be conducted in the Operation Flood areas as to what are the factors responsible for low consumption of milk by the weaker sections of society and suitable measures should be taken a remedy this and bring up the consumption of milk by the weaker sections to the minimum nutrient level.

Reply of the Government

The National Commission on Agriculture has recommended targets with regard to milk production to be achieved in the coming years to meet likely demand and efforts are being made to achieve this level of milk production. So long as milk production rises at a faster rate than population, the per capita availability of milk would tend to increase. It may, however, not be possible to fix any outer limit by which the recommended level of per capita requirement of milk will be met.

The suggestion that a study should be conducted in the Operation Flood areas as to what are the factors responsible for low consumption of milk by the weaker sections of society. Has been noted and NDDB shall arrange to get the required study carried out. So far as the recommendation that suitable measures should be taken to bring up the consumption of milk by the weaker sections to the minimum nutrient level is concerned, it may be mentioned that the consumption of milk by the poorer sections of the society is, *inter alia*, affected by the choice of food available, agricultural production, the price of milk and the price of other basic food items. According to the studies carried out by the Institute of Rural Management on the impact of OF-II, at the village level, milk consumption in co-operative villages as well as by the actual milk producers is higher than those in the control villages (where co-operative societies do not exist) and that the milk consumption is affected by the price of other food items in relation to milk and milk products.

The consumption of milk by the weaker sections can be increased by increase in their incomes (which is the objective of the country's overall development plan) and reduction in milk prices by

reduction in cost of production and marketing of milk. In order to reduce the cost of milk production, the NDDDB has developed computer based least cost cattle feed formulae, urea molasses lick, straw treatment on fodder seed production system etc.

It may however, be stated that whereas these factors may reduce the cost of milk production, it is unlikely that the milk will become cheaper in comparison to other food items even though the rate of increase in the cost of milk has been lower than the general rate of increase in price of other food items.

[Ministry of Agriculture, (Department of Agriculture & Co-operation), No. 17-23/86-LD.I, dated the 30th December, 1986.]

Comments of the Committee

(Please see Paragraph 12 of Chapter I of the Report)

Recommendation (Sl. No. 11, Paragraph 2.43)

The Committee have been informed that the main reason for the low per capita availability of milk is mainly due to low productivity of cows because of low genetic potential for milk production in majority of local cattle and their inadequate feeding. Milk production enhancement is one of the central objectives of Operation Flood-II. The inputs programme initiated for enhancing milk production envisages provision of artificial insemination services to produce improved milch animals, animal health cover, feed and fodder development and dairy extension etc. The Committee are however, constrained to observe that out of the envisaged assistance of Rs. 108.46 crores under OF-II for this purpose, only about Rs. 32 crores were disbursed by IDC upto March, 1984 on this programme. The drawal of funds by the State implementing agencies on this account from IDC which is on 70 per cent loan and 30 per cent grant basis was stated to be low since the latter encouraged these agencies to draw upon the State Programmes which were available as 100 per cent grant. The Committee, however, feel that there should be no laxity in the programme for popularising and implementing the important inputs programme which is intended to enhance the production of milk. In this connection, the Committee, also suggest that the Government/IDC may consider the feasibility of liberalising the lending terms as well as of increasing the grant element in this regard.

Reply of the Government

The suggestion that the feasibility of liberalising the lending terms as well as of increasing the grant element in the inputs programme has been carefully considered. The present lending rates

of IDC are soft than those of any other terms lending institutions. The scope for any further liberalisation is therefore, Limited. IDC will, however, consider to meet as grants, the capital expenditure on input programme to be incurred by the Federations/Unions.

[Ministry of Agriculture, (Department of Agriculture & Cooperation), No. 17-23/86-LD.I, dated the 30th December, 1986.]

Recommendation (Sl. No. 12, Paragraph 2.44)

The Committee also find that out of 34,520 dairy Cooperative Societies organised up to March, 1985, only 21,333 societies provided animal health cover for animals owned by the members. Barring 3 or 4 States, the number of cooperatives providing health cover was reported to be small and majority of them could not provide health services on the pattern and level envisaged in the Anand Model. The Committee have also been informed that a shortage of qualified veterinarians has been experienced by most of the State Federations which is expected to be of the order of 3,800 by 1989-90. The Committee desire that immediate suitable steps should be taken to overcome this shortage by expansion of intake capacity of existing veterinary colleges and by establishing new colleges, wherever necessary.

Reply of the Government

The responsibility for development of man-power in various agricultural disciplines rests with State Agricultural Universities. However, recognising the shortage of trained man-power in some of the States, the Centre has decided to assist during the Seventh Plan State Agricultural Universities to increase the intake capacities of the existing institutions wherever necessary.

[Ministry of Agriculture, (Department of Agriculture & Cooperation), O.M. No. 17-23/86-LD.I, dated the 29th October, 1986.]

Recommendation (Sl. No. 14, Paragraph 2.46)

The Committee are informed that cross-bred cow is a more efficient animal for milk production compared to the pure bred Indian cow. It takes one generation of breeding to produce a cross-bred cow. The crossbred cow drops its first calf at the age of 30 months whereas the pure bred Indian cow drops the calf

between 48 to 54 months. However, reservations have been expressed about adoption of cross-breeding in India particularly in regard to the suitability of cross-breed bullocks for drought purposes. Therefore, the Committee feel that if we develop our own Indian breed animals scientifically, we can produce animals superior to European breed. Furthermore, the Indian breeds have greater disease resistance and heat tolerance compared to the European breeds. The Committee, therefore, recommend that there should be a judicious blend of cross-breeding and development of pure Indian breeds. Cross-breeding programme by using the imported varieties should be taken up only as a short term measure and it should be ensured that this activity is confined only to non-descript, low producing animals and not undertaken indiscriminately. In areas, where the domestic varieties have been good yielders, efforts should be made to further increase the milk yielding capacity of pure breed Indian breeds through a well-defined policy of breeding and selection of the animals, as these have greater disease resistance in the Indian climate.

Reply of the Government

It is the accepted policy of Government that cross-breeding programme should be confined only to non-descript low producing animals and not undertaken indiscriminately and that in areas where the domestic breeds are good yielders efforts should be made to further increase their milk yielding capacity through a well-defined policy of breeding and selection of animals as recommended by the Committee. This is again being emphasised on the State Government. In order to develop indigenous breeds of cattle/buffalo, a centrally sponsored scheme was launched during the 6th Plan and will be continued during the 7th plan.

[Ministry of Agriculture, (Department of Agriculture & Cooperation), O.M. No. 17-23/86-LD.I, dated the 29th October, 1986.]

Recommendation (Sl. No. 15, Paragraph 2.47)

The Committee are informed that since Indian farmers are used to working with humped animals for draught purposes, the cross-breed animals are not popular with them for this purpose because of absence of humps. This problem can, however, be overcome by developing a proper hitching system. The Committee, would

therefore, like to stress that effective steps should be taken by Government/IDC to develop and popularise a hitching system in the country so as to utilise the cross-breed animals for drought purposes.

Reply of the Government

ICAR studies have revealed that the use of cross-breed animals for drought purposes with the traditional wooden harness does not create any problem. In fact, the Central Institute of Agricultural Engineering Bhopal has been using for several years cross-breed bullocks without any difficulty.

[Ministry of Agriculture (Department of Agriculture & Cooperation), O.M. No. 17-23/86-LD.I, dated the 29th October, 1986.]

Recommendation (Sl. No. 16, Paragraph 2.48)

Operation Flood Project also envisaged increasing the milk yields of cattle by improving the production of fodder and supply of adequate feed. The Committee regret to note that while the cattle feed compounding capacity went on increasing from 2,455 MT in 1982-83 to 2,605 MT in 1983-84 and 3,289 MT in 1984-85, the capacity utilisation of these plants even during the peak months was only 45 per cent, 51 per cent, 50 per cent respectively during these years. Despite this, new cattle feed plants are being set up and the capacity of some of the existing plants is being increased. The Committee cannot but stress that before the new plants are set up and capacity of the existing plants augmented there is urgent need for concerted marketing efforts to popularise this feed which is stated to be 30 to 40 per cent cheaper than the traditional feeds like cotton seeds, oil cake, etc.

Reply of the Government

NDDB/IDC are continuously making efforts through Cooperative Milk Federations/Unions to popularise cattle feed. IDC has been asked to examine the capacity utilisation of existing cattle feed plants in the area carefully before sanctioning any financial assistance for setting up of new plants or expansion in capacity of an existing plant.

[Ministry of Agriculture, (Department of Agriculture & Cooperation). O.M. No. 17-23/86-LD.I, dated the 29th October, 1986.]

Recommendation (Sl. No. 17 Paragraph 2.46)

The Committee appreciate that the Indian Dairy Corporation has developed a Urea Molasses lick to improve the digestibility and nutritional value of agriculture waste which forms a feed for vast majority of cattle in India. The cost of milk production is expected to go down by about 20 per cent with the application of this technology. The Committee would like to be informed of the results of efforts being made to create a demand for Urea Molasses Lick. At the same time, the Committee, would stress that the importance of green fodder should not altogether be ignored since, as pointed out by the National Committee on Agriculture, green fodder is essential for milk production enhancement particularly for the improved breeds of cows and buffaloes upon which greater emphasis is being laid of late. There should, therefore, be an integrated approach by using a part of the land for production of green fodder to be made available in areas having large number of improved varieties and agricultural wastes (straw) in areas having low yielding animals.

Reply of the Government

The acceptability of the Urea Molasses Lick has already been established and three plants for its production have been commissioned.

The Government agree with the views of the Committee about importance of development of green fodder for milk production enhancement, particularly for the improved breeds of cows and buffaloes. Seven Regional Stations for Forage Production & Demonstration have been set up under a Central Sector Scheme to produce foundation/certified seeds and carry out demonstrations at farmers' fields. To popularise high yielding varieties on a large scale and to get the farmers response to the new varieties, a Central project on fodder minikit demonstration is under implementation. This helps to encourage the farmers to produce green fodder on their land.

[Ministry of Agriculture, (Department of Agriculture & Cooperation), O.M. No. 17-23/86-LD.I, dated the 29th October, 1986.]

Recommendations (Sl. No. 18 Paragraph 3.28)

The Committee are constrained to observe that about 14 to 16 lakh litres of surplus milk per day is available with the State Dairy

Federation of six States viz. Maharashtra, Gujarat, Uttar Pradesh, Haryana, Punjab and Rajasthan mainly due to lack of market and comparatively low handling capacity. Admittedly, the present State of affairs is result of the fact that the marketing efforts have not kept pace with the procurement of milk. Besides, at present the Cooperative/Public Sector Units in these six States are able to process only about 28 per cent, 39 per cent, 2.9 per cent, 3.57 per cent, 6.7 per cent and 7.82 per cent respectively, of the milk produced. In some cases even the existing processing capacities are not being fully utilised.

Reply of the Government

As is being explained in reply to para 3.29 special emphasis is being laid under Operation Flood III on expanding marketing facilities and increasing processing facilities.

[Ministry of Agriculture (Department of Agriculture & Cooperation), O.M. No. 17-23/86-LDI, dated the 29th October, 1986.]

Recommendation (Sl. No. 19 Paragraph 3.29)

The Committee are of the firm view that to meet the situation in an effective manner, vigorous efforts should be made to develop adequate marketing facilities for handling the surplus milk. Besides, based on an assessment of availability of milk in different areas of these States, the processing capacities should also be augmented, wherever necessary. As a short term measure, however, efforts should be made to optimise the capacity utilisation of existing units, if necessary by having additional shifts. The Committee need hardly emphasise that unless the problem of surplus milk is dealt with a sense of urgency, not only the consumers would be deprived of benefits of increased milk production but this may also have an adverse affect on the production of milk in surplus areas.

Reply of the Government

Special emphasis is being laid under OF-III on expanding marketing facilities and increasing processing facilities. NDDB has already set up a 'Monitoring Cell' to provide spearhead team support to the Coop. Milk Unions/Federations to augment their milk marketing.

Government agree with the Committee's recommendation that efforts should be made to optimise the capacity utilisation of

existing milk processing units, if necessary by having additional shifts. State Governments are being requested to take necessary steps for its implementation.

[Ministry of Agriculture (Department of Agriculture & Cooperation) O.M. No. 17-23/86-LDI, dated the 29th October, 1986.]

Recommendation (Sl. No. 20 Paragraph 3.30)

The Committee are also of the view that there is an urgent need for determining rational pricing of milk as it would ensure not only a fair return to the milk producers but also availability of milk on a reasonable price to the consumers. However, the committee are distressed to learn that at present no uniform policy is being followed in this regard. There are considerable variations in producer as well as consumers price in different States. Even within a State there is no agency for coordinating the prices of different cooperatives. While it may not be advisable at this stage to enforce uniform procurement prices of milk throughout the country, the Committee must emphasise the desirability of laying down some broad guidelines for determination of procurement prices of milk in different States. Such guidelines should be framed in consultation with the Commission for Agricultural Costs and prices after taking into account all relevant considerations including the cost of fodder and other inputs. The ultimate objective should be to stimulate production and to achieve self-sufficiency in milk, while raising the levels of *per capita* consumption. Whereas, prompt payment to producers of milk is very essential for the success of cooperative systems, no positive steps seem to have been taken for this purpose and considerable delay in this regard have been reported in some of the States like Madhya Pradesh, Orissa, Sikkim mainly due to operating losses and inadequate working capital with the Federations/Unions. Such delays have led to the diversion of milk from the cooperative system to traders who not only make quick payment but often give an advance to the producer in return for a promise of regular supplies. The Committee, therefore, recommend that the IDC should work out a scheme to make available some seed/margin money to the Federations facing difficulty of working capital.

Reply of the Government

The Commission for Agricultural Costs & Prices was consulted in regard to the guidelines for fixation of milk prices. The Commission have stated that in view of the preponderance of non-organised sector, the localised nature of milk market, the limited

capacity of the organised sector to moderate milk prices, and the varied nature of co-operative structure in the dairying sector, the milk pricing strategies to be followed by the organised dairies have to be flexible in nature for the time-being. It has, however, expressed the view that as a result of planned expansion of the organised dairies at a rapid rate, the structure of milk market is likely to undergo a change in the coming years. The Commission have, therefore, recommended that the whole issue of evolving guidelines to be adopted by dairies with regard to milk pricing be reviewed after a period of five years.

As regards the suggestion that IDC should work out a scheme to make available some seed/margin money to Federations facing difficulty of working capital, it may be mentioned that over the last couple of years IDC has endeavoured to provide working capital linked to stocks of milk products pledged to it by the Federations. In addition, additional funds for working capital are being made available under Operation Flood-III.

[Ministry of Agriculture (Department of Agriculture & Cooperation), O.M. No. 17-23/86-LDI, dated the 29th October, 1986.]

Recommendation (Sl. No. 21 Paragraph 3.31)

The Committee are informed that the Ministry of Agriculture issued a circular to all States in May, 1985 for constituting Committee under the Chairmanship of Minister for Dairy Development for close monitoring and implementation of Operation Flood Project in each State. The monitoring of prompt payment to milk producers is also stated to be one of the terms of reference of this Committee. The Committee are also informed that so far only in 14 States|Union Territories such Committees have been formed. The Committee desire that the Ministry of Agriculture should pursue the matter seriously with the remaining State Governments so as to accelerate the process of setting up such committees in those States so that an early solution to the problem of delayed payment to milk producers could be found out.

Reply of the Government

Out of 22 States and 4 U.Ts proposed for inclusion under Operation Flood, Meghalaya has not yet signed agreement with the IDC. Out of the remaining 25 States|UTs, 20 States|UTs have already constituted State level Committees. The matter is being pursued

with the remaining 5 States|UTs of Punjab, Mizoram, Nagaland, Manipur and Assam to expedite constitution of such committees.

[Ministry of Agriculture (Department of Agriculture & Cooperation), O.M. No. 17-23/86-LDI, dated the 29th October 1981]

Recommendation (Sl. No. 22, Paragraph 3.32)

The Committee regret to note that the proposed Milk and Milk Products Order which aims at promoting orderly growth of dairy industry in India and ensuring the availability of liquid milk to the consumers especially during the lean season, still remains to be finalised despite having been revised many a time. The concept of the Milk and Milk Products Order which was first mooted in 1965 by NDDB was not pursued further due to opposition from the Directorate General of Health Services (DGHS) and Directorate General of Technical Development (DGTD). However, at the request of the Ministry of Agriculture NDDB submitted a revised draft of the Order in 1975 to be promulgated under the Essential Commodities Act, 1955. In view of the comments of DGHS, the proposed order was further revised to bring it under the Prevention of Food Adulteration Act, 1954. The matter remained under consideration of DGHS since December, 1980. Surprisingly, in 1984 it was decided to promulgate the order under the Essential Commodities Act and NDDB asked to submit yet another draft which was received from NDDB in July, 1985. Under the advice of the Law Ministry, the proposed Milk and Milk Products Order has now been forwarded to the State Governments for inviting their comments which are still awaited. The Committee deprecate the lackadaisical manner in which the question of promulgating the Milk and Milk Products Order for the growth of dairy development has been treated. The Committee strongly urge the Government to finalise and promulgate this important measure without any further delay.

Reply of the Government

A copy of the draft milk and milk products order prepared by NDDB was referred to the Ministry of Industry (Department of Industrial Development) and Ministry of Health and Family Welfare (Department of Health) for their comments|views. The Department of Industrial Development have observed that they have no objection to the provisions made in the draft order for routing the Industrial Licence applications through the Milk and Milk Products Authority.

The Department of Health while offering certain comments on the definitions and standards of milk and milk products, have observed

that the objectives envisaged under the provisions of the order for regulating the use of milk and to ensure collection, processing and marketing of milk under proper sanitary condition are laudable, the orders should not over-ride the provisions in the Prevention of Food Adulteration Act, 1954 and Rules made thereunder.

A copy of the draft Order together with a copy of the comments of the Ministry of Health was circulated to the State Governments seeking their Comments/clearance. Comments have been received from the State Governments of West Bengal, Orissa, Uttar Pradesh, Maharashtra, Himachal Pradesh, Gujarat and Bihar State Cooperative Milk Producers' Federation. The State Governments have raised certain issues which are being examined in consultation with the Ministry of Law. The comments of the State Governments have also been communicated to NDDDB for furnishing comments. The comments of NDDDB are awaited. Efforts will be made to expedite finalisation of the Order.

[Ministry of Agriculture (Deptt. of Agri. & Coopn.) O.M. No. 17-23/86-LD. I, dated the 29th October, 1986.]

Comments of the Committee

(Please see Paragraph 18 of Chapter I of the Report)

Recommendation Sl. No. 23, Paragraph 3.45)

Phase I of Operation Flood Project envisage] enabling metro dairies in four major cities of Delhi, Bombay, Calcutta and Madras to capture commanding shares of their milk markets. The Committee, however, find that even at the end of Phase-II of the project in 1984-85 the market share of the metro dairies was 57 per cent in Madras, 51 per cent in Bombay, 56 per cent in Delhi and only 39 per cent in Calcutta. Particularly low market share of Calcutta dairy is stated to be because of impediments to the procurement of milk caused by a variety of organisational problems including those relating to management, financial viability, timely payment to farmers and fair and remunerative pricing of milk. The Committee would like to stress that the Government|IDC should take immediate steps, in consultation with the State Federations to tackle the problems which are hampering the progress of procurement of milk so that the four Metro Dairies are able to achieve the assigned task of capturing the commanding share of milk.

Reply of the Government

IDC is continuing to follow up with State Federations to step up milk procurement and handle a commanding share of milk marketing in metro cities. The procurement of liquid milk expanded between 1984-85 and 1985-86 and further expansion is expected in 1986-87. Expansion of metro dairies, capacities is also being considered under Operation Flood-III.

[Ministry of Agriculture (Deptt. of Agri. & Coopn.) O.M. No. 17-23|86-LD. I dated 29-10-1986.]

Recommendation (Sl. No. 27, Paragraph 4.18)

The Committee are concerned to note that Indian Immunologicals set up in May, 1983 at an estimated cost of Rs. 19.93 crores had to drastically cut the production of FMD vaccine (9.57 million doses during 1983-84 and 3.46 million doses during 1984-85) due to unseemly controversy over the 'A' strain to be incorporated in the vaccine. Based on the result of field samples sent to the World Reference Laboratory (WRL), Pirbright UG, the IDC decided to proceed with incorporation of A-22 strain in the quadrivalent vaccine while the other Indian manufacturers of FMD vaccine were using A-5 or A-10 strain. At a meeting held in June, 1982 it was brought to the notice of Government by a representative of the Animal Virus Research Institute, Pirbright that the results of recent work at AVRI had shown that all the samples received from India in the last two years had tended to be closer to a known A-22 strain than to A-5 strain. However, the representative of the All India Coordinated Research Project (AICRP) on FMD maintained that the A-5 strain should be incorporated in the vaccine. In spite of this disagreement no serious efforts appear to have been made by Government to resolve the issue apart from sending some more samples to the World Reference Laboratory. It was only in March, 1985 that a Task Force was appointed for an in-depth technical analysis. Based on the recommendations of this Task Force, the Ministry of Agriculture decided in January, 1986 that manufacturers of FMD vaccine should be informed that in view of the preponderance of A-22 virus in the field outbreaks of FMD, this should be incorporated in the FMD quadrivalent vaccine. There was, thus, considerable time wasted in resolving the controversy as was admitted in evidence by the Secretary, Department of Agriculture and Cooperation that "they should have resolved the controversy much faster." The Committee deprecate the inordinate delay in arriving at a decision regarding incorporation of 'A' strain in the FMD vaccine which not only adversely affected the

marketing of 'Raksha' vaccine produced by Indian Immunologicals which contained A-22 strain but also seriously hampered efforts to control the Foot and Mouth Disease. The Committee hope that the recommendations of the Task Force have been given wide publicity among State Animal Husbandry Departments and users of FMD vaccine so as to clear the prevailing misunderstanding with regard to the usefulness of the vaccine manufacturer by Indian Immunologicals.

Reply of the Government

The Government's policy has been that protection against all the prevalent/suspected virus types of FMD may be provided through quadrivalent/monovalent vaccine. In the past the quadrivalent vaccine manufactured by three producers, *inter alia*, incorporated A₅ and the one produced by the Indian Immunologicals incorporated A₂₂. Therefore, protection against A₂₂ virus wherever necessary was being done either by the quadrivalent vaccine of the Indian Immunologicals or by the monovalent vaccine of the other producers. The low offtake of the vaccine in the past may be attributed to high cost-factor mainly. Of late, consequent on the recommendation of the Task Force on FMD set up by the Department of Agriculture & Cooperation (1985), all manufacturers have been advised to put A₂₂ in the quadrivalent vaccine for effecting uniformity, avoiding confusion, and taking into account the predominance of this strain in the outbreaks. However, as no stable A₂₂ antigenic strain is perhaps available with any manufacturer, and outbreaks due to A₂₂ variants have been reported in vaccinated stock, the manufacturers have been advised to use their own discretion for putting A₅ additionally in the quadrivalent vaccine thus making it pentavalent, or manufacturing it as monovalent vaccine. The Government have given due publicity of this change among the State Animal Husbandry Departments and have advised them to use their own technical discretion from time to time, they being the custodians of live stock health for their respective States.

[Ministry of Agriculture (Department of Agriculture & Cooperation), O.M. No. 17-23/86-LD.I, dated the 29th October, 1986.]

Recommendation (Sl. No. 29, Paragraph 4.36)

The Committee are also concerned to note that against a capacity of 700 million tetrahedron packs, the production of the paper Laminating Plant was only 5.15 million packs and 10.16 million packs

during 1983-84 and 1984-85 respectively. Whereas the plant was expected to attain full capacity utilisation during the fourth year of operation, the target fixed for production even during 1989-90 is 312 million packs. This utterly low capacity utilisation is stated to be due to the delay in setting up of packaging stations which are to utilise the laminated paper produced at the Plant. Of the ten such packaging stations needed for running the Paper Laminating Plant to full capacity, only three have so far been set up. The Committee need hardly point out that had the setting up of these packaging stations been properly planned to synchronise with the Paper Laminating Plant, the Plant set up at a cost of Rs. 4.5 crores would not have remained largely underutilised. They desire that every effort should now be made to set up the remaining packaging stations at the earliest.

Reply of the Government

All efforts will be made to set up the remaining packaging stations at the earliest.

[Ministry of Agriculture, Department of Agriculture & Cooperation, O.M. No. 17-23/86-L.D.I, dated the 29th October, 1986.]

CHAPTER III

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

Recommendation (Sl. No. 7 Paragraph 1.69)

The Committee hope that as recommended by Jha Committee the new Corporation shall have full freedom and flexibility in operation, not less than that the NDDB and IDC have enjoyed so far and be at par with other financial institutions. It should perform a more wide-ranging role beyond the confines of the Operation Flood Project and provide technical and financial assistance even in areas outside the purview of the Operation Flood. However, the Committee do not agree with the IDC's contention that the new Corporation should also undertake tasks such as oilseeds and fruits and vegetables projects. Admittedly, these functions are totally distinct from Dairy Marketing system.

Reply of the Government

The recommendation that the new corporation should have full freedom and flexibility in operation, not less than what the NDDB and the IDC have enjoyed so far, has been accepted in principle and suitable provisions have also been included in the proposals under consideration regarding the setting up of the new body to take over the functions of IDC and NDDB.

As regards the suggestion that the new corporation should not involve itself in tasks such as oilseeds, fruit and vegetable projects, it may be stated that the activities in all these projects involve organising farmer producers and their organisations, and enabling the producers to have access to the market. Further, it is convenient and economical to utilise the already existing facilities in the IDC/NDDB organisations for the new allied activities relating to oilseeds, fruit and vegetable products.

[Ministry of Agriculture, Department of Agriculture & Cooperation, O.M. No. 17-23.85-LD.I, dated the 29th October, 1986.]

Recommendation (Sl. No. 26, Paragraph 4.17)

The Committee note that in 1977 when the production capacity of the Foot and Mouth Disease (FMD) Vaccine in the country was 4.5 million doses, a Task Force appointed by the Indian Council of Agricultural Research estimated that the requirement of FMD vaccine by 1985 would be to the tune of 85 million doses. Based on these estimates, Indian Immunologicals, a unit of IDC was issued a licence to manufacture FMD vaccine with an annual capacity of 25 million quadrivalent doses of vaccine. However, the Committee are surprised to find that the actual off take of the FMD vaccine in the country during the years 1981-82 to 1984-85 was estimated to be 2.2 million doses, 1.8 million doses, 2.9 million doses and 7.5 million doses respectively. Since India is stated to be losing annually about Rs. 400 crores in milk yield and about Rs. 110 crores in draft capacity due to the outbreak of Foot and Mouth Disease among cattle and buffaloes, the Committee feel that an analysis should be made of the factors responsible for the actual offtake of FMD vaccine being far below the estimated requirements and the Committee apprised of the results of analysis.

Reply of the Government

The Task Force estimated the requirement of 85 million doses of FMD vaccines per annum on the basis of the cattle and buffalo population in ICDP, Special Livestock Production Programmes and milkshed areas whereas the farmers normally purchase these vaccines only for protecting their exotic and cross-bred stock. Farmers are also not yet fully aware about the need for regular vaccination. Another factor for low off-take of this vaccine is its high cost. Ministry of Agriculture implements a centrally sponsored scheme for subsidising cost of the vaccine. During 1985-86, about 16 million doses were utilised, which is 100 per cent more than the utilisation during the previous year.

[Ministry of Agriculture, Department of Agriculture & Cooperation, O.M. No. 17-23/86-LDI, dated the 29th October, 1986.]

Recommendation (Sl. No. 28, Paragraphs 4.34 & 4.35)

The Committee are informed that Tetrapack milk can be stored and transported without refrigeration because of its long life. Although the Indian Dairy Corporation was issued a Letter of Intent in June, 1973 for manufacture of Tetrapak Paper in collaboration with M/s Tetrapak International and a provision of Rs. 3 crores had been made by the Planning Commission for setting up of a factory, the

proposal was subsequently dropped. However, on the basis of recommendations of the Committee on Public Undertakings contained in their 83rd Report (5th Lok Sabha), the proposal was again revived. The Committee regret to point out that the Government's approval to the project was given only in July, 1979 when the Expenditure Finance Committee had cleared it in December, 1977, and the project must have also been examined by Government while issuing the Letter of Intent in 1973.

The Committee find that not only was the approval of the Tetrapak Project delayed, the commissioning of the Paper Laminating Plant for manufacture of laminated paper also got delayed. The Plant scheduled to be commissioned by August, 1981 was commissioned only in July, 1983. As a result the estimated cost of the Project increased from Rs. 259.06 lakhs to Rs. 450 lakhs due to price escalation, increase in scope and inaccuracy in estimates. The Committee strongly deplore this inordinate delay.

Reply of the Government

The reasons for delay of two years in the approval of the Paper Laminating Project have been explained in the material already furnished to the Committee. In short, after clearance of the Project by the EFC, by 5-12-1977 as a part of O.F.-II, some new points raised by the Planning Commission required clarification. The proposal was considered in inter-ministerial meetings on 8-2-1978 and 18-4-1978. The Operation Flood-II was cleared by the Government in October, 1978. The Ministry of Industry cleared the project in November, 1978 and it was registered with DGTD on 8-5-1979. Thus after obtaining clearance from all concerned Ministries, the Government issued the approval of the Paper Laminating project in July, 1979.

As regards the delay in the commissioning of the plant, it may be mentioned that after the Government approval was conveyed in July, 1979, revised project estimates were prepared in July, 1980. As already explained by the IDC in their note to the Committee referred to in Para 4.25 of the Report, after permanent power was received by the Unit in July, 1982, packing machine trials with locally produced material were commenced in February, 1983. The EFC clearance for revised project estimates was issued in May, 1983 and after trials, the unit commenced commercial production in July 1983.

It may also be stated that the increase in the cost of project is not exclusively due to the delay as may be seen from the factorwise increase in the outlay of the project given below:—

Factors	Break-up (Rs. in lakhs)
I. Price escalation	87.75
II. Inaccuracy in original estimate	16.00
III. Increase in scope :	
(a) Land including develop- ment	7.60
(b) Plant & equipment in- cluding services	28.00
(c) Civil Work on main plant and service block	23.77
(d) Consultancy and other fees	10.25
(e) Staff Quarters	45.40
Total :—	218.77
Less Amount not sanctioned	(—)27.83
	190.94

[Ministry of Agriculture, (Department of Agriculture & Cooperation), No. 17-23/86-LD. I, Dated the 30th December, 1986.]

CHAPTER IV

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

Recommendation (Sl. No. 2, Paragraphs 1.48-1.50)

The Committee note that Operation Flood II proposal envisaged its implementation in two parts. The pre-programme actions required for launching the project were to be carried out during July, 1977 to June, 1978 and OF-II itself was to be implemented during July, 1978 to June, 1985. However, the pre-project phase took much longer time than originally contemplated time of one year to complete mainly because most of the States are stated to have taken longer time in completion of such formalities as signing of basic agreements, constitution of State Cooperative Federations, preparation of individual State dairy development project proposals, etc. and technical support and energies of the NDDB and IDC were directed towards completion and closing of OF-I.

The Committee feel that as the Operation Flood-II was to be a logical continuation of Operation Flood I, it should have been possible for the Government to persuade the State Governments to expedite these pre-programme actions and avoid delays in starting OF-II. The Committee also see no justification for adopting the starting date of OF-II as 1 April, 1981 when many of the States had signed the agreements in 1978 and 1979. Besides, the programmes to be implemented under OF-II should have also been started simultaneously even though OF-I had to be extended upto 1981.

Reply of the Government

As regards the observation that the State Governments should have been persuaded to expedite pre-programme actions and thus delays could have been avoided in starting OF-II it may be submitted that as indicated in Para 1.20 of the report there was reluctance on the part of the State Governments (i) to permit the Dairy Federations to fix purchase and sale price of milk (ii) to transfer the existing assets and (iii) to take the responsibility of providing land water and power to the projects to be taken up under OF-II Programme. In regard to adoption of the date of commencement of OF-II as 1-4-1981, as indicated in Para 1.19 of the Report, it is sub-

mitted that all the States did not join the Scheme together and even after signing the agreements, there were several other preprogramme formalities, which had to be completed. In addition OF-II could not really take off prior to 1-4-1981, because NDDB and IDC were concentrating on the completion and closing of OF-I. All the same, as recommended by the Committee, certain programme activities under OF-II were taken up even while OF-I was in progress, and an expenditure of Rs. 44.26 crore was incurred on OF-II, before 1-4-1981 i.e., during Operation Flood-I period itself.

[Ministry of Agriculture, Department of Agriculture & Cooperation) OM No. 17-23/86-LD.I, dated the 29th Oct., 1986.]

Comments of the Committee

(Please see Paragraph 6 of Chapter I of the Report).

Recommendation (Sl. No. 3, Paragraphs 1.51 & 1.52)

The Committee observe that the programme dimensions of Operation Flood-II were initially set for a time period of 8 years including a pre-programme year, the actual project duration envisaged being 1978—85. The approved outlay of the project of Rs. 485.5 crores included Rs. 206 crores expected to be generated from gifts of 1,86,000 MT of skim milk powder and 76,200 MT of butter oil to be received from European Economic Community and IDA credit for US \$ 150 million. Subsequently, the project was split into two phases. Phase-I with an outlay of Rs. 273 crores ran concurrently with the Sixth Plan period and was completed in March, 1985. Phase-II of Operation Flood-II (also called Operation Flood-III) is to be implemented concurrently with the Seventh Five Year Plan and scheduled to be completed by March, 1990. Thus the project, the start of which had already been delayed by three years has now effectively been extended from 1985 to 1990. Not only has the duration of the project been extended, the total outlay on Phase-I and Phase-II of OF-II has also been increased considerably from Rs. 485.5 crores to Rs. 958.46 crores, reportedly to providing funds for foot and mouth disease control programme, supplementary feeding programme, working capital support to federations, etc. As against the original proposal to cover 155 districts, the project is now expected to cover some 248 districts.

The Committee are constrained to observe that in spite of the fact that the project will now cover a wider geographical area with an increase in out-lay by about 97 per cent and also its completion time having been extended upto 1990, the targets in physical terms remain more or less the same. Also the targets for other components of the project like coverage of farmers families, number of milch

animals to be brought under cooperative ambit, rural milk procurement and rural processing capacity have not been revised upwards. Admittedly, this amounts to the dilution of the programme. The Committee, therefore, suggest that the targets of the project should be reviewed and revised upward commensurate with the extension of time frame and coverage of the larger number of districts.

Reply of the Government

Although the National Dairy Development Board had originally submitted a project proposal for implementation of Operation Flood-II with an outlay of Rs. 485.5 crores, the project was approved by the Government with an outlay of Rs. 273 crores to be implemented during the 6th Plan period (1978-79 to 1984-85). Thus the Operation Flood-II should be considered as have been completed in March, 1985. The total funds utilised on this project were Rs. 277.17 crores. The table below indicates the targets for the Sixth Plan period with the outlay of Rs. 273 crores and the actual achievements:—

Table 1: Targets and achievements of O.F.-II.

Particulars	Base figure March, 1981.	Sixth Plan target (by end of 1984-85)	Achieve- ment upto March, 1985.	Achieve- ment as % of the 6th Plan target
1. No. of Societies (000)	13.27	29.00	34.50	119
2. No. of Societies under A1(000)(000)	4.87	8.00	7.50	94
3. Farm Families covered (millions)	1.74	3.48	3.63	104
4. Average milk Procurement (MLPD)	2.56	5.53	5.60	101
5. Urban milk marketing (MLPD)	2.27	4.30	5.01	116
6. Rural Dairy Processing capaci- ties (MLPD)	4.53	7.60	8.78	115

As already stated, the Operation Flood II Project should be considered as having been completed in March, 1985 and as such the O.F. III which is proposed to be implemented with an outlay of Rs. 681.29 crores during 1985-86 to 1989-90 should be considered as an independent project.

The table below indicates the original outlay proposed, the funds utilised during O.F. II and the requirement of fund for O.F. III for each action item/activity to be undertaken:

Table 2: Outlay proposed and funds actually utilised for Operation Flood-II and funds requirement of O.F.-III

Sl. No.	Action item	Original allocation proposed	Funds actually utilised during O.F. II.	Incremental requirement for O. F. III	Total	Increases Decreases.
1	2	3	4	5	6	7
1.	Processing capacity . . .	150.1	140.84	185.00	325.84(+)	175.00
2	Technical inputs for milk production.	108.5	33.84	45.00	78.84(-)	29.62
3	Milk marketing system	53.9	25.60	30.00	55.60(+)	1.69
4	Support for village Coop. organisation	65.1	12.76	85.09	97.85(+)	32.70
5	Planning information system training and research	17.9	15.67	35.00	50.67(+)	32.75
6	Project implementation	26.7	7.86	5.27	13.13(-)	13.58
7	National Milk and stabilisation.	34.5	17.67	28.24	45.91(+)	11.40
8	Infrastructural support for disease control & milk production enhancement	25.8	22.38	58.5	80.88(+)	55.08
9	Supplementary feeding programme	3.0	0.55	54.45	55.00(+)	52.00
10	Processing capacity renovation, modernisation and high margin products			54.74	54.74(+)	54.74
11	Working capital			100.00	100.00(+)	100.00
	TOTAL	485.5	277.17	681.29	958.48(+)	472.96

As may be seen from the table above, the highest increase in the requirement of funds is for creation of facilities for processing of milk. It is estimated that the cost of processing facilities has generally escalated between 6 per cent and 8 per cent per annum which is lower than the rate of inflation over the period. The reasons for increases on the other action items are as under:—

- (i) The increased requirement of funds for action item No. 4 viz. 'Support for village Co-operative Organisations' is because of higher targets.

- (ii) Similarly the increase in respect of action items 5 and 7 viz. 'Planning, information system training and research' and 'National Milk Grid and stabilisation' is on account of either expansion of activities or additional activities proposed to be undertaken.
- (iii) The increases in respect of action items Nos. 8 and 9, are for undertaking new projects viz. 'Foot and Mouth disease control project and Supplementary Feeding Programme.'
- (iv) While the new provision in respect of action item No. 10 viz. 'Processing Capacity, Renovation, Modernisation and high margin products' is for modernisation and renovation and high margin milk products, the new provision in respect of action item No. 11 viz. 'Working Capital' is intended to be used as a revolving fund for giving loans towards working capital to various co-operative dairy federations.

Thus the increases in the requirement of funds for Operation Flood-III are really not escalations of costs or outlay. All the same, keeping in view the experience of five years of Operation Flood-II and the outlay available, the targets of Operation Flood-III have been worked out realistically. Under Operation Flood-III, more than 256 districts would be covered as against only 155 districts earlier envisaged and target for members of dairy co-operative societies to be organised would be 50,000 in these districts as against the achievement of 34,500 societies till the end of March, 1985. Similarly under Operation Flood-III, it is planned to achieve the targets of milk handling, which are twice as much as those achieved in the last 40 years. Taking into account all the factors, the targets proposed for Operation Flood-III are considered reasonable.

[Ministry of Agriculture, (Department of Agriculture & Cooperation), O.M. No. 17-23/86-LD I, dated the 30th December, 1986].

Comments of the Committee

(Please see Paragraph 9 of Chapter I of the Report)

Recommendation (Sl. No. 13 Paragraph 2.45)

Operation Flood-II aimed at enabling milk producers to rear a National Milch Herd of some 140 lakh cross-bred cows and upgraded buffaloes during 1980's but the progress made so far to this end is far from satisfactory. According to a village enumeration survey carried out from April, 1984 onwards in 110 out of 130 milk-sheds

the number of improved milch animals was only 7.75 lakhs. While viewing with concern the slow progress, the Committee recommend that concerted efforts should be made by IDC for achieving the targeted number of improved crossbred milch animals with a time bound programme.

Reply of the Government

In pursuance of the Governments breeding policy IDC|NDDB are already extending necessary facilities to Federations|Unions. They have already set up 13 Frozen Semen Production Stations where good pedigreed breeding bulls of Indian Cattle, buffalo crossbred and exotic breeds are being maintained. It may, however, be mentioned that it may not be possible for the Federations/Union alone to achieve the targets regarding National Milch Herd. This has to be achieved by combined efforts of State Governments and Cooperative Federations/Unions.

[Ministry of Agriculture, (Department of Agriculture & Cooperation), O.M. No. 17-23/85-LD I, dated the 29th October, 1986.]

Comments of the Committee

(Please see Paragraph 15 of Chapter I of the Report).

CHAPTER V

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

Recommendation (Sl. No. 4 of Appendix Paragraph 1.53—1.54)

The Committee have been informed that out of the total revised project cost of Rs. 985.46 crores (including both Phase II and Phase III of Operation Flood Project) Rs. 277.17 crores is estimated to have been disbursed upto March, 1985. The balance amount of Rs. 681.29 crores is proposed to be spent for implementation of Phase III of the project during Seventh Plan period i.e. 1985-86 to 1989-90. Apart from Rs. 238.18 crores carried forward from Phase II and IDC's internal resources of Rs. 93.24 crores, the Project is to be financed by an anticipated second tranche soft loan of US 150 million dollars from the World Bank and commodity assistance from EEC to the extent of Rs. 144.70 crores.

However, the Committee are dismayed to observe that though Phase III has been started in 1985-86, it is yet to be approved by the Public Investment Board. The World Bank has also indicated that there is no possibility of including this project in the current plan lending programme due to budgetary constraints. The Commodity aid from EEC is also not assured. In fact, the Secretary, Department of Agriculture and Cooperation admitted in evidence "There is no money in the Plan. There is no clear indication of the external aid." In view of the uncertain position of availability of funds the Committee have serious doubt about the successful implementation of the Phase III of OF Project within the proposed time frame. The Committee are of the view that if timely action had been taken for obtaining the necessary foreign aid, such uncertain situation could have been avoided. They desire that the project should now be finalised expeditiously and finances arranged therefor. The Committee would like to be apprised of its proposed implementation.

Reply of the Government

The project has since been approved by the Public Investment Board.

As regards external assistance it may be mentioned that the project has been posed to the EEC and the World Bank for commodity and credit assistance respectively. A joint EEC/World Bank team had also visited India recently to collect material for appraisal of OF-III Project. Their report is awaited.

[Ministry of Agriculture, (Department of Agriculture & Co-operation) O.M. No. 17-23/86-LD I, dated the 29th October, 1986.]

Recommendation (Sl. No. 6, Paragraph 1.68)

In their 83rd Report (Fifth Lok Sabha) presented to Parliament in April, 1976, the Committee on Public Undertakings had recommended that in the long run it would be beneficial to bring about merger of Indian Dairy Corporation and National Dairy Development Board. The National Commission on Agriculture had also observed in September, 1976 that the integration of these two institutions was necessary as it would lead to integrated approach, better coordination and economy of operations. The question of merger of the two institutions has since been under examination of Government. In the meantime the Evaluation Committee on Operation Flood II (Jha Committee) in their Report presented to Government in December, 1984 had recommended that as the role and functions of IDC are more akin to those of development financing institutions like the National Bank for Agriculture and Rural Development (NABARD), the Industrial Development Bank of India (IDBI) and the Industrial Finance Corporation (IFC), a new statutory Corporation be formed to take over the functions performed by both the institutions. The Committee note that the Ministry has now decided to support this proposal and a note has been circulated to other concerned Ministries for their comments. The Committee recommend that the proposal should be finalised without any further delay as it is already ten years since the recommendation for merger of IDC and NDDB was made by the Committee (1975-76) and its advisability has been recommended by the National Commission on Agriculture and Jha Committee.

Reply of the Government

The present position in regard to the proposals is that the comments made by different Ministries/Departments were considered in three meetings and further action to finalise the proposal is being taken.

[Ministry of Agriculture, (Department of Agriculture & Cooperation) O.M. No. 17-23/86-LD I, dated the 29th October, 1986.]

Recommendation (Sl. No. 24 Appendix Paragraph 3.46)

The Committee feel concerned to note that the question of determining the agency which should run the Mother Dairy in Delhi has been under consideration of Government since 1973 but final decision has not yet been taken. Several proposal were examined by Government from time to time including setting up of a subsidiary of IDC to run the Mother Dairy at Delhi, formation of an independent company, taking over of the Dairy by IDC/NDDDB, converting the Dairy into a Departmental Undertaking or handing it over to the Delhi Administration. However, the NDDDB who were entrusted the management of the dairy as an interim measure still continue to manage this dairy and charge Rs. 2000 per day as a management fee. The Committee feel that Government do not have a will to solve this problem otherwise this matter would not have been kept hanging fire for all these years. The Committee desire that a final decision in the matter should be taken immediately and Committee informed.

Reply of the Government

The question of bringing the Delhi Milk Scheme, Mother Dairy and the proposed 3rd Dairy under the management of one statutory corporation is under active consideration.

[Ministry of Agriculture, (Department of Agriculture & Cooperation) OM No. 17-23/86-LD I, dated the 29th October, 1986.]

Comments of the Committee

(Please see Paragraph 21 of Chapter 1 of the Report).

Recommendation (Sl. No. 25 Appendix Paragraph 3.47)

The Committee also deprecate the delay in selection of site for a third dairy in Delhi with a capacity of 4 lakh litres per day, the project report for which was prepared by NDDDB as early as in 1979. This delay has already led to an increase in estimated cost of the dairy from Rs. 9.65 crores to about Rs. 12 crores, and the Committee are sure that the cost will go up still further if decision is further delayed. The Committee desire that group which has been set up for the purpose should finish the task assigned to it expeditiously and a final decision about the site for the setting up of third dairy in Delhi should be taken by Government without any further delay.

Reply of the Government

The Group constituted for selection of site for the proposed third dairy in Delhi visited a prospective site on Main Rohak Road near Nangloi Railway Station on 16-6-1986. It was observed that there was a lot of encroachment on it which would be difficult to get vacated. The question was discussed in a meeting on 11.7.1986 when it was decided to co-opt a representative from Central Ground Water Board (CGWB) in the group to assess the suitability of site from the point of view of availability of water of required quantity and quality. The member nominated by CGWB has opined that the site near Nangloi Railway Station may not yield the required quantity and quality of water. The group is expected to visit the site on the Rohtak Road shortly again to decide the suitability and also to look for an alternative site if necessary.

[Ministry of Agriculture, (Department of Agriculture & Cooperation) OM No. 17-23/86-LD I, dated the 29th October, 1986.]

Recommendation (Sl. No. 30 Paragraph 4.37)

In order to utilise the excess capacity of the Paper Laminating Plant, the IDC approached the Government in December, 1983 for permission to manufacture flexible laminates besides manufacturing laminated paper for aseptic packaging. The proposal was rejected on the grounds that manufacture of flexible laminates is reserved for small scale sector. The Ministry of Agriculture again recommended the proposal to the Ministry of Industry in January, 1985 pointing out that it is exceedingly difficult to procure quality laminating equipment within the investment limit prescribed for small scale sector. No decision has so far been taken in the matter. The Committee desire that the matter should be sorted out at the earliest, if necessary at the highest level. They also recommend that IDC should be given permission to utilise its idle capacity by manufacturing at least those items which are not reserved for small scale sector and for which the Company has already approached the Government.

Reply of the Government

The matter is being pursued with the Ministry of Industry for the grant of permission to IDC for manufacture of those items that are not reserved for small scale sector. The Ministry of Industry has also been reminded to let us know the result of their examination of the point made by us, that it was exceedingly difficult to procure

quality lamination equipment within the investment limit prescribed for small scale sector, so that the question of dereservation of items from small scale sector may be further pursued.

[Ministry of Agriculture, Department of Agriculture & Cooperation) OM No. 17-23/86-LD.I, dated the 29th Oct., 1986.]

NEW DELHI;
March 24, 1987

Chaitra 3, 1909 (S)

K. RAMAMURTHY,
Chairman,
Committee on Public Undertakings.

APPENDIX I

Minutes of the 71st sitting of the Committee on Public Undertakings held on 13 March, 1987

The Committee sat from 10.30 hrs. to 11.00 hrs.

PRESENT

Shri K. Ramamurthy—*Chairman*

MEMBERS

* * * *

2. Chowdhry Akhtar Hasan
3. Shrimati Sheila Kaul
4. Shri Haroobhai Mehta
5. Shri Braja Mohan Mohanty
6. Shri Ram Bhagat Paswan
7. Shri Chiranji Lal Sharma
8. Shri Jagesh Desai
9. Shri Krishna Nand Joshi
10. Shri Santosh Kumar Söbu
11. Shri Jagdambi Prasad Yadav

SECRETARY

1. Shri N. N. Mehra—*Joint Secretary.*
2. Shri S. S. Chawla—*Chief Financial Committee Officer.*
3. Shri G. S. Bhasin—*Senior Financial Committee Officer.*
4. Shri Rup Chand—*Senior Financial Committee Officer.*

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

Shri D. N. Anand—*Secretary, Audit Board*

2. The Committee first considered and adopted the following Action Taken Reports as approved by the Action Taken Sub-Committee:—

- i) Action Taken by Government on the recommendations contained in the 11th Report (1985-86) of OPU on Indian Dairy Corporation;

* * *

4. The Committee authorised the Chairman to finalise the draft Reports on the basis of factual verification by the Ministries & Undertakings concerned and Audit and present the same to Parliament.

The Committee then adjourned.

APPENDIX II

(Vide Para 3 of Introduction)

Analysis of action taken by Government on the recommendations contained in the 11th Report of the Committee on Public Undertakings (Eighth Lok Sabha)

I.	Total number of recommendations made	30
II.	Recommendations that have been accepted by the Government (<i>Vide</i> recommendations at Sl. Nos. 1,5,8-12—14-23, 27 and 29)	19
	Percentage to total	63·3%
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies (<i>Vide</i> recommendations at Sl. Nos. 7, 26 and 28)	3
	Percentage to total	10%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>Vide</i> recommendations of Sl. Nos. 2, 3 and 13)	3%
	Percentage to total	10%
V.	Recommendations in respect of which final replies of Government are still awaited (<i>Vide</i> recommendations at Sl. Nos. 4,6, 24, 25 and 30)	5
	Percentage to total	16·7%

G.P.W. No. 590

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