Executive Summary

Pulses are important food crops and have a very significant impact on the health of the average Indian. The gap between demand and production of pulses in the country has been in the range of 10 to 50 lakh MT during 2002-03 to 2010-11. To bridge this gap, Government of India introduced two schemes, one in 2006 and the other in 2008, for import and distribution of pulses through four agencies (NAFED, MMTC, PEC and STC[1]) in order to facilitate the availability of pulses and to accordingly stabilise prices. In the first scheme introduced in May 2006, the agencies were to import pulses on Government account subject to reimbursement of losses, if any, up to 15 *per cent* of the landed cost by the Government. The other scheme introduced in November 2008, envisaged import of four lakh metric tonnes of pulses for distribution to BPL households through the Public Distribution System at an overall subsidy of ₹ 10/kg.

Audit of both the schemes revealed that they could not achieve their targeted objectives due to serious deficiencies in their design, implementation and monitoring.

The following are the main audit findings:

- **Despite import by designated agencies, growing divergence between wholesale and retail prices of pulses was noted, which pointed towards increasing control of the market by private traders.**

  (Para 5)

- **As against the targeted quantity of import and sale of 53.10 lakh MT of pulses during 2006-11, the agencies imported 30.04 lakh MT and sold 26.95 lakh MT of pulses during this period, incurring losses totalling ₹ 1201.32 crore on these transactions.**

  (Paras 6.2 and 6.8)

- **The delays in clearance of the pulses at the ports led to an avoidable expenditure of ₹ 42.71 crore upto March 2011. These delays led to delays in release of imported pulses into the domestic market, with a consequential adverse impact on their prices.**

  (Para 6.3)

- **In the absence of any specific guidelines issued by the Ministry of Consumer Affairs on distribution of imported pulses, all the designated importing agencies sold the imported pulses in the open market through the tendering process, instead of distributing them through State agencies.**

  (Para 6.4)

[1] National Agricultural Cooperative Marketing Federation of India (NAFED), MMTC Ltd (MMTC), PEC Ltd. (PEC) and The State Trading Corporation of India Ltd. (STC)

- **The tender conditions, especially those of high minimum bid quantities (200-1000 MT) and corresponding earnest money deposits (EMDs), ensured that mainly large private players could submit bids, thus restricting the channels of distribution and keeping most of the smaller parties out of the loop.**

(Para 6.5)

- **Out of the test-checked quantity of sale of 8.38 lakh MT of pulses, it was found that 6.08 lakh MT (73 *per cent*) was sold to just four large buyers.**

(Para 6.5)

- **In many cases, the buyers delayed lifting of imported pulses, which led to delaying their arrival into the domestic market, leading to lesser availability in the market.**

(Para 6.6)

- **The Government decided to import yellow peas in 2007 on the grounds that they were a reasonably good substitute for other types of pulses and their prices were comparatively lower. However, the peas did not find many takers in the domestic market and were sold after considerable delays with heavy losses to the importing agencies. Despite this, the agencies continued to import the peas during the subsequent years even when they had huge unsold stocks. The outcome of the decision of the Cabinet Committee on Prices to import yellow peas up to half of the total imports was a total loss of ₹ 897.37 crore suffered by the importing agencies, which amounted to 75 *per cent* of the total loss suffered by them in the process of import.**

(Para 6.8.1)

- **The scheme introduced in November 2008 by the Government of India for import of four lakh MT of pulses with a subsidy limit of ₹ 400 crore and preferential distribution of the same to BPL households through the Public Distribution System at an overall subsidy of ₹ 10/kg also suffered from several deficiencies. It was found that despite the scheme being extended to March 2012, it was not fully successful. The State/ UT Governments generally failed to intimate their requirements for distribution. Further, the subsidy element of a meagre ₹ 10/kg could result in diversion of pulses to non-BPL households as well as to the open market.**

(Paras 7.1 to 7.3)

- **The monitoring mechanism adopted by the Ministry of Consumer Affairs, Food & Public Distribution failed to ensure the proper distribution of imported pulses in the domestic market.**

(Para 8)

To sum up, despite the release of subsidy amounting to ₹ 781.10 crore (₹ 361.39 crore under the 15 *per cent* re-imbursement scheme and ₹ 419.71 under the PDS Distribution scheme), the twin objectives of the scheme, i.e. availability of pulses and stabilization of their market prices remained largely unfulfilled.

(Para 9)