

Chapter II Performance Audit

This chapter contains the findings of Performance Audit on Procurement of paddy, milling and supply of custom milled rice.

Food Supplies and Consumer Welfare Department

2.1 Procurement of paddy, milling and supply of custom milled rice

EXECUTIVE SUMMARY

Decentralised Procurement Scheme (DPS) was introduced to enhance the efficacy of procurement of paddy for Public Distribution System (PDS) by encouraging local procurement and extending the benefits of Minimum Support Price (MSP) to farmers. The Performance Audit was conducted to assess the efficacy of the system of procurement, milling of paddy and supply of custom milled rice.

Food Supplies and Consumer Welfare Department of the State Government implemented an online registration system for farmers during 2014-15. No such system existed up to 2013-14 Kharif Marketing Season (KMS) for assessing the quantity of self-consumption. Therefore, the marketable surplus could not be assessed properly as the trend in consumption widely varied and the district-wise targets for procurement fixed by the Department were changed several times. Even during 2014-15 KMS, the targets for marketable surplus were not assessed based on the data available through online system of farmers, as only 52.32 lakh MT (63 per cent) out of 83.22 lakh MT was targeted for procurement. Odisha State Civil Supplies Corporation Limited (OSCSC) procured paddy valuing ₹ 25,509 crore during 2010-15, but subsidy of ₹ 581.68 crore relating to this period was not released by GoI due to delay in finalisation of accounts.

Paddy Procurement Centres (PPC) were not functioning properly as delay/non-opening of PPCs, absence of godown facilities, non-calibration of weighing machines and non-intimation of actual dates of procurement to farmers were noticed.

Against marketable surplus of 8,512.44 quintals, 17,981.51 quintals i.e. 9,469.07 quintals excess paddy was procured from 25 farmers and 1,914.19 quintals of paddy was procured from 19 farmers who had no agricultural land. Similarly, paddy was also procured without verifying farmers' identity, without issuing vendors receipts, etc. The payments to farmers were either delayed or not paid. In seven test checked districts, Minimum Support Price (MSP) of ₹ 22.61 crore was paid to 2,635 farmers for procurement of 18,001.96 MT paddy with a delay ranging from 2 to 188 days. Thus, a robust system to manage the procurement operation of paddy under DPS was not established and the same was not commensurate to the magnitude of the procurement involved (₹ 25,509 crore) for 2010-15.

Instead of conducting required quality analysis, arbitrary deduction of 2 to 4 Kg was made from the quantity offered for sale by the farmers. As a result, an estimated quantity of 2.51 lakh MT of paddy worth ₹ 305.17 crore might have been unduly passed on to the millers during 2010-15.

Cover and Plinth (CAP) covers valuing ₹ 1.24 crore purchased in December 2014 for creating CAP facilities to store procured paddy during the intervening period of delivery to millers was not utilised.

Two hundred eleven millers were selected during 2010-15 KMS without verifying required documents like certificates from State Pollution Control Board, Encumbrance Certificate, registration certificate from District Industries Centre, etc. Against the eligible limit of 5.75 lakh MT of paddy, 170 millers were permitted to take delivery of 9.48 lakh MT of paddy resulting in excess delivery of 3.73 lakh MT.

In 26 cases of four test checked districts, societies were tagged to distant mills by 12 to 185 kilometres despite existence of nearby societies leading to excess payment of ₹ 61.14 lakh towards transportation charges. In two test checked districts, there was excess payment towards custody and maintenance charges amounting to ₹ 42.90 lakh. During 2010-14 KMS, there was short delivery of 0.72 lakh MT of Custom Milled Rice (CMR) by millers. There was also misappropriation of 11,243 MT of paddy valuing ₹ 40.78 crore by 20 millers in test checked districts.

Monitoring and supervision was not adequate leading to excess lifting of paddy by the custom millers, misappropriation/ doubtful procurement of paddy, delay in delivery of CMR by millers, etc. Shortfalls in holding of District Level Procurement Committee meetings and absence of random check of PPCs/ mills were also noticed.

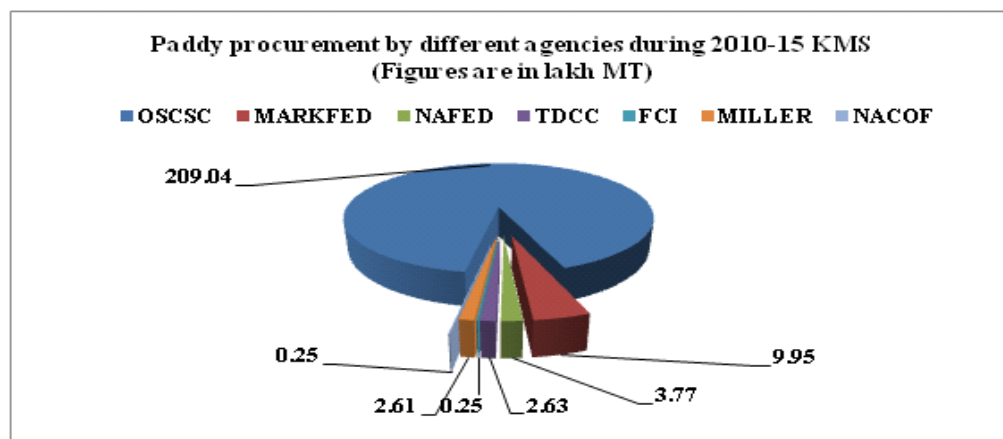
2.1.1 Introduction

Government of India (GoI) introduced (1997-98) Decentralised Procurement Scheme (DPS) for paddy with a view to enhance the efficacy of procurement for Public Distribution System (PDS) and encourage local procurement to the maximum extent for extending the benefits of Minimum Support Price (MSP) to local farmers. Under the scheme, the Food Supplies and Consumer Welfare (FS&CW) Department of the State Government undertakes purchase of paddy directly from the farmers, mill to Custom Milled Rice (CMR), store and distribute under PDS. Out of the surplus, an agreed quantity of CMR is delivered to the Food Corporation of India (FCI).

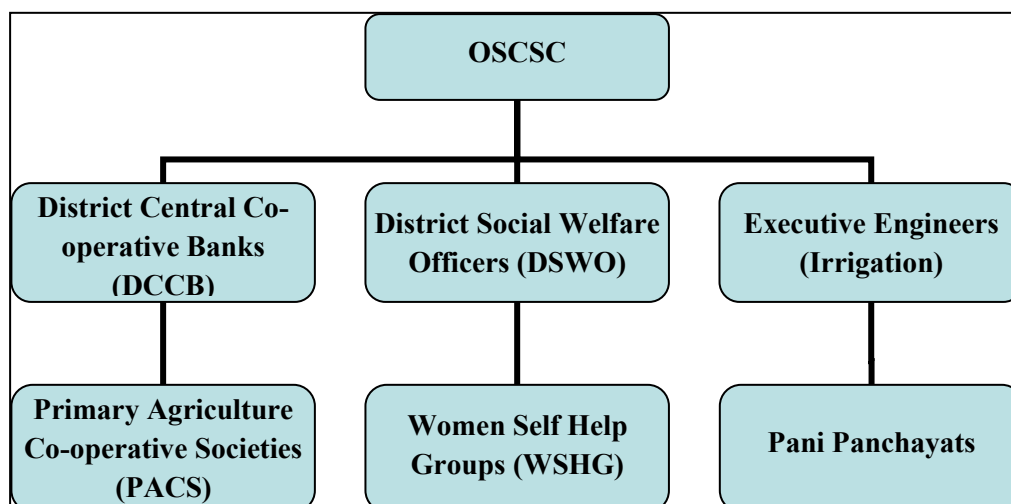
The State Government implemented Decentralised Procurement Scheme (DPS) in the State from 2003-04 Kharif Marketing Season¹ (KMS). Accordingly, the State Government issues Food and Procurement Policy (FPP) for each KMS, which, *inter alia*, envisages the quantity of paddy to be

¹ 1 October to 30 September

procured in the State, as well as target for procurement by different Government agencies. During 2010-15, seven² agencies were engaged for procurement of paddy including Odisha State Civil Supplies Corporation Limited (OSCSC). The share of different agencies in total procurement of 228.50 lakh MT paddy in the State during 2010-15 KMS is depicted in the following pie chart.



While OSCSC procured 91 *per cent* (209.04 lakh MT) of the total procurement during 2010-15, the balance (19.46 lakh MT) was procured by other agencies. OSCSC frames Operational Guidelines for the entire procurement operation every year in line with the FPP of the State Government, which provides detailed procedure to be observed by the sub-agencies at the field level. OSCSC procures paddy through different sub-agencies (referred to as societies). The process of procurement by OSCSC is depicted in the chart below:



OSCSC executes agreements with DCCB, DSWO and Executive Engineer (Irrigation) separately for each KMS with a provision of commission at a rate

² Odisha State Civil Supplies Corporation Limited, Odisha State Co-operative Marketing Federation Limited (MARKFED), National Agricultural Co-operative Marketing Federation of India Limited (NAFED), Food Corporation of India (FCI), Tribal Development Co-operative Corporation of Odisha Limited (TDCC), National Agriculture Co-operative Federation (NACOF) and private rice millers

of two *per cent* of MSP. A Committee formed under the chairmanship of the District Collector in each district *viz.* District Level Procurement Committee (DLPC) prepares a list of eligible societies for paddy procurement. The farmers register themselves with these societies by specifying proposed quantity of paddy to be sold.

The societies procure paddy through Paddy Procurement Centres (PPC). The DLPCs identify places for opening PPCs on the basis of quantity of paddy available for procurement and distance from the surrounding villages/ Gram Panchayats. The DLPCs specify the dates on which paddy shall be procured and accordingly, the farmers bring paddy to PPCs. After verification of proof of identity of farmers, quality tested paddy is procured from farmers and value of paddy at MSP is paid to the farmers. Up to 2013-14 KMS, MSP was paid through account payee cheques and from 2014-15 KMS, online payment was made. The societies deliver the procured paddy to the custom millers by issuing transit pass.

2.1.2 Organisational set up

The entire operation of paddy procurement and milling under DPS is done under the overall supervision of the FS&CW Department, which is headed by the Commissioner-cum-Secretary and the OSCSC, the lead Government agency for procurement, headed by the Managing Director. At district level, the District Collector is responsible for selection of sub-agencies and custom millers, execution of agreement with custom millers, deployment of Purchase Officers, *etc.* The District Collectors are assisted by the Civil Supplies Officer-cum-District Manager (CSO-cum-DM).

2.1.3 Audit objectives

The objectives of the Performance Audit were to assess whether:

- A robust system was in place for procurement of paddy in conformity with Food and Procurement Policy of the State;
- Milling of procured paddy was conducted in an economic and efficient manner;
- Delivery of CMR was done in time and in conformity with prescribed norms; and
- Monitoring and supervision was adequate and effective.

2.1.4 Audit criteria

Performance Audit was evaluated with reference to the following criteria:

- Food and Procurement Policies of the State Government;
- Operational guidelines framed by OSCSC;
- Agreements entered into with Custom Millers; and
- Instructions issued by GoI and State Government from time to time.

2.1.5 Scope and methodology of Audit

Audit was conducted during May-September 2015, covering the KMS from 2010 to 2015. Audit test checked records of FS&CW Department, OSCSC and eight out of 30 CSO-cum-DMs. The samples were selected through Stratified Random Sampling Without Replacement, on the basis of quantity of paddy procured, CMR delivered and shortage of CMR. Audit randomly selected two Blocks from each sampled district and two societies from the sample Blocks. Accordingly 31³ societies were selected to scrutinise records relating to procurement. The list of sampled CSO-cum-DMs and societies are in *Appendix 2.1.1*. In the presence and at the request of Audit, CSO-cum-DMs conducted physical inspection of mills of 24 Custom Millers. Photographs were taken, wherever considered necessary. Feedback from 331 farmers were also obtained through an administered questionnaire.

The Audit objectives, criteria, scope and methodology of the Performance Audit were discussed with the Commissioner-cum-Secretary, FS&CW Department in an Entry Conference held on 27 May 2015. The draft report was also discussed with the Commissioner-cum-Secretary in an Exit Conference held on 15 December 2015. Their views have been incorporated appropriately, wherever required.

Audit Findings

2.1.6 Financial management

During 2010-15, the OSCSC made a budget provision of ₹ 22,464 crore and procured paddy worth ₹ 25,509 crore under DPS as detailed in the table given below:

Table 2.1.1 Budget provision vis-a-vis value of paddy procured during 2010-15

| Year | Budget provision | Value of paddy procured |
|--------------|------------------|-------------------------|
| 2010-11 | 3676 | 3107 |
| 2011-12 | 3676 | 4083 |
| 2012-13 | 3971 | 6253 |
| 2013-14 | 5393 | 5284 |
| 2014-15 | 5748 | 6782 |
| Total | 22464 | 25509 |

(Source: Records of OSCSC)

Expenditure on procurement of paddy during 2010-15 was in an increasing trend except during 2013-14, which was less due to occurrence of a cyclonic storm 'Phailin'. The expenditure on procurement always exceeded the budgeted amount as the target for procurement was fixed on an *ad hoc* basis.

Further, as per Memorandum of Understanding signed between the GoI and Government of Odisha for Decentralised Procurement, 95 per cent of the admitted claim of the agencies of the State Government is to be paid as provisional subsidy. The balance five per cent is to be released based on the audited accounts and determination of final economic cost. Audit noticed that

³ In Bissamcuttack Block, since there was only one society total sampled societies are 31

the accounts of the OSCSC were finalised only up to 2012-13. Against the subsidy claim of ₹ 15,769.06 crore during the years 2010-15, the Corporation received only ₹ 15,187.38 crore. The balance of ₹ 581.68 crore was not released due to non-finalisation of accounts and non-submission of the same to GoI in time.

2.1.7 Production vis-a-vis Procurement target

One of the main objectives of DPS was to procure surplus paddy from the farmers at MSP for providing assured financial support for their produce. The FPPs for the KMS envisaged assessment of yield per hectare and area under cultivation of paddy by the Agriculture Department to assess the total production. Further, all societies were to prepare a database of farmers and CSO-cum-DMs were to consolidate the figures of the societies and transmit it to the FS&CW Department.

The KMS-wise area under paddy cultivation in the State, production and target of procurement fixed by the FS&CW Department during 2010-15 KMS is shown in the table below:

Table 2.1.2: KMS-wise area under paddy cultivation, production and target of procurement of paddy

| KMS | Area under paddy cultivation (in lakh hectare) | Production (in lakh MT) | Target (in lakh MT) | Change in target comparing to previous year | Consumption (Production less target) (in lakh MT) |
|--------------|--|-------------------------|---------------------|---|---|
| 2010-11 | 42.26 | 103.45 | 47.06 | -- | 56.39 |
| 2011-12 | 40.04 | 89.32 | 46.46 | -0.6 | 42.86 |
| 2012-13 | 40.23 | 143.89 | 58.64 | 12.18 | 85.25 |
| 2013-14 | 41.80 | 115.35 | 47.74 | -10.9 | 67.61 |
| 2014-15 | 41.66 | 148.98 | 52.32 | 4.58 | 65.76 ⁴ |
| Total | 205.99 | 600.99 | 252.22 | | |

(Source: Data furnished by FS&CW and Agriculture Departments)

The mechanism to assess the quantity for self-consumption and marketable surplus was not in place for the period 2010-14 KMS. The societies also did not prepare the database of farmers to determine the marketable surplus. Therefore, the quantity of paddy set aside in each KMS towards consumption was not properly assessed and thus there was no definite trend in consumption pattern. During 2014-15 KMS, Government introduced an online system for registration of farmers with all details, including extent of land cultivated under paddy for assessment of marketable surplus and online payment of MSP directly to the farmers' bank account through Paddy Procurement Automation System. But, it was observed that the target fixed for procurement was not found to be based on the marketable surplus of paddy assessed through the online system as discussed below.

- During 2014-15 KMS, the marketable surplus of 83.22 lakh MT of paddy was assessed through the online system of registration of farmers. However, the Department fixed a target of 52.32 lakh MT

⁴ Production in the KMS (148.98 lakh MT) less assessed marketable surplus (83.22 lakh MT)

which was only 63 *per cent*, thereby leaving 30.90 lakh MT of surplus paddy not covered under the DPS scheme.

- The initial district-wise target for procurement fixed by the Department was changed several times in a KMS on the basis of representation of farmers and recommendations of the District Collectors. The initial targets fixed for eight sampled districts and subsequent changes made during 2010-15 KMS are indicated in the **Appendix 2.1.2**. It was observed that for all KMSs, the initial targets were revised and the extent of change ranged from (-) 22.18 to 210.88 *per cent*.

Thus, even after introduction of the new system of registration of farmers during 2014-15 KMS, targets were fixed on *ad hoc* basis and were not based on a realistic assessment of marketable surplus using the data from the above system.

The Department admitted (December 2015) in the Exit Conference that the database of farmers were not prepared up to 2013-14. It had been prepared from 2014-15 and registration of farmers had been made mandatory for procurement of paddy.

2.1.7.1 Target and achievement in procurement

The quantity of paddy procured in the State *vis-a-vis* target for KMSs 2010-15 were as follows:

Table 2.1.3: Target and achievement in procurement of paddy

| KMS | Target | | | Procurement | | | Shortfall | | |
|--------------|---------------|--------------|---------------|---------------|--------------|---------------|-------------|--------------|--------------|
| | OSCSC | Others | Total | OSCSC | Others | Total | OSCSC | Others | Total |
| 2010-11 | 33.80 | 13.26 | 47.06 | 31.00 | 5.97 | 36.97 | 2.80 | 7.29 | 10.09 |
| 2011-12 | 39.69 | 6.77 | 46.46 | 37.81 | 5.09 | 42.90 | 1.88 | 1.68 | 3.56 |
| 2012-13 | 53.05 | 5.59 | 58.64 | 50.02 | 4.15 | 54.17 | 3.03 | 1.44 | 4.47 |
| 2013-14 | 42.25 | 5.49 | 47.74 | 40.34 | 1.67 | 42.01 | 1.91 | 3.82 | 5.73 |
| 2014-15 | 49.79 | 2.53 | 52.32 | 49.87 | 2.58 | 52.45 | (+)0.08 | (+)0.05 | (+)0.13 |
| Total | 218.58 | 33.64 | 252.22 | 209.04 | 19.46 | 228.50 | 9.54 | 14.18 | 23.72 |

(Source: Information furnished by FS & CW Department)

There was a shortfall in achievement of targets ranging from 3.56 lakh MT to 10.09 lakh MT during 2010-14 KMS. The share of OSCSC was 9.54 lakh MT (40.22 *per cent*), out of total shortfall of 23.72 lakh MT due to various reasons as discussed in the succeeding paragraphs.

The Department stated (December 2015) in the Exit Conference that target for procurement was allocated based on surplus paddy as per farmers' registration and not based on production data furnished by the Agriculture Department. The fact, however, remains that the societies had not prepared database of farmers during 2010-14 KMS and the target fixed for 2014-15 KMS was less than the marketable surplus of the registered farmers.

2.1.7.2 Poor functioning of PPCs

As per the Operational Guidelines, the location of PPCs shall be decided by the Collectors taking into account availability of sufficient infrastructure.

Procurement of paddy from farmers shall be made from 1 October in each KMS.

Audit noticed the following:

- **Delay in opening of mandi:** In two districts namely Jharsuguda and Kalahandi, early variety of paddy is harvested during November. All the PPCs in these two districts (Jharsuguda: 28 to 32 and Kalahandi: 85 to 132) were opened only in late November or after December despite representation of the farmers to the Collectors for procuring early variety of paddy. As a result, farmers were forced to sell paddy to middle men at much lower rates (*i.e.* ₹ 700 to ₹ 800 per qtl.) than the MSP (₹ 1,310 per qtl.) as was reported (25 November 2013) by the farmers' association to the Collector, Kalahandi.

The Department stated (December 2015) in the Exit Conference that exact quantity of production of early variety of paddy was not known and Revenue Department was being requested to distinguish between Autumn and Winter paddy. The reply is, however, silent on the reason for not heeding to the request of farmers.

- **Non-opening of PPCs:** In three⁵ test checked districts, PPCs were opened without considering the convenience of farmers. In case of seven PPCs, farmers had to cross a river to sell their paddy as well as bring paddy from a distance of 10 to 35 km. One PPC (Bandigaon of Kalahandi district) was to be closed (2012-13 KMS) on the ground of non-availability of staff, despite the demand from farmers' representative before the DLPC to continue the same.
- **Absence of godown facilities:** Out of 31 sampled societies, 23 societies had no godown and cemented platform. 1,516 to 4,68,562 quintals of paddy were procured during 2010-15 KMS and were stored in open space.

In the Exit Conference, the Department, while admitting (December 2015) non-availability of godown facilities with the societies, stated that it was beyond their scope as societies were under the Co-operation Department. The fact, however, remains that the Department did not take into account availability of godown space with the societies while selecting them for procurement of paddy.

- **Non-verification of weighing machines:** Regulated Marketing Committees (RMCs) were responsible for providing verified weighing machines to the PPCs for procurement of paddy. However, RMCs at Kesinga and Utkela in Kalahandi district did not get their weighing machines verified regularly, before providing to PPCs, in order to ensure that quantity of paddy was weighed correctly.

The Department stated (December 2015) in the Exit Conference that instructions would be issued to the Controller of Legal Metrology to sort out the problem.

⁵ Jharsuguda, Kalahandi and Sambalpur

- **Non-intimation to farmers:** As per the Operational Guidelines, farmers were to be intimated the date and quantity of purchase at PPCs. However, during 2010-15 KMS, individual farmers were not informed about the exact date of their procurement in 18 Primary Agriculture Co-operative Societies (PACS). Only the date of opening of *mandi* was informed. This led to congregation of farmers with accumulation of huge quantity of paddy *i.e.* up to 306 farmers with 17,451 quintals of paddy on one day and very thin attendance with very less arrivals of paddy (one farmer with 14.34 quintals of paddy) on another day.

There were also grievances posed to the Collector that the farmers had to sleep in the *mandis* for nights together due to delay in procurement of paddy at PPCs. In reply, the CSO-cum-DM agreed to look into the matter in future.

Thus, functioning of PPCs was found to be deficient as these were opened belatedly, not equipped with necessary facilities for smooth procurement operation.

2.1.7.3 Procurement of paddy from farmers without verification of identity

As per FPP, farmers can sell their paddy through any of the Government declared documents like Kissan Credit Card (KCC), Land Pass Book, Record of Rights (RoR), Farmer's Identity Card (FIC) and Elector's Photo Identity Card (EPIC). The Purchase Officer shall verify the above documents before purchase of paddy and also enter the document number in the vendor receipt and purchase register. Further, as per the Operational Guidelines, the farmers are eligible to sell only their marketable surplus. The society shall purchase paddy from the registered farmers whose new authenticated land details are available in the office of the Revenue Inspector (RI). After weighment of paddy, payment would be made based on the vendor receipt issued to the farmers.

Audit noticed the following deviations:

- **Procurement of paddy more than the marketable surplus:** In five societies⁶ of four sampled districts, 25 farmers sold 17,981.51 quintals of paddy as against their marketable surplus of 8,512.44 quintals *i.e.* 9,469.07 quintals in excess were procured during 2012-15 KMS.
- **Purchase of paddy from persons having no agricultural land:** In three societies⁷, 1,914.19 quintals of paddy valuing ₹ 18.22 lakh was purchased during 2013-15 KMS from 19 persons who had no agricultural land in their names, as verified from the records available at the concerned RIs. CSO-cum-DMs stated (August 2015) that PACSs and DCCBs had been instructed to clarify the position.

⁶ Jharmunda (Jharsuguda), Dharamgarh (Kalahandi), Remed (Sambalpur), Ambadala and Bissamcuttack (Rayagada)

⁷ Dharamgarh (Kalahandi), Muniguda (Rayagada) and Liang (Sundargarh)

- **Procurement of paddy without farmers' identity:** In four⁸ societies of three sampled districts, 4,035 MT of paddy valuing ₹ 5.05 crore was procured during 2012-14 KMS from 666 farmers without verifying their proof of identity. Further, despite introduction of online registration from 2014-15 KMS, 1,877 MT of paddy valuing ₹ 2.57 crore was procured from 108 farmers without any proof of identity in Sambalpur district (Remed Society).
- **Purchase of paddy without issuing vendor receipt:** In three⁹ societies of two sampled districts, vendor receipts were not issued to 71 farmers for procurement of 4,915 quintals valuing ₹ 61.56 lakh during 2010-14. In five¹⁰ societies of three sampled districts, 47,187 quintals of paddy worth ₹ 6.05 crore was shown as purchased from 542 farmers and vendor receipts though prepared, signature of the farmers were not obtained thereon. In the absence of farmers' signature in vendor receipt, authenticity of the farmers could not be confirmed.

The Department assured (December 2015) in the Exit Conference that it would examine the issues pointed out by Audit.

2.1.8 Delay/ non-payment of MSP to farmers

FPP provides that payment of MSP to farmers for the procured paddy should be made on the spot by Account Payee cheque or through online transfer to the bank account of the farmers within three days, but not later than seven days in any case.

Audit noticed the following:

- **Delay in payment of MSP:** In seven¹¹ out of eight test checked districts, 2,635 farmers were paid ₹ 22.61 crore for procurement of 18,001.96 MT paddy with a delay ranging from 2 to 188¹² days due to delay in processing of records by the societies. Further, in Sundargarh district, payment of ₹ 13.96 lakh for 103 MT purchased from 12 farmers between 17 January and 12 March 2015 was made in September 2015, only after being pointed out (August 2015) in Audit.
- **Non-payment of MSP:** Under DCCB Koraput, against purchase of 219 MT of paddy from 25 farmers during 2014-15 KMS, MSP amounting to ₹ 29.82 lakh was not paid till June 2015 due to issue of cheques to incorrect bank accounts.

⁸ Dharamgarh and Khairpadar (Kalahandi), Bissamcuttack (Rayagada) and Remed (Sambalpur)

⁹ Khairpadar and Santpur (Kalahandi) and Bissamcuttack (Rayagada)

¹⁰ Laikera (Jharsuguda), Dharamgarh, Khairpadar and Santpur (Kalahandi) and Bissamcuttack (Rayagada)

¹¹ Jharsuguda, Kalahandi, Rayagada, Kandhamal, Sambalpur, Sundargarh and Ganjam

¹² Delay up to 30 days: 2027 farmers, 31-60 days: 561 farmers, 61-90 days: 34 farmers, above 90 days: 13 farmers

The Department stated (December 2015) in the Exit Conference that detailed report had been called for from the districts and on receipt of the same, necessary action would be taken.

2.1.9 Purchase of paddy without quality test

As per the Operational Guidelines, a quality test analyst shall be appointed in each society by the OSCSC. On arrival of paddy, sample should be drawn for quality analysis and the findings shall be entered in the quality test report. The RMC shall provide equipment like moisture meter, sample divider, analysis kit, weighing scale, mini grader, set of sieves, *parkhi*, etc. for quality testing and the paddy conforming to the required FAQ¹³ specification shall be purchased.

Audit noticed that:

- In 21 out of 31 sampled societies, there was no evidence of conducting quality analysis as the reports were not maintained for 1.34 lakh MT of paddy procured during 2014-15 KMS. It was also observed that in three¹⁴ districts farmers complained to the Collectors against arbitrary cut of quantity ranging from 2 to 4 kg per quintal, on a random basis, without conducting quality test. During 2013-14, one farmer in Kalahandi district lodged an FIR with a copy to CSO that 4 kg of paddy per quintal was deducted while procuring 65 quintals of paddy from him. The possibility of such instances in other PPCs in the State could not be ruled out. Due to such arbitrary deduction of paddy, an estimated quantity of 2.51 lakh MT of paddy valuing ₹ 305.17 crore¹⁵ might have been passed on to the millers while causing personal loss to the farmers.
- In three¹⁶ districts, RMCs did not provide equipment like sample divider to 49 societies, mini grader to 26 societies, set of sieves to 38 societies, *parkhi* to 49 societies, analysis kit to 15 societies. Due to non-availability of these equipment, procurement of FAQ paddy in these societies could not be ensured though the arbitrary cut of 2 to 4 kg of paddy per quintal was made.

Thus, the quality assurance mechanism failed to ensure procurement of paddy conforming to FAQ specifications.

¹³ FAQ: Fair Average Quality (Specifications: Maximum limit for moisture content: 17 per cent; foreign matter: 1 per cent; admixture of lower mix: 6 per cent; immature, shrunken and shrivelled grains: 3 per cent; damaged, discoloured, sprouted: 5 per cent)

¹⁴ Bargarh, Jharsuguda and Kalahandi

¹⁵ At the rate of 2 kg per quintal of paddy of 55 per cent of total procurement of 228.50 lakh MT (₹ 305.17 crore for 2.51 lakh MT) made during 2010-15. (2010-11: ₹ 40.70 crore for 4.07 lakh qtl. at ₹ 1000; 2011-12: ₹ 50.98 crore for 4.72 lakh qtl. at ₹ 1080; 2012-13: ₹ 74.50 crore for 5.96 lakh qtl. at ₹ 1250; 2013-14: ₹ 60.52 crore for 4.62 lakh qtl. at ₹ 1310; 2014-15: ₹ 78.47 crore for 5.77 lakh qtl. at ₹ 1360 per qtl.)

¹⁶ Kalahandi, Sambalpur and Sundargarh

The Department stated (December 2015) in the Exit Conference that in the absence of adequate number of Quality Analysts in the societies, required quality analysis could not be done.

2.1.10 Milling of paddy

Paddy procured at procurement centre is milled into CMR through private millers for delivery to FCI and Rice Receiving Centres (RRC). As per FPP, the millers are to register their mills online in the website of the OSCSC indicating their milling/ storage capacity, status of clearance certificates from State Pollution Control Board (SPCB), Inspectors of Factories and Boilers, District Industries Centre (DIC), RMC, etc. Before executing agreements with the selected millers, the district authorities should verify the above documents and certificates including previous record in timely delivery of CMR by the millers.

Audit noticed that the CSO-cum-DMs failed to verify the documents/ certificates before selection of millers leading to the following irregularities.

2.1.10.1 Selection of millers without valid documents

During 2014-15 KMS, 1,523 rice mills were operating in the State. Audit noticed that the validity period of certificates/ licenses issued by the SPCB, Inspector of Factories and Boilers and RMC had expired in respect of 1,002 mills (66 per cent) as on 1 September 2014. This comprised of 769, 904 and 565 mills which had no valid certificate/ license of SPCB, Inspector of Factories and Boilers and RMCs respectively.

In six¹⁷ out of eight test checked districts, 211 millers were selected during 2010-15 KMS, though they had not submitted certificates from SPCB (50 millers) and did not furnish encumbrance certificate (70 millers), DIC registration certificate (19 millers), RMC license (15 millers), immovable property certificate (34 millers) and license from Inspector of Factories and Boilers (23 millers). In three¹⁸ cases, despite default in delivery of 2,594 MT of CMR valuing ₹ 5.44 crore by the millers, personal property of the millers could not be attached as per the terms and conditions of agreement due to non-availability of property details.

Audit further noticed that MARKFED, Bhawanipatna, (another Government procuring agency) intimated (12 November 2012) the CSO-cum-DM, Kalahandi of non-delivery of 948 MT of CMR by three millers. As such, these millers should not have been selected further for milling of paddy. Despite this, the CSO-cum-DM selected (17 November 2012) these millers for KMS 2012-13. As a result, one miller (M/s Balaji Food Products, Mingur) again defaulted in delivery of 950 MT of CMR valuing ₹ 1.76 crore during 2012-13 KMS.

¹⁷ Bargarh, Jharsuguda, Kalahandi, Rayagada, Sambalpur and Sundargarh

¹⁸ M/s Balaji Food Products, Mingur; M/s Kapileswar Rice Mill, Dasghara and Maa Gouri Rice Mill (P) Limited, Shivrapur

Thus, the CSO-cum-DMs failed to undertake the required verification before executing agreements for milling of paddy. The CSOs assured that they would look into the matter and also stated that the said millers were selected due to excess procurement. However, this was in violation of the operational guidelines which do not provide any relaxation for engaging defaulting millers in any circumstances.

2.1.10.2 *Delivery of paddy in excess of the eligibility limit of millers*

As per the Operational Guidelines, the Custom Millers shall be allowed to lift paddy after execution of agreement. The millers are to deposit security amount, based on which the quantity of paddy to be lifted is decided. Audit noticed that:

- **Delivery of paddy disproportionate to security deposit:** In five¹⁹ sampled districts, 170 millers deposited ₹ 64.09 crore as security deposit against which they were eligible to lift only 5.75 lakh MT of paddy during 2012-15 KMS. However, they lifted 9.48 lakh MT paddy *i.e.* excess of 3.73 lakh MT valued at ₹ 496.70 crore. Out of this, 92 millers received excess delivery of 1.08 lakh MT of paddy over their eligibility limit and as per their security deposit, as the district administration tagged one mill to a number of PACSs and did not intimate these PACSs the exact quantity to be lifted by a miller from each PACS.

- **Lifting of paddy in excess of storage capacity:** As per the Operational Guidelines, the quantity of paddy, to be in custody of miller, shall not be more than the storage capacity of the mill. In 62 out of 715 millers in five²⁰ out of eight sampled districts, the accumulation of stock with the millers were in excess of their storage capacity by 0.47 to 225 *per cent*²¹



Open storage of paddy in miller's premises in Sri Ganesh Modern Rice Mill at Rayagada

during KMS 2011-12 to 2013-14, due to allocation of paddy ignoring their storage capacity. Such excess stock was kept by the millers in open space for a period ranging from one to nine months. Resultantly, 923 quintals of paddy stored in open space at Samaleswari Mill premises in Jharsuguda district was damaged in rain during the 2012-13 KMS. The loss was, however, borne by the miller.

- **Delivery of paddy in excess of milling capacity:** During 2012-13 and 2014-15 KMS, two²² custom millers of Bargarh district were delivered 48,801 MT paddy against their milling capacity of 43,844 MT²³ resulting in excess delivery of 4,957 MT paddy. As a result, the millers

¹⁹ Bargarh, Jharsuguda, Kalahandi, Sambalpur and Sundargarh

²⁰ Bargarh, Jharsuguda, Kalahandi, Rayagada and Sambalpur

²¹ Up to 100 *per cent* excess: 46 millers, 100-200 *per cent* excess: 12 millers and more than 200 *per cent* excess: 4 millers

²² Gajalaxmi Food and Rice Processing Private Limited and Jagannath Rice Mill

²³ In terms of paddy

could deliver only 65 to 71 *per cent* of CMR by the end of respective KMSs.

Thus, the system for regulating and monitoring the performance of millers as per the operational guidelines was not adequate to ensure effective control over the milling process. Delivery of paddy in excess of capacity had also delayed receipt of CMR from the millers.

2.1.10.3 Tagging of millers to distant societies

As per the Operational Guidelines, the CSO-cum-DM shall ascertain the distance of mills to the societies and tag mills with the societies as per shortest distance after obtaining approval of the Collector. FS&CW Department also instructed (January 2014) the Collectors to recast the tagging of millers to the nearest PPCs and RRCs as far as practicable.

Test check of records of eight sampled districts revealed that in four²⁴ districts, the distance of mills to societies was not ascertained and the distance chart was not approved by the Collectors during 2011-14 KMS. In 26 cases, where societies were tagged to distant mills, up to 12 to 185 km despite existence of nearby societies for 0 to 125 km which led to an excess payment of ₹ 61.14 lakh towards transportation charges as ₹ 1.76 crore was paid against ₹ 1.15 crore. Further, in the absence of approval of distance chart by the Collectors, the same custom miller was shown at different distances on different occasions, during kharif and rabi season, leading to excess payment of ₹ 0.76 lakh towards transportation charges. Thus, due to tagging of mills to distant societies and non-approval of distance chart by the Collectors, there was avoidable excess payment of ₹ 61.90 lakh towards transportation charges.

The Department assured (December 2015) in the Exit Conference that it would examine the issues for taking appropriate action.

2.1.10.4 Excess payment towards Custody and Maintenance Charges

The procured paddy at PPCs is transported to the millers' premises where it is stored under the joint custody of OSCSC and miller concerned. On the basis of the progress in milling, further stock of paddy is released to the miller for milling. During the period of joint custody, the Operational Guidelines envisaged payment of Custody and Maintenance Charges (CMC) to the millers. The guidelines provided CMC at ₹ 2.40 per quintal per month for a maximum period of four months for 2013-14 and 2014-15 KMSs. OSCSC decided (March 2014) that CMC would be limited to four months in case average period of storage was four months or above. In case, the same was less than four months, CMC would be paid for actual months of storage of paddy, subject to a minimum of two months.

Audit noticed in two out of eight sampled districts (Sundargarh and Kalahandi) that:

²⁴ Jharsuguda, Rayagada, Sambalpur and Sundargarh

- The average storage period of 80,800 MT paddy was five months during 2013-14 KMS with nine test checked millers of Sundargarh district. As against payment of CMC charges for four months amounting to ₹ 77.57 lakh, an amount of ₹ 97.04 lakh was paid for five months resulting in excess payment of ₹ 19.47 lakh.
- The average storage period of 71,993 MT ranged from two to three months during 2013-14 and 2014-15 KMSs in case of 17 out of 25 millers verified in Kalahandi district. The CSO-cum-DM paid ₹ 64.10 lakh towards CMC for four months instead of ₹ 40.67 lakh for actual period of storage, since the average period of storage was less than four months, resulting in excess payment of ₹ 23.43 lakh.

The Department assured (December 2015) in the Exit Conference that it would examine the issues and take appropriate action.

2.1.10.5 Questionable transport of paddy

In seven²⁵ societies of four test checked districts, 1,875.45 quintals of paddy valued ₹ 23.99 lakh was shown as transported from the societies to millers' premises by 18 vehicles during 2011-15 KMS. Records of Regional Transport Officers, however, showed that these vehicles were registered as two wheelers. As transportation of such quantities of paddy ranging from 37.30 to 210 quintals in two wheelers was impossible, the transportation of 1,875.45 quintal of paddy from the societies to the mill was thus questionable. In reply, the CSO-cum-DMs stated that final compliance would be furnished after getting clarification from the respective societies.

2.1.10.6 Non-conduct of re-analysis of CMR for quality check

RRCs and Quality Analyst are responsible for carrying out lot-wise sample analysis of CMR before receipt and to preserve physical sample in RRC till the lot of CMR is issued. Five *per cent* of reference samples are to be re-analysed at Quality Analysis Cell of the district.

Audit noticed that in six²⁶ out of eight test checked districts, 113.32 lakh MT of CMR was received in different RRCs during the 2010-15 KMS. In these districts, no sample was preserved for re-analysis after quality analysis was done and the same was not sent to the District Quality Analysis Cell. Thus, quality of CMR received from millers at RRCs was not re-analysed at district level due to which possibility of receipt of poor quality of rice cannot be ruled out.

The Department stated (December 2015) in the Exit Conference that instructions had been issued to Quality Analysts to check quality of rice received from millers.

²⁵ Kshaipali, Jhiliminda, Chadeigaon (Bargarh); Kirimira, Jharmunda (Jharsuguda); Rupra Road (Kalahandi) and Remed (Sambalpur)

²⁶ Bargarh, Jharsuguda, Kalahandi, Rayagada, Sambalpur and Sundargarh

2.1.11 Non-creation of Cover and Plinth storage centre

In order to store the procured paddy at PPCs in proper manner, Cover and Plinth (CAP) storage centre was introduced in 2014-15 KMS to protect stacks of paddy bags kept in open ground from rain/ sunlight. The objective was to store paddy for a longer period so that delivery to millers can be limited to their eligible limit. To create CAP storage facilities with a capacity of 9.60 lakh MT in 30 districts, OSCSC purchased (December 2014) 1,250 CAP covers valuing ₹ 1.24 crore and supplied these to 16 districts. Training in CAP storage was also imparted (January 2015) to 124 officials.

Audit noticed that CAP storage facility was not created in any of these 16 districts. Accordingly, OSCSC instructed (March 2015) the CSO-cum-DMs to sell the CAP covers to the millers. As of August 2015, though Nayagarh district had sold all 30 CAP covers supplied, the same were not disposed by other districts and the remaining were lying idle. Non-implementation of CAP storage facility resulted in unfruitful expenditure of ₹ 1.24 crore. In addition, non-utilisation of CAP covers resulted in expenditure of ₹ 4.61 crore²⁷ towards CMC paid to the millers which could have been avoided.



CAP covers lying idle at RRC, Bargarh

The Department stated (December 2015) in the Exit Conference that CAP storage facility could not be created due to some unresolved issues, which were likely to be sorted out soon. This indicated that CAP covers were procured without assessing their requirement.



Paddy stored in open space at Sri Ganesh Modern Rice Mill at Rayagada

2.1.12 Delivery of CMR by millers

As per the terms of the agreement, the millers were to deliver 67 kg of raw CMR or 68 kg of boiled CMR per quintal of paddy delivered to them. Further, the delivery shall be made within 120 days of the release of paddy from the joint custody. Paddy delivered to the millers is kept in the miller's premises under joint custody of the miller and an Authorised Officer appointed by the Collector. The paddy stock is issued to the miller in a phased manner, based on his milling capacity and quantity of CMR delivered by him. The custom miller shall be responsible for any damage/ deterioration of the quality of paddy received due to unsafe and unscientific storage.

²⁷ At the rate of ₹ 2.40 per quintal per month for 9.60 lakh MT of paddy for minimum two months (96,00,000 quintals X ₹ 2.40 X 2)

Audit noticed short/ non-delivery as well as delay in delivery of CMR as discussed below.

2.1.12.1 Short delivery of CMR

During 2010-15²⁸ KMS, OSCSC procured 209.11 lakh MT of paddy and delivered to the custom millers for milling into 141.81 lakh MT of CMR.

The KMS-wise quantity of paddy delivered to the millers, CMR due and actually delivered by the millers as of August 2015 is tabulated below:

Table 2.1.4: Statement of delivery status of CMR of paddy procured by OSCSC (In lakh MT)

| KMS | Paddy received by millers | CMR due | CMR delivered | Short delivery |
|--------------|---------------------------|---------------|---------------|----------------|
| 2010-11 | 31.07 | 21.06 | 20.97 | 0.09 |
| 2011-12 | 37.81 | 25.71 | 25.66 | 0.05 |
| 2012-13 | 50.02 | 33.93 | 33.62 | 0.31 |
| 2013-14 | 40.34 | 27.36 | 27.09 | 0.27 |
| 2014-15 | 49.87 | 33.75 | 33.03 | Not due |
| Total | 209.11 | 141.81 | 140.37 | 0.72 |

(Source: Information furnished by FS&CW Department)

0.72 lakh MT of CMR was not received as of August 2015 including non-delivery of 0.32 lakh MT of CMR in test checked districts. Against short delivery of 0.72 lakh MT of CMR valuing ₹ 168.56 crore, Government had recovered only ₹ 3.38 crore from the defaulting millers. Though, legal action had been initiated to recover the balance amount, the same was not realised till the date of audit.

In Ganjam district, during 2012-13 KMS, 27 out of 49 millers defaulted in delivery of 3,920 MT of CMR valuing ₹ 7.31 crore on the ground of damage caused due to the cyclone *Phailin* in October 2013. Though, OSCSC extended period of delivery to 10 October 2014, the millers had not delivered the balance quantity as of August 2015. The CSO-cum-DM, Ganjam did not take any action for recovery except withholding their security deposit and milling charges amounting to ₹ 1.58 crore.

The Department stated (December 2015) in the Exit Conference that steps had been taken to check the short delivery.

2.1.12.2 Misappropriation of paddy by the millers

As per the Operational Guidelines, the District Manager of OSCSC or its Authorised Officer shall conduct physical verification of the paddy stocks on weekly basis. The paddy stock kept in joint custody shall be issued to the miller in a phased manner, based on his milling capacity and delivery of equivalent quantity of CMR.

²⁸ The final due date for delivery of CMR against paddy procured during 2014-15 KMS was not over till the date of completion of Audit

Audit noticed that during 2010-14 KMS, 60 millers did not deliver 61,562 MT of CMR valuing ₹ 126.61 crore. During the same period, 20 millers in three test checked districts received 34,167 MT of paddy and were required to deliver 23,229 MT CMR. However, they delivered only 15,100 MT CMR. Physical verification by district authorities revealed that 11,243 MT paddy valuing ₹ 40.78 crore was not available with these millers.

Audit further noticed that though the DMs appointed Authorised Officers, they did not conduct regular physical verification of the stock of paddy kept in joint custody at millers' premises. During joint physical inspection of 21 premises of the millers in eight sampled districts, it was noticed that paddy was not stacked in scientific manner, due to which the actual quantity of paddy available with the millers could not be ascertained. This indicated that the authorised officers were not conducting regular inspections to ensure availability of actual quantity of paddy with the millers.



Paddy stacked in Maruti Food Products, Jharsuguda

The Department stated (December 2015) in the Exit Conference that online inspection module for the millers was being introduced to know the exact stock of paddy/ CMR available with the millers.

2.1.12.3 Non-deduction of weight of gunny bags

As per the Operational Guidelines, CMR shall be received at RRC on 100 *per cent* weightment. Further, OSCSC had instructed (24 March 2008) that Acceptance (AC) Note shall be prepared for the net weight of CMR, after deducting the weight of gunny bag (665 gram *per* gunny bag) from the gross weight.

Scrutiny of records revealed that in three²⁹ sampled districts weight of gunny bag (223 MT) was not deducted while receiving CMR with gross weight of 16,796 MT in 3,35,920 bags. This not only resulted in short receipt of CMR from millers by 223 MT valued at ₹ 47.13 lakh, but also led to undue benefit to the millers.

The Department assured (December 2015) in the Exit Conference that appropriate action would be taken.

2.1.12.4 Non-recovery towards higher moisture content

As per the Operational Guidelines, in case moisture content of CMR delivered by millers exceeds stipulated 14 *per cent*, necessary value cut shall be effected. In such case, AC Note of CMR would mention the percentage of value cut as per the moisture content. The differential amount would be recovered from the bills of the millers.

²⁹ Kandhamal, Jharsuguda and Rayagada

Scrutiny of records of seven out of 72 custom millers in Bargarh district revealed that the moisture content of the CMR was between 14.1 and 14.9 *per cent* in 7,142 MT of CMR delivered to FCI during the 2013-14 KMS. As per the AC note submitted by the FCI, value cut for 226.44 quintal valuing ₹ 5.29 lakh was required to be effected from the millers. However, the CSO-cum-DM recovered only ₹ 0.30 lakh from one miller, thereby resulting in less recovery of ₹ 4.99 lakh from the millers.

The Department assured (December 2015) in the Exit Conference that it would take appropriate action.

2.1.12.5 Delay in delivery of CMR due to inadequate storage space at RRCs

The millers are required to deliver CMR within 120 days of receipt of paddy at the RRC. Thus, OSCSC should have created adequate storage space to store CMR.

Audit noticed that due to inadequate storage space, in three³⁰ sampled districts, though 29 millers were issued delivery certificate to deliver 12,371 MT CMR valued at ₹ 29.52 crore, the same were received after 4 to 300³¹ days of issue of delivery certificate due to lack of storage space in RRCs. Consequently, the delivery of CMR by millers was delayed, thereby affecting subsequent milling of paddy.

The series of violations occurred due to the failure of CSO-cum-DMs in enforcing the provisions of the Operational Guidelines relating to milling of paddy and the same had unduly benefitted the millers. Thus, the milling operations were not handled efficiently by the CSO-cum-DMs.

The Department stated (December 2015) in the Exit Conference that online inspection module for the millers was being introduced to ascertain the exact stock of paddy/ CMR available with the millers.

2.1.13 Monitoring and Inspection

2.1.13.1 Shortfall in holding of DLPC meeting

District Level Procurement Committee (DLPC) meeting was to be held in each KMS before commencement of procurement in Kharif and Rabi seasons separately to finalise the date of commencement of procurement, number and name of the societies and location of PPCs, review the preparation for procurement in the district.

Audit noticed in eight test checked districts that DLPC met only once before start of Kharif procurement. No meetings of DLPC were held for Rabi procurement (except Bargarh, Sambalpur, Kalahandi for 2012-13 KMS and Sundargarh for 2014-15 KMS) during 2010-15. Though Society Level

³⁰ Ganjam, Jharsuguda and Kandhamal

³¹ Delay up to 90 days: 9410 MT, 91-120 days: 1671 MT, 121-180 days: 927 MT and above 180 days: 363 MT

Procurement Committee (SLPC) was constituted, it did not meet in all the test checked districts. Various irregularities like incorrect assessment of paddy, delay in procurement, transfer of paddy directly to millers' premises, excess delivery of paddy to millers, *etc.* occurred due to lack of monitoring of procurement by DLPC or SLPC.

2.1.13.2 *Absence of random check*

As per the Operational Guidelines, District Collectors shall appoint a team of officers for random check of PPCs, mills, *etc.* to make paddy procurement more transparent and to ensure timely payment of MSP to farmers.

Audit noticed that no such check was conducted in all the test checked PPCs in the sampled districts during 2010-15 KMS which resulted in purchase of paddy without quality check, non-maintenance of record, delay/ non-payment of MSP, *etc.*

2.1.13.3 *Non-verification of farmers with higher sale*

As per the Operational Guidelines, the District Collector shall ensure verification of land records of at least 20 *per cent* of the farmers who have sold more than 200 quintals of paddy, through jurisdictional Revenue Officers.

Audit noticed in 14 out of 55 test checked cases in eight sampled districts that farmers sold more than 200 quintals of paddy during 2011-14 KMS. However, they did not possess required land holding to produce surplus paddy of 200 quintals considering per acre yield in their concerned locality. Despite this, the Collectors had not initiated any action for verification of land records as envisaged in the Operational Guidelines.

For instance, 1,086 quintals of paddy was procured from a farmer in Muniguda Society of Rayagada district during 2013-14 KMS. The society had not verified the capacity of the farmer for selling such a large quantity. The land details, eligible limit of the farmer, *etc.* was not furnished to Audit though called for.

2.1.13.4 *Loss of paddy due to non-reconciliation of daily transaction*

The Operational Guidelines stipulated that the Purchase Officer shall issue AC Note and record the purchase details in the Paddy Purchase Register for the paddy purchased at societies. The societies shall deliver paddy to the custom miller on issue of transit pass for each vehicle. The Purchase Officer shall ensure reconciliation of paddy purchased and delivered to custom millers. The Purchase Officer shall be responsible for any shortage between procurement of paddy and delivery to custom millers.

Audit noticed that in Sambalpur district, 311 MT of paddy was purchased from 42 farmers in seven³² PACSs during 2013-14 KMS for ₹ 40.71 lakh. However, this quantity of paddy was not transported to the millers as was reported (10 May 2014) by the DCCB. Further scrutiny revealed that millers

³² Sankarma, Remed, Baham, Jujomura, Bargon, Sahaspur and Parmanpur

had not received the paddy. Though the DCCB did not release MSP, the societies paid MSP to the farmers from their own funds after two months of procurement. As the Purchase Officer did not reconcile the purchase of paddy and its delivery to millers on daily basis, the stock could not be accounted for properly.

Thus, monitoring and supervision was inadequate and ineffective.

The Department stated (December 2015) in the Exit Conference that it would take steps to improve the position.

2.1.14 Conclusion

The marketable surplus of paddy with the farmers was not assessed during 2010-14 KMS and the societies engaged in procurement of paddy did not prepare database of farmers. Though online registration of farmers was implemented in 2014-15 KMS, the target for procurement was not fixed based on the marketable surplus assessed from the system. Procurement was made from unidentified farmers, land-less persons without verifying farmers' identity, *etc.* indicating lacuna in the system of procurement.

The prescribed quality analysis was not undertaken and instead arbitrary deductions from the quantity offered for sale by the farmers were made. The procuring agencies *i.e.* Societies were lacking required infrastructure. Cover and Plinth storage facility was not created to store paddy at Paddy Procurement Centres. Some millers were selected without considering their past performances, which led to default in delivery of equivalent CMR. Economy in milling was not observed as millers were tagged with the societies ignoring the shortest distance leading to excess expenditure on transportation. Instances of misappropriation of paddy and non-delivery of CMR by the custom millers were also noticed.

Monitoring and supervision required strengthening since there were cases of excess lifting of paddy by the custom millers, misappropriation/ doubtful procurement of paddy, delay in delivery of CMR by millers, *etc.*

2.1.15 Recommendations

The Government may like to consider the following recommendations:

- Assess marketable surplus of paddy accurately by using the data provided by the farmers through online registration system for each KMS and realistic target may be fixed accordingly to arrest distress sale;
- The mechanism of payment of MSP to farmers be made efficient. Systems of weighment and quality check of paddy needs streamlining at the societies level;
- Required infrastructure facilities like godown and cemented platform may be constructed at the societies and *mandis* opened, as per requirement of farmers;

- Adequate storage facility may be created to avoid excess lifting of paddy by the custom millers and to minimise the payment of custody and maintenance charges;
- Custom Millers may be tagged on the basis of shortest distance, to avoid payment of excess transportation charges; and adequate security deposit may be collected to avoid misappropriation of paddy and short delivery of CMR;
- Create adequate storage facility at RRCs to store CMRs received from the millers; and
- Regularly supervise paddy procurement centres, millers' premises and ensure coordination among different agencies involved.

In the Exit Conference, the Department accepted (December 2015) the above recommendations.