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Chapter-i

Department of Food and Public Distribution

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 Taslimudin.

1.2 Shri R.N. Das, has been working as Secretary, Department of Food and Public Distribution with effect from 1.7.2005. His predecessor was Shri S.K. Tuteja.

1.3 The sanctioned staff strength of the Department is indicated at **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;

(vi) 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;

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

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

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) 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) was launched in December, 2000 for one crore poorest of the poor families. AAY contemplates identification of poorest of the poor families from amongst the BPL families covered under TPDS within the States and providing them foodgrains at a highly subsidized rate of Rs.2/ per kg. for wheat and Rs. 3/ per kg for rice. The scale of issue that was initially 25 kg per family per month has been increased to 35 kg per family per month with effect from 1st April, 2002.

(ii) The AAY Scheme was expanded in 2003-2004 by adding another 50 lakh households from amongst the BPL families (1st expansion).

(iii) The Antyodaya Anna Yojana (AAY) was again expanded with effect from 1st August, 2004 by another 50 lakh BPL families by including, inter-alia, all households at the risk of hunger (2nd expansion).

(iv) As announced in the Union Budget 2005-06, the AAY has further been expanded to cover another 50 lakh BPL households thus increasing its coverage to 2.5 crore households. With this increase, 2.5 crore (i.e. 38% of BPL) have been covered under the AAY (3rd expansion).

(v) In the Conference of State Food Ministers held in October 2004 and in the meeting held with the Members of Parliament in December 2004 for strengthening the TPDS, one of the suggestions was to hold conferences at regional level on TPDS. These conferences would focus on the unique problems of the region and would facilitate strengthening of the TPDS in a manner, which may be relevant to the local environment. The States/UTs categorized in various regions are as under: -

Northern Region:

1. Jammu & Kashmir 2. Himachal Pradesh
3. Delhi 4. Haryana
5. Punjab 6. Chandigarh(UT)
7. Uttar Pradesh and 8. Uttaranchal.

Southern Region:

1. Andhra Pradesh 2. Tamil Nadu
3. Karnataka 4. Kerala
5. Pondicherry (UT) 6. Andaman & Nicobar Islands (UT) and

7. Lakshadweep(UT).

Eastern Region:

1. West Bengal
2. Orissa
3. Bihar
4. Jharkhand and
5. Chhattisgarh.

Western Region:

1. Maharashtra
2. Madhya Pradesh
3. Goa
4. Gujarat
5. Rajasthan
6. Dadra & Nagar Haveli(UT) and
7. Daman & Diu (UT)

North Eastern Region:

1. Assam
2. Arunachal Pradesh
3. Manipur
4. Meghalaya
5. Mizoram
6. Nagaland
7. Tripura and
8. Sikkim.

(vi) The Conferences of the Western Region, Northern Region and Southern Region were held on 12.9.2005, 28.9.2005 and 7.10.2005 respectively. The Conferences of Eastern Region and North Eastern Region were also held on 30.1.2006 at Kolkata and 31.01.2006 at Guwahati respectively.

(vii) In the said Regional Conferences the following decisions were taken:

⇒ Best practices adopted by some States for strengthening of PDS and stopping of leakages of foodgrains like scheme of roaming ration cards for migrant labourers in Gujarat, ration coupons for the needy in Rajasthan,

review and weeding of bogus ration cards in Maharashtra were discussed or appreciated.

⇒ In order to involve PRIs in the PDS, Vigilance Committees at various levels may be constituted and activated involving PRIs at various levels as per the latest guidelines issued by the Government of India. The Vigilance Committee Members may also be given training on PDS. Necessary proposals were requested for sending to the Ministry.

⇒ All the States/UTs may explore the possibility/feasibility on distribution of coarse grains procured under MSP through TPDS and other welfare schemes.

⇒ All the States/UTs may consider to make the FPSs as the nodal point for canalizing the supplies of foodgrains under various schemes to achieve efficiency and accountability in the PDS.

⇒ Some States have already started distributing Atta under TPDS on the pilot basis to overcome the problem of malnutrition and also to ensure nutritional security. In the Regional Conferences, it was proposed to launch Pilot Project for introduction of fortified Atta with micronutrients for BPL/AAY families in the Tribal/undernourished areas in the States/UTs.

⇒ Steps to check leakage/diversion of foodgrains were discussed e.g. strict compliance of PDS Control Order, inspection of FPSs on regular basis, computerisation of TPDS and introduction of food coupons/bar-coded vouchers for correct distribution of foodgrains.

(B) VILLAGE GRAIN BANKS SCHEME

As per the mandate of the National Common Minimum Programme of the Government, the revised Village Grain Bank Scheme for establishment of Grain Banks in chronically food scarce areas has been approved by the Government of India for the remaining period of the Tenth Five Year Plan (2005-06 and 2006-07). The main objective of the scheme is to ensure food security and provide safeguard against starvation during the period of natural calamity or during the lean season through the Grain Banks to be set up in food scarce and natural calamity prone areas such as drought prone areas, hot and cold deserts, tribal areas and inaccessible (remote hilly) areas.

The scheme envisages establishment of grain banks by Gram Panchayats through Gram Sabhas, Self Help Groups or Non-Governmental Organisations (NGOs) in food scarce village/areas as

notified by State Government/UT Administrations. The Central Government will allocate foodgrains to each Grain Bank @ one quintal per family for an average 40 Below Poverty Line (BPL)/Antyodaya Anna Yojana (AAY) families which will be released as one time grant on 'free of cost basis'. The provision for storage, transportation, training and monitoring has also been made. The people belonging to BPL/AAY families are eligible to become members of the Grain Bank, who will manage the affairs of the Bank through an executive committee elected by themselves and having at least one woman member.

The Government proposes to implement the revised scheme during the remaining period of Tenth Five Year Plan. During 2005-06 and 2006-07 it is proposed to establish approximately 12,000 Grain Banks in the country in the food scarce areas. The State Governments have been asked to identify/notify the villages/areas as per the guidelines and implement the scheme at the earliest so that the needy people may be benefited through operation of Village Grain Banks.

(C) FOODGRAINS POLICY

(i) A Note on Reforms in the Foodgrains Management System and Rationalization of Food Subsidy was considered by the Standing Committee of Secretaries on 19.01.2006. This Committee has made several recommendations for Rationalization of Food Subsidy and for improvements in the Foodgrains Management System, which are presently under examination.

(D) PROCUREMENT OF FOODGRAINS

(i) During Kharif Marketing Season (KMS) 2004-05 (October, 2004 to September, 2005) there was record Procurement of 246.8 lakh tonnes of paddy/rice which was 18.5 lakh tonnes more than the previous record of 228.3 lakh tonnes in KMS 2003-04.

(ii) Procurement of coarsegrains in KMS 2004-05 was 8.3 lakh tonnes, which was 1.8 lakh tonnes higher than KMS 2003-04.

(iii) Till 8th February 2006, 183.8 lakh tonnes of rice has been procured in KMS 2005-06 (October, 2005 to

September, 2006) compared to 165.1 lakh tonnes in the same period in KMS 2004-05.

(iv) 147.9 lakh tonnes of wheat have been procured for the Central Pool during the Rabi Marketing Season (RMS) 2005-06 (April, 2005 to March, 2006) compared to 168 lakh tonnes during RMS 2004-05.

(v) The scheme of Decentralized Procurement (DCP) of Foodgrains was introduced by the Government in 1997-98 with a view to encourage local procurement to the maximum extent and thereby extend the benefits of minimum support price (MSP) to local farmers, to enhance efficiency of procurement and PDS, to provide foodgrains more suited to local taste under the PDS and also to effect savings in transportation and handling costs of the FCI. Due to encouragement provided by the Central Government for this scheme, 2 more States viz., Karnataka and Kerala joined this scheme in KMS 2004-05, thereby increasing the number of States opting for this scheme to 11.

(vi) There was record procurement of 93.6 lakh tonnes of paddy/rice by DCP States in KMS 2004-05, which was 16.0 lakh tonnes more than the previous record of 77.6 lakh tonnes in KMS 2003-04.

(E) ALLOCATION/OFFTAKE OF FOODGRAINS

(i) The offtake of wheat and rice from the Central Pool under Targetted Pubic Distribution System (TPDS) during the first nine months (April 2005-December, 2005) of the year 2005-06 was 218.05 lakh tonnes. This comprises of 110.17 lakh tonnes under Below Poverty Line (BPL), 57.01 lakh tonnes under Antyodaya Anna Yojana (AAY) and 50.87 lakh tonnes under Above Poverty Line (APL).

(ii) During the first nine months of the current financial year 2005-06 (April 2005 – December, 2005) the offtake of foodgrains from the Central Pool was 297.84 lakh tonnes.

(iii) The offtake under various Welfare Schemes was 74.47 lakh tonnes during April, 2005-December, 2005).

(iv) During the first nine months of the current financial year 2005-06 (April 2005 - December, 2005) the offtake of foodgrains from the Central Pool was 297.84 lakh tonnes as against the offtake of 297.92 lakh tonnes of foodgrains during the corresponding period of last year 2004-05 (April 2004-December, 2004).

(v) Under the TPDS, the total offtake of foodgrains has increased to 218.06 lakh tonnes during 2005-06 (April 2005-December, 2005) as compared to offtake of 214.71 lakh tonnes during April 2004-December 2004, an increase of 1.56%.

(vi) Under BPL category offtake has increased to 110.17 lakh tonnes during April-December, 2005 from 129.61 lakh tonnes during 2004-2005. The offtake under the Antyodaya Anna Yojana (AAY) has increased to 50.87 lakh tonnes during 2005-06 (April 2005-December, 2005) from 38.24 lakh tonnes during 2004-2005 (April 2004-December, 2004).

(vii) The offtake under various Welfare Schemes under various schemes was 103.66 lakh tonnes during 2004-05 and 73.34 lakh tonnes during 2005-06 (Upto December, 2005).

(F) EXPORT and import 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 11th August 2003. After meeting the pending commitments of exports, sale of foodgrains for commercial exports was totally stopped w.e.f 1st October 2004.

(ii) There was no import of foodgrains for the Central Pool during 2004-05. However, keeping in view the reduced

wheat stocks in the Central Pool, the need to keep a check on the open market prices of wheat as well as to augment the domestic availability of wheat and since the Government is fully committed not to compromise in the matter of food security, a decision was taken on 1st February, 2006 to permit State Trading Corporation to import 5 lakh MTs of wheat at the Southern ports only.

(iii) The Cabinet has 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, Iraq etc. on the recommendations of Ministry of External Affairs.

(G) SUGAR

(i) Import of sugar is under Open General License (OGL) inviting a custom duty of 60% along with countervailing duty of Rs. 850/- per tonne and 2% Education Cess. 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 has 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. 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 licenses of a value of Rs. 1572.15 crores (approx) have been issued between April 2004 to 31st December 2005. As per the Trade Circles, approximately 20.74 lakh MTs of raw sugar was imported in the sugar year 2004-05.

(iii) The Committee on Revitalisation of Sugar Industry which was set up under the Chairmanship of Shri S.K. Tuteja, Secretary (F & PD) on March 12, 2004 to review the 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. 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.

(H) WAREHOUSING

(i) The Department of Food & Public Distribution prepared a proposal for enacting Parliamentary Legislation for making the warehouse receipt a negotiable instrument to increase credit flow in the agriculture sector.

(ii) A Bill has been introduced in Lok Sabha on 7th Dec 2005 and it has been referred to the Standing Committee on Consumer Affairs, Food & Public Distribution on 19th December, 2005 for consideration.

(iii) The Central Warehousing Corporation (CWC) entered into an agreement with the Ministry of External Affairs (MEA), Government of India for setting up a cold storage of 5000 MTs capacity at Kandhar in Afghanistan for storage of fruits/dry fruits through grant-in-aid to Afghanistan by the Government of India. After completion of the project, there is a fresh proposal with CWC for construction of additional 9000 MTs cold storage capacity at Kandhar on the land already allotted to it, which is in process.

(iv) A Notification amending the Warehousing Corporations Act, 1962 has come into force with effect from 15th November, 2005, inter-alia, creating posts of 3 Functional Directors in CWC. This would enable delegation of greater financial powers and autonomy to CWC, a Mini Ratna Company. CWC would also have greater access to wider

base of resources, as it can now approach any Scheduled Bank for borrowed capital instead of only Nationalised Banks.

(v) To augment the limited infrastructure and resources available with the SGC 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.

(vi) 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, foodscience and quality control graduate girls and also for foreign participants. The technology developed by these institutes is transferred to the farming community through Save Grain Campaign and disseminated among farmers/farm women and also to the corporate level officers for adoption/introduction in scientific storage of foodgrains.

(I) EDIBLE OILS

(ii) By virtue of Notification No.9/2005-Customs dated February 15, 2005, the customs duty on crude palm oil/crude palmolein has been raised from 65% to 80% and the custom duty on refined palm oil/RBD palmolein has been raised from 75% to 90%.

(ii) Vide Notification No.37/2003-Central Excise dated April 30, 2003, excise duty @ Rs.1/kg and Rs.1.25/kg had 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 had been levied on interesterified fat. Excise duty on refined edible

oils/vanaspati/bakery shortening/interesterified fat etc. has been withdrawn vide Notification No.4/2005-Central Excise dated March 1, 2005.

(iii) Concessional import of non-edible grade Crude Palm Oil (CPO) for manufacture of soaps, fatty acids and industrial fatty alcohols has been withdrawn vide Notification No.88/2005-Customs dated September 30, 2005 so as to eliminate its possible diversion to edible products.

(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 31st January 2006, the tariff value of Crude Palm Oil, RBD Palm Oil, Other Palm Oil, Crude Palmolein, RBD Palmolein, Other Palmolein and Crude Soyabean Oil is US\$ 412 PMT, US\$ 427 PMT, US\$ 420 PMT, US\$ 434 PMT, US\$ 437 PMT, US\$ 436 PMT and US\$ 484 PMT respectively.

(J) INTERNATIONAL COOPERATION

International Grains Council (IGC)

India continues to be a member of the International Grains Council (IGC), which is an inter-governmental forum of exporting and importing countries. India was represented in the 21st Session of IGC held in June 2005 in London. India has been included in the category of Exporting Member in July 2003. India has also participated in the 92nd Meeting of the Food Aid Committee held in June 2005 as an Observer in London.

CHAPTER-II

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 aspect of this policy, such as production, procurement and issue prices of

foodgrains, quality control, imports and exports, behaviour of market prices, etc. during the year 2005-06 are discussed in the succeeding paragraphs.

FOODGRAINS PRODUCTION DURING 2004-05 AND PRODUCTION PROSPECTS DURING KHARIF 2005-06

Foodgrains Production During 2004-05

2.1 The year 2004-05 received less than average rainfall and the rainfall during the South-West monsoon 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 the Long Period Average.

2.2 According to the fourth advance estimates released on 6th July 2005, the foodgrains production is estimated at 204.61 million tonnes which is 8.85 million tonnes or 4.2% less than 213.46 million tonnes of foodgrains production in 2003-04. The kharif foodgrains production estimated at 103.32 million tonnes in 2004-05 is 13.56 million tonnes or 11.6% less than 116.88 million tonnes of kharif foodgrains production in 2003-04. The rabi foodgrains production estimated at 101.29 million tonnes is 4.71 million tonnes or 4.9% more than 96.58 million tonnes of rabi foodgrains production in 2003-04.

Foodgrains Production Prospects During Kharif 2005-06

2.3 The cumulative rainfall from 1st June to 30th September, 2005 was excess to normal in 32 meteorological sub-divisions and deficient/scanty in the remaining 4 out of the 36 meteorological sub-divisions in the country. For the country as a whole, the rainfall from south-west monsoon in 2005 was 1% below the Long Period Average. As per the second advance estimates released on 22.02.2006 the kharif foodgrains production is estimated at 209.32 million tonnes during 2005-06, which is 2.30% more than last year's kharif foodgrains production. The production of kharif rice is estimated at 87.86 million tonnes while production of kharif coarse cereals is estimated at 34.00 million tonnes. Production of kharif pulses is estimated at 14.40 million tonnes which is 7.62% more than last year's kharif production of 13.38 million tonnes.

2.4 The details of Fourth Advance Estimates of production for 2004-05 and the Second Advance Estimates for 2005-06 (kharif) are given in **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 5.2% during April-November, 2005, as it reached at 188.4 In Nov. 2005 from 179.1 in April,2005.

2.7 The index of cereals, which stood at 180.0 in April, 2005 declined by 1.1 % to 179.5 in May, 2005. But thereafter it started rising and reached to 186.6 in November, 2005, marking an increase of 4.0%.

2.8 The WPI of Rice which stood at 170.9 in April, 2005 declined to reach 170.5 in May, 2005 registering a marginal fall of 0.2%, but from June, 2005 the index started rising to reach to 178.1 in October, 2005, a rise of 4.5%, however, it again fell to 176.8 in Nov., 2005 i.e a fall of 0.7%..

2.9 The WPI of Wheat which was 180.9 in April, 2005 fell to 180.0 in May, 2005 that is a marginal fall of 0.5%. But, thereafter the index started rising and stood at 186.1 in July, 2005 marking an increase of 3.4% between May-July 2005, after declining by 0.7% to reach 184.8 in August, 2005, it again rose to 191.0 in November, 2005 that is a rise of 3.4% during August – November, 2005.

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. 570/- and Rs. 600/- per quintal respectively for the 2005-2006 Kharif Marketing Season (October, 2005-September, 2006). The MSP of wheat has been fixed at Rs. 650/- per quintal for the Rabi Marketing Season 2006-07. The comparative MSP of wheat and paddy since 2001-2002 to 2006-2007 (marketing seasons) is given below: -

(Rs. per quintal)

YEAR	WHEAT	PADDY	
		COMMON	GRADE-A
2001-2002	610	530	560
2002-2003	620	530*	560*
2003-2004	620 **	550	580
2004-2005	630	560	590
2005-2006	640	570	600
2006-2007	650		

* 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, Chhattisgarh, Uttaranchal, Andaman & Nicobar Islands, Orissa, Tamil Nadu, Gujarat, Karnataka and Kerala.

2.13 The total procurement of rice in the States which have adopted decentralized procurement was 39 lakh tonnes in Kharif Marketing Season (KMS) 2001-02 and 40 lakh tonnes in KMS 2002-03. This went up sharply to 78 lakh tonnes during KMS 2003-04 and further to 94 lakh tonnes during KMS 2004-05.

2.14 In respect of wheat for States which have adopted decentralized procurement system, the procurement of wheat under this scheme was 10.84 lakh tonnes during Rabi Marketing Season (RMS) 2005-06.

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 2001-2002 is given below: -

Procurement			
FCI	State Agencies	Total	
2001-2002	118.72	94.04	212.76
2002-2003	72.96	91.14	164.10
2003-2004	109.73	118.55	228.28
2004-2005	116.31	130.52	246.83
2005-2006 (upto 8th February 2006)	48.08	135.81	183.89

2.16 For the year 2005-06, procurement of rice is in progress and is estimated at 230 lakh tonnes. The State-wise percentage of the

procurement of rice to the Central Pool during 2004-2005 and 2005-2006 is given below: -

PROCUREMENT OF RICE (INCLUDING PADDY IN TERMS OF RICE) DURING 2004-2005

KHARIF MARKETING SEASON FOR THE CENTRAL POOL

Total Procurement= 246.83 Lakh Tonnes

State	Quantity procured (in lakh tonnes)	% of Quantity Procured to Total Procurement
Andhra Pradesh	39.04	15.8
Chhattisgarh	28.37	11.5
Haryana	16.62	6.7
Madhya Pradesh	0.42	0.2
Orissa	15.90	6.4
Punjab	91.06	36.9
Uttar Pradesh	29.71	12.0
Others	25.71	10.5

PROCUREMENT OF RICE (INCLUDING PADDY IN TERMS OF RICE) DURING 2005-2006

KHARIF MARKETING SEASON FOR THE CENTRAL POOL

Total Procurement = 183.89 Lakh Tonnes

(As On 08.02.2006)

State	Quantity procured (in lakh tonnes)	% of Quantity Procured to Total Procurement
Andhra Pradesh	15.19	8.26
Chhattisgarh	25.80	14.00
Haryana	19.96	10.85
Punjab	85.66	46.58
Uttar Pradesh	19.73	10.73
Others (Neg: Below 0.1)	17.55	9.54

2.17 The share of procurement of paddy by State Agencies out of the total procurement during KMS 2004-05 and 2005-06 in major States has been as under: -

**PROCUREMENT OF PADDY DURING 2004-2005 KHARIF
MARKETING SEASON**

FOR THE CENTRAL POOL

Total Procurement = 176.89 Lakh Tonnes

		FCI	State Agencies	Total
Andhra Pradesh	0.10	0.12	0.22	55
Chhattisgarh	-	29.06	29.06	100

Haryana	1.00	14.17	15.17	93
Madhya Pradesh	0.20	0.34	0.54	63
Orissa	0.84	3.28	4.12	80
Punjab	11.49	89.08	100.57	89
Rajasthan	0.07	-	0.07	-
Uttar Pradesh	-	7.76	7.76	100
Others	0.73	18.65	19.38	96

**PROCUREMENT OF PADDY DURING 2005-2006 KHARIF
MARKETING SEASON**

FOR THE CENTRAL POOL

TOTAL PROCUREMENT = 199.62 LAKH TONNES

(As on 08.02.2006)

		FCI	State Agencies	Total
Andhra Pradesh	0.13	0.18	0.31	58
Chhattisgarh	-	34.96	34.96	100
Haryana	0.95	22.59	23.54	96
Madhya Pradesh	0.74	0.68	1.42	48

Punjab	10.42	105.71	116.13	91
Uttar Pradesh	-	8.99	8.99	100
Others	3.9	10.37	14.27	73

2.18 Government undertakes to purchase all wheat and paddy of prescribed specifications offered on sale by the farmers at the notified Minimum Support Price, thereby ensuring them a stable market for their produce. Non-basmati rice is procured for the Central Pool under the 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 for the Kharif Marketing Season 2005-06 is given in the **Annexure-III**.

Procurement of Wheat

2.19 The State-wise procurement of wheat and the share of different States during the Rabi Marketing Season 2001-02 to 2005-06 is given below: -

(In lakh tonnes)

State	2001-02	2002-03	2003-04	2004-05	2005-06
Haryana	64.07	58.55	51.22	51.15	45.29
M.P.	2.94	4.24	1.88	3.49	4.84
Punjab	105.60	98.63	89.38	92.40	90.10
Rajasthan	6.76	4.61	2.59	2.79	1.59
U.P.	24.46	21.11	12.13	17.41	5.60
Others	2.47	2.78	0.81	0.72	0.45
All India	206.30	190.25	158.01	167.96	147.87

2.20 The State-wise percentage of procurement of wheat during 2005-06 is given below: -

PROCUREMENT OF WHEAT DURING 2005-2006 RABI MARKETING SEASON

Total Quantity Procured = 147.87 Lakh Tonnes

		FCI	State Agencies	Total
Haryana	6.17	39.12	45.29	30.6
M.P.	0.15	4.69	4.84	3.3
Punjab	14.28	75.82	90.10	60.9
Rajasthan	1.19	0.40	1.59	1.1
U.P.	0.41	5.19	5.60	3.8
Others	0.10	0.35	0.45	0.3

CENTRAL ISSUE PRICE

2.21 Wheat and rice are issued from the Central Pool to State Governments/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 (Targetted 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).

2.23 The CIPs of rice under TPDS are as under: -

Rice	Category	Rs.per qtl.	Effective from
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 AND 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)

Rice	APL	BPL	With effect from
Common	550	350	01.12.1997
Grade'A'	700	350	01.12.1997
Common	700	350	29.01.1999
Grade'A'	905	350	29.01.1999
Common	1135	590	01.04.2000
Grade'A'	1180	590	01.04.2000
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	01.04.2002
Grade 'A'	730		01.04.2002

Common	795	565	01.07.2002 till date
Grade 'A'	830		01.07.2002 till date

CIP OF WHEAT UNDER TPDS (BPL AND APL)

(Rs. per quintal)

BPL	APL	Effective from
250	450	01.06.1997
250	650	29.01.1999
250	682	01.04.1999
450	900	01.04.2000
415	830	25.07.2000
415	610	12.07.2001
415	510	01.04.2002
415	610	01.07.2002 till date

BUFFER STOCKING POLICY

2.24 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 foodgrains 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.

2.25 The revised buffer norms for the remaining period of the Tenth Five Year Plan have been finalised by the Government based on the realistic requirement of foodgrains under the existing and new schemes. The following new norms have been adopted by the Government w.e.f. 1st April, 2005.

(in lakh tonnes)

2005-06	Wheat	Rice	Total
1st April	40	122	162
1st July	171	98	269
1st October	110	52	162
1st January	82	118	200

2.26 While framing the revised buffer norms for Tenth Plan as indicated above, provision has been kept for the following schemes: -

- (i) Targetted Public Distribution System (TPDS)
- (ii) Sampoorna Gramin Rojgar Yojana (SGRY)
- (iii) Sampoorna Gramin Rojgar Yojana (Special Component) & other welfare schemes.
- (iv) Mid Day Meal Scheme (MDM)
- (v) National Food For Work Programme (NFFWP)

STOCK POSITION IN CENTRAL POOL

2.27 The stock of foodgrains in the Central Pool as on 1.12.2005 was 190.06 lakh tonnes which comprises of 111.30 lakh tonnes of Rice, 76.31 lakh tonnes of Wheat and 2.45 lakh tonnes of Coarse Grains. The total stock of foodgrains in the Central Pool including coarse grains as on 1st January during the last five years was as follows: -

(in lakh tonnes)

Year	Stock
1st Jan., 2000	318.89
1st Jan., 2001	457.68
1st Jan., 2002	581.12
1st Jan., 2003	482.05

1st Jan., 2004	250.16
1st Jan., 2005	216.97
1st Jan., 2006	192.60

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

(in lakh tonnes)

	W H E A T		R I C E		T O T A L	
	Actual	Minimum	Actual	Minimum	Actual	Minimum
	stock	buffer norms	stock	buffer norms	stock	buffer norms
01.01.2001	250.41	84.00	206.99	84.00	457.40	168.00
01.04.2001	215.04	40.00	231.91	118.00	446.95	158.00
01.07.2001	389.20	143.00	227.51	100.00	616.71	243.00
01.10.2001	368.26	116.00	214.52	65.00	582.78	181.00
01.01.2002	324.15	84.00	256.17	84.00	580.32	168.00
01.04.2002	260.39	40.00	249.12	118.00	509.51	158.00
01.07.2002	410.74	143.00	219.37	100.00	630.11	243.00
01.10.2002	356.37	116.00	157.70	65.00	514.07	181.00
01.01.2003	288.30	84.00	193.72	84.00	482.02	168.00
01.04.2003	156.45	40.00	171.57	118.00	328.02	158.00
01.07.2003	241.94	143.00	109.74	100.00	351.68	243.00
01.10.2003	184.27	116.00	52.41	65.00	236.68	181.00
01.01.2004	126.87	84.00	117.27	84.00	244.14	168.00

01.04.2004	69.31	40.00	130.69	118.00	200.00	158.00
01.07.2004	191.52	143.00	107.63	100.00	299.15	243.00
01.10.2004	142.23	116.00	60.92	65.00	203.15	181.00
01.01.2005	89.31	84.00	127.63	84.00	216.94	168.00
01.04.2005	40.66	40.00	133.41	122.00	174.07	162.00
01.07.2005	144.54	171.00	100.71	98.00	245.25	269.00
01.10.2005	102.90	110.00	48.49	52.00	151.39	162.00
01.01.2006	61.88	82.00	126.41	118.00	188.29	200.00

An Overview

2.29 The Government reviews on 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 is sufficient to meet the requirement under Targetted Public Distribution System (TPDS) and Welfare Schemes during 2005-06.

PUBLIC DISTRIBUTION SYSTEM (PDS)

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 4.83 lakh Fair Price Shops (FPSs) is, perhaps, the largest distribution network of its kind 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 effectively 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**.

TARGETED 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. Realising this, the Government streamlined the PDS by issuing special cards to families Below Poverty Line (BPL) and providing foodgrains to them at specially subsidised 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 @ 10 kg 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 foodgrains 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 1.3.2000 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.

REGIONAL CONFERENCE ON TPDS

2.37 In the Conference of State Food Ministers held in October, 2004 and in the meeting held with the Members of Parliament in December, 2004 for strengthening the TPDS, one of the suggestions was to hold conferences at regional level on TPDS. These conferences would focus on the unique problems of the region and would facilitate strengthening of the TPDS in a manner, which may be relevant to the local environment. Accordingly, it has been decided to hold conference/seminar in the regions of North, South, East, West and North-East. The States/UTs categorized in various regions are as under: -

Northern Region:

1. Jammu & Kashmir
2. Himachal Pradesh
3. Delhi
4. Haryana
5. Punjab

6. Chandigarh (UT)
7. Uttar Pradesh and
8. Uttaranchal

Southern Region:

1. Andhra Pradesh
2. Tamil Nadu
3. Karnataka
4. Kerala
5. Pondicherry (UT)
6. Andaman & Nicobar Islands (UT) and
7. Lakshadweep(UT)

Eastern Region:

1. West Bengal
2. Orissa
3. Bihar
4. Jharkhand and
5. Chhattisgarh

Western Region:

1. Maharashtra
2. Madhya Pradesh
3. Goa
4. Gujarat
5. Rajasthan

6. Dadra & Nagar Haveli (UT) and
7. Daman & Diu (UT)

North Eastern Region:

1. Assam
2. Arunachal Pradesh
3. Manipur
4. Meghalaya
5. Mizoram
6. Nagaland
7. Tripura and
8. Sikkim

2.38 The Western Region Conference was held at Mumbai on 12.9.2005, Northern Region Conference was held at Shimla on 28.9.2005, the Southern Region Conference was held at Thiruvanthapuram on 7.10.2005, the Eastern Region Conference was held at Kolkata on 30.01.2006 and the North Eastern Region Conference was held at Guwahati on 31.01.2006.

MODEL CITIZENS' CHARTER

2.39 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

2.40 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.

2.41 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 emphasized. 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.

2.42 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 PANCHAYATI RAJ INSTITUTIONS (PRIs)

2.43 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 (FPSs), 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.

2.44 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 computerised monitoring mechanism.

2.45 It was impressed upon the State Governments to issue licenses under Section 3 of the Essential Commodities Act, 1955 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 card-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.

2.46 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

2.47 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.

2.48 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

2.49 The Government has introduced the Area Officers Scheme in the Department to provide a mechanism to coordinate with State Governments/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 Government and State Governments/UTs for effective monitoring and implementation of PDS.

TASK FORCE TEAM

2.50 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

2.51 Two plan schemes are being operated for strengthening the PDS infrastructure in the States/UTs.

Training, Research and Monitoring

2.52 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 States/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.

2.53 The outlay for the year 2005-06 for this scheme is Rs. 60 lakh. In the year 2003-04, a research study 'Evaluation Study of TPDS and AAY' has been commissioned under this scheme. The concerned agency has submitted its report to the Department and the report has been accepted by the Government.

Pilot Project on implementation of Food Credit Card under PDS

2.54 The Department of Food and Public Distribution has been sanctioned Rs. 13.20 crore under the 10th 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 and 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.

2.55 The expenditure during the first two years of the Plan has been of the order of Rs. 57.66 lakh on purchase, installation of Hardware and Software, site preparation and data entry operation.

ALLOCATION OF FOODGRAINS FROM CENTRAL POOL

Allocation Under TPDS

2.56 The ratio of Rice and Wheat in the allotment of foodgrains under Below Poverty Line/Above Poverty Line has been streamlined keeping in view the food habits of each State w.e.f. 1st August, 2005. There is, however, no change in the overall allocation to each State/UT under TPDS.

2.57 During the first eight months of the current financial year 2005-06 (April 2005-November, 2005) the offtake of foodgrains from the Central Pool was 261.46 lakh tonnes, which comprises of the following: -

(In lakh tonnes)

SCHEME	OFFTAKE		
	RICE	WHEAT	TOTAL
(A) TPDS			
BPL	58.247	40.392	98.638
APL	29.103	21.695	50.798
AA Y	27.370	17.790	45.160
SUB-TOTAL (A)	114.720	79.877	194.597
(B) WELFARE SCHEMES			
SGRY	16.764	13.371	30.136
SGRY (SPL. COMP)	4.454	4.217	8.671
MDM	8.669	2.258	10.927
WBNP	0.625	1.470	2.095
NFFWP	4.670	3.049	7.719
EFP	0.072	-	0.072
Hostels/Welfare Institutions	1.990	0.172	2.162
ANNAPURNA	0.393	0.484	0.877

WFP	0.294	0.509	0.803
SUB -TOTAL (B)	37.931	25.529	63.460
(C) OPEN SALE	0.033	3.370	3.403
TOTAL (A+B+C)	152.684	108.776	261.460

ANTYODAYA ANNA YOJANA (AAY)

2.58 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 Targetted Public Distribution System (TPDS) more focused and targetted towards this category of population i.e. about one crore households, the Prime Minister launched the 'Antyodaya Anna Yojana' on December, 25th 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.

2.59 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.

2.60 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 man (woman) with no family or societal support or assured means of subsistence and all primitive tribal households.

2.61 As announced in the Union Budget 2004-2005, the Scheme has been further expanded w.e.f. 1st August 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 agricultural 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 sectors 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/ 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 woman or single man with no family or societal support or assured means of subsistence.
- All primitive tribal households.

With this increase, 2 crore families were covered under the AAY.

2.62 As announced in the Union Budget 2005-06, the AAY has been further expanded to cover another 50 lakh BPL households, thus increasing its coverage to 2.5 crore households.

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 Resources Development (Department of Education) with effect from 15th August, 1995 for the benefit of students in primary schools under Employment Assurance Scheme (EAS)/earlier Revamped Public Distribution System (RPDS) Blocks (2368). The Scheme covers students of Class I-V in the Government Primary Schools/Primary Schools aided by Government 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 9-11 months in a year, where foodgrains are distributed in raw form. In drought affected areas the mid day meal is distributed in summer vacations also.

2.65 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.

2.66 Allocation/offtake of foodgrains under the scheme during 2001-2002, 2002-03, 2003-04, 2004-05 & 2005-06 is as under: -

(Figures in lakh tonnes)

Year	Allocation			Offtake		
	Rice	Wheat	Total	Rice	Wheat	Total
2001-02	18.67	9.96	28.63	13.48	7.28	20.76
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	15.41	5.92	21.33
2005-06	17.78	4.72	22.50	9.84	2.59	12.43 (Upto Dec. 2005)

WHEAT BASED NUTRITION PROGRAMME (WBNP)

2.67 This Scheme is implemented by the Department of Women and Child Development, Ministry of Human Resources 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.

2.68 Allocation/offtake of foodgrains under the scheme during 2001-2002, 2002-03, 2003-04, 2004-05 and 2005-06 is as under: -

(Figures in lakh tonnes)

	Allocation	Offtake
--	------------	---------

Year	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	1.16	3.42	4.58	0.85	3.57	4.42
2005-06 *(upto 12/05)	1.01	2.75	3.76	0.95	1.88	2.83*

SCHEME FOR SUPPLY OF FOODGRAINS TO HOSTELS/WELFARE INSTITUTIONS (5% of BPL ALLOCATION)

2.69 With a view to meet the requirement of Hostels/Welfare Institutions viz. NGOs/Charitable Institutions which help the shelterness/homeless poor and other categories not covered under TPDS or under any other Welfare Schemes, an additional allocation of foodgrains (rice and wheat) equals to 5% of the BPL allocation of each State/UT is made to States/UTs at BPL rates. This scheme was introduced during 2002-03.

2.70 Allocation/offtake of foodgrains under the scheme during 2002-03, 2003-04, 2004-05 & 2005-06 (upto December, 2005) is as under:

-

(Figures in lakh tonnes)

Allocation			Offtake			
Rice	Wheat	Total	Rice	Wheat	Total	
2002-03	6.58	4.53	11.11	1.30	0.14	1.44
2003-04	6.25	5.19	11.44	3.15	0.23	3.38
2004-05	6.06	4.80	10.86	1.94	0.75	2.69
2005-06	3.26	2.30	5.56	2.10	0.19	2.29*

*(upto 12-05)						
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SCHEME FOR SUPPLY OF FOODGRAINS FOR SC/ST/OBC HOSTELS

2.71 This scheme was introduced in October, 1994. Ministry of Consumer Affairs, Food & Public Distribution is the nodal Ministry for the scheme. Allocation of foodgrains was made for the first time during 2001-02 to nineteen States on the recommendation of Ministry of Social Justice and Empowerment. The residents of the hostels having 2/3rd students belonging to SC/ST/OBC are eligible to get 15 kg foodgrains per resident per month. In such hostels, foodgrains are provided for the entire resident students, including those who belong to other categories.

2.72 Allocation/offtake of foodgrains under the scheme during 2001-02, 2002-03, 2003-04 and 2004-05 is as under: -

(Figures in lakh tonnes)

Year	Allocation			Offtake		
	Rice	Wheat	Total	Rice	Wheat	Total
2001-02	-	-	1.96	0.76	0.07	0.83
2002-03	0.36	-	0.36			*
2003-04	1.63	-	1.63			*
2004-05	1.34	-	1.34#	-	-	-
2005-06	-	-	-	-	-	-

*Offtake figures are combined with offtake against 5% BPL allocation.

Allocation was made on 5.5.2005

ANNAPURNA SCHEME

2.73 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.

2.74 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.

2.75 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 & 2005-06 is as under: -

(Figures in lakh tonnes)

Year	Allocation			Offtake		
	Rice	Wheat	Total	Rice	Wheat	Total
2001-02			1.62*			0.93*
2002-03	0.54	0.24	0.78	0.53	0.62	1.15#
2003-04	0.56	0.67	1.23	0.45	0.64	1.09
2004-05	0.90	0.77	1.67	0.64	0.68	1.32
2005-06	0.90	0.77	1.67	0.46	0.56	1.02@

@(upto/12-05)

* bifurcation of rice and wheat is not available.

Offtake includes lifting against backlog quota.

SAMPOORNA GRAMIN ROZGAR YOJANA (SGRY)

2.76 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 by Ministry of Rural Development. Ministry of Rural Development reimburses the cost of foodgrains at economic cost prevailing at the time.

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

2.78 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 under the scheme.

2.79 Allocation/offtake of foodgrains under the scheme during 2001-2002, 2002-03, 2003-04, 2004-05 & 2005-06 is as under: -

(Figures in lakh tonnes)

Year	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	73.55	39.35	112.90	63.49	42.73	106.22
2004-05	32.64	16.99	49.63	30.27	19.73	50.00*
2005-06	24.81	12.58	37.39 (upto 01/06)	18.08	14.04	32.12 (upto 12/05)

* Offtake includes lifting against backlog quota.

SPECIAL COMPONENT OF SAMPOORNA GRAMIN ROZGAR YOJANA

2.80 The erstwhile Food for Work Programmes launched in January 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 Yojana with a view to extending support to the drought affected families of States. Sanction letters for release of foodgrains under the Speial Component of SGRY would be issued by the Ministry of Rural Development, being nodal Ministry, after getting the approval of Department of Food and Public Distribution for the quantity to be released, directly to FCI under intimation to this Department.

2.81 Allocation and offtake of foodgrains under the scheme during 2002-03, 2003-04, 2004-2005 & 2005-06 is as under: -

(Figures in lakh tonnes)

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	14.37	10.68	25.05	12.29	7.90	20.19
2005-06	4.99	7.15	12.14	5.18	9.22	14.40 (upto 12/ 05)

* Offtake includes lifting against backlog quota.

NUTRITIONAL PROGRAMME FOR ADOLESCENT GIRLS (NPAG)

2.82 A Pilot Project - 'Nutritional Programme for Adolescent Girls'(NPAG) was launched by the Planning Commission initially for a period of two years i.e. 2002-03 and 2003-04 in 51 identified districts i.e. in two of the backward districts in each of the major States and most populous district (excluding the capital district) in remaining smaller States/UTs in the country. The Government of India approved the implementation of this scheme on pilot basis for 2005-06. The Department of Women and Child Development, Ministry Human Resource Development administers the scheme at the central level and State/UT Governments implement the scheme through the concerned Department in the States/UTs.

2.83 As per the revised guidelines of the programme, adolescent girls (age group 11-19 years) as identified by weight would be covered by irrespective of financial status of the family to which they belong. Free foodgrains @ 6kg. per beneficiary per month would provide to the adolescent girls (weight < 35 kg.) initially for a period of three months. Those beneficiaries who so improvement in nutritional status, and hence cross the cut off point for weight, would not receive foodgrains any further. Those persons who inspite of receiving foodgrains for three consequent months do not show improvement in nutritional status would be investigated by Anganwari Workers and, if necessary referred to Dr. for investigation and treatment. They in the meantime would continue to receive free foodgrains for the next three months.

2.84 The funds for the year 2005-06 are being given as 100% grant to States so that they can provide foodgrains through the Public Distribution System free of cost to the families of identified undernourished persons. The Ministry of Finance would release Special Central Assistance (on 100% grant basis) to the States.

2.85 Department of Food and Public Distribution provide foodgrains at BPL rates to the States /UT Government for implementing the programme. Allocation and offtake of foodgrains under the programme during 2002-03, 2003-04 & 2005-06 is as under: -

(Figures in lakh tonnes)

	Allocation			Offtake		
Year	Rice	Wheat	Total	Rice	Wheat	Total

2002-03	0.40	0.22	0.62	0.11	0.00	1.12
2003-04	2.22	0.29	2.51	0.63	0.00	0.63
2004-05	Programme was not in operation.					
2005-06	1.29	0.38	1.67	-	-	-

EMERGENCY FEEDING PROGRAMME (EFP)

2.86 Emergency Feeding Programme is a food-based intervention targetted for old, infirm and destitute persons belonging to BPL households to provide them food security in their distress conditions. This was introduced in May, 2001. The Scheme is being implemented by Government of Orissa in eight KBK Districts namely Bolangir, Kalahandi, Koraput, Malkangiri, Nawarangpur, Naupada, Rayagada and Sonepur of Orissa covering 2 lakh beneficiaries. Under the scheme, foodgrains (rice) at BPL rates is being allocated to State Government on the recommendation of Ministry of Social Justice & Empowerment since May 2001 by Department of Food and Public Distribution. 14,400.00 MT of rice is allocated for the said 2 lakh beneficiaries @ 6 kgs per beneficiary per month.

2.87 Cooked food containing, inter-alia, rice- 200gms, Dal (pulse)- 40 gms, vegetables- 30 gms is provided in the diet of each EFP beneficiary daily by the State Government. The funds were provided from the Additional Central Assistance (ACA), but now it has been termed as Special Central Assistance (SCA). The scheme is being implemented in the KBK districts under the Revised Long Term Action Plan (RLTAP) and SCA is allocated by Planning Commission.

2.88 On making allocation of 14, 400 MT rice at BPL rates, amount of subsidy (Economic Cost - BPL Cost) is worked out to Rs 6975.10 X 14, 400 = Rs. 10,04,41,440/-.

2.89 Following quantity of rice has been allocated during 2001-02, 2002-03, 2003-04, 2004-05 & 2005-06 under the Scheme.

(Figures in '000' tonnes)

Year	Annual allocation	Offtake
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2001-02	12.00	4.97
2002-03	14.40	13.41
2003-04	14.40	14.10
2004-05	14.40	14.18
2005-06	14.40	7.20

VILLAGE GRAIN BANK SCHEME

- A Centrally Sponsored Scheme of Grain Banks in Tribal villages launched during 1996-97 in 11 States. During 1996-97 to 2004-05 Ministry of Tribal Affairs released Rs.10.26 crore for establishing 4858 Grain Banks.
- On the direction of PMO, the scheme has been transferred to this Ministry on 24.11.2004.
- The main objective of the scheme is to provide safeguard against starvation during the period of natural calamity or during lean season.
- The grain banks are to be set up in food scarce areas like the drought prone areas, the hot and cold desert areas, tribal areas and the inaccessible hilly areas.
- The revised scheme envisages inclusion of all willing BPL/AAY families in the villages which will be identified by the State Government in food deficit areas. The quantity to be lent and the period of repayment will be decided by the Group themselves. To ensure recovery of grains lent, it is proposed to tie the scheme with the entitlement of the members under TPDS.
- Village Panchyat/Gram Sabha, Self Help Group or NGOs etc. identified by the State Government shall be eligible for running the Grain Banks.
- A provision of Rs.20.20 crore is made for 2005-06 (Plan) by Planning Commission. In the next financial year provision of Rs.50.00 crore is projected. Total estimated allocation/expenditure during the entire Tenth Five Year Plan is likely to be Rs.92.76 crore. (Ministry of Tribal Affairs have incurred Rs.10.26 crore for establishment of grain banks during the Tenth Five Year Plan.)

- During 2005-06 it is proposed to establish 3471 grain banks and 8591 grain banks during 2006-07.

- The estimated cost of setting up one grain bank is as follows:-

a)	Cost of foodgrains @ 1 quintal per family for average 40 families per grain bank.	40 qtls. of foodgrains at Rs.11500.00 per MT (based on the average present economic cost of grains). i.e. Rs. 46,000/-
b)	Transportation cost @ Rs.90/- per quintal.	90 x 40 = Rs. 3,600/- (Rs.1800 to be borne by the State Government)
c)	Training expenses for trainers and trainees.	Rs. 1400/- per bank
d)	Storage weights and scales etc.	Rs. 6000/- per bank
e)	Monitoring and Administrative Cost	Rs. 3000/- per bank
	Total	Rs. 60, 000 per bank

NATIONAL FOOD FOR WORK PROGRAMME (NFFWP)

2.90 The scheme for National Food for Work Programme has been launched with effect from 13.10.2004. 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 schemes, are in the tribal belts. The scheme will provide 100 days of employment at minimum wages for at least one able-bodied person from each household in the country. This scheme will not be implemented in UTs.

2.91 Allocation and offtake of foodgrains under the scheme during 2004-05 and 2005-06 is as under: -

(Figures in lakh tonnes)

	Allocation			Offtake		
Year	Rice	Wheat	Total	Rice	Wheat	Total
2004-05	14.24	5.75	19.99	3.06	0.65	3.71
2005-06	6.65	1.85	8.50 (upto Jan, 2006)	5.00	3.25	8.25 (upto Dec, 05)

EXPORT OF FOODGRAINS

2.92 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 11th August 2003. After meeting the pending commitments of exports, sale of foodgrains for commercial exports have been totally stopped w.e.f 1st October 2004. There has been no import of foodgrains for the Central Pool, during 2004-2005.

2.93 The Cabinet has 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, Iraq etc. on the recommendations of Ministry of External Affairs.

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

(In lakh MTs)

Financial Year	Wheat	Rice
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
Total	206.15	136.24

OPEN MARKET SALES SCHEME (Domestic) OMSS(D)

2.95 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 wheat at predetermined prices to the open market from time to time to enhance the supply of wheat 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)

2.96 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. The prices of wheat under the OMSS (D), are presently reviewed and revised on a quarterly basis. The prices were last revised w.e.f. 1st January, 2006 for the months of January & February 2006. The OMSS(D) price of wheat ranges from Rs.825/- per quintal in Punjab to Rs.952/- per quintal in Kerala.

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

Year	Quantity (lakh MTs)
2002-03	53.66
2003-04	9.26
2004-05	2.39
2005-06	5.27

(upto December, 05)

SALE OF RICE UNDER OMSS (D)

2.98 Stocks of rice which are old, and not acceptable to the State Governments for the TPDS and the OWSs, are sold through public tenders from time to time. The stocks of rice sold in the open market during the last three years have been as under: -

Year	Quantity (lakh MTs)
2002-03	3.87
2003-04	4.05
2004-05	0.80
2005-06	0.03
(upto December, 05)	

FOOD SUBSIDY

2.99 Food subsidy is provided in the budget of the Department of Food and Public Distribution to meet the difference between the economic cost of foodgrains and their sales realization at Central Issue Prices 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.

2.100 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 measure of food security. Eleven States/UT namely Madhya Pradesh, Uttar Pradesh, Chhattisgarh, West Bengal, Uttaranchal, Tamil Nadu, Andaman & Nicobar Islands, Orissa, Gujarat, Karnataka and Kerala 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.

2.101 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)

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	22674	1502	24176
2003-04	23874	1286	25160
2004-05	23280	2466	25746
2005-06 (as on 10 Feb/06)	17707	2760	20467

Subsidy for 2005-06

2.102 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.

2.103 A provision of rs. 26,031 crore was made in BE 2005-06 for food subsidy on the basis of issue prices and economic cost for wheat and rice as on 01.04.2005. This also includes a provision of Rs.1,074 crore as buffer subsidy against the estimate of Rs.1,360 crore in RE 2004-

05. The amount for food subsidy has been reduced to Rs. 23,071.64 crore in RE 2005-06.

2.104 The main measures taken by the Department of Food and Public Distribution to contain the food subsidy are as follows: -

- i) Reduction in rate of interest on borrowings by the FCI from 9.10% to 8.15% per annum.
- ii) Issue of bonds by the FCI at lesser rates of interest than borrowings from banks.
- iii) Liquidation of excess stocks leading to reduction in carrying cost.
- iv) Encouraging decentralized procurement and distribution of foodgrains to reduce transportation cost.
- v) Measures to improve operational efficiency in the FCI.

MOVEMENT OF FOODGRAINS

Overview

2.105 The overall movement of foodgrains by the Food Corporation of India (FCI) during the year 2005-06 is estimated to be about 30.67 million tonnes as against 33.88 million tonnes during the previous year. Overall movement of foodgrains on the Inter-State account has decreased while the same on the Intra-State account has increased during this year, as compared to the same period in the previous year.

Movement of Foodgrains

2.106 Coordinating and monitoring the movement of foodgrains from surplus regions to deficient areas vis-à-vis, storage capacity, procurement, stocks, allocations and offtake of foodgrains is one of the important functions of the Department of Food and 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 and Public Distribution closely monitors the movement and regularly co-ordinates with the FCI 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.

OTHER ACTIVITIES

Disaster Management

2.107 The Division also assists in the Disaster Management Operations/Emergency Support Functions of the Government by maintaining a close liaison with the Disaster Management Division of the Ministry of Home Affairs to meet the requirement of foodgrains in the various parts of the country, whenever affected by any natural calamity or disaster.

Network Optimization of Rail Movement by Linear Programming

2.108 With the objective to bring about substantial and sustainable efficiency improvement in the functioning of FCI, a major improvement initiative is the Network Optimization of Rail Movement by Linear Programming method/model. This measure is aimed at enabling the FCI to draw up the plans for the movement of foodgrains through rail in a scientific manner by optimizing the network of the rail routes for achieving shortest distances and thereby optimally minimizing or reducing the cost of transportation on account of freight. When fully operationalised, the measure is expected to significantly reduce the expenditure incurred by the FCI each month on transportation of the foodgrains.

Transit Losses of Foodgrains

2.109 The recurring transit losses of foodgrains, suffered by FCI during transportation of the foodgrains primarily through rail, has been one of the major concerns for the Government over the past several years. In order to find out the major systemic causes/factors and some effective ways to check/reduce the said transit losses, finally in January, 2004, M/s. RITES Ltd. (Rail India Technical and Engineering Services) was entrusted by FCI, with this Ministry's approval, to conduct a detailed Study on the issue. The final Report of the said Study has been received from RITES in the end of May, 2005 and is being further examined, in consultation with the Food Corporation of India and the Ministry of Railways, which with suitable implementation is expected to

guide to reduce the transit losses of the foodgrains, loaded/despached by the FCI primarily through rail.

Transit Insurance

2.110 During this year, the FCI has also entered into an agreement with M/s. Oriental Insurance Company Ltd., initially for a period of one year with effect from 20.09.2005, to provide for insurance coverage to the foodgrains (Rice & Wheat) from the transit losses, suffered during rail transportation of the foodgrains' consignments from ex-North sources, whenever the losses suffered by FCI are more than 0.25% of the value of the goods. The insurance coverage will be from the weighment points at the dispatching stations upto the weighment points at the destination stations. It will also cover small portions of road movement from the weighment point to the railhead and vice-versa. The Insurance Company will also entertain and settle claims arising out of 'seal intact' wagons.

Overall Movement

2.111 The comparative position of overall movement of foodgrains by the FCI, ex-North and from other areas is as given below: -

(In lakh MTs)

2004 - 2005 (April, 04-Mar., 05)	287.84	50.91	338.75
2005 - 2006 (April, 05 - Dec., 05)	183.17	46.57	229.74

2.112 The overall movement of foodgrains by FCI in 2005-2006 (during April, 05-December, 05) has thus been 22.97 million tonnes (approx.) as against 25.01 million tonnes (approx.) during the corresponding period of the previous year. During 2005-06 (during

April, 05 -December, 05) 211.27 lakh MTs of foodgrains have been moved on the Inter-State account as against 237.79 lakh MTs of foodgrains moved during the corresponding period of the previous year. Out of the overall movement, the Inter-State movement ex-North has been 181.68 lakh MTs during 2005-06 (during April, 05-December, 05) as against 211.84 lakh MTs during the corresponding period of the previous year.

2.113 The Inter-State movement of foodgrains is likely to decrease by about 12.0% during 2005-06, as compared to the previous year.

2.114 The following table indicates the comparative position of movement of foodgrains, by Rail and Road: -

(In lakh MTs)

2004 - 2005 (April, 04 - March, 05)	313.34	25.41	338.75
2005 - 2006 (April, 05 - Dec., 05)	211.87	17.87	229.74

Movement of Foodgrains to the Southern States

2.115 During the last year (2004-05), about 101.69 lakh tonnes of foodgrains were moved to the Southern States as against 81.67 lakh tonnes of foodgrains moved during the earlier year 2003-04. The movement of foodgrains to the Southern States has, however, decreased during the current year 2005-06 (April, 05 -December, 05), as compared to the corresponding period of the previous year. About 59.96 lakh tonnes of foodgrains have been inducted (inter-state movement) to the Southern States during this year (April, 05-December, 05), as against 76.89 lakh tonnes moved (inter state) during the corresponding period of the previous year (i.e. April, 04 to December 04).

Movement of Foodgrains to the North-Eastern States

2.116 The movement of foodgrains to the North-Eastern States has been specially monitored with a view to maintain adequate stock levels in this Region. During 2005-06 (April, 05 -December, 05), about 20.17 lakh MTs of foodgrains have been inducted (Inter-State movement) to the North-Eastern Region, as against 23.68 lakh MTs of foodgrains inducted in the Region during the corresponding period of the previous year. There has also been slight decrease in the levels of off-take of rice and wheat in these States during the first nine months of this year (i.e. April, 05-December, 05), as against the corresponding period of the previous year.

2.117 The comparative position of offtake of foodgrains (rice and wheat) during the periods from April to December for the last year (2004-05) and the current year (2005- 06) is given as under:-

(In lakh tonnes)

Period	Wheat	Rice	Total Offtake
April to Dec., 2004	4.18	15.68	19.86
April to Dec., 2005	3.13	14.94	18.07

Movement of Foodgrains to Jammu & Kashmir

2.118 The Inter-State induction of foodgrains to Jammu & Kashmir has been 6.26 lakh MTs during 2005-06 (April, 05-December, 05), as compared to 6.32 lakh MTs of foodgrains inducted (inter state) to the State during the corresponding period of the previous year.

POST HARVEST MANAGEMENT OF FOODGRAINS

2.119 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

2.120 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.

2.121 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 and foreign nationals sponsored by FAO, and 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.

2.122 The following R&D projects have been undertaken by IGMRI during 2005-2006:-

- a) Assessment of driage loss in maize during storage in commercial godowns.
- b) To test the efficacy of Deltamethrin incorporated plastic sheet against stored grain insect pests in laboratory conditions.
- c) Testing of Prostore 420 EC for prophylactic treatment against stored grain insect pests in laboratory.
- d) Testing of Bromadiolone for the control of Rodents in the field.

2.123 The performance of IGMRI under various activities during 2005-2006 (upto December, 2005) is summarized below:-

Sl. No.	Items/Activities	Annual Target	Achievement
---------	------------------	---------------	-------------

1.	Training	(i) LTTC*/STTC**	32	23
		(ii) Artisan Training	18	10
2.	Analysis of foodgrain samples for physical quality		2250	1837
	parameters (No. of samples)			
3.	Monitoring of foodgrain samples for mycotoxin		370	314
	contamination (No. of samples)			
4.	Monitoring of foodgrain samples for pesticidal		710	454
	contamination (No. of samples)			
5.	Research and Development Projects.		4	Projects are in various stages of progress

*Long Term Training Course/**Short Term Training Course

SAVE GRAIN CAMPAIGN (SGC)

2.124 The scheme is implemented through a network of 12 SGC offices in close collaboration with the State Government, NGOs like World Vision of India, corporate houses like SAIL and 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 at farm level.

2.125 The main functions of SGC are: -

- i) To educate, motivate and persuade the farmers through training, demonstration, publicity etc. to adopt recommended measures of storage to minimise the foodgrain losses.

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

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

2.126 The performance of activities undertaken by the SGC during 2005-2006 (Upto December, 2005) are summarised below: -

Sl. No.	Activities	Annual Targets	Achievements (Upto December, 2005)
1.	Training Courses	1257	1069
2.	Villages covered	888	805
3	Film /Slide shows	1200	1077
4.	Exhibitions arranged/ participated	888	813
5.	Construction/ improvement of non-metallic storage structures	16300	13020
6	Metallic storage structures made available to the farmers	-	11839

QUALITY STANDARDS FOR FOODGRAINS

2.127 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 of foodgrains for procurement under 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).

2.128 During the year under report, (upto December, 2005) 2472 samples of foodgrains and wheat products were collected and got analyzed for physical and chemical parameters in the Central Grain Analysis Laboratory (CGAL). The CGAL also trained 75 persons on analysis of foodgrains from April, 2005 to December, 2005.

MONITORING QUALITY OF FOODGRAINS

2.129 Three Quality Control cells are functioning at New Delhi, Kolkata and 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 Government, 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.

2.130 The details of the inspections carried out by these cells during 2005-2006 (Upto December, 2005) are as follows: -

Sl. No.	Items/Activities	Annual Target	Achievements (upto December, 2005)
1.	Inspection of Food Storage Depots	500	377
2.	Inspection of Procurement Centres	300	297
3.	Inspection of Rail Heads	140	115
4.	Inspection of Fair Price Shops	720	498
5.	Inspection of Rice Mills	120	87
6.	Collection of samples for checking	2600	2617

	physical		
	quality parameters.		
7.	Investigation of complaints	-	7

INTRODUCTION OF NEGOTIABLE WAREHOUSE RECEIPT SYSTEM IN THE COUNTRY

2.131 The Department of Food and Public Distribution prepared a proposal for enacting Parliamentary Legislation for making the warehouse receipt a negotiable instrument to increase credit flow in the agriculture sector. The Bill has been introduced in Lok Sabha on 7th December, 2005 and it has been referred to the Standing Committee on Consumer Affairs, Food & Public Distribution on 19th December, 2005 for consideration.

NATIONAL POLICY ON HANDLING, STORAGE & TRANSPORTATION OF FOODGRAINS

2.132 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 and transportation facilities to the tune of 5.5 lakh MTs are being created at identified locations in producing and consuming areas through private sector participation on Build-Own-Operate (BOO) basis.

2.133 A Service Agreement has been signed between M/s. Adani Exports Limited and FCI on 28th June, 2005. The project is to be implemented in 36 months.

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

2.134 The Central Warehousing Corporation (CWC) entered into an agreement with the Ministry of External Affairs (MEA), Government of India for setting up a cold storage of 5000 MTs capacity at Kandhar in Afghanistan for storage of fruits/dry fruits through grant-in-aid to Afghanistan by the Government of India. After completion of the project, there is a fresh proposal with CWC for construction of

additional 9000 MTs cold storage capacity at Kandhar on the land already allotted to it, which is in process.

STORAGE AND WAREHOUSING

2.135 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.

2.136 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 well as certain other items. The position of covered storage/warehousing capacity available with the FCI/CWC/SWCs during the period between 31.3.1999 and 30.11.2005 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
CWC	56.12	27.79	83.91	68.45	20.72	89.17
SWCs	86.01	63.04	149.05	101.77	83.72	185.49

Agencies	As on 31.3.2003			As on 31.3.2004		
	Owned	Hired	Total	Owned	Hired	Total
FCI	128.18	137.69	265.87	128.15	108.50	236.65
CWC	76.11	15.03	91.14	80.75	12.84	93.59
SWCs	151.55	47.76	199.31	158.05	48.76	206.81
Agencies	As on 31.3.2005			As on 30.11.2005		
	Owned	Hired	Total	Owned	Hired	Total
FCI	129.09	104.61	233.70	129.27	92.80	222.07
CWC	84.38	17.49	101.87	84.51	17.26	101.77
SWCs	128.84	66.36	195.20	128.58	67.00	195.58

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

(In lakh MT)

Year	Owned	Hired	Total
1998-1999	16.30	25.55	41.85
1999-2000	21.74	23.80	45.54
2000-2001	22.93	44.61	67.54
2001-2002	23.54	55.85	79.39
2002-2003	22.67	28.77	51.45
2003-2004	22.08	13.64	35.72
2004-2005	22.48	4.13	26.61

2005-2006	22.10	3.24	25.34
As on 31.12.2005			

2.138 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.

2.139 The details of storage capacity constructed by FCI, CWC and SWCs during the year 2004-2005 and the capacity expected to be constructed by these agencies during 2005 -2006 are given in the table below: -

(In Lakh MT)

Year		
	2004-05	2005-06(Target)
FCI	0.97	0.40
CWC	1.17	2.57
SWCs	1.17	2.43(BE)
Total	3.31	5.40

2.140 Storage capacity constructed by the FCI and the CWC during 1998-99, 1999-2000, 2000-2001, 2001-2002, 2002-03, 2003-04, 2004-05 and capacity expected to be constructed during 2005-06 are as under: -

(Figures in lakh tonnes)

Year	
2005-06	

FCI	0.41	0.84	0.39	1.62	0.94	1.32	0.97	0.40	0.16
CWC	1.66	1.96	2.01	3.24	3.59*	2.98	1.17	2.57	2.76
Total	2.07	2.80	2.40	4.86	4.53*	4.30	2.14	2.97	2.92

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

CHAPTER-III

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 and Tamil Nadu and Woolly Aphids pest infestation, the production in the sugar season 2003-2004 has been 139.58 lakh tonnes and the sugar production (from sugarcane) during the last sugar season 2004-05 was 130.00 lakh tonnes (Provisional).

3.1 There were 571 installed sugar factories in the country as on 30.11.2005. The sector-wise breakup is as follows: -

Sl. No.	Sector	Number of factories
(i)	Private	194
(ii)	Public	62
(iii)	Cooperative	315
	TOTAL	571

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.

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. The future trading in sugar has already been commenced in four Exchanges viz. M/s E-Sugar India Ltd, Mumbai

(w.e.f. 25-07-2003), National Commodity & Derivatives Exchange Ltd., Mumbai (w.e.f. 27-07-2004), Multi Commodity Exchange Ltd., Mumbai (w.e.f. 7-02-2005) and National Multi Commodity Exchange Ltd., Ahmedabad (w.e.f. 6-02-2003). One more Exchange viz. M/s E-Commodities Ltd. New Delhi 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 has withdrawn the stockholding limits on wholesale dealers of sugar with effect from July 7, 2000.

3.8 Government has 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 184.98 lakh tonnes and during 2002-2003 was about 201.32 lakh tonnes (Provisional). However, due to drought in major sugar producing States like Maharashtra, Karnataka and Tamil Nadu and Woolly Aphids pest infestation, the production in the sugar season 2003-2004 has been 139.58 lakh tonnes and the sugar production during the last sugar season 2004-2005 was 130.00 lakh tonnes (Provisional) from cane.

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

(Lakh tonnes)

Sugar Seasons	Production of Sugar
1997-1998	128.44
1998-1999	154.52
1999-2000	181.93
2000-2001	185.10

2001-2002	184.98
2002-2003	201.32
2003-2004	139.58
2004-2005 (Provisional)	130.00

3.11 During 2005-06 sugar seasons, the production of sugar is estimated to be around 180.00 lakh tonnes. The increase in sugar production during the current sugar season is due to good monsoon and increase in sugarcane area under cultivation. During the period 1.10.2005 to 30.11.2005, the sugar production was 22.32 lakh tonnes (provisional) as compared to 14.00 lakh tonnes (provisional) during the corresponding period in the last sugar season 2004-2005.

CLOSING STOCK OF SUGAR

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

(Lakh tonnes)

Sugar Seasons	Closing Stock
1997-1998	53.70
1998-1999	66.78
1999-2000	93.40
2000-2001	106.63
2001-2002	113.17
2002-2003	116.14
2003-2004	85.00
2004-2005(Provisional)	46.00 *(Provisional)

* 57 LMT as per Central Excise verified figures (including 6 Lakh MTs of raw sugar as carry-over from sugar year, 2004-05)

CONSUMPTION OF SUGAR

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

(Lakh tonnes)

Sugar Seasons	Internal Consumption
1997-1998	139.78
1998-1999	141.35
1999-2000	155.08
2000-2001	162.00
2001-2002	167.48
2002-2003	183.76
2003-2004	175.00
2004-2005(Provisional)	171.44

3.14 The position regarding production, internal consumption and export during the 2001-2002, 2002-2003, 2003-2004 and 2004-05 sugar seasons is indicated below: -

(Qty. in Lakh tonnes)

Particulars	2001-2002	2002-2003	2003-2004	2004-2005
Carry over stocks from Previous season	106.63	113.17	116.14	85.00
Production	184.98	201.32	139.58	130.00
Import	* 0.004	0.41	* 5.53	20.74

Total availability	291.61	314.90	261.27	235.74
Internal consumption	167.48	183.76	175.00	171.44
Exports	10.94	15.00	2.94	0.98
Closing stocks at the end of season	113.17	116.14	@ 83.33	63.37(P)** @

(P) Provisional

* Sugar imported by private parties under OGL scheme and not on Government account. Hence it has been assumed that the entire imported quantity has been taken into internal consumption.

** Includes the stocks of sugar reprocessed from imported raw sugar.

@ As per the central excise figures, these are 85.00 & 57.00 lakh MTs respectively.

LEVY SUGAR SUPPLY UNDER PDS

3.15 The population base for supply of levy sugar under the PDS was changed from 1991 census population to the projected population as on 01.03.1999 with effect from 01.03.2000. With effect from 01.02.2001, the population base for supply of levy sugar under the PDS has been changed to the projected population as on 01.03.2000.

3.16 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.

3.17 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 01.02.2001 in respect of all States/UTs excluding the North

Eastern States, Hill States and Island Territories where the minimum per capita allocation has been fixed at 700 gms.

3.18 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

3.19 146.00 lakh (Provisional) tonnes of non-levy free sale sugar was released for sale in the open market during 2004-2005 sugar season as compared to 151.20 lakh (Provisional) tonnes during the previous sugar season (2003-2004).

3.20 During the sugar season, 2005-06 (from 1.10.2005 to 31.12.2005) a quantity of 37.00 lakh tonnes of non-levy free sale sugar has been released as compared to 39.00 lakh tonnes released during the corresponding period last year.

LEVY PRICE OF SUGAR

3.21 Under the provisions of sub section 3 (c) of the Essential Commodities Act, 1955, the levy sugar price for the levy sugar requisitioned from the sugar mills is fixed having regard to: -

- (a) the statutory minimum price (SMP) 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.

3.22 The sugar mills are being paid the levy sugar price on zonal basis. However, the Central Government also determines the all India average ex-factory levy sugar price. The average all India levy sugar price for the 2003-2004 sugar season is 1305.92 per quintal as against Rs.1259.99 per quintal for the 2002-2003 sugar season.

3.23 The levy sugar price for the sugar season 2004-05 will be finalized after acceptance of the expert body report of March, 2005.

Retail Issue Price of Levy Sugar under the PDS

3.24 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

3.25 The range of wholesale prices of non-levy sugar in the four metropolitan cities (Delhi, Mumbai, Kolkata and Chennai) during 1999-2000 to 2004-2005 sugar seasons was as follows: -

(Rupees per quintal)

Sugar Seasons	Wholesale Price of Sugar
1999-2000	1326-1700
2000-2001	1310-1650
2001-2002	1285-1630
2002-2003	1147-1575
2003-2004	1271-1800
2004-2005	1560-2050
2005-2006 (upto December 2005)	1710-1980

SOURCE: - Directorate of Economics & Statistics, Ministry of Agriculture and The Economic Times in respect of Mumbai from 1999-2000 onwards.

RETAIL PRICES OF NON-LEVY SUGAR

3.26 The range of retail prices of non-levy sugar in the four metropolitan cities (Delhi, Mumbai, Kolkata and Chennai) during 1999-2000 to 2004-05 sugar seasons was as follows: -

(Rupee per kilogram)

Sugar Seasons	Retail Price of Sugar
1999-2000	14.00-18.00

2000-2001	14.00-17.50
2001-2002	13.60-17.50
2002-2003	12.30-16.00
2003-2004	13.00-20.00
2004-2005	16.00-20.50
2005-2006 (upto December, 2005)	18.00-20.50

SOURCE: - Price Monitoring Cell, Department of Consumer Affairs.

Sugarcane Pricing Policy

3.27 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

3.28 The Central Government have fixed the Statutory Minimum Price (SMP) of sugarcane for the 2005-06 sugar season at Rs. 79.50 per quintal linked to a basic recovery of 9%, 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 2001-2002 has been shown in the following table: -

(Rs. Per quintal)

Sugar Seasons	SMP
2001-2002	62.05
2002-2003	69.50
2003-2004	73.00
2004-2005	74.50
2005-2006	79.50

3.29 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-V**.

CANE PRICE PAYMENT AND ARREARS POSITION

3.30 As reported by the sugar mills and State Governments, the position of cane price payment and arrears for the 2004-05 sugar season as on 15.12.2005 was as under: -

(Amount in Rs. Crore)

i)	Cane price payable	12,971.30
ii)	Cane price paid	12,962.29
iii)	Cane price arrears	9.01
iv)	Percentage of cane price arrears on cane price payable	0.07

BUFFER SUBSIDY

3.31 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 price to sugarcane farmers. In order to mitigate the hardships of sugarcane growers, the Government has created a buffer stock of 20 lakh MTs of sugar for a period of one year with effect from 18.12.2002 to 17.12.2003. 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 316 sugar factories amounting to Rs.65 crore.

3.32 The buffer subsidy has been extended for one more year i.e. upto 17.12.2004. The extended period buffer subsidy claim for the period 18.12.2003 to 30.09.2004 had been settled so far of 190 sugar factories amounting to Rs.171 crore.

3.33 The RE provided for payment of buffer subsidy during the current financial year 2005-06 and projected B.E. of financial year 2006-07 is as under: -

(Rs. in thousand)

RE : 2005-2006	BE : 2006-2007
1250000	400000

SPECIAL ASSISTANCE TO STATE GOVERNMENTS FOR CLEARANCE OF CANE PRICE ARREARS

3.34 The Central Government provides 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 for 2002-03 sugar season of the mills in the Cooperative and Public Sectors where the practice of announcing the State Advised Prices (SAP) of sugarcane exists and all sugar mills in the States where no such practice exists. The permission for additional market borrowings shall be given by the Central Government subject to the following conditions: -

- i) Additional market borrowings will be sought in respect of the cane price arrears 2002-03 sugar season;

ii) The extent of market borrowing would be determined on the basis of the cane price arrears of the 2002-03 sugar season as on 30-9-2003;

iii) 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 Petitions in this regard pending in the High Court or Supreme Court;

iv) The State Governments would extend ten 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 five years from the date of the sugar factory availing the loan and the loan would be repaid thereafter in five annual instalments;

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

vi) 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 Central Government.

3.35 The following States have availed of the above assistance which are as follows: -

(Rs. in crore)

Tamil Nadu	229.97
Maharashtra	590.00
Andhra Pradesh	46.87

FINANCIAL PACKAGE FOR ASSISTANCE TO COOPERATIVE SUGAR MILLS

3.36 Based on the announcement made by the Finance Minister in the Budget Speech for 2005-2006, the following financial packages have been approved for the Cooperative Sugar Mills in the country: -

(i) All Cooperative Sugar mills in the country which have term loans outstanding as on 31.3.2005, and which are commercially viable and have adequate operational surplus to repay the said term loans will be categorized as falling under either Category A or Category B which are as under: -

Category A

The mills which can repay the term loan within a period of 5 years including a moratorium of two years for payment of interest and principal.

Category B

The mills which can repay the term loan within a period 15 years including a moratorium of two years for payment of interest and principal.

(ii) The term loans will be restructured/rescheduled to enable repayment within five years (for Category A) or within 15 years (for Category B). The rate of interest on the restructured loans will be reduced to 10% per annum, w.e.f 1st April, 2005, irrespective of the original contractual rate. Government of India will provide interest subvention on the restructured loan. The interest subvention is estimated at Rs.525 crore.

3.37 The RBI, NABARD and IBA have been requested to take necessary action to implement the above decision.

EXPORT OF SUGAR

Export Policy

3.38 Till 15.01.1997, 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).

3.39 Through an Ordinance, the Sugar Export Promotion Act, 1958, was repealed w.e.f.15th 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.

3.40 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.

3.41 As per information published by DGCI&S, Kolkata, export of sugar from financial year 1997-98 are as under: -

Financial Year	Quantity (in MTs)	Value (in Rs.Crore)
1997-1998	1,73,282	244.45
1998-1999	12,735	17.36
1999-2000	12,990	18.13
2000-2001	3,38,691	430.98
2001-2002	14,56,448	1728.04
2002-2003	14,70,926(P)	1693.19(P)
2003-2004	12,00,599(P)	1216.59(P)
2004-2005	1,05,106(P)	143.90(P)
2005-2006 (Upto November, 2005)	47,715(P)	78.56(P)

(P) – Provisional

Source: DGCI&S, Kolkata

3.42 In the present changed scenario, the Government has taken the following decisions: -

i) The quantity of sugar release for export is treated as advance free sale release to be adjusted in the free sale stocks of the sugar factories after a period of 18 months. However, the above incentive will not be allowed in respect of export of sugar made against release order for export of sugar issued by Directorate of Sugar on or after 21.6.2004.

ii) Exemption from levy obligation on the quantity of sugar exported has been withdrawn in respect of release orders issued by Directorate of Sugar for export of sugar on or after 21.6.2004.

iii) Reimbursement of internal transport and freight charges on export shipment of domestically manufactured sugar has been withdrawn w.e.f. 21.6.2004.

iv) DEBP at the rate of 4% of the FOB value of export of sugar has been allowed.

IMPORT OF SUGAR

3.43 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. 14.01.1999 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.

3.44 As per DGCI&S-Kolkata, the import of sugar from financial year 1997-98 are as under: -

Financial Year	Quantity (in lakh MTs)	CIF Value (Rs./Crore)
1997-1998	3.46	470.25
1998-1999	9.00	1111.22
1999-2000	11.81	1110.79
2000-2001	0.30	31.36
2001-2002	0.26	32.60(P)
2002-2003	0.41	32.93
2003-2004	0.74	62.70

(P) PROVISIONAL

SOURCE: DGCI & S, KOLKATA

3.45 However, as per Trade Circles 20.74 lakh MTs (approx) of Raw Sugar has been imported in the sugar year 2004-2005 and including 3.00 lakh MTs of carry over Raw Sugar stocks imported in 2003-2004, the total availability of raw sugar is 23.74 lakh MTs in sugar season 2004-05.

3.46 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 import by Central Board of Excise and Customs, Ministry of Finance, Government of India, 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 DGFT by exporting indigenously manufactured white sugar.

INTRODUCTION OF RELEASE MECHANISM ON IMPORTED SUGAR

3.47 Government, in order to regulate the sale of imported sugar in the domestic market, has re-introduced 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. However, Government have decided to exempt importers of raw sugar under Advance License Scheme, in the period 1.4.2004 - 30.09.2005 from levy obligation.

INSTALLED CAPACITY OF SUGAR FACTORIES

3.48 The Central Government has delicensed the sugar industry vide Notification No.S.O.808 (E) dated 11.09.1998.

3.49 As on 30.11.2005, the installed annual sugar production capacity was 192.6425 lakh tonnes comprising 571 installed sugar factories in the country (315 in the cooperative sector, 62 in the public sector and 194 in the private sector).

LEVY SUGAR PRICE EQUALISATION FUND

3.50 The Levy Sugar Price Equalization Fund Act, 1976 (as amended in 1984) has been enforced from 01.04.1976. During the current financial year 2005-06 (up to 31.12.2005), a sum of Rs.3,45,65,054.23 consisting of Excess Realization (Price) of Rs.2,12,98,408.81 and Rs.1,32,66,645.42 towards interest has been recovered from various Sugar Mills and the same has been credited to Levy Sugar Price Equalization Fund. This is against a budgeted target of Rs. 5.00 crore fixed for 2005-06.

3.51 In the year 2004-05 an amount of Rs. 1,31,54,985.57 was recovered and remitted to the said fund. As on 30.9.2005 an amount of Rs. 71.26 crore was available in the fund.

Subsidies payable for settlement of claim on account of refixation of ex-factory prices of levy sugar for 1974-75 (w.e.f. 12.07.1975) to 1979-80 sugar seasons

3.52 Ministry of Consumer Affairs, Food and Public Distribution had approved payment of differential claims on account of settlement of levy sugar price based on Notification dated 22.2.1995 and further dated 13.4.1999 for 1974-75 (w.e.f. 12.7.75) to 1979-80 sugar seasons for sugar dispatches made to FCI/State Government nominees, Army Purchase Organization (APO) and export of levy sugar.

3.53 The Allocation, Utilization of funds and number of claims settled on account of settlement of re-fixation of ex-factory prices of levy sugar for 1974-75 (w.e.f. 12.7.75) to 1979-80 sugar seasons during the financial year 2003-04, 2004-05 and 2005-06 (upto 31.12.05) is given below: -

Year	Sanctioned Budget (in crore)	No. of claims settled	Actual Expenditure (in crore)
2003-04	30.00	7	1.70
2004-05	10.00	47	7.66
2005-06 (upto Dec.05)	10.00	7	0.91

Reimbursement of internal transport and freight charges and ocean freight neutralization and handling & marketing charges

3.54 The Central Government vide its Notification dated 21.6.2002 and 19.11.2003 decided to defray the expenditure on internal transport and freight charges and ocean freight and handling and marketing charges respectively to the sugar factories on export shipment of domestically manufactured sugar with a view to promoting sugar export and liquidating surplus sugar stocks available with the sugar factories. Defraying of expenditure on export shipment of the sugar was made effective for the export from 21.6.2002 and upto the export made in pursuance of release order issued upto 20.6.2004.

An amount of Rs. 96.46 crore has already been disbursed to the sugar factories upto December, 2005 on account of the above.

SUGAR DEVELOPMENT FUND

3.55 As provided in 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.

3.56 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.

3.57 During the period from 1982-83 to December, 2005 a cess amount of Rs.4318.90 crore has been collected. Of this, upto 31.12.2005, Rs. 3506.00 crore has been transferred to the Sugar Development Fund.

3.58 Under the Sugar Development Fund Act, the Fund has to be utilized by the Government of India for the following purposes: -

- (a) Grant loans for facilitating the rehabilitation and modernization of any sugar factory;
- (b) Grant loans for undertaking any scheme for development of sugarcane in the area in which any sugar factory is situated;
- (c) Sanction 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) Grant loans to any sugar factory, having an installed capacity of 2500 TCD or higher, to implement bagasse-based co-generation power projects;
- (f) Grant loans to any sugar factory, having an installed capacity of 2500 TCD or higher, to implement projects for production of anhydrous alcohol or ethanol from alcohol or from 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.

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

3.60 The amount disbursed from SDF for the above mentioned purposes since beginning upto 31.12.2005 is Rs. 3134.11 crore. The disbursement from SDF on each of the above purpose is as follows: -

(Rs. in crore)

1.	Loan to sugar factories for modernization, rehabilitation of plant and machinery	1377.55
2.	Loans to sugar factories for sugarcane development	502.34
3.	Grants to research institutions	21.83
4.	Expenditure on buffer stock maintenance	924.55
5.	Loan to sugar factories for bagasse based cogeneration power projects	108.52
6.	Expenditure on internal transport & freight charges on export shipment of sugar	108.49
7.	Loan for production of Alcohol/Ethanol	21.23
8.	Admn. of SDF and other expenditure for the purpose of the Act	54.27
9.	NISST, Mau	15.33

3.61 As on 30.09.2005, an amount of Rs.937.00 crore has been repaid by the sugar factories (principal plus interest) on the loans given to them from SDF.

NATIONAL SUGAR INSTITUTE, KANPUR

3.62 The National Sugar Institute, Kanpur is one of the premier Institutes running Post-Graduate Level Courses in the discipline of Sugar Technology, Sugar Engineering, Alcohol Technology, and also provides operative level training in Sugar Boiling Certificate Courses, Sugar Engineering Certificate Courses, Pre-Harvest Cane Maturity Survey Certificate Courses. It is catering the trained Technical Personnel needs of the Sugar and Fermentation Industry of the country. During the academic season 2005-06, the following number of students were admitted in various courses conducted by the Institute.

Sl. No.	Courses	No. of Students
1.	Associateship of National Sugar Institute (Sugar Technology)	51
2.	Associateship of National Sugar Institute (Sugar Engineering)	07
3.	Diploma in Fermentation & Alcohol Technology	25
4.	Sugar Engineering Certificate Courses	01
5.	Sugar Boiling Certificate Courses	50
6.	Pre-Harvest Cane Maturity Survey Certificate Courses	05

3.63 The research work done by the various divisions of the Institute from 01.01.2005 to 31.10.05 are as under: -

SUGAR TECHNOLOGY DIVISION

3.64 Research projects being under taken are as under: -

- (i) Evaluator of quicker method for knowing the mill performance by using conductivity data.
- (ii) Studies on development of a colour audit system for determining increase/decrease in colour of process liquors at various stages.
- (iii) To reduce/enhance the core parameter by means of fluid conditioning of molecular orientation dynamics of fluid mechanics.
- (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.
- (vi) Water management in co-generation sugar plant.
- (vii) Preservation of cane juice for direct consumption.

BUREAU OF SUGAR STANDARDS

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

3.66 This Bureau of Sugar Standards serves the following purposes: -

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

3.67 Bureau of Sugar Standards which is supplying every year sugar standards to all sugar factories in India has earned a revenue of Rs. 4.41 lakh by way of sale of sugar standards in 2005-06.

AGRICULTURE CHEMISTRY DIVISION

Agricultural Farm

3.68 The main function of the farm is to give first hand information about raw material to the students of Sugar Technology, Post-Harvest Cane Maturity Course and to supply healthy cane to the Experimental Sugar Factory and research laboratories to carry out research cultivation of Tropical Sugar Beet and Sweet Sorghum has been taken in farm for the purpose of processing trials and production of Ethanol. The Sweet Sorghum already has grown and its harvesting is being done for carrying out trials.

Research

3.69 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) The Department is also engaged in the guiding of the scholars of Ph. D programmes on the following topic: -

'Studies on decay in juice as well as sugar quality due to post harvest deterioration of sugarcane'

3.70 Four compounds have been tried to control the post harvest deterioration of sugarcane.

ORGANIC CHEMISTRY DIVISION

Research

3.71 A proposal for the production of Furfural from a new renewable agriculture source is being studied. Furfural is an industrially important chemical. It is starting material for the production of numbers of industrially important chemicals like Furan, Furfuryl alcohol, 2-Methyl Furan, 2-Methyl TetrahydroFuran, Tetrahydro Furfuryl alcohol, Dihdropyran etc.

Patent Filed

3.72 A patent application no. 1743/DEL/2005 for 'A process for demineralization and decolourization of cane juice without use of sulphurdioxide' in the name of National Sugar Institute, Kanpur has been filed.

Analysis

3.73 Starch was determined in Rice Polishing (left after rice bran oil extraction) samples by acid – hydrolysis method.

BIO CHEMISTRY DIVISION

3.74 Research work is being done by the Biochemistry Division on the following topics: -

1. Studies on the deterioration of cane molasses on storage

In this present study, the molasses sample from different sugar factories and of different grades were analysed for various parameters including VFA content and microbial population.

2. Production of Alcohol from Rice Bran

Rice bran the by-product of the rice mills is a good source of starch. The defatted and deoiled rice bran powder has been used to produce alcohol by carrying out the hydrolysis by using α -amylase and glucoamylase. The results produced a fermentation efficiency value of over 90% ethanol yield of 280 BL/ Ton was obtained.

3. Production of Alcohol from Sweet Sorghum Juice

The project is currently in hand and the juice obtained from sweet sorghum stalk has been analysed for TRS, RS and Starch content and its suitability for Alcohol production shall be ascertained.

CHEMICAL ENGINEERING DIVISION

Research Activities

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

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

PHYSICAL CHEMISTRY DIVISION

3.76 Research work is undertaken by the Department on the following topic:

'Electrochemical treatment of sugar factory and distillery effluent'. In this project, Department is carrying out work to cut down the BOD, COD, Suspended Solids and Colour value by the methods of electrolysis.

DESIGN & DEVELOPMENT DIVISION

- (i) On the request of the factories design of Rotary lime slaker & Sugar melter of 15 ton/hr capacity were developed and fabrication drawings were supplied to them.
- (ii) No. of Tracing – One
- (iii) No. of Prints – 240

ADVISORY AND EXTENSION VISITS

3.77 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, 31 sugar factories have been visited under advisory/extension services.

3.78 As per directives of the Ministry, the officers of the Institute carried out impact analysis of the SDF funded modernization and co-generation projects.

EXPERIMENTAL SUGAR FACTORY

3.79 In the curriculum of various courses of Sugar Technology and Sugar Engineering disciplines there is provision to provide technical

know how to the students in working condition of sugar plant. For this purpose, we have a 100 TCD vacuum sugar plant wherein on the job training are being provided to the students of different courses to acquaint them with process of manufacturing of Sugar.

3.80 The experimental sugar factory worked for 50 days during 2004-05. During the period 5837.35 qtls sugarcane was crushed and 80 qtls white sugar was produced.

REFRESHER COURSE-2005

3.81 A refresher course was organised from 1st to 5th August, 2005 for updating the latest technical know how to middle and upper classes of Sugar Technologists, Sugar Engineers working in Sugar factories. In this course 17 numbers of officers from sugar industry situated in different parts of country participated and got opportunity to discuss their technical problems with more experienced guest faculty speakers from Institute as well as Sugar Industry/Sugar Organisations.

PARTICIPATION IN SEMINARS AND CONFERENCES

3.82 Following Seminars and Conferences were attended to by the faculty members of the Institute.

- (i) Joint Annual Convention of STAI, DSTA & SISTA in August 2005 at Hyderabad.
- (ii) Gundu Rao Memorial Lecture was delivered by Prof. G.K. Shukla, Director in Joint Annual Convention of STAI, DSTA & SISTA in August 2005 at Hyderabad.
- (iii) Various Officers were sent to seminars and conferences.
- (iv) Bureau of Indian Standards FAD-2 meeting was held at the Institute in August 2005 under the Chairmanship of Prof. G.K. Shukla, Director.
- (v) Various sub-committee meetings of BIS were attended to by the different discipline experts of the Institute.

PUBLICATION

3.83 The Institute undertakes 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. 14 research papers were published by different faculty members of the Institute in Indian and International Sugar Journals.

3.84 Bi-annually in-house Technical Journal 'SHARKARA' is being published by the Institute.

WELFARE & OTHER ACTIVITIES

1. Two Hindi workshops were organised by the Raj Bhasha Section of the Institute.
2. A shield was presented to the Institute by the Joint Secretary (Official Language), Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution, Krishi Bhawan, New Delhi as a first prize for excellent work done by the Institute in Hindi.

Chapter-iv

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, Nigerseed 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 2003-2004 and 2004-2005 are recorded below: -

Name of the	2003-2004	2004-05
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Oilseeds				
A. Primary Source	Oilseeds	Oils	Oilseeds	Oils
Groundnut	83.32	18.82	70.24	16.16
Rapeseed/Mustard	61.98	19.21	83.56	25.90
Soyabean	78.63	12.58	75.10	12.02
Sunflower	9.92	3.27	12.24	4.04
Sesame	8.03	2.49	7.11	2.20
Nigerseed	1.11	0.33	1.02	0.31
Safflower	1.28	0.38	1.68	0.50
Castor	8.01	3.20	8.26	3.30
Linseed	2.12	0.64	1.82	0.55
Subtotal	252.90	60.94	261.03 (Estimated)	64.98
B. Secondary Source				
Coconut		5.50		5.50
Cottonseed		4.30		4.30
Ricebrand		6.00		6.20
Solvent Extracted Oils		3.30		3.70
Tree & Forest Origin		0.80		0.80
Sub Total		19.90		20.50
Total (A+B)		80.84		85.48
C. Less: Export & Industrial Use		9.20		8.50

D. Net availability of edible oils from all domestic sources		71.64		76.98
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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 DVVO&F is staffed with qualified technical people. The DVVO&F assists the Ministry in the coordinated management of Vegetable Oils particularly relating to quality control and monitoring of prices. The activities of the Directorate of VVO&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) Solvent Extracted Oil, De-Oiled Meal and Edible Flour (Control) Order, 1967.

Quality and Testing

4.5 The monitoring of quality of edible oils and fats is done by the DVVO&F 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 DVVO&F posted in different zones, in addition to surprise inspections by the officers from the Headquarters.

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 DVVO&F. During the financial year 2004-05, of the 4009 samples of edible oils and fats analysed in the laboratory of the DVVO&F, 84 samples of vanaspati did not conform to the prescribed standards of quality. In the case of failure of samples, appropriate action has been 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 DVVO&F during the Xth 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 DVVO&F introducing modern equipments for testing of oils and fats.

4.11 The approved outlay for Development Programme in Oilseeds and Oils of the DVVO&F during the 10th Five Year Plan period (2002-2007) is Rs.125 lakh. Actual expenditures in 2004-05 and 2005-06 (upto September, 05) have been Rs.29.00 lakh and Rs.16.36 lakh respectively.

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

- + Application of frontier areas of technology such as membrane refining technology, bio-refining, bio-interesterification etc. of oilseed/oil processing.
- + Storage stability of unrefined and refined edible vegetable oils.
- + Nutraceutical/nutritional aspects of value added co-products/by-products of oil industry 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.
- + Proposal for tie-up arrangement between R&D institutes/organizations and industry for up-scaling of technology developed.
- + Addition of micronutrients to vegetable oils.
- + Networking project on Rice Bran Oil.

4.13 Some of the important areas of work funded by the DVVO&F 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 for vanaspati/vegetable oils/fats.	IICT, Hyderabad
Development of economic and functional packages for food products with emphasis on edible oils and vanaspati, new products development such as development of fat spread.	IIP, Mumbai
Study on Shelf-life of RBD Palmolein	GSRF, New Delhi
Development of a Digital Moisture Probe	CSIO, Chandigarh
Design and Development of economic and functional packages for food products.	CFTRI, Mysore
Optimisation of process parameters and upscaling of ceramic membrane technology for rice bran oil in miscella state	CGCRI, Kolkata
Development of methodologies for the efficient extraction of total natural antioxidants mainly from green leafy vegetables (GLV) for improving the quality and stability of edible vegetable oils.	Dr. Subhash Mukherjee Memorial Reproductive Biology Research Centre, Kolkata.
Development of simple reliable low cost analytical methods/techniques for detection/determination of adulterants in edible oils and vanaspati	OTRI, Anantapur
Investigation of micotoxins in mustard oilseeds and oil processed from them.	MRPC, New Delhi
Design parameter optimization for membrane based process for refining Design parameter optimization for membrane based process for refining of oil from oil bearing seeds of N.E. Region.	RRL, Jorhat

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 DVVO&F are as under :-

- (i) Recovery of oil from spent bleaching earth – Journal of Oil Technologists Association of India, 27, No-2, July/Sept. P-159, 1991.

- (ii) Use of high Erucic rapeseed/Mustard oil in Vanaspati – Journal of Oil Technologists Association of India, 26,4, P-109, 1994.
- (iii) Detection of Interesterified fats in hydrogenated fats – Journal of American Oil Chemists Society, 69, 1992, 1051.
- (iv) Formulation of trans free margarines – Journal of Oil Technologists Association of India, 31, 3, P-138.
- (v) Rice Bran Oil enrichment of edible oil - Presented in seminar of Solvent Extractors Association of India 30.6.2002. Communicated to JOTAI.
- (vi) Preparation and surfactant properties of diethanolamides of castor, Karanja and neem seed proteins – Journal of Oil Technologists Association of India, 111-115, 1992.
- (vii) Preparation and surfactant properties of N-acyl condensates of neem seed protein isolate and hydrolysate – Journal of Oil Technologists Association of India, 55-56,1992.
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- (x) Aqueous enzymatic extraction of oil from mustard seeds – Journal of Oil Technologists Association of India, Vol.32, No.2, 51, 2000.
- (xi) 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. After a continuous decline in oilseeds

production for several years, the production of domestic oilseeds has picked up since the year 2003-04. Despite this momentum, 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 tonnes)

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)
2000-2001	184.4	54.99	96.76
2001-2002	206.63	61.46	104.68
2002-2003	148.4	46.64	90.29
2003-2004	252.9 (Estimated)	71.64 (Estimated)	124.54 (Estimated)
2004-2005	261.03 (Estimated)	76.98 (Estimated)	122.40 (Estimated)

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)

Year	India	World
2000-2001	11.7	19.00
2001-2002	11.7	19.42
2002-2003	11.2	19.83
2003-2004	11.5	20.25
2004-2005	11.7	20.97
	(Forecast)	(Forecast)

Source: Oil World Annual, 2005

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 de-canalised 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 given in **Annexure-VI**.

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 the last revision on 31st January 2006, the tariff value of Crude Palm Oil, RBD Palm Oil, Other Palm Oil, Crude Palmolein, RBD Palmolein, Other Palmolein and Crude Soyabean oil is US \$ 412 PMT, US\$ 427 PMT, US\$ 420 PMT, US\$ 434 PMT, US\$ 437 PMT, US\$ 436 PMT and US\$ 484 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 was 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 was extended from soaps to industrial fatty acid and fatty alcohol also.

4.26 With effect from 30.9.2005, concessional import of non-edible grade Crude Palm Oil (CPO) has been withdrawn and import duty on fatty acids and industrial fatty alcohols for manufacture of soaps has been reduced from 20% to 15% under 'actual user' condition.

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

4.27 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 retails sale.

4.28 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. By virtue of Notification No.56/2004-Central Excise dated December 31, 2004, excise duty @ Rs.1.25/kg had also been levied on interesterified fat.

4.29 Excise duty on refined edible oils/vanaspati/bakery shortening/ interesterified fat etc. has been withdrawn vide Notification No.4/2005-Central Excise dated 1.3.2005.

Excise Duty on Food Grade Hexane

4.30 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 Oilseeds, Minor Oils & Fats and Oil Meals

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

(Qty.in lakh tonnes)

(Value in Rs.Crore)

Year (Apr-Mar)	Oilseeds		Minor Oils and Fats		Oilcake/ extraction		Total	
	Qty. Value	Value	Qty.	Value	Qty.	Value	Qty.	Value
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	33.71	3065.1	40.18	5449.5
2004-2005	3.66	1261.2	2.60	1027.7	27.34	2323.9	33.60	4612.8

Source: Solvent Extractors' Association of India, Mumbai

4.32 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, nigerseed 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)

4.33 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

4.34 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.

Chapter-V

Public Sector Undertakings

FOOD CORPORATION OF INDIA (FCI)

5.1 The Food Corporation of India (FCI) is the main agency responsible for the execution of the food policies of Central Government. The functions of the FCI primarily relate to the purchase, storage, movement, transportation, distribution and sale of foodgrains on behalf of the Central Government. FCI is also engaged in the handling, storage and distribution of sugar for some States.

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

Organisational Set-up

5.3 The FCI coordinates its functions through a country-wide network of offices with its Headquarters at New Delhi, 5 Zonal Offices, 23 Regional Offices, and 165 District Offices under its control.

5.4 The category-wise staff in position in the FCI, as on 31.12.2005, was as under: -

Category	Staff in position
I	688

II	5674
III	24660
IV	11771
Total	42793

AUDIT & ACCOUNTS

5.6 The responsibility of auditing of the Accounts of the FCI rests with the Comptroller and Auditor General of India (C&AG). The Accounts of the FCI for the year 2002-2003 alongwith report of the C&AG and reply thereto has been laid before both the Houses of Parliament during March, 2005.

5.7 The Accounts of the FCI for the year 2003-2004 alongwith report of the C&AG and reply thereto has been laid before both the Houses of Parliament during Winter Session of Parliament in December, 2005.

5.8 The Accounts for the year 2004-05 are under process of finalisation.

5.9 The turnover of the FCI for the last six years is indicated below: -

(Figures in Rs. crore)

Year	Purchase	Sales	Total
1999-2000	24337	16140	40477
2000-2001	23258	11071	34329
2001-2002	31249	18779	50028
2002-2003	38154	31553	69707
2003-2004	38375	31149	69524
2004-2005	37382	23535	60917

PROCUREMENT

Rabi Season

Report for the period up to 31.12.2005

5.10 The Rabi Marketing Season (RMS) 2005-06 commenced from 1.4.2005. Arrangements were made to procure wheat by FCI as well as State Agencies in advance and support price operations of wheat were organized in about 9013 wheat procurement centres as against 8229 during 2004-05. The total procurement of wheat by FCI and State Governmentts and its agencies was 147.87 lakh MTs during RMS 2005-06 as against 167.95 lakh MTs procured during RMS 2004-05.

Kharif

5.11 During KMS 2004-05 at the pressing demand raised by the State Governments of Punjab and Haryana, Government of India had allowed preponement of KMS 2004-05 to 27.09.2004 in Punjab and 29.09.2004 in Haryana. During KMS 2005-06 only in Punjab, purchases started w.e.f. 26.09.2005 by Government Agencies. In all other States, purchase of paddy under MSP was to start w.e.f. 01.10.2005 or 01.11.2005 excepting Chhattisgarh, Maharashtra where date of commencement of procurement of paddy fixed by Government of India w.e.f. 25.10.2005 and 15.10.2005 respectively and w.e.f. 01.12.2005 in respect of Assam, Tamil Nadu and Gujarat.

Minimum Support Price Rates

5.12 The Minimum Support Price fixed by the Government of India for KMS 2005-06 in respect of Paddy/Coarsegrains is as under: -

(Rs. per quintal)

	KMS 2004-05	KMS 2005-06
PADDY		
Common	560	570
Grade 'A'	590	600

COARSEGRAINS		
Bajra	515	525
Jowar	515	525
Maize	525	540
Ragi	515	525

Paddy Procurement (KMS) 2005-2006

5.13 During Kharif 2005-2006, till 30.11.2005, the total procurement of paddy is reported to be at 165.29 lakh tonnes as against 134.69 lakh tonnes procured during the corresponding period last year. The quantum of market arrivals of paddy in Punjab during the Current Kharif 2005-2006 were of the order of 137.64 lakh MTs (position as on 31.12.2005) as against 140.16 lakh MTs during the entire season last year. FCI/State Agencies have procured about 116.13 lakh MTs of paddy in Punjab (as on 31.12.2005) as against 100.45 lakh MTs procured during corresponding period last year. Out of this, FCI procured a quantity of 10.56 lakh MTs, which works out to be about 9.09%.

5.14 In Haryana, FCI/Agencies have procured 23.53 lakh MTs of paddy out of the total arrival of 33.10 lakh MTs (as on 31.12.2005) as against 15.16 lakh MTs of paddy procured during corresponding period last year. Procurement of paddy by FCI in Haryana is 0.94 (4%) lakh MTs out of the total procurement of 23.53 lakh MTs.

Rice Procurement

5.15 The procurement of levy rice by FCI/Agencies for the Central Pool during Kharif 2005-2006 is 26.00 lakh MTs as against 35.62 lakh MTs during the corresponding period last year (Position as per reports upto 31.12.2005). Procurement of Levy Rice till the end of December, 2005 has been made in Andhra Pradesh, Chhattisgarh, Haryana, Madhya Pradesh, Orissa, Punjab, Rajasthan, Uttar Pradesh, Uttaranchal and West Bengal States. Less procurement of levy rice in Punjab/Haryana is attributable to lesser purchase of paddy by Rice Millers/Traders. No levy rice had been procured in any other State till 31.12.2005.

5.16 The total procurement of rice (including paddy in terms of rice) during KMS 2005-06 (as per reports upto 31.12.2005) for the Central Pool was 136.74 lakh MTs as against 125.86 lakh MTs procured during the corresponding period last year.

COARSEGRAINS

5.17 In the State of Rajasthan, Gujarat, Maharashtra, Karnataka, A.P., Madhya Pradesh and Chhattisgarh, FCI has engaged State Government/its Agencies as sub-agents of FCI to procure coarsegrains to make use of the infrastructure available with the State Agencies. Procurement of coarsegrains as on 31.12.2005 during KMS 2005-2006 is as under: -

(Figures in metric tonnes)

Sl. No.	State	Maize	Bajra	Jowar	Total
1.	Rajasthan	-	-	-	-
2.	Gujarat	-	-	-	-
3.	Maharashtra	21190	58	35919	57167
4.	Karnataka	-	-	-	-
5.	Andhra Pradesh	356433	-	-	356433
6.	Madhya Pradesh	2614	-	218	2832
7.	Chhattisgarh	472	-	-	472
8.	Haryana	-	4900	-	4900
	Total:	380709	4958	36137	421804

TARGETED PUBLIC DISTRIBUTION SYSTEM (TPDS)

5.18 The supply of foodgrains under TPDS and other schemes to ultimate users are made by the State/UT Governments and their agencies against the monthly allocations of foodgrains under TPDS and

annual allocations under other various schemes made by Government of India. FCI ensures adequate foodgrain stocks at all its base depots throughout the country for TPDS and other welfare schemes at all times.

5.19 The offtake of wheat and rice under TPDS and all other welfare schemes of Government of India during the year 2005-2006 (upto 31.12.2005) was as follows: -

Figures in million tonnes (Provisional)

Name of Scheme	Category	2005-2006 (upto 31.12.2005)		
		Wheat	Rice	Total
APL	2.31	2.71	5.02	
BPL	4.04	5.28	9.32	
AAY	1.82	2.62	4.44	
TOTAL	8.17	10.61	18.78	
ALL OTHER SCHEMES*	3.46	4.30	7.76	
GRAND TOTAL	11.63	14.91	26.54	

Note: Above figures are excluding stocks utilised by the State Governments from their stocks procured under decentralised procurement scheme.

(*): All other schemes included Mid Day Meal, Nutrition Programme, Welfare Institutions and Hostels, Relief works, Annapurna, WFP, SGRY, NFFWP, Indigent People, Open Sale, Defence/BSF/CRPF, Bhutan etc.

5.20 North Eastern States are the most critical States in respect of maintaining foodgrain stocks due to topographical constraints and natural calamities. The induction of stocks in the North-Eastern States, is a perpetual problem which gets acute during the monsoon. FCI has been taking all possible steps to induct as much of stocks as possible with a view to meet the monthly allocations of all the seven States and

also to maintain some buffer stocks. Besides natural calamities and vagaries of nature, local law and order problems, the Railways capacity to carry required number of rakes on daily basis for North Eastern States, are also limiting factors.

5.21 The State-wise issues under all the schemes during year 2005-2006 (upto 31.12.2005) and the comparative position in the corresponding period during the year 2004-05 is as under:-

5.22 It may be seen from the table above that during the year 2005-2006 (upto 31.12.2005) the total offtake of wheat and rice in the NE has decreased as compared to the corresponding period of last year.

5.23 The comparative stock position of foodgrains and sugar in the North-Eastern States as on 31.12.2004 and 31.12.2005 is as under:-

(Figures in lakh tonnes)

AS ON	WHEAT	RICE	SUGAR	TOTAL
31.12.2004	0.28	1.13	0.01	1.42
31.12.2005	0.17	0.94	0.01	1.12

5.24 Offtake of foodgrains in North Eastern region for the period from April, 2004 to December, 2004 and April, 2005 to December, 2005 is as under:-

(Figures in lakh tonnes)

Period	Wheat	Rice	Total
April 2004 to	4.18	15.68	19.86
December, 2004			
April 2005 to	3.13	14.94	18.07
December, 2005			

5.25 Further, the estimated offtake* of foodgrains in respect of NE Region for the balance period of 2005-2006 is as under: -

(Figures in lakh tonnes)

Period	Wheat	Rice	Total
January, 2006	0.24	1.56	1.80
February, 2006	0.25	1.62	1.87
March, 2006	0.25	1.79	2.04

(*): Estimated Offtake based on the average offtake of last three months

5.26 The total offtake of foodgrains of NE Region for the year 2004-05 and 2005-06 is as under: -

(Figures in lakh tonnes)

Period	Wheat	Rice	Total
April 2004 to March 2005	5.77	22.59	28.36
April 2005 to March 2006	3.87	19.91	23.78

5.27 The stocks of wheat and rice as on 31.12.2005 in the NE region is less than that in the corresponding period last year.

IMPORT & EXPORT

Import

5.28 There was no import of foodgrains (Wheat and Rice) on Government account by Food Corporation of India during the year 2005-2006 (upto December, 2005).

Export

5.29 Status of wheat and rice sale for export purposes during the period 2000-01 to 2005-2006 (upto December, 2005) is as under: -

(Figures in lakh metric tonnes - approximate)

Commodity/Year	Target	Quantity Sold
WHEAT		
2000-01	50	21.53 *
2001-02	50	37.66 *
2002-03	#	71.12 *
2003-04	#	69.76 *
2004-05	#	7.45 **
2005-06 (Upto Dec.,05)	Nil	Nil

SALE OF WHEAT BY FCI FOR EXPORT OF WHEAT PRODUCT

2001-02	20	0.29 *
2002-03	#	2.79 *
2003-04	#	1.98 *
2004-05	Nil	Nil
2005-06 (Upto Dec,05)	Nil	Nil

RICE

2000-01	-	0.47 *
2001-02	30	24.69 *

2002-03	#	77.69 *
2003-04	#	27.75 *
2004-05	#	0.90 **
2005-06	Nil	Nil
(Upto Dec,05)		

* Figures as per audited accounts

No quantitative restrictions.

** Provisional figures.

WHEAT LIFTED BY THE WORLD FOOD PROGRAMME (WFP)

5.30 Apart from the above, the following quantity of wheat has been lifted by the nominated suppliers under the WFP for the supply of Ist, IInd & IIIrd tranche of fortified biscuits to Afghanistan as part of pledge donation of one Million Tonnes of wheat to Afghanistan by the Government of India: -

Year	Quantity
2003-04	0.40 lakh MT (Approx.)
2004-05	1.18 lakh MT (Approx.)
2005-06 (Upto Dec, 2005)	0.17 lakh MT (Approx)*

* Allocation upto December, 2005 - 0.39 lakh MT (Approx.)

HUMANITARIAN AID/ASSISTANCE BY GOVERNMENT OF INDIA

5.31 As per Government of India's instructions, a quantity of 10,000 MT wheat was to be sent to Myanmar and 20,500 MT wheat to Sudan through STC and NAFED, respectively under Humanitarian Aid Programme/Assistance at effective export price, for which

instructions were issued in December, 2004 and January, 2005, respectively. 20,044 MT of wheat to Sudan has been lifted by NAFED upto 24.2.2005. However, 10,000 MT of wheat was yet to be lifted by STC for export to Myanmar.

5.32

SL. NO.	PERIOD	RATE
1.	FROM NOV. 2000 TO 31.03.2001	4150/-
2.	FROM 01.04.2001	4300/-
3.	FROM 20.08.2001	4200/-
4.	FROM 01.12.2001	4250/-
5.	FOR EXPORT OF WHEAT TO IRAQ	4340/-
6.	FROM 11.05.2002(UPTO 30.09.2002)	4310/-
7.	FROM 01.06.2002(NEW CROP YEAR) (UPTO 30.09.2002)	4350/-
8.	FROM 01.10.2002(SOUND WHEAT) CROP YEAR 2001-02 & BEFORE	4560/-
9.	FROM 01.10.2002 (CURRENT WHEAT) 2002-03 UPTO 31.12.2002	4600/-
10.	FROM 01.01.2003 (SOUND WHEAT) CROP YEAR 2001-02 & BEFORE	4810/-

	(VALID UPTO 31.03.2003)	
11.	FROM 01.01.2003(CROP YEAR 2002-03) (VALID UPTO 31.03.2003)	4950/-
FROM 01.04.2003 (VALID UPTO 30.06.2003)		
a) CROP YEAR 1998-1999	4310/-	
b) CROP YEAR 1999-2000	4610/-	
c) CROP YEAR 2000-2001	4810/-	
d) CROP YEAR 2001-2002	4810/-	
e) CROP YEAR 2002-2003	4950/-	
FROM 01.07.2003 (VALID UPTO 30.09.2003)		
a) CROP YEAR 1998-1999	4510/-	
b) CROP YEAR 1999-2000	4910/-	
c) CROP YEAR 2000-2001	5110/-	
d) CROP YEAR 2001-2002	5110/-	
e) CROP YEAR 2002-2003	5250/-	
f) CROP YEAR 2003-2004	5550/-	
FROM 01.10.2003(VALID UPTO 31.12.2003)		
a) CROP YEAR 1998-1999 & EARLIER YEARS	4985/-	
b) CROP YEAR 1999-2000	5385/-	
c) CROP YEAR 2000-2001	5585/-	
d) CROP YEAR 2001-2002	5585/-	
e) CROP YEAR 2002-2003	5725/-	

f) CROP YEAR 2003-2004	6025/-	
FROM 01.01.2004(VALID UPTO 31.03.2004) VALIDITY EXTENDED UPTO 30.06.2004)		
a) CROP YEAR 1998-1999 & EARLIER YEARS	5485/-	
b) CROP YEAR 1999-2000	5885/-	
c) CROP YEAR 2000-2001	6085/-	
d) CROP YEAR 2001-2002	6085/-	
e) CROP YEAR 2002-2003	6225/-	
f) CROP YEAR 2003-2004	6525/-	
PERIOD (01.07.2004 TO 30.09.2004)- Extended upto 31.12.2004		
a) CROP YEAR 1998-1999 & EARLIER YEARS	5700/-	
b) CROP YEAR 1999-2000	6100/-	
c) CROP YEAR 2000-2001	6300/-	
d) CROP YEAR 2001-2002	6400/-	
e) CROP YEAR 2002-2003	6500/-	
f) CROP YEAR 2003-2004	7000/-	
17.	PERIOD (01.01.2005 TO 31.03.2005) FOR GOVT. AID/WFP	9350/-
18.	PERIOD (01.04.2005 TO 30.06.2005) -DO-	9350/-
19.	PERIOD (01.07.2005 to 30.09.2005) -DO-	10223/-
20.	PERIOD (1.10.2005 to	10223/-

	31.12.2005) -DO- (Inclusive of VAT & other local taxes & would be applicable for stocks of all crop years including 2005-06)	
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RICE PRICES ANNOUNCED BY THE GOVT. TIME TO TIME FOR SALE TO THE PSUs / PRIVATE PARTIES FOR EXPORT PURPOSE

**(FIGURES
Rs. PER M**

RATES			
PARBOILED RICE		RAW RICE	
1.		FROM MARCH TO JUNE, 2001	6750/- 6750/-
2.		FROM 08.06.2001 TO 31.03.2002	6000/- 5650/-
3.		FROM 01.04.2002(UPTO 31.07.2002)	6115/- 5760/-
4.		FROM 01.08.2002(UPTO 15.11.2002)	6265/- 5910/-
5.		FROM 16.11.2002(UPTO 31.03.2003)	6865/- 6510/-
6.		FROM 01.01.2003(UPTO 31.03.2003) CROP YEAR 2001-02 & EARLIER YEARS	6615/- 6260/-
7.		FROM 01.04.2003(UPTO 30.06.2003) CROP YEAR 2001-02 & EARLIER YEARS	6665/- 6360/-

8.	FROM 01.04.2003(UPTO 30.06.2003) CROP YEAR 2002-03 & EARLIER YEARS	6915/-	6610/-
	FROM 01.07.2003(UPTO 30.09.2003)		
a)	CROP YEAR 1998-1999	7250/-	7050/-
b)	CROP YEAR 1999-2000	7300/-	7100/-
c)	CROP YEAR 2000-2001	7350/-	7150/-
d)	CROP YEAR 2001-2002	7425/-	7225/-
e)	CROP YEAR 2002-2003	7500/-	7300/-
	FROM 01.10.2003(UPTO 31.12.2003)		
a)	CROP YEAR 1998-1999	7250/-	7050/-
b)	CROP YEAR 1999-2000	7300/-	7100/-
c)	CROP YEAR 2000-2001	7350/-	7150/-
d)	CROP YEAR 2001-2002	7425/-	7225/-
e)	CROP YEAR 2002-2003	7500/-	7300/-
	FROM 01.1.2004(VVALID UPTO 31.03.2004 – VALIDITY EXTENDED UPTO 30.6.2004)		
a)	CROP YEAR 1998-1999	7550/-	7350/-
b)	CROP YEAR 1999-2000	7600/-	7400/-
c)	CROP YEAR 2000-2001	7650/-	7450/-
d)	CROP YEAR 2001-2002	7725/-	7525/-
e)	CROP YEAR 2002-2003	7800/-	7600/-
	FROM 01.07.2004 TO 30.09.2004 – EXTENDED UPTO 31.12.2004		

a) CROP YEAR 1998-1999 & EARLIER YEARS	8600/-	8600/-	
b) CROP YEAR 1999-2000	8600/-	8600/-	
c) CROP YEAR 2000-2001	8600/-	8600/-	
d) CROP YEAR 2001-2002	8600/-	8600/-	
e) CROP YEAR 2002-2003	8600/-	8600/-	
e) CROP YEAR 2003-2004	NIL	NIL	
13.	FROM 01.01.2005 TO 31.03.2005 FOR GOVT. AID/WFP	13600/-	13100/-
14.	FROM 01.04.2004 TO 30.06.2005 FOR GOVT. AID/WFP	13600/-	13100/-
15.	FROM 01.07.2005 TO 30.09.2005 FOR GOVT. AID/WFP	13376/-	12856/-
16.	FROM 1.10.2005 TO 31.12.2005 (Inclusive of VAT & other local taxes & would be applicable for stocks of all crop years including 2005-06)	13376/-	12856/-

FOODGRAIN STORAGE AND GENERAL WAREHOUSING

5.33 Covered Storage Capacity with FCI during the last 5 years.

(Fig .in lakh MT)

Owned	Hired	Total	Owned	Hired	Total
As on 31.03.2001			As on 31.03.2002		

125.95	120.97	246.92	127.41	151.60	279.01
As on 31.03.2003			As on 31.03.2004		
128.18	137.70	265.88	128.15	108.50	236.65
As on 31.03.2005			As on 31.03.2006		
129.09	104.61	233.70	129.31	222.88	224.10

1.30 CAP storage capacity owned / hired by the FCI for the last five years is as under: -

(Fig. in lakh MTs)

Year	Owned	Hired	Total
2000-2001	22.93	44.61	67.54
2001-2002	23.54	55.85	79.39
2002-2003	22.68	28.78	51.46
2003-2004	22.08	13.64	35.72
2004-2005	22.48	4.13	26.61
2005-2006 (As on 30.9.2005)	22.10	3.24	25.34

5.34 State-wise storage capacity available with FCI in different States in the country as on 31st December, 2005 is as under: -

(Figures in lakh tonnes)

Sl. No.	Name of the State	Storage capacity (Covered & CAP)
1.	Bihar	5.17
2.	Jharkhand	1.19

3.	Orissa	5.77
4.	West Bengal	10.08
5.	Sikkim	0.11
6.	Assam	2.56
7.	Arunachal Pradesh	0.18
8.	Meghalaya	0.29
9.	Manipur	0.18
10.	Mizoram	0.18
11.	Nagaland	0.29
12.	Tripura	0.34
13.	Delhi	3.70
14.	Haryana	22.64
15.	Himachal Pradesh	0.26
16.	J & K	1.14
17.	Punjab	66.71
18.	Chandigarh	1.10
19.	Rajasthan	9.10
20.	U. P.	25.36
21.	Uttaranchal	1.81
22.	Andhra Pradesh	34.06
23.	Kerala	5.33
24.	Karnataka	6.01
25.	Tamil Nadu	7.28

26.	Pondicherry	0.50
27.	Gujarat	5.59
28.	Maharashtra	15.61
29.	Goa	0.15
30.	Madhya Pradesh	5.49
31.	Chhattisgarh	10.04
	T O T A L	248.22

5.35 During Xth Five Year Plan (2002-07), FCI is expected to create additional storage capacity of about 4.35 lakh tonnes with the financial outlay of Rs. 126.66 crore. Out of this upto December, 2005, 3.39 lakh tonnes has already been completed.

5.36 Details of storage capacity constructed by the FCI during 1999-2000, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and expected to be completed during 2005-06 are given in the table below: -

(Figures in lakh MTs)

Agency	Year		
	1999-2000	2000-01	2001-02
FCI	0.84	0.39	1.62
	Year	Target	Achievements
	2002-03	1.37	0.94
	2003-04	1.35	1.32
	2004-05	0.98	0.97
	2005-06	0.40	*0.16

QUALITY CONTROL

5.37 The Quality Control (QC) wing in the Food Corporation of India manned by qualified and trained personnel is entrusted with the enormous task of preserving the health of the foodgrains from the stage of procurement to distribution. The foodgrains are procured as per laid down specifications of Government of India and inspected regularly during storage, to monitor the quality. Representative samples are also subjected to physical and chemical analysis to ensure whether the quality standard meets the parameters of PFA. This is done through a network of 281 laboratories (including mini labs) throughout the country. Many of the laboratories located at Zonal and Regional levels are well equipped to carry out physical and chemical analysis of the foodgrains and also study the geological characteristics and insecticides residues. The district and other laboratories generally undertake physical analysis of foodgrains.

5.38 The senior QC officers undertake frequent visits to the procurement and storage points to inspect the quality of foodgrain stocks and advise QC staff on the spot to ensure procurement of foodgrains conforming to specifications and its maintenance during storage at all levels. Appropriate action is also initiated against defaulters, if any, in order to tighten the supervisory arrangements and fixing responsibilities on all those found responsible for procurement of stocks beyond the specifications and standards. Senior QC officers are deployed to oversee procurement of wheat, paddy and rice.

PRESERVATION

5.39 The preservation of foodgrains stock in good and sound condition is an important activity of the QC wing of the FCI. Stocks of foodgrains in FCI are stored in godowns built on scientific lines. Storage in open under CAP(cover and plinth) for wheat and paddy is resorted to only when there is shortage of covered storage space.

5.40 Regular inspection of stocks by trained and experienced QC officials/officers is undertaken. Periodical disinfestation measures are undertaken i.e. prophylactic and curative treatments with the permitted insecticides to ensure the health of the grains so that it may be preserved in the highest category possible. Preventive measures are also undertaken to control rodents, birds and pest infestation by appropriate measures.

5.41 The stocks of foodgrains strictly conforming to the uniform specifications of Government of India and within PFA standards are issued to the TPDS by scrupulously adhering to the joint sampling system.

5.42 The stock position as on 30.11.2005 is as under: -

CENTRAL POOL STOCKS

(Figures in lakh tonnes)

Total All India	Rice	Wheat	Total
	111.30	76.31	187.61

5.43 Total quantity of foodgrains treated (stocks with FCI)

(Figures in lakh tonnes)

Year	Prophylactic	Curative		Treatment	Treatment
2001-2002	2540.54	658.78			
2002-2003	2186.35	504.90			
2003-2004	1016.65	276.40			
2004-2005	959.55	276.93			
2005-2006 (Upto Nov. 30, 05)	525.23	230.95			

SLIDING DOWN OF STOCKS (WHEAT & RICE)

5.44 Sliding down of wheat and rice stocks during the year 2005-2006 (up to 30.11.2005) are as under: -

1.Higher to lower category	0.04 Lakh tonnes.
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2.To feed category	0.29 Lakh tonnes.
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NON-ISSUABLE FOODGRAINS AND ITS DISPOSAL

5.45 Foodgrains which do not conform to PFA and further cannot be reconditioned for normal issue are considered 'Non-issuable grain'. Damages to the stock can occur in the godowns, in CAP storage or in transit. Such stocks need to be salvaged to segregate sound grains, for issues under normal channels. Stocks not fit for normal issues are dealt with as 'Non-issuable grain.'

5.46 Non-issuable stocks on receipt in the godowns or detected in the depot, are properly checked and segregated on the basis of the conditions and proportion of sound grains present in different lots.

5.47 Issuable foodgrains, classified under various categories, are disposed off as per procedure. Fresh allocations and sale of non-issuable foodgrains held by the FCI and State Agencies is made only to bonafide State Owned Departments/Agencies who are users of non-issuable foodgrains and other bonafide registered parties. Executive Directors (Zones) and General Manager (Regions) are vested with full powers for the disposal of non-issuable foodgrains.

5.48 A quantity of 56,591 MTs has been disposed off during April, 2005 to November 30, 2005. A quantity of 61,232 MTs of non-issuable foodgrains was lying in various Regions/Zones in the country as on December 1, 2005. Of this, 14,204 MTs was covered by Tender/Auction.

Vigilance & Security

5.49 Food Corporation of India has a Vigilance Wing headed by CVO/Executive Director (Vigilance) at Headquarters, General Manager (Vigilance) at the Zonal Offices and Deputy General Manager (Vigilance)/Assistant General Manager (Vigilance) in the Regional Offices.

5.50 As on 1st April, 2005, 1198 vigilance cases under major/minor disciplinary proceedings were pending in the Food Corporation of India. 2315 fresh vigilance cases were added and 1368 vigilance cases were disposed off during the period from 1st April, 2005 to 31st October,

2005 leaving a balance of 2145 vigilance cases at the end of December, 2005.

5.51 In order to minimize the storage and transit losses and to ensure the quality of foodgrains, special squads in FCI conducted 17380 surprise checks and 2390 regular checks during the period from 1st April 2005 to 31st December, 2005.

5.52 Special attention is also being paid in areas, which are more prone to corruption. During the period 1st April, 2005 to 31st December, 2005 penalties were imposed in 1204 vigilance cases.

5.53 Security of FCI's men and material is managed through its own Watch & Ward, Ex-Servicemen, Security Guards, Home Guards, NVF and Special Police Officers (SPOs) etc. At certain vulnerable depots, the security of foodgrains is manned by the State Armed Police and the Central Industrial Security Force.

5.54 In order to prevent occurrence of fire, the FSDs and offices are provided with adequate fire fighting equipment and all the field offices have been instructed to ensure installation of adequate number of fire fighting equipment at vulnerable points so identified in consultation with the officers of the local Fire Stations.

5.55 Physical measures like installation of barbed wires fencing on the boundary wall, watch towers wherever required, provision of street-lights and adequate light in the godowns and proper locking of the sheds / godowns are also taken as per standing instructions.

5.56 Security inspections as well as surprise checks of the depots are also conducted from time to time at various levels to detect and plug the security lapses as well as curb thefts. 631 inspections at various levels were conducted upto October 31, 2005. Training programmes are organised from time to time to equip the field and office staff with latest knowledge and techniques about Security Management.

5.57 The Security Division at Headquarters monitor cases of theft/fire/pilferage intimated by Regions and issue directions whenever required. Also instructions to plug loopholes to avoid any untoward incident are issued. During Trade Union activities viz. Agitations, Dharnas and Rallies etc. liaison is maintained with local police and adequate security arrangements are made.

5.58 A Civil Defence Plan has been evolved and the FSDs/Godowns have been categorised viz A, B and C for taking adequate measures to protect men, material and foodgrains of FCI keeping in view of the prevailing law and order situation in the country and in particular during war/emergencies, flood/riots etc. and obtain the assistance of local administration to tighten the security of the godowns.

Planning and Research

5.59 Planning and Research Division performs the 'Staff Function' and its role is of an advisory nature. It has the responsibility of assisting the top management both as a Corporate Planning Unit and as Management Services Division. The Division renders the services by identifying important policy issues and keeping the management informed about the various matters relating to food policy and planning, crop prospects and their likely impact on procurement, storage, distribution and stocks etc. It also provides necessary assistance and guidance to various operational Divisions in order to streamline and improve their activities.

ANNUAL ACTION PLAN

5.60 Special emphasis has been given to enhancing the storage capacity in the NE States during the current year. Action has been taken for identification of new sites for construction of godowns in Assam, Tripura, Mizoram, Nagaland, Manipur Meghalaya. FCI has entrusted the work at Lunglei (Mizoram), Lawngtalai (Mizoram), Bualpui (Mizoram) and Chandarpur (Tripura) to CWC and works are in progress. For the three centres in Assam Region where augmentation work has been taken up by FCI, the contract has been finalised for one centre namely Senchowa, while tenders are under scrutiny for the other 2 centres, namely Chaulkhowa and Badarpurghat.

5.61 In addition, the works at Jiribam (Manipur) and Dimapur (Nagaland) of a capacity of 2500 MTs each have been completed during 2004-05.

5.62 The details of Target / Achievement made by the FCI during last three years are as under: -

Financial : Rs

Physical : Lak

Target					Achievement				
Storage Construction Programmes			Storage Construction Programme						
General	NE	Total	General	NE	Total				
2003-04									
Financial		NIL	22.96	1.00	23.96	NIL	22.45	1.04	23.49
Physical		348.50	1.30	0.05	1.35	371.43	1.30	0.025	1.325
2004-05									
	0.80	4.86	5.66(BE)	NIL	12.52	4.12	16.64		
	1.01	4.86	5.87(RE)						
Physical		403.40	0.93	0.05	0.98	314.24	0.92	0.05	0.97
2005-06**									
Financial			16.94*	4.14	21.08*		14.06*	0.42	14.48*
Physical			0.33	0.06	0.39		0.15	-	0.16

* This includes Rs. 11.51 crores spillover exp. of the year 2004-05 in respect of works in other than NE Zone.

** Upto 31st October 2005.

PUBLIC RELATIONS

5.63 Public Relations Division continues with its endeavour of the FCI's image building among the general public, opinion leaders through personal interaction with print media. Special features have been published in the prestigious financial as well as general magazines giving details of FCI's role in National Food Security through interviews of Chairman and Managing Director.

5.64 This Division has been monitoring press on day to day basis by scanning prominent dailies and bringing out the relevant clippings to the notice of the Management for appropriate action. The media at various levels through special

stories, press briefings, special features etc. has been apprised about FCI's role in National Food Security, thus negating the misconception about FCI.

5.65 To create consumer awareness as to how the FCI has been maintaining the health of stock and their storing etc. the FCI has been participating in various Fairs/Melas/Seminars in different regions. Regional Offices have been inviting college students to its depots for an on the spot study of the storing, preservation of foodgrains.

5.66 Separate documentary films are also being shown to educate the farmers and rural audiences about the benefit of support price operations being carried out by the FCI in all the States.

5.67 The Public Relations Division has also been maintaining a library having collection of books on different subjects.

5.68 The Food Corporation of India at Kolkata participated in Sunderbans Mela at Kultali from 20th to 29th December, 2005.

HUMAN RESOURCES DEVELOPMENT

Training activities taken place at CTI/ZTI during the year 2005-2006

5.69 The Food Corporation of India has its own institution, the 'Institute of Food Security' at Gurgaon which imparts training to officers and staff for various disciplines relevant to the FCI's operational needs. The main disciplines where the training is imparted relates to Storage, Management, Quality Control, Accounts, Computer and other Management Development Programmes. The Institute has been providing training to the newly recruited Management Trainees of the rank of Assistant Managers. In all one hundred thirty Management Trainees are presently getting training at the Institute for a period of one year. Simultaneously, with a view to impart training to the officers of the Corporation, the general training programmes were conducted wherein 115 officers from different offices of the Corporation participated.

5.70 The officers of the FCI are also deputed for various training programmes in professional institutes of repute like ASCI, NITIE, NPC, SCOPE etc. wherein fifty nominations were made for specialised Management Programmes. The officers of the FCI have also been deputed for various training programmes abroad as a matter of human resource development so as to keep pace with the changing industrial environment in view of the globalisation and the present liberalization policy of the Government of India. In all, eleven nominations of senior officers were made for various programmes abroad. The FCI has also started specialised training programmes in computer activities wherein so far 300 officers have been trained in computer technology.

5.71 The FCI alongwith CWC and NCDC jointly organized the FAO/AFMA India Regional Workshop in New Delhi from 26.09.2005 to 30.09.2005 on the use of Information Technology in Food and Agricultural Marketing in Asia. The officers of the FCI have also been taking part in the International meets of the FAO where India was represented at appropriate level in the respective Regional Workshops and the Annual Meets of AFMA of which FCI is one of the founder members.

5.72 During the period under report, the FCI also extended training to students from various recognized universities and professional institutes. The training imparted to the students is organised without any kind of financial burden on the FCI.

LIAISON CELL

SC/ST EMPLOYEES IN FCI

5.73 The details of SC / ST employees as on 30.11.2005 is indicated below: -

No. of			
SCs	STs		
Category I	688	91	41
Category II	5674	1047	316
Category III	24660	5310	1389
Category IV	11462	3714	1081
Category IV (Safaiwala)	309	190	7
TOTAL	42793	10352	2834

INTEGRATED INFORMATION SYSTEM FOR FOODGRAINS MANAGEMENT(I ISFM)

5.74 The IISFM (Integrated Information System for Foodgrains Management) Project of the FCI was approved by the Ministry of CA, F & PD at a total estimated cost of Rs.97.66 crore. This is a plan project (Xth Plan) to be completed in 3 phases commencing from 2003-04 to 2005-06. The major objective of the project is to put in place an online Management Information System (MIS) which will give the stock position in any depot at any given point of time. The introduction of computerisation from depot level upwards, will enhance the quality and speed of Management Information System. Based on directions from the Ministry, the scope of the IISFM Project has been extended to computerise and capture data pertaining to foodgrains stocks in the central pool including stocks with the State Agencies particularly in States that have adopted decentralised procurement and distribution system. In addition, it has been decided that IISFM Project will also cover financial accounts of the FCI.

5.75 The project has been awarded to National Informatic Centre (NIC) on a turnkey basis. As per the directions of the Ministry, a tripartite agreement has been entered into between FCI, NIC and NICS I for implementation of the project.

5.76 The National Informatic Centre Services Inc. (NICS I) is responsible for procurement of the hardware for the project, while the application software package has been developed by NIC, which is also responsible for implementation of this package at various locations by FCI. The project is manned by 124 Technical Support Persons/ Technical Support Managers (TSPs/TSMs), who are provided by NIC/NICS I for a maximum period of 12 months. These Technical Support Persons (TSPs) guide the FCI Technical Supervisors (FTSs) and Data Entry Operators (DEOs), who have been identified for the Project. Approximately 1700 DEOs and 344 FTSs have been trained for the Project.

5.77 The following FCI locations have been covered for computerisation under IISFM Project: -

- FCI Headquarters

- All Zonal Offices (5)

- All Regional Offices (23)

- All District Offices (166)

- Depot Offices (462)

- 224 Central Warehousing Corporation/State Warehousing Corporation and Hired Depots.

5.78 In the month of October, 2005, 156 District Offices fed the stock position data for rice and 148 District Offices for wheat in the District Stock Accounting Software under the IISFM Project.

SPORTS ACTIVITIES OF THE FOOD CORPORATION OF INDIA

TABLE TENNIS

5.79 FCI North Zone Table-Tennis Team participated in the Surjit Kaur Memorial Tabletennis Tournament held at Delhi from 10.8.2004 to 17.8.2004 and got first place.

HOCKEY

5.80 FCI North Zone Hockey Team was Runner-Up in the Institutional Hockey League organised by Delhi Hockey Association at Delhi from 14.08.2004 to 12.09.2004 and also got 2nd place in the All India Hockey Tournament held at Rampur from 24.07.2004 to 28.07.2004.

FOOTBALL

5.81 FCI East Zone Football Team participated in the Office Sports Federation League held at Kolkata from 28.8.2004 to 30.9.2004 and got Runner-Up position.

5.82 FCI East Zone Football Team participated in the Trans World Cup Football Tournament at Kolkata from 25.03.2005 to 9.4.2005 and declared winner and also participated in the Ashutosh Memorial Cup Football Tournament at Kolkata from 20.12.2004 to 26.12.2004 and got Runner-Up position.

5.83 FCI North Zone Football Team won the All India Gorakhnath Gold Cup Football Tournament held at Gorakhpur from 21.11.2004 to 28.11.2004 and was Runner-Up in the All India Rampur Challenge Cup Football Tournament held at Nainital (Uttaranchal) from 8.10.2004 to 17.10.2004.

CRICKET

5.84 The FCI Cricket Team got the Runner-Up position in the All India Public Sector Cricket Tournament organised by Western Coal Fields Ltd. at Nagpur from 23.2.2005 to 27.2.2005. Shri Yogesh Sachdeva who has joined the Corporation as AG.III(D) has created a record and has the rare distinction of getting a wicket off his debut ball while playing for Delhi under the captaincy of Sh. Virender Sehwag in the Ranji Trophy Match (first class cricket) against defending Champion Railways on 25-28 December, 2005. He took 5 wickets (8.3-2-20-5) in 1st innings and bowled out the Railways Team in only 77 runs. Delhi won this match.

5.85 Sports Promotion Board, FCI organised the All India FCI Inter Zonal Tournaments in the following events as per the details given below: -

RESULTS				
WINNER	RUNNERS-UP			
1)	Inter Zonal Badminton & Inter Zonal Table-Tennis Tr.	Cuttack 17-19 Nov., 2004 -do-	Hqrs. North Zone	South Zone South Zone
2)	Inter Zonal Cricket Tournament.	Goa 1-5 Feb.2005	North Zone	East Zone
3)	Inter Zonal Hockey Tournament	Bangalore 21-25 Feb.2005	North Zone	East Zone
4)	Inter Zonal Football Tournament	Amritsar 1-5.March 2005	East Zone	North Zone

HINDI SECTION

5.86 The FCI continued its efforts to increase the use of the Hindi official language in its day-to-day functioning. In September, 2005 Hindi day/week/fortnight was organized in all the offices of the FCI including the Headquarters. After

receiving the approval of the Ministry for recruitment of 119 Hindi posts in the Corporation, action to fill up these posts is at its final stage and this process is expected to be completed by 31st March, 2006.

5.87 During the financial year, the Parliamentary Committee on Official Languages, conducted inspections in six offices (District Office Siliguri; District Office Indore; Regional Office Thiruvananthapuram; District Office Kochi; District Office Gorakhpur and District Office, Muradabad) of the FCI to review the progress of use of Hindi. The Committee appreciated the work being done by the FCI for effective implementation of official language Hindi. The FCI has made provision for 1960 awards, for promoting the habit of working in Hindi in its 196 offices. Under this scheme there is a provision for sanction of cash awards of an amount of Rs. 23,12,800/- for the prize winners every year. Further a 'FCI Cash Award Scheme' has been introduced under which Rs.2 will be paid for every Hindi letter written by the officials and the payment will be made on quarterly basis. Under this scheme an amount of Rs. 11,800/- has been provided for each office. With a view to increase Hindi correspondence, another incentive scheme has also been initiated this financial year. Under this scheme Rajbhasha shield will be awarded to one of the divisions in the Headquarters for doing maximum correspondence in Hindi during the year.

MARKET BORROWINGS

5.88 The Corporation is enjoying a Cash Credit facility upto 33,100 crore by Food Consortium led by SBI. The SBI has reduced the rate of interest on Food Credit from the level of 9.10% to 8.15% w.e.f. 11.8.2004.

ISSUE OF BONDS

5.89 The Corporation has raised Funds through issue of Bonds to the tune of Rs. 5000.00 crore as per the details given below: -

Series	Date of Allotment	Amount Rs. Crores	Tenure	Coupon Rate	Bonds Allotted (Rs. Crores)
I.	28th Feb., 2005	1,000.00	5 years	7.10	758.50
			7 years		58.20
			10 years	7.20	183.30
				7.30	
			Total:		1000.00
II.	31st March, 2005	3,023.50	5 years	7.09	2341.80
			7 years		71.50
			10 years	7.15	610.20
				7.27	
			Total:		3023.50

III.	10th June, 2005	976.50	5 years	7.18	976.50
	GRAND TOTAL:			7.14	5000.00

5.90 With the issue of Bonds in Phase-I, the Corporation has mobilised Rs. 5,000 crore at an average interest rate of 7.14% per annum. This would result in a saving of Rs. 93 Crore per annum to the Corporation. The Corporation is planning to raise Funds through issue of Bonds in Phase II amounting to Rs. 500 Crore for which we have already received permission from the GOI with Government Guarantee.

Study of FCI by M/s McKinsey & Co.

5.91 With the objective to bring about substantial and sustainable efficiency/improvement in the functioning of FCI, the Government had engaged M/s. McKinsey & Co., an International Consultancy Firm, to conduct a study. The Consultants commenced the study on the 3rd of January, 2005. The report submitted by the Consultants was accepted by the Steering Committee, constituted by the Ministry, in its meeting held on 28th July, 2005.

5.92 Many of the recommendations given by M/s. McKinsey & Co. are already under various stages of implementation. Some of the suggestions are being further adopted and fine-tuned to make them implementable.

5.93 The major improvement initiatives suggested by M/s. McKinsey & Co. broadly encompasses financial restructuring through multi-tiered debt structure and grant of advance subsidy which will reduce the interest burden; network optimization by linear programming of rail movement and consolidation of Handling and Transport Contract; changes in use and sourcing pattern of gunny bags; cost reduction by direct procurement of foodgrains and exclusion of intermediaries; exploring avenues for revenues generation by optimum utilization of all existing assets like the godowns; and more cost effective and efficient utilisation of human resources through rationalisation, automation and better Performance Management System.

CENTRAL WAREHOUSING CORPORATION

5.94 The Central Warehousing Corporation (CWC) was set up in 1957 under the Agricultural Produce (Development and Warehousing) Corporations Act, 1956. The said Act was subsequently replaced by the Warehousing Corporations Act, 1962(CWC Act, 1962).

5.95 The functions of the CWC are as under:-

- To acquire and build godowns and warehouses at suitable places in India or abroad as it thinks fit.
- To run warehouses for the storage of agricultural produce, seeds, manures, fertilisers, agricultural implements and notified commodities offered by individuals cooperative societies and other institutions.
- To arrange facilities for transport of agricultural produce, seeds, manures, fertilisers, agricultural implements and notified commodities to and from warehouses.

- To subscribe to the share capital of State Warehousing Corporations.
- To act as an agent of the Government for the purposes of purchase, sale, storage and distribution of agricultural produce, seeds, manures, fertilisers agricultural implements and notified commodities.
- To enter into, with the previous approval of the Central Government, Joint Ventures with any Corporation established by or under any Central Act or any State Act or with any Company formed and registered under the Companies Act, 1956 including foreign company or through its subsidiary companies, for carrying out the purpose of this Act.
- To establish subsidiary companies; and
- To carry out such other functions as may be prescribed.

Amendment of Warehousing Corporation Act, 1962

5.96 A notification amending the Warehousing Corporations Act, 1962 has come into force with effect from 15th November, 2005, inter-alia, creating posts of 3 Functional Directors in CWC. This would enable delegation of greater financial powers and autonomy to CWC, a Mini Ratna Company. CWC would also have greater access to wider base of resources, as it can now approach any Scheduled Bank for borrowed capital instead of only Nationalised Banks.

5.97 Central Warehousing Corporation has paid a dividend of Rs. 4.49 Crore for the year 2004-2005.

Additional Functions

- The Corporation may, at its discretion and at the request of the parties concerned, undertake disinfection service outside its warehouses in respect of agricultural produce or notified commodities as defined in Section 2.
- The Corporation may, at its discretion act as agent for the purpose of purchase, sale, storage and distribution of agricultural produce, seeds, manures, fertilisers, agricultural implements and notified commodities as defined in Section 2, on behalf of a Company as defined in the Companies Act 1956 (1 of 1956) or a body corporate established by an Act of Parliament or of a State Legislature or a Cooperative Society.
- The Corporation may, at the request of the Central Government or any State Government or a Corporation established by or under a Central Provincial or State Act, or a Government Company as defined in Section 617 of the Companies Act, 1956 (1 of 1956) or a Co-operative Society prepare any project or render consultancy service for construction of Warehouses or any matter connected therewith.
- The Corporation may operate warehouses, create infrastructure and arrange facilities for storage, handling and transport of agricultural produce, seeds, manures, fertilisers, agricultural implements, notified commodities, bonded cargo, air cargo, containerised cargo and liquid cargo. Further the Corporation may also provide marketing or other warehousing related services in respect of agricultural produce or notified commodities.
- The Corporation may provide consultancy services, assistance, finance, programmes or projects related to agricultural produce or other notified commodities and undertake any other activities considered incidental to its functions.

- CWC is a Schedule 'B' Mini Ratna Public Sector Undertaking.

Capital Structure

5.98 The authorized share capital of the Corporation is Rs.100 crore. There has been no change in CWC's subscribed share capital and paid up share capital during 2005-06. The Capital structure of CWC is indicated below: -

(Rs. in lakhs)

Sl. No	Institution	Paid up capital
1.	Central Government	3,742.50
2.	State Bank of India	1,467.29
3.	Other Scheduled Banks	1,091.68
4.	Insurance Companies including Life Insurance Corporation of India	477.74
5	Cooperative Societies	22.13
6	Recognized Associations dealing in Agricultural Produce	0.71
7.	Companies dealing in Agricultural Produce etc.	0.05
	Total	6,802.10

GROWTH IN STORAGE CAPACITY

5.99 The warehousing capacity operated by CWC has increased significantly over the past five years. Details in this regard since 31.3.1999 are given below: -

(In lakh MT)

As on	Owned	Hired	Total
31.03.1999	53.65	19.83	73.48
31.03.2000	54.47	20.32	74.79
31.03.2001	56.12	27.79	83.91

31.03.2002	68.45	20.72	89.17
31.03.2003	76.11	15.03	91.14
31.03.2004	80.75	12.84	93.59
31.03.2005	84.38	17.49	101.87
30.09.2005	85.54	17.88	103.42

5.100 Details of storage capacity

Capacity Utilisation

5.101 The Warehousing Capacity, its utilisation and percentage of utilisation for the last five years (average) are given in the following table:-

(Figures in lakh MTs)

Year	Owned/Covered		Hired/Covered*		TOTAL		% of		
	Capacity	Utilisa-tion	Capacity	Utilisa-tion	Capacity	Utilisa-tion	Utils.		
1997-98	52.23	37.94	73	19.75	14.22	72	71.98	52.16	72
1998-99	52.93	38.90	73	20.05	14.84	74	72.98	53.74	74
1999-00	53.82	42.59	79	20.16	14.21	70	73.98	56.80	77
2000-01	55.36	48.52	88	23.62	18.52	78	78.98	67.04	85
2001-02	66.44	55.10	83	20.11	16.54	82	86.55	71.64	83
2002-03	62.50	46.35	74	29.00	21.40	74	91.50	67.75	74
2003-04	64.58	38.37	59	28.06	16.87	60	92.64	55.24	60
2004-05	66.20	40.71	61	31.86	20.87	66	98.06	61.58	63
2005-06 (upto Sept. 2005)	66.80	47.36	71	37.05	28.05	76	103.85	75.41	73

* Includes open constructed also.

TURNOVER, PROFIT AND DIVIDEND

5.102 The Corporation has been making profits and paying dividends consistently.

(Rs. In Crore)

Dividend paid to					
Central Government	Others	TOTAL			
1996-1997	234.68	84.95	9.36	7.65	17.01
1997-1998	253.34	67.73	8.42	6.88	15.30
1998-1999	255.64	41.50	4.49	3.67	8.16
1999-2000	276.34	48.30	4.49	3.67	8.16
2000-2001	339.86	73.33	7.49	6.11	13.60
2001-2002	379.94	90.72	7.49	6.11	13.60
2002-2003	471.08	47.62	4.12	3.36	7.48
2003-2004	462.86	33.88	2.25	1.84	4.09
2004-2005	522.87	60.42	4.49	3.66	8.15

5.103 The CWC has 17 associates in State Warehousing Corporation in 17 States. The total investment of the Central Warehousing Corporation which is a 50% shareholder in the equity capital of State Warehousing Corporations was Rs.56.44 crore as on 30.09.2005.

HINDUSTAN VEGETABLE OILS CORPORATION LIMITED (HVOC)

5.104 The Hindustan Vegetable Oils Corporation Limited, a PSU under the administrative control of the Ministry of Consumer Affairs, Food and Public Distribution, Department of Food and Public Distribution, was set up by taking over the Management of two undertakings, namely, Ganesh Flour Mills Company Ltd. and Amritsar Oil Works under the Industrial Development and Regulation Act, 1951, in the years 1972 and 1974 respectively. Subsequently, these undertakings were nationalised with the main objective of sustaining and strengthening the nucleus of public owned or controlled units required for ensuring supply of wholesome Vanaspati and refined oils to the public at reasonable prices under Public Distribution System. As a consequence, the HVOC was incorporated under the Companies Act, 1956 on 31.03.1984 as a

public limited company, fully owned by the Government of India with equity capital of Rs.5.00 crore. Presently the authorized capital is Rs.10.00 crore and paid up capital is Rs.7.71 crore.

5.105 HVOC has seven units at Delhi, Mumbai, Chennai, Kolkata, Bangalore, Amritsar and Kanpur for production of Vanaspati and refining/packaging of edible oil and a Breakfast Food Unit in New Delhi for manufacturing breakfast cereals like cornflakes and oats, besides packaging edible oils. The Delhi Vanaspati Unit has been closed since November, 1996 consequent upon the Supreme Court order in the case of M.C. Mehta Vs. Union of India directing all polluting industries to stop their production and relocate the units. The units of Amritsar and Kanpur manufacturing Vanaspati had also stopped production since 1997-98 as the high cost of production in these units had rendered them non-competitive. The machinery of these units is old and obsolete. The refining unit in Calcutta has also remained closed since 1996 as per orders of the Supreme Court. The Breakfast Food Unit of HVOC is manufacturing cornflakes and oats but its production and market share are declining due to the severe competition faced from Multi-national Corporations entering the breakfast food market in a big way with new varieties and attractive selling strategies.

5.106 HVOC was referred to the Disinvestment Commission in March, 1997 for advice. The Commission recommended that HVOC should be classified as a non-core Sector and the company's operations in Vanaspati and packaging of refined oils be discontinued with immediate effect. The company was referred to the BIFR, which declared it a sick industrial company under SICA in 1999. Due to the continual dismal financial performance of HVOC and in the light of the recommendations of the Disinvestment Commission, the Government of India decided that it did not consider it feasible to attempt revival/rehabilitation of the Company. The Government of India also approved a proposal to introduce a Voluntary Separation Scheme in the company and approved the payment of a non-plan loan of Rs.75.00 crore to HVOC to meet the cost of VSS and other liabilities on account of wages etc.

Actual Production					
2002-03	2003-04	2004-05			
Breakfast Food Unit					
(a) Breakfast Foods	MT	900	497	519	493
(b) Ready to eat Foods	MT	1200	--	-	-
(for social welfare programme)					

Physical and Financial Performance

5.107 A Voluntary Separation Scheme was introduced in the company in November, 2000. Consequent to the VSS, only 124 regular employees are left in the company at present of which 120 are working in the Breakfast Food Unit (BFFU), which is the only functional unit now. The physical performance of BFFU of HVOC during the last three years vis-à-vis installed capacity is as under: -

5.108 Due to the consequent depletion of staff strength to inoperable levels on account of the VSS, the company has not yet been able to finalise the accounts of the company for 2001-2002, although all efforts are being made to complete this work at the earliest. The financial results (provisional) of the company for the last two years are as follows: -

(Rupees in crore)

Particulars	2003-04	2004-05
Turnover	3	3
Losses (Cumulative)	180	225

5.109 The BIFR had decided in its hearing on 7.12.2001 that it would be just, equitable and in public interest to wind up the company and forwarded a copy of their order to the Delhi High Court as well as to the Official Liquidator, Delhi High Court. Subsequently, some employees of BFFU appealed against the BIFR's Order. The Appellate Authority for Industrial and Financial Reconstruction (AAIFR), vide Order dated 22nd February, 2002, stayed the operation of the aforesaid BIFR Order dated 7th December, 2001 in regard to BFFU, and ordered that no steps should be taken for the closure of the BFFU. During the course of the subsequent hearings in the matter, the appellants were asked to submit a viable proposal for the continued running of the BFFU, as a separate entity, after its demerger from HVOC. However, in the absence of any viable proposal even after giving the appellants sufficient opportunity to come up with one, the AAIFR finally dismissed the appeal on 04.08.2003.

5.110 However, the above-mentioned Order of the AAIFR has been challenged by the HVOC (Breakfast Food) Employees Sangh before the Hon'ble Delhi High Court in Civil Writ Petition No.6877 of 2003. The Hon'ble High Court on 12-01-2006 adjourned the matter for 09-05-2006.

5.111 The Company Petition No.49/2002 in the Hon'ble Delhi High Court on the reference made by the BIFR recommending winding up of HVOC, the matter has been adjourned for 15-5-2006 by the Hon'ble Court on 16-01-2006.

CHAPTER-VI

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 and 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 and Staff Grievances in the Department. A Grievance box is placed at Gate Number 6 for receiving the complaints.

6.4 The Information and Facilitation Counter at Gate Number 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 have been 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 of 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 workplace. 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 and 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 and Public Distribution, including its attached and subordinate offices as on December 31, 2005 are given below: -

m	No. of Physically handicapped				6	7	8	9	10
	OBC	VH	HH	OH					
1	2	3	4	5					
Gr. A	146	17	7	3	-	-	-	-	-
Gr. B	342	56	9	1	-	-	1	1	-
Gr. C	538	90	26	45	4	1	6	15	6
Gr. D (Excluding Safaiwala)	481	139	34	81	8	9	5	18	10
Gr. D (Safaiwala)	22	20	2	0	1	0	1	2	1
TOTAL	1529	322	78	130	13	10	13	36	17

NORTH EASTERN REGION

Activities of the Ministry

6.11 Ministry of Consumer Affairs, Food and Public Distribution, Department of Food and Public Distribution, Government of India, released Rs.4.86 crore during 2004-05 to Food Corporation of India, this being 10% of the budgetary plan allocation (viz. Rs.48.64 crore) for North Eastern Region for the scheme 'Construction of Godowns' in the region for foodgrains purposes. Against this release, FCI has spent Rs.412.04 lakhs during 2004-05, as per the details given below: -

No.	Name of State/Centre	Category in MT	2004-05
	Manipur		
1	Jiribam@	2500	78.43
	Tripura		
2	Agartala Phase-II@	2500	8.62
3	Chandarpur*	5000	93.50
	Mizoram		
4	Lunglei*	2920	24.43
5	Lawngtalai*	3340	44.41
6	Bualpui*	5000	104.59
	Nagaland		
7	Dimapur Phase-I@	10000	8.09
8	Dimapur Phase-II@	2500	21.83
	Assam		
9	Chalkowa	4170}	
10	Sanchowa	1670}	
	11	Badarpur Ghat	5000}
		Total	

6.12 The physical progress in respect of the on-going works in NE Zone during 2005-06 as on 30.11.2005 is as under: -

WORKS ALLOTTED TO CWC

(a) Bualpui (Kolasib)/Mizoram – 5000 MT: Work awarded on 20.8.2005 by CWC. Due to peculiar site conditions and crossing of 2HT lines, the LOP is under review.

(b) Chandarpur/Tripura – 5000 MT: Work awarded on 29.8.2005 by CWC. Site taken over by CWC on 6.9.2005 and the work is in progress.

(c) Balance works at Lunglei and Lawngtalai in Mizoram: The work at Lunglei awarded on 1.4.2005 and is in progress. The balance work at Lawngtalai awarded on 3.6.2005 and is in progress.

WORKS OF FCI

(a) Chaukhowa/Assam – 4170 MT: AA and ES amounting to Rs.1.31 crore has been issued on 17.3.2005. Order for purchase of CGI sheets has been placed with SAIL. Work order for Tubular Trusses has been issued on 21.5.2005. The tender for this work has been approved on 5.12.05 for an amount of Rs.86.28 lakhs by the competent authority and the acceptance has been conveyed.

(b) Senchowah/Assam – 1670 MT: AA and ES amounting to Rs.47.73 lakhs has been issued on 17.3.2005. Order for purchase of CGI sheets has been placed with SAIL. Work order for Tubular Trusses has been issued on 21.5.2005. The work has been awarded on 23.11.05 for an amount of Rs.33.54 lakhs.

(c) Badarpurghat/Assam – 5000 MT: AA and ES amounting to Rs.1.44 crore has been issued on 17.3.2005. Order for purchase of CGI sheets has been placed with SAIL. Work order for Tubular Trusses has been issued on 1.6.2005. Tenders for main work are under scrutiny and certain clarifications have been sought from AGM (CE), RO Shillong.

TRANSPORTATION MANAGEMENT

6.13 The position of loading, clearance ex-North and induction of foodgrains on All India basis and in respect of the Assam/NEF Region during the period from April, 2005 to December, 2005 in this year are given hereunder: -

(Fig. in lakh tonnes)(Prov.)

2005-06			2005-06			2005-06			2005-06		
OVERALL MOVEMENT			OVERALL MOVEMENT			MOVEMENT Ex-NORTH			MOVEMENT Ex-NORTH		
RAIL	ROAD	TOTAL	INTER	INTRA	TOTAL	RAIL	ROAD	TOTAL	INTER	INTRA	TOTAL
April to Oct.,05	171.24	14.71	185.95	171.57	14.38	185.95	132.71	13.26	145.97	144.86	1.11
Nov.,05 (Anticipated)	13.46	1.04	14.50	13.14	1.36	14.50	12.27	1.59	13.86	13.74	0.12
Dec.05 to March, 06 (Anticipated) (@)	97.85	8.40	106.25	98.04	8.21	106.25	75.83	7.57	83.40	82.77	0.63
TOTAL :	282.55	24.15	306.70	282.75	23.95	306.70	220.81	22.42	243.23	241.37	1.86

(@) [Based upon the average of movement figure from April, 05 to October, 2005]

6.14 As compared to a total quantity of 338.75 lakh tonnes of foodgrains moved during 2004-2005, there is a likelihood of a 9.5% (approx.) decrease in the overall movement this year (i.e. in 2005-06).

6.15 The overall Inter-State movement of foodgrains is likely to decrease by about 12 % during 2005-06, as compared to the previous year. The movement from the North may decrease in this year compared to the previous year due to the freezing of rice stocks in Punjab and low availability of BRA/RRA (Boiled and Raw rice of Grade A variety) in Punjab and Haryana.

North-Eastern Region

6.16 The North-Eastern States are the most critical States in respect of induction and maintaining of foodgrains stocks due to the topographical constraints and natural calamities, particularly during the monsoon season. Besides the logistic difficulties and the vagaries of nature, the local law and order problems and the Railway's capacity constraint to carry required number of rakes on a daily basis for the NE Region are other limiting factors. Despite the constraints, the FCI has been taking all possible steps to induct as much stocks of foodgrains as possible with a view to meet the monthly allocations of all the seven N.E. States and also to maintain some stock as buffer in the region.

6.17 The comparative position of stock availability, movement and offtake/issue of foodgrains in the NE States as a whole, during the

previous year (2004-05) and in the current year (2005-06) is given in the table below: -

Period	Comparative stock position of foodgrains (Wheat + Rice)	Total movement during the period (Wheat + Rice)	Total offtake during the period (Wheat + Rice)
April to December, 2005	1.11 (as on 31.12.05)	20.17	18.07
April to December, 2004	1.41 (as on 31.12.04)	23.68	19.86

6.18 It may be seen from the above Table that though the average stocking and the quantum of movement and offtake of foodgrains in the N.E. States have been lower during this year 2005-06, as compared to the same period in the previous year 2004-05, the position is quite satisfactory keeping in view the reduced offtake.

NOTE ON THE CWC ACTIVITIES IN NORTH-EASTERN REGION

6.19 CWC started functioning in the North East Region in early sixties and is having a capacity of 1.02 Lakh MT with occupancy of 46% as on 31.10.2005. The Center-wise/State-wise capacity being operated by the CWC in the North Eastern Region is detailed below: -

ASSAM:	
Amingaon	20375 MT
Dhubri	10100 MT
Guwahati	8600 MT
Jorhat-I	10500 MT
Jorhat-II	5000 MT

Sorbhog	10000 MT
Total:	64575 MT
NAGALAND:	
Dimapur	13000 MT
TRIPURA:	
Agartala	19250 MT
Agartala C.S.	4750 MT
Total:	24000 MT
Grand Total:	101575 MT

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

ACTIVITIES OF STORAGE AND RESEARCH DIVISION

Indian Grain Storage Management and Research Institute (IGMRI)

6.21 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 the North Eastern Region.

6.22 The performance of IGMRI, Jorhat during 2005-2006 (Upto December 2005) is as follows: -

Sl. No.	Item/Activity	Annual Targets	Achievements
1.	Training: 1. LTTC/STTC*	8	6
	2. Artisans Training	4	3
2.	Analysis of foodgrain samples for physical quality parameters (No. of samples)	250	250

3.	Monitoring of foodgrains samples for mycotoxin contamination (No. of samples)	60	46
4.	Monitoring of foodgrain samples for pesticidal contamination (No. of samples)	120	86

Save Grain Campaign

6.23 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.

6.24 The performance of SGC Guwahati during 2005-2006 (upto December, 2005) is given below: -

S.No	Activities	Annual Targets	Achievements
1.	Training Courses	92	86
2.	Villages covered	65	51
3.	Film /Slide shows	92	95
4.	Exhibitions arranged/ participated	65	70
5.	Construction/ improvement of non-metallic storage structures	1200	1015

Quality Control Cell

6.25 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.

6.26 During 2005-2006 (Upto December, 2005) as many as 12 Food Storage Depots, 20 Fair Price Shops were inspected and remedial measures suggested, wherever required.

PROGRESSIVE USE OF HINDI

6.27 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, 2005-2006, multipronged efforts were made to achieve these objectives. The thrust had been to persuade the officers and the staff 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 and Drafting and to work in Hindi on computers. A meeting of the Hindi Salahakar Samiti under the Chairmanship of Minister of State for Consumer Affairs, Food and Public Distribution was organised in Bangalore on 8.2.2006 wherein the progress made in the progressive use of Hindi in the Ministry was reviewed and various measures were considered to encourage the use of Hindi and useful suggestions were made in this regard. 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 2005-2006 till January, 2006 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.

6.28 To review the progressive use of Hindi 13 offices of Food Corporation of India and Central Warehousing Corporation and Save Grain Campaign, etc. were inspected by the officers of Hindi Division of this Department up to January, 2006. Besides, 12 sections of the Department were also inspected to assess the progress of Hindi.

6.29 Committee of Parliament on Official Language inspected 8 offices of FCI to review the progressive use of Hindi during 2005-2006 till January, 2006.

6.30 9 Stenographers and 6 LDCs were nominated for Hindi stenography and Hindi Typewriting Courses respectively. At present all officers/staffs in the Department possess working knowledge of Hindi.

6.31 Hindi Fortnight was also organized from 1st September 2005 to 14th September 2005 and on this occasion various Hindi competitions

were organized with a view to create awareness and accelerate the use of Hindi in the Department.

6.32 The Department was awarded 1st prize under Indira Gandhi Rajbhasha Puraskar Yojana by the Department of Official Language for doing excellent work in the field of implementation of Official Language policy of Government of India for the year 2003-04. These prizes were distributed by the Honourable Home Minister Shri Shivraj Patil on 14.09.2005 on the occasion of Hindi Day in a function held at Vigyan Bhawan.

Application software developed and implemented

6.33 Some of the LAN based application software developed and implemented in the Department are: -

I. MIS Applications of the Ministry

1) **Monthly Bulletin on Foodgrains:** Foodgrain 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 and offtake etc. of foodgrains. Web based software is developed to fulfill the complete requirement of the Monthly Foodgrain Bulletin. The database is kept centralized. Data entry into the software 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 generated by the software have been linked to Department's website.

2) **Procurement Information System:** Web based software has been developed to monitor the procurement status in the central pool. Data is maintained in the central server. Agency-wise and state wise daily procured foodgrain details are entered daily. Agency-wise and state-wise daily reports are generated in comparison with the same day of the previous year. Reports are sent to JS(FCI) and Secretary(Food and PD).

II. Sugar Directorate Applications

1) **Sugarcane Price Arrears:** Web based software has been developed to monitor the arrears accumulated by the sugar factories to the farmers. Cane purchased, cost paid and cost due by each

factory is entered fortnightly. Reports are sent to JS (Sugar), Secretary (Food and PD) and also for answering parliament questions.

2) **Statutory Minimum Price (SMP) for Sugarcane** : A client server based application to calculate the statutory minimum price of sugarcane for each factory has been devised. Previous year data of cane crushed, sugar made and crushed in hours is entered month wise and factory wise. Basic price and 1% increase in price of sugarcane is entered. Peak seasonal recovery percentage is calculated. From peak seasonal recovery of each Sugar factory the SMP is being calculated. The SMP calculated is printed in Gazette by the Directorate of Sugar.

3) **Sugar Production**: Production data from all sugar factories are collected and entered and various kinds of production reports are generated to control the sugar stocks management. Control reports are sent to JS (Sugar) and Secretary (Food and PD).

4) **Sugar Release Order**: The provisional production data of sugar from 15th to 15th of next month is collected and entered on a weekly basis. All India provisional sugar production total is calculated on latest production. Ministry fixes quota for release for free sale of sugar. On this quota factory wise sugar release orders are generated for free sale and Levy Sugar. Both release orders are hosted on the Ministry's web site monthly.

5) **Electronic Loan Disbursement System on Sugar Development Fund**: An intranet web based application is being developed to monitor the details of amount disbursed as loan, their proposed recovery and penal interest status of the sugar factories all over India. Data is maintained in the central server. The reports are used to monitor the loan status and answer the parliament questions.

III. E-Governance Applications

1) **Diary Management Information System**: Web based software developed by NIC is installed in the central server to track the files/letters/receipts. Section-wise, Officer-wise login and password is created to enter the details of the receipts/letters/files of the sections. Necessary training has been provided to the officials of the Department from Directors to Section Officers.

2) **Payroll Software**: The payroll need for the Department of Food and Public Distribution and Directorate of Sugar is implemented.

3) **Electronic Clearing System:** Web application has been developed and implemented, which generates a text file in a Reserve Bank specified format. This application can be accessed by the Cash Section of the Department to modify and update employee's salary details and bank code, where employee salary is credited through Reserve Bank of India.

4) **Personnel Information System:** Web based application has been implemented which provides employees to see their bilingual Pay Slip, Annual Income Statement Sheet, Income Tax Calculation Sheet and GPF Statement, download personnel profile, birthday and superannuation messages.

5) **Ministry Telephone Directory:** The Intranet web application has been developed and implemented to see the room number, intercom number and telephone number of Department officials.

6) **Bulletin Board Services:** Web application has been developed and implemented to display section-wise messages, notices and circulars, posted by each section of the Department to all officials of the Department.

7) **'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.

8) The Help Desk activities have been continued during the current financial year in connection with the computerisation 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)

6.34 India continues to be a member of the International Grains Council (IGC), which is an inter-governmental forum of exporting and importing countries. India was represented in the 21st Session of IGC held in June, 2005 in London. India has been included in the category of Exporting Member in July, 2003. India has also participated in the 92nd Meeting of the Food Aid Committee held in June, 2005 as an Observer in London.

World Food Programme

6.35 Government of India is allocating foodgrains at BPL rates to the beneficiaries belonging to BPL category under the development Schemes administered by International Organisations like World Food Programme. For the financial year 2005-2006, an allocation of 70,000 MT of wheat and 10,000 MT of Rice has been approved at BPL rates to World Food Programme for their developmental schemes in the country.

Food and Agricultural Organisation (FAO)

6.36 India is a member to both FAO and Committee on World Food Security (CFS). India was represented in the 31st Session of the Committee of Food Security organised by FAO held in Rome in May, 2005. FAO and 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 wellbeing, 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. In this connection a multi-sectoral, Inter-Ministerial Committee has been constituted under the Chairmanship of Secretary, Department of Food and Public Distribution. The IMC reviewed on 6.1.2006 the FIVIMS Project in the States of Orissa and Himachal Pradesh.

6.37 The Director General, FAO visited India in September, 2005 and held discussions with the Agriculture Minister on the issues of mutual interest. The United Nations Special Rapporteur on the Right to Food also visited India in August, 2005 and held discussions at various levels in the Central and State Governments.

SAARC Food Security Reserve Board

6.38 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 10th SAARC Food Security Reserve Board meeting held in Dhaka, Bangladesh from 6-7 October, 2004. The Second Meeting of the SAARC Technical Committee on Agriculture and Rural Development (TCARD) held its Meeting in New Delhi on 27th and 28th June, 2005 and discussed the modalities for the establishment of Regional Food Bank on the basis of a Concept Paper submitted by India. The Concept Paper has been revised after incorporating several suggestions made by the Member States and circulated by MEA for further comments/approval of the Member States.

National Alliance Against Hunger

6.39 A National Alliance Against Hunger (NAAH) has been constituted in the Department of Food and Public Distribution. This National Alliance Against Hunger in India was launched on 24th June, 2004. The constituted National Alliance Against Hunger is headed by the Secretary (Food and PD) and has representatives from several Ministries/Departments of the Government of India. NAAH also includes representatives of the organizations like FAO, WFP and also NGOs. The First Meeting of the NAAH was held on 29th April, 2005 and discussed mainly the issues of Hunger Mapping, Right to Food and Paradigm Shift from household food security to Nutritional Security at the individual level. The Second Meeting of the NAAH was held on 8th November, 2005 and reviewed the decisions taken in its first meeting and discussed mainly the issues, viz., creation of State or Regional Alliances against Hunger, Food and Nutrition security, public private participation, food fortification and hunger mapping.

THE INTEGRATED FINANCE DIVISION

6.40 The Integrated Finance Division of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) is headed by an Additional Secretary and Financial Adviser, who is overall in-charge of the Budget and Accounts Section in addition to Integrated Finance Section.

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 these to Ministry of Finance;
- (iii) to see that complete departmental accounts are maintained in accordance with the prescribed codal provisions;
- (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 screen the proposals for supplementary demands for grants;
- (vi) to advise the Administrative Ministry on all matters falling within the ambit of delegated powers;
- (vii) to scrutinize proposals for re-delegation of powers to subordinate authorities;
- (viii) to keep himself closely associated with the formulation of schemes and important expenditure proposals from its initial stages;
- (ix) 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;
- (x) to watch the settlement of Audit Objections, Inspections Reports, Draft Audit Paras, etc.;
- (xi) to ensure prompt action on Audit Reports and Appropriations Accounts, Reports of Public Accounts Committee, Estimates Committee and Committee on Public Undertakings;
- (xii) to screen all expenditure proposals to be referred to Finance Ministry for concurrence/comments; and

(xiii) to ensure regular and timely submission to the Finance Ministry of the prescribed statements, reports and returns.

IMPLEMENTATION OF RIGHT TO INFORMATION ACT, 2005

6.41 The Right to Information Act, 2005 which has come into force w.e.f. 12th October, 2005 provides for setting out a practical regime of right to information for citizens to secure access information under the control of public authorities in order to promote transparency and accountability in the working of every public authority.

6.42 As a first step towards implementation of the Act, six training/familiarization sessions were held in the Department for officers/ staff in August and September, 2005.

6.43 In keeping with the provision of the Act for designating Central Public Information Officers (CPIO) to deal with requests for information, officers of the level of the Director/ Deputy Secretary have been designated as CPIOs for the respective Divisions in the Department. The Joint Secretaries in the Department have been designated as Senior CPIOs who would act as Appellate Authorities in the event of a person being aggrieved by a decision of the CPIO. The list indicating name, designation and telephone number etc. of Appellate Authorities, CPIOs and Central Assistant Public Information Officers (CAPIOs) is given in **Appendix-III**.

6.44 The Department has also complied with the provisions in the Act for publication of information relating to the organisation by public authorities within the prescribed timeframe of 120 days of enactment of the Act. The Manuals have been compiled and hosted on the Department's website for information of the public and placed on the website [www.fcamin.nic.in/RTI/index.htm](http://fcamin.nic.in/RTI/index.htm). Similarly, information in respect of Food Corporation of India (FCI), Central Warehousing Corporation (CWC) and Directorate of Sugar may be seen at http://fciweb.nic.in/RTI/Index_RTI_Act.htm, www.fieo.com/cwc/ and http://fcamin.nic.in/right_to_information_act.htm respectively.

6.45 16 (sixteen) requests were received under RTI Act, 2005 in the Department till 31st December, 2005.

6.46 Application software would be shortly put in place to make RTI operations on-line.

Summary of audit observations

6.47 A summary of important audit observations on the Department, included in the Cand AG Reports of 2005 (Commercial) and action taken by the Department thereon as on 31st January, 2006, are given below: -

1. Audit Observation

Rs. 81.84 crore was charged incorrectly by the State Bank of India as penal interest on Zonal Cash Credit account during July, 1997 to January, 2004.

(Para 6.1.1 of Report No. 3 of 2005- Commercial)

Action taken by the Department

Action Taken Note (ATN) sent to the Comptroller and Auditor General of India on 08.09.2005 for vetting.

2. Audit Observation

The Corporation issued grade 'A' rice instead of common rice to the BPL Schemes resulting in additional subsidy burden of Rupees 35.86 crore to the Government of India.

(Para 6.1.2 of Report No. 3 of 2005- Commercial)

Action taken by the Department

ATN is under preparation in BP Division for sending to Comptroller and Auditor General of India (C&AG) for vetting.

3. Audit Observation

The Corporation incurred an avoidable expenditure of Rupees 71.88 lakh on transportation of foodgrain during 1998-99 to 2001-02 besides payment of Rupees 15.14 crore towards demurrages during 1997-98 to 2001-02 in the North-East Zone.

(Para 6.1.3 of Report No. 3 of 2005- Commercial)

Action taken by the Department

Action Taken Note sent to the Comptroller and Auditor General of India on 08.12.2005 for vetting.

4. Audit Observation

The Corporation incurred avoidable payment of overtime allowance of Rupees 12.08 crore despite judgment of the High Court.

(Para 6.1.4 of Report No. 3 of 2005- Commercial)

Action taken by the Department

C&AG's vetting remarks received on 21.12.2005 have been forwarded to FCI on 23.12.2005 for revised comments. FCI's reply is awaited.

5. Audit Observation

Food Corporation of India suffered a loss of Rupees 7.03 crore due to acceptance of rice in deviation of specifications laid down by the Government of India and on its transportation.

(Para No. 6.1.5 of Report No. 3 of 2005-Commercial)

Action taken by the Department

Action Taken Note sent to C&AG on 16.12.2005 for vetting.

6. Audit Observation

Custody and maintenance charges of Rupees 5.26 crore were reimbursed during 1997-98 to 2002-03 without ensuring that these were incurred by the State of Haryana and its agencies leading to avoidable subsidy burden on Government of India.

(Para No.6.1.6 of Report No.3 of 2005-

Commercial)

Action taken by the Department

Action Taken Note sent to C&AG on 07.12.2005 for vetting.

7. Audit Observation

Recovery of value cut on Custom Milled Rice at rates for Levy Rice resulted in loss of Rupees 2.56 crore.

(Para No.6.1.7 of Report No.3 of 2005- Commercial)

Action taken by the Department

FCI's reply returned for further clarifications.

8. Audit Observation

The Corporation suffered a loss of Rupees 2.14 crore on tender sale of wheat instead of issuing the wheat under Sampoorna Grameen Rozgar Yojana.

(Para No. 6.1.8. of Report No.3 of 2005- Commercial)

Action taken by the Department

This para was received in April, 2005. Action Taken Note (ATN) was prepared on the basis of material made available by the FCI and sent to the office of the C&AG on 8th, June, 2005 for vetting. Office of the C&AG returned the ATN with vetting remarks vide letter dated 1st September, 2005. The FCI was asked to furnish comments on the vetting remarks on 12th September, 2005 which are still awaited.

9. Audit Observation

Over-payment of Rupees 1.70 crore during 1998-99 and 2000-01 due to inconsistency in computation of interest charges.

(Para No.6.1.9 of Report No.3 of 2005 (Commercial))

Action taken by the Department

ATN sent to C&AG on 10.11.2005 for vetting.

10. Audit Observation

The FCI suffered a loss of Rupees 1.18 crore on account of delay in taking action in disposal of deteriorated stocks.

(Para No. 6.1.10 of Report No. 3 of 2005 -commercial)

Action taken by the Department

This para was received in April, 2005. Action Taken Note was prepared on the basis of information made available by the FCI and sent to the office of the C&AG on 25th July, 2005 for vetting. The office of C&AG returned the ATN with vetting remarks on 7th October, 2005. The FCI was asked to furnish comments on the vetting remarks of the Audit on 19th October, 2005 which are still awaited.

11. Audit Observation

The FCI incurred an avoidable expenditure of Rupees 97.07 lakh due to delayed acquisition of land for Railway siding.

(Para No. 6.1.11 of Report No. 3 of 2005 -commercial)

Action taken by the Department

Action Taken Note sent to C&AG on 20.12.2005 for vetting.

12. Audit Observation

The Zonal Management refunded Rupees 75 lakh to a private party without ensuring the interest of the Corporation.

(Para No. 6.1.12 of Report No. 3 of 2005 -commercial)

Action taken by the Department

Reply received from FCI is being examined in the Department for preparation of Action Taken Note.

13. Audit Observation

Hindustan Vegetable Oils Corporation Limited lost an interest income of Rupees 98.60 lakh by keeping the surplus fund of Rupees 13.92 crore in saving/current account, which could have been invested in fixed deposits.

(Para No. 10.1.1 of Report No. 3 of 2005 -commercial)

Action taken by the Department

Reply for preparation of ATN is awaited from HVOC.

14. Audit Observation

Review on Export of Foodgrains

The Government of India (GOI) permitted the Food Corporation of India (FCI) to offer wheat and rice for export due to heavy accumulation of stocks in central pool. This was due to increased procurement neither justified from the production point of view nor from off-take. FCI issued 33.24 million MT of wheat and rice for export during the period from November, 2000 to February, 2004.

·I The fixation of lower export price for wheat due to adoption of lower economic cost and higher carrying cost resulted in additional subsidy burden of Rupees 1608.63 crore.

I· The exporters were allowed pick and choose policy in lifting the stocks of wheat and rice leading to unwarranted inland movement of foodgrains involving heavy freight charges at the cost of FCI. The freight charges incurred in 22 districts test checked in Audit worked out to Rupees 516.36 crore.

The high incidence of freight charges on inland movement also had the effect of reducing the net realization from exports, which fell below the BPL rate.

The FCI reimbursed transportation charges of Rupees 105.27 crore without obtaining the prescribed documents as directed by the Ministry.

The exporters to Bangladesh were given an unintended benefit of Rupees 44.25 crore in transportation of foodgrains by rail.

The exporters were given undue benefit of Rupees 20.20 crore by allowing them to lift the foodgrains after price revision.

There were many deficiencies in export operations, besides non-compliance of instructions of the Ministry such as reimbursement of road transportation charges without proper proof of payment, giving allowances when not required, extending undue benefit to exporters, issue of foodgrains at pre-revised rates after price revision etc. There were also instances of irregularities, that is, non-

recovery of penalties, non-submission of export documents, doubtful cases of exports and non-existence of adequate internal control mechanism.

(Chapter V of Report No. 4 of 2005-

Commercial)

Action taken by the Department

Draft Action Taken Note is being processed in the Department for sending to C&AG for vetting.

Departmentalised payment and accounting organisation

Organisational Set Up

6.48 The Departmentalised payment and accounting organization of the Department of Food and Public Distribution has four Pay and Accounts Offices located at New Delhi, Mumbai, Chennai and Kolkata besides one Principal Accounts Office located at New Delhi. Chief Controller of Accounts is the Head of the payment and accounting organization in respect of Department of Food and Public Distribution as well as Department of Consumer Affairs, which too has 4 Pay and Accounts Offices located at New Delhi, Mumbai, Chennai and Kolkata.

6.49 The Organization functions under overall cadre control of the Controller General of Accounts, Ministry of Finance, and Department of Expenditure in respect of Gr. 'A' and '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 and FA and CCA of the Department of Food and Public Distribution.

Functions of Organisation

6.50 The Payment and Accounting Organisation under the Chief Controller of Accounts is responsible for: -

- (i) Arranging payments, through Pay and Accounts Offices and cheque drawing and disbursing officers of pay and allowances, provident fund claims, office contingencies, miscellaneous payments, loans and advances to Government Servants and others as well as grants-in-aid. There are 4 PAOs, 1 CDDO and 12 Non-CDDOs in the

Department of Food and Public Distribution. The Non-CDDOs present their claims/bills to the accredited PAOs who issue cheques after scrutiny of the bills. The CDDOs are authorised to make payments for salaries and contingent claims after observing the relevant checks. The CDDO issues cheques on the basis of Letter of Credit (LOC) issued in their favour by the PAOs to the accredited bank branches.

(ii) Issuance of Pension Payment Orders (PPO) in respect of retiring Government Servants and payment of retirement benefits.

(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.

6.51 In the PAO's Office, a new project COMPACT has since been introduced by the CGA and is being implemented during the current financial year. The software covers the major accounting tasks of the PAO's and supplies input to the CONTACT software working at the Principal Accounts Office. It is designed and developed with an attempt to address all the Software System Attributes such as availability, portability, security and maintainability. The features of the new software are :-

(i) It is at the lowest level of accounting and it provides information to the higher levels of Accounting system for further processing.

(ii) It covers all the major accounting and payment functions i.e. Pre Check, Budget, Compilation, GPF and Pension.

(iii) It aims at generation of Monthly Consolidated Accounts data in the Electronic format for incorporation of the Principal Accounts Offices in the CONTACT Software database.

(iv) It is to provide various managerial reports for expenditure analysis like Expenditure Control Register, Receipts versus Expenditure comparison, Date wise Monthly Statement (DMS) etc.

(v) It would help in preparation/printing of cheques to be issued by the PAOs.

6.52 The Principal Accounts Office of this Ministry generates periodic reports like the monthly accounts and the annual accounts. The monthly accounts fulfill the need of day-to-day administration. The annual accounts represent a fairly accurate view of the financial stewardship of the Government during the year. The Principal Accounts Office compiles the monthly accounts submitted to it by the various PAOs through another software called 'CONTACT'. The consolidated account of the Ministry is sent to the Ministry of Finance, Controller General of Accounts for further consolidation of accounts of the Union of India. Several reports are generated using 'CONTACT'

6.53 The Internal Audit is managed by three Audit Parties, two at Kolkata and one at Headquarters New Delhi. The periodicities of audit of the DDOs are in accordance with the relevant provisions of the Internal Audit Manual of this organization. On completion of Audit, inspection reports are compiled and vetted by the officer incharge and issued to the concerned administrative heads and concerned DDOs for compliance and remedial action.

6.54 During the financial year 2004-05, 51 units came under the preview of Audit. However, only 44 units could be audited in 2004-05. Steps are being taken to clear backlog arising mainly due to non-constitution of Headquarters party.

6.55 A number of paras raised by audit have resulted in recovery of over payments. Suggestions were also made by Internal Audit Parties to DDOs for proper maintenance of records and accounts. Also advised to make payments in accordance with the rules and provisions of the Government of India.

Achievements (Up to November' 2005):

(i) The original outlay of the Department of Food and Public Distribution is Rs. 27149.30 crore under Grant No. 19 during 2005-06. No Supplementary grant has been obtained till November, 2005.

(ii) Payment of Subsidy to FCI/State Government is Rs. 13060.56 crore and 2111.43 crore respectively upto November, 2005.

(iii) The Pay and Accounts Office of the Department of Food and Public Distribution settled as many as 146 pension cases and 130 revision of pension cases during 01-04-2004 to 30-11-2005.

(iv) Pay and Accounts Offices of Department of Food and Public Distribution maintains 700 live GPF accounts and have settled 49 final payment cases during 01-04-2004 to 30-11-2005.

(iv) The Internal Audit unit conducted internal audit of 44 units.

Vigilance Organisation

6.56 The vigilance function at the Department of Food and Public Distribution, its Attached and Sub ordinate Offices and the Public Sector Undertakings is looked after by a Chief Vigilance Officer in the rank of Joint Secretary to the Government of India. At the main Department a Director, an Under Secretary and a Desk Officer, besides three ministerial staff, assist him.

6.57 At the two major PSUs i.e. FCI and CWC, under the Department, the vigilance function is headed by full time CVOs, both of whom are senior officers of the Indian Police Service and have elaborate vigilance set up at different levels of the Corporations. For the attached and subordinate offices, where direct monitoring by the CVO is not feasible, a senior officer/Head of the office is entrusted with the responsibilities of vigilance officer.

6.58 In keeping with the changing focus of vigilance function, from punitive to preventive, it has been the endeavour of the CVO and his team, to address the faulty systems and procedural flaws, which permit acts of omission and commission to flourish. The cues for preventive vigilance activities are taken from the Annual Action Plan on Anti Corruption Measures of the DOP&T and guidelines being issued by the CVC from time to time.

6.59 Importance of some of the standard tools of preventive vigilance, such as review of Annual Property Returns, rotational transfers and surprise inspection are being re-emphasized at all levels in the Department, its attached and subordinate offices and the PSUs. Periodical meetings are held with the CVOs of the PSUs to review their performance and last year there had been remarkable progress in

disposal of long pending disciplinary cases on vigilance account at both the PSUs and the main Department.

6.60 The stress of Vigilance is mainly on digitization, transparency in all aspects of government functioning and system overhaul, all of which are expected to bring about more visible improvement in our drive to ensure an honest environment.

ANNEXURE-I

STATEMENT SHOWING ESTIMATED PRODUCTION DURING 2005-06 (KHARIF SEASON) AND FOOGRAIN PRODUCTION DURING 2004-05

Crop	Season	2004-05		2005-06
		2nd advance estimates	4th advance estimates \$	2nd advance estimates#
1	2	3	4	5
Rice	Kharif	73.29	71.67	75.98
	Rabi	14.51	13.64	11.88
	Total	87.80	85.31	87.86
Wheat	Rabi	73.03	72.00	73.06
Jowar	Kharif	3.94	4.04	4.08
	Rabi	3.59	3.61	3.71
	Total	7.53	7.65	7.79
Bajra	Kharif	6.46	8.11	7.33
Maize	Kharif	11.35	11.60	12.81
	Rabi	2.23	2.53	2.18
	Total	13.58	14.13	14.99
Ragi	Kharif	2.45	2.49	2.08
Small Millets	Kharif	0.40	0.46	0.4
Barlev	Rabi	1.46	1.08	1.41
Coarse Cereals	Kharif	24.60	26.70	26.70
	Rabi	7.28	7.22	7.30
	Total	31.88	33.92	34
Cereals	Kharif	97.89	98.37	102.68
	Rabi	94.82	92.86	92.24
	Total	192.71	191.23	194.92
Tur	Kharif	2.26	2.56	2.57
Other Kharif Pulses	Kharif	2.78	2.39	2.90
Gram	Rabi	5.78	5.63	5.93
Other Rabi Pulses	Rabi	2.85	2.80	3.00
Total Pulses	Kharif	5.04	4.95	5.47
	Rabi	8.63	8.43	8.93

	Total	13.67	13.38	14.4
Total Foodgrains	Kharif	103.32	108.15	108.15
	Rabi	101.29	101.17	101.17
	Total	204.61	209.32	209.32

\$ As on 06.07.2005

As on 22.02.2006

ANNEXURE-II

Monthly Average of Wholesale Price Index of Foodgrains

(Base: 1993-94 = 100)

COMMODITY NAME	YEAR	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC
Food Grains	1998	144.5	142.1	140.2	139.2	139.8	141.9	146.1	148.2	150.1	152.7	156.9	157.4
	1999	159.7	165.9	166.5	168.2	169.7	172.8	175.8	180.5	183.2	182.9	180.9	177.1
	2000	175.4	174.8	175.3	177.6	178.0	178.4	179.0	176.2	172.7	170.5	171.1	172.1
	2001	171.0	169.2	169.8	171.1	173.0	175.7	175.6	174.1	173.3	172.9	172.4	171.2
	2002	168.9	169.7	170.7	170.1	169.9	170.7	172.6	175.8	177.1	175.1	175.9	175.6
	2003	175.2	176.9	177.3	176.1	176.1	177.3	177.5	176.4	175.9	176.6	176.0	174.2
Cereals	2004	176.4	177.7	175.4	172.7	173.2	174.1	175.4	178.7	178.9	179.0	178.9	179.3
	2005	179.3	180.2	179.9	179.1	179.2	182.1	184.9	185.6	186.1	187.0	188.4	
	1998	142.1	139.9	138.4	137.9	139.1	141.3	144.9	147.0	149.1	150.3	154.2	154.5
	1999	158.0	166.5	168.3	170.0	170.7	173.8	177.3	182.7	184.9	183.6	181.9	178.7
	2000	176.7	176.3	176.6	178.4	178.4	178.4	178.3	175.5	172.0	169.4	169.4	170.1
	2001	169.6	168.2	168.2	169.6	171.3	173.3	173.2	171.1	170.4	169.6	169.3	168.4
1998	2002	166.8	168.4	169.8	168.9	168.6	169.1	171.6	174.8	175.8	173.6	174.4	175.1
	2003	175.6	177.3	177.4	176.0	175.9	177.4	177.4	176.4	176.0	176.3	175.7	174.1
	2004	176.5	178.0	175.7	172.9	173.5	174.6	175.6	178.9	178.7	178.9	179.1	179.7
	2005	180.1	181.5	181.5	180.0	179.5	182.3	184.5	185.1	185.5	186.2	186.6	
	1999	133.2	132.4	134.5	136.3	137.4	139.0	141.3	144.5	147.8	148.1	148.3	147.3
	2000	148.4	157.1	159.3	167.0	167.3	170.5	172.2	176.9	178.3	178.8	175.8	169.7
Wheat	2001	166.9	166.0	166.6	169.9	171.0	171.9	173.1	170.5	167.6	164.3	162.8	164.8
	2002	164.8	163.8	165.1	166.8	169.3	171.0	171.1	168.6	169.8	168.9	168.3	165.6
	2003	161.5	161.6	161.6	162.4	162.5	162.6	166.4	168.0	168.6	167.0	166.9	165.8
	2004	165.9	167.0	168.4	168.3	169.9	171.0	171.9	172.4	172.6	172.7	169.3	163.2
	2005	164.4	165.5	164.5	163.3	164.9	166.6	167.1	169.0	170.2	170.1	169.1	168.7
	1998	168.5	170.2	170.3	170.9	170.5	173.7	175.8	177.5	177.8	178.1	176.8	
Wheat	1999	153.0	148.8	140.8	136.4	137.5	140.0	145.4	146.9	146.7	148.8	155.6	156.7
	2000	162.9	171.7	173.2	163.4	161.7	164.7	170.8	175.0	178.6	179.3	180.9	180.2
	2001	180.8	180.7	180.3	179.8	178.4	178.8	178.3	177.4	175.8	175.9	177.1	176.1
	2002	175.6	174.0	172.0	173.9	175.1	176.3	177.2	175.6	172.7	173.5	174.8	175.5
	2003	173.9	177.0	178.4	173.0	171.5	172.0	172.3	173.0	175.0	175.2	177.1	178.6
	2004	179.1	182.1	179.9	176.5	174.8	176.2	176.1	176.0	176.3	178.0	183.2	187.1
2005	190.9	192.6	188.6	180.3	178.0	179.4	179.8	183.9	183.7	184.6	186.7	187.7	
	2005	188.5	189.6	187.2	180.9	180.0	183.6	186.1	184.8	184.9	187.0	191.0	

Source: Department of Agriculture and Cooperation