

Agricultural Marketing and Agriculture Foreign Trade Department

2.1 Working of State Agricultural Produce Market Board and Market Committees

2.1.1 Introduction

Uttar Pradesh Krishi Utpadan Mandi Adhiniyam, 1964 (the Act) provides for regulation of sale and purchase of agriculture produce¹ and for establishment, superintendence and control of markets thereof in Uttar Pradesh.

Under Section 5 of the Act, the State Government notifies any area as a market area in respect of such agricultural produce and with effect from such date as may be specified in the declaration. There are 251 regulated market areas (*Viniyamit Mandi*) in the State. For every market area, there is a Committee called Market Committee² of that market area, which is also known as Agricultural Produce Market Committees (APMCs).

Section 26-A of the Act provides for the establishment of the State Agricultural Produce Market Board. The Board is responsible for superintendence and control over the working of Market Committees and other affairs thereof including programmes undertaken by such committees for construction of new market yards and development of existing markets and market areas. The Market Committees and the Board are body corporates and are deemed to be local authorities.

2.1.2 Organisational setup

The Department of Agricultural Marketing and Agriculture Foreign Trade is the administrative Department of Uttar Pradesh State Agricultural Produce Market Board (the Board) at the Government level. The Board consists of a Chairman and three Vice Chairmen who are non-official members appointed by the State Government, besides other members³. The Director of the Mandis (the Director) is *ex-officio* Member Secretary of the Board. Subject to the superintendence of the Board, the general control and direction over all the officers of the Board is vested in the Director.

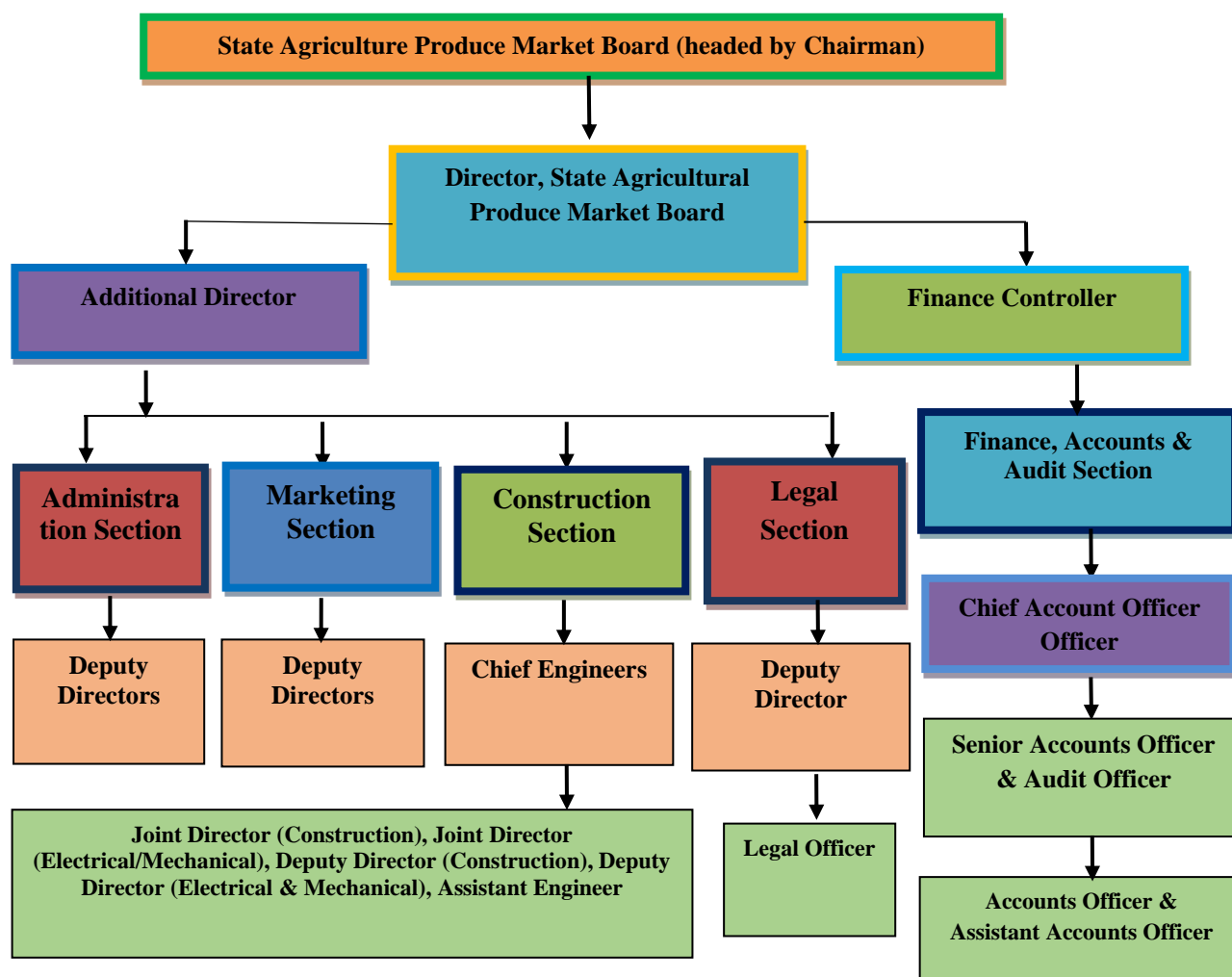
¹ As per Section 2 of the Act, agricultural produce means such items of produce of agriculture, horticulture, viticulture, apiculture, sericulture, pisciculture, animal husbandry or forest as are specified in the schedule of the Act and include admixture of two or more of such items and also include any such items in processed form.

² Section 12 of the Act provides for establishment of Market Committee.

³ The Agriculture Production Commissioner, Uttar Pradesh (or his services not below the rank of Secretary); the Principal Secretary/Secretary (Finance Department); the Principal Secretary/Secretary (Food and Civil Supplies Department); the Principal Secretary/Secretary (Agriculture Department); the Registrar, Cooperative Societies, Uttar Pradesh; the Director of Agriculture, Uttar Pradesh; the Agricultural Marketing Adviser to the Government of India; the Director, Horticulture and Fruit Utilization, Uttar Pradesh; the Director, Agricultural Marketing, Uttar Pradesh; the Vice Chancellor of any of the Universities established under *UP Krishi Evam Prodyogic Vishwavidyalaya Adhiniyam* 1958; six persons appointed by the State Government from out of the producers nominated as members of Market Committees; two persons appointed by the State Government from out of the traders or commission agents nominated as members of Market Committees; and the Director of Mandis.

The Board has 16 divisional offices each headed by Deputy Director (Administration/Marketing). To carry out construction works, the Board has 19 Construction Divisions organised under four zones⁴ and five Electrical & Mechanical (E&M) Divisions. Both the Civil and E&M Divisions are headed by a Chief Engineer in the office of the Board. The organisational structure of the Board is depicted in **Chart 1**.

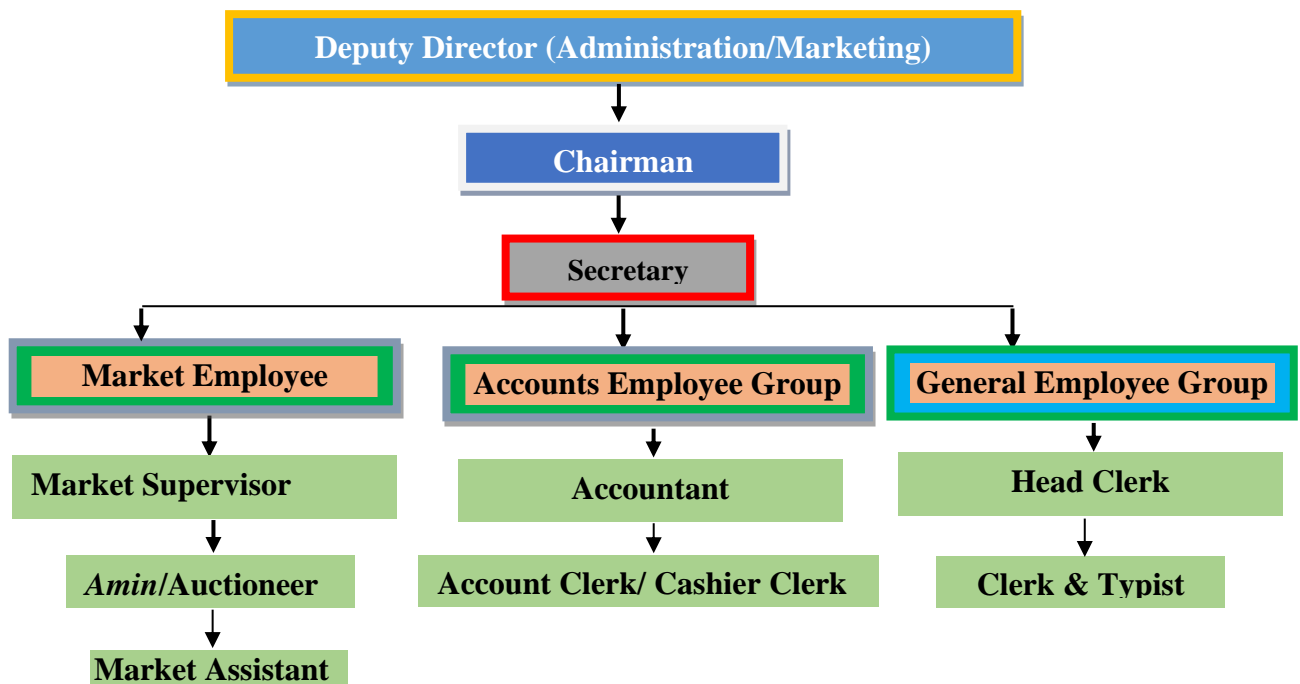
Chart 1: Organisational structure of Uttar Pradesh State Agricultural Produce Market Board



(Source: UP State Agricultural Produce Market Board)

As per Section 13 of the Act, Market Committees were to consist of 15 nominated members and a Member Secretary. A Chairman and a Vice Chairman would be elected from these 15 nominated members. However, at present, all powers and responsibilities of Market Committees and Chairmen remained vested in the respective District Collectors. The Secretary is the Chief Executive Officer of the Market Committee. Organisational structure of Market Committees is given in **Chart 2**.

⁴ Lucknow, Bareilly, Agra and Gorakhpur

Chart 2: Organisational Chart of Market Committees

(Source: UP State Agricultural Produce Market Board)

2.1.3 Audit objectives

Audit objectives were to assess whether the:

- Board had an effective and efficient monitoring framework and internal control mechanism;
- financial and manpower management were efficient;
- Market Committees efficiently provided facilities in market area and ensured their utilization by farmers/traders; and
- developmental works were carried out in transparent, economical and efficient manner.

2.1.4 Audit criteria

The following were the sources of criteria for analyzing performance of the Board and Market Committees:

- Uttar Pradesh Krishi Utpadan Mandi Adhiniyam, 1964;
- Uttar Pradesh Krishi Utpadan Mandi Niyamavali, 1965;
- Orders and circulars of Uttar Pradesh State Agricultural Produce Market Board;
- UP Krishi Utpadan Mandi Samiti (Alpkalik Vyawastha) Adhiniyam, 1972;
- Procurement Manual and related orders of the State Government;
- UP Public Works Department orders and circulars relating to execution of works;

- UP Public Works Department schedule of rates (SoR); and
- General Financial Rules 2017 (GFR) issued by Ministry of Finance, Government of India.

2.1.5 Scope and methodology of audit

In the Performance Audit, records for the period from 2017-18 to 2021-22 have been examined during July to December 2022 in Uttar Pradesh State Agricultural Produce Market Board, Lucknow, its 15 field offices and 38 Market Committees selected⁵ (*Appendix 2.1.1*) using Probability Proportional to Size Without Replacement (PPSWOR) method.

Audit methodology included scrutiny of records maintained in the selected offices, collection of information/data from selected offices, audit enquiries along with physical verification of construction works.

The Performance Audit commenced with an entry conference (8 June 2022) with Additional Chief Secretary, Department of Agricultural Marketing and Agriculture Foreign Trade, Government of Uttar Pradesh. Exit Conference for taking views of the State Government and the Board on audit findings was held on 29 September 2023. The replies of the State Government (September 2023), views expressed during exit conference on the audit observations and further information received from the Board upto August 2024 have been suitably incorporated in the report.

Audit findings

2.1.6 Working of the Board under the framework envisaged by the Act

2.1.6.1 Functioning of Market Committees without nominated and elected members

As prescribed under Sections 26 G and 26 L of the Act of 1964, amended from time to time, the Board is mandated to exercise superintendence and control over the functioning of Market Committees and other related affairs.

Section 13 of the Act⁶ further provides for the nomination of 15 members and a member secretary in the Market Committee by the State Government from stakeholders (producers, traders, commission agents, palledars and measurers holding licenses under the Act). The nominated members are responsible for electing the Chairman and Vice-Chairman of the Market Committee from representatives of producers in the Market Committee. The term of the Market Committee is three years, unless terminated earlier

⁵ The sampled 15 field offices include three out of 16 Divisional Offices of Deputy Director (Administration/Marketing), 10 out of 19 Construction Divisions and two out of five Electrical & Mechanical Divisions of the Board. Further, 38 out of 251 Market Committees in the State were selected out of all four regions (Bundelkhand, Central, Eastern and Western) in the State.

⁶ As amended vide The Uttar Pradesh Krishi Utpadan Mandi (Sansodhan) Adhiniyam, 2018.

by the State Government, and the terms of office for the Chairman, Vice-Chairman and members are co-terminus with the committee.

Earlier, the powers, functions and duties of a Market Committee, its Chairman and Vice Chairman were vested in the District Magistrate vide Section 2 of the Uttar Pradesh Krishi Utpadan Mandi Samiti (Alpkalik Vyawastha) Adhiniyam, 1972. However, this provision was repealed through the Uttar Pradesh Krishi Utpadan Mandi Vidihi (Adhiniyam) 2004 with the direction that the function of the Market Committee would continue to be discharged by the District Magistrate until it is constituted as per Section 13 of the Act.

Audit noticed that the State Government issued a timeline for the constitution of Market Committee in July 2019, which required issuance of orders for commencement of election process in Market Committees in August 2019 and thereafter, the Director of the Board was to forward the names for the nomination of members to the State Government by October 2019. However, the election process was not commenced. As a result, the powers, functions and duties of Market Committee continued to be vested in the District Magistrate due to non-constitution of Market Committees. Thus, Market Committees, which were intended to function through their nominated members and elected Chairman, were instead governed by Government officers.

In reply, the State Government stated (September 2023) that when the process of nomination of members at the Market Committee level was implemented, there were problems in reconciliation of stakeholders' records, viz., voter list, *khatauni*, land records, records of traders, etc. The State Government also stated that unforeseen circumstances prevailed during the COVID-19 pandemic in the State at the beginning of the year 2020. The State Government further stated that three farm laws introduced by the Government of India for agricultural reforms were implemented in the State in June 2020, resulting in the limitation of the market area to only the mandi yard, while other stakeholders were free to trade outside the mandi yard. Given this situation, it was not found appropriate to implement the nomination process based solely on stakeholders participating in the mandi yard. Following the repeal of the farm laws by the Government of India in December 2021, the earlier arrangement of the market area was restored. However, the process of nomination of members could not be implemented thereafter due to assembly election in the State. The State Government further stated that, in the meeting held in March 2023 of the Delegated Legislative Committee of the Uttar Pradesh Legislative Assembly, it was decided that there was a need for practical improvements and amendments to Section 13 of the Act. A decision in this regard would be made after due consideration at the competent level.

The fact remains that the Board could not implement the provision of the Act for the nomination of members to the Market Committees, resulting in the continued governance of the Market Committee by the State Government officers instead of nominated members as envisaged in the Act. As a result, the short-term administrative arrangement of vesting

powers of Market Committees to the District Magistrate, which was implemented in the year 1972, became a permanent arrangement. Besides, as per further information provided (August 2024) by the Board, the matter related to the election of Market Committees was still in process.

2.1.6.2 Internal audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisational operation. It should be conducted in a professional manner for all the units planned in an annual audit plan of the internal audit prepared in the light of availability of manpower.

Audit noticed that annual audit plan for the internal audit of various units in the Board (*viz.*, regional offices, Deputy Director (Construction), Deputy Director (Electrical & Mechanical) and various sections in the office of the Board) and Market Committees were not prepared during 2017-22. Audits were scheduled on *ad-hoc* basis with the approval of Finance Controller of the Board.

Status of internal audit of Market Committees conducted during 2017-22 is given in **Table 1**.

Table 1: Status of internal audit of Market Committees during 2017-22

Year	Total Unit	Units proposed for audit	No. of units audited against proposed units	Percentage of audited unit to the total unit
2017-18	251	65	65	26
2018-19	251	65	0	0
2019-20	251	8	8	3
2020-21	251	43	43	17
2021-22	251	15	15	6
Total			131	

(Source: UP State Agricultural Produce Market Board)

As evident from Table 1, during 2017-22, 131 units were audited and out of these 27 units were repeated. Thus, 147⁷ (58 *per cent*) out of 251 Market Committees were not audited during 2017-22. Further, percentage of internal audits for Market Committees ranged from a maximum of 26 *per cent* (2017-18) to a minimum of zero *per cent* (2018-19). In 38 test checked Market Committees, internal audit in 19 Market Committees (50 *per cent*) was not conducted during 2017-22 (**Appendix 2.1.2**).

In reply, the State Government stated (September 2023) that due to shortage of manpower in Internal Audit Cell, the internal audit was conducted by auditors deployed on deputation. The State Government further stated that internal audit was hampered for two years between September 2018 and November 2019 due to unavailability of auditors, though various departments were requested to provide auditors on deputation. Internal audit was also affected due to COVID-19 pandemic in March 2020 and due to these reasons, the annual audit plan could not be

⁷ 251 total units minus 104 (i.e., 131 audited units minus 27 repeated units) = 147 units never audited

prepared. However, internal audit was conducted with the available manpower. The State Government also stated that special efforts would be made to prepare annual plan for internal audit of Board and Market Committees in future.

2.1.7 Financial Management

Market fee and development cess are the main sources of finances for the functioning of the Board and the Market Committees under it. Under Section 17 (iii-b) of the Act, Market fee is payable on the transactions of sale of specified agricultural produce in the market area at the prescribed rates. The commission agents/traders, as the case may be, are liable to pay the market fee and the development cess to the Market Committee.

As per section 19 (1) of the Act, ‘Market Committee Fund’ had to be established for each Market Committee to which all money received by it would be credited including all loans raised by it and advances and grants made to it. Under Section 19 (5) of the Act, each Market Committee was to render 50 *per cent* of its total receipts⁸ in a year to the Board as contribution keeping only 50 *per cent* of the receipts subject to maximum of ₹ 10 crore.

Further, Section 26 of the Act⁹ established three earmarked funds at the Board level, viz., Board’s Fund, Uttar Pradesh State Marketing Development Fund and Central Mandi Fund. The purpose and amount to be credited in these funds are as given below:

(i) Board’s Fund

All money received by or on behalf of the Board, except for money required to be credited under the Uttar Pradesh State Marketing Development Fund and Central Mandi Fund, are deposited into the Board’s Fund. This fund is utilised for the payment of salaries, pensions, other expenses related to establishment of the Board and for carrying out the purposes of the Act generally. In July 2019, the State Government directed the Board to credit 35 *per cent* of the contributions received from Market Committees into the Board Fund.

(ii) Uttar Pradesh State Marketing Development Fund

All contributions received from Market Committees under Section 19(5) of the Act are credited to the Uttar Pradesh State Marketing Development Fund, except for such percentage as the State Government may direct to be credited to the Board’s Fund. In July 2019¹⁰, the State Government directed the Board to credit 65 *per cent* of the contributions received from Market Committees to the Uttar Pradesh State Marketing Development Fund. The fund is intended for the development of infrastructural facilities

⁸ Excluding loans raised by it, moneys realised as development cess and grants made by the State or Central Government.

⁹ Sections 26-P, 26-PP and 26-PPP of the Act

¹⁰ Prior to July 2019, the contribution in Uttar Pradesh State Development Fund was 80 *per cent* of the contribution received by the Board from the Market Committees.

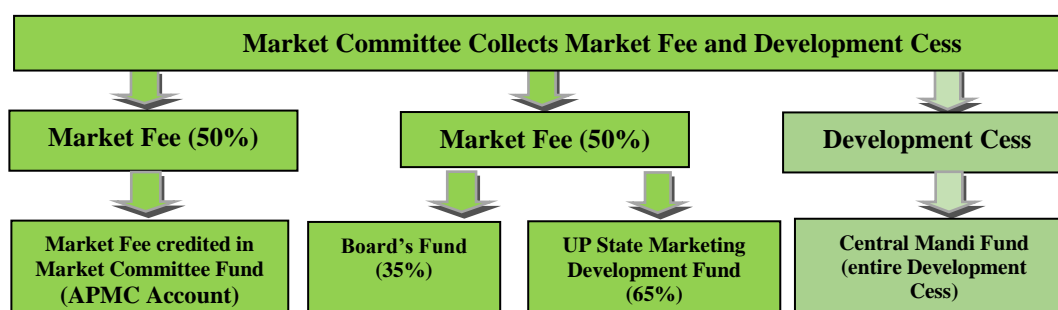
in the market area, conducting market surveys and research, improving the general conditions of buying and selling and providing training for officers and staff of Market Committees among other purposes.

(iii) Central Mandi Fund

The Market Committee is required to pay to the Board every month all money realised as development cess, which is then credited to the Central Mandi Fund. This fund is utilised to provide assistance to financially weak and underdeveloped Market Committees in the form of loans and grants. It is also used for the construction, maintenance and repair of market yards, link roads, and other development works.

The fund flow of market fee and development cess in the above mentioned three funds are depicted in **Chart 3**.

Chart 3: Fund flow of Market Fee and Development Cess



(Source: UP State Agricultural Produce Market Board)

2.1.7.1 Receipts and expenditure of market fees and development cess

The receipts and expenditure of market fees and development cess during 2017-22 is given in **Table 2**.

Table 2: Receipts and expenditure during the years 2017-18 to 2021-22

(₹ in crore)

Year	Receipts						Expenditure				
	Market Fee ¹¹			Development Cess (Board Level)	Grants from State and Central Government	Total	Market Committees	Market Board			Total
	(Market Committees level)	(Board level)						Board Fund	Development Fund	Cess Fund	
		Board Fund	Development Fund								
2017-18	208.7	311.18	856.84	266.84	53.14	1696.70	434.02	267.01	698.82	77.59	1477.44
2018-19	262.84	396.34	976.13	309.85	55.20	2000.36	614.92	315.82	825.42	124.49	1880.65
2019-20	912.04 ¹²	378.97	520.3	335.66	5.57	2152.54	655.38	214.48	350.81	143.05	1363.72
2020-21	416.83	250.75	242.56	173.04	12.21	1095.39	617.58	225.23	278.29	139.49	1260.59
2021-22	270.44	167.29	148.43	115.27	8.36	709.79	802.29	129.45	260.73	122.49	1314.96
Total	2070.85	1504.53	2744.26	1200.66	134.48	7654.78	3124.19	1151.99	2414.07	607.11	7297.36

(Source: UP State Agricultural Produce Market Board)

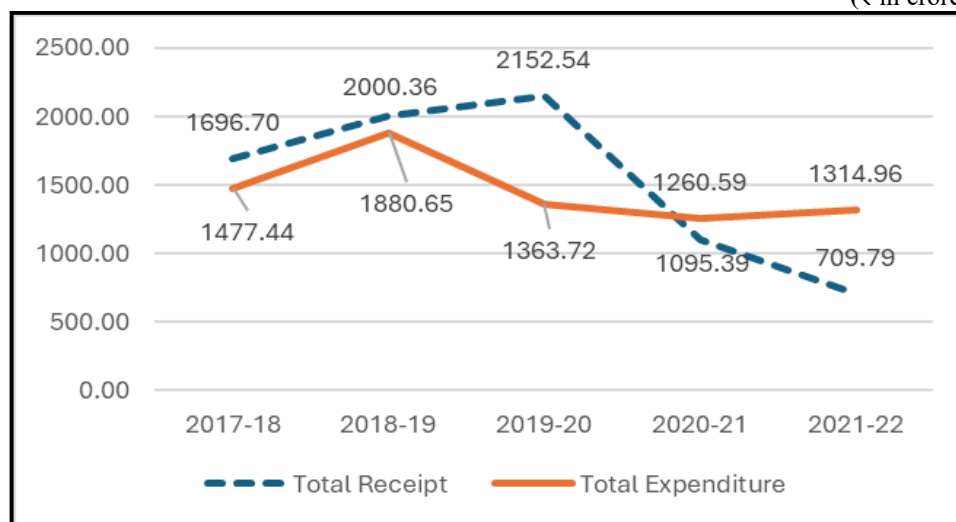
¹¹ It also includes other income, viz., interest income, license fee, premium and rent of shops, etc.

¹² In 2019-20, the receipt of the Market Committees increased as compared to the previous year's receipts due to increase of the prescribed limit of contribution to the Market Committees from ₹ 25 lakh (till 2018-19) to ₹ 10 crore vide notification dated 29.07.2019.

As evident from **Table 2**, of the total receipts (₹ 7,654.78 crore), the Board incurred an expenditure of ₹ 4,173.17 crore, while 251 Market Committees incurred an expenditure of ₹ 3,124.19 crore. The trends of receipts and expenditure during 2017-18 to 2021-22 are shown in **Graph 1**.

Graph 1: Receipts and Expenditure of Market Committees and Market Board

(₹ in crore)



The graph depicting the receipts of Board and Market Committees showed a declining trend in 2020-21 and 2021-22, reaching its lowest point (₹ 709.79 crore) in 2021-22. As a result, there was imbalance in expenditure vis-à-vis receipts of Board and Market Committees and expenditure exceeded their receipts during the years 2020-21 and 2021-22.

In reply, the State Government stated (September 2023) that the income of the Board and Market Committee were adversely affected during 2020-21 and 2021-22 due to the implementation of the Farmer's Act in June 2020. Therefore, receipts and expenditure were not in balance due to payments in respect of previous year's liabilities, salary payments and essential establishment expenditure. The State Government further stated that at present, this imbalance in receipts and expenditure would not occur after the repeal of the Farmers' Act.

2.1.7.2 Utilisation of funds available for Centrally Sponsored Schemes

Market Board received funds from the Central Government during 2017-18 to 2021-22 for implementation of three Centrally Sponsored Schemes (CSS), viz., Electronic National Agriculture Market (e-NAM), Rashtriya Krishi Vikas Yojna (RKVY) and Bundelkhand Package (BKP). The details of the funds received by the Board and their utilisation under the Schemes are as detailed in **Table 3**.

Table 3: Utilisation of funds available for Centrally Sponsored Schemes
(₹ in Crore)

Name of CSS	Opening Balance (2017-18)	Fund received (2017-18 to 2021-22)	Total available Fund	Total Expenditure (2017-18 to 2021-22)	Unspent Balance (2021-22)
e-NAM	7.59	65.30	72.89	35.82	37.07
RKVY	2.65	42.77	45.42	4.37	41.05
BKP	14.49	30.87 ¹³	45.36	40.38	4.98
Total	24.73	138.94	163.67	80.57	83.1

(Source: UP State Agricultural Produce Market Board)

As shown in Table 3, out of total available funds, a substantial amount (50.77 per cent) remained unspent. The utilisation of the total funds available for the e-NAM and RKVY schemes from 2017-18 to 2021-22 was merely 49.14 per cent and 9.62 per cent respectively.

Audit further noticed that funds of e-NAM and RKVY schemes were kept in the bank account of the Board's fund due to which the interest accrued on unspent balance under these schemes were not accounted for separately, which was contrary to the provisions of GFR Rule 230(8)¹⁴.

The Government in its reply stated (September 2023) that efforts were being made to utilise unspent funds under CSS. Entire unspent balance of ₹ 41.05 crore for RKVY had been utilised and UC was also issued. The State Government further stated that efforts were being made to utilise unspent funds of e-NAM scheme.

2.1.7.3 Irregular transfer of interest in the Board Fund

The receipts at the Board level are kept separately under Board's Fund, UP State Marketing Development Fund and Central Mandi Fund. These funds are maintained for meeting specific expenses. Therefore, interest earned from the bank accounts of these funds should have been retained in the respective funds' bank accounts.

(a) Transfer of interest by the Board

Audit observed that the Board transferred ₹ 392.28 crore of interest earned in UP State Marketing Development Fund (₹ 244.90 crore) and Central Mandi Fund (₹ 147.44 crore) to the Board's Fund during 2016-21. Such transfers of interest were in violation of the Act under which these funds were established to carry out specific activities.

In response, the Government stated (September 2023) that the interest earned in the Uttar Pradesh State Marketing Development Fund and Central Mandi Fund during 2016-21 was transferred to the Board Fund as per the approval of the Director. Furthermore, this amount was transferred

¹³ Includes interest amount of ₹ 4.50 crore. In respect of other two schemes, i.e., RKVY and e-NAM, the Board did not provide the figure of interest earned as the scheme fund was kept in the bank account of Board's Fund.

¹⁴ GFR Rule 230(8) provides that all interest or other earnings against grants-in-aid released to any grantee institution should be mandatorily remitted to the Consolidated Fund of India immediately after finalisation of accounts.

by the Board to weaker Market Committees to meet their establishment expenses.

The reply was not tenable, as the Board Fund, Market Development Fund and Central Mandi Fund are established for specific purposes outlined in the *Uttar Pradesh Krishi Utpadan Mandi Adhiniyam*, 1964. Therefore, transferring interest earned from the Market Development Fund and Central Market Fund to the Board's Fund was in violation of the Act. Additionally, Rule 128 C of The *UP Krishi Utpadan Mandi Niyamavali*, 1965 requires that half of the amount of the Central Mandi Fund shall be utilised with the approval of the State Government. However, the Board had unauthorisedly transferred ₹ 83.27 crore (the State Government's share on interest earned) out of ₹ 147.44 crore of total interest from the Central Mandi Fund to the Board Fund without seeking the required approval of the State Government.

(b) Transfer of interest by the offices of Deputy Director (Construction)

Funds are kept in three separate bank accounts in every Deputy Director (Construction) (DDCs) offices, viz., Establishment Account (for establishment expenses), Construction Account (for construction expenses) and Security Account (for amount received as security from contractors). During 2017-18 to 2021-22, DDCs transferred interest of ₹ 15.29 crore earned on all three types of accounts maintained at DDCs level to the establishment account of the Board maintained at the headquarters.

Audit noticed that funds were made available to DDCs for construction work from Uttar Pradesh State Marketing Development Fund, Central Mandi Fund and Board's Fund. However, interest earned on balance fund remaining with DDCs out of construction works were not transferred to respective funds, viz., UP State Marketing Development Fund, Central Mandi Fund, and Board's Fund due to mixing up of these balances in construction bank accounts at the DDC level.

In reply, the State Government stated (September 2023) that agreement-wise and fund-wise amounts were transferred to all Deputy Directors (Construction/E&M) based on their estimates of works. Since Deputy Directors (Construction/E&M) were operating single bank account for construction activities, interest was transferred to this bank account and therefore, fund wise division of interest was not feasible.

The fact remains that the interest accrued on unspent balances was not transferred to the respective funds (UP State Marketing Development Fund, Central Mandi Fund, and Board's Fund), instead, it was transferred to the bank account related to the Board's Fund.

2.1.7.4 Non recovery against dishonored cheques

Audit noticed that an amount of ₹ 36.19 crore out of dishonored cheques of amount aggregating to ₹ 69.92 crore against 5,925 cheques, deposited by traders was not recovered as of 12 December 2022 in Market

Committees in 16 regions in the State. This included 387 dis-honored cheques (**Appendix 2.1.3**) involving receipt of ₹ 7.26 crore, deposited by 200 traders in 19 out of the 38 test checked Market Committees. Further recovery certificates (RCs) were issued against 71 out of 387 dishonored cheques amounting ₹ 88.68 lakh (12 *per cent*).

In reply, the State Government stated (September 2023) that Market Committees were instructed to collect all dues (Market fee, Development cess etc.) in cash or in form of digital payment only and in special circumstances bank draft of nationalised banks may be accepted. State Government further stated that Market Committees have cancelled allotment of shops in cases dishonoured cheque relates to rental dues and RC have also been issued against many firm/traders. The State Government also stated that a team of DDAs and Accounts Officers were formed for the recovery of dues and for submitting details of the enquiries by fixing responsibility of the officers/employees.

2.1.7.5 Non recovery of premium amount for shops allotted to traders

The shops in the market yards are allotted through auction. The successful participant in the auction was to deposit 50 *per cent* of the premium fixed for the shop within 15 days of the date of allotment and the remaining 50 *per cent* within three months of allotment.

Scrutiny of records revealed that in all 16 divisions of the Board in the State, premium of ₹ 81.96 crore was outstanding as of March 2022. Further scrutiny of records in the 20 of 38 test-checked Market Committees revealed that premium of ₹ 13.77 crore against 227 allottees remained unpaid by traders as of December 2023. It was also noticed that of these 227 cases, 89 shops were allotted during last two years, 115 shops were allotted between last two to five years and 23 shops were allotted more than 5 years ago (**Appendix 2.1.4**).

The Government stated (September 2023) that the Board had directed the concerned DDAs for fast recovery of unpaid premiums of shops allotted to the traders.

2.1.7.6 Non recovery of rent of shops from traders

Scrutiny of records revealed that rent and user charges amounting to ₹ 11.78 crore and ₹ 1.33 crore respectively were outstanding as of March 2022 from shops/godown allotted by Market Committees in the State.

In the test checked Market Committees, rent amounting to 2.15 crore in respect of 1,048 shops were pending as of December 2023 (**Appendix 2.1.5**). The pendency of recovery of rent was for the period of up to one year in cases of 527 shops (₹ 0.39 crore) and more than one year in cases of 521 shops (₹ 1.76 crore).

The Government stated (September 2023) that Mandi Parishad had issued necessary orders to concerned Deputy Director Administration for fast recovery of rent of shops allotted to traders.

2.1.7.7 Unadjusted advance on account of Cement and Maxphalt

Prior to July 2016, cement and maxphalt to be used in the construction works of Market Board were purchased by the Board and provided to contractors. This system was reviewed and stopped by the Board in July 2016.

Audit scrutiny of records of six DDCs revealed that advances up to 2016 given to the agencies¹⁵ for purchase of cement and maxphalt for construction works were not adjusted till March 2022 as shown in **Table 4**.

Table 4: Unadjusted advances

(₹ in Lakh)

Name of DDC office	Unadjusted Advance (Cement)	Unadjusted Advance (Maxphalt)	Total Unadjusted Advance (March 2022)
Agra	0.00	04.63	04.63
Kanpur	102.41	26.55	128.96
Lucknow	39.10	18.52	57.62
Moradabad	7.58	3.59	11.17
Prayagraj	305.64	18.35	323.99
Varanasi	15.07	19.99	35.06
Total	469.8	91.63	561.43

(Source: Test checked DDC offices)

As detailed in Table 4, even after a lapse of more than five years, the advance payments of ₹ 5.61 crore made to various agencies for the supply of cement and maxphalt were yet to be adjusted by the concerned DDCs as of March 2022.

The Government stated (September 2023) that necessary instructions had been issued for the adjustment of advances on account of maxphalt and cement.

2.1.7.8 Creation of corpus fund for protecting salary and retirement benefits

Scrutiny of records revealed that after promulgation (5 June 2020) of Farmers Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020 by the GoI, the Board created (June 13, 2020) two corpus funds for protection of salary and retirement benefits of employees of the Board and the Market Committees respectively in view of anticipated less income of Market Committees in the year 2020-21 and thereafter. The money for the Corpus Fund (₹ 300 crore) of employees of the Board was taken from the Board's Fund and for the Corpus Fund (₹ 500 crore) of the employees of Market Committees, the money was taken from the Uttar Pradesh State Marketing Development Fund.

¹⁵ Associated Cement Corporation, UP State Cement Corporation, Indian Oil Corporation, etc.

Audit noticed that both corpus funds were continued (September 2023) even though the said Farmer's Act was repealed on 30 November 2021.

In its reply, the Government stated that the corpus fund was created from the Market Development Fund for the salary and related expenditure of employees of Market Committees. The contribution to the creation of the Corpus Fund was taken from Market Committees whose financial position was strong. This fund was created with the approval of the Governing Body. Further, it was also stated that all the expenditure incurred on service/retirement benefits is met with the resources available with the Board without taking any assistance from State Government.

The fact remains that a decision was not taken to dissolve the Corpus Fund even after the repeal of the Farmer's Act.

2.1.8 Manpower management

Section 23 of the Act prescribes that the Chairman or Secretary of Market Committees, to the extent empowered under the bye-laws or resolutions passed by the Committee, may appoint such officers and servants as may be necessary for carrying out the purposes of this Act. In exercise of the powers under Section 26-X of the Act, the Board had framed the Uttar Pradesh Agricultural Produce Markets Board (Officer and Staff Establishment) Regulations, 1984 and Uttar Pradesh Agricultural Produce Market Committee (Centralised) Service Rules, 1984.

Shortage of manpower in Board

The status of men in position against the sanctioned post for the Board during 2018 to 2022 has been given in **Table 5**.

Table-5: Sanctioned strength, men in position and vacant posts in the Board as on April 2018 and April 2022

(figures in numbers)

Group of officers	Sanctioned strength		Men in position		Vacant posts (<i>Per cent</i>)	
	1 April 2018	1 April 2022	1 April 2018	1 April 2022	1 April 2018	1 April 2022
Group A	82	64	50	32	32 (39)	32 (50)
Group B	191	118	61	70	130 (68)	48 (41)
Group C	1000	712	498	327	502 (50)	385 (54)
Group D	214 ¹⁶	193	214	193	0	0
Total	1487	1087	823	622	664 (45)	465 (43)

(Source: UP State Agricultural Produce Market Board)

It is evident from Table 5 that there was a reduction of 201 men-in-position (24 *per cent*) from 823 in April 2018 to 622 in April 2022. The status of availability of personnel as of March 2022 in various cadre is detailed in **Appendix 2.1.6**.

¹⁶ Group D cadre in the Board was declared as a dead cadre. These posts would be abolished with superannuation of the respective officiating personnel.

Shortage of manpower in Market Committees

The overall vacancy position of human resources in Market Committees in the State is given in **Table 6**.

Table 6: Sanctioned strength, men in position and vacant posts in Market Committees in the State during 2017-18 to 2021-22

(figures in numbers)

Posts ¹⁷	Sanctioned strength		Men in position		Vacant posts (Per cent)	
	1 April 2018	1 April 2022	1 April 2018	1 April 2022	1 April 2018	1 April 2022
Secretary	325	325	115	72	210 (64.62)	253 (77.85)
Market employees (Inspector and Amin/Auctioneer)	1107	1107	504	404	603 (54.47)	703 (63.50)
Accounts and General employees	571	571	237	152	334 (58.49)	419 (73.38)
Driver	25	25	21	13	4 (16.00)	12 (48.00)
Group D employees	3408	3408	2061	1506	1347 (39.52)	1902 (55.81)
Total	5436	5436	2938	2147	2498 (46)	3289 (61)

(Source: UP State Agricultural Produce Market Board)

It is evident from Table 6 that during 2017-22, there was a reduction of 791 men-in-position (27 *per cent*) in the Market Committees from 2,938 posts in April 2018 to 2,147 posts in April 2022. Further, the overall percentage of total vacant posts increased from 46 *per cent* in April 2018 to 61 *per cent* in April 2022. The vacancies in the post of Secretaries increased from 65 *per cent* in April 2018 to 78 *per cent* in April 2022, which was the highest in all categories of employees. In 19 out of 38 test-checked market committees, the post of secretary was vacant.

In respect of Group B posts, the State Government stated that the Board had forwarded (January 2018, March 2018 and October 2019) the requisition for recruitment against 64¹⁸ vacant posts of Group B in Mandi Parishad and Market Committees to Uttar Pradesh Public Service Commission (UPPSC), which was revised to 46 posts in July 2020. Against this, appointment of 17 posts were made. Subsequently, after repeal of the Farmer's Act, requisition of 37¹⁹ posts for recruitment was also forwarded (May 2023 and August 2023) to UPPSC against which process of recruitment was underway.

Further in respect of Group C posts, the State Government stated that the requisition for appointment of 898 posts was forwarded (January 2018, March 2018 and October 2019) to Uttar Pradesh Subordinate Service Selection Commission (UPSSSC). The requisitions were subsequently revised to 442 posts in July 2020 and February 2021. Besides, requisition

¹⁷ Secretary (Group A, B & C posts) and Market employees (Inspector & Amin/ Auctioneer), Accounts & General employees, Driver are Group C post.

¹⁸ Assistant Engineer (27 posts), Accounts and Audit Officer (16 posts), Marketing Officer - (2 posts) Programmer - (1 post). Assistant Programmer - (3 posts), Law Officer-(1 post), Secretary Category-2 (14 posts).

¹⁹ 15 posts (Assistant Engineer, Accounts and Audit Officer and Programmer) and 22 posts of Secretary Category-2

of 134 posts of Secretary was also forwarded to UPSSSC in August 2023. The process of appointment against these requisitions of Group C posts was underway. The State Government added that as per UPSSSC, due to investigation of complaint cases received in connection with the recruitment process, the recruitment process was blocked and the selection process is now going on. The State Government also informed that 200 posts in Mandi Parishad Services and 442 posts in Market Committee were filled up through promotion during 2017-18 to till date.

2.1.9 Levy and collection of receipts and provision of assistance to farmers

The Market Committees were to perform and enforce the provision of the Act and the Market Rules, 1965 and bye-laws made thereunder in the Market Area. They were to provide facilities for sale and purchase of specified agricultural produce, ensure fair dealings between the producers and persons engaged in the sale or purchase, prompt payment to sellers and extend facilities for grading and standardization of specified agricultural produce, *etc.*

The Market Committees have the power to issue, renew, suspend or cancel the licenses under the Act and levy and collect market fee and other charges including license fee.

2.1.9.1 Weighing of arrivals

Under Rule 77 of the Market Rules, 1965, the Market Committees were to maintain a record in which regular and proper account of each consignment of the specified agricultural produce is brought in for sale in the Principal Market Yard or Sub Market Yard. The Board decided (October 2012) that weighbridge measurement slip of arrivals in the *mandi* would be entry slip for the *mandi*. Secretary, Market Committee would be responsible for ensuring measurement of all arrivals on the weighbridge and assess liability of the market fee and development cess, which was to be regularly monitored by Deputy Director (Administration/Marketing). The Board had further instructed (December 2019) to keep weighbridges functional, since non-functional weighbridge may lead to evasion of market fee/cess.

Audit noticed that:

- In four²⁰ out of 38 test checked Market Committees, weighbridge was not installed in the Market Yard.

²⁰ Chaubepur (Kanpur Nagar), Rasra (Balai), Kadaura (Jalaun), Biswa (Sitapur). In case of Chaubepur (Kanpur Nagar), weigh bridge was not installed in sub-market yard at Shivrajpur whereas principal market yard was not constructed in Market Committee, Chaubepur.

- The sale voucher (Form No. VI) generated in the *e-Mandi portal*²¹ did not mention entry slip number. Due to this, detail of the entry slips was not mapped with sale vouchers.

In reply, the State Government stated that weighbridges would be installed in other Market Committees on receiving proposals from them. The Government further stated that only estimated weight is taken at the entrance of the market premises and actual weight of the arrival is being entered in form VI after cleaning, sorting and grading. The Government added that as per Mandi Act and Rules neither it is mandatory to issue entry slip nor it is related to actual trading activities. Entry slip is generated to improve documentation and record maintenance. It was further stated that now provision has been made in *e-Mandi portal* to register entry slip number in sale voucher (Form VI).

The reply of the State Government contradicts the Board's decision which *inter alia* envisaged for issuing weighbridge measurement slip of arrivals in the Market Committee in order to reduce possibility of evasion of Market Fee. Further, the Board had added provisions in *e-Mandi portal* to register entry slip number in sale voucher only from second half of 2023.

2.1.9.2 Provision of assistance to farmers under welfare scheme

In order to ensure the welfare of farmers, the Board operated different welfare schemes which were revamped in April 2018. Scheme-wise details are given in **Table 7**.

Table 7: Details of Chief Minister's Farmer Welfare Schemes 2017-22

Sl. No.	Name of Scheme	2017-18		2018-19		2019-20		2020-21		2021-22	
		No. of beneficiaries	Amount paid	No. of beneficiaries	Amount paid	No. of beneficiaries	Amount paid	No. of beneficiaries	Amount paid	No. of beneficiaries	Amount paid
1.	CM Farmer's Accident Assistance Scheme	745	797.11	553	771.53	629	1121.16	350	566.31	133	189.07
2.	CM Khet/Khalihan Fire Accident Assistance Scheme	21309	1338.14	10893	1097.75	17073	1667.84	3100	371.75	5096	572.11
3.	CM Farmer Gift Scheme	114	106.51	72	56.25	180	119.27	290	402.00	285	132.84
4.	CM Farmer Scholarship Scheme	769	286.52	875	322.92	955	348.48	737	265.32	985	354.60
5.	CM Market Committee Traders/Aadhatia Accident Assistance Scheme	The scheme was in operation from April 2019				0	0	0	0	0	0
6.	CM Market/Sub Market Yard Fire Accident Assistance Scheme	The scheme was in operation from April 2019				03	4.10	01	2.00	17	31.49
Total		22937	2528.28	12393	2248.45	18840	3260.85	4478	1607.38	6516	1280.11

(Source: UP State Agricultural Produce Market Board)

²¹ *e-Mandi* is a web-based platform for different stakeholders which contains various modules, viz., license module for issue of licenses to traders, Form No. VI (Sale vouchers for sellers) module, Form No. IX (Bill of Commission Agent/Wholesale Traders) module, module for digital payment and module for issue of entry slips to the farmers, etc.

Under the *Chief Minister Farmer's Scholarship Scheme*, the scholarship was to be given to the children of farmers and landless labourers studying in Government and Government-aided agriculture universities/institutes/degree colleges in the State for graduate, post graduate and research scholars²² of Agriculture & Home Science. The prescribed number of scholarships to the meritorious students at the rate of ₹ 3,000 per month was admissible under the scheme.

Scrutiny of records revealed that during 2017-18 to 2021-22, no student benefitted under the scholarships scheme in four²³ out of 16 regions in the State. Further, scholarship benefit to Home Science students was provided by only two regions (Ayodhya and Varanasi).

In reply (February 2024), the Board stated that during 2017-18 to 2021-22, applications were not received for the CM Farmer Scholarship scheme in four divisions of the State and for the Home Science subject, applications for scholarship were received in only two divisions. The Board further added that efforts were being made to receive applications for scholarship by increasing publicity of the scheme.

2.1.9.3 Working of Market Committees on e-NAM platform

Government of India launched (July 2015) a central sector scheme for promotion of National Agriculture Market (NAM) which envisages deployment of a common e-market platform (e-NAM) in selected regulated wholesale agriculture markets. One of the main objectives of the e-NAM was to integrate markets first at the level of the States and eventually across the country through common online platform to facilitate pan-India trade in agricultural commodities. The e-NAM scheme was implemented in 125 out of the total 251 Market Committees in the state till financial year 2021-22²⁴.

The details of the marketing done during 2017-22 using the e-NAM platform by the Market Committees in the State are given in **Table 8**.

Table 8: Arrival, traded quantity/value, e-payment, traders, farmers, Inter and Intra State trading on the e-NAM platform

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	Total
1.	Estimated arrived quantity (lakh quintal)	248.06	194.92	159.88	58.23	46.37	707.46
2.	Traded quantity (lakh quintal)	108.62	109.96	118.73	38.35	30.78	406.44
3.	Traded Value (Crore)	1584.74	1819.00	2132.83	637.23	548.90	6722.70
4.	e-Payment (Crore)	10.65	9.95	9.51	1.28	0.54	31.93
5.	Farmers Participated	3516	2370	1523	282	116	7807

²² In the revamped scheme (September 2018), the scholarship was to be granted to graduate and post graduate students.

²³ Aligarh, Bareilly, Basti, Mirzapur

²⁴ 66 Market Committees in 2016-17, 34 Market Committees in 2017-18 and 25 Market Committees in 2020-21.

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	Total
	in e-payment (No.)						
6.	Traders Participated in e-payment (No.)	912	713	392	148	57	2222
7.	Farmers Registered (No. in lakh)	25.28	5.46	1.81	0.02	0.009	32.58
8.	Trader Registered	17629	1805	708	1318	184	21644
9.	Inter-State trading (Crore)	(Year wise break-up of the data not provided)					0.39
10.	Intra State trading (Crore)	(Year wise break-up of the data not provided)					1.02

(Source: UP State Agricultural Produce Market Board)

As evident from the Table 8, the arrived quantity of agriculture produces on e-NAM platform showed a decreasing trend during 2017-18 to 2021-22. Further, there was minimal activity in both Inter-State and Intra-State trade on the e-NAM platform indicating lack of interest among the stakeholders in respect of use of e-NAM portal. Audit further noticed that the estimated arrived quantity of agriculture produces on e-NAM platform remained in the range of 1.91 *per cent* to 2.53 *per cent* of non-eNAM arrivals during 2017-18 to 2021-22.

Thus, one of the main objectives of the scheme to integrate the markets first at the level of the States and eventually across the country through common online platform to facilitate pan-India trade was yet to be achieved.

In reply, the State Government stated that in the initial phase of e-NAM (April 2016), implementation focused on facilitating trading within market yards and slowly inter-market and inter-state trade was implemented. During 2017-18 to 2018-19, secondary trade arrivals were recorded. In 2020-21 and 2021-22, there had been a decline in e-NAM due to implementation of Farm Act and Covid-19. Under e-NAM the inter-state trade was implemented from December 2018, however, several hurdles (like quality assurance, transportation and post payment issue) were required to be addressed for the smooth functioning of the platform, which was brought to the notice of the concerned Ministry and a new platform was launched in July 2022. So far, commodities worth ₹ 1.02 crore had been traded within the State and commodities worth ₹ 0.39 crore had been traded inter-state on e-NAM. State Government also added that to promote the use of the e-NAM portal many steps were taken like organising 'e-NAM Day' in every month, training to all the stakeholders, rewarding the farmers and traders who make the most purchases and sales in the month, appointing e-NAM Mitra to assist the stakeholders in each e-NAM Mandi, etc. The rules of the licensing process were relaxed to promote inter-state trade by converting all licenses issued by Market Committees of the State into unified licenses to allow traders from other states to buy/sell agricultural products. Special efforts are being made to promote inter-state trade of potato and other specified agricultural produce through e-NAM portal.

The fact remains that the intended outcomes of the e-NAM have not been achieved even after six years of its implementation in the State.

2.1.10 Provision and utilization of amenities/facilities to farmers and traders

Under Section 16 of the Act, Market Committees were to provide such facilities for the sale and purchase of specified agricultural produce as may be specified in any direction given by the Board to the Committee from time to time or considered necessary by the Committee. Audit findings on utilisation of the amenities/facilities provided are discussed in succeeding paragraphs:

2.1.10.1 Un-constructed Market Yard

As per the provision of the Act, Market Committees were to provide suitable amenities to the producers and traders in Principal Market Yard/Sub Market Yard. Scrutiny of records revealed that Principal Market Yards were not constructed in 29 out of the 251 Market Committees in the State. Among these 29 Market Committees, 18 lacked both Principal Market yards and Sub Market Yards (*Appendix 2.1.7*). Therefore, these Market Committees operated without having a designated market yard and essential market facilities viz. shops, platform, weighbridge etc. for sale and purchase of specified agricultural produce. However, due market fee and development cess were being realized for trading activities in these Market Committees.

The Government stated in its reply (September 2023) that proposal of construction of Principal/Sub Market Yard for remaining Market Committees would be taken up as per availability of land.

2.1.10.2 Provision of accommodation for storing agricultural produce in market area

Under Rule 47 of Market Rules, 1965, Market Committees may provide facilities for storing specified agricultural produce in the market area and for that purpose hire or construct warehouses in the market area.

Audit noticed that none of the test checked Market Committees provided such facilities to the farmers in their market area either by construction of godowns in the market yards or by hiring the warehouse in the market area. Open platforms and tin-shaded structures were though present in the market yard of all test checked Market Committees for unsold produce, which were exposed to moisture, rain, stray animals, etc.

In reply, the State Government stated (September 2023) that instructions were being issued to DDAs and Secretary of Market Committees to arrange for suitable space for unsold agriculture produce brought by farmers to the market yard so as to secure their produce from rain, moisture and animal.

2.1.10.3 Provision of licensed Weighman/Measurer and Palledars

Under Rule 70, Weighmen, Measurer, Palledars, etc., working in Market/Sub Market Yard are required to apply for license under these provisions of the Market Rules, 1965. The name of such licensees was to be kept by the Market Committee in a register and was to be prominently displayed in the office of Market Committee. Further, under Rule 83, all weighing or measuring of any specified agricultural produce brought in market yard for sale was to be done only by licensed Weighman or Measurer.

Audit noticed that in eight²⁵ out of 38 test checked Market Committees, no license was issued to Weighmen, Measurers and Palledars during 2017-18 to 2021-22. Further, in remaining 30 test checked Market Committees, the number of license holders of Weighmen, Measurers and Palledars decreased from 1,698 in 2017-18 to 1,062 in 2021-22 (*Appendix 2.1.8*). Thus, the Market Committees did not ensure license holders Weighmen, Measurers and Palledars in sufficient numbers.

In reply (September 2023), the State Government stated that due to Covid 19 pandemic, implementation of Farmer's Act and denotification of 45 specified agricultural produce from the purview of market regulation in May 2020, there was decrease in number of licensees.

2.1.10.4 Dispute settlement and Development sub committees not constituted

Under Rules 56 (1) and 56(2) of the Market Rules, 1965, Market Committee is responsible for appointing Dispute Sub-Committee and Development Sub-Committee. The primary function of the Dispute Sub-Committee is to address grievances that may arise between producers and traders related to the mode of sale, rate, payment, quality or weight of the article, etc. The Development Sub-Committee is responsible for arranging the construction, maintenance and repair of buildings, roads and lanes in the market yards that may be entrusted to the Sub-Committee after the sanction of work by the Committee.

Audit noticed that none of the test checked Market Committees had formed any Dispute Sub-Committee to settle disputes between traders and producers. Further, the Market Committee sent proposals to the respective construction divisions on a regular basis for construction/repair work to develop the market yard. However, none of the test checked Market Committees formed any Development Sub-committee to oversee these activities. Thus, Market Committees were functioning without constitution of these sub-committees, despite the provisions outlined in the Market Rules, 1965.

In reply, the State Government stated (September 2023) that the Board is taking necessary action at an appropriate level for constitution of Dispute

²⁵ Chaubepur, Dadri, Hapur, Bindki, Bisalpur, Khaga, Mirzapur and Rasra

Sub-Committee and Development Sub- Committee within the Market Committee.

2.1.10.5 Unoperational Rural Infrastructural Nuclei (RIN)

With a view to provide facility of selling the local farmers produce locally, as market infrastructure or Mandi are generally very far away from their villages, development of Rural Infrastructure Nuclei²⁶ (RIN) Market was considered under Bundelkhand package²⁷.

Audit noticed that a total of 133 RINs were constructed in seven districts of Bundelkhand region. However, only 26 out of these 133 RINs were operational as of August 2023.

Scrutiny of records of test checked Market Committee Lalitpur revealed that DDC Jhansi constructed 11 RINs at the cost of ₹ 19.31 crore and handed over to the Market Committee in April 2016. Since their constructions, only two RINs (Targuan & Nagvas) were made operational. Secretary, Market Committee Lalitpur stated (November 2022) that there was difficulty in making remaining RINs operational as farmers were getting better price of their produce in the main market yard.

In reply, the State Government stated that the Board had requested the respective District Magistrate for the prompt allocation of shops, warehouses, and other assets constructed in RIN. In cases where traders did not show interest in allotment of shops/godown, action was also being taken for temporary allotment of shops and warehouse to Self Help Group or any interested person for any work related to agricultural activity to ensure extensive infrastructure remain in working condition. The State Government added that 44 shops and four warehouses constructed in 11 RINs of Lalitpur district had already been allotted to traders and Department of Food and Civil Supply. Government further stated that two RINs (Tirguan and Nagvas) were operational as food grain market and wheat purchase centers were organised in the remaining nine RINs of Lalitpur.

The fact remained that 107 Rural Infrastructural Nuclei (RIN) constructed in the Bundelkhand Region have not been made operational. Also utilising the infrastructure of nine RINs in Lalitpur district for purchase centers was a seasonal activity and not the intended purpose for which RIN was constructed.

²⁶ Rural Infrastructural Nuclei (RIN) were constructed at sub district level in seven districts (Jhansi, Jalaun, Lalitpur, Banda, Hamirpur, Chitrakoot and Mahoba) to provide facilities (Grain, fruits and vegetables storage centers, platform, parking area, utility block, toilets, internal road, drainage, etc.) for farmers to sale their produce at short distances.

²⁷ GoI had approved (December 2009) a special package for drought mitigation and a comprehensive package for integrated development of the Bundelkhand region (seven districts of Uttar Pradesh and six districts of Madhya Pradesh).

2.1.10.6 Unoperational Agricultural Marketing Hub

The Board constructed 1,643 Agricultural Marketing Hubs (AMHs) in the State during 2011-12 to 2014-15 with the aim of providing farmers with a local market to sell their agricultural produce in proximity to their production areas. These AMHs comprised 5,852 shops, 1,508 platforms, 92 godowns and 1,237 hand pumps. Out of ₹ 406.44 crore incurred for construction of these AMHs, ₹ 265.50 crore were sourced from Thirteenth Finance Commission grants while the Board contributed ₹ 140.94 crore.

Scrutiny of records revealed that out of 1,643 AMHs, 480 AMHs (29 *per cent*) constructed under 128 Market Committees remained unoperational as of January 2024. Further, out of these 128 Market Committees, 30 Market Committees were those where none of 170 AMHs (construction cost: ₹ 39.11 crore) was operational (*Appendix 2.1.9*).

The State Government in its reply (September 2023) stated that the allocation of shops in AMH was delayed due to dispute between Cooperative Department and Mandi Board. To resolve this dispute, it was decided (December 2021) that 804 vacant shops, which were constructed on land of Cooperative Department, would be allocated by the department itself and the Cooperative Department had been requested to allocate these vacant shops as soon as possible. Allotment of remaining 187 vacant shops was under process at the level of concerned Market Committees.

The fact remains that the intended objective of providing farmers with facilities through AMHs had not been achieved due to unoperational AMHs.

2.1.10.7 Shops in market yards remained unallotted to traders

Audit noticed that 309 shops in the market yards of 21 test checked Market Committees were vacant as of December 2023. Scrutiny of records further revealed that out of 309 unallotted shops, 223 shops costing ₹ 25.87 crore were never allotted since their handing over to the respective Market Committees, as detailed in *Appendix 2.1.10*. The main reasons for non-allotment of shops were due to non-receipt of applications for allotment, non-participation of reserved category traders against reserved shops, higher amount of premium of shops, denotification of 45 specified agricultural produces, not shifting of trades to designated place, etc. Further, out of 223 shops which were never allotted included 83 shops constructed in sub market yard, Barauli Ahir village, Agra (30 shops) and sub market yard Malihabad, Lucknow (53 shops). Details of these two sub market yard remaining unoperational have been discussed in the case study-01 and case study-02.

Case Study-01: Unoperational new vegetable/flower market in Barauli Ahir village, Agra

Audit observed that Market Committee, Agra acquired (December 2015) 2.34 hectare land at a cost of ₹ 3.70 crore for development of new vegetable/flower market in Barauli Ahir village, Agra. DDC Agra constructed 43 C-category shops and 30 super market shops at a cost of ₹ 8.65 crore in the new fruit and vegetable market yard at Barauli Ahir, which were subsequently handed over to the Market Committee Agra in January 2019.

Despite conducting three auctions, 30 super market shops could not be allotted due to lack of applications. Market Committee, Agra stated in reply that sub-Market Yard, Basai was functional near the Barauli Ahir Market Yard due to which traders did not show interest in allotment of the shops in Barauli Ahir Market Yard. Thus, investment of ₹ 12.35 crore (₹ 8.65 crore + ₹ 3.70 crore) made in the development of the new vegetable/flower market in Barauli Ahir, Agra remained blocked as it has not been operational.

In reply, the State Government attributed the delay in the allotment process to the Covid-19 pandemic and stated (September 2023) that all 43 shops had been allotted and the allotment of 30 shops in the supermarket was underway.

Case Study-02: Unoperational sub market yard at Malihabad, Lucknow

Market Board developed a Sub-Market Yard (mango mandi) in Malihabad in February 2021 (handed over in June 2021) at a cost of ₹ 56.30 crore which included 76 air-conditioned shops, kisan bhawan, one processing unit, canteen, etc. However, only 11 out of 76 shops could be auctioned as of April 2022. Trading activities in the sub-market yard in Malihabad did not commence as of December 2022 and therefore, no market fee or user charges was realised from the newly constructed market yard. In this context, Market Committee, Lucknow stated (December 2022) that there were less shops in the sub-market yard than the number of licensed traders (approximately 500), therefore, the mango trade could not be shifted to the sub-market yard.

In reply, the State Government stated (September 2023) that 23 out of 76 shops were allotted as of February 2023 and the allotment process for the remaining shops was under process. Government further stated that the removal of mangoes from specified agricultural produce had affected trading activities and shop allotments. However, a proposal had been received from Market Committee regarding the utilisation of these shops for trading of other specified produce and the allotment of shops would be made after approval of the change of usage of these shops.

The reply was not acceptable, as the Malihabad sub market yard remained unoperational (January 2024) and no user charges/market fees could be realized even after more than two years of handing over of the sub market yard.

In reply, State Government stated (September 2023) that action was being taken by the Market Committee for allotment of vacant shops.

2.1.10.8 Shops and places in market yards under possession of CRPF and UP Police

Under Section 16 of the Act, the Market Committees were to provide suitable amenities in the market yards and in particular to construct and maintain market lanes, shops etc., in market yards.

Audit noticed that in Market Committee, Ayodhya, properties (10 no. 'A' grade shops, 10 'B' grade shops, six 'B-1' grade shops, 31 'C' grade shops, two auctioning platform) constructed for trading activities of agriculture produce were under the possession of Central Reserve Police Force (CRPF) since September 1990. Audit also noticed that 54 out of 57 shops had already been allotted to traders before their possession by CRPF. The Market Committee raised bills of ₹ 73.76 lakh for the period September 1990 to March 2022 in March 2022²⁸ from the CRPF. However, the bills remained unpaid as of October 2022 and the premises also remained occupied by CRPF.

Similarly, in test checked Market Committee Bahjoi, Sambhal, police line occupied (December 2011) six godowns, one type-III residence including nearby open space, canteen and canteen campus. As the property was under the possession of Police Department, Market Committee could not get benefit of the developed infrastructure. Market Committee demanded ₹ 29.49 lakh (September 2018) and ₹ 47.44 lakh (September 2022) for payment of dues, but the rent was not paid by the Police Department.

Thus, due to occupancy, Market Committees Ayodhya and Bahjoi could not extend suitable amenities as per section 16 of the Act to the traders.

The Government stated (September 2023) that letters had been issued to the District Magistrates of Ayodhya and Bahjoi for vacating unauthorized possession of space in the market yard.

2.1.11 Development of infrastructure in market yard/area

Audit noticed that following infrastructural developmental works carried out in test checked DDCs/Market Committees were either not functional/inoperative or remained undeveloped.

2.1.11.1 Investment in Flower Market at NOIDA remained blocked

A proposal for the construction of a flower market in NOIDA market yard was obtained in December 2005 and the place was developed in September 2008 with a total investment of ₹ 38.75 crore, including financial assistance from Agricultural and Processed Food Products Export

²⁸ Market Committee had earlier raised bill of ₹ 70.13 lakh in June 2020 for the period September 1990 to June 2020, which remained unpaid.

Development Authority²⁹ (APEDA) (₹ 3.50 crore), National Horticulture Mission Delhi (₹ 5.09 crore) and the Board (₹ 30.16 crore). The flower market includes an auction center, an air-conditioned flower hall (for receiving, packing and dispatch), three cold storage units, 114 shops, 18 kiosks and a grower's rest house.

Audit scrutiny revealed that the auction of 74 shops was held in October 2008. However, due to lack of buyers for flowers, operations in the flower market could not take place. During a meeting in July 2014 with the Director Market Board, traders informed that transportation issues, non-production of flowers in the NOIDA area and lack of buyers were the primary reasons for the non-operational flower market. Efforts to convert the flower market into a commodity market also failed, as APEDA did not give consent in July 2022 to the Board's proposal to utilise the flower market for wholesale business in grains and groceries³⁰.

Audit noticed that no feasibility and need based assessment was carried out before construction of the flower market³¹. Further, the flower market remained unoperational as of January 2024 since the allotment of shops in October 2008. However, the sanctioned electricity load of 1,093 KW continued till April 2018³² when the connection was disconnected. The Market Committee also paid ₹ 85 lakh in March 2018 as electricity charges against a total electricity bill of ₹ 1.09 crore up to August 2017.

During joint physical verification (July 2022), Audit observed that the display board and equipment in the Auction Center were nonfunctional, three cold storage rooms were in dilapidated condition, shops/kiosks/generator rooms were closed and the grower's rest house was vacant without any utilisation. Thus, the expenditure of ₹ 39.60 crore³³ on the project remained unfruitful.

²⁹ APEDA was established by the Government of India under the Agricultural and Processed Food Products Export Development Authority Act passed by the Parliament in December 1985.

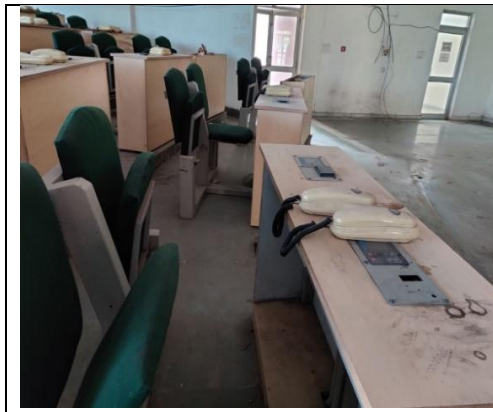
³⁰ As per letter (July 2022) of APEDA to Market Board, use of the flower auction centre as a wholesale business of grain and grocery along with flower business was contrary to the mandate of the APEDA.

³¹ As informed (January 2024) by Market Committee, Noida

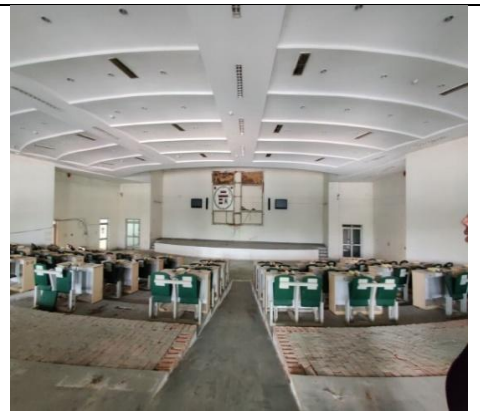
³² Temporary disconnection was made in July 2017 and permanent disconnection was made in April 2018.

³³ ₹ 38.75 crore on construction of flower market and ₹ 85 lakh on electricity charges.

Photograph 1



Photograph 2



During Joint physical verification (27.07.2022) Auction Hall in NOIDA fruit market damaged by termites

The Government stated (September 2023) that efforts were made to make the flower market operational, but it could not be made functional. As the market was not operational, the shops were in a dilapidated condition from which no financial benefits were being derived. The request to utilise the shops for trading grains/grocery was turned down by APEDA with a suggestion to rework the proposal in accordance with APEDA's mandate. The Government further stated that correspondence was in progress with APEDA for utilizing the shops in the NOIDA flower market for other export produce, such as, basmati rice, maize, etc. along with flowers. Additionally, effort was being made to allot the cold storage, auction hall and collection center on lease or rent basis for the export of other agricultural produce.

The fact remains that the flower market remained unoperational even after 15 years of its completion, as this was constructed without any feasibility and need based assessment.

2.1.11.2 Unoperational Special Market Yard Amarpur, Lalitpur

Under the Bundelkhand package, a Special Market Yard in Lalitpur district was proposed to be constructed at the site of Amarpur village, located on the national highway, five kilometers away from existing Market Yard, Lalitpur.

DDC Jhansi constructed the Special Market Yard, incurring an expenditure of ₹ 67.39 crore during December 2013 to October 2016, and handed it over to the Market Committee Lalitpur in October 2016. Audit noticed that 40 out of the 290 shops constructed in the Special Market Yard, were allotted and remaining 250 shops could not be auctioned as of November 2022 due to lack of application despite notice for auction was published ten times between May 2017 and July 2018. In a meeting held (July 2019) by Market Committee with traders, it was pointed out that the size of the shops in Special Market Yard was small and conditions are not conducive for trade in the Market Yard.

In reply (September 2023), the State Government stated that the process of allotment of the remaining shops was under process. The Government

further stated that in case traders do not show interest in allotment of shops in Special Market Yard, necessary action would be taken to allot the vacant shops on a temporary basis to Self Help Group, Farmer Producer Organization, Farmer Producer Company or any other interested party for work related to agricultural activities.

2.1.11.3 Closure of construction of potato processing unit at Kannauj

The Board accorded (December 2015) administrative and financial sanction of ₹ 97.20 crore for construction of Special Potato Market Yard at Thathiya, Kannauj. Technical sanction on the DPR was accorded (January 2016) by Chief Engineer, Market Board, Lucknow of ₹ 63.12 crore for construction of Canteen, Kisan Bhawan, 60 'A' category shops, toilets, internal roads, external development, entrance gate/toll plaza, water storage tank and land scaping and construction of cold storage and processing unit. The estimated cost of the cold storage and processing unit was ₹ 26.65 crore. An agreement was executed with M/s Glair Infrastructure Limited in April 2016 at the aggregate cost of ₹ 61.82 crore with the stipulated date of completion of work in October 2017.

Audit observed that the construction work of cold storage and processing unit was stopped in March, 2017 on the instruction of Director of the Board. Audit further noticed that DDC, Kanpur terminated the agreement in December, 2019 with imposing a penalty of 10 per cent of the cost of agreement on the grounds that the contractor had not completed the construction work of special potato market yard even after a lapse of more than two years from the stipulated date of completion. By the date of termination of contract, ₹ 11.71 crore was incurred on construction of cold storage and processing unit and ₹ 2.79 crore on construction of 60 'A' category shops.

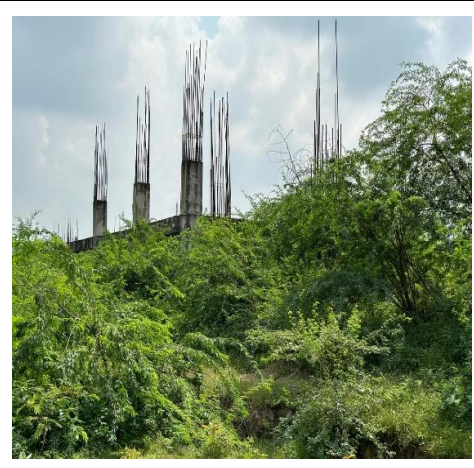
Subsequently, in October 2020, a committee, led by the Additional Director (Admin), Market Board decided to complete the remaining work of the Special Potato Market Yard. The incomplete construction work (shops, toilets, office building, roads, etc.) of the project was completed and handed over to Market Committee, Kannauj in August 2022 excluding the cold storage and processing unit. The cold storage and processing unit remained incomplete, as a result, expenditure of ₹ 11.71 crore incurred on the construction of the cold storage and processing unit was unfruitful.

In reply, the State Government stated (September 2023) that in the first phase, construction was initiated for 60 shops and other essential services. However, due to delays in completing the project, the contract was cancelled and the remaining work was completed by another firm. All 60 shops have been allotted and the market is operational. The Government further stated that it had been decided not to undertake any additional work for the construction of the potato processing unit and the process of utilizing the incomplete construction for other purposes, such as an auction platform and godown, was underway by making partial changes in the structure.

Photograph 3



Photograph 4



Joint physical verification (31.08.2024) of incomplete processing unit, Thathiya, Kannauj.

The State Government's reply is not acceptable, as a joint physical inspection conducted in August 2024 revealed that the entire incomplete structure of cold storage and processing unit was in a dilapidated condition. Furthermore, no proposal was initiated by either Market Committee, Kannauj or the Market Board to utilise the structure for any useful purpose.

2.1.11.4 Unutilised residential quarters of employees

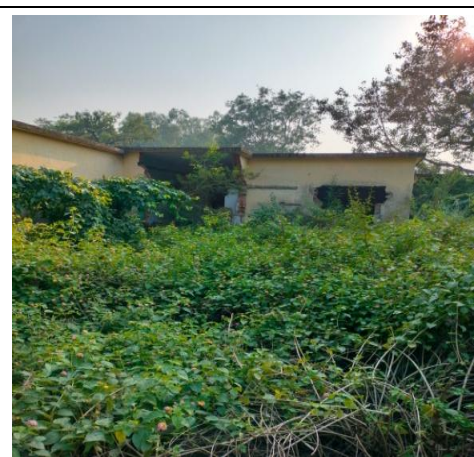
Scrutiny of records of test checked Market Committee Chandpur, Bijnore and DDC Moradabad revealed that residential quarters (Type-1: 8, Type-2: 10, and Type-3: 1) and roads & drains were constructed at a cost of ₹ 18.80 lakh in the market yard and handed over to the Market Committee (May 1991). The Market Committee stated (December 2022) that the residential quarters have never been allotted since their handover.

During joint physical verification (18.10.2022) condition of the residential quarters were found to be in dilapidated state surrounded by shrubs and bushes.

Photograph 5



Photograph 6



(Joint physical verification of residential quarters of Market Committee Chandpur, Bijnor)

Due to non-allotment and lack of proper maintenance, the residential quarters became unusable over time and damaged due to wear and tear.

In reply, the State Government stated (September 2023) that different types of 19 residential quarters were constructed at Market Committee Chandpur, Bijnore, in 2003. The Market Committee has passed a resolution to use these residential quarters as godowns, which is currently under implementation.

The reply is not acceptable, as the residential quarters were constructed in March 1991 and handed over to the Market Committee in May 1991 as depicted in the completion certificate of the work. Thus, even after a lapse of 31 years, the Market Committee had failed to utilise the residential buildings for any constructive purpose.

2.1.12 Conclusion

The Agriculture Produce Market Committees (APMCs) under the Act were to be operated and governed by their members, including producers, traders, commission agents, palledars, and measurers. However, charge of elected Chairmen and Vice-Chairmen were placed under the Government Officers. Since inception, members of Market Committees were not nominated resulting in no elections for Chairman and Vice-Chairman.

The Board received ₹ 138.94 crore during 2017-18 to 2021-22 for Centrally Sponsored Schemes. However, out of the total available funds (₹ 163.67 crore), ₹ 83.10 crore (50.77%) remained unutilised in the account of the Board. A substantial amount of premium (₹ 81.96 crore), rent (₹ 11.78 crore), and user charges (₹ 1.33 crore) from shop owners in market yards remained unrecovered. Advance payments of ₹ 5.61 crore made to supply firms for cement and maxphalt remained unadjusted by the concerned DDCs. There was an acute shortage of manpower in all categories of employees in the Board and Market Committees.

The Market Committees depended on the weight reported by traders in Form 6Rs (Sellers' vouchers for sale). There was no linkage of the entry slip with the respective 6R generated through the e-Mandi platform. The objective of e-NAM, to integrate markets first at the state level and eventually across the country through a common online platform to facilitate pan-India trade, was not achieved even after six years from its start in 2015-16, as the inter-state and intra-state trading through the platform remained negligible. Dispute Sub-Committees and Development Sub-Committees were not constituted in any of the test-checked Market Committees.

In Market Committee Lalitpur, a total investment of ₹ 19.31 crore made on 11 Rural Infrastructure Nuclei (RIN) proved to be unfruitful as it failed to provide intended benefits to the farmers. During 2011-15, 1643 Agriculture Marketing Hubs (AMH) were constructed at a cost of ₹ 406.44 crore. However, 170 AMHs constructed at a cost of ₹ 39.11 crore remained unoperational in 30 Market Committees since their construction. In 21 test checked Market Committees, 223 shops costing ₹ 25.87 crore were not allotted since these were handover. The Board undertook projects without

conducting proper feasibility studies resulting in idle infrastructure such as vegetable/flower market, potato processing unit, market yards, sub market yards, etc.

2.1.13 Recommendations

- *State Government should nominate members in Market Committees among producers, traders, commission agents, palledars and take measures for election of their Chairman and Vice Chairman by the members.*
- *Effective mechanism should be devised and closely monitored for better utilization of funds.*
- *To ensure the proper functioning of Market Committees and the Board timely and appropriate recruitment in all categories of employees should be carried out.*
- *Weighing of each consignment brought into the closed premises of market yards should be ensured, and the payable and paid amounts of market fees should be reconciled. The realization of receipts should be ensured through systemic reforms in the functioning of the market yards.*
- *A long-term policy should be made for the development of new infrastructure in the market yard/market area. The requirement for new infrastructure should be generated in a bottom-up approach from the user Market Committee.*
- *For better utilisation of facilities created for purchase and sale of agriculture produce, unutilised infrastructure should be maintained and put to use on priority.*