3

STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2014-15)

SIXTEENTH LOK SABHA

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

DEMANDS FOR GRANTS
(2015-16)

THIRD REPORT

LOK SABHA SECRETARIAT

NEW DELHI

April, 2015 Chaitra, 1937 (Saka)

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(DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION)

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(2015-16)

Presented to Lok Sabha on 27.04.2015
Laid in Rajya Sabha on 27.04.2015

LOK SABHA SECRETARIAT

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CONTENTS

APPENDIX

Composition Standing Committee on Food, Consumer Affairs and Public Distribution (2014-15).

Shri J.C. Divakar Reddy, Chairperson

Lok Sabha

2. Shri Anto Antony
3. Shri Babu Lal Choudhary
4. Shri Sanjay Jadhav (Bandu) Haribhau
5. Shri Dinesh Kashyap n
6. Shri Dharmendra Kumar
7. Shri Ravinder Kushawaha
8. Smt. Sakuntala Laguri
9. Dr. Sakshi Maharaj
10. Shri R. K. Bharathi Mohan
11. Shri Sunil Kumar Mondal
12. Shri Kamlesh Paswan
13. Shri Ram Chander Paswan
14. Shri C.S. Putta Raju
15. Smt. Priyanka Singh Rawat
16. Shri P.V. Midhun Reddy
17. Shri Bhola Singh
18. Shri Brij Bhusan Sharan Singh
19. Shri Shibu Soren#
20. Shri Prabhubhai Nagarbhai Vasava
21. Shri Nandi Yellaiah

Rajya Sabha

22. Shri Ritabrata Banerjee
23. Shri Shadi Lal Batra
24. Shri Pankaj Bora
25. Shri Mithun Chakraborty
26. Dr. Bhushan Lal Jangde
27. Dr. Prabhakar Kore**
28. Ms. Rekha
29. Dr. K. Keshava Rao*
30. Shri Dhiraj Prasad Sahu
31. Shri Veer Singh**

Secretariat

1.	Shri P.K. Misra	-	Additional Secretary
2.	Shri A.K. Shah	-	Director
3.	Shri Khakhai Zou	-	Under Secretary

Nominated to the Committee on Food, Consumer Affairs and Public Distribution (2014-15) w.e.f. 07.10.2014

* Change of nomination from the Standing Committee on Water Resources to the Standing Committee on Food, Consumer Affairs and Public Distribution (2014-15) w.e.f. 08.10.2014.

** Sarv Shri Amar Singh and Veer Singh, MP (RS) ceased to exist as members of the Committee on Food, Consumer Affairs and Public Distribution (2014-15) consequent upon their retirement from the membership of Rajya Sabha w.e.f. 25.11.2014.

** Dr. Prabhakar Kore , MP (RS) nominated to the Committee on Food, Consumer Affairs and Public Distribution (2014-15) w.e.f. 19.12.2014.

**Shri Veer Singh, MP(RS) re-nominated to the Committee on Food, Consumer Affairs and Public Distribution (2014-15) w.e.f. 08.01.2015.

INTRODUCTION

I, the Chairperson of the Standing Committee on Food, Consumer Affairs and Public Distribution (2014-15) having been authorized by the Committee, present on their behalf the Third Report on Demands for Grants (2015-16) relating to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The Committee examined/scrutinized the detailed Demands for Grants (2015-16) of the Ministry, which were laid on the Table of the House on 20 March, 2015. The Committee took evidence of the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) on 27 March, 2015.

3. The Committee wish to express their thanks to the Officers of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) for appearing before the Committee and for furnishing the material as desired by the Committee in connection with the examination of the subject.

4. The Committee would also like to place on record their deep sense of appreciation of the invaluable assistance rendered by the officers/staff of Lok Sabha Secretariat attached to the Committee.

5. The Draft Report was considered and adopted by the Committee at their sitting held on 17 April, 2015.

6. For facility of reference and convenience the observations/recommendations of the Committee have been printed in thick type in Part- II of the Report.

NEW DELHI
17 April, 2015
27 Chaitra, 1937 (Saka)

J C DIVAKAR REDDY,
Chairperson,
Standing Committee on Food,
Consumer Affairs and Public Distribution

REPORT

PART I – NARRATION ANALYSIS

Role of the Department

1.1 The main functions of Department of Food & Public Distribution as outlined in Annual Report 2013-14 of Department are as under:-

(i) Formulation and implementation of national policies relating to procurement, movement, storage and distribution of food grains;

(ii) Implementation of the Public Distribution System with special focus on the poor;

(iii) Provision of storage facilities for the maintenance of central reserves of food grains and promotion of scientific storage;

(iv) Formulation of national policies relating to export and import, buffer stocking, quality control and specifications of food grains;

(v) Administration of food subsidies relating to rice, wheat and coarse grains;

(vi) Policy matters relating to sugar and sugarcane sector, fixation of Fair and Remunerative Price (FRP) of sugarcane payable by sugar factories, development and regulation of sugar industry (including training in the field of sugar technology) and sugar supply for PDS;

(vii) Supporting industries, the control of which by the Union is declared by Parliament by law to be expedient in public interest, as far as these relate to Vanaspati, Oilseeds, Vegetable Oils, Cakes and Fats; and

(viii) Price control of, and inter-state trade and commerce in, and supply and distribution of Vanaspati, Oilseeds, Vegetable Oils, Cakes and Fats.

Demands for Grants (2015-16) of the Department – An overview

1.2 Demand No. 18 relating to Detailed Demands for Grants of the Department of Food and Public Distribution was laid on the Table of Lok Sabha on 20 March, 2015 makes a gross provision of Rs. 1,36,537.55 crore .

1.3 Broadly the funds for 2015-16 have been proposed for the following provisions:-

Non-Plan

S.No.		Amount (Rs. in crore)
1.	Secretariat	42.22
2.	Food subsidy (including sugar)	1,24,419.00
3.	Subsidy for Maintenance of Buffer Stocks	3.00
4.	Ways and Means Advance payable to FCI	10,000.00
5.	Funds for (i) Transfer/from Sugar Development Fund (Rs. 500 crore),(ii) Scheme for extending Financial Assistance to Sugar Undertaking Scheme, 2014 (Rs. 800 crore) (iii) loans for modernization/ rehabilitation etc. of sugar mills - (Rs. 500 crore) (iv) Directorate of Sugar and vegetable office, etc.(Rs/ 61.33 crore)	1861.33
	Total	1,36,325.55

Plan

1.	Construction of Godowns by FCI/State Govt.	90.00
2.	Computerization of PDS Operations	80.00
3.	Assistance to Warehousing Development & Regulatory Authority	30.00
4.	Strengthening of Quality Control	5.00
5.	NSI, Kanpur	2.50
6.	Assistance to States/UTs for non-building assets for State Food Commissions	2.00
7.	Strengthening of PDS& Capacity Building	1.65
8.	Consultancies, Training and Research	0.85
	Total	**212.00**

Grand Total (Non-plan + Plan) = 1,36,325.55 + 212.00 = 1,36,537.55

Broad allocations of Food Subsidy (2015-16):-

1.4 The details of Food Subsidy to FCI (Regular), Food Subsidy (NFSA), Food Subsidy to DCP State (Regular), Food Subsidy to DCP State (NFSA), Sugar Subsidy to States/UTs for PDS proposed for 2015-16, the Department has furnished the following details:-

(in Rs. crore)

S.No.	Subject	Amount
1.	Food Subsidy to FCI (Regular)	45000.00
2.	Food Subsidy to FCI (NFSA)	52000.00
3.	Food Subsidy to DCP State (Regular)	10000.00
4.	Food Subsidy to DCP State (NFSA)	12919.00
5.	Sugar Subsidy to States/UTs for PDS	4500.00
	Total	124419.00

Details of Outlay vis-a-vis Expenditure 2014-15 and BE 2015-16

1.5 The details of BE, RE and actual expenditure for the financial year 2014-15 and BE 2015-16 under Non-plan and Plan Schemes of Department of Food and Public Distribution is as under:-

Non-Plan				(Rs. in Crore)
Name of the Scheme	**BE 2014-15**	**RE 2014-15**	**Exp. 2014-15 as on 28.02.2015**	**BE 2015-16**
Food Subsidy to FCI (Regular)	42000.00	45000.00	41995.35	45000.00
Food Subsidy to FCI (NFSA)	50000.00	52000.00	50000.00	52000.00
Food Subsidy to DCP State (Regular)	9500.00	10800.00	8454.62	10000.00
Food Subsidy to DCP State (NFSA)	9000.00	10375.81	9000.00	12919.00
Sugar Subsidy to States / UTs for PDS	4500.00	4500.00	3963.79	4500.00
Sugar Development Fund (SDF) Loans	500.00	396.45	297.69	500.00
Subsidy for Buffer Stocks of Sugar	5.00	5.00	4.20	3.00
Incentive for Marketing & Promotion Services for Raw Sugar Production (New Scheme)	0.00	200.00	0.00	0.00.
SEFASU, 2014 (New Scheme)	100.00	703.77	100.00	800.00
Transfer to SDF	250.00	250.00	250.00	500.00
Loans to PSUs	10000.00	10000.00	10000.00	10000.00
Other Schemes	99.34	95.51	87.71	103.55
TOTAL (NON-PLAN)	**125954.34**	**134326.54**	**124153.36**	**136325.55**

Sl. No	(A) Ongoing Schemes	Annual Plan 2013-14			Annual Plan 2014-15				2015-16
		BE	RE	AE	BE	RE	AE up to 28.02. 2015	% against RE	BE
1	**Construction of Godowns by FCI /State Govt. etc.**	45.00	3.00	3.00	181.00	91.84	76.83	83.66	90.00
2	**Computerisation of PDS Operations**	200.00	188.76	184.20	128.50	35.00	28.27	80.75	80.00
3	**NSI Kanpur**	0.88	0.88	0.80	2.50	2.50	2.41	96.54	2.50
4	**Village Grain Bank**	2.00	0.00	0.00	Scheme discontinued				
5	**Assistance to Warehousing Development and Regulatory Authority**	6.32	4.64	3.55	8.00	13.81	6.26	45.34	30.00
6	**Strengthening of PDS & Capacity Building, Quality Control, Consultancies & Research**								
(i)	**Strengthening of PDS & Capacity Building**	2.10	1.13	0.95	2.50	1.50	0.79	52.65	1.65
(ii)	**Consultancies, Training & Research**	0.70	0.31	0.30	1.50	1.65	1.041	63.06	0.85
(iii)	**Strengthening of Quality Control Mechanism**	2.00	1.28	1.27	5.00	3.50	2.16	61.73	5.00
(iv)	**Financial Assistance to non- building assets to State Food Commission**	0.002	0.00	0.00	1.00	0.20	0.00	0..00	2.00
	Total	**259.00**	**200.00**	**194.07**	**330.00**	**150.00**	**117.77**	**78.44**	**212.00**

Major Head-wise Summary of Demands for Grants (2015-16) is at Annexure - I.

Scheme-wise Analysis

2.1 The Scheme-wise Analysis contains non-Plan Schemes and Plan Schemes and wherever necessary, recommendations of High Level Committee on Restructuring of FCI circulated before the Committee have been incorporated.

Non-Plan Schemes

I. Food Subsidy (including Sugar)

2.2 The Committee during the course of examination of Demands for Grants (2015-16) found that food subsidy is provided in the budget of the Department of Food and Public Distribution to meet the difference between economic cost of foodgrains and their sales realization at Central Issue Prices fixed for TPDS and other welfare schemes. In addition, the Central Government also procures foodgrains for meeting the requirements of buffer stock. Hence, part of the food subsidy also goes towards meeting the carrying cost of buffer stock.

(a) Reasons for rise in Food Subsidy

2.3 Since 2004-05, the MSP of wheat has increased from Rs. 630 per quintal to Rs.1400.00 per quintal in RMS 2014-15. Similarly MSP + bonus of paddy (Common) has increased from Rs.560 per quintal to Rs.1360.00 per quintal in KMS 2013-14. However the Central Issue Price (CIP) of wheat and rice for AAY, BPL and APL families has not been revised since 2002. As a result, the gap between economic cost and CIPs has been increasing and food subsidy incurred by the Government has risen substantially.

2.4 The subsidy is provided to FCI, which is the main instrument of the Government of India for procurement and distribution of wheat and rice under TPDS and other welfare schemes and for maintaining the buffer stock of foodgrains as a measure of food security.

2.5 During the course of examination, the Committee pointed out that the level of food subsidy in 2012-13 in Rs. 75,366.42 crore (BE) has gone upto Rs. 1,24,419 crore in 2015-16 (BE) indicating jump of around 50,000 crore in four year's time.

2.10 Asked whether increase of Rs. 50,000 crore in food subsidy is quite huge in the light of the fact that the level of food subsidy available currently constitutes 23.41% of total non-plan revenue expenditure of the country, the Department of Food and Public Distribution stated as under:-

> "Owing to continuous increase in Minimum Support Price (MSP), increase in quantum of procurement leading to huge excess stock under Central Pool, increase in amount to be paid as taxes/ levies to the State Governments, non-revision of CIP since 2002 and reduction in issue price under NFSA 2013, increased population

coverage under NFSA, increase in cost of storage and movement/ road transportation, increase in handling expenses, increase in interest burden due to extra borrowings by FCI etc. are the main reasons for high increase in food subsidy."

(b) Magnitude of burden of Food subsidy on Government Exchequer

2.6 During the course of examination, the Committee (Economic Survey 2014-15 Vol. II page 3 para 2.19) found that interest payment and subsidies constitute as large as 38.3% and 23.4% of total Non-Plan Expenditure for BE (2014-15). The subsidy bill for BE (2014-15) was placed at Rs. 2.60 lakh crore which was 23.4% of non-plan expenditure.

(c) Demand vis-a-vis Availability of Funds

2.7 The total requirement vis-a-vis allocation of funds for food subsidy as per Department of Food and Public Distribution is as under:-

(in Rs. crore)

Year	Fund Requirement		Total Requirement	Total Allocation	Progressive Shortfall
	FCI	DCP States			
2012-13	103733	13564	117297	84554	32743
2013-14	125198 (Prov)	18000	143198	89740	53458
2014-15	147730 (Prov)	23500	171230	110500 (BE)	60730

2.8 Asked about the total requirement vis-a-vis allocation of funds for food subsidy for FCI and DCP States during 2015-16, in a post-evidence reply, the Department stated as under:-

" Due to insufficient budgetary allocations, as on 01.04.2015, following amounts of food subsidy remained outstanding to be paid to FCI and DCP States for previous years:

(Rs. in crores)

FCI	DCP States
50990	3868.84

Further, there is less allocation of funds in BE 2015-16 also as per details given below:

(Rs. in crores)

Year	FCI	DCP States
2015-16 (BE)		
Projection	119348	27000
Funds made available	97000	22919
Shortage	**22348**	**4081**

It may be seen that, if arrears as on 01.04.2015 plus less allocation of funds for the year 2015-16 is taken together, there will be following shortage of funds for FCI and DCP States:

(Rs. in crores)

	FCI	DCP States
Arrears of food subsidy as on 01.04.2015	50990	3868.84
Less allocation in BE 2015-16	22348	4081.00
Total Shortage in allocation	**73338**	**7949.84**

Thus, there is an overall shortfall of Rs. 81287.84 crore in the allocations made for food subsidy."

2.9 In this connection, when asked about the reasons for approaching the Department for seeking ways and means advance, the Department of Food and Public Distribution in a written note explained:-

"Since subsidy allocated to FCI in most of the years remains less than the requirement, FCI is forced to approach Government for sanction of Ways and Means Advance in the beginning of a Financial Year, which are refunded to the government along with interest before end of the financial year. The main purpose for demanding this amount is that to meet the working capital requirement for the 1st quarter. As the interest charged on Ways and Means Advance by the Government is lower than interest charged by banks on loan, it is preferred arrangement in the beginning of each financial year rather than resorting to bank borrowing."

The Department of Food and Public Distribution further added-

"For next year, FCI has requested for sanction of Ways and Means Advance of Rs. 20000 crore, however, the Ministry of Finance has proposed an allocation of Rs.10000 crore for this purpose in the Budget Estimates of 2015-16."

2.10 In this connection, the High Level Committee has also observed:-

"The budgeted subsidy food subsidy for FY 2014-15 is Rs. 1.15 lakh crores and as per discussions with DFPD and FCI, there are pending arrears of almost Rs. 50,000 crores that need to be cleared on account of food subsidy. What all t his indicates is that the financial burden of this program is already becoming unsustainable, and unless some drastic steps are taken to reform this, the situation is going to become worse very soon."

2.11 The Department of Food and Public Distribution in their action taken replies of Demands for Grants (2014-15) has also stated the allocation of funds for Food Subsidy is made by the Ministry of Finance through budget keeping in view of the Food subsidy requirement as well as other budgetary constraints. There has been gap in the requirement of funds for food subsidy and allocation made in the budget since last several years. This problem is more acute in case of FCI. This Department regularly keeps requesting Ministry of Finance for allocation of additional funds for Food subsidy. The latest letter on this issue has been sent by Hon'ble Union Food Minister to Hon'ble Union Finance Minister on 10.02.2015.

2.12 The Committee in this regard wanted to know in what way the gap between requirement of funds vis-a-vis actual funds for food subsidy can be bridged, the Department of Food and Public Distribution in their reply stated as under:-

> "The gap between requirements of funds vis-a-vis availability of funds for food subsidy can be bridged to some extent by following measures:
> - Allocation of additional funds in the Budget.
> - Increasing Central Issue Price (CIP) of food grains which has not been revised upward for more than 12 years.
> - Enhancing the operational efficiency of FCI
> - Reduction in taxes/ statutory charges by the States.
> - Additional borrowings by FCI."

2.13 The Committee also enquired about the opinion of experts in food management in this regard, the Department of Food and Public Distribution in a written note stated as under:-

> "Though Department had, as such not sought any opinion from the experts in this regard, but from time to time, CACP in its Price Policy Reports has been suggesting some measures like reduction in taxes by the States and announcing composite MSP inclusive of all taxes. Recently, the High Level Committee headed by Shri Shanta Kumar, M.P., which had experts like Dr. Ashok Gulati, Prof. G. Raghuram and Prof. G. Nancharaiah, has made some recommendations with regard to bringing in cost efficiency in FCI. Various other recommendations of the HLC are at Annex-II and III."

2.14 In this connection, the CMD, FCI explaining the issue during the course of evidence also submitted before the Committee:-

> ”Then you raised the issue of arrears of grants or subsidies as has been mentioned by the Financial Adviser. This amount of Rs 50,000 or 60,000 crore should have come to FCI because this has become due but the Finance Minister keeps in mind various requirements, FRBM measures, some operational issues. The amount that is provided, only that much is made available. This amount has not been made available but this is not affecting the operation of FCI. For this, the Government may give wage and means advance or it may allow borrowings from the Banks or something, but no operation of FCI ever came to halt for that. Again, it is because of the Government comes if the bank loan is taken for that requirement, it increases the interest and again interest is met by the Government. Therefore, it should not be natural practice for various reasons about which I cannot say anything. The Finance Minister has to take overall picture into account. They provide some money and the difference is arranged from other sources which cost the Government but no farmers or beneficiaries of PDS are affected."

(d) Measures for curbing food subsidy

(i) Issues related with Decentralized Procurement Scheme (DCP)

2.15 During the course of examination, on the issue of quantum of subsidy released to FCI and to States during the last seven years, the Department of Food and Public Distribution has furnished the year-wise break-up of subsidy released for distribution of subsidised foodgrains and maintenance of buffer stocks during the last seven years and current financial year to FCI and the States operating the Decentralized Procurement Scheme is as under:-

(Rs. in crore)

Year	Subsidy Released		
	FCI	States	Total
2007-08	27760	3500	31260
2008-09	36744	6924	43668
2009-10	46867	11375	58242
2010-11	50729.56	12200.00	62929.56
2011-12	59525.90	12845.00	72370.90
2012-13	71980.00	12574.00	84554.00
2013-14	75500.02	14240.00	89740.02
2014-15 (upto 04.03.2015)	91995.35	17765.03	109760.38

The Committee pointed out that in all the years barring 2014-15, level of subsidy released to FCI is four to five fold higher than subsidy released to States.

2.16 Asked about the reasons behind these stagnated releases, the Department of Food and Public Distribution stated as under:-

> " FCI is the main agency of Govt. of India for procurement, storage and distribution of food grains in the country. Before introduction of DCP Scheme, whole amount of food subsidy used to be released to FCI. However, after introduction of DCP Scheme from the year 1997, a part of food subsidy is also being directly released to DCP States, which have taken up the responsibility of procurement, storage and distribution of food grains in their State. However, till now, only 15 States have adopted DCP Scheme, fully or partially, and most of them distribute only one grain i.e. either Wheat or Rice. Hence, in addition to catering to the needs of non-DCP States, FCI is also catering to the needs of most of the DCP States partially. Similarly, FCI has to incur substantial amount on maintenance of buffer stock also. Hence, there is bound to be allocation of more food subsidy to FCI compared to DCP States. Even when all States will adopt DCP, the release of subsidy to FCI will be higher than that to the States unless and until most States become self-sufficient in procurement and distribution."

2.17 When enquired as to whether it was due to the fact that DCP Scheme was not adopted in big way by various State Governments/UTs in all these years, the Department of Food and Public Distribution stated:-

" No, Sir. Even if all States adopt DCP, the subsidy to be released to FCI will remain higher as only some States are expected to procure surplus, which will have to be lifted by FCI and distributed to the most other deficit States."

The Committee during the course of examination found that the DCP Scheme was started in 1997. Since then almost two decades have gone by.

2.18 Asked whether the Department think that DCP Scheme has not reached to the door step of States as only 15 States/UTs have adopted it and big States/UTs have almost shyed away from this DCP Scheme and the reasons therefor, the Department of Food and Public Distribution stated:-

" The DCP Scheme has been adopted by most of the major foodgrains procuring States such as Madhya Pradesh, Chhattisgarh, Odisha, Andhra Pradesh, Telangana, Tamil Nadu, West Bengal, Bihar, Karnataka, Gujarat etc. Even Punjab has adopted DCP Scheme to the extent of their distribution requirement under NFSA. Even though Punjab has not become full DCP State and Haryana has not adopted DCP Scheme, most of the surplus procured in Punjab and Haryana is managed by the State Agencies only till lifting of stock by FCI. The only major foodgrain producing States, which have not adopted DCP Scheme are Uttar Pradesh, Maharashtra and Jharkhand out of which UP was earlier under DCP Scheme but has opted out of it for various internal shortcomings. Therefore, it cannot be said that DCP Scheme has not reached to the door step of the States or big States/ UTs have shyed away from the Scheme. "

2.19 When further enquired in what way DCP Scheme can be fashioned to make it States friendly, the Department in a written note stated as under:-

"In this regard, it is submitted that advantages of DCP lies in self-sufficiency for its own PDS needs through self procurement, freeing up FCI/ GoI from DCP area operations considerably, reduction in cost & pressure on transport system, benefit to local farmers through ensured MSP, etc. Owing to financial constraints and need to keep the subsidy requirements under control on some items of procurement incidentals, upper limit has been fixed. Some of these items are administrative charges, driage, storage charges, transportation charges, etc. Most of the DCP States regularly keep pressing for reviewing these upper limits and reimbursing the actual expenditure incurred by them. However, this has not been found acceptable from the point of view of financial management of procurement operations."

In this connection, the HLC has recommended as under:-

"HLC recommends that FCI hand over all procurement operations of wheat, paddy and rice to States that have gained sufficient experience in this regard and have created reasonable infrastructure for procurement. These States are Andhra Pradesh, Chhattisgarh, Haryana, Madhya Pradesh, Odisha and Punjab (in alphabetical order). FCI will accept only the surplus (after deducting the needs of the States under NFSA) from these State Governments (not millers) to be moved to deficit States. FCI should move on to help those States where farmers suffer from distress sales at prices much below MSP, and which are dominated by small holdings, like Eastern Uttar Pradesh, Bihar, West Bengal, Assam etc."

2.20 Explaining before the Committee, the CMD (FCI) during the course of evidence of Department of Food also submitted:-

> "In procurement, they felt that we are having very high levels of procurement in some of the States of the country and in rest of the States, procurement was not as high, and in the process we were procuring in these States like Punjab, Haryana, Chhattisgarh, Andhra Pradesh and so on, and then transporting all the stock to the other deficit States. So, we were spending more money on transportation also. Therefore, since these States are now well developed, FCI should withdraw itself from the procurement in these States and should concentrate in the States where there is less procurement, basically eastern part of the country where the second Green Revolution is to come and procurement is to increase."

2.21 The CMD further submitted-

> "One of the main recommendations of the Committee was that FCI should not directly involve itself in the procurement of paddy and wheat in Punjab, Haryana, Chhattisgarh, Madhya Pradesh, Andhra Pradesh and Odisha, and concentrate on States like Bihar, Jharkhand, West Bengal, eastern Uttar Pradesh and Assam. This is one of the recommendations."

In the presentation given before the Committee, the Department of Food and Public Distribution has indicated the following position:-

Recommendation	Proposed action by Govt.
FCI to outsource all procurement operations to States that have gained sufficient experience.	Accepted
FCI will accept only the surplus from the above category of States.	Surplus wheat and rice is taken over by the FCI for storage and movement to deficit States.
FCI to move to the Eastern U.P., Bihar, W.B., Assam etc. where small and marginal farmers suffer most from distress sale.	A detailed plan of action for each of these States will be prepared at Regional Level.

2.22 It also came out during the course of evidence that the High Level Committee on Re-structuring of FCI has recommended handing over procurement of foodgrains operations to States like Andhra Pradesh, Chhattisgarh etc. which have gained sufficient experience and have created infrastructure. Certain apprehensions have been expressed before the Committee that against this move on the ground that it will give a severe blow to farmers. For instance unlike in U.S. where farmers constitute 0.7% of total workforce, in India this figure is as large as 49%. Further, out of estimated 893.50 lakh farm households in India, as large as 747.57 lakh farm households have less than 2 hectares of agricultural land with little retaining capacities of harvested crops. Handing over procurement operations to State Governments especially in Andhra Pradesh with no resources and wherewithal, absence of FCI from procurement operations have badly hit the farmers to sell their foodgrains much below the MSP and may hit food security in future.

2.23 Asked whether the proposed action of the Government needs a re-look in the light of above facts, the Department of Food and Public Distribution in a post evidence reply submitted as under:-

> "The High Level Expert Committee under the Chairmanship of Shri Shanta Kumar, Hon'ble MP has made several important recommendations, relating to price support policy, procurement operations etc. HLC has recommended that FCI should hand over all procurement operations of wheat, paddy and rice to the States that have gained sufficient experience in this regard and have created reasonable infrastructure for procurement. These States are Andhra Pradesh, Chhattisgarh, Haryana, Madhya Pradesh, Odisha and Punjab. In most of these States, the procurement of paddy and wheat is already taken care of by the State Govt. and its agencies under the Decentralized Procurement (DCP) system or even otherwise. Such States are Andhra Pradesh, Chhattisgarh, Madhya Pradesh, Odisha and Telangana. In Punjab and Haryana, which are non-DCP States also, procurement of wheat and paddy is mainly undertaken by the State government agencies to the extent of more than 80% in case of wheat and more than 95% in case of paddy. FCI's role in these states is mainly limited to acceptance of rice (which is entirely surplus in both the States), takeover of wheat from the State agencies and despatch of rice & wheat to the consuming States. Therefore, despite being non-DCP States, Punjab and Haryana are virtually functioning as DCP States. In view of this, complete shifting of responsibility of procurement to State Agencies in Punjab and Haryana will not make much difference, as far as procurement and providing price support to the farmers is concerned. The FCI's role in A.P. State has remained limited to only stocking of rice and its movement to other districts/ States, which will continue in future also. Therefore, recommendation of HLC does not affect MSP support to farmers in Andhra Pradesh.
>
> The objective of HLC for making this recommendation is to facilitate FCI to move on to help those states where farmers suffer from distress sales at prices much below MSP, and which are dominated by small holdings, like Eastern Uttar Pradesh, Bihar, West Bengal, Assam etc. This is the belt from where second green revolution is expected, and where FCI needs to be pro-active, mobilizing state and other agencies to provide benefits of MSP and procurement to larger number of farmers, especially small and marginal ones. Therefore, the Government has found merit in the recommendation of HLC and has directed FCI to prepare an Action Plan accordingly to improve the price support operations for the benefit of the farmers in Eastern States.
>
> In view of the above, there seems to be no need to relook into the decision taken by the Government with respect to implementation of these procurement related recommendations of HLC."

(ii) Checking of food subsidy by measures like improving efficiency of FCI, bringing down food surplus etc.

2.24 During the course of examination, the Committee pointed out in the case of food subsidy, the Economic Survey states that rationalization of food subsidy is still an area where more effort is required. Recently, the High Level Committee (HLC) for Restructuring of Food Corporation of India recommended several measures including cash transfer to the beneficiaries of Public Distribution System (PDS) which will pave the way for rationalization.

The Standing Committee in their First Report presented to Parliament in December, 2015 on Demands for Grants (2014-15) of Department of Food and Public Distribution also recommended that in the light of challenges in TPDS, diversion of foodgrains etc., food subsidy be made more sustainable and purposeful.

2.25 In March, 2015 while submitting the action taken reply to 1st Report of the Standing Committee on Food, Consumer Affairs and Public Distribution on Demands for Grants (2014-15), the Department of Food and Public Distribution while outlining that as many as 15 States joining DCP and explaining various factors/reasons for increase in food subsidy on this issue inter-alia stated that Department is fully aware about the need for containing the increase in food subsidy and are making regular efforts in this regard and have outlined several measures like encouraging decentralized procurement and distribution of foodgrains, issue of bonds at lower coupon rates backed by Government guarantee, improving operational efficiency of FCI, negotiating with banks of the consortium of food credit to reduce the ratio of interest on cash credit, bringing down the level of surplus foodgrains etc.

2.26 Asked in what way measures like issuing of bonds of lower coupon rates backed by Government guaranty, improving operational efficiency of FCI, negotiating with consortium of Banks for food credit to reduce the rate of interest on cash credit and bringing down the level of surplus food etc. will reduce the outgo of food subsidy, the Department of Food and Public Distribution in a written note explained as under:-

> "Govt. of India is committed to reimburse all expenditure incurred by FCI on the basis of their audited accounts. Since there is a gap between requirement of funds of FCI and actual allocation of funds due to budgetary constraints, FCI is forced to arrange funds through cash credit, short-term loan and bonds etc. Measures like timely release of due subsidy to FCI, obtaining loan from consortium of banks at reduced interest rates, improving operational efficiency of FCI and bringing down the level of surplus stocks will definitely check the increase in food subsidy outgo, even though it will not help in reducing the food subsidy burden."

2.27 On being further enquired whether Government action alone on this issue will not serve the purpose and to what extent, the role of private sector is possible in reduction of ballooning food subsidy, the Department of Food and Public Distribution in a written note submitted as under:-

" In addition to allocation of funds through Budget, measures indicated above will supplement the efforts of Government in reducing/ containing the food subsidy.

Involvement of private sector in procurement and storage of food grains at competitive rates can help in lowering the pace of increase in food subsidy."

As regards finance and accounts of FCI, the HLC has given the following figures of major source of finance as also FCI's cost as per BE 2014-15 as shown below:-

(Rs. in crore)

Source of fund	**2013-14**
A. Equity Capital	2,675.95
B. Debt	
Long Term Bond	16,914.50
Cash Credit Limit	54,495.00
Short Term Loan	16,250.00
WCL	Nil
(B) Total Debt	87,659.50
Total - A+B	90,335.45
Increase of debt over last year	11,170.00
Average interest cost (%)	9.93

Break up of FCI's cost as per BE (2014-15)

Particulars	Wheat	%age	Rice	%age	Fixed by
Pooled Cost of Grain	1353.25	68	1935.15	70	GOI
Proc. Incidentals	348.50	17	474.87	17	GOI/State Govt,
Acquisition Cost	1701.75	85	2410.02	87	
Freight	113.85	6	127.81	5	Railways/Open tender
Handling	57.25	3	57.27	2	Wage settlement/ Minimum Wage Act/ tendering
Storage	36.57	2	36.58	1	GOI/Open tender
Interest	58.32	3	82.63	3	Consortium of Banks
Losses	2.66	0	18.14	1	Operational losses incl. recoverable losses
Admn. Overheads	23.30	1	23.32	1	GOI as per DPE guidelines
Distribution Cost	291.95	15	345.75	13	
Economic Cost	1993.70	100	2755.77	100	

Avg. Sales Realization	539.57	27	338.44	12	GOI/Tender
Subsidy (Rs/qtl.)	1454.13	73	2417.33	88	

2.28 On the issue of bringing about efficiency in FCI operations, the HLC has brought out that in most of the years from 2002-03 to 2012-13 actual stocks with public agencies vis-a-vis buffer stocks was much higher than buffer norms. In some years, as in 2002-03 and 2012-13, they have been hugely excessive, costing the nation thousand of crore of "dead weight loss".

> "On an average, for the three year period, roughly 40 MMT of 'excessive' grains were kept in public stocks without serving much purpose. And this happened when the country did not have enough scientific storage capacity, cereal inflation was ruling high. The cost of these stocks, calculated at economic cost plus the cost of carrying the buffer, would come to nearly Rs. 1,00,000 crores. This much extra money was pumped in the economy, while grains were in FCI stocks, and food inflation was hovering at 10 percent pre annum. This is just to illustrate how much economic inefficiency exists in the system."

The HLC has further observed that the current situation of "excessive stocks" costing thousands of crores of rupees to the country without serving any purpose whatsoever is a result of some policies and some operational matters, and they must be streamlined to bring efficiency, and reduce costs and also food subsidy.

2.29 The Committee during the course of examination enquired as to whether the Department of Food and Public Distribution has firmed up Government's view on various other recommendations, the Department of Food and Public Distribution in a written note stated-

> "Summary of other recommendations of HLC is listed in Annex-III & IV. Government is finalizing an Action Plan for implementation of the acceptable recommendations with due diligence."

2.30 During the course of evidence giving the update on the issue of stocks in Central Pool, the Financial Advisor clarified that no stock in Central Pool is older than 2 years. In this connection, Secretary, Department of Food and Public Distribution also stated-

> "Sir, foodgrains can be stored upto three years in normal godowns and for longer period in silo. If required then the foodgrains will be kept and it will not go waste. Its quality will be proper. We also do not want to keep foodgrains stored for longer period and want to distribute it as early as possible. It is the achievement of FCI. If you see the table, you will find that only 24 thousand tonnes is available in godowns. In 2013-14, it was 13 lakh tonnes and today it is zero. It was brought during last year 2014-15. We, on an average, store it for one and a half years. Wheat comes once in a year. Even if people feel that wheat kept in godowns for years together go waste, it is not fair."

Buffer norms

2.31 During the course of evidence of representatives of Department of Food and Public Distribution, the issue of buffer norms came up for discussion before the Committee. The Department has given the following revised norms of foodgrains in the Central Pool w.e.f. 22.01..2015:-

(In million tonnes)

As on	Operational stocks		Strategic Reserve		Total
	Rice	Wheat	Rice	Wheat	
1st April	11.58	4.46	2.00	3.00	21.04
1st July	11.54	24.58	2.00	3.00	41.12
1st Oct	8.25	17.52	2.00	3.00	30.77
1st Jan	5.61	10.80	2.00	3.00	21.41

2.32 The Committee enquired about what percentage of foodgrains are kept as buffer stocks, the Secretary, Department of Food and Public Distribution stated:-

"Sir, it is not a percentage. If you look at this slide, on 1st of April, rice should be 11.58 million tonnes, 114 lakh or 116 lakh tonnes rice and 45 lakh tonnes of wheat for the operational requirement.. This operational requirement is for TPDS and for other items issued. Second thing, it can be that sometimes due to bad weather, produces becomes less. For that situation, some stock in the form of strategic reserve should be with us. For that, we keep 20 lakh tonnes rice and 30 lakh tonnes wheat every time. Combining both, we should have a total of 136 lakh tonnes of rice."

2.33 About this, the Committee enquired are there any instructions for buffer stocks or did it depend on procurement percentage, the Secretary, Department of Food and Public Distribution submitted:-

"Sir, I am saying the buffer stock is not a percentage of the procured stock. Buffer stock has two components. The quantum of foodgrains we have to distribute, if suppose in Andhra Pradesh, in a full year 20 lakh wheat is to be distributed, then at the time of procurement, this much of foodgrains should come to us because only one crop of wheat comes in a year. Rice comes in two crops. Therefore, whenever the foodgrains will arrive with us, we out of that (foodgrains) will prepare buffer stock keeping in view the requirement for next three months. This is required for PDS. In the country, there should not be foodgrain shortage. For that stocks are to be kept."

2.34 Claryifying it the CMD, FCI submitted-

"Sir, I will try to answer it. As the hon. Member said, the word 'buffer' gives a wrong connotation. Maybe, stocking norms would have been a better word. Buffer does give a wrong impression. Basically, wheat comes in the months of April and May. The entire quantity is procured in two months, in April and May. Paddy comes from November-December onwards but then it has to again get milled. And, slowly over the year, rice keeps on coming. When they fix the buffer norms, they keep in mind the inflow of stocks, how much of wheat comes in which month, how much of paddy or how much of rice comes generally in each month and then they decide. If you see here, the minimum will be in the month of April because wheat will start coming in April. Therefore the norm is only 21 million tonnes in the month of

April. Then, when wheat comes from April to May, the stock will be 41 million tonnes, because the entire wheat comes in that period of time. It is based on the inflow and based on the monthly allocation that is being decided, either the TPDS figures or the NFSA, the monthly outflow, the allocation to States both for PDS and other welfare schemes. Keeping in mind these two factors, they have arrived at these numbers: how much will come, how much will go. So, we should not keep more than what is required to go. Supposing wheat is there. Though it comes in two months, next ten months we have to have wheat. That is taken into consideration. It is not that it is only three months, for next ten months wheat is required, again till wheat comes with a little strategic reserve which actually is the word 'buffer', which normally people appreciate. How much will come, how much will go, how much is required, minimum quantity required in every month is assessed. Quarterly, this is the minimum quantity that the Government has to have. Over and above that, if Government keeps, it must try to dispose it of."

(iii) Need for uniform taxation on Minimum Support Price (MSP) across States

2.35 The issue of high level of taxation by different States on MSP has been one of the reasons for rise in food subsidy bill by the Department of Food and Public Distribution. In this context, in reply to a query, the Department of Food and Public Distribution in a written reply submitted as under:-

"The reasons for increase in food subsidy burden are well known and these are beyond control of any State Government, except the expenditure on reimbursement of taxes/ levies being imposed by them. Central Government has requested States on several occasions in the past to reduce the taxes/ levies relating to procurement of foodgrains, however, States feel that it is their constitutional right to impose suitable taxes/ levies and they also state that their economy and market development plans are dependent with the earnings from these taxes/ levies. Hence, there is not much scope to bring down the burden of food subsidy in consultation with the State Governments."

2.36 In this context, the HLC report has also recommended as under:-

"DFPD/FCI at the Centre should enter into an agreement with states before every procurement season regarding costing norms and basic rules for procurement. Three issues are critical to be streamlined to bring rationality in procurement operations and bringing back private sectorin competition with state agencies in grain procurement: (1) Centre should make it clear to states that in case of any bonus being given by them on top of MSP, Centre will not accept grains under the central pool beyond the quantity needed by the state for its own PDS and OWS; (20) the statutory levies including commission, which vary from less then 2 per cent in Gujarat and West Bengal to 14.5% in Punjab, need to be brought down uniformly to 3 percent, or at most 4 percent of MSP, and this should be included in MSP itself (states losing revenue due to this rationalization of levies can be compensated through a diversification package for the next 3-5 years)."

2.37 During the course of evidence of the representatives of Department of Food and Public Distribution, the CMD, FCI also explained:-

"The second issue in procurement they felt was certain States have very high level of taxes. Punjab has 14.5 per cent; if ID Cess one per cent is added, they levy 15.5 per cent of taxes, in terms of mandi cess, rural development cess, industrial development cess and so on. So, they felt another State may choose to levy 25 per cent of taxes, and Government of India will have to give more money and, therefore, a ceiling should be put in the tax structure of the State, or at least the reimbursement of the Government of India; they should have some ceiling in the cost structure. That was another recommendation of the Committee."

2.38 Asked about the view of the Government on the issue, the witness clarified:-

"Sir, on the Government policy, perhaps, the Secretary will be able to give you the information. The recommendations have just come and, therefore, the Government is also thinking. They will be finalizing what strategy would be better."

2.39 The Committee further enquired whether there should one tax structure, the CMD, FCI submitted-

"Otherwise, Punjab charges 14.5 per cent; Andhra Pradesh charges 13.5 per cent. In fact, when I was the Commissioner of Civil Supplies of Andhra Pradesh, I realized that Andhra was getting less. So, I introduced rural development cess of two per cent in Andhra Pradesh. I said, 'Let us tax; we will get more money.' This way, I have also increased it to 13.5 per cent.

In procurement, the taxation is varying in States. Some States have four per cent; and some States have five per cent. In fact, the State which taxes less is ignorant. They said that taxation was very high and because of the taxation, the private sector does not grow. The entire food grains come to Government. The Government has to procure the entire food grains because the tax is high. Otherwise, if the tax is low, the private sector will procure, which will also store, and unnecessarily we do not have huge procurement concentrated in Punjab and Haryana. Then, disposal of that stock or storing of that stock becomes a problem; and everything like interest cost, storage cost and so on goes up. These are some of the recommendations that they have made."

2.40 During the presentation before the Committee, the Department of Food and Public Distribution showed the following position:-

Recommendation	Proposed action by Govt.,
The statutory levies need to be brought down uniformly to 3 percent.	Agriculture Ministry to decide in consultation with States.

2.41 Asked about what what best can be done for resolving this issue through Ministry of Agriculture, the Committee was informed as under:-

"Department has made attempts to request State Governments to reduce taxes/ levies relating to procurement of foodgrains in the past, however, States have not agreed so far to accept the request of the Department in this regard.

The HLC on restructuring of FCI has suggested that the statutory levies including commissions, which vary from less than 2 percent in Gujarat and West Bengal to 14.5 percent in Punjab, need to be brought down uniformly to 3 percent, or at most 4 percent of MSP, and this should be included in MSP itself (states losing revenue due to this rationalization of levies can be compensated through a diversification package for the next 3-5 years). This recommendation has been taken up with the Department of Agriculture and Cooperation for consideration at the time of deciding price policy for foodgrains in coming seasons. "

(iv) Need for opening National Market for Agricultural Commodities

2.42 During the course of examination, the Committee noticed from Economic Survey about the need for National Market for Agricultural Commodities. In this connection, the Committee pointed out that the Economic Survey, 2014-15 (Vol. I Page 117, Page 61) has outlined the need for national market for agricultural commodities. Explaining that currently the agricultural markets are regulated by Agricultural Producer Marketing Commodities Act (APMC) Acts enacted by different State Governments that gives right to first sale of agricultural produce to APMC through its commission agents.

2.43 Multiplicity of taxes imposed by APMC and rate of commission charged from buyers by these agent is exorbitant. In this connection, the Economic Survey further says that Ministry of Agriculture has come out with a Model APMC Act and over a decade has been pursuing State Governments to modify other laws on the lines of Model APMC Act. With a view to get rid of these multiplicity of taxes and exorbitant commission, the Economic Survey underlines the need for opening up a National Market for agricultural produce in the country by way of enacting a Central Legislation by Parliament in exercise of residuary powers for overriding all State APMC laws.

2.44 The Committee wanted to know the comments of Department of Food and Public Distribution in this regard, the Department stated as follows:-

> "The need of integrating the agriculture market at national level has been felt for long. Such an arrangement will benefit the farmers in terms of better price discovery and it would also benefit the consumers due to reduction in number of intermediaries in the supply chain. It will also help in growth of back end supply chain infrastructure, which will help in maintaining supplies of seasonal products throughout the year at reasonable prices and will also avoid glut in the market during harvesting seasons. Department of Agriculture and Cooperation (DAC) have constituted a group of experts under the chairmanship of Dr. Ashok Gulati on 7th January, 2015 to suggest an action plan to implement the agri-marketing reforms including the aspect of setting up a national market for agricultural commodities."

2.45 The Committee further wanted to know whether it will not free the buyers from multiplicity of taxes and exorbitant commissions charged by commission agents authorized under State APMC Acts, the representative of the Department of Food and Public Distribution further stated as under:-

> "Yes, Sir. If the agricultural market is integrated at national level under a legal framework, based on the provisions of law, it can save buyers from paying Mandi fee and other charges on multiple transactions and can reduce margins in trade, which can bring consumer prices closure to producers prices."

(v) Keeping APL outside TPDS due to less offtake of foodgrains for APL

2.46 The Committee during the course of examination of Demands for Grants found out that that States are not lifting foodgrains allocated under APL families as there is hardly any demand from these families. In this connection, Food Bulletin brought out by Department of Food and Public Distribution, January, 2015 on page 20 gives the following details of allocations vis-a-vis offtake of foodgrains under BPL, AAY and APL during 2011-12 to 2014-15:-

(Lakh Tonnes)

	Allocation						Offtake			
Year	BPL	AAY	APL	NFSA (normal)	Total	BPL	AAY	APL	NFSA (normal)	Total
2011-12	174.39	102.38	211.99		488.76	173.03	97.08	160.90		431.01
2012-13	174.61	102.17	227.91		504.68	179.62	100.16	168.99		448.76
2013-14	160.17	138.19	202.68		501.03	162.07	126.81	156.39		445.27
2014-15 (up to Feb. 2015)	96.18	54.31	125.43	195.69	476.09	86.68	51.49	96.16	168.49	407.15

2.47 The Committee wanted to know whether on the issue of allocation vis-a-vis offtake so far as APL is concerned needs a re-look in view of less demand of foodgrains from APL, the Department in their written replies stated as under:-

> "Yes, Sir. Under NFSA, coverage has been delinked from poverty estimates and therefore there is no APL category of beneficiaries. In the case of States/UTs which are yet to implement NFSA, it was conveyed in the conference with their Food Secretaries, held on 10.12.2014, that in case they fail to implement the Act by April 2015, allocation to them for APL households may be considered at MSP."

2.48 In reply to a query about the apprehensions if APL category is kept outside the TPDS in view of the above factsheet of allocation vis-a-vis off take of foodgrains, the Department of Food and Public Distribution submitted as under:-

> "Any such move is likely to be resisted by State Governments. State Governments are already against any proposal to increase the issue price for APL households to MSP."

2.49 When asked about the roughly quantum of subsidy that would be saved if APL is kept outside TPDS annually both under regular as also NFSA, the Department of Food and Public Distribution in their written reply stated as under:-

> "There is no APL category under NFSA. During 2014-15, the allocation for APL households (normal + additional) to States/UTs not implementing NFSA was 137.27 lakh tons, involving subsidy of about Rs. 23171 crore."

(vi) Need for checking leakage in TPDS Operations

2.50 In reply to a Parliamentary Question (UQ 574 dated 27.02.2015, LS), the Ministry of Consumer Affairs, Food and Public Distribution informed Parliament that in a recent paper by Prof. Jean Dreze and others in Economic & Political Weekly, extent of leakage in PDS has been inferred based on NSSO data on household consumption and foodgrain off-take data under PDS which are only indicative in nature. Further, in a similar study by Indian Council for Research on International Economic Relations (ICRIER), it has been inferred that at the all India level, 46.7% of the off-taken grain did not reach the intended PDS beneficiaries in 2011-12. In addition, the percentage share of total leakage increased with States where greater percent of India's poor resided.

2.51 When asked whether the findings of none other than prominent personality like Prof. Jean Dreze and important institutions like ICRIER are a pointer that all is not well with delivery of food subsidy under TPDS, the Department of Food and Public Distribution explained as under:-

> "Yes Sir. Various studies and surveys have indicated discrepancies/ irregularities/ leakages in delivery of foodgrains."

When further asked whether special attention is desirable in States where greater percentage of the poor population resides, the Department stated:-

> " Yes Sir."

2.52 In this context, the HLC has also observed that problem of relying on PDS to implement NFSA is that it suffers from large leakage of as high as 46.7% based on 2011 data.

In connection with complaints regarding irregularities in Antyodaya Anna Yojana (AAY) under TPDS, it came out during the Parliament Session (U.Q. 50/24, February, 2015, L.S.) that large scale complaints like under weighing, errors of inclusion and exclusion about irregularities in Antyodaya Anna Yojana (AAY) under TPDS were reported from various States/UTs during the last three years i.e. 2012 onwards mainly from big States like Uttar Pradesh, Bihar, Maharashtra etc. and from Delhi also as detailed below:-

(Number of complaints)

States	2012	2013	2014	2015
Bihar	14	32	55	7
Delhi	22	37	78	8
Maharashtra	9	20	25	4
Uttar Pradesh	72	92	137	14

The details are at Annexure IV.

2.53 On being asked whether the above complaints received indicate that the benefit of food subsidy is not being given to intended beneficiaries and whether the Department have done something while sitting with concerned State Governments so that loud and clear message goes to the last man that the system still works for him, the Department of Food and Public Distribution stated:-

> "Complaints regarding irregularities in TPDS are received from time to time. However, since the distribution of foodgrains through Fair Price Shops(FPS) is primarily the responsibility of State Governments, such complaints are forwarded to them for necessary action, under intimation to this Deptt. Necessary advisories & best practices on strengthening of various aspects of TPDS are also issued to State Govts, besides discussions on these issues during meetings and conferences with State Food Ministers & Secretaries. PDS (Control) Order 2001 lays down special provisions to curb irregularities and to take penal action, wherever necessary. Control Order also contains provisions for Vigilance Committees at various levels. Under the Computerisation scheme, for redressal of the grievance of the beneficiaries, call centres, toll free numbers and transparency portals are to be established by States/UTs. NFSA also provides for 2-tier grievance redressal mechanism."

2.54 In this connection, the HLC has recommended that any state implementing NFSA must first reform its PDS by introducing biometrics and UID. Else, pouring more resources will go waste and never reach the intended beneficiaries. Also, beneficiaries should be given 6 months quota at a time, immediately after the procurement season is over; wheat after 30th June and rice after 31st March.

The HLC has also stated-

> "Majority of rural population covered under NFSA are either farmers or those working on farms. The rates fixed for rice, say at Rs. 3/kg and current MSP of rice at Rs. 20/kg, suggests that they get an effective subsidy of Rs. 17/kg (Rs. 20-Rs. 3/kg). But it costs GOI a subsidy of Rs. 27/kg (Rs. 30- Rs. 3/kg) due to various costs involved in procuring, storing and distributing grains to the same persons they are buying from. A better way will be to give cash subsidy equivalent of say Rs. 22/kg of rice to these farmers and farm workers. This would amount to giving them a better deal by about 29.4 per cent as they get an effective subsidy of Rs. 22 instead of Rs. 17/kg. This would still save the GOI Rs. 5/kg (Rs. 27- Rs. 22/kg of subsidy on rice). Similar calculation can be done for wheat. Calculations done by HLC suggest that by directly transferring cash to potential beneficiaries of NFSA at the rate of about Rs. 700/per month per family for Antyodaya households and Rs. 500 per month (for a family of 5) for priority households, it can give them a deal that is 25-30 percent better than physically distributing grain to them. And it can also save the govt. large resources (about Rs. 30,000-35,000 crores), which can be ploughed back to agriculture through investments in irrigation and building better roads and market network. HLC, therefore, recommends that direct cash transfers in the name of female head of the family be encouraged, starting with cities and surplus state farmers and farm workers. It can be extended over a 2-3 year period to other States, and it should be linked to Jan Dhan Yojana and UID. This cash transfer can be indexed with inflation and it will also help the consumers to access better and more nutritious food."

2.55 On the issue of necessity of JanDhan, Aadhaar and Mobile (JAM) Trinity for checking leakage under TPDS, the Committee during the course of examination found that as per Economic Survey Vol. I (Page 24), the leakage of foodgrains distributed through TPDS is very high (about 15 percent for rice and 54 percent for wheat, with most of these leakages concentrated in the APL segment. Today there are about 12.55 Lakh Jan Dhan Bank Accounts, 7.57 lakh Aadhaar Numbers and approximately 90.4 Lakh mobile connections. As per Economic Survey, the JAM number trinity might be a game changer because it expands the set of welfare and anti-poverty policies that State can implement in future. Computerization of TPDS is in progress in different States.

2.56 On being asked by when the JAM number Trinity can be used in TPDS for eliminating leakage in TPDS especially in APL and whether the introduction of JAM in TPDS is need of the hour in view of large such leakages of foodgrains in TPDS, the Department in a written note submitted as under:-

> "For checking leakages and diversions under TPDS, steps taken by the government include insistence on door-step delivery of food grains, setting up of effective grievance redressal mechanism, and end-to-end computerization of TPDS. The end-to-end computerization of TPDS also enables implementation of the following three models for checking leakages & diversions in TPDS, based on de-duplicated & digitized Aadhaar seeded list:
>
> - Cash transfer of food subsidy to bank account of beneficiaries every month and they purchase foodgrains from the open market.
> - FPS dealer to be supplied foodgrains at near market price; difference between higher price and CIP is transferred to beneficiaries bank accounts and they purchase foodgrains from the FPSs.
> - Issuance of foodgrains to beneficiaries through FPSs with or without PoS at subsidized rates.
>
> JAM is relevant for first two models, but these models have their own constraints and complications like Aadhaar seeding, bank account compilation and their authentication, availability of foodgrains in the open market round the year, etc.
>
> Direct Cash transfer is being thought of only by very few States/UTs. In most of the States/UTs, the targeting of benefits has to be ensured through de-duplicated & digitised list of beneficiaries seeded with Aadhaar and installation of Point of Sale (PoS) devices at FPSs for authentication of beneficiaries. Necessary action in this direction is being taken by this department."

2.57 When further asked whether on the issue of plugging of leakage of food subsidy under TPDS, the Ministry of Consumer Affairs, Food and Public Distribution is lagging behind particularly when public services like Railways, Banks are way ahead in computerizing their operations, the Department of Food and Public Distribution stated as under:-

> "The Deptt. is implementing a scheme on End-to-end Computerisation of TPDS operations which comprises activities namely, digitisation of ration cards/ beneficiary data base, computerisation of supply-chain management, setting up of grievance redressal mechanism and transparency portal. Though this Department is providing technical and financial assistance, the scheme is to be primarily implemented by States/UTs. Unlike Railways and Banks, where execution of computerisation scheme is done directly by Central Departments & its agencies, the progress in PDS computerisation depends on the interest & initiative taken by the State Govts."

(vii) Need for pooling of labour in FCI for foodgrain movement

2.58 During the course of evidence of representatives of Department of Food and Public Distribution, the issue of bringing about efficiency in FCI through pooling of labour in foodgrain movement was brought out before the Committee. In this connection, the Committee found (source HLC page 28/29) that there is a contract labour force and around 1 lakh earning Rs. 1,000/- per month for 2012-13 and 2013-14 whereas on the other hand, the Departmental labour of FCI getting as high as 79,000 per month in 2014. 7 to 8% higher than contract labour. Further there are 370 persons in FCI labour who got more than Rs. 4 lakh per month. In this connection, the HLC has observed as under:-

> "HLC believes that it can play a pivotal role in ensuring that benefits of grain management policies (from procurement to PDS) reach larger number of farmers and consumers in a more cost effective and sustainable manner, and food security is guaranteed in a sustainable manner."

2.59 In this connection, CMD, FCI during the course of evidence also submitted:-

> "Another important issue of FCI which generally bothers all of us is the labour of FCI. The Committee felt that we should try to de-notify the depots. Right now we have about 218 depots of FCI that have been notified by the Labour Ministry as depots where contract labour is abolished under the Contract Labour (Abolition and Regulation) Act out of 226 depots of FCI notified earlier. That is, we cannot have contract labour in those depots. We only can have departmental labour in those depots. The Committee felt that we should get these depots de-notifed because the contract labour is much more efficient and economical."

2.60 Asked whether it will difficult to do the needful, the CMD, FCI clarified-

> "What they said was that de-notify does not mean that labour will lose their job. What it means is that we will de-notify the depots and then depending on the requirement of labour in each depot, they will be shifted.
>
> They will not be removed. They will only be pooled."

2.61 The CMD,FCI further stated-

> "Labour basically is the one who does loading, unloading from rakes. Labour also does loading, unloading at the depots. All these are labour. What the Committee feels is that the Government should de-notify these depots and then pool up the labour and wherever we do not have departmental labour, we engage more of contract labour, improve their conditions and see that they get their EPF, ESI and other benefits and ensure that the labour is more rationalised in its operation. That is what the Committee recommended."

III Preparedness about implementation of National Food Security Act (NFSA)

2.62 In a reply before Parliament (UQ 578 dated 27.02.15 R.S.), the Ministry of Consumer Affairs, Food and Public Distribution stated that NFS Act, 2013 has came into force on 05.07.2013. It, inter-alia, provides that work of identification of eligible households for receiving foodgrains at subsidized prices under TPDS will be completed within 365 days.In remaining 25 States/UTs, the Department of Food and Public Distribution in reply to Parliament Question under reference has not completed preparatory measures required for implementation of Act, as the period of 365 days got over on 04.07.14 first three months extension upto 04.07.14 and subsequent six months extension upto 04.04.2015 was given to these States.Allocation to 11 States/UTs viz. Bihar, Chandigarh, Delhi, Haryana, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Punjab and Rajasthan has started under the Act based on preparedness and identification of beneficiaries for coverage under the Act, reported by them.

2.63 The Committee wanted to know whether all the districts in these States have been covered in these 11 States/UTs along with the details regarding the State-wise/UT-wise districts covered vis-a-vis yet to be covered in these States/UTs, the Department of Food and Public Distribution explained as under:-

> "Yes Sir. However out of the 11 States/UTs implementing NFSA, coverage is partial in 5 States/UTs namely Bihar, Delhi, Himachal Pradesh, Madhya Pradesh, and Chandigarh."

2.64 When asked whether over-all preparedness for implementation of NFS Act has been far from satisfactory as only 11 States/UTs has started implementing it (as reported by them) and as large as 25 States/UTs consisting of big States like Uttar Pradesh, Tamil Nadu, West Bengal, Odissa, Assam etc. are still outside NFS Act and by when implementation of NFSA will be completed in 25 States/UTs, the Department in their written reply stated as under:-

> "Primary responsibility of Central Govt. under the Act is to allocate foodgrains to States/UTs as per their entitlement. It is the responsibility of the State Govts. to ensure distribution of foodgrains to entitled households. Accordingly, they are inter alia required to identify the households for coverage under the Act, issue ration cards to them, ensure door-step delivery of foodgrains and set up effective grievance redressal mechanisms. Since the Act provides legal right and prices are highly subsidised, the Central Govt. has prescribed some pre-conditions regarding their preparedness before allocation of foodgrains under the Act to any State /UT. In the 25 States where the implementation of Act is yet to start, the preparatory activities have not been completed. The preparedness of these States/UTs was reviewed in the Conference of Food Secretaries, held on 10.12.2014 under the chairmanship of Hon'ble Minister CA, F&PD. The timelines indicated by the States for the implementation of the Act are as under:-

Sl. No.	**State/UT**	**likely month of implementation of NFSA**
1.	Telengana	1.2.2015
2.	Andhra Pradesh	
3.	Arunachal Pradesh	
4.	Assam	
5.	Goa	
6.	Gujarat	
7.	Kerala	
8.	Sikkim	
9.	Uttarakhand	

10.	Uttar Pradesh (in 64 Disttts) and 1.6.2015 (in remaining 11 Distts)	1.4.2015
11.	West Bengal	
12.	D & N Haveli	
13.	Daman and Diu	
14.	Lakshadweep	
15.	Puducherry	
16.	A& N Islands	1.5.2015
17.	Jharkhand	1.7.2015
18.	Manipur	1.8.2015
19.	Odisha	
20.	Nagaland	1.9.2015
21.	Tripura	Not attended
22.	Meghalaya	Not attended
23.	Jammu and Kashmir	Not indicated
24.	Mizoram	Not indicated
25.	Tamil Nadu	Not indicated

Recently, the Government has given yet another extension of 6 months to these 25 non-compliant NFSA for implementation of NFSA.

2.65 In this connection, during the course of examination, various recommendations of HLC with regard to implementation of NFSA that has been subject matter of debate in media as also raised before Parliament (U.Q. 572, 27.02.2015 R.S.) inter-alia include the following:-

(i) Deferment of implementation of NFSA in States which have not done end-to-end computerization, have not put the list of beneficiaries online, and have not set up vigilance committees.

(ii) Reduction in coverage of population under NFSA from current 67% to around 40%;

(iii) Increase in entitlement of foodgrains for priority households from 5 kg to 7 kg per person;

(iv) Linking the Issue Price for priority households to Minimum Support Price (MSP);

(v) Giving 6 months ration to beneficiary under NFSA or TPDS and;

(vi) Gradual introduction of Cash Transfer in PDS.

2.66 With regard to above deferment of implementation of NFSA, reduction of coverage and gradual introduction of cash transfer, the response of the Government has been that States/UTs are already required to comply with certain pre-requisites of computerization of TPDS, there is no proposal to amend the NFS Act and that direct transfer is one of the options discussed in various fora. However, its implementation depends upon the readiness of States/UTs in digitization, de-duplication of beneficiary data base with Bank Account numbers and can be taken up with specific request of the States/UTs.

2.67 The Committee wanted to know in what way deferring the implementation of NFS Act as recommended by HLC would help the cause of the poor, the Department of Food and Public Distribution submitted as under:-

> "Completion of the ongoing scheme of end-to-end computerization of TPDS and setting up of grievance redressal mechanism as per provisions of the Act are part of pre-condition, for allocation of foodgrains under NFSA. These conditions are meant to ensure proper implementation of the Act."

The Committee on the issue of direct cash transfer , as recommended by the HLC found that the Government reaction is also conditional saying that it depends upon the readiness of States/UTs and it can be taken up on specific request from States/UTs.

2.68 Asked whether everything has been left to the State Governments' discretion on this issue and why the Department of Food and Public Distribution should not properly guide and monitor the situation in a time bound manner for implementing the scheme at ground level on the pattern of LPG consumers, the Department in their written replies stated as under:-

> "The roles and responsibilities in implementation of NFSA are clearly indicated in the Act itself. As stated in the reply to (c) and (d) above, the responsibility for proper distribution of foodgrains to entitled persons lies with the State Governments. As far as the Central Government is concerned, after having enacted the law, 2 out of 3 rules to be framed by it, have already been notified and 3rd rule is also expected to be finalized shortly. Further, as soon as State Governments certify their complete preparedness to implement the Act, the necessary foodgrains allocations will be made to them.
>
> Status of implementation of the Act is also periodically reviewed and necessary advisories are issued to State Governments. PDS (Control) Order is also being revised to make its provision in line with the Act.
>
> As regards Direct Cash Transfer on the pattern of LPG consumers, its implementation can be taken up only on the basis of digitized, de-duplicated list of beneficiaries seeded with Aadhaar & bank account numbers. These activities are to be done by State Govts. only, for which they are being assisted financially & technically by the Central Govt. Interface of the States/UTs with other stakeholders, such as Public Financial Management System (PFMS), Unique Identification Authority of India (UIDAI), National Population Register (NPR), National Payments Corporation of India (NPCI), National Informatics Centre (NIC) is also facilitated by the Department. However, the final decision on implementation of direct cash transfer is to be taken by the States/UTs keeping in view their preparedness. It may be also noted that direct cash transfer can be taken up in the areas with ensured year-round availability of foodgrains in the open market."

(IV) Funds for Supporting Sugar Industries de-regulated since 31.08.1998

2.69 The sugar industry has been de-regulated since 31.08.1998 and Department of Food and Public Distribution is extending support to it. During 2015-16, funds under following areas are proposed for different purposes shown against each:-

Sl.No.	Name of Scheme	Purpose	Fund
(i)	Scheme for Extending Financial Assistance to Sugar Industry	For payment of interest to Nodal Bank on loans of Rs. 6600 crore disbursed to participating sugar undertakings	Rs. 800 crore
(ii)	Loans to Consumer Industry	For modernization/ rehabilitation of sugar mills, cane growers	Rs. 500 crore
		Total	**Rs. 1300 crore**

Scheme for Extending Financial Assistance to Sugar Undertakings, 2014`

2.70 The Government on 3 January, 2014 notified a scheme for Extending Financial Assistance to Sugar Undertaking, 2014 (SEFASU, 2014) envisaging interest free loans worth Rs. 6,600 crores by the Bank as additional working capital to sugar mills for clearance of cane price arrears of previous sugar seasons and timely settlement of cane price of current sugar season to sugarcane farmers. The Brief Summary page 5 gives the following allocation vis-a-vis utilization:-

(Rs. in crores)

Year	BE	RE	Expenditure
2014-15	100.00	703.77	100.00 (upto Jan. 2015)
2015-16	800.00		

2.71 On being asked about the reasons that as against the BE (2014-15) which is as low as Rs. 100.00 crore, the RE has risen to Rs. 703.77 crore whereas the actual expenditure as on January, 2015 is only Rs. 100 crores and why Rs. 800 crore has been allocated during 2015-16 even though the actual was Rs. 100 crore upto January, 2015, the Department in their written replies submitted as under:-

> "Taking into account the estimated loan amount of Rs. 6600 crore to be disbursed to participating sugar undertakings under SEFASU 2014, interest liability for initial two years has been estimated at the level of Rs. 800 crore approximately for each year. The scheme stipulates release of interest subvention amount on quarterly basis in advance to the nodal bank i.e. SBI by the D/o F&PD. For the year 2014-15, only an amount of Rs. 100 crore was received in the Regular Budget. Keeping in view the interest subvention claims received from the nodal bank SBI, Rs. 703.77 crore has been sought in the second supplementary. Similarly, for the year 2015-16 an amount of Rs. 800 crore has been sought in BE."

2.72 During the course of evidence the issue of non-payment of dues by sugar mills to sugar cane growers in different States came up in a big way. The Committee during the course of evidence enquired how the sugar support provided in this Budget is going to help the sugar cane growers, the Secretary, Department of Food and Public Distribution explained-

> "We are giving the assistance, we have told (at the time of presentation) is through three schemes."

The Committee in this context enquired how it helped the sugar cane growers, the Secretary, Department of Food and Public Distribution replied:-

> "Last year around Rs. 6,600 crore was given to the Banks with the condition that this will be kept in a separate account and it will be used only for payment to sugar cane growers."

2.73 Asked about the policy perspective and whether Parliament can intervene on this issue, the Secretary, Department of Food and Public Distribution clarified:-

> "Thank you, Sir. Then I would like to explain the way you want it. I am grateful that you have focused it this way. First of all, I would like to submit that the sugar sector used to be regulated and controlled in a big way. There used to be levy; there used to be regulation on sale, etc., which have been removed except for some control in some States that the farmer is bound to supply to the sugar mill may be in UP, Bihar, etc. In many States, this restriction is not there, and the sector is quite a lot free. The Government of India, in the interest of farmers, fixes fair and remunerative price and the farmer should get it.
>
> With this background, there are two developments. One is that, some of the States, in their wisdom and I am not questioning their jurisdiction and power are fixing higher price, which some of the economists and some of the mill owners in general said that it is quite high and which is not commensurate keeping in mind the sugar prices."
>
> Secretary, Department of Food and Public Distribution further submitted-
>
> " Sir, as I had submitted, there are two situations. Earlier, there used to be a cycle, that is, two years excess and one year shortage. Therefore, in the excess year, mills were under distress, and in a shortage years, the prices rose and they earned profit. So, this cycle used to be there. Now, for the last three years, we are producing more than our requirement. Therefore, this cycle of shortage is not coming, and production is more and stocks are building up. In addition to that, internationally also the stocks are surplus. Therefore, we cannot export the product. For these two reasons, there is a situation of stress for the sugar mills, and when they are having financial stress, the farmers are not getting payment on time.

2.74 Secretary, Department of Food and Public Distribution also submitted-

> "Realising this predicament, the Government felt that now this sector is deregulated and decontrolled, and the mills should survive and there should be competition and efficiency. The Government took 2-3 policy decisions. One was giving soft loan to the mills to take off their burden, and the interest burden of that loan has been taken over by the Government.
>
> Secondly, to reduce the stock in the country and to facilitate export of raw sugar, the Government gave incentive last year and this year also. Thirdly, again to help the sugar mills partly in their financial position and for a larger national objective, it was felt

that Ethanol is a green fuel and it can be blended in petrol. So, it should be encouraged. The policy decision has been there for quite some time that 5 per cent blending should be done at the national level, but in UP, Maharashtra, etc. where it is available, 10 per cent blending may be done. But even then supply was not good because OMCs were calling tenders.

The Government decided that in case we have to promote this, rate discovery by tender should not be there, and the Government fixed a reasonably good price on which OMCs are buying Ethanol. Molasses is a by-product of the mills, which is being converted into Ethanol. Therefore, these three steps are giving some relief to the sugar mills so that they can pay. The ultimate objective of all these relieves is not to improve the mills, but to help them financially so that the cane farmers can be paid. These are the policy issues that the Government is trying to do."

2.75 The Committee then pointed out that when sugar cane grower purchases fertilizers, power and water after taking advances why his sugar cane is taken free of cost, even then he has to wait for two years, the Secretary, Department of Food and Public Distribution informed the Committee as under:-

"I am not going to question powers of the State and the Central Government. The Government of India fixes a fair and remunerative price for the country. The State of Uttar Pradesh on the top of it has increased it to Rs. 280. The mills say that the rate is not remunerative. It is very high. We cannot afford to pay. But this is the decision of the State Government. "

2.76 During the course of evidence, the issue of non-payment of dues to Sugarcane growers by Sugar Mills during the last two years came up before the Committee in a big way that has reportedly resulted to large number of suicides by sugarcane growers in different States.

Asked about the data about the amount unpaid to sugarcane growers by sugarcane mills in different States in the country during the last two years viz. 2013-14 and 2014-15, the Department of Food and Public Distribution in a post-evidence reply stated as under:-

"State-wise unpaid amount of sugarcane growers by sugarcane mills in different States in the country during the last two years viz. 2013-14 and 2014-15 is as under:-

(Rs. in crores)

S. NO.		Season 2013-14 (Position as on 15.3.2014)*	Season 2014-15 (Position as on 15.3.2015)
1	Punjab	335.18	736.12
2	Haryana	350.23	516.11
3	Uttar Pradesh	10343.89	8667.08
4	Uttarakhand	508.27	523.2
5	Madhya Pradesh	0	137.93
6	Chattisgarh	0	18.98
7	Gujarat	665.54	476.39
8	Maharashtra	897.72	2864.5
9	Bihar	638.8	598.1

10	Andhra Pradesh	514.97	317.82
11	Karnataka	3319.58	2402.39
12	Tamilnadu	855.95	656.8
13	Orissa	0	29.85
14	West Bengal	4.92	0
15	Goa	0	1.95
16	Telangana	0	302.55
	Total	18435.05*	18249.77

*As on 15.03.2015, the arrears relating to 2013-14 stand at Rs.1803 crores.

2.77 The Committee also enquired about the efforts in different States are underway for early payment of sugarcane growers of their rightful claims, the Department of Food and Public Distribution in a written note stated as under:-

"The Sugarcane (Control) Order, 1966 stipulates payment of cane price within 14 days of supply, failing which interest at the rate of 15% per annum on amount due for the delayed period beyond 14 days is payable. The powers for enforcing this provision are vested with the State Governments/UT Administrations who have necessary field formations. State Governments have informed that they have taken action against the defaulting sugar mills. Reliefs granted by the some of the State Governments are tabulated below:-

S.No.	State	Relief Granted
1.	Maharashtra	The State of Maharashtra has exempted Cane Purchase Tax for the sugar season 2013-14 and 2014-15 for payment of FRP by sugar mills.
2.	Uttar Pradesh	The State of Uttar Pradesh has provided financial assistance of Rs.17.03/quintal for 2013-14 and Rs. 20/quintal for 2014-15.
3.	Bihar	The State of Bihar has provided financial assistance of Rs.16.73/quintal for 2013-14 and 2014-15.

PLAN SCHEMES

3.1 During the course of examination, the Department of Food and Public Distribution has stated that following schemes are being implemented by the Department:-

(i) Construction of Godowns by FCI/State Government.
(ii) Computerization of PDS operations.
(iii) Warehousing Development and Regulatory Authority.
(iv) National Sugar Institute.
(v) Strengthening of PDS & Capacity Building, Quality Control, Consultancies & Research

(a) Strengthening of PDS & Capacity Building.
(b) Consultancies, Training & Research
(c) Strengthening of QCC.
(d) Financial Assistance to State/UTs Food Commissions for non Building Assets.

3.2 The Twelfth Plan (2012-17) funds and Annual Plan (2012-13), (2013-14), (2014-15) and BE 2015-16 under different plan schemes has been as under:-

Sl. No	(A) Ongoing Schemes	12 Plan Allocation	Annual Plan 2012-13			Annual Plan 2013-14			Annual Plan 2014-15				2015-16
			BE	RE	AE	BE	RE	AE	BE	RE	AE up to 28.02.15	% against RE	BE
1	**Construction of Godowns by FCI /State Govt. etc.**	530.00	60.00	33.28	33.28	45.00	3.00	3.00	181.00	91.84	76.83	83.66	90.00
2	**Computerisation of PDS Operations**	817.13	40.00	41.69	41.69	200.00	188.76	184.20	128.50	35.00	28.27	80.75	80.00
3	**NSI Kanpur**	3.90	0.75	0.75	0.5543	0.88	0.88	0.80	2.50	2.50	2.41	96.54	2.50
4	**Village Grain Bank**	60.00	8.00	1.00	0.9914	2.00	0.00	0.00	Scheme discontinued				
5	**Assistance to Warehousing Development and Regulatory Authority**	50.00	6.00	6.00	5.73	6.32	4.64	3.55	8.00		13.81	6.26	30.00
6	**Strengthening of PDS & Capacity Building, Quality Control, Consultancies & Research**												
(i)	**Strengthening of PDS & Capacity Building**	20.00	2.05	1.55	0.8075	2.10	1.13	0.95	2.50		1.50	0.79	1.65
(ii)	**Consultancies, Training & Research**	6.95	1.20	0.72	0.3359	0.70	0.31	0.30	1.50		1.65	1.041	0.85
(iii)	**Strengthening of Quality Control Mechanism**	35.00	1.00	0.00	0.00	2.00	1.28	1.27	5.00		3.50	2.16	5.00

(iv)	**Financial Assistance to non- building assets to State Food Commission**	0.00	0.00	0.00	0.00	0.002	0.00	0.00	1.00	0.20	0.00	2.00
	Total	**1523.00**	**126.00**	**85.00**	**83.3891**	**259.00**	**200.00**	**194.07**	**330.00**	**150.00**	**117.77**	**212.00**

(I) Construction of Godowns by FCI/State Governments

3.3 Under the scheme, funds are released to FCI in the form of equity for land acquisition and for construction of storage godowns and related infrastructure like railway siding, electrification, etc. with the intention to build and increase capacity of foodgrains and reduce dependence on cover and plinth (CAP)/ Kuchha Storage facilities in North East select Non-North East and intermediate storage godowns in J&K. The 12thPlan (2012-17) allocation under the scheme is Rs. 530 crore. The allocation vis-a-vis utilization of funds under the scheme during 2012-13 onwards has been as detailed below:-

(Rs. in crores)

Year	BE	RE	Expenditure	Reasons
2012-13	60.00	33.28	33.28	Reduction at RE stage due to frequent bandh in the area.
2013-14	45.00	3.00	3.00	There was less requirements of funds due to delay in land acquisition for the various projects of FCI in NE Region, it was decided to revise the allocation at RE Stage.
2014-15	181.00	91.83	76.83 (upto 28.02.15)	Proposal for release of Rs. 15.00 crore to FCI is under submission to the IFD.
2015-16	90.00	-		
2016-17 (proposed)	Proposed BE to be worked out			
Total	376.00	128.11	126.28	

It may be seen that against the total outlay of first three years of current plan of Rs. 286 crore that was reduced to Rs. 128.11 crores and almost the same i.e. Rs. 126.28 crore utilized.

3.4 On being enquired whether the operation of the scheme can hardly be seen satisfactory particular when more than half of the funds in first three years of the Current Plan were reduced and whether the Department will be able to utilize the available plan funds of Rs. 90.00 crore during current year and in what way lowering of funds in first three years of the current plan has affected capacity creation of godowns, the Department in their reply stated as under:-

"The progress of expenditure in this scheme has been affected due to delay in handing over the land on the part of State Governments and other factors peculiar to the North Eastern Region. However, out of Rs.91.83 crore allocated for 2014-15, Rs.76.83 crore already been spent. The projected funds of Rs.90 crore for 2015-16 will be utilized as several projects are under progress. The cumulative capacity creation is expected to rise accordingly."

3.5 This issue was examined by the Committee last year also and the Committee had desired an explanation about complacency of Department of Food and Public Distribution about achieving the projected capacity in view of low utilization of funds. The Department of Food and Public Distribution have inter-alia informed that out of the total capacity of 2.92 lakh tonnes, a capacity of 1.31 lakh tonnes has been completed and remaining 1.61 lakh tonnes is pending mainly on account of State Government has either to hand over or to identify land.

In this connection, the Department of Food has stated as under:-

"Main reasons for delay in storage capacity creation by FCI under 12th Five year Plan are as under:

1. Delay in handing over of land by State Governments even when land cost deposited by FCI is as under:-

Location	Capacity	Amount deposited
Silchar/Bihara (Assam)	20000 MT	Rs.1.30 cr. deposited on 08.02.2013
Baghmara (Meghalaya)	2500 MT	Rs.0.28 cr. deposited in July, 2013
Jirania (Tripura)	20000 MT	Rs.0.69 cr. deposited on 27.6.2013
Jorthang (Sikkim)	3500 MT	Rs.0.31 cr. deposited on 20.4.2013
Tamenglong(Maniur)	5000 MT	Rs.1.41 cr. deposited on 26.3.2014
East Imphal (Manipur)	10000 MT	Rs.0.06 cr. deposited on 26.3.2014.
Bishnupur (Manipur)	5000 MT	Rs.0.19 cr. deposited on 04.04.2014.

2. Taking over of land allotted to FCI and work entrusted to construction agency is as under:-

Location	Capacity	Status
Shillong (Meghalaya)	5000 MT	Rs.0.55 cr. land cost deposited in July 2013 and the work to the tune of Rs. 1.20 cr. has been done by NBCC till date
Roing (Arunachal Pradesh)	1120 MT	Work has been entrusted to CPWD, which has awarded the work order but work is yet to start.

3. Inability of Railways to give technical feasibility for Railway siding:
   a) Bongaigaon (Assam) - 35000 MT
   b) Jonai/Dhemaji (Assam) - 20000 MT

4 Inability of State Govt. to complete land acquisition process:
   a) Kokrajhar (Assam) - 15000 MT

b)	Chandel (Manipur)	-	2500 MT

5. Inability of State Govts. to identify land:

a)	Aalo (Arunachal Pradesh)	-	1670 MT
b)	Sairang (Mizoram)	-	15000 MT"

3.6 On being further asked as to the reasons that State Governments of Assam, Meghalaya, Tripura, Sikkim and Manipur are delaying land acquisition particular when land cost was deposited one to two years ago, the Department stated as under:-

> "The delay in ensuring land availability by State Governments of Assam, Tripura, Sikkim and Manipur is due to several reasons, but mainly due to exorbitant compensation rates being demanded by land owners leading to delay in finalization of acquisition process. In Meghalaya, the State Government has cancelled the allotment of land to FCI even after acquisition, handing over to FCI and start of construction work."

3.7 When asked if the Department have taken up this matter with Chief Secretaries of concerned State Governments and if so, what action has been forthcoming in this regard, the Committee was informed as below:-

> " Matter has been taken up with all Chief Secretaries. Problems are being resolved"

3.8 On being asked why the work has not started in Roing, Arunachal Pradesh, the representative of the Department stated as under:-

> "Work could not be started in Roing, Arunachal Pradesh as State Government withdrew allotment of the land to FCI. In February, 2015 another land site has been identified by the State Government but it has not been handed over to FCI so far."

3.9 When further asked why Railways is expressing its inability to give technical siding for specified locations in Assam, the representative of the Department further stated:-

> "Railways had initially found the sites suitable for construction of railway siding. However, after conducting detailed survey, they have asked for additional land at Jonai/Dhemaji and did not find the second site at Bongaigaon technically suitable. The matter is with State Government for additional land/alternate site."

3.10 In reply to a query as to what are the factors that are coming in the way of land acquisition/identification of land in specified Arunachal Pradesh and Mizoram, the Department in their post-evidence reply stated as follows:-

> "In Arunachal Pradesh, the State Government is yet to find suitable sites at Aalo. In Mizoram, the State Government had identified one site which was not found to be technically suitable by FCI and the State Government is yet to offer an alternate suitable site."

3.11 The Committee also wanted to know by when all these stuck up projects will see the light of the day, the Committee was informed as under:-

" It depends on handing over of land by State Governments, which is not in the hands of FCI/Central Government. Attempts are underway to ensure early completion."

During the course of examination, it came out before the Committee that as high as 20 lakh tonnes of construction of silos for scientific storage of foodgrains in different States has been approved by the Government as detailed below:-

Sl.No.	State	Silo Capacity	Approved locations
1.	Bihar	2,00,000	Mohania, Buxar, Bhagalpur, Bettiah (50,000 MT each)
2.	Haryana	3,00,000	Bhattu, Jind, Karnal, Palwal, Rohtak, Sonepat (50,000 MTeach)
3.	M.P.	3,50,000	Sehore, Jabalpur, Raisen, Vidisha, Guna, Hoshangabad, Ujjain (50,000 MT each)
4.	Punjab	4,00,000	Barnala, Chhehreatta, Patiala, Jalalabad, Kilaraipur, Sangrur, Dhuri, Batala (50,000 MT each)
5.	West Bengal	2,00,000	Rangapani, Malda, Dankuni, Mecheda (50,000 MT each)
6.	Assam	50,000	Guwahati (Changsari) (50,000 MT)
7.	Kerala	50,000	Eranakulam and Calicut (25,000 MT each)
8.	Maharashtra	1,00,000	Pune, Nagpur (50,000 MT each)
9.	U.P.	3,00,000	Jaunpur, Kannauj, Faizabad, Fatehpur, Basti, Deoria (50,000 MT each)
10.	Gujarat	50,000	Between Palanpur (Banaskantha) and Siddhapur (Patan)
	Total	**20,00,000**	

(II) Computerization of TPDS Operations - An Over View

3.12 During the course of evidence of the representatives of Department of Food and Public Distribution, the over-all position of Computerization of TPDS operations that was shown to the Committee is as detailed below:-

1. At an advance stage	Chhattisgarh, Goa, Gujarat, Karnataka.
2. Significant progress	Bihar, Delhi,, Puducherry, West Bengal,
3. At Initial stage of implementation	Andaman & Nicobar Islands, Andhra Pradesh, Chandigarh, Kerala, Madhya Pradesh, Maharashtra, Odisha, Sikkim, Punjab, Tamil Nadu, Telangana, Uttar Pradesh.
4. Not much progress	Arunachal Pradesh, Assam, Dadra & Nagar Haveli, Daman & Diu, Haryana, Himanchal Pradesh, Jammu & Kashmir, Jharkhand, Lakshdweep, Manipur, Meghalaya, Mizoram, Nagaland, Rajasthan, Tripura, Uttarakhand.

3.13 A Plan Scheme on 'End-to-End Computerization of TPDS operations' during 12th Plan (2012-17) is being implemented with a cost of Rs. 884 crore with Government of India share of Rs. 489.37 crore and States/UTs share of Rs. 394.70 crore which was approved by Cabinet Committee on Economic Affairs in October, 2012. The allocation vis-a-vis utilization of funds so far under the scheme is as under:-

(Rs. in crores)

Year	BE	RE	Expenditure	Reasons
2012-13	40.00	41.69	41.69	No variation
2013-14	200.00	188.7616	184.2012	Computerisation Cell had sought Rs.200 crores for the plan scheme on End-to-end computerisation in RE 2013-14. It is also mentioned that by 31.12.2013, Rs. 137.94 crore had already been utilised under the Scheme. As per instructions issued by Ministry of Finance, Rs. 66 crore (33% of Rs. 200 crore) could be utilised in the last quarter of 2013-14. The allocation at RE stage was reduced
2014-15	128.50	35.00	28.27 (upto 15.02.2015)	Disbursement of funds to States/UTs depends upon financial proposals received from them. Certain conditions have been laid down in the Administrative Approval 10.12.2012 for releasing financial assistance. Since the States/UTs have not submitted sufficient financial proposals to consume Rs. 128.5 crore, budget allocation has been reduced to Rs. 35 crore at RE stage.
2015-16	80.00			
2016-17 (proposed)	155.66			

Statement on Status of Component I of End-to-End Computerization of TPDS operations is at Annexure V.

3.14 It may be seen that as against the approved Plan funds of Rs. 884 crore in October, 2012, the total actual availability of funds in first three years of the current plan was as low as Rs. 265.45 crore. Thus only less funds that were available could be utilized. The reason for less funds was due to failure of States/UTs in not complying to certain conditions laid down for using the central funds. For 2015-16 also, for which Rs. 90.00 crore have been allocated, the Department has apprehended that release of funds to States/UTs depends upon the receipt of proposal for financial assistance from them and fulfillment of certain conditions.

3.15 When the Committee asked about the conditions which the States/UTs are unable to comply and whether these conditions be softened and tailor made to make them States friendly so that the over-all objective of delivery of foodgrains through computerization is achieved, the Department in their written replies stated as under:-

> "27 States/UTs have already been released first instalment @ 60% of central share under the scheme. These States have so far reported to utilise only part of funds released to them. No State/UT has so far requested the Department to relax the conditions for release of 2nd instalment @ 30% of central share to them."

3.16 Department of Food and Public Distribution has also stated that States/UTs were asked to complete digitization of beneficiary data and computerization of supply chain by March and October, 2013. However, due to delay in finalization of action plans by States/UTs, late submission of their financial proposals, practical problems are being faced during implementation.

3.17 Asked as to how many States/UTs have prepared their action plans/financial proposals in this regard State/UT-wise as on 15.02.2015, the Department in their written replies submitted as under:-

> "Till date, financial assistance has been released to 27 States/UTs (including Telangana) based on their financial proposals/ action plans. Status in respect of remaining States/UTs is as follows:
>
> - Daman & Diu - Confirmation for setting up of State Apex Committee (SAC) & State Project eMission Team (SPeMT) still awaited.
> - Dadra & Nagar Haveli - Revised proposal, signed MoU, confirmation for setting up of SAC & SPeMT still awaited.
> - Chandigarh and Haryana - UCs for funds released earlier under a pilot scheme, which has now been subsumed in the current scheme, not received
> - Delhi - Amount payable as 1st instalment less than amount paid under pilot scheme; 2nd instalment to be released on receipt of the proposal from them after activities under Component-I are completed
> - Gujarat and Karnataka had not sought funds for Component-I
> - Andaman & Nicobar Islands, and Sikkim have not sought funds from the scheme"

3.18 When further asked about the kind of problems that are being faced by States/UTs that are hampering the work of computerization in different States/UTs, the Department in their post-evidence reply stated as under:-

> "Broadly, following problems are being faced by States/UTs in implementing computerizing scheme:
>
> - Lack of initiative on the part of States/UTs.
> - Delay in decision by State/UT Govts. on implementation of NFSA, leading to delay in finalization of list of beneficiaries.
> - Delay in availability of SECC/NPR data from the concerned departments on which some States/UTs depended for identification of beneficiaries."

3.19 The issue of less utilization of funds and less work done by computerization of TPDS was examined threadbare by the Committee while examining Demands for Grants (2014-15). The Department in their action taken reply has, inter-alia, stated about beginning of component II of the computerization work of FPS automation involving issuing of guidelines in November, 2014, entrusting NIC to develop necessary software, signing of MOU etc. The Department has also spelt out various measures taken for accelerating computerization in TPDS operations including making computerization a pre-requisite for grant of allocation under NFSA in July, 2014. As per Economic Survey 2013-14, there is a network of as large as 4.2 lakh FPS shops that are working under TPDS in different States.

3.20 When enquired as to how the Department are going to take up automation of 4.2 lakh Fair Price Shops in a time bound manner, the Department have furnished that following preparatory work have been done for taking up FPS automation:

- "Technical support – NIC is technical partner for computerisation and has been entrusted to develop application software including application for FPS automation. In consultation with NIC, DeitY and UIDAI, the D/o Food & Public Distribution has prepared guidelines for Fair Price Shop (FPS) Automation and the same were shared with all States/UTs in Nov 2014. Consultations were being held with States/UTs, UIDAI, NIC, etc. to discuss various aspects of FPS automation roll-out.

- Financial support - A proposal for providing financial assistance for Component-II ie. FPS automation is under consideration in the Government. A Note has already been submitted for consideration of CCEA. "

3.21 When enquired about the salient features of Component II regarding automation of FPS and the details of November, 2014 Guidelines to State Governments/UTs that has been issued in this regard the Committee was informed by the Department as under:-

" Salient features of the Guidelines on FPS automation (Component-II) are following:

- At the FPS, the transactions are undertaken through a device for authentication of beneficiaries, recording of sale details and uploading of sale data in the designated server.
- The Device to be used at the FPS could be Point of Sale device or mobile terminal capable of performing TPDS related transactions. The minimum specifications for these devices were also provided there in and the same would be certified by Standardisation Testing and Quality Certification (STQC) for FPS automation and Aadhaar based authentication.
- NIC as technical partner would prepare standard software and provide its technical support also.
- As regards assistance for FPS automation, only those States/UTs would be considered which have completed activities under Component-I and are also implementing the NFSA.
- The FPS owner shall buy, own and operate the device as per the policies to be defined by the State/UT Govts. The margin to be paid to FPS dealers under NFSA would include reimbursement of their expenditure towards purchase and operation of the device at the FPS."

3.22 In reply to a query as to how much work has been done by NIC on bringing out a software, the Department in their written replies submitted as under:-

"An application for capturing FPS transactions with biometric-based authentication has been developed and field-tested for its use in Delhi FPS shops. The same has been made available in apps store (http://apps.nic.in) for downloading in two platforms namely Android and Windows."

3.23 When asked whether making computerization a pre-condition for grant of allocation under NFSA in July, 2014 will not adversely affect the State Governments / UTs where huge AAY and BPL population is concentrated, the Department in their reply stated as under:-

"Completion of ongoing Scheme of end-to-end computerization of TPDS is being insisted upon in order to address the issue of leakages & diversions, which is a concern expressed by the Committee also. It has become all the more important under NFSA in view of highly subsidized prices. Since foodgrains allocation under existing TPDS is continuing to States/UTs which are yet to implement NFSA, people are not being deprived of benefits of subsidized foodgrains."

C. Other Issues

Extent of unseasonal rains in different States on procurement of Wheat

4.1 The issue of loss of standing crop of Wheat in different States by reason of unseasonal rains came up during the course of examination before the Committee. In this connection, on the issue of impact of procurement of wheat by such rains, the Secretary, Department of Food and Public Distribution during the course of evidence stated-

> "Due to some unsavoury weather, some unseasonal rains etc. the Department of Agriculture has assessed that it may be affected by 3 to 4 per cent in some parts. In any case, it is 3 per cent or 920 lakh tonnes. Out of this, the trend for the last two years tells us that our procurement is 250, 260 0r 280 lakh tonnes."

4.2 During the course of examination the Committee pointed out that recently due to weather disturbances, major States have experienced widespread rains in March-April, 2015 which has badly hit the standing crop of wheat and large number of grief stricken farmers have committed suicides. In this connection, the Committee quoting media reports (Dainik Jagran - 8th April, 2015) that the Government may relax procurement norms for this Rabi Marketing Season (RMS 2014-15) also asked to what extent the recent rains in different States have hit procurement of wheat in affected States, the Department of Food and Public Distribution in a post evidence reply stated-

> **"**Untimely rains and hailstorms in February and March, 2015 have affected wheat crop to a significant extent in Madhya Pradesh, Gujarat, Rajasthan, Haryana and Uttar Pradesh. Besides damage to the crop, there is deterioration in the quality of wheat. As a result, these State Government have requested for relaxation in quality norms of wheat to facilitate its purchase by the Government Agencies and to prevent farmers from resorting to distress sale. Accordingly, this Department has constituted joint teams of FCI and State Government officials to collect samples from the procurement centres and to get them analyzed. Based on the analysis of these filed samples suitable relaxation in quality norms has been given in Gujarat, Madhya Pradesh and Rajasthan by now. The relaxation orders for Haryana and Uttar Pradesh will also be issued soon based on test results. As far as procurement is concerned, during the current Rabi Marketing Season by 7th April, 2015, a quantity of 6.60 lakh MT of wheat has been procured, mainly in Madhya Pradesh and Gujarat. By this date last year, the procurement of wheat was 10.26 lakh MT. This shortfall is mainly due to delayed arrival of wheat in the market due to unusual weather conditions and due to deterioration in quality. However, with relaxation given in the quality norms, the procurement is likely to pick up in coming weeks. It is expected that due to damage of crop, the procurement of wheat may get reduced by about

10% compared to last year, however, even at the level of 250 lakh MT, it will be more than sufficient for maintaining the buffer stock."

4.3 Asked about the norm of procurement and relaxation, if any contemplated, the Department of Food and Public Distribution in a written note stated-

"Uniform Specifications (norms) for procurement of Rabi foodgrains are decided before commencement of Rabi Marketing Season (RMS) based on the recommendations of an expert committee under the Chairmanship of Joint Secretary (Policy) which include Food Secretaries of Producing & Consuming States besides Director, CFTRI, Mysoor, Quality Officers of FCI & this Department. The Uniform Specifications of wheat for RMS 2015-16 are as under:-

Wheat should have natural size, shape, color & lustre and shall conform to the norms of Food Safety and Standard Act. The maximum permissible limit of different refractions in wheat are as under:-

Foreign Matter %	Other Foodgrains %	Damaged Grains % a-	Slightly Damaged Grains %	Shrivelled & Broken Grains %	Moisture Content %
0.75	2.00	2.00	4.00	6.00	14.00*

*The wheat stocks having moisture content above 12% up to 14% to be procured with full value cut.

Due to unseasonal rains & natural calamities if the quality of wheat is not conforming to Uniform Specifications, then based on the request of State Governments relaxation in Uniform Specifications are considered. During RMS 2015-16 State Governments of Gujarat, Madhya Pradesh, Rajasthan, Haryana & Uttar Pradesh have requested to relax the norms in specifications. On receipt of the requests, based on the analysis of wheat samples collected by the joint teams, following relaxations have been allowed in the States of Gujarat, Madhya Pradesh & Rajasthan where wheat has arrived in mandis and procurement has started.

Refraction	Lusture under Uniform Specifications	Relaxation Given		
		Gujarat	Madhya Pradesh	Rajasthan
Lusture lost grains	100%	25%	40%	50%
Shrivelled & Broken Grains %	6%	-	10%	9%

State Governments of Haryana & Uttar Pradesh have been requested to collect the wheat samples from affected areas jointly with the FCI Officers on arrival of wheat in mandis immediately and get the samples analyze in Regional Laboratory of FCI and submit the report to this Department. Based on the analysis results the relaxation will be considered."

PART II

Recommendations/Observations

In pursuance of Rule 331(1) (a) of the Rules of Procedure and Conduct of Business in Lok Sabha whereby the Departmentally Related Standing Committees are to examine and make report thereon to the House, the Standing Committee on Food, Consumer Affairs and Public Distribution (2014-15) has examined the Demands for Grants (2015-16) in respect of Ministry of Consumer Affairs, Food and Public Distribution with two Departments viz. (i) Department of Food and Public Distribution and (ii) Department of Consumer Affairs. This Report deals with Demands for Grants (2015-16) in respect of Department of Food and Public Distribution. The Demands for Grants (2015-16) have been examined in the light of various documents like action taken replies submitted by Department of Food and Public Distribution on recommendations of the Committee in 1st Report on Demands for Grants of previous year i.e. 2014-14, Economic Survey (2014-15), Report of High Level Committee on 'Re-structuring of FCI (January, 2015' that was made available to Committee in March, 2015) etc.

The observations/recommendations of the Committee are in succeeding paragraphs.

Food Subsidy - Burden on Government Expenditure, its requirements vis-a-vis budgetory allocations.

The Committee are constrained to note Demands for Grants (2015-16) of Department of Food and Public Distribution that seeks to provide a sum of Rs. 1,24,419.00 crore as food subsidy that constitute around 23% of total of Government's non-plan expenditure next only to liability on interest payment which is as high as 38%.

From the data made available to the Committee, the Committee find that Department of Food and Public Distribution is getting less funds than requirement for food subsidy and thousand of crores of food subsidy arrears pertaining to previous years are yet to be paid to FCI. For instance, the demand of fund for food subsidy during 2012-13 was Rs. 1.17 lakh crores, the allocation was only Rs. 0.84 lakh crores. Similarly in 2013-14, the demand was Rs. 1.43 lakh crore, the alloction was Rs. 0.89 lakh crore. Likewise in 2014-15, Rs. 1.71 lakh crore was the demand whereas the allocation was as

low as Rs. 1.10 lakh crore. Finally, during the current year, demand at BE level is Rs. 1.46 lakh crore whereas the allocation is only Rs. 1.24 lakh crore. The Committee are also constrained to note that the Department of Food and Public Distribution has been struggling with over-all shortage of funds for food subsidy of as high as Rs. 54,858.84 crore as on 01.04.2015 out of which Rs. 50,990 crore are to be paid to FCI and Rs. 3868.84 crore are payable to DCP States. If the less allocation at BE 2015-16 of Rs. 26,429 crore is added, the total shortage of funds to be payable to FCI/DCP States reaches to Rs. 81,287.84 crore out of which Rs. 73,338 crore was to be paid to FCI and Rs. 7949.84 crore is payable to DCP States.

The Committee also find that since less subsidy is allocated than requirement, the FCI is forced to approach Government for sanction of ways and means advance of Rs. 10,000 crore to be refunded with interest to Government in the beginning of financial year for meeting working capital requirement for 1st quarter as the interest thereon is lower than Bank loans. In this connection, the Committee find that the High Level Committee (HLC) on Re-structuring of FCI has also apprehended that financial burden arising out of food subsidy alongwith arrears referred to above is already becoming unsustainable and unless some drastic steps are taken to reform this, the situation is going to become worse very soon. The Committee also recall that they had also dealt with this issue at length last year also while examining the Demands for Grants (2014-15) and had found that due to inadequate allocation of funds for food subsidy, funds are being managed by FCI though other avenues such as Cash Credit Limit recommended by RBI, short-term loans from market etc, in order to meet the subsidy gap and ensure smooth procurement and distribution operations. The Committee had thus recommended that the issue should be examined in detail and the matter should be taken up with Ministry of Finance for appropriate action so that some way out is found with the budgetary resources in consultation with FCI/RBI, Banks, State Governments. In action taken reply submitted before the Committee, the Committee find that the issue has been taken up by the Hon'ble Minister on 10 February, 2015 with Hon'ble Minister of Finance. In the light of findings of HLC, the Committee recommend that this issue of gap between demand and allocation and clearance of pending arrears need to be sorted out expeditiously.

(Recommendation Sl. No.1)

The Committee find that with a view to reduce the gap between demand vis-a-vis actual fund for food subsidy, various measures like additional funds in Budget, increasing Central Issue Price (CIPs) of foodgrains which has not been revised upward for more than 12 years, enhancing operational efficiency of FCI, reduction in taxes/ statutory charges by FCI have been brought out by the Department of Food and Public Distribution before the Committee. The Committee also find that Report of High Level Committee on Re-structuring of FCI have also dealt with some of these issues and Department of Food and Public Distribution have submitted before the Committee that Government is finalizing an Action Plan for implementation of the acceptable recommendations with due diligence. The Committee, therefore, await the final view of the Department of Food and Public Distribution on all these issues.

(Recommendation Sl. No.2)

Decentralized Procurement Scheme (DCP)

The Committee's examination has revealed that based on figures of subsidy released to FCI and States during the last seven years, the level of subsidy released to FCI is four to five times higher than subsidies released to States under Decentralized Procurement Scheme (DCP). In this connection, the Department of Food and Public Distribution has submitted before the Committee that this is due to the fact that though DCP Scheme started in 1997 and 15 States have adopted it fully or partially most of them distribute either one grain either wheat or rice, thus in addition to catering the needs of non-DCP States, FCI has to cater to the needs of DCP States partially as well. Further, FCI has to incur sufficient amount on maintenance of buffer stock also. In this connection, the Committee have been informed that in major foodgrains procuring States such as Madhya Pradesh, Chhattisgarh, Odisha, Andhra Pradesh, Telegana, Tamil Nadu, West Bengal, Bihar, Karnataka and Gujarat have adopted DCP Scheme. Punjab has adopted the DCP Scheme to the extent of their distribution requirement under NFSA. In Punjab and Haryana, most of surplus fund is handled by State Agencies only till lifting by FCI.

In this connection, the Committee find that the High Level Committee on Re-structuring of FCI has recommended that FCI should hand over all procurement operations of wheat and rice States of Andhra Pradesh, Chhattisgarh, Haryana, Madhya Pradesh, Odisha and Punjab that have gained sufficient experience in this regard and have created reasonable infrastructure for procurement whereas FCI will accept only the surplus (after deducting the needs of States under NFSA). In this connection, the

Committed have been informed by CMD, FCI that the HLC felt that FCI are procuring very high level of procurement in some States and in rest of the States, it is not as high. In proposed action by Government, the Committee find that Government has accepted the recommendations of HLC. However, the Committee find that in a country like India where 49% of workforce constitute farmers and out of 893.50 lakh agricultural households as large as 747.57 lakh agricultural households have less than 2 hectares of agricultural holding with a very little retaining capacity of harvest crops with different States especially Andhra Pradesh has neither resources nor infrastructure for procurement, storage etc. this move of handing over the procurement operations of wheat and rice will severely affect food security and will go against the interest of farmers as they will be forced to sell their foodgrains much below the MSP. The Committee find from the feedback received from Department of Food and Public Distribution that FCI's role in Andhra Pradesh has remained to only stocking of rice and its movement to other Districts/States which will continue in future also and as such recommendations of HLC does not affect MSP support to farmers in Andhra Pradesh. The Committee, however, do not share the views of the Department of Food and Public Distribution and still fear that Government's proposed decision for handing over procurement and distribution operations from FCI to State Governments may go against the interest of farmers and jeopardize food subsidy in long run.

(Recommendation Sl. No.3)

Enhancing efficiency of FCI/bringing down surplus of foodgrains

Enhancing efficiency of FCI and bringing down surplus of foodgrains are the two major issues that have come up before the Committee's examination in a big way for bringing down the food subsidy to a large extent. In this connection, the Department of Food and Public Distribution has also submitted before the Committee that various measures like timely releases of due subsidy to FCI, obtaining loans from consortium of Banks at reduced rate of interest, improving efficiency of FCI and bringing down the level of surplus stocks will definitely check increase in the food subsidy outgo even though it will not help in reducing food subsidy burden. In this connection, the Committee find that the Department of Food and Public Distribution has consented that involvement of private sector in procurement and storage of foodgrains at competitive rates can help the pace of increase in food subsidy.

With regard to enhancing efficiency of FCI, the Committee while perusing the HLC Report learn about finance and accounts and cost of procurement, storage etc of foodgrains by FCI. The Committee find as compared to equity the loan component is quite huge with interest thereon is as high as 9.9% with major amount of funds going to cost of acquisition and distribution with very less cost realization leaving a huge amount as food subsidy. In this connection, the High Level Committee Report has severely criticised that in most of the years from 2002-2003 to 2012-13, the actual stock with public agencies vis-a-vis buffer stocks were much higher than buffer norms without serving much purpose to the tune of Rs. 1 lakh crore and thus putting a big question mark on efficiency of FCI.

On the other hand, the Committee have been informed by the Financial Advisor that no stock is more than two years old in Central Pool. The Committee were further clarified by the Secretary, Department of Food and Public Distribution that keeping in view the three months requirements of TPDS and less production by bad weather, two kinds of reserves, one operational stock and strategic reserve are kept so that there is not shortage of foodgrains. As on 1st January, 2015 a total of 210.41 lakh tonnes of foodgrains is in the Central Pool. The Secretary, Department of Food and Public Distribution also informed before the Committee that the foodgrains can be stored upto three years in normal godowns and for longer periods in silo and the Department wants to distribute it as early as possible. In this connection, CMD, FCI clarified before the Committee that instead of 'Buffer norms', the term 'stocking norms' is more appropriate. The Committee feel that the term should be accordingly modified. In the light of the above position, on the issue of enhancing efficiency and bringing down surplus foodgrains held by HLC as also Department of Food and Public Distribution, the Committee feel that both these issues need further examination before arriving at a logical conclusion.

(Recommendation Sl. No.4)

Need for uniformity in taxation on MSP across States

The other prominent issue that has come up before the Committee is need for uniform taxation on MSP across the States that may lead to reduction in subsidy. In this connection the Committee have come across that certain States have very high level of taxes. It is as high as 14.5% in Punjab and as high as

13.5% in Andhra Pradesh. The Committee also find that despite the request of Department of Food and Public Distribution to reduce the taxes, States thinking their Constitutional Right are not reducing their taxes. In this connection, the Committee also find that the High Level Committee on 'Restructuring of FCI' has also recommended to bring down these taxes uniformly to 3 percent or at the most 4 percent of MSP. The Committee have also been informed by CMD, FCI that taxation is varying in States between 4% to 5% and higher taxation is not allowing private sector to grow.

In proposed action by Government, the Committee find that Department of Food and Public Distribution has handed over the issue to Department of Agriculture saying that Agriculture Ministry to decide in consultation with States. The Committee find that the issue be sorted out at the earliest with Ministry of Agriculture as it has a direct bearing on reduction of food subsidy on the one hand and will open the door for competition for others on the other.

(Recommendation SI. No.5)

Need for opening National Market for Agricultural Commodities

It came out during the course of examination that there is a need for opening up a National Market for Agricultural Commodities with a view to get rid of current multiplicity of taxes and exorbitant commissions that are allowed under Agricultural Produce Marketing Commodities Act (APMC) being implemented in different States that gives right of first sale of agricultural produce to APMC through its commission agents. In this connection, it also came out during the course of examination that over a decade, Ministry of Agriculture has been pursuing State Governments to modify their State laws in line with Model Act brought out by the Ministry of Agriculture and there is a need to make a Central Law on the issue overriding all State laws thereby opening the door for opening National Market for Agricultural Commodities. In this connection the Committee find that Department of Food and Public Distribution has also agreed that need for integrating agricultural market at National Level has been felt for long and will benefit the farmers in terms of better price discovery and would also

benefit the consumers as well due to reduction in number of intermediaries in supply chain at the same time help in maintaining supplies of seasonal products throughout the year at reasonable prices and will avoid glut in market during harvesting seasons. The Committee have been further informed that a 'Group of Experts' under the Chairmanship of Dr. Ashok Gulati has been constituted on 7 January, 2015 to suggest an action plan to implement the agri-marketing reforms including this aspect. The Committee feel that concept of opening up National Open Market for Agricultural Commodities is need of the hour and recommend that Department of Food and Public Distribution will move faster with Ministry of Agriculture on the issue the moment the Report of Group of Experts is received. The Committee also desire that action taken thereon be communicated to them also for arriving at logical conclusions.

(Recommendation Sl. No.6)

Keeping APL outside TPDS fold due to less offtake of foodgrains for APL

Another major issue that came up before the Committee was the issue of keeping APL outside fold due to less offtake of foodgrains for APL during the last few years. In this connection, the Committee have been informed by the Department of Food and Public Distribution that as against the foodgrain allocations of 211.99 lakh tonnes to APL during 2011-12, the offtake was as low as 160.90 lakh tonnes. Similarly, during 2012-13 the allocation was 227.91 and offtake was 168.99 lakh tonnes. Likewise, in 2013-14, the allocation was 202.68 lakh tonnes whereas the offtake was only 156.39 lakh tonnes. During 2014-15 (upto February, 2015) against the allocation of 125.43 lakh tonnes, the offtake was only 96.16 lakh tonnes. In this connection, the Department of Food and Public Distribution has agreed to re-look the issue of allocation of foodgrains to APL in the light of less offtake by APL households and have informed that for NFSA coverage there is no APL. The Committee have also been informed that the States which are yet to implement NFSA, allocation to them would be considered at MSP. In this connection, the Department of Food and Public Distribution has conveyed that the move of keeping APL outside TPDS is likely to be resisted by

State Governments and States are already against any proposal to increase the issue price for APL to MSP. In this connection it also came out during the course of examination that the allocation for APL household (normal + additional) States/UTs not implementing NFSA was 137.27 lakh tonnes involving a subsidy of about Rs. 23,171 crore. In view of recurring less offtake of allocated quantity of foodgrains by APL year after year, the Committee fail to understand the reasons for showing resistance of giving the foodgrains at MSP. The Committee, therefore, recommend the issue be resolved with States/UTs expeditiously so that outgo of subsidy to the above extent is saved.

(Recommendation SI. No.7)

Need for checking leakage in TPDS Scheme

The Committee's examination has revealed that reports of huge extent of leakage in TPDS are pouring in reported News Magazines like Economic and Political Weekly and Study Report brought out by eminent institutions like Indian Council for Research on International Economic Relation (ICRIER) and the issue has been raised before media and also before Parliament more than once. In this connection the Committee are constrained to find that nodal Department of Food and Public Distribution has admitted that based on NSSO data on household consumption and foodgrains offtake data though indicative in nature indicate that at all India level, 46.7% of the off-taken grain did not reach the intended beneficiaries in 2011-12. The Committee further note with dismay that the High Level Committee has also observed that problem of relying on PDS to NFSA is that it suffers from large leakage of as high as 46.7% based on 2011 data. The Committee's own examination has revealed that large number of complaints like under weighing, error or inclusion etc. about irregularities in AAY under TPDS during the last three years from big States like Uttar Pradesh, Maharashtra, Bihar and also from National Capital Delhi. For instance, in Uttar Pradesh, the number of complaints were 72 in 2012 which rose to 92 in 2013 and in 2014 it reached to 137. Likewise in Bihar the figures were 14 in 2012, 32 in 2013 and 55 in 2014. In Delhi, the figures are also quite alarming at the level of 22 in 2012, 37 in 2013 and

55 in 2014. The Committee find that all these figures do not augur well with the over all delivery mechanism. The Department of Food and Public Distribution has counted number of steps taken like advisories issued to States/UTs, prevalence of grievance redressal mechanism etc. In this connection, the Committee also find that High Level Committee have suggested that any State implementing NFSA must first improve its PDS by introducing biometrics and UID and Gradual Direct Transfer else pouring of more resources will go waste and never reach the intended beneficiaries. In this context on the issue of Jandhan, Aadhaar and Mobile JAM Trinity for checking leakage especially in APL category, the Committee find that Department of Food and Public Distribution have expressed apprehensions on different reasons like Aadhaar seeding Bank accounts, compilation, their authentication, etc. The Department of Food and Public Distribution has also stated that quick cash transfer is being thought of only by very few States and level of computerization depends on the interest and initiatives taken by the State Governments and necessary action in this regard is already underway. The Committee feel that there is substance in High Level Committee for gradual introduction of Direct Transfer of food subsidy. However in the light of ground p

reparations, it has to be done expeditiously taking into confidence the State Governments/UTs apprising them about the urgency and benefits of the Computerization by explaining that computerization in TPDS is lagging way behind as compared to Banks and Railways.

(Recommendation Sl. No.8)

Need for pooling of labour in FCI for foodgrains movement

During the course of evidence of the representatives of the Department of Food and Public Distribution the Committee while examining the issue of bringing about efficiency in FCI in the light of recommendations of High Level Committee on 'Re-structuring of FCI', it came out before the Committee that FCI

has as large as 1 lakh of dedicated workforce as contract labour with monthly earning of as low as Rs. 10,000 in 2012-13 and 2013-14. On the other hand, it also has as many as 370 persons as departmental labour doing loading and unloading work who get as high as Rs. 79,000 per month i.e. seven to eight times higher than contract labour and HLC has recommended de-notifying the department labours in 218 Depots of FCI and pooling them wherever these are needed. The Committee have been assured by CMD, FCI that the departmental labour will not be removed. The Committee feel that the step is appropriate and needs to be proceeded with.

(Recommendation Sl. No.9)

Preparedness about implementation of NFSA

The Committee are constrained to note that National Food Security Act, 2013 enforced since 05.07.2013 that seeks to complete work of identification of eligible household receiving foodgrains at subsidized prices under TPDS within 365 days have been partially implemented in 11 States and remaining 25 States are non-NFSA compliant States as these are unable to comply pre-conditions prescribed by Central Government and extension after extension with varying time lines from April to September, 2015 have been given to these States. The Committee find with dismay that it has further been extended upto 6 months. The Committee feel that preparedness for implementation of NFSA has been badly delayed. The Committee feel that giving extension after extension to National Food Security Act non-compliant does not augur well with over-all preparedness towards implementation of the NFSA and recommend the Department of Food and Public Distribution to set up a task force for quickening/completion of the work in these 25 non-compliant States.

(Recommendation Sl. No.10)

The Committee are constrained to note that 'High Level Committee on Re-structuring of FCI' has, inter-alia, recommended for reduction in coverage of population under NFSA from current 67% at around 40% deferring implementation of NFSA in States which have not done end-to-end

computerization, have not put up list of beneficiaries on line and have not set up vigilance committees, gradual introduction of Cash Transfer in PDS etc. On the issue of reduction in coverage from 67% to 40%, the Committee find that there is no proposal to amend the NFS Act whereas on the issue of deferring of implementation of NFSA, the view of the Department of Food and Public Distribution has been that States/UTs are already required to comply certain pre-requisities of Computerization of TPDS whereas on the issue of Direct Transfer, the Department has submitted that it is one of the options discussed in various fora, its implementation depends upon the readiness of States/UTS in digitization, de-duplication of beneficiary data base with Bank Account numbers and can be taken up with specific request of the States/UTs. However, final decision of direct transfer is to be taken by States/UTs keeping in view their preparedness. The Committee feel that Department of Food and Public Distribution should impress upon States/UTs to aggressively work on areas shown above so that NFS Act is implemented urgently.

(Recommendation Sl. No.11)

Issue of non-payment of arrears to Sugarcane Growers by Sugar Mills in different States

The Committee are constrained to note that crores of rupees of sugarcane growers are awaiting for payment at the hands of sugar mills in different States during the last two years. As a result, reports of farmers' suicide have been pouring in from different States. The Committee are constrained to find that during 2013-14 (as on 15 March, 2014), this figure was Rs. 1803 crore which by 2014-15 rose to Rs. 18,249.77 crore and the prominent States with large number of unpaid amount are Uttar Pradesh (Rs. 8,667.08 crore), Maharashtra (Rs. 2,864.5 crore), Karnataka (Rs. 2402.39 crore) and Punjab (Rs. 736.12 crore). The Committee find that as per Sugarcane (Control) Order, 1956 necessary payment is to be done within 15 days of supply beyond which interest at the rate of 15% is payable on delayed amount. In this connection in the case of non-payment of sugarcane price in Uttar Pradesh, the Committee find that Secretary, Department of Food and Public Distribution has left the issue with State Government saying that decision to impose tax higher than fair and remunerative price is of State Governments. In this connection, the Secretary, Department of Food and Public Distribution during the evidence submitted before the Committee that prior to de-

regulation of sugar industry, there used to be a levy on sale which after de-control has been removed except for some control in some States that farmer is bound to supply to sugar mills may be in Uttar Pradesh, Bihar etc., in other States, it is free. The Government of India in the interest of farmers fixes fair and remunerative price and farmers should get it and States have fixed higher prices which the Sugar Mills say are not commensurating with sugar prices. The Committee have been further explained that experience in sugar sector has been governed by two cycles, two year's excess and one year shortage and in excess year, the Sugar Mills were in distress but in one year shortage they earned profit. The Secretary, Department of Food and Public Distribution further added that during the last three years, cycle of shortage is not seen and production is more than requirement, both within and internationally, as a result sugar mills are unable to export and thus Sugar Mills are under distress and as such, the farmers are not getting payment on time. In the decontrolled sugar scenario, the Government took two-three policy decisions for survival of sugar mills which include giving soft loans to Mills to take off their burden and the interest burden of that loan has been taken over by the Government. Last year around Rs. 6600 crore was given to the Banks with condition that this will be kept in separate account and will be used only for payment to sugarcane growers. The Committee feel that in the interest of sugarcane growers, the Department of Food and Public Distribution should impress upon State Governments to ensure that dues of sugarcane growers be paid by sugar mills without further loss of time.

The Committee also feel that the Sugarcane (Control) Order 1966 stipulating payment of cane price within 14 days of supply failing which interest at the rate of 15% per annum on amount due for the delayed period beyond 14 days is payable be enforced in letter and spirit.

(Recommendation Sl. No.12)

Construction of Godowns by FCI/State Governments

The Committee while analyzing the 12th Plan (2012-17) funds of Department of food and Public Distribution find that out of the total of Rs. 1523 crore for different Plan schemes, major constituents are Schemes of Construction of Godowns by FCI/State Government (Rs. 530 crore) and Computerization of PDS operations (Rs. 817 crore). While reviewing allocation vis-a-vis utilization of Plan funds under these two major schemes during first three years of the Plan period i.e. 2012-13, 2013-14 and 2014-15, the

Committee are constrained to note that the scheme of Construction of Godowns by FCI/State Governments has hugely suffered loss of funds to the tune of Rs. 26.72 crore in first year and Rs. 42 crore in second year and Rs. 89.16 crore in third year of Current Plan at Revised Estimate stage for different reasons like delay in handing over of land on the part of State Governments and other factors peculiar to the North-East, during 2012-13 and 2013-14. In this connection the Committee also find that as high as 1.61 lakh tonnes of capacity is pending mainly on account of State Governments have either to hand over or identify land. In this connection, data made available before the Committee, the Committee find that State Governments of Assam, Meghalaya, Tripura, Sikkim and Manipur have been responsible for causing a delay of one to two years even after FCI had deposited the land cost. In this connection, the Committee have been informed that matter has been taken up with concerned Chief Secretaries and problems are being resolved. The Committee find that the other projects of FCI for construction of godowns in North-East at Aola (Arunchal Pradesh) and Sarang (Mizoram) have been delayed from the angle of suitability of land whereas in Kokrajhar (Assam) and Chandel (Manipur) projects have been stuck up at the hand of Ministry of Railways. The Committee however feel that the matter should be pursued expeditiously so that pending projects see the light of the day at the earliest.

The Committee also came across that a total of 20 lakh tonnes capacity for construction of silos for scientific storage of foodgrains has been approved in different States such as Punjab (4 lakh tonnes), Madhya Pradesh (3.5 lakh tonnes), Haryana and Punjab (3 lakh tonnes each) including Assam (50,000 tonnes) etc. The Committee feel that the construction of silos in all the States should be expedited in a time bound manner.

(Recommendation Sl. No.13)

End to End Computerization of TPDS Operations

The Committee are constrained to note that another major Plan Scheme being run jointly by Department of Food and Public Distribution and State Governments/UT Administrations with a Twelfth Plan (2012-17) funds of Rs. 813 crore that was revised to Rs. 884 crore by Cabinet Committee on Economic Affairs (CCEA) way back in October, 2012 for two purposes of Digitization of Ration Cards (by March, 2013) and Computerization of Supply Chain (by October, 2013) has not progressed on expected lines during first three years viz. 2012-13,

2013-14 and 2014-15 of the Current Plan and whatever progress is 'at advance stage' or 'significant stage' as claimed by Department of Food and Public Distribution has been limited to six-seven States of Chhatisgarh, Goa, Gujarat, Karnataka, Bihar, Delhi, Puducherry and West Bengal. The Committee are constrained to note that in remaining States that include big States of Uttar Pradesh, Madhya Pradesh, Tamil Nadu, Andhra Pradesh, Rajasthan etc., work is either at initial stage or not much progress has been forthcoming.

While reviewing utilization position of funds during all these years, the Committee find that it was by and large full in first two years i.e. 2012-13 and 2013-14. As sufficient financial proposals from State Governments/ UTs complying certain conditions in this behalf have not been forthcoming during 2014-15, budgeted amount of Rs. 128.50 crore was reduced to Rs. 35 crore at RE out of which (upto 15 February, 2015) Rs. 28.27 crore were utilized. The Committee also find that for 2015-16 for which Rs. 90 crore have been proposed, the Department have apprehended that utilization depends upon the receipt of financial proposals from States/UTs fulfilling specified conditions. The Committee have been informed by Department of Food and Public Distribution that problems like lack of initiative on the part of States/UTs, delay in decision by States Governments/UT Administrations on implementation of NFSA leading to delay in finalization of list of beneficiaries, delay in availability of SECC/ NPR data from concerned departments are coming in the way for quickening the pace of computerization. In this scenario, the Committee find that with the start of Component II of End to End Computerization of automation of 4.2 lakh Fair Price Shops necessary works like preparation of Software of NIC, issuing guidelines to States/UTs and submission of financial proposals is done whereas holding of consultations with States/UTs, UIDAI, NIC is underway.

The Committee feel that since successful implementation of end to end computerization of TPDS is the joint responsibility of Department of Food and Public Distribution, the implementation constraints spelt out before the Committee should be addressed urgently as has been done by six seven better performing States and if necessary, help and experience from Indian Railways

and Banks who have fully computerized their operations be taken for making necessary headway in this area.

(Recommendation Sl. No.14)

The Committee are constrained to note that untimely rains and hailstorms in February/March, 2015 have affected wheat crops to a significant extent in Andhra Pradesh, Madhya Pradesh, Telengana, Rajasthan, Haryana and Uttar Pradesh and as a result only 6.60 lakh tonnes of wheat has been procured mainly in Gujarat as on 1st April, 2015 as compared to 10.26 lakh tonnes of last year mainly due to delayed arrival of wheat in the market, unusual weather conditions and due to deterioration in quality. The Department of Food and Public Distribution has apprehended that due to damage of crop, procurement of wheat may get reduced by about 10% compared to last year. However, the Department has opined that even at the level of 280 lakh tonnes, it will be more than sufficient for maintaining buffer stocks. The Committee has been further informed by the Department of Food and Public Distribution that States of Gujarat, Madhya Pradesh, Rajasthan, Haryana and Uttar Pradesh have approached for relaxing the norms in specifications of wheat and based on samples of wheat collected from Gujarat, Madhya Pradesh and Rajasthan, relaxation have been given to these States whereas State Governments of Haryana and Uttar Pradesh have been requested to collect samples from affected areas jointly with FCI on arrival of wheat in mandi immediately and get the samples analyzed by Regional Laboratory of FCI for submission of Report to Department for considering necessary relaxation. The Committee feel that in the interest of farmers in affected areas necessary relaxation should be given to Uttar Pradesh and Haryana without further loss of time.

(Recommendation Sl. No. 15)

NEW DELHI;
17 April, 2015
27 Chaitra, 1937(Saka)

J C DIVAKAR REDDY,
Chairperson,
Standing Committee on Food,
Consumer Affairs and Public Distribution

Annexure - I

Summary of Demands for Grants

Non-Plan

(Rs. in Crores)

S. No.	Name of the Scheme	2013-14	2014-15			2015-16
		Actuals	BE	RE	Exp. Upto Jan. 2015	BE
1	2	3	4	5	6	7
1	Secretariat (3451)	35.65	39.87	38.79	33.31	42.22
2	Food Subsidy (including Sugar) 2408	92318.34	115000.00	122675.81	111460.39	124419.00
3	Transfer to / from to Sugar Dev Fund (2408)	250.00	250.00	250.00	250.00	500.00
4	Directorate of Sugar & Vegetable Oils (2408) *	4.32	4.90	4.80	4.14	7.20
5	Developmental Council for Sugar Industry (2408)	0.00	0.00	0.00	0.00	0.00
6	Admn. of Sugar (2408)	18.41	20.50	20.48	20.24	20.54
7	VVOF (2408) *	1.92	2.22	2.29	1.85	0.00
8	NSI (2408)	13.89	16.88	16.39	11.80	18.13
9	Reimbursement of shortage in handling of imported fertilizers by FCI (2408)	42.75	0.00	0.00	0.00	0.00
10	Grants in aids for Dev of Sugar Industry (2408)	0.75	2.00	0.84	0.55	2.00
11	Departmental Canteen NSI (2408)	0.32	0.38	0.39	0.31	0.43
12	Interest subvention to Co-op sugar mills NABARD (2408)	9.60	0.00	0.00	0.00	0.00
13	Scheme for Extending Financial Assistance to Sugar Undertaking , 2007 (2408)	90.00	0.00	0.00	0.00	0.00
14	Scheme for Extending Financial Assistance to Sugar Undertaking , 2014 (2408)	0.00	100.00	703.77	100.00	800.00
15	Reimbursement of internal transport and freight charges to Sugar factories on export shipment and payment of other permissible claims 2408	0.00	0.00	0.00	0.00	0.01
16	Subsidy for Maintenance of Buffer Stock of Sugar (2408)	7.50	5.00	5.00	3.33	3.00
17	Incentive on Marketing and Promotion Services for Raw Sugar Production (2408) #	0.00	0.00	200.00	0.00	0.00
18	Other Programmes of Food Storage & Warehousing					
	i) Procurement & Supply (2408)	0.00	0.00	0.00	0.00	0.00
	ii) International Cooperation (2408)	0.59	0.62	0.60	0.28	0.64
	iii) IGMRI (2408)	3.12	3.82	3.53	2.85	4.12
	iv) CGAL (2408)	0.01	0.02	0.02	0.01	0.02
	v) QCC (2408)	6.92	8.13	7.38	6.40	8.24
19	Civil Supplies Other schemes of Civil Supplies (CVC) - (3456)	0.07	0.00	0.00	0.00	0.00
20	Reimbursement of Losses to STC (3456)	0.00	0.00	0.00	0.00	0.00
21	Ways and Means Advance payable to FCI (6408)	10000.00	10000.00	10000.00	10000.00	10000.00
22	Loans for consumer Industries (6860)					
	i) Loans for Modernization / Rehabilitation of Sugar Mills.	110.00	150.00	200.00	150.00	150.00
	ii) Loans to Sugar Mills for Cane Development	82.50	75.00	75.00	49.50	75.00
	iii) Loans to Sugar Mills for Bagasse based co-generation Power Projects.	329.46	200.00	46.45	0.00	200.00
	iv) Loans for production of anhydrous alcohol or ethanol from alcohol	78.04	75.00	75.00	51.46	75.00
	TOTAL	103404.16	125954.34	134326.54	122146.42	136325.55

New Scheme
* Vide Office Order No.33/2014 dated 6/8/2014, Directorate of Sugar and Directorate of VVOF have been merged into single entity named as “Directorate of Sugar and Vegetable Office”

Plan

Sr. No.	Name of the Schemes	Actuals	BE	RE	Actuals upto Jan. 2015	BE
		2013-14	2014-15	2014-15		2015-16
1	Construction of Godowns by FCI/State Govt.	3.00	181.00	91.8357		90.00
2	Computerization of PDS Operations	184.2012	128.50	35.00		80.00
3	Strengthening of PDS & Capacity Building	0.9474	2.50	1.5043		1.65
4	NSI, Kanpur	0.8035	2.50	2.50		2.50
5	Consultancies, Training & Research	0.3029	1.50	1.65		0.85
6	Village Grains Bank Scheme	0	0.00	0.00		0.00
7	Assistance to Warehousing Development & Regulatory Authority	3.55	8.00	13.81		30.00
8	Strengthening of Quality Control	1.2669	5.00	3.50		5.00
9	Construction of Fair Price Shop-Cum Godowns	-	0.00			0.00
10	Assistance to States/UTs for non-building assets for State Food Commissions	0.00	1.00	0.20		2.00
	Total	194.0719	330.00	150.00		212.00

Annexure - II

Major Recommendations of HLC on Restructuring of FCI

- FCI may hand over all procurement operations of wheat, paddy and rice to states that have gained sufficient experience in this regard and have created reasonable infrastructure for procurement. These States are Andhra Pradesh, Chhattisgarh, Haryana, Madhya Pradesh, Odisha and Punjab.

- FCI will accept only the surplus (after deducting the needs of the states under NFSA) from these state governments (not millers) to be moved to deficit states.

- FCI should move on to help those states where farmers suffer from distress sales at prices much below MSP, and which are dominated by small holdings, like Eastern Uttar Pradesh, Bihar, West Bengal, Assam etc. This is the belt from where second green revolution is expected, and where FCI needs to be pro-active, mobilizing state and other agencies to provide benefits of MSP and procurement to larger number of farmers, especially small and marginal ones.

- DFPD/ FCI at the Centre should enter into an agreement with states before every procurement season regarding costing norms and basic rules for procurement.

- Centre should make it clear to states that in case of any bonus being given by them on top of MSP, Centre will not accept grains under the central pool beyond the quantity needed by the state for its own PDS/ OWS.

- HLC also recommends that levy on rice millers be done away with. HLC notes and commends that some steps have been taken recently by DFPD in this direction, but they should be institutionalized for their logical conclusion.

- Quality checks in procurement have to be adhered to, and anything below the specified quality will not be acceptable under central pool. Quality checks can be done either by FCI and/ or any third party accredited agency in a transparent manner with the help of mechanized processes of quality checking.

- FCI should outsource its stocking operations to various agencies such as Central Warehousing Corporation, State Warehousing Corporation, Private Sector under Private Entrepreneur Guarantee (PEG) scheme, and even state governments that are building silos through private sector on state lands (as in Madhya Pradesh). It should be done on competitive bidding basis, inviting various stakeholders and creating competition to bring down costs of storage.

- Many of FCI's old conventional storages that have existed for long number of years can be converted to silos with the help of private sector and other stocking agencies. Better mechanization is needed in all silos as well as conventional storages.

- Covered and plinth (CAP) storage should be gradually phased out with no grain stocks remaining in CAP for more than 3 months. Silo bag technology and conventional storages where ever possible should replace CAP.

- Movement of grains needs to be gradually containerized which will help reduce transit losses, and have faster turn-around-time by having more mechanized facilities at railway sidings.

- Some of the departmental labour are required to be paid very high wages 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.

- A transparent liquidation policy is the need of hour, which should automatically kick-in when FCI is faced with surplus stocks than buffer norms. Greater flexibility to FCI with business orientation to operate in OMSS and export markets is needed.

- The new face of FCI will be akin to an agency for innovations in Food Management System with a primary focus to create competition in every segment of foodgrain supply chain, from procurement to stocking to movement and finally distribution in TPDS, so that overall costs of the system are substantially reduced, leakages plugged, and it serves larger number of farmers and consumers. In this endeavour it will make itself much leaner and nimble (with scaled down/ abolished Zonal Offices), focus on eastern states for procurement, upgrade the entire grain supply chain towards bulk handling and end to end computerization by bringing in investments, and technical and managerial expertise from the private sector.

Annexure - III

Recommendations of HLC related to Other Departments/ Ministries

Department of Fertilizers:

- Farmers be given direct cash subsidy on fertilizers (of about Rs 7000/ ha) and fertilizer sector can then be deregulated. This would help plug diversion of urea to non-agricultural uses as well as to neighbouring countries, and help raise the efficiency of fertilizer use. It may be noted that this type of direct cash subsidy to farmers will go a long way to help those who take loans from money lenders at exorbitant interest rates to buy fertilizers or other inputs, thus relieving some distress in the agrarian sector.

Department of Agriculture & Cooperation:

- The States in Eastern India may be helped to put in place a modern and robust system of procurement and stocking, by handholding them, by giving them their expertise, by inviting private sector, or even helping to arrange financing through multilateral agencies like ADB, IFC, etc. for building infrastructure of agri-markets and storage of grains.

- The statutory levies including commissions, which vary from less than 2 percent in Gujarat and West Bengal to 14.5 percent in Punjab, need to be brought down uniformly to 3 percent, or at most 4 percent of MSP, and this should be included in MSP itself (states losing revenue due to this rationalization of levies can be compensated through a diversification package for the next 3-5 years).

- Pulses and oilseeds deserve priority and GoI must provide better price support operations for them, and dovetail their MSP policy with trade policy so that their landed costs are not below their MSP.

Ministry of Railways:

- Movement of grains needs to be gradually containerized which will help reduce transit losses, and have faster turn-around-time by having more mechanized facilities at railway sidings.

- Railways need to be encouraged to open it for private sector, both domestic and foreign. Scarcity of storage space and lack of timely availability of railway rakes is a major bottleneck in movement of grains in time.

Annexure - IV

STATEMENT: COMPLAINTS ON TPDS RECEIVED IN THE DEPARTMENT FROM INDIVIDUALS, ORGANISATIONS & THROUGH MEDIA REPORTS ETC FROM 2012 TO 2015 (upto 31.01.2015)

S. No.	State/UT	2012	2013	2014	2015
1	Andhra Pradesh	-	3	4	1
2	Arunachal Pradesh	-	-	1	-
3	Assam	1	-	5	3
4	Bihar	14	32	55	7
5	Chhattisgarh	1	3	3	1
6	Delhi	22	37	78	8
7	Goa	-	-	-	-
8	Gujarat	3	4	16	1
9	Haryana	5	11	26	5
10	Himachal Pradesh	-	-	-	-
11	J&K	3	-	-	2
12	Jharkhand	4	8	16	1
13	Karnataka	2	6	6	1
14	Kerala	4	1	1	1
15	Madhya Pradesh	6	17	7	2
16	Maharashtra	9	20	25	4
17	Manipur	1	2	1	2
18	Meghalaya	-	1	2	-
19	Mizoram	1	-	-	-
20	Nagaland	-	-	3	-
21	Orissa	3	3	8	1
22	Punjab	5	6	5	-
23	Rajasthan	3	18	31	2
24	Sikkim	-	0	-	-
25	Tamil Nadu	4	9	7	2
26	Telangana	-	-	-	1
27	Uttarakhand	5	2	8	-
28	Uttar Pradesh	72	92	137	14
29	West Bengal	2	7	11	1
30	Chandigarh	-	-	3	-
31	D& N Haveli	-	-	1	-
32	Puducherry	1	-	-	-
TOTAL		171	282	460	60

Annexure V

Statement on status of Component-I of End-to-end Computerization of TPDS Operations

(as on 31.01.2015)

	FPS Data*	Godowns data*	Ration Card Data*	Online allocation	Supply-chain	Transparency Portal	Online grievance	Toll free number
Andaman & Nicobar Islands	100%	-	100%	In Progress	In Progress	Yes	Yes	Yes
Andhra Pradesh	100%	100%	100%	Yes	-	Yes	Yes	Yes
Arunachal Pradesh	100%	64%	76%	Few locations	-	Yes	-	Yes
Assam	100%	100%	54%	-	-	-	-	Yes
Bihar	100%	100%	100%	In progress	In progress	Yes	Yes	Yes
Chandigarh	100%	100%	100%	Not operational	-	Yes	Yes	Yes
Chhattisgarh	100%	100%	100%	Implemented	Implemented	Yes	Yes	Yes
Dadra and Nagar Haveli	100%	100%	100%	-	-	Yes	-	Yes
Daman and Diu	100%	100%	100%	-	-	Yes	-	-
Delhi	100%	n/a	100%	Implemented	Implemented	Yes	Yes	Yes
Goa	89%	100%	96%	In Progress	In Progress	Yes	Yes	Yes
Gujarat	100%	100%	100%	Implemented	In Progress	Yes	Yes	Yes
Haryana	100%	100%	100%	Only 4 blocks	-	Yes	Yes	Yes
Himachal Pradesh	100%	100%	86%	-	-	Yes	Yes	Yes
Jammu and Kashmir	100%	100%	87%	-	-	-	-	Yes
Jharkhand	100%	100%	100%	3 Districts	-	Yes	Yes	-
Karnataka	100%	100%	100%	Implemented	Implemented	Yes	-	Yes
Kerala	100%	100%	100%	-	-	Yes	-	Yes
Lakshadweep	100%	100%	100%	-	-	-	-	-
Madhya Pradesh	100%	100%	100%	Yes	In progress	Yes	Yes	Yes
Maharashtra	100%	100%	100%	Implemented	-	Yes	Yes	Yes
Manipur	100%	100%	54%	-	-	-	-	Yes
Meghalaya	97%	100%	-	In Progress	-	Yes	Yes	Yes
Mizoram	100%	100%	84%	In Progress	-	-	Yes	Yes
Nagaland	100%	100%	2%	In Progress	-	Yes	-	Yes
Odisha	100%	100%	2%	Yes	Partially	Yes	Yes	Yes
Puducherry	100%	n/a	100%	2 divisions	2 divisions	Yes	Yes	-
Punjab	100%	100%	85%	-	-	Yes	-	-
Rajasthan	84%	100%	90%	-	-	-	Yes	Yes
Sikkim	100%	100%	100%	-	-	Yes	-	Yes
Tamil Nadu	100%	100%	100%	Yes	Yes	-	Yes	-
Telangana	100%	100%	100%	Yes		-	-	Yes
Tripura	100%	100%	97%	-	-	-	-	-
Uttar Pradesh	100%	100%	48%	-	-	Yes	Yes	Yes
Uttarakhand	100%	100%	10%	-	-	Yes	-	-
West Bengal	100%	100%	80%	In 3 districts	-	Yes	Yes	Yes

**Data in most States is in the process of being verified. Some States are to push data in standard format.*
The statement has been prepared based on information reported by States/UTs and NIC from time to time.

Annexure VI

EXTRACTS OF MINUTES OF THE ELEVENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2014-15) HELD ON FRIDAY, THE 27 MARCH, 2015

The Committee sat from 1030 hrs. to 1215 hrs. in Committee Room 'E', Basement, Parliament House Annexe, New Delhi.

PRESENT

Shri J.C. Divakar Reddy, MP - Chairperson

Members

Lok Sabha

2. Shri Babu Lal Choudhary
3. Shri Dharmendra Kumar
4. Shri Ravinder Kushawaha
5. Smt. Sakuntala Laguri
6. Dr. Sakshi Maharaj
7. Shri R.K. Bharathi Mohan
8. Shri Sunil Kumar Mondal
9. Shri Bhola Singh
10. Shri Brij Bhusan Sharan Singh
11. Shri Nandi Yeliaiah

Rajya Sabha

12. Shri Ritabrata Banerjee
13. Shri Shadi Lal Batra
14. Shri Pankaj Bora
15. Dr. K. Keshva Rao

SECRETARIAT

1. Shri P.K.Misra - Additional Secretary
2. Shri A.K.Shah - Director
3. Shri Lovekesh Kumar Sharma - Additional Director

The Representatives of the Department of Food and Public Distribution (Ministry of Consumer Affairs, Food and Public Distribution)

1.	Shri Sudhir Kumar	Secretary
2.	Shri P.K.Jha	Additional Secretary and Financial Advisor
3.	Shri U.K.S.Chauhan	Joint Secretary (P&FCI)
4.	Shri Deepak Kumar	Joint Secretary (BP&PD)
5.	Shri Prashant Trivedi	Joint Secretary (Storage)
6.	Shri Ajai Saxena	Joint Secretary (Impex)
7.	Dr. A.R. Goyal	Joint Secretary (Admn)
8.	Ms. Bharati Das	Chief Controller of Accounts
9.	Shri C. Viswanath	CMD, FCI
10.	Shri Harpreet Singh	MD, CWC
11.	Shri Dinesh Rai	Chairman, WDRA
12.	Shri K.U.Thankachen,	MD, CRWC
13.	Shri B.S.Mohapatra	Executive Director (Finance), FCI
14.	Dr. Maninder Kaur Dwivedi	Executive Director (Traffic & Storage), FCI
15.	Shri R.K.Jain	Executive Director (Procurement), FCI

2. At the outset, the Chairperson welcomed the Members of the Committee to the sitting of the Committee convened for taking oral evidence of the representatives of Department of Food and Public Distribution (Ministry of Consumer Affairs, Food and Public Distribution) in connection with examination of the Demands for Grants (2015-16).

[Witnesses were then called in]

3. The Chairperson then welcomed the representatives of the Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution to the sitting and after apprising Directions 55(1) of the 'Directions by the Speaker' regarding confidentiality of the proceedings outlined briefly the major points with regard to examination of Demands for Grants (2015-16) which inter alia included demand vis-a-vis availability of funds for food subsidy, recommendations of High Level Committee on restructuring of FCI etc. Thereafter a representative of Department of Food and Public Distribution with prior permission of Chairperson made a power point presentation highlighting major provisions of Demands for Grants (2015-16) of the

Department of Food and Public Distribution which inter alia included major Plan and Non-Plan provisions. During the course of evidence the Committee also discussed the position of buffer-stockes, storage of foodgrains etc., problems arising out of farmers' suicide in different States specially in Maharashtra and Uttar Pradesh due to non-payment of dues to sugarcane growers by sugar mills, major recommendations of High Level Committee on restructuring of FCI etc. During the course of evidence various issues raised by the Members were responded to by the witnesses.

[*Witnesses* then *withdrew]*

The Committee then adjourned to meet again on 7th April, 2015 at 1030 hrs.

A verbatim record of the proceedings has been kept.

Annexure VI

EXTRACTS OF MINUTES OF THE THIRTEENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2014-15) HELD ON FRIDAY, 17 APRIL, 2015

The Committee sat from 1100 hrs. to 1215 hrs. in Committee Room No. '53', First Floor, Parliament House, New Delhi.

PRESENT

Shri J.C. Divakar Reddy - Chairperson

Members

Lok Sabha

2. Shri Babu Lal Choudhary
3. Shri Dharmendra Kumar
4. Shri Ravinder Kushawaha
5. Dr. Sakshi Maharaj
6. Shri Sunil Kumar Mondal
7. Shri Ram Chander Paswan
8. Shri Bhola Singh
9. Shri Brij Bhusan Sharan Singh

Rajya Sabha

10. Shri Ritabrata Banerjee
11. Shri Shadi Lal Batra
12. Dr. Bhushan Lal Jangde

SECRETARIAT

1. Shri P.K.Misra - Additional Secretary
2. Shri A.K.Shah - Director
3. Shri Lovekesh Kumar Sharma - Additional Director
4. Shri Khakhai Zou - Under Secretary

2. At the outset, Hon'ble Chairperson welcomed the Members to the sitting of the Committee convened for consideration and adoption of the Draft Reports on Demands for Grants (2015-16) relating to the (i) Department of Food and Public Distribution, and (ii) XXXXXX (Ministry of Consumer Affairs, Food and Public Distribution).

3. Thereafter the Committee took up for consideration the Draft Reports one by one. The Committee adopted the Draft Report on Demands for Grants (2015-16) relating to Department of Food and Public Distribution with some additions XXXXXXXXXXXXXXXXXXXXXXXX.

4. The Committee then authorized the Chairperson to finalize the aforesaid Draft Reports in the light of factual verification from concerned Departments and present the same to Parliament in the current Session of Parliament.

The Committee then adjourned.

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X Matter not related to the Report.