

[Shri Hathi]

I move that the Bill, as amended, be passed.

**Mr. Speaker:** The question is:

"That the Bill, as amended, be passed".

*The motion was adopted*

13.54 hrs.

### FOOD CORPORATIONS BILL

**The Minister of Food and Agriculture (Shri C. Subramaniam):** Mr. Speaker, Sir, I beg to move:\*

"That the Bill to provide for the establishment of Food Corporations for the purpose of trading in foodgrains and other foodstuffs and for matters connected therewith and incidental thereto, be taken into consideration."

Hon. Members may recall the White Paper reviewing the food situation which was circulated to them early in September. I had presented an up-to-date picture of the then prevailing situation. I drew attention in paragraphs 30 and 31 of that Paper to the need for evolving a long-term food-grain policy with a view to deal with the several defects and deficiencies that had been noticed in the implementation of several short-term measures recently undertaken. Experience in the last two months has confirmed that unscrupulous elements do not hesitate to exploit difficult situations to their advantage and hold the community to ransom.

Recent events have shown how necessary it has become, in the face of frequent disturbances on the food front and reported shortages and panicky hoarding by consumers as well as various anti-social elements in the society, to regulate, reorganise and co-ordinate the production and distribution systems of foodgrains along scientific lines to face the future with confidence.

We have already taken action on the Jha Committee's recommendations in regard to ensuring fair prices at the producer, wholesaler and retailer levels. We have also set the machinery in the States with addition this price pattern. Steps are being taken to strengthen the enforcement machinery in the States with additional financial assistance from the Centre. Other regulatory measures are being taken but the most important will be the setting up of a Food Corporation of India as proposed in the Bill before this House. None of the regulatory measures like licensing or requisitioning or regulation of movements can succeed and no price policy can be administered unless there is a State agency which can secure for itself a commanding position in the foodgrains trade in course of time.

Procurement for internal distribution at approved prices has been a feature of our food policy for several years now. Similarly, the building up of buffer-stocks has been one of the objectives behind this procurement. The procurement policy itself received considerable attention in the hands of a committee headed by my hon. friend Shri Thirumala Rao in 1950. Even at that time, the committee came to the conclusion that the aim of Government food policy must be the achievement of a stable and reasonable price level for foodgrains and supplies to the consumer at this price, and that this meant a controlled system for the procurement and distribution of grains. The committee also recommended that a uniform system of procurement and distribution is not only practical but desirable and necessary.

Seven years later, we had the benefit of the recommendations of the Foodgrains Enquiry Committee under the chairmanship of my colleague, Shri Asoka Mehta. One of the terms of reference of this Committee was to make recommendations to ensure a level of prices which would provide

\*Moved with the recommendation of the President.

the necessary incentive to the producer with due regard to the interests of the consumer and the maintenance of a reasonable cost structure in the economy. I have referred to this show that the objective then was the same as it is today. This Committee recommended the setting up of a foodgrains stabilisation organisation and observed:

"Prices of foodgrains can be successfully controlled only through controlling the demand and supply of foodgrains. The way in which demand and supply of foodgrains can be regulated is through undertaking timely and effective purchase and sale operations, arranging for necessary procurement and imports and maintenance of sufficient stocks. We consider however that for the specific functions of open market purchases and sale, procurement of foodgrains and maintenance of stocks, it will be desirable to have a separate organisation called Foodgrains Stabilisation Organisation under the Ministry."

It was suggested that the organisation should operate as a trader in the foodgrains market with branches or agencies of its own in all important *mandies*, particularly in surplus areas and centres of distributive trade.

The Bill before the House is precisely intended to set up such an organisation as an autonomous statutory Corporation. We hope that the Corporation will effectively protect the producer against the cyclic and seasonal fluctuations in prices and ensure that he gets a steady return which would also act as an incentive for increased production. It will be our main instrument for protecting the consumer from the exploitation and vagaries of speculative trade.

What is important from our point of view is to see that the Corporation acts quickly and functions efficiently on the lines of a commercial undertaking, alive to the heavy responsibilities placed on it. The structure of

the Corporation has been evolved bearing this aspect in view. It should be enabled to evolve its own set-up in a manner that will lead to quick results and it should have the strength even at the out-set to withstand and face effectively not merely healthy competition but, judging from present trends, even unhealthy opposition.

14 hrs.

[SHRI SONAVANE *in the Chair*]

**Shri Nambiar** (Tiruchirapalli): It has started already.

**Shri C. Subramaniam**: We envisage that with the proposed initial capital of Rs. 100 crores and the borrowing facilities that will be available to the Corporation, it should be in a position to start and conduct operations in the Southern Zone where its activities will be largely confined to start with. In due course, the Corporation will extend its sphere of operations to other areas and take on additional responsibilities. It is also envisaged that in due course it may be entrusted with powers to negotiate and procure supplies from abroad.

Hon. Members will agree that the objectives behind the establishment of this Corporation cannot be achieved unless we secure for the Corporation not merely the blessings of State Governments, but their active and continued cooperation and, in fact, the participation in a big way of the State Government machinery. This important aspect has been considered carefully particularly in consultation with the panel of administrative experts consisting of high officials from State Governments set up by this Ministry. It was the view of this panel that the participation of State Governments could either be secured by the setting up of Regional Boards of Management or by setting up Corporations, functioning within the framework of the policy of the Corporation of India. In the Bill before the House, we have made provision for setting up either Boards of Management as in Chapter

[Shri C. Subramaniam]

III or State Food Corporations as in Chapter IV, depending upon the advice and wishes of the particular State Government concerned.

It is not necessary for me to explain in any great detail the provisions relating to Finance, Accounts and Audit in Chapter V. Clause 27 has been introduced to enable the Corporation to borrow money from banks and financial institutions against stocks under Government guarantee. Clauses 28—30 have been introduced to enable the Corporation to function in the same way as a trader and also to facilitate additional investment by producers.

In this connection, I may observe that credit will be the principal means by which the farmer is brought closely to the Corporation's activities. It is through credit that the private trader has been making his inroads into the farmers and gathers the marketable surplus. The Corporation will be expected to use the credit mechanism to ensure that the farmer is able to meet his requirements fully. In the long run, increased production can be obtained only by putting in more inputs like better seeds, fertilisers, etc., and the Corporation should, in due course, undertake the supply of these productive inputs along with credits to those farmers who enter into suitable agreements with the Corporation. We have to bear in mind that it is the first time that a commercial organisation established by Government comes into direct contact with the farmers. The business of buying and selling can be used for mutual benefit and profit.

There is then the important problem of storage. It is admitted on all hands that faulty storage at all levels from the consumers to the producers who are poor and are in millions results in our losing a very high percentage, almost equal to about 15 per cent of our grains every year and as long as our storage is not perfected,

even more production would only mean more loss of foodgrains. It has been estimated that a rat can eat foodgrains every day equal to its own weight and 10 rats can eat one man's food a day. You will imagine, therefore, in a big country like this what an amount of work is ahead of us even in this direction and how millions of people will have to participate in facing the problems and trying to solve them for the country. We shall have to regulate storage at all levels even by legislation and at the same time build up soils and other storage facilities on modern lines so that we can save all that we grow.

The Corporation will be expected to utilise fully the storage facilities of the Central Warehousing Corporation and the State Warehousing Corporations and, if necessary, storage facilities at the disposal of the Ministry. The storage will be arranged at such strategic points so that the responsibilities for distribution to deficit areas would be quickly discharged. The accounts and audit will be based on commercial practice. The Corporation is expected to submit an annual report which, together with the audit report, will be placed before Parliament.

I have observed earlier that it will be necessary, if our policy is to succeed, that the Corporation should, as quickly as possible, build for itself a commanding position in the foodgrains trade in the areas where it operates. Any tendency or moves on the part of the trade to place obstacles in the way of the Corporation in its efforts to achieve these objects will have to be dealt with firmly by the Government concerned. I may perhaps herein emphasise the point that the Corporation will succeed in its objective fully only when it is able to build adequate buffer stocks. There should be no misapprehension that by the setting up of this Corporation as

an autonomous Commercial organisation, it loses its complexion as Government entity. It in fact, must function as an essential limb in the integrated set-up of Central and State Government machineries for the implementation of an all-India food policy. If, therefore, circumstances warrant the necessity of resorting to the powers of requisitioning under the Essential Commodities Act or the Defence of India Act, such action will be taken.

It will be seen that in drafting the provisions, we have confined ourselves generally to the need for securing for the Corporation such powers and authority as are necessary in the fulfilment of our overall objectives. Whilst immediately the Corporation will be expected to concentrate in the discharge of its primary functions of trade in foodgrains, we envisage that in due course, the Corporation should assume for itself and play a much wider role in the matter of achieving the long-term objective, namely, of assisting in an overall increase of agricultural production. It may then be necessary for the Corporation to take the lead in the matter of modernizing agriculture by introduction of mechanisation, attention to subsidiary foods, food processing, etc. It is only a corporation of the standing and resources as now being set up that can effectively achieve success in this direction. The Corporation, therefore, has not merely an immediate role to play, but a broader and more vital role in due course.

It is necessary for all of us to realise that immediate action is called for on the purchase front. The Corporation will officially start its operation only in January and it is essential that the necessary network is built up without delay. In the intervening period, we propose to utilise the procurement organisation of the State and Central Governments to buy foodgrains in the open market at the declared prices.

There is no doubt that the success of the Corporation depends largely on

the efficiency and achievements of its Purchase Division. The Corporation should have enough freedom to choose from cooperatives, commission agents, wholesale traders, rice mills for its own personnel at the market centres. It may even be desirable to set up multiple purchasing agencies at the same points not only to fulfil the target but also to act as mutual checks on each other so as to increase the operating efficiency.

The gravity of the present situation depends on overall and determined effort. I earnestly hope that Members will not merely endorse this measure—I am sure they will endorse it—in the House, but also help in every way to interpret the national role that the Corporation is expected to play in protecting the interest of particularly the producer, who should realise that, very soon, he will have an office or agent of the Corporation to go to where he can get the minimum price which has been assured to him.

Sir, I move.

**Mr. Chairman:** Motion moved:

“That the Bill to provide for the establishment of Food Corporations for the purpose of trading in foodgrains and other foodstuffs and for matters connected therewith and incidental thereto, be taken into consideration.”

There is a motion for circulation and a motion for reference to Select Committee. Are they being moved?

**Shri Yashpal Singh (Kairana):** Yes, Sir; I want to move my motion.

**Shri N. Dandekar (Gonda):** If the Minister is accepting the motion for reference to Select Committee, then I am not particularly keen about my motion for circulation.

**Mr. Chairman:** Let it not be conditional.

**Shri N. Dandekar:** In that case, Sir, I beg to move:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 20th February, 1965".

**Shri Yashpal Singh:** I beg to move:

That the Bill be referred to a Select Committee consisting of Dr. M. S. Aney; Shri Bhagwat Jha Azad; Shri Ramchandra Vithal Bade; Shri Mani Ram Bagri; Shri Bibhuti Mishra; Shri Ajit Prasad Jain; Sardar Kapur Singh; Dr. Ram Manohar Lohia; Shri Harish Chandra Mathur; Shri B. P. Maurya; Shri H. N. Mukerjee; Shri Ananda Nambiar; Shri Nath Pai; Dr. Sarojini Mahishi; Shri Diwan Chand Sharma; Shri Prakash Vir Shastri; Shri Vidya Chanran Shukla; Shri Krishnapal Singh; Shri Surendra Pal Singh; Shri C. Subramaniam and Shri Yashpal Singh with instructions to report by the 30th November, 1964.

**Mr. Chairman:** I find that Shri Berwa and Shri Bade are not present in the House. There are no other substitute motions. Therefore, these two substitute motions, one for circulation and the other for reference to a Select Committee will also be considered along with the original motion moved by the hon. Minister.

Now, there are no amendments. The time allotted for this Bill is 5 hours.

**Shri D. S. Patil (Yeotmal):** I have given notice of amendments.

**Mr. Chairman:** I was talking about the apportionment of time. As there were no amendments I wanted to say that most of the time allotted can be taken up in the general discussion.

**Shri K. N. Tiwary (Bagaha):** Have you closed taking in amendments, or can we give amendments now?

**Shri Ranga (Chittoor):** There is very little time left today. They can give amendments even tomorrow.

**Mr. Chairman:** The rules are very clear on that. 24 hours notice is necessary. If your notice falls within that rule it will be taken up.

**Shri K. N. Tiwary:** The hon. Minister has moved the Bill today.

**Shri C. Subramaniam:** I gave notice long ago.

**Shri K. N. Tiwary:** I hope we can give our amendments tomorrow.

**Mr. Chairman:** Hon. Members may send in their amendments. I will place them before the Speaker for his consideration.

**Shri N. Dandekar:** Sir, as the hon. Minister explained, the introduction of this Bill is in pursuance of a policy concerning which a White Paper was laid on the Table of the House in September, 1964. Having regard to the explanation of the Bill which the Minister so lucidly gave to the House just now, ordinarily one would be inclined to say that, on the whole, it is a measure to which one need not in principle take exception.

He described that the Corporation would work on commercial lines. There is included in the Bill a provision that the Board of Directors would conduct the affairs of the Corporation on business principles. There are references also to the commercial manner in which the operations would be handled. Moreover, the Minister was good enough to explain the manner in which the Corporation was intended to assist the producer, not merely by purchasing his output at assured minimum prices but also to assist him with credit, and that there would be various agencies for that purpose and so on.

As I said, ordinarily, expressions of that kind, explanations of that kind, would not form grounds for any apprehension concerning the objectives

of this Food Corporation or the manner of its working, nor the general policy objectives which the Government had in view in setting up this Corporation. But, Sir, knowing the manner in which the various State Trading and other State Corporations have started in the beginning and the manner in which they have subsequently grown, namely, gradually to oust from the field, the ordinary trade channels, those hundreds of people who are engaged in that particular business and gradually converting the operations into a large monopolistic octopus, I view this measure with some apprehensions as to the implications of it, on the one hand, and as to the motives behind it, on the other, in so far as Government policies are concerned. I also view with grave apprehensions the consequences which may emerge from this, not merely in terms of profiteering by this very Corporation, that is to say not merely in terms of harm to the interests of the consumer in the long run, but also in terms of the potential harm which it contains in the course of its development as an anti-farmer device. In other words, this seems to be measure for the compulsory acquisition of foodgrains throughout the country as a means for monopolistic distribution throughout the country whereby, in fact, all that will remain is to attach to the State in this country the name of "Communist State". Short of merely adopting that name, there will be established in the most important part of the national economy practically a Communist State Enterprise of an all-pervading character.

The House is undoubtedly aware that something like 50 per cent of the national income is derived from agriculture. I have not with me the figures of exactly how much of that portion of the national income is contributed by foodgrains and other food products in which this Corporation will be engaged and how much by commercial crops. But one can be absolutely certain that it constitutes a

very large proportion of the total national income. Letting into that sphere a State-owned corporation on an all-India monopoly basis, with satellite corporations in every State, the whole of whose operations would be financed at public expense and the whole of whose operations both in the matter of procurement and distribution and also in the matter of transport, in the matter of purchase and sale and in the matter of distribution trading would be on a monopolistic basis,—all this certainly raises apprehensions of an extremely grave kind.

I, therefore, make the first point, namely I wonder whether one can ask the Minister, when he replies to the debate, to give an assurance that there is no intention whatsoever in this particular measure to establish an all-pervading a government monopoly in the entire agricultural economy of this country.

Now, I would like to say a few words as to why I entertained these apprehensions. I turn, first of all, to the provisions that are contained here in clause 7 about the appointment of directors. Of the total Board of Directors, six are to be clearly officials anyhow, namely: the Chairman, the directors representing the ministries of Food, Finance, and Co-operation, the Managing Director of the Central Warehousing Corporation, and the Managing Director of this Corporation itself. There remain six other Directors whom Government would appoint. There is no indication whatever, either in the Bill or in the Minister's speech, as to the source from which these six Directors would be drawn, what sort of qualification they will be expected to have and what sort of experience they will be expected to have. This raises considerable doubts in one's minds as to whether this is not in fact intended to be an entirely Government-owned, Government-managed, Government-directed corporation in every sense of the term, including the day to day management, including those occasions on which the Board of Directors get together for

[Shri N. Dandekar]

the purpose of deciding specific issues and policies in the normal course of business.

In the Statement of Objects and Reasons it is explained that the Corporation is expected to work within the framework of overall Government policy. This causes some apprehension. On the one hand, the Corporation is said to be designed to work on commercial principles. In some places it is said "on commercial lines", elsewhere it is said "in commercial manner" and in other places it is said "on business principles" and so on, but there is this ominous statement that this Corporation will work within the framework of overall Government policy. What does that imply?

**Shri C. Subramaniam:** Does the hon. Member expect it to work against the Government policy?

**Shri N. Dandekar:** No, Sir. But I want to know whether this Corporation is going to work in the matter of making advances and of purchasing and selling foodgrains on business principles or is it going to work according to any odd principles that happen to be at that particular time, or in a particular context, within the whims and fancies of the "overall policies of Government."

**Mr. Chairman:** The hon. Minister has referred to that in his speech earlier.

**Shri N. Dandekar:** The "overall policies of Government" can mean anything at any time.

**Shri Ranga:** Including profiteering.

**Shri N. Dandekar:** Yes, including profiteering. For example, they have recently in their Ordinance announced the prices at which foodgrains may be bought from the producers and also the wholesale and retail trade prices. Of course, there is a provision for margin of profit; fair enough. But will the Corporation be

working or not working within that kind of framework and pricing? That is the kind of assurance that one desires—or is it that the Corporation, after assuming these wonderful things called "commanding positions" "strategic heights" and things of that kind,—which are military expressions that have crept into the speeches of Government spokesmen since China invaded us from strategic heights and drove our forces out from their "commanding positions" since when we have certainly become extremely military-minded in expressing or giving an exposition of our policies—this is the kind of phraseology that is very familiar in Communist literature—....

**Mr. Chairman:** The hon. Minister has taken food production on a war footing.

**Shri N. Dandekar:** Yes Sir, crisis programme, war footing, strategic and commanding positions and heights and expression of that kind are always there. Unfortunately, there is nothing in the Bill, no indications whatever, nothing to reassure one that, while apparently leading people to believe that at any rate in the earlier years this Corporation is going to function alongside with the normal trade channels, the dice will not in fact be loaded in favour of the Corporation in various ways so as to make it a monopoly in practice.

Of course, I cannot object in principle to the creation of the State food Corporation. I cannot object to it if its finances are provided or guaranteed by the Government; that necessarily goes with it. But I have in mind fears of another kind. For instance, it is already in the newspapers that the zones were abolished and now every State has become a separate zone. There will not be free movement of foodgrains whether from district to district or State to State or from one part of India to another part. In other words, we

would now be having even smaller units constituting zones. The thought that occurs to me, the apprehension that I have is this, that while apparently this Corporation is to set an example of good conduct, an example of fair dealing, an example of how to help the producer, how to minimise cost and profit margin, how to help the consumer etc., in other words, to function alongside the trade so that the trade may learn from this wonderful Corporation how to conduct itself while all this is on paper, in reality nobody would be able to buy food-grain from one State and take it to another State, except only the Corporation. Permits will be needed for transport, whether by rail or by road. It was in fact mentioned that in so far as inter-State movements or inter-district movement by railways was concerned, it was intended that the Corporation should have a monopoly. I do not understand what sort of working on business line or commercial principles is this when all the time the dice is loaded by giving the Corporation preferential situations, preferential permissions, preferential privileges, monopolistic privileges and things of that kind. The Minister has mentioned in his speech—I am not sure whether it is in the Government policy statement made two months ago—that, “if necessary,” the Corporation will under the Essential Commodities Act be given the right to procure food-grains compulsorily. I feel that this is not just a mere possible thing that might happen; I am certain that it is actively in the minds of most State Governments and apparently it is also the intention of the Central Government. I am really afraid of this. I am not afraid of shadows; I am afraid of the things that have been said, namely, that at any time all the producers of foodgrains in this country are going to be at the mercy of this enormous Corporation, with its satellites, the State Corporation, with enormous money resources behind it, with transport monopolies and the like. The Minister also mentioned that one of the ways in which this Corporation can acquire commanding position or strategic posi-

tion,—for whatever the words are, would be for it to acquire adequate buffer stocks. To acquire buffer stocks means stocks more than are needed for the purpose of current distribution to the consumer under pressure purchase of a kind that would be of incredible dimensions. I do not know whether one is aware that if you are going to make purchases with a view to building up substantial buffer stocks, not merely stocks that are going to see you through from one harvest to the next, i.e. during the inter-harvest period, but buffer stocks of such magnitude as build up for the Corporation a commanding position in the food-grains trade. What this means is that you have either got to have a compulsory procurement policy such that the producers will be compelled to surrender their food-grains to the Corporation or such a high voluntary purchase price that they will be readily attracted to the Corporation and would not mind selling their entire produce to the Corporation.

It may be thought that I am getting frightened of shadows. Therefore, I would like to read what has been said in that white paper itself that was circulated in September, regarding the Foodgrains Corporation. This is what is said in paragraph 36:—

“Government have, therefore, decided to set up a Foodgrains Trading Corporation to function on strictly commercial lines....”

Presumably no monopoly; I take that to be one of the Cardinal principles of working on “Strictly commercial lines”, one of the fundamental principles of strictly commercial operations is free and open competition.

“... to function on strictly commercial lines to purchase, to store and sell foodgrains. This Corporation, which would be on a statutory basis, will be equipped with sufficient resources...”

And here we begin to get to the sough stuff:

[Shri N. Dandekar]

"It will be armed . . ." another military expression:

"It will be armed with adequate powers"

**Mr. Chairman:** I hope the hon. Member is likely to take some more time.

**Shri N. Dandekar:** Yes, Sir.

**Mr. Chairman:** In that case, he might continue his speech the next day. Now we will take up Private Members' Business.

14.30 hrs.

PRIVATE MEMBERS' BILLS AND  
RESOLUTIONS COMMITTEE

FIFTIETH REPORT

**Shri Hem Raj (Kangra):** Sir, I beg to move:—

"That this House agrees with the Fiftieth Report of the Committee on Private Members' Bills and Resolutions presented to the House on the 18th November, 1964."

**Mr. Chairman:** The question is:

"That this House agrees with the Fiftieth Report of the Committee on Private Members' Bills and Resolutions presented to the House on the 18th November, 1964."

*The motion was adopted.*

**Mr. Chairman:** Bills to be introduced Maharajkumar Vijaya Ananda . . . Absent.

14.31 hrs.

CONSTITUTION (AMENDMENT)  
BILL\*

(Amendment of the Seventh Schedule).

**Shri Balkrishna Wasnik (Gondia):** Sir, I beg to move for leave to intro-

duce a Bill further to amend the Constitution of India.

**Mr. Chairman:** The question is:

"That leave be granted to introduce a Bill further to amend the Constitution of India."

*The motion was adopted.*

**Shri Balkrishna Wasnik:** Sir, I introduce the Bill.

**Mr. Chairman:** Shri Malaichami. Absent.

**Shri D. S. Patil (Yeotmal):** On behalf of Shri Malaichami can I introduce the Bill?

**Mr. Chairman:** Has he been given the authority?

**Shri D. S. Patil:** No.

**Mr. Chairman:** Then he cannot do so. Shri A. S. Saigal... Absent. Shri Yashpal Singh.

14.31½ hrs.

HIRE-PURCHASE BILL\*

**Shri Yashpal Singh (Kairana):** Sir, I beg to move for leave to introduce a Bill to amend the law relating to the hire-purchase of goods.

**Mr. Chairman:** The question is:

**Shri Yashpal Singh:** Sir, I introduce a Bill to amend the law relating to the hire-purchase of goods."

*The motion was adopted.*

**Shri Yashpal Singh:** Sir, I introduce the Bill.

\*Published in Gazette of India, Extraordinary—Part II, section 2, dated 20-11-1964.