

## **Department of Food & Public Distribution**

### **HIGHLIGHTS**

#### **ORGANISATION**

The Ministry of Consumer Affairs, Food and Public Distribution has two Departments, namely, the Department of Food and Public Distribution and the Department of Consumer Affairs.

1.1 The Department of Food and Public Distribution works under the overall guidance of the Union Minister of Consumer Affairs, Food and Public Distribution, Shri Sharad Pawar who is assisted by two Ministers of State Dr. Akhilesh Prasad Singh and Shri Taslimuddin

1.2 Shri S.K. Tuteja, has been working as Secretary, Department of Food and Public

Distribution with effect from November 3, 2003.

1.3 The sanctioned staff strength of the Department is indicated in **Appendix-I**.

The organisational chart of the Department of Food and Public Distribution is at **Appendix-II**.

#### **FUNCTIONS**

1.4 The main functions of the Department of Food and Public Distribution are: -

(i) formulation and implementation of national policies relating to procurement, movement, storage and distribution of foodgrains;

(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 foodgrains and promotion of scientific storage;

(iv) formulation of national policies relating to export and import, buffer stocking, quality control and specifications of foodgrains;

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

the Committee on Revitalization of Sugar Industry which was set up under the Chairmanship of Sh. S.K. Tuteja, Secretary(F&PD) on March 12, 2004 to review the present status of the sugar in the country, to

identify the problems faced by it and suggest a package for revitalization of industry to make vibrant, self-sustained and globally competitive has submitted its report on December 2, 2004. Its recommendations are under consideration.

fixation of statutory minimum prices of sugarcane payable by sugar factories, development and regulation of sugar industry (including training in the field of sugar technology), fixation of price of levy sugar and its supply for PDS and regulation of supply of free sale sugar;

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.

1.5 In discharging its various functions, the Department of Food and Public Distribution has under its administrative control three Public Sector Undertakings, viz, Food Corporation of India (FCI), Central Warehousing Corporation (CWC) and Hindustan Vegetable Oils Corporation Limited (HVOC); two attached offices, namely, Directorate of Sugar and Directorate of Vanaspati, Vegetable Oils and Fats, and subordinate offices, viz., National Sugar Institute, Kanpur; Save Grain Campaign Offices; Indian Grain Management Research Institute, Hapur and its three Field Stations.

## **HIGHLIGHTS**

### **(A) PUBLIC DISTRIBUTION SYSTEM(PDS)**

(i) The Antyodaya Anna Yojana (AAY) under which one crore poorest of the poor households are provided foodgrains at a highly subsidized rate of Rs. 2 per kg. for wheat and Rs. 3 per kg. for rice, has been particularly helpful to the needy. The scale of issue for the identified families, which was 25 kg. per family per month, has been enhanced to 35 kg. per family per month w.e.f. April 1, 2002. The implementation of the AAY Scheme has been a success. The off-take of foodgrains under AAY during the year 2003-2004 was 91%. The AAY Scheme has been expanded in 2003-2004 by adding another 50 lakh BPL households headed by widows or terminally ill or persons aged 60 years or more with no assured means of subsistence or societal support. With this increase, 1.5 crore (i.e. 23% of BPL) families have been covered under the AAY.

(ii) As announced in the Union Budget 2004-2005, the AAY has been further expanded by another 50 lakh BPL families w.e.f. August 1, 2004 by including, inter alia, all households at the risk of hunger. Guidelines for identification of the additional families have been issued on August 3, 2004. With this expansion number of AAY families has become 2 crore.

(iii) In order to identify the policy initiatives for strengthening the Targeted Public Distribution System (TPDS) in India, which is a joint responsibility of the Central and State Governments, a one day Conference was organized by this Ministry on September 17, 2004 of

all the State Food Secretaries/Principal Secretaries and other stakeholders. As a follow up to the policy initiatives recommended by the Conference, another Conference of State Food Ministers and other stakeholders was organized on October 28, 2004 under the chairmanship of Shri Sharad Pawar, Minister for Agriculture, Consumer Affairs, Food & Public Distribution, to concretize policy initiatives for strengthening the PDS. The recommendations of this conference cover points relating to women's and ex-servicemen's cooperatives to be involved in the management of PDS as well as micro level planning so as to ensure food security for otherwise inaccessible areas for the vulnerable population.

(iv) A meeting under the Chairmanship of the Hon'ble Minister for Agriculture, Consumer Affairs, Food and Public Distribution was held on December 20, 2004 with the Hon'ble Members of Parliament for taking their views for strengthening the Targeted Public Distribution System (TPDS).

(v) Economic viability of FPS is essential for the success of TPDS. In order to ensure that FPS owner is economically viable & not tempted to divert foodgrains, a meeting was called on November 30, 2004 of the All India FPS Federation under the Chairmanship of Minister for Agriculture Consumer Affairs, Food & Public Distribution.

(vi) A study has been conducted on evaluation of Targeted Public Distribution System (TPDS) and Antyodaya Anna Yojana (AAY). The draft study report has been received and sent to State Governments for examination and comments. The final study report is yet to be received.

## **(B) FOODGRAINS POLICY**

(i) The recommendations made by the High Level Committee (HLC) on Long Term Grain Policy headed by Prof. Abhijit Sen have been examined and a Note incorporating the views of the Department on this report, as well as on the recommendations of the Expenditure Reforms Commission and note of the Department of Economic Affairs on Rationalisation of Food subsidy was prepared for consideration of the Standing Committee of Secretaries.

## **(C) PROCUREMENT OF FOODGRAINS**

Till December 30, 2004, 125.22 lakh tonnes of rice and 167.95 lakh tonnes of wheat has been procured for the Central Pool during the year 2004-05 compared to 115.79 lakh tonnes of rice and 158.01 lakh tonnes of wheat in the same period during 2003-04.

(ii) Procurement of coarsegrains during KMS 2004-05(till December 30, 2004) is 3.36 lakh tonnes compared to 6.07 lakh tonnes in the same period during KMS 2003-04.

The scheme of Decentralized Procurement of foodgrains(DCP) was introduced by the Government in 1997-98 with a view to encourage local procurement to the maximum extent and thereby extending the benefits of MSP to local farmers, effecting savings in the form of reduction in the outgo of food subsidy, enhancing the efficiency of procurement and PDS. So far a number of States like West Bengal, Madhya Pradesh, Uttar Pradesh, Chhattisgarh, Tamil Nadu, Orissa, Gujarat, Andaman & Nicobar islands and Uttaranchal have opted for the Scheme. The Central Government has also been encouraging other States, which have potential for procurement, to step up their procurement efforts.

#### **(D) ALLOCATION/OFFTAKE OF FOODGRAINS**

(i) The offtake of wheat and rice from the Central Pool under TPDS during the first nine months ( April 2004 – December,2004) of the year 2004-05 was 204.13 lakh tonnes as against 173.82 lakh tonnes during the corresponding period of last financial year, thus registering increase of 17.43%.

During the first nine months of the current financial year 2004-05 (April 2004-December, 2004) the offtake of foodgrains from the Central Pool was 287.28 lakh tonnes.

Under BPL category offtake has increased to 121.81 lakh tonnes during April-December, 2004 from 116.62 lakh tonnes during 2004-2005. The offtake under the Antyodaya Anna Yojana (AAY) has increased to 35.60 lakh tonnes during 2004-05 (April 2004-December ,2004) from 29.64 lakh tonnes during 2003-2004 (April 2003-December,2003).

The offtake under various Welfare Schemes was 70.52 lakh tonnes during April 2004-December, 2004.

#### **(E) EXPORT OF FOODGRAINS**

(i) The Scheme for sale of foodgrains from Central Pool was undertaken in the year 2000 to liquidate the excess stocks in the Central Pool, which would have led to huge expenditure on storage and handling charges. Over the next three years, this objective was met and the stock level came within manageable limits. On a review, it was decided to stop fresh allocation from August 11, 2003. Since then, no need has been felt to resort to more sale for exports from the Central Pool. There has been no import of foodgrains for the Central Pool, during this period.

The Cabinet in its meeting held on March 23, 2002 allowed this Department to enter into counter trade/or extend commodity assistance in the form of foodgrains to the poor or needy countries on terms decided on a case to case basis. The humanitarian assistance in the form of foodgrains has been

extended to Cambodia, Afghanistan, Zambia, Tajikistan, Myanmar, Tanzania, Lesotho, Chad etc.

## **(F) SUGAR**

(i) Import of sugar is under Open General License (OGL) inviting a custom duty of 60% along with a countervailing duty of Rs. 850/- per tonne. Import of sugar can also be undertaken under the Advance License Scheme which is a Duty Exemption Scheme of the Ministry of Commerce and Industry, Government of India to enable duty free import of goods required for export production. To augment sugar availability in the country, the Government have clarified that for a commodity like sugar, it may not be necessary to establish a one-to one co-relation (nexus) between the imported goods, raw sugar and the export product, namely, processed white sugar. The Government have also decided to increase the export obligation period from normal 24 months to 36 months in the case of sugar. Besides augmentation of stock, this policy would also help the importing sugar mills to increase their utilization of installed capacity and also duration of crushing, thereby enable them to meet their overhead cost to a larger extent.

(ii) Advance licences of a value of Rs 1572.15 crore (approx) have been issued between April, 2004 and December 30, 2004 to enable importation of 13 lakh MT of raw sugar. As per the Trade Circles, approximately, 8.67 lakh MT of raw sugar would come by February 2005, since October 1, 2004.

(iii) The Committee on Revitalization of Sugar Industry was set up under the Chairmanship of Sh. S.K. Tuteja, Secretary(F&PD) on March 12,2004 to review the present status of the sugar in the country, to identify the problems faced by it and suggest a package for revitalization of industry to make vibrant, self-sustained and globally competitive. The Committee has made recommendations in the areas of sugarcane agriculture, deregulation of sugar and sugarcane, financial restructuring and meeting credit needs of the industry, technology upgradation, product based diversification and training, research and development. These recommendations are under consideration of the Government.

## **(G) WAREHOUSING**

(i) The Department has prepared an action plan for introduction of Negotiable Warehouse Receipt System. .

(ii) A draft legislation to make warehouse receipt a negotiable instrument, has been prepared and is being finalized in consultation with all the stake holders, for which a Core Group has been formed. The Core Group has been entrusted with the task of examining all the

issues involved in making the warehouse receipt a fully negotiable instrument. Simultaneously, the Department is also examining the alternatives for establishment of an independent accreditation Agency/Authority to regulate warehouse standards which would have credibility with both the trading community as well as the banking system.

(v) To augment the limited infrastructure and resources available with the Save Grain Campaign and in order to cover larger number of farmers/villages, active collaboration and support both in terms of money and in kind was ensured from the State Governments, NGOs. Gram Panchayats, Corporate Houses like SAIL, TATA Steel, Joint Plant Committee ( JPC) under the Ministry of Steel etc.,

(v) At present, Indian Grain Storage Management and Research Institutes(IGMRI) situated at Hapur (UP) and its field stations at Ludhiana (Punjab), Hyderabad (AP), and Jorhat ( Assam ) are carrying out research and training activities in the field of post harvest grain management. These institutions are organizing various types of training programmes on all aspects of post harvest technology of foodgrains for the benefit of Central and State Government officers, public undertakings, pest control operators, Agricultural Engineering graduates, foodgrain quality control graduate girls and also for foreign participants. The technology developed by these Institutes is transferred to the farming community by Save Grain Campaign and disseminated among farmers/farm women and also to the corporate level officers for adoption/introduction in scientific storage of foodgrain.

## **(H) EDIBLE OILS**

By virtue of Notification No.66/2004-Customs dated July 7, 2004, the customs duty on refined palm oil and RBD palmolein has been raised from 70% to 75%.

(ii) Vide Notification No.37/2003-Central Excise dated April 30, 2003 excise duty @ Rs.1/kg and Rs.1.25/kg has been levied on refined edible oils and Vanaspati & bakery shortening respectively. By virtue of Notification No.56/2004-Central Excise dated December 31, 2004, excise duty @ Rs.1.25/kg has been levied on interesterified fat.

(iii) In order to encourage production of solvent extracted oils and to promote export of extractions, excise duty on food grade hexane has been reduced

from 32% to 16% vide Notification No.23/2004-Central Excise dated July 9, 2004.

(iv) In order to check instances of under-invoicing in the import of edible oils, the Government has fixed a tariff value on the import of certain oils which is periodically revised. As per the last revision on September 15, 2004, the tariff value of Crude Palm Oil(CPO), RBD Palm Oil, RBD Palmolein, Crude Palmolein, Crude Soyabean Oil, other-Palm Oil and others-Palmolein is US \$ 454 PMT, US\$ 489 PMT, US\$ 497 PMT, US\$ 479 PMT, US\$ 565 PMT, US\$ 471 PMT and US\$ 488 PMT respectively.

## **(I) INTERNATIONAL COOPERATION**

### **International Grains Council (IGC)**

(i) India continues to be a member of the International Grains Council (IGC) which is an inter governmental forum of exporting and importing countries. India has been included in the category of Exporting member in July 2003. India was represented in the Market Conditions Committee Meeting of IGC held in October 2004, during which India made a presentation on the Grain Production and Marketing Policies of India. The key messages in the said presentation *inter-alia* were that the current and expected demand and supply trends indicated likelihood of exportable surpluses and India's EXIM policy envisaged no quantitative restrictions on wheat and rice exports. India was also represented in the International Grains Council's Conference held in June, 2004 and in the 20<sup>th</sup> Session of IGC held in December 2004 in London.

### **Food Management**

The main elements of the Government's food management policy are procurement, storage and movement of foodgrains; public distribution and maintenance of buffer stocks. These and other related aspects of this policy, such as production, procurement and issue prices of foodgrains, quality control, imports & exports behaviour of market prices, etc. during the year 2004-05 are discussed in the succeeding paragraphs.

### **FOODGRAINS PRODUCTION DURING 2003-04 AND PRODUCTION PROSPECTS DURING KHARIF 2004-05.**

#### **Foodgrains Production During 2003-04**

2.1 The year 2003-04 received good rainfall and the rainfall from the South-West monsoon was 102% of the Long Period Average.

2.2 According to the fourth advance estimates released on August 5, 2004, the foodgrains production is estimated at 212.06 million tonnes which is 37.87 million tonnes or 21.7% more than 174.19 million tonnes of foodgrains during the last week of June, most of July, late August and early September production in 2002-03. The kharif foodgrains production estimated at 112.05 million tonnes in 2003-04 is 24.24 million tonnes or 27.6% more than 87.81 million tonnes of kharif foodgrains production in 2002-03. The rabi foodgrains production estimated at 100.01 million tonnes is 13.63 million tonnes or 15.8% more than 86.38 million tonnes of rabi foodgrains production in 2002-03.

### **Foodgrains Production Prospects during Kharif 2004-05:**

2.3 The south-west monsoon in 2004-05 had spells of weak/break monsoon conditions during the last week of June, most of July, late August and early September over different parts of the country. For the country as a whole, rainfall from south-west monsoon in 2004 was 87% of its Long Period Average. As per the first advance estimates released on September 18, 2004 the kharif foodgrains production is estimated at 100.29 million tones during 2004-05, which is 10.5% less than last year's kharif foodgrains production. The production of kharif rice is estimated at 71.10 million tonnes while production of kharif coarse cereals is estimated at 24.50 tonnes. Production of kharif pulses is estimated at 4.69 million tonnes which is 25.91% less than last year's kharif production of 6.33 million tonnes.

2.4 The details of Fourth Advance Estimates of production for 2003-04 and the First Advance Estimates for 2004-05 (kharif) are given at **Annexure-I**

### **PRICE POSITION OF FOODGRAINS**

2.5 A statement giving the Monthly Average of Wholesale Price Index (WPI) of Foodgrains (Average) (Base 1993-94=100) is at **Annexure II**.

2.6 The WPI of foodgrains registered an increase of 0.7% during January-February, 2004. Thereafter it fell by 2.8 % to reach 172.7 in April 2004, before rising again to 178.7 in August, i.e. a rise of 3.5% during May-August, 2004. However, the index remained constant till November, 2004 at 178.9.

2.7 The index of cereals, which stood at 176.5 in January, 2004 rose to 178.0 in February, 2004 recording a rise of 0.8%. but declined by 2.9% to 172.9 in April, 2004. It again rose to 175.6 (1.6%) in July, 2004 and to 178.9 i.e. a rise of 1.9% during August 2004. Thereafter it witnessed a marginal decline to reach 179.0 in November, 2004.

2.8 The WPI of rice which stood at 164.4 in January, 2004 rose to 165.5 in February, 2004 recording a rise of 0.7%. Thereafter the index declined to reach 163.3 in April, 2004 registering a fall of 1.3%. From May, 2004 the index rose continuously and reached 170.2 in September, 2004. However, the index registered a marginal fall of 0.8% and stood at 168.9 in November, 2004.

2.9 The WPI of wheat rose by 0.9% during February, 2004 reaching 192.6 in February from 190.9 in January, 2004. Thereafter, it began declining and declined to 178.0 in May, 2004 recording a fall of 7.6% during February- May, 2004 period. But, thereafter the index started rising and stood at 186.4 in November, 2004 marking an increase of 4.7% between June-November 2004.

## PROCUREMENT

2.10 Foodgrains are procured at the Minimum Support Price (MSP) fixed by the Government. The MSP for Common and Grade 'A' paddy was fixed at Rs. 590/- and Rs. 560/- per quintal respectively for the 2004-2005 Kharif Marketing Season (October-September). The MSP of wheat was fixed at Rs. 630/- per quintal for the Rabi Marketing Season 2004-2005. The comparative MSP of wheat and paddy since 1999-2000 to 2004-2005 (marketing seasons) is given below:

Rs. per quintal)

Year	Wheat	Paddy	
		Common	Grade-A
1999-2000	550	490	520
2000-2001	580	510	540
2001-2002	610	530	560
2002-2003	620	530*	560*
2003-2004	620 **	550	580
2004-2005	630	560	590

\* The Government approved the payment of special drought relief price of Rs.20 per quintal for paddy.

\*\* The Government approved the payment of special drought relief price of Rs.10 per quintal for wheat.

### Scheme of Decentralized Procurement of foodgrains

2.11 The scheme of Decentralized Procurement of foodgrains was introduced by the Government in 1997-98 with a view to effecting savings in the form of reduction in the outgo of food subsidy, enhancing the efficiency of procurement and PDS and encouraging local procurement to the maximum extent thereby extending the benefits of MSP to local farmers. Under the decentralized procurement scheme, the State Government itself undertakes direct purchase of paddy and wheat and procurement of levy rice on behalf of Government of India. Purchase centres are opened by the State Governments and their agencies as per their requirements. The State Governments procure, store and distribute foodgrains under TPDS and other welfare schemes. In the event of the total quantity of wheat and rice thus procured falling short of the total allocation made by the Central Government for meeting the requirement of TPDS and other schemes, the Central Government, through FCI, meets the deficit out of the Central Pool stocks.

2.12 The Central Government undertakes to meet the entire expenditure incurred by the State Governments on the procurement operations as per the approved costing. The Central Government also monitors the quality of foodgrains procured under the scheme and reviews the arrangements made to ensure that the procurement operations are carried on smoothly. The State Governments presently undertaking Decentralised Procurement are West Bengal, Uttar Pradesh, Madhya Pradesh, Chattisgarh, Uttaranchal, Andaman & Nicobar islands, Orissa, Tamil Nadu and Gujarat.

2.13 The total procurement of rice in the States which have adopted decentralized procurement was 39 lakh tonnes in 2001-02 and 31 lakh tonnes in 2002-03. This went up sharply to 78 lakh tonnes during 2003-04. The procurement in the States is likely to cross 98 lakh tonnes during Kharif Marketing Season 2004-05. The progressive procurement of rice in the States which have adopted decentralized procurement was 21.5 lakh tonnes in 2004-05 ( upto December 30, 2004) compared to 15.5 lakh tonnes in 2003-04 in the same period.

2.14 In respect of wheat for states which have adopted decentralized procurement, the procurement during Rabi Marketing Season was 14.68 lakh tonnes which has increased to 21.44 lakh tonnes during Rabi Marketing Season 2004-05.

#### **Procurement of Rice**

2.15 Besides extending price support to farmers for wheat and paddy, rice was also procured under levy from rice millers/dealers at prices announced separately for each State. The procurement of rice for the Central Pool (including paddy in terms of rice) since 1999-2000 is given below:

<b>PROCUREMENT OF RICE FOR CENTRAL POOL</b>			
<b>(Marketing Season: October-September)</b>			
<b>Year</b>	<b>(Figures in lakh tonnes)</b>		
	<b>Procurement</b>		
	<b>FCI</b>	<b>State Agencies</b>	<b>Total</b>
1999-2000	111.22	61.87	173.09
2000-2001	124.96	70.90	195.86
2001-2002	118.72	94.04	212.76
2002-03	72.96	91.14	164.10
2003-04	109.73	118.55	228.28
2004-05(till December 30,2004)	36.68	88.54	125.22

2.16 For the year 2004-05, procurement of rice is in progress and is estimated at 225 lakh tonnes. The State-wise percentage of the procurement of rice to the Central Pool during 2003-2004 and 2004-2005 is given below:

#### **PROCUREMENT OF RICE(INCLUDING PADDY IN TERMS OF RICE) DURING 2003-2004 KHARIF MARKETING SEASON FOR THE CENTRAL POOL**

**TOTAL PROCUREMENT= 228.28 LAKH TONNES**

State	Quantity procured	% of Quantity Procured to Total Procurement
	(in lakh tones)	
Andhra Pradesh	42.30	18.53
Haryana	13.34	5.84
Madhya Pradesh	1.12	0.49
Orissa	13.73	6.01
Punjab	86.62	37.94
Uttar Pradesh	25.54	11.19
Others	45.63	20.00

**PROCUREMENT OF RICE(INCLUDING PADDY IN TERMS OF RICE)  
DURING 2004-2005 KHARIF MARKETING SEASON FOR THE  
CENTRAL POOL**

**TOTAL PROCUREMENT= 125.22 LAKH TONNES**

**(As on 30.12.2004)**

State	Quantity procured	% of Quantity Procured to Total Procurement
	(in lakh tones)	
Andhra Pradesh	6.06	4.84
Haryana	14.84	11.85
Madhya Pradesh	0.09	0.07
Orissa	1.15	0.92
Punjab	82.26	65.69
Uttar Pradesh	8.91	7.12
Others	11.91	9.51

.17 The share of procurement of paddy by State Agencies out of the total procurement during KMS 2004-05 in major States has been as under: -

**PROCUREMENT OF PADDY DURING 2004-2005 KHARIF  
MARKETING SEASON FOR THE CENTRAL POOL**

**TOTAL PROCUREMENT = 134.84 LAKH TONNES**

**(As on December 30, 2004)**

State	Quantity Procured(In Lakh Tonnes			% of Quantity Procured by State Agencies to Total Procurement
	FCI	State Agencies	Total	

Andhra Pradesh	0.05	0.05	0.10	50
Haryana	1.00	14.15	15.15	93
Madhya Pradesh	0.02	0.12	0.14	86
Orissa	0.25	0.29	0.54	54
Punjab	11.39	89.06	100.45	89
Rajasthan	0.07	0.00	0.07	-
Uttar Pradesh	0.00	3.18	3.18	100
Others	0.06	15.15	15.21	99

2.18 There is no levy on basmati rice, wheat, coarsegrains and pulses. Government undertakes to purchase all wheat and paddy of prescribed specifications offered for sale by the farmers thereby ensuring them of a stable market for their produce. Non-basmati rice is procured for the Central Pool under statutory levy system imposed by the State Governments in exercise of powers conferred on them under the Essential Commodities Act, 1955. The levy percentage currently prevailing in various States/UTs pertaining to the Kharif Marketing Season 2004-2005 is given in **Annexure-III**

#### **Procurement of Wheat**

2.19 The State-wise procurement of wheat and the share of different States during the last 5 years is given below:

State	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05(Till 30.12.04)
Haryana	38.70	44.97	64.07	58.55	51.22	51.15
M.P.	5.42	3.51	2.94	4.24	1.88	3.50
Punjab	78.32	94.23	105.60	98.63	89.38	92.40
Rajasthan	6.37	5.39	6.76	4.61	2.59	2.79
U.P.	12.61	15.45	24.46	21.11	12.13	17.40
Others	0.02	0.00	2.47	2.78	0.81	0.71
All India	141.44	163.55	206.30	190.25	158.01	167.95

2.20 The State-wise percentage of procurement of wheat during 2004-05 is given below:

#### **PROCUREMENT OF WHEAT DURING 2004-2005 MARKETING SEASON**

**TOTAL QUANTITY PROCURED = 167.95 LAKH TONNES**

States	Quantity Procured (In Lakh Tonnes)	% of Quantity Procured to Total Procurement
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	FCI	State Agencies	Total	
Haryana	8.80	42.35	51.15	30.46
M.P.	0.35	3.15	3.50	2.08
Punjab	21.47	70.93	92.40	55.02
Rajasthan	1.78	1.01	2.79	1.66
U.P.	0.15	17.25	17.40	10.36
Others	0.11	0.60	0.71	0.42

## ENTRAL ISSUE PRICE

2.21 Wheat and rice are issued from the Central Pool to State Govts./UTs at uniform Central Issue Prices (CIP) for distribution under the TPDS. The CIPs of foodgrains issued under the TPDS are fixed below the economic cost. The Central Government bears a huge subsidy burden on this account, especially for making available foodgrains at highly subsidized rates under BPL category.

2.22 After streamlining and restructuring of the Public Distribution System (PDS) with focus on the poor (the Targeted PDS), two different CIPs have been fixed, one for families Below the Poverty Line (BPL) and the other for families Above the Poverty Line (APL). The CIPs under TPDS are as under:-

Rice	Category	Rs.per qtl.	Effective from
Common	PDS	437	11.1.93
Fine	PDS	497	11.1.93
Super fine	PDS	518	11.1.93
Common	PDS	537	1.2.94
Fine	PDS	617	1.2.94
Super fine	PDS	648	1.2.94
Fine	APL	650	1.6.97
Super fine	APL	750	1.6.97
Common	BPL	350	1.6.97
Fine	BPL	350	1.6.97

## CIP OF RICE (COMMON & GRADE 'A')

(CIP of Common rice to APL families is applicable to J&K, H.P., North Eastern States, Sikkim and Uttaranchal )

(Rs. per quintal)

<b>Rice</b>	<b>APL</b>	<b>BPL</b>	<b>With effect from</b>
Common	550	350	1.12.97
Grade 'A'	700	350	1.12.97
Common	700	350	29.01.99
Grade 'A'	905	350	29.01.99
Common	1135	590	1.04.2000
Grade 'A'	1180	590	1.04.2000
Common	1087	565	25.07.2000
Grade 'A'	1130	565	25.07.2000
Common	795	565	12.07.2001
Grade 'A'	830		12.07.2001
Common	695	565	1.4.2002
Grade 'A'	730		
Common	795	565	1.7.2002 till date
Grade 'A'	830		

#### **CIP OF WHEAT (PDS, BPL & APL)**

(Rs. per quintal)

<b>BPL</b>	<b>APL</b>	<b>Effective from</b>
250	450	1.6.97
250	650	29.1.99
250	682	1.4.99
450	900	1.4.2000
415	830	25.7.2000
415	610	12.7.2001
415	510	1.4.2002
415	610	1.7.2002 till date

#### **BUFFER STOCKING POLICY 2.23**

Food stocks are maintained by the Central Government to (i) meet the prescribed Minimum Buffer stock norms for food security, (ii) for monthly releases of food grains for supply through the Public Distribution System/Welfare schemes, (iii) to meet emergent situations arising out of unexpected crop failure, natural disasters

etc. (iv) for market intervention to augment supply so as to help moderate the open market prices.

2.24 The Government had fixed minimum requirement of stock for the Ninth Five Year Plan (1997-2002) as under: -

	<b>(in lakh tonnes)</b>			
	<b>1<sup>st</sup> Jan</b>	<b>1<sup>st</sup> April</b>	<b>1<sup>st</sup> July</b>	<b>1<sup>st</sup> Oct</b>
Wheat	84	40	143	116
Rice	84	118	100	65
Total	168	158	243	181

2.25 The report of 5<sup>th</sup> Technical Group has been received and revised buffer norms are being worked out for the remaining 10<sup>th</sup> Plan period, taking into consideration fresh requirement of foodgrains on account of new schemes launched by Government viz(i) expansion of Antyodaya Anna Yojna (AAY) to cover two crore families instead of the existing target of one crore families and (ii) National Food For Work Programme launched by Ministry of Rural Development. The comments of all the concerned Departments have been obtained and are being incorporated in the draft CCEA note on buffer stocking norms for 10<sup>th</sup> Plan. The revised buffer norms for the remaining 10<sup>th</sup> Plan period will soon be submitted to CCEA for approval.

2.26 In the meantime, the above buffer norms have been validated till the new norms are finalized.

### **STOCK POSITION IN CENTRAL POOL**

2.27 The stock of foodgrains in the Central Pool as on January 1, 2005 is 216.97 lakh tonnes which comprises of 89.31 lakh tonnes of Rice, 127.63 lakh tonnes of Wheat and 0.03 lakh tonnes of Coarse Grains. The stock position is comfortable as the stocks are above the buffer norms of 168.00 lakh tonnes of foodgrains as on January 1, 2005. The total stock of food grains in the Central Pool including coarse grains as on 1st January during the last five years was as follows: -

(in lakh tonnes)

<b>Year</b>	<b>Stock</b>
1 <sup>st</sup> Jan., 1999	243.84
1 <sup>st</sup> Jan., 2000	318.89
1 <sup>st</sup> Jan., 2001	457.68

1 <sup>st</sup> Jan.,2002	581.12
1 <sup>st</sup> Jan.,2003	482.05
1 <sup>st</sup> Jan.,2004	250.16
1 <sup>st</sup> Jan., 2005	216.97

2.28 The following table gives stock position of Wheat & Rice in the Central Pool vis-à-vis minimum buffer norms :-

( in lakh tonnes)

AS ON	W H E A T		R I C E		T O T A L	
	Actual stock	Minimum buffer norms	Actual stock	Minimum buffer norms	Actual stock	Minimum buffer norms
1.1.2001	250.41	84.00	206.99	84.00	457.40	168.00
1.4.2001	215.04	40.00	231.91	118.00	446.95	158.00
1.7.2001	389.20	143.00	227.51	100.00	616.71	243.00
1.10.2001	368.26	116.00	214.52	65.00	582.78	181.00
1.1.2002	324.15	84.00	256.17	84.00	580.32	168.00
1.4.2002	260.39	40.00	249.12	118.00	509.51	158.00
1.7.2002	410.74	143.00	219.37	100.00	630.11	243.00
1.10.2002	356.37	116.00	157.70	65.00	514.07	181.00
1.1.2003	288.30	84.00	193.72	84.00	482.02	168.00
1.4.2003	156.45	40.00	171.57	118.00	328.02	158.00
1.7.2003	241.94	143.00	109.74	100.00	351.68	243.00
1.10.2003	184.27	116.00	52.41	65.00	236.68	181.00
1.1.2004	126.87	84.00	117.27	84.00	244.14	168.00
1.4.2004	69.31	40.00	130.69	118.00	200.00	158.00
1.7.2004	191.52	143.00	107.63	100.00	299.15	243.00
1.10.2004	142.23	116.00	60.92	65.00	203.15	181.00
1.1.2005	127.63	84.00	89.31	84.00	216.94	168.00

### An Overview

2.29 The Government reviews on a monthly basis the position of foodgrain stocks held in the Central Pool by FCI and the State Governments and their agencies. The stock of rice and wheat in the Central Pool remained satisfactory.

### PUBLIC DISTRIBUTION SYSTEM

2.30 The Public Distribution System (PDS) evolved as a major instrument of the Government's economic policy for ensuring availability of foodgrains to the public at affordable prices as well as for ensuring the food security for the poor. PDS with a

network of about 4.77 lakh Fair Price Shops (FPSs) is, perhaps, the largest distribution network of its type in the world.

2.31. PDS is operated under the joint responsibility of the Central and the State Governments. The Central Government has taken the responsibility for procurement, storage, transportation and bulk allocation of foodgrains, etc. The responsibility for effective distributing the same to the consumers through the network of Fair Price Shops (FPSs) lies with the State Governments. The operational responsibilities including allocation within the State, identification of families below poverty line, issue of ration cards, supervision and monitoring the functioning of FPSs rest with the State Governments. State-wise population, number of households, BPL households, ration cards and Fair Price Shops are at **Annexure IV**

### **TARGETTED PUBLIC DISTRIBUTION SYSTEM (TPDS)**

2.32 PDS as it stood earlier, was viewed as having failed to serve the population below the poverty line, due to its perceived urban bias, negligible coverage in the States with the highest concentration of the rural poor and lack of transparent and accountable arrangements for delivery. Realizing this, the government streamlined the PDS by issuing special cards to families Below Poverty Line (BPL) and providing foodgrains to them at specially subsidized prices, with effect from June, 1997. Under the Targetted Public Distribution System (TPDS), the States are required to formulate and implement foolproof arrangements for identification of the poor, for delivery of foodgrains to Fair Price Shops and for its distribution in a transparent and accountable manner at the FPS level.

2.33 The scheme when introduced was intended to benefit about 6 crore poor families for whom a quantity of about 72 lakh tonnes of foodgrains was earmarked annually. The identification of poor under the scheme is done by the States as per State-wise poverty estimates of Planning Commission based on the methodology of the "Expert Group on estimation of proportion and number of poor" chaired by the Late Prof. Lakdawala. The allocation of foodgrains to the States/UTs was made on the basis of average consumption in the past, i.e., average annual off-take of foodgrains under PDS during the past ten years. The quantum of foodgrains in excess of the requirement of BPL families @ 10kg. per family per month was provided to the States as transitory allocation for which a quantum of 103 lakh tonnes of foodgrains was earmarked annually. Keeping in view the consensus on increasing the allocation of foodgrain to BPL and to better target food subsidy, Government of India increased the allocation to BPL families from 10 kg. to 20 kg. per family per month at 50% of economic cost and allocation to APL at economic cost w.e.f. April 1, 2000. The allocation for APL was retained at the same level as at the time of introduction of TPDS. The allocation for BPL families was increased by shifting the population base to the population projection of the Registrar General as on March 1, 2000 instead of the earlier base of 1995. The scale of issue to the BPL families was further increased from 20 kg to 25 kg per family per month with effect from July, 2001 and to 35 kg per family per month with effect from April, 2002.

2.34 The scale of issue under the APL category has also been fixed at 35 kg. per family per month with effect from April 1, 2002.

2.35 PDS has always been supplemental in nature and was never meant to meet the full requirements of any section of the people. Thus, the benefits of subsidy would

have to thinly spread amongst 6.52 crore BPL families on the basis of the projected population as on March 1, 2000.

2.36 The end retail price is fixed by the States/UTs after taking into account margins for wholesalers/retailers, transportation charges, levies, local taxes etc. Under TPDS, the States were required to issue foodgrains at a margin of not more than 50 paise per kg., over and above the CIP for BPL families. Flexibility to States/UTs has been given in fixing the retail issue prices by removing the restriction of 50 paise per kg over and above the CIP for distribution of foodgrains under TPDS except in case of Antyodaya Anna Yojana where the end retail price is to be retained at Rs. 2 a kg. for wheat and Rs. 3 a kg. for rice.

### **MODEL CITIZENS' CHARTER**

2.37 The Citizens' Charter, issued in November, 1997 for adoption by the State Governments, is an important milestone in the ongoing efforts of the Government to provide services under the PDS in a more transparent and accountable manner. This Charter is intended to be a model for the State Governments. It contains, inter-alia, basic information of interest to the consumers, model procedure and time schedule for the services. The Charter contains essential information viz. entitlement of BPL families, fair average quality of foodgrains, information regarding FPS, procedure for issue of ration cards, inspection and checking, right to information, vigilance and public participation. The model charter has been adopted by all the States/UT Administrations.

### **VIGILANCE COMMITTEES**

2.38. Vigilance Committees have been in existence since the inception of the rationing system. The Central Government has been requesting the State Governments from time to time to activate these Committees and reconstitute them, if not done so already by associating members from amongst the card holders, consumer activists as well as people's representatives.

2.39 In the Model Citizens' Charter, constitution of Vigilance Committees by State Governments at the level of Panchayat /Ward, Taluk, District and State/UT have also been emphasised. In the guidelines issued in June 1999 for the involvement of the Panchayati Raj Institutions in the implementation of TPDS, it is mentioned that the Gram Panchayat/Gram Sabha should be encouraged to form FPS committees. The main functions of Vigilance Committee are to ensure smooth functioning of PDS and redressal of problems related with it. Vigilance Committees at the following levels are at present functioning in most of the States:

1. FPS level
2. Block/Mandal/Taluk level
3. District level
4. State level

### **INVOLVEMENT OF PANCHYATI RAJ INSTITUTIONS (PRIs)**

2.40 Detailed guidelines were issued by this Department in June, 1999 for greater involvement of Panchayati Raj Institutions (PRIs) in the functioning of TPDS and to bring in a more transparent and accountable system of distribution as a measure of social audit. This included:

- Consumers right to information regarding Fair Price Shops (FPS), entitlement, price, number of cards attached to shop etc.
- Display of stock position at FPS.
- List of BPL beneficiaries to be displayed at FPS and office of Gram Panchayat for public scrutiny
- Formation of FPS Committee by Gram Panchayat for inspecting the FPS records and to keep a watch on functioning of FPS. FPS committee's report to be placed before larger body i.e. Gram Sabha for onward transmission to State Government for taking necessary action.
- Responsibility of the Gram Panchayats in checking of ration cards occasionally for its genuineness and correct entries of units in them.
- Redressal of grievances.

2.41 With the objective of revamping and strengthening the PDS and to ensure that the intended benefit reach the poor, the Minister of Consumer Affairs, Food and Public Distribution addressed a letter on January 13, 2000 to all Chief Ministers and Administrators of UTs, calling for active participation by Panchayati Raj Institutions in PDS and a better computerized monitoring mechanism.

2.42 It was impressed upon the State Governments to issue licenses under Section 3 of the Essential Commodities Act, 1995 whereby the rights, duties, responsibilities, obligations and liabilities of the FPS owners may be defined. Some of the responsibilities would be:

(i) Display of information, such as beneficiary's entitlement of various essential commodities, the issue prices, name of fair price shop keeper, timing of opening and closing of FPS, weekly closing days, stock position etc.

(ii) Display of procedure for lodging the complaints with reference to quality and quantity of ration and other problems being faced by the beneficiaries.

(iii) Maintenance of records of ration cards holders, stock position, issue register, issue prices etc.

(iv) Furnishing of copies of certain documents like ration card, register, stock register and sales register concerning PDS to the interested groups.

(v) Display of samples of foodgrains being supplied through Fair Price Shops.

2.43 The huge PDS network can play a more meaningful role only if the system translates the macro level self-sufficiency in the foodgrains production achieved by the country into micro level, self-sufficiency i.e. ensuring availability of food for the poor households. TPDS, with its focus on the poor is a step towards this end.

## **PDS CONTROL ORDER 2001**

2.44 In order to maintain supplies and securing availability and distribution of essential commodities, Public Distribution System (Control) Order 2001 has been notified on August 31, 2001. The Order mainly contains provisions with regard to the following issues: -

- (i) Identification of families below the poverty line;
- (ii) Ration cards;
- (iii) Scale and Issue price;
- (iv) Distribution of foodgrains;
- (v) Licensing;
- (vi) Monitoring.

2.45 The Order requires all State Governments/UTs to ensure that the BPL and Antyodaya families identified are really the poorest of the poor. It also requires the State Governments/UTs to get the lists of BPL and Antyodaya families reviewed every year for the purpose of deletion of ineligible families and inclusion of eligible families. It further devolves on the State Governments/UTs to conduct periodical checking of ration cards to weed out ineligible and bogus ration cards. The State Governments/UTs are also to ensure issue of Utilization Certificates confirming that the foodgrains have been lifted and distributed to the intended beneficiaries under the TPDS. An offence committed in violation of the provisions of this Order shall invoke criminal liability under the Essential Commodities Act, 1955.

#### **AREA OFFICERS SCHEME**

2.46 The Government has introduced the Area Officers Scheme in the Department to provide a mechanism to coordinate with State Govt./UTs for regular and effective review and monitoring of Public Distribution System (PDS) in States/UTs. Senior Officers from the Department of Public Distribution are appointed as Area Officers for different States under this Scheme. The Area Officers are required to visit their allotted States with an element of surprise and objectivity and make assessment about the functioning of PDS in the State/UT by visiting Fair Price Shops, Stock Agents, FCI Depots, meeting beneficiaries etc. The Scheme has resulted in better coordination and understanding between Central Govt. and State Governments /UTs for effective monitoring and implementation of PDS. During the current year Area Officers have visited Maharashtra.

#### **TASK FORCE TEAM**

2.47 In order to monitor the functioning of Targetted Public Distribution Scheme, Task Force Teams are constituted in the Department. Task Force Teams visit States / Union Territories and investigate various shortcomings in the running of PDS. During the year, acting on the reports of alleged starvation deaths in the media or otherwise the Task Force Teams were sent to the places of incident. The investigation reports of the Task Force Teams are examined in the Department and corrective measures are taken to prevent the malfunctioning of PDS System in the reported regions.

## **PLAN SCHEMES FOR STRENGTHENING THE PUBLIC DISTRIBUTION SYSTEM**

2.48 Two plan schemes are being operated for strengthening the PDS infrastructure in the States/UTs:

### **Training, Research and Monitoring**

2.49 In order to strengthen and upgrade the skills of personnel engaged in management of the PDS, the Ministry operates a plan scheme which provides financial assistance to State Governments/UT Administrations for training their personnel. The scheme was introduced in the 6th Five Year Plan, it provides financial assistance for the following purposes:

- (i) Training Programmes for junior and middle level officials of the State Governments/UT Administrations engaged in supply management of essential commodities through PDS.
- (ii) Training Programmes for officials of the State Civil Supplies Corporations.
- (iii) Seminars/Workshops for senior level officials of the State/UTs engaged in supply management of essential commodities and Central Ministries/Organizations concerned.
- (iv) Research studies on various aspects of PDS.
- (v) Purchase of computers and accessories to link the office of the Director (Civil Supplies) of the respective State Governments with the NIC network.

2.50 The outlay for the year 2004-05 for this scheme is Rs. 60 lakh. In the year 2002-03, a research study "Evaluation Study of TPDS and AAY" has been commissioned under this scheme.

### **Pilot Project on implementation of Food Credit Card under PDS**

2.51 The Department of Food and Public Distribution has been sanctioned Rs. 13.20 crore under the 10<sup>th</sup> five year plan (2002-07) for the pilot project on implementation of the Food Credit Cards in the PDS. Initially it was named as 'Pilot Project for implementation of Smart Cards under Public Distribution System.' The Pilot Project, however, has undergone a substantial change in its content, emphasis and format. It is no longer a Smart Card Pilot Project. It is now being taken up as a back-end operation for computerization of ration cards in a more detailed & rational manner. It has been renamed as 'Pilot Project on implementation of Food Credit Cards in PDS.' In the first phase, the Pilot Project would be launched in the selected districts in some States of the country. In the first phase, the Department of Food and Public Distribution had selected three States namely Madhya Pradesh, Himachal Pradesh and Kerala for launching the Pilot Project. The Projects has been launched in the districts of Kangra in Himachal Pradesh, Vidisha in Madhya Pradesh and Eranakulam in Kerala. National Informatic Centre (NIC) would be the nodal agency for providing technical support for software development.

2.52. In a recent review of the scheme, it has been decided to rename the scheme as 'Pilot Project on implementation of Smart Ration Cards in PDS'. The expenditure during the first two years of the Plan has been of the order of Rs. 57.66 lakhs on purchase, installation of Hardware and Software, site preparation and data entry operation.

## **ALLOCATION OF FOODGRAINS FROM CENTRAL POOL**

### **Allocation of Foodgrains to States/UTs for Public Distribution System (PDS)/ Targeted Public Distribution System (TPDS)**

2.53 Under the Targeted Public Distribution System (TPDS) launched in June, 1997 each family below poverty line (BPL) was given 10 kg of foodgrains per month at specially subsidised prices. Transitory allocation of foodgrains for families above poverty line (APL) was also made to the States/UTs equal to the difference between past 10 years annual average lifting and the requirement of foodgrains for BPL families at APL rates. The quantum of allocation of foodgrains for BPL was increased to 20 kg per BPL family per month from 1.4.2000 and to 25 kg per BPL family per month w.e.f. 1.7.2001 while keeping the APL allocation unchanged. The allocation of foodgrains was further increased to 35 kg. per month from April, 2002 for BPL, APL and Antyodaya Families. From December, 2000, the allocation of foodgrains for BPL families has been fixed on the basis of population projections of the Registrar General of India as on 1.3.2000 instead of earlier base of the projected population in 1995.

2.54 Since 1st June, 1997, allocations of rice and wheat for population below poverty line (BPL) and above poverty line (APL) were made to the States/UTs on monthly basis as fixed under the guidelines of TPDS. With a view to enable the State Governments to plan timely lifting of the allotted quantities of foodgrains and to make distribution cost effective, monthly allocations of rice and wheat are now made to the States/UTs for a financial year as a whole. Under the revised procedure, the States /UTs and FCI have been allowed a validity period of 60 days to arrange lifting of the allotted foodgrains, reckoned from first day of the month preceding month of allocation to the last date of the allocation month. The States/UTs can deposit payments of the cost of foodgrains allotted in more than one instalment as convenient to them but before the last date of the validity period. Extension in validity period for lifting unlifted quantity of foodgrains is also granted on merits of each case of the State Governments seek the same, with requisite justification for non lifting.

2.55 The following Table shows the allotment and offtake of rice and wheat under PDS/TPDS during the financial years 1999-2000 to 2004-2005 (upto December, 2004). This includes allocation and offtake for Defence, CRPF/BSF and Bhutan.

**(In lakh tonnes)**

YEAR	RICE		WHEAT		TOTAL	
	ALLOTMENT	OFFTAKE	ALLOTMENT	OFFTAKE	ALLOTMENT	OFFTAKE
		#		#		#
1999-2000	138.92	113.14	103.70	57.62	242.62	170.76
2000-01	162.59	79.74	115.68	40.69	278.27	120.43



	<b>WHEAT</b>	70.95	42.52	0.21	37.42	52.74	1.74	4.10	0.17	80.95
	<b>Total</b>	<b>159.71</b>	<b>114.33</b>	<b>0.56</b>	<b>96.53</b>	<b>60.44</b>	<b>21.11</b>	<b>18.46</b>	<b>0.24</b>	<b>42.86</b>
<b>2001-02</b>	Rice	99.23	61.24	10.29	58.36	58.81	13.03	21.27	9.04	87.85
	Wheat	79.43	40.58	9.31	42.16	53.08	5.34	13.15	7.74	83.17
	<b>Total</b>	<b>178.66</b>	<b>101.82</b>	<b>19.60</b>	<b>100.52</b>	<b>56.26</b>	<b>18.36</b>	<b>18.04</b>	<b>16.78</b>	<b>85.62</b>
<b>2002-03</b>	Rice	129.45	206.31	22.85	73.83	57.04	11.67	5.66	19.00	82.89
	Wheat	98.27	267.99	18.42	63.41	64.53	16.37	6.11	16.38	88.93
	<b>Total</b>	<b>227.72</b>	<b>474.30</b>	<b>41.27</b>	<b>137.24</b>	<b>60.27</b>	<b>28.04</b>	<b>5.91</b>	<b>35.38</b>	<b>85.73</b>
<b>2003-04</b>	Rice	126.57	191.51	25.06	90.29	71.34	18.56	9.69	23.82	95.06
	Wheat	98.92	249.76	20.50	67.74	68.49	21.06	8.43	17.83	86.98
	<b>Total</b>	<b>225.49</b>	<b>441.27</b>	<b>45.56</b>	<b>158.04</b>	<b>70.09</b>	<b>39.62</b>	<b>8.98</b>	<b>41.65</b>	<b>91.43</b>
<b>2004-05</b>	Rice	90.56	143.24	23.40	70.23	77.55	23.22	16.21	21.01	89.79
	Wheat	72.10	189.34	18.97	51.57	71.53	21.55	11.38	14.59	76.91
	<b>Total</b>	<b>162.66</b>	<b>332.58</b>	<b>42.37</b>	<b>121.80</b>	<b>74.88</b>	<b>44.77</b>	<b>13.46</b>	<b>35.60</b>	<b>84.02</b>

\* The scheme of Antyodaya Anna Yojana ( AAY) started with effect from March 1, 2000.

#### **ANTYODAYA ANNA YOJANA (AAY)**

2.59 A National Sample Survey exercise points towards the fact that 5% of the total population in the country sleeps without two square meals a day. This section of the population can be called as "hungry." In order to make the Targeted Public Distribution System (TPDS) more focused and targeted towards this category of population i.e. about one crore households, the Prime Minister launched the "Antyodaya Anna Yojana" on 25 December, 2000. It is a step in the direction of making the TPDS aim at reducing hunger among the poorest segments of population and to make PDS benefits more substantial in terms of both quantity and nutrition , for this section of the population.

2.60 The AAY is being successfully implemented all over India. The identified families are being provided foodgrains at rates below the rate charged for the BPL families viz., Rs. 2/- per kg. for wheat and Rs.3/- per kg. for rice against the Central Issue Price of Rs.4.15 per kg. for wheat and Rs.5.65 per kg. for rice for the BPL families . The scale of issue under Antyodaya Anna Yojana has also been increased to 35 kg per family per month with effect from 1.4.2002.

2.61 The AAY was expanded in June, 2003 by adding another 50 lakh BPL families from amongst the priority groups of widows/terminally ill persons/disabled persons/persons aged 60 years or more/single men (women) with no family or societal support or assured means of subsistence and all primitive tribal households.

2.62 As announced in the Union Budget 2004-2005, the Scheme has been further expanded w.e.f. August 1, 2004 by another 50 lakh BPL families by including, inter-

alia, all households at the risk of hunger. The following criteria will be adopted for identification of additional Antyodaya families:-

- Landless agriculture labourers, marginal farmers, rural artisans/craftsmen such as potters, tanners, weavers, blacksmiths, carpenters, slum dwellers and persons earning their livelihood on daily basis in the informal sector like porters, coolies, rickshaw pullers, hand cart pullers, fruit and flower sellers, snake charmers, rag pickers, cobblers, destitutes and other similar categories in both rural and urban areas.
- Households headed by widows or terminally ill persons/
- All primitive tribal households. disabled persons/persons aged 60 years or more with no assured means of subsistence or societal support.
- Widows or terminally ill persons or disabled persons or persons aged 60 years or more or single women or single men with no family or societal support or assured means of subsistence.

With this increase, 2 crore (i.e. 30.66% of BPL) families will be covered under the AAY.

## **ALLOCATION OF FOODGRAINS FOR OTHER WELFARE SCHEMES**

### **MID- DAY MEAL SCHEME**

2.63 The Mid-Day Meal Scheme was launched by the Ministry of Human Resource Development (Department of Education) with effect from 15<sup>th</sup> August, 1995 for the benefit of students in primary schools in Employment Assurance Scheme(EAS)/earlier Revamped Public Distribution System(RPDS) blocks (2368). The Scheme covers students (Class I-V) in the Government Primary Schools / Primary Schools aided by Govt. and the Primary Schools run by local bodies.

2.64 Foodgrains (wheat and rice) are supplied free of cost @ 100 gram per child per school day where cooked/processed hot meal is being served with a Minimum content of 300 calories and 8-12 gms of protein each day of school for a minimum of 200 days and 3 kgs per student per month for 10 months in a year, where foodgrains are distributed in raw form. To cut down delays in implementation of the scheme, Department of Elementary Education & Literacy has been authorized to make State / UT-wise allocation of foodgrains under intimation to this Department. Food Corporation of India (FCI) releases foodgrains to States/UTs at BPL rates as per allocation made by Department of Elementary Education and Literacy.

2.65 Allocation /off take of foodgrains under the scheme during 2001-2002, 2002-03 , 2003-04 & 2004-05 is as under:-

### **Figures in lakh tonnes**

Year	Annual Allocation			Offtake		
	Rice	Wheat	Total	Rice	Wheat	Total
2001-02	18.67	9.96	28.63	13.48	7.28	2076
2002-03	18.84	9.40	28.24	13.75	7.45	21.20

2003-04	17.72	9.08	26.80	13.49	7.20	20.69
2004-05	20.14	7.35	27.49	10.52	4.54	15.06
(upto Jan.05)			(upto Jan.05)			(upto Dec., 2004)

### WHEAT BASED NUTRITION PROGRAMME (WBNP)

2.66 This Scheme is implemented by the Department of Women & Child Development, M/o Human Resource Development. The foodgrains allotted under this Scheme are utilized by the States/UTs under Integrated Child Development Scheme (ICDS) for providing nutritious/ energy food to children below 6 years of age and expectant /lactating women.

2.67 Allocation/offtake of foodgrains under the scheme during 2001-2002, 2002-03, 2003-04 and 2004-05 is as under: -

#### Figures in lakh tonnes

Year	Annual Allocation			Offtake		
	Rice	Wheat	Total	Rice	Wheat	Total
2001-02	0.80	1.75	2.55	0.32	1.03	1.35
2002-03	1.47	3.27	4.74	0.69	2.13	2.82
2003-04	1.04	3.72	4.76	0.61	2.47	3.08
2004-05(upto Jan, 2005 )	1.16	3.42	4.58	0.46	1.85	2.31(upto Dec.,04)

### SCHEME FOR SUPPLY OF FOODGRAINS TO SC/ST/OBC HOSTELS/WELFARE INSTITUTIONS.

2.68 The Ministry of Social Justice & Empowerment is the nodal Central Ministry for implementation /monitoring of the Scheme introduced in October, 1994. The residents of the hostels having 2/3 students belonging to these categories are eligible to get 15 kg foodgrains per resident per month.

2.69 For the inmates of above mentioned hostels and welfare institutions viz. Nari Niketans, N.G.Os.etc., an additional allocation of foodgrains equal to 5% of the BPL allocation of each State/UT has been made at BPL rates during 2002-03 & 2003-04 & 2004-05 (for 11 months only)

2.70 Allocation/offtake of foodgrains under the scheme during 2001-2002, 2002-03, 2003-04 and 2004-05 is as under: -

#### Figures in lakh tonnes

Allocation	Offtake
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Year	Rice	Wheat	Total	Rice	Wheat	Total
2001-02	-	1.96*	1.96	0.76	0.07	0.83
2002-03	6.58	4.53	11.11	1.30	0.14	1.44
2003-04	7.88	5.19	13.07	3.15	0.23	3.38
2004-05(upto January,05)	5.08	4.07	9.15	1.48	0.65	2.13(upto Dec.,2004)

## ANNAPURNA SCHEME

2.71 The Ministry of Rural Development launched the scheme in 2000-2001. Indigent senior citizens or 65 years of age or above who though eligible for old age pension under the National Old Age Pension Scheme (NOAPS) but are not getting the pension are covered under the Scheme. 10 kgs. of foodgrains per person per month are supplied free of cost under the scheme.

2.72 From 2002-2003 it has been transferred to State Plan along with the National Social Assistance Programme comprising the National Old Age Pension Scheme and the National Family Benefit Scheme. The funds for the transferred scheme are being released by the Ministry of Finance as Additional Central Assistance(ACA) to the State Plan and the States have the requisite flexibility in the choice of beneficiaries and implementation of the Scheme. The implementation of the Scheme at the ground rests with the States/UTs.

2.73 The foodgrains is released to the State Governments on the existing norms at BPL rates. Allocation/offtake of foodgrains under the scheme during 2001-2002, 2002-03, 2003-04 & 2004-05 is as under: -

### Figures in lakh tonnes

Year	Allocation of foodgrains (Rice and Wheat)	Offtake of foodgrains (Rice and Wheat)
2001-02	1.62	0.93
2002-03	0.78	1.15
2003-04	1.23	1.09
2004-05(upto January.05)	1.66	0.95 (upto December, 2004)

## SAMPOORNA GRAMIN ROZGAR YOJANA

2.74 The Prime Minister in his Independence Day speech, on 15.8.2001 announced the introduction of a Universal Food for Work Programme to be called "Sampoorna Gramin Rozgar Yojana" in all the States/UTs for organizing various employment generation programmes. Under the Scheme, 50 lakh tonnes of foodgrains is to be allotted to the States/UTs free of cost annually. The economic cost of foodgrains is Rs. 5000 crores.

2.75 The Ministry of Rural Development, which is the nodal Central Ministry for the programme launched the scheme on 25.9.2001

2.76 To cut down delays in issuing release order, Ministry of Rural Development has been authorized, with the approval of MOCAF&PD, to directly communicate to FCI the allocations to be made to various State Governments.

2.77 Allocation/offtake of foodgrains under the scheme during 2001-2002, 2002-03, 2003-04 and 2004-05 is as under

**Figures in lakh tonnes**

	Annual Allocation			Offtake		
	Rice	Wheat	Total	Rice	Wheat	Total
2001-02	23.64	11.14	34.78	11.69	5.64	17.33
2002-03	28.01	13.90	41.91	21.15	18.87	40.02
2003-04	30.58	16.58	47.16	30.94	20.83	51.77*
2004-05 (upto Jan.,05)	27.99	14.61	42.60	20.99	17.00	37.99( upto Dec.,04)

\* Offtake includes lifting against backlog quota.

**SPECIAL COMPONENT OF SAMPOORNA GRAMIN ROZGAR YOJNA.**

2.78 The erstwhile Food for Work Programmes launched in Janaury 2001 was discontinued with effect from 31.3.2002. However the programme has been allowed to continue as a **Special Component of Sampoorna Gramin Rozgar Yojna** with a view to extending support to the drought affected families of States. To cut down delays in issuing release order, it has been decided that sanction letters for release of foodgrains under the Spl. Comp. of SGRY would be issued by the nodal Ministry of Rural Development directly to FCI under intimation to this Department.

2.79 Allocation and offtake of foodgrains under the scheme during 2002-03, 2003-04 and 2004-2005 is as under: -

**Figures in lakh tones**

Year	Allocation			Offtake		
	Rice	Wheat	Total	Rice	Wheat	Total
2002-03	37.02	26.38	63.40	31.89	13.33	45.22
2003-04	43.05	22.79	65.84	32.55	21.89	54.44
2004-05(up to Jan.,05)	13.23	5.69	18.92	9.26	2.79	12.05(up to Dec.,04)

**National Food For Work Programme**

2.80 The scheme for National Food for Work Programme has been launched with effect from October 13, 2004. This programme is being implemented in 150 most backward districts of the country so that the generation of supplementary wage employment and providing of food security through creation of need based economic, social and community assets in these districts is further intensified. Most of the backward district which would benefit from the scheme are in the tribal belts. The scheme will provide 100 days of employment at minimum wage for at least one able-bodied person from each household in the country. This scheme will not be implemented in UTs. During the year 2004-05 (upto December 26, 2004), a total of 1480176 MT rice and 513501 MT wheat has been allocated to 25 States at BPL rate.

## **EXPORT OF FOODGRAINS**

2.81 The Scheme for sale of foodgrains from Central Pool was undertaken in the year 2000 to liquidate the excess stocks in the Central Pool, which would have led to huge expenditure on storage and handling charges. Over the next three years, this objective was met and the stock level came within manageable limits. On a review, it was decided to stop fresh allocation from 11<sup>th</sup> August, 2003. Since then, no need has been felt to resort to more sale for exports from the Central Pool. There has been no import of foodgrains for the Central Pool, during this period.

2.82 The Cabinet in its meeting held on 23.03.2002 allowed this Department to enter into counter trade/or extend commodity assistance in the form of foodgrains to the poor or needy countries on terms decided on a case to case basis. The humanitarian assistance in the form of foodgrains has been extended to Cambodia, Afghanistan, Zambia, Tajikistan, Myanmar, Tanzania, Lesotho, Chad etc.

2.83 The details of quantity of wheat and rice lifted from the Central Pool for export purposes are as under: -

(IN LAKH MTs)

<b>FINANCIAL YEAR</b>	<b>WHEAT</b>	<b>RICE</b>
2000-2001	20.43	0.42
2001-2002	39.65	23.50
2002-2003	67.93	80.71
2003-2004	70.69	30.71
2004-2005*	7.45	0.90

\*Upto September, 2004

## **OPEN MARKET SALES SCHEME (DOMESTIC) [OMSS(D)]**

2.84 In addition to maintaining buffer stocks and for making a provision for meeting the requirement of the TPDS and other Welfare Schemes the FCI on the instructions from the Government has been resorting to sale of foodgrains in the open market from time to time to enhance the supply of foodgrains especially during the lean season and thereby to have a healthy and moderating influence on the open market prices especially in the deficit regions.

## **SALE OF WHEAT UNDER OMSS(D)**

2.85 The Open Market Sale Scheme(Domestic) for wheat was introduced in October, 1993. Various pricing patterns like State-wise, Centre wise, Zone wise etc. have been adopted on different pricing parameters. Prices of wheat under the OMSS(D) were determined and announced by the Central Government till October, 2000 when the High Level Committee(HLC) of FCI was empowered to fix these prices. Month wise prices are now being fixed for each State after taking into account the acquisition cost, the average freight to the State from the procuring region and open market prices. Different open sale prices for the wheat of various crop years, with the prices at lower levels for the older stocks, was introduced w.e.f. February, 2003 to enhance the off-take of old stocks under the OMSS(D).

2.86 The quantity of wheat disposed of under the OMSS(D) during the last three years and during the current year has been as under:

<b>Year</b>	<b>Qty. (Lakh MT)</b>
2001-02	51.95
2002-03	53.66
2003-04	9.26
2004-05(upto December, 04)	1.62

## **SALE OF RICE UNDER THE OMSS(D)**

2.87 Open sale of rice for domestic consumption from the stocks held by the FCI was first introduced in January 1994. However, there was a lukewarm response from the buyers and a meager quantity of 13.50 lakh MT of rice was sold in the open market from January, 1994 to March, 1997. The sale of rice under the OMSS(D) was therefore discontinued w.e.f. 1st April, 1997. Open sale of rice resumed in 2001-02 but the stocks sold remained negligible. Sale of rice in the open market is presently carried out through tenders as and when required and the HLC has been authorized to fix the cut off prices. Most of the sales of rice have been done of the old stocks and the stocks procured Under Relaxed Specifications(URS). As against 3.87 lakh MT of rice disposed of through tenders during the year 2002-03, 4.05 lakh MT of rice was sold in the open market during the year 2003-04. A small quantity of 0.06 lakh tonnes of rice has been sold under the scheme during 2004-05(upto November, 2004)

## **FOOD SUBSIDY**

2.88 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.

2.89 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. Nine States, namely Madhya Pradesh, Uttar Pradesh, Chhattisgarh, West Bengal, Uttaranchal, Tamil Nadu, Andaman & Nicobar, Orissa and Gujarat have undertaken the responsibility of not only procuring foodgrains from within the State but also distributing the same to the targeted population under TPDS and other welfare schemes. Under this scheme of Decentralised procurement, State specific economic cost is determined by the Government of India and the difference between the economic cost so fixed and the Central Issue Prices is passed on to the State as food subsidy. Efforts are being made to persuade other States to adopt this scheme.

2.90 The year-wise break-up of subsidy released on foodgrains during the last seven years to FCI and the States operating the Decentralised Procurement Scheme is as under: -

(Rs. in crore)

Year	Subsidy Released		
	FCI	States	Total
1997-98	7472	28	7500
1998-99	8646	54	8700
1999-00	8857	343	9200
2000-01	11462	548	12010
2001-02	16724	770	17494
2002-03	22764	1502	24176
2003-04	23874	1286	25160
2004-05 (as on February 10,2005)	19987	2143	22130

#### **Subsidy for 2004-2005:**

2.91 The quantum of food subsidy depends on the level of procurement of foodgrains and offtake under TPDS and other welfare schemes. Both procurement and offtake are determined by the market prices prevailing in respect of agriculture commodities.

2.92 A provision of Rs.25,746 crore was made in BE 2004-05 for food subsidy on the basis of issue prices and economic cost for wheat and rice as on April 1, 2004. This also includes a provision of Rs. 2264 crore as buffer subsidy against the estimate of Rs.3069 crore in RE 2003-04. The Government has taken various measures to contain the food subsidy. The main measures taken are as follows: -

- (i) Reduction in rate of interest on borrowings by FCI from 9.10% to 8.15% per annum.
- i) Liquidation of excess stocks leading to reduction in carrying cost.
- ii) Encouraging decentralized procurement and distribution of foodgrains.

#### **MOVEMENT OF FOODGRAINS**

2.93 The overall movement of foodgrains by the Food Corporation of India is estimated to be about 33.92 million tonnes during 2004-2005 as against 29.72 million tonnes during the previous year. Movement of foodgrains on Inter-State account has significantly increased as compared to the same period in the previous year.

2.94 Coordinating and monitoring the movement of foodgrains from surplus regions to deficient areas vis-à-vis, storage capacity, procurement, stocks, allocations and off-take of foodgrains is one of the important functions of the Department of Food & Public Distribution. Food Corporation of India undertakes the activities connected with the movement of foodgrains for the Public Distribution System and other Schemes. Movement Division in the Department of Food & Public Distribution closely monitors the movement and coordinates with the F.C.I. and the Railways. Optimum evacuation of foodgrains from the procuring regions and induction and stocking of foodgrains in the North-Eastern States, Jammu & Kashmir and other areas, identified from time to time, is specially monitored.

2.95 The comparative position of overall movement of foodgrains by FCI., Ex-North and from other areas, is as below :-

**( In Lakh MTs )**

<u>Period</u>	<u>Movement</u>	<u>Movement from other</u>	
	<u>Ex-North</u>	<u>areas</u>	<u>Total Movement</u>
2003-2004	257.17	40.03	297.20
2004-2005	211.83	38.22	250.05
<b>(April –December. '04)</b>			
<b>2003-2004</b>		<b>274.55</b>	<b>22.65</b>
<b>2004-2005 (April –December '04)</b>		<b>231.57</b>	<b>18.48</b>

**Movement of foodgrains to North-Eastern States :**

2.96 Movement of foodgrains to the North-Eastern States has been specially monitored and adequate stock levels have been maintained in these Regions. During 2004-05 (April-December '04), about 23.55 lakh MT of foodgrains were inducted in the North-Eastern Region as against 19.19 Lakh MT during the corresponding period of previous year. There has also been increase in off-take. The average monthly off-take in North-Eastern Region during 2004-05 (April-December '04) was about 220778 MT per month as against 182778 MT per month during the corresponding period of previous year.

**Movement to Jammu & Kashmir :**

2.97 As a result of sustained efforts, induction of foodgrains to Jammu & Kashmir increased to 5.18 lakh MT during 2004-05 (April '04–December '04), as against 4.93 lakh MT during the corresponding period of previous year.

#### POST HARVEST MANAGEMENT OF FOODGRAINS

2.98. With a view to improving the storage practices at farm level and to minimize post harvest losses in foodgrains, under its Post Harvest Operations Scheme the Department of Food and Public Distribution continued its activities as follows.

#### RESEARCH AND DEVELOPMENT AND INSTITUTIONAL TRAINING ON STORAGE

2.99. The Indian Grain Storage Management and Research Institute (IGMRI), Hapur and its three field stations located at Hyderabad, Ludhiana and Jorhat, carried out Research and Development activities on various aspects of storage and preservation of foodgrains both at farm and commercial levels. The techniques of scientific storage of foodgrains at farm level developed by the IGMRI are transferred to the farming community through the Save Grain Campaign (SGC) network..

2.100. The IGMRI also conducts apex level long-term as well as short term tailor made specialized training courses on scientific storage and inspection of foodgrains, pest control technology etc. for the benefit of the officers of storage agencies, pest control operators, Foreign Nationals sponsored by FAO, UNDP. The Directorate of Plant Protection Quarantine and Storage, Ministry of Agriculture has recognized the long term training course (LTTC) and specialized short term training courses (STTC) for grant of license to pest control operators.

2.101 The following R&D projects have been undertaken by IGMRI during 2004-2005:-

- a) Studies on the efficacy of SOLFAC 5% EW against stored grain insect pests in field conditions.
- b) Study to assess the percentage of head rice stored for more than a year in commercial godowns .
- c) Long term study on packaging of wheat and rice in PP/HDPE bags.
- d) Comparative study on percentage of cut grain and foreign matters in combine harvested paddy in comparison with manually harvested paddy and affect on resultant rice.
- e) Comparative study of Mycoflora and mycotoxin contamination in corticated and decorticated pulse (Masoor) in laboratory conditions.

2.102. The performance of IGMRI under various activities during 2004-2005 (upto December, 2004) is summarized below :-

Sl.No	Items / Activities	Target Achievements
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		(upto Dec., 2004)		
		Annual		
1.	Traing	L TTC/STTC	32	27
	(i)	Artisan Training	18	9
	(ii)			
2.	Analysis of foodgrain samples for physical quality parameters ( No. of samples)		3240	2589
3.	Monitoring of foodgrain samples for mycotoxin contamination ( No. of samples)		370	307
4.	Monitoring of foodgrain samples for pesticidal contamination (No. of samples)		710	555
5.	Research and Development Projects under Annual Action Plan		5	Projects are in various stages of progress

L TTC : Long Term Training Course

STTC : Short Term Training Course

### **SAVE GRAIN CAMPAIGN(SGC)**

2.103. The scheme is implemented through a network of 17 SGC offices in close collaboration with the State Governments. NGOs like World Vision of India and corporate houses like SAIL, Tata Steel, etc. The main objective of the scheme is to transfer the technical know how developed by IGMRI to the farmers for minimising the post harvest losses in foodgrains.

2.104. The main functions of SGC are :-

i) To educate, motivate and persuade the farmers through training, demonstration, publicity etc. to adopt recommended measures at farm level to minimise the foodgrains losses.

ii) To organise stipendiary and non-stipendiary training courses for farmers /farm women on scientific methods of preservation of foodgrains.

iii) To popularise improved storage structures like metal bins, pucca kothies, RCC ring bins etc. among farmers.

2.105 The performance of activities undertaken by the SGC during 2004-2005 (Upto December, 2004) are summarized below :-

S.No	Activities	Targets	Achievements
		(Annual)	(Upto Dec., 2004)
1.	Training Courses	1429	1205
2.	Villages covered	1009	915
3.	Film /Slide shows	1429	1201
4.	Exhibitions arranged/ participated	1009	935
5.	Construction/ improvement of non-metallic storage structures	18,600	14217
6.	Distribution of metallic storage structures	-	12889

### QUALITY STANDARDS FOR FOODGRAINS :

2.106 The Government exercises due control over the quality of foodgrains which are procured for the Central Pool and stored by various agencies for distribution through TPDS. Quality specifications for the foodgrains procured for Central Pool are announced before commencement of Rabi and Kharif marketing seasons keeping in view the interest of producers as well as the consumers and the provisions under the Prevention of Food Adulteration Act/Rules(PFA).

2.107 During the year (upto Dec., 2004 )under report, 2041 samples of foodgrains and wheat products were collected and got analysed for physical and chemical parameters in the Central Grain Analysis Laboratory(CGAL). The CGAL also trained 81 persons on analysis of foodgrains during April,2004 to December ,2004.

### MONITORING QUALITY OF FOODGRAINS

2.108. Three Quality Control cells are functioning at New Delhi, Kolkata & Hyderabad under the direct control of Department of Food & Public Distribution. The main objective of these cells is to ensure the quality of foodgrains at the time of procurement, storage and distribution. Surprise checks and inspection of procurement centres, food storage depots, rail heads, rice mills & fair price shops are conducted by the officers of these cells to ensure that the quality of foodgrains is conforming to laid down specifications/standards of Government of India. It is also ensured that the guidelines/instructions issued by Government about the proper storage and maintenance of foodgrains are followed by FCI and State agencies. These cells also attend to various complaints received from State Governments, VIPs, media and public about the quality of foodgrains during procurement. Storage and distribution. The complaints are referred to either FCI or State Government. for investigation or some cases are also investigated by Quality Control Officers directly.

2.109. The details of the inspection carried out by these cells during 2004-2005 (Upto December, 2004) are as follows:

No	Items / Activities	Target	Achievements
		(Annual)	(upto Dec.,2004)

1. Inspection of Food Storage Depots	690	505
2. Inspection of Procurement Centres	250	304
3. Inspection of Rail Heads	180	164
4. Inspection of Fair Price Shops	720	535
5. Inspection of Rice Mills	360	220
6. Collection of samples for checking physical quality parameters.	3000	2942
7. Investigation of complaints	-	11

## **INTRODUCTION OF WAREHOUSE RECEIPT AS A NEGOTIABLE INSTRUMENT**

2.110 The Department has prepared an action plan for introduction of Negotiable Warehouse Receipt System. The negotiability of warehouse receipt has also been identified as a priority thrust area by the Cabinet Secretariat and is being monitored by a Committee of Secretaries.

2.111 A draft legislation to make warehouse receipt a negotiable instrument, has been prepared and is being finalised in consultation with all the stake holders, for which a Core Group has been formed. The Core Group has been entrusted with the task of examining all the issues involved in making the warehouse receipt a fully negotiable instrument. Simultaneously, the Department is also examining the alternatives for establishment of an independent accreditation Agency/authority to regulate warehouse standards which would have credibility with both the trading community as well as the banking system.

## **NATIONAL POLICY ON HANDLING, STORAGE & TRANSPORTATION OF FOODGRAINS.**

2.112 With a view to minimize storage and transit losses and to introduce modern technology, the Government had approved the National Policy on Handling, Storage and Transportation of Foodgrains in June 2000. Under this policy, integrated bulk handling, storage & transportation facilities are to be created at identified locations in producing and consuming areas through private sector participation on Build-Own-Operate (BOO) basis.

2.113 . For creation of bulk handling, storage and transportation facilities through private sector participation M/s RITES were appointed consultant by the FCI for preparing the tender documents for short listing the Developer-cum-Operator(DCO) The locations in producing and consuming areas for creation of bulk handling and storage facilities have been finalised by the Ministry in consultation with the FCI and the Ministry of Railways, as given below:

Circuit, Locations of Base and Field depots (silos) and their capacity.

<b>Circuit 1</b>		<b>Circuit 2</b>	
Location	Storage Size(MTs)	Location	Storage Size (MTs)
Base Depot Moga	200,000	Base Depot Kaithal	200,000

Field Depots	25,000	Field Depots Navi Mumbai	50,000
Chennai			
Coaimbatore	25,000	Hooghly	25,000
Bangalore	25,000		

2.114 The report of evaluation of financial proposals for the bulk handling project submitted by RITES was examined by the Approval Board in its meeting held on February 1, 2005 and it was decided to constitute a Committee for negotiation with the lowest bidder to explore the possibility of reduction of cost in various components of the project. Further decision will be taken on receipt of the report of the negotiation committee.

Setting up a Cold Storage at Kandhar in Afghanistan by Central Warehousing Corporation for the storage of fruits/dry fruits.

2.115 The Central Warehousing Corporation (CWC) has entered into an agreement with the Ministry of External Affairs (MEA), Government of India for setting up a cold storage of 5000 MT capacity at Kandhar in Afghanistan for storage of fruits/dry fruits through grant in aid to Afghanistan by the Government of India. The project is scheduled to be completed by March, 2005.

## STORAGE AND WAREHOUSING

2.116 The Ministry aims at providing the storage capacity required for (i) buffer and operational stock of foodgrains to cater for the public distribution system and (ii) general warehousing. The broad approach is to provide scientific storage capacity and reduce dependence on the capacity under cover and plinth.

2.117 There are three agencies in the public sector which are engaged in building large scale storage/warehousing capacity namely, Food Corporation of India (FCI), Central Warehousing Corporation (CWC) and 17 State Warehousing Corporations (SWCs). While the capacity available with FCI is used mainly for storage of foodgrains that with CWC and SWCs is used for storage of foodgrains as also certain other items. The position of covered storage/warehousing capacity available with the FCI/CWC/SWCs during the period between March 31, 1999 and December 31, 2004 (November 30, 2004 in case of SWCs) is given in the table below: -

(In lakh MT)

Agencies	As on 31.3.1999			As on 31.3.2000		
	Owned	Hired	Total	Owned	Hired	Total
FCI	125.03	66.53	191.56	147.52	106.56	254.08
CWC	53.65	19.83	73.48	54.47	20.32	74.79
SWCs	79.59	34.30	113.89	85.75	37.99	123.74
Agencies	As on 31.3.2001			As on 31.3.2002		
	Owned	Hired	Total	Owned	Hired	Total
FCI	148.88	165.58	314.26	127.41	151.60	279.01

<b>CWC</b>	56.12	27.79	83.91	68.45	20.72	89.17
<b>SWCs</b>	86.01	63.04	149.05	101.77	83.72	185.49
<b>Agencies</b>	<b>As on 31.3.2003</b>			<b>As on 31.3.2004</b>		
	<b>Owned</b>	<b>Hired</b>	<b>Total</b>	<b>Owned</b>	<b>Hired</b>	<b>Total</b>
FCI*	128.18	137.69	265.87	128.15	108.50	236.65
<b>CWC</b>	76.11	15.03	91.14	80.75	12.84	93.59
<b>SWCs</b>	151.55	47.76	199.31	158.05	48.76	206.81
<b>Agencies</b>	<b>As on 31.12.2004 ( 12.2004</b>					
	<b>(30.11.2004) in case of SWCs)</b>					
	<b>Owned</b>			<b>Hired</b>		<b>Total</b>
FCI	128.78			98.28		227.06
<b>CWC</b>	84.04			15.34		99.38
<b>SWCs*</b>	132.70			64.66		197.36

\*As on November30,2004

2.118. The CAP storage capacity owned/hired by Food Corporation of India for the last five years is as under:-

(In lakh MT)

<b>Year</b>	<b>Owned</b>	<b>Hired</b>	<b>Total</b>
1998-99	16.30	25.55	41.85
1999-2000	21.74	23.80	45.54
2000-01	22.93	44.61	67.54
2001-02	23.54	55.85	79.39
2002-03	22.67	28.77	51.45
2003-04	22.08	13.64	35.72
2004-05*	22.57	6.59	29.16

on December,2004

2.119 During the Tenth Five Year plan (2002-2007) the FCI and CWC propose to construct an additional storage capacity of 4.55 lakh MT and 9.37 lakh MT respectively.

2.120 The details of storage capacity constructed by FCI, CWC and SWCs during the year 2003-2004 and the capacity expected to be constructed by these agencies during 2004 -2005 are given in the table below: -

(In Lakh MT)

<b>Agencies</b>	<b>Year</b>
-----------------	-------------

	2003-04	2004-05(Target)
FCI	1.32	1.20
CWC	2.98	0.90
SWCs	3.63	2.00
Total	7.93	4.10

.121 Storage capacity constructed by the FCI and the CWC during 1998-99, 1999-2000, 2000-2001, 2001-2002, 2002-03, 2003-04 and capacity expected to be constructed during 2004-05 are as under: -

(figures in lakh tonnes)

Agency	Year							Target Achievement (Upto December.04)
	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	
FCI	0.41	0.84	0.39	1.62	0.94	1.32	1.20	0.86
CWC	1.66	1.96	2.01	3.24	3.59*	2.98	0.90	0.99
Total	2.07	2.80	2.40	4.86	4.53*	4.30	2.10	1.85

\*including 1.64 lakh MT constructed for FCI under 7 years guarantee scheme.

## SUGAR

### GENERAL

Due to favourable monsoon and pragmatic policies of the Government, there had been a rise in sugar production during the last 5 sugar seasons (October-September) from 1998-1999 to 2002-2003, which had resulted in increase in carryover stocks in each of these seasons. During the season 2002-2003, the country achieved an all time high-level production of 201.32 lakh tonnes. The preliminary forecast of sugar production in the 2003-2004 sugar season was estimated around 175.00 lakh tonnes in November, 2003. However, due to drought in major sugar producing states like Maharashtra, Karnataka & Tamil Nadu and Woolly Aphids pest infestation, the production in the sugar season 2003-2004 has been 139.58 lakh tones (Provisional).

3.1 There are 565 installed sugar factories in the country as on December 31, 2004. The sector-wise breakup is as follows: -

Sector	Number of factories
(i) Private	187
(ii) Public	62
(iii) Cooperative	316
TOTAL	565

## **SUGAR POLICY : PARTIAL CONTROL**

3.2 Sugar and Sugarcane are essential commodities under the Essential Commodities Act 1955.

3.3 Government has been following a policy of partial control and dual pricing for sugar. Under this policy, a certain percentage of sugar produced by sugar factories is requisitioned by the Government as compulsory levy at a price fixed by Government in every sugar season. That levy sugar is distributed under the Public Distribution System (PDS). The non-levy, free sale sugar is allowed to be sold as per the quantity released by the Government under the free sale sugar release mechanism.

## **PHASED DECONTROL OF SUGAR INDUSTRY**

3.4 The Government has taken the steps for decontrol of the sugar industry. Accordingly, the compulsory levy obligation of the sugar factories was reduced from 40% to 30% w.e.f. January 1, 2000. With effect from February 1, 2001, the compulsory levy obligation has been further reduced to 15%. The levy obligation now stands at 10% of the production w.e.f. March 1, 2002.

## **Enforcement of Regulated Release Mechanism**

3.5 In order to safeguard the interests of sugarcane growers, the producers of sugar and the general public, to stabilize the open market price of sugar and to obviate intervention in the 'regulated release' mechanism, the Essential Commodities Act, 1955 was amended in June, 2003. "The Essential Commodities (Amendment) Act, 2003," incorporates the provisions of Clause 4 & 5 of the Sugar (Control) Order, 1966 in the Essential Commodities Act, 1955 through insertion of Clause 3D & 3E. As per this amended Act, no producer, importer or exporter of sugar shall sell or otherwise dispose of or deliver any kind of sugar except under and in accordance with the direction issued by the Government.

## **Introduction of Futures/Forward Trading in sugar**

3.6 In May, 2001 the Central Government issued a notification under the Forward Contracts (Regulation) Act, 1952 allowing futures/forward trading in sugar. In November, 2001, Government have given, in principle, clearances to three proposed exchanges - two in Mumbai, and one in Hyderabad. However, one exchange has shifted to New Delhi. The future trading in sugar has already been commenced in two Exchanges viz. M/s E-Sugar India Ltd, Mumbai and the national Multi Commodity Exchange of India Ltd., Ahmedabad. One more Exchange viz. M/s E-Commodities Ltd. is likely to commence future trading in sugar shortly. The application for final recognition of another Exchange viz., M/s Universal Exchange Ltd., Hyderabad is under consideration.

## **Liberalization of Sugar Trade**

3.7 Government have withdrawn the stockholding limits on wholesale dealers of sugar with effect from July 7, 2000.

3.8 Government have abolished the turnover limits on wholesale dealers of sugar with effect from August 20, 2001.

#### PRODUCTION, CONSUMPTION AND STOCK OF SUGAR

##### PRODUCTION OF SUGAR

3.9 The sugar production during the season 2001-2002 was 184.96 lakh tonnes and during 2002-2003 was about 201.32 lakh tones (Provisional). The preliminary forecast of sugar production in the 2003-2004 sugar season was estimated around 175.00 lakh tonnes in November, 2003. However, due to drought in major sugar producing states like Maharashtra, Karnataka & Tamil Nadu and Woolly Aphids pest infestation, the production in the sugar season 2003-2004 has been 139.58 lakh tonnes (Provisional).

3.10 Season-wise production of sugar since 1997-1998 sugar season is given below:

<b>SUGAR SEASON</b>	<b>PRODUCTION OF SUGAR(Lakh tones)</b>
1997-98	128.44
1998-99	154.52
1999-2000	181.93
2000-2001	185.10
2001-2002	184.96
2002-2003	201.32
2003-2004(Provisional)	139.58
2004-2005(estimated)	120.00

##### CLOSING STOCK OF SUGAR

3.11 The closing stocks of sugar at the end of each sugar season from 1997-98 have been as under: -

<b>SUGAR SEASON</b>	<b>CLOSING STOCK (LAKH TONNES)</b>
1997-98	53.70
1998-99	66.78
1999-2000	93.40
2000-2001	106.63
2001-2002	113.19
2002-2003	116.14
2003-2004(Provisional)	85.00
2004-2005(Estimated)	30.00

## **CONSUMPTION OF SUGAR**

3.12 The internal consumption of sugar, excluding consumption of imported sugar in each sugar season from 1997-98 has been as under: -

<b>SUGAR SEASON</b>	<b>Internal consumption (Lakh tonnes)</b>
1997-98	139.78
1998-99	141.35
1999-2000	155.08
2000-2001	162.00
2001-2002	167.48
2002-2003	183.35
2003-2004	175.00(Provisional)
2004-2005	185.00(Estimated)

## **LEVY SUGAR SUPPLY UNDER PDS**

3.13 The population base for supply of levy sugar under the PDS was changed from 1991 census population to the projected population as on March 1, 1999 with effect from March 1, 2000. With effect from February 1, 2001, the population base for supply of levy sugar under the PDS has been changed to the projected population as on March 1, 2000.

3.14 In order to ensure better targeting ,levy sugar supply under the PDS has been restricted only to the BPL families in all states /UTS except the North Eastern States, Hill States and Island Territories , with effect from 01.02.2001.

3.15 The minimum per head per month quantum of levy sugar allotted under the PDS was increased from 425 gms to 500 gms with effect from February 1, 2001.

3.16 The Monthly levy quota under the PDS for various states /UTS with effect from 01.02.2001 is 2.16.Lakh Tonnes .

## **RELEASE OF NON LEVY FREE SALE SUGAR**

3.17 148.38 Lakh tonnes of non-levy free sale sugar was released for sale in the open market during 2003-2004 sugar season as compared to 116.25 lakh tonnes during the previous sugar season, 2002-2003.

## **SUGAR PRICES**

3.18 Under the provision of sub-section 3(c) of section 3 of the Essential Commodities Act, 1955, the ex-factory prices of the levy sugar requisitioned from the sugar mills is fixed having regard to:-

(a) the minimum price, if any, fixed for the sugarcane by the Central Government;

- (b) the manufacturing cost of sugar;
- (c) the duty or tax, if any, paid or payable thereon; and
- (d) the reasonable return on the capital employed in the business of manufacturing sugar.

3.19 Sugar mills are paid the levy sugar price on zonal basis. However, the Central Government also determines the average all-India levy sugar price. For the sugar season

2003-04, the average all-India levy sugar price has been determined at Rs.1305.92 per quintal as against Rs.1259.99 for the preceding sugar season.

3.20 The Cost Study for the determination of levy sugar prices for 2003-04 to 2004-05 has been entrusted to the Cost Accounts Branch (CAB) of the Ministry of Finance. The zone-wise levy sugar prices for the 2002-03 sugar season have been notified as the provisional prices for 2003-04 season applicable until determination of the prices on the basis of the recommendations to be made by the Cost Accounts Branch (CAB), Ministry of Finance.

#### **Retail Issue Price of levy Sugar under the PDS**

3.21 The retail issue price of levy sugar under the PDS has been fixed at Rs. 13.50 per kg. with effect from March 1, 2002.

#### **WHOLESALE PRICE OF NON-LEVY SUGAR**

3.22 The range of wholesale prices of non-levy sugar in the four metropolitan cities (Delhi, Mumbai, Kolkata and Chennai) during 1998-99 to 2004-05 (upto February 21, 2005) sugar seasons was as follows: -

(Rupees per quintal)

<b>SUGAR SEASON</b>	<b>WHOLE SALE PRICE OF SUGAR</b>
1998-99	1328-1620
1999-2000	1326-1700
2000-01	1310-1650
2001-02	1285-1630
2002-03	1147-1575
2003-04	1271-1800
2004-05 (Upto February, 2005)	1560-1910

**SOURCE:-** Directorate of Economics & Statistics, Ministry of Agriculture and The Economic Times in respect of Mumbai from 1998-99 onwards.

#### **PRICES OF NON-LEVY SUGAR**

3.23 The range of retail prices of non-levy sugar in the four metropolitan cities (Delhi, Mumbai, Kolkata and Chennai) during 1998-99 to 2004-05 (upto February 21, 2005) sugar seasons was as follows: -

(Rupees per kilogram)

<b>SUGAR SEASON</b>	<b>RETAIL PRICE OF SUGAR</b>
1998-99	15.00-17.50
1999-2000	14.00-18.00
2000-01	14.00-17.50
2001-02	13.60-17.50
2002-03	12.30-16.00
2003-04	13.00-20.00
2004-05 (Upto February, 2005)	16.00-20.00

SOURCE: - Directorate of Economics & Statistics, Ministry of Agriculture and The Economic Times in respect of Mumbai from 1998-99 onwards.

#### **SUGARCANE PRICING POLICY:**

3.24 The Central Government fixes the SMP of sugarcane in terms of Clause 3 of the Sugarcane (Control) Order, 1966 for each sugar season. The SMP is fixed on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP) and after consulting the State Governments and associations of sugar industry and cane growers. The SMP is fixed having regard to the following factors: -

- a) cost of production of sugarcane;
- b) return to the growers from alternative crops and the general trend of prices of agricultural commodities;
- c) availability of sugar to consumers at a fair price;
- d) price at which sugar produced from sugarcane is sold by sugar producers; and
- e) recovery of sugar from sugarcane.

#### **STATUTORY MINIMUM PRICE (SMP) OF SUGARCANE:**

3.25. The Central Government have fixed the Statutory Minimum Price (SMP) of Sugarcane for the 2004-05 sugar season at Rs. 74.50 per quintal linked to a basic recovery of 8.5%, subject to a premium of 88 paise for every 0.1% point increase in the recovery above that level. The SMP of sugarcane payable by sugar factories for each

sugar season since 2000-01 has been shown in the following table: -

SUGAR SEASONS	SMP (Rs. per quintal )
2000-2001	59.50
2001-2002	62.05
2002-2003	69.50
2003-2004	73.00
2004-2005	74.50

3.26 Some of the State Governments, however, have been advising the sugar factories to pay cane price generally at a higher level than the SMP. A statement showing the range of SMP and the range of prices actually paid during the last six sugar seasons is at **Annexure**.

### **CANE PRICE PAYMENT AND ARREARS POSITION**

3.27 As reported, the position of cane price payment and arrears for the 2003-04 sugar season as on December 31, 2004 was as under: -

(Amount in Rs. Crore)(P)

i)	Cane price payable	11,951.41
ii)	Cane price paid	11,644.87
iii)	Cane price arrears	306.54
iv)	Percentage of cane price arrears on cane price payable	2.56

### **BUFFER SUBSIDY**

3.28 There has been appreciable decline in the market prices of free sale sugar in the recent past which has constrained the capacity of sugar mills to pay the cane price to sugarcane farmers. In order to mitigate the hardships of sugar cane growers, the Government has created a buffer stock of 20 lakh tones of sugar for a period of one year with effect from December 18, 2002 to December 17, .2003. The advance buffer subsidy had been paid to 357 sugar factories amounting to Rs.220 crores and the final buffer subsidy claim has been settled so far of 213 sugar factories amounting to Rs.46 crores upto December 31, 2004

3.29 The buffer subsidy has been extended for one more year i.e. upto December 17, 2004. In the current year 2004-05, Rs.296 crores has been provided in revised B.E. and the same is to be utilized to settle the advance buffer subsidy and final claims in respect of the period from December 18, to December 17, 2003 and partly towards the payment for the extension period of buffer stock. In respect of the extended period of buffer stock, so far 13 cases have been cleared amounting to Rs. 11.00 crores upto December 31, 2004.

3.30 The budgeted provision for buffer subsidy in 2004-05(RE) and 2005-06(BE) is as under :-

(Rs. in thousand)

RE 2004-2005	BE 2005-2006
2960000	1600000

Special assistance to State Governments for clearance of cane price arrears:

3.31 The Central Government had announced two packages of special assistance to the State Governments to help them in clearing sugarcane price arrears in respect of 2002-03 sugar season. Ministry of Agriculture had allocated Rs. 678.06 crores for one time assistance to the Governments of U.P., Uttaranchal, Punjab, Haryana and Bihar to help clearance of sugarcane price arrears in respect of 2002-03 sugar season by private sugar factories in those States. States of Uttaranchal and Bihar have availed the assistance to the tune of Rs. 45.54 crores and Rs. 18.85 crores respectively. Since the Ministry of Agriculture has not made any budgetary provision for the above assistance during the financial year 2004-05 the scheme has since lapsed.

3.32 It has also been decided that the Central Government would provide a one time assistance to the State Governments by permitting them to raise additional market borrowings to be used only for liquidating the cane price arrears of the mills in the cooperative and public sectors where the practice of announcing the State Advised Prices of sugarcane exists and all sugar mills in the States where no practice exists. The permission for additional market borrowings shall be given by the Central Government subject to the following conditions: -

i) The extent of market borrowings would be determined on the basis of the cane price arrears of the 2002-03 sugar season as on September 30, 2003,

ii) The State Governments shall undertake not to declare a State Advised Price for sugarcane in the State in future, either formally or informally and that it would

withdraw Writ Appeals/Special Leave Petition in this regard pending in the High Court or the Supreme Court.

iii) The State Governments would extend 10 year loans to the individual sugar factories at a ceiling rate of interest of 4% per annum. There would be a moratorium on repayment of the principal amount of the loan and payment of interest thereon for a period of 5 years from the date of the sugar factory availing the loan and the loan would be repaid thereafter in five annual installment.

iv) The other terms and conditions on which the loan may be extended to the sugar factories may be decided by the State Governments.

v) The interest liability in respect of the difference between the Coupon rate on Bonds raised through the additional market borrowings and the ceiling rate of 4% per annum at which loans would be extended to the sugar factories, shall be borne by the Central Government.

3.33. The State Governments of Tamil Nadu, Maharashtra, Karnataka and Andhra Pradesh have submitted their proposals for raising Additional Open Market Borrowings (AOMB) for the said purpose. The Governments of Tamil Nadu and Maharashtra have already been sanctioned Rs. 229.97 crores and Rs. 300 crores respectively. All the State Governments have been advised to submit their proposals for raising AOMB.

## **EXPORT OF SUGAR**

### **Export Policy**

3.34 Till January 15, 1997, the exports of sugar were being carried out under the provisions of the Sugar Export Promotion Act, 1958, through the notified export agencies, viz. Indian Sugar & General Industry Export Import Corporation Ltd., (ISGIEIC) and State Trading Corporation of India Ltd., (STC) Through an Ordinance, the Sugar Export Promotion Act, 1958, was repealed w.e.f.15<sup>th</sup> January, 1997 and thus the

export of sugar was decanalised. Under this system, the export of sugar was being carried out through the Agricultural and Processed Food Products Export Development Authority (APEDA), under Ministry of Commerce. However Department of Commerce vide their Policy Circular No.46(RE-2003)/2002-2007 dated 30.8.2004 have amended EXIM Policy in respect of Preferential Quota export to EEC & USA which have been permitted through Indian Sugar Exim Corporation Ltd.

3.35 Government has removed the quantitative ceiling on Export of Sugar and have also dispensed with the requirement of the issue of the Registration-Cum-Allocation Certificates (RCAC) by APEDA, w.e.f. 1.4.2001 on sugar Exports. Now the export of sugar can be undertaken by the various sugar mills/exporters, after obtaining the export Release Order from Directorate of sugar under the Ministry of Consumer Affairs, Food and Public Distribution.

3.36 As per DGCI&S Kolkatta, during financial year 2000-2001 a quantity of 3,38,691 MTs was exported and during financial year 2001-2002 a quantity of 14,56,448 MTs was exported . Further, during financial year 2002-2003 and 2003-04 a quantity of 14,70,926 MTs and 1184643 MTs were exported and during current financial year 2004-05(upto November 2004), a quantity of 81157(P) MTs has been exported.

3.37 Statement showing position of Export of Sugar as per DGCI &S– Kolkatta since1997-98 to 2004-2005 on financial year basis are as under: -

<b>FINANCIAL YEAR</b>	<b>QUANTITY(IN MTs)</b>	<b>VALUE (in Rs./Crores)</b>
1997-1998	173282	244.44

1998-1999	12735	17.36
1999-2000	12990	18.13
2000-2001	338691	430.98
2001-2002	14,56,448	1728.04
2002-2003	14,70,926(P)	1693.19(P)
2003-2004	1184643(P)	1201.43(P)
2004-2005(upto September 2004)	81157(P)	109.39(P)

**(P) PROVISIONAL.**

**SOURCE: DGCI & S KOLKATTA**

3.38. Till June 20, 2004, (Since June 21, 2002) the Government promoted sugar exports through the following measures:

(i) The quantity of sugar released for export was treated as advance freesale release to be adjusted in the free sale stocks of the sugar factories after a period 18 months.

(ii) The sugar meant for export was exempted from the levy obligation.

(iii) Reimbursement of internal transport and freight charges on export shipments of domestically manufactured sugar.

(iv) DEBP at the rate of 4% of the FOB value of export of sugar was allowed.

(v) However, vide letter No. 1-8/2002-SDF dated 25<sup>th</sup> August, 2004, the scheme at Sr. No. (i) to (iii) above have been rescinded on export shipments made against release orders issued on or after June 21, 2004.

(vi) Ministry of Commerce through Notification No. 46 (RE-2003)/2002-2007 dated 30<sup>th</sup> August, 2004 imposed restriction on export of preferential quota sugar to EU and USA through Indian Sugar Exim Corporation Ltd. subject to a quantitative ceiling as notified by Directorate General of Foreign Trade from time to time.

**IMPORT OF SUGAR**

3.39. Import of sugar, which was placed under Open General License (OGL) with zero duty, in March, 1994 continued with zero duty up to 27.4.1998. Government imposed a basic customs duty of 5% and a countervailing duty of Rs.850.00 per tonne on imported sugar with effect from 28.4.1998. The basic custom duty was increased from 5% to 20% w.e.f. 14.1.1999 in addition to the countervailing duty. In the Union Budget for the year 1999-2000 duty on imported sugar was further increased from 20% to 25% with surcharge of 10%. The customs duty on imports of sugar was again increased to 40% on 30.12.1999 and 60% on 9.2.2000 along with continuance of countervailing duty of Rs. 850/- per tonne. As per DGCIS-Calcutta,

during financial year 2001-02 a quantity of 0.26 lakh M.Ts was imported. Further during Financial year 2002-03 and 2003-2004 a quantity of 0.41 lakh M.Ts (P) and 0.51 lakh MTs (P) were imported. During the current financial year 2004-05 (upto November 2004) a quantity of 5.51 lakh MTs (P) of raw sugar has been imported.

3.40. However, as per Trade Circles, 10.58 lakh MTs(approx) of raw sugar has been imported in the current sugar year, 2004-2005, including 3.00 lakh MTs carried over from raw sugar imported in 2003-2004.

3.41. In order to augment sugar stocks for 2004-05 and enable the Government to meet the normative 3 months' consumption requirement of the country, the Advance License Scheme has been liberalized for raw sugar import, in as much as the imported raw sugar under Advance License can be now processed into white sugar, sold in the domestic market, and allowing such importers to fulfill export obligation within 24 months period or such extended period as allowed by D.G.F.T. by exporting indigenously manufactured white sugar. Recently, the Government has decided to allow the importers to fulfill export obligation within 36 months instead of 24 months as announced earlier.

#### **INTRODUCTION OF RELEASE MECHANISM ON IMPORTED SUGAR**

3.42. Government, in order to regulate the sale of imported sugar in the domestic market, had reintroduced the system of release mechanism on imported sugar in December, 1999, whereby imported sugar cannot be sold in the domestic market without the written orders (release order) of the Government. Government with effect from 17.2.2000, have also decided to impose levy obligation by the importers after the said date.

#### **INSTALLED CAPACITY OF SUGAR FACTORIES**

3.43 The Central Government has delicensed the sugar industry vide Notification No.S.O.808 (E) dated September 11, 1998.

3.44. As on December 31, 2004, the installed annual sugar production capacity was 188.4575 lakh tones comprising 565 installed sugar factories in the country 316 in the cooperative sector, 62 in the public sector and 187 in the private sector.

#### **LEVY SUGAR PRICE EQUALISATION FUND**

3.45 The Levy Sugar Price Equalization Fund Act, 1976 (as amended in 1984) has been enforced from 01.04.1976. During the current financial year 2004-2005 (up to November 18, 2004), a sum of Rs.85,21,477.45 consisting of Excess Realization (Price) of Rs.52,70,118.47 and Rs.32,51,358.98 towards interest has been recovered from various Sugar Mills and the same has been credited to Levy Sugar Price Equalization Fund. This was against a budgeted target of Rs. 5.00 crores fixed for 2004-2005.

3.46. In the year 2003-2004 an amount of Rs. 5,83,75,976.13 was recovered and remitted to the said fund.

#### **SUGAR DEVELOPMENT FUND**

3.47 Under the Sugar Cess Act, 1982, a cess of Rs.14.00 per quintal is being collected on all sugar produced by any sugar factory in India.

3.48 The Sugar Development Fund Act, 1982, provides that an amount equivalent to the proceeds of the duty of excise levied and collected under the Sugar Cess Act, 1982 reduced by the cost of collection as determined by the Central Government, together with any money received by the Central Government for the purpose of this Act, shall after due appropriation made by Parliament by law, be credited to the Sugar Development Fund.

3.49 During the period from 1982-83 to 2004-2005, (upto September, 2004) a cess amount of Rs.3931.34 crores has been collected. Of this, Rs.3256.00 crores has been transferred to the Sugar Development Fund. A sum of Rs. 2703.87 crores has been disbursed from the fund till November 30, 2004.

3.50 Under the Sugar Development Fund Act, the Fund has to be utilised by the Government of India for the following :

(a) Making loans for facilitating the rehabilitation and modernization of any sugar factory including potentially viable sick unit..

(b) Making loans for the undertaking of any scheme for development of sugarcane in the area in which any sugar factory is situated.

(c) Making grants for the purpose of carrying out any research project aimed at the promotion and development of any aspect of sugar industry;

(d) Defraying expenditure on internal transport and freight charges on export shipment of sugar.

(e) Making loans to any Sugar Factory having an installed capacity of 2500 Tonnes Crushed Per Day or higher and approved financial assistance from a Financial Institution or Scheduled Bank for it to implement a project of bagasse-based co-generation of power.

(f) Making loans for production of anhydrous alcohol or ethanol from alcohol or molasses.

(g) Defraying expenditure for the purpose of building up and maintenance of Buffer Stock with a view to stabilizing price of sugar.

(h) Defraying any other expenditure for the purpose of the Act.

3.51 The Sugar Development Fund Rules, 1983 prescribed the manner in which the SDF is to be applied.

3.52 The amount disbursed from SDF for the above mentioned purpose since beginning up to November 30, 2004 is Rs.2703.87 crores. The disbursement from SDF on each of the above purposes is as follows :-

**Rs. in Crores.**

(i)	Loan to sugar factories for mod./rehabilitation of plant machinery.	1307.18
(ii)	Loans to sugar factories for sugarcane development	484.63
(iii)	Grants to research institutions	21.52
(iv)	Expenditure on buffer stock maintenance	727.82
(v)	Other expenditure for purpose of the SDF Act.	63.03
(vi)	Freight & Transport Charges	69.79
(vii)	Bagasse based Co-generation	23.85
(viii)	production of anhydrous alcohol/ethanol from alcohol or molasses	6.05
	Total:	2703.87

3.53. As on September 30, 2004 an amount of Rs. 865.34 crores has been repaid by the sugar factories (principal plus interest) on the loans given to them from SDF.

3.54. As per amendment to Sugar Development Fund Rules notified on 21<sup>st</sup> October, 2004, rate of interest on loans from SDF will be two percentage points below the bank rate as made public by the Reserve Bank of India under Section 49 of RBI Act and prevailing on the date of disbursement of the installment of the loan by the Government .

#### **National Sugar Institute, Kanpur.**

3.55. The National Sugar Institute, Kanpur is one of the premier Institute running post graduate level courses in the discipline of Sugar Technology, Sugar Engineering, Alcohol Technology, and also provides operative level training Sugar Boiling Certificate Courses, Sugar Engineering Certificate Courses, Pre harvest cane Maturity Survey Certificate Courses. It is catering the trained technical personal need of the Sugar and fermentation Industry of the country. During the academic season 2004-05 the following number of student were admitted in various courses conducted by the Institute.

S. No.	Courses	No. of Students
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1.	Associateship of National Sugar Institute (Sugar Technology)	
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2.	Associateship of National Sugar Institute (Sugar Engineering)	
13		
3.	Diploma in Fermentation & Alcohol Technology	
	25	
4.	Sugar Engineering Certificate Courses	02
5.	Sugar Boiling Certificate Courses	51
6.	Pre Harvest Cane Maturity Survey Certificate Courses	05

3.56. The Institute undertake research on the problems of Sugar Industry, Alcohol, and Allied Industry, By products utilization etc. on the basis of finding of research work carried out by the different divisions of the Institute. 13 research papers were published by the different faculty members of the Institute in Indian and International Sugar Journal.

3.57. The experts of the Institute visited factories to investigate the problems referred and rendered technical advice on payment of prescribed fees. During the period under report, 14 sugar factories have been visited under advisory services and 20 under extension services. The research work done by the various divisions of the Institute from January 1,2004 to December 31, 2004 are as under :-

Sugar Technology Division :

Research projects being under taken are as under :-

- (i) Studies on polarisation of sugar house products in NIR region.
- (ii) Studies on development of a colour audit system for determining increase / decrease in colour of process liquors at various stages.
- (iii) Studies in syrup clarification without syrup sulphitation.
- (iv) Studies on colour development in syrup in different type of evaporator configuration during the evaporation process.
- (v) Studies on cane juice centrifugation for better clarification.

Bureau of Sugar Standards :

3.58 In India quality of sugar is adjudged by visual comparison to lusture whiteness vis-à-vis grain size in solid state as per B.I.S specification. The Bureau of Sugar Standards in working National Sugar Institute, Kanpur to prepare standards for classification of various grades of sugar produced in sugar factories, organisation dealing with sugar trade etc.

3.59. This Bureau of Sugar standard serve the following purpose.

- (i). Securing greater uniformity of the quality of sugar produced by the sugar factories in India.
- (ii). Raising in general standards of quality of sugar made by Indian Sugar Factories.
- (iii). Providing a basis of comparison in case of dispute.

3.60. Bureau of Sugar Standards which is supplying every year sugar standard to all sugar factories in India has earned a revenue of Rs. 4.95 lakhs by way of sale of sugar standards in 2004-05.

#### AGRICULTURE CHEMISTRY DIVISION

Agricultural Farm :

3.61. The main function of the farm is to give first hand information about raw material to the student of Sugar Technology, Post Harvest Cane Maturity Course and to supply healthy cane seed to growers supplying cane to the Experimental Sugar Factory and research laboratories to carry out research on the important aspect of sugar cane to improve its varieties and processing quality.

Research :

3.62. The division also undertakes the applied and fundamental research work in the field as mentioned below :-

- (a) Applied research on sugarcane agriculture to improve its yield and quality.
- (b) Studies on deterioration of sugarcane during post harvest and post maturity period.
- (c) Research on Sugar chemistry to improve the quality and keeping quality of sugar.
- (d) Standardization of analytical method for analysis of sugar and sugar house products.
- (e) The department is also engaged in the guiding of the scholars of Ph. D programmes on the following topics :-
  - (i) "Studies on decay in juice as well as sugar quality due to post harvest deterioration of sugarcane".
  - (ii) Four compounds have been tried to control the post harvest deterioration of sugar cane.
  - (iii) Studies on nitrogenous non-sugars in sugarcane juice and their fate during clarification.

The thesis on the following topics were awarded Ph. D Degree.

(i) "Studies on the structure of Dextran, from Post Harvest Deteriorated Sugarcane".

(ii) Studies on the role of sucrose synthetase Nitrate reductase and Polyphenol oxidase in synthesis and accumulation of sucrose in sugarcane.

#### ORGANIC CHEMISTRY DIVISION :

Structural Studies on the seed Polysaccharide of P. Armenica

3.63. Methylation studies on the above polysaccharide were performed at the complex carbohydrate Research Centre, Georgia, USA and NMR studies were undertaken at C.D.R.I Lucknow. From these studies and also those undertaken earlier during the course of this investigation, the structural details of the polysaccharide were elucidated. A thesis incorporating these studies entitled "Structural studies on the seed polysaccharide of Prunus Armenica" was submitted to the C.S.J.M. University Kanpur.

Patent Granted by the Patent office, Govt. of India 70

3.64 The following patent of the division were sealed from the dates mentioned against them.

(i) Process for preparation of fullerene (22-3-04) Patent No.190772.

(ii) A process for producing 5-Hydroxymethyl furfural and evulinic acid (06-5-04) Patent No. 191077.

#### BIO CHEMISTRY DIVISION :

3.65 Research work is being done by the Biochemistry Division on the following topics.

1. Treatment of Distillery Effluent by Micro organism Secondary and tertiary stage

3.66 During the period under report the various isolated cultures of microorganism have been used to treat the distillery effluent which has already been treated by bio-methanation process. The aerobic treatment of this effluent produced a BOD removal to the extent of 70-80% in a period of only 2-3 days. Considerable decrease in the colour of effluent to an extent of 35% has also been seen during this period. Decolourization of this treated effluent was also tried using strains of *Psuedomonas putida*, *Acetivibrio versicolor* which colour decrease in the range of 20-30%. *Polyporus* decreased the colour by about 10-15%.

Biochemical Studies on the solid state fermentation of Bagasse.

3.67 Bagasse has been utilized for the production of *Agaricus* (white button mushroom) and *Poly* and optimum condition for best growth and highest yield have been standardized. The *Polyporus* have also been done using bagasse. And wheat, strain and bagasse +paddy strain but yields were better in bagasse.

3.68 Enzymatic studies during the mycelial growth have been carried out and a very good activity of ligninase was seen in all the cultures. However the activities of FPD are cellulose and saliciase were less.

Studies on the alcohol production from low grade molasses :

3.69 The Low grade molasses has been subjected to continuous fermentation using high cell concentration of *Sacharomyces Cervisae* initially. The low grade molasses showed improved yields of ethanol over unmobilized fermentation and the continuous fermentation could be successfully run for a period of 30 days in CSTR.

3.70 The same studies have also been done by using *Sacchromyces Cerievisiae* cells immobilized on calcium alginate gel. At a retention time of 12 hours this molasses showed improved fermentation efficiency ethanol productivity and ethanol yield.

Production of Invert Syrup from Molasses by Chemical Bio Chemical and Microbiological: -

3.71. The clarified molasses of A grade has been subjected to inversion by using purified preparation of invertase and the invertase obtained from the cell membrane of dead yeast cells. In both the case over 80% inversion has been obtained without the fermentation of any undesirable side product at the same time the colour of the inverted molasses should considerable decreases which was of the order of 20%.

#### **CHEMICAL ENGINEERING DIVISION :**

A. Research Activities :-

3.72. Research has been done on simulation of double effect falling film evaporators and the results obtained so far have been published on the following topic.

1. Steady state simulation of falling film double effect vapour cells, .
2. Steady state simulation of a triple effect system

#### **PHYSICAL CHEMISTRY DIVISION :**

3.73 Research Work is under taken by the department on following topic :

1. "Physico chemical studies on electrolytic clarification of cane juice"
2. "Studies on the electroly chemical treatment of distillery and sugar factory effluents".

#### **DESIGN & DEVELOPMENT DIVISION :**

(i). On the request of the factories design of Rotary lime slaker & Sugar mellter of 15ton/hr capacity were developed and fabrication drawing were supplied to them.

(ii) No. of Tracing – One

(iii). No. of Prints – 255

#### EXPERIMENTAL SUGAR FACTORY :

3.74. In the curriculum of various courses of Sugar Technology and Sugar Engineering discipline there is provision to provide technical. Know how the students in working condition of sugar plant. For this purpose, we have a 100 TCD vacuum sugar plant where in on the job training are being provided to the student of different courses to acquaint them with processing of manufacturing of Sugar.

3.75. The experimental sugar factory worked for 32 days during 2003-04. During the period 7260.07 Qtls. sugarcane was crushed and 146 Qtls. White sugar was produced.

#### Refresher Courses-2004

3.76. A refresher course was organised from 2<sup>nd</sup> to 6<sup>th</sup> August 2004 for updating the latest technical know how to middle and upper classes of Sugar Technologist , Sugar Engineering working in Sugar factories..

3.77. In this course 34no. of officers from sugar industry situated in different part of country participated and get opportunity to discuss their technical problem with more experienced guest faculty speaker from Institute as well as Sugar Industry / Sugar organisation.

#### Participation in Seminars & Conferences :

3.78. Following Seminars and Conference were attended by the faculty members of the Institute.

(i) Atlanta USA, Conference in ICUMSA held on 7<sup>th</sup> April to 11<sup>th</sup> April 2004

(ii) Three Seminar organised by the Sugar Technologist association of India during the year 2004.

(iii) One Seminar on Power submit organised by the confederation of Indian Industry in July 2004.

#### Publication :

3.79. Six monthly in house technical journal "SHARKARA" is being published by the Institute.

#### **National Institute of Sugarcane and Sugar Technology, Mau.**

3.80. Government of India, Ministry of Consumer Affairs, Food & Public Distribution Department of Food & Public Distribution took a decision in the year 1993 to set up a

National Institute of Sugarcane and Sugar Technology at Kushmour, District Mau Nath Bhanjan in Uttar Pradesh.

3.81. The Central Monitoring Group of Ministry of Finance in its meeting held on January 27, 2000 had recommended as follows:

3.82. As the National Institute of Sugarcane and Sugar Technology, Mau has not yet fully developed as an Institution though a substantial investment has been made in infrastructure like buildings, the group strongly recommended winding up of this institution and transfer of the buildings alongwith land to any Central Agency, which is looking for accommodation in this area. If no such Central Institution shows any interest, the Department should also explore the possibility of transferring the assets to the State Government. The specialized functions if any, which are to be performed by this Institute could as well as be entrusted to the National Sugar Institute, Kanpur which has a good track report in promotion of sugar technology and in training of personnel for eventual employment in sugar industry."

3.83. Pursuant to the above recommendations, the feasibility of transferring this institute to the Indian Council of Agricultural Research (ICAR) under Ministry of Agriculture was examined and the institute was handed over to NBAIM (under ICAR) w.e.f. 1<sup>st</sup> June, 2004.

#### Edible Oils

Edible oils and fats are essential ingredients for a wholesome and balanced diet and are vital items of mass consumption.

### Main Edible Oils

4.1 There are two sources of oils – primary sources and secondary sources. The primary sources include those oilseeds, which are cultivated. The main edible oils from these sources are groundnut, rapeseed/mustard seed, soyabean, sunflower seed, sesame seed, Niger seed and safflower seed. The main secondary sources of oils include coconut oil, cottonseed oil and rice bran oil. The production of oilseeds and net availability of edible oils from domestic sources (primary source and secondary source) for the years 2002-2003 and 2003-2004 are recorded below :-

(in lakh tonnes)

Name of the Oilseeds	2002-2003		2003-04	
	Oilseeds	Oils	Oilseeds	Oils
A.Primary Source				
Groundnut	43.63	10.04	83.32	19.17
Rapeseed/Mustard	39.18	12.15	58.32	18.08
Soyabean	45.58	7.29	78.54	12.57
Sunflower	9.10	3.00	10.86	3.58
Sesame	4.34	1.35	8.15	2.53
Nigerseed	1.17	0.35	1.11	0.33

Safflower	1.57	0.47	1.29	0.39
Castor	4.28	1.71	8.04	3.22
Linseed	1.73	0.52	1.79	.054
Subtotal	150.58	36.88	251.42	60.39
			(4 <sup>th</sup> Advance Estimates)	
<b>B.Secondary Source</b>				
Coconut		5.50		5.50
Cottonseed		4.30		4.30
Ricebran		6.00		6.00
Solvent Extracted Oils		2.00		3.30
Tree & Forest Origin		0.80		0.80
<b>Sub Total</b>		<b>18.60</b>		<b>19.90</b>
<b>Total (A+B)</b>		<b>55.48</b>		<b>80.20</b>
<b>C.Less : Export &amp; Industrial Use</b>		8.20		9.20
<b>D.Net availability of edible oils from all domestic sources</b>		<b>47.28</b>		<b>71.09</b>

Source : (i) Production of oilseeds : Ministry of Agriculture

(ii) Net availability of edible oils : Directorate of Vanaspati, Vegetable Oils & Fats

4.2 This Department seeks to coordinate management of edible oils in the country through a multi-pronged strategy, namely, (i) assessment of the shortfall in the demand for and the domestic availability of edible oils through import so as to maintain their prices at reasonable level; (ii) close monitoring of the prices and availability of edible oils both in the domestic and in the international market, etc.

#### **DIRECTORATE OF VANASPATI, VEGETABLE OILS & FATS**

4.3 The Directorate of Vanaspati, Vegetable Oils and Fats (DVVO&F) of the Ministry of Consumer Affairs, Food and Public Distribution is the only specialized organization in the field of Vegetable Oils and Fats and Vanaspati at the Government level (both Central and State). The DVVOF is staffed with qualified technical people. The DVVOF assists the Ministry in the coordinated management of Vegetable Oils particularly relating to quality control and monitoring of prices. The activities the DVVO&F include regulatory, developmental and advisory.

4.4 The Regulatory Functions are performed basically through the three following Orders administered by the DVVO&F: -

- (i) Edible Oils Packaging (Regulation) Order, 1998;
- (ii) Vegetable Oil Products (Regulation) Order, 1998; and

(iii)  
(Control) Order, 1967.

Solvent Extracted Oil, De-Oiled Meal And Edible Flour

#### Quality and Testing

4.5 The monitoring of quality of edible oils and fats is done by the DVVOF in terms of the provisions of the Orders. For the purpose of ensuring proper quality control, regular inspections of units are carried out by the Field Officers of DVVOF posted in different zones, in addition to surprise inspections from the Headquarter.

4.6 Irregularities pointed out by the Field Officers in their Inspection Reports are considered for appropriate action against the defaulting units. The samples drawn by the Officers are sent for analysis for checking conformity with the prescribed requirements.

4.7 A well-equipped laboratory exclusively devoted to the analytical work pertaining to oils and fats is available with DVVOF. During the financial year 2003-04, of the 3294 samples of edible oils and fats analysed in the laboratory of the DVVOF, 125 samples of vanaspati did not conform to the prescribed standards of quality. In the case of failure of samples, appropriate action has been / is being taken against the defaulting units.

#### Availability of Edible Oils in packed form

4.8 In order to ensure availability of safe and quality edible oils in packed form at pre-determined prices to the consumers, the Central Government promulgated Edible Oils Packaging (Regulation) Order, 1998 under the Essential Commodities Act, 1955 to make packaging of edible oils, sold in retail, compulsory unless specifically exempted by the concerned State Government. The power for implementation of the Order is basically delegated to the State Governments.

4.9 Some of the salient features of the Packaging Order are edible oils including edible mustard oil be sold only in packed form, packers have to be registered themselves with a registering authority, packer to have his own analytical facilities or adequate arrangements for testing the samples of edible oils to the satisfaction of the Government, only oils which conform to the standards of quality as specified in the Prevention of Food Adulteration Act, 1954 and Rules made thereunder be allowed to be packed, etc.

#### **R&D Programme for Development of Vegetable Oils**

4.10 The DVVO&F is presently operating a Plan Scheme on Research and Development and Modernisation of the Laboratory of the DVVOF during the X<sup>th</sup> Five Year Plan. The broad objectives of the R&D Schemes are to coordinate and concentrate research efforts for development of technology for increased production of oils from oil bearing materials as also optimum utilization of these materials. In addition, the scheme is also aimed at to equip the laboratory of the DVVOF introducing modern equipments for testing of oils & fats.

4.11 The approved outlay for Development Programme in Oilseeds and Oils of the DVVO&F during the 10<sup>th</sup> Five Year Plan period (2002-2007) is Rs.125 lakh.

Actual expenditures in 2003-04 and 2004-05 (upto September, 04) have been Rs.38.91 lakh and Rs.5.50 lakh respectively.

4.12 The specific thrust areas identified for R&D work are :

- Ø Application of frontier areas of technology such as membrane refining technology, bio-refining, bio-interesterification etc. of oilseeds/oils processing.
  - Ø Technology for up-gradation of non-edible oils to edible oils/edible grade oils such as neem oil, castor oil, non-edible rice bran oil etc.
  - Ø Detoxification of oilseeds/oilcakes/extractions.
  - Ø Storage suitability of unrefined and refined edible vegetable oils.
  - Ø Work relating to nutritional aspects of newer oils particularly with regard to the suitability for human consumption.
- >Development of simple, reliable, low cost analytical methods/techniques for detection/determination of adulterants in fats and oils including vanaspati.
- Ø Proposals for tie up arrangement between R&D institutes/organizations and industry for upscaling of technology developed.
  - Ø Development of low cost packaging for fats and oils etc.
  - Ø Value added co-products/by products etc.

4.13 Some of the important areas of work funded by the DVVOF under the R&D Scheme are: -

R&D Project	Institute
Modernisation of huller rice mills.	CSIR, New Delhi
Development of 1 TPD high efficiency oil expeller.	MERADO, Ludhiana
Recovery of waste from vegetable oils processing industries.	HBTI, Kanpur
Study on the use of high erucic acid containing rapeseed oil/mustard oil in vanaspati.	GSRF, New Delhi
Development of low cost packaging materials.	IICT, Hyderabad
Development of economic and functional packages for food products with emphasis of edible oils and vanaspati, new products development such as development of fat spread.	IIP, Mumbai
Upscaling interesterification process for determination of design data and cost for preparation of vegetable oils and margarine wastes etc.	GSRF, New Delhi
Study on Shelf-life of RBD Palmolein	GSRF, New

	Delhi
Packaging of extruded foods	IIP, Mumbai
Development of a Digital Moisture Probe	CSIO, Chandigarh
Lacithin from Rice Bran Oil	GSRF, New Delhi
Purification of Rice Bran Oil	C.G.C.R.I., Kolkata

### Research papers published

4.14 Some of the Research Papers published by the concerned Research Institutes out of the R&D projects funded by the DVVOF are as under :-

- (i) Use of high Erucic rapeseed/mustard oil in Vanaspati - Journal of Oil Technologists Association of India, 26,4, P-109, 1994.
- (ii) Recovery of oil from spent bleaching earth – Journal of Oil Technologists Association of India, 27, No-2, July/Sept. P-159, 1991.
- (iii) Use of high Erucic rapeseed/Mustard oil in Vanaspati – Journal of Oil Technologists Association of India, 26,4, P-109, 1994.
- (iv) Detection of Interesterified fats in hydrogenated fats – Journal of American Oil Chemists Society, 69, 1992, 1051.
- (v) Formulation of trans free margarines – Journal of Oil Technologists Association of India, 31, 3, P-138.
- (vi) Rice Bran Oil enrichment of edible oil - Presented in seminar of Solvent Extractors Association of India 30.6.2002. Communicated to JOTAI.
- (vii) Preparation and surfactant properties of diethanolamides of castor, Karanja and neem seed proteins – Journal of Oil Technologists Association of India, 111-115, 1992.
- (viii) Preparation and surfactant properties fo N-acyl condensates of neem seed protein isolate and hydrolysate – Journal of Oil Technologists Association of India, 55-56.1992.
- (ix) Bleaching of commercial soybean lecithin – Journal of Oil Technologists Association of India, 183-186, 2000.
- (x) A simple method to Enrich Phospholipid Content in Commercial Soybean Lecithin – Journal of American Oil Chemists Society, Vol.78. No.5,555, 2001.

(xi) Aqueous enzymatic extraction of oil from mustard seeds – Journal of Oil Technologists Association of India, Vol.32, No.2, 51, 2000.

(xii) Separation, characterization and estimation of chlorogenic acid from aqueous extraction of sunflower meal – Journal of Oil Technologists Association of India, Vol.33, No.3, 108, 2001.

### Assessment of Production and Supply of Edible Oils

4.15 Production of oilseeds, which increased significantly in the 1980's, hit a plateau in the 1990's. During 1999-2000, the oilseed production was 207.1 lakh tonnes. In 2000-01, the oilseed production declined to 184.4 lakh tonnes. In 2001-2002, it was 206.63 lakh tonnes. In 2002-2003, the oilseed production further declined to 150.58 lakh tonnes. In 2003-04, the oilseed production increased to 251.43 lakh tonnes (4<sup>th</sup> Advance Estimates). The domestic supply of edible oils in 1999-00, 2000-01, 2001-02, 2002-03 and 2003-04 was 60.15 lakh tonnes, 54.99 lakh tonnes, 61.46 lakh tonnes, 47.28 lakh tonnes and 71.09 lakh tonnes (Estimated) respectively. Supply from indigenous sources falls short because demand of edible oils has been increasing at a pace faster than that of production due to growth in population and improvement in the standards of living of people.

4.16 Figures pertaining to production of major cultivated oilseeds, availability of edible oils from all domestic sources and total availability/ consumption of edible oils (from domestic and import sources) during the last five years are as under: -

(In lakh tonne)

Oil Year (Nov.- Oct.)	Production of Oilseeds	Net availability of edible oils from all domestic sources	Total Availability/ Consumption of Edible Oils (from domestic and import sources)
1999- 2000	207.1	60.15	102.11
2000- 2001	184.4	54.99	96.76
2001- 2002	206.63	61.46	104.68
2002- 2003	150.58	47.28	90.93
2003- 2004	251.43 (4th Advance Estimates)	71.09 (Est.)	124.04 (Est.)

Source: (i) *Production of oilseeds: Ministry of Agriculture*

(ii) Net availability of edible oils: Directorate of Vanaspati, Vegetable Oils & Fats

(iii) Import of edible oils: DGCI&S, Kolkata, Ministry of Commerce & Industry

### **Per Capita Consumption of Edible Oils in the Country as compared to World per Capita Consumption of Edible oils during the last few years**

4.17 Per capita consumption of edible oils in the country as compared to world per capita consumption of edible oils during the last few years has been as under :-

(Kg/Annum)

<b>Year</b>	<b>India</b>	<b>World</b>
1998-1999	10.9	17.81
1999-2000	11.4	18.43
2000-2001	11.7	19.00
2001-2002	11.7	19.43
2002-2003	11.2	19.77
2003-2004	11.5	20.15
	(Forecast)	(Forecast)

*Source : Oil World Annual, 2004*

### **Import Policy on Edible Oils**

4.18 Since there has been a continuous excess of demand over domestic supply of edible oils, import of edible oils has been resorted to for more than two decades to make this item of mass consumption easily available to consumers at reasonable prices.

4.19 In pursuance of the policy of liberalization of the Government, there have been progressive changes in the Import Policy in respect of edible oils during the past few years. Edible Oil, which was in the negative list of imports was first decanalised partially in April, 1994 with permission to import edible vegetable palmolein under OGL at 65% duty. This was followed by enlarging the basket of oils under OGL import with revision of import duty structure.

4.20 In order to harmonise the interests of farmers, processors and consumers and at the same time, regulate large import of edible oils to the extent possible, Government has rationalized the duty structure of edible oils. The brief highlights of the import policy of edible oils since 1994 have been in Annex.I.

### **Import of Vanaspati from Nepal under Indo-Nepal Treaty of Trade**

4.21 The Indo-Nepal Treaty of Trade allowed import, among others, of edible oils including Vanaspati from Nepal on duty-free, license free and quantity-free basis. The Indo-Nepal Trade Treaty was revised in 1996. In that revision, the local content (Nepalese material content, Nepalese labour content & the Indian material content),

which was 50% in 1993, was completely deleted. Consequently there has been surge in import of vanaspati from Nepal.

4.22 The India-Nepal Trade Treaty has been revised on 2nd March, 2002 to safeguard the interest of domestic vanaspati manufacturers. W.e.f. 6.3.2002 a fixed quantity of one lakh MTs of vanaspati are allowed to be imported from Nepal without payment of customs' duty, through 6 designated Land Customs Stations. The fixed quota of vanaspati import from Nepal was canalized through the Central Warehousing Corporation (CWC) and State Trading Corporation (STC) w.e.f. 16th May, 2002 and 6th June, 2003 respectively. W.e.f. 23.10.2003, State Trading Corporation has been made the sole agency to make imports of vegetable fats (vanaspati) from Nepal.

4.23 Further w.e.f. 4.10.2004, STC & the associates to be appointed by STC have been made agencies to import the specified quantity of vegetable oils (Vanaspati) subject to the overall responsibility of STC who will ensure its distribution and monitoring as per Government Policy.

### **Tariff Value**

4.24 In order to check the instances of under-invoicing of edible oil imports, the Government has fixed tariff value on import of Crude Palm Oil, RBD Palm Oil and RBD Palmolein vide Notification dated 3.8.2001 issued by Ministry of Finance. Subsequently, tariff value on import of Crude Palmolein, Crude Soyabean Oil, Others-Palm Oils and Others-Palmolein has been notified and tariff value on these oils has been revised from time to time. As per last revision made vide Notification dated 15.9.2004, the tariff value of Crude Palm Oil, RBD Palm Oil, RBD Palmolein, Crude Palmolein, Crude Soyabean Oil, other-Palm Oil and others-Palmolein is US \$ 454 PMT, US\$ 489 PMT, US\$ 497 PMT, US\$ 479 PMT, US\$ 565 PMT, US\$ 471 PMT and US\$ 488 PMT respectively.

### **Import Duty on Non-Edible Oils**

4.25 In order to eliminate possible diversion of non-edible oils to the edible products, custom duty on vegetable oils having free fatty acid 20% or more has been reduced from 30% to 20% for manufacture of soaps under actual user conditions and 65% for others w.e.f. 16.1.2004. with effect from 9.7.2004, concessional custom duty of 20% on the vegetable oils having FFA 20% or more has been extended from soaps to industrial fatty acid and fatty alcohol also.

### **Excise Duty on Refined Edible Oils, Vanaspati, Bakery Shortening and Margarine**

4.26 In the Union Budget 2003-04, excise duty @ 8% had been levied w.e.f. 1.3.2003 on refined edible oils, vanaspati, bakery shortening and margarine bearing a brand name and put up in unit containers for retail sale.

4.27 Excise duty has been revised and levied w.e.f. 30.4.2003 @ Re. One per kg. on refined edible oils and Rs. 1.25 per kg. on bakery shortening and vanaspati. Excise duty on margarine has been removed.

## Excise Duty on Food Grade Hexane

4.28 In order to enhance export earnings from de-oiled cakes and also reduce the cost of extracted oils in the domestic market, excise duty on food grade hexane has been reduced from 32% to 16% w.e.f. 9.7.2004.

## Export Promotion of Edible Oils and Oilseeds

4.29 Exports of oilseed, minor oils and fats and oil meals during the last three years are as under: -

(Qty.in lakh tonne)

(Value in Rs.Crore)

Year (Apr-Mar)	Oilseeds		Minor Oils and Fats		Oilcake/extraction		Total	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
2001-2002	3.73	860.4	2.09	581.3	30.22	2118.1	36.04	3559.7
2002-2003	2.10	591.6	1.65	530.7	19.02	1530.7	22.77	2653.0
2003-2004	3.85	1287.3	2.62	1096.6	33.62	3063.0	40.09	5446.9
(Estimated)								

Source : Solvent Extractors' Association of India, Mumbai

4.30 Some of the important measures taken in this regard are :-

(i) Exports of all oilseeds such as HPS groundnut, sesame seeds, sunflower seeds, mustard seeds, etc. when exported for consumption, have been made free without any quantitative or licensing requirements.

(ii) Export of vegetable oils such as coconut oil, cottonseed oil, kardi oil, linseed oil, mustard oil, niger seed oil, palm oil, palm kernel oil, rice bran oil, salad oil, sunflower oil, soya bean oil have been made free.

(III) Export restrictions like registration and packaging requirements have been removed on groundnut oil.

## High Powered Price Monitoring Board (HPPMB)

4.31 High Powered Price Monitoring Board (HPPMB) has been constituted under the chairmanship of the cabinet secretary to monitor the prices of essential commodities. the directorate of vanaspati, vegetable oils and fats has been

servicing the HPPMB as regards the availability and prices of edible oils including vanaspati.

#### F.I.P.B. Proposal

4.32 As a result of Government Policy of liberalization, a number of proposals are being received from investors or from Indian counterparts for collaboration with foreign companies for investment in the oilseed sector. The various components of the proposals are modernisation of the Industry, production of quality products, capturing market opportunities both domestic and international etc. The proposals are examined on merits and appropriate advice is rendered to the Ministry. This is also a continuing exercise.

#### ANNEXURE-I

#### IMPORT POLICY FOR EDIBLE OILS

.. April, 1994	Import of RBD Palmolein placed on OGL with 65% import duty.
.. March, 1995	Import of all edible oils (except coconut oil, palm kernel oil, RBD palm oil, RBD palm stearin) placed on OGL with 30% import duty.
.. 1996-97 (in regular Budget)	Further reduction in import duty to 20% +2%(special duty of customs) bringing total import duty to 22%.  Another special duty of custom @ 3% was later imposed bringing the total import duty to 25%.
.. July, 1998	Import duty further reduced to 15%.
.. 1999-2000 (Budget)	Import duty raised to 15% (basic) + 10%(surcharge)=16.5%.
.. December, 1999	Import duty on refined oils raised to 25% (basic) + 10% (surcharge) = 27.5%. In addition, 4% SAD levied on refined oils.
.. June, 2000	Import duty on crude oils raised to 25% (basic) + 10% (surcharge)=27.5% and on refined oils raised to 35%(basic)+10% (surcharge)+4%(SAD)=44.04%. Import duty on Crude Palm Oil (CPO) for manufacture of vanaspati retained at 15% (basic) + 10% (surcharge)=16.5%.
.. November, 2000	Import duty on CPO for manufacture of vanaspati raised to 25% and on crude vegetable oils raised to 35%. Import duty on CPO for other than vanaspati manufacture raised to 55%. Import duty on refined vegetable oils raised to 45%(basic)+4%(SAD)=50.8%. Import duty on refined palm oil and RBD palmolein raised to 65%(basic)+4%(SAD)=71.6%.
.. March, 2001 (As amended on 26.4.2001)	Import duty on crude oils for manufacture of vanaspati/refined oils by the importers registered with Directorate of VVO&F raised to 75% (for others import duty levied at 85%) except soyabean oil, rapeseed oil and CPO at 45%, 75% and 75% respectively. The duty on refined oils including RBD Palmolein raised to 85% (basic) except in the cases of Soyabean Oil and Mustard oil where the duty is placed at 45%(basic)

	and 75%(basic) respectively due to WTO binding. In addition, 4% SAD levied on refined oils.
October, 2001	Import duty on Crude Palm Oil and its fractions, of edible grade, in loose or bulk form reduced from 75% to 65%.
November,2001	Import duty on crude sunflower oil or safflower oil reduced to 50% upto an aggregate of 1,50,000 MTs ( <b>Tariff Rate Quota</b> ) of total imports of such goods in a financial year <b>subject to certain condition</b> .  Import duty on refined rape, colza or mustard oil reduced to 45% upto an aggregate of 1,50,000 MTs ( <b>Tariff Rate Quota</b> ) of total imports of such goods in a financial year <b>subject to certain condition</b> .
March, 2002	Statusquo on import duty structure of vegetable oils/edible oils maintained. Import of vanaspati from Nepal be levied SAD @ 4%.
August,2002	SAD is not applicable on vanaspati imported from Nepal under TRQ.
March, 2003	Statusquo on import duty structure of vegetable oils/edible oils maintained.
April,2003	Import duty on Refined Palm Oil and RBD Palmolein reduced from 85% to 70% and SAD not applicable on edible oils.
July, 2004	Import duty on Refined Palm Oil and RBD Palmolein raised from 70% to 75%

### Public Sector Undertakings

#### FOOD CORPORATION OF INDIA

5.1 The Food Corporation of India (FCI) is the main agency responsible for the execution of the food policies of Central Government.

5.2 Functions of the FCI primarily relate to the purchase, storage, movement, transportation, distribution and sale of food-grains on behalf of the Central Government. It is also engaged in the handling, storing and distribution of sugar for some States.

5.3 The Government of India lays down the prices of food-grains which are to be purchased/procured and issued, the incidental charges and the quantum of allotment to the States/UTs, as also other relevant policy matters.

#### ORGANISATIONAL SET-UP

5.4 There are 5 Zonal Offices, 23 Regional Offices, one Port Office and 171 District Offices under the control of the Corporation with its Headquarters. at New Delhi.

5.5 The category-wise staff in position in the Corporation as on December 31, 2004 was as under :

Category	Staff –in-position
----------	--------------------

I	703
II	5527
III	25696
IV	12825
<b>Total</b>	<b>44751</b>

### Capital Structure

5.6 The authorised capital of the Corporation was as under: -

Rs. crore

As on	As on	As on
31.03.2003	31.03.2004	30.11.2004
Authorised Capital	2500.00	2500.00
2500.00		
Subscribed Capital	2353.00	2392.46*
2407.38*		
	(2.00)@	(1.00)@
	(1.62)@	

(@) Figures shown in the brackets represents subscribed capital for N.E. Region during the year.

(\*) Includes Rs. 15.50 crore for for 2003-04 and Rs. 13.04 crore for 2004-05 for IISFM.

### Audit & Accounts

5.7 The responsibility of auditing of the Accounts of the Food Corporation of India rests with the Comptroller and Auditor General of India. The Accounts of the Corporation alongwith the report of the C&AG and reply thereto for the year 2000-01 has been placed before both the Houses of the Parliament. The Accounts of the Corporation for the year 2001-02 alongwith report of the C&AG and reply thereto has also been laid before both the House of the Parliament during December, 2004. The Accounts for the year 2002-03 have been approved by the BOD on September 9, 2004. The audit report has been received on December 22, 2004. The replies to audit report have also been approved by the BOD on December 23, 2004. The Accounts for the year 2002-2003 alongwith the report of the C&AG and reply thereto are likely to be placed before both the Houses of the Parliament during the

ensuing Budget Session of the Parliament. The Accounts for the year 2003-2004 are under process of finalisation.

5.8 The turnover of the Corporation for the last five years is indicated below: -

**(Fig. Rs./ Crores)**

<b>Year</b>	<b>Purchase</b>	<b>Sales</b>	<b>Total</b>
1999-2000	24337.04	16140.39	40477.43
2000-2001	23257.90	11071.37	34329.27
2001-2002	31249.31	18778.75	50028.06
2002-2003	38154.05	31552.66	69706.71
2003-2004	38014.99(P)	31239.29	69254.28
	(prov.)		

## **PROCUREMENT**

### **Rabi Season**

Report for the period April 1, 2004 to November 3, 2004.

5.9 Rabi Marketing Season 2004-05 commenced from April 1, 2004. Arrangements were made to procure wheat by FCI as well as State Agencies in advance and price support operations of wheat were organized in about 8229 wheat procurement centres as against 7559 during 2003-04. The total procurement of wheat by FCI and State Governments, and their agencies was 167.95 lakh MTs during current Rabi 2004-05 as against 158.01 lakh MTs procured during the corresponding period of RMS 2003-04 (9.94 lakh MTs more than last year).

### **Kharif**

5.10 There was no preponement of Kharif Marketing Season 2003-04 by Govt. of India for any State. However, this year at the pressing demand raised by the State Governments of Punjab and Haryana, Central Govt. has allowed preponement of KMS 2004-05 to September 27, 2004 in Punjab and 29.9.2004 in Haryana. In all other States, purchase of Paddy under MSP was to start w.e.f. October 1, 2004 or November 1, 2004 excepting Assam, Chhattisgarh and Maharashtra where date of commencement of procurement of paddy fixed by Government. of India w.e.f. December 1, 2004, November 15, 2004 and October 15, 2004 respectively.

### **Minimum Support Price Rates**

5.11 MSP fixed by Government. of India for KMS 2004-05 in respect of Paddy / Coarsegrains (FAQ) are as under: -

(Rs./Per quintal)

CROP	KMS2003-04	KMS 2004-05
	Rs.	Rs.
<b>PADDY</b>		
Common	550/-	560/-
Grade 'A' 590/-	580/-	
<b>COARSEGRAINS</b>		
Bajra	505/-	515/-
Jowar	505/-	515/-
Maize	505/-	525/-
Ragi 515/-	505/-	

#### MARKET ARRIVALS & PROCUREMENT OF PADDY/RICE

5.12. Procurement of paddy and levy Rice by all agencies for the Central Pool in major procuring States as per reports available upto December 28, 04 are given as under :

(Fig. in lakh MTs)

State	KMS 2004-05. Progressive Procurement of Paddy up to 28.12.2004				KMS 2003-04 Progressive Procurement of Paddy upto 28.12.2003.			
	Paddy Arrivals	Paddy Procurement	Levy Rice	Total in terms of rice.	Paddy Arrivals	Paddy Procurement	Levy Rice	Total in terms of rice.
Punjab	140.04	100.45	14.36	81.66	133.98	98.46	14.40	80.38
Haryana	35.27	15.16	5.48	14.74	33.90	10.19	4.62	11.45
U.P.	30.67	2.80	5.81	7.68	27.20	4.04	2.52	5.23
A.P.	N.R.	0.10	5.11	5.18	N.R.	1.31	3.80	4.68
Tamil Nadu	N.R.	0.20	-	0.13	N.R.	Neg.(2 MT)	-	Neg.

(1  
MT)

Chhatisgarh N.R. 12.58

N.R. 12.58
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## Miscellaneous

### REDRESSAL OF PUBLIC AND STAFF GRIEVANCES

6.1 The complaints made by members of the public are promptly acknowledged and appropriate action is taken.

6.2 In order to provide the latest information to the public on matters of the functioning of the Department of Food & Public Distribution, the following website is available on Internet:

<http://fcamin.nic.in>

The website has provision for sending E-mail to this Department.

6.3 A Joint Secretary of the Department supervises the work relating to Public & Staff Grievances in the Department. A Grievance box is placed at Gate No.6 for receiving the complaints.

6.4 The Information and Facilitation Counter at Gate No.6 of the Krishi Bhavan provides information to public on various activities of the Department such as Public Distribution System, import of foodgrains, sugar prices, subsidies and storage etc.

### WOMEN EMPOWERMENT

6.5 All necessary steps are taken by the Department and its attached offices to provide a healthy work environment to its Women employees. Based on the guidelines issued by the National Commission for women, a Women Cell has been set up in the Department in 1997. The main functions of this Cell are to coordinate the action for improvement of working conditions of the women, to attend to the complaints received from women employees and to implement the policies and guidelines issued by the Department of Women and Child development/ National Commission for Women from time to time.

6.6 Based on the guidelines issued by National Commission for Women, a Complaint Committee has also been set up in the Department under the Chairmanship of a woman Director to redress the grievances of women employees.

6.7 Instructions in this regard have also been issued to the two Public Sector Undertakings of this Department- Food Corporation of India (FCI) and Central Warehousing Corporation (CWC), FCI has also set up a Women Cell and Complaint Committee for its women workforce for redressal of their grievances. Central Warehousing Corporation has obtained life Membership of the Forum Women in

Public Sector, which provides the women employees the required platform for launching themselves as equal partners in progress.

6.8 The FCI and the CWC are taking necessary action to make requisite amendments to their Rules pursuant to the directions of the Supreme Court regarding prevention of sexual harassment of women employees at work-place. The CWC has also constituted Complaints Committee to redress the sexual harassment of working women employees at work place.

### **Welfare of Scheduled Castes/Scheduled Tribes**

6.9 The instructions issued by the Department of Personnel & Training from time to time regarding representation of Scheduled Castes/Scheduled Tribes in direct recruitment and promotion to various grades and services are followed.

6.10 The total number of Government Servants vis-a vis the number of persons belonging to the Scheduled Castes, Scheduled Tribes, other backward classes, Physically Handicapped and Ex-Servicemen amongst them employed in the Department of Food & Public Distribution, including its attached and subordinate offices as on 31<sup>st</sup> December, 2004 are given below :

Group	Total No. of of of Emplo- yees	No. of SC	No.of ST	No.of OBC	No of Physically Handicapped			No.of Ex- Servicemen	
					VH	HH	OH Total		
1	2	3	4	5	6	7	8	9	10
Group A	142	14	7	2	-	-	-	-	-
Group B	328	50	12	3	-	-	-	-	1
Group C	604	112	31	48	2	1	9	12	15
Group D( (Excluding Safaiwala)	497	142	36	87	8	9	4	21	15
Group D (Safaiwala)	30	25	2	-	-	-	1	1	1
<b>TOTAL</b>	<b>1601</b>	<b>343</b>	<b>88</b>	<b>140</b>	<b>10</b>	<b>10</b>	<b>14</b>	<b>34</b>	<b>32</b>

### **NORTH EASTERN REGION**

#### **Activities of Food Corporation of India**

#### **TRANSPOTATION MANAGEMENT.**

6.11 The position of loading, clearance ex-North and induction of food-grains in Assam/NEF and Movement of sugar from April, 2004 to December, 2004 is given hereunder: -

### Comparison of overall Movement

(Figure in Lakh tonnes) (Prov.)

Month	2004-05			2004-05			2004-05		
	OVERALL MOVEMENT			OVERALL MOVEMENT			MOVEMENT EX-NORTH		
	Rail	Road	Total	Inter	Intra	Total	Rail	Road	Total
April to Dec.'04	219.28	18.48	237.76	237.77	12.29	250.06	195.41	16.42	211.83
Jan. to March'05	94.46	7.01	101.47	86.10	3.07	89.17	79.51	2.42	81.93
<b>TOTAL</b>	<b>313.74</b>	<b>25.49</b>	<b>339.23</b>	<b>323.87</b>	<b>15.36</b>	<b>339.23</b>	<b>274.92</b>	<b>18.84</b>	<b>293.76</b>

6.12 As compared to a quantity of 297.20 lakh tonnes during 2003-2004, there is a likelihood of a 14% increase..

6.13 Inter state movement of foodgrains is likely to substantially increase by 19% during 2004-05 as against the previous year. The movement has been increased from North despite several constraints of rake availability due to concentration of stocks mainly in Punjab and Haryana.

### North Eastern Region

(Fig. in Lakh Tonnes)

	Average stock maintained	Movement(Wheat and Rice)	Offtake (Wheat and Rice)
April to December, 2004	1.49	23.55	19.87
April to December, 2003	1.20	19.19	16.45

6.14 It is seen from the above Table that the average stocking, and the quantity of movement and offtake has been higher during the year 2004 as compared to the year 2003.

### Activities of Central Warehousing Corporation

6.15 CWC started functioning in the North East Region in early sixties and is having a capacity of 1.05 Lakh MT with occupancy of 38% as on September 30, 2004. The Center-wise/State-wise capacity being operated by the CWC in the North eastern Region is detailed below: -

**ASSAM:**

Amingaon	20000 MT
Dhubri	10100 MT
Guwahati	12030MT
Jorhat-I	10500 MT
Jorhat-II	5000 MT
Sorbhog	10000 MT

**Total: 67630 MT**

**NAGALAND:**

Dimapur	13000 MT
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**TRIPURA:**

Agartala	19250 MT
Agartala C.S.	4750 MT

**Total: 24000 MT**

**Grand Total: 104630 MT**

6.16 During the last three years, there was no construction in the North East Region except at Amingaon(Guwahati). The land being a constraint, the CWC could not go ahead with any expansion plan.

Activities of Storage & Research Division

Indian Grain Storage Management and Research Institute.

6.17 Indian Grain Storage Management and Research Institute (IGMRI), Field Station, Jorhat was established in 1981 to study and work on area specific post harvest problems of foodgrains in North Eastern Region.

6.18 The performance of IGMRI, Jorhat during 2004-2005 (Upto December 2004) is as follows :

Sl.No	Item/Activity	Targets (Annual)	Achievements (Upto December 2004)
1.	Training: 1.LTTC/STTC*	8	6
	2. Artisans Training	4	2
2.	Analysis of foodgrain samples for physical quality parameters (No. of samples)	480	360
3.	Monitoring of foodgrains samples for mycotoxin contamination (No. of samples)	60	45
4.	Monitoring of foodgrain samples for pesticidal contamination (No. of samples)	120	91

\* Long Term Training Course/Short Term Training Course

#### SAVE GRAIN CAMPAIGN

6.19 Save Grain Campaign (SGC) at Guwahati is disseminating the knowledge of scientific storage of foodgrains at farm level in the North Eastern Region of the country by organizing training, demonstration and publicity programmes.

6.20 The performance of SGC Guwahati during 2004-2005 (upto December, 2004) is given below :-

Sl.No	Activities	Targets (Annual)	Achievements (upto Dec.2004)
1.	Training Courses	92	59
2.	Villages covered	65	61
3.	Film /Slide shows	92	65
4.	Exhibitions arranged/ participated	65	45
5.	Construction/ improvement of non-metallic storage structures	1200	723

#### QUALITY CONTROL CELL

6.21 With a view to monitor the quality of foodgrains, in North Eastern Region, Quality Control Cell Kolkata is ensuring that only fair average quality foodgrains are

distributed under the Public Distribution System, besides monitoring the quality during storage. The Quality Control Cell undertakes surprise inspections of Food Storage Depots, Rail Heads and Fair Price Shops.

6.22 During 2004-2005 (Upto December, 2004) as many as 40 Fair Price Shops were inspected and remedial measures suggested, wherever required. 9 Food Storage Depots and 8 Rail Heads were also inspected.

### **PROGRESSIVE USE OF HINDI**

6.23 In keeping with the policy of Government of India to promote the use of Hindi in day-to-day official work and to achieve the targets prescribed by the Department of Official Language in their annual programme, 2004-2005, multipronged efforts were made to achieve these objectives. The thrust had been to persuade the officers and the staff to take to increase use of Hindi. For this purpose, workshops were held, wherein the officers and the employees were not only fully acquainted with the requirement of Official Language Act and the rules framed thereunder, but were also trained in Hindi Noting & Drafting and to work in Hindi on computers. The progress made in the use of Hindi in the Department, its attached and subordinate offices and Public Sector Undertakings under its administrative control was reviewed in the quarterly meetings of the Official Language Implementation Committee of the Department. During 2004-2005 till December, 2004 three meetings of the Committee were held. As far as possible, publicity material is being issued in bilingual form (both in Hindi and English), besides being issued in regional languages as and when required. All the forms and standard drafts being used in the Department are available both in Hindi and English.

6.24 To review the progressive use of Hindi 7 offices of Food Corporation of India, Central Warehousing Corporation and Save Grain Campaign were inspected by the officers of Hindi Division of this Department. Besides 12 sections of the Department were also inspected to assess the progress of Hindi.

6.25. Committee of Parliament on Official Language inspected 3 offices of FCI and CWC to review the progressive use of Hindi during 2004-2005 till December, 2004

6.26. 3 Stenographers and 3 L.D.Cs were nominated for Hindi stenography and Hindi Typewriting Courses respectively. At present all officers/staffs in the Department possess the working knowledge of Hindi.

6.27. Hindi fortnight was also organized from September 1, 2004 to September 14, 2004 and on this occasion various Hindi competitions were organized with a view to create awareness and accelerate the use of Hindi in the Department.

6.28 The Department was awarded 1<sup>st</sup> prize under Indira Gandhi Rajbhasha Puraskar Yojna by the Department of Official Language for doing excellent work in the field of implementation of Official Language policy of Govt. of India for the year 2002-03. These prizes were distributed by the honourable Home Minister Shri Shivraj Patil on September 14, 2004 on the occasion of Hindi Day in a function held at Vigyan Bhawan. On behalf of the Department, Secretary (Food & P.D.) received this award.

## Application software Developed and Implemented

6.29. Some of the Local Area Network based application software developed and implemented in the Department are:

1. **File Movement system:** A Web based File Tracking System software is implemented to track the files/letter/receipts, the necessary training has been provided to the department and the Department sections are using the software.
2. **Intranet WEB Site:** The Intranet web site which provides access to all Department employee to see their bilingual pay slip, Annual Income statement sheet, Income Tax calculation Sheet, GPF Statement and various application packages, in the Ministry is being maintained on CAPD Server.
3. **Monthly Bulletin on Food grains:** Food Grains bulletin is a collection of reports published on monthly basis in the form of booklet by the department giving information of various activities like Production, procurement, stocks, allocation & off take etc of food grains. A Web based software is developed to fulfill the complete requirement of the Monthly Bulletin. The database is kept centralized. Data entry into the s/w can be done from the concerned section. Section wise secured login and password is being provided for data entry into individual modules and reports can be generated from any node on LAN. Various reports generate by the s/w have been linked to deptt's website.
4. **Sugar Cane Price Arrears :** Last four years sugar cane price arrears are maintained in the centralized database and a web based software has been developed by NIC to monitor the arrears. Reports are being generated on the intranet web site
5. **Statutory Minimum Price (SMP) for sugar:** For each Sugar factories the SMP is being calculated based on the average and peak crushing recovery percentages. A Software has been devised to calculate factory wise SMP.
6. **Sugar Release Order :** The Monthly Sugar Release order, comprising of the quota allocations under levy and free sale of sugar, being calculated for all the sugar factories in India is being prepared using the computer application developed for the purpose. The final sugar Release Order is made available on Internet Web Site for reference by all sugar millers in India.
7. **Procurement of Food grains – information System :** An application package to collect information on daily basis (during procurement season) has been developed and output, giving comparison with previous years data, is available through browser based query.
8. **'PUSTAKALAYA' the Library Management System :** A comprehensive software package, which maintains a database

- of all the books and journals in the Department Library and supports various searches and queries, is being put to use.
9. **Targeted Public Distribution System (TPDS):** The output reports of the TPDS monitoring system implemented in the pilot State of Himachal Pradesh are available through this web enabled application software
  10. **Payroll Software** for Department of Food and Public Distribution and Sugar Directorate was modified to accommodate the merger of dearness pay and the corresponding changes of allowances.
  11. **Electronic Directory** gives the contact phone numbers and E-mail addresses of Ministry officials. Searches are available based on name, designation, room no. etc.
  12. **General Stores Stationary Issue- :** Once implemented the officials in the department can file the requests of stationary items, on-line through the intranet Site. Also the Stationary purchase Bill's can be traced very easily over this.
  13. **Sugar Export System :** A web based application package is developed to collect information on plant wise, quantity of sugar exported by sugar exporters. The generation of sugar release order has been automated. Also a module has been prepared to monitor disbursement of Sugar Export Subsidy.
  14. The Help Desk activities have been continued during the current financial year in connection with the computerization and development of software packages. Also anti-virus / patch management was done for each of the PC nodes connected through LAN in the Department.

## **International Cooperation**

### **International Grains Council (IGC)**

6.30 India continues to be a member of the International Grains Council (IGC) which is an inter governmental forum of exporting and importing countries. India has been included in the category of Exporting member in July 2003. India was represented in the Market Conditions Committee Meeting of IGC held in October 2004, during which India made a presentation on the Grain Production and Marketing Policies of India. The key messages in the said presentation *inter-alia* were that the current and expected demand and supply trends indicated likelihood of exportable surpluses and India's EXIM policy envisaged no quantitative restrictions on wheat and rice exports. India was also represented in the International Grains Council's Conference held in June 2004 and in the 20<sup>th</sup> Session of IGC held in December 2004 in London.

### **World Food Programme**

6.31 Government of India is allocating food grains at BPL rates to the beneficiaries belonging to BPL category under the development Schemes

administered by International Organizations like World Food Programme. For the financial year 2004-2005, an allocation of 70000 MT of wheat and 10000 MT of rice has been approved at BPL rates to the World Food Programme for their developmental schemes in the country.

### **Food and Agricultural Organisation (FAO)**

6.32 FAO is one of the largest specialized agency in the UN System founded in 1945 with a mandate to raise levels of nutrition and standard of living to improve agricultural productivity and to better the conditions of rural population. The Committee on World Food Security (CFS) serves as a forum in the United Nations System for review and follow-up of policies concerning world food security, including food production and physical and economic access to food. India is a member to both FAO and CFS. India was represented in the 29<sup>th</sup> Session of the Committee of Food Security organized by FAO held in Rome in May 2003. FAO and the Ministry of Agriculture on behalf of Government of India have signed a Pilot Project for Developing National Food Insecurity and Vulnerability Information and Mapping System (FIVIMS) in India in the two states viz. Himachal Pradesh and Orissa. FIVIMS is essentially a database involving network of information and mapping system, which assembles detailed information about the people who are food insecure and their location on the basis of factors such as agriculture, nutrition, health, education, social welfare, economic well being, employment opportunities and social environment to develop a data base to identify pockets of food insecurity in the country in the two states. The Department of Food and Public Distribution is National Focal Point for establishment of FIVIMS in India. India is a member of the Inter-Governmental Working Group in the formulation of set of voluntary guidelines for enforcement of the right to adequate Food to address the issue of Food Security. Pursuant to the declaration adopted by the World Food Summit: Five years later in Rome in June, 2002, council of FAO established an Inter-Governmental Working Group (IGWG) as a subsidiary body of the Committee on World Food Security (CFS). IGWG of FAO has formulated a set of Voluntary Guidelines to support progressive realization of Right to Adequate Food, which is under process of finalisation. This Department was represented in the 3<sup>rd</sup> Session of the IGWG held in September 2004.

### **SAARC Food Security Reserve Board**

6.33 An Agreement to establish a SAARC Food Security Reserve was signed by the SAARC Countries (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) during the Third SAARC Summit in Kathmandu in 1997. This Department was represented in the 10<sup>th</sup> SAARC Food Security Reserve Board meeting held in Dhaka, Bangladesh from October 6-7, 2004. India prepared a draft Concept Paper on the SAARC Food Security Bank, which was presented in the meeting.

### **THE INTERNAL FINANCE WING**

6.34. The Internal Finance Wing of the Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) is headed by Additional Secretary & Financial Adviser who is overall in-charge of Budget & Accounts Section in addition to the Internal Finance Section.

6.35 – It is his duty:

- (i) to ensure that the schedule for preparation of budget is adhered to by the Ministry and the Budget is drawn up according to the instructions issued by Finance Ministry from time to time;
- (ii) to scrutinize budget proposal thoroughly, before sending them to Ministry of Finance;
- (iii) to see that complete departmental accounts are maintained in accordance with the requirements under the General Financial Rules. It should, in particular, be ensured that the Ministry not only maintains account of expenditure against the Grants or Appropriations directly controlled by it but also obtains figures of the expenditure incurred by the subordinate offices so that the Ministry has a complete month to month picture of the entire expenditure falling within its jurisdiction;
- (iv) to watch and review the progress of expenditure against sanctioned grants through maintenance of necessary Control Registers and to issue timely warnings to Controlling Authorities where the progress of expenditure is not even;
- (v) to ensure the proper maintenance of the Register of Liabilities and commitments as required under the GFRs to facilitate realistic preparation of budget estimates, watching of book debits and timely surrender of anticipated savings;
- (vi) to screen the proposals for supplementary demands for grants;
- (vii) to formulate the foreign exchange budget for the Ministry and to process individual cases for release of foreign exchange in accordance with the instructions issued by Department of Economic Affairs from time to time;
- (viii) to advise the Administrative Ministry on all matters falling within the field of delegated powers. It has to be ensured by FA that the sanction issued by administrative Ministry in exercise of delegated powers clearly indicates that they issue after consultation with FA;
- (ix) to identify, in particular, specific savings in cases of creations of posts and to maintain a Register for this purpose;
- (x) to scrutinize proposals for re-delegation of powers to subordinate authorities;
- (xi) to keep himself closely associated with the formulation of schemes and important expenditure proposals from their initial stages;
- (xii) to associate himself with the evaluation of progress/performance in the case of projects and other continuing schemes, and to see that the results of such evaluation studies are taken into account in the budget formulation;
- (xiii) to watch the settlement of audit objections, Inspection Reports, draft audit paras, etc.;
- (xiv) to ensure prompt action on Audit Reports and Appropriations Accounts, Reports of Public Accounts Committee, Estimates Committee and Committee on Public Undertakings;

(xv) to screen all expenditure proposals requiring to be referred to Finance Ministry for concurrence or comments;

(xvi) to ensure regular and timely submission to Finance Ministry of quarterly staff statements and other reports and returns required by Finance;

(xvii) To check on O&M functions of the Department through IWSU. Also suggest measures for improvement in the working of Department to achieve speedy/effective disposal of case by conducting specific studies;

6.36 Details of 'summary of audit observations on the Department, in the C&AG Reports of 2004 (Commercial) and action taken by the Department thereon' as on January 14, 2005 are given below:

#### **1) Audit Observation–**

Purchase of flats for staff quarters at Dwarka without ensuring suitability of the design and assessment of demand resulted in idle investment of Rs. 3.33 crore and consequent loss of earnings of Rs. 1.33 crore during the period from February 1997 to March 2003 to Central Warehousing Corporation.

( Para 5.1.1 of Report No. 3 of 2004)  
(Commercial)

#### **Action taken by the Department**

**The Action Taken Note has been finalized and submitted to COPU on December 27, 2004.**

#### **(2) Audit Observation-**

Food Corporation of India (FCI) incurred avoidable loss of Rs. 133.13 crore during April 2001 to September 2002 on extending undue benefit to the exporters in terms of excess allowance.

(Para 5.2.1 of Report No. 3 of 2004)  
(Commercial)

#### **Action taken by the Department**

Action taken note has been finalized and submitted to the Office of C&AG on November 16, 2004 for vetting.

#### **(3) Audit Observation -**

The Government Of India instructions withdrawing the payment of double-line machine stitching charges, with effect from October 2000, were not followed by the FCI leading to an avoidable payment of Rs.39.89 crore during October 2000 to December 2002.

**(Para 5.2.2 of Report No. 3 of 2004)**  
**(Commercial)**

**Action taken by Department.**

The matter was agitated by the millers against the recovery notices issued by the FCI, in a writ petition filed before the Hon'ble AP High Court. In pursuance of the judgment of the Hon'ble AP High Court dated January 22, 2004, a meeting was held in the Department on June 14, 2004. It was decided in the meeting that a view will be taken in the matter after receiving the FCI's comments on the representation submitted by AP Rice Millers Association. FCI's comments have been received and are being examined in the Department.

**(4) Audit Observation-**

FCI incurred avoidable payment of interest on cash credit, during July 2001 to March 2003, aggregating to Rs.6.33 crore due to non submission of bills within stipulated time.

**(Para 5.2.3 of Report No. 3 of 2004)**  
**(Commercial)**

**Action taken by the Department.**

This para was forwarded to FCI on 23.03. 2004 for comments/reply. FCI's comments were received in June, 2004 and forwarded to Audit on June 29, 2004 for vetting . Vetting remarks of audit received on September 3, 2004 were forwarded to FCI for replies. The replies received on December 14, 2004 have been sent to C&AG on December 20, 2004 for vetting.

**(5) Audit Observation-**

FCI incurred unnecessary expenditure of Rs.51.60 lakh towards railway freight on transportation of 'Relaxed Specification' rice, whose shelf life was expired, from the State of Punjab to the State of Karnataka, which was later disposed of during 2000-01 through tender at a loss of Rs.2.23 crore. FCI suffered a total loss of Rs.2.75 crore.

( Para 5.2.4 of Report No.3 of 2004)

(Commercial)

**Action taken by the Department.**

The para was sent to FCI on April 15, 2004 for comments/ reply for preparing ATN. Clarifications asked for by the Ministry in the matter was received on December 22, 2004. Draft ATN has been finalised and being forwarded to C&AG for vetting.

**6. Audit Observation-**

There was system failure leading to misappropriation of stocks valuing Rs.2.20 crore by the employees of the FCI at Food Storage Depot, Zira during 1999-2000 and 2000-01.

(Para 5.2.5 of Report No.3 of 2004)

(Commercial)

**Action taken by the Department.**

The para was received in March 2004 and forwarded to the FCI on February 25, 2004 for comments/reply. The position was reviewed in the meeting held in the Department on November 29, 2004.

**(7) Audit Observation-**

In the absence of clear instructions from the Head Office and delay in issue and circulation of clarification by Regional Office, FCI suffered a loss of Rs.1.85 crore on the sale of normal wheat during October 2001 to November 2001.

(Para 5..2.6 of Report No.3 of 2004)

(Commercial)

**Action taken by the Department.**

This para was received in March, 2004 and forwarded to FCI for comments on March 25, 2004 for comments / reply for drafting an ATN. The matter has been followed up with the FCI through reminders and periodic meetings. FCI has reported that this case is presently being investigated by its Vigilance Division.

**(8) Audit Observation-**

FCI has suffered a loss of Rs.1.47 crore, on account of wheat stocks damaged during July 2001 to August 2002 and lost in March 2002, which were improperly kept for a longer period in poorly constructed temporary plinths at Food Storage Depot, Whitefield, Bangalore. March 25, 2004

(Para 5.2.7 of Report No.3 of 2004)

(Commercial)

**Action taken by the Department:-**

This para was received in March, 2004 and forwarded to FCI for comments on March 25, 2004. The comments of FCI were received in October, 2004 and sent to the C&AG for vetting. The position was reviewed in the meeting held in the Department on November 29, 2004. The C&AG's vetting remarks on ATN were received in December, 2004 and forwarded to the FCI for further comments. A reply from FCI is awaited.

**(9) Audit Observation -**

FCI incurred an additional expenditure of Rs.1.25 crore in the procurement of Aluminium Phosphide at higher rates during the contract period 2000-01 and 2001-02 in the South Zone.

(Para 5.2.8 of Report No.3 of 2004)

(Commercial)

**Action taken by the Department.**

The para was forwarded to FCI on 26.3.2004 for comments. The C&AG's vetting remarks on FCI's ATN were received in October, 2004 and forwarded to the FCI on October 14, 2004. The position was reviewed in the meeting held in the Department on November 29, 2004. FCI assured that action will be expedited.

**(10) Audit Observation-**

**Procurement and milling of paddy in Punjab Region by Food Corporation of India.**

· Review of procurement and milling of paddy in the Punjab region of the Corporation revealed that the paddy procured was below Fair Average Quality and the Corporation suffered a loss of Rs. 120.60 crore in milling as well as in disposal of the same. The Custom Milled rice was short delivered to the Corporation due to allowing drilage allowance, which was not as per the recommendation of the Expert Committee. As a result there was a loss of Rs.162.83 crore to the Corporation.

· The State Government and its agencies were reimbursed custody and maintenance charges of Rs. 103.21 crore without ensuring that the same were actually incurred. There was also an excess payment of Rs.146.69 crore towards transportation charges to the State Government and its agencies.

· There was a loss of Rs.107.43 crore to the Corporation due to short delivery of 15.55 lakh MT of levy rice during 1997-98 to 2001-2002 by the millers.

· The condition of the Mandis was far from satisfactory despite the fact that the Market Committees collected Rs.1436.12 crore towards market fee and RD Cess during 1998-99 to 2001-2002 for improving the conditions of the Mandis in the State. Therefore, the very purpose of collection of market fee and RD Cess was not achieved.

(Report No.3 of 2004)

(Commercial)

**Action Taken by the Department**

The Chapter was received in March 2004 and forwarded to the FCI on March 24, 2004 for their comments/reply. The same have not been received so far despite reminders. The matter is being followed up with FCI.

## **DEPARTMENTALISED PAYMENT AND ACCOUNTING ORGANISATION**

### **Organisational set up**

6.37 The departmentalized payment and accounting organization of the Department Food and Public Distribution has four Pay and Accounts Offices located at New Delhi, Mumbai, Chennai and Kolkata besides one Pr. Accounts Office located at New Delhi. Chief Controller of Accounts is the Head of the Pay and Accounting organization for - Department of Food and Public Distribution as well as Department of Consumer Affairs, which too has four Pay and Accounts Offices located at New Delhi, Mumbai, Chennai and Kolkata.

6.38 The Organization's cadre control lies with the Controller General of Accounts, Department of Expenditure, Ministry of Finance in respect of Gr. 'A' & 'B' officers. The Secretary of Department of Food and Public Distribution is the Chief Accounting Authority who discharges his duties through and with the help of AS & FA/CCA of the Department of Food and Public Distribution. The Finance Division of the Ministry Headed by AS & FA has the overall functional control over the Organisation for which CCA reports to AS & FA. The organizational chart of the Department of Food & Public Distribution shows this relationship very clearly.

### **Functions of Organisation**

(i) Pay and Accounts Offices are responsible for ensuring payments of bills presented through DDOs, maintenance of GPF accounts, finalization of pension cases and preparation of monthly account.

(ii) The Principal Pay and Accounts Office of the organization is responsible for payment of loans and grants to the State Governments and Union Territories through advices to Reserve Bank of India and watching of the repayments of loans and interest on the loan amounts.

It is also responsible for Consolidation of monthly accounts, preparation of Finance Account of the Ministry and the Appropriation Accounts in respect of both Grants of the Ministry. It is also responsible for preparation of Receipt Budget of the entire Ministry.

(iii) The Internal Audit Unit is responsible for conducting the internal audit of the accounts of all the DDOs and other auditable units of the Departments of the Ministry.

### **Achievements (Upto November 30, 2004)**

(i) The original outlay of the Department of Food & Public Distribution is Rs. 27100.81 crore under Grant No. 19. No supplementary grant has been obtained during the financial year 2004-05. (Upto November, 2004)

(ii) Payment of Subsidy to FCI is Rs. 15985.40 crore and that of State Government is Rs.1648.67 crore

(iii) The Pay and Accounts Office of the Department of Food and Public Distribution settled as many as 155 pension cases (Revision of Pension cases/ Family pension cases).

(iv) Pay and Accounts Offices of Department of Food and Public

Distribution maintain 600 live GPF accounts and have settled 12

final payments cases.

(v) The Internal Audit unit has conducted internal audit of 45 units.

### **Cash Section**

6.39 Under merged DDO scheme Cash Section works under Chief Controller of Accounts and responsible for payment of salary, personal claims of officers and staff of Department of Food and Public Distribution and contingency payments.

### **MISCELLANEOUS**

#### **Compilation of Accounts**

6.40 The accounts in all P.A.Os are being compiled and generated through the computers. The accounts are received through accounts floppy in the Principal Accounts Office where they are further consolidated through a separate software package. The software's have been developed by NIC.

6.41 The Controller General of Accounts under the "COMPACT" to be utilized in all the P.A.Os. In this Ministry of Finance, who is responsible for overall control and compilation of the accounts of all the Ministries and presentation of Finance Accounts and Appropriation Accounts in the Parliament has introduced a new software package package the bills are entered into computer right from its presentation in P.A.O. The passing of bill at various stages is done on computer. The account is also compiled simultaneously as and when the bill is passed.

6.42 This package has been introduced in all the P.A.Os of Ministry who are using all its modules including G.P.F. and Pension modules. The P.A.O. (Food & Public Distribution), Mumbai and P.A.O. (Food & Public Distribution) Chennai have stopped preparing manual accounts and have switched over to 'COMPACT' w.e.f December 1, 2004. Other P.A.Os are likely to switch over to 'COMPACT' w.e.f. April 1, 2005.

#### **Electronic Clearance Scheme**

6.43 The scheme of payment through Electronic Clearance scheme has been implemented in Department of Food & Public Distribution. Through this scheme the salary of employees are credited directly to their respective bank accounts by RBI clearing cell through electronic transfer. The scheme has also been extended to Directorate of Sugar & Directorate of Vanaspati.

