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**FOOD CORPORATION OF
INDIA—DESPATCHES OF
SUB-STANDARD WHEAT**

**Ministry of Food & Civil Supplies
(Department of Food)**

**COMMITTEE ON
PUBLIC UNDERTAKINGS
1988-89**

FIFTY-SEVENTH REPORT

EIGHTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

FIFTY-SEVENTH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS (1988-89)

(EIGHTH LOK SABHA)

**FOOD CORPORATION OF INDIA—DESPATCHES OF
SUB-STANDARD WHEAT**

**MINISTRY OF FOOD & CIVIL SUPPLIES—DEPARTMENT
OF FOOD**



Presented to Lok Sabha on 26.4.1989

Laid in Rajya Sabha on 26.4.1989

**LOK SABHA SECRETARIAT
NEW DELHI**

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**CORRIGENDA TO 57TH REPORT OF COMMITTEE
ON PUBLIC UNDERTAKINGS ON F.C.I.**

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1988-89)

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- | | | |
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Study Group-IV on the Fertilizers and Chemicals (Travancore) Ltd.; Rourkela Steel Plant; National Projects Construction Corporation Ltd., State Trading Corporation of India, alongwith Cashew Corporation of India Ltd.; Indian Oil Corporation Ltd.-Installation of two LPG Bottling Plants at Bangalore (aspect study) and Food Corporation of India-Despatches of sub-standard wheat (aspect study)

- 1. Smt. Sheila Kaul — Convener**
- 2. Shri Mohd. Mahfooz Ali Khan — Alternate Convener**
- 3. Shri Saifuddin Chowdhary**
- 4. Shri Virendra Verma**
- 5. Shri S.G. Gholap**

INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Fifty-seventh Report on Food Corporation of India—Despatches of sub-standard wheat.

2. The Committee's examination of the working of the Company was mainly based on an audit para XIII from the Report of the Comptroller & Auditor General of India, 1986, Union Government, (Commercial) Part VIII.

3. The Committee took evidence of the representatives of Food Corporation of India on 16 and 31 August, 1988 and also of the representatives of the Ministry of Food & Civil Supplies (Deptt. of Food) on 15 December, 1988.

4. The Committee considered and adopted the Report at their sitting held on 12 April, 1989.

5. The Committee wish to express their thanks to the Ministry of Food & Civil Supplies (Department of Food) and Food Corporation of India for placing before them the material and information they wanted in connection with examination of the subject. They also wish to thank in particular the representatives of the Ministry of Food & Civil Supplies (Department of Food) and Food Corporation of India, who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

6. The Committee also place on record their appreciation of the assistance rendered by the Office of the Comptroller & Auditor General of India.

NEW DELHI ;

April, 24, 1989

Vaisakha 4, 1911 (S)

VAKKOM PURUSHOTHAMAN,
Chairman,

Committee on Public Undertakings.

PART I

BACKGROUND ANALYSIS

1.1 In the Report of the Comptroller & Auditor General of India, Union Government (Commercial) —Part VIII, 1986 three cases of despatch of sub-standard wheat from FCI depots have been brought out viz. from Naini to Mangalore in February/March, 1984, from Jhansi to Mangalore in September, 1985 and from Orai to Mangalore in October, 1985. These are discussed in detail in the succeeding paragraphs.

A. Despatches of wheat from Naini

1.2 2229 tonnes of wheat was despatched from Naini to Mangalore on 15/16 February, 1984. On unloading, it was found that the stocks were heavily infested with substantial powder formation and Khapra moults. The stocks were transported and dumped in the Central Warehousing Corporation (CWC) godown at Mangalore.

1.3 The Committee desired to know the categories into which the wheat stock is classified and the method of disposal of each category. The Chairman, FCI, informed the Committee in evidence that the wheat is categorised into four categories on the basis of the weeviled germeaten grains. In the case of 'A' category, weeviled grain is upto 1%. In the case of 'B' category weeviled grain is above 1% and upto 4%. Grains with weevilling above 4% and upto 7% are termed as 'C' category. In the case of 'D' category, weeviled grain is above 7% and upto 15%. Anything which does not conform to these standards is called sub-standard. The categorisation of the stocks is done by the qualified Technical Assistant. The Manager (Quality Control) and Deputy Managers (Quality Control) do random checks of stocks and see that correct categorisation has been done.

1.4 In regard to the disposal of each category, the witness informed that only 'A' and 'B' categories are made available for consumption through Public Distribution System. 'C' and 'D' categories of wheat are not issued for direct consumption. These are issued to the Roller Flour Mills for processing into Maida, Suji etc.

1.5 However, the Joint Manager (Quality Control), who inspected the stocks which had reached Mangalore from Naini, observed in March, 1984 that this wheat was unfit for issue to Roller/Flour Mills even after cleaning as weevilling percentage was high and suggested auctioning of the whole lot or

offering of the lot to Roller Flour Mills over and above the regular allotments with permission of Government of India.

1.6 In reply to a question about the percentage of weevilling of the stocks, FCI informed in a written reply furnished after evidence that after receipt of the wagons at Mangalore the stock was examined by Central Warehousing Corporation and the percentage of weevilling in the 52 wagons received ranged between 18% to 21%.

1.7 The Committee desired to know as to why such weeviled grains were despatched from Naini. The Chairman, FCI stated in evidence as follows : -

"In U.P., it was found at that time that over 3.35 lakh tonnes of 'C' and 'D' category wheat had accumulated and the local Roller Flour Mills could hardly lift on an average about 14,000 tonnes per month in 1983-84 and about 24,000 tonnes in 1984-85. This is an average for the whole year. We felt that the lower category stocks must be moved to other regions for issue to the Roller Flour Mills."

1.8 In this connection, the Managing Director, FCI informed the Committee in evidence : -

"The despatch instructions were sent for C & D wheat and not for sub-standard wheat. There are clear standing instructions that if there is a sub-standard stock, it should be disposed of as cattle feed or poultry feed or it be upgraded and then despatched. Without upgrading this should not have been despatched."

1.9 When the Committee enquired whether it was not known before despatch that the stocks were sub-standard, the Chairman, FCI replied :

"If it had been reported then it would not have been despatched. The report was that it was C and D category therefore, it was decided to despatch it."

1.10 The Committee wanted to know the category of this wheat when it was initially put into the godowns at Naini. They were informed in a note furnished after evidence that the wheat was received into the godowns at Naini from October, 1982 to March, 1983 and on receipt, it was categorised into A and B category.

1.11 The Committee wanted to know the period between the last inspection of stocks and its despatch from Naini. They were informed in a note furnished by the Ministry of Food & Civil Supplies (Department of Food) that the last inspection of different stocks was carried out on different dates, the period of such inspection before the wheat was despatched to Mangalore ranged from 55 days to 144 days.

1.12 On being asked whether the stocks were not inspected at the time of despatch, the Chairman, FCI stated in his evidence as follows :—

“The persons responsible evidently did not do the final checking before despatch which should have been done.. Before the despatch, it has to be ensured that it has passed through quality control checks... But in this case, the situation came to be known when the consignment was received at the destination.”

1.13 On being enquired about the action taken against the officials responsible, the Managing Director, FCI informed the Committee in evidence that a charge-sheet had been issued in the case and the inquiry was in progress.

1.14 When further asked whether the wheat was weighed at Naini before despatch, FCI stated in a note furnished after evidence that originally it had gone by the figure of 2170 tonnes mentioned in the Audit Report. However, after discussions with COPU this figure was revised to 2229 tonnes with reference to original documents. As regards the quantity received at mangalore, it was stated that no specific receipt was given by CWC, Mangalore but in their various communications they had acknowledged the receipt of 2170 tonnes.

1.15 During evidence of Department of Food, the Committee enquired whether the stocks were not required to be weighed before despatch and after receipt at the receiving and, the Secretary. Department of Food stated :—

“According to the despatching station, they had sent 2229 tonnes. According to the receiving station, it was 2170 tonnes. The instructions are if there is a weigh-bridge at the depot. of course, the whole thing has to be weighed. If there is no weigh bridge and if there are standard bags, then 10% of those bags are weighed. If the bags are unstandard, then, 100% is to be weighed.”

1.16 In regard to the disposal of the sub-standard wheat received at Mangalore, Audit had pointed out that in June 1984, the stock was inspected by the Manager (Quality Control), New Delhi, who recommended cleaning and blending with sound stock to bring it within PFA (Prevention of Food Adulteration Act) limit. In July-August 1984, 42 tonnes of the wheat were taken up for cleaning and 37 tonnes of cleaned wheat with 17.5% weeviled grains were obtained. Further cleaning was suspended due to resistance by labour who developed allergic rashes on the skin and inflammation of the eyes. 1,171 tonnes of wheat were moved between June and December 1985 to FCI's godown at Shimoga. The entire stock was cleaned and upgraded by adding 393 tonnes of sound grains and issued to Roller Flour Mills between June

1985 and January 1986. 9.39 tonnes were not found fit for upgradation and were declared fit for cattle feed.

1.17 The Committee pointed out that when the total quantity of wheat despatched to Mangalore was 2229 tonnes then how was the remaining 77 tonnes accounted for. The Secretary Department of Food replied in evidence that this 77 tonnes comprised of two things—59 tonnes transit loss and 18 tonnes storage loss. Subsequently in their post evidence reply, the Ministry informed the Committee that for the transit loss the amount of loss worked out to Rs. 1.45 lakhs and for the storage loss, the amount was Rs. 0.44 lakhs on the basis of Rs. 246.31 per quintal as the economic cost of wheat for 1985-86. In regard to fixing responsibility for these losses and claims for recovery in respect of transit losses, the Ministry stated as follows :—

“The competent authority has written off these losses. No responsibility in these cases has been fixed on anybody. The claims with the Railways has not been preferred because of the receipt of the wagons in seal intact condition.”

1.18 The Committee wanted to know the justification of moving the stocks to Shimoga when it was known at Mangalore itself that the stock were sub-standard. The representatives of FCI stated in evidence as follows :

“There was a Committee appointed and based on their recommendation it was done..... This was a committee headed by a Joint Manager (Quality Control) from the Zonal Office South, in Madras. The Committee recommended that the stock should be moved from Mangalore to Shimoga for some good reasons. One reason was that, we FCI do not have godowns in Mangalore at all. We had hired CWC godowns and upgrading was not possible in the CWC godown because of multiplicity of other operations which were going on there. Further, the stocks were handled by CWC labour which was not under our direct control. Thirdly, there was no off-take in Mangalore whereas there was off-take of this category of wheat in Shimoga. Had we taken up the job of upgrading it in Mangalore, it would have been much costlier.”

1.19 On being asked as to what was the PFA limit in the case of weevilled grains issued to the Roller Flour Mills, the Committee were informed by the Department of Food in a note that there were instructions for issue of C & D category wheat to the Roller Flour Mills along with the A & B category wheat in the ratio of 2 : 1. Mills could so mix A & B and ‘C & D’ category of wheat that PFA limits were not exceeded. The C & D category wheat was issued to the flour mills for further processing and was not issued for direct consumption.

1.20 The Committee enquired whether any time limit had been laid down for the mills to utilise C & D category wheat issued to them in order to avoid its further weeviling/infestation. The Department of Food informed in a written reply that "No time limit had been laid down for the mills to utilise wheat of C & D categories."

1.21 In reply to a query about the adulteration of products of the Roller Flour Mills, a representative of the Department of Food stated in evidence as follows :—

"We have the Prevention of Food Adulteration Act/Rules. So their inspectors can go to the mill and see whether the product which they have made is according to the standard prescribed. If it is not, and if they have deliberately mixed something, then they are likely to be prosecuted by the Ministry of Health."

B. Despatches of wheat from Jhansi

1.22 In another case of despatch of lower category wheat, Audit has brought out that 1,117 tonnes of lower category wheat kept in a godown closed for two years on vigilance grounds were despatched from Jhansi without exercising proper checks about the quality and were received at Mangalore in September 1985. The stock contained waste flour to the extent of 5 to 6.5% and insect bored and tunneled grain to the extent of 22 to 28%. The labourers refused to unload the stock. On the advice of Zonal Manager (South), FCI, the stock was rebooked to Bangalore in September, 1985.

1.23. About the quantity of wheat despatched from Jhansi, the Department of Food informed in a note furnished after evidence that the actual quantity despatched from Jhansi and carried to Bangalore, on re-booking at Mangalore was 1610 tonnes. Audit took the figure of 1117 tonnes, for the 31 wagons, out of total 41 wagons, that arrived at Mangalore on 21 September 1985 and were rebooked to Bangalore on 22 September, 1985.

1.24 The Committee desired to know the reasons for keeping the godown closed for a long time. The Chairman, FCI stated in evidence before the Committee ;—

"The Godown in-charge was suspended on 5th March, 1984 for some shortage in the godown on mis-appropriation charges. The District Manager, Jhansi sealed the locks of the godown and kept the key of the godown at district office, Jhansi. Till 16th of August, 1985, there was no person who was incharge of this godown. It remained in sealed condition except for once when it was opened for a few days for physical verification work. On 16th August, 1985, the charge of the godown was entrusted to another A.G. II Depot."

1.25 The Committee asked why the quality of stocks was not checked before despatch, the witness stated :—

“Actually, there was a committee appointed by the district manager for arranging handling over of stocks to the new A.G II. This committee suggested examination of some of the stocks, treating them and to arrange segregation and cleaning before despatch and also reported that fumigation done was not successful. But the district manager did not listen to the recommendation of the committee. He went ahead and despatched these stocks.”

1.26 On a query about the last inspection of the stocks, the committee were informed by the Department of Food in a note that, “the last inspection of the stocks despatched was done on 26.4.1984 and thereafter the godown remained in sealed and locked condition.”

1.27 The Committee pointed out that had the stock been released after verification, pending the vigilance enquiry against the Godown Incharge, the deterioration of stock could have been prevented. To this Ministry stated in a written reply :—

“The deterioration could have been prevented if the stock in question had been subjected to preservation treatments from time to time. The concerned District Manager was penalised and reverted as Assistant Manager for his lapses.”

1.28 Of the stocks despatched from Jhansi, 1556 tonnes were stated to have been despatched from FCI godown and the balance from CWC godown. The Committee were also informed by FCI in a note that apart from the 1556 tonnes despatched from FCI godowns there was 37 tonnes of below D category wheat,

1.29 In this connection, the Secretary, Department of Food stated in his evidence :—

“The entire stock was actually sub-standard. In the records of the depot only 37 tonnes were shown as sub-standard. Those which were shown as ‘C’ and ‘D’ category were despatched.”

C. Despatches of wheat from Orai

1.30 According to Audit, 40 wagons of lower category wheat containing weeviled grain (23 to 74%) and heavy infestation were received at Mangalore from Orai (Jhansi) in October, 1985. The labourers refused to unload the stock. On the advice of the Regional Manager, FCI, Bangalore, the consignment was rebooked to Orai in November, 1985

1.31 When the Committee desired to know the details of the case, FCI informed in a note that a quantity of 1664 tonnes of wheat was despatched from Orai to Mangalore in October, 1985 and the same quantity was rebooked from Mangalore to Orai. The quantity received back at Orai was 1631.865 tonnes. After cleaning of this stock, a quantity of 1401.435 tonnes was obtained in 'D' category and was despatched to various destinations for issue to Roller Flour Mills. In the process about 55 tonnes of dust was obtained while 176 tonnes was the loss in storage.

1.32 The Committee enquired as to the reasons for sending the wheat stock back to Orai instead of cleaning it at Mangalore. The Managing Director, FCI replied in evidence as follows :—

"The fact of the matter is that in quick succession 3200 tonnes of thoroughly sub-standard wheat was unloaded in this area. As regards the first two batches, they were able to upgrade the stock with great difficulty and get rid of the stock. Then the third rake of rotten wheat came. There was wanton disregard for quality control measures in U.P."

The Chairman, FCI added in this connection :—

".....the authorities at Mangalore had given it in writing that they were neither capable of handling, nor of issuing such substandard stocks. So, FCI were left with no other alternative to avoid further damages—but to send back the wheat to the consigner."

1.33 The Committee asked as to what were the instructions with regard to the receipt of sub-standard wheat and whether the same were followed in this case. The Secretary, Department of Food stated in his evidence as follows :—

"The clear instructions are that if sub-standard stocks below category 'D' are received in any of the Depots, they should unload and a quality complaint should be lodged. Also a loss statement should be prepared. But, this was not done in this case. Stocks were sent back. Strictly speaking, instructions were not followed. The FCI's assessment was that under exceptional circumstances this was done."

1.34 The Committee pointed out that against the quantity of 1664 tonnes stated to have been rebooked from Mangalore, the quantity received back was only 1631 tonnes and enquired as to how the remaining quantity was accounted for. The Secretary Department of Food then stated in evidence :—

"The remaining quantity of 33 tonnes would also be transit loss. The Senior Regional Manager in U.P. and the Zonal Manager, have been

asked to investigate this transit loss (on 27 July, 1988) and take suitable action against the persons responsible. They have stated that the head office did not come to know of it. So this came to the notice of FCI when they were examining this matter for oral examination before COPU."

1.35 When the Committee suggested that prompt action should be taken to prevent the transit loss, the witness stated :—

"I agree with you. There should be a system by which all cases of transit loss should be promptly investigated. There must be some instructions and procedure. We will look into it and see how it is prevented."

1.36 Asked to state the value of storage and transit loss in FCI, the Secretary, Department of Food stated :—

"Rs. 151 crores is the value of storage and transit loss (in 1986—87). In terms of percentage, transit loss has come down to 1.7.....In absolute terms, quantities are still very much. But in terms of percentage of loss transit loss and the storage loss have come down during the last four of five years. Our efforts are to reduce it still further to the extent possible. I do not think we will ever be able to have it zero.

1.37 When enquired about the amount of subsidy received by FCI, a representative of the Ministry informed the Committee that the subsidy in 1986-87 was Rs. 2,000 crores.

1.38 The Committee desired to know the total expenditure incurred on procurement of the 1664 tonnes of wheat, its storage, transportation, demurrage cleaning etc. and the total amount realised from the 'D' category wheat and dust obtained after cleaning. The Secretary, Department of Food informed in evidence as follows :—

"The expenditure incurred on procurement of wheat works out to Rs. 32.13 lakhs, normal distribution cost during that particular year was Rs. 53.19 per quintal which comes to Rs. 8.85 lakhs totally. The cost of grain despatched to Mangalore would work out to Rs. 41 lakhs approximately. Since it was returned to UP, the additional expenditure on freight is Rs. 10.90 lakhs, demurrage is Rs. 0.39 lakhs, handling at UP is Rs. 0.22 lakhs, storage in UP till it was issued is Rs. 2.04 lakhs, cleaning charges are Rs. 0.35 lakhs. The total expenditure comes to Rs. 60.62 lakhs and the realisation was Rs. 31.62 lakhs. So, the total loss is Rs. 29 lakhs.

D. Storage

1.39 In a note submitted to the Committee after revidence, FCI informed that in the three caess where sub-standard wheat was despatched, the initial quality of the stocks was as per the uniform specifications of the Government of India. Over a length of time in storage, the deterioration and downgradation of the stocks occurred. Asked to state the measures taken to ensure quality control after procurement and steps taken to prevent despatch of sub-standard wheat, FCI informed the Committee as under :—

“In the storage godowns, the FCI has posted technically qualified persons who undertake the drill of examination of the stocks in storage every fortnight and necessary prophylactic and curative treatments are undertaken as a result of such inspections. The prophylactic treatment envisages the spraying of the stocks every fortnight, During the period of storage as and when the insect activity is noticed immediate fumigation of the stocks is undertaken. During the monsoon months when the conditions are favourable for insect activity, the fumigation of the stocks in storage is undertaken to arrest any chances of development of insect activity. Proper cleanliness of the godowns is also ensured to curb the insect activity. To ensure the despatch of the stocks conforming to the laid down specifications checking of the bags for quality at the time of despatch is also undertaken, To have proper control over the working of the depots, Squads from the Regional Office, zonal Office and HQ's are deputed periodically for checking the conditions of the stocks and other aspects and actions as may be required on their reports are taken. There are specific instructions that only the stocks conforming to the specifications are despatched. Instructions had also been given for identifying of the stocks which are below D category, by a team of officers, and such stocks are not to be sent to any place and they are required to be disposed of there as cattle feed, either to the State Government or to the parties registered with the FCI for specific usage.”

1.40 In this connection, the Secretary, Department of Food stated in his evidence :—

“Obviously our aim is that the stocks should be preserved to the maximum extent passible. For that the major ingredients are : Firstly, the stocks should be stored in scientifically constructed godowns but when there is too much stock then there is no option but to store it in open. Over a period of time more storage capacity has been constructed so that maximum percentage of stocks are stored in scientifically constructed godowns. Secondly we have detailed instructions about fumigation of

the stocks and checking of the quality. Then, there are instructions about issue of those stocks so that the stocks which have been received earlier should be issued first. Those which are 'B' category stocks, should be issued before 'A' category stocks are issued, and so on, so that the chances of their deterioration are minimised.

The policy as such, I don't think, needs much of a modification. It is a question of proper implementation of that policy. No policy can take care of human element. That can be taken care of by proper supervision."

1.41 On a suggestion for colouring of food grains which have been declared substandard, with a view to ensure that these are used only as cattle feed and do not go to the market the Secretary, Department of Food stated in evidence :—

"We have noted down the suggestion.

We will examine it."

1.42 The Committee pointed out that the stocks in the three cases of despatch of sub-standard wheat were not examined regularly as required and asked how the quality of stocks could be maintained in these circumstances. Thereupon, the witness stated :—

"We will ask the FCI to tighten up supervision and ensure that various supervisory officers do exercise proper supervision and where laxity in supervision is found, action should also be taken against the supervisory officers".

E. Delays in holding enquiries

1.43 The Committee desired to know whether in the three cases of despatch of sub-standard wheat, any enquiries were held and the delinquent officials punished. The Chairman, FCI informed in oral evidence held in August, 1988 that the case regarding despatch of wheat from Orai to Mangalore has been decided. However, the two cases regarding despatch of wheat from Naini to Mangalore and from Jhansi to Mangalore were reported to be pending till the time of evidence of FCI before the Committee.

1.44 On being asked to state when the charge sheets in the three cases were issued the Department of Food furnished the following information in a note furnished after evidence :

	Date of issue of Charge Sheet
Naini to Mangalore	23.3.1988
Jhansi to Mangalore	28.4.1988
Orai to Mangalore	25.6.1987

1.45 Asked to state the reasons for delay in issuing the charge-sheets, the Chairman, FCI informed the Committee in evidence as follows :

“The reason for the delay is inaction on the part of the people who were supposed to take action. Disciplinary authorities are spread all over the country. It is not in the Head Office.”

1.46 The Committee enquired as to when did the first of these cases *viz.* despatch from Naini to Mangalore come to the notice of Headquarters and what was the action taken. FCI informed in a written reply that the headquarters came to know about the case in March, 1984. The Senior Regional Manager, UP was asked for immediate detailed investigation on 16th March, 1984 by the Deputy Zonal Manager, FCI, Zonal Office (North). The Senior Regional Manager, Lucknow was again asked by the FCI headquarters for sending the investigation report and fix responsibility and take drastic action on erring officials on 9.4.1984. The charge-sheets under major penalty were issued to two category II officers and six category III officials on 23.3.1988.

1.47 On a query whether any action was taken against persons responsible for delay in initiating action in the matter, FCI stated in a note that “the headquarters had continuously reminded the Senior Regional Manager, U.P. for expediting action against the erring officials. The persons responsible for the delay in initiating disciplinary action against the erring officials are being identified for suitable necessary action in this regard”.

1.48 About the final action taken against the officials involved in the three cases of despatch of sub-standard wheat, the Committee were informed by the Department of Food in a note furnished in January, 1989 that in the case of Naini, of the 8 officials who were charge-sheeted, a Technical Assistant-I and a Technical Assistant-II have been awarded penalty of reversion in rank for 2 years. Two Technical Assistants Grade III have been awarded penalty of stoppage of one increment for 2 years. Two Assistant Managers (Quality Control) have been awarded penalty of reduction in rank for a period of five years while two officials have been exonerated.

1.49 In the case of despatch from Jhansi to Mangalore, 5 officers and 8 other officials were charge-sheeted. 4 of the officers (all Assistant Managers) have been exonerated while the fifth, an Assistant Manager (Quality Control) has been awarded penalty of reduction in rank for 5 years. As for other officials, 7 Technical Assistants have been warned while one has been exonerated.

1.50 In the case of Orai, 2 Assistant Managers, 3. Technical Assistants and one Assistant Grade-II (Depot) were charge-sheeted. Of these, one Assistant Manager has been awarded penalty of reduction in rank, while all others have been awarded penalty of dismissal.

Case of misappropriation at Jhansi

1.51 The Committee had been informed in evidence by the Chairman, FCI that a Vigilance enquiry against a Godown Incharge at Jhansi was initiated in March, 1984 for some shortage in the godown on misappropriation charges. The Godown Incharge was suspended on 5-3-84. On 11-3-86 he was reinstated since an employee could not be kept under suspension indefinitely.

1.52 Asked to state whether the Vigilance enquiry had been completed against the Godown Incharge, FCI informed the Committee in Oct. 1988 that the enquiry was still in progress.

1.53 When the Committee desired to know the justification for reinstating the Godown Incharge before completion of the vigilance enquiry, the Secretary, Department of Food, stated in evidence :—

“According to Government instructions whenever the period of suspension of an official exceeds six months, the disciplinary authority is required to review his case and see whether continued suspension is justified or whether it should be revoked. The general policy is that the official should not be continued to be under suspension for long periods, unless it is absolutely necessary. So, in this particular case, the disciplinary authority reviewed the case and since he had already been under suspension for two years, he reinstated him, pending inquiry.”

1.54 The Committee expressed apprehension that there might be deliberate attempt to delay the enquiry and desired that investigation on this aspect should be completed immediately. Upon this, the witness replied :

“Your point is well taken, Sir. But I submit that we can take up this further inquiry only after the main inquiry is completed and action is taken. Otherwise, it will again cause delay.”

1.55 In regard to the delay in completion of the Vigilance enquiry against the Godown Incharge, the Department of Food informed the Committee in a note submitted in January, 1989 as follows ;

"The godown Incharge was charge sheeted under major penalty on 17.10.1987. One Officer was appointed as Inquiry Officer on 9.2.88 and on the transfer of this officer another officer was appointed the enquiry officer on 2.3.88. Unfortunately, this officer was also transferred and then another officer was appointed as enquiry officer. Since this officer was not keeping well, yet another officer was appointed as enquiry officer on 29.9.88.

The inquiry in this case has since been completed. The competent authority will now take action on the inquiry report."*

1.56 The Committee desired to know whether any time limit had been prescribed for completing such enquiries and whether any steps were being taken for expeditious completion of enquiries. The Secretary, Department of Food, stated in evidence as follows :

"So far as time limit is concerned, no specific time limit has been fixed in these regulations. The Government have recently asked FCI to ensure that enquiries are completed within one year of serving of the chargesheet.

We are aware that there are a large number of cases in FCI where enquiries are pending for more than a year. There have been other cases also. We have been reviewing those cases. I took a meeting last month. We are trying to make some arrangements to see that these cases are expedited. Regarding the steps taken, we have tried to strengthen the vigilance organisation. A whole-time Chief Vigilance Officer has been appointed in the head office, and also in the regional offices, posts of Inquiry Officers have been created. It was decided that they would be filled by retired District and Sessions Judges. Unfortunately, those persons are not forthcoming. May be, we have go to the level of sub-judges and State Civil Service Officers. We are getting quarterly reports on all cases more than a year old. We have said that in more-than-one-year-old cases pending with Inquiry Officers, somebody from the head office should go, and suggest action. We cannot go into each of the cases in FCI, because it is a big organization, but we are going into the general question of

*At the time of factual verification, FCI stated "The vigilance inquiry against the godown incharge has been completed and the penalty of reduction in rank for 3 years has been imposed."

performance of FCI, how it can be improved, how storage losses etc. can be minimized and improvements can be brought about in other activities".

1.57 The Committee enquired whether any steps were taken by FCI to recover the loss caused to the Corporation due to the negligence of its officials. The Chairman, FCI stated in evidence as follows :

"There is a provision for the recovery of losses caused by the negligence or otherwise of the officer concerned. In this case, that order has not been passed. They have been dismissed in this case."

1.58 On being asked about the procedure for recovery of losses in such cases, the Committee were informed by the Department of Food that as per the FCI (staff) Regulations, 1971, "the recovery of pecuniary loss caused to the Corporation from the pay of the delinquent is imposed only when it has been established that the delinquent was directly responsible for a particular act or acts of negligence or breach of orders or rules which caused the loss. While imposing such penalty order, the disciplinary authority has to fix the number and amount of instalments in which the recovery is to be made. Such recoveries should not exceed 1/3rd of basic pay of the delinquent officer and should be spread over a period of 3 years. In other words, the recovery should not exceed one year's basic pay in any case".

1.59 When the Committee desired to know whether these provisions did not apply to the present cases of despatch of sub-standard wheat the Secretary, Department of Food stated in evidence :

"Once a person is dismissed. You cannot recover from his pay. After that he is not going to get any pay..... In this case, it cannot be recovered according to that procedure. The only way it can be recovered is through filing a civil suit".

F. Deterioration of Wheat at Airstrip Lalitpur

1.60 Another case of deterioration of wheat stored in the open at Airstrip Lalitpur during October, 1985 was noticed by the Committee. On being asked to furnish details of this case, the Department of Food stated in a note furnished after evidence that Lalitpur Airstrip was set up in the month of June, 1984. A total quantity of approximately 1.07 lakh tonnes of wheat was stored in this CAP complex. Preservation of the stocks in CAP storage at Lalitpur was not satisfactory and there was heavy infestation in the stocks and preservation measures were not taken in time. However, all the stocks were covered

to protect the same from the monsoon rains. There were rains in September, 1985 and again untimely heavy rains between 4th and 14th October, 1985. The rains were accompanied with dusty winds which led to blowing and tearing of the covers. The damage to the stocks occurred following the heavy rains of October, 1985. This was again attributed to the negligence of staff as between October, 1985 and May, 1986 no salvaging operations were undertaken and only marginal segregation was done. After the final salvaging a quantity of 23498 MTs of damaged wheat was obtained. It was also stated that on the basis of sale realisation and the cost of the gunnies used in salvaging and the amount paid to the labour for salvaging, the losses were worked out to be Rs. 2.40 crores.

1.61 As regards the action taken in this case against the officials involved the Committee were informed by the Department of Food as under :

- (1) "7 Cat. III officials and two Cat. II officers dismissed from service.
- (2) 1 Cat. I officer charge sheeted under major penalty on 10-8-87 and the enquiry is in progress.
- (3) Managing Director ordered initiation of major penalty proceedings against two Cat. I officers. Further Action being taken.
- (4) The then Distt. Manager, FCI, Jhansi reverted and now Asstt. Manager was issued two charge sheets under major penalty on 3.8.87 and 3.11.87. Enquiry is in progress.
- (5) Four Category II officers charge sheeted under major penalty on 28.11.87. Enquiry is in progress."*

* At the time of factual verification, FCI stated "Two category-I Officers have since been charge-sheeted under major penalty on 27.2.1989 and 21.3.1989.

The enquiries against 4 category-II officers charge-sheeted under major penalty on 28.11.1987 have since been completed and the report of the enquiry officers has been submitted to the competent authority for orders."

[FCI D.O. No. QC. 7/1(4)/COPU/88]

PART II

CONCLUSIONS/RECOMMENDATIONS OF THE COMMITTEE

2.1 The Committee have observed that there have been wanton disregard of norms of quality control in the despatch of foodgrains stored in the godowns of Food Corporation of India to various destinations. As a result sub-standard wheat was despatched from Naini to Mangalore in February/March, 1984; from Jhansi to Mangalore in September, 1985; and from Orai to Mangalore in October, 1985.

2.2 The Committee have been informed that on the basis of weeviled germ-eaten grains, what is categorised into four categories viz., A, B, C and D. Category A contains germ-eaten grain upto 1%. In category B, germ-eaten grain is above 1% and upto 4% and in category C, it is above 4% and upto 7% whereas in category D, it is above 7% and upto 15%. As regards disposal of each category, it has been stated that whereas A and B categories are made available for consumption through Public Distribution System, C and D categories are not issued for direct consumption but are given to the Roller Flour Mills for processing into Maida, Suji etc. According to FCI, any sub-standard stock i.e., below category D is either disposed of as cattle feed or is upgraded before despatch to another place.

2.3 The Committee are distressed to observe that 2229 tonnes of sub-standard wheat was despatched by FCI during February/March 1984 from Naini to Mangalore by declaring it as C and D category wheat. Before despatch, quality of the stock was not verified, as should have been done as per normal practice and this lapse was detected only after the consignment was received at Mangalore and the labourers handling them developed allergic/symptoms on skin, eyes etc. In this connection, Managing Director of FCI also admitted "the despatch instructions were sent for C and D wheat and not for sub-standard wheat... without upgrading this should not have been dispatched".

2.4 In another case, 1117 tonnes of lower category wheat, kept in FCI godown closed for two years as the godown was sealed after the suspension of godown in-charge on misappropriation charges, was despatched from Jhansi to Mangalore without exercising proper checks about the quality. On receipt at Mangalore on 21st September, 1985, it was noticed that the stock contained waste flour to the extent of 5% to 6.5% and insect bored and tunneled grain to

the extent of 22 to 28%. When the labourers refused to unload the stock, it was rebooked to Bangalore on 22 September, 1985 on the advice of Zonal Manager (South). The Committee are astonished to observe that even though the entire stock in FCI depot was sub-standard, only 37 tonnes of wheat was shown as sub-standard in the records of the depot, as was also admitted by the Secretary, Department of Food during his evidence. The remaining quantity was shown as C and D category and was despatched.

2.5 Yet in another case, 1664 tonnes of lower category wheat containing weeviled grain with heavy infestation (23 to 74%) was received at Mangalore from Orai (Jhansi) in October 1985. The labourers there also refused to unload the stock and on the advice of Regional Manager, Bangalore, the consignment was rebooked from Mangalore to Orai in November, 1985, since the authorities at Mangalore expressed their inability to handle or to issue such sub-standard wheat. The quantity received at Orai was 1631.865 tonnes. The loss incurred as a result of storage, transportation, demurrage, cleaning etc. in this case amounted to Rs. 29 lakhs. In Committee's view, this loss has occurred due to sheer negligence and blatant violation of the clear instructions to dispose of sub-standard wheat as cattle feed or poultry feed. The Committee recommend that in order to avoid the possibility of sub-standard foodgrains being despatched in future, FCI should consider the feasibility of colouring the sub-standard foodgrains in such a manner that it is clearly distinguished that it is meant for cattle feed and eliminate completely the chances of sub-standard wheat entering into the market for human consumption. The Committee would like to be informed of the measures taken by FCI to prevent the sub-standard wheat from being sold to the consumers through the Public Distribution system.

2.6 From the material placed before them, the Committee have formed an impression that apart from despatching sub-standard wheat from Naini, Jhansi and Orai without checking the quality, neither proper records of the quantity despatched were maintained nor the wheat was weighed before despatch. Thus in the case of Naini, FCI assumed the quantity despatched to be 2170 tonnes apparently on the basis of communications from CWC, Mangalore, although no specific receipt had been obtained from CWC. However, after the Committee took up this subject for examination, this figure was revised by FCI to 2229 tonnes.

2.7 The Committee find from the break-up of the figure 2229 tonnes of wheat, as furnished by FCI. 42 tonnes were taken up for cleaning, 1171 tonnes were moved to Shimoga godown and 939 tonnes were declared fit for cattle feed. This left a shortage of 77 tonnes which could not be accounted for. However, during evidence, Food Secretary explained that this shortage of 77 tonnes of wheat was due to transit and storage losses which were written off by compe-

tent authority. It has also been reported that no responsibility in these cases had been fixed on anybody and claims with Railways had also not been preferred because of the receipt of wagons in 'seal intact condition'.

2.8 Similarly, a shortage of 33 tonnes of wheat in the case of wheat re-booked from Mangalore to Orai did not come to the notice of Head Office and they came to know only when they were preparing for their oral evidence before the Committee on Public Undertakings. The Committee cannot but deprecate the serious laxity on the part of FCI in detecting and investigating the transit and storage losses which had reached the alarming figure of Rs. 151 crores during 1986-87, as was admitted by the Secretary, Department of Food, during his evidence before the Committee. The Committee note that in 1986-87, an amount of Rs. 2000/- crores was paid to FCI as subsidy. They strongly feel that there is immediate need for taking steps to plug the loopholes and bring down the transit and storage losses to the minimum possible extent. The Committee also desire that a suitable system should be evolved whereby all cases of transit losses are detected and promptly investigated. The Committee also desire that the foodgrains despatched should invariably be weighed at the despatch station as also on receipt of the consignment at destination point.

2.9 Another aspect which intrigued the Committee was the non-implementation of the quality control provisions. While the foodgrains stored in the FCI godowns are required to be examined every fortnight by the technically qualified staff with a view to undertaking prophylactic and curative treatments wherever necessary, such examination was not being done regularly. In the case of wheat stored at Naini, the period of such inspection before the wheat was despatched to Mangalore ranged from 55 to 144 days. As a result, A and B categories of wheat when received at Naini between October, 1982 to March, 1983 got deteriorated and downgraded to below 'D' category by the time it was despatched to Mangalore. Similarly, the last inspection of wheat stored at Jhansi depot was done in April, 1984 and the stock was despatched in September, 1985. The Committee need hardly point out that the deterioration in quality of stocks could have been prevented, had there been regular inspection and had they been given timely prophylactic and curative treatment. The Committee expect the FCI to tighten the supervision machinery and take prompt and suitable action against the supervisory officers, wherever laxity is found.

2.10 The Committee cannot but express their unhappiness over the inordinate delay in taking disciplinary action against the erring officials in the three cases of despatch of sub-standard wheat. Though the case relating to despatch from Naini came to the notice of FCI in March 1984, charge-sheets in the case were issued only in March, 1988. In the case of despatches from Jhansi and

Oral made in September and October, 1985 respectively, charge-sheets were issued in April, 1988 and June, 1987 respectively. All these inquiries were completed during the last quarter of 1988 after the Committee took up the subject for examination. The delays in completion of inquiries were admitted by Chairman, FCI to be due to inaction on the part of disciplinary authorities which are spread all over the country. In one of the cases viz. Naini, the Senior Regional Manager, U.P. showed utter disregard to the repeated reminders from the Headquarters for initiating disciplinary action. As a result, the persons responsible for the delay in initiating disciplinary action are yet to be identified. The Committee cannot but express their serious concern over the disgusting state of affairs in the Corporation. This reflects lack of control by the Headquarters over its Regional Offices. The Committee would like to be apprised as to what action has been taken against the Senior Regional Manager, U.P. for not initiating the inquiry in spite of several reminders from FCI Headquarters.

2.11 The Committee are unhappy to observe that although the vigilance enquiry for misappropriation charges against the Godown Incharge at Jhansi was initiated in March 1984, the same could not be completed before the end of the year 1988. What is more intriguing is that the Godown Incharge who was suspended in March 1984, was reinstated in March 1986, and the charge-sheet was issued to him in October, 1987. Even after issuing the charge-sheet the Enquiry Officers were changed four times. The Committee have a feeling that the completion of the enquiry was delayed deliberately to help the delinquent officers. The Committee would, therefore, suggest that persons responsible for delaying the inquiry should be identified and suitable action taken against them. They would also recommend that action should be initiated as per the procedure laid down for recovery of losses caused to FCI from the persons who have been found directly responsible for causing such losses. The Committee would like to be apprised of the final action taken in this regard.

2.12 The Committee have also noted that there are a large number of cases in FCI where inquiries are pending for more than a year. Obviously, there is a need for strengthening the Vigilance Department in the Corporation. The Committee note that a whole time Chief Vigilance Officer has been appointed in the Head Office. The Committee hope that the posts of Enquiry Officers created in the Regional Offices would also be filled up soon to accelerate the process of completion of pending inquiry cases.

2.13 Apart from the despatches of sub-standard wheat discussed in the preceding paragraphs, a case of deterioration of wheat stored in the open was noticed by the Committee. A quantity of 1.07 lakh tonnes of wheat was stored at Airstrip Lalitpur in 1985. Due to unsatisfactory preservation measures, there

was heavy infestation in the stocks, which also got damaged due to heavy rains in October, 1985. The Committee are surprised to observe that no salvaging operations were undertaken between October, 1985 and May, 1986 and only marginal segregation was done as a result of which only 23498 tonnes of damaged wheat could be salvaged. The Committee strongly deprecate the careless manner in which the stocks have been handled by FCI. Admittedly, this is due to the negligence on the part of the staff which caused FCI a heavy loss to the tune of Rs 2.40 crores. Although 7 category III officials and 2 category II officers are reported to have been dismissed from service, the inquiry against some other officers is still in progress. The Committee desire that the inquiry against the officers involved should be completed without any further delay and deterrent action taken against the officers found guilty.

2.14 On the basis of material placed before the Committee and also the evidence of representatives of FCI and the Ministry, the Committee have come to a painful conclusion that the state of affairs in the Food Corporation needs to be gone into thoroughly for effecting all round improvement. There is utter disregard of procedures prescribed for periodical checking of foodgrains stored in the FCI godowns resulting in deterioration of quality. Foodgrains are despatched to different stations without verifying their quality and quantity. Shortages are simply written-off as storage and transit losses. What is worse, that matters relating to negligence of are deliberately allowed to linger on for years without anybody being held responsible for the delays and lapses.

2.15 Keeping in view the dismal state of affairs prevailing in FCI, the Committee recommend that Government should appoint a High Level Committee of Experts which should examine in depth the working of FCI and suggest ways and means to remove the prevailing shortcomings so that Corporation becomes an effective instrument for proper handling, procurement and distribution of good quality foodgrains.

NEW DELHI,
April 24, 1989
Vaisakha 4, 1911(S)

VAKKOM PURUSHOTHAMAN,
Chairman,
Committee on Public Undertakings.