

## **Chapter-IV**

### **Agriculture Production Department**

#### **4.1 Introduction**

Agriculture Production Department is the overall controlling department of Agriculture, Horticulture, Sericulture and Co-operative departments.

The mandate of the Agriculture Department is to evolve and implement strategies to bring about socio-economic development of masses particularly in rural areas through increased production and productivity of crops and development of agro-based enterprises like honey, mushrooms, vegetables, etc. on sustainable basis. The department seeks to achieve these objectives by ensuring timely availability of agriculture inputs and technical know-how to farmers through use of latest strains of high yielding varieties/hybrid seeds, increase in area and productivity of oil seeds/pulses, increase in cropping intensity, promotion of farm mechanisation, undertaking soil and water conservation measures, increased flow of credit to farmers, providing inputs at reasonable rates/prices, strengthening of extension activities/infrastructural facilities, etc.

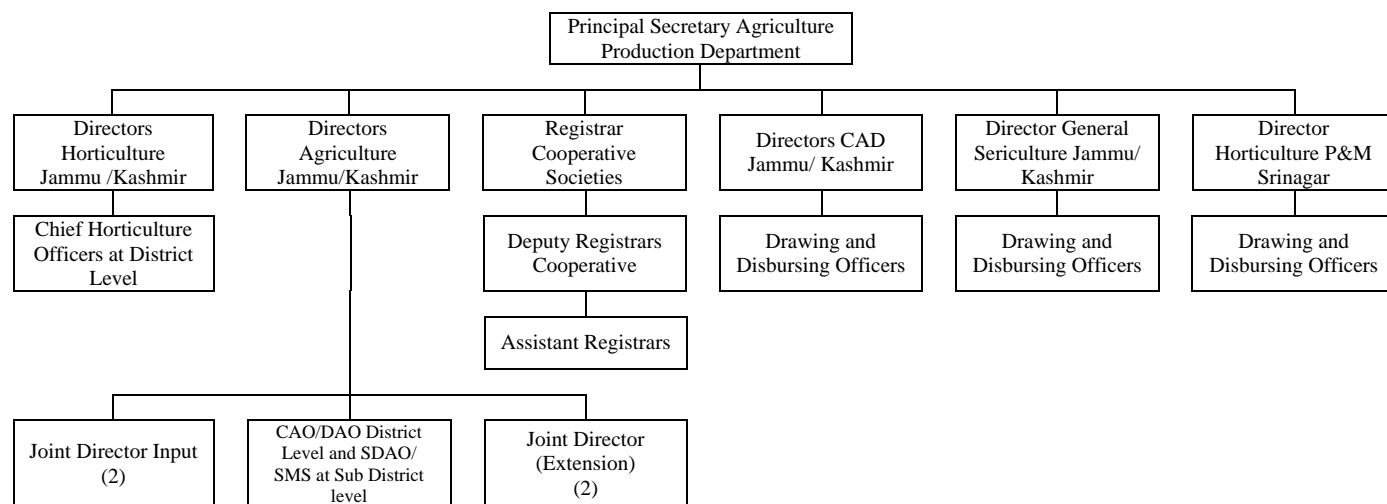
The main objectives of the Horticulture Department are to expand area under orchards, encourage diversification and zonalisation of fruit plantation, production and supply of genetically improved plants through departmental and private nurseries, improve productivity and quality through introduction of advanced technologies and ensure availability of plant protection machinery and equipment to the orchardists on subsidised cost for better pest and disease management.

The Cooperative Department has obligation of providing financial assistance under different schemes to cooperative institutions/societies, besides audit, supervision and disposal of arbitration cases of these societies.

Two public sector undertakings (PSUs) namely Jammu and Kashmir Agro Industries Development Corporation Limited and Jammu and Kashmir Horticulture Produce, Marketing and Processing Corporation Limited (JKHPMC) and two autonomous bodies namely Sher-e-Kashmir University of Agricultural Sciences and Technology (SKUAST) Jammu/Srinagar and Jammu and Kashmir Cooperative Supply and Marketing Federation Limited (JAKFED) are also assisting the department in achieving its objectives.

### 4.1.1 Organisational structure

The organisational chart of the department is given here under:



Against the sanctioned strength of 10705\* in all cadres, the men in position were 9024<sup>‡</sup> (84 per cent) indicating 1681 vacancies as of March 2005 in the department.

### 4.1.2 Allocation and expenditure

The position of allocation of funds and expenditure<sup>∇</sup> incurred thereagainst during 2003-04 and 2004-05 was as follows:

Table 4.1

(Rupees in crore)

Head of Account	2003-04		2004-05	
	Allocation	Expenditure	Allocation	Expenditure
<b>(A) Revenue Account</b>				
Plan	64.18	64.07	66.92	63.20
Non-Plan	87.49	83.84	79.25	78.20
<b>(B) Capital Account</b>				
Plan	26.42	24.76	11.26	10.88
Non-Plan	12.16	10.48	9.39	7.53
<b>(C) Loan</b>	0.55	0.33	-	-
<b>Total</b>	<b>190.80</b>	<b>183.48</b>	<b>166.82</b>	<b>159.81</b>

The break-up of the above details of allocation and expenditure is given below:

\* Agriculture: 6995; Command Area: 727; Horticulture: 1727 and Cooperative: 1256

‡ Agriculture: 5883; Command Area: 658; Horticulture: 1579 and Cooperative: 904

∇ Agriculture, Horticulture, Sericulture, Command Area, and Co-operative Departments

**Table 4.2**

(Rupees in crore)

S. No	Object of expenditure	2003-04		2004-05	
		Allocation	Expenditure	Allocation	Expenditure
1.	Salaries	121.51	120.21	122.41	121.23
2.	Material and supplies	2.02	1.94	4.44	2.71
3.	Machinery and equipment	3.02	2.81	3.60	3.79
4.	Subsidies	4.21	2.79	5.32	5.40
5.	Inputs	6.72	5.38	1.87	1.43
6.	On going works	3.89	4.26	9.33	9.01
7.	New works	0.56	0.32	1.55	1.06
8.	Other activities	48.87	45.77	18.30	15.18
	<b>Total</b>	<b>190.80</b>	<b>183.48</b>	<b>166.82</b>	<b>159.81</b>

The details of equity/grant/loan provided to PSUs/Autonomous Bodies during 2003-04 was as under:

**Table 4.3**

(Rupees in crore)

Name of PSU/ Autonomous Body	Grant released	Loan provided	Investment in the shape of equity
SKUAST Jammu	13.00	16.00	-
SKUAST Kashmir	29.49	29.69	-
JKHPMC	-	-	0.40
Agro Industries Development Corporation	-	-	0.50

## 4.2 Audit Coverage

Audit of 176 Drawing and Disbursing Officers (DDOs) out of 347 DDOs was conducted during the year 2004-05. The total expenditure involved in respect of audited DDOs was Rs. 220.79 crore out of which expenditure of Rs. 39.31 crore was test checked as detailed below:

**Table 4.4**

(Rupees in crore)

S. No	Name of Department	Total No. of DDOs	No. of DDOs covered in audit	Period of audit ranging between	Volume of expenditure involved	Expenditure test checked
	(1)	(2)	(3)	(4)	(5)	(6)
(i)	Agriculture	164	87	March 1999 to February 2005	120.78	22.07
(ii)	Horticulture	49	36	August 2001 to February 2005	77.45	14.11
(iii)	Co-operative	134	53	April 1989 to February 2005	22.56	3.13
	<b>Total</b>	<b>347</b>	<b>176</b>		<b>220.79</b>	<b>39.31</b>

## Audit of Transactions

Some important audit findings noticed during course of test check of records of various DDOs are discussed in succeeding paragraphs:

### 4.3 Agriculture Department

#### 4.3.1 Excess stocking of seed

Audit scrutiny of the records of Joint Director (Input), Kashmir revealed that unfit seeds and pesticides valuing Rs. 4.26 crore were lying with 6 district offices in Kashmir Division as of March 2002. Since the reconciliation of seed/pesticide accounts for the years 2002-03 and 2003-04 had not been conducted by the Joint Director, the position of leftover seeds/pesticides for these years was not available with the department. The leftover seeds for the year 2002-03 valuing Rs. 3.40 lakh in respect of Doda (Rs. 0.49 lakh) and Rajouri (Rs. 2.91 lakh) had been declared unfit for sowing by the departmental seed certification agency as these seeds were supplied in excess of the requirements of the Sub Divisional Agriculture Officers (SDAOs). Excess stocking of seeds during 2003-04 valuing Rs. 23.67 lakh by Chief Agriculture Officer (CAO) Anantnag (Rs. 20.67 lakh) and District Agriculture Officer(DAO) Input Pulwama (Rs. 3 lakh) was also noticed in audit. These seeds were lying unutilised in the stores (December 2004). This indicated that supplies in excess of the actual requirement were received by the District officers which were subsequently not lifted by the SDAOs rendering the leftover seeds unfit for sowing due to prolonged storage.

#### 4.3.2 Seed Multiplication Farm Chakrohi

The Seed Multiplication Farm Chakrohi (R.S.Pura) Jammu, was established in 1983 with an area of 540 acres of land. The main objective of the farm was to produce HYV<sup>β</sup> seeds. Test check of records, however, revealed that the yield of HYV seeds in the farm was much lower than that assessed by the yield assessment committee of the department as detailed below:

Table 4.5

Sowing seasons/seed variety	Yield assessed by the Committee	Yield actually obtained	Shortfall	Sale rate per quintal	Loss
Rabi 2002-03	(In Quintals)			(In Rupees)	(Rs. in lakh)
(a) Wheat PBW-175	778.86	742.30	36.56	1000	0.41
(b) Wheat PBW-343	202.40	197.81	4.59		
Rabi 2003-04					
(a) Wheat 542	252.00	186.77	65.23	1000 1120	6.50 1.37
(b) Wheat HD 2687	592.00	276.10	315.90		
(c) Wheat Ray 3017	412.10	173.01	239.09		
(d) Wheat Sonalika	195.20	165.80	29.40		
(e) Fodder	203.68	81.24	122.44		
<b>Total</b>	<b>2636.24</b>	<b>1823.03</b>	<b>813.21</b>		<b>8.28</b>

As would be seen from the table above, the low yield of seeds in the farm resulted in loss of Rs. 8.28 lakh during two seasons (Rabi 2002-03 and Rabi

<sup>β</sup> High yielding variety

2003-04). The reasons for shortfall in seed production were attributed to lack of irrigation and insufficient infrastructural facilities in the farm.

### **4.3.3 Irregular transfer of Farm Land**

An area of 59 *kanals* 19 *marlas* of land<sup>φ</sup> of Seed Multiplication Farm Kheora (Rajouri) was transferred to State Health Department in March 2002 by the CAO, Rajouri in anticipation of Government sanction and without seeking prior approval of the Director Agriculture, Jammu. The matter was reported by CAO Rajouri to the Director Agriculture, Jammu in March 2004 after two years of transfer of land. The compensation claim on account of cost of transferred assets evaluated at Rs. 1.26 crore had not been raised by the Department (December 2004).

### **4.3.4 Non-completion of works**

Test check of records of ASCO Mubarak Mandi, Jammu revealed that two project works as detailed below were to be completed by the end of 2000-01 and 2003-04 respectively. The works were, however, left incomplete after incurring an expenditure of Rs. 1.33 crore. This rendered the investment of Rs. 1.33 crore made on these projects idle (March 2005).

**Table 4.6**

(Rupees in lakh)

Name of the Project work	Year of start	Targeted completion year	Estimated Project cost	Expenditure incurred
Dudar	1998-99	2003-04	108	108
Panthal	1999-2000	2000-01	27.92 (Revised to 42.85)	25.18

### **4.3.5 Cost overrun**

Five<sup>♦</sup> projects (estimated cost Rs. 16.27 crore) under Command Area Development Programme with the objective of increasing agriculture productivity in the command areas by way of efficient management of soil, water and crops were taken up during 1981-82 in Kashmir division. These projects were to be completed within a period of five years. Test check (June 2004) of the records of Director Command Area Development (Kashmir) Srinagar revealed that these projects were completed during 2000-01 and 2001-02 at a cost of Rs. 21.38 crore. Delay of 15 years in completion of these projects resulted in cost-overrun of Rs. 5.11 crore besides depriving the farmers of socio-economic benefits of these projects during the period. The Director attributed the delay to inadequate funding of these projects.

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<sup>φ</sup> Including building and plants/trees on the land

<sup>♦</sup> Marvel I to III, Lethpora, Koil, Yusmarg and Banimulla

#### 4.3.6 Locking up of funds

An amount of Rs. 2.07 crore was advanced (March 1992) to Assistant Commissioner, Land Acquisition, Jammu for acquisition of about 13,092 *kanals* of land for Seed Multiplication Farm, Chinore. Despite lapse of over 13 years, the land had not been acquired, as the Director Agriculture Jammu had not pursued the case with the Revenue Department. Inaction on the part of the Director resulted in locking up of Rs. 2.07 crore for over 13 years.

#### 4.3.7 Excess payment

Land measuring 7981 *kanals* belonging to Custodian Evacuee Properties Department was given (August 1983) to Agriculture Department on rent for establishment of Seed Multiplication Farm, Chakroi (R.S. Pura) Jammu. Test check of records of Director Agriculture, Jammu revealed that excess payment of Rs. 46.35 lakh was made to the Custodian by application of higher rate of rent for irrigated land instead of the admissible rate for second class irrigated land fixed by the Government. Further against amount of Rs. 30.76 lakh due on account of land rent for the year 2003-04, the Director made payment of Rs. 97.44 lakh in March 2004 to the Custodian resulting in excess payment of Rs. 66.68 lakh. The Director took up (January 2005) the matter with the Custodian, but the progress of recovery/adjustment of excess payment was awaited (March 2005).

#### 4.3.8 Inadmissible payment

The Government revised the pay scales of its employees through implementation of Revised Pay Rules namely Jammu & Kashmir Civil Services (Revised Pay) Rule 1987\*, 1992<sup>♦</sup> and 1998<sup>♥</sup> followed by several amendments/clarifications issued by the Finance Department from time to time

The Government also introduced Jammu and Kashmir Civil Services (Higher Standard Pay Scale Scheme) Rules, 1996 with effect from 1 January 1995 applicable to all categories of non-gazetted employees who had not got any promotion or promotional scale in their service career or had stagnated for more than nine years in the same scale after grant of one or more promotions. Such employees were to be allowed first, second or third higher standard scale after completion of nine years, 18 years or 27 years of regular satisfactory service respectively, provided that not more than three promotions including functional promotion, if any, could be granted under the Scheme. Further, according to the Jammu and Kashmir Civil Service Regulations, powers for stepping up of pay of a Government servant were to be exercised by the Administrative Department concerned with prior concurrence of the Finance Department.

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\* Effective from 1 April 1987

♦ Effective from 1 April 1990 with notional pay fixation from 1 April 1987

♥ Effective from 1 January 1996

Test check (September 2004 to January 2005) of service records of 26 Drawing and Disbursing Officers (DDOs) of the department revealed that inadmissible payments to the extent of Rs. 15.97 lakh were made to 53 employees on account of excess drawal of pay and allowances between April 1987 and December 2004. These excess drawals were made due to wrong application of rules leading to incorrect pay fixation on account of drawal of higher rate of increment/drawal of increment on incorrect dates, grant of undue higher standard pay scale and wrong stepping up of pay.

#### **4.4 Horticulture Department**

##### **4.4.1 Locking up of funds**

On the request of the State Government, the Government of West Bengal allotted land measuring 6.80 *kanals* near Salt Lake Kolkatta on lease basis for establishment of cold store at Jammu and Kashmir house at Kolkatta. Director Horticulture Planning and Marketing, Srinagar accordingly made a payment of Rs. 12.85 lakh (between March 1989 to April 1994) to the Government of West Bengal and lease deeds were executed in April 1995. The State Government did not take possession of the land despite several requests from the Government of West Bengal with the result the land was taken over by it in its own custody resulting in locking up of Rs. 12.85 lakh. On being pointed out in Audit, the Director stated (October 2004) that the matter was under correspondence with Revenue and Law departments and possession of the land was expected very soon.

Director, Horticulture Planning and Marketing Srinagar advanced (January 2004) Rs. 15 lakh to District Development Commissioner (DDC) Kargil for acquisition of 30 *kanals* 11 *marlas* of land for construction of Fruit and Vegetable Market at Kargil. The DDC Kargil, however, allotted the Government land for this purpose free of cost. The department had not claimed refund (March 2005) of the advanced amount resulting in locking up of Rs. 15 lakh.

### **PERFORMANCE REVIEW**

#### **4.5 Horticulture Development Programme**

##### **Highlights**

*The main objectives of the Horticulture Development Programme were to expand area under orchards, encourage production and supply of genetically improved plants, improve productivity and quality of fruit crop through introduction of advanced technologies, etc. The development of Horticulture in the State was affected by lower productivity of fruit crop and the average yield per hectare of apple crop was far lower than that envisaged by the department. The performance of the departmental nurseries was poor thereby affecting the supply of genetically improved and high quality plant material to the orchardists. Incorrect accounting and mismanagement of affairs relating to issue of plant material and plant protection machinery adversely affected the*

*objective of ensuring their availability to the beneficiaries. Some of the points noticed in the review are given below:*

- **The administrative expenditure incurred for development of horticulture in the State was very high and ranged between 68 and 78 per cent of the total expenditure during 2001-02 to 2004-05.**  
(Paragraph: 4.5.6)
- **The fruit production at the end of the year 2001-02 (10.98 lakh metric tonnes) was far below the 9<sup>th</sup> Plan (1997-2002) targeted level of 15.46 lakh metric tonnes.**  
(Paragraph: 4.5.8)
- **The average yield of apple per hectare ranged between 8.53 metric tonnes and 10.32 metric tonnes during 2000-01 and 2004-05 against the envisaged productivity of 20 metric tonnes from the year 2001-02. The area under almond production in the State declined over the last five years from 0.18 lakh hectares in 2000-01 to 0.15 lakh hectares in 2004-05.**  
(Paragraph: 4.5.8 )
- **Optimum capacity utilisation of departmental nurseries was not ensured and the production of plants declined from 1.95 lakh (2000-01) to 1.57 lakh (2003-04).**  
(Paragraph: 4.5.9 )
- **The cost of production of each plant in these nurseries ranged between Rs. 46 and Rs. 231 during 2000-01 to 2003-04 against the average market price of Rs. 7 for each plant.**  
(Paragraph: 4.5.9 )
- **The performance of the Advanced Centre for Horticulture Development Farm Zainpora was unsatisfactory due to decline in production of quality plant material, high mortality of apple trees and decrease in revenue of fruit crop.**  
(Paragraph: 4.5.10 )
- **No evaluation of the Programme in the State was done to assess its impact on development of fruit crop in the State and initiate corrective measures.**  
(Paragraph: 4.5.16)

#### **4.5.1 Introduction**

Horticulture forms the core of agricultural economy of the State. The agro-climatic conditions being ideal for production of horticultural crops, about five lakh families (2004) were involved in fruit growing in the State. The main objectives of the Horticulture Development Programme were to expand area under orchards, encourage diversification and zonalisation of fruit plantation,



production and supply of genetically improved plants through departmental and private nurseries, improve productivity and quality through introduction of advanced technologies and ensure availability of plant protection machinery and equipment to the orchardists at subsidised cost for better pest and disease management.

#### **4.5.2 Scope of Audit**

The integrated audit of Horticulture Department for the period from 1994-95 to 1998-99 was conducted between January 1999 and April 1999 and comments included at paragraph 3.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999. However, the Public Accounts Committee had not discussed the Audit Paragraph (September 2005).

The implementation of Horticulture Development Programme for the period from 2000-01 to 2004-05 was reviewed in audit from October 2004 to March 2005 by test check of records of Principal Secretary, Agriculture Production Department, two Directors Horticulture Jammu and Kashmir, 11 Chief Horticulture Officers (Kashmir Division: 6; Jammu Division: 5), two Nursery Registration Officers (Srinagar and Jammu), one Divisional Manager Plant Protection Workshop Jammu, two Managers-cum-Chemist (Kathua and Udhampur) and two Horticulture Publication Officers (Srinagar and Jammu). Out of total expenditure of Rs. 168.36 crore an expenditure of Rs. 52.57 crore (31 per cent) was covered in audit.

#### **4.5.3 Audit Objectives**

- Performance review of the programme was undertaken to see whether:
- more areas were brought under orchards in the State
  - productivity and quality of fruit crop had improved
  - funds provided for implementation of the programme were utilised judiciously
  - the departmental nurseries were maintained efficiently for supply of genetically improved plants in the field
  - plant protection machinery and equipment was made available to the orchardists at subsidised cost
  - a system of effective monitoring existed.

#### **4.5.4 Audit criteria**

The following audit criteria were followed: -

- programme envisaged for making the nurseries/orchards viable
- improvement in quality and productivity of fruit crops in the State
- production of quality plant material and their economic viability

- availability of plant protection machinery and equipment to the orchardists at subsidised costs
- all round development of horticulture in the State

#### 4.5.5 Audit methodology

Selection of units was made by adopting random sampling method. The relevant records of selected units were test checked and important points noticed are discussed in the succeeding paragraphs:

#### 4.5.6 Allocation and expenditure

The position of funds allocated by the State Governments, funds released by the Central Government for implementation of two centrally sponsored schemes<sup>ψ</sup> and expenditure incurred there against during the period from 2000-01 to 2004-05 was as follows:

Table 4.7

(Rupees in crore)

Year	State Government		Central Government		Total expenditure	Administrative expenditure (percentage)
	Allocation	Expenditure	Funds available	Expenditure		
2000-01	28.94	25.69	3.59	2.95	28.64	-
2001-02	31.79	29.07	2.77	2.68	31.75	24.40 (77)
2002-03	30.57	29.16	3.40	3.26	32.42	24.98 (77)
2003-04	32.53	31.77	2.71	2.51	34.28	26.82 (78)
2004-05	34.94	33.93	7.66	7.34	41.27	28.23 (68)
<b>Total</b>	<b>158.77</b>	<b>149.62</b>	<b>20.13</b>	<b>18.74</b>	<b>168.36</b>	

The administrative expenditure incurred for development of Horticulture in the State was very high and ranged between 68 and 78 *per cent* of the total expenditure during 2001-02 to 2004-05.

#### 4.5.7 Programme Management

The objectives of the Horticulture Development Programme were to be achieved through implementation of various schemes viz. Expansion of area under new orchards, Production of quality plant material, Productivity Improvement Programme, Plant Protection, Extension, education and training and through package of incentives provided to the beneficiaries including subsidy on pesticides, tools/implements, land development/farm development works, etc. The results of the review of the programme are brought out in the succeeding paragraphs:

#### 4.5.8 Expansion of area under horticulture and fruit productivity

Horticulture continues to play a vital and important role in the economic scenario of the State. The climatic diversity of the State with four distinct climatic

<sup>ψ</sup> “Macro Management of Agriculture” and “Technology Mission for Integrated Development of Horticulture”

zones (sub-tropical, intermediate, temperate and sub-temperate) offers vast potential for cultivation of different varieties of fruit. As such the primary objective of the department was to expand area under horticulture in order to increase the production of fruit crops of different varieties. With a view to achieving this objective, 9<sup>th</sup> Plan (1997-2002) document stressed the need for diversification and zonalisation of fruit cultivation in the State. The position of area under fruit cultivation, actual fruit production and average yield per hectare in the State during the period from 2000-01 to 2004-05 was as follows:

**Table 4.8**

<b>Year</b>	<b>Particulars</b>	<b>Apple</b>	<b>Other Fruits</b>	<b>Total</b>
2000-01	(i) Area under fruit cultivation (in lakh hectares)	0.88	1.31	2.19
	(ii) Production (in lakh metric tonnes)	7.51	1.81	9.32
	(iii) Average yield per hectare (In metric tonnes)	8.53	1.38	4.25
2001-02	(i) Area under fruit cultivation (in lakh hectares)	0.90	1.32	2.22
	(ii) Production (in lakh metric tonnes)	9.10	1.88	10.98
	(iii) Average yield per hectare (In metric tonnes)	10.11	1.42	4.94
2002-03	(i) Area under fruit cultivation (in lakh hectares)	0.95	1.37	2.32
	(ii) Production (in lakh metric tonnes)	9.54	1.93	11.47
	(iii) Average yield per hectare (In metric tonnes)	10.04	1.40	4.94
2003-04	(i) Area under fruit cultivation (in lakh hectares)	1.01	1.42	2.43
	(ii) Production (in lakh metric tonnes)	10.42	2.32	12.74
	(iii) Average yield per hectare (In metric tonnes)	10.32	1.63	5.24
2004-05	(i) Area under fruit cultivation (in lakh hectares)	1.08	1.50	2.58
	(ii) Production (in lakh metric tonnes)	10.93	2.39	13.32
	(iii) Average yield per hectare (In metric tonnes)	10.12	1.59	5.16

The 9<sup>th</sup> plan (1997-2002) targets for fruit production were fixed as 15.46 lakh metric tonnes. However, against this, the fruit production at the end of 2001-02 was only 10.98 lakh metric tonnes which was far below the targeted level.

Apple continued to occupy predominant position with a share of 81 to 83 *per cent* of the total production of fruit crop in the State during 2000-01 to 2004-05. The department envisaged increased productivity of apple crop of 20 metric tonnes per hectare from the year 2001-02. However, the average yield per hectare of apple crop during 2000-01 to 2004-05 ranged between 8.53 metric tonnes and 10.32 metric tonnes. Even the production of 10.72 metric tonnes per hectare achieved by the department during 1999-2000 declined. The production of other fruits varied between 1.81 to 2.39 lakh metric tonnes during this period. The Director Kashmir attributed (April 2005) decline in average yield of apple crop per hectare to non-availability of sufficient root stock/high density plantation and lack of proper infrastructural facilities in departmental nurseries/farms. No effective steps for development of infrastructure were taken by the department.

The area under almond production in the State declined from 0.18 lakh hectares (2000-01) to 0.15 lakh hectares (2004-05). In Budgam and Pulwama districts which constituted about 97 *per cent* of the production of almonds in the State during 2000-01, the area under almond cultivation decreased by 13 *per cent* from 0.15 lakh hectares (2000-01) to 0.13 lakh hectares (2004-05). In Pulwama district the area under dry fruits (walnut and almond) got reduced by 492 hectares

during the period from April 2000 (12,464 hectares) to March 2005 (11,972 hectares) and the average yield per hectare had also declined from 1.45 metric tonnes during 2000-01 to one metric tonne during 2004-05. Chief Horticulture Officer (CHO) Pulwama attributed decline in yield to drought conditions in the valley. This was not tenable as there was no decline in production of dry fruits in other drought prone areas of the valley during the same period as in Budgam district the average yield per hectare had increased from 0.86 metric tonne during 2002-03 to 1.02 metric tonne during 2004-05.

Audit scrutiny further revealed that fruit production in Kathua District gradually declined from 0.19 lakh metric tonnes in 2001-02 to 0.15 lakh metric tonnes in 2003-04 which was attributed by CHO Kathua to drought conditions and certain areas coming under the Thein Dam. The reply was not tenable in view of the fact that area under production had increased from 5,960 hectares in 2001-02 to 6,137 hectares in 2003-04. In fact the average yield per hectare came down from 3.21 metric tonnes in 2001-02 to 2.40 metric tonnes in 2003-04. The drought conditions did not result in any significant reduction in yield of fruit crop in the nearby district of Udhampur where the average yield per hectare increased from 0.92 metric tonne during 2001-02 to 1.17 metric tonne during 2003-04. In Doda district the average production per hectare decreased marginally from 0.66 metric tonne during 2001-02 to 0.61 metric tonne during 2003-04. Similarly in Baramulla and Anantnag districts, the average production per hectare decreased from 16.28 metric tonnes and 5.51 metric tonnes during 2002-03 to 15.80 metric tonnes and 5.09 metric tonnes respectively during 2004-05.

Thus the development of horticulture in the State continued to be characterised by lower productivity despite implementation of various schemes and providing incentives for increasing productivity of fruit crop in the State involving an expenditure of Rs. 28.26 crore during 2001-02 to 2004-05.

#### **4.5.9 Production and supply of improved plant material through departmental nurseries**

One of the primary objective of the programme was to increase potential for production of quality plant material of different varieties in the departmental nurseries. Following strategy was adopted to achieve this objective:

- Identification of promising cultivars<sup>β</sup> and trees to serve as bud bank, import of new varieties for multiplication, development of indigenous root stock and selection of promising seed of good quality for further multiplication and distribution in the field.
- Introduction of latest technology for proper propagation and cultivation development as also creation of infrastructure like irrigation and promotion of use of plastic in departmental nurseries.
- Encouraging privatisation of nursery development.

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<sup>β</sup> Plant variety produced by selective breeding

Since the expansion of area under new plantation depended upon availability of good quality plant material, performance of 110 departmental nurseries (Jammu Division: 59; Kashmir Division: 51) with an area of 192.43 hectares (Jammu Division: 63 hectares; Kashmir Division: 129.43 hectares) was not only unsatisfactory but these were also economically unviable. The year-wise position of availability and mortality of plants in 43 departmental nurseries of five test checked districts during 2000-01 to 2004-05 was as follows:

**Table 4.9**

(In lakh numbers)

Name of the district	Number of nurseries	2000-01		2001-02		2002-03		2003-04	
		Total stock of plants <sup>φ</sup>	Mortality	Total stock of plants	Mortality	Total stock of plants	Mortality	Total stock of plants	Mortality
Kupwara	8	2.06	0.56	1.70	0.24	1.50	0.24	1.61	0.33
Srinagar	10	0.41	0.15	0.57	0.02	0.59	0.013	0.65	0.016
Pulwama	10	0.91	0.17	0.69	0.11	0.62	0.11	1.36	0.40
Budgam	4	0.41	0.11	0.27	0.07	0.42	0.05	0.44	0.09
Anantnag	11	0.71	0.15	0.74	0.44	0.95	0.26	0.72	0.51

The mortality (damage/dryage) of plants in these nurseries was very high and ranged between 14 and 27 per cent (Kupwara), 2 and 36 per cent (Srinagar); 16 and 30 per cent (Pulwama); 11 and 26 per cent (Budgam) and between 21 and 71 per cent (Anantnag). Audit scrutiny further revealed that the production of plants declined from 1.95 lakh during 2000-01 to 1.57 lakh during 2003-04 in the departmental nurseries of these five districts. The cost of production of each plant in these departmental nurseries ranged between Rs. 46 and Rs. 231 during 2000-01 to 2003-04 against average market price of Rs. 7 for each plant. As there was a meagre production of 0.14 lakh apple plants and 0.45 lakh walnut plants in the nurseries of four districts<sup>≠</sup> during 2000-01 to 2003-04, the CHOs of these districts had to purchase 4.59 lakh apple plants and 0.78 lakh walnut plants from private nurseries during the same period. Thus the department failed to achieve the objective of providing quality plant material to fruit growers at reasonable rates.

Walnut plant production in the departmental nurseries of Anantnag district declined over the period of five years. The production of unbudded plant stock decreased from 0.93 lakh (2000-01) to 0.43 lakh (2004-05). These nurseries produced only 2,763 budded stock during 2000-01 to 2004-05. CHO Anantnag attributed decline in production to insufficient irrigation facilities in the nurseries. No concrete steps for providing irrigation facilities in these nurseries were taken.

Against the production capacity of 1.73 lakh plants in 17 departmental nurseries in Udhampur district, the actual production was between 0.27 lakh and 0.62 lakh plants during 2000-01 and 2003-04. There was declining trend in production of plants in nurseries from 0.62 lakh (2000-01) to 0.27 lakh (2003-04). Two nurseries (Gool and Handar) produced 255 plants during four years 2000-04 (Gool: 66, Handar: 189) against annual production capacity of 0.15 lakh plants

<sup>φ</sup> Includes existing stock of plants and fresh production during the year  
<sup>≠</sup> Anantnag, Srinagar, Kupwara and Pulwama

(Gool: 0.05 lakh; Hander: 0.10 lakh). This was despite the fact that 10 officials were posted in these nurseries (Gool: 7, Hander: 3) and were paid salary of Rs. 7.94 lakh from July 2003 to September 2004. On being pointed out in audit, CHO Udhampur stated (January 2005) that efforts would be made to utilise services of the staff properly. Similarly there was no production in two departmental nurseries (Chack Rakhwal and Gandarwan) of Jammu District during 2001-02 to 2003-04 although six employees (Chak Rakhwal: 5, Gandarwan: 1) posted there were paid salary of Rs. 8.17 lakh during 2002-03 and 2003-04. Test-check of records further revealed that four departmental nurseries of Kathua district (out of 6 nurseries) were utilised to the extent of 28 and 72 *per cent* of their capacities during 200-01 to 2003-04. Under-utilisation of nurseries was attributed (October 2004) to non-availability of funds and shortage of staff by CHO Kathua as also to non-availability of different inputs viz. seeds, root stock, farm yard manure, fertilizers, etc. by CHO Udhampur (January 2005). This forced the department to incur expenditure on purchase of plants for distribution among the beneficiaries. The cost of plants procured from private nurseries in these two districts (Udhampur and Kathua) amounted to Rs. 5.37 lakh (Kathua: Rs. 3.77 lakh and Udhampur: Rs. 1.60 lakh) during 2003-04 which was avoidable, had the nurseries been utilised to optimum capacity.

No norms were fixed for success rate of budding/grafting. Test check of records in Kathua, Udhampur and Rajouri districts revealed that the success of budding/grafting of different varieties of plants in departmental nurseries was low as indicated in *Appendix-27*. CHO Rajouri attributed (March 2005) low success rate to lack of well trained staff in latest techniques of propagation and drought conditions of the area.

Thus, the performance of departmental nurseries was dismal which contributed to non-achievement of the primary objective of providing genetically improved and high quality plant material to the orchardists.

#### **4.5.10 Departmental farms**

A pilot demonstration farm with an area of 129 hectares (Orchards: 69 hectares; Nursery: 60 hectares) was set up in the year 1989 at Advanced Centre for Horticulture Development (ACHD), Zainpora Shopian Kashmir for plantation of new high yielding varieties of fruits imported from Bulgaria and introduction of modern technology in high density plantation. The production of quality plant material (Apple, Cherry and Walnut fruit plants and root stocks) at the farm declined over the period of five years from 2000-01 (4.12 lakh) to 2004-05 (1.17 lakh) to the extent of 72 *per cent*. The number of apple trees in the orchard also got reduced by 36,407 (66 *per cent*) from 55,146 (2000-01) to 18,739 (2004-05). Decline in production of quality plant material and high mortality of apple trees was due to non-availability of sufficient water for irrigation of the farm. It was noticed in audit that against the requirement of three cusecs of water per day in the farm, only 0.062 cusecs (two *per cent*) could be made available despite investment of Rs. 57.44 lakh (1998-99) on providing irrigation facilities. To tide

over the shortage of water, the department made a further investment of Rs. 36.05 lakh on construction of two water storage tanks, tube wells, etc. during the period 2002-04. These also could not be completed and further the storage tanks were not connected to the source of water due to non-execution of mechanical portion of the work. Thus the entire expenditure of Rs.93.49 lakh incurred on providing irrigation facilities did not yield the desired results. Inadequate irrigation facilities contributed to loss of plant wealth, jeopardising the objective of introducing latest technology for proper propagation and development of new varieties. The Farm Manager also attributed low production to insufficient irrigation facilities.

#### **4.5.11 Plant protection machinery for small and marginal farmers**

The department procured plant protection machinery from various sources and issued it to the CHOs for onward distribution among small and marginal farmers at subsidised cost. After realising cost of the machinery, the CHOs were required to remit the amount realised to the Director. Audit scrutiny, however, revealed that the Director had not maintained records indicating cost of plant protection machinery issued to CHOs, details of amounts due from them, amounts received and balances outstanding against each office. In absence of these records, position of amounts realised on account of subsidised rates, their remittances through CHOs to the Director could not be ascertained. On being pointed out, the Director Kashmir stated (April 2005) that CHOs were directed to furnish the details of plant protection machinery received/distributed by them and that the reconciliation would be conducted and proper records maintained. Similar procedure was to be adopted for recovery of cost of rootstock, fruit plants and other materials issued to fruit growers at subsidised cost. Audit scrutiny further revealed as under:

The records maintained by CHO Pulwama showed 658 sprayers and 1913 foot pumps issued to the beneficiaries during 2000-01 to 2004-05 (December 2004). Out of these, the beneficiary share in respect of 592 power sprayers and 1,623 pumps only was realised and the cost of the remaining 66 power sprayers and 290 pumps (landed cost: Rs. 18.28 lakh) was not recovered from the beneficiaries. No steps were taken to recover the cost of these store items. On being pointed out, CHO Pulwama stated (January 2005) that the matter would be looked into and the cost of these store items would be recovered from defaulters.

CHO Sopore (Baramulla) procured 340 foot sprayers (value: Rs. 2.99 lakh) during 2003-04. Against this, only 240 foot sprayers had been taken in the stores of the office leaving 100 sprayers (value: Rs. 0.86 lakh) unaccounted for. On being pointed out, CHO stated that the matter would be looked into.

Foot sprayers (343) and power sprayers (83) (cost: Rs. 16.35 lakh) received from Director Kashmir during 1999-2000 to 2003-04 by CHOs Baramulla and Kupwara were neither issued to the beneficiaries nor utilised in the

departmental nurseries/orchards rendering the expenditure incurred thereon unfruitful.

An amount of Rs. 5.23 lakh representing recoverable cost of fruit plants, plant protection machinery and auction money of fruit crops/grass supplied through Horticulture Development Officers (HDOs) in Kathua district between 1995-96 to 2002-03 was not recovered and was outstanding against these officers as of October 2004. On being pointed out in audit, CHO Kathua stated (October 2004) that steps were being taken to recover the amount. Similarly details of recovery of beneficiary share to the tune of Rs. 2.73 lakh on account of issue of foot pumps, tool kits, anti hail net, etc. to the beneficiaries through HDOs could not be ascertained from records of CHO Rajouri owing to non-maintenance of zone-wise distribution records and non-conducting of reconciliation of records with the concerned HDOs. CHO Rajouri stated (March 2005) that records would be maintained to ascertain the recoverable cost.

#### 4.5.12 Sale proceeds of fruit crop

The department was in possession of 101 orchards (Kashmir: 56; Jammu: 45) with an area of 321.35 hectares (Kashmir: 258.05 hectares; Jammu: 63.30 hectares). The position of targets fixed and achievements made for realisation of sale proceeds of fruit crop from the departmental orchards/farms during 2000-01 to 2003-04 was as under:

**Table 4.10**

(Rupees in lakh)

S. No	Year	Targets fixed	Achievements	Percentage shortfall
1.	2000-01	50.00	46.98	6
2.	2001-02	50.00	43.12	14
3.	2002-03	47.00	38.76	18
4.	2003-04	55.00	41.35	25

The percentage shortfall in realisation of sale proceeds of fruit crop ranged between 6 and 25 during 2000-01 to 2003-04. Further, the sale proceeds of fruit crop in these orchards declined by 12 *per cent* from Rs. 46.98 lakh (2000-01) to Rs. 41.35 lakh (2003-04). The revenue realised on account of apple crop in Advanced Centre for Horticulture Development (ACHD) Farm Zainpora (Shopian) also decreased from Rs. 19.20 lakh in 2000-01 to Rs. 5.51 lakh in 2004-05. The shortfall in achievement of targets and decline in sale proceeds was attributed by the Director Kashmir to fixation of targets without considering ground realities, shortage of supervisory staff and deteriorated condition of ACHD Farm being main source of revenue of the department.

#### 4.5.13 Investments

Improper planning in creation of infrastructure and purchase of stores resulted in unfruitful expenditure and blockage of substantial funds as would be revealed from following instances:



The work for construction of Farmers Training Centre and Workshop Grading shed at Zainpora (Shopian) was entrusted (May 1997) to the Jammu and Kashmir Project Construction Corporation Limited (Government Company). The construction of buildings (estimated cost: Rs. 65.52 lakh) administratively approved in June 1998 was to be completed within two working seasons. The estimated cost of the buildings was enhanced to Rs. 2.04 crore in June 2004 and further revised (December 2004) to Rs. 2.27 crore. The construction work was not completed (December 2004) despite lapse of over seven years and incurring an expenditure of Rs. 1.97 crore. The department had not ensured timely completion of construction of these buildings. Thus delay in completion of the project not only resulted in cost escalation of Rs.1.62 crore and locking of investment of Rs. 1.97 crore but also deprived the intended beneficiaries of the much needed training.

The Director Jammu and Kashmir purchased an Olive Oil Extraction Mill for Rs. 11.64 lakh for installation at Salamabad Uri. The plant received (March 2001) by the HDO Uri (Baramulla) could not be commissioned due to non-completion of store- cum- processing building where it was proposed to be installed. The site for construction of the building was shifted (February 2002) after receipt of the plant. The building was, however, completed in March 2003 at a cost of Rs. 10.02 lakh but the plant could not be made functional due to non-installation of electric and water connections (May 2005). A meagre yield from 247 available olive plants did not warrant purchase of an extraction mill. Although 42 hectares of land were brought under olive cultivation during the years 2002-03 and 2003-04, yield thereof was not expected before the year 2009. Thus un-planned purchase of Olive Oil Extraction Mill resulted in unfruitful expenditure of Rs. 21.66 lakh.

With a view to providing fruit and vegetable preservation facilities to the public and train the house-wives and other interested persons, the Government sanctioned establishment of fruit preservation and extension centres in all districts of the State during 1996-97. Audit scrutiny revealed that the canning centre at Budgam could not be made functional due to non-acquisition of land for the centre for which an amount of Rs. 2.90 lakh was advanced (March 1999) to Collector Land Acquisition. A canning machine (cost: Rs. 1.30 lakh) received in April 1998 also continued to remain idle due to non-establishment of the centre. This resulted in unfruitful expenditure to the extent of Rs. 4.20 lakh. Meanwhile staff posted to the centre continued to draw idle wages which amounted to Rs.12.34 lakh during 2001-02 to 2004-05.

One of the activities under centrally sponsored scheme “Macro Management of Agriculture” was to popularise establishment of green houses by using Ultraviolet Stabilised (UVS) films. There was a stock of 69,973.90 Kgs of UVS films at the end of March 2000 in the stores of Directorate. During the period from 2000-01 to 2002-03, the department further procured 2,19,132.90 Kgs of UVS films without ascertaining the requirement of the field offices. The Director issued all the material to the subordinate offices upto 2003-04. Test

check of records however, revealed that 54,851 Kgs of UVS films valuing Rs. 57.59 lakh were still lying un-utilised as of April 2005 in seven<sup>♦</sup> offices. Director Kashmir stated (April 2005) that the UVS films could not be utilised by the field offices due to lack of interest of the beneficiaries in establishment of green houses. Thus purchase of UVS films by the Director without ascertaining the requirement of the field offices and assessing the potential of establishing green houses by the beneficiaries resulted in non-utilisation of UVS films and blocking of the investment made thereon to the extent of Rs. 57.59 lakh.

#### 4.5.14 Loss/non-recovery of revenue

The Joint Director Kashmir allotted (June 2001) auction of fruit crop at ACHD Farm Zainpora (Shopian) for the year 2001-02 to a contractor for Rs. 17.52 lakh. As per terms of agreement executed (June 2001) by the contractor, the amount was to be deposited in three installments (Rs. 5.85 lakh by 15 June 2001; Rs. 5.85 lakh by 30 June 2001 and Rs. 5.82 lakh by 31 August 2001). In case of non-payment of any instalment on due date, the department was to cancel the agreement and debar the contractor from removing any fruit from the orchard thereafter or confiscate the fruit crop. Audit scrutiny revealed that though the contractor deposited Rs. 9 lakh only by 31 August 2001 yet he was allowed to lift the entire stock of fruit crop without recovering the balance amount of Rs. 8.52 lakh. Non-invoking of relevant clause of the agreement by the department resulted in loss of revenue of Rs. 8.52 lakh to the Government.

Fruit Plants/root stocks worth Rs. 9.21 lakh were issued by Farm Manager ACHD Farm Zainpora to sister offices<sup>€</sup> for distribution among the beneficiaries during 2000-01 to 2003-04. The cost of these plants was, however, not realised and remitted into the treasuries or deposited with the Farm Manager for remittance into Government account and as such continued to remain outstanding against these offices as of December 2004.

#### 4.5.15 Payment of idle wages

CHOs Anantnag, Baramulla and Kupwara incurred an expenditure of Rs. 2.57 crore during 2000-01 to 2003-04 (Anantnag: Rs. 0.65 crore, Baramulla: Rs. 1.68 crore and Kupwara: Rs. 0.24 crore) on payment of wages to staff sanctioned for the workshops. These workshops were not established in these districts as a result of which the staff continued to remain idle. On being pointed out in audit, CHO Anantnag stated (January 2005) that matter would be taken up with Director for utilisation of services of staff.

♦ CHOs: Pulwama; Srinagar; Budgam; Baramulla; Anantnag, Kupwara and Farm Manager, ACHD Farm Zainpora (Shopian)

€ CHOs: Pulwama, Anantnag, Srinagar, Budgam, Baramulla, Kupwara, Udhampur, Poonch, Farm Manager Rajbagh and SKUAST Srinagar

#### 4.5.16 Monitoring and evaluation

Monitoring of the programme was done through quarterly progress reports but the implementation of the programme was not evaluated either through internal or outside agency to assess its impact on development of fruit crop in the State.

### 4.6 Co-operative Department

#### 4.6.1 Bank loans to societies

The department assists the cooperative marketing societies in providing bank loans and also to monitor recovery thereof. The position of targets fixed and achievements made in providing bank loans during 2002-03 to 2004-05 was as follows:

Table 4.11

(Rupees in crore)

Year	Targets	Achievements	Percentage shortfall
2002-03	24.00	21.90	9
2003-04	20.40	10.51	48
2004-05	20.50	24.82	-

The shortfall in providing bank loans ranged between nine *per cent* and 48 *per cent* during 2002-03 and 2003-04.

#### 4.6.2 Outstanding loans

Loan of Rs. 27.75 lakh granted by the National Cooperative Development Corporation through five<sup>‡</sup> Deputy Registrars/Assistant Registrars Cooperatives for construction of godowns and purchase of furniture/fixtures, was outstanding against 227 Cooperative Societies as of March 2005. No steps were taken by the department to recover the outstanding loans.

Test check of records of 20 Assistant Registrars revealed that loan of Rs. 7.81 crore was outstanding against various cooperative societies as of July 2004. Out of this, loan of Rs. 5.31 crore had become overdue and was not recovered indicating poor progress of recovery of outstanding loans.

#### 4.6.3 Release of loan

One of the objective of the “Macro Management Scheme” was to revive the cooperative societies by providing interest free soft loans to them. Only those registered societies were to be selected who fulfilled certain criteria like their good performance during last three years, non-involvement in embezzlements and completion of the audit of accounts upto 2000-01. In addition, these societies were required to furnish security in the shape of bank guarantee or mortgage. The loan was recoverable after a moratorium of 3 years. Perusal of the records of

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<sup>‡</sup> Deputy Registrar Cooperatives Srinagar, Baramulla and Pulwama; Assistant Registrar Cooperatives Budgam and Khansahib

Additional Registrar Cooperative, Societies, Kashmir, revealed that soft loan of Rs. 3.70 lakh was disbursed to two societies registered with the department in September/December 2002 without fulfilling these conditions. One society was even involved in embezzlement of Rs. 0.85 lakh. Further one more cooperative society involved in the embezzlement of Rs. 0.95 lakh was also allowed a loan of Rs. 1.10 lakh.

#### **4.6.4 Locking up of funds**

An amount of Rs.15 lakh was drawn by the Registrar Cooperative Societies Srinagar in March 1998 in anticipation of identification of land for construction of cooperative complex at Jammu. The amount was kept under civil deposits. The land had not been acquired and the funds continued to remain locked up in the deposit head (September 2004). Drawal of funds in anticipation of identification of land resulted in locking up of Rs. 15 lakh for over six years.

#### **4.6.5 Internal Audit of Cooperative Societies**

The primary objective of Internal audit was to keep a proper watch on the financial health of each cooperative society. Out of 1,112 cooperative societies due for audit ending 31 March 2004, audit of only 731 societies (66 *per cent*) was conducted by the Internal Audit Wing of the department. Further, out of 12 co-operative banks/apex level institutions, audit of ten banks/institutions was conducted during 2003-04 but audit notes thereof were not issued (April 2005).

#### **4.7 Autonomous Bodies and Public Sector Undertakings**

The department is assisted by two autonomous bodies (Sher-e-Kashmir University of Agricultural Sciences and Technology (SKUAST) and Jammu and Kashmir Cooperative Supply and Marketing Federation Limited (JAKFED) and two Public Sector Undertakings (Agro Industries Development Corporation and Jammu and Kashmir Horticulture Produce, Marketing and Processing Corporation Limited (JKHPMC) in achieving its objectives.

The SKUAST was established in April 1982 with the main objective of imparting education in agriculture and allied branches, accelerating advancement of learning and research in agriculture, animal husbandry and other relevant branches with emphasis on temperate and cold desert agriculture. The University had prepared annual accounts upto the year 2002-03.

The JAKFED was established/registered under the provisions of Jammu and Kashmir Cooperative Societies Act. The main objective of the body was to encourage and assist members/farmers to grow improved and standard varieties of different crops and to procure and supply fertilisers, manures, seed and implements to them. Besides, the body also arranges for the sale of agriculture

produce of the members/farmers and act as handling and transporting agency for supply of essential consumers goods.

**4.7.1** The Agro Industries Development Corporation Limited was established in January 1970 as a joint venture with the Government of India to promote Agro Industries and provide agriculture inputs to the farming community in the State at reasonable rates. The main objectives of the Company were to promote, develop, operate and carry on project schemes, industrial business activities etc. The activities of the Company were, however, restricted to sale of agriculture machinery, agro products, steel items etc. to Government departments and to function as sale/commission agent in trading of fertilisers. The paid up capital of the Company as on 31 March 2005 stood at Rs. 3.54 crore, subscribed by the State (Rs. 2.60 crore) and Central (Rs. 94 lakh) Governments.

#### **Working of Apple juice Concentrate Plant at Doabagah**

**4.7.2** The Jammu and Kashmir Horticultural Produce Marketing and Processing Corporation Limited (Company) was incorporated in April 1978 with the main objective of providing facilities to the fruit growers of the State in sorting, grading, processing, packaging and marketing of horticultural products. The Company owns an Apple Juice Concentrate Plant at Doabagah, Sopore, which was taken over by it from a private firm\* in 1985.

The operational performance of the Plant for the period 1999-2004 was reviewed in audit by test-check of records of the unit. Important points noticed during test-check are brought out in the succeeding paragraphs:

#### **Operational performance**

**4.7.3** The Plant has an optimum capacity of crushing 8000 MT of apple culls, annually. The Company, however, fixes annual targets of processing apple culls on the basis of availability of raw material of requisite specification and the condition of the plant.

During 1999-2004, the Company fixed targets between 78 and 100 *per cent* of the optimum capacity of the Plant. The table below indicates the budgeted norm/achievement with respect to processing of apple culls, production of apple juice concentrate and the shortfall during the five years ended 2003-04.

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\* M/S Hindustan Cocoa Products Limited (Cadbury).

Table 4.12

Year	Budgetted figures for		Actual quantity of apple culls processed	Shortfall		Sale rate/MT of apple juice concentrate (in rupees)	Loss due to shortfall (Rs. in lakh)
	Processing apple culls (percentage vis-à-vis optimum capacity)	Production of apple juice concentrate (Percentage)		Processing apple culls (Percentage)	Production of apple juice concentrate		
	(in MT)			(in MT)			
1999-2000	6500 (81)	520 (8)	6385	115 (2)	9.20	52500	4.83
2000-01	6250 (78)	500 (8)	2414	3836 (61)	306.88	52500	161.11
2001-02	6480 (81)	518 (8)	6616	Nil	Nil	51000	Nil
2002-03	6850 (86)	518 (7.56)	5215	1635 (24)	123.61	51500	63.66
2003-04	8000 (100)	605 (7.56)	6441	1559 (19)	117.86	44500	52.45
<b>Total</b>	-	-	-	-	-	-	<b>282.05</b>

It would be seen from the above table that there were shortfalls ranging between 2 and 61 *per cent* in the processing of apple culls throughout the above period, except for the year 2001-02. Management attributed (June 2005) drought conditions in the Valley for low achievement during 2000-01. The shortfalls in the remaining years were attributed (June 2005) by the Management to non-availability of sufficient quantity of raw material (apple culls) of requisite specification and disturbed conditions in the Valley. Further, according to the Management, an apple juice plant established by a private firm at Rangreth, having four times capacity, offered better rate for apple culls. This resulted in diversion of raw material to the firm, adversely effecting the availability of apple culls for the Plant. Efforts made by the Company to compete with the private sector and to overcome above bottlenecks were, however, not indicated.

#### Diversion of funds

**4.7.4** The Company received Rs 1.68 crore during 1999-2000 to 2003-04 from the State Government for refurbishing the existing juice plant, establishment of Kiosks in Kashmir/Jammu Divisions, establishment of new fruit juice plant, renovation of Aroma Recovery Unit and establishment of cold storage with ice plant at Jammu. Audit scrutiny revealed that the amounts (other than Rs. 50 lakh spent on renovation of Aroma Recovery Unit) were diverted for meeting establishment costs, thereby defeating the purpose for which the funds were sanctioned.

#### Inventory management

**4.7.5** The table below indicates the details of inventory holding of the Apple Juice Plant between 1999-2000 and 2003-04:

**Table 4.13**

(Amount: Rupees in lakh)

Year	Opening balance	Purchases during the year (including previous year's adjustments)	Total	Consumption during the year	Closing stocks
1999-2000	45.09	48.18	93.27	51.38	41.89
2000-01	41.89	39.66	81.55	36.21	45.34
2001-02	45.34	62.19	107.53	63.22	44.31
2002-03	44.31	61.20	105.51	59.65	45.86
2003-04	45.86	81.93	127.79	76.07	51.72

The closing inventory of Rs. 51.72 lakh at the end of 31 March 2004, which included stores/spares and packaging material valued at Rs. 41.79 lakh and Rs. 3.99 lakh respectively, was equivalent to five and eight year's average consumption (during 1999-2004). Holding of high level of inventory lead to locking up of funds, which could have been utilised for other productive purposes. The Management stated (June 2005) that efforts to reduce the inventory and piling stocks would be made, while making purchases for future operations.

In addition, the Company while taking over the Plant from Hindustan Cocoa Products Limited had also taken over spares valued at rupees five lakh. The spares, according to the Management were of no use but continued forming a part of the inventory. The Company stated (June 2005) that action to dispose of these spares had been initiated.

The matter was reported to the Government (May 2005), its reply had not been received so far (October 2005).

**4.7.6** During the course of audit, it was further observed that the Company failed to utilise refrigerated vans up to their optimum capacities as discussed in the succeeding paragraph:

With a view to introducing advanced technology in transportation of horticultural produce out of the Valley, the Company purchased (August 2002) two refrigerated vans at a cost of Rs. 32 lakh. The vans were meant for direct transportation of temperate fruits from the orchards to the stores at the terminal markets, under refrigerated conditions.

Test-check of the records relating to the operational performance of the vehicles revealed that against the available 892 vehicle days in the two years between 2002-03 and 2003-04, the vehicles were operational for 395 days (44 *per cent*) only during this period. Underutilisation of the available capacity led to shortfall of 79 *per cent* in the expected earnings of the vehicles. As against the returns of Rs. 41.40 lakh\* projected by the Company in its Action Plan, the vehicles could fetch a revenue of Rs. 8.88 lakh (21.45 *per cent*) only during this period. Audit scrutiny further revealed that out of 32 trips (17 between May and October and 15 between November and March) undertaken by the vehicles from

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\* Returns for the year 2002-03 taken Rs. 13.80 lakh as 50 *per cent* of Rs. 27.60 lakh projected by the Company in its Action Plan for 2003-04.

various loading stations during the above period, the refrigeration was switched off on 28 occasions. This indicated that the vans were utilised as ordinary load carriers, thereby casting doubt on the prudence of the purchase.

The Management stated (July 2005) that the Company was making all possible efforts to improve performance of the vans in future years.

The matter was reported to the Government (June 2005), its reply had not been received so far (October 2005).

#### **4.8 Realisation of non-tax Revenue**

Non-tax revenue of the Agriculture Department comprises sale proceeds of seeds, fertilisers, agricultural implements, pesticides, etc. These agricultural inputs are provided to the farmers on subsidised cost/full cost basis. Against the target of Rs. 9.66 crore for realisation of cost of seeds/pesticides during the year 2003-04, the achievement was Rs.5.95 crore (62 *per cent*) only resulting in shortfall of Rs. 3.71 crore. The department attributed shortfall in realisation of revenue to fixation of un-realistic targets. Test check of records further revealed that the Area Marketing Officer Delhi failed to effect recovery of rent of Rs. 10.28 lakh from three occupants of shopping complex at Azadpur *Mandi* Delhi. Following further points were noticed in audit:

##### **4.8.1 Irregular utilisation of sale proceeds**

According to financial rules the utilisation of departmental receipts towards expenditure is strictly prohibited. Audit scrutiny revealed that expenditure of Rs.31.69 lakh incurred on carriage/handling of seeds, rent for sale centres/stores and on procurement of fertilisers/pesticides, etc. was met out of sale proceeds of seeds by 18 DDOs between the period ranging from 1996-97 to 2003-04.

##### **4.8.2 Irregular retention of receipts**

Under the financial rules money received on behalf of the Government is to be remitted into the treasury immediately on its receipt. Test check of records of 10 DDOs revealed that an amount of Rs. 32.05 lakh representing sale proceeds of seeds/fertilisers pertaining to the period ranging from 1993-94 to 2004-05 (February 2005) were unauthorisedly retained by subordinate officials/storekeepers of the department.

#### **4.9 Internal control mechanism**

Internal control mechanism regarding management of funds/stores in the department was not effective. This resulted in fraudulent drawals, irregular/excess purchases, irregular retention of money, unfruitful investments etc. Few instances are indicated in the succeeding paragraphs:



#### **4.9.1 Fraudulent drawals**

An amount of Rs. 43 lakh was drawn by Deputy Registrar Cooperative Societies Baramulla (Rs. 13 lakh) and 4<sup>z</sup> ARCS (Rs. 30 lakh) during 1994-95 and 1995-96 respectively under fake allotment orders issued by the Registrar Cooperative Societies. The amount was disbursed to nine cooperative societies and the Registrar Cooperative Societies confirmed (June 1996) that the allotment orders were fake which facilitated fraudulent drawals. Out of these drawals, only Rs. 12.70 lakh was recovered and the balance Rs. 30.30 lakh were recoverable from the societies. No action had been taken to effect recovery from the concerned defaulters.

#### **4.9.2 Irregular/excess purchase of stores**

Store items valuing Rs. 37.14 lakh were purchased between October 2000 and January 2005 by eleven DDOs<sup>φ</sup> from open market without ascertaining the reasonability of rates and observing the prescribed financial procedures. Further, the purchase orders were split to avoid sanction of the competent authority.

Agriculture implements pump sets, maps etc. valuing Rs. 17.76 lakh were purchased by 8 DDOs<sup>≠</sup> during 2001-02 and 2003-04 without ascertaining their requirements. This resulted in excess purchase of these store items rendering them idle.

#### **4.9.3 Irregular retention of money**

With a view to providing relief to drought hit farmers, the department supplied fertilisers during the year 1999 to 6 CAOs of Kashmir valley for issue to these farmers on 50 *per cent* subsidy. Against Rs. 8.44 crore recoverable on account of cost of the fertilisers, the CAOs remitted Rs. 8.22 crore leaving balance of Rs. 22 lakh<sup>♥</sup> to be recovered. The unrecovered amount was outstanding against various departmental officers since November 2000. On being pointed out in audit, the Director Agriculture Kashmir stated (May 2005) that the CAOs had been directed to identify the defaulters and effect recovery from them.

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<sup>z</sup> Assistant Registrar Cooperatives Budgam and Khansahib, ARCS Tangmarg, Pattan, Rehama and Dangi wacha

<sup>φ</sup> Law Enforcement Jammu, State Land Use Board Jammu, Farm Manager Seed Multiplication Farm Chakrohi, (Vegetable) Rajouri, Farm Manager Seed Multiplication Farm Chinore, ASCO Kathua, Mushroom Development Officer, Jammu, ASCO Dayalchak, DAO (CAD) Jammu, ADO (Vegetable) Udampur and Deputy Director, Agriculture (Training) Jammu

<sup>≠</sup> Spawn production Officer, Jammu, State Land Use Board, Jammu, A.D.O (Vegetable) Doda, SDAO, Basholi, SDO, Prano Doda, SDAO, Dansal, Project Officer, Soil and Water Management Jammu and ADO Kathua

<sup>♥</sup> CAO Srinagar: Rs. 0.86 lakh; CAO Budgam: Rs. 6.23 lakh; CAO Baramulla: Rs. 3.35 lakh; CAO Anantnag: Rs. 4 lakh; CAO Kupwara: Rs. 4.33 lakh and CAO Pulwama: Rs. 3.23 lakh

#### 4.9.4 Irregular drawal of leave salary

Assistant Registrar Cooperative Society, Sogam (Kupwara) had embezzled an amount of rupees three lakh during his posting in Sogam Block. No inquiry was initiated and no recovery was made from the officer. The officer, during his posting in Khansahib (Budgam) again drew irregularly cash equivalent of leave salary amounting to Rs. 1.18 lakh on 24 October 2002 before date of his retirement (31 October 2002) and was subsequently placed under suspension on 30 October 2002. The department failed to take any action against the officer for recovery of the embezzled amount.

#### 4.10 Action Taken Notes

Out of 25 Audit Paragraphs pertaining to the Agriculture Production Department<sup>φ</sup> appearing in the Reports of the Comptroller and Auditor General of India for the years 1990-91 to 2003-04, six Audit Paragraphs were discussed by the Public Accounts Committee/Committee on Public Undertakings (March 2005). The department furnished neither *Suo-moto* action taken notes on these Audit Paragraphs nor the action taken notes on the recommendations of the Committees (September 2005).

#### 4.11 Position of outstanding audit paras

The position of Audit Inspection Reports (AIRs) and the Audit Paras outstanding against the department is given in the following table:

Table 4.14

S. No	Departments/PSU's Autonomous Bodies	No. of Inspection Reports (with Audit Paras) outstanding at the beginning of the year 2004-05		Inspection Reports (with Audit paras) issued during the year 2004-05		No. of Inspection Reports to which replies have not been received during the year 2004-05		No. of Inspection Reports to which replies have been received/Audit paras settled during the year 2004-05		No. of Inspection Reports paras outstanding at the close of the year 2004-05	
		AIRs	Audit paras	AIRs	Audit paras	AIRs	Audit Paras	AIRs	Audit Paras	AIRs	Audit paras
1.	Civil departments <sup>▲</sup>	166	1044	134	854	134	854	166	625	134	1273
2.	Public Sector Undertakings <sup>φ</sup>	44	113	13	51	-	-	5	17	52	147
3.	Autonomous Bodies <sup>ψ</sup>	3	45	1	8	1	8	-	-	4	53
	<b>Total</b>	<b>213</b>	<b>1202</b>	<b>148</b>	<b>913</b>	<b>135</b>	<b>862</b>	<b>171</b>	<b>642</b>	<b>190</b>	<b>1473</b>

Out of 711 outstanding audit paras (money value: Rs. 113.93 crore) in respect of Director, Agriculture Jammu, Director, Horticulture Kashmir and Director Horticulture Planning and Marketing Kashmir, at the end of March 2005, 189<sup>♥</sup> audit paras related to wasteful/infructuous expenditure, avoidable/excess

<sup>φ</sup> Including Agriculture, Horticulture, Sericulture and Cooperative departments and Agro Industries Development Corporation, JKHPMC, JAKFED and SKUAST

<sup>▲</sup> Agriculture, Horticulture and Cooperative departments

<sup>φ</sup> Agro Industries Development Corporation and JKHPMC

<sup>ψ</sup> SKUAST Jammu and SKUAST Kashmir

<sup>♥</sup> Director Agriculture Jammu: 104 Paras (Rs. 18.98 crore); Director Horticulture Kashmir: 74 paras (Rs. 34.20 crore) Director Horticulture Planning and Marketing Kashmir: 11 Paras (Rs. 4.93 crore)

expenditure, idle investment/locking up of funds and non-achievement of objectives involving an amount of Rs. 58.11 crore which constituted 51 *per cent* of the total amount held under objection.

#### **4.12 Conclusion**

The procurement of seeds in excess of the requirements and their retention in the stores rendered them unfit for sowing. The yield of quality seeds in the seed multiplication farms was very low. The implementation of programme activities was marred by delayed/non completion of project works, cost overruns, locking up of funds, etc.

Development of Horticulture in the State was affected by lower productivity of the fruit crop. Average yield per hectare of apple, predominant fruit of the State was far below than that envisaged by the department. Dismal performance of the departmental nurseries contributed to non-achievement of the primary objective of providing genetically improved and high quality plant material to the orchardists. Improper planning in creation of new infrastructure and maintenance of existing facilities in the nurseries/farms resulted in considerable loss to plant wealth. Improper accounting and mismanagement of affairs relating to issue of plant material and plant protection machinery adversely affected the objective of ensuring their availability to beneficiaries. Indiscriminate purchase of materials resulted in unfruitful investments. There was shortfall in realisation of sale proceeds of fruit crop from the departmental orchards.

The progress of recovery of outstanding loans by the Cooperative Department was very poor. The loan was released irregularly to the cooperative societies.

#### **4.13 Recommendations**

- The department should estimate requirements on realistic basis before procurement of seeds/pesticides so as to avoid losses due to their undue retention rendering them unfit for subsequent use.
- Effective measures should be taken to improve functioning of the seed multiplication farms for production of quality seeds.
- The department should ensure remittance of sale proceeds on account of sale of seeds/pesticides to the Government account immediately on their receipt.
- Effective steps need to be taken to improve the productivity of fruit crop in the State through production of adequate exotic kinds and cultivars of quality plant material and high density plantation.
- There is an immediate need to revamp working of departmental nurseries for increasing production of genetically improved high quality plant material. Effective measures like redeployment of staff of defunct nurseries need to be taken to ensure their economic viability. Besides,

availability of various inputs including seeds and fertilizers should be ensured for optimum utilization of these nurseries.

- Some departmental farms being reservoirs of exotic plants, there is an imperative need to ensure irrigation facilities for their preservation.
- A proper system for accounting and management of affairs related to issue of plant material and plant protection machinery needs to be evolved and followed.
- The financial management of cooperative societies should be improved and effective steps be taken to recover the long outstanding loans. Internal control mechanism should be strengthened to avoid irregular release of loans and fraudulent drawals in the department.