सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Storage Management and Movement of Food grains by Food Corporation of India

SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Union Government

Ministry of Consumer Affairs, Food and Public Distribution

Report No. 20 of 2023

(Performance Audit)

Report of the
Comptroller and Auditor General of India
on
Storage Management and Movement of Food grains by Food Corporation of India

For the year ended March 2022

Union Government
Ministry of Consumer Affairs, Food and Public Distribution
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Preface

The Performance Audit Report on 'Storage and Movement of Food grains by FCI' has been conducted under Section 34 of the Food Corporations Act, 1964, provisions of Comptroller & Auditor General (Duties, Powers and Conditions of Service) Act, 1971, the Regulations on Audit & Accounts, 2007 (as amended in August 2020) and Performance Audit Guidelines, 2014 of the Comptroller and Auditor General of India.

The Audit covers the period from 2017-18 to 2021-22 and contain the findings relating to the activities of Food Corporation of India relating to Storage and Movement of Food grains.

Audit acknowledges the assistance provided and co-operation extended by the officers and staff of Food Corporation of India for this Performance Audit.

Executive Summary

The Food Corporation of India (FCI) was set up under the Food Corporations Act, 1964 and its primary functions were to undertake purchase, storage, movement, transport, distribution and sale of food grains and other foodstuffs. FCI is the main agency entrusted with procurement, storage and movement of food grains from surplus States to deficit and consuming States for delivery to the consumers and for creation of buffer stock under national food security system. FCI perform these functions under the operational framework established by Government of India which govern the food grains management strategy of the country.

What were our Audit Objectives?

- *The storage management with regard to system of procurement, receipt and buffer stock were adequate to ensure efficient management of food grains.*
- *The storage capacity was utilised to the optimum level.*
- *The augmented storage capacity was commensurate with the long-term requirement for storage of food grains.*
- *The transit/storage losses were minimum and within prescribed norms and whether the demurrage/wharfage charges were minimum and unavoidable and the movement of food grains was done economically.*
- *The records and operation of the Corporation are adequately computerized/automated to effectively manage storage and movement of food grains*
- *To review the action taken by the Ministry/FCI on the recommendations made by COPU in its 29th Report (15th Lok Sabha) and Standing Committee on Food, Consumer Affairs and Public Distribution in 13th Report (17th Lok Sabha) and in Performance Audit Report No. 7 of 2013.*

What the Performance Audit report says?

In Punjab and Haryana Region, there was avoidable hiring of 10.55 LMT and consequent avoidable expenditure of ₹ 62.76 crore towards storage and supervision charges due to hiring of capacity despite having own vacant CAP.

(Paragraph 3.4.3)

Despite availability of vacant storage capacity, FCI did not instruct SGAs for direct delivery of wheat equivalent to available vacant capacity. Although there was available vacant covered storage capacity and vacant CAP in Punjab and Haryana regions, the same was not used for taking direct delivery and as a result it incurred avoidable Carry over Charges of ₹ 170.26 crore paid to SGAs.

(Paragraph 3.4.6)

FCI had to incur extra expenditure of ₹ 18.08 crore due to delay in acquiring the land for augmentation of storage capacity under Central Sector Scheme in Assam region. In Bihar region, FCI failed to protect its financial interests, as it had incurred extra expenditure of ₹ 16.85 crore toward land cost for construction of silo at Kaimur and Buxar.

(Paragraphs 3.5.3 & 3.5.4.2)

FCI did not recover damages/penalty of ₹ 17.02 crore from the concessionaire in violation of terms of the contract entered into for construction of silos in Bihar and Haryana regions. Similarly, undue favour of ₹ 5.83 crore was extended to the concessionaire in the form of reduced project cost of railway track in Changsari (Assam).

(Paragraphs 3.5.4.3 & 3.5.4.4)

Taking over the silo without ensuring despatch facility has resulted in blockage of stock which could not be liquidated in Sangrur in Punjab region. Also, FCI could not make use of railway siding, casual approach rendered the expenditure of ₹ 6.95 crore incurred during March 2020 to August 2022 as unfruitful.

(Paragraphs 3.6.5.1 & 3.6.5.2)

Some of the stock issued in PDS is not tested as per FSSAI norms as some stored stock which does not fall under the criteria mentioned ibid and is stored for a period less than six months before being despatched to the consuming regions escape such tests. Also, stock received as direct delivery of wheat from the SGA's at rail heads are transported to the consuming regions without tests under FSSA.

(Paragraph 3.7.4)

Analysis of movement of stock (Wheat and Rice) ex-Punjab during 2017-18 to 2021-22 revealed that there was shortfall in planning of movement and actual despatch in 2018-19 and 2019-20 as compared to 2017-18 while there was vacant space available in recipient states like Assam, Bihar, Jharkhand and Rajasthan.

(Paragraph 4.3.2)

Due to short despatch of 84.253 and 43.99 LMT (considering the quantity of 2600 Mt in one rake) in Punjab and Haryana respectively, FCI had to bear storage charges of ₹ 182.29 crore.

(Paragraph 4.3.3)

In absence of any formal guidelines or instructions from Ministry or FCI HQ, direct issue of food grains from Railhead(s) could not be done except in few stray cases. Even a 10 per cent direct issue of food grains from Railheads to State Government godowns would have resulted in savings of ₹ 158.88 crore during 2017-18 to 2021-22 in Jharkhand region.

(Paragraph 4.3.4)

FCI did not avail Long Term Tariff Contract policy for its movement of food grains through railways and as a result, it could avail the rebate of ₹ 1736.11 crore on the amount of freight paid during 2017-18 to 2021-22 besides priority in rake allotment.

(Paragraph 4.4.1)

A comparison of expenditure incurred under different modes of taking delivery of food grains revealed that FCI did not ensure least cost and economy while taking over the stock and engaged FCI's HTC contractors instead of taking delivery at railheads resulting in excess expenditure of ₹ 4.45 crore during the period from 2017-18 to 2021-22.

(Paragraph 4.4.7.3)

In M.P. region, linear programming was not used effectively. Had the stock of DO Ujjain been despatched to Gujarat Region and the equivalent quantity stock of DO Jabalpur & Satna was despatched to states of Bihar, Orissa, Jharkhand and West Bengal, FCI could have avoided an expenditure of ₹ 3.66 crore on Railway Freight.

(Paragraph 4.7.2)

What we recommended?

- *The GoI should aim at completing the augmentation of storage facilities envisaged under National Policy on Handling, Storage and Transport of food grains.*
- *The GoI should make efforts to rationalize the structure of Statutory and Non-Statutory charges imposed by different State Governments with a view to reduce acquisition cost of food grains.*
- *There is a need to revisit the existing 'Food Grains Stocking Norms' considering the situation arose due to Covid-19 pandemic and also consider the level up to which stock can be stored in the Central Pool.*

Storage of Food Grains

- *FCI in consultation with GoI should make a cost benefit analysis to augment its own storage facilities up to the level of minimum stock level prescribed as per stocking norms and avoid using CAP/open storage.*
- *FCI should analyse the causes of underutilisation of its FSDs and only resort to hiring after maximum utilisation of own godowns. It should take immediate steps to construct modern storage facilities at the places where old concrete silos lying unutilised for five to 35 years.*
- *FCI should strive for taking maximum direct delivery of wheat by SGAs to FCI godown to reduce payment of Carry over Charges to SGAs.*
- *Provision of Railway Siding should be ensured in existing/new godowns, wherever feasible, so that multiple handling cost could be avoided.*

- *FCI should ensure compliance of FSSAI standards with regard to quality parameters prescribed.*
- *FCI should fix responsibility for the losses/excess expenditure due to ineffective storage management.*

Movement of Food Grains

- *FCI should prepare effective movement plan so that stock can be moved timely to the recipient States, vacant storage space in recipient States are best utilised and storage issues in procuring regions are avoided and Carry over Charges is kept to a minimum.*
- *FCI should pre-empt impediments in planned movement and proactively engage with Railways so that problem of shortfall in rakes can be addressed effectively as there is no significant improvement in spite of existence of coordination committee.*
- *FCI should evolve ways for direct despatch from railhead to godowns of SGAs to avoid expenditure on multiple handling.*
- *The FCI in consultation with State Governments should strive for a common Model Tender Form for Handling & Transportation contracts to protect financial interests of FCI and reduce subsidy burden on the Government of India.*
- *FCI should make efforts to despatch maximum railway rakes through Linear Programming Model and strive for more automation of movement operations to reduce costs.*

CHAPTER-I Introduction

The Food Corporation of India (FCI) was set up under the Food Corporations Act, 1964 (the Act) and its primary functions were to undertake purchase, storage, movement, transport, distribution and sale of food grains and other foodstuffs. FCI is working under the administrative control of the Ministry of Consumer Affairs, Food and Public Distribution, Department of Food and Public Distribution (Department) which is responsible for implementation of the national food security system.

FCI is the main agency entrusted with procurement, storage and movement of food grains from surplus States to deficit and consuming States for delivery to the consumers and for creation of buffer stock under national food security system. FCI performs these functions under the operational framework established by Government of India (GoI) which governs the food grains management strategy of the country. Since its inception, FCI has played a significant role in India's success in transforming the crisis management oriented food security system into a stable food security system in the country.

1.1 Statutory/Regulatory Framework for Food grains management

The Food Grains Enquiry Committee in 1957 recommended the creation of a government organization that would conduct the activities of the erstwhile Department of Food and act as a trader in the market, with an aim to stabilize prices and supplies and curb perceived speculative activities by traders. The Agricultural Prices Commission (APC) was set up in January 1965 for undertaking scientific and continuing examination of the level of agricultural prices specifically of food grains. It recommends the minimum support price (MSP) and the procurement price for food grains. The APC was renamed as the Commission for Agricultural Costs and Prices (CACP) in 1985.

1.1.1 National Policy on Handling, Storage and Transportation of Food grains

The Government of India has approved a National Policy on Handling, Storage and Transportation of Food grains in July 2000. The aim of the policy was to moderate the system of handling, storage and transportation of the food grains procured by the FCI and to attract resources through private sector involvement. The policy, *inter-alia* envisaged the following initiatives:

(i) Introduction of a scheme to encourage use of metal bins as well as non-metallic storage structures at individual farm level and construction of RCC bins at community level with appropriate financial incentives.

(ii) Modernization and upgradation of Bulk Grain Handling Infrastructure.

(iii) For storage of food grains procured by the FCI, integrated bulk handling facilities with silos of large capacity for wheat along with testing facilities for quality control would be created at about 20 identified central locations in producing and consuming areas as well as a few port towns. FCI will guarantee utilisation of these facilities to the extent of 100 *per cent* for the first ten years and 75 *per cent* for the next 10 years.

Against the capacity augmentation target of 34.50 Lakh Metric Tonnes (LMT) under the policy during 2017-18 to 2021-22, storage capacity of 12.25 LMT was created by FCI.

1.1.2 National Food Security Act, 2013

National Food Security Act was passed in September 2013 to provide for food and nutritional security in human life cycle approach, by ensuring access to adequate quantity of quality food at affordable prices to people to live a life with dignity and for matters connected therewith or incidental thereto.

Section 16 of the Act requires that every State Government shall constitute a State Food Commission for the purpose of monitoring and review of implementation of this Act. As per Section 22 of the Act, the Central Government shall, for ensuring the regular supply of food grains to persons belonging to eligible households, allocate from the central pool the required quantity of food grains to the State Governments under the Targeted Public Distribution System (TPDS), as per the entitlements under Section 3 and at prices specified.

As FCI is responsible for maintenance of central pool and supply of required quantity to the States, its role is significant in implementation of this Act.

1.1.3 Recommendations of High Level Committee on restructuring of FCI

GoI set up a High Level Committee in August 2014 with Shri Shanta Kumar as the Chairman, six members and a special invitee to suggest restructuring or unbundling of FCI with a view to improve its operational efficiency and financial management. Later on, the GoI also asked the Committee to suggest measures:

- For overall improvement in management of food grains by FCI;
- For reorienting the role and functions of FCI in MSP operations, storage and distribution of food grains and food security systems of the country; and
- For cost effective models for storage and movement of grains and integration of supply chain of food grains in the country.

The Committee submitted its report to the Government in January 2015 in which it gave its recommendations on various issues, *viz.,* Procurement, PDS & NFSA, stocking & movement, buffer stocking and liquidation policy, direct subsidy to farmers, end-to-end computerization in FCI and on labour related issues. On the basis of these recommendations, GoI decided (June 2015) an Action Plan for implementation of acceptable recommendations concerning FCI.

The status of action taken on the recommendations is given in **Annexure-1**.

1.2 Operational Framework for Food grains management

The national food security system of the GoI operates under an operational framework involving procurement of food grains through price support operations by fixing Minimum Support Price (MSP), maintenance of buffer stocks, food subsidy regime, and allocation and distribution of food grains to weaker and vulnerable sections of society through TPDS and other welfare schemes (OWS).

Timely and efficient procurement and building up of adequate buffer stocks in the Central Pool through efficient storage and movement of food grains are central to the food security strategy of GoI.

1.2.1 Procurement of Food grains

Under the existing procurement policy of the GoI, procurement of food grains for the Central Pool is done by FCI & State Government Agencies (SGAs). Procurement of wheat and paddy for the Central Pool is carried out on open-ended basis at Minimum Support Price (MSP) fixed by the GoI. In wheat and paddy procuring States, like, Punjab, Haryana & some parts of Rajasthan, procurement from farmers is undertaken by the FCI/State Agencies through *Arhatias* (commission agents) as per State APMC (Agriculture Produce Market Committee) Act. In other States, procurement of wheat and paddy is made directly from farmers by FCI/SGAs.

Under centralized procurement system (Non-DCP), the procurement of food grains in Central Pool is undertaken either by FCI or by SGAs. Quantity procured by SGAs is handed over to FCI for storage and subsequent issue against GoI allocations in the same State or movement of surplus stocks to other States.

Under the Decentralized procurement (DCP), the State Government itself undertakes direct purchase of paddy and wheat on behalf of GoI. Paddy and wheat procured by the State Governments falling under DCP scheme are also part of the Central Pool. FCI takes over any surplus stock over their requirements for the Central Pool and in case of any shortfall in procurement against allocation made by the GoI for distribution to TPDS, FCI meets the deficit out of the Central Pool.

The details of Production, *mandi*[1] arrival and procurement of wheat and rice (quantity in lakh metric tonnes-LMT during last five years up to 2021-22) is given in the following table:

[1] A big market in India often in open

Table 1.1
Procurement details of wheat and rice

(Quantity in LMT)

Year	Production	*Mandi* Arrival	Total Procurement made in the country	Procurement by FCI		
				Own purchase	Taken over from States	Total
Wheat						
2017-18	985.10	354.05	308.24	36.20	204.72	240.92
2018-19	998.69	388.80	357.95	42.49	238.23	280.72
2019-20	1035.96	371.73	341.32	40.39	202.95	243.34
2020-21	1078.61	406.60	389.93	38.68	294.49	333.17
2021-22	1095.17	443.77	433.43	37.69	360.74	398.43
Total	**5193.53**	**1964.95**	**1830.87**	**195.45**	**1301.13**	**1496.58**
Paddy in terms of Rice						
2017-18	1127.57	608.69	381.85	5.19	251.91	257.10
2018-19	1164.78	601.54	443.99	4.14	245.29	249.43
2019-20	1188.70	692.88	518.27	3.98	254.14	258.12
2020-21	1222.65	933.11	602.44	6.01	333.75	339.76
2021-22	1296.59	904.70	590.54	4.82	343.13	347.95
Total	**6000.29**	**3740.92**	**2537.09**	**24.14**	**1428.22**	**1452.36**

Source: Annual Plan and information submitted by FCI

The total procurement of food grains for the central pool was 690.09 LMT (valuing ₹ 1,19,201 crore) in 2017-18 which increased to 1023.97 LMT in 2021-22 (valuing ₹ 2,11,118 crore). Though, FCI's share of direct procurement was five *per cent* of the total procurement of 4367.96 LMT for the Central Pool during 2017-18 to 2021-22, however, out of total procurement made by States (DCP and non-DCP), FCI took over the quantity of 2729.35 LMT (for central pool) which was 66 *per cent* of the total procurement made by States.

1.2.2 Fund Management for procurement of Food grains

FCI arranges fund for its operations through equity contribution from GoI, borrowings from different sources, *viz.*, cash credit limit from banks, short-term loans (STL) from banks, loan from National Small Savings Fund (NSSF), Bonds and ways & means advance (WMA) from GoI. It also receives subsidy in the form of food subsidy and buffer subsidy.

The table below gives the details of fund during the period 2017-18 to 2021-22:

Table 1.2
Sources of fund for FCI

(₹ in crore)

Year	Equity	STL from banks	Cash Credit from banks[2]	Bonds	NSSF Loan including WMA	Subsidy
2017-18	23.50	105937	7926.48	0.00	115000.00	116281.68
2018-19	563.00	184092	5018.67	2737.70	109000.00	120351.62
2019-20	1049.00	104750	3971.90	13262.30	110000.00	132407.87
2020-21	1040.00	172700	2801.06	8000.00	94636.00	216869.48
2021-22	2505.00	69000	830.81	8000.00	0.00	206816.46
Total	**5180.50**	**636479**	**20548.92**	**32000.00**	**428636.00**	**792727.11**

Source: Figures as per Annual Accounts of FCI

1.3 Storage of Food grains

The storage function assumes paramount importance in an organization such as Food Corporation of India because of its requirement to hold huge inventory of food grains over a significant period. Besides having own storage capacity, FCI has hired storage capacities from Central Warehousing Corporation (CWC), State Warehousing Corporations (SWC), State Agencies and Private Parties for short term as well as for guaranteed period under Private Entrepreneurs Guarantee (PEG) Scheme and Private Warehousing Scheme (PWS). Storage Capacity is used for keeping the Central Pool stock of food grains for TPDS & OWS and maintaining buffer stocks for ensuring food security of the country.

The table below shows the total storage capacity with FCI during the period 2017-18 to 2021-22:

Table 1.3
Storage capacity in FCI

(Capacity in LMT)

Year	Owned	CWC	SWC	PEG	PWS	Silos	Other private parties	CAP[3] (owned & Hired)	Total
2017-18	128.32	24.53	68.39	102.64	0.38	2.85	5.87	26.02	**359.00**
2018-19	128.32	28.22	79.70	111.56	0.75	5.25	2.48	26.47	**382.75**
2019-20	127.59	31.04	88.90	114.97	2.98	4.92	2.67	26.48	**399.55**
2020-21	127.35	30.25	84.47	114.80	6.91	6.35	2.25	31.79	**404.17**
2021-22	151.33	37.29	104.50	108.15	10.94	8.98	2.14	36.38	**459.71**

Source: Information submitted by FCI

1.4 Movement of food grains

FCI is the only agency entrusted with the movement of the Central Pool food grains from procuring and surplus States to deficit and consuming States for TPDS and OWS

[2] Represents balance as at end of the year
[3] Cover and Plinth storage

and for creation of buffer stock in various States under national food security system. Movement of food grains from the Central Pool stock held by different agencies in procuring States is carried out by FCI through rail, road and river transportation systems across the country. The overall movement (inter-state and intra-state) during the period 2017-18 to 2021-22 was as under:

Table 1.4

Movement of food grains

(Figures in LMT)

	2017-18	2018-19	2019-20	2020-21	2021-22
Rail	353.18	303.80	296.58	479.17	505.63
Road	104.22	111.43	113.29	140.00	141.09
Riverine	0.34	0.80	0.89	0.72	0.70
Total	**457.74**	**416.03**	**410.76**	**619.89**	**647.42**

Source: Information submitted by FCI

1.5 Food stock in Central Pool and Buffer Stock

Food grains stock in the Central Pool consists of stock held by FCI, DCP States and the SGAs for both buffer and operational requirements. While four months' requirement of food grains for issue under TPDS and OWS is earmarked as operational stocks, the surplus over that is treated as buffer stock and physically both buffer and operational stocks are merged and are not distinguishable.

According to the present practice, the GoI treats the food stock over and above the minimum norms as excess stock and liquidates it from time to time through exports, open market sales or additional allocations to the States. The total annual stock of food grains in the Central Pool is distributed over different quarters of the year depending upon off-take and procurement patterns. The seasonality of production and procurement is thus, a decisive factor in determining the minimum norm of food grains stocks required in a particular quarter of the year.

The average stock vis-à-vis buffer stock norms was almost two times of stock required to be maintained (285.85 LMT) and average quarterly stock of 548.93 LMT was maintained during January 2017 to October 2022 as detailed below:

Table 1.5

Stock position in Central Pool

(Quantity in LMT)

As on	Stock to be maintained	Actual Stock maintained						
		2017	2018	2019	2020	2021	2022	Avg. stock
1st January	214.10	272.22	357.68	454.12	565.11	529.59	551.66	455.06
1st April	210.40	311.40	381.04	463.86	569.39	564.22	513.12	467.17
1st July	411.20	533.19	650.53	742.52	821.62	900.45	602.17	708.41
1st October	307.70	421.73	542.59	642.32	629.99	721.78	432.13	565.09

Source: Details available on FCI website

1.6 Audit objectives

The performance audit was conducted to assess whether:

- The storage management with regard to system of procurement, receipt and buffer stock were adequate to ensure efficient management of food grains.
- The storage capacity was utilised to the optimum level.
- The augmented storage capacity was commensurate with the long-term requirement for storage of food grains.
- The transit/storage losses were minimum and within prescribed norms and whether the demurrage/wharfage charges were minimum and unavoidable and the movement of food grains was done economically.
- The records and operation of the Corporation are adequately computerized/ automated to effectively manage storage and movement of food grains.
- To review the action taken by the Ministry/FCI on the recommendations made by COPU in its 29th report (15th Lok Sabha), by Standing Committee on Food, Consumer Affairs and Public Distribution in 13th report (17th Lok Sabha), in Performance Audit Report No. 7 of 2013 and Compliance Audit Report No. 18 of 2017 (Chapter-IV).

1.7 Scope of audit and Sample size

This Performance Audit covers the activities relating to Storage and Movement of food grains by FCI from 2017-18 to 2021-22. We examined the detailed data relating to these activities for the period under review (mainly in respect of wheat and paddy/rice) during the course of audit from June 2022 to November 2022. Besides, we also scrutinized other relevant records of FCI, its Annual Accounts as well as other Management Information System at headquarters of FCI.

We selected a random sample based on a preliminary study/collection of background information and data made available by FCI drawn through random sampling. The audit sample consisted of 31 Divisional offices, 55 Food Storage Depots, 86 hired Godowns and 311 HTC/RTC contracts pertaining to 11 Regional offices under five zones in 11 States[4]. The methodology of selection of sample is given in **Annexure 2**.

1.8 Audit Criteria

The performance audit was conducted against the criteria drawn from the following:

- Policies and norms prescribed by the Administrative Ministry and FCI Headquarters for buffer stock.
- FCI operational manuals for storage, movement and internal audit.
- The policies of the Ministry and FCI on construction and augmentation of storage capacity and Private Entrepreneur Guarantee Scheme 2008/2009.

[4] Assam, Bihar, Haryana, Jharkhand, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh

- Orders and instructions issued by the Ministry and FCI for storage management and capacity utilisation, storage and transit losses and movement of food grains.
- Model Tender Form (MTF) and agreements executed with private parties for construction/hiring of storage capacity and movement of food grains.
- Recommendations made by COPU on storage management and movement of food grains in 29th report of 15th Lok Sabha and Standing Committee on Food, Consumer Affairs and Public Distribution in 13th report of 17th Lok Sabha. Performance Audit Report 7 of 2013 and Compliance Audit Report 18 of 2017 (Chapter-4).

1.9 Audit methodology

After collection of the background information and a preliminary study, an Entry Conference was held on 27 June 2022 with FCI management wherein the scope, objectives and methodology of audit were discussed and criteria were agreed upon. The field audit involving examination of records at selected Regional Offices (ROs) and Divisional Offices (DOs) and the depots of FCI along with the selected hired godowns was conducted during June to November 2022.

The Draft Report was issued to the Management/Government on 16th December 2022 for getting their responses within six weeks as per the Regulations on Audit and Accounts, 2020. However, only few replies were received from the Management, which were suitably incorporated in the report. No reply was received from the Government. An Exit Conference was also held on 24 March 2023 and the views expressed by the management in the meeting were suitably incorporated in the report.

1.10 Past audit coverage for FCI

The issues relating to the performance of FCI were reviewed in various earlier C&AG's Audit Reports as given below:

- A Performance Audit on "Procurement and Milling of Paddy for the Central Pool" was conducted in 2014-15, which was placed in the Parliament on 8 December 2015. In this Report of the Comptroller and Auditor General of India (No. 31 of 2015) 17 recommendations were made.
- Another Performance Audit on "Storage Management and Movement of Food Grains" was conducted in 2012-13, which was placed in the Parliament on 7 May 2013. COPU has examined the report and given its recommendations.
- Compliance Audit Report no. 18 of 2017 covering debt management, labour management and implementation of PEG scheme.

The status of compliances of above reports are discussed in Chapter V.

1.11 Audit findings

Audit findings are discussed in subsequent chapters as per the arrangement given below:

- Chapter I deals with the Introduction;
- Chapter II deals with Food grains management- Cost and Stocking norms;
- Chapter III deals with Storage of food grains- Capacity *vs* Utilisation;
- Chapter IV deals with Movement of food grains- Operational and Other issues;
- Chapter V deals with the Action taken by FCI on recommendations of COPU, Standing Committee and earlier Performance Audit.

CHAPTER-II Food grains Management-Cost and Stocking norms

FCI is the main agency entrusted with storage and movement of food grains from procuring and surplus States to deficit and consuming States for delivery to the consumers and for creation of buffer stock under national food security system. These functions are performed by FCI under the operational framework established by GoI which govern the food grains management strategy of the country.

This involves procurement of food grains through price support operations, maintenance of buffer stock and allocation and distribution of food grains to weaker and vulnerable sections of the society at lower prices through TPDS and OWS.

2.1 Acquisition cost of Food grains

The acquisition cost of food grains for the Central Pool consists of MSP and statutory and non-statutory charges imposed on procurement of food grains by various State Governments.

The period of review witnessed a persistent increase in MSP every year. Increase in MSP has a direct bearing on statutory charges levied on purchase of food grains by different State Governments as these charges are fixed as a percentage of the MSP.

This had contributed to the rise in acquisition cost of food grains which, in turn, had a wide impact on the quantum of food subsidy pay out by the GoI.

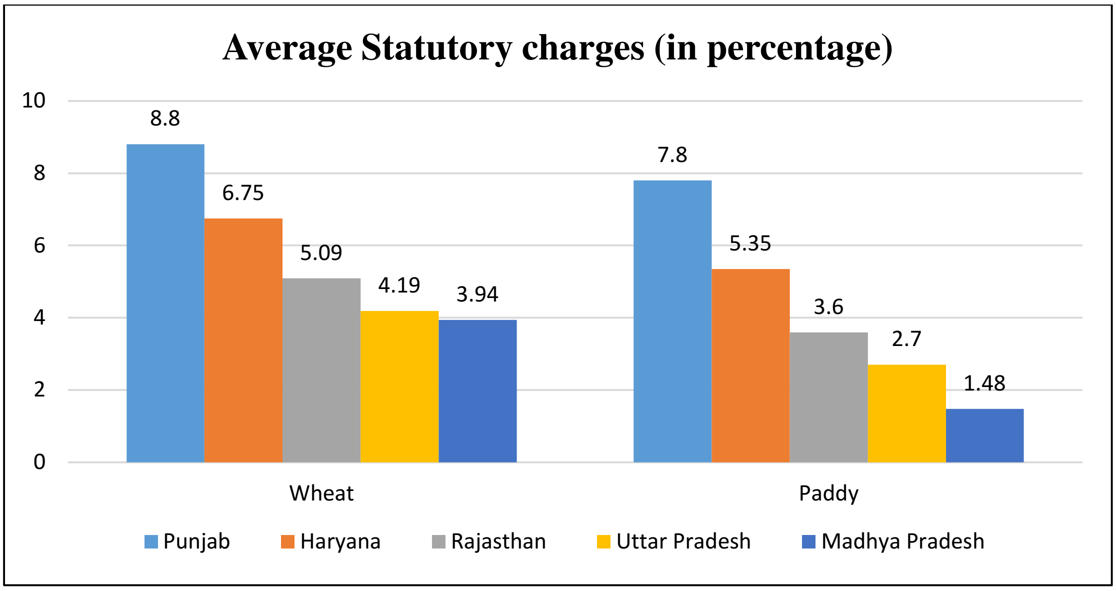
2.1.1 Statutory charges

Statutory charges include *mandi* charges (market fee, *mandi* fee, APMC fee, *Arhatia* commission, Society commission etc.). Statutory charges are levied by the State Governments as a fixed percentage of the MSP.

Statutory charges in respect of wheat showed wide variation amongst different states. During the period 2017-18 to 2021-22, the average Statutory charges of wheat in respect of Punjab (8.80 per cent) were more than two times of Statutory charges of wheat in respect of Uttar Pradesh (4.19 per cent) & Madhya Pradesh (3.94 per cent). However, statutory charges were constant at 8.5 per cent and 6.5 per cent since 2018-19, in Punjab and Haryana respectively.

Similarly, in respect of paddy, higher incidence of such charges was noticed in Punjab and Haryana. The average statutory charges of paddy during the period 2017-18 to 2021-22 in respect of Punjab (7.80 per cent) were approximately five times of statutory charges levied in Madhya Pradesh (1.48 per cent). The average statutory charges for wheat and paddy can be seen in following chart:

Chart 2.1



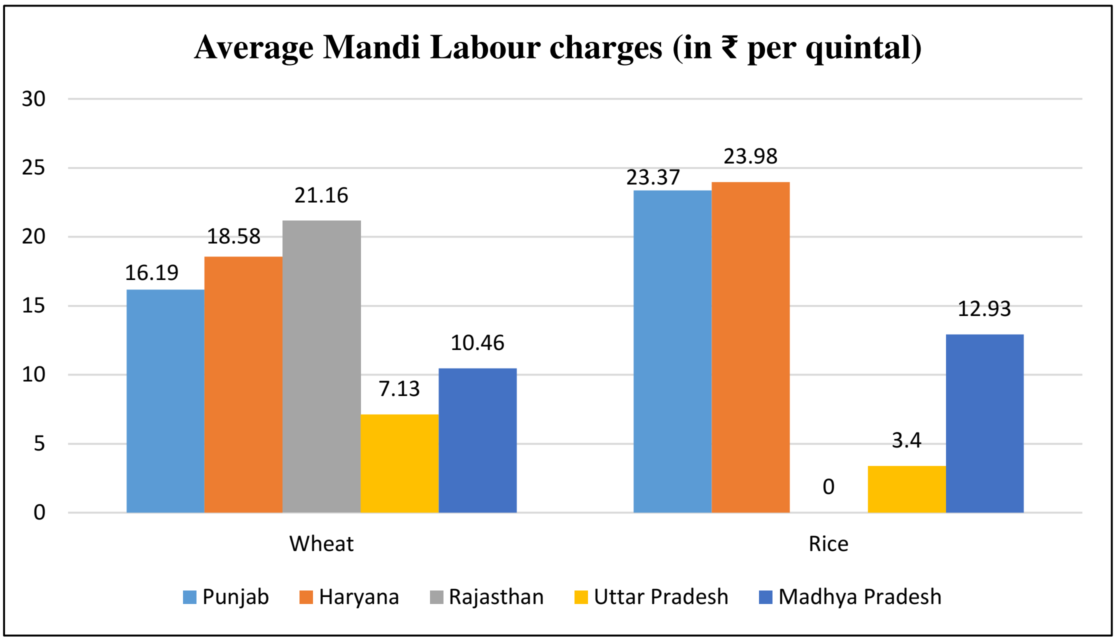
The issue was highlighted in C&AG's report no. 3 of 2011-12 & Report No. 7 of 2013 of Union Government (Commercial), wherein audit pointed out that there was higher incidence of statutory charges levied by states of Haryana and Punjab, the main procuring States in comparison to the other states. However, no remedial action was taken.

The management stated (February 2023) that GoI requested (June 2022) all State Governments to revisit the process to allow statutory charges up to two per cent of MSP only.

2.1.2 Non-Statutory Charges

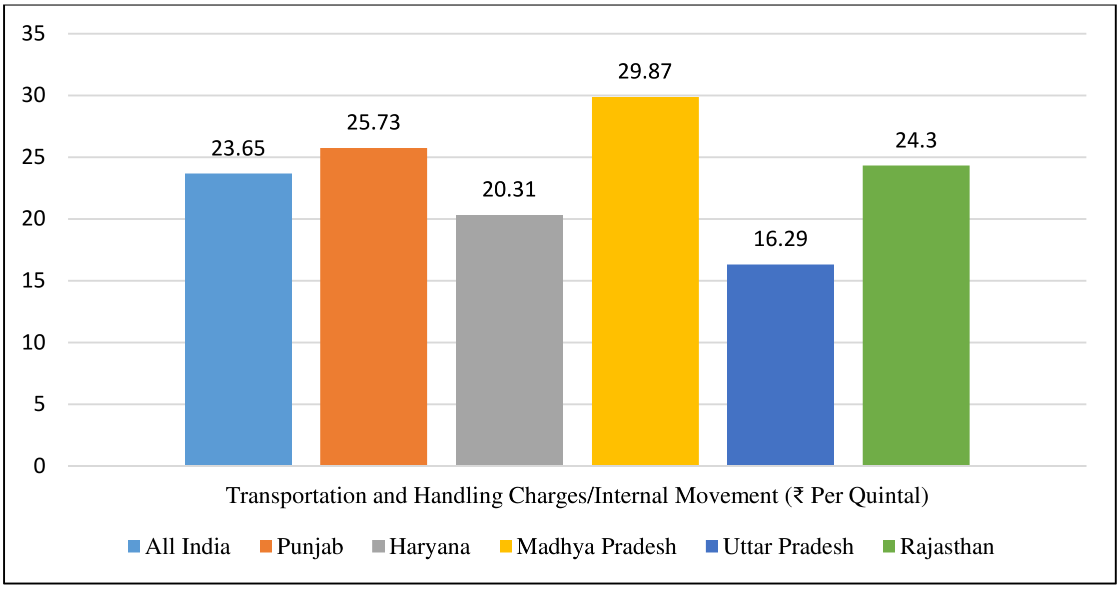
The non-Statutory charges include *mandi* labour, transportation cost, driage losses, custody and maintenance charges, interest and milling charges for paddy, etc. Average *mandi* labour charges ranged from ₹ 7.13 per quintal to ₹ 18.58 per quintal in respect of wheat in major procuring states (Punjab, Haryana, UP and MP) during the period 2017-18 to 2021-22. These charges, however, ranged from ₹ 19.28 per quintal to ₹ 23.74 per quintal in respect of Rajasthan during the same period as compared to ₹ 17.87 per quintal on all India basis. In respect of rice, the average *mandi* labour charges during 2017-18 to 2021-22 ranged from ₹ 3.40 per quintal to ₹ 23.98 per quintal in rice procuring states (Punjab, Haryana and UP) as compared to ₹ 16.39 per quintal on all India basis. The status of average *mandi* labour charges can be seen from the chart given below:

Chart 2.2



Transportation and handling charges ranged from ₹ 16.29 per quintal to ₹ 29.87 per quintal in respect of wheat in major procuring states (Punjab, Haryana, UP and MP) during the period 2017-18 to 2021-22 as compared to ₹ 23.65 per quintal on all India basis.

Chart 2.3



Audit observed that there were wide inter-state variations both in statutory and non-statutory charges being charged by State Governments. Meaningful reduction in acquisition cost of food grains could take place only if increasing economic cost (MSP, post-procurement expenses and distribution costs) due to high statutory and non-statutory charges could be rationalised.

The Management stated (February 2023) that GoI requested (June 2022) all State Governments to revisit the process to allow statutory charges up to two per cent of MSP only.

2.2 Economic Cost and Central Issue Price

Economic Cost is the total cost to FCI and consists of Acquisition Cost and Distribution Cost. Acquisition cost consists of MSP *plus* procurement incidentals. Procurement incidentals are expenses incurred during procurement till the food grains reach the first point of godowns. The methodology followed for calculation of Economic Cost is based on the GoI circular to apportion the operational cost of FCI into Buffer Carrying Cost and Distribution Cost. Distribution Cost becomes the part of the Economic Cost whereas the Buffer carrying cost becomes the part of Buffer subsidy.

The Central Issue Price (CIP) is the price at which the government makes available food grains for beneficiaries of the National Food Security Act, 2013 and other welfare schemes to the States from the central pool. FCI transports the food grains to each State and the States bear the responsibility of transporting food grains from these godowns to each fair price shop (ration shop), where the beneficiary buys the food grains at the lower central issue price. The table below gives the details of procurement cost, economic cost and central issue price of wheat and paddy/rice during the period under review:

Table 2.1
Acquisition cost, Economic cost and CIP

(₹ per Quintal)

Year	Wheat			Paddy/Rice		
	Acquisition cost	Economic Cost	Central Issue Price*	Acquisition cost	Economic Cost	Central Issue Price*
2017-18	1891.81	2297.92	200.00	2772.58	3280.31	300.00
2018-19	1956.88	2359.73	200.00	2893.68	3444.10	300.00
2019-20	2071.30	2623.08	200.00	3023.42	3720.06	300.00
2020-21	2131.59	2731.75	200.00	3145.13	3939.26	300.00
2021-22	2201.53	2467.53	200.00	3248.31	3562.49	300.00

Source: Figures available on FCI website

** Central issue price taken as CIP for TPDS*

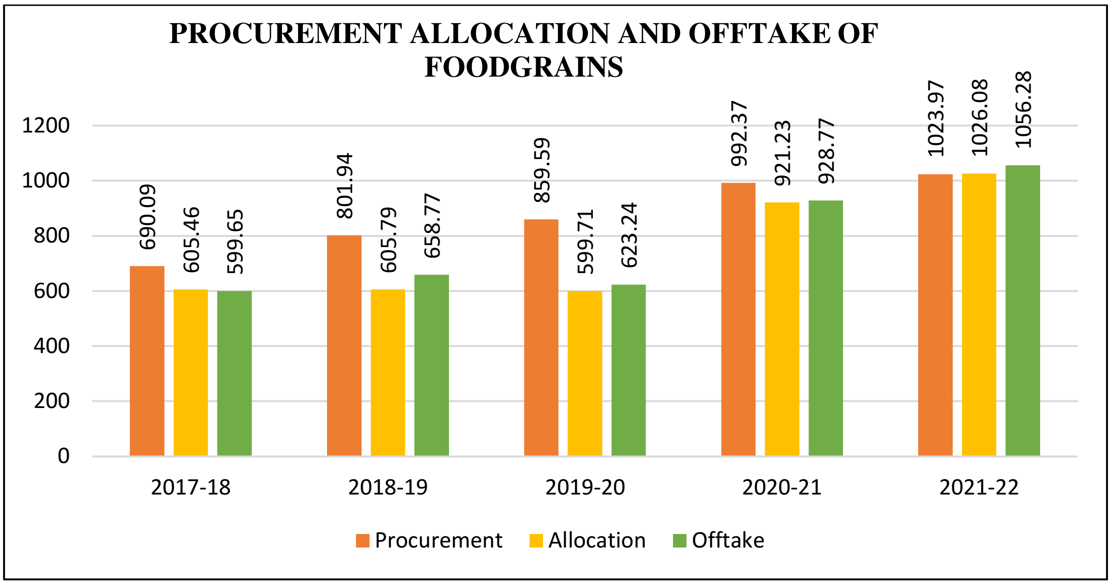
2.3 Allocation and Offtake of Food grains

The GoI makes allocation of food grains to States/UTs under TPDS under NFSA and OWS *viz.* Mid-Day Meal Scheme, Wheat Based Nutrition Programme, Scheme for Adolescent Girls, Annapurna Scheme, and allocation of Food grain under Welfare Institutions & Hostels Scheme. The overall allocation of food grains to the States/UTs is generally made on the basis of their average annual offtake of food grains from the Central Pool. Besides, TPDS under NFSA, FCI is also issuing food grains under various welfare schemes of the GoI.

Based on the allocation made by the GoI, State Governments lift (offtake) the food grains from the Central Pool for distribution to the consumers through TPDS and OWS. Distribution of food grains is done by the State Governments through TPDS with a network of around 5.38 lakh Fair Price Shops throughout the country.

The chart below shows the position of procurement, allocation and offtake during the period 2017-18 to 2021-22:

Chart 2.4



As can be seen from the above, during 2017-18 to 2021-22 on an average food grains procurement of 873.59 LMT was made by various agencies for the Central Pool and average allocation of 751.65 LMT was made by the GoI for TPDS, OWS etc. However, the allocation rapidly increased to 1026.08 LMT in 2021-22 mainly on account of Covid-19 support, which was higher than the average procurement during the same period. The allocation and offtake (including DCP states) during 2017-18 to 2021-22 is given in the following table:

Table 2.2
Allocation and offtake of food grains

(Quantity in LMT)

Year	Wheat		Rice		Total	
	Allocation	Offtake	Allocation	Offtake	Allocation	Offtake
2017-18	254.70	252.99	350.76	346.66	605.46	599.65
2018-19	253.47	316.46	352.32	342.31	605.79	658.77
2019-20	251.76	271.89	347.95	351.35	599.71	623.24
2020-21	363.33	363.90	557.90	564.84	921.23	928.74
2021-22	463.38	505.55	562.70	550.73	1026.08	1056.28

Source: Monthly Performance Review Report of FCI

Scheme wise allocation and offtake during the above period is given in **Annexure 3**.

According to the estimates (March 2022) of the Ministry of Consumer affairs, Food & Public Distribution, Department of Food & Public Distribution for the period from 2021-22 to 2026-27, the annual food grains requirement was 610 LMT and will remain the same till 2026-27. As the level of allocation during 2021-22 already reached 1026.08 LMT, which is much more than 610 LMT projected by GoI, the estimated requirement of food grains for future need to be assessed accordingly.

2.4 Policy on food grains stocking norms

The main objectives of the Buffer Stocking norms are:

- To meet the prescribed Minimum food grain stocking norms for food security,
- For monthly releases of food grains for supply through the TPDS/Other Welfare Schemes,
- To meet emergency situations arising out of unexpected crop failure, natural disasters etc., and
- For market intervention to augment supply so as to help moderate the open market prices.

Food grain stocking norms refers to the level of stock in the Central Pool that is sufficient to meet the operational requirement of food grains and exigencies at any point of time. Stocking norms are for a quarter and consist of operational stock for the quarter and strategic reserve to take care of short fall in production or natural calamities. While four month's requirement of food grains for issue under TPDS and OWS are earmarked as operational stocks, the surplus over that is treated as buffer stock and physically both buffer and operational stocks are merged into one and are not distinguishable.

The existing food grains stocking norms for the Central Pool fixed in January 2015 are given in the following table:

Table 2.3
Food Grain stocking norms

(Quantity in LMT)

As on	Operational stock		Total operational stock to be maintained	Strategic reserves		Total stock to be maintained
	Rice	Wheat		Rice	Wheat	
1st April	115.80	44.60	160.40	20.00	30.00	210.40
1st July	115.40	245.80	361.20	20.00	30.00	411.20
1st October	82.50	175.20	257.70	20.00	30.00	307.70
1st January	56.10	108.00	164.10	20.00	30.00	214.10

Source: FCI website

In addition, Government has decided to create a buffer stock of 1.5 LMT of pulses to control fluctuation in their prices. NAFED, SFAC and FCI will procure pulses for buffer stock. The stock position of food grains in Central Pool *vis-à-vis* stocking norms during the period 2017-18 to 2021-22 can be seen in the following table:

Table 2.4
Stock of Food Grain *vis-à-vis* stocking norms

(Quantity in LMT)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Average[5]
1st April	311.40	381.04	463.86	569.39	564.22	513.12	**467.17**
1st July	533.19	650.53	742.52	821.62	900.45	602.17	**708.41**
1st October	421.73	542.59	642.32	629.99	721.78	432.13	**565.09**
1st January	357.68	454.12	565.11	529.59	551.66	297.05	**459.20**
Average[6]	**406.00**	**507.07**	**603.45**	**637.65**	**684.53**	**461.12**	

Source: FCI website (https://fci.gov.in/stocks.php?view=217)

As can be seen from the table above, average stock vis-à-vis buffer stock norms was almost two times of stock required to be maintained and average quarterly stock of 549.97 LMT was maintained during April 2017 to January 2023. The above stock position includes stocks with SGAs and stock in transit. As a result, FCI is not only incurring increased expenditure on its storage but also in higher outflow from the Consolidated Fund of India in the form of increased subsidy.

2.5.1 Buffer norms not delineated

The minimum buffer stock norms currently ranging between 210 LMT and 411 LMT during the period from 2017-18 to 2021-22 as fixed in January 2015 do not clearly specify the elements of food security (*e.g.*, emergency, price stabilization, food security reserve, TPDS/OWS). They also do not prescribe the appropriate level of buffer stock for each element of food security, which should be maintained at all times.

[5] *Average for the quarter during the period under review*
[6] *Average stock maintained during the year*

Further, the norms did not prescribe maximum level of stock to be maintained in the Central Pool over and above the minimum buffer stock level. This lack of clarity in the existing buffer norms had resulted in improper assessment of food grains to be procured for Central Pool. The norms fixed in January 2015 have not been revised even after a lapse of eight years and in spite of the fact that average offtake during 2017-18 to 2021-22 increased substantially mainly due to the pandemic situation during 2020-21.

The Management stated (April 2023) that the FCI does not have any role in fixing buffer norms and it is fixed by Cabinet Committee on Economic Affairs.

No reply received from the Ministry.

2.5.2 Excess stock not liquidated

As per recommendations of the High Level Committee on restructuring of FCI, DFPD/FCI have to work in tandem to liquidate stocks in Open Market Sales Scheme-Domestic (OMSS) or in export markets, whenever stocks go beyond the buffer stock norms. A transparent liquidation policy is required in view of surplus stocks over buffer norms.

The GoI while prescribing (January 2015) revision in buffer norms also stated that the stock in excess of the revised buffer norms may be offloaded through open sale in domestic market or through exports.

Audit observed that in spite of excessive stock over minimum buffer norms, no liquidation policy was made either by FCI or the Department (except for OMSS). As a result, FCI is not only incurring additional storage charges but it also leads to additional subsidy burden on GoI as procurement is not linked to prescribed buffer stock norms.

During the period 2017-18 to 2021-22 when the stock of food grains accumulated above the minimum norms, the GoI liquidated a quantity of 18.51 to 82.20 LMT through exports and Open Market Sales Schemes.

2.6 Quality Control Mechanism

The FCI has an extensive and scientific stock preservation system. An on-going programme sees that both prophylactic and curative treatment is done timely and adequately. Grain in storage is continuously scientifically graded, fumigated and aerated by qualified, trained and experienced personnel. FCI's testing laboratories spread across the country for effective monitoring of quality of food grains providing quality assurance leading to improved satisfaction level in producers (farmers) and customers (consumers). The Institute of Food Security Lab, Gurgaon is in process of upgradation to a State of Art Lab.

The preservation of food grain starts; the minute it arrives in the godowns. The bags are kept on wooden crates/poly pallets to avoid moisture on contact with the floor. Further, till the bags are despatched/issued, fumigation to prevent infestation etc. of stocks is done on an average every 15 days.

Our audit examination revealed that checks for limits of uric acid and aflatoxin were not done in major procuring states (Punjab, Haryana and Uttar Pradesh) during acceptance of wheat as well as rice as required by Food Safety Standards Authority of India (FSSAI)[7] standards. FCI had also not established any mechanism to ensure that rice conformed to food safety standard at the procurement stage. However, tests were conducted during storage of food grains and the related audit observation has been discussed in Paragraph 3.7.4.

Audit recommendations

Audit recommends that:

1.	***The GoI should aim at completing the augmentation of storage facilities envisaged under National Policy on Handling, Storage and Transportation of food grains.***
2.	***The GoI should make efforts to rationalise the structure of Statutory and Non-Statutory charges imposed by different State Governments with a view to reduce acquisition cost of food grains.***
3.	***There is a need to revisit the existing 'Food Grains Stocking Norms' considering the situation that arose due to Covid-19 pandemic and also consider the level up to which stock can be stored in the Central Pool.***

[7] {Regulation 2.4.6(5) (v) and (vi) of FSS Regulations, 2011}

CHAPTER-III Storage of Food grains- Capacity Vs Utilisation

The primary duty of FCI is to undertake purchase, storage, movement, transport, distribution and sale of food grains and other foodstuffs under Section 13 of the Act. The storage function is an important link in the entire system of food grains management. Adequate scientific storage capacity is a pre-requisite to fulfil the policy objectives prescribed for FCI.

The storage system of FCI comprises of their owned godowns, and hired ones from Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWC) and privately owned godowns/warehouses for storage. In order to maintain good health of the stored food grain in bags, aeration, fumigation and spraying are undertaken at certain intervals to keep the stock free from insects and pests. Adequate scientific storage is a pre-requisite to fulfil the policy objectives assigned to the FCI for which it has a network of strategically located storage depots including silos all over India.

3.1 Administrative Set up for Storage Management

The Storage & Contract Division is under the charge of an Executive Director assisted by Managers in the FCI Headquarters. Several allied functions are looked after by other divisions at the headquarters *viz*.

- The stocks division looks after the physical verification of stocks, maintenance of records and stock accounts in the depots.
- The Quality Control Division oversees the health of the stocks in various storage depots of FCI.
- The Security Division reviews security arrangements for the depots from time to time and issues instructions for security of establishments, property stocks, etc.

At the Zonal and Regional Offices, Storage and Contract Sections formulate the proposals for additional godown construction, selection of suitable sites, purchase of suitable dunnage material required in the godowns, ensure maintenance of up-to-date depot records and timely submission of prescribed returns and supervise the storage functions at the field level. The Divisional Managers supervise the depot operations within the jurisdiction of the division and maintain relevant depot records.

Pic.1 Storage facility for food grains

3.2 Food grains Storage Operations Management

Before the commencement of the procurement season, the Regional Manager undertakes a review of the storage capacity requirements of his region and draws a detailed storage plan. The storage requirements of each state are reviewed at the FCI headquarters keeping in view all the relevant factors like inflow from *mandis*, anticipated issues from depots, likely stocks to be moved by rail/road within the state and outside the region, and likely imports/exports. Areas within the State requiring additional capacity or having surplus capacity are identified and in case any surplus capacity is identified, action is taken to shed the hired capacity. The Government has clarified that the Central Warehousing Corporation will construct godowns at centres of all-India importance; the State Warehousing Corporation will operate at centres of State and District/Taluk level within a State and the Cooperatives at the block/village level. FCI will construct storage godowns at various places keeping in view its needs and operational considerations including rail movements.

The GoI provides funds for construction of godowns under various programmes normally in the form of equity. In case the funds are to be raised from institutional/internal sources of FCI, the budget requirement is forwarded by Storage and Contract Division to Finance Division for obtaining the approval of the Board of Directors of FCI and the Government of India.

3.2.1 Storage Structures

For scientific storage the structure has to be free from rodents, damp and white ants, and allow sufficient ventilation with presence of pest control measures. It should also provide openings, which will minimise the lead for carrying the bags and enable maximum utilisation of the floor areas. The loading and unloading platforms are also to be provided wherever necessary.

FCI uses three types of storage, *viz.,*

Cover and Plinth Storage (CAP)

CAP storage is a scientific storage system for storage of wheat and paddy. Under this system, the storage site is made with brick and mortar at a higher elevation than the adjoining ground away from drainage, canals and flood prone areas. The stacking of bags is done on dunnage material (usually wooden crates) and covered with polyethylene sheets. CAP storage is generally used for shorter period usually less than one year.

Pic.2 CAP Storage in *Sukharsh Khaira* (Punjab region)

Bag storage in godowns/warehouses

FCI uses godowns for storage of bagged grains to safeguard them from environmental factors. While wheat and paddy can be temporarily stored in CAP, rice has to be compulsorily stored in a covered storage godown. FCI constructs godowns as per its own standards and specifications.

Pic.3 Storage godown of food grains (FSD Sunam in Punjab region)

Silos

Steel Silo storage with bulk handling facility is a highly mechanized and modernized way of storing of food grains in bulk. It ensures better preservation of food grains and enhances its shelf life. If food grains are stored in Silos and transported in bulk, losses due to theft, pilferage and transportation would be negligible compared to food grains storage in bags in conventional warehouses. Since land availability in existing FCI godowns is scarce, it would be prudent to shift to storage of food grains in Silos, as it requires approximately one-third land as compared to conventional storage warehouses.

Pic.4 Steel Silos for storage of food grains (MRB silo Patiala)

3.2.2 Receipt and issue of Stock

After the procurement, the stock is transported from *mandi*/procurement centre to the railway station/siding or godown and from there to other godowns in trucks/carts provided by the handling and transport contractors. On arrival of a truck at the depot, the gatekeeper verifies the number of bags on the truck by count and permits its entry into the premises. After taking weight at the godown, each bag will be taken to the place allotted to the consignment inside the godown for storage and will be stacked there according to the stack plan, after providing necessary dunnage.

Issues to State Government and other Government Departments are made based on the release orders/delivery orders, issued by the Divisional Manager on receipt of despatch instructions from the Regional Manager as per allocations made by the FCI Headquarters/GoI. In case of issues made locally, stocks are delivered to the purchasers and loaded on the trucks/carts etc. Where out-station despatches are required to be made, the stock is weighed in the usual manner and transported to the railway siding for its onward destination.

3.3 Status of Storage Capacity with FCI

Besides having own storage capacity, FCI has hired storage capacities from Central Warehousing Corporation, State Warehousing Corporations, State Agencies and

Private Parties for short-term as well as for guaranteed period under Private Entrepreneurs Guarantee (PEG) Scheme. The table below gives the storage status of owned and hired storage capacity with FCI at the end of March during the period under review:

Table 3.1
Total Storage Capacity

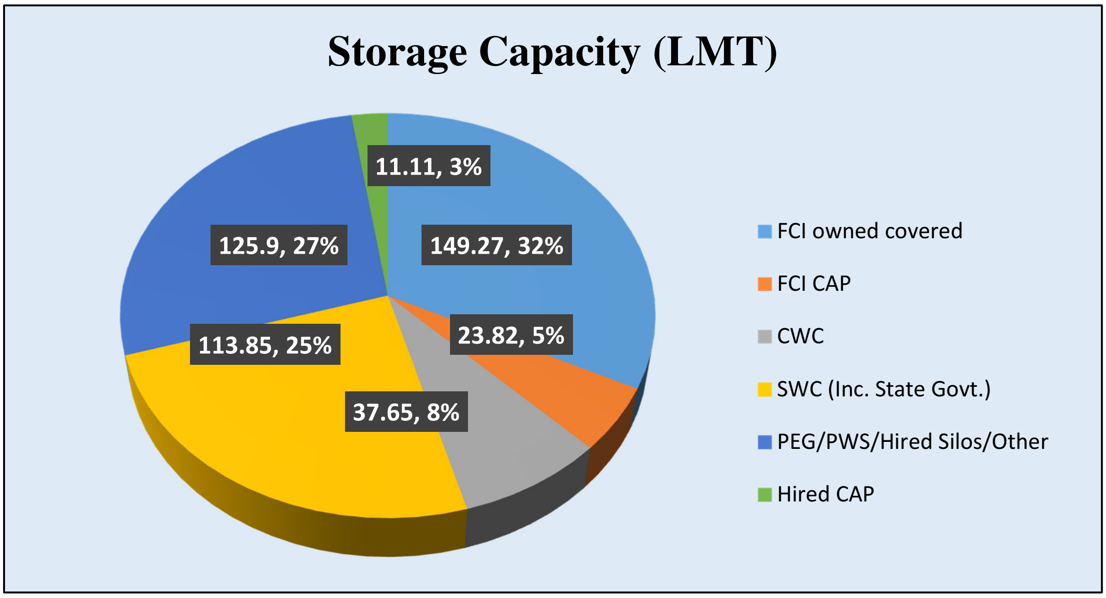
(Capacity in LMT)

Year	Covered			CAP			Total storage capacity	Stock kept by FCI[8]
	Owned	Hired	Total	Owned	Hired	Total		
2018	128.42	208.06	336.48	26.02	0.00	26.02	362.50	274.64
2019	127.33	235.30	362.63	26.02	0.00	26.02	388.65	308.96
2020	127.77	258.24	386.01	26.02	0.00	26.02	412.03	349.34
2021	127.03	254.45	381.48	25.71	7.51	33.22	414.70	336.31
2022	149.27	277.41	426.68	23.82	11.04	34.86	461.54	309.31

Source: Food grain Bulletin of the department for April of every year

As can be seen from the table, owned storage capacity of FCI almost remained constant during the period under review and the increase seen during 2022 was mainly due to reassessment of capacity. The chart below shows the spread of various storage facilities with FCI as of 31 March 2022:

Chart 3.1



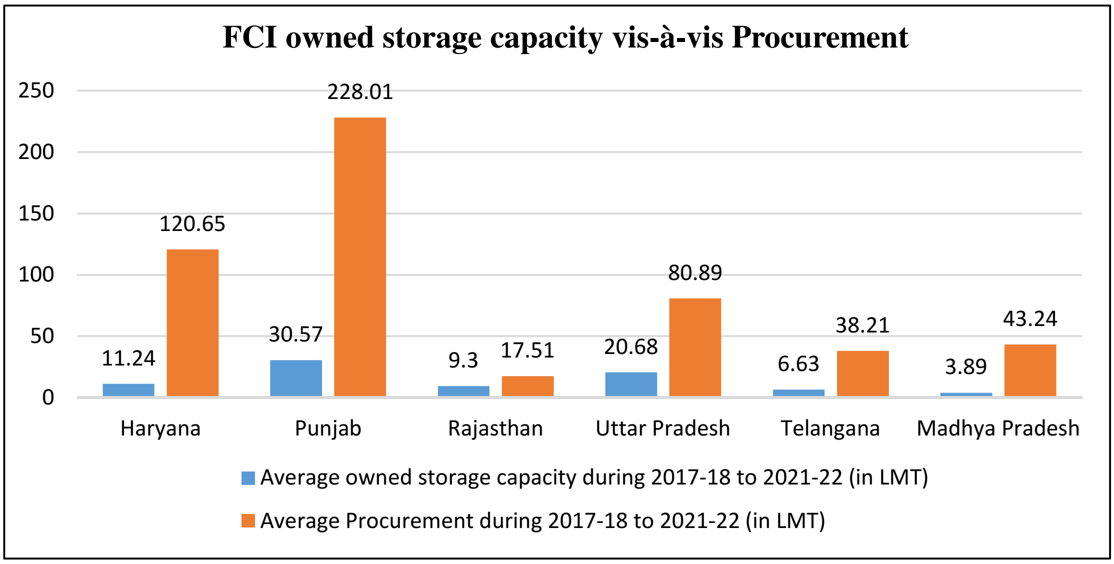
As can be seen from the chart, FCI owned covered capacity was merely 32 *per cent*, which was inadequate to accommodate even the minimum prescribed operational plus strategic reserve stock (210.40 LMT).

Analysis of the storage capacity *vis-à-vis* procurement in procuring States revealed that there was a huge gap in FCI owned storage capacity and the procurement levels

[8] *Excluding stock in transit*

particularly in the procuring regions of Punjab and Haryana. FCI's average owned capacity *vis-à-vis* average procurement as detailed in the following chart:

Chart 3.2



Due to shortage of storage capacity, FCI had to depend on hired storage facilities to accommodate the increase in stock of the central pool. As a result, the hired capacity of FCI increased by around 39 *per cent* (208.06 LMT in 2017-18 to 288.45 LMT in 2021-22) which contributed to substantial increase in hire charges from ₹ 2713.40 crore in 2017-18 to ₹ 3096.59 crore in 2021-22.

The Management while accepting the fact (March 2023) of hired capacity more than owned capacity stated the reasons for hiring as unavoidable situation to safeguard the food grains, heavy arrival of food grain and its issue in a stretch, own capacity in remote area, hiring on Actual Utilisation Basis (AUB) only.

The reply is not tenable as increase in hired capacity has contributed to the increased burden of food subsidy to GOI.

No reply received from the Ministry.

3.4 Utilisation of Storage Capacity

Storage management is an important link in the whole system of procurement to distribution of food grains. Utilisation of storage capacity is determined by inflow and outflow of food grains for buffer stock and intermediary storage for distribution under TPDS. Moreover, storage capacity in the consuming states was to be utilised for easing pressure on the procuring states and large stocks have to be moved to deficit and consuming states irrespective of consumption requirements.

The Standing Committee of Parliament on Food, Consumer Affairs and Public Distribution recommended (13th Report, 17th Lok Sabha) that 'hiring of godowns should be resorted to only when it is absolutely necessary and that efforts should be made to minimize the rent paid to various agencies in this regard'. FCI also directed

(August 2011) that CWC/SWC godowns should be preferred before hiring private godowns. Thus, FCI should utilise their own storage capacity to the maximum before hiring any storage capacity in order to save precious funds spent on taking the storage space on rent. Therefore, assessment of additional storage need should be based on the overall procurement/consumption as well as the storage space already available with FCI.

The status of capacity utilisation in FCI *vis-à-vis* average stock held on 1st April of the years under review is given below:

Table 3.2
Capacity Utilisation in FCI

(Quantity in LMT)

Year	Owned Storage			Hired Storage		
	Average Capacity Available	Average Stock	Percentage Utilisation	Average Capacity Available	Average Stock	Percentage Utilisation
2017-18	154.34	84.69	54.87	204.66	174.33	85.18
2018-19	154.34	97.26	63.02	228.41	201.74	88.32
2019-20	153.61	106.39	69.26	245.94	229.44	93.29
2020-21	153.14	95.13	62.12	251.03	214.41	85.41
2021-22	176.60[9]	99.01	56.06	283.11	243.75	86.10

Source: Details submitted by FCI

Review of above tables revealed that capacities were not utilised fully and owned capacity utilisation was on lower side as compared to hired capacities. The details of capacity utilisation of hired CAP, CWC, SWC, PEG, PWS, Silos and other private parties are given in **Annexure-4** which reveal that owned CAP capacities utilisation was very poor and ranging from two *per cent* to 13 *per cent* however hired CAP utilisation was ranging from 74 *per cent* to 135 *per cent* during the period under review.

The Management stated (March 2023) the reasons for lower utilisation of owned capacity than hired capacity as unavoidable situation to safeguard the food grains, heavy arrival of food grain and its issue in a stretch, own capacity in remote area, hiring on AUB only.

The reply is not tenable as increase in owned capacity could have reduced the subsidy burden of GoI.

3.4.1 Under-utilisation of assessed storage capacity

Para 8.1 of FCI Storage & Contract Manual stipulates that review of utilisation of owned and hired accommodation should be undertaken from time to time to ensure optimum utilisation of the capacity and minimising the cost of storage.

Para 8.2 of the said Manual states that optimum utilisation of the storage can be effected through an efficient management of procurement, movement and distribution and

9 Increased capacity due to reassessment of storage capacity

proper phasing of these operations to the extent possible. FCI Headquarters conveyed (April 2009) to all FCI Zones to achieve 120 *per cent* capacity utilisation as far as possible of the godowns.

The table below gives the status of capacity utilisation vis-à-vis average stock held in sample states during 2017-18 to 2021-22:

Table 3.3
Capacity utilisation in sample states

(Capacity in LMT)

Year	FCI Owned storage (LMT)			Hired Storage (LMT)		
	Average Capacity available	Average stock	Percentage Utilisation	Average Capacity available	Average stock	Percentage Utilisation
2017-18	92.76	57.07	61.52	198.30	166.65	84.04
2018-19	91.68	65.26	71.18	218.79	194.76	89.02
2019-20	91.47	70.46	77.03	228.02	210.26	92.21
2020-21	91.63	62.70	68.43	235.23	200.32	85.16
2021-22	107.65	66.64	61.90	269.16	229.75	85.36

Source: Details submitted by FCI

As can be seen from the above table, utilisation of FCI's owned capacities during 2017-18 to 2021-22 remained in the range of 61.52 *per cent* to 77.03 *per cent* whereas, utilisation of hired capacity was in the range of 84.04 *per cent* to 92.21 *per cent.* Due to less utilisation of own capacity, FCI had to hire storage capacity under PEG, PWS and from private parties which resulted in extra financial burden on GoI (in the form of food subsidy).

3.4.2 Capacity utilisation in terms of depot months

In respect of Assam, Jharkhand and Telangana, audit analysed the storage capacity utilisation on the basis of monthly stock level and categorised the same into three categories, i.e., below 50 *per cent* utilisation, between 50 to 75 *per cent* utilisation and above 75 *per cent* utilisation in terms of available effective depots months[10].

Table 3.4
Capacity utilisation in terms of depot month

Name of Regional Office	Number of Divisional Offices	Effective depot months under DOs	Storage capacity in percentage utilisation		
			Up to 50	Between 50- 75	Above 75
Assam	9	2364	324	638	1402
Jharkhand	4	2613	374	617	1622
Telangana	7	3697	397	559	2741
Total	**20**	**8674**	**1095**	**1814**	**5765**

Source: Details submitted by FCI

[10] *Depot months denotes number of months a depot was hired during the entire period*

Audit observed that the utilisation was above 75 *per cent* only in respect of 5765 effective depot months (66 *per cent* of total in above three states). In view of incurrence of huge carry over charges in despatching Regions, sufficient induction of food grains was required in consuming Regions to ensure proper utilisation of storage space in respect of FCI Assam, Jharkhand and Telangana Regions.

The Management stated (March 2023) that constraints like non-availability of rakes, constrained railway infrastructure, strikes, natural calamity, non-uniformity in lifting of stocks by State Government, low storage capacity of depots, high turnover of depots as the reason for sub-optimal utilisation of depots.

The reply of management is not tenable and there is requirement of effecting better co-ordination with dispatching region and railways so as to minimize expenditure at dispatching/ procuring regions and better capacity utilisation at receiving regions.

No reply was received from the Ministry.

3.4.3 Avoidable expenditure on hiring CAP storage despite own vacant CAP

FCI issued directions (December 2021) to its field offices for phasing out of owned CAP storage capacity with the instructions 'Not to use CAP with immediate effect' with further directions that all existing FCI CAP locations are being considered for conversion into either covered godowns or silos and FCI will not hire any CAP in future.

Audit observed that during Rabi Marketing Season (RMS) 2020-21 and RMS 2021-22, Punjab and Haryana Regions were having 10.55 LMT owned vacant CAP to accommodate the wheat stock of respective Rabi seasons as on 31 August and 30 June respectively. However, a capacity of 18.32 LMT of CAP was hired on AUB/GHB (Guaranteed Hiring Basis) in above two Rabi seasons under the CAP hiring scheme. Thus, CAP capacity was hired from private parties through nodal agency whereas owned CAP capacity of 10.55 LMT remained vacant.

This resulted in avoidable hiring of 10.55 LMT and consequent avoidable expenditure of ₹ 62.76 crore towards storage and supervision charges due to hiring of capacity despite having own vacant CAP.

The Management stated (March 2023) that CAP were hired in expectation of bumper paddy crop and once tenders were finalised to hire CAP on GHB, FCI could not back out as it would lead to litigation.

The reply is not tenable as FCI hired CAP capacity while its owned CAP capacity remained unutilised (utilisation ranges from two to 13 *per cent)*. FCI needs to fix responsibility for avoidable expenditure on hiring of CAP while its own CAPs remained unutilised.

No reply was received from the Ministry.

3.4.4 Avoidable expenditure due to underutilisation of own FSDs

FCI hired the storage capacity without effective utilisation of its own Food Storage Depot (FSD). Audit observed cases of hiring other storage facilities whereas its own FSDs were underutilised as given below:

- In Bihar region, DO Muzaffarpur has FSDs at Narayanpur Anant (FSD NRPA), a rail fed depot with storage capacity of 36670 MT and at FSD Muzaffarpur with storage capacity of 7600 MT. At FSD NRPA, two sheds having capacity of 11670 MT were lying un-utilised since 2013 due to damaged floors. Although these were repaired in July 2016 (at an expenditure of ₹ 34.73 lakh), the sheds were declared (August 2016) un-storage worthy due to poor quality of work.

  As per requirement, a godown was hired (September 2017) from Bihar State Warehousing Corporation in the vicinity of FSD NRPA with storage capacity of 6015 MT which was subsequently increased to 7963 MT. For this, FCI paid storage charges of ₹ 4.28 crore and transportation & supervision charges of ₹ 12.56 crore up to March 2022. The expenditure of ₹ 16.84 crore could have been avoided had timely action been taken for repairs of the sheds and action for poor quality of work taken against the contractor.

No reply was received from the FCI management/Ministry.

- Two sheds at FSD, Mokama with storage capacity of 3792.6 MT could not be utilised properly due to operational constraints *viz.* lack of basic infrastructures, low plinth level and being road-fed instead of rail-fed unlike other sheds in FSD. The stocks received through wagons inside the depot complex, were to be transported through waraferi[11] for storage in both these sheds.

  Three sheds with capacity of 8100 MT were also not utilised due to roof leakage. As per agreement with contractor, they were to be repaired within six months. However, there was inordinate delay in repairing and the same was done after 32 months. The average utilisation of FSD Mokama during 2017-18 to 2021-22 was between 50.98 to 71.22 *per cent* and its unutilised space during this period ranged between 12201 to 26126 MT.

  FCI hired (March 2017) a PEG godown at Biharsharif from Private Entrepreneur in the revenue district of Nalanda with storage capacity of 10000 MT, which was fed from the Railhead Wena located at a distance of 29 kms. The induction of food grains was started from December 2017. For hiring this godown, FCI not only paid storage charges of ₹ 1.60 crore but also incurred transportation expenses of ₹ 4.56 crore during the period from December 2017 to December 2019. This could have been avoided, had the storage space at FSD Mokama been utilised gainfully.

No reply was received from the FCI management/Ministry.

[11] *Re-adjustment/shifting within same godown*

- In Tamil Nadu region, DO Cuddalore had four FSDs, out of which, the FSD, Puducherry remained non-operational from November/ December 2016 after introduction of Direct Benefit Transfer system in Puducherry. The godown remained idle in all respects during the period 2017-18 to 2021-22. Had FCI operationalised the godown by getting clearance from Traffic Department for passing through Puducherry bus stand for transit from good shed, expenditure of ₹ 3.07 crore on hiring equivalent space from CWC could have been avoided.

The Management stated (March 2023) that all the possible ways for utilizing the space like linking to nearby taluk were analysed, but FCI godown at TV Koil is sufficient to meet out the requirement of the above taluk of Tamil Nadu and operating both the godowns will lead to unnecessary operational cost.

The reply is not tenable as storage space from CWC Cuddalore (15000 MT) was hired during the above period.

No reply was received from the Ministry.

3.4.5 Non/Underutilisation of Silos Storage Capacity

For the purpose of scientific storage of food grains in bulk form and for minimizing handling cost and saving of storage space, FCI stores food grains in silos apart from conventional godowns in bags. The storage capacities of concrete silos remained unused/underutilised in four divisional offices as detailed below:

Table 3.5
Utilisation status of old Silos

Sl. No.	Location of Silos	Capacity in MT	Nos. of Years lying unutilised
1	DO Faridabad	20000	5
2	DO Gaya	32000	35
3	DO Kanpur	72000	20
4	DO Bulandshahar	20000	20
Total		**1,44,000**	

Source: Details submitted by FCI

Audit examination revealed that:

- The Silo at FSD Faridabad remained un-utilised since RMS 2017-18. FCI had to hire godowns from SWC for which it paid storage charges ranging from ₹ 61.4 per MT/per month to ₹ 107.80 per MT/per month resulting in incurring expenditure of ₹ 16.41 crore towards storage charges from June 2013 to June 2022. The structure of the building was designed for 75 years whereas it has completed only 40 years (as on March 2022). The proposal to repair the Silo was sent to ZO but subsequently, FCI HQ decided to dismantle the silo and approved deletion of silo from DCMS module.
- Eight Silo bins (capacity 32000 MT) at FSD, Gaya were lying defunct and were not in use since 1987. Belatedly in October 2021, a decision was taken for construction of conventional godowns for buffer storage. However, the matter was

put on hold and no action was taken and the storage was done by hiring SWC/PEG godown.

- In RO Lucknow at DO Kanpur, Silo storage capacity of 72000 MT and at DO Bulandshahar of 20000 MT had remained unused since last 20 years. The management stated that tenders for construction of silos have already been awarded.
- In respect of silos at Madukkarai and Elavur hired in Tamil Nadu region, the receipts were less than the Annual Guaranteed Tonnage ranging from 9097.46 MT to 33583.57 MT in Elavur and ranging from 0 to 51197.94 MT in silo at Madukkarai.

  Due to less annual receipt of food grains against the annual guaranteed tonnage paid for, FCI had to bear expenditure on storage charges for unutilised capacities amounting to ₹ 4.76 crore at Silo Elavur and ₹ 0.70 crore at Silo Madukkarai during 2017-2022.

The Management stated (March 2023) that the rakes were planned by FCI HQ for receipt at Silo Elavur and Madukarai and Silos had to make space for incoming rakes and as issue of PDS also always take place, 100 per cent annual guaranteed tonnage could not be maintained practically. The reply is not acceptable, as annual receipt equal to the annual guaranteed tonnage was never achieved in Silo Elavur since inception and Madukarai for ten years.

No reply was received from the Ministry.

3.4.6 Avoidable expenditure due to failure in taking direct delivery of wheat from State Government Agencies

FCI procured wheat and paddy/rice for the central pool directly from the farmers and through the SGAs. Provisional cost sheet approved by the Department for procurement of wheat stipulated that SGAs would deliver the wheat to central pool immediately after its procurement until and unless the FCI is unable to accept it for reasons conveyed in writing. Carryover charges for the period beyond 30 June each year shall be payable to SGAs by FCI only on such refused quantity of wheat. Under direct delivery of food grains by SGAs from *mandi* to FCI's godown, no carryover charges were to be paid to SGAs for that quantity. Thus, optimal use of available FCI storage capacity would reduce carryover charges payable to SGAs to the minimum requirement.

Despite no communication by FCI on its inability to take over the stock, SGAs either did not offer the wheat to central pool immediately after its procurement or FCI failed to take direct delivery of wheat and SGAs continued storage of wheat in their godowns and claimed carryover charges for storing for the period beyond month of June of respective RMS.

Audit noticed that despite availability of vacant storage capacity, FCI did not instruct SGAs for direct delivery of wheat equivalent to available vacant capacity. There was available vacant covered storage capacity and vacant CAP in Punjab and Haryana regions but the same was not used for taking direct delivery and as a result it incurred avoidable Carry over Charges (CoC) of ₹ 171.72 crore paid to SGAs as given below:

Table 3.6
Avoidable CoC charges paid in Punjab and Haryana

		Punjab	Haryana
a.	Total quantity with SGA's as on 30th June (In LMT)	173.68	139.00
b	Vacant capacity as on 30th June (In LMT)	14.61	6.62
c.	Quantity taken over in six months that could have been accommodated in vacant capacity up to December (In LMT)	5.90	4.54
d.	CoC paid up to December (₹ in crore)	29.48	23.42
e.	Quantity remaining to be taken over (In LMT)	8.70	2.08
f.	CoC due to be paid on quantity yet to be taken over at CAP rates (₹ in crore)	95.81	23.01
	Total Avoidable CoC (₹ in crore) (d+f)	**125.29**	**46.43**

Source: Details submitted by FCI and FCI website

Thus, despite available vacant storage capacity, the Regions failed to take direct delivery of wheat from SGAs as per available space, which resulted in avoidable expenditure of ₹ 171.72 crore on CoC. Even after adjusting the recovery of ₹ 1.46 crore in respect of CoC from SGA, FCI had to suffer a net avoidable expenditure of ₹ 170.26 crore.

No reply was received from the FCI management/Ministry.

During Exit Conference the management agreed for maximum direct delivery of wheat to depots of FCI as it saves large monetary amount in the form of avoidable Carry over Charges/ Interest payments. A possible reason as discussed for vacant spaces available at depots of FCI is non-coherence between the closure date of mandi and last date of direct delivery.

3.5 Augmentation of Storage Capacity

For augmentation of storage capacity, the following initiatives were taken as part of the policy of Department of Food and Public Distribution:

- Construction of modern silos
- Private Entrepreneurs Guarantee (PEG) Scheme
- Central Sector Schemes-Storage & Godowns

FCI was having total owned storage capacity of 154.34 LMT (including CAP) in 2017-18. The details of planning for storage capacity addition envisaged by FCI under various schemes were as under:

Table 3.7
Augmentation status during 2017-18 to 2021-22

(Capacity in LMT)

		Storage capacity envisaged	Storage capacity completed
1.	Storage Capacity to be created under National Policy on Storage, Handling and Transportation, 2000 (Construction of Steel Silos)	100[12]	12.25
2.	Construction of godowns through private entrepreneurs (PEG)	8.24	7.16
3.	Central Sector Schemes-Storage & Godowns	1.66	0.66
		109.90	**20.07**

Source: Information furnished by FCI and FCI website

Audit findings emerged out of examination of records pertaining to augmentation of storage capacity are discussed in succeeding paragraphs:

3.5.1 Non-augmentation of owned covered/CAP capacity in procuring regions

Although the procurement was increasing year after year, no augmentation of FCI own covered/CAP storage capacity was done during the period from 2017-18 to 2021-22. In procuring regions of Punjab, Haryana and Telangana FCI owned storage capacity was minimal vis-à-vis procurement made.

- In Punjab Region, the procurement of wheat for central pool has increased every year except for 2020-21. There was an increase of 13.42 *per cent* in procurement of wheat and of 7.4 *per cent* in procurement of CMR, the cumulative increase being 10.30 *per cent*. However, FCI's own covered capacity remained static at 22.15 LMT from 2017-18 to 2020-21 and increased marginally due to reassessment by 22 *per cent* in 2021-22**.** Against total purchase of 250.28 LMT in 2021-22, storage capacity was only 27.17 LMT in covered and 7.18 LMT in CAP.

The Management stated (March 2023) that the capacity in Punjab Region has been augmented by various schemes viz. CAP Hiring Scheme, construction of long term silos, reassessment of existing capacity and Private Warehousing Scheme etc.

The reply is not tenable as the issue of storage gap should have been addressed in view of the fact that the central pool wheat stock ranging from 151.16 LMT to 45.84 LMT during the period 2017-18 to 2021-22 was lying with SGAs for which FCI is liable to incur carry over charges.

No reply was received from the Ministry.

- In Haryana Region, there has been an increase in procurement in comparison with RMS 2017-18 except RMS 2020-21. However, FCI's own covered

12 Total target under the policy

capacity remained constant at 7.58 LMT during the period 2017-18 to April 2021 and from May 2021 onwards it increased from 7.58 LMT to 8.75 LMT (by 15.43 *per cent*). Further, owned CAP capacity remained constant at 3.32 LMT during the period April 2017 to May 2018 and from June 2018, capacity decreased by 13.55 *per cent* (from 3.32 LMT to 2.87 LMT).

No reply was received from the FCI management/Ministry.

- The owned storage capacity with Telangana Region remained constant at 5.36 LMT during the period 2017-18 to 2020-21. In 2021-22, after reassessment of storage capacity, the owned storage capacity was increased to 6.58 LMT from 5.36 LMT (22.76 *per cent*). However, the hired storage capacity increased by 229 *per cent* from 4.37 LMT in 2017-18 to 14.37 LMT in 2021-22.

The Management stated (January 2023) that Telangana being a DCP State, it is the primary responsibility of the State Government to accept the quantity of CMR required to meet the NFSA/OWS and other central allocations and only the surplus CMR remaining is handed over to FCI.

The reply is not tenable as FCI Telangana Region was having the capacity of 6.53 LMT against average inflow of around 40 LMT.

No reply was received from the Ministry.

During Exit Conference the management accepted that FCI needs to augment its storage capacity for a right mix of own construction and hired capacity.

Due to less storage space, each year wheat stock was stored in the open by the SGAs. No cost benefit analysis was done by FCI of developing own capacities verses hiring of godown/CAP. *FCI management did not take any action even after being pointed out by audit and recommended by the COPU in the 29th Report (15th Lok Sabha) on Report no. 7 of 2013.*

Further no action was taken by FCI to convert the CAP into covered storage except in Haryana region where a proposal was made (May 2021) to phase out its 2.88 LMT CAP capacity during a three-year period starting from 2021-22, with a target of 0.72 LMT (25 *per cent*) for the year 2021-22.

No specific reply was received from the FCI management/Ministry.

3.5.2 Avoidable expenditure due to non-augmentation of owned storage capacity

The Para 2.2 of Storage & Contract Manual on Planning and Construction of Godowns, *inter-alia,* stipulates that in the overall planning and construction of godowns, following factors are to be taken into consideration:

- requirement of storage capacity in the procurement and recipient areas taking into consideration the optimum capacity of rail movement
- need for lowest cost movement and optimum utilisation of storage capacity.

High Level Committee on restructuring of FCI had deliberated (January 2015) that Covered and plinth (CAP) storage should be gradually phased out with no grain stocks remaining in CAP for more than three months. Modern Steel Silos and conventional storages/godowns wherever possible should replace CAP.

Audit noticed that in Punjab, Jharkhand, and Telangana regions, FCI management resorted to hiring of godowns, based on its storage gap requirement, despite having option of augmentation of own storage capacity within available vacant land with FCI as detailed below:

Punjab Region

Punjab Region has 121 FSDs with total area 40.66 lakh sqm, out of which, an area of 14.72 lakh sqm was identified as spare/surplus land/available for construction of Silo/Additional Covered Godowns. No efforts were made by the Region to identify the pieces of land in the Depots for utilisation of the same. Construction of additional capacities of 0.88 LMT could have resulted in saving of payment of Carry over Charges of ₹ 4.22 crore for six months to the State Government Agencies. Considering estimated construction cost of ₹ 4.88 crore for a 5000 MT godown adjusting the same with interest and depreciation, there would have been a net savings of ₹ 42.20 crore in the period under review.

The Management stated (March 2023) that efforts have been made to increase the storage capacity by re-assessing the storage capacity by increasing the stack height and construction of silos.

The reply is not tenable as additional capacity of 0.88 LMT could have been created in spare land available with FCI at 31 locations in Punjab in order to reduce the outgo of Carry over Charges paid to SGAs.

No reply was received from the Ministry.

Jharkhand Region

PEG Dhanbad I (13000 MT) was approved by the State Level Committee (SLC) in January 2014 and the godown was taken over by FCI in August 2015.

Audit observed that 34969 sqm. of open land was lying unutilised in FSD Dhanbad whereas PEG godown (13000 MT) was hired in Dhanbad revenue district at a distance of 36 kms. Despite availability of vacant surplus land of 34969 sqm, FCI RO/ DO never proposed construction of new sheds within the existing rail fed godown complex. Godowns of storage capacity of 24000 MT could have been constructed in the open area of 34969 sqm. (8.64 Acre) available at FSD Dhanbad and FCI could have avoided hiring of PEG Dhanbad-I and payment of storage charges of ₹ 8.12 crore thereon from August 2015 to March 2022.

Further, had FCI constructed its own sheds within the existing rail fed godown, incurrence of transportation expenditure of ₹ 10.33 crore during August 2015 to March 2022 for feeding PEG Dhanbad I from Rail Head Dhanbad could have been avoided.

The Management stated (March 2023) that for the construction of additional capacity clear land space is required, which must be free from any construction, shed/ weighbridge, Office block, labour rest rooms etc. The vacant surplus of land of 34,969 sqm as pointed out by audit does not seem to be a clear stretch of single land piece.

The reply is not tenable as 34,969 sqm of land was available in one godown (FSD Dhanbad) and fact of land not being a clear land was not supported by documents made available to audit.

No reply was received from the Ministry.

Telangana region

DO Nizamabad informed (June 2019) RO, Hyderabad that 50,000 MT capacity godowns could be constructed in the vacant land at FSD Dichpally and such construction would lead to savings of ₹ 5.62 crore per year to FCI. Based on DO's assessment (June 2019), a preliminary estimate (June 2020) for construction of 40,000 MT storage capacity at an estimated cost of ₹ 58.91 crore was sent to FCI ZO, Chennai in July 2020 for approval. However, no further action was taken for augmentation of storage capacity in FSD Dichpally (Aug 2022).

In RO, Hyderabad (Buffer Storage Complex, Nalgonda and Miryalaguda) under DO Nalgonda, there was vacant land of 14 acres and 12 acres respectively wherein 0.35 LMT and 0.30 LMT of storage capacity respectively could have been constructed. However, no action was taken for augmentation of storage capacity (Aug 2022). Thus, inaction regarding augmentation of storage facility resulted in avoidable extra expenditure of ₹ 8.79 crore as detailed below:

Godown	Expenditure towards storage charges (₹ in crore)	Proposed capacity for construction (LMT)	Estimated construction cost (₹ in crore)	Depreciation (₹ in crore)	Avoidable expenditure (₹ in crore)
a	**b**	**c**	**d**	**e**	**f (b-e)**
Dichpally[13]	5.95	0.40	58.91	2.45	3.50
Nalgonda	4.86	0.35	51.55	2.01	2.85
Mirylaguda	4.16	0.30	44.18	1.72	2.44
	14.97		**154.64**	**6.18**	**8.79**

The Management stated (January 2023) that it has de-hired about nine LMT hired from SWC/CWC and also stated that hiring of storage space on needs basis is more desirable than going for construction of own godowns which in turn involves huge capital investment.

The reply is not tenable as avoidable expenditure was calculated after considering the capital cost and related depreciation.

13 Calculated for January 2021 to March 2022 in case of Dichpally and for February 2021 to March 2022 in case of other two godowns.

No reply was received from the Ministry.

3.5.3 Augmentation under Central Sector Scheme

A special package was approved (August 2011) by the GOI for creation of 5.40 LMT storage capacity in North-eastern States with a financial outlay of ₹ 568.17 crore.

For the state of Assam, the allocation was 3.45 LMT storage capacities with financial outlay of ₹ 377.68 crore. During February 2014, revised capacity of 2.93 LMT (1.77 LMT for Assam) with a financial outlay of ₹ 509.76 crore was approved by GOI. Up to March 2022, augmentation of storage capacity of 1.66 LMT could only be done against the envisaged capacity of 2.93 LMT.

FCI had to incur extra expenditure of ₹ 18.08 crore due to delay in acquiring the land for augmentation of storage capacity as detailed below:

- Expenditure Finance Committee approved (August 2011) construction of 25,000 MT godown with railway siding at Salchapra with an estimated cost of ₹ 21 crore. As suitable land was not available at Salchapra, FCI identified (March 2012) a private leased land measuring 84 *bigha* on western side of the Bihara Siding. For acquisition of this land, the Government of Assam submitted (August 2012) estimate for ₹ 1.30 crore which was deposited (February 2013) by FCI with Deputy Commissioner (DC), Cachar. The DC informed (September 2013) FCI that *pattedars* were not willing to accept the amount and asked to revise the rate of land. The same was re-assessed by DC, Cachar and the cost of land was revised to ₹ 3.76 crore but FCI did not accept the proposal and asked (November 2014) to refund the already deposited amount. DC, Cachar refunded (December 2014) the deposited amount after deducting ₹ 12 lakh regarding establishment cost and contingency.

  Subsequently (February 2016) after a year, the same land was again offered to FCI by DC, Cachar at an estimated cost of ₹ 14.13 crore. The FCI directed (March 2016) to obtain the offered land immediately from the State Government and deposited the amount with the State Authority.

  Thus, the decision of FCI not to pay compensation based on the offered price of land at Bihara in September 2013, the same piece of land had to be acquired at higher cost which was three and half times the initial offered amount of ₹ 3.76 crore. This resulted in extra expenditure to the tune of ₹ 10.37 crore.

- FCI identified (March 2012) land measuring 25 acres for construction of 25000 MT Rail-fed godown at Archipathar (Dhemaji District). The Government of Assam issued notification (May 2012) for the acquisition of the said land and intimated its cost as ₹ 1.75 crore. Subsequently, Assam Region proposed (January 2015) to drop the construction of godown at Archipathar stating that the storage capacity was already three times of the TPDS allocation due to construction of 32120 MT capacity godowns at North Lakhimpur District and the capacity utilisation of three FSDs at Narayanpur, Lakhimpur & Dhemaji (barring FSD Archipather) under DO North Lakhimpur was ranging between 32.25 *per cent* to 109.09 *per cent* during 2017-18 to 2021-22.

However, FCI HQ insisted (April 2015) upon the Government of Assam to allot the land at the earliest failing which FCI would have to withdraw the project. The land was acquired (April 2016) for construction of 20000 MT godown after making a payment of ₹ 9.46 crore as against the cost of ₹ 1.75 crore initially offered for acquisition (July 2013). The construction of godown was completed and taken over (April 2021) from CPWD at a cost of ₹ 61.45 crore (up to March 2022) as against the approved estimated cost of ₹ 48.37 crore. The reason for reduction of capacity from 25,000 MT to 20,000 MT was not found on records. Moreover, the delay in decision-making resulted in extra expenditure of ₹ 7.71 crore on land acquisition.

No reply was received from the FCI management/Ministry.

During Exit Conference, the Management stated that this matter of delay in acquisition of land shall be looked into.

3.5.4 Augmentation through construction of Silos

With a view to modernize the storage infrastructure and improve shelf-life of stored food grain, in the year 2005 as a Pilot Project, FCI initiated and got constructed steel silos of 5.5 LMT capacity at seven locations on Public Private Partnership (PPP) basis. Subsequently, in pursuance to recommendations of High Level Committee headed by Shri Shanta Kumar, during January 2015, GoI approved an action plan for construction of steel silos for a capacity of 100 LMT on PPP mode in the country. Out of this, capacity of 29 LMT was to be constructed by FCI whereas the remaining was to be executed by CWC and SGAs.

The silos were to be constructed by FCI in the following mode:

- Silo under PPP with Viability Gap Funding (VGF) Scheme
- Silo under PPP with Non-VGF
- Silos under PPP with VGF (DEA model)

The Silos were to be constructed within a period of 4-5 years in 12 states. However, only 6.25 LMT has been constructed by FCI in six states till March 2022 and 22.75 LMT is yet to be completed.

The delay in construction of silos resulted in more hiring capacity under PEG, PWS and from private parties to augment the storage gap which has resulted in higher expenditure of storage charges and resultantly, extra burden of food subsidy to GoI.

3.5.4.1 Dismantling of FCI's storage-worthy depots for construction of Silo

In Maharashtra Region, the storage capacity of FSD Borivali was 134352 MT till 2018-19. The contract for construction of Silo was awarded (February 2019) to a contractor, however, the contract was mutually terminated based on the decision

(September 2020) of High Level Committee Meeting before starting of any civil work by the contractor.

Audit noticed that for construction of Steel Silo in Borivali, the roof of five godowns (Shed No.37-41) having a total capacity of 17026 MT were dismantled as per FCI HQ directions in March 2018 before award of contract for construction of silo. The decision for dismantling of roof sheets of storage-worthy sheds at an early stage of proposal resulted in decreased capacity of DO Borivali to the tune of 17026 MT. Decreased capacity in consuming region has a direct impact on continued storage with SGAs in procuring regions and consequent payment of avoidable Carry over Charges.

No reply was received from the FCI management/Ministry.

3.5.4.2 Avoidable expenditure on acquisition of land for Silos

FCI invited (December 2016) Request for Qualification (RFQ) for selection of Developer for construction of Silos on Design, Build, Finance, Operate and Transfer (DBFOT) basis for storage of Food grain under PPP mode at Kaimur and Buxar in Bihar region for a storage capacity of 50,000 MT each at an estimated cost of ₹ 65.28 crore. The RFQ, *inter-alia,* stated that the Bidder would be required to identify and procure land parcels in the two districts and transfer the same to FCI within 120 days from the date of signing of Concession Agreement (CA). FCI would pay a consideration to the concessionaire (selected bidder) for these land parcels as per terms of CA.

National Collateral Management Services Limited (NCML) was selected as concessionaire partner to carry out the project at these two locations. Letter of Award was issued to NCML in August 2017 and CA was signed in January 2018. Before signing of CA, FCI had instructed (October 2017) NCML not to initiate Change in Land Use (CLU) process prior to transfer and handling over the land to FCI without the written consent of FCI. FCI purchased (August 2019) the land at both the locations for ₹ 17.77 crore (7.025 acre in Kaimur at the rate of ₹ 1.18 crore per acre and 7.35 acre in Buxar at the rate of ₹ 1.29 crore per acre) from NCML.

Audit observed that land use of both the lands was changed from agriculture to commercial after signing of CA in May 2018 (sold to NCML in July 2018) for Kaimur and in February 2019 (sold to NCML in March 2019) for Buxar. As rates of commercial land was much higher than agricultural land, FCI had to incur extra expenditure in respect of land. It appeared that NCML, with a view to avoid the violation of condition imposed by FCI for not changing the land use prior to transfer and handling over the land to FCI without the written consent of FCI, got the land use changed before transferring it to FCI through land owners from whom it acquired the land.

Thus, FCI failed to protect its financial interests, as it had to pay ₹ 17.77 crore for the land whereas as per circle rate of agricultural land, the price of land would have been ₹ 91.52 lakh. This has resulted in extra expenditure of ₹ 16.85 crore on purchase of land and resultant loss to FCI and wrong doing in the case cannot be ruled out.

No reply was received from the FCI management/Ministry.

During Exit Conference, the Management stated that the enquiry in the case was under progress regarding irregularities in acquisition of land for Silo.

3.5.4.3 Non-levy of penalty on concessionaire

FCI invited (during May 2016 to September 2018) tenders for creation of modern storage capacity through construction of food grain silos of 26.50 lakh MT capacity at 52 locations across six States[14] on Design, Build, Finance, Own and Operate (DBFOO) basis. Each Silo was planned for a capacity of 50,000 MT[15] along with railway siding for consuming/procuring States.

As per Article 4.2.1 of Concession Agreement, the Concessionaire shall pay to the Authority, damages calculated at the rate of 0.2 *per cent* of Performance Security for each day of delay until the fulfilment of such Conditions Precedent, subject to a maximum of 20 *per cent* of Performance Security'.

The 10th High Level Committee (HLC) accorded (December 2017) extension of 180 days beyond 280 days and imposed damages at prevailing rate of 0.2 *per cent* of the performance security for each day's delay as penalty. The 12th HLC (July 2018) while extending extension of further 180 days, decided that if concessionaire does not wish to pay the penalty amount immediately, he may submit a Bank Guarantee of equal amount as penalty (till date of fulfilling Conditions Precedent) along with additional BG towards upfront interest @ 9.27 *per cent* for entire period of delay beyond 280 days with a validity of 3 years from date of issue of Letter of Commencement (LOC). This relaxation may only be granted at the specific written request of the Concessionaire.

Audit examination revealed that FCI did not recover damages/penalty of ₹ 17.02 crore in violation of terms of the contract as detailed below:

- In Bihar Region**,** Audit observed that the delay in non-fulfilment of Condition Precedent ranged between 133 to 1338 days, after allowing the exemption of days as per CA. The 16th HLC decided (May 2020) to relax the modalities for recovery of penalty and interest by allowing it to be recovered in 24 equated monthly instalments (EMIs) from the rental after the Commercial Operation Date (COD). The Concessionaire was to give an undertaking to FCI for such conditional recovery. However, the undertaking for the recoverable damages amounting ₹ 10.79 crore in respect of seven[16] ongoing silo projects was yet to be obtained by FCI, Bihar Region from the Concessionaire.

- In Haryana region, penalty of ₹ 3.37 crore was not recovered along with non-encashment of BG amounting to ₹ 2.86 crore in case of non-fulfilment of the CPs as per the time schedule mentioned in the Concession Agreements. Thus, a total amount of ₹ 6.23 crore remained unrecovered on account of penalty for delay in projects.

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[14] Bihar, Gujrat, Haryana, Punjab, Uttar Pradesh and West Bengal

[15] One project at Sangrur with 100000 MT.

[16] *Bhagalpur, Darbhanga, Samastipur, Khagaria, Madhubani, Kaimur&Buxar*

The Management intimated (April 2023) the decision taken (March 2023) by HLC for damages to be imposed upon concessionaire due to non-fulfilment of CPs and delay in completion of silo facility. It further stated that the biggest impediment in execution of silo project is acquisition of suitable land parcels with road and rail connectivity and clearance from Railways. The slow pace of commissioning of silo projects especially by private investors is due to inherent systemic bottlenecks and FCI has taken proactive measures to expedite the project.

The reply is not tenable as no comment was offered regarding recovery of damages. Further, as per decision of HLC, FCI has to obtain an unconditional undertaking from the concessionaire to provide acceptance of penalty which shall be considered a part of the agreement between FCI & the Concessionaire. However, the same was not obtained.

No reply was received from the Ministry.

3.5.4.4 Undue favour to the concessionaire

FCI invited bids for development of modern Silos (50000 MT) for Storage of wheat at Changsari Assam, on Design, Build, Finance, Operate and Transfer (DBFOT) basis under Public Private Partnership (PPP) mode through VGF route. The modern silos are envisaged to be developed within the premises of selected FCI depots by utilizing the available vacant land. Bid parameter envisaged that bidder may require One-time Grant or bidder will quote a premium to be paid to the Authority.

M/s Shri Karthikeya Spinning & Weaving Mills Pvt Ltd was selected for development of the silo with the premium of ₹ 68.22 lakh per annum. Accordingly, Letter of award was issued on 30th March 2016 to it for signing of Concession Agreement (CA). Leap Agri Logistics (Guwahati) Pvt Ltd. was formed (as Special Purpose Vehicle) in terms of clause 2.2.6 of RFQ and CA was signed on 15 September 2016. As per clause 12.4.1 of Concession Agreement, the concessionaire was to undertake the construction of new railway siding including railway track on the land earmarked for this purpose. The railways also approved (Dec 2016) the estimates for construction of railway siding amounting to ₹ 5.83 crore.

The concessionaire, instead of constructing a new railway siding, requested (February 2017) to use the existing railway siding in Changsari and submitted a revised plan for in principle approval of new layout. High Level Committee of FCI, on the basis of report (8 May 2017) of independent Expert (Howe Engineering Projects India Pvt Ltd) and clarification from Department of Economic Affairs, approved the proposal of concessionaire stating that such change would not fall under 'change in scope'.

Audit observed that the aspect of use of existing railway siding was not considered at the time of award of contract and the revised proposal was approved on the report of Independent Expert and HLC. This was not in the interest of FCI as any benefit due to reduction of scope should accrue to FCI.

Thus, undue favour was extended to the concessionaire as any financial benefit to the concessionaire in the form of reduced project cost of railway track (₹ 5.83 crore) should accrue to the FCI. Further, the MTF should have included enabling provision to cater to both the scenarios that is with or without sidings, so that any reduced scope of work would not pass undue financial benefit (in the form of cost savings) to the successful bidder.

No reply was received from FCI Management/Ministry.

3.5.5 Augmentation under PEG scheme

GoI introduced (2008) the Private Entrepreneur Guarantee (PEG) scheme for Non-DCP States and the capacity constructed under this scheme will be used by FCI for storage of central pool stocks. Under the scheme, location of godowns was to be selected and approved by FCI and the godown was to be constructed by private entrepreneurs through nodal agency (CWC/SWC) and also by FCI in some States. Agreements shall be entered between the concerned CWC/SWC and the private party on the format provided by FCI and FCI will enter into agreement with concerned nodal agency for hiring the godown on seven year guarantee.

The table below gives the details of status of storage capacity augmentation under PEG scheme as of March 2022:

Table 3.8
Augmentation status since inception of PEG Scheme

	Capacity in LMT
Approved Capacity	191.55
Capacity transfer for SILOs	25.38
Net Approved Capacity for PEG	166.17
Capacity tender sanctioned/allotted	152.74
Total capacity completed (in all respect + pending minor ancillary work)	144.67
Capacity taken over by FCI	132.26
Capacity completed in all respect and yet to be taken over	9.53

Source: Information submitted by FCI

The storage capacity envisaged to be created by private participation was to be hired by FCI with guarantee ranging for period of seven and ten years, through CWC/SWCs at the rates finalised by High Level Committee of FCI (HLC) through a tendering process by nodal agency.

3.5.5.1 Delay in completion/taking over storage capacity under PEG

According to the Model Tender documents, the construction period for PEG godowns was one year and delay in construction of maximum up to one year may be allowed to the tenderers on their request in writing with a corresponding reduction in the guarantee period. Audit observed the cases of delay in completion of PEG godowns as detailed below:

- In Tamil Nadu region, there was a significant delay in completion of godowns ranging from four to 45 months while there was delay up to 170 days in taking over of godown by FCI from the date of completion plus 30 days. Due to delay in completion of four private godowns[17] even after the extended period, FCI lost the opportunity to avail the storage capacity at low and competitive rates resulting in avoidable expense of ₹ 3.46 crore[18] calculated for hiring equivalent capacities at CWC rates as given below:

Sl. No.	Centre	Capacity completed (MT)	Delay in completion in months	PEG rate per bag (in ₹)	CWC rate per bag (in ₹)	Potential saving (₹ in crore)
1	Namakkal	15000	5	2.025	3.38	0.20
2	Madhurantakam	15000	3	2.895	4.15	0.11
3	Villupuram	20000	22	2.88	4.15/4.3	1.18
4	Dindigul	25000	23	3.195	4.68/5.21	1.97
	Total					**3.46**

Further, Tamil Nadu region had 345000 MT of storage space approved under PEG scheme out of which only 255000 MT could be completed (March 2022), 35000 MT capacity was cancelled (May 2015) by HLC, 45000 MT came under litigation and 10000 MT was terminated in May 2021. The completed capacity included 150000 MT covered by agreement between FCI and CWC/SWC and 105000 MT by agreement between FCI and private parties[19]. Out of 150000 MT capacity completed by CWC/SWC, 10000 MT capacity at TNWC/Theni although completed in November 2016, it was not taken over by the FCI (March 2022) as the distance from godown to goods shed was more than 74 km and utilisation would entail additional expenditure as double weighment would be required.

The Management stated (January 2023) that the godown at Theni was constructed by TNWC on PEG Scheme but due to unforeseen situation; there was delay in gauge conversion work by railways, which in turn delayed the operation of goods shed.

The fact remains that delay in construction resulted in loss of expected benefits and selection of a location without nearby goods shed resulted in non-operation of the godowns.

No reply was received from the Ministry.

- High Level Committee (HLC) of FCI constituted by GoI approved (May 2009 and May 2013) augmentation of 1.75 lakh metric ton (LMT) and 3.00 LMT of storage space in Jharkhand region under PEG Scheme. A capacity of 0.65 LMT were transferred to Plan Scheme and 0.25 LMT capacity dropped. As on 31st

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[17] *Namakkal, Madhurantakam, Villupuram and Dindugal*

[18] *Calculated for the period beyond 2 years including extended period*

[19] *PEG Ariyalur, Dindugal, Madurantagam, Namakkal, Thiruvannamalai and Villupuram*

March 2022, capacity of 2.88 LMT was completed at 28 locations and taken over by FCI whereas capacity of 0.78 LMT was at construction stage.

No reply was received from the FCI Management/Ministry.

3.5.5.2 Construction of godowns in contravention of conditions

As per clause 8.1 of the PEG Scheme, FCI will take PEG godowns constructed through CWC/ SWC only. Further as per clause 27 of the scheme, after the selection process is over and the proposal is finally accepted by FCI, an agreement needs to be signed between FCI and the implementing agency. Clause 11.1 of scheme provided that all godowns of 25,000 MTs or above capacity will preferably be Railway siding godowns.

In the godowns with railway siding, at the time of movement of food grains to other States, there is only one operation *viz.* labour operation for loading of food grains directly into railway wagons. In respect of godowns without railway siding, the food grains must be moved to a railway goods shed from FCI depot which involves two additional operations *viz.* transportation of food grains from godowns to railway goods shed and unloading of food grains from trucks or any other transport vehicle and directly loading on railway wagons.

In Telangana Region, FCI approved PEG Karimnagar with capacity of 50,000 MT with railway siding under PEG scheme. However, railway siding in PEG Karimnagar was not completed up to 31 March 2022.

Audit observed that due to non-completion of railway siding in PEG Karimnagar, two additional operations has to be done which resulted in avoidable extra expenditure of ₹ 3.83 crore during 2017-18 to 2021-22. However, FCI could not initiate any action on TSWC for non-construction of railway siding in PEG Karimnagar as no agreement was there between FCI and TSWC.

In the Management reply (January 2023), the storage charges of above PEG godowns have been compared with the CWC/SWC godowns and a conclusion was derived that there has been a gain to FCI by hiring above PEG godowns.

The reply is not acceptable as Management has only considered storage charges and ignored the other costs such as Handling and Transportation costs. Besides, PEG Karimnagar godown was L9 category[20] godown and the costliest godown in terms of total operational cost when compared to nearby CWC/ SWC godowns.

No reply was received from the Ministry.

3.6 Hiring of Godowns

As the storage capacity of FCI was not adequate, it hired storage capacities from Central Warehousing Corporation, State Warehousing Corporations, other State Agencies and Private Parties for short term as well as for guaranteed.

Audit findings on hiring of godowns are discussed in succeeding paragraphs.

[20] Categorised according to operational cost

3.6.1 Payment of storage charges for over and above utilisation of capacity

FCI Headquarters decided (July 2009) to regulate payment of storage charges to CWC/SWC for the stock stored over and above rented capacity at the same rate, which is applicable to guaranteed space. During 51st HLC meeting held in April 2018, it was clarified that this will not be applicable to PEG godowns.

It was later decided (January 2019) that the instructions regarding over and above utilisation of the capacity in respect of PEG godowns should also be equally applicable to the godowns of CWC/SWC/PWS/Non-PEG/etc. taken on guarantee basis for fixed period. However, this was kept (March 2019) in abeyance until further orders.

In June 2022, FCI conveyed that claims of CWC for the 'over and above' charges have not been agreed to by the Department of Food and Public Distribution. However, it was later allowed (August 2022) for FY 2018-19 to FY 2020-21. During the period 2017-18 to 2021-22, an amount of ₹ 59.18 crore was paid by FCI towards charges for over and above utilisation to CWC/SWC/PWS godowns.

Audit observed that HLC in its 51st meeting (April 2018), while disallowing payment for over and above utilisation in case of PEG godowns stated that for PEG godown under guarantee, full rent was paid for the months during which the capacity is under-utilised. Hence, seeking compensation for over utilisation does not appear to be prudent as the investor automatically gets compensated during the lean period. By this logic, the payment to CWC/SWC/PWS godowns for over utilisation should not have been allowed.

Thus, the decision taken in the meeting (August 2022) held under the chairmanship of Secretary (DF&PD) to make payment to CWC for over & above utilisation for FY 2018-19 to FY 2020-21 was not prudent and resulted in excess burden on subsidy.

No reply was received from the FCI management/Ministry.

3.6.2 Non-recovery of charges due to below par services of SWC godowns

The GoI permitted that the storage rates fixed for CWC were also to be extended to SWCs, where the godowns were at par in services, specifications and preservation of stocks with that of CWC. This was to be verified by the concerned GM (Region)/ ED (Zone) through an inspection committee before these rates are extended to the SWCs for similar services in each case and payment relating thereto is to be regulated accordingly. The Quality Council of India (QCI) conducted the audit in 961 godowns (including SWC godowns) in Punjab, Haryana, Jharkhand[21] and Bihar during 2021-22. QCI conducted its study based on three criteria *viz.* Safety Standards, Warehousing Management Practices, good practices and Overall Star Ratings of the Godowns.

Audit noticed that as per the reports of QCI the overall quality of SWC godowns was lower than CWC and FCI. As the services and facilities of these godowns were not at

[21] In Jharkhand Region storage charges amounting to ₹ 4.49 crore (up to Mar 2022) has been withheld for inferior service of SWC.

par with CWC, the FCI should have imposed rental cut on pro-rata basis for shortfall of services based on the assessment of QCI.

The Management stated (March 2023) that Jharkhand Region has been regularly pursuing with SWC for immediate rectifications of the infra anomalies and implementation of DOS and a certain portion of storage rent has been withheld as a punitive measure which would be eventually released once these anomalies are rectified by SWC. Regarding Punjab, the management without any further comment forwarded (April 2023) the reply of Punjab Region which stated that the region is not in a position to impose rental cut due to lack of any directions from higher offices.

The reply is not tenable as the storage charges at par with CWC were to be extended to SWCs when they offer services at par with CWC and therefore, provision of recovery of proportional storage charges should be there. However, the reply regarding Punjab is evasive.

No reply was received from the Ministry.

3.6.3 Hiring of PEG godowns

As per PEG scheme, agreements shall be entered between the FCI and the concerned CWC/SWC for guaranteeing the period for which the concerned godowns will be hired by FCI. FCI will fix ceiling rates for proposed godowns on the basis of local conditions after due study and in consultation with the implementing agencies. FCI will have freedom to choose a date of taking over the godown within six months of the completion of the godown and the guarantee period will start from the date of taking over the godown.

3.6.3.1 Taking over of PEG godown on AUB without ensuring infrastructure

In TN region, tenders were invited (April 2012) for construction of 25000 MT PEG godown at Dindugal. Out of three bids received, one bidder quoted the rate with railway siding whereas two bidders quoted without railway siding. The price bids of two bidders were opened (OSR Infra Pvt Ltd quoted ₹ 6.39 per quintal with railway siding and Gopi Krishna quoted the rate of ₹ 5.76 per quintal without siding) as the third bidder did not fulfil the technical criteria. The work was awarded (February 2013) to OSR with the condition to complete the godown with siding within three years.

The godown was completed with delay in January 2018 without railway siding, and as per Clause 20 of tender FCI hired the godown on AUB @ 60 *per cent* of the agreed rent from July 2018 and utilised up to May 2020. The operations came to a complete standstill due to public protest as there was huge truck movement and the road was narrow and passing through private plots. A committee of officers of DO reported (May 2020) that the project was basically meant for rail fed facility and it was not feasible to run the godown as road fed in the absence of proper approach roads. Ultimately, the godown was de-hired in March 2021.

Audit noticed that at the technical evaluation stage itself it was known to FCI that from NH to the proposed site there was black topping road for 1.8 km and balance 0.5 km of *katcha* gravel road only and work was awarded considering the cost benefit of godown with railway siding. But the siding never came up which necessitated huge truck movement. Consequently, FCI lost the opportunity to utilise the godown with low rent of ₹ 6.39 per quintal and the expected benefit of ₹ 3.34 crore (calculated at CWC rates) during the period June 2020 to March 2022.

The Management stated (March 2023) that there was no financial loss to the corporation rather was benefitted financially to a great extent considering the operational costs at such low rent and the issue of including the provision in the MTF regarding siding godowns will be addressed at the earliest.

The reply is not acceptable as FCI did not ensure the construction of railway siding on the basis of which work was awarded to OSR.

No reply was received from the Ministry.

3.6.3.2 Under-insurance of stock in PEG godowns

DO Satna & Ujjain hired seven PEG godowns at Dewas, Maihar, Niwas, Ratlam, Rewa, Ujjain and Umaria in MP Region through Madhya Pradesh Warehousing and Logistics Corporation Ltd. (MPWLCL). As per clause 6.1 of the agreement, the stock stored in the warehouses was to be insured/indemnified against the risk of fire, flood, theft/house breaking and burglary or for those risks, which were included by GoI in fixing the storage rates. Further, as per clause 6.3, the insurance of stocks should be in favour of MPWLCL at the Economic Cost of relevant commodity and crop year as finalised from time to time.

Audit observed that on the basis of economic cost, the required sum assured in respect of six PEG godowns (Dewas, Maihar, Niwas, Rewa, Ujjain and Umaria) worked out to ₹ 690.17 crore. MPWLCL, however obtained insurance for sum assured of ₹ 497.22 crore. Thus, there was under insurance to the extent of ₹ 192.95 crore. In respect of three godowns[22], the information / records relating to insurance was not made available, in absence of which, insurance of stock valuing ₹ 183.57 crore could not be vouchsafed in audit.

The Management without submitting the specific reply stated (March 2023) that the premium amount is calculated on the basis of insurance premium for sum assured of ₹ 30 crore. The reply did not address the audit observation as no comment was made regarding premium amount.

No reply was received from the Ministry.

3.6.3.3 Approval of higher rates for transportation

As per Para 35.1 of Storage & Contract Manual of FCI, tenders for handling and transport (H&T) contracts are required to be invited on a model tender form approved by the Board of Directors. FCI Headquarters instructed (November 2019) to review the

[22] *(PEG Niwas (2017-18), Ratlam (FY 2017-18 to 2019-20) and Umaria (FY 2017-18, 2020-21 & 2021-22)*

rates of H&T contractors in CWC/SWC godowns in the Regions and whenever rates appeared to be on the higher side, intimate the same to the Headquarters for further examination/ review so that financial interests of FCI could be protected.

The transportation rates of H&T contracts in respect of Suddala II, Suddala III and Sultanabad godowns were finalised by TSWC during December 2019. These godowns were linked to Sultananbad goods shed located at the distance of 4 -7 kms.

Audit compared the rates of H&T contract for FCI's own godown (FSD Mancherial) which was located at a distance of seven kms with the rates of above three godowns and observed that rates finalised by TSWC were higher than the rates approved for FSD Mancherial in the range of ₹ 149.40 to ₹ 152.00 per MT. FCI instead of objecting to it, continued to pay the rates communicated by TSWC. This resulted in excess expenditure of ₹ 4.31 crore during December 2019 to March 2022.

The Management stated (January 2023) that to accommodate CMR[23] *arrivals, storage space was hired. Among the hired depots wherever the rates were high, the same was informed to FCI HQ/ZO.*

The reply was not specific and the fact remained that due diligence was not made before accepting the transportation rate intimated by TSWC.

No reply was received from the Ministry.

3.6.3.4 Avoidable payment of supervision charges to SWC

According to terms of PEG scheme, godowns hired by SWC for FCI from Private Entrepreneurs were of two kinds *viz.* lease only and lease with services. There were three components (Rental for godowns, Preservation, Maintenance & Security (PMS) charges and Supervision Charges) payable under the Scheme.

For Lease with Services godowns, the charges for component 'A' and 'B' were to be paid via SWC to the Private Entrepreneurs (PEs) and the supervision charges were retained by SWC. For the Lease only godowns, only component 'A' was payable through SWC to PEs while components 'B' and 'C' were retained by SWC. While the PMS charges were fixed in March 2010 at the rate of ₹ 1.60 per quintal per month, the supervision charges were to be calculated at the rate of 15 *per cent* of the amount of rent being paid to the PEs.

Audit Observed that in case of lease with services, the supervision charges were paid both on Rent as well as PMS charges as there was composite rates for both Rent and PMS. This was apparently based on the decision of the Board in January 2010. However, this decision of the Board was contradictory to the extant provision contained in the scheme approved by GoI whereby 15 *per cent* was to be calculated only on the rent amount. This has resulted in avoidable payment of ₹ 1.82 crore in FCI DO Varanasi, Gonda & Banda in respect of eight PEGs hired on Lease with services through SWC for the period April 2017 to March 2022.

[23] Custom milled rice

The Management stated (March 2023) that ₹ 1.60 per quintal was meant for 'Lease only' godowns and same component cannot be replicated in 'Lease with services' godown. In case of Lease with services' godown, rates were composite one and were explored through open tender.

The reply is not acceptable as the similar issue was also pointed out in CAG report no. 18 of 2017, however no corrective action has been taken by the management.

No reply was received from the Ministry.

Similarly, in Bihar Region, for 14 PEG godowns hired from BSWC, the supervision charges were to be paid only on the lease rent which was incorrectly paid on the gross amount inclusive of Rent and PMS. This resulted in avoidable payment of ₹ 2.74 crore during the period under review.

No reply was received from the FCI management/Ministry.

3.6.3.5 Extra expenditure due to change in route from railhead to godown

The Technical Evaluation Sheet (TES) of the PEG Model Tender Form (MTF) requires the bidders to specify the distance of the godown from the Railhead which was an important factor for evaluating the financial bid and awarding of contract by High Level Committee. Further, Clause 30 of the MTF, *inter-alia*, stipulated that the road leading to the godowns should be free from any kind of traffic restrictions for truck movement.

In respect of Dhanbad, PEG-II under Jharkhand Region, actual distance of PEG II godown (20000 MT) from Dhanbad Railhead, as mentioned in TES to MTF, was 13 kms and the same was also verified (May 2016) by FCI Committee formed for physical verification and suitability of land report. However, the distance from railhead Dhanbad to Dhanbad PEG II subsequently increased to 36.6 kms as the District Administration imposed (November 2016) traffic restriction for truck movement from 07:00 AM to 10:00 PM and directed to arrange transportation by alternative route.

Audit observed that the letter of acceptance was issued (January 2017) by Jharkhand Region to PEG investor ignoring the increased distance which was in the knowledge of FCI (traffic restriction imposed in November 2016). The increase in distance resulted in additional transportation expenditure of ₹ 1.83 crore during April 2020 to March 2022 and it would be continued in incurring losses as long as the godown remain hired.

The Management stated (March 2023) that when the tender was floated, the distance was less but later when the godown was completed, due to restrictions of the government certain changes took place, there were restrictions on the roads. FCI had to accept the new feasible route which was longer distance.

The reply is not tenable as the LOA was issued (January 2017) after imposition (November 2016) of traffic restriction and the Management could have rejected the offer on account of increase in distance from 13 kms to 36.5 kms citing clause 28 of PEG Scheme. The responsibility needs to be fixed for the lapse.

No reply was received from the Ministry.

3.6.4 Hiring of godowns under Private Warehousing Scheme (PWS)

Under PWS scheme (extended up to 31 March 2025), godowns are hired by FCI from private parties on lease *plus* services basis through open tender enquiry minimum for a period of one year extendable by maximum another one year (can be de-hired in the extended period after giving three months' notice). GMs (Region) can sanction rates up to ₹ 7.40 per quintal per month, EDs (Zone) up to ₹ 9.36 per quintal per month. During 2017-18 to 2021-22, PWS capacity to the extent of 0.38 to 10.94 LMT was hired against which utilisation percentage ranged between 68 to 97 *per cent*.

3.6.4.1 Extra expenditure due to non-hiring of PWS godown

RO, Hyderabad invited (May 2019) bids for hiring of godowns under Private Warehousing Scheme – 2010 for capacity up to 100,000 MT each initially for a period of two years and extendable by another one year. In response, one bidder offered 50,000 MT at Bibinagar with railway siding under DO Nalgonda at ₹ 7.80 per quintal. The proposal was sent to ZO, Chennai for approval in August 2019. The approval was not received till June 2020 and in September 2020, RO, Hyderabad intimated ZO that the godown at Bibinagar was not required.

Audit observed that though the offered storage rate of Bibinagar godown (₹ 7.80 per quintal per month) was lower than the storage rates of godowns hired from TSWC (₹ 10.14 in 2019-20 and ₹ 9.92 in 2020-21and 2021-22), Bibinagar godown was not hired and FCI continued to hire TSWC godowns at higher rates during the period December 2019 to December 2021. Thus, continuance of hiring of TSWC godowns at higher rates and non-hiring of PWS godown at Bibinagar for the period of two years from December 2019[24] to December 2021 resulted in avoidable expenditure of ₹ 2.69 crore.

The Management stated (January 2023) that though PWS Bibinagar was offered at a comparatively lower rate than CWC/SWC godowns, considering the scenario of COVID-19, huge movement of stocks and subsequent de-hiring of godowns during 2020, the need to hire PWS Bibinagar did not arise.

The reply is not acceptable as Telangana Region, while justifying hiring of PWS Bibinagar, intimated (February 2020) ED (South), Chennai that the Region was utilising godowns at Wangapally and Nagireddipali hired through SWC which were operationally costlier as both were non-siding godowns. The fact remains that the hiring of PWS godown could have reduce its storage expenditure.

No reply was received from the Ministry.

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[24] Considering three months' time would be taken by ZO, Chennai for approving the proposal of RO Hyderabad sent in August 2019 for hiring of PWS godown at Bibinagar.

3.6.5 Hiring capacity of Steel Silos

As per concessionaire agreement, storage capacities constructed were to be utilised by FCI. However, to avoid idling of capacity, the Concessionaire has been permitted to hire out the vacant storage space to third parties in the event that the available capacity is not utilised by FCI. In such cases, 40 *per cent* of the revenues earned by the Concessionaire from such third parties shall be shared with FCI.

The observation regarding hiring storage capacity of silos are discussed below:

3.6.5.1 Taking over of a Silo without despatch facility

FCI entered into (March 2017) a contract agreement with MBR Silos Private Limited for construction of a Silo of 100,000 MT on Design, Build, Finance, Own and Operate basis in Punjab Region under Sangrur DO. The Silo being in procuring region had to have offtake/issue facility by rail as well as by road both in bulk and bag form.

As per clause 10.2.3 of the agreement the Concessionaire was to build the silo facility along with rail siding with scheduled date of completion as 14th May 2020 which was extended till November 2020. As per the agreement, eight silo bins (each having capacity of 12500 MT) were to be constructed along with railway siding, bagging and bulk rail/road loading system.

The silos with all facilities could not be completed as per schedule and as per an inspection made by Independent Engineer & Auditor (IE&A) in May 2020, long term storage silo no 5 & 6 were (Silo no. 1 to 4 were already declared storage ready earlier) worthy for receipt of food grain of 25,000 MT capacity without impacting the operation. However, it stated that despatch facility by road both in bulk and in bagged form is ready while despatch facility through railways is still under construction stage. The IE&A further stated that the remaining long-term storage silos of capacity 25,000 MT (silo no 7 & 8) can be verified after completion of the same.

DO Sangrur took over (May 2020) the facility without railway siding on AUB on payment of charges to the extent of 60 *per cent* in terms of clause 15.1.8 of the agreement and complete capacity of 100,000 MT was utilised up to June 2020. The payment of ₹12.42 crore was made on hiring this Silo during May 2020 to August 2022.

Audit observed that:

- Though FCI had provided extension until November 2020, Railway Siding was yet to be completed by the Concessionaire (April 2023) but damages of ₹ 1.40 crore were not imposed by FCI although required by clause 10.9.1 of the agreement.
- FCI reported that stored wheat needs to be liquidated as per priority but the same could not be effected as bagging facility was not working and no facility for despatch was prepared in the Silo. This was contrary to the report of IE&A, that despatch facility by road both in bulk and bagged form is ready. In absence of rail siding and despatch facility, stock was stuck in the Silo and could not be liquidated through conventional rakes.

- Due to blockage of stock, there may be quality issues as the Manager (QC) reported (January 2022) that against the rules, the aluminium phosphide (used as fumigants for curative treatment) was mixed loose with the grains and apprehended quality issues if grains are not moved immediately and recommended for stopping the payments for storage charges. No reports of the IE&A regarding quality check were found on record.

Thus, taking over the silo without ensuring despatch facility has resulted in blockage of stock which could not be liquidated and was still lying (April 2023) since June 2020.

The Management stated (April 2023) that in view of the acute shortage of space for storage of food grains, payable rates (@ 60 percent) for Silo were even less than hired CAP rates and approval was accorded for utilisation of Silo as per Clause 15.1.8 of the concession agreement.

The reply is not tenable as although comparison of cost was made with CAP and no comment offered regarding non-liquidation as per priority due to infrastructure shortcomings.

During Exit Conference, the management stated that the matter is being pursued actively and procurement of containers for bulk liquidation from these silos is under progress.

No reply was received from the Ministry.

3.6.5.2 Absence of liquidation facilities in silo

In Punjab Region, under DO Sangrur, VRC Silo, Barnala (50000 MT) was under operation since April 2019. Railway Siding facility in the silo was completed by February 2020. The Silo was filled with stock of RMS 2019-20 by the end of June 2019. In May 2022, the controlling FCI centre of Silo intimated the DO that 48054 MT of wheat stored in Silo had completed three years on April 2022 and if not liquidated immediately quality of wheat may deteriorate. A committee was constituted to evaluate the matter of liquidation of stocks in view of their age as the stock had reached its shelf life.

As per agreement, the Concessionaire shall be responsible for storing the food grains in compliance with Standards and Specifications for a maximum period of 3 years from the date of receipt. Further as per clause 11.6.3 of agreement, FCI shall ensure that sufficient transportation arrangements in terms of sufficient number of trucks, rail wagons suitable for carrying bulk load, rail wagons suitable for carrying bagged load as required are made available at the Silo.

Audit observed that although the railway siding was complete, FCI could not provide rakes for bulk loading and as such, stock could not be liquidated from the silo. The FCI incurred an expenditure of ₹ 21.08 crore during April 2019 to August 2022 on hiring of silo without any feasible facility for liquidation of stocks.

As railway siding facility was complete in the silo, FCI was making full payment for hiring (charges of 60 *per cent* is paid in case of silo without railway siding) the silo since March 2020. However, it could not utilise the siding, as stock could not be liquidated in absence of transportation arrangements.

FCI could not make use of the railway siding and this rendered the expenditure of ₹ 6.95 crore incurred during March 2020 to August 2022 as unfruitful. The expenditure was recurring in nature and FCI could neither arrange loading rakes facility from the Railways nor develop bulk-receiving facility at the receiving end. Thus, the stock was stuck in the silo for almost four years and priority was violated due to its non-despatch. In addition, deterioration in the stored food grains cannot be ruled out.

No reply was received from the FCI management/Ministry.

3.7 Quality control issues in storage management

Maintaining the food grains quality at the time of storage and distribution is one of the most important aspect of storage management. For ensuring quality during storage, it is essential to ensure storage worthiness of storage space and storability of food grains. As reported by the FCI Management itself, a quantity of 13349 MT of food grains valuing ₹ 35.57 crore (at acquisition cost) was damaged during 2017-18 to 2021-22. The table below gives the details of food grains damaged during 2017-18 to 2021-22:

Table 3.9
Year wise details of damaged food grains

(Figures in MTs)

Year	Controllable (Prolonged Storage, Negligence etc.)	Uncontrollable (Rain, Flood, Cyclone etc.)	Total damaged quantity	Value of damaged food grains (₹ in crore)
2017-18	1109	1554	2663	6.66
2018-19	823	4390	5213	13.75
2019-20	233	1697	1930	5.08
2020-21	334	1516	1850	5.31
2021-22	1025	668	1693	4.77
Total	**3524**	**9825**	**13349**	**35.57**

Source: Information submitted by FCI

Audit examination revealed that in procuring region of Punjab, central pool wheat stock of 19084 MT having acquisition cost of ₹ 40.25 crore got damaged due to poor preservation of stock by SGAs during the period under review. Out of total damaged stock, 14980 MT wheat stock (78 *per cent* of total damage stock) of ₹ 31.60 crore got deteriorated due to storage in CAP.

Audit further observed that no mechanism exists for third-party assessment of damaged food grains in FCI except in case of silos where losses are certified by the Independent Engineer.

While admitting the fact as regards to central pool damage wheat stock lying with SGA, the Management stated (April 2023) that no carry over charges and cost of food grains *was paid by FCI for damaged stock of wheat as such there is no financial loss to the corporation.*

The reply is not tenable as the stock was procured from public funds and any loss due to damage of central pool stock is loss of public money.

No reply was received from the Ministry.

3.7.1 Damage to food grains due to infrastructural deficiency in depots

Clause 3.8 of Storage & Contract Manual stipulates the construction requirements for owned and hired godowns. As per manual, to safeguard against floods low-lying areas should be avoided and as per prescribed specification for conventional godowns, plinth level of 0.80 metre is required.

Audit observed that:

- FSD New Guwahati had a plinth height of 0.25 metre and 0.35 metre against the specified height of 0.80 metre. Due to low height, FSD used to suffer from rainwater ingress and water stagnation and in June 2015, 600 bags of food grains were damaged. Considering this, a proposal for raising the height of godown floor by 0.30 metre to avoid ingress of rainwater inside the godown at an estimated cost of ₹ 2.38 crore was prepared but the same was not agreed to by Zonal Office. During May 2018 heavy rain inundated the godown damaging stock of 8471.71 quintals valuing ₹ 2.70 crore. The damaged stock was later disposed of (June 2019) for ₹ 79.70 lakh, resulting in loss of ₹ 1.90 crore. Later on, the work for raising the height of godown floor was awarded (May 2021) at a cost of ₹ 2.82 crore.

The Management stated (April 2023) that the incident in 2018 was completely out of FCI's control due to two major municipal drains flowing right through the depot which often spill water and debris inside the depot and due to rapid urban construction in the vicinity of the depot, the depot has become more and more vulnerable to water logging.

The reply is not tenable as similar incident also occurred earlier in 2015 and had the proposal for raising of floor height been taken, the untoward event of depot flooding during May 2018 could have been avoided.

- On the basis of the alleged shortage of stock at FSD Hojai (in Assam region), a Zero PV (Complete liquidation of stock from a depot without accepting any receipt) was conducted during November 2018. A shortage of 99.3 MT was detected which included 74.44 MT valuing ₹ 20.26 lakh as unjustified losses by DO Nagaon on account of infrastructure deficiencies, *viz*., lack of dunnage, non-observation of FIFO, etc., which could have been avoided had the Management taken prompt action for removing the deficiencies.

The Management stated (April 2023) that disciplinary action had already been initiated and completed.

No reply was received from the Ministry.

- In Bihar Region, 5070.67 MT stock was damaged at ARDC Forbesganj, CWC Kisanganj, SWC Forbesganj due to flood in August 2017. The total value of loss of damaged stock as per economic cost of food grains was assessed to ₹ 15.02 crore. Although the depot claimed some recovery of damages from CWC and BSWC, damage of valuable food grains was national loss. The loss was mainly due to non-storage worthiness of the godowns which were without a proper boundary wall and were located in low lying area.

The Management admitted (April 2023) the fact of damage of food grains due to flood and stated that stock of CWC and SWC godowns were covered under insurance and recovery of ₹ 8.97 crore was made from CWC and SWC.

The reply is not tenable as there was no insurance cover for stocks in ARDC godown and there were inherent infrastructural deficiencies like low plinth, lack of wooden crates, deficiency in boundary wall, etc. which caused storage unworthiness of godowns and made them prone to floods.

3.7.2 Delay in declaration and disposal of damaged stock

As per the laid down procedure, the entire exercise of detection/declaration of damaged food grains by Categorization Committees at Divisional, Regional & Zonal level is time bound which is to be completed within 45 days. Thereafter, the disposal of damaged food grains is to be done within 60 days from the date of declaration of stock as damaged.

Audit observed that there was an inordinate delay ranging between 135 and 366 days in categorizing the stock at various levels. Further, the damaged stock was disposed-off after a period ranging between 231 and 522 days. Due to delay, the stock categorised as 'Feed III' or 'Industrial use' by DCC and RCC was downgraded to 'Manure and Dumping' by ZCC/HQ Vigilance team.

As the damaged stock could not be liquidated within the prescribed time, the storage space at the hired godowns remained occupied for which FCI had to incur storage charges amounting to ₹ 75.10 lakh. Besides, losses caused due to further deteriorating stock (352.37 MT) from industrial use to 'Manure and Dumping'.

The Management stated (April 2023) that delay happened in process of categorization as well as in disposing of damaged stock due to various reasons like reluctance of State Government authorities to lift sound PDS stock due to water logging and verification of insured stocks by an insurance company as well.

The reply is not tenable as neither specific time taken for such inspection and delay in lifting sound stocks was not commented upon nor any effort/correspondence made on part of FCI to expedite the above process to concerned authority.

No reply was received from the Ministry.

3.7.3 Non-effective test on check for recycling during acceptance for storage

From time to time FCI HQ has been issuing instructions/guidelines to curb recycling of rice. With an objective of procuring only freshly milled raw rice, a Mixed Indicator Method was adopted by FCI for Age determination of Milled Raw Rice as per the guideline issued (September 2021) by GoI. The test is based on treating the CMR to a solution, which changes colour as per age of the CMR.

As per SOP, interpretation of test results was to be done as below:

Colour Change	Status of stock as per standards	Age of rice in months	Action required as per Result
Green	Freshly Milled stocks	0 month	To be Accepted
Avocado Green	Freshly Milled Stocks	1 month to 2 months	To be Accepted
Yellow	Old stock	3 months	Not to be accepted
Yellow Orange	Old Stock	4 months	Not to be accepted
Orange	Old stock	5 months	Not to be accepted

Audit scrutiny in Punjab, Telangana and U.P. revealed the following:

- Test was done on a sample taken in FSD Bhawanigarh from a stack which was more than 6 months old. In terms of SOP the colour of test result should have been orange. However, it was noticed that the results were green/avocado green.
- Similarly, another test check performed in FSD Sunam on a sample stack where stock was more than six months old, against orange colour likely to be obtained, test check of the results were yellow only indicating age of the stock test as 3 months old. Thus, the test introduced by FCI to curb recycling of rice was not reliable.
- Results of test obtained are recorded manually in the register. There is no system to record/capture colour details. Therefore, the colour obtained at the time of receipt is not available for audit trail.
- Stocks transferred to consuming regions are not subjected to such tests in the receiving States to rule out change of stock during transportation.

The results of tests as per method described above in three states were as under:

Region	No. of consignments[25]	Green colour	Avocado green	Yellow
Punjab	422451	307736	114705	10
Uttar Pradesh	11853	5352	6501	-
Telangana	30655	16172	14483	-
Total	**464959**	**329260**	**135689**	**10**

[25] One consignment is equivalent to 29 MT (580 Bags)

Avocado green indicates age of rice as one to two months old and as per standards, these are considered freshly milled stocks and are to be accepted. Since CMR is supposed to be delivered immediately on milling, accepting one to two months old CMR with valid reasons as freshly milled stocks is not in order. As indicated above 30 *per cent* stock was of this category. Besides, the failure of the test in the checked samples indicates that the test has inherent loopholes and cannot be relied upon.

No reply was received from the FCI management/Ministry.

3.7.4 Non testing of samples as per FSSA norms on storage of rice and wheat

According to the Food Safety and Standards Act, 2006 (FSSA), every Food Business Operator (FBO) was to register afresh under the new Act within one year of its implementation (by 04 August 2012). FCI directed (January 2014) that it will take licenses as a Food Business Operator and directed its field units to apply for licenses for its own depots/CAPs/Silos complexes as well as hired ones operated by FCI. Besides license under FSSA, FBOs were required to ensure testing of relevant chemicals and/or microbiological contaminants in food products in accordance with these regulations as frequently as required on the basis of historical data and risk assessment to ensure production and delivery of safe food through own or NABL accredited/FSSA notified labs at least once in six months.

For selection of sample to be tested under FSSA guidelines, Board of Directors of FCI decided (February 2016) that wheat and rice stocks which are going to be issued in 6 months as per priority list with reference date 1st April and 1st October of each financial year shall be taken into consideration and number of samples is to be based on capacity of godowns in equal proportion for all the commodities.

Audit observed that:

- Although directions for obtaining licence under FSSA were issued in January 2014, FCI issued directions to its Zonal offices only in May 2019 that being FBO, SWC/CWC/PEG/Private Service Provider are required to comply with the provisions of FSSA, 2006 and thus need to ensure testing of food grain sample through own or NABL accredited/FSSAI notified labs at least once in six months.
- During 2017 to 2022, although FCI was ensuring testing as per FSSAI standards for its own depots, samples for chemical testing were received from hired godowns from 2019-20 only.
- As per conditions of stocking in above decision, some stock received as direct delivery of wheat from the SGAs at rail heads are transported to the consuming regions without tests under FSSA.
- Some of the stock issued in PDS was not tested as per FSSAI norms as some stored stock not falling under the criteria mentioned *ibid* was stored for a period less than six months before being despatched to the consuming regions escapes such tests.

No reply was received from the FCI management/Ministry.

During Exit Conference, the management assured to follow the SOPs and norms prescribed as per FSSAI applicable to FCI, Millers and SGAs.

3.8 Modernization of Depot Operations and Depot Online System

FCI implemented a depot automation software called Depot Online System (DOS), which envisaged effective management of its depot level operations with a view to ensure speeding up of various operations and removing inefficiencies in the current operations. DOS comprised of primary modules such as procurement, movement, quality control, storage operations, and stock physical verification. Each module further has sub-modules under which reports pertaining to various requirement are to be generated through Functional Requirements (FRS).

DOS application capping the functional and business requirements under various modules covering the depot operations was implemented in March 2016 in FCI. The version of the software duly tested was hosted on the National Informatics Centre (NIC) cloud servers in January 2016.

DOS was not working effectively in FCI and various deficiencies were observed during audit as detailed below:

3.8.1 Deficiencies in operation of DOS

- As per RFP, the System Integrator (SI) was to ensure the availability of network connectivity for DOS and was to ensure that the DOS continue to run successfully for any future software and hardware upgrades. Audit observed that SI has shared only last six-month server running status (in incomplete form) with IT division of FCI though FCI staff reported frequent server breaks downs. Due to frequent breakdown of servers, depots faced operational difficulties in issue and receipts of food grains.

The Management stated (April 2023) that the issue of frequent server breakdowns has been addressed as the DOS server has been migrated to a new cloud infrastructure and no server breakdown has been reported after migration.

The reply is not tenable as there was delay in migration and the problem persisted during the period of audit.

- Data was being entered in DOS through "other transaction" option to reflect the correct stock position when transactions (receipt and issue of food grains) are originally entered manually and not conducted online through DOS in DOs[26]/ROs. There was repetition of work as data was first recorded manually and then captured in DOS.

The Management stated (April 2023) that the issue was being regularly monitored in monthly review meetings and all concerned were directed to reduce 'other transaction'.

[26] *DOs of Cuddalore and Thanjavur in TN Region, Gonda, DO Gaya*

- Issue of food grains in depots was not done as per priority list generated by DOS in respect of four DOs[27] of Rajasthan region. In these DOs, during APV/QPV DOS server was not responding to complete the task within timeframe. Also, when stock is issued, the weight loss/gain varies in grams and DOS did not disclose actual gain/loss. Token deletion was not possible in Movement by Rail, Inward by Rail, direct issue from railhead, direct movement by railhead. Also, Labour system through DOS regarding height, lead etc. was not yet being captured on real time.

The Management stated (April 2023) that the application is robust enough to handle all types of activities including APV/QPV especially after migration activity. Regarding non-disclosure of actual gain/loss in system at the time of issue of stock, Management stated that DOS reads weight in five figures after point i.e., 100.00000 KG, wherein in practical, the weight is being recorded up to three figures after point, i.e., 100.000 KG, and that is why the issue persists.

The reply is not tenable as the system should have been developed as per the conventional working of FCI.

- Receipt of rakes was not recorded through DOS in movement section in two[28] DOs of Tamil Nadu region and three DOs of Telangana. Further, Work slips during operation at depots are not generated through DOS.

The Management stated (April 2023) that work slips are being generated through DOS and online receipts of rake movement were provisioned and the movement section could check on real time basis. The reply is not acceptable as this was not found done in the DOs verified by Audit.

- According to FCI rules, a Stack is considered as "Baby Stack" when any part stack under issue has less than 20 *per cent* of receipt bags capacity, but according to DOS baby stack is considered, if the issue part is stack having weight <= 20 *per cent* without considering bags percentage.

The Management stated (April 2023) that baby stocks are being considered as per rules.

During Exit Conference the management accepted the facts and intimated that it is already under their consideration.

3.9 Storage losses

Losses during storage occur due to biotic and abiotic factors and are quantified on the basis of weight difference between intake and offtake. Wheat also exhibits gain mainly due to an increase in moisture content to the equilibrium moisture content. Storage loss occurs due to pilferage, theft and natural causes such as loss of moisture, driage, infestation, etc. during storage of food grains.

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[27] *Jodhpur, Jaipur, Barmer and Sriganganagar*
[28] *Nizamabad, Sanathnagar Warangal, Thanjavur and DO Cuddalore*

The status of storage loss (*minus* figure indicates storage gain) in sampled States during 2017-18 to 2021-22 is given below:

Table 3.10
Status of Storage losses

Year	Wheat			Rice		
	Qty. of Loss (LMT)	Percentage loss	Value (₹ in crore)	Qty. of Loss (LMT)	Percentage loss	Value (₹ in crore)
2017-18	-1.836	-0.54	352.16	0.628	0.18	176.13
2018-19	-2.177	-0.57	433.18	0.771	0.23	226.45
2019-20	-1.874	-0.54	390.11	0.584	0.19	179.10
2020-21	-2.726	-0.55	586.26	0.907	0.17	288.78
2021-22	-3.561	-0.55	791.99	0.328	0.07	104.79
	-12.174	**-0.55**	**2553.70**	**3.218**	**0.16**	**975.25**

Source: Details submitted by FCI

As can be seen from above, there is no storage loss in case of wheat and showing storage gain during the period of five years covered in audit. The gain in weight is due to increase in moisture content mainly due to prolonged storage. However, the gain was at lower level than prescribed (one *per cent* in case of covered and 0.7 *per cent* in case of CAP storage) which need investigation.

Moreover, there was storage loss of 3.218 LMT of rice valuing ₹ 975.25 crore during the above period (the comparison with norms could not be made as relevant details were not made available to audit).

No reply was received from the FCI management/Ministry.

3.9.1 Regularisation of storage loss

Regularization of storage losses takes place on the basis of the investigation, examination and recommendations of various competent authorities at different levels. Against the regularization done, the FCI claims subsidy, equivalent to the amount of the losses involved, from the GOI. These losses should have been written off/disciplinary actions should have been taken against the delinquents within fifteen days and sixty days at Divisional Office Level and Regional Office level respectively. The storage losses to the extent of ₹ 245.90 crore were pending as at the end of March 2022 at various level for regularisation. Out of this, a sum of ₹ 103.55 crore was pending for more than three years.

Due to non-regularization of these losses, FCI is unable to claim the subsidy and is incurring heavy expenditure on account of interest on borrowed funds as the cost of food grains is paid in the year of its procurement, but storage loss remained unrecoverable from the GoI till its regularization.

The Management stated (April 2023) that through consistent efforts the overall regularisation pendency of storage and transit losses has reduced up to 75 per cent and the remaining is mainly due to litigations and for want of documents.

The management reply is not specific as it did not comment on the impact of such un-regularised losses on subsidy.

No reply was received from the Ministry.

3.9.2 Delay in implementation of revised storage loss norms

The matter regarding fixation of norms for Storage Gain/Loss in Wheat and Rice for the Central Pool Stocks held by FCI, State agencies, CWC, SWCs and in Godowns under PEG Scheme was placed before the Board of Directors in its 350th meeting held on 27 September 2012 proposing certain set of norms for Storage Loss/Gain in rice and wheat. Based on these directions the matter was referred to GoI. The GoI approved (November 2012) the Tentative/*Adhoc* norms for Storage Loss/Gain in wheat and rice. These storage losses were only the upper limits and were to be applicable for all godowns. During October 2021, GoI conveyed the recommendation of the expert committee for fixing norms for storage loss/gain in wheat and rice based on the recommendations of ICAR-CIPHET formula for calculation of storage losses and gains substantiated by the scientific research which were applicable from November 2021.

Punjab Region was deducting the abnormal shortages occurred at PSWC's godown as per the earlier norms till December 2019. However, in an Interim order (February 2020) Hon'ble High Court of Punjab and Haryana stayed the application of revised norms. In Punjab Region during January 2020 to October 2022, there was storage loss of 18473.22 MT valuing ₹ 61.39 crore in respect of quantity of rice despatched from PSWC godowns, out of which, abnormal storage loss of 4627.08 MT valuing ₹ 15.35 crore was yet to be recovered. The storage loss as per norms of PSWC and revised norms of GoI was not worked out by the Management.

No reply was received from the FCI management/Ministry.

3.10 Systemic deficiencies observed in Storage Management

The following systemic deficiencies were noticed during audit:

3.10.1 Loss due to delay in repair of godowns

Audit noticed cases of loss/avoidable expenditure due to delay/non-repair of godowns in Haryana and Tamil Nadu regions as detailed below:

- FCI DO, Karnal, has a covered capacity (MRM Karnal) of 4000 MT which has not been utilised since February 2019 due to its un-storage worthy conditions. A committee formed after two years reported (May 2021) that the godown could be utilised after replacing RCC roof with galvanised steel sheet, however, no repairs were made. Had FCI renovated the godown in time, it could take direct delivery of 12000 MT (4000 MT in RMS 2019-20, 2020-21 & 2021-22) from SGAs and could have avoided Carry over Charges of ₹ 1.03 crore.

- In TN region, there was inordinate delay in carrying out the civil repair works in owned depots which exposed the stocks to vagaries of nature and posed risk of damage besides security risk. The damaged drains reported (December

2020) in FSD TV Koil were not rectified till March 2022. Similarly, the leakage/ wall seepage reported (December 2020) in FSD Chidambaram was not rectified till March 2022.

The Management stated (January 2023) roof leakage work was attended at regular intervals and work of compound wall was completed. However, no supporting documents was furnished.

No reply was received from the Ministry.

Audit recommendations

Audit recommends that:

1.	***FCI in consultation with GoI should make a cost benefit analysis to augment its own storage facilities up to the level of minimum stock level prescribed as per stocking norms and avoid using CAP/open storage.***
2.	***FCI should analyse the causes of underutilisation of its FSDs and only resort to hiring after maximum utilisation of own godowns. It should take immediate steps to construct modern storage facilities at the places where old concrete silos lying unutilised for five to 35 years.***
3.	***FCI should strive for taking maximum direct delivery of wheat by SGAs to FCI godown to reduce payment of Carry over Charges to SGAs.***
4.	***Provision of Railway Siding should be ensured in existing/new godowns, wherever feasible, so that multiple handling cost could be avoided.***
5.	***FCI should ensure compliance of FSSAI standards with regard to quality parameters prescribed.***
6.	***FCI should fix responsibility for the losses/excess expenditure due to ineffective storage management.***

CHAPTER-IV Movement of Food grains-Operational and other issues

Movement plays a very important role in the working of FCI as well as in fulfilling the objectives of Food Policy and National Food Security Act. FCI undertakes movement of food grains to:

- Evacuate stocks from surplus regions
- Meet the requirements of deficit regions for NFSA/ TPDS and Other Schemes
- Create buffer stocks in deficit regions

Distribution of food grains under TPDS and OWS is carried out on the basis of monthly allocation made by the GoI and offtake of food grains from the Central Pool by various states. Stock of food grains is also moved to consuming States irrespective of consumption requirement to create buffer stocks as a measure of food security. This constitutes a very important role of FCI involving coordination and monitoring of activities with railways authorities, transporters and State Governments, and among its various offices.

4.1 Mode of Transportation

The movement of food grains is done through Railways, Road transport and Waterways. Movement of food grains stocks is mainly done through railways (Around 80 *per cent*) to different parts of the country. Inter-State movement by road is undertaken in those parts of the country which are not connected by rail *viz.* Himachal Pradesh, Kashmir, Ladakh, Hilly areas of North East, like, Arunachal Pradesh, Mizoram, Manipur etc. A small quantity of food grains is also moved through waterways to Lakshadweep and Andaman & Nicobar as these are neither connected by rail nor by road. In addition to the inter-state movement, intra-state movement is also undertaken mainly in the procuring regions by road and by rail.

FCI also explored the movement of food grains through multimodal costal/ riverine mode to supplement rail/road movement. FCI is already moving food grains to Andaman and Lakshadweep using coastal mode but the same is in meagre quantity. FCI also initiated containerised movement of food grains on certain routes through CONCOR/ Associates which was found to be economical in comparison to conventional Railway rakes.

Pic.5 Movement of food grains through Railways

4.2 Extent of Movement Operations

FCI undertakes massive movement operation of food grains all over the country encompassing around 2297 FCI owned & hired depots/Silos, 550 plus railheads (owned by Indian Railways and others) and 97 FCI own railway sidings.

Most of the wheat stocks were moved from Punjab, Haryana and MP and sometimes from UP and Rajasthan. Further considerable quantities of rice are also despatched from Punjab, Telangana, Chhattisgarh, Orissa and sometimes West Bengal, which are now procuring more than their requirements.

Table 4.1
Movement of food grains by FCI

Year	Quantity moved (LMT)			Expenditure incurred (₹ in crore)		
	Rail	Road	Waterways	Rail	Road	Waterways
2017-18	353.18	104.22	0.34	6893.03	1722.95	8.28
2018-19	303.80	111.43	0.80	6340.65	1725.16	18.2
2019-20	296.58	113.29	0.89	5293.70	1827.37	17.91
2020-21	479.17	140.00	0.72	7889.06	2674.89	14.94
2021-22	505.63	141.09	0.70	9181.24	2719.62	22.85
	1938.36	**610.03**	**3.45**	**35597.68**	**10669.99**	**82.18**

Source: Figures submitted by FCI and Annual Accounts of FCI

As can be seen from the table, during 2017-18 to 2021-22, quantity of 2551.84 LMT (both inter-state and intra-state) was moved by FCI through different modes and incurred an expenditure of ₹ 46,349.85 crore during the above period.

Audit examination revealed that during the period 2017-18 to 2021-22, 65.41 *per cent* to 74.06 *per cent* of stocks were moved ex-North as procurement was largely concentrated in the North and the remaining was moved from other procuring states of Andhra Pradesh, Chhattisgarh, Madhya Pradesh, Odisha and Telangana. Movement of stocks by rail ranged between 74.42 *per cent* to 83.45 *per cent* and movement by road ranged between 15.94 *per cent* and 23.71 *per cent*. The average cost of transportation ranged between ₹ 1949.30 to ₹ 2108.34 per MT during the above period.

4.3 Movement Planning and Optimization

FCI Headquarters allocates monthly movement plan after taking requirement of recipient regions and availability of surplus stock from surplus regions. Surplus stocks of wheat and rice from procuring States are moved to food deficit States to meet out the requirement under National Food Security Act, 2013 and Public Distribution System of GoI as well as to create buffer stocks. For movement of food grain, Movement Plan is prepared on monthly basis keeping in view:

- Quantity available in surplus regions
- Quantity required by deficit regions
- Likely procurement
- Vacant storage capacity both in consuming as well as procuring regions
- Monthly allotment/ off take of food grains

For purpose of movement of food grain through railways, FCI prepares a monthly movement plan in terms of railways rakes for despatching to various destinations. The plan includes monthly schedules indicating date wise and weekly requirement of rakes for different centres. Timely movement helps to mitigate storage crunch in procuring regions and free up storage space to accommodate food grains from subsequent procurement seasons.

During the movement programme, once the wagons reach the goods shed/ FCI siding, the seals and rivets of both sides of wagon doors are checked. After unloading and tallying with the Railway Receipt, the stock is transported to godowns and weighed before stacking. Where stocks are moved by trucks to godowns within short distance, it is weighed on lorry weigh bridge in the godowns and when distance is more it is weighed first in the private godowns near railway station and thereafter on the lorry weighbridge in the godowns.

4.3.1 Shortfall in Movement Operations

The table below gives the actual movement of food grains as against the procurement and planned movement made during 2017-18 to 2021-22:

Table 4.2
Shortfall in Movement of food grains

(Quantity in LMT)

Year	Procurement	Movement		Percentage of actual movement	
		Planned	Actual	To procurement	To planned
2017-18	690.09	430.32	375.11	54.36	87.17
2018-19	801.94	403.50	336.05	41.90	83.28
2019-20	859.59	386.82	342.85	39.89	88.63
2020-21	992.37	636.38	535.59	53.97	84.16
2021-22	1023.97	688.50	556.40	54.34	80.81
	4367.96	**2545.52**	**2146.00**	**49.13**	**84.30**

Source: FCI website and details furnished by FCI

As can be seen from the table, there was a shortfall in movement to the extent of 60.12 to 45.64 *per cent w.r.t.* procurements. There is also a shortfall against planned movement to the extent of 11.37 to 19.19 *per cent.*

The position of rakes planned vis-à-vis actually despatched during the period 2017-18 to 2021-22 was as given below:

Table 4.3
Shortfall in Movement in terms of railway rakes

(Nos.)

Year	No. of rakes planned	No. of rakes despatched	Shortfall in rakes despatched against planned	Percentage shortfall
2017-18	13709	11717	1992	14.53
2018-19	12506	10291	2215	17.71
2019-20	11559	10400	1159	10.03
2020-21	19946	17253	2693	13.50
2021-22	22902	17903	4999	21.83
	80622	**67564**	**13058**	**16.20**

Source: Details furnished by FCI

As can be seen from above that the average shortfall with reference to rakes planned for despatch during the period under review stood at 16.20 *per cent* and ranged between 10.03 and 21.83 *per cent.* This was a very marginal improvement from the average shortfall of 17 *per cent* noticed during the five-year period (2006-07 to 2011-12) covered in the previous Performance Audit. The shortfall in movement resulted in blockage of food grains in procuring regions.

Although there is no direct relationship between procurement and movement, the evacuation of food grains stocks already procured should be done as soon as possible as shortfall in movement against procurement may result in accumulation of stock in procuring regions and also result in payment of Carry over Charges (in respect of wheat) and storage charges.

The Management stated (January 2023) that 100 per cent outward movement of the procured stock is not at all possible, as the stock is required in the procuring regions also for their own consumption under PDS. The movement plan is based on the estimate of the procurement and lifting and is prepared in advance on the basis of the estimated data only. The demand raised by the consuming regions and allotment done to them are mostly on higher side than their actual requirements of the month.

Regarding supply of rakes, the Management stated that planned movement could not be achieved due to various constraints like uneven lifting by the State Governments in the recipient regions affecting their storage capacity, route restriction by Railways, availability of contractor, labour, climatic conditions, availability of trucks for road movement etc.

The reply is not tenable as the shortfall in actual movement to procurement is ranging between 45.64 to 60.12 *per cent* (means that up to 40 to 55 *per cent* food grains was kept for own consumption under PDS) whereas the data shows that allocation to Haryana and Punjab under PDS was around 10 *per cent* of procurement in these states. The reply regarding supply of rakes is also not tenable as movement of procured stock should be done as soon as possible, as shortfall in movement against procurement may result in accumulation of stock in procuring regions and also result in payment of Carry over Charges in respect of wheat.

No reply was received from the Ministry.

During Exit Conference the management stated that FCI depends upon the Railways for availability and placement of rakes as it has a monopoly over the operations.

4.3.2 Less movement despite available storage space in recipient regions

One of the components of the movement plan is that vacant storage capacity both in consuming as well as procuring regions should also be considered while preparing movement plan.

Analysis of movement of stock (Wheat and Rice) ex-Punjab and Haryana during 2017-18 to 2021-22 revealed that there was shortfall in planning of movement and actual despatch in 2018-19 and 2019-20 as compared to 2017-18 while there was vacant space available in recipient states like Assam, Bihar, Jharkhand and Rajasthan during 2018-19 and 2019-20 as given below:

Table 4.4

Movement of food grains ex Punjab and Haryana by rail and road

(LMT)

	2017-18	2018-19	2019-20	2020-21	2021-22
PUNJAB					
Quantity planned for Despatch	227.41	217.86	178.00	298.70	337.59
Change as compared to 2017-18 (%)	-	-4.20	-21.73	31.35	48.45
Quantity actually despatched	191.88	179.38	159.74	240.82	268.73
Change as compared to 2017-18 (%)	-	-6.51	-16.75	25.51	40.05
Quantity less despatched	35.53	38.48	18.26	57.88	68.86

	2017-18	2018-19	2019-20	2020-21	2021-22
HARYANA					
Quantity planned for Despatch	102.45	98.83	94.02	148.04	156.15
Change as compared to 2017-18 (%)	-	-3.53	-8.23	44.50	52.42
Quantity actually despatched	90.84	80.39	78.03	120.62	122.46
Change as compared to 2017-18 (%)	-	-11.50	-14.10	32.78	34.81
Quantity less despatched	11.61	18.44	15.99	27.42	33.69

Source: Details as per FCI website

As can be seen from above, although, there was reduction in planning the movement during 2018-19 and 2019-20, actual reduction in despatch was ranging from 6.51 per cent to 16.75 *per cent* although there was not much change in allotment and offtake during the same period in consuming States. As there was vacant storage available in Assam, Bihar, Jharkhand and Rajasthan, FCI could have planned movement of more quantity from Punjab and Haryana regions to avoid Carry over Charges.

The Management stated (February 2023) that variation in monthly rakes planned vis-à-vis rakes loaded was due to various operational constraints both at FCI and Railway end. However, availability of food grains was ensured by moving sufficient stock to recipient regions.

The reply is not tenable as audit observation relates to planning less rakes as there was vacant storage space available therefore more rakes could have been planned.

No reply was received from the Ministry.

4.3.3 Avoidable payment due to non-achievement of monthly movement plan

Since huge stock was stored with SGAs in open in Punjab region, the stocks remained vulnerable to the vagaries of nature. Further, sufficient space was not available in the region for storage of fresh arrivals. The shortfall in terms of rake movement in Punjab and Haryana Region is detailed in the following table:

Table 4.5

Short movement in terms of Railways Rakes in Punjab and Haryana

Year	Punjab				Haryana			
	No. of rakes planned	No. of rakes despatched	Shortfall	Percentage Shortfall in rakes	No. of rakes planned	No. of rakes despatched	Shortfall	Percentage Shortfall in rakes
2017-18	7378	6055	1323	17.93	2750	2447	303	11.02
2018-19	7031	5752	1279	18.19	2248	1890	358	15.93
2019-20	5440	4908	532	9.78	1742	1607	135	7.75
2020-21	9651	7981	1670	17.30	3237	2919	318	9.82
2021-22	11212	8897	2315	20.65	3550	2972	578	16.28
	40712	**33593**	**7119**	**17.49**	**13527**	**11835**	**1692**	**12.51**

Source: Details furnished by FCI

Audit analysed the impact of shortfall in movement *vis-à-vis* storage charges FCI had to bear on unmoved quantity. Although there is no implication of hiring charges in own godowns, the hired godowns are mostly on GHB where hiring charges are payable at a fixed rate irrespective of actual stock kept in godowns. For rice stock, FCI had to bear storage charges at CWC/PEG rates while for wheat, it had to bear Carry-over Charges, which comprises of storage charges and interest charges at compounding rates payable after 30th June of each crop year till the stock is taken over from the SGAs.

In selected DOs[29] of Punjab Region, there was a total shortfall in movement of 3240.5 rakes while it was 1692 in Haryana. This resulted in short despatch of 84.253 and 43.99 LMT (considering the quantity of 2600 Mt in one rake) for Punjab and Haryana respectively, on which FCI had to bear storage charges[30] of ₹ 182.29 crore as detailed below:

Table 4.6
Avoidable Storage Charges paid in Punjab and Haryana Region

	Punjab	Haryana
Number of rakes planned	13199	13527
Number of rakes Moved	9959	11835
Shortfall in number of rakes	3240	1692
Shortfall in quantity of stock moved (In LMT)	84.25	43.99
Avoidable storage charges on quantity less moved calculated at SGA's CAP rates for six months' storage (₹ in crore)	118.94	63.35

Source: Details furnished by FCI

Further, due to less movement of stock and non-availability of storage space, wheat had to be stored at vulnerable (damage of wheat of 19085 MT with SGAs reported in Punjab) open storage or private rice mill premises by the SGAs.

The Management stated (February 2023) that the actual movement depends upon many variables that are beyond the control of FCI such as lifting by state Governments, restrictions imposed by Railways, less supply of rakes by Railways, strike by many stakeholders, surrendering capacities for engineering works, physical verifications such as Zero PV etc. Since the movement is not executed in ideal conditions, the cent percent compliance may not be feasible.

The reply is not tenable as due to shortage of storage space with FCI, huge money is being paid as Carry over Charges and storage charges in the procuring States. Therefore, FCI should pre-empt such impediments and proactively engage with Railways and SGAs so that maximum compliance could be done.

No reply was received from the Ministry.

4.3.4 Failure to effect direct issue of food grains to SGAs from Railhead

Food grains allocated under NFSA and other welfare schemes are issued from FSDs of FCI to State Governments godowns or its agencies. FCI has to incur transportation charges from Railhead to its own godowns and handling expenditure twice at its own

[29] *Patiala, Jalandhar and Sangrur*
[30] *When calculated for a storage period of six months only.*

depots (during receipt and issue of food grains). However, if the food grains were directly despatched from Railhead(s) to State Government godowns or its agencies, incurrence of these direct expenditure could be avoided and it would result in economical operation and savings of substantial expenditure in the form of food subsidy.

An amount of ₹ 1265.52 crore and ₹ 323.28 crore was spent on handling and transportation of food grains while issuing to State Government and its agencies for the period under review in Bihar and Jharkhand Regions.

Audit observed that the expenditure on this account could have been reduced had the direct issue of food grains been made from Railheads to State Government. Belatedly, the FCI management under Jharkhand Region has taken initiatives (April 2020 and May 2021) by requesting the State Government to effect direct lifting of food grains from Railheads. However, in the absence of any formal guidelines or instructions from Ministry or FCI HQ, direct issue of food grains from Railhead(s) could not be done except in a few stray cases. Even a 10 *per cent* direct issue of food grains from Railheads to State Government godowns would have resulted in savings of ₹ 158.88 crore during 2017-18 to 2021-22.

No reply was received from the FCI management/Ministry.

4.3.5 Shortage in despatch of rakes

According to clause (iii) of Article 2.1 of the Service Agreement entered into (June 2005), the Developer cum Operator (DCO) was to receive food grains at the base depots and arrange despatch and transport thereof, as per the written despatch instructions of FCI from time to time, by rail in unit trains to the field depots. As per Article 14.2 of the Service Agreement, the DCO shall be liable to FCI for the performance of the Services in accordance with the provisions of this Agreement and for any loss suffered by the FCI due to default.

FCI HQ intimated (February 2021) Tamil Nadu region that the DCO could despatch only three rakes against 20 which led to low utilisation of both the field depot (Elavur and Mudukarrai) silos during the period October 2020 to January 2021.

Audit observed that there was no mechanism in place either at Regional or Divisional level to monitor the planning and receipt of rakes for silos. No action was initiated for recovery of ₹ 2.63 crore as estimated (July 2021) by the DO for this shortfall, as the response from FCI HQ regarding the applicability of *force majeure* clause for the period due to farmer's agitation was yet to be received by the RO.

No reply was received from the FCI management/Ministry.

4.3.6 Diversion of tagged mills due to lack of allotment of rakes

As per the Action Plan for *Kharif* Procurement operations, tagging of depots should be done on least cost basis. FCI HQ advised (April 2009) zones that all the procured stock or stock received via rail/road movement should be stacked to achieve as far as possible 120 *per cent* capacity utilisation of the godown.

DO Sanathnagar (Telangana) requested (June 2019) RO Hyderabad to accord permission for diversion of stocks (10000 MT) from FSD Sanathnagar (capacity 53375 MT) to SWC Wangapally (Hired) in respect of rice mills of Siddipet Revenue District. RO Hyderabad accorded the permission for the diversion on the basis of cost economics worked out by DO Sanathnagar by comparing the total operational cost[31] of FSD Sanathnagar (₹ 2301 per MT) with that of TSWC Wangapally (₹ 2291 per MT).

Audit observed that while arriving at operational cost of SWC Wangapally, DO Sanathnagar failed to consider the element of storage charges payable ₹ 101.40 per MT per month) to SWC Wangapally. Had the element of storage charges been taken into consideration by DO Sanathnagar, the total operational cost of SWC Wangapally would have been ₹ 2392.40 per MT which was higher than the total operational cost of FSD Sanathnagar ₹ 2301 per MT. Thus, incorrect calculation and subsequent moving of stock of 10,000 MT to SWC Wangapally during July 2019 which was stored up to April 2020 resulted in extra expenditure amounting to ₹ 91.40 lakh (₹ 91.40 per MT x 10,000 MT x 10 months).

The *Management stated (January 2023) that there was storage crunch at FSD Sanathnagar and the storage charges are fixed charges, the same were not considered at the time of calculating the overall economics.*

The reply is not tenable as storage charges had to be considered when operational cost of own godown is compared with a hired godown.

No reply was received from the Ministry.

4.4 Operational Issues in movement of Food grains

4.4.1 Long-Term Tariff contract not availed

Indian Railways issued (March 2017) a Long Term Tariff Contract (LTTC) policy for its key customers in which the customers can get assurance of certainty in tariff rates as well as freight rebate on fulfilment of certain conditions. Railways will also provide rakes on priority basis under the scheme. As per the eligibility criteria, customers shall be eligible only if they are already loading or giving traffic of at least one million tonnes per annum in the previous year. The customers under the scheme shall not be eligible for any other rebate except concession available for traffic booked to and from NE region. For availing the benefits under the policy, an agreement was to be entered with concerned zonal railway, which shall be for a minimum period of three years extendable up to five years.

The customers entering into agreement shall provide Minimum Guaranteed Gross Freight Revenue (MGGFR) with commitment to increase (minimum five *per cent* from current level) the freight revenue from current level. A graded rebate on Actual Gross

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[31] *Transportation from mill to godown, stacking from truck to stack, transportation while loading of rake, de-stacking and rake loading, shunting charges and freight charges till Palaghat*

Freight Revenue (AGFR) was available based on percentage incremental growth in Benchmark Gross Freight Revenue (BGFR) offered. A rebate for retention of traffic was also available on volume of traffic subject to previous year AGFR being met.

FCI despatched a quantity of 1938.36 LMT (ranging from 296.58 to 505.63 LMT) during 2017-18 to 2021-22 to other states, which was far in excess of one million tonnes required under the scheme. Considering the allotment position during this period, increase in freight was also expected to rise.

Audit observed that although there was no penalty for not meeting the commitment made for increase in GFR/volume of traffic and meet almost all conditions required for the same, FCI did not avail the policy for its movement of food grains through railways. Had FCI availed LTTC policy and entered into agreement with Railways during 2017-18 (considering 2016-17 as base year) for a period from 2017-18 to 2021-22, it could have earned the rebate of ₹ 1,736.11 crore on the amount of freight paid as detailed in **Annexure-5**. Non-availing the benefits under the policy resulted in loss to FCI which could have reduced the subsidy burden by ₹ 1,736.11 crore besides priority in rake allotment.

The Management stated (January 2023) that FCI is a service organization and the rake movement mainly depends upon the allocation in welfare schemes implemented by the Ministry of CAF & PD from time to time and the allotment to regions is decided by FCI HQ. The quantity moved has increased in some years and in other years it was decreased.

The reply is not tenable, as LTTC scheme does not levy any penalty for noncompliance to the commitment for MGGFR projection but provides all benefits under the agreement. Also, allocations during the period showed increasing trend except with marginal reduction during 2019-20. Response of FCI to the offer of railways was very unprofessional.

No reply was received from the Ministry.

4.4.2 Avoidable payment of maintenance and other charges

Clause 27 (i) of the agreement entered into with railways provided that the FCI may, by giving six months' notice to the railway administration discontinue the use of the siding. In such an event, the FCI shall not be liable for the payment of maintenance and other charges for the period subsequent to the date of expiry of the said notice.

The operation of railway siding at BG Sirsa turned out to be costlier as compared to loading of stocks at Sirsa Goods railhead due to mounting land lease, repair and maintenance charges imposed by the railways. The siding was discontinued from May 2017 onwards on the basis of recommendation of a committee of DO Hisar but the proposal for the closure of railway siding was approved in July 2021.

Audit observed that FCI failed to issue notice to Railways timely for discontinuation of siding in order to avoid incidence of maintenance and other charges, as no rake was loaded *w.e.f.* May 2017. Had timely action for closure been taken by FCI, payment of the maintenance and other charges of ₹ 1.25 crore (from 2018-19 to 2021-22) and Land license fees amounting to ₹ 5.09 crore for the period 2017-18 to 2021-22 could have been avoided.

The Management stated (February 2023) that considering the economic benefit, a decision to close the Siding was taken after following all the due procedures at various offices of FCI and Railways, which caused delay in closure of Sirsa.

The reply is not tenable as there was abnormal delay in taking action for closure of siding and the delay was for almost four years. Further, since use of siding was discontinued in May 2017 itself, closure notice should have been sent in May 2017. The lackadaisical approach of FCI in decision making caused a loss of ₹ 6.34 crore.

No reply was received from the Ministry.

4.4.3 Excess payment of Siding Charges

As per Indian Railway Code for Traffic (Commercial), Siding Charges should be fixed on the basis of average trip time multiplied by Engine hour cost/60.

According to Joint Trip Trial Report (March 2015) of the newly constructed Siding at Changsari, total trip time was fixed as one hour 44 minutes for serving station to railway siding and back by North Frontier Railway in its Rate Circular General No. 25 of 2015.

Audit observed that while recovering the siding charges, the Railways, instead of computing the average trip time of 52 minutes (average of 60 minutes for placement and 44 minutes for withdrawal), claimed siding charges for total time of one hour 44 minutes. FCI never objected to the claim which resulted in payment of excess siding charges to the extent of ₹ 1.01 crore during May 2015 to March 2022.

The management did not give a specific reply and stated (February 2023) that the charges should be arrived at by multiplying the average time taken for the trip by the cost of engine hour.

The reply is not tenable as it did not address the issue of charging excess siding charges.

No reply was received from the Ministry.

4.4.4 Avoidable payment of Siding Charges

Railways has two systems of charging freight with respect to traffic pertaining to sidings:

- up to the serving station and levying siding charges beyond serving station and *vice versa* for non-notified/non-independent sidings (for which it charges freight and siding charges); and
- on through distance basis up to the buffer end of the siding for independent sidings/independent booking point (for which only freight is charged).

FSD Dhanbad was notified as an independent booking siding in January 2008 and, therefore, Railways started charging freight up to the buffer end of the siding. Since it was an independent booking siding, the traffic should have gone inside the siding directly without its detention at the serving station.

Audit observed that due to non-electrification of Siding from serving station Dhanbad, Railways had to detain the rakes there and then make placement in the siding through shunting for which it charged ₹ 87.75 lakh as siding charges for the period from December 2018 to March 2022 and this was an ongoing continuous expenses. This could have been avoided, had FCI taken up the matter with the Railways for electrification of the said Railway track.

The Management stated (April 2023) that action is initiated for joint survey after which estimate for providing electric traction inside the FSD is made.

The reply is self-explanatory as the initiative was taken belatedly.

No reply furnished by the Ministry.

4.4.5 Demurrage and Wharfage

As per the Railway Act 1989, 'Demurrage' means the charge levied for the detention of any rolling stock after the expiry of free time, if any, allowed for such detention whereas the 'Wharfage' is defined as the charge levied on goods for not removing them from the Railway goods shed after the expiry of the free time for such removal.

The circumstances, which lead to accrual of demurrage/wharfage charges can be broadly grouped in three categories as under:

(i) Reasons within the control of the consignor/consignee.

(ii) Reasons beyond the control of consignor/consignee like labour strike, transportation strike, general bandhs, agitations, riots, curfew, fire explosion, heavy rains or other abnormal/unforeseen circumstances.

(iii) Act of God, act of War and act of Public enemies.

In case of category (i) above, waiver is normally not done except on justified and meritorious facts. As regards cases pertaining to category (ii) or category (iii), waiver is considered on merits of the individual case.

The status of demurrage charges levied and waived off by Railways during the period under review is given below:

Table 4.7
Demurrage Charges levied by Railways

(₹ in crore)

Year/Zone	North	South	East	West	North-east	Total	Amount waived-off
2017-18	8.25	4.28	7.18	7.63	10.88	38.22	1.19
2018-19	12.13	4.43	6.06	4.86	8.82	36.30	0.72
2019-20	5.59	3.63	6.56	4.01	6.05	25.84	0.48
2020-21	9.95	4.96	11.65	11.44	8.18	46.18	1.37
2021-22	19.60	5.53	13.20	12.02	14.66	65.01	1.05
	55.52	**22.83**	**44.65**	**39.96**	**48.59**	**211.55**	**4.81**

Source: Details furnished by FCI

As can be seen from above, Railways waived off only ₹ 4.81 crore out of total demurrage of ₹ 211.55 crore which was a meager 2.27 *per cent* of the total demurrage. Out of the total demurrage ₹ 47.77 crore was on account of FCI (22.58 *per cent*) whereas ₹ 158.97 crore was on account of HTC/Agency (75 *per cent*) and was recoverable from them. The inaction on the part of FCI resulted in loss of ₹ 206.74 crore.

The Management stated (January 2023) that the loading/unloading operations are labour intensive and the matter of imposition of DC as well as relaxation in free hours has been taken up at the highest level.

The reply is evasive.

No reply was received from the Ministry.

Audit examination further revealed that in Punjab Region, total demurrage charges of ₹ 32.80 crore occurred out of which a sum of ₹ 7.29 crore of demurrage imposed on account of work to rule was borne by FCI. As the 'work to rule' was beyond the control of consignor/consignee as it covers under labour strike, FCI should have taken up the matter with top management of Railways for waiver. Due to failure of the management in getting this amount waived off under the policy of the Railways, FCI has suffered a loss of ₹ 7.29 crore.

The Management stated (February 2023) that FCI has applied for waiver of DC on rakes loaded during the work to rule agitation, duly citing the factual reasons and Railways have not yet considered the request of FCI.

The reply is self-explanatory.

No reply was received from the Ministry.

4.4.6 Transit and other Operational Losses

Transit loss is the difference between the weight despatched by the consignor and the weight received by the consignee, which may occur during transit due to pilferage, short loading of wagons, spillages, multiple handlings of bags, driage etc.

According to the laid down procedure followed in FCI, all cases of losses were to be investigated in time and a certain percentage be fixed up to which the total shortage may be considered reasonable according to local conditions with documentation. No norms were fixed by FCI for determining reasonableness and abnormality of the operational losses**.**

The operational losses, after they have been duly investigated and the reasons for such losses determined would be regularised by writing off and by taking disciplinary action, wherever necessary, against the delinquent officials within 60 days of the receipt of the cases.

The table below gives the status of transit losses (*w.r.t.* movement through rail and road) during the period under review:

Table 4.8
Transit losses in FCI

(Quantity in LMT)

Year	Quantity moved	Quantity received at destination	Quantity of transit loss observed	Percentage of loss	Value of loss (₹ in crore)
2017-18	456.72	455.60	1.12	0.25	286.40
2018-19	415.00	413.97	1.03	0.25	276.85
2019-20	409.64	408.69	0.95	0.23	257.92
2020-21	618.74	617.49	1.25	0.20	426.85
2021-22	646.90	645.49	1.41	0.22	403.83
	2547.00	**2541.24**	**5.76**	**0.23**	**1651.85**

Source: Details submitted by FCI

From the above table, it may be seen that the percentage of loss is almost constant. Although there are no prescribed norms for transit losses, the constant percentage of loss during the period under audit needs to be looked into and a standard norm should be prescribed.

4.4.6.1 Non-regularization of losses

Regularization of transit losses takes place on the basis of the investigation, examination and recommendations of various competent authorities at different levels. Against the regularization done, the FCI claims subsidy, equivalent to the amount of the losses involved, from the GoI. As per FCI HQ circular[32], these losses should have been written off/disciplinary actions should have been taken against the delinquents within fifteen days and sixty days at Divisional Office Level and Regional Office level respectively.

Due to non-regularization of these losses, FCI is unable to claim subsidy and is incurring heavy expenditure because of interest on borrowed funds.

[32] No. S&S/21(4)/RL/98/578 dated 06/09-11-1998

The Management stated (April 2023) that Headquarters has taken various measures (action plan for regularisation of pending losses in December 2022) to bring down the pending losses and have been successful in doing so largely as a sum of ₹ 287 crore was regularised during 2022-23.

No reply was received from the Ministry.

4.4.6.2 Irregular allowance of storage and handling loss in Silos

As envisaged in the Service Agreement (SA), the Developer cum Operator (DCO) constructed circuit-1 consisting of 2,00,000 MT capacity silo at Moga (Punjab) as Base Depot and three 25000 MT capacity (each) in South Zone at Madukkarai (DO Coimbatore), Elavur (DO Chennai) and Malur (DO Bengaluru). The field silos of TN Region at Madukkarai and Elavur started their operations in 2008 and 2009 respectively.

According to Article 3.4 (2) of the Service Agreement entered into with the DCO, transit losses were to be reckoned based on Annual Receipt Tonnage. As per Clause 4.4.4 of the Notice Inviting Tender (NIT), field depot was to have one Motion weighing system to weigh the total weight of each wagon. However, the field silos in Madukkarai and Elavur considered despatch quantity from Base Depot as Receipt quantity. Hence actual transit loss was not accounted for on annual receipt tonnage. As provided under Article 3.4.4, Independent Engineer and Auditor only reported that loss records at the field depot had been verified whereas it had to report whether the quantum of transit losses is acceptable.

The handling and storage loss allowed by FCI during the period from the inception of operation of silos to 31 March 2022 worked out to 1938.440 MT (₹ 4.28 crore at the rate of economic cost of wheat for the respective years) in both the silos in Tamil Nadu region.

The Management stated (January 2023) that earlier silo Elavur calculates the storage loss after liquidation of the bin while silo Madukkarai applies standard deduction of 0.25 per cent to the issues on day to day basis. It further stated that a Divisional Committee would jointly inspect the liquidation of the bin to assess the actual storage loss/ gain incurred at the Silo.

The reply is not acceptable as received quantity from base depot was not being weighed at the time of arrival at these two silo and therefore, actual allowance for loss is not regular.

No reply was received from the Ministry.

4.4.6.3 Undue favour in containerised movement

As per the direction received from FCI and High Level Committee Recommendation (2017), Punjab Region commenced movement of food grains through containerised movement to various recipient regions in association with Container Corporation of India and Punjab Logistics Infrastructure Limited *w.e.f.* December 2016. The freight rates and other rates of handling and transportation were finalised at Regional Office level. Regarding treatment of transit loss in respect of containerised movement, FCI directed that the Rail Transit Loss/quality complaints may be dealt as per the existing practice of conventional rail movement. However, latest MTF for containerised movement provides that transit loss up to the limit of 0.07 *per cent* of net weight of food grains will be tolerated and recovery should be made above this limit at double the economic cost of food grains lost.

Audit observed that this transit loss was not justified as conventional rail movement involves multiple operations *viz*. loading of stock in HTC trucks, loading/unloading at railhead & involvement of HTC at despatching/receiving end etc. In case of road movement by RTCs, full recovery for transit loss was effected at twice the rate of average acquisition cost of stock. As containerised movement and road movement were being made on door to door basis and without involvement of HTC and railhead operations at despatching/receiving end, treatment of RTL for containerised movement should have been at par with RTC.

Punjab Region moved 1024 rakes containing 20.52 LMT through containerised movement during December 2016-17 to 2021-22, out of which the details of transit loss in respect of 242 rakes containing 0.50 LMT was not available. Of the remaining 782 rakes containing 12.51 LMT, transit loss of 2993.80 MT was reported (in excess of 0.07 *per cent*) in respect of 624 rakes. But due to lack of enabling provisions for treatment of transit losses through containerised movements, FCI could not recover the sum of ₹ 12.66 crore in respect of transit loss occurred in containerised movement.

The Management stated (February 2023) that there was no standard operating procedure with respect to containerised movement during pilot phase.

The Management reply is contradictory as it states that there was no standard operating procedure with respect to containerised movement whereas in MTF, transit loss up to the limit of 0.07 *per cent* of net weight of food grains was to be tolerated.

No reply was received from the Ministry.

4.4.7 Handling and Transportation Contracts

To carry out handling and transportation of food grains for appropriate distribution for ensuring adequate availability of food grains throughout the country, large numbers of contracts are to be put in place at various stages of movement. FCI devised various Model Tender forms for facilitating field offices in appointment of service providers in a fair and transparent manner.

4.4.7.1 Restrictive tendering resulted in higher rates

FCI directed all Regional Offices that the Handling and Transportation (H&T) arrangement at the godowns hired by FCI from CWC/SWC would be made by CWC/SWC only. For this arrangement, FCI had to reimburse CWC/SWC the H&T charges along with supervision charges of eight *per cent* on (H&T) bills of the CWC/SWC godowns. While H&T charges were reimbursed by CWC/SWC to the contractors, supervision charges were to be retained by CWC/SWC for the supervision extended by them.

Bihar State Warehousing Corporation (BSWC) awarded 129 contracts during 2017-18 to 2021-22 for Handling & Transport (H&T) operations at the godowns hired by FCI. A comparison of H&T rates of contracts awarded by BSWC with that of FCI revealed that the same were on much higher side in case of BSWC. The difference in transportation rates and handling rates during the period under review ranged up to 173.5 *per cent* and 75.50 *per cent*.

Audit analysed the reasons for such higher rates and found that the tender conditions and Price Bid format followed by BSWC was different from FCI/CWC whereas, the price bid format for transport contract of FCI and CWC was the same with uniform slab for distances and there were four slabs for distance up to 10 kms.

However, in case of BSWC there was a single slab for the initial distance of 10 KM for transportation contract. Such deviation in initial slabs of short distances had significant impact in the rates as the bidder quoted same rate for a distance ranging from less than one km and up to 10 kms. Further, limited tenders were called by BSWC which restrict the participation of bidders. Thus, awarding of H&T contracts without open tenders on higher rates was not in the interest of FCI.

The Management while accepting the audit observation stated (March 2023) that RO Bihar has communicated to BSWC for following MTF of FCI and stop the process of participation of only registered bidders with BSWC to increase competition.

No reply was received from the Ministry.

4.4.7.2 Suspected cartelisation in bidding process

With respect to integrity pact in Government procurement, CVC has clarified that ‘the bidders will not enter with other bidders into any undisclosed agreement or understanding, whether formal or informal. This applies in respect of prices, specifications, certifications, subsidiary contracts, submission or non-submission of bids, or any other actions to restrict competitiveness or introduce cartelization in the bidding process.’ FCI in their Model Tender Form for appointment of H&T contractors (terms and conditions: point 12) states that, ‘In case of any clear indication of cartelization, the Corporation shall reject the tenders and forfeit the EMD’.

RO Mumbai invited (July 2020) tenders for appointment of H&T contractors at MSWC Kudal. Out of five bids received, four bidders qualified the technical bid. One bidder (S.K. Translines) alleged (August 2020) cartelisation in the bidding and stated that:

- Ms. Alka Chandrakant Patil, proprietor of Sai Transport Company (L-3) is the wife of Mr. Chandrakant Patil who is the director of M/s Kolhapur Hamal Transport and Allied Services Private Limited (L-1) in which Ms. Alka is also a director.

- Mr. Vishal Chandrakant Patil, son of Mr. Chandrakant Patil holds the power of attorney in Kolhapur Sahakari Majurva Hamal Sanstha Maryadit (L-2).

However, FCI did not accept this as a matter of cartelization and considered all the three parties as separate entities and proceeded with the bidding by awarding contract for ₹ six crore to Kolhapur Hamal Transport and Allied Services Private Limited which was the L1.

Audit noticed that two entities[33] shared the same fax number on their respective letter heads whereas STC did not mention any fax number on their letter head creating a suspicion of an undisclosed understanding among the three bidders. In spite of clear indication of cartelization, FCI had gone ahead with the tender instead of rejecting it as provided for in terms of MTF.

The Management stated (March 2023) that although the firms are in same premises, they have different shop numbers as their address with separate letter head, email and phone number. Therefore, instant case cannot be called a 'cartel' especially when another party (S. K. Translines) also qualified in technical bid.

The reply is not tenable as although there was another party apart from three qualified inter-related bidders, the circumstances indicated by audit clearly give the indication that out of four, three parties were related to each other which included L-1 and L-2 bidder. Therefore, this cannot be construed as a fair competition and the responsibility should be fixed for the lapse.

No reply was received from the Ministry.

4.4.7.3 Excess expenditure on handling and transportation

The Ministry of Consumer Affairs, Food & Public Distribution issues provisional cost sheet giving incidentals to be paid for the stocks of wheat that are handed over to the FCI for the Central Pool. As per the cost sheet, FCI takes over the stock in three modes as detailed below:

Mode	Incidentals to be paid
A- Ex-*Mandi* Delivery	MSP + Statutory charges + *Mandi* Labour charges + Commission to societies+ Administrative charges + Cost of gunny bags
B- Delivery to FCI local godown/rail head	Mode A charges + the transportation & handling charges
C- Ex Godown delivery from SGA's godown	Mode B charges + the Custody & Maintenance charges, Interest charges and Additional Charges (Loading, weighment etc.)

[33] *Kolhapur Hamal Transport and Allied Services Pvt. Ltd. And Sahakari Majurva Hamal Sanstha Maryadit*

RO Bhopal instructed (May 2015) all the DOs to work out and ensure economy and load the rakes on least cost basis. Divisional Office Satna and Ujjain took over 2.72 LMT wheat stock under mode-A at eight[34] revenue districts and engaged its HTC contractors to move the stock from *Mandi*/procurement centre to railhead.

A comparison of expenditure incurred under Mode-A along with handling and transportation cost of FCI and cost under Mode-B revealed that taking over stock under mode – B was economical than taking over stock under Mode – A. FCI did not ensure least cost and economy while taking over the stock under Mode-B and engaged FCI's HTC contractors instead of taking delivery at railheads under Mode-B resulting in excess expenditure of ₹ 4.45 crore during the period from 2017-18 to 2021-22.

The Management stated (January 2023) that the cost of handling and transportation for RMS 2012-13 were ₹ 26.76 per Quintal as per provisional cost sheet and ₹ 32.73 per quintal in final cost sheet and the audit has considered the provisional figure only.

The reply is not tenable as no comment was offered regarding the fact that the cost of H&T under B mode will always be higher in subsequent seasons.

No reply was received from the Ministry.

4.5 Railway Claims

Claims against the Railway arise due to different circumstances e.g. loss or damage to goods in transit, refund of excess freight paid or excess wharfage and demurrage paid. Under Railway rules, the claims for compensation are normally dealt with by the Railway at the destination station lies and hence correspondence in such cases should be made with the Chief Claims Manager of the Railway controlling the destination station. Claims for refund of freight should be lodged with the Chief Commercial Manager (Refunds) of the Railway on which the original destination is situated.

The claims lodged by the FCI are examined by the claims settling authorities in the Railway claims office and disposed of on the merits of each case. The claims considered untenable on examination are repudiated by the Railway whereas those held tenable are settled by payment. Some claims are on examination found to be partially tenable. The table below gives the status of claims outstanding as of March 2022 in various zones of FCI:

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[34] *Mahidpur, Neemuch, Ratlam, Shujalpur, Shajapur, Ujjain, Satna and Rewa*

Table 4.9
Outstanding Railway Claims as of March 2022

(₹ in crore)

Zone	Compensation Claims	Freight refund Claims	Missing Wagon Claims	Total pending claims
North	0.27	7.74	0.28	8.29
South	0.16	0.25	0.12	0.53
East	1.07	0.18	2.01	3.26
West	0.15	0.29	0.00	0.44
	1.65	**8.46**	**2.41**	**12.52**

Source: Details furnished by FCI

No policy or timelines are prescribed for dealing with Railway claims. However, as per its accounting policy, claims are carried in the books of accounts of the Corporation for consecutive ten financial years from the year of its origin and in the 11th year, these claims/loans are written off in the books of accounts after following due procedure.

Audit examination revealed that:

- In eastern region, out of missing wagon claim of ₹ 2.01 crore, sum of ₹ 77.09 lakh was pending since 1977-78 and ₹ 87.99 lakh was added in 2021-22 and out of ₹ 1.07 crore pertaining to compensation claim, ₹ 23.20 lakh was to be written off.
- In 286 cases of Punjab Region, ₹ 7.39 crore was pending for settlement with the Railways which includes amount pending from 2013-14. In 30 claims related to DO Patiala amounting to ₹ 1.92 crore pending since 2015-16, FCI could settle only claims of amount of ₹ 41.65 lakh in five cases and the remaining amount had to be written off or under process of settlement. In 58 claims related to DO Jalandhar amounting to ₹ 1.43 crore, FCI could settle only 27 claims of amount of ₹ 19.61 lakh. Out of 26 claims of ₹ 1.57 crore pertaining to DO Sangrur pending since 2010-11, no amount was settled.

The Management stated (January 2023) that the cases of compensation/ refund of freight claims were settled by way of dropping/ withdrawal/ write-off/ repudiation by the Railways by the respective competent Authority i.e. GM (Region) as per the Delegation of powers.

The reply is not specific as it did not address the audit observation.

No reply was received from the Ministry.

4.6 Movement of Food grains by Road and alternate modes

FCI uses railways as a conventional mode of movement of food grains as almost 80 *per cent* movement is done through rail rakes, whereas around 19 *per cent* movement of food grains is done through road transport.

4.6.1 Avoidable expense due to less movement by road transportation

Besides rail movement there is ample scope for movement of stock by road. From Punjab region there was scope for movement by road to Rajasthan and other States viz. Himachal Pradesh, J&K etc. Considering the quantity of 13.35 LMT moved in the year 2020-21, there was shortfall in movement by road from Punjab Region as detailed below:

Table 4.10
Shortfall in movement by road from Punjab

(Quantity in LMT)

Year	Quantity of Stock moved	Shortfall in movement against threshold stock moved in 2020-21
2017-18	9.43	3.92
2018-19	8.93	4.42
2019-20	10.52	2.83
2020-21	13.35	0.00
2021-22	12.94	0.41
Total	**55.17**	**11.58**

Source: Details furnished by FCI

Audit assessed that there was substantial storage space available in Rajasthan region during 2017-18 to 2021-22 in the months of November to April ranging from 4.02 LMT to 8.89 LMT on an average. Thus, besides J&K and HP stock could also be moved by road to Rajasthan. However, RO Punjab did not ascertain feasibility of movement by road ex-Punjab to Rajasthan although storage space was available there.

RO Punjab could move (from DO Faridkot) only 63,910 MT against the allocation of 137,587 MT of stock (less than 46 *per cent*) through road transport contractor during December 2020 to October 2022 due to short supply of trucks by the contractor. Due to lesser movement, sufficient storage space was not available for storage of fresh arrivals of 2018-19 and 2019-20.

Similarly, for Jalandhar DO, there was huge reduction in road movement in consecutive years in the period 2017-18 to 2021-22 ranging from 69 to 100 *per cent*. From the Division stock was moved to J&K and HP region. Sufficient space was not available in the division for storage of fresh arrivals of 2018-19 and 2019-20. Besides general reduction in movement, DO could not even move the quantity actually allocated to be moved by road each year. Against allocation of 33,450 MT of wheat and 1,78,110 MT of rice there was a shortfall in movement of 13,421 MT of wheat and 1,17,223 MT of rice.

Although there was a provision of penalty of only ₹ 300 to ₹ 1000 per truck, it was very meagre and not a deterrent for ensuring lifting of allocated stocks. Though this penalty is levied, FCI has to bear much larger avoidable cost on storage/ Carry over Charges for unmoved stock. Due to less movement against allocation and consequent idle storage, FCI had to bear avoidable storage charges of ₹ 8.07 crore.

The Management stated (February 2023) that the shortfall in movement of stocks was majorly due to capacity of acceptance of stocks at the recipient centres from despatch centres of Punjab.

The reply is not tenable as rate of penalty was not proving a deterrent to contractor for non-compliance.

No reply was received from the Ministry.

4.6.2 Non-taking over of wheat in bulk form at Silos

The FCI had entered (2017 - 2019) in to 11 Concession Agreements (CA) with different private parties (Concessionaire) to create modern storage facilities for food grains through construction of Silos Complexes at different locations[35] in Haryana and Punjab Regions. Six steel silos (337,500 MT)[36] were taken over to be utilised during RMS 2019-20 to 2021-22 by selected Districts (Patiala and Sangrur) of Punjab and Haryana Region of FCI. The agreements stipulate transportation of food grains from farms to silos by specially designed trucks as envisaged by GOI. Further, as per the replies of the FCI to the queries received in respect of Request for Proposal for Development of Silo (part of agreement), it was stated by FCI that it is envisaged to receive 100 *per cent* grain in bulk form. The silos were also declared as *mandis* so that farmers could bring their food grains directly at silos point for bulk handling.

Scrutiny of records revealed that during the RMS 2019-20 to RMS 2021-22 out of 3.38 LMT wheat stored at the three Silos taken over by FCI, 3.08 LMT (91.22 *per cent*) wheat was received at Silos in gunny bags, whereas only 0.30 LMT wheat (8.78 *per cent*) was delivered in bulk. According to CA, food grains were to be brought to silos point in bulk but FCI continued to transport the food grains from *mandis* to the silos by conventional method in gunny bags. FCI failed to operationalise transportation of food grains from farm to silos through specially designed trucks as envisaged (June 2000) by the GoI.

No reply was received from the FCI management/Ministry.

4.7 Automation of Movement Operations

In order to improve efficiency in the operations of an organization of the scale and size of FCI, IT can play a critical role in all aspects of its operations. Over several years, FCI has implemented several IT initiatives, however, it has not contributed in improving the operational efficiency of FCI as expected.

4.7.1 Linear programming-based Movement plan

To economize food grains movement, FCI had taken an initiative to plan movement of food grain through a computer-based model of linear programming (LP) exclusively

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[35] *Rohtak, Jind, Sonepat, Bhattu, Panipat in Haryana and Patiala, Sangrur, Batala, Chhehreata, Jalalabad, Barnala in Punjab.*

[36] *Sonepat and Jind 50000 MT each and Bhattu – 37500 (Haryana), Patiala-50000 MT, Sangrur 100000 MT and Barnala 50000MT (Punjab))*

for ex-North movement since February 2006. LP captures the shortest route between despatching centres and the receipt centres in line with the Railways Rates Branch System[37] involving least cost.

Audit observed that there were deviations from the rakes actually moved as per linear programming as against the planned rakes as detailed below:

Table 4.11
Movement of rakes through Linear Programming

Year	Total no. of rakes planned to be despatched	Total No. of Rakes Loaded in LP by FCI	Total No. of Rakes Moved as per LP by Railway	% of rakes loaded through LP to total	% of compliance *w.r.t.* rakes loaded through LP
2017-18	13709	8802	1762	64.21	20.02
2018-19	12506	9895	3366	79.12	34.02
2019-20	11559	10076	4516	87.17	44.82
2020-21	19946	16836	11554	84.41	68.63
2021-22	22902	17545	12548	76.61	71.52
	80622	**63154**	**33746**	**78.33**	**53.43**

Source: Details furnished by FCI

Although 78.33 *per cent* of rakes despatched was planned to be despatched through LP, the compliance to LP based plan ranged from 20.02 *per cent* to 71.52 *per cent w.r.t.* rakes planned through LP in different years with the overall compliance remaining 53.43 *per cent*. As shown above, 29408 rakes did not follow the most economical routes. Due to such deviation from the plan, the objective of LP for economizing movement cost could not be fully achieved.

Audit observed that no significant improvement was noticed in compliance in comparison to five-year period during 2006-07 to 2011-12 (covered in previous PA) when it averaged 49 *per cent* which indicates that effective persuasion was not made with Railway authorities.

The Management stated (January 2023) that due to various operational constraints on part of Railways as well as FCI 100 per cent compliance of the movement plan is not possible. In order to ensure availability of stocks for PMGKAY FCI was utilising all their rakes which sometimes not as per the Linkages generated by LP.

The reply is not tenable as the reply speaks about deviation in movement plan whereas audit has pointed out deviation in implementation of LP in the movement plan.

No reply was received from the Ministry.

[37] Railway Rates Branch System used by Railways for distance calculation and generation of distance tables.

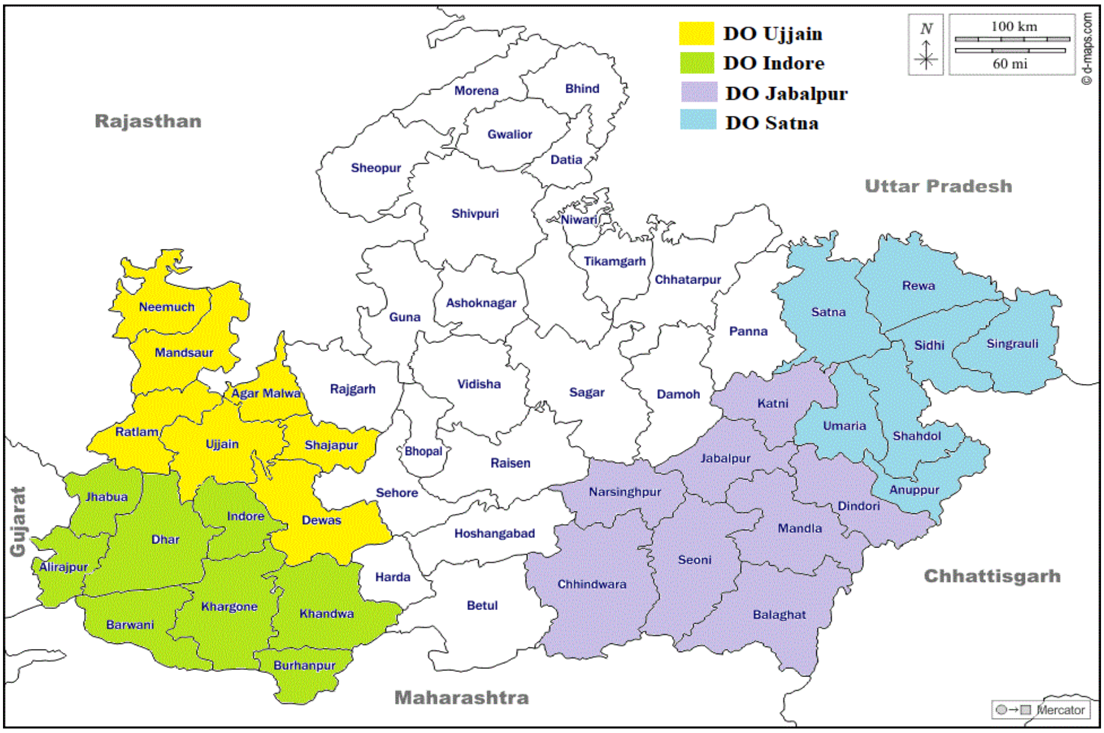
4.7.2 Avoidable expenditure due to not using Linear Programming

DO Ujjain and Indore are located in the western part and DO Jabalpur and Satna are located in the eastern part of Madhya Pradesh State. In view of the economy and efficiency, the food grain shall be despatched from the nearest centres/rail heads so as to save on cost of transportation and time. If no stock is available at the shortest distance centre than the stock shall be moved from second shortest distance centre and so on.

On review of records, it was noticed that stock of 29109.19 MT of DO Ujjain was sent to eastern Regions and 32289.39 MT stock of DO Jabalpur and DO Satna was sent to Gujarat Region of FCI during the period from April 2017 to March 2022. The records revealed that the State Government Agencies offered surplus stock at DO Ujjain, DO Jabalpur and DO Satna in each RMS from 2017-18 to 2021-22.

FCI MP Region is using computer based offline linear programming software since January 2019 and the same was not integrated with the Railway Train Pipeline Management System. Further, the linear programming is not implemented effectively, as only 3169 rakes out of 5514 were despatched using this software during the period from April 2017 to March 2022.

As per the principles of economy, efficiency and general prudence, the State wise requirement should be assessed by FCI before commencement of procurement seasons and the Divisional Offices of FCI should be designated in terms of requirement of deficit Regions of FCI.



Therefore, the stock of DO Jabalpur and DO Satna should be despatched to deficit regions located in the eastern part of the country and similarly, the stock of DO Indore and DO Ujjain should be despatched to Gujarat region. The surplus stock after fulfilling the above criteria should be despatched to next economical region/state. Had the stock of DO Ujjain been despatched to Gujarat Region and the equivalent quantity stock of DO Jabalpur & Satna was despatched to states of Bihar, Orissa, Jharkhand and West Bengal, FCI could have avoided an expenditure of ₹ 3.66 crore on Railway Freight.

The Management stated (February 2023) that the actual movement deviates due to operational constraints such as non-clearance from recipient regions, request of recipient for urgent requirement of food grains, infestation of stock, availability of FAQ[38] stock, and non-bagging from silos etc.

The reply is not tenable as the requirements of recipient regions should have been assessed well in advance and movement plan should have been executed accordingly.

No reply was received from the Ministry.

4.7.3 Movement module of DOS

FCI got developed a Depot Online System (DOS) to automate, facilitate and effectively manage its depot level operations. DOS would help in tracking and controlling the procurement, storage and movement of food grains within a depot by managing all associated transactions like Lorry Weigh Bridge, Quality control, Storage Loss / Transit Loss, Gunny inventory, Labour management etc. Real time information provides accuracy in inventory and improves visibility on quantity, location and age of available stock.

Though there are modules in DOS relating to movement, none of these are used to prepare any MIS returns. Thus even after six years of implementation of DOS, Movement Division is not computerised/automated.

Audit noticed that Movement Plan Register (Daily Basis), Monthly Agenda Register (Monthly Basis), Calendar of Return (daily, monthly or yearly), daily Movement Register and container loading position as on the date with details of Supplied, Loaded, Pending and Progressive are maintained manually in DOs[39]. The returns prepared from these records for MIS reporting *viz.* from the Depots to the DOs and DOs to the ROs are prepared manually. None of the above were derived from DOS for preparation of these returns. Resultantly there was doubling of labour for preparation and compilation of data on stand-alone computer systems at originating depots to RO level.

The Management stated (April 2023) that the DOS application has provision for generation of report on real time basis. Inputs are to be captured in relevant module and there is a provision of daily, weekly and monthly reports.

The reply is not tenable as the modules in DOS are not being used to prepare MIS reports.

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38 *Fair average quality*

39 *DO Jalandhar, DO Patiala, DO Sangrur, DO, Bareilly, RO Lucknow RO MP*

Audit recommendations

Audit recommends that:

1.	***FCI should prepare effective movement plan so that stock can be moved timely to the recipient States, vacant storage space in recipient States are best utilised and storage issues in procuring regions are avoided and Carry over Charges is kept to a minimum.***
2.	***FCI should pre-empt impediments in planned movement and proactively engage with Railways so that problem of shortfall in rakes can be addressed effectively as there is no significant improvement in spite of existence of coordination committee.***
3.	***FCI should evolve ways for direct despatch from railhead to godowns of SGAs to avoid expenditure on multiple handling.***
4.	***The FCI in consultation with State Governments should strive for a common Model Tender Form for Handling & Transportation contracts to protect financial interests of FCI and reduce subsidy burden on the Government of India.***
5.	***FCI should make efforts to despatch maximum railway rakes through Linear Programming Model and strive for more automation of movement operations to reduce costs.***

CHAPTER-V Compliance of earlier Reports and Recommendations

Audit reviewed the status of compliances/action taken by Ministry/FCI on the following:

- On the recommendations of COPU in its 29th Report (15th Lok Sabha);
- Recommendations of the Standing Committee on Food, Consumer Affairs and Public Distribution in 13th Report (17th Lok Sabha);
- Performance Audit on Storage Management and Movement of Food Grains (Report no. 7 of 2013);

The status of action taken are discussed in succeeding paragraphs.

5.1 Report No. 7 of 2013- Performance Audit on Storage Management and Movement of Food Grains

The report was placed in the Parliament on 7 May 2013. In this Report of the Comptroller and Auditor General of India (No. 7 of 2013) 12 recommendations were made. Out of this, nine were agreed to and two were partially agreed to by the Ministry. Audit examined the status of compliance and pointed out the non-compliance in above chapters. The status of action taken on recommendations and their current status is given below:

Sl. No.	Recommendation	Status of acceptance (2013)	Action taken/Current Status
1.	The GOI/FCI should take necessary steps to augment procurement of food grains and also increase direct procurement by FCI and DCP states in view of increasing requirement for Targeted Public Distribution System and Other Welfare Schemes.	Partly accepted. In order to provide efficient and expansive price support coverage to farmers, the policy of the Ministry is to encourage states to undertake procurement in decentralised mode. FCI will continue to provide necessary guidelines and support to states in augmenting procurement.	From 2013 to 2022, procurement of FCI and DCP states has increased.
2.	The GOI may consider fixing minimum buffer norm together with component wise quantities of food grains	Partially accepted. Government will shortly revise the minimum buffer norms but fixing maximum level of buffer	Government of India revised the buffer norms in 2015. However, no revision effected in

Sl. No.	Recommendation	Status of acceptance (2013)	Action taken/Current Status
	for example, for food security reserve, emergency situations and price stabilization, etc. The GOI should also consider fixing maximum level of buffer norms with a view to bring in greater certainty in management of food stock of the Central Pool.	norms is not practical at present. Decision to off load the excess stock will have to be taken on year to year basis looking into situation at that time.	spite of increased allocations and situation due to Covid pandemic. No maximum level of stock was prescribed. As a result, stock is maintained twice at the level prescribed.
3.	The GOI may entrust responsibility of ensuring maintenance of food grains stock, handled by various agencies, at the level prescribed under buffer norms for single point accountability.	Accepted. FCI is already vested with the responsibility.	No further comment required.
4.	The GOI should expedite rationalization of the cost structure of food grains in the context of levy of statutory and non-statutory charges imposed by different states in view of heavy subsidy pay out.	Accepted.	No action appears to have taken as Audit observed that there is still scope for rationalization.
5.	The GOI/FCI should take a strategic view/conduct a detailed cost benefit analysis to decide the mix of owned and hired storage capacity and augment the storage capacity accordingly instead of solely depending on outside agencies.	Accepted to conduct the required detailed cost benefit analysis. However, Government has already decided to augment the storage capacity only through short-term and long-term hiring of godowns, except for North-Eastern states	Though the Ministry accepted to conduct the required detailed cost benefit analysis, however same were not found on records. As against the Storage gap, very little capacity was

Sl. No.	Recommendation	Status of acceptance (2013)	Action taken/Current Status
		including Sikkim and certain special cases.	added (mainly through silos).
6.	FCI should ensure optimal utilisation of existing storage capacity for timely evacuation of food grains from procuring states to consuming states to reduce the carry over charges payable to SGAs.	Accepted.	There remained a storage crunch in procuring regions while storage capacities in consuming regions remained less utilised, due to less movement. Huge amount is still being paid as Carry over Charges.
7.	In view of dismal storage capacity addition during last five years, GOI/FCI should expedite the ongoing augmentation plan under various programme (PEG 2008/PEG 2009 and Plan Scheme for NE and other states) to overcome the bottlenecks/constraints faced in various states in consultation/collaboration with respective State Governments.	Accepted.	Despite vacant land available in its depots in procuring regions FCI failed to augment its capacities. The augmentation of capacity was very miniscule during the period under audit.
8.	The GOI should establish a formal mechanism involving Minister of Railways and Department of food /FCI to streamline the movement activities. The existing operational constraints of the Railways in supply of rakes as per the	Accepted. A Co-ordination Committee consisting of Joint Secretary (P&FCI), D/o F&PD, Executing Director (Traffic Transportation), Minister of railways and Executive Director (T), FCI has been constituted	The problem of short supply of rakes is still there. There has been no Co-ordination Committee meeting in the last two years as mentioned by FCI during the Exit Conference.

Sl. No.	Recommendation	Status of acceptance (2013)	Action taken/Current Status
	requirement of FCI should be addressed urgently.	to consider various issues arising between the FCI and Railways on weekly basis.	
9.	FCI should streamline and strengthen the existing system of reconciliation of missing and unconnected wagons and settlement of refund claims with the Railways.	Accepted. Already there are Zonal level joint committees to reconcile the missing and unconnected wagons and to resolve the settlement of refund claims.	This amount is reconciled but pending for recovery from 17 years to 25 years despite Railways agreeing to pay it.
10.	The GOI/FCI should review the existing guidelines and consider devising a more efficient mechanism for regular and timely settlement of hill transport subsidy claims between FCI and States in consultation with States Governments.	Existing guidelines are sufficient for timely settlement of HTS claims, however, delays are due to non-submission of claims or non-submission of documents supporting the claims by some States.	No fresh claims of Hill transport subsidy arise since 2014-15. However, some very old claims are shown in account of FCI.
11.	FCI should review the internal control arrangement with a view to strengthen manpower and to increase internal audit activities and coverage of physical verification of stock.	Accepted.	There was substantial shortage of manpower in some divisions of FCI and shortfall also exists in internal audit.
12.	FCI should consider strengthening supervision and control of FCI headquarters over internal audits and physical verification activities to ensure independence.	Accepted.	4822 Internal audit paragraphs having financial impact of ₹ 3761.66 crore were pending for action/settlement as on 31 March 2022.

5.2 Recommendations of COPU in its 29th Report (15th Lok Sabha)

Committee on Public Undertakings (COPU) in its 29th report (15th Lok Sabha) which included examination of Report No. 7 of 2013 made 26 recommendations on various issues as detailed below:

Recommendations Number	Subject of recommendation
1, 3, 4, 5, 9	Procurement
2	Minimum Support Price
6	Computerization
7 & 8	Allocation and Offtake by GoI
10 & 11	Buffer Stock
12, 13, 14, & 15	Storage
16	Quality Control
17 & 18	Movement
19, 20, 21	Funds and Accounts
22	Board of Directors
23	Vigilance
24	Internal Audit
25	Manpower
26	Handling

As can be seen from the above, out of 26 recommendations, ten recommendations pertain to the present performance audit. The table below given the present status of compliance in respect of these recommendations:

Recommendations	Status	Action taken
Recommendation no. 6 (Computerization)		
The Committee note that an Integrated Information System for Food grain (IISFM) consisting of the District Information System for Food Grains Management (DISFM) known as District Module has been in use since 2005 and IISFM Rapid Reporting Service known as Depot Module has been in use since 2010. The Committee see no reason why only around 90 *per cent* of depots are updating their stock position on daily basis. The reasons for failure of the rest of the depots in this regard should be looked into immediately and it should be ensured that daily updated stock position in respect of all depots is available to the management	Accepted by the Ministry.	Implementation of IISFM and DISFM was not examined in present audit. However, audit examined the implementation of Depot Online System (DOS) and the shortcomings observed in audit have been discussed both in

Recommendations	Status	Action taken
to enable informed decision making. Two more projects viz. the Release Order Module to synchronise with end-to-end computerization of TPDS at the State level and the Online Procurement Module to monitor the progress of procurement of wheat/rice online have reportedly been proposed by FCI with the approval of the Department of Food and Public Distribution. The Committee exhort the Government to ensure that requisite funding for these two projects are made available and the projects are completed at the earliest.		storage and movement of food grains.
Recommendation no. 10 & 11 (Buffer Stock Norms)		
10. The Committee are concerned to note that the minimum buffer norms for stocking of food grains in the Central Pool have remained unchanged since April, 2005, despite the fact that the Buffer Stocking Policy is required to be reviewed from time to time, normally after every five years. Although the food security scenario has witnessed major changes during the last nine years, the matter of revising the Minimum Buffer Norms has been hanging fire in spite of the recommendations of the National Centre for Agricultural Economics and Policy Research (NCAP) in this regard in March, 2009. Now that the National Food Security Act has come into being and the latest Census figures are available, the Committee, desire that the Department of Food and Public Distribution should revise the Minimum Buffer Norms without any further delay.	The recommendation of the Committee was accepted by the Ministry.	The buffer norms were revised in January 2015. However, audit observed that norms need further revision in view of increasing allotments mainly due to Covid-19 pandemic.
11. While on the aspect of the Buffer Stock Norms the Committee would also like to comment on the lack of clarity or transparency pointed out by the audit in the maintenance of Buffer Stock Norms. During the period 2000-01 to 2007-08, the Government is stated to have resorted to	The recommendation of the Committee was accepted by the Ministry.	The stock was always in excess of minimum stock required to be maintained during

Recommendations	Status	Action taken
exports to liquidate food grains stocks beyond the prescribed minimum norms without considering the operational stock requirements at certain points of time even breaching the Minimum Buffer Norms. For instance, on 1 October, 2003, the stock of rice went down to 52.41 LMT as against minimum norm of 65 LMT and in December, 2004 against the norm of 116 LMT, the stock in hand was 106.60 LMT. In February, 2005 and again in March, 2005 against the Minimum Buffer Stock of 84 LMT, the wheat stock stood at 73.03 LMT and 57.50 LMT, respectively. Consequently, the Government had to augment the Buffer Stock through imports of wheat from early 2006 to April, 2008 to the tune 72.23 LMT. Further, the food stock during 18 out of 24 quarters from 1 April, 2006 to 1 April, 2012 was below the Minimum Buffer Norms prescribed by the Government. The Committee, while expressing their concern over this serious lapse, strongly recommend that there should be no recurrence of such lapses in future.		the period covered under audit The average stock vis-à-vis Buffer stock norms was almost two times of stock required to be maintained (285.85 LMT) and average quarterly stock of 549.97 LMT was maintained during April 2017 to January 2023. However, there was no limit prescribed regarding the level up to which stock can be maintained in excess of level prescribed under stocking norms.
Recommendations no. 12 to 15 (Storage capacity and management)		
12. Food grains stock in the Central Pool consists of stock held by FCI, DCP States and the State Government Agencies for both buffer and operational requirements. The Committee in this connection note that the stock position in the Central Pool was 823 LMT as on 1 June, 2012 and 777 LMT as on 31.05.2013 as against the total storage capacity of 751 LMT (397 LMT with FCI and 354 LMT with State agencies) as on 31.05.2013. The shortage in storage capacity was as much as 26 LMT as on 31.05.2013. The Committee note from the information furnished by FCI, that there have been huge storage gaps since the year 2008 because of quantum increase in average stock level.	The recommendation of the Committee was accepted by the Ministry.	The storage gap still exists but augmentation of storage capacity by FCI was miniscule except creation of capacity under PPP and PEG. The owned capacity of FCI is not even sufficient in view of increasing procurement and

Recommendations	Status	Action taken
What one would have expected of FCI in the light of persisting acute shortage of storage capacity is to ensure expeditious creation of additional storage capacity as and when funds are made available. The Committee note that FCI's performance in this regard has been downright dismal. During the Eleventh Plan, it was planned to create a capacity of 1.39 LMT with a financial outlay of ₹ 133 crore. However, it could create a capacity of just 45,015 MT at a cost of ₹ 86.56 crore and the shortfall is purportedly due to non- availability of land in most of the places. The Committee are not satisfied with this lame excuse. If there are serious and sincere efforts, acquiring suitable land for public purpose should not be a problem. The Committee expect FCI to take immediate necessary action in this regard and ensure that the planned storage capacity is created without undue delay.		allocations for deficit regions.
13. The Committee note with some satisfaction that the Government has taken some initiatives for creation of storage space in the private sector under the Public Private Entrepreneur Guarantee (PEG) Scheme. The decision of the Government to go far capacity creation in private sector has, therefore, not come a day soon. The need of the hour is to fast-track creation of additional storage capacity by all means. The Committee, therefore, desire that the 149 LMT of additional storage capacity sanctioned under PEG Scheme should be vigorously pursued by the Government/Corporation and got operationalised within the stipulated period of two years.	The reply of the Ministry was not accepted by the Committee.	Storage capacity of 7.37 LMT was created during 2017-18 to 2021-22.
14. There is an acute shortage of storage capacity in the North-Eastern States and the efforts of the Government for creation of additional capacity have not made much	The reply of the Ministry was not accepted by the	Out of revised targeted capacity of 2.93 LMT, FCI could complete

Recommendations	Status	Action taken
headway. A capacity of 5.4 lakh MT of additional storage space was planned to be created in the North-Eastern States with an allocation of ₹ 568 crore. However, at the end of Eleventh Plan i.e. March, 2012, the capacity approved under this special Scheme has been included in the Twelfth Five Year Plan necessitating the revision of the Scheme. During the first year of the Twelfth Plan, out of this 5.4 lakh MT, only meagre 2,901 MT has been completed. The Committee wonder as to how the balance capacity will be created in these States in the remaining four years of the Twelfth Plan when the Government have themselves admitted to the failure of State Governments in most of the centres in getting the construction work taken up. The Committee are of the opinion that the peculiar situation obtaining in the North-Eastern States is a challenge for the Government and it requires out of the box solutions to handle it. The Committee, therefore, recommend the Government to come up with workable solutions for the purpose in consultation with the State Governments and other agencies involved so that the work on the massive pendency is completed with due promptitude.	Committee.	capacity augmentation of only 1.65 LMT as of March 2022 which indicates that no sincere efforts were taken.
15. Most of the countries are moving towards modern means of storage like silos. In fact, due to their tremendous advantages, silos were constructed in India in the 1960s and 1970s and several of them are reportedly still operating satisfactorily. It has been stated that wheat could be stored in silos upto four years in good condition, and the wheat of 2007-08 is being issued for consumption even now. The Committee have been informed that some private parties have created a capacity of 5.5 LMT in silos in some States and they are operational since	The reply of the Ministry was not accepted by the Committee.	As a pilot project capacity of 5.50 LMT was created by construction of silos at seven locations on PPP basis. Against the targeted capacity of 100 LMT envisaged in view of recommendation

Recommendations	Status	Action taken
2007. These modern silos have been hired by FCI for a period of 20 years. The Committee note that the Government have now decided upon creation of 20 LMT capacity of storage in silos. This, in the view of the Committee, is not enough. Given the immense benefits of storing of food grains in silos and the substantial requirements of food grains for implementation of the Food Security Act, the Committee are of the firm belief that in spite of the high cost involved, the silos offer a safe, hygienic and permanent solution to the problem of storage of food grains in the Country with a one-time investment. They, therefore, recommend the Government to take a well-considered call on this matter without any further delay. The Committee further recommend that the Government should take immediate steps to implement M.S. Swami Nathan Committee's recommendation of construction of 50 state-of-the-art technology modern silos in various parts of the Country to ensure food security of the Country.		of High Level Committee headed by Shri Shanta Kumar, the capacity augmentation of only 12.25 LMT could be done as of October 2022.
Recommendation no. 16 (Quality Control and Preservation of Food Grains)		
The Committee note that the Quality Control Division in FCI is mandated with the task of procuring, preserving and supplying quality food grains as per specifications and guidelines of Government of India. There is an elaborate network of laboratories at depot level which are equipped with physical facilities and technically qualified staff. Moreover, there are laboratories at district, regional and zonal levels also. A system of supervisory inspection is also carried out by the Corporation with a view to have checks and super-checks on the procurement operations. The godowns are also constructed based on scientific method to make them rodent proof as well as damp proof. Regular treatment with prophylactic	The recommendation of the Committee was accepted by the Government.	During the period covered under present audit, average storage loss of 0.16 *per cent* was noticed in respect of rice whereas there was storage gain (average 0.55 *per cent*) in respect of wheat during the same period.

Recommendations	Status	Action taken
and curative measures is carried out for the control of insects/pests. Resultantly, the Corporation has been able to restrict loss of the stocks stored in its godowns to 0.14% to 0.18% during the last three years which are lower than the MoU target of 0.22 %. While appreciating these achievements of the Corporation, the Committee would suggest that the Corporation should prevail upon other agencies storing and maintaining food grains for the Central Pool on behalf of FCI viz. CWC and SWCs (whose losses during the corresponding period ranged between 0.29-0.57 % and 0.19-0.91 %, respectively) to bring down their storage losses by adopting FCI's best practices.		
Recommendations no. 17 & 18 (Movement of Food Grains)		
17. The Report of C&AG has pointed out substantial shortfalls in movement of food grains against planned/procurement quantities. The Committee note that during the period 2006-07 to 2011-12, the evacuation of good grains from procuring States was deficient in the range of 35% to 60%. The actual movement against the planned quantity was also in the range of 84% to 94 % during this period. The substantial shortfall in movement of food grains obviously results in huge accumulation of food grains stock in the procuring States and the incidental problems. The Committee further note that for 90 % of the movement of food grains the Corporation has to rely on Railways, however, due to several bottlenecks including short-supply of rakes, non-compliance with linear programme of movement, other traffic commitments, non-availability of suitable infrastructure at railway stations, constraints of timely loading and unloading at points of embarkation/disembarkation, etc. all have a	On this recommendation ministry had furnished interim reply.	During 2017-18 to 2021-22, there was shortfall in movement ranging from 60 to 46 *per cent w.r.t.* procurement and to the extent of 17 to 19 *per cent w.r.t.* planned movement. There was also a shortfall in planning rakes through Linear Programming. However, the role of inter departmental Coordination Committee has declined as no meeting has been

Recommendations	Status	Action taken
negative impact on the optimal movement of food grains. The Committee are, however, satisfied to note that an Inter-Departmental Coordination Committee consisting of all the agencies involved has come into being with a view to streamline the movement of food grains by rail. The Committee also note with appreciation that due to various initiatives taken by the Inter-Departmental Coordination Committee, there has been perceptible improvement in the movement of food grains by rail. As a result of efforts by this Inter-Departmental Coordination Committee, Railways are presently developing a module which can be considered for integration with FCI's linear programme for better movement of food grains. Keeping the pressing need of improvement in the movement of food grains by Railways, the Committee desire that the work on module being developed by Railways should be accorded top priority so that its implementation commences without any further loss of time.		held in the last two years.
18. The Committee observe that due to location specific problems and typical law and order situation obtaining in several regions of the North-Eastern States, the movement of food grains to the States is beset with far more problems than the movement of food grains to the other deficit States. While there has been some improvement due to the initiative of Inter-Departmental Coordination Committee, a lot more is required to be done. The FCI is undertaking a pilot project for riverine movement of a barge each of 300 MT from Varanasi to Tripura via Ashuganj in Bangladesh and from Pandu to North Lakhimpur/Dhamaji/Passighat. The Committee strongly recommend that not only should these projects be completed with	The recommendation of the Committee was accepted by the Ministry.	The riverine movement increased from 0.34 LMT in 2017-18 to 0.70 LMT in 2021-22. However, it was 0.89 LMT in 2019-20.

Recommendations	Status	Action taken
due promptitude but considering the fact that since riverine mode of transport is far more economical and hassle-free as compared to movement by road and rail, FCI should also initiate immediate action with a view to move food grains through the water ways in the riverine and coastal States.		

5.3 Recommendations of Standing Committee in 13th Report (17th Lok Sabha)

The Standing Committee of the Lok Sabha in its 13th Report made eight recommendations in respect of working of FCI. The status of recommendation and action taken/current status is given in following table:

Sl. No.	Recommendations	Remarks	Action taken
1.	**Procurement of Food grains** The Committee recommends that Government/FCI should assist the State Governments for creation of adequate infrastructure in the States for ensuring effective procurement. The Committee, desire that if the stock conforms to Fair Average Quality (FAQ) norms, it should not be rejected on flimsy grounds by FCI. The Committee further desire that FCI should organize interaction programmes for the officials so that they understand the responsibility of procurement operations to avoid harassment of farmers.	FCI has sensitized all its Zonal offices and Regional Offices to take necessary action on these recommendations . In view of Government reply, Committee does not desire to pursue the recommendation.	This aspect has not been covered under the scope of this Performance Audit.
2.	**Decentralised Procurement** The Committee believe that the Government will take vigorous steps to motivate the remaining States to adopt DCP Scheme so that the cost of distribution can be saved and the benefit of MSP reaches every doorstep. the Department/FCI should take steps for creation of necessary infrastructure in coordination with the State Governments in a time-bound manner.	Recommendation was accepted by the Ministry.	This aspect has not been covered under the scope of this Performance Audit.

Sl. No.	Recommendations	Remarks	Action taken
3.	**Storage and Transit Losses** The Committee feel that strict action should be taken against the delinquent officials and they should not escape accountability for unjustified losses. The Committee also feel that it should be the continuous endeavour of FCI to minimize the operational cost by controlling the operational losses and other overheads. The Committee, therefore, believes that the Department should continue to make vigorous efforts to reduce and minimize the storage and transit losses of food grains during the year 2021-22 and beyond to prevent the food subsidy from rising further and also to reduce the burden on public exchequer and tax payer of the country. The number of vigilance cases (major and minor) pending for unjustified transit and storage losses as on 30 September, 2020 stand at 18 and 89 respectively. The Committee recommend that FCI should fix its own standards/set guidelines/checklist so that employees become extra careful and vigilant in the matter of food grains stocks so that minimum loss is caused to this public corporation on this account. The Committee also desire that the framework for addressing the pendency of legal cases at Department level should be reviewed to include such essential ingredients necessary for streamlining the procedure currently followed, establishing a monitoring system of pending legal cases and taking other necessary steps for disposal of all pending cases against the delinquent	Recommendation was accepted by the Ministry.	The aspect of occurrence of Storage and Transit losses and their non-regularisation since a long period of time has been highlighted in the Report.

Sl. No.	Recommendations	Remarks	Action taken
	officials expeditiously in a time-bound manner.		
4.	**Storage Capacity** The Committee desire that hiring of godowns should be resorted to only when it is absolutely necessary, and that efforts should be made to minimize the rent paid to various agencies in this regard. The Committee, therefore, strongly recommend that FCI should utilise their own storage capacity to the maximum (whether covered or CAP) before hiring any storage capacity in order to save precious funds spent on taking the storage space on rent.	Recommendations was accepted by the Govt.	Own capacity utilisation ranged between 55 to 69 *per cent* whereas utilisation of hired storage ranged between 85 to 93 *per cent* during 2017-18 to 2021-22.
5.	**Construction of Godowns** The Committee desire that the Department/FCI should make sincere efforts to expedite completion of on-going godown construction projects particularly in J&K, NE States, Andaman & Nicobar and Lakshadweep Islands. The Committee understand the problem faced by FCI in construction of godowns in NE Region which are mainly due to difficult terrain, frequent bandhs, and land acquisition restrictions, law and order situation and inclement weather which affects construction work. The Committee, therefore, recommend that the Department should take up the matter with the States/UTs at the highest level to solve the problem of storage. The Committee also recommends that mini godowns should be created in different parts of the States/UTs.	Recommendation was accepted by the Ministry and construction work is under progress.	The pace of construction of godowns is very slow. The delays in augmentation of storage capacities in the North Eastern Region have been included in the Report.

Sl. No.	Recommendations	Remarks	Action taken
6.	**<u>Damaged Food grains</u>** The Committee feel that damage done to food grains due to natural calamities like rains/floods is beyond human control. But the damages to food grains due to negligence of officials/officers can be avoided to the maximum extent by keeping a strict vigil and holding them accountable. The Committee also feel that the movement of food grains to distribution centres is also very slow. As a result, huge piling of food grains and rotting takes place, thereby causing heavy losses. The Committee recommend that the Department should give special attention to the major wheat producing States, such as Punjab and Haryana and create adequate storage capacity in such States. The Department should also consider creation of storage space in other States such as Rajasthan, Maharashtra and Tamil Nadu where the non-cultivable land can be used to institute modern silos/godowns for storing food grains which will serve as a supply centre to both northern and southern regions. The Committee, recommend that utmost care should be taken to ensure that the food grains do not get damaged/spoiled by taking adequate scientific storage measures and fixing responsibilities on officials/officers for accrual of damaged food grains.	Recommendation is Accepted by Government.	There were damaged food grains to the extent of 13,349 MT during 2017-18 to 2021-22. The cases of delay in disposal of damaged stock has been pointed out in the report.
7.	**<u>Diversion of Food grains</u>** The Committee further desire that Government should take the issue of monitoring seriously as it will help	Recommendation was accepted by Ministry.	This aspect was not covered under the scope of this

Sl. No.	Recommendations	Remarks	Action taken
	preventing and reducing cases of diversion of food grains/complaints emerging from different parts of the country. Since crores of rupees are being spent for allocating subsidised food grains to the poorest of the poor in the country every year, it is vital that the benefits thereof reach the intended sections of the society.		Performance audit.
8.	**Corruption in FCI** The Committee, therefore, recommend that FCI should strengthen its vigilance mechanism in coordination with the States/UTs so as to detect corrupt practices by FCI officers and take stringent punitive action against them, if found guilty. The Committee also desires that senior officers should be held accountable to uproot the evil of corruption. The Committee further desires that the Public Distribution System should be made more transparent and accountable. The Committee is of the opinion that FCI staff may be transferred after a fixed period to avoid creation of vested interests. The Committee further recommends that efforts should be made for early disposal of pending cases as delay in disposal of vigilance cases would encourage corrupt practices and undermine the authority of law.	Recommendation was accepted by Government.	This aspect was not covered under the scope of this Performance audit.

5.4 Compliance Audit Report No. 18 of 2017 (Chapter IV)

A thematic audit on 'Implementation of Private Entrepreneur Guarantee (PEG) Scheme for construction of Godowns in Punjab' covering the period of three years ending 31st March 2016 in Punjab Region of FCI, was printed in CAG Report No. 18 of 2017 (Chapter IV) for Union Government, Ministry of Consumer Affairs, Food and Public

Distribution (Compliance Audit). The status of compliance/follow up of observations is given below:

Sr. No.	Para no.	Brief of the para	Managements reply	Current status/ Action taken
1	4.2.1	Delay of five to seven years in augmentation of storage capacity. As against the approved capacity of 49.99 LMT, a capacity of only 45.29 LMT (192 godowns) bulk of contracts for capacity creation were awarded in 2011-12, after a gap of three years from inception of the scheme and godowns were being taken over after a delay of two to seven years since the introduction of the scheme. The delay in construction of godowns under the scheme was primarily attributable to delays in award of contract for construction of godowns to PEs.	The construction of godowns under PEG Scheme is almost complete in Punjab after following due laid down procedures. Govt. of India and Food Corporation of India to minimize the storage of food grains in CAP. Additional storage capacities in the form of SILOs are being created to further minimise the storage in CAP.	Storage in CAP with SGAs still continued during 2017-18 to 2021-22 in Punjab. There was delay in augmentation in Silos as well. In selected divisions of Punjab Region awarded capacity under the scheme was taken over prior to 2017-18. There was delay in completion/ taking over storage capacities under PEG in other regions. The cases noticed in present performance audit is given in Para 3.5.5.1.
2	4.2.2	Continued storage of Central Pool wheat stock at Covered and Plinth (CAP)/Kacha Plinth due to delays in storage capacity creation. As on 31 March 2016 in Punjab, 53.56 LMT of wheat stock was lying in CAP/Kacha Plinth/Mandi with SGAs/FCI	To overcome the situation of CAP storage, FCI is in process of creation of long term SILO in the country to the tune of 100LMT capacity.	Storage of wheat still continued with SGAs in CAP during audit period. There has been no augmentation in capacity of conventional

Sr. No.	Para no.	Brief of the para	Managements reply	Current status/ Action taken
		and 4.72 LMT of wheat valuing ₹ 700.30 crore got deteriorated which was declared as non-issuable to TPDS (March2016) as it was stored in open areas. Delays in implementation of the PEG scheme resulted in huge stock of wheat being kept in CAP/Kacha plinth by State Agencies/FCI.	Government of India has approved the construction of 21 LMT steel silos at 21 locations for storage of wheat in Punjab against which 3.5 LMT has been constructed till March 2022.	godowns despite vacant space in FCI depots. Pace of building/completion of Silos was slow.
3	4.3.1	Award of contracts to ineligible private entrepreneurs whom capacity was hired under seven and ten years guarantee scheme were constructed on plots which were short of area ranging between 0.17 acre to 0.83 acre than the specified area. FCI paid an amount of ₹ 21.04 crore as rent to these PEs and undue benefit was passed on to the PEs who were *ab initio* ineligible for the award of contract.	The report has been selected by COPU for examination and no further action reported in this regard by FCI.	Recommendation of COPU is awaited. No such issue was observed in present performance audit.
4	4.3.2	18 godowns of more than 25,000 MT each (with an aggregate capacity of 10.68 LMT) were taken over even though they were not constructed at railway sidings. Hiring of godowns (above 25,000 MT) at sites without railway siding would cause recurring financial burden of ₹ 9.77 crore on FCI due to additional loading and unloading operation.	The objective of the PEG Scheme is to construct godowns at locations with high procurement. Accordingly, open tenders were floated with the option of 'Railway siding godowns. However, the	Similar issues were noticed in other regions also. No godowns were taken over during audit period 2017-18 to 2021-22 in Punjab Region. The observation in present performance

Sr. No.	Para no.	Brief of the para	Managements reply	Current status/ Action taken
			contracts were awarded and the godowns constructed without siding also where no offers received for Siding godowns and same are accepted keeping into consideration competitive rates received for such godowns.	audit is given in Para 3.5.5.2.
5	4.3.3	Extra expenditure due to incorrect measurement of distance of godowns from railheads In terms of PEG Scheme, PEs were to specify the distance of the godown from the railhead which constituted an important factor for evaluating the financial bid and award of contract by HLC. As per records, the godowns were taken over by FCI after inspection by a committee of officers of FCI. However, it was noticed in Audit that in 74 *per cent* cases the actual distance of the godowns from the railhead was different from what was specified by PEs in the bid documents. Out of 154 godowns taken over under PEG scheme, excess distance ranged from + 0.1 km to +7.1 km in	Normalization factor' has already been effected and the rates of rent have been corrected in the beyond 8.0 KMs cases where variation in distance had been detected. Besides, disciplinary actions have also been initiated against responsible officials.	Recommendation of COPU is awaited. No further capacity under the scheme was taken over in selected divisions during the period covered under current PA in Punjab Region.

Sr. No.	Para no.	Brief of the para	Managements reply	Current status/ Action taken
		respect of 114 godowns. Due to wrong measurement of distance by PUNGRAIN and FCI at the initial stage, FCI had to pay more for the transportation for the excess distance and incurred excess expenditure of ₹ 8.36 crore. Though recovery of ₹ three crore in respect of 46 godowns (which were beyond eight km) was imposed for the period 2012-13 to 2015-16, but no recovery was imposed in respect of those cases where other discrepancies were noted and the overall distance was within eight km. The remaining amount of ₹ 5.36 crore was still recoverable from the PEs.		
6	4.3.4	Deficient clause for payment of Service Tax As per Model Tender Form (MTF) for inviting tender under PEG (Private Entrepreneurs Guarantee) scheme, the rate for storage charges/rent was inclusive of the element of service tax. However, the MTF did not specify either the procedure for ensuring payment of service tax by PEs to the authorities concerned or requirement of production of documentary evidence to FCI. Audit further noticed that the agreement executed between FCI and PUNGRAIN, did not include the clause that rent was inclusive of service tax.	The MTF has already been modified by inserting a clause in the MTF whereby rent was made exclusive of the Service Tax Besides investors have deposited their due service tax. In cases where the investors have failed to deposit their service tax, Taxation Authority has	Recommendation of COPU is awaited. No issue was noticed in present performance audit.

Sr. No.	Para no.	Brief of the para	Managements reply	Current status/ Action taken
		During scrutiny of records in three district offices of Faridkot, Moga and Sangrur it was noticed that capacity of 2,63,900 MT under the seven year guarantee scheme was taken over by FCI through PUNGRAIN. Godown rent ranging from ₹ 124.17 lakh per month to ₹ 127.71 lakh per month (inclusive of service tax) was paid to PUNGRAIN during the period August 2012 to March 2016. However, the godown rent was released to PUNGRAIN without obtaining any supporting documents for payment of service tax of six crore by the PEs to the concerned taxation authority. Not insisting on proof of payment for service tax before release of full payment was an obvious control weakness.	issued notices to such investors. Additionally, PUNGRAIN has also been advised to ensure that Service tax obligation is met by the Investors.	
7	4.3.5	**Avoidable payment of supervision charges to PUNGRAIN in contravention of scheme** According to terms of PEG scheme, godowns hired by PUNGRAIN for FCI from PEs were of two kind viz. lease only and lease with services. For Lease with Services godowns the charges for component 'A' and 'B' were to be paid via PUNGRAIN to the PEs whereas the supervision charges were retained by PUNGRAIN. For the Lease only godowns, only component	As per the provision of PEG Scheme, the supervision charges have to be paid upto maximum limit of 15% of (A) {A is basically the payment made by CWC and SWCs to the private party}. As such, it is submitted that FCI is adhering to the relevant	Discussion and Recommendation of COPU is awaited. Similar issue was pointed out in Para 3.6.3.4.

Sr. No.	Para no.	Brief of the para	Managements reply	Current status/ Action taken
		'A' was payable through PUNGRAIN to PEs while component 'B' and 'C' were retained by PUNGRAIN. While the PMS charges were fixed in October 2010 at the rate of ₹ 1.60 per quintal per month, the supervision charges were to be calculated at the rate of 15 *per cent* of the amount of rent being paid to the PEs. Audit observed that FCI paid supervision charges to PUNGRAIN at 15 *per cent* of the composite rate (Rent *plus* PMS). Audit observed in selected four Dos at Faridkot, Kapurthala, Moga and Sangrur that for 6.12 LMT capacity on Lease and Services basis under PEG Scheme, FCI released payment to PUNGRAIN on account of supervision charges based on incorrect calculations resulting in extra expenditure to the tune of ₹ 3.30 crore.	Clause of PEG Scheme.	
8	4.3.6	**Non-exclusion of service tax from godown rent for payment of supervision charges** The MTF for inviting tender under PEG scheme for construction of godown for FCI under seven years guarantee scheme stipulated that rate for storage charges/rent will be inclusive of the element of service tax in financial bid. Further, clause 1 of agreement	The advice rendered by CAG has been accepted by FCI. The MTF has already been modified by inserting a clause in the MTF of PEG scheme for 10 years guarantee thereby rent was	Recommendation of COPU is awaited. There is status quo in the matter.

Sr. No.	Para no.	Brief of the para	Managements reply	Current status/ Action taken
		of guarantee between FCI and PUNGRAIN stipulated that FCI will make such payment of storage charges to PUNGRAIN on the basis of payment made by them to PEs for renting of godowns and expenses on food grains, preservation, security (pre-determined by FCI) along with 15 *per cent* supervision charges on godown rent. Audit observed that the rate quoted by the PEs were inclusive of service tax. Accordingly, the supervision charges at the rate of 15 *per cent* were payable to PUNGRAIN which were to be worked out by reducing the element of service tax from the godown rent. However, it was noticed in audit that three district offices of FCI paid supervision charges to PUNGRAIN at the rate of 15 *per cent* of godown rent without reducing the service tax element. An inadmissible payment of ₹ 90.06 lakh on account of supervision charges had been made to PUNGRAIN in respect of 21 godowns in Faridkot, Moga and Sangrur District Offices during August 2012 to March 2016.	made exclusive of the Service Tax.	
9	4.4.1	**Avoidable expenditure on storage charges and carry over charges** FCI as well as State Government Agencies (SGAs) procure wheat from mandis for	The Final recovery has been made and the detailed calculations/ reply has	Avoidable expenditure on COC due to failure to take direct delivery as per vacant

Sr. No.	Para no.	Brief of the para	Managements reply	Current status/ Action taken
		Central Pool. As per the standing instructions issued by the GoI, the SGAs are required to deliver wheat to central pool immediately after its procurement unless FCI is unable to accept it for reasons which are to be conveyed in writing. Carry over charges (storage charges and interest) beyond 30 June each year shall be payable to SGAs only on that quantity which FCI refuses to accept before 30 June each year. Audit observed in four selected DOs that 714740 MT of wheat was short delivered by SGAs up to the cut-off date of 30 June during the respective wheat procurement seasons 2013-14 to 2015-16. Audit observed that due to shortfall in direct delivery of wheat, capacity of owned/hired godowns remained unutilised from July to October (up to next procurement season). However, rent was paid for such godowns and FCI incurred storage charges of ₹ 14.29 crore (at the rate ₹ 67.60 per MT per month on hired space) for four months in respect of hired capacity which remained unutilised due to short delivery of wheat by SGAs to FCI. Audit also observed that though the quantity of 7.15 LMT was short delivered by SGAs, FCI still paid avoidable storage and	already been submitted, however, it may also be noticed that the total vacant space available in PEG Godowns on 30th June during the respective wheat procurement seasons 2013-14 to 2015-16 is only 175777 MT instead of 714740 MT as per the details provided by District offices Faridkot, Kapurthala, Moga and Sangrur. Therefore, the Area Managers of Faridkot, Kapurthala, Moga and Sangrur have recovered Carry Over Charges of ₹ 12.51 Cr. from State Govt. Agencies who could not handover the demanded wheat stocks to FCI for take over.	capacity was noticed in Punjab and Haryana Regions. Similar issue was pointed out in Para 3.4.6.

Sr. No.	Para no.	Brief of the para	Managements reply	Current status/ Action taken
		interest charges to the tune of ₹ 54.33 crore in respect of this stock beyond 30 June which was kept with the SGAs.		
10	4.4.2	**Non recovery of abnormal storage loss at economic cost** As per para 9.2 of PEG Scheme, the responsibility of maintenance of godowns would lie with the CWC/SWC to whom supervision charges will be payable. Clause 4 of the Agreement between PUNGRAIN and FCI in respect of godowns hired under PEG scheme provided that if the storage loss is beyond the permissible limit as per FCI norms, PUNGRAIN shall be responsible for the same and recoveries for such unjustified losses shall be affected from it by FCI. Test check of 153 cases of abnormal storage loss of FCI Punjab Region, revealed storage loss of 1,824.84 MT rice valuing ₹ 45.79 crore in PEG godowns during 2013-14 to 2015-16, out of which abnormal/unjustified storage losses of 538.66 MTs (29.52 *per cent*) of rice worth ₹ 16.96 crore were observed. However, recovery of only ₹ 13.55 crore at standard rate on account of abnormal storage loss in rice from defaulting agencies was made resulting in short	As per the guidelines, valuation of storage losses is made at the Standard Rates. It is submitted that recovery at Economic cost is done only in cases of theft, pilferage or misappropriation and not storage loss. In the instant case, losses are reported as Storage loss.	Recommendation of COPU is awaited. During field audit it was noticed that corrective action have been taken and recovery of abnormal storage loss occurred in PEG godowns have been effected at economic cost of stock.

Sr. No.	Para no.	Brief of the para	Managements reply	Current status/ Action taken
		recovery of abnormal storage loss amounting to ₹ 3.41 crore. Audit noticed that FCI made recovery on the basis of standard cost as against the required economic cost. As the standard rate only included procurement cost *plus* incidental expenses while economic cost also included other important elements such as administrative overheads, storage charges, handling charges etc., the amount of abnormal shortage was short recovered to the extent of ₹ 3.41 crore due to incorrect application of standard rate of recovery instead of economic rate.		
11	4.4.3	**Improper planning in taking over of godown** Clause 31 of the PEG scheme provided that FCI will have freedom to choose a date of taking over the godown within six months of the completion of the godown and the guarantee period will start from the date of taking over the godown. Audit noticed that District Office, FCI, Ferozepur took over the capacity of 2.91 LMT on guarantee basis under PEG Scheme at the end/after close of RMS 2012-13. As the PEG godowns were not being utilised on account of takeover of godown at the end of the season, FCI shifted 1,79,715 MT of stock from SGAs	The factors of Movement plan deviations and of additional handling charges incurred by the Corporation etc. were taken into consideration while arriving at the saving made by District Office Ferozepur.	Recommendation of COPU is awaited. No such issues were noticed in audit in Punjab Region during the period 2017-18 to 2021-22.

Sr. No.	Para no.	Brief of the para	Managements reply	Current status/ Action taken
		godown to PEG godowns to utilise the PEG godowns and DO, FCI Ferozepur incurred an expenditure of ₹ 1.65 crore towards transportation of food grains. This was completely unnecessary as the grains were stored in SGAs godown for which FCI was already paying rental. Similarly, SSB Warehousing Complex godown of 36,307 MT capacity was taken over by DO, FCI, Kapurthala on guarantee basis on 25 June 2015 i.e. almost at the end of RMS 2015-16. Utilisation of godown from July 2015 to December 2015 remained very low between 13 *per cent* and 46 *per cent*. During this period FCI paid ₹ 85.62 lakh towards rent, PMS and supervision charges. Audit observed that as per Clause 31 of PEG Scheme, takeover of godown could have been postponed till the end of December 2015. Thus taking over of godown at the end of RMS 2015-16 resulted in suboptimal utilisation of godown and avoidable expenditure of ₹ 85.62 lakh towards rent, PMS and supervision charges.		
12	4.4.4	**Non recovery for short supply of wooden crates in godowns** Preservation arrangement in godowns include stacking of stock on wooden crates, as	The due recovery has been done.	Short supply of wooden crates in some PEG godowns were noticed.

Sr. No.	Para no.	Brief of the para	Managements reply	Current status/ Action taken
		wooden crates keep the stock five inches high from the floor and provide constant circulation of air under the bags. Further, in case of any leakage in the godown, it protects the lower layer of the stacks from damage which otherwise could become unfit for human consumption. As per specification laid down in MTF, 2,880 wooden crates were required in a godown having capacity of 10,000 MT. Audit noticed that in a godown having capacity of 42,650 MTs in Sangrur District, 12,284 wooden crates were to be provided by the PUNGRAIN against which only 2,300 wooden crates were provided thereby resulting in short supply of 9,984 wooden crates. Similarly, capacities of 2.41 LMT in 12 godowns was taken over in DO Faridkot under PEG Scheme and the godowns were taken over with shortfall of wooden crates required under the provisions of MTF. Based on the rate of recovery of ₹ 0.37 per quintal per month approved by BOD in case of non-provision of wooden crates, the amount on account of short supply of wooden crates for the period February 2013 to May 2016 worked out to ₹ 55.48 lakh which needed to be recovered from PUNGRAIN.		

5.5 Conclusion

The Performance Audit reveals that FCI could not ensure efficiency and economy in its operations. FCI has no R&D Division to explore innovative method for safety, quality control or to bring efficiency and economy in storage and movement. FCI is not utilizing its available storage space optimally and it has not done any cost benefit analysis regarding creating its own storage space or going for hired storage space. FCI lacks effective coordination with the Railways which results in continued shortfall in providing railway rakes for movement of food grains.

Besides the recommendations made in the report, audit feels that the procurements need to be linked with prescribed stocking norms and GoI should rationalise existing buffer stocks norms with a view to reduce subsidy burden in the form of reduced buffer subsidy. FCI should work out profit/loss from its operations so as to identify efficiency/inefficiency in its operations. FCI should ensure efficient use of IT System in Storage and movements of food throughout the country.

(KEERTI TEWARI)
Director General of Audit
(Agriculture, Food & Water Resources)

New Delhi
Dated: 31 July 2023

Countersigned

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
Dated: 03 August 2023

Annexures

Annexure 1
(as referred to in Para 1.1.3)
Recommendations of High Level Committee and decisions taken by Government of India

Sl. No.	Recommendations	Decisions taken
1.	**Procurement**	
	• Handing over of procurement operation to states who gained sufficient experience and have infrastructure. • FCI will accept only the surplus (after deducting the needs of the states under NFSA). • To help the farmers to avoid distress sale at prices much below MSP. • Agreement with states for costing norms before procurement seasons. • Centre should make it clear to states that in case of any bonus being given by them on top of MSP, Centre will not accept grains under the central pool beyond the quantity needed by the state for its own PDS/ OWS. • The statutory levies including commissions should be rationalised uniformly and need to be brought down uniformly to *per cent*. • Quality checks in procurement have to be adhered to, and anything below the specified quality will not be acceptable under central pool. • HLC also recommends that levy on rice millers be done away with.	• All states except Punjab and Haryana are DCP States where FCI is not involved in procurement. • The existing system may be continued due to operational difficulties. • FCI will provide only guidance and outside support in procurement work in case of DCP States. • FCI will prepare agreements for Non- DCP States in consultation with states and there exist an agreement with DCP states. • Decision has already been taken by the department vide its order dated 12.06.2014 on this issue. • State Governments have not agreed for uniform taxation. • FCI would strengthen its quality control check mechanism. • Levy has been withdrawn with effect from KMS 2015-16.

Sl. No.	Recommendations	Decisions taken
	• Negotiable warehouse receipt system (NWRs) should be taken up on priority and scaled up quickly.	• Steps would be taken in this direction. At present farmers of the country are totally dependent on government procurement.
	• GoI needs to revisit its MSP policy. The effective price support operates primarily in wheat and rice and that too in selected states. The country is short of pulses and oil seeds (edible oils), their prices often go below MSP without any effective price support.	• Department has agreed for procurement of pulses and oilseeds through FCI on the pattern of NAFED under the Price Support Scheme.
2.	**Storage**	
	• Outsourcing of its stocking operations to various agencies. It should be done on competitive bidding to bring down costs of storage.	• Godowns of CWC/ SWC will be hired as per existing arrangement. The private godowns will be hired on the basis of competitive bidding.
	• Requirement of bulk handling facilities. A silo capacity of about 10 MMT (together for wheat and rice) should be created in the next 3-5 years.	• FCI will undertake construction of approx. 43.5 lakh tonnes capacity of silos in next five years.
	• Covered and plinth (CAP) storage should be gradually phased out with no grain stocks remaining in CAP for more than 3 months.	• FCI will de-hire its currently hired CAP capacity of 1.94 LMT within 1 month. CAP Complexes having 5000 MT or above capacity will be taken up for conversion into silos. In addition, grains kept in CAP will be evacuated within 6-8 months.
	• Each state, especially the deficit ones in difficult terrain (like hilly areas of North-East, Jammu and Kashmir etc), must have storage of grains for at least three months of their consumption requirement.	• The construction work of godowns is going on in the States of North-East region under Plan Schemes. On construction of additional 5 LMT storage capacity, it would be feasible to

Sl. No.	Recommendations	Decisions taken
		store food grains for 3 months' consumption requirement in NER. Efforts will be made to increase storage capacity in J&K to store food grains for 3 months requirement against existing two-month capability.
3.	**Movement**	
	Movement of grains needs to be gradually containerised which will help reduce transit losses, and have faster turn-around-time by having more mechanised facilities at railway sidings.	As Railways do not have facilities of containerised movement at present, it is not feasible to implement it as of now.
4.	**Man-power management**	
	Fixing a maximum limit on the incentives per person to Departmental worker that will not allow him to work for more than say 1.25 times the work agreed with him. Further, the condition of contract labour, which works the hardest and are the largest in number, should be improved by giving them better facilities.	The restructuring of labour force of FCI would be done by taking the labour unions in confidence. Capping of incentive being given to the regular workers of FCI is not advisable as it would lead to delay in unloading at the railheads. Regular strict vigil would be kept to provide better facilities to contractual labour prescribed under various labour laws.
5.	**Miscellaneous**	
	• Buffer stocks with FCI have been more than double the buffer stocking norms costing the nation thousands of crores of rupees without any worthwhile purpose being served. A transparent liquidation policy is the need of hour, which should automatically kick-in when FCI is faced with surplus stocks than buffer norms.	• A decision has already been taken in this regard under which FCI would sell surplus wheat and rice in the open market in smooth manner.

Sl. No.	Recommendations	Decisions taken
	• Direct cash subsidy (of about ₹ 7000/ha) for fertilizer. This would help plug diversion of urea to non-agricultural uses as well as to neighboring countries, and help raise the efficiency of fertilizer use.	• Department of Fertilizers is actively considering this matter.
	• Total end to end computerization of the entire food management system, starting from procurement from farmers, to stocking, movement and finally distribution through TPDS.	• FCI has invited tenders for Depot Online Project. It will be done in phases. Depot Online Project will be done in 10 depots in current year and all other depots of FCI in the next year. Depot on line project would be implemented in hired Depot in third phase.
	• Cover of 67 *per cent* population under NFSA is on much higher side, and should be brought down to around 40 percent. 5kg grain per person to priority households is actually making BPL households worse off, who used to get 7 kg/ person under the TPDS So, HLC recommends that they be given 7 kg/ person.	• There is no proposal to make amendments in the NFSA, 2013.
	• Leakages in PDS range from 40 to 50 *per cent*, and in some states go as high as 60 to 70 percent, GoI should defer implementation of NFSA in states that have not done end to end computerization.	• Government has made all States and Union Territories aware about NFSA and asked to implement it, so that leakage in the PDS can be reduced.
	• HLC recommends that targeted beneficiaries under NFSA or TPDS are given 6 months' ration immediately after the procurement season ends to save on storage costs. Storage bins at highly subsidized rates may be given to consumers.	• Ministry has already issued instructions for release of food grains up to 6 months' requirement at a time.

Sl. No.	Recommendations	Decisions taken
	• HLC recommends gradual introduction of cash transfers in PDS, starting with large cities with more than 1 million populations; extending it to grain surplus states, and then giving option to deficit states to opt for cash or physical grain distribution. HLC's calculations reveal that it can save the exchequer more than ₹ 30,000 crore annually, and still giving better deal to consumers.	• This Department has decided to implement this with an appropriate strategy to maintain a balance between the cash transfer of subsidy and availability of food grains in the market. It will be implemented in the States/ UTs which are agreed to and ready for it.

Annexure 2
(as referred to in Para 1.7)

Sample Selection

FCI is divided into five zones *viz.* North, South, East, West & North-East with a Zonal Office in each zone. There are 26 Regional offices under these zones of FCI. These Regional Office has 162 Divisional offices. The sample was selected as per the methodology given below:

- Out of 26 Regional offices, 11 Regional Offices spread over 11 states were selected through random sampling.
- Each Region shall be stratified into two strata in ascending order on the metric of 'Storage Capacity/ (Procurement plus Receipt)' of DOs. The metric was used for better representation of the sample from the universe. Stratified Random Sampling were used to select the desired number of Dos (30 per cent of Divisional Offices).
- Two FSDs and one each from hired godowns/silo/plinths were randomly selected subject to a minimum of three in number and maximum of 30 per cent or 10 in number (whichever is lower of the two) of the total number of godowns under the Division. If there are no hired godowns/silos/plinths in the Division, selection of required number of depots may be made from own depots/plinths only.
- One Contract of HTC and RTC (wherever applicable) each for a depot shall be randomly selected for scrutiny. Execution part of HTC/RTC contracts shall be scrutinized at the Divisional Office level while tendering/ award of contract shall be scrutinized at the Regional Office audit.

As per methodology described above, the sample size for this Performance Audit was as under:

Name of Regional office selected	Divisional offices		FSDs		Hired godowns		HTC/RTC contracts	
	Total	Selected	Total	Selected	Total	Selected	Total	Selected
Punjab Region	13	4	121	8	491	17	216	59
Haryana Region	5	2	35	4	262	11	618	55
Rajasthan Region	8	3	37	6	136	9	155	31
UP Region	19	5	47	9	203	14	90	24
Bihar Region	12	4	12	6	68	8	26	13
Maharashtra Region	6	2	14	3	77	9	14	8
M.P. Region	7	2	25	4	13	1	37	7
Tamil Nadu Region	6	2	14	3	57	4	15	15
Telangana Region	7	2	11	3	61	4	88	18
Assam Region	9	3	22	7	18	3	95	48
Jharkhand	4	2	6	2	42	6	66	33
	96	**31**	**344**	**55**	**1428**	**86**	**1420**	**311**

Annexure 3
(as referred to in Paragraph 2.3)

Scheme-wise allocation and offtake of food grains

(Figures in LMT)

Year	2017-18		2018-19		2019-20		2020-21		2021-22	
Wheat										
	A	**O**	**A**	**O**	**A**	**O**	**A**	**O**	**A**	**O**
TPDS+NFSA	238.58	192.05	237.36	185.26	236.13	190.61	234.74	187.94	238.77	183.84
OWS (Including Addl. Relief & other purpose & Spl. Allotments made during Covid-19)	16.12	11.01	16.11	11.43	15.63	11.16	36.08	17.75	48.92	15.38
PMGKAY Scheme	-	-	-	-	-	-	92.51	92.51	175.69	175.69
OMSS(D) including without e-auction & NGOs / Charitable	0.00	13.83	0.00	82.06	0.00	34.08	0.00	24.98	0.00	70.93
EXPORT	0.00	1.09	0.00	0.00	0.00	0.02	0.00	0.75	0.00	0.10
DCP	-	35.01	-	37.71	-	36.02	-	39.97	-	59.61
Sub. Total	254.70	252.99	253.47	316.46	251.76	271.89	363.33	363.90	463.38	505.55
Percentage of offtake to allocation	-	99.33	-	124.85	-	108.00	-	100.16	-	109.10
Rice										
TPDS+NFSA	314.08	207.82	313.45	191.21	311.86	184.85	307.23	158.33	293.15	130.18
OWS (Including Addl. Relief & other purpose & Spl. Allotments made during Covid-19)	36.68	21.65	38.87	22.07	36.09	20.18	105.98	36.91	118.32	27.43
PMGKY Schemes	-	-	-	-	-	-	144.61	144.61	149.60	149.60
Sale of rice to oil Marketing Companies OMSS(D) for conversion into ethanol	-	-	-	-	-	-	0.08	0.08	1.63	1.63

Year	2017-18		2018-19		2019-20		2020-21		2021-22	
OMSS(D) including without e-auction & NGOs / Charitable	0.00	4.68	0.00	8.04	0.00	14.22	0.00	24.64	0.00	11.28
EXPORT	0.00	0.02	0.00	0.00	0.00	0.01	0.00	0.04	0.00	0.03
DCP	-	112.49	-	120.99	-	132.09	-	200.23		230.58
Sub. Total	350.76	346.66	352.32	342.31	347.95	351.35	557.90	564.84	562.70	550.73
Percentage of offtake to allocation	-	98.83	-	97.16	-	100.98	-	101.24	-	97.87
Grand Total	**605.46**	**599.65**	**605.79**	**658.77**	**599.71**	**623.24**	**921.23**	**928.74**	**1026.08**	**1056.28**

Annexure 4
(As referred to in Para 3.4)

Detail of storage capacity and utilisation

(Figures in LMT)

Year	FCI Owned Covered			FCI Owned CAP		
	Capacity	Stock	Utilisation	Capacity	Stock	Utilisation
2017-18	128.32	84.20	66%	26.02	0.49	2%
2018-19	128.32	95.05	74%	26.02	2.21	8%
2019-20	127.59	103.01	81%	26.02	3.38	13%
2020-21	127.35	91.65	72%	25.79	3.48	13%
2021-22	151.33	95.90	63%	25.27	3.11	12%

Year	CWC			SWC			Hired CAP		
	Capacity	Stock	Utilisation	Capacity	Stock	Utilisation	Capacity	Stock	Utilisation
2017-18	24.53	20.62	84%	68.39	57.28	84%	0	0	0%
2018-19	28.22	24.26	86%	79.70	70.35	88%	0.45	0.42	93%
2019-20	31.04	27.68	89%	88.90	82.64	93%	0.46	0.62	135%
2020-21	30.25	25.53	84%	84.47	71.51	85%	6.00	6.10	102%
2021-22	37.29	28.23	76%	104.50	88.12	84%	11.11	8.23	74%

Year	PEG			PWS			Other Private Parties			Silos		
	Capacity	Stock	Utilisation	Capacity	Stock	Utilisation	Capacity	Stock	Utilisation	Capacity	Stock	Utilisation
2017-18	102.64	89.72	87%	0.38	0.26	68%	5.87	4.58	78%	2.85	1.87	66%
2018-19	111.56	99.52	89%	0.75	0.73	97%	2.48	1.96	79%	5.25	4.50	86%
2019-20	114.97	108.38	94%	2.98	2.60	87%	2.67	2.65	99%	4.92	4.87	99%
2020-21	114.80	96.91	84%	6.91	6.33	92%	2.25	1.90	84%	6.35	6.13	97%
2021-22	108.15	99.51	92%	10.94	10.09	92%	2.14	1.67	78%	8.98	7.90	88%

Annexure 5
(as referred to in Para 4.4.1)

Details of LTTC rebate not availed of

Rebate Structure:

S. No	Rebate on incremental freight		Rebate on Volume increase	
	Yearly percentage increase in Freight revenue to railways	Rebate in percentage	Total volume of traffic (Million tons)	Rebate on corresponding freight revenue (%)
1	0 to <=5	0	0-5	Nil
2	>5 to <=10	1.5	>5 <=10	0.5
3	>10 to <=15	2.5	>10 <=15	1
4	>15 to <=20	5	>15 <=20	1.5
5	>20 to <=30	7.5	>20 <= 25	2
6	>30 to <=40	10	>25 <= 30	2.5
7	>40 to <=50	12.5	>30 <= 35	3
8	>50 to <=60	15	>35 <= 40	3.5
9	>60 to <=70	17.5	> 40 <= 45	4
10	>70 to <=80	20	>45 <= 50	4.5
11	>80 to <=90	25	> 50	5
12	>90 to <=100	30	-	-
13	>100	35	-	-

Calculation of Rebate:

	2017-18	2018-19	2019-20	2020-21	2021-22
Total Quantity moved in LMT (GVT)	353.18	303.80	296.58	479.17	505.63
MGGFR (₹ in crore)	6740.93	7077.97	7431.87	7803.47	8193.64
BGFR (₹ in crore)	6419.93	6740.93	7077.97	7431.87	7803.47
Freight Expenditure (₹ in crore) -AGFR	6893.03	6340.65	5293.70	7889.06	9181.24
Annual increment over BGFR (%)	7.37	-5.94	-25.21	6.15	17.66
Percentage Rebate on incremental growth	1.50	0.00	0.00	1.50	5.00
Rebate on incremental growth (₹ in crore)	103.39	0.00	0.00	118.34	459.06
Total Qty. moved in Million Tonnes	35.32	30.38	29.66	47.92	50.56
Percentage rebate on volume as per slab of GVT	3.5	0.00	0.00	4.50	5.00
Rebate on volume as per slab of GVT (₹ in crore)	241.26	0.00	0.00	355.01	459.06
Total rebate (₹ in crore)	**344.65**	**0.00**	**0.00**	**473.34**	**918.12**

Glossary of Terms

AUB	Actual Utilisation Basis
BSWC	Bihar State Warehousing Corporation
C&AG	Comptroller and Auditor General
C2	Weighted average cost of production of food grains
CACP	Commission for Agricultural Costs and Prices
CONCOR	Container Corporation of India
CAP	Cover and Plinth
CoC	Carry Over Charges
CIP	Central Issue Price
CMR	Custom Milled Rice
COPU	Committee on Public Undertakings
CVC	Central Vigilance Commission
CWC	Central Warehousing Corporation
DCMS	Depot Code Management System
DFPD	Department of Food and Public Distribution
DO	Divisional Office
DOS	Depot Online System
DPR	Detailed Project Report
ED	Executive Director
FCI	Food Corporation of India
FIFO	First-in-First-out
FSSAI	Food Safety and Standards Authority of India
FSD	Food Storage Depot
GHB	Guaranteed Hiring Basis
GM	General Manager
GoI	Government of India
HLC	High Level Committee
HTC	Handling and Transport Contractor
HTS	Hill Transport Subsidy
IE&A	Independent Engineer and Auditor

IISFM	Integrated Information System for Food grains Management
LMT	Lakh Metric Tonne
LP	Linear Programming
MIS	Management Information System
MOU	Memorandum of Understanding
MSP	Minimum Support Price
MT	Metric Tonne
MTF	Model Tender Form
NCAP	National Centre for Agricultural Economics and Policy Research
NFSA	National Food Security Act
OMSS	Open Market Sale Scheme
OWS	Other Welfare Schemes
PDS	Public Distribution System
PEG	Private Entrepreneurs Guarantee
PSWC	Punjab State Warehousing Corporation
RMS	Rabi Marketing Season
RO	Regional Office
RTCs	Road Transport Contractors
RTL	Rail Transit Loss
SGAs	State Government Agencies
SWCs	State Warehousing Corporations
TNWC	Tamil Nadu Warehousing Corporations
TPDS	Targeted Public Distribution System
TSWC	Telangana State Warehousing Corporation
ZCC	Zonal Claim Cell
ZO	Zonal Office

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