

CHAPTER II

CHAPTER II

Performance audit relating to Government Company

WEST BENGAL STATE SEED CORPORATION LIMITED

2. Production and distribution of seeds

Executive Summary

Introduction

West Bengal State Seed Corporation Limited (WBSSCL) was incorporated in November 1980, as a wholly owned Government Company under Directorate of Agriculture (DoA), Government of West Bengal (GoWB) with the primary objective of production and procurement of seed and marketing it at reasonable prices to the farmers. It also trades in agricultural inputs viz. fertilizers, pesticides and agricultural implements. It had earned profit consistently over the years and accumulated profit, as on March 2014, stood at ₹ 58.82 crore which included ₹ 36.65 crore earned during 2010-11 to 2013-14.

Contribution of WBSSCL to seed production in the State

WBSSCL was able to meet only 15 to 33 *per cent* of the seed production targets envisaged for it in the 11th five year plan. As a result, WBSSCL's production of seeds was only four *per cent* of the total production in the State, which was much below the requirement of 20 *per cent* envisaged in the 11th five year plan.

Production and procurement of seeds

WBSSCL did not place any indent on Seed Certification Agency (SCA) for allotment of breeder seed. As a result the allotment fell short of requirement by 80 *per cent*. Further, during 2010-11 to 2014-15, shortfalls in production of foundation seeds from breeder seeds distributed by WBSSCL to its registered growers for paddy, lentil and mustard were 50, 42 and 59 *per cent* respectively.

The shortfall of production of foundation seeds had a cascading effect and led to shortfall in production of certified seeds.

Out of the total requirement of seed, only 34 *per cent* was met by procurement from registered growers and Government farms under DoA. Twenty eight and 38 *per cent* of purchase was made from other PSUs like state seed corporations of other states and private growers respectively, at rates which were higher than rates for registered growers.

Distribution of certified seeds to dealers and to government schemes through marketing network

WBSSCL did not evolve any marketing strategy. It had not reviewed the performance of its marketing activities so far. Due to complete reliance on Government orders, WBSSCL neglected to maintain and strengthen its dealer

base. As a result, sales through dealer network were only one *per cent* of the total sales. During interactions it was revealed that although the price of seed of WBSSCL was less compared to that of private producers, it had failed to penetrate the market due to inadequate publicity, unattractive packaging, failure to create brand name, absence of direct interaction of WBSSCL's representatives with farmers, absence of credit facilities *etc.*

Conclusion

WBSSCL did not coordinate with DoA to ascertain the requirement of seeds under different government schemes sufficiently in advance to achieve desired seed production through registered growers. Also WBSSCL had not fixed procurement prices of seeds from registered growers in time. As a result, procurement from registered growers, which was the most cost effective, was sub-optimal. Due to weak marketing network, WBSSCL failed to fulfil its primary objective to supply quality seeds to farmers at reasonable prices.

Recommendations

There are four recommendations - WBSSCL should assess seed requirement and draw up a production plan and procurement plan, in line with requirement of seeds in the state. It should undertake activities to increase production of foundation seed/ certified seed, incentivise production by registered growers and fix procurement prices timely in keeping with the prevailing prices. WBSSCL should strengthen its dealer network to supply quality seeds to the farmers at reasonable price.

2.1 Introduction

Seed is a critical and basic input for enhancing agricultural production and productivity in different agro-climatic¹ regions. Efficacy of other agricultural inputs such as fertilizers, pesticides, micro nutrients and irrigation is largely determined by the quality of seed. Seed quality² is estimated to account for 20-25 *per cent* of productivity. It is, therefore, important that quality seeds are made available to farmers.

West Bengal State Seed Corporation Limited (WBSSCL) was incorporated in November 1980, as a wholly owned Government Company with the primary objective of production and procurement of seed and marketing it at reasonable prices to the farmers. WBSSCL also acts as a facilitator of infrastructural support to the Directorate of Agriculture (DoA), Government of West Bengal (GoWB) for execution of Government sponsored programmes. It also trades in agricultural

¹ Agro-climatic conditions mainly refer to soil types, rainfall, temperature and water availability which influence the type of vegetation.

² State of Indian Agriculture 2012-13; Department of Agriculture, GoI.

inputs viz. fertilizers, pesticides and agricultural implements like power tillers, low capacity tractors etc.

WBSSCL had earned profit consistently over the years and the accumulated profit, as on March 2014, stood at ₹ 58.82 crore which included ₹ 36.65 crore earned during 2010-11 to 2013-14. Out of the total profit earned during 2010-14, income from investments in fixed deposits contributed 63 per cent of profits.

2.2 Audit objectives

This Performance Audit was undertaken to assess whether WBSSCL had:

- 2.2.1 Formulated plans in accordance with plans and policies of DoA;
- 2.2.2 Produced quality seeds and procured seeds efficiently to meet the demand and;
- 2.2.3 Set up effective marketing network for seeds.

The principal constraints faced while conducting the audit were absence of reliable management information system and non-reconciliation of records of WBSSCL with that of DoA.

Management agreed (October 2015) on the need to improve its Management Information System and take steps for reconciliation of records with DoA.

2.3 Scope and methodology of audit

The performance audit was undertaken between April and July 2015. It covered activities of WBSSCL relating to production, procurement and marketing of seeds during 2010-11 to 2014-15 of paddy, wheat, lentils and mustard seeds. Selection of division offices and crops were done on the basis of purposive sampling, mainly based on volume of production programme. Audit methodology involved scrutiny of records maintained at the head office and five³ division offices as well as DoA. Besides, at the five division offices selected, 37 registered growers and 21 dealers out of 167 registered growers and 72 dealers respectively were interviewed by Audit in the presence of management and their response recorded for the purpose of framing conclusions in the Performance Audit Report. Entry Conference was held on 22 April 2015, where objectives, scope and methodology of the performance audit was explained to Managing Director and senior management of WBSSCL and Secretary, DoA, GoWB. Exit Conference was held on 13 October 2015, attended by Managing Director, other senior management of WBSSCL and Commissioner, Agriculture Department and Special Secretary, GoWB.

³ Barasat, Burdwan, Hooghly, Midnapore and Raigunj.

2.4 Audit criteria

Audit criteria adopted for assessing achievement of audit objectives were derived from:

- 2.4.1 Policies, programmes and plans of DoA and WBSSCL.
- 2.4.2 Seed Multiplication programme (SMP).
- 2.4.3 Seed Act 1966 and rules.
- 2.4.4 Board agenda and minutes of WBSSCL.
- 2.4.5 Issue of audit enquiry and interaction with management.

2.5 Audit Findings

Audit findings are discussed in the succeeding paragraphs.

2.6 Formulation of plans in accordance with Agricultural plans/ policies of the department

In West Bengal, agriculture contributes 17 *per cent* to Gross State Domestic Product. Although 60 *per cent* of the land is under agriculture with 180 *per cent* cropping intensity⁴, self-sufficiency in food production is yet to be achieved. This is due to high population density of 1,029 *per sq. km.* and continual shortfall of quality seeds.

It was observed that DoA, GoWB did not frame any agricultural policy which would have laid down a vision for augmenting agricultural production in the state. In the Exit Conference, the Department accepted the need for a proper agricultural policy.

Against crop requirement⁵ of 181.39 lakh MT (LMT) of cereals, 12.98 LMT of pulses and 16.69 LMT of oilseeds, West Bengal had a shortage of five, 82 and 44 *per cent* in case of cereals, pulses and oilseeds respectively. Moreover, the annual average growth rate in foodgrain production was three *per cent* against the desired rate of four *per cent*, as per State Agricultural Plan. Audit observed that low production of quality seed was one of the factors that contributed to the shortfall as discussed in the succeeding paragraphs.

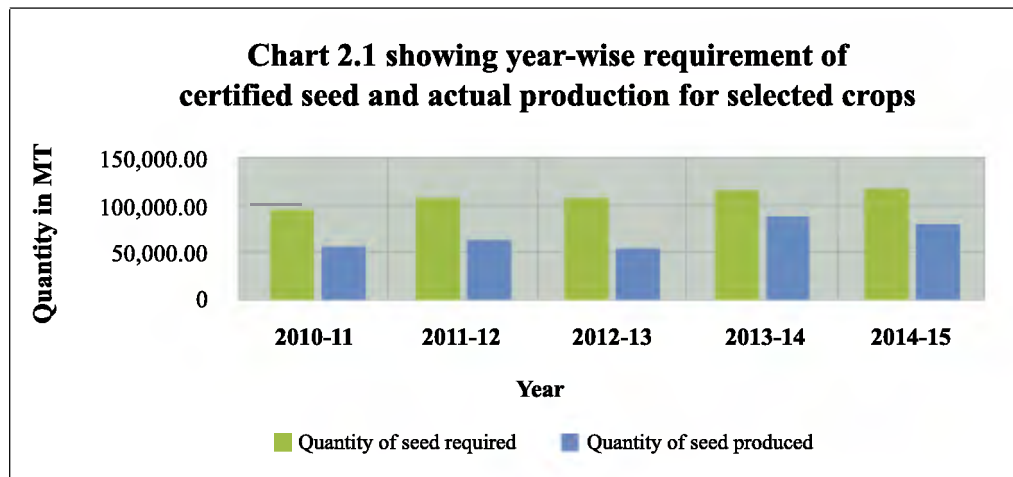
2.6.1 Seed production in the State and contribution of WBSSCL

Chart 2.1 indicates the year-wise requirement of seed and actual production of certified seeds for four⁶ major crops during the period 2010-11 to 2014-15.

⁴ The number of times the land is cultivated in a year.

⁵ Twelfth five Year plan, Government of West Bengal and production data with DoA, GoWB.

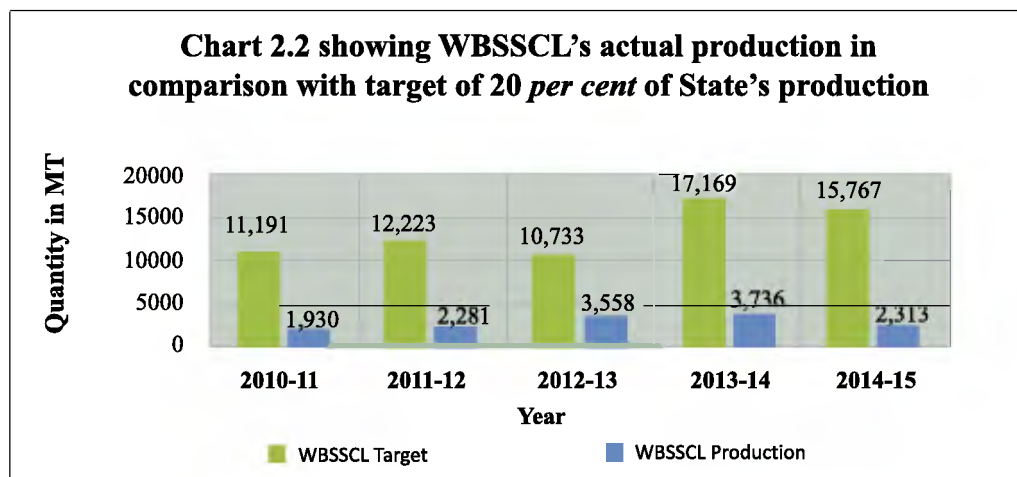
⁶ Paddy, Wheat, Lentil and Mustard.



Source : DoA, GoWB and West Bengal Seed Certification Agency.

There was a shortfall in the production of seeds every year during the period 2010-15.

Year-wise total seed production target for WBSSCL as per the 11th five year plan *vis-à-vis* actual production achieved during 2010-11 to 2014-15, are given in **Chart 2.2** below.



Source : Production targets are based on the 11th five year Plan while actual production data are taken from the departmental records.

The Chart shows that WBSSCL was able to meet only 15 to 33 per cent of the seed production targets envisaged for it in the 11th five year plan. As a result, WBSSCL's production of seeds was only four per cent⁷, much below the requirement of 20 per cent envisaged in the 11th five year plan. Thus, WBSSCL failed to make significant improvement in market share as discussed in the subsequent paragraphs.

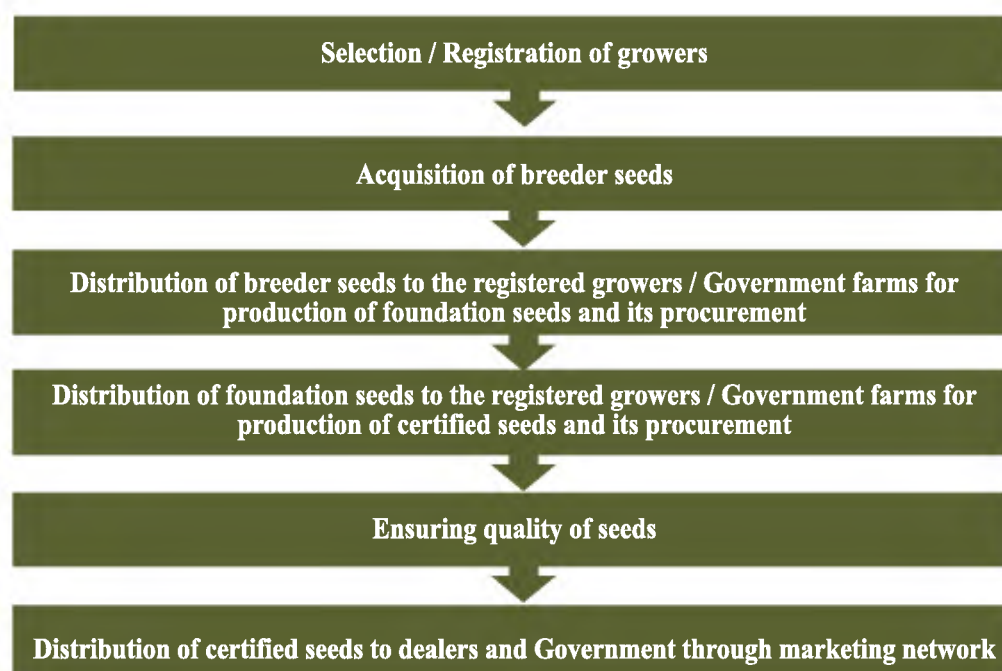
⁷ Of the total production of seed in the State.

Management noted (October 2015) the observations and stated that requirement of seeds as ordered by GoWB was fulfilled by WBSSCL. The reply is not tenable as WBSSCL was able to fulfil GoWB's requirement from other sources like private seed producers, seeds corporations of other states rather than its own production *etc.* In the Exit Conference, Department stated that non-availability of advance indent from DoA was a constraint for WBSSCL to undertake commensurate production plan at optimal levels and assured that this would be reviewed in future.

2.7 Production and procurement of seeds

Research institutes and agricultural universities produce nucleus seed⁸ and multiply this seed into first generation seed *i.e.* breeder seeds. To increase production of quality seeds, Government as well as the private sector undertakes seed multiplication activities. This is a two-step process whereby (i) registered seed producers convert breeder seeds to foundation seeds to expand the volume of seeds; and (ii) these foundation seeds are made available to the farmers/seed producers for production of certified seeds which are then made available to general farmers by Government agencies and private players for cultivation of food crops.

The process of seed multiplication followed by WBSSCL is given in the flowchart as follows:



⁸ Nucleus seeds are the basic seed class used for further multiplication.

Audit findings for each step of Seed Multiplication programme (SMP) depicted in the flowchart is discussed as follows:

2.7.1 Absence of agreement with registered growers and inadequate number of registered growers

WBSSCL is registered as a seed producing agency with Seed Certification Agency (SCA)⁹. To produce seeds, WBSSCL selects farmers from among those having their own agricultural land who agree to carry out seed multiplication from seeds provided by WBSSCL. These farmers obtain registration from SCA as growers and are known as registered growers. Unlike other government seed producers¹⁰, it was observed that WBSSCL did not enter into agreements with its registered growers. As a result, the registered growers were not contractually required to supply the entire quantity of seeds produced by them.

During 2010-11 to 2014-15, in five sample division offices, there were 167 registered growers of which only 10 were new inclusions during the period. It was observed that there was no evidence of any initiative taken by WBSSCL to increase the strength of its registered growers which was one of the reasons why production levels had remained low. Non-expansion of registered growers over the years had also resulted in dependence on procurement from other sources at higher rates as discussed in *paragraph 2.7.5*.

Management noted (October 2015) the observation for future guidance. In the Exit Conference, WBSSCL stated that entering into agreements with registered growers, although necessary, would bind it to procure the entire produce by them, irrespective of the orders in hand. The contention is not valid as during 2010-15, WBSSCL had procured only 23 *per cent* of its seed requirement from registered growers and 38 *per cent* from private growers to meet the orders in hand (*Table 1, paragraph 2.7.5*).

2.7.2 Inadequate and unplanned acquisition of older varieties of breeder seeds

On the basis of demand/past requirement of seeds by producers like WBSSCL, Government farms, co-operative societies, private growers *etc.*, SCA places indents on Agricultural Department, GoI¹¹ for procurement of breeder seeds. GoI allots breeder seeds to SCA for re-allotment to seed producers registered with the latter. It was observed that:

- i. Breeder seed is the key input in production of foundation seeds and certified seeds. Ascertainment of requirement of breeder seeds by WBSSCL was

⁹ Agencies (State Governments or Autonomous Bodies), notified under Section 8 of the Seeds Act, which are authorised for certification of seeds.

¹⁰ National Seed Corporation.

¹¹ Government of India.

necessary to meet production targets (20 per cent of total seed production in the 11th five year plan), farmers' demand and variety-wise quantities required under different Government schemes. It was observed that WBSSCL did not place any indent on SCA with regards to its requirement of breeder seeds. As a result it had to be content with allotment made by SCA.

- ii. Analysis revealed that to meet its production target of 67,083 MT of certified seeds for four sample crops (based on 20 per cent share of total seed production of the State) for 2010-11 to 2014-15, WBSSCL required 54.47 MT breeder seeds for four¹² crops. WBSSCL had received only 10.94 MT breeder seeds, which was inadequate and fell short of requirement by 80 per cent. This occurred since WBSSCL had not placed indent on the SCA indicating the quantum of breeder seeds required for its seed multiplication programme.
- iii. The emphasis of National Seed Policy 2002 was on replacing older varieties of seed by newer varieties. It was noticed that 84 per cent of breeder seeds allotted to WBSSCL during these years were for varieties notified more than 10 years earlier. Varieties, which were 10-years-old, are subject to genetic erosion and need to be replaced by newer varieties having special traits. Thus, the production programme of WBSSCL did not emphasise adequately on newer notified varieties of seeds as required under National Seed Policy. In three¹³ division offices, there was a stock of 126.22 MT paddy seeds of more than 10 year old notified variety remaining unsold (March 2015). This was attributable to WBSSCL not placing any indent on SCA for the varieties of seeds required *i.e.* those notified in the past 10 years.

Management accepted the audit observation regarding non-placement of indent on SCA, and assured that it would emphasise on lifting of newer varieties of breeder seed in future. In the Exit Conference, WBSSCL stated that the placing of indents of breeder seed to SCA was under process.

2.7.3 Deficiencies in distribution of breeder seeds resulted in under-production of foundation seeds

Once WBSSCL acquires breeder seed from SCA, it distributes the same to its registered growers for undertaking seed multiplication through production of foundation seeds. It was observed as follows:

i. Non-distribution of breeder seeds

WBSSCL distributed nine MT breeder seeds of four crops to registered growers during 2010-11 to 2013-14. However, it was observed that it failed to distribute 1.18 MT of breeder seeds in nine division offices which was kept as left over stock since March 2014. As per the norms of SCA, seed certification is to be

¹² Paddy, wheat, mustard and lentil.

¹³ Malda: 9.94 MT, Midnapore : 32.06 MT and Raigunj : 77.03 MT.

valid for a period of nine months. However, WBSSCL did not maintain records showing the validity of certification of this left over stock, and the productive use of the same is now doubtful.

Management, while accepting the audit observation (October 2015), stated in the Exit Conference, deficiencies in the distribution of breeder seed had arisen since the nominated research institutions had supplied breeder seeds after the scheduled sowing season. However, WBSSCL could have avoided accumulation of breeder seeds with proper follow-up with the supplying agencies to get the seeds before the sowing season.

ii. Shortfall in production of foundation seed from breeder seed impacting production of certified seed

In West Bengal, the area coverage of selected crops during 2014-15 was paddy: 64 *per cent*, mustard: five *per cent*, wheat: four *per cent* and lentil: one *per cent* of the total cultivable area in the state. The ratio of production of foundation seeds from breeder seeds, as fixed by WBSSCL, takes into account agro-climatic conditions. It was observed that from 2010-11 to 2014-15, shortfalls in production of foundation seeds from the breeder seeds distributed by WBSSCL to its registered growers for paddy, lentil and mustard were 50, 42 and 59 *per cent* respectively. The shortfall of production of foundation seed would have a cascading effect and lead to shortfall in production of certified seeds.

Management assured (October 2015) that it would take necessary steps to augment the production of foundation seeds.

iii. Research and training

Although the objectives of WBSSCL included undertaking research and training activities in seed production, it did not undertake any research activity. As a result, it failed to encourage its registered growers to adopt better technologies for increased production.

2.7.4 Non distribution of new varieties of foundation seeds

Distribution of foundation seeds of desired quantity and variety is the *prima-facie* requirement in achieving desired production of certified seeds.

The emphasis of National Seed Policy 2002 was on replacing older varieties of seed by newer varieties. It was observed that WBSSCL had distributed 80 *per cent* foundation seeds during 2010-11 to 2013-14, of varieties which were more than 10 years old. As such, it failed to emphasise on newer seed varieties for distribution of foundation seed.

Further, GoI had made it mandatory to utilise only those seeds in central sector schemes which are notified within 10 years prior to the cropping season 2014-15. It was observed that this criteria was followed only for 47 *per cent* of the total foundation seeds distributed in 2014-15 for the four crops analysed in audit.

Management accepted (October 2015) the facts and noted them for future guidance.

2.7.5 Procurement of certified seeds from registered growers and other sources

i. Non-augmentation of network of registered growers

As production of seeds by registered growers is very low in relation to requirement of certified seeds under various Government schemes, WBSSCL has to purchase seeds from Government farms, National and State level seed producing organisations as-well-as private and co-operative seed-producers of the State.

Table 2.1 indicates the year-wise procurement of seeds from different sources.

Table 2.1 : Year-wise procurement of seeds from different sources

Year	Production by registered growers		Procurement from Government Farms		Purchase from other states		Purchase from private growers	
	QTY (MT)	Value (₹ in crore)	QTY (MT)	Value (₹ in crore)	QTY (MT)	Value (₹ in crore)	QTY (MT)	Value (₹ in crore)
2010-11	1,784.65	4.33	505.84	1.04	5,585.60	14.65	1,789.78	10.66
2011-12	2,210.98	4.74	983.91	2.18	2,507.87	7.88	3,281.51	16.79
2012-13	3,377.91	6.73	1,531.32	3.91	3,511.93	8.97	4,882.71	16.82
2013-14	4,134.97	10.90	1,857.67	5.05	3,401.11	10.02	6,973.25	21.91
2014-15 ¹⁴	3,596.99	10.15	2,428.93	7.90	2,823.61	12.33	8,060.97	31.12
Total	15,105.50	36.85	7,307.67	20.08	17,830.12	53.85	24,988.22	97.30
Percentage of total	23	18	11	10	28	26	38	46
Avg. cost (₹ per MT)	24,395.08		27,477.97		30,201.70		38,938.34	

Out of the total requirement of seed, only 34 per cent was met from Registered Growers and Government farms¹⁵. Purchase was made from other PSUs like state seed corporations of other states and private growers which was 28 per cent and 38 per cent respectively. Further, analysis of procurement rates revealed that average cost of seeds from registered growers was the cheapest¹⁶ compared to other sources like private agencies and other state seed corporations. Thus, the cheapest source of procurement of seeds was left untapped due to non-expansion of network of registered growers and lack of procurement plan.

While accepting audit observation, Government stated (October 2015) that WBSSCL would ascertain from DoA their anticipated requirement of seeds at least a year in advance. The reasons for not augmenting the network of registered growers were not given.

¹⁴ Provisional figures.

¹⁵ Run by DoA.

¹⁶ By 37 per cent in comparison to rates of private seed producers.

Observations on procurement of certified seed from different sources are discussed as follows:

ii. Procurement of certified seed from registered growers

Procurement rates from registered growers were significantly lesser than the rates offered by private or other national and state level seed producing agencies. The procurement rates from registered growers were fixed by district Price Fixation Committee (PFC) based on the prevailing food grain price, cost of high value seeds, roughing, registration fees, transport cost and processing loss. An additional bonus was paid as an incentive for seed production to these registered growers.

It was observed by Audit that procurement from registered growers was low despite being cost-effective due to the following factors:

- **Non-revision of bonus :** WBSSCL decided (March 2006) to offer flat bonus rate of ₹ 1 and ₹ 2 *per kg* for certified seeds of Cereals, Pulses and Oilseeds and ₹ 1.25 and ₹ 2.50 *per kg* for foundation seeds to make their prices competitive. These rates were not enhanced even after nine years. Fixing the rates of bonus needs to be reviewed periodically, to induce the registered growers to offer most of their produce to WBSSCL.

Management noted (October 2015) the observation and assured to review the issue.

- **Delay in price fixing:** As per standard practice, the rates of procurement should be fixed within 15 days of crop harvest. Out of 18 PFC meetings held for fixing the procurement price, two meetings were held immediately subsequent to harvesting time and 16 meetings were held at delays ranging between one to five months. Such delayed fixing of rates had prevented WBSSCL to purchase the optimum quantity at economical rates.

Management stated (October 2015) in case of advance intimation of assured requirement by DoA, attempts would be made for procurement immediately after harvesting. However, WBSSCL had not made any attempts to assess the seed requirement from DoA.

iii. Procurement of certified seeds from Government farms

As of March 2015, there were 194 district/block seed farms under DoA, with 4,844 acres land engaged in Seed Multiplication Program (SMP). The certified seeds produced was sold through gate sales and through WBSSCL. Records revealed that Government farms neither intimated the expected varieties of seeds available for sale to WBSSCL nor did WBSSCL ask these farms about availability before going for procurements from private suppliers. It was observed from

records of Government farms that 218 MT unsold seeds at five division offices became unfit for use during 2010-11 to 2014-15 which could have been utilised by WBSSCL. This wastage was due to absence of co-ordination.

Further, it was observed that the selling rate of Government farm was lesser than the rates offered to WBSSCL by sources, other than registered growers, like other seed corporations and private producers. Thus, WBSSCL incurred an additional expenditure of ₹ 30 lakh on purchases made from other sources due to its failure to lift the cheaper stocks available with Government farms. In the Exit Conference, WBSSCL admitted that better co-ordination would have increased procurement of certified seed from Government farms.

2.7.6 Seed processing and storing

The harvested seeds need to be processed before their storage and distribution for ensuring the necessary physical purity before certification. Normally, shelf life of the certified seed is nine months and seeds have to be distributed before that period. Deficiencies are discussed as follows:

i. Poor infrastructure of seed processing facilities

Audit physically inspected processing units of five division offices which revealed that the processing plant at Hooghly was defunct and processings was being done manually by using fans. The capacity of processing machines at Midnapore and Burdwan needed augmentation. Further, there was no seed processing plant in division offices at Purulia, Diamond Harbour and Jalpaiguri. Due to poor infrastructure of seed processing facilities, WBSSCL had to adopt such un-scientific methods of seed processing thereby increasing the chance of decline in the quality of seeds.

Management assured (October 2015) to take necessary steps to improve seed processing facilities, in a phased manner.

ii. Delay in disposal of damaged stock

During test check of records of five division¹⁷ offices, it was revealed that during 2010-11 to 2014-15, auction of the Not Recommended (NR)/ damaged seeds was done after one to eight years from the year of production/ purchase of seeds and agriculture inputs. During the period division offices¹⁸ had sold 107 MT of NR/ damaged seeds and other agriculture inputs but 408 MT of similar stock relating to 2010-11 to 2012-13 were still lying in godowns. No action was taken by WBSSCL to dispose of this damaged stock. Further, the chance of contamination of fresh stock remains a possibility.

¹⁷ Burdwan, Hooghly, Barasat, Raigunj and Midnapore.

¹⁸ Burdwan, Midnapore, Barasat and Raigunj.

2.8 Distribution of certified seeds to dealers and to Government schemes through marketing network

WBSSCL had no system for collecting market information like demand, availability, price *etc.*, to evolve an effective marketing strategy. As a result, it had no database of the total requirement of seeds in the State as well as in neighbouring States, its market share, and its competitors' pricing, quality, *etc.* WBSSCL also had not reviewed the performance of its marketing activities so far (July 2015). Deficiencies in marketing system are discussed in following paragraphs.

2.8.1 Delay/ non-supply of seeds under Government schemes

Scrutiny revealed that under BGREI¹⁹ scheme, in the crop season 2013-14 (Boro paddy), 85 Demonstration Centres (DCs) could not be conducted in seven division offices as WBSSCL failed to supply 425 MT seeds in time. In the absence of crop cutting report, the impact of non-supply/ belated supply could not be assessed in audit.

An instance of delayed supply resulting in loss due to prolonged storage is as follows:

Based on orders of DoA for supply of 150 MT paddy in nine division offices under BGREI scheme within 30 November 2011, WBSSCL placed order on NERAMAC for supplying the same at ₹ 89.90 *per* kg. NERAMAC supplied 143 MT paddy (certified seed), of which 51.11 MT was not accepted by Deputy Directors Agriculture (DDA) Burdwan, Hooghly and Birbhum. Non-acceptance was due to belated delivery of seed and hence, it could not be used for conducting Demonstration Centre under BGREI Rabi 2011-12. The seeds were preserved in a rented de-humidified godown for supply in pre-Kharif season 2011-12. In February 2012, WBSSCL distributed 15 MT to DDA Jalpaiguri without conducting any test. However, test conducted in March 2012 on the remaining seed revealed that the seeds contained excessive other distinguishable varieties and were insect damaged. As a result, 36.11²⁰ MT seeds valuing ₹ 32.46²¹ lakh were declared 'Not Recommended (NR)' and remained in the godown.

2.8.2 Sales by dealer network

For meeting local demand, division offices of WBSSCL had appointed dealers to market its products. During 2001-02, the sales by dealers was 20 *per cent* of total sales which reduced to two *per cent* in 2010-11 and to less than one *per cent* in 2011-12, 2012-13 and 2013-14. It was observed that:

¹⁹ Bringing Green Revolution to Eastern India (BGREI).

²⁰ 51.11 MT less 15 MT.

²¹ 36.11 MT at ₹ 89.90/kg.

- WBSSCL had no system to fix targets for sale by dealers. It did not fix minimum lifting quantity by the dealers along with rewards based on the scale of lifting. One of the reasons for this was non-fixing of production targets of registered growers.
- It had no system of reviewing performance of dealers periodically, so as to take corrective measures for increasing sales.
- Due to complete reliance on orders from the Government, WBSSCL neglected to maintain and strengthen its dealer base, as a result the dealer sales fell from ₹ 2.50 crore in 2010-11 to ₹ 0.50 crore in 2014-15. Scrutiny of records of five selected division offices revealed that the number of dealers had also dipped from 148 to 72 and that there were only 13 new entrants during 2010-11 to 2014-15.
- Thus, WBSSCL was not able to reach out to farmers and supply them good quality seed at reasonable prices. The importance of strengthening the dealer network cannot be ignored as it is the only source of good quality and reasonably priced seeds to farmers.

2.9 Interaction with registered growers and dealers

Audit interacted with 37 registered growers and 21 dealers in the five²² selected division offices of WBSSCL. The following points emerged from the discussion:

- i. Delay in certification and payment to registered growers:** During interactions (May 2015) with registered growers it was revealed that they had to bring their produce to WBSSCL's division offices at their own risk and cost. These seeds were tested by SCA before acceptance by WBSSCL. There were considerable delays ranging from three months to six months in obtaining certificates from SCA and getting payment thereafter from WBSSCL. Management noted (October 2015) the observation and assured that they would review the issue.
- ii. Lower rates for lentil and mustard hampered purchases from registered growers:** During interview (May 2015) with registered growers in the presence of representatives of WBSSCL, it was revealed that the rate fixed in case of Pulses and Oil seeds were not attractive to registered growers compared to the prices offered by private seed producers. This prevented them from offering their entire produce to WBSSCL. During 2010-11 to 2014-15, WBSSCL could procure 676 MT and 704 MT Lentil and Mustard seeds respectively which were 79 per cent and 89 per cent of targeted procurement.

²² Barasat, Midnapore, Burdwan, Hooghly and Raigunj.

Management noted (October 2015) the observation and assured that they would review the issue.

- iii. **Failure to establish brand name and attractive packaging:** Brand name and good packaging plays an important role on reliability of the product by the customer and creates a unique identity of the product to attract the customer. WBSSCL had a brand name in the style 'Bengal Seed' but it was not registered under the Trade Mark Act 1999. WBSSCL did not emboss its brand name on seed packages. As a result, it has failed to create its distinctiveness and customer base. During interview in the presence of management, all six out of six dealers of Burdwan division office stated (May 2015) that packaging of seed was not attractive compared to other seed producers. Further, WBSSCL did not introduce different packaging for seeds under Government subsidy schemes and for non-subsidised seeds. The interviewed dealers complained that as the farmers could not differentiate between these seeds due to identical packaging, the dealers were accused by the farmers of charging higher prices for non-subsidised seeds.

Management assured (October 2015) to take effective steps for registering the trademark and also noted the audit suggestion for improved packaging.

- iv. **Inadequate publicity and marketing strategy:** All 21 dealers had also stated (May/June 2015) that the products suffered from inadequate publicity, absence of direct interaction of WBSSCL's representatives with farmers, absence of credit facilities and facility to return the unsold stock (allowed by private producers), late entry in the market well after the sowing time, failure to address quality concerns *etc.* As a result, although the price of WBSSCL was less compared to that of private producers, it had failed to penetrate the open market.

Management stated (October 2015) that it would take necessary steps to strengthen the dealer network.

- v. **Inadequate supply of seed to dealers:** Fifteen dealers in four²³ division offices stated that they had received meagre quantities of seeds from WBSSCL, although there was good demand. In most cases, they stated that the prices of seed of private seed producers were more than the rates of WBSSCL. It was observed in one instance at Midnapore division office for five varieties of Paddy seeds that the Truthful Labelled²⁴ seed prices of private seed producers were 14 *per cent* more

²³ Barasat, Midnapore, Hooghly and Raigunj.

²⁴ This type of seeds does not come under the purview of the Department of Seed Certification. These kind of seeds are tested only for its physical purity and germination. By this method, any farmer can produce seeds and market it as truthfully labelled seeds. Labelling is compulsory but certification is voluntary.

than the prices of certified seeds of WBSSCL. However, its lack of enthusiasm to increase the market share had led to WBSSCL gradually conceding the market to private growers.

Conclusion

WBSSCL did not coordinate with DoA to ascertain the requirement of seeds under different Government schemes sufficiently in advance to prepare seed production plans. It did not take steps to increase its network of registered growers and as a result, the desired seed production was not achieved. Consequently, the requirement had to be met by procurement at higher prices from private seed producers and seed corporations belonging to the other states.

WBSSCL did not revise bonus payable to registered growers and also regularly failed in fixing procurement prices timely. As a result, procurement from registered growers, which was the most cost effective, was sub-optimal. It had a weak marketing network and as result it failed to supply quality seeds to farmers at reasonable price which was its primary objective.

Recommendations

1. *WBSSCL should assess seed requirement and draw up a production plan and procurement plan, in line with its requirement.*
2. *WBSSCL should undertake activities to increase production of foundation seed/ certified seed like increasing registered growers and signing contracts with them for supply of seeds and bring entire registered area under certification. Further, the Seed Multiplication Ratio should be as per GoI standards.*
3. *WBSSCL should improve its procurement practices by revising rates frequently to incentivise production by registered growers and fix procurement prices timely in keeping with the prevailing prices.*
4. *WBSSCL should strengthen its dealer network to supply quality seeds to the farmers at reasonable price by marketing activities like incentives, better packaging, branding and publicity activities.*