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'FOOD CORPORATION OF INDIA'

MINISTRY OF CONSUMER AFFAIRS FOOD AND PUBLIC DISTRIBUTION
(DEPARMENT OF FOOD AND PUBLIC DISTRIBUTION)

COMMITTEE ON PUBLIC UNDERTAKINGS
(2020-21)

DRAFT REPORT

(SEVENTEENTH LOK SABHA)

LOK SABHA SECRETARIAT
NEW DELHI

THIRD REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS
(2020-21)

(SEVENTEENTH LOK SABHA)

FOOD CORPORATION OF INDIA

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

Presented to Lok Sabha on 29.01.2021

Laid in Rajya Sabha on 29.01.2021

LOK SABHA SECRETARIAT
NEW DELHI

January, 2021/ Magha, 1942(Saka)

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Smt. Meenakashi Lekhi- Chairperson

Members

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2. Shri Chandra Prakash Joshi
3. Smt. K. Kanimozhi
4. Shri Raghu Ramakrishna Raju Kanumuru
5. Smt. Poonamben Hematbhai Maadam
6. Shri Arjunlal Meena
7. Shri Janardan Mishra
8. Shri Kinjarapu Ram Mohan Naidu
9. Prof. Saugata Roy
10. Dr. Arvind Kumar Sharma
11. Shri Ravneet Singh
12. Shri Sushil Kumar Singh
13. Shri Uday Pratap Singh
14. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

15. Shri Prasanna Acharya
16. Shri Birendra Prasad Baishya
17. Shri Anil Desai
18. Shri Joginipally Santosh Kumar
19. Shri Om Prakash Mathur
20. Shri Surendra Singh Nagar
21. Shri M. Shanmugam

Secretariat

Shri R.C. Tiwari - Joint Secretary
Shri Srinivasulu Gunda - Director
Shri Khakhai Zou - Additional Director
Shri Satyakaam Yadav - Assistant Executive Officer

COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS (2019-20)

Smt. Meenakashi Lekhi - Chairperson

Members

Lok Sabha

2. Kunwar Danish Ali
3. Dr. Heena Vijaykumar Gavit
4. Shri Chandra Prakash Joshi
5. Smt. K. Kanimozhi
6. Shri Raghu Ramakrishna Raju Kanumuru
7. Smt. Poonamben Hematbhai Maadam
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15. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

16. Shri Prasanna Acharya
17. Dr. Anil Jain
18. Mohd. Ali Khan
19. Shri Om Prakash Mathur
20. Shri Mahesh Poddar
21. Shri A.K. Selvaraj
22. Shri Surendra Singh Nagar

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2020-21) having been authorized by the Committee to submit the Report on their behalf, present this Third Report on 'Food Corporation of India.'

2. The Committee on Public Undertakings (2019-20) had selected the said subject for detailed examination. As the examination of the subject remained inconclusive during the terms of the previous Committee on Public Undertakings (2019-20), the present Committee decided to carry forward the subject so as to complete the unfinished task.

3. The previous Committee (2019-20) was briefed about the subject by the representatives of the Food Corporation of India on 14th October, 2019. Thereafter, the Committee took evidence of the representatives of Food Corporation of India on 16th March, 2020 and also took oral evidence of the representatives of Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) on 18th March, 2020.

4. The Committee (2020-21) considered and adopted the Report at their sitting held on 7 January, 2021.

5. The Committee wish to express their thanks to the representatives of Food Corporation of India and Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) and for tendering evidence before the Committee and furnishing the requisite information to them in connection with examination of the subject.

6. The Committee wish to express their sincere thanks to the predecessor Committee for their valuable contribution in examination of the subject.

7. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in bold letters in Part-II of the Report.

New Delhi;
7 January, 2021
17 Pausha, 1942 (S)

MEENAKASHI LEKHI
Chairperson
Committee on Public Undertakings

CHAPTER-I

ORGANISATIONAL MATTERS

A. Food Corporation of India –Functions and Mandate

1.1 The Food Corporation of India (FCI) is a Public Sector Undertaking established by "The Food Corporations Act, 1964" (Act No. 37 of 1964). It came into existence on 01.01.1965 and is functioning under the administrative control of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution). The functions of FCI primarily consist of procurement, storage, preservation, transportation and distribution of food grains on behalf of the Central Government. FCI performs its function under administered price mechanism. Procurement of food grains is made at Minimum Support Price(MSP) and is distributed at the Central Issue Price (CIP). The difference between economic cost and the issue price is reimbursed as a susidy by the Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution, Government of India. The functions of FCI as defined in Section 13 of the Act are as under:

> "13(1) Subject to the provisions of this Act, it shall be the primary duty of the Corporation to undertake the purchase, storage, movement, transport, distribution and sale of food grains and other foodstuffs.
> (2) Subject as aforesaid, the Corporation may also, with the previous approval of the Central Government –
> (a) promote by such means as it thinks fit the production of food grains and other foodstuffs;
> (b) set up, or assist in the setting up of, rice mills, flour mills and other undertakings for the processing of food grains and other foodstuffs, and
> (c) discharge such other functions as may be prescribed or as are supplemental, incidental or consequential to any of the functions conferred on it under this Act."

1.2 The Government of India takes policy decision on the fixation of the prices at which foodgrains are to be purchased and to be issued and also about the quantum of allotment of food grains to the State Governments. The FCI's contribution in implementing the food policy objectives of the Government and building the national food security system had a significant effect in sustaining the high growth rate of production both in wheat and rice and also for maintaining price stability. The general superintendence, direction and management of the affairs and business of the Corporation vests in the Board of Directors which exercises all such powers and does all such acts and things as provided under the Food Corporations Act, 1964. The Food Corporation of India coordinates its functions through a country wide network of offices with Headquarters at New Delhi and 5 Zonal Offices, 25 Regional Offices,163 District Offices, 1888 Depots and 1 Special Regional Office at Imphal covering the State of Manipur.

B. Management of the Corporation

1.3 As per section 6 of the Act, the management of Food Corporation of India will be carried out as under :-

"(i) The general superintendence, direction and management of the affairs and business of the Corporation shall vest in a board of directors which may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation under this Act.

(ii) The board of directors, in discharging its functions, shall act on business principles having regard to the interests of the producer and consumer and shall be guided by such instructions on questions of policy as may be given to it by the Central Government;

(iii) If any doubt arises as to whether a question is or is not a question of policy, the decision of the Central Government shall be final."

C. Board of Directors

(i) Composition of Board of Directors

1.4 As per Section 7(1) of the Act, the Board of Directors of FCI shall consist of 12 Directors as follows:

"(a) Chairman

(b) Three Directors to represent respectively the Ministries of the Central Government dealing with:
(i) Food
(ii) Finance, and;
(iii) Co-operation.

(c) Managing Director of the Central Warehousing Corporation established underSection-3 of the Warehousing Corporation Act, 1962 (58 of 1962), Ex-Officio;

(d) Managing Director, FCI.

(e) Six other Directors"

1.5 As per the information collected by the Committee from different sources including the website of FCI and the materials submitted to them by the FCI, it was found that as on 31.12.2019,there were nine (9) Directors in position in the Board of Directors of FCI as per the details given below:

Sl.No	Name of Directors	Designation	Period
1	Shri D. V. Prasad, IAS	Chairman & Managing Director, FCI	w.e.f. 01.01.2019
2	Shri Dharmendra, IAS	AS&FA, Ministry of Consumer Affairs, Food & Public Distribution	w.e.f. 26.09.2018
3	Ms. Nandita Gupta, IAS	Joint Secretary (P&FCI), Ministry of Consumer Affairs, Food & Public Distribution	w.e.f. 14.11.2019
4	Shri Abhilash Likhi IAS	Addl. Secretary, Department of Agriculture & Co-operation & Farmer Welfare.	w.e.f. 14.08.2019
5	Shri Arun Kumar Shrivastava, IRSE	Managing Director, Central Warehousing Corporation	w.e.f. 18.06.2018
6	Dr. G.A. Rajkumar, IAS (Retd.)	Non-official Director	w.e.f. 31.01.2017 for a period of three years or until further orders whichever is earlier
7	Shri KAP Sinha, IAS	Principal Secretary, Food, Civil Supplies and Consumer Affairs. Govt. of Punjab	w.e.f. 05.07.2017
8	Smt. Neelam Shami Rao	Principal Secretary, Food, Civil Supplies & Consumer Protection. Govt. of Madhya Pradesh	w.e.f. 29.05.2018
9	Smt. Archana Ranjan, IRS (Retd.)	Non official/independent Director	w.e.f. 13.08.2018

(ii) DPE Guidelines on Composition of Board

1.6 As per the guidelines issued by the Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises*vide* OM No.18(6)/91-GM dated 16.03.1992, the composition of the Board of Directors in thePublic Sector Enterprises should be broadly on following lines:

(A) Functional Directors: Every Board should have some full time Functional Directors. The number of such Directors on a Board should not exceed 50% of the actual strength of the Board.

(i) In cases where the number of Functional Directors on the Board is more than the 50% of its actual strength (not sanctioned strength), Administrative Ministries will immediately undertake a review of the strength of the Board in consultation with Department of Public Enterprises and PESB.

(ii) On such Boards where the posts of Functional Directors do not exist, Administrative Ministries will take immediate steps to create such posts in accordance with the prescribed guidelines.

(B) Government Directors: The number of the Government Directors on the Board of Directors of an enterprise should not exceed one-sixth of the actual strength of the Board.

(i) It will be preferable to have only one Government Director from the concerned Administrative Ministry on each Board. The choice of the nominee Director would vest with the Secretary of the concerned Department (As perDPE OM No.18(6)/91-DPE(GM) dated 13.11.1995, the choice of nominee Director would vest with the Administrative Ministry.)

(ii) In case of PSEs where it is considered essential to give representation on the Boards to other concerned Government agencies/Ministries/State Governments, only one representation from the Group could also be appointed on the Board as part-time Government Director.

(iii) The number of Government Directors on a Board should in no case exceed two.

(C) Non official Directors :

(i) The number of Non-Official Part-time Directors on a Board should be at least one-third of its actual strength. Wherever there is under representation of such Directors on the Board, the concerned Ministries should take immediate steps to fill up the vacancies to stipulated level.

(ii) A Panel of suitable persons who could be considered for appointment as Non-Official Part-Time Director on the Boards of PSEs will be maintained centrally by Department of Public Enterprises. This Panel will be prepared in consultation with PESB and the Secretary of the concerned Administrative Ministry.

1.7 The Department of Public Enterprises issued guidelines vide their OM No.9(15)/2012-GM dated 31st July, 2013 laying down the criteria of eligibility for appointment as Independent Directors in the Board. The Department of Public Enterprises further vide their OM No.18(6)/91-GM dated 16 March, 1992 and OM No.18(6)/2000-GM dated 26 November, 2001 prescribed the strength of Independent Directors in the Board.

(iii) Earlier Recommendations of COPU

1.8 The Committee on Public Undertakings (1998-99) in its Fourth Report on "Senior Level Posts in Public Undertakings- Appointment and related matters" had expressed the opinion that shortage of non-official directors on the Board deprives the undertakings of expert guidance of seasoned, professionals and technocrats. This is particularly true in the case of sick/potentially sick undertakings or those which are to be restructured. The Committee at that time had, therefore, recommended that the strength of non-official directors in PSUs should be brought to the level stipulated in the guidelines without further loss of time and at the same time care should be taken that persons having vested interests directly or indirectly in the particular industry are not inducted into the Board of PSEs. This recommendation of the Committee was circulated by the Department of Public Enterprises vide their OM No.2(20)/99-GM dated 25.01.2000 to all the Ministries/Departments.

1.9 The guidelines issued by DPE vide OM No.18(6)/91-GM dated 16.03.1992 inter alia provided that the number of Government Directors on the Board of Directors of an Enterprise should not exceed one-sixth of the actual strength of the Board and that the number of such Directors should in no case exceed two. The Committee(1998-99) in its above mentioned Fourth Report, while observing non-compliance of the directions of DPEs by some of the PSUs in this regard, had expressed strong displeasure over the deviations in some of the Undertakings and had desired that the number of government directors should be brought within the prescribed limits.

1.10 In response to queries about the norms for composition of the BoD in FCI, deviation of norms for board membership of FCI from those of other PSEs and also the reasons for having many board members from the administrative Ministries/Departments, the FCI in a written reply submitted as under:

> "FCI is a statutory corporation formed as per the provisions of Food Corporation Act, 1964. Therefore, it cannot fully comply with the guidelines of DPE due to this statutory composition of BOD. All the Directors are directly appointed by the Administrative Ministry…"

1.11 Elaborating further on the subject, FCI, stated that:

> "….Further as per aforementioned Act, the Board can have a maximum of 12 members. The Chairman and MD of FCI is an integral part of the Board. The representatives from the Department of Food, Finance and Cooperation and the MD (CWC) are vital for constructive discussions in the Board. Similarly, the State Food Secretary of two or three major procuring states are needed in the Board for appreciation of field situation and required course correction. Under these circumstances, a maximum of three or four independent directors can be on the FCI Board. Thus, it will not be feasible for the FCI to follow DPE guidelines in this regard."

1.12 In awritten response to a query as to the disadvantages FCI would have incase the DPE guidelines on Board level appointments are followed, FCI stated *inter- alia* as follows:

> "The DPE guidelines provide that in the case of companies with Executive Chairman, at least half of the Board should comprise of independent directors.… ……………As the FCI Act, 1964 limits the number of Directors to 12 and representatives from the Department of Food, Finance and Cooperation, MD (CWC) are vital for healthy discussion in the Board. Similarly, the State Food Secretary of two or three major procuring states are required in the Board for appreciation of field situation and required course correction. The chairman and MD of FCI also have to be on the Board. Hence, the maximum number of independent directors who can be on the Board in FCI will be limited to three or four. Thus by following DPE guidelines on appointment of Board of Directors the Corporation will have a disadvantage."

(iv) <u>Representation of States in the Board</u>

1.13 On being asked about the criteria for deciding the representation of the States on its Board of Directors and also whether the members from Madhya Pradesh and Punjab are fixed or are they appointed on rotation basis, the FCI in a written reply stated as follows**:**

"All the Board of Directors are nominated by the Administrative Ministry i.e. M/o CAF&PD and is in accordance with the Food Corporations Act,1964."

"There are no specific criteria for representing Officers from the states to the Board. Criteria laid down by DPE for appointment of Board of Directors are applicable for representing officers from the States to the Board. No members from states of MP and Punjab are fixed for appointment. Principal Secretary of any major food producing states could be appointed in Board of Directors of FCI. This is, because Department has a view to give some representation to major producing states in the board of Directors of FCI."

1.14 With regard to the criteria adopted for representing officers from the States on FCI‟s Board of Director during the last five years, the FCI further submitted as under :

"Food Corporation of India was established under Food Corporations Act 1964 (FC Act) with the vision to ensure efficient and effective procurement and distribution of food grains. Hence, it was decided in the Department to give representations to the major food producing states in the Board of Directors so that the major decisions of FCI are based on field situations."

(v) <u>Independent Directors</u>

1.15 With regard to the number of independent Directors, FCI in a written reply submitted *inter alia* as under :

"… out of these 12, a maximum of three or four could be Independent Directors"

(vi) <u>Autonomy of the Board of Directors</u>

1.16 In a written reply to a query as to whether the Board of FCI is really autonomous/independent in view of the fact that that all the Directors on the Board are from the administrative Ministry and there are no Functional Directors, FCI submitted as follows :

> " The Board of Directors of FCI is entirely independent even though the Directors on the Board are appointed by the administrative Ministry. The Directors, as per FCI Act, 1964 are from different Ministries and Departments. In addition, the independent Directors appointed are person of eminence in their respective field and sufficiently qualified to contribute in the healthy deliberation of the Board. There is one functional director i.e. Chairman and Managing Director and whenever required concerned Executive Director assist the functional director as and when required."

1.17 On being pointed out that the Government of India takes decisions on all vital points like fixation of prices at which food grains are to be purchased and issued, fixation of quantity of allotment to State Governments and thus, it appears that the Board has very little role in decision making process and is confined to taking instructions, orders and implementing decisions taken by the administrative Ministry, the FCI, in a written response, submitted as under:

> "Within the broad policy framework regarding the procurement and allotment there remains many a important operational and administrative issues on which crucial decisions are taken by the Board. Besides the Board being the apex authority in decision making in FCI, important policy decisions are deliberated in the Board before either implementation or forwarding to the government for approval."

1.18 In the light of the fact that major policy decisions are taken by the Government, the Committee sought to know the precise role played by the Board of Directors of FCI. In a written reply, Department of Food and Public Distribution submitted as follows:

> "FCI has to implement the decisions taken by the Government under the overall supervision and control of Board of Directors"

D. Role and Functions of Executive Committee

1.19 The composition, roleand functionsof the Executive Committee have been mentioned in the Section 14 of Food Corporation Act,1964 which reads as under:

(1) The Board of Directors of the Corporation may constitute an Executive Committee which shall consist of-

(a) the Chairman of the board

(b) the managing director; and

(c) three other directors, of whom one shall be a non-official.

(2) The Chairman of the board of directors shall be the Chairman of the Executive Committee.

(3) Subject to the general control, direction and superintendence of the board of directors, the Executive Committee shall be competent to deal with any matter within the competence of the Corporation."

1.20 In a written reply to a specific query as to the necessity of having another power Centre as the Executive Committee when the Board is empowered to take all decisions, the FCI submitted as under:

> "As per the FCI Act, 1964 the general superintendence, direction and management of the affairs and business of the Corporation shall vest in a Board of Directors which may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation under the Act. The BOD constitutes the Executive Committee and subject to the general control, direction and superintendence of the board of directors, the Executive Committee shall be competent to deal with any matter within the competence of the Corporation. xxxxxxxxxxxxxxx. The Chairman of the Board shall be the Chairman of the Executive Committee."

1.21 In a written reply to a query about the major decisions taken by the Executive Committee during the last 5 years, the FCI stated as under :

> "Though no major decision has been taken by the Executive Committee as the Board meeting invariably has been held on the same day and all the decisions are taken by the Board. The major thrust given by Executive Committee has been on reducing the occurrence of storage and transit losses and regularization of pending losses."

E. Applicability of provisions of Companies Act, 2013

1.22 The Committee was informed that FCI is governed under the Food Corporations Act, 1964. The FCI follows the relevant provisions of the Companies Act 2013 including applicable Accounting Standards in India and the FCI"s Act. However, as per FCI, any deviation from applicable Accounting Standards has been suitably disclosed. In a written reply to a query as to what advantages or disadvantages will be for the FCI if it is brought under the Companies Act, the Ministry informed as under :

> "Food Corporation of India was established under Food Corporations Act 1964 (FC Act). It is a Corporation governed as per the provisions of FC Act. Section 34 of the said Act provides as under:
>
> *(1) A Food Corporation shall maintain proper accounts and other relevant records and prepare an annual Statement of accounts including the profit and loss account and the balance-sheet in such form as may be prescribed by the Central Government in consultation with the Comptroller and Auditor General of India.*
>
> *(2) The Accounts of Food Corporation shall be audited annually by the Comptroller and Auditor-General of India any expenditure incurred by him in connection with such audit shall be payable by the Food Corporation to the Comptroller and Auditor-General of India.*
>
> The format of Accounts has been last notified by the Government vide GSR 1133 (E) dated 02.12.2016. While devising the format, provision of Schedule-III of Companies Act 2013 was kept in mind and some additions/deletions/modifications have been done in consultation with C&AG keeping in view the special nature of operations of FCI i.e. "**No profit No loss and a 100% subsidized Corporation."** and the format is adopted in a manner that the financial statement gives all relevant information to the readers.
>
> FCI is implementing food policy of Govt. of India and all major policy decisions like fixation of MSP, CIP, monthly allocation of foodgrains to the States, procurement targets, Procurement Seasons, off-loading of stock in open market to stabilize prices, construction of godowns/ silos etc.
>
> The Companies Act provides general provisions to be followed by all the Companies in India which largely focus on commercial entities which are set up with profit motives and adding value to its shareholders. However, the objective of the Government is not to make profit by procuring foodgrain at a lower cost and selling it at a higher price. The stated objectives of the government is to
>
> (i) provide remunerative production cost to farmers by ensuring payment of Minimum Support Price (MSP)
> (ii) provide foodgrain to public at large at subsidized price and

(iii) maintain buffer stock and strategic reserve of foodgrain for the country.

FCI executes Government welfare programs and fulfils it social objectives and thus is not a profit oriented entity. In case all the provisions of the Companies Act are made applicable to FCI, it may materially impact the subsidy calculation and will have financial implications on Government of India. Hence the provisions of Companies Act cannot be applied to it.

Further, presently, FCI enjoys certain exemptions from compliance to few RBI and SEBI regulations as it is not a company registered under the Companies Act. Some of these exemptions are (i) RBI regulation issued vide circular no. DBR.BP.No.12/21.04.048/2018-19 dt.05.12.2018 regarding mandatorily parking 60% of sanctioned Credit limit as a Working Capital Loan. (ii) RBI circular no. RBI/2016-17/50.DBR.BP.BC.No.8/21.01.003/2016-17 dt. 25.08.2016 which stipulate a cap on borrowing through banking sector (iii) SEBI regulation regarding mandatory creation of Debenture Redemption Reserve. If FCI is registered as a Company under the Companies Act, above exemptions are unlikely to be extended. This would add to financing cost for running welfare programs of the government, which in turn would add to subsidy burden.

1.23 Adding further, the FCI in a written reply on the issue submitted as follows:

" …The procurement of foodgrains is majorly done through State Govts./ Agencies and the procurement incidental charges are provisionally fixed before start of the Season and paid to the States after completion of operation. The State Govts. are submitting Audited Accounts to the Govt. of India and thereafter, final procurement incidentals are fixed. Normally, there is a time lag of 4-5 years between submission of final and provisional accounts. On receipt of final rates, FCI release/ recover the differential incidental charges which is accounted in the year of finalization/ payment which, as per the Companies Act, becomes exceptional items and during Income Tax Assessment it may complicate the assessment proceedings due to matching concept followed in the Income Tax Act. However, for FCI, this is not an exceptional item. Hence necessary accounting is done in the year of finalization/ payments. Similar is the case for storage charges payable to CWC/SWC which is decided after 2-3 years with the approval of Ministry of Finance. xxxxxxxxxxxxxxxxxxxxxxxxxxx

Apart from accounting aspects, there are several provisions to facilitate control of the Corporation by Govt. of India, especially appointment of Directors from various Ministries. Presently, only CMD is functional Director and all Directors are nominated by Govt. of India whereas for a Company, Directors are appointed by Public Enterprises Selection Board. If an independent Board is setup, the Government control would be diluted.

Though FCI is constituted under Food Corporations" Act, the essential features of Companies Act 2013 are followed by FCI. Presentation of the Annual Reports, Corporate Governance, Board & its meetings, Accounting Standards etc are to be named few which are in consonance with the Companies Act and are followed by FCI. Thus, shifting to the Companies Act may not be beneficial for FCI."

F. Constitution of High Level Committee by the Government

2.24 The Committee was informed that the Government of India vide order dated 20.08.2014 constituted a High Level Committee(HLC) under the Chairmanship of Shri Shanta Kumar, Hon"ble Member of Parliament(Lok Sabha) to recommend on restructuring of FCI. The High Level Committee(HLC) was mandated to suggest restructuring of FCI with a view to improve its operational efficiency and financial management. The Government of India also desired HLC to suggest measures for overall improvement in management of foodgrains by FCI; to suggest reorienting the role and functions of FCI in MSP operations, storage and distribution of foodgrains and food security systems of the country; and to suggest cost effective models for storage and movement of grains and integration of supply chain of foodgrains in the country. The HLC submitted its report on 21.01.2015. On being asked, the FCI informed the Committee about the status of action taken on various recommendations of High Level Committee.

CHAPTER–II

HUMAN RESOURCE MANAGEMENT

A. Sanctioned and Actual Strength of Staff

2.1 As formed by the FCI, the sanctioned and actual strength as on 30.09.2019 in various categories of man power in the organizationis as under:

CATEGORY	SANCTIONED STRENGTH	MEN IN POSITION	VACANT POSTS
Category-I	1111	855	256
Category-II	6221	4232	1989
Category-III	27345	13454	13891
Category-IV	7361	2640	4721
Total	**42038**	**21181**	**20857**

2.2 In a written reply to a query as to whether any comprehensive study has been done to restructure the regular strength of man-power at different levels and in different zones to enhance organizational efficiency, the FCI submitted as follows :

> „In pursuance of Board of Director‟s decision a study was conducted by the M/s Mckinsey& Co. on staffing norms and the Sanction strength for FCI was revised on the basis of its report. HR Audit has also been conducted.Further in pursuance to Ministry letter, Tender for conducting Audit of Staff Strength has been floated on 19.09.2019 and technical bid opened on 11.10.2019. Presently, Technical bid is under evaluation."

2.3 With regard to Human Resource Development interventions carried out at Food Corporation of India to ensure that its employees are competent for handling the current and future needs of the company, FCI, in a written reply submitted that :

> "Manpower training is given from time to time to ensure that employees are competent for handling the current and future needs of the company. FCI has conducted HR Audit by third party for Audit of identified HR policies, processes and systems of FCI and Benchmarking of HR policies, processes and systems of FCI with leading practices from similar/ comparable private sector and public sector companies."

2.4 The Committee was informed that the Human Resource Management System (HRMS) is being implemented by M/s Kellton Tech. Ltd for full automation related to Human Resource.

B. CVC Guidelines on Transfer/Posting Policy

2.18 The Committee during evidence enquired from the representative of the Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution) about the adherence to the CVC guidelines in the matters relating to Deputation, Transfers and Postings of the Officials in FCI and also the instances of overstay of deputationists beyond the prescribed three years period.The representatives of the Ministry informed the Committee during evidence as under:

> "we follow CVC guidelines and if we have some specific guidelines which elaborate on CVC guidelines, those hold good."

2.19 The representative of the Ministry of Consumer Affairs, Food and Public Distribution(Department of Food and Public Distribution) further submitted as under:

> " again a humble request, kindly give a recommendation to that effect. It makes our hands stronger to ensure that we are able to do it. For transfers and postings, sometimes it does not happen for various reasons."

C. Categories of Labour and the Wages paid

2.5 The Committee was informed that the FCI engages large number of workers (loaders) for loading/unloading of food grains. Three catagories of Laborurs deployed by FCI are (i) Departmental Labour (ii) Direct Payment System (DPS) Labour and (iii) No-work No-pay(NWNP) Labour. It is learnt that in addition to this, almost one lakh contract workers are also engaged by FCI. As informed to the Committee, the sanctioned and actual labour strength in the organization is as under:

Labour System	**Depots**	**Sanction**	**In Position**	**Shortage**
(A)	(B)	(C)	(D)	E=C-D
Departmental	54	10095	11350	-1255
DPS	152	26147	19953	6194
No Work No Pay(NWNP)	88	7871	6705	1166

Total	294	44113	38008	6105

2.6 As per the information provided by the FCI, the amount of wages paid to various categories of labour during the last five years is as follows:

(wages paid – Rs. in Lakh)

Types of Labour	2014-15	2015-16	2016-17	2017-18	2018-19
Departmental Labour	2,13,786.25	1,97,587.08	1,43,320.6	1,16,634.33	1,16,166.17
DPS Labour	1,16,822.35	85,664.24	93,859.85	1,01,990.19	91,384.23
NWNP Labour	6,630.16	7,494	7,695.2	9,441.52	8,582.93
Total	**337238.76**	**290745.32**	**244875.05**	**228066.04**	**216133.33**

D. Work Study on Labour Strength

2.7 FCI has stated that the sanctioned labour strength in the organization is 38,008 labourers. In response to queries as to whether sanctioned labour strength is based on any independent work study and also what are the details of work study on the staff and labour requirement last carried out by the Ministry of Food & Public Distribution or by an Independent Body with the highlights of the Study Report and the status of its implementation, the FCI submitted as follows :

> "Consequent upon adoption of 50 Kg packing of foodgrain in FCI, a study was given to Delhi Productivity Council on January 2002 to study norms. The council submitted its report on October, 2002 which was examined. Since there was disagreement of Unions, FCI set up another committee under chairmanship of Mr P.K Saxena, the then GM(IR-L) to examine the recommendations of Delhi Productivity Council. Based on the recommendation of Saxena Committee, the below mentioned assessment norms were adopted.
>
> **For handling Labour =** $\dfrac{\textbf{Avg. annual turnover of preceding 3 yrs (in bags)}}{\textbf{240 days X 135 bags}}$
>
> **For Ancilliary Labour = 4 persons per 5000 MT covered capacity of Godown/Depot**
>
> The Sanctioned strength of each depot was calculated by the field offices based on the above norms and was circulated vide letter of same no. dated 27.11.2007.xxxx xxxxx xxxxx Further NWNP labour system was introduced in 76 owned depots wherein contract labour system was abolished under the provision of CL(R&A) Act 1970 with the approval of

Ministry of CAF and PD (GOI) said norms were followed to assess the requirement of the Labour in each notified owned depot."

2.8 Furnishing the present status of various kinds of labourer, the FCI submitted as follows :

"Sanction strength of labour of the departmental/DPS was fixed vide letter no.-IR-L/1(21)/2005 dated 27.11.2007, where as in case of NWNP workers same was fixed in the year 2010-2011 prior to rationalization. Rationalization process of Labour Strength have been done on the basis of exemption notifications dated 06.07.2016 and 26.06.2018, issued under section-31 of C.L(R&A) Act by the ministry of labour in respect of already notified 226 depots. The current exemption notification is operative upto 06.07.2020. Therefore, revision of sanctioned strength is subject to denotification of the already notified 226 depots which is at present pending before the CACLB (Central Advisory Contract Labour Board). Denotification of the notified depots is a permanent solution based on which sanctioned strength can be reviewed. Keeping in view that rationalization process is temporary measure the men in position has been taken as sanctioned strength as the labour have become surplus after rationalization."

2.9 The Committee was informed that the labour strength in FCI has been rationalized in light of the directions given by Hon‟ble High Court of Bombay, Nagpur bench and the exemption notification dated 06.07.2016 issued by Ministry of Labour and Employment exempting the 226 depots of FCI from the applicability of Section 10 of Contract Labour (R&A) Act allowing FCI to engage contract labour in these depots. Also, the Ministry of Labour and Employment issued Gazette Notification wherein the 226 notified depots of FCI have been exempted under Section 31 of Contract Labour(Regulation & Abolition) Act from the purview of said Act for a further period of two years w.e.f. 06.07.2018 in continuation to earlier exemption notification dated 06.07.2016. This exemption had been extended for next two years vide Notification dated 26.06.2018 upto 05.07.2020. Various petitions were filed before Hon‟ble Delhi High Court against exemption notification dated 06.07.2016. Therefore the matter is sub-judice.

2.10 In response to a query as to the fate of the 9193 labourers who have been repositioned and the impact on 29,284 contract labourers deployed in vacated depots/railheads as the current exemption is operative until 06 July 2020, the Department of F&PD submitted as follows :

> "It is informed that Ministry of Labour& Employment vide Notification dated 25.06.2020 has further extended the Exemption granted vide notification dated 06.07.2016 for another 02 years w.e.f. 06.07.2020 to 05.07.2022. Accordingly, the status of the labourrationalised and repositioned consequent upon the Ministry of Labour& Employment Notification dated 06.07.2016 shall continue to be same and the contract labourers shall continue to work in the exempted depots"

2.11 In written reply to queries as to the type of jobs carried out by the contractual staff of the company and how does Food Corporation of India ensures that same level of efficiency by the contractual employees as that of the permanent employees, the FCI submitted as under :

> "At the outset, it is clarified that contractual staff are hired through contractors. Though we are principal employer,contractual staff are not FCI employees. Following types of work/jobs are carried out by Contract Labour of Handling & Transport Contractor appointed by FCI:
>
> 1. Unloading/Loading of foodgrains bags from /into railway wagons, trucks etc.,
> 2. Stacking the foodgrains in bags,
> 3. Bagging, weighment, standardization, cleaning of foodgrains, etc.
>
> The contractor has to follow rules as stated in the below mentioned acts and should provide the basic amenities to the workers engaged by him at the Depots as per Terms & Conditions stipulated in the tender form. Various liabilities towards personnel stipulated in EPF & MP Act, ESI Act, Minimum Wages Act, Employees Compensation Act and other facilities/ amenities for welfare of labours and other employees etc. and statutory provisions of the Government are to be complied in letter and spirit. Necessary records as mentioned in the tender form are to be maintained by the contractor and submitted to the concerned authority regularly under the respective Acts as well as the Divisional Manager. Statutory Rules and regulations and various policies, as mandated by Government of India from time to time are to be complied. Tender terms and conditions are to be complied also in all circumstances. If the performance of contractual labourers/contractors is not upto the mark, action as deemed fit is initiated against the contractor as per the various provisions of Model Tender Form (MTF) is initiated. As regards level of efficiency, the contract labourers are more efficient and less expensive as compared to permanent labour because of sporadic nature of work in FCI."

E. De-notification of already notified Depots

2.12 As informed to the Committee, the Hon"ble Bombay High Court, Nagpur Bench directed Government of India to decide the de-notification of all the notified depots within 6 months. The time limit of 6 months has elapsed long back. In the meantime Hon"ble High Court Kerala at Ernakulam directed Ministry of labour to consider the de-notification of Kollam depot after obtaining comments of FCI. The proposal for de-notification of Kollam depot alongwith the other notified depots has been sent to the Ministry of Labour through the Ministry of Consumer Affairs, Food and Public Distribution vide letter No. IR(L)/31(10)/2004/Vol.III dated 02.07.2018 followed by reminders dated 25/26.10.2018, 21/22.02.2019, 02/03.04.2019, 23.05.2019 & 08.07.2019, but decision is still awaited.

F. Recommendation of HLC on Labour System and its implementation

2.13 The Government of India had constituted a High Level Committee(HLC) on restructuring of FCI in August, 2014. The HLC submitted its report in January, 2015. Referring to the expensive departmental labour*vis-a- vis* Direct Payment System (DPS)and Contractual Labour hired by FCI, the HLC in its report had recommended as under:

> "FCI engages large number of workers (loaders) to get the job of loading/ unloading done smoothly and in time. Currently there are roughly 16,000 departmental workers, about 26,000 workers that operate under Direct Payment System (DPS), some under no work no pay, and about one lakh contract workers. A departmental worker (loader) costs FCI about Rs 79,500/ per month (Apri-Nov 2014 data) vis-a-vis DPS worker at Rs 26,000/per month and contract labour costs about Rs 10,000/ per month. Some of the departmental labour (more than 300) have received wages (including arrears) even more than Rs 4 lakhs/per month in August 2014. This happens because of the incentive system in notified depots, and widely used proxy labour, This is a major aberration and must be fixed, either by de-notifying these depots, or handing them over to states or private sector on service contracts, and by fixing a maximum limit on the incentives per person that will not allow him to work for more than say 1.25 times the work agreed with him. These depots should be put on priority for mechanization so that reliance on departmental labour reduces. If need be, FCI should be allowed to hire people under DPS/ NWNP system. HLC recommends that the condition of

contract labour, which works the hardest and are the largest in number, should be improved by giving them better facilities.”

2.14 As informed to the Committee, the FCI has taken the following action in the matter:

- Consequent upon Exemption Notification, 9193 labourers have been repositioned out of 45009 labourers, thereby vacating 149departmentaldepots and 72 railheads and 29284 contract labours deployed in vacated depots/railheads. There is likely annual savings of about Rs.600 Crs.
- In pursuance to award passed by CGIT, Karkardooma, Delhi on 05.07.2016, the datum of departmental labour revised from 105 to 135 Bags per worker per day resulting in reduction of incentive by 30% (approx).
- Nodal Officers have been appointed at field level for improving the working condition of contract labour and enforcement of statutory benefits.
- Approval for introduction of VRS in respect of departmental labour from Ministry has been sought subsequent of the approval of BoD.”

G. Declaration of Departmental Labour System as dying cadre

2.15 The FCI informed to the Committee that the proposal with regard to declaration of Departmental Labour system as Dying Cadre has been approved by the Ministry of Consumer Affairs, Food and Public Distribution on 03.01.2020 and same has been communicated to field offices vide Circular No.1/2020 dated 08.01.2020 with the instruction that there will be no further induction under this Departmental Labour system.

H. Change in existing incentive scheme

2.16 The Hon‟ble Bombay High Court, Nagpur Bench passed the following order:

> “*We also clarify that the respondent/Corporation would be at liberty to implement its policy of change in the Scheme of incentives”.*

2.17 In compliance to the above order, FCI Headquarter sent a detailed proposal to the Ministry of Consumer Affairs, Food and Public Distribution for effecting changes in the service benefits of Departmental Labour and Direct Payment System

(DPS) Labour for approvalso that further course of action can be initiated by FCI towards making the necessary reforms. The following altered service conditions needed to be adopted:

[i] Non-inclusion of incentives for computation of CPF;
[ii] Non-inclusion of incentive for computation of Gratuity;
[iii] Non- inclusion of HRA elements for computation of Incentive and OTA;
[iv] No payment of „A" Area rates to DPS labour working in „B" and „C" Area; and
[v] Consideration of Mandal as Handling Labour.

CHAPTER III

PROCUREMENT OF FOOD GRAINS

A. Food Policy

(i) The National Food Security Act, 2013

3.1 The Government of India enacted the National Food Security Act (NFSA), 2013 and notified it on 10 September 2013. The NFSA has been implemented in all the 36 States/UTs. 3 UTs viz. Chandigarh, Puducherry and Dadra & Nagar Haveli(partly) have opted for Direct Benefit Transfer(DBT). The enactment of the National Food Security Act, (NFSA) 2013 marks a paradigm shift in the approach to food security from *welfare to rights based approach*. The Act legally entitles upto 75% of the rural population and 50% of the urban population to receive subsidized foodgrains under Targeted Public Distribution System. About two thirds of the population therefore is covered under the Act to receive highly subsidised foodgrains. The National Food Security Act, (NFSA) 2013 is being implemented in all the States/UTs on an all India basis. Out of maximum coverage of 81.35 crore, around 80 crore persons have been covered under NFSA at present for receiving highly subsidized foodgrains. The identification of beneficiaries by States/UTs is a continuous processwhich involves exclusion of ineligible/fake/duplicate ration cards and also exclusion on account of death, migration etc. and inclusion on account of birth as also that of genuine left-out household. The salient features of the National Food Security Act, 2013 are as under:

- **Coverage and entitlement under Targeted Public Distribution System (TPDS) :** Upto 75% of the rural population and 50% of the urban population will be covered under TPDS, with uniform entitlement of 5 kg per person per month. However, since Antyodaya Anna Yojana (AAY) households constitute poorest of the poor, and are presently entitled to 35 kg per household per month, entitlement of existing AAY households will be protected at 35 kg per household per month.
- **State-wise coverage :** Corresponding to the all India coverage of 75% and 50% in the rural and urban areas, State-wise coverage will be determined by the Central Government. Planning Commission has determined the State-wise coverage by using the NSS Household Consumption Survey data for 2011-12 and also provided the State-wise "inclusion ratios".
- **Subsidised prices under TPDS and their revision :** Foodgrains under TPDS will be made available at subsidised prices of Rs. 3/2/1 per kg for rice, wheat and coarse grains for a

period of three years from the date of commencement of the Act. Thereafter prices will be suitably linked to Minimum Support Price (MSP).

- In case, any State‟s allocation under the Act is lower than their current allocation, it will be protected upto the level of average offtake during last three years, at prices to be determined by the Central Government. Existing prices for APL households i.e. Rs. 6.10 per kg for wheat and Rs 8.30 per kg for rice has been determined as issue prices for the additional allocation to protect the average offtake during last three years.
- **Identification of Households :** Within the coverage under TPDS determined for each State, the work of identification of eligible households is to be done by States/UTs.
- **Nutritional Support to women and children :** Pregnant women and lactating mothers and children in the age group of 6 months to 14 years will be entitled to meals as per prescribed nutritional norms under Integrated Child Development Services (ICDS) and Mid-Day Meal (MDM) schemes. Higher nutritional norms have been prescribed for malnourished children upto 6 years of age.
- **Maternity Benefit :** Pregnant women and lactating mothers will also be entitled to receive maternity benefit of not less than Rs. 6,000.
- **Women Empowerment :** Eldest woman of the household of age 18 years or above to be the head of the household for the purpose of issuing of ration cards.
- **Grievance Redressal Mechanism :** Grievance redressal mechanism at the District and State levels. States will have the flexibility to use the existing machinery or set up separate mechanism.
- **Cost of intra-State transportation & handling of foodgrains and FPS Dealers' margin:** Central Government will provide assistance to States in meeting the expenditure incurred by them on transportation of foodgrains within the State, its handling and FPS dealers‟ margin as per norms to be devised for this purpose.
- **Transparency and Accountability :** Provisions have been made for disclosure of records relating to PDS, social audits and setting up of Vigilance Committees in order to ensure transparency and accountability.
- **Food Security Allowance :** Provision for food security allowance to entitled beneficiaries in case of non-supply of entitled foodgrains or meals.
- **Penalty :** Provision for penalty on public servant or authority, to be imposed by the State Food Commission, in case of failure to comply with the relief recommended by the District Grievance Redressal Officer.

(ii) Role of FCI in implementation ofFood Policy

3.2 On being enquired about the objectives of food policy of the Government of India and the role of FCI in implementing the food policy, the Corporation in a written reply submitted *inter alia* as under**:**

> “The Government policy of procurement of Food grains has broad objectives of ensuring MSP to the farmers and availability of food grains to the weaker sections at affordable prices. It also ensures effective market intervention thereby keeping the prices under check, also adding to the overall food security of the country.
>
> FCI, the nodal central agency of Government of India, along with other State Agencies undertakes procurement of wheat and paddy under price support scheme. The procurement operations are majorly carried out by State Govts and its agencies.

There exists a transparent & Uniform Policy for procurement of paddy and wheat by Govt. Agencies across the country. Under this policy, whatever food grains, are offered by farmers within the stipulated procurement period, conforming to the specifications prescribed by Government of India, are purchased at MSP by the Govt. agencies including FCI, for central pool. However, if any producer/farmer gets better price in comparison to MSP, he is free to sell his produce in Open market."

B. Procurement Process

3.3 The Food Corporation of India executes the food policies of the Government of India through the network of its offices situated all over the country. Various operations like Procurement, Storage, Quality Control, Movement and Distribution are involved for the execution of the policies of the Govt. of India. In a written response to the query about the mechanism of procurement in place for procurement, the FCI informed as under:

(i) The Minimum Support Price (MSP) is announced by the Government of India at the beginning of the sowing season of crops on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP) which determines the MSP based on the input costs and margin to farmers. FCI and State Govt. Agencies procure the foodgrains at MSP fixed by GOI.

(ii) MSP (Minimum Support Price) operations are given wide publicity through pamphlets, banners, sign boards radio, TV and advertisements through print & electronic media.

(iii) Farmers are made aware of the quality specifications and purchase system etc. to facilitate the farmers to bring their produce conforming to the specifications.

(iv) Procurement centres are opened by respective State Govt. Agencies/ FCI taking into account the production, marketable surplus, convenience of farmers and availability of other logistics / infrastructure such as storage and transportation etc. Large number of temporary purchase centres in addition to the existing Mandis and depots/godowns are also established at key points for the convenience of the farmers.

(v) For further strengthening the system that the farmers directly get the MSP announced by GOI, the GOI decided to do away with the levy system of procurement of rice with effect from KMS 2015-16, allowing the entire procurement of paddy to be done only by the State Agencies/FCI.

(vi) Payment to farmers is done largely through electronic mode or Account payee cheque by State Agencies/FCI other than in Punjab & Haryana where it is made to Arthiyas as per APMC Acts of the respective State. Efforts are made to make the payments to the farmers within 48 hours of purchase.

3.4 The Committee was further informed that FCI has developed its own Depot Online System which ushers in transparency and convenience to the farmers through proper registration and monitoring of actual procurement. The States have also been encouraged to procure the produce of the farmers online. Through Depot

Online System, farmers get latest/updated information regarding MSP declared, nearest purchase centre, date on which the farmer has to bring his produce to the purchase centre etc. This not only reduces the waiting period for delivery of stock by the farmers but also enable the farmer to deliver stock as per his convenience in the nearest mandi. MSP is released through either electronic mode or Account payee cheque directly to the bank accounts of the farmers except in Punjab & Haryana whereas per APMC Acts of the respective State, payment is made to Arthiyas.

C. Procurement System

3.11 Procurement of food grains is done through Centralized Procurement System (Non DCP) and Decentralized Procurement (DCP) System. The details are given in the succeeding paras.

(i) Centralized Procurement System (Non DCP)

3.12 Under Centralized Procurement System, the procurement of foodgrains in Central Pool are undertaken either by FCI directly or State Government agencies procure the food grains and handover the stocks to FCI for storage and subsequent issue against GOI allocations in the same State or movement of surplus stocks to other States. The cost of the food grains procured by State agencies is reimbursed by FCI as soon as the stocks are delivered to FCI as per cost-sheets issued by GOI.

(ii) Decentralized Procurement System (DCP)

3.13 The scheme of Decentralized Procurement of food grains was introduced by the Government in 1997-98 with a view to enhancing the efficiency of procurement and PDS and encouraging local procurement to the maximum extent thereby extending the benefits of MSP to local farmers as well as to save on transit costs. This also enables procurement of food grains more suited to the local taste. Under this scheme, the State Government itself undertakes direct purchase of paddy/rice and wheat and also stores and distributes these food grains under NFSA and other welfare schemes. The Central Government undertakes to meet the entire expenditure incurred by the State Governments on the procurement operations as per the approved costing. The Central Government also monitors the quality of food grains procured under the scheme and reviews the arrangements made to ensure that the procurement operations are carried smoothly. At present following States are under DCP system:-

S.N.	State/UT	Crop for DCP System
1.	A&N Islands	Rice
2.	Bihar	Rice/Wheat
3.	Chhattisgarh	Rice/Wheat
4.	Gujarat	Rice/Wheat
5.	Karnataka	Rice
6.	Kerala	Rice
7.	Madhya Pradesh	Rice/Wheat
8.	Odisha	Rice
9.	Tamil Nadu	Rice
10.	Uttarakhand	Rice/Wheat
11.	West Bengal	Rice/Wheat
12.	Punjab	Wheat
13.	Rajasthan (in 9 District)*	Wheat
14.	Andhra Pradesh	Rice
15.	Telangana	Rice
16.	Maharashtra	Rice
17.	Jharkhand (6 District)	Rice

***Exempted for RMS 2017-18 and 2018-19 only**.

(website of the Ministry under the section Sector -Food Grains)

3.14 With regard to the need for shifting focus to the regions where the distress sale occurs, the FCI has submitted as follows:

> “FCI has already handed over procurement operation to State Governments in Andhra Pradesh, Chhattisgarh, Odisha and Madhya Pradesh fully and is participating in procurement operations in Punjab and Haryana on the request of concerned State Governments”

3.16 Furnishing further information, the FCI submitted as follows:

> “During KMS 2018-19, a quantity of 71.85 LMT of Rice has been procured in Eastern States. As on 24.02.2020, a quantity of 56.18 LMT rice has been procured in ongoing KMS 2019-20 in Eastern States.”

3.17 Responding to a query on procurement by the States, the CMD, FCI deposing before the Committee on 14.10.2019 submitted as under:

"The procurement at the State level is done by the State agencies. They give to us at our godowns and storage points. We accept only after they give fair average quality which is prescribed. If it is below the standards, we do not take it. They keep aside what is required for their public distribution system. If they have excess, they give it to the Central Government."

3.18 With regard to decentralization of procurement activities, the CMD deposing before the Committee on 16.03.20, submitted as follows:

"the procurement activities have been decentralized to the State Governments: as many as 16 States procure rice and about four to six States procure wheat. After procurement, the surplus part after meeting what is required by the State is handed over to the State Government. FCI"s activities start after the States Government hands over the excess to FCI. For example, almost 99 per cent of rice from Punjab is taken to other parts of India. Similarly, in respect of wheat, out of whatever is procured by the State Governments, after meeting their requirement, the surplus is handed over and FCI"s role is to take it to consuming States like Gujarat, Maharashtra, Rajasthan, parts of Karnataka, and other parts of India."

3.19 Furnishing the extent of decentralization, the FCI in a written reply, stated *inter- alia* as under:

"FCI is procuring approximately 2% of paddy and 12% of wheat, out of total procurement done for central pool. Rest of the procurement is done by State Agencies. FCI has moved towards focusing more on storage and movement of food grains."

3.20 Elaborating further on the subject, the Department of F&PD in a written reply submitted as follows:

"….FCI is participating in procurement operations in Punjab and Haryana on the request of concerned State Governments. FCI is procuring around 1% of paddy and 10% of wheat out of total procurement done for central pool. Rest of the procurement is done by State Agencies. FCI has moved towards focusing more on storage and movement of foodgrains. Conscious and persistent efforts are being made towards helping the States especially in the Eastern and North East part of the Country to extend the benefit of MSP to the farmers. Paddy is the main crop in the Eastern States.71.85 Lakh MT of paddy in terms of rice has been procured in these States during KMS 2018-19. As on 06.07.2020, 86.34 LMT of Paddy in terms of Rice has been procured in ongoing KMS2019-20."

3.21 The data on the procurement done during last 4 years in the Eastern States is as under as furnished by D/o F&PD is as follows:

(Fig. in LMT)

Sl. No.	STATES	Kharif Marketing Season (KMS)			
		2016-17	**2017-18**	**2018-19**	**2019-20***
1	Assam	0.46	0.35	1.03	1.28
2	Bihar	12.34	7.93	9.49	13.41
3	Jharkhand	1.41	1.46	1.55	2.58
4	U.P.	23.54	28.74	32.33	37.90
5	WB	28.22	22.11	27.27	31.05
6	Tripura	0	0	0.18	0.12
Total		**65.97**	**60.59**	**71.85**	**86.34**

***Under Progress. As on 06.07.2020**

3.22 With regard to the requirement of entering into an agreement with States before every procurement season regarding costing norms and basic rules for procurement, the FCI has submitted that:

"MoU with states both DCP and Non DCP are being entered into."

D. Procurement and Minimum Support Price (MSP)

3.4 The information on production, procurement and MSP of wheat and rice since 2010-11 as provided by theFCI isgiven as under:

(i)Procurement and MSP of Wheat(Figures in LMT)

Crop Year	Production	Procurement		MSP+Bonus (Rs. Per qtl.)		
		RMS	**Procurement**	**MSP**	**Bonus**	**Total**
2010-11	868.7	2011-12	283.35	1120	50	1170
2011-12	948.8	2012-13	381.48	1285		1285
2012-13	935.1	2013-14	250.92	1350		1350
2013-14	958.5	2014-15	280.23	1400		1400
2014-15	865.3	2015-16	280.87	1450		1450
2015-16	922.9	2016-17	229.61	1525	---	1525
2016-17	985.1	2017-18	308. 24	1625	----	1625
2017-18	998.7	2018-19	357.95	1735	-----	1735
2018-19	1021.90*	2019-20	341.32	1840	---	1840

* As per 4th Advance estimates of Ministry of Agriculture dated 19.08.2019

(ii) Procurement and MSP of Rice

(Figures in LMT)

Crop year KMS	Production	Procurement of rice	MSP of Paddy (/qtl.)		Bonus (Rs./qtl.)	MSP+Bonus(qtl.)	
			Common	Grade A		Common	Grade A
2010-11	959.8	341.98	1000	1030	--	1000	1030
2011-12	1053.0	350.60	1080	1110	-	1080	1110
2012-13	1052.4	340.44	1250	1280	-	1250	1280
2013-14	1066.5	318.45	1310	1345		1310	1345
2014-15	1054.8	320.40	1360	1400		1360	1400
2015-16	1044.1	342.18	1410	1450		1410	1450
2016-17	1097.0	381.06	1470	1510	--	1470	1510
2017-18	1127.6	381.84	1550	1590	--	1550	1590
2018-19	1164.20*	443.30	1750	1770	--	1750	1770

*As per 4th Advance Estimates of Ministry of Agriculture.#Under Progress. As on 27.09.2019

(iii) Procurement vis-à-vis Allotment

(Figures in LMT)

YEAR KMS/ RMS	PRODUCTION			PROCUREMENT			ALLOTMENT (NFSA/TPDS/OWS/ Others)			% of PROCUREMENT OVER PRODUCTION		
	WHEAT	RICE	TOTAL	WHEAT	RICE	TOTAL	WHEAT	RICE	TOTAL	WHEAT	RICE	TOTAL
2014-15	958	1054	2012	280	320	600	241	373	614	29.23	30.36	29.82
2015-16	865	1044	1909	281	342	623	266	343	609	32.48	32.85	32.63
2016-17	922	1097	2019	230	381	611	271	354	625	24.95	34.73	30.26
2017-18	985	1127	2112	308	382	690	255	351	606	31.27	33.90	32.67
2018-19	998	1164	2162	358	443	801	253	352	605	35.87	38.06	37.05
2019-20	1022	-	1022	341	416 (estimated)	757	246	331	577	33.37	-	-

3.5 About the „wheat procurement‟ during Rabi Marketing Season (RMS) in the year 2019-20 and 2020-21(under progress), the Department of Food and public Distribution informed as follows :

"During RMS 2019-20, total procurement of wheat for the Central Pool was 341.32 Lakh MT. During RMS 2020-21, 389.42LMT of Wheat has been procured as on 07.07.2020. The Region wise procurement of wheat in last and current Rabi Marketing Seasons is asunder:

(Fig. in Lakh MT)

Sl. No.	STATES/ UTs	Rabi Marketing Season	
		2019-20	2020-21*
1.	Punjab	129.12	127.12
2.	Haryana	93.20	73.98
3.	M.P.	67.25	129.35
4.	UP	37.00	35.53
5.	Rajasthan	14.11	22.19
6.	Chandigarh	0.13	0.11
7.	Uttarakhand	0.42	0.38
8	Gujarat	0.05	0.68
9	Bihar	0.03	0.05
10	H.P.	0.01	0.03
TOTAL		**341.32**	**389.42**

**Under Progress. Data as on 07.07.2020*

3.6 With regard to Rice Procurement (including paddy)in Kharif Marketing Season (KMS)the Department of Food and Public Distribution submitted thatduring Kharif Marketing Season 2018-19, the Govt. Agencies have procured 443.99 LMT of Paddy in terms of Rice at Minimum Support Price (MSP) for Central Pool. Further, in ongoing KMS 2019-20 as on 07.07.2020, 502.52 LMT of Paddy in terms of Rice have been procured at Minimum Support Price (MSP) for Central Pool. The Region wise procurement of rice in last and current Kharif Marketing Seasons is as under:

(figures in LMT)

Sl.No.	STATES/ UTs	KMS 2018-19	KMS 2019-20 (As on 7.07.2020)
1	A.P.	48.06	53.18
2	Telangana	51.90	74.64
3	Assam	1.03	1.28
4	Bihar	9.49	13.41
5	Chandigarh	0.13	0.15
6	Chhattisgarh	39.71	46.56
7	Delhi	0.00	0.00
8	Gujarat	0.09	0.14
9	Haryana	39.41	43.03
10	HP	0.00	0.00
11	Jharkhand	1.53	2.55

12	J&K	0.09	0.10
13	Karnataka	0.59	0.41
14	Kerala	4.65	4.75
15	M.P.	13.95	17.40
16	Maharashtra	5.80	11.13
17	Odisha	44.47	47.28
18	Puducherry	0.00	0.00
19	Punjab	113.34	108.76
20	Rajasthan	0.00	0.00
21	NEF(Tripura)	0.07	0.12
22	Tamil Nadu	12.94	17.72
23	U.P.	32.33	37.90
24	Uttarakhand	4.62	6.81
25	West Bengal	19.79	15.20
Total		**443.99**	**502.52**

E. Allotment of Foodgrains under PDS/NFSA/Other Welfare Schemes

3.9 The Committee was informed that Public Distribution System (PDS)/NFSA is operated under the joint responsibility of Central Government and States/UTs. While the Central Government makes allocation of foodgrains, the distribution of foodgrains under PDS/NFSA and Other Welfare Schemes (OWS) to the targeted beneficiaries is made by the State/UT Governments and their agencies. The FCI ensures adequate foodgrains stocks at all its base depots throughout the country for PDS/NFSA and OWS. With regard to the procedure of allotment/lifting of food grains under Public Distribution System/Other Welfare Schemes, the FCI in a written reply, submitted as under :

(i) Receipt of allotment orders of foodgains from Department of Food & PD, Govt. of India.
(ii) Forward the allotment orders to concerned Executive Director (Zones)/General Manager (Regions) FCI Hqrs.
(iii) Receipt of Revenue District-wise allotment of foodgrains from the State/UT Govts. by General Manager (Region).
(iv) Issue of Instructions to concerned Area Managers of FCI by General Manager (Region) to issue stocks from depots to the State/UT Govts. or its nominee after receipt of advance cost of foodgrains.
(v) Area Manager on receipt of the cost of foodgrains (except Mid-Day Meal Scheme) at the Central Issue Prices fixed by the Govt.

of India from time to time, issues a release order for issuance of stocks.

(vi) The concerned State/UT Govt. or its nominated agencies lifts the stocks from the godowns of FCI within the validity period prescribed by the Govt. of India and within the date for which Release Order has been issued.

(vii) Before issue of the stocks, State/UT Govt. or its nominated agencies are allowed to inspect the stocks and get themselves satisfied about the quality. Three representative samples are drawn and sealed with joint seal from the stocks issued. One is given to the recipient for displaying at the issue/sale point and two are retained by the FCI, one for depot and the other for District Office.

(viii) Under Mid Day Meal Scheme, food grains are issued to the concerned authorities State Govts free of cost and FCI Area Offices raise the bills pertaining to supply of food grains during a month to the district administration by the 10^{th} of the next month and district administration will ensure payment within 20 days.

(ix) The role of FCI is limited to supply of food grains ex-godown to the nominated agencies of State/UT and FCI is not responsible once the stocks are moved outside FCI godown premises."

F. Procurement of Beyond Rejection Limit (BRL) Stocks

3.23 In order to ensure that rice stock within specifications prescribed by Government of India are procured, conscious efforts were made which resulted in reduction of procurement of BRL stocks by 86.48% i.e. from 15586 MT during 2013-14 to 2107 MT during 2016-17. The following table show the quantity detected, BRL, quantity procured and percentage of BRL against the quantity procured during the last 5 years:-

KMS	Qty. Detected BRL	Qty. Procured	% BRL against procured Qty.
2013-14	15586 MT	310.30 LMT	0.05
2014-15	10121 MT	317.79 LMT	0.03
2015-16	4763 MT	336.96 LMT	0.01
2016-17	2107 MT	375.64 LMT	0.01
2017-18	1936 MT	364.66 LMT	0.005

3.24 FCI further informed that 2081 samples and 3590 samples were referred to FSSAI accredited laboratories during 2016-17 & 2017-18 respectively.

G. Monitoring mechanism for Procurement activities

3.25 FCI has put in place well established Monitoring Mechanism for the procurement and the distribution activities as shown below:

> (i) Joint inspection of food grain stocks by officials of FCI & State Government on regular intervals.
> (ii) Online Procurement Monitoring System (OPMS) for collecting information on the procurement of wheat and rice.
> (iii) An Online Procurement System as part of Depot Online System for procurement of Food Grains from farmers by FCI.
> (iv) Checks/Super checks by various authorities to ensure procurement of stocks as per prescribed specifications. In addition to this, squads are sent from Hqrs., Zonal Offices & Regional Offices.
> (v) Analysis of samples in Quality Control Laboratories.
> (vi) Regular inspection of Fair Price Shops (FPS) and godowns, creation of vigilance committees at the FPS, Block, District and State levels and constitution of State Food Commissions."

H. Future Role of FCI in Changing Scenerio

3.26 It has been mentioned in the Annual Report that the Corporation manages the food policy of the Government of India which includes procurement, storage, movement and distribution of food grains. These operations are gradually decentralized by the Government of India, by giving the responsibility of procurement, storage and distribution to more and more State Governments through a mode of decentralized procurement (DCP) scheme. In view of such a scenario the Committee desired to know what kind of role does Food Corporation of India see for itself playing in the future. In response, FCI in its written submission stated as under:

> "With the expansion of decentralized procurement system in all there are Seventeen states where procurement is done in DCP mode. It has resulted in less procurement by FCI and less quantum of distribution of FCI for state. But overall expenditure more or less remained same on this factor as subsidy is being claimed by DCP states as well."
>
> Hence, FCI‟s role and objectives in India‟s success in transforming the crisis management oriented food security into a stable security system remains more or less same in the light of following objectives of food policy:-

- State govt. procures the foodgrains locally for distribution under NFSA which reduces the cost of transportations of foodgrains for other states.
- Effective price support operations for safeguarding the interests of the farmers.
- Distribution of foodgrains throughout the country for public distribution system.
- Maintaining satisfactory level of operational and buffer stocks of foodgrains to ensure National Food Security.

3.27 During the briefing, the CMD of FCI submitted before the Committee regarding the practice of taking 2 kg extra in the name if moisture, pilferage and losses, pilferage due to bags being pierced by hooks during handling, under weighing and reporting during procurement, as under:

> "डीसेंट्रलाइज्डप्रोक्योरमेंट होने के बादFCI does not procure even one grain. जोस्टेट गवर्नमेंट एजेंसीज़प्रोक्योर करती हैं, डिस्ट्रीब्यूशन भी वेही करती हैं।So, what ever excess is there with the State Government is given to us, which means beyond the excess they give it to us. महोदया, उदाहरण के लिए मध्य प्रदेशका गेहूं जएक्सेज़ आता है, we take it to Bangalore; we take it to South; we take it toMaharashtra and Gujarat. We do not procure in Rajasthan, but the State Government procures it. एक्सेज़जो है, वह उनको हम देते हैं। 17 स्टेट्समेंडी सेंट्रलाइज्ड प्रोक्योरमेंट है before 2013-2014. Once the High-Level Committee Report of Shri Shanta Kumar came, FCI does not procure it. It will take it from State agency. Madam, the Members have a lot of experience. This sort of reality I have seen even in my State of Karnataka that the hon. Member was mentioning. This sort of thing truly happens, but FCI is not directly involved. This 1 kg or 2 kg issue might be factually correct, but it is not FCI that procures it."

(verbatim proceedings 14.10.2019 page 19)

CHAPTER – IV

OPERATIONAL, BUFFER AND EXCESS FOOD GRAIN STOCKS

A. Stocking Norms for Buffer Stock

4.1 Food Corporation of India has to maintain buffer stocks as prescribed by the Government of India (presently stock equivalent to 4 months allocation) as a measure of food security to guard against scarcity of foodgrains. This stock enables the Government to intervene effectively to curb the rising trend of prices of foodgrains in the market. Cost of carrying buffer stock is part of food subsidy. Carrying charges for buffer comprises of elements like freight, storage and interest charges allocated on this stock as per norms. In addition, in view of recommendation of Economic Reforms Committee, the carryover charges paid to State Agencies by FCI are also reimbursed as part of buffer subsidy.

4.2 With regard to the criteria adopted for fixing of stocking norms for foodgrains (wheat and rice). D/o F&PD submitted that the following criteria was adopted in recommending the quantum of buffer stock norms:

(i) **Operational stocks**: stocks required for month to month distribution to the intended beneficiaries, under Targeted Public Distribution System (TPDS) and Other Welfare Schemes (OWS), and

(ii) **Strategic reserve**: Government will be required only to maintain and renew the stocks unless foodgrains are drawn from it in case of crisis situation such as abnormal shortfall in production of foodgrains in the country or natural calamity. In such a case, procurement will be required to be higher in the following season to the extent of drawl from the strategic reserve.

4.3 In a written reply to a query as to the prescribed buffer stock norms fixed by the Government in respect of food grains, pulses etc., for ensuring food security, the FCI submitted the Govt. of India fixes stocking norms of foodgrains (wheat &rice) for Central Pool on quarterly basis. The details of present stocking norms of foodgrains are as under:

(in Million Tonnes)

Year	FOODGRAIN STOCKING NORMS FOR CENTRAL POOL								
	Operational Stock			Strategic Reserve			Total		
2019-20	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total
1st April	11.58	4.46	16.04	2.00	3.00	5.00	13.58	7.46	21.04
1st July	11.54	24.58	36.12	2.00	3.00	5.00	13.54	27.58	41.12
1st October	8.25	17.52	25.77	2.00	3.00	5.00	10.25	20.52	30.77
1st January	5.61	10.80	16.41	2.00	3.00	5.00	7.61	13.80	21.41

(***FCI does not maintain buffer stocking norms of pulses and sugar)***

4.4 With regard to the reasons for such huge variations in the stocking norms in different quarters of the year, the Department of Food and Public Distribution submitted as follows:

> "Of the total buffer stocks, quarterly norms for operational stocks are based on mapping foodgrain distribution requirements with the food procurement patterns. The food distribution needs are uniformly spread through the year but procurement of grains is highly concentrated (99.6 per cent wheat is procured in the quarter beginning 1st April and close to 80 per cent of rice is procured in the two quarters beginning October and January. It is also because of adoption of open-ended procurement policy adopted by Government."

4.5 During evidence, the Chairman and Managing Director, FCI stated regarding the stocking norms as under:

> "The stocking norms were done by a Committee in 2014-15, which also had Professor Abhijit Sen, the Nobel Prize laureate in it. As of 2014, we should have about 23 million. As you are aware, now it is about 64 million. It means it is 40 million excess."

4.6 The actual stock of wheat, rice and paddy as held on **01.09.2019**as informed by FCI is as follows:

(figures in LMT)

Wheat	Rice	Total=Wheat +Rice	Unmilled paddy	Rice (CMR due from unmilled addy)	Total wheat&rice (incl.CMR due) as on 01.09.2019
414.90	261.48	676.38	59.70	40.00	716.38

4.7 In a written reply to a specific query as to how it is ensured that the country is maintaining the foodgrains and stocks as per the buffer stock norms andhow often it is reviewed and at what level, the FCI stated as follows:

> "FCI is monitoring stock position of wheat and rice and preparing data at various levels i.e. Depot/ District/ Region. A statement of physical availability of stocks in the Central Pool is prepared on fortnightly/monthly basis at FCI Headquarters and submitted to higher authorities at FCI and Ministry for their perusal. Comparison of stocking norms and stock of foodgrains available in physical form is done regularly in order to ensure that the country is maintaining the foodgrains as per the stocking norms fixed by the Govt. of India. The position is reviewed regularly by the officers of FCI and Ministry. It is reviewed closely at the time of taking policy decisions by Govt. of India like sale under Open Market in order to liquidate surplus stocks in the Central Pool."

4.8 With regard to the stock norms for difficult/hilly terrains, the Committee has been informed as under:

> “The monthly allocation of food grains for NE is 2.51 LMT and existing storage capacity in NE is 6.35 LMT. Storage gaps at various centres have been worked out and being made out through construction under PEG Scheme, Silos and Central Sector Scheme (CSS). Construction works for 30,020 MT are in progress and a capacity of 27,530 MT has been completed in NE under Central Sector Scheme. Silo at Changsari (Assam) for a capacity of 50,000 MT has also been planned.
>
> In Assam, under PEG scheme, 0.25 LMT capacity at Barpeta has been completed and capacity creation for another. 50,000 MT at other centres is yet to start.Tender for 27,500 MT capacity in Meghalaya is also under process. Average monthly allocation in J&K under NFSA/OWS is 0.66 LMT. As on 31.01.2020, total covered storage capacity with FCI in J&K is 2.46 LMT (Owned 1.03 LMT and Hired 1.43 LMT),which is sufficient to store more than 4 month‟s requirement.

B. <u>Excess Stocks</u>

4.9 The information on Central pool stocks in excess of stocking norms as furnished by FCI is as follows :

(Figures in LMT as on 1st July)

YEAR	Stocks of Foodgrains in Central Pool			Excess Stocks over Stocking Norms		
	WHEAT	RICE	TOTAL	WHEAT	RICE	TOTAL
2014-15	398.01	276.60	674.61	197.01	158.60	355.61
2015-16	386.80	216.71	603.51	111.00	81.31	192.31
2016-17	301.81	246.69	548.50	26.01	111.31	137.32
2017-18	322.75	264.68	587.43	46.95	129.28	176.23
2018-19	418.01	275.52	693.53	142.21	140.12	282.33
2019-20	458.31	354.63	812.94	182.51	219.23	401.74

[Stocking Norm on 1st July from 2015 for Rice 135 LMT and Wheat 276 LMT]

C. <u>Disposal of ExcessStocks</u>

4.10 In response to a query as to how the liquidation of excess stocks of 40 million tones will be taken care of, the Chairman and Managing Director, FCI submitted during evidence as under:

> "About liquidation, we are moving various proposals in the Government. There are four or five proposals which are at the Government‟s level. It involves a lot of money for disposal. A lot of other issues are also there. So, the Government is taking it up seriously….xxxxx… xxxxxxx …xxxxxas of today we have worth Rs. 2 lakh crore excess buffer stock in our godowns. If you had spent 25 per cent of that on encouraging the alternate crops, you could have achieved wonderful results."

> "we have given quite a few suggestions to the Government which involves a lot of deep financial implications. They will have to study that. Everything involves a lot of money. It is going on for the last one year."

4.11 In response to a query as to the steps taken by the FCI to offload the excess stocks in pursuance of the aforementioned recommendation, D/o F&PD submitted as follows:

> "Open Market Sale Scheme(Domestic)(OMSS(D) policy is formulated for every Fiscal Year to offload excess stocks of wheat and rice i.e. above buffer stocking norms in the open market. Govt. of India has constituted a committee of Secretary (Expenditure), Secretary (Food & Public Distribution), Secretary (Consumer Affairs) and

Secretary(Department of Commerce- for export related issues), to recommend quantity and price at which foodgrains stocks in excess of buffer and strategic reserve norms are to be offloaded. The recommendations of the committee are placed for the approval of Hon"ble Finance Minister through Minister of Food & PD.

4.12 The details of sale of excess stocks of foodgrains through OMSS(D) scheme during 2015-16 to 2020-21 are as under:

(Figs. In LMT)

Year	Wheat	Rice	Total
2015-16	70.77	1.11	71.88
2016-17	45.67	1.78	47.45
2017-18	14.22	4.90	19.12
2018-19	81.84	8.46	90.30
2019-20	36.36	16.12	52.48
2020-21(Upto 05.08.2020)	1.00	5.20	6.20

4.13 Sale of Wheat and Rice under Open Market Scheme (domestic) through e-auction is as follows:

i. "Empanelment of bulk buyers with the service provider conducting e-auction for FCI.
ii. Govt. of India decides and communicates the quantity and reserve price for sale of wheat and rice for a particular year to FCI.
iii. FCI float tenders for depot-wise sale of wheat and rice on weekly basis mentioning quantity to be tendered and the reserve prices fixed for a particular depot.
iv. Stock may be inspected by the intending bidder(s) on any working day of FCI prior to the day of E-Auction.
v. Bidder has to electronically deposit EMD calculated @ 10% of the cost of stocks intended to be purchased at the reserve price.
vi. For acceptance of Bids, each depot is treated as a separate unit. Bid(s) is/are accepted on the principle of Price, Time and Quantity. For each depot, first the quantity as quoted by H-1 is approved at H-1 rates and then to H-2 and so on till the depot wise quantity offered is exhausted.

vii. After the e–auction, Acceptance is communicated to the successful bidders by e mail.
viii. The EMD of all unsuccessful tenderers are refunded within three working days from the date of issuance of acceptance letter to the successful bidder.
ix. Cost of allotted stocks of foodgrains plus all taxes, levies, fees, charges etc. of any nature whatsoever leviable by any authority is to be paid by the buyer.
x. The EMD furnished by the successful bidders is adjusted towards the cost of stocks and applicable taxes. The successful bidder(s) deposit remaining cost of the stocks along with applicable taxes within seven (7) working days from the next date of issue of the acceptance letter.
xi. In case, the allotted quantity is equal to or more than 2000 MT, on the request of buyer, FCI may allow extension in period of deposit of cost of stocks and applicable taxes for a maximum period of another 7 working days. However, penal interest of 2% over and above the Bank rate at which the FCI is borrowing would be charged upto date of deposit of cost beyond free period of

7 working days. The buyer can deposit the cost within the above period in maximum 2 (two) instalments.

xii. Release order can be downloaded by the bidder only after deposition of full cost along with applicable taxes and no part Release Order are issued.

xiii. In case the successful bidder fails to deposit the balance cost along with applicable taxes & levies within the stipulated time, his bid is liable to be cancelled and the EMD furnished forfeited.

xiv. The buyer has to complete the lifting within free period of fourteen (14) working days from the next date of communication of acceptance by FCI.

xv. After Fourteen (14) working days, on the request of buyer, Area Manager, FCI may allow the extension for a maximum period of another Fourteen (14) working days for lifting the stocks from FCI godowns on payment of storage charges in case the allotted quantity is less than 2000 MT.

xvi. In case, the allotted quantity is equal to 2000 MT, on the request of buyer, Area Manager, FCI may allow the extension for a maximum period of another Twenty One (21) working days for lifting the stocks from FCI godowns on payment of storage charges.

xvii. The lifting of stocks in the extended period beyond free period of fourteen (14) working day is on payment of storage charges at the rate of 50 paise per qtl. per day subject to total minimum of Rs. 2000/-. These storage charges are recovered in respect of the unlifted quantity of stocks during the extended period (actual period for which the stocks remain in the godown). After expiry of twenty eight (28)/ thirty five (35) working days, as the case may be, no further extension is granted and an amount equivalent to value of the unlifted quantity or amount equivalent to EMD, whichever is lower, is recovered/ forfeited and the balance amount if any, to be refunded to the bidder.”

CHAPTER V

STORAGE OF FOOD GRAINS

A. Storage Capacity

(i) Availability of Storage Capacity

5.1 The Committee was informed that in the last few years, procurement has touched new heights given remunerative MSPs coupled with better operational outreach. To meet the short-term peak requirements of storage capacity, FCI opts for short-term hiring of covered godowns as well as Cover & Plinth(CAP) for storage of foodgrains which is also a scientific method for storage of foodgrains. As on 30.06.2018, the Storage capacity (Covered and CAP) of 381.06 lakh MTs is available with Food Corporation of India and 474.92 Lakh MTs is available with State agencies for Central Pool stock of foodgrains. As a result, about 855.98 Lakh tonnes of capacity is available for storage of Central Pool stock of foodgrains against which 650.53 Lakh MTs stocks are stored as on 30.06.2018.

5.2 The State/UT wise information on the storage facility owned and hired by FCI for storage of stocks as on 30.11.2019, as furnished by FCI, is given as under:

FOOD CORPORATION OF INDIA State-wise Number of Storage available with FCI as on September , 2019.											
SL. NO.	REGION/ U.T.	COVERED									
		FCI OWNED	HIRED								TOTAL
			STATE GOVT.	CWC	SWC	PEG	PWS 2010	SILO	PRIVATE ARTIES	TOTAL HIRED	
1	Bihar	13	1	8	23	24	4	0	3	63	76
2	Jharkhand	6	0	2	11	21	0	0	1	35	41
3	Odisha	21	0	6	18	0	0	0	0	24	45
4	West Bengal	23	1	4	0	0	0	0	5	10	33
5	Arunachal Pradesh	10	1	0	0	0	0	0	2	3	13
6	Assam	20	1	3	4	1	0	0	11	20	40
7	Manipur	5	1	0	0	0	0	0	0	1	6
8	Nagaland	5	0	1	0	0	0	0	0	1	6
9	Meghalaya	3	0	0	3	0	0	0	0	3	6
	Mizoram	6	0	0	0	0	0	0	0	0	6
	Tripura	6	2	0	0	0	0	0	0	2	8
10	Delhi	7	0	0	0	0	0	0	0	0	7
11	Haryana	34	35	18	35	126	1	1	0	216	250
12	Himachal Pradesh	7	5	3	0	3	0	0	0	11	18
13	Jammu & Kashmir	16	1	0	0	15	0	0	0	16	32
14	Punjab	121	2	25	238	181	0	3	8	457	578
15	Rajasthan	36	0	25	56	14	8	0	2	105	141
16	Utter Pradesh	52	0	23	129	62	0	0	0	214	266

17	Uttrakhand	4	3	5	6	1	0	0	0	15	19
18	Andhra Pradesh	25	8	7	30	5	0	0	0	50	75
19	Karnataka	22	0	6	27	12	1	1	0	47	69
20	Kerala	23	0	2	0	1	0	0	0	3	26
21	Tamilnadu	14	0	15	19	9	0	2	0	45	59
22	Telangana	11	0	8	53	7	0	0	0	68	79
23	Chhattisgarh	20	0	3	26	5	0	0	0	34	54
24	Gujarat	14	3	13	0	3	1	0	0	20	34
25	Madhya Pradesh	24	0	2	1	29	0	0	0	32	56
26	Maharashtra	13	0	12	23	27	12	1	0	75	88
	Grand Total	**561**	**64**	**191**	**702**	**546**	**27**	**8**	**32**	**1570**	**2131**

5.3 Pointing out the inadequacy of the storage capacity, the Committee enquired from FCI about the measures taken to address the gap, the CMD, FCI during evidence before the Committee on 16.03.2020, submitted as follows:

> "The biggest problem today is like this. When I ask some private entrepreneur to build godowns under PPP model, or shift in the cropping pattern which has happened earlier, there is no guarantee for him. It is an open-ended procurement. There is thinking at some level. We have sufficient storage space right now. It is just that every year, we are adding 20 million tonnes. For PDS, we require about 60 million tonnes and we are requiring 80 million tonnes. These 20 million tonnes are the problem. If these 20 million tonnes are not procured, we have sufficient space."

(ii) Region- wise availability of storage capacity

5.4 Storage capacity available with FCI is concentrated mainly in the procuring hub located in the Northern Zone which has about 69% of the total available storage capacity. The Southern Zone has about 12%, Western Zone has about 9%, Eastern Zone has only about 8% and North-Eastern Zone has less than 2% of the total available storage capacity. Around 70% of the storage capacity is concentrated in 7 major procuring States i.e. Punjab, Haryana, Uttar Pradesh, Andhra Pradesh, Telangana, Madhya Pradesh and Chhattisgarh, while about 8% storage capacity is available in the four newly emerging procuring States of Bihar, Odisha, Jharkhand and West Bengal.

(iii) Storage Capacity vis-à-vis Central Pool Stock

5.5 The FCI through their power point presentation made before the Committee on 16.03.2020 informed the availability of storage capacity as on 1st January of each of the following years as under:

(Figures in LMT)

Year	Total Storage Capacity			Stock in Central Pool		
	FCI	State Agency	Grand Total	Rice	Wheat	Total
2014	376.71	379.18	755.89	303.19	280.47	583.66
2015	373.81	351.12	724.93	231.30	251.13	482.43
2016	359.25	452.84	812.09	260.25	237.88	498.13
2017	351.89	424.34	776.23	297.01	137.47	434.48
2018	359.85	365.54	725.39	332.52	195.62	528.14
2019	390.04	358.58	748.62	336.60	271.21	637.81
2020	405.15	350.89	756.04	423.99	327.96	751.95

(P.7, PPT 16.03.20)

(iv) Utilization of the Storage Capacity

5.6 The storage capacity available with FCI and the percentage utilization during last five years (During Peak Season) as furnished by FCI is as under:

(Figures in Lakh Tonnes)

Position as on	Covered			CAP			Grand Total	%age utilization
	Owned	Hired	Total	Owned	Hired	Total		
30.06.2015	127.40	217.90	345.30	26.02	1.68	27.70	373.00	82%
30.06.2016	128.13	207.10	335.23	26.02	0.66	26.68	361.91	77%
30.06.2017	128.23	209.29	337.52	26.02	0.00	26.02	363.54	82%
30.06.2018	128.42	226.62	355.04	26.02	0.00	26.02	381.06	88%
30.06.2019	127.33	252.17	379.50	26.02	1.79	27.81	407.31	92%

(v) Capacity Utilization of Depots/Godowns

5.7 The information on Depots/Godowns owned by FCI and those hired by it from other agencies with the capacity utilisation is as follows:

Depots/Godowns of	Total number of Godowns/Depots owned	Total Capacity	Capacity utilized by FCI	Hiring Charges
FCI	561	127.53	80%	-
CWC	191	31.23	90%	Rs. 4.68/Bag/Month
SWC	702	89.60	91%	-do-
Port Authority	-	-	-	-
PEG*	546	114.12	95%	Rs. 5.73/Qtl./Month*
Others (State Govt.+Silos+Pvt. Parties+PWS Scheme)	131	16.73	97%	
Total	**2131**	**379.21**	**89%**	

*The godowns under PEG Scheme are hiring through Open Tender Process. The All India weighted average rate is 5.73/Qtl/Month

5.8 With regard to the ownership of godowns, theCMD, FCI during the deposition before the Committee on 14.10.2019 submitted as under :

"80 per cent of the godowns are either Central warehousing or State warehousing, or FCI warehousing. 1800 गोडाउनहमारेहैं, 10 per cent is of Private Public Partnership. We hire ten per cent of it temporarily, for two years, which is called, private warehousing. Eighty per cent of the godowns where the grain is stored is in the public sector only"

5.9 With regard to the process of hiring godowns by FCI, the following information has been submitted to the Committee:

"An assessment for the requirement of storage capacity is done on the basis of allotment, procurement/ potential of procurement, inflow/ outflow of food grains. Preference is given to the CWC/ SWCs while hiring of storage capacity. Storage worthiness of the godowns to be hired is also examined for scientific storage of food grains. While hiring bigger godowns (with capacity 25,000 MT and above), railway siding facility within the godown or goods-head nearby is preferred.At present, godowns are being hired under PWS (Private Warehousing Scheme) basis- Under PWS Godowns are hired by FCI from Pvt. Party on lease/lease with services through open tender enquiry. Hiring period is 2+1 years. Consuming regions have been advised to hire Storage capacity equivalent up to 1 year of PDS requirement."

(vi) Monitoring mechanism for Godowns

5.10 With regard to the mechanism in place for monitoring Depots/ Godowns owned and hired, FCI submitted as follows:

"Godowns are hired by FCI on the basis of storage gap. General Managers (Region) have been allotted the DoP to hire/hired the godowns as per storage capacity requirement of their respective regions in such a way that capacities hired do not remain vacant. During the periodic inspection any shortcomings/lacuna observed are pointed out for corrective measures.

Manager (QC), FCI inspects 33% of stocks (1/3rd of stocks) in a month. AGM(QC) inspect 5% to 10% of stocks quarterly. Both Monthly Inspection Reports(MIR) of Manager (QC) and Squad Inspection Reports (SIR) of AGM (QC) are scrutinized at District/ Regional level and discrepancies if any noticed are brought to the knowledge of Head of storage agency (Hired godown) for taking remedial action."

B. <u>Schemes for Construction of Godowns</u>

5.11 With regard to various schemes available for construction of godownsfor storage of stocks, the FCI furnished *inter alia* the following information:

i. **<u>Private Entrepreneurs Guarantee (PEG) Scheme:</u>** Under this Scheme, which was formulated in 2008, storage capacity is created by private parties, Central Warehousing Corporation (CWC) and State Government Agencies for guaranteed hiring by Food Corporation of India (FCI). A capacity of 143.83 Lakh MT (LMT) has been created as on 30.06.2020. Under this scheme, no funds are allocated by Government for construction of godowns and full investment is done by the private parties/CWC/State Agencies. After a godown is constructed and taken over by FCI, storage charges are paid to the investor for the guaranteed period of 9/10 years irrespective of the quantum of foodgrains stored.

ii. **<u>Central Sector Scheme:</u>** This scheme is implemented in the North Eastern States along with Himachal Pradesh, Jharkhand and Kerala. Funds are released by the Government to FCI and also directly to the State Governments for construction of godowns. This scheme is operational from 2017-18 to 2021-22. A total capacity of 53,125 MT has been completed by FCI (45,870 MT) and State Governments (7,255 MT) from 01.04.2017 up to 31.07.2020.

iii. **<u>Construction of Steel Silos:</u>** In addition to conventional godowns, Government of India, in 2016, has also approved an action plan for construction of steel silos in the country for a capacity of 100 LMT in Public Private Partnership (PPP) mode for modernizing storage infrastructure and improving shelf life of stored foodgrains. Against this, as on 30.06.2020, steel silos of 8.25 LMT capacity have been created.

iv. **<u>Cover and Plinth (CAP) hiring scheme:</u>** Government of India has approved a Scheme for construction of 90 LMT of CAP in PPP mode as temporary storage facilities for accommodating the wheat stocks for Rabi Marketing Season (RMS) 2020-21. .."

5.12 The details of PEG Scheme as furnished by FCI in their background note is as under:

> "… under the PEG scheme, FCI gives a guarantee of 10 years to private investors and 9 years to CWC/SWCs/State Agencies. A capacity of 160.26 Lakh MTs as on 30.06.2018 has been approved for construction of godowns in 22 states, out of which a capacity of 150.98 Lakh MTs has been sanctioned for construction. A capacity of 141.37 lakh MT has been completed and a capacity of 6.87 lakh MT is under construction."

C <u>Silos – Modern Storage system</u>

5.13 The Committee was informed that Steel Silo storage with bulk handling facility is highly mechanized and modernized way of storing of foodgrains in bulk. It ensures better preservation of foodgrains and enhances its shelf life. If foodgrains are stored in Silos and transported in bulk, losses due to theft, pilferage and transportation would be negligible compared to foodgrains storage in bags in conventional warehouses. The FCI informed that since land availability in existing FCI godowns is scarce, it would be prudent to shift to storage of foodgrains in Silos as it requires approximately 1/3rd land as compared to conventional storage warehouses. Moreover, Silos can be operated round the clock which would bring in flexibility and would improve overall efficiency. As such, construction of Silos and utilization of Silos for storing and transportation of foodgrains in bulk would be beneficial to the nation as a whole besides also creating an efficient Food Supply Chain Management System. The FCI has therefore planned to modernize its storage facilities by construction of modern steel Silos on a PPP mode.

(i) Storage Capacity under Silos

5.14 While pointing out that world wide it is accepted that silos are the best form to store food grains, the Committee sought to know the silo storage capacity created out of the targeted creation of 100 million tones, it was informed that at present, FCI has steel silos of 5.5 LMT capacity. The linkages of base and field depots for Circuit I & II and size of storage capacity as submitted by the FCI is given below:

Year	Selection of Silo Operator (LMT)	Silo Completion (LMT)
2016-17	36.25 LMT (Phase – 1)	5 LMT
2017-18	29.00 LMT (Phase – 2)	15 LMT
2018-19	34.75 LMT (Phase – 3)	30 LMT
2019-20		50 LMT
Total	100 LMT	100 LMT

5.15 The FCI further informed that this includes 91.25 LMT of wheat silos and 8.75 LMT of Rice Silos. FCI is to construct 29 LMT of Silos, CWC 2.50 LMT and State Governments 68.50 LMT of Silos. As per action plan, FCI was to ensure selection of silo operator for 18 LMT capacity in the year 2016-17. Against this, selection of silo operators for construction of 2.5 LMT for 6 locations have been completed and agreement signed with the selected silo operators. These silos have been proposed under the VGF scheme of DEA and against a permissible 20% VGF, premium has been obtained for 5 locations. 25000 MT silo at Kotkapura has been put to use in RMS 2017-18. However, contract for one location Whitefield (Karnataka) has been terminated.Tenders for 13.5 LMT of silos capacity under the Non VGF mode have been awarded for all 26 locations. Concession Agreement has been signed for all the locations. Tenders were floated for selection of Independent Engineer & Auditor (IE&A) to oversee/supervise setting up of silos at 26 locations on DBFOO basis on 11.01.2017. However, contract for four locations i.e. Rohtak (Haryana), Rangapani, Dankuni, Macheda (West Bengal) have been terminated. Appointment of Independent Engineer & Auditor (IE&A) has also been done after receiving of consent from the concessionaire of respective location. With regard to completion of 5 LMT of silo capacity in the year 2016-17, 4.5 LMT was completed. Further 1.75 LMT silos have been completed in 2017-18.

(ii) Status of Silo Construction

5.16 State wise status of construction of Silos as furnished by FCI is as follows :

(Fig. In LMT)

Agency	State	Completed	Under Implemen-tation	Awarded	Tendered	Approved	Total
FCI	Assam	0	0.5	0	0	0	**0.5**
	Bihar	0	6	0	0	1	**7**
	Delhi	0	0.5	0	0	0	**0.5**
	Gujarat	0	2.5	0.5#	0	0	**3**
	Haryana	0	3	0	0	0	**3**
	Maharashtra	0	0.5	0	0	0	**0.5**
	Punjab	1.25^	3	0	0	10.5	**14.75**
	Uttar Pradesh	0	4.5	0.5	0	1	**6**
	West Bengal	0	0.5	0	4.5	1	**6**
Total		**1.25**	**21**	**1**	**4.5**	**13.5**	**41.25**
CWC	Punjab	**0**	**0**	**0**	**0.5**	**0**	**0.5**
State Govt.	Haryana	0	0	0	0	6.5	**6.5**
	MadhyaPradesh	4.5	0	0	0	0	**4.5**
	Punjab	1.5	0	15.5	0	11.5	**28.5**
	Uttar Pradesh	0	0	0	1.5	0	**1.5**
Total		**6**	**0**	**15.5**	**1.5**	**18**	**41**
Grand Total		**7.25**	**21**	**16.5**	**6.5**	**31.5**	**82.75***

^ Operationalization of 2 location (Barnala& Patiala) having capacity of 1 LMT without railway siding has commenced.
# 1 location (Surat) having capacity of 0.5 LMT has been terminated.
* In addition 15.10 LMT Rice Silos to be taken up depending on outcome of pilot project of Kaimur&Buxar.

5.17 During the briefing held on 14.10.2019, the Chairman and Managing Director, FCI further elaborated on this issue as under:

> "Sir is very right. We have actually done very badly. When we tender, in retrospect, in hindsight, it appears now that land and railway sidingswere very difficult to get. We put a compulsory condition saying that लैंडयहीपररहनाचाहिए, रेलवेसाइटकेबगलमेंरहनाचाहिए। Big companies enter bids – Adani, NCML, which is owned by Shri Prem Watsa, who have not been able to move one inch because the chunk of land and siding was not available. So, we are changing the model. Even for silos, the word you used, Madam, is 'hub and spoke", we are coming up with a model called roadside silos because the earlier model had failed."

5.18 Regarding construction of silos in PPP models, the representative of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) submitted during evidence as below:

> "PPP models are there, Madam. But it was linked with the railway sidings. Now in Delhi, if I want 1.5 kilometres length of a narrow strip

of railway sidings for mechanizing it, it is not going to happen. We are not getting the land."

(iii) Creation of Silos under"Hub and Spoke" Model

5.19 During evidence before the Committee, the CMD, FCI submitted on this issue as under:

> "Even for silos, the word you used, Madam, is 'hub and spoke", we are coming up with a model called roadside silos because the earlier model had failed."

5.20 Elaborating further on this issue, a representative of FCI during the evidence held on 18.03.2020 submitted as follows:

> "What we have decided is to move on a fast track. What we have said is that we will have hub and spoke system where in the hub we have various silos. Then smaller silos can be around. Right now, we are focused on big silos. If this also can come in Committee"s recommendations, it will help FCI to fast track it. Even on silos, basically we were operating on a very high scale. What we are saying is that their scale should be reduced. Most of the Members of Parliament have asked us to consider it. Instead of two lakh MTs, a huge size, we should bring it down to 50. In some places it could come to even 25 MT. Then these are standalone silos and the operations can be in customized transport mode with road transport as well as railways.

D. Storage under Cover and Plinth (CAP)

5.21 With regard to the storage under Cover and Plinth (CAP), the Committee was informed that the Government of India had set up a High Level Committee (HLC) in August 2014 to suggest restructuring of FCI with a view to improve its operational efficiency and financial management and to suggest interalia the cost effective models for storage and movement of grains and integration of supply chain of foodgrains in the country. The HLC had recommended that Covered and plinth (CAP) storage should be gradually phased out with no grain stock remaining in CAP for more than 3 months and Silo bag technology and conventional storages where ever possible should replace CAP. The FCI further informed that as per the recommendations of HLC, the hired CAP capacity of 1.94 LMT was dehired and the feasibility study for construction of silos has been conducted in all such FSDs where railway siding is available. These silos will be constructed on available vacant land & after considering dismantling of CAP or EoL or near EoL capacity

E. Maintenance of Depots and Godowns :

5.22 With regard to details of maintenance of Depots and Godowns of FCI and the amount spent on their maintenance, during the last five years, FCI submitted as under:

> "Food Corporation of India has dedicated Engineering wing for maintenance of Food Storage godown. At each Regional Office, AGMs have been posted with supporting staff to undertake maintenance of godown from maintenance funds.The amount spent on maintenance of FCI during last five years is as follows:

(Rs. in crore)

Year	Amount spent on Annual Repair &Maintenance Operations (AR&MO)	Amount spent on Minor Capital Work (MCW)	Amount spent on Concrete road (CC Road)
2014-15	121.58	22.53	37.79
2015-16	159.26	48.46	49.23
2016-17	143.94	42.27	46.05
2017-18	123.44	27.23	45.39
2018-19	119.57	13.68	56.66

Storage Construction Plan

5.23 The Committee was informed that with regard to the Storage Construction Plan for the year 2019-20, it has been planned to augment storage capacity by 25,000 MT with a financial target of 45.00 crores. Works at 8 locations for a capacity of 57,790 MT are in progress/to commence shortly. An expenditure of Rs 5.41 crore has been incurred upto 31.07.2019. The details of the target, progress and completion of the capacity are as under:

(Fig. in MT)

States	No. of Centers	Name of Centre	Targeted Capacity	Capacity under Progress	Works to commence shortly	Capacity completed during 2018-19
Assam	02	Dhemaji/ Junai	20000	20000	-	-
		Kokrajhar	-		15000	-
Arunachal Pradesh	02	Roing	-	1120	-	-
		Aalo	-	1670	-	-
Manipur	05	Churachandpur	2500	2500	-	-
		Tamenglong	-	5000	-	-
		Thoubal				2500
		Imphal East				10000
		Bishnupur				4600
Meghalaya	01	Baghmara	2500	2500	-	-
Mizoram	01	Sairang	-	-	10000	-
Total	**11**		**25,000**	**32,790**	**25000**	**17,100**

5.24 Regarding the expansion of the storage capacity in the North East, the Committee was informed that it has been planned to augment storage capacity of 2240 MT with a financial target of Rs. 4.00 crore. Work for 6,220 MT capacity godown at Mandi (3340 MT), Palampur (2240 MT) and Recongpeo (640 MT) are in progress. Besides, at Dumka ph-II, Itkhori and Podeyahaat work is likely to commence shortly. An expenditure of Rs. 1.72 crore has been incurred upto 31.07.2019.The details of the target, progress and completion of the capacity are as under:-

(Fig. in MT)

State	No. of Centers	Name of Centre	Targeted Capacity	Capacity under Progress	Land identified and work to commence shortly	Capacity completed during 2018-19
Kerala	2	Angadipuram				5000
		West Hill				10000
Himachal Pradesh	4	Mandi		3340	-	-
		Recongpeo		640	-	-
		Palampur	2240	2240	-	-
		Kangra				3340
Jharkhand	3	Dumka Ph-II			15000	-
		Itkhori			10000	-
		Podeyahaat			10000	-
	9		2240	6,220	35000	18,340

Outsourcing of stocking operations

5.25 In a written reply to the query as to whether FCI has outsourced its stocking operations, the FCI informed as follows:

> "The Operation of movement of the stocks for storage & its liquidation for further movement to other Regions have been outsourced and the operation are carried out through appointing Handling & Transport Contractor/ Transport Contractor/ Handling Contractor.
>
> As on 30.09.2019, FCI is having a total number of 2131 depots across the country, out of which. 561 are owned depots and 1570 are hired depots."

CHAPTER - VI

MOVEMENT AND DISTRIBUTION OF FOOD GRAINS

A. Movement of Food Grains

6.1 One of the major functions of FCI is to move foodgrains from producing and surplus States to the consuming /deficit States. With regard to movement of food grains, the FCI in the back ground note, sated as follows:

> "It is a common knowledge that movement of foodgrains plays a very important role in the working of FCI as well as in fulfilling the objectives of Food Policy and National Food Security Act. The FCI is effectively optimising movement of foodgrains in association with Railways while minimizing cost. FCI undertakes movement of food grains in order to:
>
> - Evacuate stocks from surplus regions
> - Meet the requirements of deficit regions for NFSA/ TPDS and Other Schemes
> - Create buffer stocks in deficit regions."

B. Modes of Movement of Foodgrains

6.2 On being enquired about quantum of yearly movement of food grains, infrastructure associated with such movement andthe modes through which food grains are moved across the country, the FCI informed as follows:

> "On an average 40 to 42 million tonnes of food grains are transported by FCI across the country in a year. FCI undertakes massive movement operation of food grains all over the country encompassing around 1906 FCI owned & hired depots/Silos, 557 rail-heads (owned by Indian Railways and others) and 98 FCI own sidings. Movement of food grains is undertaken by Rail, Road and Waterways. Around 85% of stocks are moved by rail to different parts of the country. Inter-State movement by road is mainly undertaken in those parts of the country which are not connected by rail. A small quantity is also moved by ocean vessels to Lakshadweep and A&N Islands as well as through coastal shipping and riverine movement to Kerala/Agartala (Tripura).
>
> The FCI has 98 own Rail sidings, where foodgrain rakes are placed directly at FCI depots. Other than that, foodgrain stocks are transported „to and fro" from the nearest rail-heads of Indian Railways. Movement Plan is prepared on monthly basis keeping in view:
>
> - Quantity available in surplus regions

- Quantity required by deficit regions
- Likely procurement
- Vacant storage capacity both in consuming as well as procuring regions
- Monthly allotment/ off take of food grains"

6.3 Explaining the logistics involved in movement of food grains, the CMD, FCI deposing before the Committee on 14.10.2019, submitted as follows :

> "..the best way to understand FCI is that we are a large logistic exercise. Even today, we are storing about 70 million tonnes of food grains .Our transport expenses are about Rs. 10,000 crore for transporting food grains all across India .One redeeming feature is that out of Rs. 10,000 crore, Rs.8,500 crore goes to the Indian railways only. About 85% of the transport is through train."

6.4 Reiterating the Railways as being the primary mode for transportation of food grains, the CMD, FCI deposing before the Committee on 16.03.2020, submitted as under :

> "About 85 per cent of the transport of food grains is done by the Indian railways. Except in the hilly tracks of the North east, Himachal Pradesh etc., it is done by the railways only."

6.5 The CMD, FCI, terming the movement of the food grains as the largest logistics exercise in the world, submitted as follows:

> "I do not think there is a body like FCI anywhere in the world and anybody which is transporting 60 million tonnes in a year. It is the largest logistics exercise in the world"

C. Quantum of Food Grains moved through Rail and Road

6.6 The quantity of food grains moved through rail and road modes of transport during the last five years as provided by FCI is as follows :

(in LMT)

Period	Rail	Road	Total
2013-14	392.44	55.37	447.81
2014-15	409.32	57.82	467.14
2015-16	330.98	53.51	384.49
2016-17	350.05	59.93	409.98
2017-18	353.20	67.04	420.24

D. Quantum of Food grains moved through Coastal and Riverine Mode

6.7 With regard to movement of food grains through multi modal and riverine mode, FCI submitted as follows:

> "FCI has been exploring the feasibility of moving food grains through multimodal costal/ riverine mode so as to supplement rail/road movement particularly for North Eastern States and Kerala and has made the following achievements:

(in LMT)

Year	Multimodal Riverine Movement from Ex-WB to Tripura	Multimodal Riverine Movement from Ex-AP to Tripura	Multimodal Coastal Movement from Ex-AP to Kerala
2013-14	0	0	12778
2014-15	1880	10000	97754
2015-16	7811	0	18677
2016-17	2267	0	13915
2017-18	0	0	0
2018-19	0	0	45132
2019-20 (Data upto Feb"20)			55554

6.8 The Committee was also informed that in addition, food grains are also moved from Karnataka to Lakshadweep and Andhra Pradesh to Andaman & Nicobar Islands in small quantities.Riverine movement was initiated during the mega block in NE as temporary measure in order to position sufficient stock in Tripura and dispensed with after gauge conversion of MG line to BG in North-East as transporting food grains via riverine movement was costlier than the rail movement. Matter regarding movement of food grains through Inland Waterways was also been taken up with IWAI for details of identified routes for movement of food grains, estimated freight etc. but same could not be materialized due to high transportation cost as FCI"s surplus food grain regions such as Punjab & Haryana have no access to National Waterways and Inland waterways, being operational at limited centers. Further, the states around National waterways are consuming states and fed from surplus states which are not connected to National waterways. The movement through NW-1 will require additional handling and transportation which will lead to increase in cost and make riverine movement uneconomical. Further, CONCOR had also shown interest for transporting food grains from Varanasi to Tripura. While examining the said proposal of CONCOR, cost of movement through IWT (Inland water Transport) was found much higher in comparison to existing rail movement and CONCOR had requested to grant subsidy from concerned Ministry to bring its rate at par with transport cost of FCI. Later on CONCOR had agreed to undertake movement at the same cost of Conventional rail/road movement after getting financial aid from IWAI, to which approval was conveyed. However, no quantity was dispatched due to low draft available for such movement at Varanasi so far. As soon as the draft will be sufficient for moving Vessel from Varanasi, riverine movement will be undertaken.

E. Movement from SurplusRegions

6.9 With regard to the surplus regions from where the food grains are moved to deficit areas, the FCI stated as follows:

> "Punjab, Haryana and Madhya Pradesh are the surplus States in terms of wheat procurement *vis-a-vis* their own consumption. Punjab, Haryana, Andhra Pradesh/ Telengana, Chhattisgarh and Odisha are surplus States in terms of rice procurement vis-à-vis their own consumption. Surplus stocks of wheat and rice available in these States are moved to deficit States to meet the requirements under NFSA/ TPDS and other schemes as well as to create buffer stocks."

6.10 Explaining the changes witnessed in the procurement trends in the last decade FCI informed as under:

> " About a decade back, nearly 90% of stocks were moved Ex-North mainly from Punjab & Haryana, which has now come down to 72% due to increase in procurement of rice in Andhra Pradesh, Chhattisgarh, Odisha & West Bengal and wheat in Madhya Pradesh, Uttar Pradesh and Rajasthan."

F. Coordination with Railways

6.11 The Department has stated that in order to increase the co-ordination between Railways and FCI, coordination committees at Zonal and Regional levels have also been formed. The matter related with improvement of basic infrastructure facilities at railheads, supply of rakes, levying of demurrage charges, upgradation of infrastructure etc. are being taken up in JCC meeting at respective levels. Due to the regular interactions between Railways and FCI, the compliance of loading plan of FCI has improved and issues related to penal charges by Railways, infrastructure development at Railway goodsheds are being sorted out. The availability of rakes have improved through the mechanism of these Coordination Committees, incurrence of demurrage charges has reduced.

6.12 Referring to unused lands lying across the railway lines where encroachment takes place, Committee sought to know whether the same can be used for building godowns/silos by having a Joint Venture with Railways, CMD FCI appearing before the Committee on 16.03.2020 submitted as follows:

> "There is a central public sector called Central Railside Warehouse Corporation, which is also the subsidiary of the Central Warehousing Corporation. That corporation is doing this work. There are various issues which have come up. The procurement areas are in Punjab and Haryana. It is only in about six or eight states that the procurement takes place and in others, there is very minimum procurement. Rice and wheat together are in Telangana, Andhra Pradesh, Odisha, Chhattisgarh, UP, Madhya Pradesh, Haryana, and Punjab. These the only States where the maximum procurement takes place."

G. <u>Multimodal Transport Movement</u>

6.13 With regard to initiatives taken to use multimodal transport, FCI stated as follows:

> "Recently, an initiative has been undertaken for Containerized Multimodal Coastal movement through CONCOR from identified centers of Punjab to Kerala via Cochin, Quilon etc. for a period of three (3) months on Pilot Basis. In this regard, Punjab region has been instructed to initiate Containerized Multimodal Coastal movement through CONCOR from designated depots of Punjab to the designated depots of Kerala, Karnataka & Tamil-Nadu, if found economical on cost benefit analysis in comparison with conventional movement of rakes. Accordingly, 12 rakes (25000 MT approx.) have been moved from Punjab to Karnataka using this mode under Pilot project."

6.14 Furnishing the data on movement of foodgrains undertaken through multimodal transport, FCI submitted as follows:

“FCI has been exploring the feasibility of moving food grains through multimodal costal/ riverine mode so as to supplement rail/road movement particularly for North Eastern States and Kerala and has made the following achievements:

(a) During 2013-14, 2014-15, 2015-16 and 2016-17, 12778 MT, 97754 MT, 18677 MT and 13915 MT Rice moved from Andhra Pradesh to Kerala through multi-modal coastal movement.
(b) FCI moved 10,000 MT of raw rice (as a pilot project) through multimodal riverine movement from Andhra Pradesh to Tripura (NE) via Ashuganj Port in Bangladesh during 2014-15.
(c) FCI moved 9691 MT and 2267 MT Raw Rice during 2015-16 and 2016-17 respectively through multimodal riverine movement from West Bengal to Tripura (NE) via Ashuganj Port in Bangladesh.”

H. **Containerized Movement:**

6.15 With respect to containerized movement, FCI submitted as follows:

“FCI has initiated containerized movement of foodgrains on certain routes through CONCOR wherein it is found to be economical in comparison to conventional Railway rakes. In 2016-17, 13 such containerized movement was undertaken which led to freight savings of around Rs.44 lakhs. In 2017-18, 134 containerized rakes moved with freight savings of Rs. 662 lakhs. In 2018-19, 167 containerized rakes moved with freight savings of Rs. 796 lakhs. During 2019-20 (upto Feb‟20), 279 containerized rakes have been moved with approx. freight savings of Rs. 546 lakhs. MTF was also prepared for engaging Private operators for containerized movement. Though tenders were floated by Punjab & Haryana region many times, but no response was received except for one in Haryana. The rates quoted by the single bidder i.e. CONCOR was found economical for only one route i.e. Ex PassinaKalan to FSD Rourkela.”

I. **Long Route Road Transportation:**

6.16 Another initiative taken to diversify the traditional mode of transportation of food grain is to opt for long route transportation by road, Furnishing the details of the steps taken in this regard on experimental basis , FCI stated as follows :

- “Ex Punjab (depots under DO Ludhiana & Patiala) to Maharashtra (Bhiwandi&Vashi)respectively.
- Ex Haryana (depots under Hissar, Fatehabad, Cheeka, Assandh) to Gujarat (CWC Surat, Mehsana, Palanpur&Wadhwan), respectively.
- Movement to be done, if found economical on cost benefit analysis in comparison with conventional movement of rakes.
- Period of contract will be for one year and quantity to be moved around 5000 MT/ month per receiving centre on least cost basis.

> Accordingly, directions were given to Punjab & Haryana for floating tender using existing MTF for RTCs. Movement have also been recently started from Ex Haryana to Gujarat using this mode."

J. <u>Bulk Movement</u>:

6.17 FCI has stated that it has also been moving food grains in bulk using specialized wagons being operated by AdaniAgri Logistics Ltd. from silos in procuring region to silos in consuming region i.e. Ex-Punjab, Dagru to Malur in Karnataka and to Madhukurai&Elavur in Tamil Nadu and Ex- Haryana, Pehowa road to Taloja in Maharashtra. The total quantity moved during last five years is as follows:

(Fig. In LMT)

Period	Total
2015-16	1.05
2016-17	2.88
2017-18	2.40
2018-19	2.01
2019-20 (uptoFeb"20)	1.83

6.18 The total no. of rakes dispatched during last five years are as follows:

Period	Rakes Dispatched
2013-14	13944
2014-15	14231
2015-16	11577
2016-17	12078
2017-18	11985

6.19 Explaining the primacy of rail transportation in movement of food grains, FCI, submitted as follows:

> "From the above it can be seen that FCI is taking various initiatives for increasing movement using waterways. However, the fact remains that rail movement is still much cheaper and economical mode for transportation of foodgrains."

K. <u>Cost efficiency in storage and movement</u>

6.20 With regard to the steps taken to increase the cost efficiency in storage and movement of food grains, FCI submitted as follows:

“Movement in FCI is being done on least cost basis considering the cost economics whether it is rail, road or waterways. Accordingly, FCI has undertaken transportation of foodgrains where it was found to be operationally feasible and economically viable. The total quantity moved during last five years is as follows:

(Fig. In LMT)

Period	Rail	Container	Road	Waterways	Total
2015-16	330.71	…..	53.51	0.27	384.49
2016-17	349.60	0.28	59.93	0.16	409.97
2017-18	350.43	2.77	67.04	0.00	420.24
2018-19	299.87	3.46	79.3	0.46	383.09
2019-20 (upto Feb“20)	265.81	5.72	86.05	0.54	358.12

CHAPTER VII

FINANCIAL PERFORMANCE

A. Turnover of FCI

7.1 FCI is constituted under the Food Corporation Act, 1964 as a trading organization.The financial performance of the Corporation for the last 5 years has been as under:

(Rs. In crore)

Year	Purchase	Sales Realisation	Subsidy on Food Grains	Total (Sale + Subsidy)
2012-13	1,01,923.28	39,849.73	80,563.18	1,20,412.91
2013-14	1,03,947.80	38,356.90	89,492.14	1,27,849.04
2014-15	1,06,804.21	29,757.01	1,05,007.02	1,34,764.03
2015-16	1,16,508.52	29,286.94	1,02,425.07	1,31,712.01
2016-17	1,11,375.61	22,114.78	1,09,135.93	1,31,250.71
2017-18	1,20,469.13	18,035.20	1,16,281.69	1,34,316.89

B. Operational Costand Budget

7.2 The total operational cost and budget of FCI during the last 5 years, as furnished to the Committee, is as under :

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19 (RE)	2019-20 (BE)
Acquisition Cost of Sales						
Wheat	40353	49482	47332	41247	51069	52977
Rice	63955	55552	57793	64976	69626	73108
Coasegrains	15	15	0	0	0	0
Sub-Total	**104323**	**105049**	**105125**	**106223**	**120695**	**126085**
Operational Costs of FCI						
Freight	8925	8031	8117	8671	8993	9768
Handling	4635	4052	2454	3391	4178	4437
Storage	3312	2786	3235	3610	4355	5201
Interest for FCI operations	8230	8581	6894	8873	13492	14036
Shortages	823	293	333	381	428	419
Admin Overheads	1496	1452	1969	1763	2106	2847
Total Operating Costs	**27421**	**25195**	**23002**	**26689**	**33552**	**36708**
Carry-Over charges paid	3018	1450	2926	1000	2025	3292
Total Budget of FCI	**134762**	**131694**	**131053**	**133912**	**156272**	**166085**
Sales	**29755**	**29269**	**21917**	**17630**	**24485**	**25157**
Subsidy	**105007**	**102425**	**109136**	**116282**	**131787**	**140928**

C. Details of Sales, Subsidy on Foodgrains, Receipts and other income

7.3 The sales, subsidy on foodgrains, receipts, other income etc., for the year 2018-19 as furnished by FCI is as follows:

Particulars	Amount in Lakh	Detail
Sale	1803519.69	Foodgrains issued to State Govt at the Central Issue prices or any other pre-decided rate by the Govt of India (GOI) & under tender sale as per Reserve Price fixed by GoI.
Subsidy on Foodgrains	11628168.50	The difference between the Economic cost and the sale realized reimbursed by the GOI as food subsidy
Other Receipts	22128.59	Represents the excess/deficit on the other operation undertaken by the corporation (like pulse operation) not routed through normal subsidy
Other Income	211741.55	Represents the claim/recoveries against railways, contractors, miller, State Govt and others Also include various income arising in the normal course of operations undertaken.
Accretion(Decretion) in inventories	1184768.95	Represents Increase in stock-in-hand at the end of the year from beginning of the year.
Total	**14850327.28**	

7.4 As informed to the Committee, the sources of finance of FCI are as follows :

Sl.No.	Particulars	Rate of Interest	Amount (Rs. in Crore)
1.	**Equity Share Capital (including Working Capital- Rs. 1984 crore)**	-	3,462.58
2.	**Debt**		
	a. Cash Credit	9.08%	9,495.00
	b. (i) Long Term Bonds (Issued in 2013)	8.62%	300.00
	(ii) Long Term Bonds (Issued in 2013)	8.80%	4,700.00
	(iii) Long Term Bonds (Issued in 2014)	9.95%	8,000.00
	(iv) Long Term Bonds(issued in 2019)	8.95%	2,737.70
3.	**Ways and Means Advance (WMA)/ Unsecured Short Term**	STL-7.90% to 8.40% WMA-7.40%	50,000.00
4.	**National Small Saving Fund(NSSF)**	8.40% to 8.80%	191,000.00

D. Subsidy

7.5The logistics cost for FCI are broken down into two components: (i) Distribution cost which involves all physical activities and considered part of FCI‟s „economic cost and (ii) Buffer cost which includes the financing cost of the food grains held. In a written reply to a query asto the details of the total procurement, total off-take, distribution cost, buffer cost and total gross subsidy during the past five years, the FCI submitted as follows:

(i) ELEMENTS OF SUBSIDY

Sl No.	Particulars	2015-16		2016-17		2017-18		2018-19 (Unaudited)		2019-20 (RE)	
		Qty	Amt.	Qty	Amt.	Qty	Amt.	Qty	Amt.	Qty	Amt.
A	**Total procurement Cost**										
	Wheat	267.37	48,442.88	224.58	42,035.35	240.92	46,402.85	280.72	56,236.49	280.37	60,322.00
	Rice	245.35	66,928.92	232.56	65,292.81	259.49	72,568.16	249.80	75,062.05	266.91	84,197.00
	Total	**512.72**	**115,371.80**	**457.14**	**107,328.16**	**500.41**	**118,971.01**	**530.52**	**131,298.54**	**547.28**	**144,519.00**
	Increase/Decrease Over Previous Year				(8,043.64)		11,642.85		12,327.53		13,220.46
B	**Total Offtake**										
	Wheat	279.05	18,568.00	257.98	13,338.00	218.03	7,736.00	278.86	20,758.00	268.45	21,108.00
	Rice	211.85	10,698.00	216.26	8,579.00	234.35	9,894.00	221.60	10,000.00	223.27	10,512.00
	Total	**490.90**	**29,266.00**	**474.24**	**21,917.00**	**452.38**	**17,630.00**	**500.46**	**30,758.00**	**491.72**	**31,620.00**
	Increase/Decrease Over Previous Year				(7,349.00)		(4,287.00)		13,128.00		862.00
C	**Distribution Cost**		20,546.00		18,700.00		20,753.00		23,431.00		30,720.00
	Increase/Decrease Over Previous Year				(1,846.00)		2,053.00		2,678.00		7,289.00
D (i)	**Buffer Cost**		4,649.00		4,302.00		5,936.00		6,984.00		9,968.00
(ii)	**Carry-Over charges paid**		1,450.00		2,926.00		1,000.00		2,001.00		4,691.00
	Total Buffer Cost		**6,099.00**		**7,228.00**		**6,936.00**		**8,985.00**		**14,659.00**
	Increase/Decrease Over Previous Year				1,129.00		(292.00)		2,049.00		5,674.00
E	**Total Gross Subsidy**		**102,425.00**		**109,136.00**		**116,282.00**		**120,352.00**		**138,667.00**
	Increase/Decrease Over Previous Year				6,711.00		7,146.00		4,070.00		18,315.00

The Operational cost of FCI increased from 2017-18 onwards due to increase in interest cost as FCI is receiving less Subsidy"

(ii)<u>Economic cost of Wheat</u>

7.6 The break up of the "economic cost" of Wheat, as furnished by the FCI in a written reply, is as follows:

YEAR		**2017-18**		**2018-19 (RE)**		**2019-20(BE)**	
MSP (Rs. Per Qtl.)		**1,625.00**		**1,735.00**		**1,840.00**	
		(Rs./Qtl.)	**Percentage**	**(Rs./Qtl.)**	**Percentage**	**(Rs./Qtl.)**	**Percentage**
1	Pooled cost of grain	1,587.90	69%	1,684.24	69%	1,771.78	71%
2	Procurement Inci.	303.91	13%	317.67	13%	304.92	12%
2a	Statutory charges	128.35	6%	69.55	3%	76.28	3%
2b	Gunny Cost	75.55	3%	93.55	4%	102.95	4%
2c	Others	100.01	4%	154.57	6%	125.69	5%
3	Acquisition Cost (1+2)	1891.81	82%	2001.91	82%	2076.70	83%
4	Freight	152.46	7%	136.06	6%	144.14	6%
5	Interest	114.99	5%	157.78	6%	138.10	5%
6	Handling charges	62.88	3%	65.86	3%	64.56	2%
7	Storage charges	45.13	2%	41.12	2%	41.00	2%
8	Administrative expenses	32.70	1%	33.20	1%	41.44	2%
9	Operational Losses	-2.05	0%	-0.70	0%	-0.27	0%
Economic cost		**2,297.92**	**100%**	**2,435.23**	**100%**	**2,505.67**	**100%**

(iii)Economic cost of Rice

7.7 The break up of the "economic cost" of Rice as furnished by the FCI in a written reply, is as follows:

YEAR		2017-18		2018-19 (RE)		2019-20(BE)	
MSP (Rs/ Qtl.)		1,550.00		1,750.00		1,850.00	
Paddy Grade A (Rs/Qtl)		1590.00		1,770.00		1,870.00	
		(Rs./Qtl.)	Percentage	(Rs./Qtl.)	Percentage	(Rs./Qtl.)	Percentage
1	Pooled cost of grain	2,291.03	70%	2,500.98	72%	2,631.20	73%
2	Procurement Inci.	481.55	15%	423.49	12%	439.54	12%
2a	Statutory charges	99.79	3%	90.17	2.7%	93.70	2.5%
2b	Gunny Cost	120.28	4%	114.15	3.3%	125.51	3.5%
2c	Others	261.48	8%	219.17	6%	220.33	6%
3	Acquisition Cost (1+2)	2772.58	85%	2924.47	84%	3070.74	85%
4	Freight	184.45	6%	164.06	5%	167.88	5%
5	Interest	168.42	5%	230.55	7%	204.26	6%
6	Handling charges	62.88	2%	65.82	2%	64.60	2%
7	Storage charges	45.13	1%	41.12	1%	41.00	1%
8	Administrative expenses	32.70	1%	33.18	1%	41.46	1s%
9	Operational Losses	14.15	0%	13.74	0%	11.97	0%
Economic cost		3,280.31	100%	3,472.94	100%	3,601.91	100%

E. Short term loans

7.8 The Government sanctioned loan of Rs. 65,000 Crore to FCI from National Small Saving Funds (NSSF) in 2017-18. During the same year FCI had made short term borrowings of Rs. 82376.48 Crore from Banks. Furnishing the purpose of the loan ,D/o F&PD, in awritten reply stated as follows :

"Purpose of providing NSSF Loans

The Central Issue Price (CIP) of wheat and rice are fixed by the Department of Food & Public Distribution (DFPD) does not cover the total cost incurred in procurement, storage, movement and distribution of these foodgrains for which the Government of India is required to make adequate budgetary provision in the Union Budget in the form of food subsidy. If adequate budgetary provision is not there, it results in creation of Government Receivables for FCI. Till the Government clears its dues of FCI, the outstanding receivables are financed through short term/ long term loans. The Department of Economic Affairs, Ministry of Finance has therefore provided NSSF loan of Rs. 65,000 crore during FY 2017-18 against its dues payable to FCI.

The NSSF loans of Rs. 65,000 crore sanctioned to FCI during FY 2017-18 were book adjustments, with no cash release. These loans were sanctioned for reversal of subsidy released to FCI and converting them into NSSF loans or for rollover/ recovery of previous NSSF loans/ Ways and Means Advance released to FCI. Details of loans sanctioned to FCI from NSSF are as under:

FY	Sanctioned (Rs. In crore)	Mode of loan sanction (Book adjustments)
2017-18	25,000	For rollover of NSSF loans (Rs. 14,000 crore), recovery of Ways & Means Advance (Rs. 8,088.54 crore) & reversal of subsidy allocations (Rs. 2919.46 crore)
	40,000	Reversal of subsidy released to FCI
Total	65,000	

7.9 In written replies to queries (i) the purpose of taking short term advances and loans from banks and (ii) the current repayment status of the short-term borrowings, D/o F&PD submitted as under :

"Short term loans (STL) from banks are taken to meet working capital requirement and cash flow mismatch. Funds requirement is seasonal in nature. There is higher payout during peak Rabi and Kharif marketing seasons. Subsidy installments released to FCI do not always match fund requirement during procurement season. Hence, the shortfall is financed through short term loans from banks. On release of funds by the Government, STLs are repaid by FCI.

As on 30.10.2019, STL outstanding is Rs. 4,700 crore. These loans are due for repayment in the month of November 2019."

7.10 With regard the outstanding short term loans of FCI as on March 2020, D/o F&PD submitted that :

"Outstanding short term loans of Food corporation of India as on 31.03.2020 stand at Rs.40,700 crore ."

F. Components of Food Subsidy

7.11 The Subsidy payment to FCI is done by the Govt. of India (GOI) as per the circulars issued by Deptt of Food & Public Distribution(DFPD) from time to time. The subsidy is calculated by FCI as per the provisions of these circulars. The subsidy is paid by the government of India. As per the guidelines, 95% of subsidy claim are submitted and balance 5% subsidy is released after audited accounts are laid before the Parliament. The FCI submits quarterly subsidy claim to DFPD before the beginning of quarter and DFPD is to release subsidy by 10th day of the first month of quarter.There are three components of Food Subsidy to FCI:

1. **Consumer Subsidy:** Difference between Economic cost and Central Issue Price is called Consumer Subsidy. Economic cost comprises of pooled cost of foodgrains, procurement incidentals consisting of statutory charges, gunny cost, labour, transportation, storage, interest etc. and distribution cost consisting of freight, handling, storage interest etc. The difference between economic cost and sales realisation on CIP is reimbursed to FCI in the form of "Consumer Subsidy."

2. **Buffer Subsidy**: The Food Corporation of India has to maintain buffer stocks as prescribed by GoI (presently stock equivalent to 4 months allocation) as a measure of food security to guard against scarcity of foodgrains. This stock enables the Government to intervene effectively to curb the rising trend of prices of foodgrainsin the market. Cost of carrying buffer stock is part of food subsidy. Carrying charges for buffer comprises of elements like freight, storage and interest charges allocated on this stock as per norms. In addition, in view of recommendation of Economic Reforms Committee, the carryover charges paid to State Agencies by FCI are also reimbursed as part of buffer subsidy.

3 **Losses:**In the process of procurement, storage and distribution of foodgrains certain transit and storage losses also occur because of multiple handling, transportation and long storage. These shortages are written off after following due process and procedures. All such written off loses are reimbursed to FCI as part of Subsidy.

7.12 In a written reply to queries on (i) the total food subsidy burden on the Government of India on account of procurement and distribution of food grains by FCI for the present financial year; (ii) percentage of the food subsidy bill is still pending for allocation; and , (iii) details of the last five years" food subsidy bill and budgetary allocations against the said demand, D/o F&PD replied as under :

"Government of India (GoI) allots food subsidy on the basis of sales of foodgrains instead of procurement and distribution cost of FCI. For the year 2020-21 (BE), the subsidy is Rs. 141781 Crore. The subsidy allocation for 2020-21 is Rs 77982.54 cr. Now for the year 45% of food subsidy bill is still pending for allocation. The figures of total expenditure & allocation by GOI on account of food subsidy is as under:

(Rs. in crore)

Particulars	2016-17	2017-18	2018-19	2019-20(RE)	2020-21(BE)
Food Subsidy expenditure for the year	109600.39	116501.01	120447.17	138667.00	141781.00
Total Allocation of Fund	78334.61	61981.69	70098.00	75000.00	77982.54
Total Allocation of Fund in %	71.47%	53.20%	58.20%	54.09%	55.00

G. <u>Issue related to MSP, Subsidy and its sharing between Centre and States</u>

7.13 Explaining the subsidy of foodgrains, the CMD, FCI during evidence before the Committee submitted as follows:

> "The Purchase price is fixed by the Government. It says that you have to procure wheat at Rs. 18.40 Then they say that you have to sell it at Rs. 3 per kilogram. This Rs.15.40 is the subsidy. We are doing the job of farmers‟ security and food security."

7.14 In response toa query as to the price at which food grains are issues to PDS beneficiaries, the CMD, FCI during evidence, informed the Committee as under :

> "The price is Re.1 for cross grain, Rs.2 for wheat and Rs.3 for rice. The States also sell like that. In fact, in my State of Karnataka, the price is zero which means Rs.3 are also subsidized. They give more rice than what is given under NFSA. The State has a highest subsidy budget."

7.15 Responding to the Committee‟s query whether the subsidy comes from both Centre and States, the CMD, FCI deposing before the Committee clarified as follows:

> "No. It is only from the Centre. One of the biggest things about this NFSA and even earlier, historically, is that it is the Central Government which spends the money for the last so many years. The distribution is by the State Government."

7.16 Responding to a query as to who bears the loss when the procurement price is Rs.18 and selling price is Rs.3, the CMD, FCI stated during briefing as under:

> "That gap of Rs. 15 is given by the Central Government. No. we do not come in between. They are giving to the people what they procure. This is called de-centralised procurement. The State Governments procure and they distribute but the gap from the Central Government directly goes to them."

7.17 With regard to percent of subsidy borne by the Centre, the Chairman, FCI deposing before the Committee on 14.10.19 stated as follows :

> "90 per cent of it is borne by the Central Government."

7.18 Responding to a query as to what is the 10 percent that is not borne by the Central Government, the CMD, FCI deposing before the Committee on 14.10.2019 clarified as under:

> "That Rs. 3 is the 10 per cent. That Rs. 3 has to be paid by the State Government. In some States they give at no cost. It depends on the State. The entire cost of food subsidy in India is largely, at least 90 per cent, is borne by the Central Government."

7.19 Clarifying on the comparative "Issue Price" of food grains before (during PDS regime) and after coming into existence of national food security Act, 2013 (NFSA), the CMD, FCI deposing before the Committee on 14.10.2019 stated that:

> **"**Before the Food Security Act, the issue price from Central Government was Rs. 5.65 for wheat and approximately Rs. 6 for rice. When the National Food Security Act came in, the prices crashed. It is only on that account that they have got the all figures. We are losing Rs. 9,800 crore."

7.20 Elaborating further on the subject, the CMD,FCI submitted as under :

> "Before the National Food Security Act there was a public distribution system. This was in 2013. We used to give wheat to BPL card holders at Rs. 5.65 and rice slightly more. Once the NFA came in, price of rice came down to Rs. 3

from Rs. 6 and odd and wheat came down to Rs. 2. So, the additional subsidy burden just on account of brining down the prices came to Rs. 9,800 crore. "

7.21 Explaining the total subsidy and its increase due to upward revision of MSP, the CMD of FCI deposing before the Committee on 16.03.2020 submitted as follows:

"In terms of subsidy, it would be between Rs. 1.25 lakh crore to Rs. 1.50 lakh crore. The MSP, for example, for wheat is Rs. 19.25. While we supply to the State Governments at Rs.2, Rs. 17.25 is the subsidy component which the Government of India pays to FCI. This is on MSP. If you load transport and other economic costs, it adds to much more. The paddy price is Rs. 18.30 for Grade A; 67 per cent of it becomes rice and the economic cost comes to Rs. 36-37. FCI supplies it at Rs. 3 to the States. So, Rs. 33 is the subsidy given by the Central Government."

7.22 With regard to specific query as to the total subsidy given by the Central Government,the CMD, FCI stated as under:

" Last year, it was Rs. 1,38,000 crore. MSP goes up every year. So, every year it goes up too. "

7.23 With regard to subsidyand the dispute pending with World Trade Organisation (WTO), the CMD of FCI deposing before the Committee on 16.03.2020 stated as follows :

"This MSP is called output subsidy. We exported in 2004. We are still fighting the battle at WTO "

7.24 In response toa query as to why we are fighting the battle at WTO, FCI CMD submitted as under :

"It is output subsidy. Minimum support price is output subsidy. You can give front ended, in put subsidy, not back ended. it is not allowed. That is the case of developed countries and others. It is going on for the last 15 years "

7.25 With regard to competitiveness of Indian rice and wheat in terms of cost *vis-a- vis* international cost, the CMD deposing before the Committee on 16.03.2020 submitted as under :

> **"**Today, the production cost of rice is Rs. 27.85; Rs. 18.30 is the paddy price; 67 per cent of paddy becomes rice and so it is Rs. 27.85. Our open market price is Rs. 22.50 which is five rupees less than the procurement price. But the international price of rice is Rs. 17 and the price of wheat is Rs.14. So, we have requested and imposed an import duty of 40 per cent to ensure that wheat does not come to India."

7.26 In response to a query on relation between quantity and value of foodgrains, foodstuff and gunnies, it was explained that though the quantity of foodgrains, etc. was decreased during 2018-19 as compared to 2017-18, its value was increased due to increase in weighted average rate of acquisition consequent upon hike in MSP and other procurement incidents. However, in the statement the MSP quoted has not been used in calculation of value instead Acquired rate has been quoted. In written reply to queries – (i) the difference between MSP and acquired rate, (ii) Why is the acquired rate higher; and , (iii) What are the other charges added to the acquired rate, FCI submitted as under :

> " Before the sowing, during each Rabi/ Kharif crop season Government of India announces the minimum support price (MSP) for various crops on the basis of the recommendations of the commission of Agricultural Costs and Prices (CACP). CACP while recommending the MSP take cases of various factors including the following:
>
> 1) Demand and supply
> 2) Cost of production
> 3) Price trends in the market, both domestic and international
> 4) Inter-crop price parity
> 5) Terms of trade between agriculture and non-agriculture
> 6) A minimum of 50 percent as the margin over cost of production; and
> 7) Likely implications of MSP on consumers of that product"

7.27 The Committee was further informed that it may be noted that cost of production is an important factor that goes as an input in determination of MSP, but it is certainly not the only factor that determines MSP. CACP also takes into consideration the cost of various agricultural inputs and the reasonable margin for the farmers for their produce.Acquisition Cost is inclusive of MSP announce by GOI & procurement incidentals. It consists of the following:

1. MSP
2. Statutory Charges
3. Mandi Labor Charges
4. Driage, Commission to Societies or Arthyia Charges
5. Custody and Maintenance Charges
6. Interest Charges
7. Milling Charges
8. Administrative charges
9. Cost of 1 Qtls of Paddy
10. Cost of 1 Qtls of Rice
11. Cost of Gunny

7.28 Elaborating further, a representative of FCI during evidence informed the Committee as under:

> "Madam, there has been an increase of 7 to 8 per cent increase in MSP each year. Last year the wheat price was Rs.1840 per quintal and this year, it has been Rs.1925 per quintal. The RMS 2020-21 will commence from 1st of April. In some of the States it will commence from 3rd week of March. There is an enhancement of Rs.85, which comes to roughly 6-7 per cent enhancement. Besides, the operation as such has not come down. DCP States have increased and they are procuring but rice is coming to FCI. Whatever wheat is being procured, is being taken over by the FCI. FCI"s function of receiving the stocks and transporting them has not reduced. In the consuming States, which have become DCP, the procurement has increased and thus transportation has come down to some extent. Now, we are moving around 29 billion. We used to move around 35 billion. That is only a part of the job. The proportion for which the fund is required or the interest burden is coming has rather gone up with the huge procurement of food grains. We are now procuring around 800 lakh MT when we used to procure around 650 lakh MT. Our requirement of food grains under NFS and other welfare scheme is roughly around 600 lakh MT. Each and every year there has been an escalation of 200 lakh MT, roughly we are adding 20 million tonne of food grains every year."

H. <u>Diversification of Crops</u>

7.29 On being enquired by the Committee about the crop diversification, the CMD FCI, deposing before the Committee on 16.03.2020 submitted that:

> "I would tell you a bit of history. FCI from 1964 has been in this area of procuring wheat and rice. The farmers" psychology in many areas is that they are very secure about rice and wheat because they know FCI is a very efficient and evolved. For example, in Telangana five years back the procurement or rice was 35 lakh tonnes. Today, we are procuring 70 lakh tonnes. Wherever irrigation comes, it has become a very comfort crop. So, it is a big problem for FCI also because tomorrow

if this access stock is spoiled, it will be on my shoulders. This is a very serious problem for FCI and because of open-ended procurement; we are not allowed to stop. Whatever comes has to be accepted.On MSP, it is a very valid point. The high-level Committee which I mentioned last time, Mr. Shanta Kumar"s Committee also talks about crop diversification, crop rotation and giving good MSP to the other crops and also the mechanism to procure. The problem is that MSP is being given to the other crops but the efficiency of say, NAFED and other procuring agencies is not as effective as FCI. So, that efficiency has to grow. The MSP is given to a basket of 26 crops but procurement efficiency is not so high.

7.30 Stressing the need for diversification of crops in view of the ballooning surplus stocks of rice and wheat, the CMD, FCI, deposing before the Committee on 16.03.2020 submitted that :

"Last year the production of wheat and rice was 216 million tonnes and in terms of whole consumption, if all Indians include the bread and the cakes, everything and we do not need more than biscuits etc., we do not need more than 170-180 million tonnes. So, we need to diversify. Crop diversification is a must. "

7.31 In response to Committee"s observation that farmers needs to be sufficiently incentivized to diversify their crops, the CMD of FCI deposing before the Committee submitted that:

"There is a proposal to give an incentive to farmers for shifting rice, wheat to oilseeds, pulses and millets. It has to take shape in the Ministry of Agriculture. That is the only way it can be done. If a farmer is getting „x" as profit or whatever minus something in millets, that minus has to be compensated by the Government in some form or the other. That has to be done. We are the strongest advocates of crop diversification and crop rotation. "

I. <u>Equity Infusion</u>

7.32 Referring to the general information about a proposal to infuse Rs. 6,500 crore equity in FCI to shore up its authorized capital from Rs. 3,500 crore to Rs. 10,000 crore to help FCI to enhance its borrowing capacity and raise more money through bonds to take care of its procurement operations, Committee sought the details from FCI. The Chairmen FCI, appearing before the Committee on 16.03.2020, informed the Committee as under :

"Regarding the issue of equity, recently Rs. 1,000 crore was infused and on the fund requirement for FCI‟s operation, the ED (Finance) will explain in detail. In terms of subsidy, it would be between Rs. 1.25 lakh crore to Rs. 1.50 lakh crore. The MSP, for example, for wheat is Rs. 19.25. While we supply to the State Governments at Rs.2, Rs. 17.25 is the subsidy component which the Government of India pays to FCI. This is on MSP. If you load transport and other economic costs, it adds to much more. The paddy price is Rs. 18.30 for Grade A; 67 per cent of it becomes rice and the economic cost comes to Rs. 36-37. FCI supplies it at Rs. 3 to the States. So, Rs. 33 is the subsidy given by the Central Government."

7.33 Adding further, the CMD submitted as follows :

"For all these operations, apart from bonds, we have Government funding in the form of loans. We have short-term credit. The Government gives us ways and means funding. If not in the form of subsidy, the Government gives us loan. Essentially, till today, we have not had any cash flow problems.On the bond issue, the ED (Finance) will explain the details. He has got Rs. 40,000 crore worth bonds issued over a period. He will talk about NSSF also…"

7.34 Explainingthe Committee as to why the FCI needs money, a representative of FCI, appearing before the Committee submitted as under :

"FCI needs money for two things. The first is for subsidy which means our expenditure is more than the issue price; Rs. 37 is roughly the cost of rice whereas Government issues at Rs. 3. So, the differential is the subsidy to be provided by the Government of India. For the last three-four years, it is given in two parts: partly by subsidy and partly through loan from NSSF. Today, what is outstanding is almost Rs. 2.54 lakh crore."

7.35 In response to a query as to whether only arrears have been set off by this loan, the representative of FCI appearing before the Committee on 16.03.2020 stated –

"Yes, madam‟. We are maintaining a huge stock. Our year end stock is in the range of 86,000 crore to 90,000 crore. It is because we do not have any internal generation of fund. It should be funded by equity. The Government has agreed to give partly, Rs.5000 crore equity and has also guaranteed to issue bonds to the tune of Rs.45,000 crore. Out of Rs.45,000 crore, we have issued Rs.29,000 crores bonds and our plan is to issue Rs 8,000 crore bond every year for the next two years. These are almost 10-15 years Government guaranteed bonds. We are using this money for storing food grains. All this interest is passed through the subsidy."

7.36 In response toa query as to who pays the interest, the representative of FCI deposing before the Committee on 16.03.2020 submitted as under :

"It will be on FCI only.That is huge burden‟‟

7.37 With regard to the expected stock balance as on 01.04.2020, a rep of FCI deposing before the Committee on 16.03.2020 submitted as follows :

> "You have raised one point and wanted to know that on 1.4.2020 what would be the stock balance. Whatever we have projected, we will have a stock balance of 237 lakh MT of wheat and 408 lakh MT of rice. Total position will be around 646 lakh MT whereas the stocking down is 210 lakh MT as on 1/4/2010. The stocking down is on the lower side because wheat procurement will start and therefore, there will be less requirement of it. In the process, we have roughly 436 lakh tonne excess of food grains, which is roughly 44 million as on 1.4.2020. This is the projected figure."

CHAPTER VIII

LOSSES AND DAMAGES OF STOCKS

A. Storage Losses

8.1 Replying to a query on the preservation and storage losses,the CMD, FCI deposing before the Committee on 14.10.2020 submitted as under :

"One shocking thing is that there is no storage loss in FCI. We, in fact, have storage gain."

8.2 The details on storage and transit losses and also damages to the foodgrains since the year 2013-14, as furnished by FCI,are given as under:

(Figures in %)

YEAR	STORAGE I	TRANSIT	HANDLING COST per MT (Rs)	DAMAGES
2013-14	0.17	0.46	192.53	0.05
2014-15	-0.01	0.43	186.56	0.04
2015-16	-0.08	0.30	180.58	0.01
2016-17	-0.11	0.30	167.76	0.02
2017-18	-0.12	0.25	155.55	0.006
2018-19	-0.12	0.28	157.56	0.01

(-) indicates gain

8.3 Responding to the Committee"s query bout the basis of the above figures, the following clarifications were given :

"These are recorded and audited figures. Our storage losses were 0.7. -02 means it is a gain. Wheat increases weight because it absorbs moisture and rice loses moisture. We do not have storage loss. You were referring to the vigilance cases etc. But there is no storage loss."

8.4 Replying to a query about the losses arising out of prolonged storage of food grains and also due to inadequate storage, a representative of FCI appearing before the Committee on 16.03.20, submitted as follows:

"it is not because of longer period of storage. On an average we store it for two years. Damage to foodgrains never happen for reasons of longer period of storage. It has happened only where there have been some leakage problems or for any other extraneous reasons. "

8.5 Elaborating further, the CMD, FCI submitted during evidence as underas follows:

"the loss in percentage is .005 per cent. 1930 metric tonnes were lost when we are having 60 million Metric Tonnes. Over a period of time, in the last 10 or 12 years, a lot of efficiency and scientific storing has come in. Even in open, what we call as cap, the storage losses are minimal. What is worrying now is that since we are accumulating 20 million every year it could get spoiled. It is a bigger worry with regard to storage loss. There is an interesting phenomenon. In rice we lose weight and in wheat we gain weight. Wheat absorbs moisture. "

8.6 Responding to the Committee‟s query as to the loss of food grains every year due to storage, the CMD,during deposition on 16.03.2020,informed the Committee as under :

"it is 1920 up to 1.3.2020. This year, right now, the stock position is 64 million tonnes. The loss is 1930 tonnes only which comes, in financial terms, to a few crores."

8.7 Furnishing the backlog data on the losses, the CMD, FCI submitted as under :

"we can give the backlog figures as well. In 2014-15 it was 18,847 tonnes. Over a period of last 10 to 15 years there is an image that FCI is not storing and it is actually a continuation of that. Actually, FCI and State Governments have become, I am not saying very effective, fairly effective in storage. "

8.8 In response to a query regarding the quantum of food grains damaged in FCI‟s own godowns as well as the rented private godowns during the last five years, the FCI submitted the following information:

(in MTS)

YEAR	FCI	CWC	SWC	Private Godowns		TOTAL
				ARDC	PEG	
2014-15	8596.53	188.42	10028.33	29.10	5.28	18847.66
2015-16	2938.01	66.81	104.71	0	6.15	3115.68
2016-17	661.63	8077.72	11.91	0.01	24.30	8775.57
2017-18	1050.01	25.39	22.67	1526.45	38.97	2663.49
2018-19	1566.05	2650.15	963.77	2.06	31.34	5213.37
2019-20 (as on 29.02.2020)	254.63	705.02	965.66	0	5.05	1930.36
TOTAL	**15066.86**	**11713.51**	**12097.05**	**1557.62**	**111.09**	**40546.13**

8.9 Replying to another query regarding storage losses due to reasons such as: loss in moisture, prolonged storage, poor texture of gunnies, accentuated by use of iron hooks,improper storage practices, the FCI stated that the Moisture Loss & Prolonged Storage period are the most contributory factor of Storage Loss in FCI. As per information submitted to the Committee, the Storage Loss for the last 5 years has been as under.

Year	Percentage of Loss in Wheat	Percentage of Loss in Rice	Percentage of Loss in Wheat+ Rice
2014-15	-0.36	0.29	-0.01
2015-16	-0.31	0.18	-0.08
2016-17	-0.43	0.23	-0.11
2017-18	-0.45	0.16	-0.12
2018-19	-0.49	0.19	-0.14
2019-20(till Feb'20)	-0.43	0.22	-0.09

B. <u>Steps taken to overcome the Losses</u>

8.10 Regarding the steps undertaken to overcome the storage losses, the FCI has stated that the following steps have been undertaken to overcome storage losses:

- Storage Losses are reviewed during every MPR meeting and are monitored at HQ level regularly. EDs (Zone)/GMs(R) are instructed to intensify inspections of depots showing higher trend of storage losses.
- Covered storage capacity has been added so that foodgrains can be stored in scientific covered storage and CAP storage can be avoided.
- Periodical prophylactic and curative treatment of stocks is undertaken to keep the stocks Pest-Free.

CHAPTER IX

COMPUTERIZATION AND MODERNIZATION

A. Depot Online System

9.1 The Committee was informed that as per directions of the Ministry, the FCI has implemented the Depot Online System (DOS) Application to automate all the operations at FCI Depots with the vision to transform the food supply chain management through innovative use of Technology for ensuring transparency, reliability and efficiency of procurement, storage and distribution operations. The objectives of the project include standardization and automation of depot level processes, efficiency improvement in management of food grains storage and distribution, enablement of real time monitoring of operations, timely data reporting, data based decision support system and effective planning and optimization of administrative work.

9.2 The key benefits expected from implementation of Depot Online System as stated by FCI, are as follows :

- "Process streamlining and increasing efficiency by integrated view of end-to-end processes, use of workflow, notification and alerts
- Better coordination between depots and district/regional offices of FCI through integrated system
- Reduce redundancy in processes by capturing data at the source and in real time
- Reduce weigh bridge data manipulation by integrating LWB and automatically read data
- Free up manpower from laborious data collation and report preparation
- Leverage IT as decision support systems to handle dynamic nature of business
- KPI driven dashboard for the top management
- Align with „Digital India" vision for transformation of food distribution supply chain in India"

9.3 In addition to above, the DOS Application provides reports at various levels for monitoring and decision making process such as:

a. All standard reports in-use (175) at various levels have been made available. There are 71 Divisional- level primary reports, viz. IR-L (5), Movement (12), Procurement (6), PV (4), Quality (17), Sales (4), Stocks (8), and Storage (15). There are 104 secondary/other reports also available in the system.
b. These reports contain data according to the user-role/access.
   The scopes have been defined in the system to provide customized output for Ministry/HQ/Zone/Region/District/Depot levels. For Example, the Ministry, FCI HQ shall get country-level reports.

9.4 As informed to the Committee, the current status of implementation of Depot Online System (DOS) in FCI is as follows:

> "a. Depot Online System (DOS) has been considered as Go Live w.e.f. 1st Dec‟18 and is currently operational at 533 FCI Depots.
> b. Depot Online System (DOS) has been made operational at 144 CWC Depots."

B. Implementation of DOS in CWC and SWC Godowns

9.5 The Committee was informed that Depot Online System (DOS) was to be implemented in all FCI Hired Depotsincluding CWC, SWCs as per the RFP. For such implementation,the entire cost for software has already been borne by FCI and the other costs of implementation, including manpower, hardware, training etc. are to be borne by the respective agencies only. As such, DOS has been implemented in all CWC depots hired by FCI. The SWCs are yet to come on-board on DOS. Considering special requirements, CWC has implemented their own WMSwhich is now to be integrated with the DOS. Similarly, many SWCs have their own WMS applications which need integration in the DOS.

9.6 With regard to the current status of integration, the Committee was informed that several discussions had been held among CWC and FCI teams along with the System Integrators of the respective applications. It has evolved that the major decision is to finalize the data interchange between the two applications. The integration is a long drawn process and is expected to take around six months‟

time. DOS can be implemented on As-Is basis in SWC godowns having no WMS or SWC godowns that want to implement DOS in two months" time.

9.7 During the evidence the representatives of the Ministry of Food, Consumer Affairs and Public Distribution further stated as under:

> "We are ready to give our software; they have to develop their own way of monitoring. It will work. we would also request the Committee to also give the recommendation in this regard."

C. E –Governance initiatives

9.8 With regard to the progress on key e- Governance issues, the FCI stated as follows:

I. Progress on key e-Governance Initiatives

a. *Integration of DOS with FEAST*: After development ofweb services for the integration of DOS with FEAST, the joint testing by NIC and SI and the *User Acceptance Testing* (UAT) by FCI, the build of DOS has been put in production environment by the SI of DOS.

b. *Integration of DOS with NPP*: FCI approved the revised BRD submitted by SI based on the latest technical document from NIC obtained on 18th November, 2019. As per the approval of *Change Request* (CR) committee, in the meeting held on 19th December, 2019,SI is expected to start delivery of web-services by 28th February, 2020 and the integration is expected to stabilize by 15th April, 2020.

c. *Development of National Dashboard in DOS*: NIC has already developed a dashboard with data (collected periodically) from IRRS. For development of the samein DOS, as per the approval of CR committee, in the meeting held on 19th December, 2019.

   The SI of DOS has submitted the Dashboard to FCI on 14th February, 2020, for which the UAT is underway.

d. *Implementation of DOS in SWCs:-*

   i. DOS will be implemented on AS-IS basis as decided in the meeting dated 17th January, 2020.
   ii. SWCs have been requested to:-
      a. Ensure all their godowns hired by FCI are brought online on DOS by 1st April, 2020.

b. Modalities and action plan for the same has also been shared with all concerned.
c. The progress of implementation of DOS at SWCsis being regularly monitored through meetings with GM (IT) of FCI Zonal Offices, so that the timelines may be adhered to.
d. Governance structure has been put in place by most SWCs. Also, filled –in static and dynamic data templates received for provisioning of depots in DOS application, have been shared by most SWCs.

D. <u>Food & Essential Commodities Assurance & Security Target (FEAST)</u>

9.9 It is stated that Food & Essential Commodities Assurance & Security Target (FEAST) application was developed by NIC for managing the Supply Chain of Public Distribution System and has been implemented, either partially or fully across 16 States / UTs. The PDS largely depends upon issuance of food stocks from the FCI Depots. State Govt./UTs submit Indents/Requests to FCI depending upon the allocation and the amount paid by the State Govt./UT. FCI issues a Release Order (RO) to the representatives of State Govt./UT who in turn lift the stocks from FCI Depots, for further disbursal in PDS. The integration of FEAST to DOS will ensure transmission of indent related information from FEAST to DOS and then the Release Order related information from DOS to FEAST.

9.10 During examination of the subject, the Committee was informed that the testing of the integration was underway at that time which was expected to be completed by 30.11.2019 and stabilization by 31.12.2019.

CHAPTER -X

QUALITY MANAGEMENT

10.1 As per the Annual Report 2017-18, food grains which do not conform to FSSAI norms and further cannot be reconditioned for normal issue are considered as „Non-issuable". The non-issuable foodgrains classified under various categories are disposed off as per the procedure.

10.2 The Committee desired to know about the quantity of non-issuable food grains disposed of during the last 5 years and the amount earned by FCI on this account. In response, the FCI furnished the following information :

(Qty. in MT, Value in Rs.)

Commodity	Wheat		Rice		Paddy		Total	
Year	Qty	Value	Qty	Value	Qty	Value	Qty	Value
2014-15	6274.774	35597617.41	18236.025	141680155.01	11.189	11793.00	24521.988	177289565.42
2015-16	1594.320	7214105.91	2142.924	10831271.62	--	--	3737.244	18045377.53
2016-17	4845.978	53048410.05	2665.077	29011723.04	--	--	7511.055	82060133.09
2017-18	36.517	211125.17	759.098	1566947.28	--	--	795.615	1778072.45
2018-19 *	1496.104	10154590.00	2363.050	14930340.86	--	--	3859.154	25084930.86

*2018-19 provisional

10.3 With regard to the mechanism adopted in disposing of the „non-issuable" food grains and the agency designated for such disposal, the FCI submitted as under:

> "Non-issuable food grains are disposed through open tender enquiry system to the registered parties. The agency entrusted with the task of disposal of non-issuable stock is the custodian of the stocks i.e. FCI or State Govt. Agencies."

10.4 On being enquired about the agency responsible for determining the standard /quality of foodgrains that are no longer safe for human consumption and about the process/method of disposal of such food grains, the FCI in a written reply submitted as follows :

> "Technical committee viz. District Categorization Committee determines food grain stocks as non-issuable as per the Standard Operating

Procedure. These food grains are categorized into Feed-I, Feed-II, Feed-III, Industrial use, Manure and Dumping categories on the basis of sound grains present.

Damaged Wheat/ Rice Categorization:

Sl No.	Particular of Wheat/rice	Percentage of sound grains other than foreign and damaged foodgrains
1	**Feed-I**	(i) Sound grains 85% to less than 95% in case of rice and 94% in case of wheat. (ii) Weevilled grains alone exceeding 10% by count. (iii) Uric Acid content alone found exceeding 100 mg. per Kg.
2	**Feed-I**	Sound grains 70% to less than 85%
3	**Feed-I**	Sound grains 55% to less than 70%
4	**Industrial Use**	(i) Sound grains 30% to less than 55% (ii) Contaminated with poisonous chemicals and fertilizers.
5	**Manure use**	Sound grains 10% to less than 30%

These foodgrains are disposed off as per the respective category through open tender enquiry system. Reserve price for tender sale of all damaged food grains are fixed as under:

A	**Feed-I**	60% of MSP of the crop year for wheat 60% of derived MSP of the crop year for rice
B	**Feed-II**	50% of MSP of the crop year for wheat 50% of derived MSP of the crop year for rice
C	**Feed-III**	40% of MSP of the crop year for wheat 40% of derived MSP of the crop year for rice
D	**Industrial Use**	30% of MSP of the crop year for wheat 30% of derived MSP of the crop year for rice
E	**Manure**	10% of MSP of the crop year for wheat 10 % of derived MSP of the crop year for rice

(Q 28, LoP1)

10.5 In a written response to a query as to whether FCI is in a position to dispose of old grains, stated as follows :

"FCI follows the principle of FIFO i.e. First In & First Out and plan liquidation of older crop year stocks on top priority. Due to which, FCI does not hold stocks of more than 2 years old. The food grains are categorized into issuable and non-issuable categories and as long as the food grains are in issuable category, they are issued through normal channel to PDS/OWS or sold through Open Market Sale Scheme (OMSS). Only the food grains which are declared as non-issuable are sold through auction to registered manufacturer who can utilize it for cattle feed, poultry feed, manure etc."

10.6 In response to a query as to whether the godowns are managed scientifically and the stock of food grains are being marked by year of the produce, the FCI submitted as under :

> "As regards construction of godowns, the same are being constructed scientifically as per BIS norms and also CPWD specifications for safe storage of food grains. Further in order to ensure safe storage of food grains, all major components of godowns such as roofing, flooring, Railway sidings, roads, street light, weighbridge etc. are being maintained/ repaired regularly on day to day maintenance basis to up keep the warehouses through sanctioned funds by FCI.
>
> Yes, FCI stores food grains under Covered and CAP storage and has scientific preservation system. Foodgrain stock in storage is periodically inspected. An on-going programme sees that both prophylactic and curative treatment is done periodically and adequately by qualified trained and experienced personnel. The bags are kept on proper dunnage material to facilitate aeration. Foodgrain stocks are stored in gunnies with crop-year i.e. year of produce printed clearly on them. In the case of Custom Milled Rice (CMR), rice bags are attached with a rexin slip with details of crop year. FCI also stores foodgrains in vertical storage godowns i.e. silo bins and scientific preservation practices followed. In silo bins crop year wise stock is maintained."

10.7 With regard to the quality checks in procurement, the FCI, as informed to the Committee, has taken the following measures:

> "FCI has entered into an Agreement with CFTRI, Mysuru which has been selected among the premier Government Research Institutes for providing consultancy services in modernizing FCI laboratories. The CNP Project Agreement has been signed by both the parties.
>
> Fresh Tender was floated on 10.12.2018 for the supply of major Laboratory equipment regarding which the Technical Bid was opened on 03.01.2019 & Technical evaluation of bid document is being done by Technical Evaluation Committee.
>
> In the FY 2017-18 Rs. 35,00,000/- was allocated to IFS Gurugram which couldn"t be unitized by IFS, Gurugram during that FY. Hence, in the FY – 2018-19, a total budget of Rs. 33,00,000/- has been allocated to IFS Lab & Rs. 2,00,565/- to Electrical Division, FCI, Hqrs for the modernization of QC Lab at IFS, Gurugram. Further, in FY 2017-18 and amount of Rs. 10,50,000/- was given to CFTRI, Mysuru as 50% advance of the total consultancy fees.

Samples of foodgrains procured & stored in FCI godowns are periodically referred to FSSAI notifies NABL accredited Labs for quality checks. In the current FY 2018-19 from 01.04.2018 to 31.12.2018, 2679 samples of foodgrains from different godowns of FCI across the India were sent for quality checks out of which results of 2386 samples have been received and found conforming to FSSR 2011 specifications.

With a view to introduce mechanized process for quality checking, 30 Computerised Rice Analysers (Annadarpan SMART) developed by Centre for Development of Advance Computing (CDAC), Kolkata were made available in 30 locations of 07 major procuring regions namely Punjab, Haryana, Uttar Pradesh, Orissa, West Bengal, Chhattisgarh and Andhra Pradesh during KMS 2017-18 and rice acceptance at these locations were carried out through CRA.

In the ongoing KMS i.e. 2018-19 these CRAs have been shifted to bigger centers and rice acceptance is being carried out through CRA.

In the FY 2016-17 & 2017-18, 30 nos. of Annadarpan SMART units were purchased for CDAC-Kolkata for an amount of Rs. 65,69,474/-"

10.8 In response to queries as to whether the quality checks of food grains is carried out by any third party and also whether the designated agencies are well equipped with the requisite expertise for this purpose, the FCI submitted as under:

> "Yes, quality checks of foodgrains are carried out by third party. Samples of foodgrains procured & stored in FCI godowns are periodically referred to FSSAI notified NABL accredited labs for quality checks. In FY 2018-19, 3810 samples of food grains from different godowns of FCI across the India were sent for quality checks which were found conforming to FSSR 2011 specifications. In the current FY 2019-20 from 01.04.2019 to 30.09.2019, 3262 samples of food grains from different godowns of FCI across the India were sent for quality checks and found conforming to FSSR 2011 specifications."

10.9Regarding technology innovation for checking the quality of pulses, food grains that FCI procures, the department stated as below:

> "As of now, we have not come across any technology innovated for checking the quality of pulses, wheat, parboiled rice & paddy. In case of Raw Rice, CRA developed by CDAC (Kolkata) are made available in 29 locations of 07 major procuring regions namely Punjab, Haryana, Uttar Pradesh, Orissa, West Bengal, Chhattisgarh and Andhra Pradesh during KMS 2017-18 & 2018-19 and rice acceptance at these locations was carried out through CRA. For in the KMS 2019-20 also, rice acceptance at these centers is being carried out through CRAs.Since specifications followed by FCI are mostly physical in nature, there is no readymade machine available to check all these parameters. As per the available information, no such proven technology exists in advanced countries through which we can do analysis of foodgrain as per the specification followed by FCI. For this reason only we are undertaking R&D efforts is already brought out under 16(i) to develop a suitable machine for this purpose."

CHAPTER-XI

VIGILANCE SYSTEM

11.1 As informed to the Committee, the function of their Vigilance Division of FCI are both punitive as well as preventive. For preventive vigilance, surprise checks/ regular checks are carried out from time to time and based on the findings of the squads, advisories are issued to the Operating Divisions to put in place instructions/ circulars to plug loopholes in procedures so as to minimize/eliminate scope of manipulation by unscrupulous stakeholders. Necessary action for fixation of responsibility on the delinquents is taken at Regional/Zonal/Headquarter level whenever irregularities come to the notice of Vigilance Division.

11.2 As per the figures available in the Annual Report 2017-18 of the Corporation indicating the position as on 1st April 2018, there were 64 Major and 753 Minor Vigilance proceedings initiated and 74 Major and 742 Minor Vigilance proceedings disposed of at Regional/ Zonal/ Headquarter level. The status of vigilance cases as on 30 September, 2019 as submitted by the FCI is as under:-

Status of Vigilance Cases from 2017-18 to 2019-20 [Till Sep-19]

Year	Major Cases				Minor Cases		
	Opening Balance	Initiated	Disposed	Closing Balance	Opening Balance	Initiated	Disposed
2017-18	156	64	74	146	187	753	742
2018-19	146	92	112	126	198	736	706
2019-20 (Upto 30.09.19)	126	48	37	137	228	326	399

11.3 The Committee was informed that the following Preventive Vigilance measures were taken to streamline the operation of food procurement in the country:-

(i) In order to eliminate subjectivity in the physical and visual analysis of quality parameters in respect of rice, each of the refraction has been pictorially depicted and introduced to the field functionaries of FCI and put up in public domain. This has provided a ready visual reference for the personnel involved to ascertain the quality of rice being procured.

(ii) The process of appeal and grievance redressal mechanism was reviewed and also had given a face lift recently so as to bring more transparency in procuringfoodgrains stocks. The benefits will be:-

(a) Prevention of any possible harassment of rice millers/foodgrainsuppliers and brings transparency at the time of foodgrain acceptance at field level.

(b) Specifies the authorities and prescribes the time period of the appeals.

(c) In case of wrong rejection, the concerned employee will be liable for a punitive action.

(iii) Emphasis is being laid on introduction of Good Laboratory Practices in respect of Quality Control (QC) labs.

(iv) Emphasis is on identity-blind/coding system, for fair analysis of QC samples of food grains. The advantage of this system is that the sample lots are coded /decoded by dedicated employees who are responsible to get them transported to the concerned office for further verification. This eliminates the possibility of manipulation by any other party during the transit period.

(v) Making Senior Management Functionaries responsible for effective Supervision & Control in QC functions.

(vi) Introduction of Online issue of Acceptance Note to the suppliers of foodgrains (Rice/Wheat/Paddy). This helps in recording and maintaining a central database of the foodgrains and the suppliers at the time of procurement itself.

11.4 FCI informed that for timely finalization of such cases, regular review meetings are conducted with the subordinate offices through Video Conferencing. Further, regular follow-up of pending cases is done through letters, emails, and telephonic calls. Advisories in connection to the CVC / Ministry guidelines have also been issued on regular basis for finalization of cases on timely basis. Brief description on measures taken in various spheres of FCI operations to prevent recurrence of adverse incidents is given below:-

A. <u>Preventive measures in Procurement:</u>

- Through periodical checks and surveys, it is ensured that the Minimum Support Price (MSP) payments to the farmers and payments to State Govts. and its Agencies are made within the stipulated timeframe through e-payment system.
- Pictorial depiction of quality parameters in rice is introduced to field functionaries and also put up in public domain as a ready visual reference to bring accuracy in analysis of rice quality.
- Regular Inspections and test checks of the procurement reports are made to ensure conformity as per GOI specifications. In case of any deviation, responsibility fixation is done on the delinquents.
- Process Audit is done for tagging of mandis/mills to depots.
- Online issue of A-Note (Acceptance Note) to the foodgrains suppliers has been introduced to capture real-time and accurate information.

- Identity-blind/ Coding system for marking samples of foodgrains is implemented to ensure unbiased analysis of foodgrain quality.
- Computerized Rice Analyzers (Annadarpan Smart) have been installed at 30 locations of 07 major procuring regions namely Punjab, Haryana, Uttar Pradesh, Orissa, West Bengal, Chhattisgarh and Andhra Pradesh. The said regions carry out rice acceptance operations using these analyzers.

B. <u>Preventive measures in Storage and Contracts:</u>

- All tenders are being floated through Open Tender Enquiry and E-Tendering process through Central Public Procurement Portal of Govt. of India.
- In order to bring in greater transparency and minimizing the possibility of subjectivity and discretion, the MTF"s (Model Tender Form) of HTC/TC, RTC, VTS and PWS are being reviewed and amended from time to time.
- GRC (Grievance Redressal Committee) is constituted at Zonal Level to address the grievances of the Contractor.
- Clear cut norms have been formulated for working out storage gap and subsequently hiring of godowns.
- Sensitive Districts have been identified on the basis of specific parameters and are constantly reviewed from time to time. This has been reviewed vide Circular No. 1/2019 dated 18.01.2019.
- GPS enabled VTS (Vehicle Tracking System) to monitor the movement of Trucks / Vehicles on real time basis is being implemented in the concerned Regions at Pan India level as per the direction of Ministry.

C. <u>Preventive measures in Transportation/Movement:</u>

- E-tendering and tender results are published on FCI website as well as on GOI website for enabling ease of access, prompt dissemination of information and transparency.
- Assessment of transit losses is made based on the trend reports. Cases of abnormal transit losses call for fixation of responsibility. Responsibility in case of abnormal Transit losses is invariably fixed.
- Independent Consignment Certification Squad (ICCS) is deputed at the time of loading and unloading of foodgrains moved through Railways.

D. <u>Preventive measures in Distribution</u>:

- Stock quality is verified by Joint Sampling at the time of issue to the State Govt. Agency.
- Open Market Sale of Foodgrains is done only through e-auction.

E. <u>Preventive measures in matters related to Labour:</u>

- Regular review of handling cost is done. Investigation is mandatorily done by the regions in case of depot involving high handling costs.
- Making investigation necessary for Regions / Zones in cases where Department labourers and Direct Payment System (DPS) labourers earn monthly wages of more than 1 Lakh and 50,000 respectively.
- Process of installation of Aadhar Number based Biometric Attendance Machines for departmentalized labour is also initiated alongwith initiation of CCTV Cameras to prevent proxy labour.

CHAPTER-XII

AUDIT OBSERVATIONS OF C&AG

12.1 The FCI informed to the Committee that during the period of 2015-2019, two performance and three Commercial Audit reports weregiven by the C&AG. The observations given by the C&AG in these reports pertain to the functioning of FCI, States as well as theDepartment of Food and Public Distribution. The major issues covered in the reports include the incidental charges, commission to societies, suboptimal utilization of Silos, management of gunny bags and road transport contracts etc.

12.2 As per the background note furnished to the Committee, the Audit paras in C&AG reports related to the year 2015 are still pending for settlement with FCI. Most of these paras relate to the Procurement Department regarding avoidable payment/expenditure. When asked to explain the reasons for pendency, the FCI in a written submission stated as under:

> "In the C&AG Report 31 of 2015, total 44 paras/sub-paras related to FCI was raised by the Audit. All the paras/sub-parashave been replied by FCI. 8 paras/sub-paras have been settled by the Audit. 30 are under process/examination in the Ministry/C&AG. One para with 6 sub-paras has been referred back by Ministry to the FCI for effecting the recovery..
> …..

12.3 As per the background note furnished to the Committee, some audit paras also relate to dues to be paid to FCI by many PSUs. When asked about the total amount due to FCI from CPSUs as per the Audit paras, FCI in a written reply stated as under:

"(i) As per Audit para:

Particulars	***Amount (Rs.in Crore)***
Central Public Sector Enterprises (CPSUs)	69.54

(ii) Present Status:

Total amount due to FCI from CPSUs i.e. MMTC, STC & PEC as per records for export of wheat during the period 2012-2014 is as under:

S.No.	CPSU	Amount (In Rs.)
1.	MMTC	92,18,84,969/-
2.	STC	6,64,53,196/-
3.	PEC	6,65,26,854/-
	TOTAL	**1,05,48,65,019/-**

Regular persuasion is done for realization of dues. The amount is however, yet to be received from CPSUs. The matter regarding settlement of claim of MMTC has been referred to MoCAF&PD for taking up with AMRCD whereas the matter of STC and PEC is being pursued."

12.4 In response to Committee‟s query on the status of the pendency of C&AG paras and the steps taken/proposed to be taken by FCI to settle them at the earliest, the FCI in a written reply stated as under:

"During last 7 years, the Audit has raised 6 audit reports consisting of 113 audit paras/sub-paras. All the paras have been replied by FCI. 12 Paras/sub-parashave been settled by Audit. 89 paras relating to sub-paras are under process/examination in Ministry/C&AG.12 paras/sub-paras have been referred back to FCI for revised reply/recovery/further details, details of which are as under:

OVERALL SUMMARY OF C&AG AUDIT PARAS

Sl. No.	Report No.	Coverage Period	Paras raised	Paras with Ministry/ C&AG	Para closed	Para pending for reply
1	13 of 2013	2011-12	1	0	0	1
2	21 of 2015	2013-14	1	1	0	0
3	31 of 2015	2009-14	44	30	8	6
4	15 of 2016	2014-15	4	3	0	1
5	18 of 2017	2015-16	54	51	3	0
6	4 of 2018	2016-17	9	4	1	4
Total			113	89	12	12

PART-II

OBSERVATIONS/RECOMMENDATIONS

FCI - Overview

1. The Committee note that Food Corporation of India(FCI) is a public sector undertaking which was established by the „Food Corporations Act, 1964‟. It came into existence on 1st January, 1965. The FCI is functioning under the administrative control of the Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution, Government of India. The functions of the FCI primarily consist of procurement, storage, movement and distribution of food grains on behalf the Central Government. The food grains are procured at Minimum Support Price(MSP) and are distributed at Central Issue Price (CIP). The Committee observe that during the long journey since 1964, the FCI has been performing their mandated functions across the country. The Committee have made a comprehensive examination of the FCI as an organization and touched upon many issues pertaining to the management of the organization and those related to its functions in the areas of procurement, storage, movement and distribution of foodgrains and also maintenance of buffer stocks with due regard to ensure food security in the country. The Committee also observe that the Government of India had set up a High Level Committee (HLC) in August 2014 under the Chairmanship of Shri Shanta Kumar to suggest restructuring of FCI with a view to improve its operational efficiency and financial management and suggesting measures for overall improvement in management of foodgrains by FCI; reorienting the role and functions of FCI in MSP operations, storage and distribution of foodgrains and food security systems of the country; and also to suggest cost effective models for storage and movement of grains and integration of supply chain of foodgrains in the country. The HLC in their report had given major recommendations on key issues related to procurement, public distribution system, national food security act, stocking and movement, buffer stocking operations and

liquidation policy, labour, direct subsidy to farmers, end to end computerization and the new face of FCI. The Committee on Public Undertakings while examining FCI in detail have made an indepth analaysis of the recommendations of HLC also and found that very fruitful and concrete suggestions had been given by the HLC for improvement in the functioning of FCI. The Committee endorse the suggestions of HLC and expect the Government to take conclusive action thereon for the benefit of the general public. The Committee, on examination of various aspects of the functioning of FCI as has been narrated in Part-I of this Report have given their observations and recommendations in the succeeding paragraphs and are hopeful that these will be implemented by the FCI and the Government in right perspective so as to bring about significant improvements in the functioning of the Corporation so that the benefits of the Government"s policy reaches to the poorest of poor and marginalized sections of the society in a fruitful manner.

Board of Directors of FCI

2. The Committee note that as per section 7(1)of the Food Corporations Act 1964, the Board of FCI shall consist of 12 Directors namely–(a) Chairman (b) three Directors representing Ministries of (i) Food (ii) Finance, and (iii) Co-operation (c) Managing Director of the Central Warehousing Corporation (CWC) (d) Managing Director, FCI and (e) Six other Directors. As per clause (2) of section 7 of the Act, all the directors of the Corporation, except MD, CWC, shall be appointed by the Central Government. The Committee however observe that as against the mandatory strength of 12 members, only nine members were actually in position as on 31 December 2019 in the Board of the Corporation. The Committee was not apprised about the specific reasons for the vacant positions in the Board and also about the action taken or proposed to be taken to fill up these vacancies. The Committee therefore desire the Ministry and FCI to furnish a detailed note on (a) reasons for occurrence of vacancies of three Directors in the Board with the date of occurrence of these vacancies and action taken so far for filling up these

vacant positions. The Committee, after taking into account the fact that vacant positions in the Board will definitely have impact on its effective functioning, strongly recommend that the vacancies in the Board be filled up immediately as per the provisions of section 7 of the Food Corporations Act in a time bound manner without further delay. The Committee may be apprised of the action taken in the matter within a period of three months.

3. The Committee"s analysis further reveals that section 7(1) of the Act clearly provides for mandatory representation of three separate Ministries viz. (i) Food (ii) Finance and (iii) Co-operation by appointing one Director each from these Ministries in the Board of FCI. The Committee however observe that against the norm of one official Director representing each of these Ministries, the Board of FCI in fact has two officers -{(AS &FA) and JS (P&FCI)}-from the same Ministry viz. Ministry of Consumer affairs, Food and Public Distribution and none from the Ministry of Finance has been appointed in the Board which is apparently in violation of the provisions of section 7 of the Food Corporations Act, 1964. The Committee would therefore like to be apprised of the circumstances in which two officers from one Ministry i.e. Ministry of Consumer affairs, Food and Public Distribution have been appointed on the Board of FCI and also the reasons for not making any appointment from the Ministry of Finance on the Board despite the mandatory requirement thereof. The Committee therefore recommend that immediate steps be taken by the Government to set right the representation of each three Ministries in the Board of FCI in the same ratio as has been provided in the Food Corporations Act, 1964. The Committee may be apprised of the action taken in the matter within a period of three months.

4. The Committee note that the section 7(1) of the Food Corporations Act *inter-alia* provides that in addition to the Chairman of FCI and other members, the Managing Director of FCI shall also be a member in the Board of Directors of FCI. The Committee, however, observe that the present

composition of the Board of Directors does not include the Managing Director of FCI. The Committee are of the firm view that the provisions of the Food Corporations Act, being mandatory, are necessarily to be complied with. The Committee therefore recommend that the composition of the Board be restructured by including the Managing Director of FCI in the Board in compliance of the provisions of the Food Corporations Act.

5. The Committee observe that as per the DPE guidelines issued vide OM No. 9(15)/2012-GM dated 31st July 2013, non-official Directors on the Boards of CPSEs are to be drawn from, among others, professionals of repute having more than 15 years of domain experience in fields relevant to the company"s area of operation and also from persons of eminence with proven track record from Industry, Business or Agriculture or Management. Further, the DPE OM No. 18(6)/91-GM dated 16.03.1992 and OM No. 18(6)/200-GM dated 26.11.2001 interalia provides that at least one third of the Directors on the Board of a PSE should be non-official and in the case of listed companies headed by the executive Chairman, at least half of the Directors should be independent Directors. The Committee found that though the FCI"s Board structure give sufficient scope for appointment of independent directors, yet the present composition of the Board neither conform to the DPE guidelines nor the mandatory provisions of the Food Corporations Act. The Committee found that two non-functional Directors on Board at present are retired civil servants and apparently there is no professional expert on the board as an Independent Director. The Committee observe that engaging at Board level the management experts and professionals having domain expertisewill bring qualitative changes in the functioning of the corporation. This is also much more necessary in a organization like FCI which is performing multi-faceted functions where banking upon only on retired civil servants in the Board will deprive the FCI of the domain expertise of the professionals. The Committee therefore strongly recommend that the professionals with proven track record in the areas of agriculture, food sciences,procurement, logistics, storage, etc.

should be appointed as non- official directors in the Board of FCI and the present composition of the Board may be restructured taking into account the mandatory provisions of the Food Corporations Act and the guidelines issued by the Department of Public Enterprises(DPE) from time to time.

6. The Committee also note that the representation to two major producing states-Punjab and Madhya Pradesh were given by appointing officers from these States in the Board with a view to ensure that the Board has the benefit of field level situations. The Committee, however observe that no specific criteria has been laid down for determining the representation to the States in the Board. As informed to the Committee, the criteria laid down by DPE for appointment at Board level are applicable for representing officers from the States and Principal Secretary of any major food producing States could be appointed in Board of Directors of FCI. The Committee while agreeing with the FCI"s need for having two representatives from major food producing States on its Board to have the benefit of field level situations, recommend that rotational representation of the major food grains producing States of Wheat as well as those of Paddy(Rice) be given in the Board of FCI so that all major States are represented in the Board turn-by-turn which will facilitate the FCI in taking sound operational decisions.

7. The Committee observe that the Executive Committee (EC) of the Food Corporation of India which is competent to deal with any matter within the competence of the Corporation, consists of three official and one non-official director. The Committee is of the considered view that since the Executive Committee is competent to deal with almost all matters of the Corporation, at least the non-official director should be drawn from professionals with sound domain knowledge and requisite expertise in the areas of procurement, storage, preservation, logistics, etc. The Committee therefore recommend accordingly and hope that the appointments of members in Executive committee of FCI will be made accordingly.

<u>Human Resource Management</u>

8. The Committee express their satisfaction that against a sanctioned staff strength of 42038, the FCI is managing with only 21181 employees which is almost 50% of its sanctioned strength. The Committee was informed that the FCI got conducted a study by M/s Mckinsey & Co. on staffing norms and the sanctioned strength of FCI was revised on the basis of its report. The FCI further informed to the Committee that the manpower training is given from time to time to ensure that the employees are competent for handling the current and future needs of the company. The FCI has also got conducted HR audit by third party for audit of identified HR Policies, processes and systems of FCI, benchmarking of HR policies with leading practices from similar/comparable private sector and public sector companies. Further, the Human Resource management System(HRMS) is being implemented in FCI for full automation of its Human Resource System. The Committee while appreciating the various initiatives taken by FCI to enhance its organizational efficiency with reduced manpower, hope that FCI through these initiatives will be able to successfully deliver better results in the areas of their mandated operations and will also ensure that the performance/delivery of results does not get effected on account of shortage of manpower in the organisation.

9. The Committee observe that the FCI is engaged in undertaking different types of works like procurement, storage, transportation and distribution of food grains across the country. In a organization like FCI, the posting/deployment of employees at one particular location for longer period may not be desirable in the overall interest of the organization. The Committee therefore desire that a structured transfer policy not only need to be put in place but also the same need to be religiously implemented in a transparent and indiscriminatory manner. The policy so made should be given wide publicity among employees with a view to make them aware well in advance about their transfer from a particular place after a certain period of time. The Committee therefore recommend accordingly and hope that the FCI will soon come out with the well structured posting and transfer policy with

scientifically defined mechanism of its implementation alongwith the consequential action against the defiant employees.

10. The Committee observe that there is a general tendency in the Officers appointed on deputation for over-stay in the borrowing organizations. The Committee during examination of the subject desire to ascertain as to the adherence of the CVC guidelines in the matters related to deputation, transfers and postings of the Officials in FCI and also about the instances when Officers appointed on deputation in FCI over stayed beyond the period prescribed in the guidelines. The FCI though informed to the Committee that they follow the guidelines but did not elaborate further on the issue. The Committee therefore desire the Government to furnish the details of officials who over-stayed beyond the stipulated deputation tenures in FCI during the last 10 years indicating the portfolios held by them during the period of their deputation along with the reasons for overstay. The Committee are of the considered view that the principles laid down in the guidelines on the subject need to be strictly followed particularly in a organization like FCI where the officers handle sensitive portfolios and therefore strongly recommend that the deputation tenure of the officials should not be extended beyond the prescribed period. The Committee are hopeful that the Government will act upon the recommendation of the Committee in letter and spirit with a view to set a high standard of moral values in the organization.

Labour Management

11. The Committee note that the FCI engages large number of labourers for loading and unloading of food grains. The Labourers deployed by FCI are in three categories viz. (i) Departmental Labour (ii) Direct Payment System (DPS) Labour and (iii) No-work No-pay(NWNP) Labour. As informed to the Committee, presently there are about 11350 Departmental Labour, 19953 number of DPS labour and about 6705 number of NWNP Labour engaged with FCI. Apart from this, there are about one lakh contract labourers hired through various contractors employed by FCI. The Committee was informed that the

sanctioned strength of the Departmental and DPS labourers was fixed in 2007 whereas that of NWNP labourers was fixed in the year 2010-11. Thereafter rationalization process of labour strength have been done on the basis of exemption notification dated 06.07.2016 and 26.06.2018 issued under section 31 of CL(R&A) Act by the Ministry of Labour in respect of already notified 226 depots. The exemption initially granted vide notification dated 06.07.2016 had been effective for two years i.e. upto 05.07.2018 and thereafter it was extended first upto 05.07.2020 and then again for another two years i.e. upto 05 July, 2022. Consequent upon the issue of exemption notification, the contract labourers shall continue to work in the exempted depots. The Committee was further informed that the Hon"ble Bombay High Court, Nagpur Bench directed Government of India to decide the de-notification of all the notified depots within 6 months. The time limit of 6 months has elapsed long back. In the meantime Hon"ble High Court Kerala at Ernakulam directed Ministry of labour to consider the de-notification of Kollam depot after obtaining comments of FCI. As informed to the Committee, the proposal for de-notification of Kollam depot alongwith the other notified depots has been sent to the Ministry of Labour through the Ministry of Consumer Affairs, Food and Public Distribution vide letter No. IR(L)/31(10)/2004/Vol.III dated 02.07.2018 followed by reminders dated 25/26.10.2018, 21/22.02.2019, 02/03.04.2019, 23.05.2019 & 08.07.2019, but decision is still awaited. The Committee"s analysis of the comparative costs of different categories of labourers reveal that the cost of contractual labourers is much less than the designated categories of labourers. The engagement of contractual labourers for loading and unloading of food grains at depots and other locations will be effectively materialized only when the depots are de-notified but unfortunately, the Ministry of Labour has not taken final action for de-notification despite lapse of two years period. The Committee therefore strongly recommend the Government to immediately take action for de-notification of the depots of FCI so as to achieve the cost efficiency in the labour management.

12. The Committee note that the wage bill of Departmental labour, DPS Labour and NWNP Labour has been gradually reduced from Rs. 337238.76 lakh in 2014-15 to Rs. 216133.33 lakh i.e. a reduction of about 40% in the wage bill over a period of five years. The Committee was informed that the Hon'ble High Court, Nagpur Bench had passed an order giving liberty to the Corporation to implement its policy of change in the scheme of incentives. In compliance to the above order, FCI Headquarter sent a detailed proposal to the Ministry of Consumer Affairs, Food and Public Distribution for effecting changes in the service benefits of Departmental Labour and Direct Payment System (DPS) Labour for approv also that further course of action can be initiated by FCI towards making the necessary reforms. The FCI proposed the altered service conditions such as (i) Non-inclusion of incentives for computation of CPF (ii) Non-inclusion of incentive for computation of Gratuity (iii) Non- inclusion of HRA elements for computation of Incentive and OTA (iv) No payment of „A" Area rates to DPS labour working in „B"and „C"Area, and (v) Consideration of Mandal as Handling Labour. The Committee also note that the proposal with regard to declaration of Departmental Labour system as Dying Cadre has been approved by the Ministry of Consumer Affairs, Food and Public Distribution on 03.01.2020 and the same has been communicated to field offices vide Circular No.1/2020 dated 08.01.2020 with the instruction that there will be no further induction under this Departmental Labour system. The Committee are hopeful that all these measures proposed to be taken by FCI will lead to substantial reduction in the cost on account of Department Labourer. The Committee however observe that in view of the declaration of Departmental Labour System as dying cadre, the FCI will be heavily dependent on other categories of designated and contractual labourers. The Committee therefore recommend that in the changed scenario, a well-defined policy for engagement of such labourers for performing various types of jobs at different locations in the country be framed so as to make the system of engagement of labourers as transparent and cost effective.

Procurement of Foodgrains

13. The Committee note that the Government of India enacted the National Food Security Act(NFSA), 2013 which inter alia legally entitles upto 75% of the rural population and 15% of the urban population to receive subsidized food grains under Targeted Public Distribution System. The Government policy of procurement of food grains has broad objectives of ensuring Minimum Support Price(MSP) to the farmers and availability of food grains to the weaker sections at affordable prices. It is also to ensure effective market intervention thereby keeping the prices under check and also adding to the overall food security of the country. The MSP is announced by the Government of India at the beginning of the sowing season of crops on the basis of the recommendations of the Commission for Agriculture Costs and Prices (CACP) which determines the MSP based on the input costs and margin to farmers. The FCI, the nodal central agency of the Govt. of India, alongwith other State Government agencies undertakes procurement of wheat and paddy under Price Support Scheme. The Committee observe that the objective of the food grains procurement by Government agencies is thus to ensure that farmers get remunerative prices for their produce and do not have to resort to distress sale to local vendors who exploit the farmers by offering very low price. The Committee while taking note of the significant role of FCI in achieving the objectives of the Food Policy of Government of India through procurement and distribution of foodgrains, express their hope that the Corporation will keep on making sustained efforts for bringing about improvements in their processes so as to deliver better results in future with a view to take the benefits of the policy of the Government to the doorstep of the intended beneficiaries of poor class of population.

14. The Committee further note that there are two types of procurement viz. the Centralized Procurement System (Non-DCP) and the Decentralized Procurement System (DCP). Under the Centralized Procurement (Non-DCP), the procurement of food grains in the Central Pool are undertaken either by

FCI directly or State Government agencies procure the food grains and handover the stocks to FCI for storage and subsequent issue against Government of India allocations in the same State or movement of surplus stocks to other States. The cost of the food grains procured by State agencies is reimbursed by FCI as soon as the stocks are delivered to FCI as per cost-sheets issued by Government of India. Under the Decentralized Procurement (DCP), the State Government itself undertakes direct purchase of paddy/rice and wheat and also stores and distributes these food grains under NFSA and other welfare schemes. The Central Government undertakes to meet the entire expenditure incurred by the State Governments on the procurement operations as per the approved costing. With regard to the pace of decentralization of procurement activities, the Committee has been informed that the procurement activities had been decentralized to the State Governments and as many as 16 States procure rice and about 4 to 6 States procure wheat and in such cases, FCI"s activities start after the State Governments handover the excess stock to FCI. The Committee thus observe that the present emphasis of the Government is to handover the procurement operations of wheat and rice to States that have gained sufficient experience and have created reasonable infrastructure for procurement and move on to help those States where farmers suffer from distress sales at prices much below MSP and are dominated by small holdings like Eastern Uttar Pradesh, Bihar, West Bengal, Assam, etc. The Committee therefore recommend that the Government should provide all necessary assistance to the relatively inexperienced States and also the North-Eastern States with a view to strengthen their infrastructure and increase their potential to enable them to progressively increase their procurement activities.

15. The Committee further note that the procurement of wheat at MSP which was 283.35 LMT in 2010-11 has gone up to 341.32 LMT in 2018-19 while the procurement of rice at MSP which was 341.198 LMT in 2010-11 has gone to 443.30 LMT in 2018-19. The allotment to States which had been 241 LMT of wheat in the year 2014-15 has gone to 246 LMT in the year 2019-20 but the

allotment of rice which was 373 LMT in the year 2014-15 has come down to 331 LMT in the year 2019-20. The Committee are happy to note that procurement from Eastern States during Kharif Marketing Season i.e. KMS which had been 65.97 LMT in 2016-17 has gone up to 86.34 LMT(as on 06.07.2020) in 2019-20. The Committee also feel satisfaction over the fact that the constant efforts made by the Corporation has resulted in reduction of procurement of Beyond Rejection Limit(BRL) stocks by 86.84% i.e. from 15586 MT during the year 2013-14 to 2107 MT during the year 2016-17. The BRL stocks further reduced to 1936 MT in 2017-18 which constitutes 0.005% of the total procured quantity in that year. The Committee also note that FCI has put in place well established monitoring mechanism for the procurement activities which includes joint inspection of food grain stocks, online procurement monitoring System(OPMS), analysis of samples in quality control laboratories, regular inspection of Fair Price Shops and Godowns etc. The Committee are hopeful that the FCI will bring more systemic improvements in their processes of procurement and other related activities by extensive use of information technology tools to minimize the possibilities of aberrations which may creep in the system on account of human intervention.

Future Role of FCI

16. The Committee observe that the procurement of food grains by FCI has gradually decreased over a period of time and as informed, the FCI now procures only 2% of paddy and 12% of wheat out of the total procurement done for the central pool. As such, the role of FCI in procurement has substantially minimized and it will further shrink with the more and more States opting for the Decentralized Procurement (DCP) System. The Committee therefore urge that in view of its gradual decreasing share in the procurement domain, the FCI should now focus and concentrate more on the effective storage and distribution management system for making available better quality food grains to the poor families and other intended beneficiaries through optimum utilization of their resources.

Buffer stocks and Excess stocks

17. The Committee note that the Food Corporation of India has to maintain buffer stocks as prescribed the Government of India as a measure of food security to guard against scarcity of food grains. The buffer stock is presently equivalent to 4 months allocation. This stock enables the Government to intervene effectively to curb rising trend of crisis of foodgrains in the market. Thus, two types of stocks are maintained. The first is operational stock which are required for month to month distribution to the intended beneficiaries under Targeted Public Distribution System(TPDS) and Other Welfare schemes(OWS). The second is the Strategic Reserve which is required by the Government only to maintain and renew the stocks unless foodgrains are drawn from it in case of crisis situation such as abnormal shortfall in production of foodgrains in the country or natural calamity and in such a case, the procurement will be required to be higher in the next season to the extent of drawal from the Strategic Reserve. The Committee however observe that during evidence, it was brought before the notice of the Committee that as per norm of 2014 for having 23 million tonnes of buffer stock, presently it is about 64 million tons resulting in 40 million tonnes of excess stock. With regard to the disposal of excess stocks, the Committee was informed that Open Market Sale Scheme(Domestic) [OMSS(D)] Policy is formulated for every fiscal year to offload excess stock of wheat and rice which is above buffer stock in norms in the open market. There is a Committee constituted by the Government consisting of Secretary(Expenditure), Secretary(Food and Public Distribution), Secretary(Consumer Affairs) and Secretary, Department of Commerce to recommend quantity and price at which foodgrain stocks in excess of buffer and strategic norms are to be offloaded. With regard to the sale of excess stocks of foodgrains through OMSS(D), the Committee note that annual sale of excess stock had been 71.88 LMT in the year 2015-16, 47.45 LMT in 2016-17, 19.12 LMT in 2017-18, 90.30 LMT in 2018-19 and 52.48 LMT in 2019-20. The Committee were also given to understand that various proposals are being

moved in the Government about liquidation of excess stocks but the details of these proposals were not elaborated. The Committee observe that norms for buffer stock have been fixed taking into account the primary objective of maintaining food security to guard against scarcity of food grains which may occur for various reasons but at the same time maintenance of large quantity of excess stocks over and above the fixed norms for buffer stock entails heavy cost to the Corporation. The Committee appreciate Government policy to procure the foodgrains at MSP without any cap to allow the farmers to sell their produce to the Government organisation and save them from distress sale to local venders at lower rates. The Committee however desire that the Government should prepare a detailed plan for liquidation of excess stocks in time so that the financial burden on the Government is reduced to maximum extent.

Storage Facilities and Capacity Utilization

18. The Committee note that over a period of time, the quantum of procurement of foodgrains has gone up and it has necessitated the requirement of additional storage capacities. As informed to the Committee, the FCI opts for short-term hiring of covered godowns as well as Cover & Plinth(CAP) to meet the short-term peak requirements of storage capacity. The Committee‟s analysis reveals that the total storage capacity owned by the FCI was 387.40 LMT, 373.00 LMT, 361.91 LMT, 363.54 LMT, 381.06 LMT and 407.34 LMT during the year 2014-15, 2015-16, 2016-17, 2017-18, 2018-19, 2019-20 respectively. Further, as on 1st July 2020, the storage capacity with State agencies was 471.24 LMT. Thus, against the total available capacity of 878.58 LMT, 812.94 LMT of stocks of central pool were stored. The Committee also note that out of total number of 2131 storage available as on 30.11.2019, 561 is owned by FCI and 1572 is hired by FCI. It was revealed during the examination of the subject that it is the excess procurement which necessitate additional storage facility but nevertheless once the foodgrains are procured, these are required to be safely preserved till its

distribution/sale. The Committee observe that Cover & Plinth(CAP) storage facility is relatively not safe for storage of foodgrains for long duration and therefore the Committee desire that CAP system of storage need to be phased out. The Committee note that various schemes for construction of godowns for storage of stocks are (i) Private Enterpreneurs Guarantee Scheme (PEG) (ii) Central Sector Scheme (iii) Construction of Steel Silos and (iv) Cover and Plinth(CAP) Hiring Scheme. Under PEG Scheme, storage capacity is created by private parties, Central Warehousing Corporation and State Government agencies and the FCI gives guarantee of 10 years for hiring to private investors and 9 years to CWC/SWCs/State Agencies. Under the Central Sector Scheme, the storage capacity is created by FCI in North-Eastern States alongwith Himachal Pradesh, Jharkhand and Kerala. The construction of Steel Silos is to be done in Public Private Partnership(PPP) Model. The Committee hope that efforts will be made by all the stakeholders to create the storage capacity under the respective scheme and will achieve the target within the prescribed time period.

<u>Construction of Silos : Hub and Spoke model</u>

19. The Committee note that Steel Silo storage is highly mechanized and modernized way of storing of foodgrains in bulk. It ensures better preservation of foodgrains and enhances its shelf life. If foodgrains are stored in Silos and transported in bulk, losses due to theft, pilferage and transportation would be negligible compared to foodgrains storage in bags in conventional warehouses. The FCI informed that since land availability in existing FCI godowns is scarce, it would be prudent to shift to storage of foodgrains in Silos as it requires approximately 1/3rd land as compared to conventional storage warehouses. Moreover, Silos can be operated round the clock which would bring in flexibility and would improve overall efficiency. As such, construction of Silos and utilization of Silos for storing and transportation of foodgrains in bulk would be beneficial to the nation as a whole besides also creating an efficient Food Supply Chain Management

System. The FCI has therefore planned to modernize its storage facilities by construction of modern steel Silos on a PPP mode. The Committee note that as against the target set in 2016 for creating 100 LMT silo capacity, FCI could create only 8.25 LMT even after four years which is just 8.25% of the target fixed. The silos were constructed in Punjab and Madhya Pradesh. The reasons attributed by FCI to their poor achievement is lack of availability of land and railway sidings which were made compulsory in the tender floated for the purpose. The Committee were informed that many big investors who showed interest to invest in silo construction could not move ahead because of these constraints. Since the earlier model failed, the Committee learn that FCI is changing its existing model under which silos are constructed on 'Hub and Spoke' model where in various silos are connected by road to a mother silo which will have rail connectivity. The Committee are of the opinion that setting up of smaller size silos near to the procurement and consumption locations will immensely reduce the transport cost of FCI as it will help in avoiding procuring grains at one location and sending them to the silo located at distant place and again bringing the foodgrains back for distribution under various welfare schemes to the same areas from where these goodgrains were actually procured. The Committee are of the view that this "*to and fro*" movements not only create a lot of logistic issues but also cast heavily on the Government in terms transportation charges and therefore these could be effectively reduced if the localised small silos are constructed and then integrated to the main silos under hub and spoke model. The Committee therefore recommend that immediate steps be taken to prepare a comprehensive scheme for creation of the Silos network on Hub and Spoke model throughout the country in a time bound manner.

<u>Movement and Distribution of Foodgrains</u>

20. The Committee note that one of the major functions of FCI is to move food grains from surplus producing states to consuming / deficit states. The proper and planned movement of food grains ensures (i) evacuation of stocks

from surplus regions, (ii) meet the requirements of deficit regions for NFSA/ TDPS and other schemes, and (iii) create buffer stocks in deficit regions. The Committee further note that Punjab, Haryana and Madhya Pradesh are the surplus States in terms of wheat procurement vis-à-vis their own consumption. Similarly, Punjab, Haryana, Andhra Pradesh/Telengana, Chhatisgarh and Odisha are surplus States in terms of rice procurement vis-à-vis their own consumption. Surplus stocks of wheat and rice in these states are moved to deficit States to meet the requirements under NFSA/ TDPS and other schemes as well as to create buffer stocks. There are various modes of transport for movement of food grains viz. (i) Multimodal Transport movement, (ii) Containerized movement, (iii) Long Route Road Transportation, (iv) Bulk Movement, etc. The movement under these are undertaken through road, rail, coastal or riverine mode. Under the Multimodal Transport Movement, FCI has undertaken a Pilot project of containerized multimodal coastal movement of 25000 MTs of food grains from Punjab to Karnataka. Similarly, under the same pilot project, movement of food grains by CONCOR from identified centres of Punjab to Kerala viz Cochin, Quilon, etc. and also to Tamil Nadu is being taken up to make a cost-benefit analysis in comparison with the conventional movement of rakes. The Committee learn that FCI has taken several initiatives for increasing movement using waterways also. However, the fact remains that rail movement is much cheaper and economical mode for movement of food grains. About 85% of the FCI"s movement takes place through rail. FCI spends about Rs. 10,000 crore annually for transporting food grains all across India, out of which Rs. 8,500 Crore goes to the Indian Railways alone. The Committee recommend the Government to get an independent study conducted on the movement-cost economics taking into account the operational feasibility and economical viability of the major modes/routes of transport so as to minimize the transportation costs and to reduce the financial burden on public exchequer. The Committee would also like to be apprised of the outcome of the pilot projects undertaken to determine the cost economics of the containerized

costal movement from Punjab to down south in Kerala, Karnataka and Tamil Nadu.

Formation of Joint Venture with Railway CPSUs

21. The Committee note that investors - both domestic and foreign - are willing to invest in creation of modern storage infrastructure had to withdraw for want of land and railway sidings. The Committee also note that FCI transports 85% of food grains through rail mode as it is the cheapest option. The Committee learn that FCI and the Department of Food and Public Distribution have not succeeded in convincing railways to give vacant land near the railway sidings to create storage infrastructure. The Committee recommend that the Government should explore the possibility of forming a Joint Venture with the Railways for undertaking the business of movement of foodgrains as such type of arrangement will be beneficial for FCI as well as Railways. The Committee may be apprised of the precise action taken by the Government in this regard.

Financial Performance

22. The Committee note that FCI is a „No Profit No Loss" organization and is a 100% subsidized Corporation. As such, the commercial practices applied to other CSPUs set up with profit motives and adding value to its shareholders cannot be applied to FCI. The objective of the Government is not to make profit by procuring food grains at a lower cost and selling it at a higher price. The stated objectives of the government is to (i) provide remunerative production cost to farmers by ensuring payment of Minimum Support Price (MSP) (ii) provide foodgrain to public at large at subsidized price and (iii) maintain buffer stock and strategic reserve of foodgrain for the country. FCI executes Government welfare programs and fulfils it social objectives and thus is not a profit oriented entity. In case all the provisions of the Companies Act are made applicable to FCI, it may materially impact the subsidy calculation and will have financial implications on Government of India. The

Corporation is governed under Food Corporation Act 1964 and many provisions of the Companies Act 2013 are not applied to it and some additions/ deletions/ modifications have been done in the financial statements of FCI in consultation with C&AG keeping in view the Act and the special nature of operations entrusted to FCI.

23. The Committee note that the sources of finance of FCI are mainly through equity share capital, cash credit constituting long term bonds, ways and means advance (WMA)/ unsecured short term advances and the National Small Saving Fund. The total budget of FCI constitutes Sales and Subsidy. The budget of FCI was Rs. 134762 crore during 2014-15, Rs. 131694 Crore during 2015-16, Rs. 131053 Crore during 2016-17, 133912 Crore during 2017-18, Rs. 156272 Crore during 2018-19 and Rs. 166085 Crore during 2019-20. There is no consistency in the sales figures. However, the subsidy has been constantly rising since 2015-16. The subsidy was Rs, 102425 Crore during 2015-16, Rs. 109136 Crore during 2016-17, Rs. 116282 Crore during 2017-18, Rs. 131787 during 2018-19, Rs. 140928 during 2019-20. There are three components of subsidy viz. consumer subsidy, buffer subsidy and losses. The rise in subsidy as explained by FCI is due to the increase in MSP every year. The Committee note that the MSP of wheat that was Rs. 1120 per quintal in 2010-11 has gone up to Rs. 1840 per quintal in 2018-19 indicating a rise in 64.3% over a period of 9 years. Similarly, MSP of common paddy that was Rs. 1000 per quintal in 2010-11 has increased to Rs. 1750 per quintal indicating an increase of 75% over the same period. The increase is also due to storage charges on the stock held in excess to the stocking norms. For instance, the Committee observed that as against stock holding norms of 276 LMT of wheat and 135 LMT of rice, FCI held wheat stock of 458 LMT and rice stocks of 354 LMT by the end of March 2020.

24. The Committee further note that the Government sanctioned a loan of Rs. 65,000 Crore to FCI from National Small Saving Funds (NSSF) in 2017-18. During the same year FCI had made short term borrowing of Rs. 82376.48 Crore from Banks. FCI explained that the Rs. 65,000 Crore sanctioned to FCI

during 2017-18 were book adjustments with no cash release. These loans were sanctioned for reversal of subsidy released to FCI and converting them into NSSF loans or for rollover/ recovery of previous NSSF loans/ WMAs released to FCI. Similarly the Short term loans (STL) from banks was taken to meet working capital requirement and cash flow mismatch. The Committee note that as on 30 October 2019, FCI had an outstanding short term loans (STL) of Rs. 4,700 Crore that rose to Rs. 40,700 Crore as on 31 March 2020.

Fixation of economic cost of foodgrains

25. The Committee note that the "economic cost" of foodgrains comprises of (i) pooled cost of foodgrains (ii) procurement incidentals consisting of statutory charges, gunny cost and others (iii) freight (iv) interest (v) handling charges (vi) storage charges (vii) administrative expenses and (viii) operational losses. The difference between Economic Cost and Central Issue Price is reimbursed to FCI in the form of "Subsidy." The Committee's analysis of the data furnished by FCI reveals that the MSP of wheat per quintal during 2017-18 was Rs. 1625 per quintal. The Acquisition Cost of Wheat during the same year was Rs. 1891 per quintal which included Rs. 1587.90 of pooled cost of wheat and Rs. 303.91 on procurement incidentals. The distribution cost of wheat was Rs. 406.11 per quintal. Thus, the Economic Cost of wheat was Rs. 2297.92 per quintal during 2017-18 against MSP or Rs. 1625 per quintal. Similarly, the economic cost of wheat during 2018-19 was Rs. 2505.67 against an MSP of Rs. 1735 declared by the Government. Further, an analysis of data on the Economic Cost of rice reveals that that the economic cost of Rice during 2017-18 was Rs. 3280.31 against and MSP of Rs. 1550 per quintal. Similarly, the Economic Cost of rice during 2018-19 was Rs. 3472.94 against an MSP of Rs. 1750 per quintal. The Committee express their apprehension that the norms adopted for calculation of the procurement incidentals, distribution costs for ascertaining the economic cost of wheat and rice apparently are on the higher side and therefore the Government is bearing expenditure in the form of Subsidy almost two times more than the

MSP declared for rice and one and a half times more than the MSP of the wheat. The Committee therefore strongly recommend that the entire mechanism and the system of costing under different Heads as Acquisition cost and Distribution cost of the foodgrains need to be thoroughly reviewed with a view to reduce substantially the financial burden on public exchequer.

26. The Committee are also surprised to note that the pooled cost of rice fixed for determination of Economic Cost of rice is almost one and a half times more than the MSP declared. While the costing has been made for all services involved right from the stage of procurement to the stage of distribution such as statutory charges, gunny cost, freight, interest, handling charges, storage charges, administrative expenses and operational losses etc., the Committee are not able to comprehend as to why then the pooled cost is separately shown one and a half times more than the MSP. The Committee therefore desire the Government to explain the reasons for adopting such method of costing and also to take corrective measures if the costing system is deficient on any accounts.

Losses on account of damages, storage and transit

27. The Committee note that about 15066.86 MTS of food grains were damaged in FCI"s own godowns during the period from 2014-15 to 29 February 2020. The damages during the same period in CWC godowns and SWC godowns were 11713.51 MTS and 12097.05 MTS respectively. As informed to the Committee, there are no losses on account of rodents and also on account of storage. As per submission of FCI, there is a storage gain of 0.12 % during 2018-19 due to the fact that wheat gains weight as it absorbs moisture and rice loses moisture. The Committee however note that the losses on account of transit are 0.28% and in terms of money, FCI is losing annually about Rs. 300 crores due to this. The reasons for transit losses are stated to be on account of multiple handling, poor texture of gunnies, accentuated use of iron hooks, poor quality wagons, en-route pilferages,

inadequate security at rail points, etc. The Committee while taking note of the various measures taken to prevent the losses on account of damages, storage and transit, express their opinion that the annual financial loss of Rs. 300 crores on account of transit alone is really worrisome. The Committee therefore recommend that concrete steps need to taken to strengthen the storage and transport management system in such a way as to minimize losses on these accounts.

Quality checks of foodgrains

28. The Committee note that with a view to introduce mechanized process for quality checking, FCI has purchased 30 Computerized Rice Analysers (Annadarpan SMART) developed by Centre for Development of Advance Computing (CDAC), Kolkata and made it available to 30 locations of 07 major procuring regions namely Punjab, Haryana, Uttar Pradesh, Orissa, West Bengal, Chhattisgarh and Andhra Pradesh during Kharif Marketing Season (KMS) 2017-18 and rice acceptance at these location were carried out through Computerized Rice Analysers (CRA). During KMS 2018-19, the CRAs were shifted to bigger centres and rice acceptance were carried out through it. The Committee note that FCI has entered into an agreement with CFTRI, Mysuru for providing consultancy services for modernizing FCI laboratories. The CNP Agreement was signed by both the parties and fresh tender was floated on 10.12.2018 for supply of major laboratory equipment regarding which the technical bid was opened on 03.01.2019 and technical evaluation was being done by the Technical Evaluation Committee. The Committee further learn that funds allocated for modernization of its lab at Gurugram could not be utilized and hence the remaining budget was allocated for modernisation of QC Lab at IFS Gurugram. The Committee are in agreement with the view of FCI that there is no proven technology even in the advanced countries to check the quality of foodgrains and the present CRA technology having its limitations. Yet the Committee feel that quality of such huge quantities of food grains cannot be ensured through physical human inspection but can only be

ensured by quality checks through technological intervention. The Committee may be apprised of the progress made in the agreement signed with CFTRI, Mysuru. The Committee recommend that the modernization of FCI labs need to be taken up on priority and a suitable technology need to be developed for the purpose to ensure the effective quality checks of foodgrains so as to make available the better quality food stuffs to the intended beneficiaries including poor families in the country.

Reducing the quantum of Non-issuable food grains

29. The Committee note that foodgrains that do not conform to FSSAI norms and further cannot be reconditioned for normal issue are considered as 'non-issuable' and are classified under various categories such as Feed I, II, III, Industrial Use, Manure and are disposed off through tender enquiry system after fixing reserve price. The Committee also note that scientific management and preservation of stock of food grains minimizes the quantum of non-issuable food grains. Besides, quality checks in procurement are also undertaken to ensure that anything below the specified quality are not accepted in the Central Pool and quality checks of foodgrains also done by third parties. Samples of foodgrains procured & stored in FCI godowns are periodically referred to FSSAI notified NABL accredited labs for quality checks. However, despite, so many measures taken, the Committee note that 6274.774 MTs of wheat was found non-issuable during 2014-15 and 4845.978 MTs during 2016-17. Similarly 18236.025 MTs of Rice was found non-issuable during 2014-15. The Committee do not understand how foodgrains become non-issuable especially when so many measures and quality checks are being undertaken from time to time for ensuring quality and the stocks are being disposed off on the principle of First In& First Out (FIFO) and planned liquidation of older crop year stocks being done by FCI on top priority. Although the data reflects considerable reduction in non-issuable foodgrains during 2017-18, the quantum of non-issuable foodgrains had increased during 2018-19. The Committee would like to be apprised in detail about the reasons

for such situation and urge the FCI to effectively manage the stocks of the foodgrains so that quantum of non-issuable foodgrains are minimized. The Committee further desire the FCI to develop a scientific system to achieve this objective.

<u>Computerization and Modernization of Depots</u>

30. The Committee note that 561 Depots/Godowns are owned by FCI, 191 Depots/Godowns are owned by the Central Warehousing Corporation and 702 Depots/Godowns are owned by the State Warehousing Corporations. FCI has implemented the Depot Online System (DOS) Application to automate all the operations at FCI Depots with the vision to transform the food supply chain management through innovative use of technology for ensuring transparency, reliability and efficiency in their procurement, storage and distribution operations. The other objectives of the project include standardization and automation of depots level processes, enablement of real time monitoring of operations, timely data reporting, data based decision support system and effective planning and optimization of administrative works. Further FCI is also implementing Food & Essential Commodities Assurance & Security Target(FEAST) application of NIC for managing the supply chain of Public Distribution System across 16 States/UTs. They also plan to integrate FEAST to DOS that will ensure transmission of indent related information from FEAST to Depot Online System (DOS) and then the Release Order related information from DOS to FEAST. Similarly, the CWC has implemented WMS application in its Depots that need to be integrated with DOS. The Committee however learn that the DOS is currently operational in only 533 FCI Depots and 144 CWC Depots. As per the information furnished to the Committee, all SWC godowns hired by FCI were to be brought online on DOS by the 1st of April 2020 but the updated status of actual progress made in this regard is not known. The Committee observe that the online computerized system will ensure that the Government has the real time data/information on the quantity of availability of foodgrains in the stocks in their Depots/Godowns which will

help in taking timely and quick decisions on various related issues. The Committee are thus of the considered view that unless all the Depots/Godowns are fully computerized and modernized, the main objectives of implementing Depot Online System by FCI will not be materialized. The Committee therefore recommend the Government to expedite not only the computerization and modernization processes in all the Depots/Godowns of FCI, CWC and SWCs but also the integration work of DOS with FEAST in a time bound manner preferably within 6 months" time so that the intended benefits of the online foodgrain management system could be fully achieved at the country level in near future.

Incentivising Crop Diversification

31. The Committee note that the procurement of wheat and rice is open ended which implies that whatever comes from the farmers for sale has to be procured at Minimum Support Price(MSP). The larger quantity of procurement definitely results in higher financial burden on the Government in the form of subsidy. As per the data furnished to the Committee, every year the procurement is nearly 40 LMT higher than the buffer stocking norms which increases the expenditure on storage costs. Also, due to excess stocks, there are chances of the stocks getting spoiled. As per estimation submitted before the Committee, approximately Rs. 2 lakh crore excess stocks are there and therefore it is high time for giving a serious thinking by the Government for promoting cultivation of other commercial crops by incentivizing the farmers. The other aspect is that rice and wheat being water guzzling crops, their cultivation adversely impacts the water table in the wheat and rice producing areas. The Committee however note that apart from the involvement of the Ministry of Consumer Affairs, Food and Public Distribution (CAF&PD), for the fixation of MSP and incentivising cultivation of oilseeds, pulses, millets and commercial crops, the Ministry of Agriculture also needs to be consulted and taken into confidence for ensuring MSP to farmers on alternate crops other than rice and wheat. The Committee, therefore, recommend that the Government in consultation with both the Ministry of Consumer Affairs, Food

and Public Distribution and the Ministry of Agriculture needs to explore for developing a suitable programme for incentivising cultivation of crops like millet, oilseeds, pulses and other commercial crops.

VIGILANCE CASES

32. The Committee note that as on 30 September 2019, there are 37 Major and 155 Minor vigilance cases pending with FCI. The number of cases reported every year are enormously high considering that in 2017 alone 64 major cases and 753 minor cases were reported. In 2018-19, there were 92 major and 736 minor cases reported. And as on 30 September 2019, 48 major and 326 minor cases were reported. The Committee note that although FCI has tried to quickly dispose off many cases every year, yet the number of fresh cases reported every year are surprisingly very high. One of the reasons for recurrence of the cases could be either FCI taking a lenient view while disposing of the cases or sufficient harsher punishment not being levied on the charged officer. This is substantiated by the fact that more than 800 fresh cases are being reported by FCI every year. Such unpleasant scenario is despite FCI taking many preventive measures for non-occurrence of such cases in matters related to procurement, storage, contracts, transportation/ movement, distribution and on labour issues. The Committee understand that incidence of corruption/ malpractice are high as FCI is a large organisation with about 21,000 staff and about 38,000 number of Departmental Labour with most of its activities having direct staff and public interface. The Committee are of the view that such high incidence of corruption in FCI not only reflects a bad reputation about the organisation but also raises apprehensions on the efforts made by the Government to fight corruption. The Committee recommend that there should be zero leniency and zero tolerance on corruption and incidence of malpractice/ corruption should be dealt strictly, meting with harsher punishment to deter officials in repeating the offence.

Settlement of Audit Paras and Dues from CPSUs

33. The Committee note that during 2015-16, two performance and three Commercial Audit reports were issued by C&AG. The major observations pertained to serious issues such as incidental charges, commission to societies, suboptimal utilisation of silos, management of gunny bags and road transport contracts, etc. The Committee however noted that C&AG had raised nearly 113 paras on FCI in their reports between 2013 to 2018. Out of the 113 paras raised, only 12 paras have been closed and 89 paras are pending with the Ministry and the C&AG. 12 paras are still pending reply of FCI. The Committee is of the view that the number of audit paras reflects the commission, ommissions and violations on the part of the organisation that has to be rectified/ streamlined at the earliest. The Committee further note that out of the 44 paras raised by C&AG during 2015, 30 paras are still pending with the Ministry & C&AG and 6 paras are still pending reply from FCI. Similarly out of the 54 paras raised by C&AG during 2017, 51 are still pending with the Ministry. This reflects slackness and non-seriousness of the FCI/ Ministry on the observations of the C&AG. The Committee strongly recommend expediting settlement of pending audit paras of C&AG preferably within 03 months.

34. The Committee further note that dues amounting to Rs. 92.18 Crore from MMTC, Rs. 6.64 Crore from STC and Rs. 6.65 Crore from PEC are pending payment to FCI despite regular persuasion by the Corporation. The dues relate to export of wheat during the period 2012 to 2014. As per the reply furnished by FCI, the matter regarding settlement of claim of MMTC has been referred to the Ministry of CAF&PD while the matter of STC and PEC is being pursued. The Committee recommend that all out efforts be made to recover or settle the pending dues of Rs. 105.40 Crore from the concerned CPSUs that has been pending since the last 6-8 years and FCI is might be losing huge interest on it.

<u>New Delhi;</u>	**MEENAKASHI LEKHI**
<u>7 January, 2021</u>	**Chairperson**
17 Pausha, 1942 (S)	**Committee on Public Undertakings**

APPENDIX-I

COMMITTEE ON PUBLIC UNDERTAKINGS

(2019-2020)

MINUTES OF THE FIFTH SITTING OF THE COMMITTEE

The Committee sat on Monday, the 14th October 2019 from 1435 hrs to 1600 hrs in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Smt. Meenakashi Lekhi - Chairperson

MEMBERS

Lok Sabha

2. Shri Kunwar Danish Ali
3. Shri Chandra Prakash Joshi
4. Smt. Poonamben Hematbhai Maadam
5. Shri Arjunlal Meena
6. Shri Janardan Mishra
7. Prof. Saugata Roy

Rajya Sabha

8. Mohd. Ali Khan
9. Shri Om Prakash Mathur
10. Shri Mahesh Poddar
11. Shri A.K. Selvaraj

SECRETARIAT

1. Shri R.C. Tiwari - Joint Secretary
2. Smt. Mamta Kemwal - Director
3. Shri G.C. Prasad - Additional Director

REPRESENTATIVES OF THE FOOD CORPORATION OF INDIA

1.	Shri D.V. Prasad	-	CMD
2.	Shri B.S. Mohapatra	-	Executive Director (F)
3.	Shri C.L. Ram	-	Executive Director (P&R)
4.	Shri Ajay Kumar	-	Executive Director (IA)
5.	Shri Sudeep Singh	-	Executive Director (QC)

2. At the outset, the Hon'ble Chairperson welcomed the Members of the Committee and representatives of the Food Corporation of India to the sitting convened to have a briefing on the subject 'Food Corporation of India.' She then drew their attention to Direction 55(1) of the 'Directions by the Speaker' regarding maintaining confidentiality of evidence tendered before the Parliamentary Committees.

3. The CMD, 'Food Corporation of India' and other senior officers first introduced themselves to the Committee and then gave a power point presentation on the subject highlighting their mandate, organisational structure, operations, policy framework, procurement policy, zero loss on account of storage capacity and MSP of Wheat/Rice, Procurement vis-a-vis requirements, stock position in Central Pool, measures for improving performance, sources of Finance, reduction in transit and handling losses, etc.

4. Thereafter, the Chairperson sought information on the vacancies in the Board of Directors, applicability of Corporate Governance Guidelines, rationale of appointing two members from State Governments, criteria involved in their selection, measures taken to fill-up the vacancies in the Board, norms for holding minimum number of meetings of the Board in a year, reasons for managing the corporation with 50 per- cent of its staff strength, justification for huge sanctioned labour strength, mechanism involved in engagement of labourers, devising of process for compliance of labour laws, the number of registered Unions/ Associations, details of court cases pending, recommendations made by the High level committee constituted by the Government on FCI and the status of its implementation, details of pending vigilance cases and concrete measures taken to finalise the cases, measures taken to prevent their recurrence, online feedback

mechanism or helpline for registering grievances/ complaints from contractors, labourers, farmers in distress and general public, status of pending Audit paras and steps taken to settle them, etc. The Chairperson, also sought information on the shares of Centre and State governments in food subsidies, investments in logistics made by Food Corporation of India, godowns/sheds under construction by FCI, involvement of private sector in construction and maintenance of godowns , mechanism to clean-up the godowns and their management, evolve new methodology for identification of old stock of foodgrains, mechanisms used for marking the produce and efficient utilisation of the green waste that is generated by Food Corporation of India. She also sought clarifications on the decentralised procurement and its impact on the Food Corporation of India, viability of a Centre-State Co-operation model for effective management, comparative analysis of food distribution and procurement system of India with those in other countries, etc.

5. Members, thereafter, raised several queries on problems faced by farmers across the country during procurement, role played by FCI in procurement and distribution of food grains, problems faced by FCI during storage of food grains, distress sale of food grains, diversion of excess storage from Food Corporation of India, charging for gunny bags, malpractices in Food Corporation of India and measures adopted by FCI to counter them. They also sought information on monitoring mechanism for inspection and management of godowns, weighing machines installed at godowns, method adopted for weighing foodgrains, land acquisition issues faced by Food Corporation of India for construction of godowns, utilisation of railways spare land for building of godowns, Hub and Spoke model for divisional offices, accounting procedure adopted by Food Corporation of India as a no profit-no loss corporation, taking steps for reducing transportation cost, etc.

6. The representatives of the Food Corporation of India clarified some issues on which information was readily available with them. In respect of points for which information was not readily available, the Chairperson directed that written replies may be furnished to the Committee Secretariat by 30 October, 2019.

7. The Committee also decided to take up some major Public Sector Undertakings of strategic importance for detailed examination, if required, in future.

The Committee then adjourned.

(A verbatim record of the proceedings has been kept separately).

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APPENDIX-II

COMMITTEE ON PUBLIC UNDERTAKINGS

(2019-2020)

MINUTES OF THE FIFTEENTH SITTING OF THE COMMITTEE

The Committee sat on Monday, 16th March 2020 from 1510 Hrs. to 1600 Hrs. in Committee Room No. 62, First Floor, Parliament House, New Delhi.

PRESENT

Smt. Meenakashi Lekhi - Chairperson

MEMBERS

Lok Sabha

2. Shri Kunwar Danish Ali
3. Dr. Heena Vijaykumar Gavit
4. Smt. K. Kanimozhi
5. Shri Raghu Ramakrishna Raju Kanumuru
6. Smt. Poonamben Hematbhai Maadam
7. Shri Janardan Mishra
8. Prof. Saugata Roy
9. Dr. Arvind Kumar Sharma
10. Shri Ravneet Singh
11. Shri Sushil Kumar Singh

Rajya Sabha

12. Shri Prasanna Acharya
13. Shri Om Prakash Mathur
14. Shri Surendra Singh Nagar

SECRETARIAT

1.	Shri R.C. Tiwari	-	Joint Secretary
2.	Smt. Mamta Kemwal	-	Director
3.	Shri Khakhai Zou	-	Additional Director
4.	Shri G.C. Prasad	-	Additional Director

REPRESENTATIVES OF THE FOOD CORPORATION OF INDIA (FCI)

1.	Shri D.V. Prasad	-	Chairman & Managing Director
2.	Shri Sanjiv Kumar	-	Executive Director (Procurement)
3.	Shri B.S. Mohapatra	-	Executive Director (Finance)
4.	Shri Ajay Kumar	-	Executive Director (Internal Audit)

2. At the outset, the Hon'ble Chairperson welcomed the Members of the Committee and representatives of the Food Corporation of India to the sitting convened to have evidence on the subject 'Food Corporation of India.' She then drew their attention to Direction 55(1) of the 'Directions by the Speaker' regarding maintaining confidentiality of evidence tendered before the Parliamentary Committees.

3. The CMD, 'Food Corporation of India' and other senior officers first introduced themselves to the Committee and then gave a power point presentation on the subject highlighting their mandate, organizational structure, operations, policy framework, procurement policy, zero loss on account of storage capacity and MSP of Wheat/Rice, Procurement vis-a-vis requirements, stock position in Central Pool, measures for improving performance, sources of Finance, reduction in transit and handling losses, etc.

4. Thereafter, the Chairperson sought information whether FCI is having sufficient powers to undertake its functions effectively as per the FCI Act 1964. The Chairperson raised the point that since the procurement, storage, movement and distribution of food grains have been gradually decentralized by the Government of India, by giving the responsibility of procurement, storage and distribution to more

and more State Governments through a mode of decentralized procurement scheme what role does FCI have in the future management of Food Security in the country and in spite of overall less procurement and less quantum of distribution, the overall expenditure has still remained the same. The Chairperson, also sought information on infusion of Rs. 6,500 crore equity in FCI to shore up its authorized capital from Rs. 3,500 crore to Rs. 10,000 crore, the expansion of activities planned to be undertaken with the enhanced capital, status of the vigilance cases pending with FCI and what concrete action has been taken to prevent their recurrence.

5. Members, thereafter, raised several queries on status of stocks with FCI, percentage of covered and uncovered storage, quantum of grains that is going to be procured going forward, how much of the food subsidy is still pending with the government, shortage of funds during procurement season, how much grain is lost every year because of poor storage facilities, procurement of perishable items, procurement of millets, public private participation in building storage facilities, crop diversification for farming and procurement ,shift in cropping patterns, MSP and output subsidy, auction of excess stocks and ethanol blending of excess grains.

6. The representatives of the Food Corporation of India clarified some issues on which information was readily available with them. In respect of points for which information was not readily available, the Chairperson directed that written replies may be furnished to the Committee within a week.

The Committee then adjourned.

(A verbatim record of the proceedings has been kept separately).

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APPENDIX-III

COMMITTEE ON PUBLIC UNDERTAKINGS

(2019-2020)

MINUTES OF THE SIXTEENTH SITTING OF THE COMMITTEE

The Committee sat on Monday, 18th March 2020 from 1520 Hrs. to 1640 Hrs. in Committee Room No. 62, First Floor, Parliament House, New Delhi.

PRESENT

Smt. Meenakashi Lekhi - Chairperson

MEMBERS

Lok Sabha

2. Shri Kunwar Danish Ali
3. Shri Chandra Prakash Joshi
4. Smt. Poonamben Hematbhai Maadam
5. Shri Janardan Mishra
6. Shri Sushil Kumar Singh
7. Shri Uday Pratap Singh

Rajya Sabha

8. Dr. Anil Jain

SECRETARIAT

1.	Shri R.C. Tiwari	- Joint Secretary
2.	Smt. Mamta Kemwal	- Director
3.	Shri Khakhai Zou	- Additional Director
4.	Shri G.C. Prasad	- Additional Director

REPRESENTATIVES OF THE MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (DEPARTMENT OF FOOD & PUBLIC DISTRIBUTION) & FCI

1. Shri Edwin Kulbhushan - Additional Secretary, Policy & FCI
2. Shri Gudey Srinivas - Additional Secretary, DF&PD
3. Shri S. Jagannathan - Joint Secretary, DF&PD
4. Shri Piush Kumar Gupta - Chief Vigilance Officer, FCI

2. At the outset, the Hon'ble Chairperson welcomed the Members of the Committee and representatives of the Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) & Food Corporation of India to the sitting convened to have evidence on the subject 'Food Corporation of India.' She then drew their attention to Direction 55(1) of the 'Directions by the Speaker' regarding maintaining confidentiality of evidence tendered before the Parliamentary Committees.

3. The Additional Secretary (Policy and FCI), Department of Food and Public Distribution and other senior officers first introduced themselves to the Committee and then gave a power point presentation on the subject highlighting their mandate, organizational structure, operations, budgeting, funding, policy framework, procurement policy, depot online system, capacity utilization, etc.

4. Thereafter, the Chairperson sought information regarding the replies furnished by Department and asked why FCI is unable to fully comply with the guidelines of Department of Public Enterprises as the Corporation has been framed under the provisions of Food Corporation Act, 1964. The Committee also asked whether the applicability of other provisions of the Companies Act, 2013 have been examined by the Department, so that the Corporation could re-orient their functions in broader perspective. The Chairperson also enquired about the advantages or disadvantages if the Companies Act is made applicable to FCI.

5. The Committee also raised queries regarding provision for grievance redressal online mechanism for registration and tracking of complaints/grievances

from workers, farmers and other stakeholders, the number of households which have been considered eligible under Antyodaya Anna Yojana and Priority Household Scheme and getting benefit of these schemes for the last three years. The Committee would also like to know as being the administrative Ministry, how often they are holding meetings with FCI Management and also what system is being followed for assessing the performance of FCI.

6. Members, thereafter, raised several queries on status of stocks with FCI, percentage of covered and uncovered storage, quantum of grains that is going to be procured going forward, how much of the food subsidy is still pending with the government, shortage of funds during procurement season, how much grain is lost every year because of poor storage facilities, procurement of perishable items, procurement of millets, public private participation in building storage facilities, crop diversification for farming and procurement ,shift in cropping patterns, MSP and output subsidy, auction of excess stocks and ethanol blending of excess grains.

7. The representatives the Ministry of Consumer Affairs, Food & Public Distribution(Department of Food & Public Distribution) & Food Corporation of India clarified some issues on which information was readily available with them. In respect of points for which information was not readily available, the Chairperson directed that written replies may be furnished to the Committee within a week.

The Committee then adjourned.

(A verbatim record of the proceedings has been kept separately).

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APPENDIX IV

COMMITTEE ON PUBLIC UNDERTAKINGS

(2020-2021)

MINUTES OF THE SIXTH SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 7th January, 2021 from 1210 Hrs. to 1310 Hrs. in Committee Room „3", Ground Floor, Block A, Parliament House Annexe Extension (New Building), New Delhi.

PRESENT

Smt. Meenakashi Lekhi - Chairperson

MEMBERS

Lok Sabha

2. Shri Arjunlal Meena
3. Shri Janardan Mishra
4. Prof. Saugata Roy
5. Dr. Arvind Kumar Sharma
6. Shri Sushil Kumar Singh
7. Shri Uday Pratap Singh
8. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

9. Shri Prasanna Acharya
10. Shri Birendra Prasad Baishya
11. Shri Surendra Singh Nagar

SECRETARIAT

1.	Shri R.C. Tiwari	-	Joint Secretary
2.	Shri Srinivasulu Gunda	-	Director
3.	Shri G.C. Prasad	-	Additional Director

REPRESENTATIVES OF THE NATIONAL THERMAL POWER CORPORATION LIMITED (NTPC)

1.	Shri Gurdeep Singh	-	CMD
2.	Shri Anil Kumar Gautam	-	Director (Finance)
3.	Shri Ramesh Babu V	-	Director (Operations)
4.	Shri Dilip Kr. Patel	-	Director (HR)
5.	Shri Chandan Kr. Mondol	-	Director (O)
6.	Shri Ujjwal K. Bhattacharya	-	Director (Projects)

2. At the outset, the Hon"ble Chairperson welcomed the Members of the Committee and apprised them about the agenda for the sitting. As a first agenda item, the Chairperson proposed for consideration and adoption of the draft reports on the following subjects:-

(i) Airports Authority of India (AAI)
(ii) Central Coalfields Limited (CCL)
(iii) Food Corporation of India (FCI)
(iv) Hindustan Antibiotics Limited (HAL)
(v) NBCC (India) Limited

(vi) Action taken by the Government on the Observations/Recommendations contained in the Twenty-second Report (16th LS) of the Committee on Public Undertakings on "Financing of Renewable Energy Projects by Indian Renewable Energy Development Agency Limited (based on Performance Audit Report No.12 of 2015)".

(vii) Action taken by the Government on the Observations/Recommendations contained in the Twenty-fourth Report (16th LS) of the Committee on Public Undertakings on "Review of Loss Making CPSUs".

3. The Committee then considered the aforesaid draft reports and adopted it without any changes/modifications. The Committee thereafter authorized the Chairperson to finalize the report on the basis of factual verification by the

concerned Ministry/Department and consider for presenting the reports to Hon‟ble Speaker since Parliament is not in session.

(The representatives of NTPC were then called in)

4. **** **** ****

5. **** **** ****

6. **** **** ****

7. **** **** ****

The Committee then adjourned.

(A verbatim record of the proceedings has been kept separately).

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