SECTION-2B

ANDHRA PRADESH STATE SEEDS DEVELOPMENT CORPORATION LIMITED

Highlights

Andhra Pradesh State Seeds Development Corporation Limited (APSSDC) was incorporated in March 1976 under the Companies Act, 1956, with the main objective to produce/procure, process and supply qualitative/certified seeds of all crops for promoting increased agricultural production.

(Paragraph 2B.1)

Due to lack of scientific planning, production targets for paddy and other crop varieties of seed were fixed without considering past experience, present demand and share of market by private seed developers, which resulted in fixation of higher targets. Huge inter-unit transportation of seed resulted in avoidable transportation cost of Rs 6.16 crore.

(Paragraph 2B.6.1.1 to 2B.6.1.5)

The Company did not formulate any specific policy for fixation of procurement price. Prices fixed were without reference to prices charged by competitors, prices prevailing in market on arrival of seed and support price announced by Government.

(Paragraph 2B.6.1.7)

During the five years ended 31 March 2002, the Company processed large quantity of seed through custom processing at a cost of Rs.1.34 crore by keeping own processing facilities idle.

(Paragraph 2B.9.1)

Sale price was fixed without reference to market survey and those fixed by private seed developers. Sale prices fixed were higher due to inclusion of certain unrelated elements of cost, payment of higher dealer commission than that fixed and payment of turnover commission on the basis of annual turnover instead of turnover in each season. Undue benefit to the extent of Rs.1.29 crore was extended to dealers contrary to terms of agreement.

{Paragraph 2B.10.1 and 2B.10.2 (ii)}

The Company condemned 4,19,139 quintals of various varieties of seed and sold as grain incurring a loss of Rs.22.90 crore.

(Paragraph 2B.10.3)

Subsidy amounting to Rs.6.92 crore under Various Schemes was not passed on to intended farmers.

{(Paragraph 2B.12 (ii) to (iii)}

2B.1 Introduction

Andhra Pradesh State Seeds Development Corporation Limited (APSSDC) was incorporated in March 1976 under the Companies Act, 1956. The main objectives of the Company are:

The Company was formed to produce and supply qualitative seeds for promoting increased agricultural production

- to undertake production of certified/qualitative seeds of all crop varieties covered and not covered by Seeds Act, 1966 for promoting increased agricultural production;
- to implement the State Seeds Project forming part of National Seeds Programme; and
- to finance production and to undertake and promote research in agriculture in general and seed production, processing, preserving and storage techniques in particular in collaboration with Agricultural Universities and Research Institutions.

The Company had its head office in Hyderabad and units in 19 out of 23 districts of the State. The activity in four districts viz., Visakhapatnam, Medak, East Godavari and Hyderabad was coordinated by the units situated in nearby districts.

2B.2 Organisational set up

The management of the Company was vested in a Board of Directors consisting of eleven Directors including one Chairman and one Managing Director (MD). Secretary to the Government, Agriculture and Co-operation Department, Government of Andhra Pradesh was the Chairman of the Company. MD, the only whole-time director, was the Chief Executive of the Company and was assisted by General Managers of Finance, Administration, Marketing, Production and Engineering.

As per APSSDC (Appointment of Directors) Rules, 1978, the number of Directors appointed by the three classes viz., 1) State Government 2) National Seeds Corporation Ltd., and 3) Farmers, should be in proportion to their paid up equity shareholding as on first day of the financial year. As per Articles of Association of the Company, equity share holding by the said three classes should not be more than 35 *per cent*, 30 *per cent* and 35 *per cent* respectively of total issued capital.

2B.3 Scope of Audit

The comprehensive appraisal of this Company was taken up for the first time. The activities of the Company for the last five years ended 31 March 2002 were generally reviewed in audit during March 2002 to June 2002 with reference to achievement of its main and ancillary objectives. An indepth study on the activity of production, processing, testing, storage and sale of seeds in respect of nine units and general study in respect of other units were conducted. Activity-wise audit observations are brought out in succeeding paragraphs.

2B.4 Capital structure and borrowings

As against the authorised share capital of Rs.5.00 crore, the paid up capital of the Company as on 31 March 2002 was Rs.2.81 crore contributed by the Government of Andhra Pradesh and its agencies (Rs 1.07 crore), National Seeds Corporation (Rs 0.90 crore) and Seed Growers (Rs 0.84 crore). The borrowings of the Company as on 31 March 2002 stood at Rs.9.09 crore.

2B.5 Financial position and working results

The financial position and working results of the Company for the five years ended 31 March 2002 are given in **Annexures 16 and 17** respectively. It would be observed therefrom that the profits of the Company had been decreasing from year to year up to 2000-01 due to non-achievement of production targets, lower sales and huge condemnation of seed, sale of seed as grain, expenditure on inter-unit transportation of seed and payment of commission to dealers at higher rate. Factors contributing to decrease in profits are commented in subsequent paragraphs. There was an increase in profit for the year 2001-02 due to increase in sales under subsidised programmes and increase of sales through own outlets with consequent savings in dealers' commission.

2B.6 Production performance

Breeder seed is multiplied into foundation seed and foundation seed into certified seed

Research Institutes and Agricultural Universities produce nucleus seed and multiply this seed into first generation seed i.e. breeder seed. The Company, on allotment from Research Institutes/Universities, obtains breeder seed for multiplication into second-generation seed i.e. foundation seed by organising production mainly through grower-shareholders/farmers under its close supervision from sowing to harvesting. The third-generation seed i.e. certified seed is also procured from grower farmers to whom foundation seed was issued. For this purpose, a formal agreement is entered into with each individual farmer for supplying back the multiplied seed to the Company as per the standard yield fixed, failing which the Company would be entitled to recover from the farmer double the procurement cost of the seed provided for multiplication. Third-generation seed is issued to farmers for commercial purpose i.e. for general cultivation. Seed certified by an external agency is termed as 'certified seed' while that certified by the Company itself is called 'labelled seed'. While production of paddy seed is organised entirely by the Company itself, other seed like groundnut, maize, jowar, etc., are normally procured from private seed developers and a small quantity is produced by the Company itself.

2B.6.1 Production of paddy seed

2B.6.1.1 Targets and achievements: Certified seed

The details of targets of production and actual production of paddy seed are given in **Annexure 18**. It could be seen therefrom that, in all the years, the Company failed to achieve targeted production and actual production ranged from 49 to 78 *per cent* of targets fixed.

Targets of production were not fixed considering demand and share of market by private developers

Audit observed that targets of production were not fixed taking into account different varieties of paddy grown in different areas of the State, total area suitable for growing seed, area actually available and being used, demand from Agricultural Department, share of market by private developers, past experience in sale of seed, demand pattern in each season/year, production capacity of the Company etc. Besides non-achievement of targets, the improper production planning resulted in:

(a) inter unit transfers (Para 2B.6.1.4) and

(b) condemnation of huge quantity of seed (Para 2B.10.3)

2B.6.1.2 Targets and achievements: foundation seed

Targets for foundation seed were fixed without linking to targets for certified seed

The Company obtains breeder seed from Agricultural Universities and Research Institutions for multiplication and supply of quality seed to farmers. Central Seed Certification Board (CSCB) fixed standard ratio for each variety of foundation seed for development from one generation to another and for purposes of estimation for multiplication. However, on scrutiny of records, Audit noticed that the Company had not been preparing advance plan for production of different varieties of seed and targets for production of foundation seed were fixed without linking to targets of certified seed. This resulted in condemnation of some varieties of seed and shortage of other varieties.

Targets fixed were unrealistic and without basis

The targets fixed for foundation seed and production achieved thereon during the last five years ended 31 March 2002 are given in **Annexure 18**. It could be observed therefrom that targets fixed were very high, unrealistic and without any basis. Achievement of targets ranged from 26 to 77 *per cent* and overall achievement was 49 *per cent* of targets fixed during the five years ended 31 March 2002. This resulted in unfruitful services of technical officers in supervising production of foundation seed and non-availability of required seed to farmers.

2B.6.1.3 Production of seed other than paddy

2B.6.1.3.1 Targets and Achievements

The targets and achievements in respect of certified seed other than paddy i.e. pulses, maize, jowar etc., in respect of Kurnool unit where substantial production of pulses was undertaken are given below:

Year/Season	Target	Quantity produced	Percentage of achievement
	(in quintals)		
1997-98			
Rabi	20350	43398	213
Kharif	5000	1167	23
	25350	**44565**	**176**
1998-99			
Rabi	6030	10600	176
Kharif	6400	1824	28
	12430	**12424**	**100**
1999-2000			
Rabi	6550	7313	112
Kharif	2250	1645	73
	8800	**8958**	**102**
2000-2001			
Rabi	9475	6182	65
Kharif	2700	1806	67
	12175	**7988**	**66**
2001-2002			
Rabi	9390	3960	42
Kharif	5520	382	7
	14910	**4342**	**29**
Grand Total	**73665**	**78277**	**106**

A review in audit of the above details revealed that:

Targets fixed were erratic and without basis

(i) targets fixed were erratic and without basis. Out of 10 seasons in five years ending 31 March 2002, the Company could not achieve its targets in all the five Kharif seasons and in Rabi 2000-01 and 2001-02.

Certain seeds were produced either without target or in excess of target

(ii) while some seeds were produced by the unit without any target, some others were produced in excess of target. For example during the period of four years up to 31 March 2001, 1989 quintals of redgram, bajra, castor, dhaincha and blackgram seed were produced without target while 7234 quintals of bengalgram, corriander, jowar and redgram seed were produced in excess of target.

2B.6.1.4 Avoidable inter-unit transfers

(a) Out of 2115337 quintals of certified/labelled paddy seed produced during the five years ended 31 March 2002, a total quantity of 1180332 quintals was transferred from one unit to the other (260128 quintals in 1997-98, 218849 quintals in 1998-99, 275865 quintals in 1999-2000, 189077 quintals in 2000-2001 and 236413 quintals in 2001-2002). Huge inter-unit transfers resulted in avoidable transportation charges of Rs.6.16 crore. Had unit-wise production targets been fixed on scientific basis, these losses could have been avoided.

There was mismatch in production of foundation seed

(b) There was an excess production of certain varieties of foundation seed of paddy. Due to this, 8776 quintals of foundation seed was transferred to other units and sold as certified seed during the period 1997-98 to 2001-2002. Since price of foundation seed compared to certified seed was more by Rs.200 per quintal, the loss on account of sale of foundation seed as certified seed worked out to Rs.17.55 lakh.

(c) A total quantity of 114369 quintals of seed other than paddy was transported to and from other units incurring an avoidable expenditure of Rs.0.60 crore.

2B.6.1.5 Unit-wise performance of paddy seed

The details of targets, achievements, seed transported from one unit to the other and seed condemned out of production and sold as grain during the five years ended 31 March 2002, in respect of paddy for six major units viz., Warrangal, Jeedimetla, Srikalahasti, Kurnool, Nizamabad and Vijayawada are given in **Annexure 19**. It would be observed from the **Annexure** that all the units had inward and outward transportation in each of the five years and condemnation as well. An indepth analysis conducted in audit revealed the following:

Organising other units production at Warangal unit resulted in huge transportation cost and condemnation of seed

- Bulk of production relating to Warangal unit was transferred to other units leading to unnecessary expenditure of Rs.1.67 crore on transportation. Even after this, major portion of the balance quantity costing Rs.2.18 crore had to be condemned which indicated that the production was without demand.

- During the period of 5 years up to March 2002, Srikalahasti unit achieved only 72 *per cent* of targeted production, in spite of the fact that bulk of produce was transferred to other units incurring Rs.0.74 crore towards transportation cost. Further the unit incurred a loss of Rs.0.65 crore towards condemnation of seed and sale as grain.

- Nizamabad unit achieved only 64 *per cent* of production target for the five years ending March 2002. However, bulk of quantity was transferred to other units incurring Rs.0.93 crore towards transportation cost. On condemnation of seed, the unit incurred a loss of Rs.1.47 crore. Further, the unit failed to obtain 10543 quintals of certified/labelled seed from grower farmers as per agreements concluded for which recovery to the extent of Rs.1.37 crore was also not made.

- In Vijayawada unit, during the period of five years up to March 2002, overall achievement of target was 50 *per cent*. Due to poor production planning, the unit incurred Rs.0.58 crore on inter-unit transportation of seed, while a loss of Rs.1.02 crore was incurred on condemnation of seed due to long storage.

2B.6.1.6 Unjustified payment of incentive

The sub committee constituted (March 1997) by the Board to decide on the payment of production incentive recommended that in order to achieve the targeted production by the Company, it was desirable to pay production incentive to the seed growers irrespective of the fact that the grower was a shareholder or not. For the year 1997-98, the Board of Directors approved payment of production incentive at the rate of Rs.20 per quintal for all varieties of seed and Rs.40 per quintal for all hybrid seeds. Similarly, during the years 1998-99, 1999-2000 and 2000-2001, Board of Directors approved a production incentive payment of Rs.20, Rs.10 and Rs.10 per quintal in the respective years. Production incentive paid during the said five years worked out to Rs.3.68 crore which lacked justification in view of the fact that there was no significant increase in production and instead production had decreased in 1999-2000 and 2001-02.

2B.6.1.7 Fixation of procurement price

The sub committee constituted by Board fixes procurement prices

The fixation of procurement price is entrusted to the sub committee constituted by the Board for each year. The sub committee has to fix procurement prices considering minimum support price announced by Government of India and prevailing market prices. The sub committee, however, authorised (1998) the MD of the Company to revise the procurement and sale prices of seed other than paddy, considering the prevailing market conditions.

A scrutiny of records in audit revealed that:

- there was no laid down policy for fixation of procurement price and various elements of cost to be considered for such fixation;

- the elements of cost considered were not uniform during the last five years;

- there were no proper documents to support the cost considered for fixing procurement prices;

- prices were fixed arbitrarily without linking and comparing with prices prevailing in market on arrival of seed, prices fixed by private seed agencies and support price announced by Government as indicated below:

  i) In the case of Kharif 1998, while prices of pulses seeds were reduced by Rs.200 to Rs.400 per quintal, the prices of other seeds fixed for earlier season were maintained.

  ii) In the case of Kharif 1999, prices of coarse and fine varieties of paddy seed were increased arbitrarily by Rs.30 and Rs.60 per quintal over 1998 Kharif price without indicating any justification.

  iii) In case of paddy seeds (BPT 5204) procurement price for Kharif 2000 was fixed at Rs.690 per quintal. For Kharif 2001 the price was reduced to Rs.650 per quintal without sufficient justification. As market price (not indicated) for this variety was beneficial to farmers and supply of seed was not forthcoming from farmers, the price was increased to Rs.700 per quintal with effect from 16 November 2001 and again increased to Rs.750 per quintal with effect from 27 November 2001. In spite of upward revision in price, the Company, as against target of 102000 quintal, could only procure 52137 quintals. This clearly showed that the company had no policy or basis for fixation of procurement price in each season.

Fixation of procurement price was defective in many respects and was not based on a laid down policy

Audit further observed that Haryana Seeds Development Company had a policy of fixing procurement price duly taking into account the market price, the support price announced by Government and prices prevailing in specified mandies during the period of arrival of seed. The Company is also required to formulate specific policy for fixation of prices.

2B.6.2 Production through non-share holding growers

As per item No.6(b)(iii) of Articles of Association of the Company, grower-shareholders should participate in seed production programme of the Company in proportion to the shares held by them. The grower- shareholder ceases to be a shareholder, if he does not produce the seed for a period exceeding one year except in case the Company does not require him to produce seed during relevant period.

Audit observed that:

- As on 31 March 2001, there were 5849 grower-shareholders in 21 districts holding 74573 shares. These shareholders possessed 14908 acres of land for organising production of six lakh quintals of paddy per annum (at a standard yield of 20 quintal per acre per season) but the average actual production was only 3.8 lakh quintals per year.

Register of grower shareholders was not up to date.

- As per the Articles of Association, shares of growers can be forfeited if they do not participate in seed development for more than a year, in case the Company offers the same. In spite of having grower-shareholders on rolls, the Company organised production through non-shareholders. The Company did not maintain any record indicating the details of its offer of seed to grower-shareholders, their acceptance or refusal and forfeiture of shares where they refused to accept seed.

The Company, thus, failed to motivate more farmers to become grower-shareholders and participate in seed production programme on a large scale, which was the core objective of the Company.

2B.6.3 Procurement of Certified, Labelled seed

The Company had been producing small quantity of other seeds like groundnut, maize, jowar etc., and depending upon demand and requirement by Government, certain quantities were also procured from private seed developers and farmers. Specific cases of irregularities noticed in audit are pointed out in succeeding paragraphs.

2B.6.3.1 Procurement over and above the quantity ordered by Government

Procurement of seed in excess of quantity ordered by Government resulted in loss of Rs.0.71 crore

As the jowar seed growers in Allagadda of Kurnool district were facing difficulty in selling seed due to glut in market, the Chief Minister of the State directed (April 1998) the Company to procure 5000 quintals of seed from growers at Rs.1000 per quintal for clean seed. Loss, if any, in this transaction was to be reimbursed by the State Government. As against 5000 quintals, the Company procured (June 1998 to December 1998) 10198 quintals at Rs.774 per quintal (average price). The total cost incurred was Rs.1.38 crore including all incidental costs. The Company disposed of 10109 quintals at rates ranging between Rs.270 and Rs.560 per quintal as grain, as it was not useful as seed and realised Rs.0.53 crore only and thus incurred a loss of Rs.0.85 crore. Government agreed to reimburse Rs.14.31 lakh being the loss on 5000 quintals. Audit observed that, even at the time of procurement of 5000 quintals, the Company was fully aware that it would be able to dispose of only 25 *per cent* of 5000 quintals. In spite of such assessment, the Company procured an additional quantity of 5198 quintals over and above the Government direction and incurred a loss of Rs.0.71 crore, which was avoidable.

2B.6.3.2 Delay in procurement of hybrid jowar seed

As there was surplus production of jowar seed in Kurnool district, State Government directed (May 2000) the Company to procure from farmers surplus jowar seed not exceeding 10000 quintals at the prescribed rate of Rs.8 per Kg. and committed to reimburse loss to the extent of Rs.20 lakh in this transaction.

Accordingly, the Company procured 10000 quintals of hybrid jowar seed for an aggregate value of Rs.0.80 crore (at Rs.800 per quintal) during October 2000 and January 2001 from the farmers of Allagadda constituency in Kurnool district. The Company informed (May 2000) the Commissioner and Director of Agriculture that as there was surplus stock with the seed processing agencies, it would not be in a position to dispose of it as seed during Kharif 2000 season and the seed would not be fit for sale as seed for Kharif 2001 season and would have to be sold as grain.

The stock was disposed of in two spells in February (396 quintals) and March, 2001 (9604 quintals) at Rs.316 and Rs.205 per quintal respectively against the procurement cost of Rs.800 per quintal. This resulted in a loss of Rs 0.59 crore. The company requested the Government (May 2001) to consider reimbursement of loss by way of adjustment against interest-free loan already granted to it. Pending approval of Government, the Company adjusted the entire loss of Rs.0.59 crore to the Calamity Relief Fund available with the Company.

In this connection, Audit observed that:

- the Company initiated action only in October 2000 and January 2001 for procurement of seed even though Government issued directions in May 2000, for procurement of surplus seed then available with farmers.

Not restricting procurement up to admissible loss of Rs.20 lakh resulted in loss of Rs.39 lakh

- while, as per Government directions, loss was not to exceed Rs.20 lakh in the transaction, the Company did not restrict the procurement so as to keep the loss within the admissible limit of Rs.20 lakh.
- the Company failed to dispose of the stock quickly. The entire stock of 7938 quintals procured during October 2000, was sold only in March 2001, after a lapse of five months, leading to increase in incidence of loss.

Thus, not limiting procurement up to a loss of Rs.20 lakh and not disposing of seed immediately resulted in avoidable loss of Rs.39.06 lakh to the Company.

2B.6.3.3 Procurement of Soyabean seed

Procurement and price fixation of seed was done without coordination with other agencies

i) For Kharif 1999 season, the Company procured 5250 quintals of two varieties (i.e., PK-472 and JS-335) of certified Soyabean seed at the rate of Rs.1975 per quintal from Gujarat State. The seed was stated to have been procured from rust-free area of Gujarat. The cost of procurement worked out to Rs.2621 per quintal. As against the total cost of procurement of Rs.2621 per quintal, sale price was fixed at Rs.2100 per quintal. As other agencies like Oilfed, Hyderabad Agricultural Cooperative Association (HACA) and District Cooperative Marketing Society (DCMS) were distributing Soyabean seed at Rs.1700 per quintal in Adilabad district, the Company found it difficult to dispose of the seed even at Rs.2100 per quintal and reduced the sale price to Rs.1700 per quintal and wholesale price to HACA at Rs.1600 per quintal

Though HACA, Oilfed and DCMS were procuring and supplying seed to farmers, the Company did not coordinate procurement and price fixation with those agencies to avoid competition. Reasons for the same were not available on record. Since the management agreed to dispose of the whole stock at Rs.1700 per quintal and the whole stock was sold also as evident from "nil" closing balance, the loss worked out to a minimum of Rs 48.35 lakh on this transaction. As the procurement file for these varieties of seed was not made available to Audit, Audit observation was made on the basis of available information from other files, notes and Board Minutes.

(ii) The Company procured (June 2001) 2500 quintals of Soyabean (JS-335 labelled seed) at the rate of Rs.1630 per quintal on FOR destination for a total cost of Rs.40.75 lakh from M/s.Krishidhan Seeds Ltd., Jalna, Gujarat. The entire seed was procured on telephonic enquiry without calling for tenders. Before procurement, no survey was conducted to ascertain and compare prevailing market rates. Reasons for not following tender procedure for procurement valued at Rs.40.75 lakh were not on record.

2B.7 Seed farm at Nagalapuram

Loss of Rs.37.60 lakh on account of maintenance of seed farm at Nagalapuram

For the purpose of multiplying the seed from nucleus to breeder and breeder to foundation seed, the Company *inter alia* owned a seed farm at Nagalapuram in Chittoor District. The seed multiplication farm consisting of 178.85 acres of land with permanent structure, was transferred to the Company in October 1995 by the Department of Agriculture, Government of Andhra Pradesh. The Company incurred an expenditure of Rs 17.10 lakh for the development of farm (fencing and approach road) during the year 1997-98. Out of 178.85 acres, the Company utilised 2 to 78 acres of land for production during the year 1995-96 to 2000-01 and the seed farm was handed over back to Government of Andhra Pradesh in April 2001. Due to scarcity of water, poor and undulated soil, labour problems, frequent power failures and heavy maintenance cost, very few quantities of paddy, pulses and vegetable seeds were produced in the seed farm and the farm incurred loss to the extent of Rs.20.50 lakh from 1995-96 to 2000-01. Audit observed that the Company did not prepare any feasibility report regarding viability and utility of the farm before taking over from Government of Andhra Pradesh. Neither the proposal for taking over nor handing over back to Government was approved by the Board of Directors. Though soil of the farm was not suitable and only very few varieties were grown, the farm was not handed over back to Government immediately. Failure to take timely action to return the farm to the Government despite incurring the losses from the beginning, resulted in a total loss of Rs.37.60 lakh including capital expenditure of Rs.17.10 lakh.

2B.8 Quality control

2B.8.1 Testing of samples

The Company had its central laboratory and testing facilities in Jeedimetla for testing of germination, moisture of seed etc., besides two small laboratories in Vijayawada and Kurnool units. Three samples of prescribed quantity of seed produced/procured by the units are collected out of which two samples are sent to quality control laboratory for testing before acceptance of lots.

Seeds purchased from private developers were sold without receipt of test results

Test check in Audit revealed that there were cases of seed being processed by the units before test results were received. An analysis of samples received and tested revealed that rejections ranged between 22 *per cent* (2001-2002) and 40 *per cent* (1998-1999). Seed directly procured from traders/private seed developers were sold without receipt of test results, on the one hand, which defeated the objective of quality control and on the other hand the Company had to sustain loss on account of rejection of sub standard seed. The loss aspect is discussed in para 2B.8.3.

2B.8.2 Issue of third generation seeds

As per the standards fixed by Government of India under Seeds Act, seed is used for seed purposes up to three generations only i.e., nucleus to breeder, breeder to foundation and foundation to certified seed. Certified seed is to be issued for commercial purpose to farmers and not to be used for further multiplication. For this purpose, the seed developers obtain breeder seed from the Research Institutes/Agricultural University so as to organise production of foundation seed. This stage of production is to be monitored/supervised by the technical officers of the Company as per standards of seed production. The foundation seed is issued for organising certified seed production. This certified seed would be issued to farmers for further multiplication, which would be used for human consumption. In any case certified seed should not be used for organising production of foundation seed. Likewise foundation seed should not be used as breeder seed for organising production of foundation seed as it adversely affects the germination of seed, which is against seed standards and defeats the objective of supply of quality seed.

Against seed standards, foundation seed was issued as breeder seed for production of foundation seed

Audit observed that in the last five years ended March 2002, 338.95 quintals of various varieties of foundation seed was issued as breeder seed for organising production of foundation seed. This resulted in use of seed for multiplication beyond three generations.

Certified seed was issued as foundation seed for production of certified seed

Similarly during the same period, the Company issued 24651 quintals of certified seed as foundation seed for producing certified seed, which was irregular and against standards of seed production. This action had not only defeated the objective of supplying quality seed to farmers, but also unfairly/immorally overcharged the farmers to the extent of Rs.49.30 lakh, as the price of foundation seed was more than the price of certified seed by Rs.200 per quintal.

2B.8.3 Issue of sub standard seed to farmers

32 lots of sub standard seed were accepted and paid for

i) During the year 1999-2000, the unit office at Anantapur procured (April and May 1999) 8826 quintals of three varieties of groundnut seed (JL-24, TMV-2 and K-134) from within the district. The samples were sent during the same period for testing to quality control laboratory at Jeedimetla. The laboratory authorities found (April/May 1999) that 60 samples were sub standard due to impurity, poor germination and presence of other distinguished varieties. A test check in audit revealed that 32 lots weighing 2563 quintals of sub standard seed valued at Rs.41.25 lakh were accepted and payments were made in full.

Groundnut seed procured in 1999-2000 was condemned and sold as grain

Sale of groundnut seed started in June 1999 and farmers started complaining (June 1999) about the presence of waste materials in the groundnut seed bags. As there were several reports in the press, the Managing Director ordered for re-cleaning of the balance unsold seed, which also included rejected lots. The seed was supplied to farmers after re-cleaning. It was also seen from the records that the entire lot of 2,563 quintals of rejected seed procured in 1999-2000 was condemned and sold as grain at a loss of Rs.15.77 lakh.

(ii) The work relating to procurement and distribution of 2.11 lakh quintals of certified/labelled seed was entrusted to the Company in April 2001 by Government of Andhra Pradesh under Drought Contingency Plan. The Company failed to draw required number of samples from the seed procured before distribution which resulted in distribution of poor quality of seed apart from many irregularities in procurement of seed. The case was entrusted to Vigilance and Enforcement department by Government of Andhra Pradesh.

Audit observed that, in spite of specific measures suggested by Vigilance department to improve the quality, the Company had not issued any specific instructions about non-recurrence of such instances. The Board of Directors in its meeting held on 9 January 2002, noted the Vigilance report but no instructions were issued about the measures suggested. Audit also observed that all the 10 officials involved in the procurement and supply of sub standard seed in Kharif 2001 in Anantapur district were suspended in January 2002 but, later on, suspension was revoked (April 2002) in respect of eight officials pending enquiry. However, no action was taken against the then Managing Director (Sri P. Narayana Chowdary) in spite of specific recommendation in the Vigilance report for taking disciplinary action against him.

2B.9 Processing and storage facilities

2B.9.1 Processing of seed

Rs.1.34 crore was incurred on custom processing while keeping own facilities idle

The Company has a processing capacity of 493500 quintals per annum including 187500 quintals capacity of hired accommodation for processing/cleaning of seed in 15 units out of 19 district units. In spite of having own processing facilities to the extent of 493500 quintals per annum, the Company had incurred an expenditure of Rs.1.34 crore towards seed processing through custom processing units, during the five years ending 31 March 2002. The total production of the Company ranged from 2.19 lakh quintals (2001-02) to 5.70 lakh (1998-99) quintals of seed which shows that while own processing facilities were kept idle, seed was got processed by custom processing units incurring huge expenditure.

2B.9.1.1 Procurement of five seed graders

Five seed graders procured did not achieve installed capacity

The Company purchased five Jupiter seed graders of four tonnes per hour capacity along with accessories from M/s.Osaw Agro Industries, Ambala Cantonment, Haryana during the year 2001-02 and installed one each at Armoor (Nizamabad), Tanuku, Nidamanoor, Warangal and Karimnagar at a total cost of Rs.36.33 lakh including five destoners. A test check conducted during the audit of units at Tanuku and Warangal where the seed graders were installed revealed that the rated capacity achieved ranged from 1.4 tonnes to 1.7 tonnes as against the rated capacity of 3 tonnes per hour (fixed by the sub committee). No performance guarantee for ensuring the capacity of the grader (four tonnes per hour as in the case of wheat) was obtained by the Company from the manufacturer. Procurement and installation of seed graders without obtaining performance guarantee lacked justification.

2B.9.2 Implementation of programme for storage facilities

For development of Oil seed Production in the country, Government of India (GOI) introduced Oil Seeds Production Programme (OPP). The expenditure was to be shared on a 3:1 ratio basis between GOI and State Government. As a part of the programme to be implemented by the Company, funds amounting to Rs.4.50 crore were received during the period from 1993-94 to 1995-96 for development of infrastructure facilities.

As against this, the Company spent an amount of Rs.3.93 crore towards construction of godowns (Rs 3.12 crore) and cost of equipment (Rs 0.81 crore), leaving a balance of Rs.0.57 crore yet to be utilised as on 31 March 2002.

Audit scrutiny of records pertaining to utilisation of funds revealed the following deviations from the programme:

Godowns were not constructed at places contemplated in the sanction

i) Though entire funds were received by 1995-96 itself, the Company could complete construction of only 6 godowns during the 9 years period from 1993-94 to 2001-02, as against 7 programmed. Out of these 6 godowns, 5 godowns were constructed at places not contemplated in the programme viz., Tanuku, Srikalahasti, Gannavarm, Armoor and Karimnagar (work in progress).

ii) At Eluru, the Company constructed an ordinary storage godown instead of dehumidified cold storage godown.

iii) The Company did not spend any amount for opening of sale outlets for sale of oilseeds though contemplated in the programme.

iv) Out of OPP funds, an amount of Rs.17.10 lakh was spent on providing wire fencing at Nagalapuram farm, which was not contemplated in the scheme.

v) Incidentally, it was also noticed in audit, that except in Anantapur the Company did not have any activity for production and distribution of oil seeds in these places viz., Nandipahad, Eluru, Tanuku, Jeedimetla, Gannavaram, Armoor and Karimnagar, where the OPP funds were utilised.

2B.10 Sales performance

Bulk of the sales was organised through dealers involving payment of commission

The Company follows cash and carry system for sale of seed according to which the seed is delivered to buyers at Company's sales outlets or from growers on non-returnable basis. It opened 27 permanent and 62 temporary own outlets in 20 districts. Sale is also made through dealers. In respect of sales organized through dealers, the Company pays fixed percentage as dealer commission on sale price ranging from three to nine *per cent,* which is included in the sale price. Though sale through dealers involved payment of commission, the Company was increasing sales through dealers year after year. Percentage of sales in terms of value organised through dealers as a percentage to total sales in 1997-98 worked out to 40, which increased to 64 in 2000-2001. In 2001-02, sales through dealers decreased to 31 *per cent* mainly due to subsidy sales organised by the company, which worked out to 48 *per cent*. The details of total sales, sales through dealers and company's own outlets are shown in the **Annexure 20**. Though sales through dealers involved additional expenditure with consequential increase in sale price compared to private seed producers, the Company had not worked out economies of organising sales through dealers vis-a-vis company's own outlets.

2B.10.1 Fixation of sale prices

Inclusion of certain unrelated elements of cost while fixing sale prices resulted in higher fixation

Sale prices were fixed without market survey

The Company is arriving at cost of production by adding procurement cost paid (for clean seed) to farmers, processing cost, storage cost, packing cost, transportation cost, interest and fixed overheads like establishment cost, administration cost and depreciation. Dealer's commission and margin for the Company are added to the cost of production for arriving at the sale price. While fixing sale prices, no attempt was made to undertake market survey for comparing Government support price and market price of particular crop variety and to compare prices offered by private seed developers to farmers. It was observed in audit that following elements of costs had contributed to the substantial increase in sale prices of various crops compared to the prices of private seed producers:

a) Processing cost: The raw seed supplied by the farmers were processed at Company's cost. The farmers were paid procurement price for clean seed including the processing costs. However, the Company was again adding the processing costs of raw seed to the procurement cost of clean seed paid to the farmers. Thus, addition of processing cost twice, had resulted in boosting cost of production with consequential increase in sale price.

Dealer's commission was paid on gross sale price, which included dealer commission

b) Dealer's Commission: The Company allowed dealer commission at the rate of three *per cent* on groundnut, nine *per cent* on paddy and six *per cent* on other seeds. For purpose of arriving at the sale price, the Company calculated dealer's commission on sale price inclusive of dealer's commission and profit margin, instead of grossing up. This resulted in excess payment of Rs.28.76 lakh during the five years ended 31 March 2002. Besides, due to inflation in sale price, the Company was not in a position to compete with private parties.

c) Seed Transportation: As per the Company's policy, the delivery of seeds had to be made at processing centres under 'cash and carry' system. The responsibility of transportation from processing centres to dealer's sale point rests with the dealer. However, the Company fixed the sale price by including the transportation cost also, which inflated the sale price.

Inclusion of elements mentioned at (a) to (c) above resulted in higher fixation of sale prices by Rs.76 to Rs.315 per quintal.

After fixing sale price and commencement of sales, the Company was comparing its prices with that of private seed developers and reducing prices at the fag end of season, with the result, it was left with huge unsold quantities. This indirectly encouraged sales of private seed developers.

Some examples of price reductions at the fag end of the season after comparing with prices of private parties are given below:

(i) In the year 2000-01, Warangal unit was left with 57228 quintals of paddy produced in Rabi 1999-2000 season due to higher sale price of the Company when compared to prices of private developers. In order to liquidate the same, sale prices were reduced by Rs.130 per quintal. Even after reducing sale prices, the Company could sell 1880 quintals only and balance quantity of 55348 quintals was condemned and sold in auction. Due to this, the Company was deprived of revenue of Rs.2.30 crore being the differential amount between average cost of production of seed and average realisation for condemned paddy.

Sale of groundnut seed at lower than procurement price resulted in huge loss

(ii) As per directions of State Government, the Company was to procure 60700 quintals of groundnut for supply to farmers in Kharif 1998. As against this, the Company procured 76380 quintals (35111 quintals at the rate of Rs.1750 per quintal and 41269 quintals at the rate of Rs.1900 per quintal) and supplied to farmers at the rate of Rs.1750 and Rs.1900 per quintal. The total cost of supplies in respect of groundnut procured at Rs.1750 and Rs.1900 per quintal respectively worked out to Rs.2121 and Rs.2276 per quintal. Since the sale price was less than cost of sales for the two varieties by Rs.371 and Rs.376 per quintal respectively, the Company sustained loss of Rs.2.85 crore. In this connection Audit observed that though Government's requirement was 60700 quintals of groundnut only, Company procured and supplied 76380 quintals. The loss on account of excess supply worked out to Rs.0.58 crore (Rs 371 x 15680 quintals). Reasons for excess supply were not available on record.

Further, Rs.5 crore was released by the Government as interest-free loan to the Company for this particular transaction and the Company had claimed the reimbursement of loss of Rs.1.03 crore from the Government on this account. The Government had rejected (February 1999) the claim.

2B.10.2 Sales through dealers

i) Sales returns from private dealers

As per Clause No.19 of Terms and Conditions of Dealership "the Company is fully responsible for the quality, quantity and condition of the seed up to the time of delivery at its godown. The responsibility thereafter, however, vests with the dealer. The risk of any loss due to demurrage or deterioration of the seed from whatever cause arising after delivery at Company's premises would be borne by the dealer. The Company followed 'cash and carry' system according to which the seeds once sold would not be taken back. Further, there was no clause in the agreement with dealer, for acceptance of seed returned by the dealers.

Loss of Rs.0.69 crore was due to acceptance of sales returns from dealers contrary to conditions of dealership

Contrary to this, the Company, during the five years ending 31 March 2002, accepted sales returns from dealers in 14 out of 19 units and sustained loss of Rs.0.69 crore due to condemnation and sale of seed as grain. The information in respect of other five district units was not furnished by the Company.

ii) Undue favour to dealers

Transportation of stock was arranged up to the sale points of dealers contrary to agreement conditions

According to clause 18 of Terms and conditions of agreement entered into by the Company with dealers, the dealer should arrange to take delivery of seed at godown of the processing plants of the Company. Contrary to this, the Company arranged transport of stocks of seed purchased by dealers up to the sale points of the dealers. Audit observed that in 9 out of 19 district unit offices, the Company incurred Rs.1.29 crore towards cost of transportation of seed to the sale points of the dealers during five years from 1997-98 to 2001-02. The information in respect of other 10 district units was not furnished by the Company.

iii) Payment of excess turnover commission

Turnover commission was paid without deducting normal commission on sales contrary to Board's decision

The Company had been paying commission on sales to dealers at prescribed rates for various crops/seeds. In addition to this, turnover commission was also being paid on paddy sales to those dealers who achieved the prescribed turnover slabs. Turnover Commission on sales was payable on the turnover after deducting the dealer's commission as the sale price already includes such commission as a percentage of sale price. A review of turnover commission paid revealed that an amount of Rs.0.64 crore was excess paid due to calculation of turnover commission without deducting the dealer's commission.

On the basis of Audit observation, the Company had issued circular instructions (12 July 2002) to pay turnover commission on the net sales i.e. after deducting the dealer commission of nine *per cent* on paddy sales.

iv) Excess Payment due to non-adopting the turnover slab

Non-adoption of turnover slab resulted in payment of excess turnover commission

The Board of Directors of the Company approved (November 1996) rates of turnover commission payable to dealers on paddy sales. The rates for turnover limit up to Rs.15.00 lakh was Nil, from Rs.15 to 30 lakh was 2 *per cent* and above Rs.30 lakh was 4 *per cent*.

During the years 1998-99 to 2001-2002, the Company failed to follow the approved slabs and paid the commission at flat rate of four *per cent* on the entire turnover. This resulted in excess payment of commission to the extent of Rs.0.52 crore.

v) Adoption of wrong basis for payment of turnover commission

The Company had been paying turnover commission on paddy sales on the volume of turnover achieved in each crop year (i.e. two seasons). This was in addition to normal commission paid on sales. In November 1996, the Board of Directors decided that turnover commission should be calculated at the end of each season instead of on annual turnover. However, the Board reversed (December 1997) its decision without any reasons on record and approved payment of turnover commission on the annual turnover.

Payment of turnover commission on year-wise basis instead of on season-wise basis resulted in loss

A comparison of turnover commission payable calculated on year-wise vis-a-vis season-wise basis revealed that the Company would have saved Rs 0.57 crore from Kharif 1998 to Kharif 2001 had it followed season-wise system.

Board's reversal of its earlier decision, which was advantageous to the Company, lacked justification.

2B.10.3 Condemnation of seed and sale as grain

A scrutiny of inventory records in audit revealed that, as against a total quantity of 2801760 Quintals of paddy and other seeds produced/procured during the last five years ending as on 31 March 2002, a quantity of 419139 quintals of various types of seed was condemned and sold as detailed in the table given below:

(Quantity in quintals)

Seed Variety	1997-98	1998-99	1999-2000	2000-01	2001-02	Total
Paddy	105075	29598	47266	111467	65533	358939
Maize	4470	327	173	239	807	6016
Jowar	1719	10938	2856	10787	2474	28774
Bajra	222	310	94	64	48	738
Pulses	1851	1629	1318	1219	1723	7740
Groundnut	1851	837	4256	150	36	7130
Other Oilseeds	607	2092	2488	1713	80	6980
Cotton	20	255	132	101	114	622
Misc.	370	191	96	111	0	768
Vegetables	226	174	987	0	45	1432
Total	**116411**	**46351**	**59666**	**125851**	**70860**	**419139**

It would be observed from the above that condemned seeds constituted 15 *per cent* of the total production/procurement of seeds. Further it was noticed that 1108 quintals of breeder seed valued at Rs.28.62 lakh was condemned due to mismatch in production programmes of foundation seed.

Audit observed that huge condemnation was mainly due to:

- production of seed by the units without target and demand;
- excess production of seed than the targets fixed;
- fixation of prices higher than those of private seed developers;
- production of seed at places otherthan places of demand and transportation of seed from production centres to the market centres at the fag end of the season for sowing;

Production/procurement of more seed than required resulted in huge condemnation and loss of Rs.22.90 crore

- non-consideration of past sales experience in fixing the production targets
- excess procurement of seed than that indicated as per directions of Government under special programmes and condemnation of left over seed.

Due to huge condemnation of seed, the Company suffered a loss of Rs 22.90 crore during the last five years.

2B.11 Sundry Debtors

The age-wise analyses of sundry debtors as on 31 March 2002 is as under:

Outstanding for	**Rs. in crore**
Less than six months	1.17
Six months to one year	0.80
One year to two years	0.93
Two years to three years	0.01
More than three years	1.06
Total	**3.97**

The Sundry debtors outstanding for more than three years included Rs.1.03 crore due from seven distributors to whom sales were made before introduction (1995-96) of 'cash and carry' system sale and the claims were under dispute. Even though arbitration awards were given in respect of four cases involving Rs.0.90 crore in favour of the Company, due to filing of writ petitions and counters by the parties (ex-distributors), the case was sub judice (August 2002).

Locking up of Rs.0.82 crore on credit sales

Extension of credit facility contrary to 'cash and carry' system resulted in locking up of funds

The Company supplied (June 2000) 52389 packets (750 grams each) of certified hybrid cotton seed (NHH-44) valued at Rs.0.97 crore to M/s Amareswari Agri Tech. (AAT), Hyderabad on credit basis by obtaining post-dated cheques payable in July 2000 and October 2000. These two cheques amounting Rs.0.55 crore issued by AAT in August 2000 were dishonoured. After constant persuasion, AAT paid Rs.5.00 lakh in December 2000 and issued 19 post-dated cheques aggregating Rs.0.92 crore payable in May/June 2001. The cheques were dishonoured, on presentation, from time to time. In June 2001, only Rs.10 lakh was recovered leaving a balance of Rs.0.82 crore unrecovered. The Company had instituted criminal cases (July and September 2001) for dishonour of cheques.

Thus, extension of credit facility contrary to 'cash and carry' system followed, had resulted in locking up of Rs.0.82 crore for over two years.

2B.12 Subsidy

For implementation of various schemes/programmes sponsored by both Central and State Governments, the Company receives subsidy through the Commissioner and Director of Agriculture, Government of Andhra Pradesh. On entrustment of a particular scheme/programme, Government provides advance subsidy. On execution of the scheme, the Company, submits utilisation certificates to Government for adjustment of advance subsidy received, as stipulated in the terms of the scheme. As on 31 March 2002, Rs.10.89 crore was refundable in respect of 19 programmes and Rs.3.79 crore was receivable from the State Government in respect of 8 programmes. These amounts were stated to be pending reconciliation.

Main reasons for non-reconciliation of amounts were non-maintenance of proper records, non-receipt of utilisation certificates from the district unit in-charges duly signed by concerned officials of Department of Agriculture, Government of Andhra Pradesh.

On implementation of various major programmes subsidised by the Government, the following observations are made.

i) Integrated Cereals Development Programme (ICDP)

Under this programme the Company utilised Rs.12.71 crore towards subsidy out of Rs.13.32 crore received from 1997-98 to 2000-01.

As per the scheme, a subsidy of Rs. 2 per Kg., on high yielding variety of certified paddy seed purchased was to be passed on to only small/ marginal farmers including Schedule Caste/Schedule Tribe farmers. Further, the list of beneficiaries should be countersigned by the officers of Department of Agriculture to ensure genuineness of beneficiaries. These lists along with utilisation particulars of subsidy were to be submitted to Government of Andhra Pradesh for settlement of advance subsidy received by the Company.

Contrary to guidelines, Sale of seed under ICDP was made to all farmers without confining to small and marginal farmers

Objective of increasing production in identified blocks was not achieved

Contrary to the above guidelines, the practice of obtaining countersignatures on the list of the beneficiaries was dispensed with. Even in the case of seed sold through private dealers under this programme, the practice of obtaining countersignatures by departmental (Agriculture) officers was not followed. Under such circumstances, the eligibility of beneficiaries of subsidy, as per the scheme, was not verifiable. As a result, the objective of increasing production in identified blocks (where rice yield levels were below the district average) by extending subsidy to small and marginal farmers including SC/ST farmers was not achieved.

ii) Oil Seed Production Programme (OPP)

Subsidy under OPP was misutilised to the extent of Rs.1.23 crore

Due to severe drought conditions in the districts of Rayalaseema during the year 1999-2000, the farmers faced acute shortage of groundnut seed for taking up sowing during Kharif 2000. In order to meet their requirement, State Government entrusted the Company the work of procurement and supply of groundnut seed to farmers by extending subsidy of Rs.525 per quintal under Oilseeds Production Programme. The Company procured and distributed 114356 quintals of groundnut seed and received Rs.6 crore towards subsidy from the Government, but passed on Rs.4.77 crore only by distributing 76,204 quintals at the rate of Rs.400 per quintal and a quantity of 38152 at the rate of Rs.450 per quintal. Thus, the Company, mis-utilised the subsidy to the extent of Rs.1.23 crore without passing on to farmers contrary to the instructions of Government.

iii) Oil Seed Production Programme (OPP) – Seed Village Programme

Under OPP-SVP, subsidy of Rs.5.69 crore was not passed on to farmers/ growers

Under this programme, production of oilseeds was organised in selected villages in each district based on demand under assured irrigated conditions, in order to ensure timely availability of quality seed with reduced handling cost. As per the programme, 75 *per cent* of the assistance (subsidy) was to be passed on to growers/farmers to meet the cost of certification, loss due to rouging and under-sized seed while 25 *per cent* of the assistance provided could be placed at the disposal of procurement agencies i.e., State Seeds Development Corporation. This OPP Seed Village Programme was entrusted to the Company in 1990-91 and continued up to 1997-98 and again, in the year 2001-02. During the period 1991 to 2001-02, the Company received Rs.6.24 crore towards advance assistance (subsidy) and claimed utilisation of funds amounting to Rs.7.59 crore for the period from 1990-91 to 2001-02. But the Company did not pass on Rs.5.69 crore to the farmers/growers being 75 *per cent* of subsidy as stipulated in the programme and the farmers were, thus, deprived of the benefit of the scheme.

2B.13 Internal Audit

Internal controls are inadequate. Internal audit is required to be strengthened

The Company had its own Internal Audit Wing from the year 1979-80, which was headed by Manager (Audit) reporting directly to the Managing Director. No specific Internal Audit Manual was prepared by the wing. A checklist of the Audit to be conducted was maintained. The scope of Internal Audit in Head Office was extended to pre-audit of all the files routed through this wing. The internal control procedures were inadequate and required strengthening commensurate with the size and nature of business. The scope and coverage of Internal Audit is required to be widened.

2B.14 Management Information System

(i) Though the Company was incorporated in 1976, Management Information System (MIS) had not been introduced so far. The registers and records were maintained manually and computerisation had not been taken up. Some of the deficiencies in maintenance of records are mentioned below:

- The Company did not maintain any record for breeder/foundation/certified seed issued to farmers, targeted production expected from them, actual quantity received, reasons for shortfall, if any.

- The seed directory maintained at unit level did not indicate the quantity of seed issued, reasons for non-receipt viz., crop failures, rejections in field inspections etc.

- Lot number-wise control was not introduced for all the transactions of seed i.e., from procurement to processing, selling, stocking and condemnation.

- The Company did not maintain separate records for own production as well as procurement from private seed developers.

- Market information/projected demand from Government were not assessed and maintained.

- Seed-wise, dealer-wise sales registers were not maintained at unit/ head office level. Quantitative details of sales made through own outlet/dealers were also not maintained at unit/head office level.

- Grower shareholders registers were not updated. This register did not indicate the details of location and quantum of land possessed by growers, soil conditions, crop that could be grown in the land etc.

- There were no manuals for purchase, accounts, quality control and sales.

- The Company did not have any laid down policy for procurement, processing, storage and sales and fixation of procurement as well as sale prices.

- The Company did not maintain separate account for expenditure on “Establishment and Maintenance of Seed Bank” a central sector scheme as required.

Conclusion

The Company did not develop scientific production planning. Targets were fixed without considering past experience, present demand and share of market by private developers. While planned targets were not achieved, the Company produced either untargeted varieties or targeted varieties much in excess resulting in huge inter-unit transportation cost and condemnation of seed. The Company paid incentive without achievement of targets.

The Company did not formulate any specific policy for fixation of sale price. Sale prices fixed were higher than those of private developers. This resulted in huge condemnation and denying availability of required seed by farmers at reasonable price. There was payment of higher commission to dealers and payment of turnover commission on year-wise basis was irregular. The Company was not justified in not passing on the subsidy to intended class of farmers under ICDP, OPP and OPP-SVP programmes. The Company had not developed Management Information (MI) System and maintenance of records was extremely poor.

The Company is required to organise production of seed on scientific basis, minimise condemnation and inter-unit transfers, formulate price fixation policy on sound lines, utilise own processing facilities to the maximum extent, pass on subsidy under various schemes to the intended farmers, avoid payment of undue benefit to dealers, motivate more farmers to become grower-shareholders to participate in seed production programme on large scale and to introduce MI system and maintain proper records for own production/outside procurement and sales seed wise.