



FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE

ON

**PUBLIC UNDERTAKINGS
(2023-26)**

SIXTY FIRST REPORT

(Presented on 17th September, 2025)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM**

2025

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On

Kerala State Horticultural Products Development Corporation Limited

**(Based on the Report of the Comptroller and Auditor General of India for the year ended
31st March, 2016)**

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**COMMITTEE ON PUBLIC UNDERTAKINGS
(2023-26)**

COMPOSITION

Chairperson:

Shri E. Chandrasekharan

Members:

Shri A.P. Anilkumar

Shri Anwar Sadath

Shri Ahammad Devarkovil

Shri T. V. Ibrahim

Shri P. Mammikutty

Shri K. P. Mohanan

Shri D. K. Murali

Shri P. Nandakumar

Shri Kadakampally Surendran

Shri P. Ubaidulla

Legislature Secretariat:

Dr. N. Krishnakumar, Secretary

Smt Sheeba Varghese., Joint Secretary

Shri Anil Kumar B., Deputy Secretary

Shri Mohanan O., Under Secretary

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2023-26) having been authorised by the Committee to present the Report on its behalf, present this ~~6th~~ Report on Kerala State Horticultural Products Development Corporation Limited based on the report of the Comptroller and Auditor General of India for the year ended 31st March, 2016 relating to the Public Sector Undertakings of the State of Kerala.

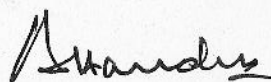
The aforesaid Report of the Comptroller and Auditor General of India was laid on the Table of the House on 23.05.2017. The consideration of the audit paragraphs included in this report and the examination of the departmental witness in connection thereto were made by the Committee on Public Undertakings (2021-2023) at its meeting held on 16.11.2021.

This Report was considered and approved by the Committee (2023-26) at its meeting held on 06.08.2025.

The Committee place on record its appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala in the examination of the Audit paragraphs included in this Report.

The Committee wishes to express thanks to the officials of the Finance Department, Agriculture Department of the Secretariat, Kerala State Horticultural Products Development Corporation Limited for placing the materials and information solicited in connection with the examination of the subject. The Committee also wishes to thank in particular the Secretaries to Government, Industries and Finance Department and the officials of Kerala State Horticultural Products Development Corporation Limited who appeared for evidence and assisted the Committee by placing their views before the Committee.

Thiruvananthapuram,
17th September, 2025.


E. CHANDRASEKHARAN,
Chairperson,
Committee on Public Undertakings.

REPORT

on

Kerala State Horticultural Products Development Corporation Limited

Audit para 2.2 (2015-16)

2.2. Procurement and marketing of vegetables and fruits in the State by Kerala State Horticultural Products Development Corporation Limited

Executive Summary

Introduction

Kerala State Horticultural Products Development Corporation Limited(Company) was incorporated in March 1989 as a fully owned State Government company with the main objective to organise vegetable, fruit and flower growers and to provide them with all supplies and services to augment their income base by increased productivity and value addition through an integrated system of production, procurement, grading, storage, processing, marketing and exporting of horticultural products.

Procurement activities

During 2011-12 to 2015-16, the Company procured vegetables and fruits ranging between 4,000 metric tonne (MT) and 18,000 MT from within the State. This accounted for around two per cent of the total vegetables produced in Kerala during 2011-12 to 2015-16.

Instead of procuring directly from farmers, world markets under the control of Department of Agriculture, etc., as envisaged, the Company made 75.47 per cent purchases valuing ₹53.74 crore from traders/ middlemen during 2014-15 to 2015-16. Selection of traders was not through transparent process. Though the Company had empanelled nine suppliers, purchases amounting to ₹ 30.86 crore and ₹22.88 crore in 2014-15 and 2015-16 respectively were made from the non-empanelled suppliers in the five District Procurement Centres selected by Audit.

Non-procurement of vegetables from three districts

The Company did not have centres for procurement of vegetables in Malappuram, Wayanad and Kasargod districts. As a result, vegetables produced by farmers in these three districts were not procured by the Company. During the

period from 2012-13 to 2014-15, these districts had produced 3.11 lakh MT of vegetables which accounted for 18.23 per cent of the total vegetable production in the State.

Remunerative prices to farmers

Farmers did not receive remunerative prices for their produce. There was undue delay in settlement of farmers' bills.

Quality of vegetables and fruits

Even though a major chunk of the procurement of vegetables and fruits was from the neighbouring States, the Company failed to ensure quality of vegetables purchased.

The lab test conducted by the Food Safety Commissioner of GoK on the samples selected from the Company revealed that some of the vegetables supplied by the Company were unsafe to eat. Quality checking conducted at the instance of Audit also revealed presence of pesticide residues in vegetables beyond permissible limits.

Absence of consistent marketing policy

The Company did not have a consistent procurement/ marketing policy. The purchase and selling prices were fixed arbitrarily.

Subsidy sale during festive seasons

The Company did not comply with the directions of the Government of Kerala (GoK) with regard to the fixation of selling price during subsidy period and made incorrect subsidy claim with the GoK.

Regional imbalances in sales outlets

Sales outlets of the Company were established without considering the regional balances and 79 per cent of the sales outlets were in seven districts in southern part of the State, thereby majority of the people were deprived of the benefits of low or subsidised price offered by the Company.

Introduction

2.2.1 Department of Agriculture, Government of Kerala (GoK) analysed the problems associated with the development of fruits and vegetables and ascertained that these were caused by the non-availability of good quality seeds and planting materials, lack of processing facilities to absorb seasonal surplus of fruits and vegetables and lack of efficient marketing system to ensure a larger share of the

consumer's rupee to the producer. In order to address this, Kerala State Horticultural Products Development Corporation Limited (Company) was incorporated in March 1989 as a fully owned State Government company with the aim to organise vegetable, fruit and flower growers and to provide them with all supplies and services to augment their income base by increased productivity and value addition through an integrated system of production, procurement, grading, storage, processing, marketing and exporting of horticultural products. The activities of the Company include procurement of vegetables and fruits from farmers and distributing them to the public at discounted rates below the market price through retail outlets located in different parts of the State.

Organisational set-up

2.2.2 The registered office of the Company is located in Thiruvananthapuram. The Company has eleven District Procurement Centres (DPCs) in Thiruvananthapuram, Kollam, Kottayam, Ernakulam, Kannur, Kozhikode, Alappuzha, Pathanamthitta, Thrissur, Palakkad and Idukki districts; three Sub Regional Procurement Centres at Haripad, Chadayamangalam and Poojapura; one Beekeeping Consortium and Training Centre at Mavelikkara and one Strawberry Processing Centre at Munnar. The Company operates 77 own and 293 licensed stalls.

Audit Objectives

2.2.3 The main objectives of the Performance Audit were to ascertain whether:

- The Company was able to procure horticultural products from farmers to the extent envisaged and ensure remunerative prices to them; and
- Marketing of horticultural products of the farmers in the State was carried out economically and efficiently.

Audit Criteria

2.2.4 The following criteria were adopted:

- Guidelines, norms/ policies prescribed by GoK/Company;
- Cold Chain Scheme of the Company;
- Government Orders;

- Agreements/contracts with franchisees/ farmers' associations;
- Minutes of the Board meetings; and
- Agricultural Development Policy-2015 of Government of Kerala.
- Weekly price trend reports of AGMARKNET¹ .

Scope of Audit and Audit methodology

2.2.5 The Performance Audit covered the activities of the Company during the period 2011-12 to 2015-16 in respect of procurement and distribution of vegetables and fruits. The methodology adopted for attaining the Audit Objectives with reference to the Audit Criteria was review of files/records maintained by the Company/ Department of Agriculture in six selected districts viz., Thiruvananthapuram, Kollam, Kottayam, Idukki, Malappuram and Palakkad. We also conducted joint surveys with 46 farmers/ farmers' associations, Secretaries of five world markets² and 30 licensed stalls.

The Audit Objectives, Audit Criteria and scope of the Performance Audit were discussed with the Management and Government in an Entry Conference held on 06 May 2016. The audit was conducted during June 2016 to September 2016.

Audit findings were issued to Management/ Government on 04 November 2016. Audit findings were also discussed with Department of Agriculture, GoK and Management of the Company in an Exit Conference held on 23 November 2016. Their replies and views have been given due consideration while finalising the report.

Audit Findings

2.2.6 Audit findings on procurement and marketing of vegetables and fruits by the Company are discussed below:

Procurement of vegetables and fruits

2.2.7 One of the main objectives of the Company is to provide a marketing avenue to the farmers of the State. Details of production of vegetables in the State and procurement by the Company during the last five years ended 2015- 16 were as given in Table 2.16.

Table 2.16: Details of production of vegetables in the State *vis-a-vis* procurement by the Company

Year	2011-12	2012-13	2013-14	2014-15	2015-16	Total
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¹ An e-governance portal by National Informatics Centre which facilitates web-based information flow of daily arrivals and prices of commodities in the agricultural produce markets.

² Urban/ Rural Agriculture World Markets.

Production of vegetables in the State (Lakh MTs)	5.55	5.51	5.57	5.98	6.28	28.89
Procurement by the Company from within the State (Lakh MTs)	0.04	0.06	0.18	0.12	0.09	0.49
Percentage of procurement to total production	0.72	1.09	3.23	2.01	1.43	1.70

Source: Data furnished by Directorate of Agriculture and the Company.

As evident from the above table, procurement of vegetables by the Company from the farmers of the State hovered around a meagre two per cent of the total production. This was mainly due to lack of coordination among different Government agencies, inconsistent procurement policy, etc., as discussed in the succeeding paragraphs.

Lack of planning

2.2.7.1 Effective procurement demands preparation of realistic targets considering the quantity of vegetables and fruits anticipated to be produced in the State. Targets for procurement should be backed by financial budgets/working capital assessment.

We observed that the Company did not set any targets for procurement of vegetables and fruits by the DPCs during 2011-12 to 2015-16. Financial budgets/working capital requirement were also not prepared/ assessed during the above period. In the absence of targets and budgets, the Company procured vegetables and fruits on routine and adhoc basis. The value of procurement declined sharply by 32.64 per cent in 2015-16 as compared to 2014-15 as given in Table 2.17 due to working capital constraints.

Table 2.17: Value of procurement of vegetables and fruits by the Company

Year	2011-12	2012-13	2013-14	2014-15	2015-16
Value of procurement (₹ in crore)	13.85	37.62	76.17	77.12	51.95
Increase / (decrease) over previous year (₹ in crore)	...	23.77	38.55	0.95	(25.17)
Percentage of increase/ (decrease) over previous year	...	171.62	102.47	1.25	(32.64)

Accepting the audit observation, GoK replied (January 2017) that the Company had decided to fix targets for all DPCs with respect to procurement of vegetables and fruits from 2017-18 onwards.

Recommendation No. 1: The Company may prepare a realistic financial budget to ascertain the working capital requirements for procurement, based on the harvest schedule.

Lack of coordination among various agencies

2.2.7.2 The Company is the sole Public Sector Undertaking (PSU) for marketing of vegetables and fruits in the State. It is dependent on Government agencies like Department of Agriculture, Vegetables and Fruits Promotion Council Keralam³ (VFPCCK) and State Horticulture Mission (SHM) for procurement because these agencies oversee the cultivation of vegetables and fruits in the State. Therefore, coordination among these agencies was essential for maximum procurement by the Company.

We, however, noticed lack of coordination in the following cases leading to non-procurement of fruits and vegetables by the Company:

- GoK directed (November 2001)⁴ the Company to establish procurement centres at block level to procure vegetables directly from farmers/ farmers self help groups at reasonable rates. Department of Agriculture of GoK was to coordinate the activities in order to bring the vegetables to the procurement centres. In order to review and monitor the activities of the Company and the Department of Agriculture and to make these activities more efficient, GoK decided to constitute a review committee in each district consisting of the Deputy Director and Assistant Director (Marketing) of Department of Agriculture and the Regional Manager of the Company.

We observed that the review committee was not constituted in any of the districts selected for audit even though the review committee was to be constituted in each district.

- GoK sanctioned (June 2008) 1,000 Organic Vegetable Village Programme by coordinating the activities of Department of Agriculture, SHM, VFPCCK, Kerala Agricultural University, voluntary organisations, Grama Panchayats,

³ A company registered under Section 25 of the Companies Act, 1956.

⁴ G.O. (M.S) No.227/2001/Agriculture dated 05/11/2001.

Kudumbashree⁵, educational institutions, Self Help Groups, etc. The Company was identified as the most significant agency which was supposed to participate in the programme by procuring and marketing the vegetables produced under the programme.

During 2010-11, GoK sanctioned (March 2010) ₹5 crore under Haritha Vipanatham Project (HVP) to the Company for procurement of vegetables produced under the 1,000 Organic Vegetable Village Programme. As per HVP, Grama Panchayaths should formulate the production programme with the technical assistance of the Department of Agriculture. The Agricultural Officer of Department of Agriculture should prepare the harvest schedule for each Grama Panchayat and intimate the same to the Company and Regional Manager of the DPCs concerned. The Regional Manager, in turn, should prepare a procurement schedule for each Grama Panchayat and vegetables should be procured from the pooling centres. The quantity available and required at each DPC should be intimated to the head office three days in advance and the surplus quantity should be transported to the place of demand.

We observed that the Company diverted the amount sanctioned under HVP for working capital due to financial crisis. Further, Agriculture Officers of Department of Agriculture did not intimate the harvest schedule to the Company. Ultimately, the Company did not utilise these funds for the intended purpose.

GoK accepted the audit observation about lack of coordination among various agencies involved in the production and marketing of vegetables in the State. GoK also stated that the Company would take steps for preparing crop calendar for vegetables with the support of Agriculture Department. This would help to fulfil the objectives of the Company in a better manner.

Recommendation No. 2: There should be close coordination among the Company, Department of Agriculture, VFPCCK, SHM, etc., for more efficient procurement of vegetables and fruits from the farmers.

Non-assignment of specific role to the Company

2.2.7.3 The Vegetable Development Programme (VDP) implemented (2012- 13 onwards) by the Directorate of Agriculture aimed at increasing production of

⁵ Kudumbashree is a poverty eradication and women empowerment programme implemented by State Poverty Eradication Mission of GoK..

vegetables in the State. The VDP did not envisage any marketing assistance and hence, overlooked the role of procurement by the Company.

The Agriculture Development Policy of Kerala, 2015, also did not assign any role to the Company in the development or marketing of agricultural products, even though it was the only PSU in the State involved in these activities. The annual plans formulated by the Department of Agriculture for promoting agricultural production during the audit period also ignored the aspect of procurement and marketing of vegetables and fruits by the Company.

Thus, GoK did not give due importance to the procurement and marketing of vegetables by the Company. As a result, vegetable growers of the State did not get desired marketing assistance from the Company. No specific reply was received from GoK in this regard.

Absence of DPCs in three districts

2.2.7.4 The Company did not have DPCs in three districts, viz., Malappuram, Wayanad and Kasargod. Malappuram was the third highest producer of vegetables in the State. Details of production of vegetables in these three districts during the period from 2012-13 to 2014-15 were as given in Table 2.18.

Table-2.18: Production of vegetables in Malappuram, Wayanad and Kasaragod

Sl. No.	District	Production (MT)	Procurement (MT)
1	Malappuram	1,98,478	Nil
2	Wayanad	66,555	Nil
3	Kasargod	46,299	Nil
	Total	3,11,332	Nil

Source: Data furnished by Directorate of Agriculture and the Company.

In the absence of DPCs, the Company did not procure vegetables from these districts. In order to assess how the farmers marketed the vegetables produced by them in the absence of marketing assistance from the Company, we conducted a joint survey in 5 out of 21 clusters⁶ and 4 out of 18 Swasraya Karshaka Samithis⁷ (SKS) in Malappuram along with the officials of the Department of Agriculture.

⁶ Association of farmers.

⁷ A self-help group of farmers.

The representatives of all five clusters and four SKS responded that their products were sold to traders at low rates in the absence of procurement by the Company.

Since the Company did not have procurement centres in these districts, the Company could not make any impact on marketing of 3.11 lakh MT vegetables produced by farmers in these three districts, which accounted for 18.23 per cent of the total vegetable production in the State during the period from 2012-13 to 2014-15.

Accepting the audit observation, GoK replied (January 2017) that the Company had opened a new DPC at Wayanad in November 2016 and was planning to open new DPCs in Malappuram and Kasargod districts.

Procurement of bulk quantity of vegetables from traders

2.2.7.5 Agricultural Department, GoK operates District Procurement Centres/ wholesale markets/ Urban/ Rural Agriculture World Markets (UAWMs and RAWMs). These markets were developed by GoK with the support of European Economic Committee to provide better marketing opportunities to farmers by promoting direct marketing through auction. The Government ordered (March 2012) that the Company should participate in wholesale markets of Agriculture Department for ensuring remunerative price to the farmers who bring their produce to these markets. The details of procurement of vegetables and fruits by the Company from DPCs of GoK/ UAWMs and RAWMs, traders/ middlemen and farmers in the five districts selected for audit are shown in Table 2.19.

Table 2.19: Details of procurement of vegetables by five DPCs of the Company

Year	Total	Traders/Middlemen	Farmers (including procurement from world markets and VFPCCK)
	(Figures ₹in crore)		
2014-15	42.64	30.86	11.78
2015-16	28.57	22.88	5.69
Total	71.21	53.74	17.47

As could be seen from the Table, bulk of the procurement during 2014-15 and 2015-16 was from the traders/ middlemen (75.47 per cent) while procurement from farmers was only 24.53 per cent during this period. Though the GoK directed the

Company to participate in the auctions held in the world markets, participation of the Company was not satisfactory as reported (October 2013) by the Director of Agriculture to GoK. Further, it was also stated that non-participation, irregular and delayed participation by the Company in the auctions had resulted in collusion of traders to lower the price causing loss to the farmers.

We noticed that the procurement from traders/ middlemen was due to absence of a consistent procurement policy as discussed below:

- The Company had formulated (March 1993) a Haritha Marketing Strategy which was never implemented. Subsequently, a new Cold Chain Scheme was proposed. According to this scheme approved (July 1997) by GoK, procurement of fruits and vegetables was to be made from the collection centres of VFPC⁸ and distribution was to be done through sale outlets of the Company. As it was impossible to meet the entire requirements of vegetables from within the State in the first phase, procurement on a daily basis was proposed from outside the State through agents as well. A new procurement policy was again adopted (July 2006) under the Central Scheme of Operation revamping the Cold Chain Scheme. Further in January 2008, a new Centralised purchase policy for procurement from primary source viz. directly from farmers, farmers' groups, Government agencies like VFPC and farmers' markets was envisaged. Agents/ suppliers were not to be engaged on any account. However, Board of Directors (BoD) of the Company (December 2010) decided to purchase vegetables from wholesale agents at Thirunelveli⁹ or Chalai, Thiruvananthapuram. It was also suggested by the BoD to constitute a purchase committee to oversee the purchase of vegetables from the panel of suppliers. Finally, in a meeting of suppliers with the Managing Director (May 2013), it was decided that purchases would be made only from the panel consisting of nine suppliers which was formed after giving wide publicity through newspaper advertisements.

We observed that the decision of the Company to procure from traders was against the main objective of the Company, viz., augmentation of income base of the farmers by increased productivity and value addition through an integrated system

8 Erstwhile Kerala Horticultural Development Programme.

9 A district in Tamil Nadu.

of production, procurement, grading, storage, processing and marketing of horticultural products.

Thus, absence of a consistent policy to procure vegetables and fruits from farmers/ farmers' groups resulted in non-procurement of vegetables at source from farmers and consequent bulk purchase of vegetables from traders, etc.

Accepting the audit observation that the Company had no procurement policy, GoK replied (January 2017) that a procurement policy would be formulated soon.

- Though the Company decided to procure vegetables and fruits from a panel of nine suppliers, purchases amounting to ₹30.86 crore and ₹22.88 crore respectively for two years 2014-15 and 2015-16 were made from non-empanelled suppliers in five selected DPCs (Appendix 6). For instance, DPC Thiruvananthapuram had purchased items worth ₹4.34 crore (21.34 per cent) in 2014-15 and ₹4.93 crore (37.32 per cent) in 2015-16 from a single non-empanelled supplier. Similarly, in DPC Kottayam, 77.90 per cent of the total purchases for the year 2014-15 and 74.71 per cent for the year 2015-16 were made from a single non-empanelled supplier. No records were maintained at the DPCs to verify that the suppliers were selected through a transparent process and had quoted the lowest rates.

GoK replied (January 2017) that it would issue directions to the Company regarding purchase, price fixation, etc. in respect of purchases from traders.

Recommendation No.3: Direct procurement from farmers should be encouraged. Clear-cut procurement policy emphasising procurement of vegetables and fruits from farmers/ farmers' markets like UAWM/ RAWM should be formulated at the earliest.

Recommendation No. 4: When procurement from traders is inevitable, the same should be done through a transparent process.

Delay in payment to farmers

2.2.7.6 GoK directed (September 2010) that payments to the farmers should be made immediately on procurement of vegetables. In order to make payments to the farmers on the very same day of auction in UAWMs and RAWMs, GoK sanctioned (September 2010) ₹0.50 crore to the Company to set up a revolving fund. Further,

the Company received ₹0.50 crore in March 2012 from GoK to settle all the pending payments to farmers in UAWMs and RAWMs.

We noticed that:

- no revolving fund was created by the Company to make payments to the farmers on time.
- there were delays ranging from four months to three years in effecting payments to the farmers as shown in Table 2.20.

Table 2.20: Details of pending payment to the farmers

Name of the Unit	Location	Amount due (₹ in lakh)	Due as at the end of:	Range of delay up to:
World market	Anayara	24.97	April 2016	5 months
	Nedumangad	25.98	April 2016	5 months
DPC under the Department of Agriculture	Thodupuzha	12.74	July 2016	3 years
VFPCCK	Thiruvananthapuram	6.71	July 2016	4 months
	Kozhikode	0.69	July 2016	4 months
Sheethakala Pachakari Vipanana Sangham (SPVS)	Kanthalloor	1.05	July 2016	4 months
	Vattavada	7.56	July 2016	1 year
Total		79.70		

The Director of Agriculture reported (October 2013) to GoK that undue delay by the Company in making payment for the produce procured during auction in the UAWMs and RAWMs had caused great resentment among farmers forcing them to sell their produce elsewhere at a loss. Delay in payment was confirmed by the Secretaries of the world markets as well as the farmers who were interviewed by Audit. Due to delay in payments coupled with lack of active participation by the Company in world markets as discussed in Paragraph 2.2.7.5, the quantity of vegetables brought for auction by the farmers to the world markets and vegetables offered to the Company by SPVS had reduced drastically as shown in Table 2.21.

Table 2.21: Quantity of vegetables brought by farmers to world markets and offered by SPVS to the Company

Year	Quantity of vegetables brought by farmers to world markets (MT)	Quantity of vegetables offered by SPVS and procured by the Company (MT)
2013-14	2,833	1,077.11
2014-15	2,717	724.23
2015-16	1,886	547.24

Accepting the audit observation, GoK replied (January 2017) that the Company had since cleared 99 per cent of the dues and it had also been decided to open a revolving fund for procurement from farmers.

Absence of ancillary facilities for processing

2.2.8 In order to provide ancillary facilities for the processing and marketing of horticultural produces and their derivatives as envisaged in the objectives of the Company, a Strawberry Processing Unit was set up (February 2014) at Munnar with the financial assistance of State Horticulture Mission (SHM). The Strawberry Processing Unit costing ₹75 lakh was set up specifically for safeguarding the interest of farmers of Idukki district involved in the cultivation of strawberry.

The project proposal envisaged a yield of 1,250 MT of strawberry fruits per year in Idukki district. SHM supplied 8,33,001 strawberry runners¹⁰ to the farmers during 2014-15 to achieve the targeted yield.

We, however, noticed that the Company could procure only 1,035 kg of strawberry during 2014-15. The unit was not operated further due to non-availability of strawberry for processing in 2015-16 as the Company did not coordinate with SHM to ensure that strawberry runners were provided to the farmers for cultivation in time. Thus, the investment of ₹75 lakh became infructuous due to idling of the unit. GoK replied (January 2017) that the Company would take efforts to make the Strawberry Processing Unit a viable one from 2017-18 onwards.

Non-utilisation of storage facilities

2.2.9 In order to achieve an annual procurement/ sales target of one lakh MT of vegetables, the Company proposed and GoK approved (July 1997) implementation of a Cold Chain Scheme comprising establishment of nine cold storages, 140

¹⁰ Strawberry runner is a shoot, branch, or twig springing from the root. Most of the commonly cultivated varieties of strawberry plants will produce “runners” as a means of propagating themselves.

vegetable super markets, 500 mini vegetable stores, nine refrigerated trucks and six air conditioned sales units. Out of various schemes envisaged under Cold Chain Scheme, the Company constructed (January 2001) two cold storages at Munnar (Idukki) and Eruthiampathy (Palakkad) at a cost of ₹61.22 lakh.

We observed that both cold storages remained idle due to defects in construction like variation in temperature of cold storage from one portion to another, high electricity charges/ cost of operation, exorbitant cost of transportation, etc. The construction was carried out without proper feasibility study. These issues were highlighted in the C&AG's Audit Report (Commercial), 2004, Government of Kerala. Based on the findings in the Audit Report, Committee on Public Undertakings had directed (February 2009) the Company to take action against the erring officials of the Company. Action was, however, yet to be taken (March 2017).

Non-implementation of Cold Chain Scheme led to non-procurement of one lakh MT vegetables as envisaged in the project proposal and wasteful expenditure of ₹61.22 lakh.

Marketing of vegetables and fruits

2.2.10 One of the main activities of the Company is to provide vegetables and fruits to the public at reasonable prices. The Company sells vegetables and fruits procured from farmers and traders through its 408 sales outlets¹¹ (77 own stalls, 293 licensed stalls and 38 own mobile vans) under the DPCs. Details of procurement and marketing of vegetables and fruits by the Company during the five year period ending 2015-16 were as given in Table 2.22.

Table 2.22: Year-wise value of procurement and sales by the Company

Year	Procurement	Sales
	(Value ₹ in crore ¹²)	
2011-12	13.85	16.75
2012-13	37.62	35.09
2013-14	76.16	83.63
2014-15	77.12	81.39
2015-16	51.95	64.93

¹¹ Position as on 31 March 2016.

¹² Figures from 2012-13 onwards based on the provisional accounts.

We examined the marketing activities of the Company and noticed that the Company failed to provide vegetables and fruits at reasonable price to the public due to absence of balanced marketing outlets, improper pricing, failure to pass on the subsidy to consumers, poor performance of sales outlets, loss due to excessive damage of vegetables, etc. Vegetables and fruits were not subjected to laboratory analysis periodically to ensure quality. These are discussed in succeeding paragraphs.

Regional imbalances in marketing outlets

2.2.10.1 For ensuring supply of vegetables to all the people of the State, sales outlets should be located uniformly throughout the State. It was, however, observed that 79.17 per cent (323) of the sales outlets were located in seven districts in the southern part of the State whereas only 20.83 per cent (85) sales outlets were located in four districts in the north (Kannur, Kozhikode, Thrissur and Palakkad). The remaining three northern districts viz., Malappuram, Wayanad and Kasargod did not have any outlets as on 31 March 2016. Further, 30.64 per cent of the outlets (125) were under DPC Thiruvananthapuram as depicted in Table 2.23.

Table 2.23: Details of district wise sales outlets vis-a-vis population.

Sl.No.	Name of the district	Sales Outlets		Population	
		Numbers	Percentage	Population(in lakh)	Percentage
1	Thiruvananthapuram	125	30.64	33.07	9.90
2	Kollam	47	11.52	26.30	7.88
3	Pathanamthitta	14	3.43	11.96	3.58
4	Alappuzha	53	12.99	21.22	6.36
5	Kottayam	57	13.97	19.79	5.93
6	Idukki	6	1.47	11.07	3.32
7	Ernakulam	21	5.15	32.80	9.82
8	Thrissur	7	1.72	31.10	9.31
9	Palakkad	6	1.47	28.11	8.42
10	Malappuram	0	0	41.11	12.31
11	Kozhikode	49	12.01	30.90	9.25
12	Wayanad	0	0	8.17	2.45

13	Kannur	23	5.63	25.26	7.57
14	Kasargod	0	0	13.03	3.90
	Total	408	100	333.89	100

It can be seen from the above Table that the number of outlets in the districts were not commensurate with the population of the respective districts. Though Malappuram is the most populated district in the State, there was no sales outlet of the Company in the district. Thiruvananthapuram accounted for only 9.90 per cent of total population, but 30.64 per cent of the total sales outlets were functioning there.

Accepting the audit observation, GoK replied that (January 2017) the Company had decided to start new outlets throughout the State to reduce the regional imbalance in the marketing outlets.

Absence of uniform pricing policy

2.2.10.2 An efficient marketing system is vital for ensuring the twin objectives of remunerative prices to farmers and reasonable prices to consumers. As per the Cold Chain Scheme, the selling price of vegetables and fruits are to be fixed at 30 per cent above the procurement price. The Managing Director (March 2016) confirmed that 30 per cent was added to cover handling charges like loading, unloading, damage, manpower cost, transportation, small margin etc.

We noticed that the Company did not follow a consistent policy for fixing of selling price of vegetables and fruits. There was lack of uniformity in fixation of selling price and each DPC earned different percentage of margin. Vegetables were supplied at the godown of each DPC at a rate which was inclusive of transportation cost. As such, the percentage of margin adopted by all DPCs should be the same. Some of the instances where the same items were sold at different rates adding varied margin on the same date are given in Table 2.24.

Table 2.24: Details of sale of same item at different margins

Date	22/08/2015			26/08/2015		
Item	Ladies finger			Onion		
District	Procurement price/ kg (₹)	Selling price/ kg (₹)	Percentage of margin	Procurement price/ kg (₹)	Selling price/ kg (₹)	Percentage of margin
Thiruvananthapuram	6.60	16.00	142.42	67.00	65.00	(-)2.99

Kollam	7.50	16.00	113.33	59.40	64.00	7.74
Kottayam	13.00	15.00	15.38	63.00	62.00	(-) 1.59
Palakkad	10.00	12.00	20.00	68.00	60.00	(-) 11.76
Idukki	12.00	20.00	66.67	32.00	65.00	103.13

Accepting the audit observation, GoK agreed (January 2017) that a market intelligence system would be set up for fixing fair price of vegetables and fruits.

Fixation of higher prices for inter district sale

2.2.10.3 According to the Cold Chain Scheme, retail selling price of the Company would be fixed at 10 per cent less than the average retail selling price prevailing in the market. The procurement price will be 30 per cent less than the retail price fixed as above.

The Company opened DPC at Palakkad in April 2013 and at Idukki (Munnar) in February 2014. Procurement of vegetables from farmers by these two DPCs, distribution of the same to DPC Thiruvananthapuram and corresponding sales by this DPC through its sales outlets for a period of one month (July 2016) was reviewed by Audit.

We noticed that these DPCs accounted for transfer of the procured items to DPC Thiruvananthapuram as sales by adding a margin to the procurement price. DPC Thiruvananthapuram in turn accounted for the same as purchases and ultimately sold them to the public by adding its own margin. The Company was permitted to add a margin of 30 per cent only to cover handling charges like loading, unloading, damage, manpower cost, transportation, small margin, etc. As against this, it earned an overall margin varying from 50.77 per cent to 241.11 per cent (Appendix 7).

We also noticed that the farmers were not paid remunerative price as illustrated below:

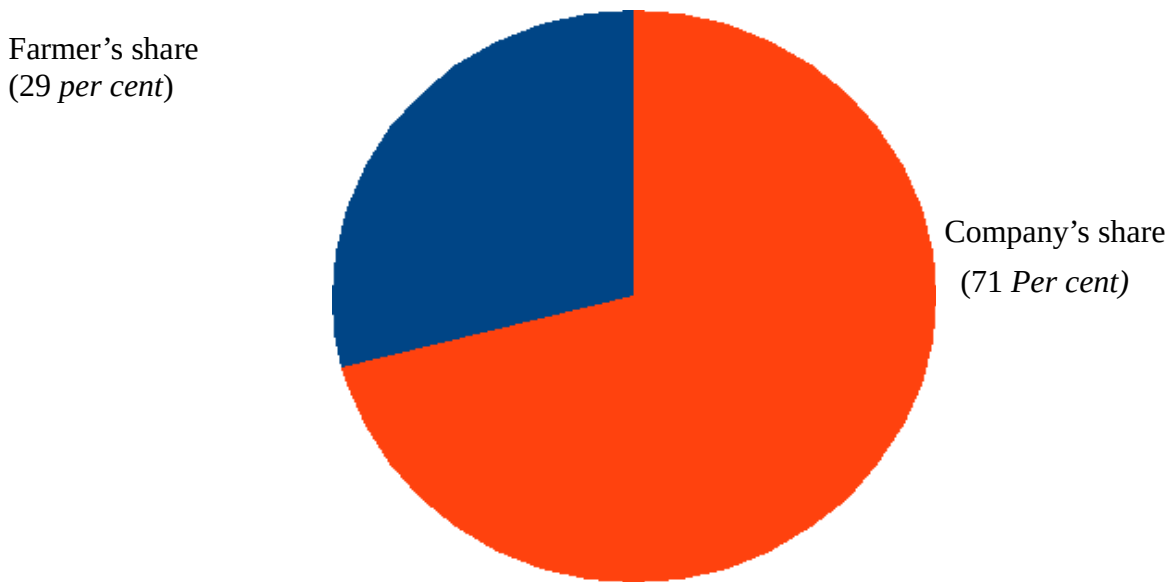
- On 25 July 2016, the AGMARKNET price at Palakkad for padavalam¹³ was ₹18/kg. According to the Cold Chain Scheme, the Company was to procure padavalam at ₹11.34/kg¹⁴. The Company, however, procured 2,240 kg of padavalam from Palakkad district (on 25 July 2016) at ₹9/kg. Thus, the farmers were denied remunerative price. Palakkad DPC distributed

¹³Snake gourd.

¹⁴ AGMARKNET price - ₹18/kg less 10 per cent (₹1.80/kg) = ₹16.20/kg less 30 per cent (₹4.86/kg) = ₹11.34/kg.

padavalam to DPC Thiruvananthapuram at ₹12.50/kg, taking a margin of ₹3.5/kg and this was finally sold by DPC Thiruvananthapuram for ₹30.70/kg adding a further profit of ₹18.20/kg. Ultimately, the Company earned a profit of 241.11 per cent in this transaction whereas the farmer received only 29 paise of each rupee paid by the consumer as shown in Chart 2.1:

Chart 2.1: Share received by the farmers from each rupee paid by the consumer in the illustrative case.



GoK accepted (January 2017) the audit observations and agreed to give suitable directions to the Company to treat inter DPC transfers as stock transfer and not as sales. GoK also stated that the system of adding abnormal margin as pointed out by Audit would be avoided in future.

Failure to pass on the subsidy to consumers and irregular claim of subsidy from GoK

2.2.10.4 During festive seasons, GoK intervenes in the market through the Company with the objective of stabilising the prices of vegetables and fruits. According to the directions of GoK, the Company was to sell vegetables at 30 per cent subsidy during the festive season (subsidy period). The GoK gives necessary subsidy to the Company every year for making good the loss incurred on account of subsidised sales to the public. During the period 2011-12 to 2015-16, GoK allotted ₹44.61 crore to the Company towards market intervention activities.

On a review of the market intervention activities in five DPCs during the Onam season, 2015-16 (17/08/2015 to 27/08/2015), we noticed that:

- While fixing the selling price in four DPCs during the above festive season, the Company did not adhere to the directions of the GoK on fixation of selling price. In 167 out of 176 cases verified, the Company fixed selling price without reducing 30 per cent from the prevailing market price.

The Regional Managers of the DPCs concerned replied that the selling prices were fixed below the local market rates during the subsidy period. The reply was factually incorrect as the local market rates in the website of (AGMARKNET) Government of India were less than the rates adopted by the Company. We also noticed that the Company did not have a system or defined guidelines to assess the market rate.

- The Company was eligible to receive subsidy on sale of vegetables at prices lower than the market price. Even though the Company did not sell vegetables at subsidised rate during the above festive season, the Company claimed subsidy from Government by reckoning wrong market price for the vegetables sold.

We compared the market rate reckoned by the Company for claiming subsidy for six vegetables during this period with their maximum retail price (MRP) in the website of (AGMARKNET) Government of India. On comparison of the prices of these items for 11 days individually, we observed that the market rates reckoned by the Company for claiming subsidy were higher than the MRP published in AGMARKNET in 138 out of 176 cases as shown in **Table 2.25**.

Table 2.25: Instances where non-compliance of directions of GoK in fixing selling price and reckoning of market rates in excess of AGMARKNET price.

Sl. No.	Name of the DPC	Total number of cases reviewed	Number of cases where selling price exceeded the price to be fixed as per directions of GoK	Number of cases where the market price reckoned for claiming subsidy was higher than AGMARKNET rate
1	Thiruvananthapuram	54	52	49
2	Kollam	48	46	42
3	Kottayam	24	23	24
4	Palakkad	50	46	23
	Total	176	167	138

The Government in its reply (January 2017) confirmed that, for controlling price hike in open market during festive seasons, it gives directions to the Company to sell the items below the market price. Further, as no hard and fast rule regarding subsidy was in existence, GoK directed the Company to furnish necessary proposals for taking further action.

The reply was not acceptable as the intention of providing subsidy was to compensate any loss incurred by the Company due to price stabilisation activities during festive seasons. Further, we noticed that the Company was making abnormal profit during subsidy period and preferring incorrect claim for subsidy with the Government.

Recommendation No. 5: A marketing policy which prescribes the method of fixation of selling price should be adopted and it should be ensured that this policy is strictly followed by the Regional Managers while fixing selling price. The Company should pass on the benefit of subsidy received from the Government to the public.

Inefficient operation of sales outlets

2.2.10.5 The Company markets its products through its own stalls and licensed stalls. As on 31 March 2016, the Company had 293 licensed and 77 own stalls in the State. The position of stalls during the last five years (2011-12 to 2015-16) is given in Table 2.26

Table 2.26: Position of licensed and own stalls

Year	Licensed stalls	Own stalls
	(Number)	
2011-12	73	42
2012-13	115	72
2013-14	309	85
2014-15	365	79
2015-16	293	77

Performance of the licensed stalls and own stalls is discussed below:

- The licensed stalls are working on the basis of a written agreement entered into with the Company. The agreement stipulated that (a) In case the licensee

takes supply of vegetables for less than 20 days or for less than ₹3,000 per day, ₹50 per supply will be recovered from the licensee as service charge and the total of the above amount will be debited from the licensee's account at the end of each month, (b) The licensee shall not display, advertise or sell any items other than those supplied by the Company for sale through the retail stall except with the written permission of the Company, (c) All sales shall be made at the price fixed by the Company and intimated to the licensee from time to time and licensee will maintain proper accounts. Price list should be exhibited compulsorily; and (d) The stalls shall be compulsorily kept open from 7 am to 7 pm every day.

We observed that only 46 out of 144 licensed stalls (March 2016) in three DPCs (Thiruvananthapuram, Kollam, Kottayam) had lifted vegetables for 20 days or more per month. We examined the reasons for poor lifting of vegetables by conducting a joint physical verification with the officials of the Company in 30 out of 144 stalls functioning under these DPCs. Result of joint physical verification was as discussed in Table 2.27.

Table 2.27: Details of result of joint physical verification

Sl. No.	Observation	Conclusion
1	73.33 per cent (22 stalls) licensees replied that the Company was not able to supply items in time. Supply was normally provided only after 11 am.	Failure to supply in time adversely affects fresh supply of vegetables to the public. During the survey, it was revealed that 19 stalls (63.33 per cent) procured items from open market. Sale of items procured from open market under the brand name of the Company would adversely affect the goodwill of the Company, as the quality of these items cannot be ensured. Selling with the Company caption ("Safe to eat vegetables procured from farmers of Kerala is available here") is also tantamount to deceiving the general public
2	25 stalls (83.33 per cent) did not exhibit the selling price on the price board.	Collection of excess price from consumers cannot be ruled out as the consumers are unaware of the daily price

- For own stalls, the Company fixed (July 2015) sales target of minimum ₹5,000 per day per employee. It was also decided to close its own stalls, which failed to meet the target.

On a review of sales made by Company's own stalls in the selected DPCs for the month of March 2016, we observed that the daily target was ₹6 lakh

per day (120 staff in 42 own stalls), while the average actual achievement was only ₹3.22 lakh i.e., a shortfall of 46.33 per cent. Further, 33 out of 42 stalls did not achieve the target of minimum ₹5,000 per day per employee. While 80 per cent of stalls in DPC Kottayam and 10 per cent of stalls in DPC Kollam achieved the target, none of the stalls in other three DPCs achieved the target.

We noticed that 17 own stalls of DPC Thiruvananthapuram were concentrated in 4 Panchayaths and in Corporation area while there was no own stall in the remaining 79 Panchayaths in the district which may also have contributed to the poor performance of its own stalls.

Regarding poor performance of licensed stalls, GoK replied (January 2017) that it was planning to convene a meeting with the licensees to formulate a policy for upgrading the performance of the licensed outlets and to cut down non-profitable ones. However, GoK did not give any reasons for the poor performance of Company's own stalls.

Availability of quality vegetables at reasonable price to the general public in the State could not be ensured by the Company due to inefficient monitoring of licensed stalls and own stalls.

Recommendation No.6: Specific targets should be fixed for both own and licensed stalls and their performance should be closely monitored.

Loss due to excessive damage of vegetables

2.2.11 Vegetables and fruits are prone to damage during transportation and storage at DPCs and sale in licensed stalls and own stalls. As per Cold Chain Scheme, eight per cent average weight loss was permissible during transportation and storage. The Company, however, had not fixed any limit of permissible damage for vegetables and fruits during various stages of procurement and sales.

We noticed that:

- The Company did not have a uniform policy for controlling and minimising damage in the sales outlets. The licensed stalls were allowed damage up to two per cent of the gross value of vegetables supplied to them. However, no such limits were prescribed for its own stalls. Only DPC

Thiruvananthapuram had fixed five per cent ceiling as permissible damage for its own stalls.

- Scrutiny of the procurement and sales of 21 vegetables/ fruits at DPCs in Thiruvananthapuram, Kollam and Kottayam for 2014-15 and 2015-16 revealed that the damage in excess of eight per cent allowable weight loss on transportation and storage was ₹3.49 crore. Major reason for excess damage was purchase (13,980 MT¹⁵) in excess of the indented quantity (11,138 MT). Further, the Company did not have adequate marketing outlets for selling and storage facilities for storing the vegetables procured in excess of indented quantity.

Excess damage was also noticed in respect of items which are not quickly perishable like banana, ginger, drumstick and onion for the same period as shown in Table 2.28.

Table 2.28: Details of percentage of damage on selected items

Sl. No.	Item	Total procurement during 2014-16	Total damage during 2014-16	Percentage of damage
		(in MT)		
1	Banana	2059	360	17.48
2	Ginger	341	65	19.06
3	Drumstick	374	63	16.84
4	Onion (small)	847	136	16.06

- The DPCs failed to monitor the damage at its own stalls and no recovery was made from the stall-in-charges concerned. As a result, in four DPCs, value of excess damage after providing for five per cent allowable damage worked out to ₹87.10 lakh as given in Table 2.29.

Table 2.29: Details of excess damage in own stalls

Name of DPC	Sales	Damage	Allowable damage	Excess damage	Period ¹⁶
	(₹ in lakh)				
Thiruvananthapura	412.94	25.65	20.65	5.00	October 2015 to

¹⁵Indented quantity in respect of DPC Kottayam was not available. Hence, figures of DPCs Thiruvananthapuram and Kollam were taken.

¹⁶Period for which records were made available to Audit.

m					March 2016
Kollam	1,295.74	126.29	64.79	61.50	2011-12 to 2015-16
Kottayam	880.16	63.92	44.01	19.91	2013-14 to 2015-16
Palakkad	15.28	1.45	0.76	0.69	December 2015 to March 2016
Total	2,604.12	217.31	130.21	87.10	

Thus, inefficient management led to excess damage and non-recovery of consequent loss from the delinquent officials.

Accepting the audit observation, the Company agreed to fix the maximum allowable limit of damage and to fix responsibility on the staff concerned for excess damage in future. This was also endorsed (January 2017) by GoK.

Recommendation No. 7: The Company may fix norms for maximum permissible percentage of damage for each category of vegetables and fruits. The staff concerned should be held responsible if damage happens above the permissible limit.

Quality of vegetables sold as ‘Safe to eat’

2.2.12 GoK implemented Annual Plan scheme (2012-13), ‘Production and marketing Safe to Eat vegetables’ through Government outlets with the objective of monitoring pesticide residues in vegetables and fruits. The Company was selling vegetables and fruits under the banner ‘Safe to eat’.

We observed that the Company did not monitor pesticide residue in vegetables and fruits for selling the same under the banner ‘Safe to eat’. Examination of pesticide residues in vegetables and fruits in Company’s outlets by independent agencies disclosed the following facts.

- The lab test done on vegetable samples collected from two outlets of the Company in Thiruvananthapuram during the period from January to December 2013 by Kerala Agricultural University revealed that 26 out of 48 samples were unsafe to eat due to high pesticide content. Similarly, nine out of 20 samples collected during the period from January to December 2014 were found unsafe to eat.
- At the instance of Audit, the Assistant Commissioner of Food Safety collected eight samples from DPC Thiruvananthapuram and two samples

from Company's own stall at Kowdiar and found that two items viz., salad cucumber and chilli contained pesticides above the permissible limit as shown in Table 2.30.

Table 2.30: Details of pesticides found in vegetables

Name of the item	Name of pesticide found	Permissible limit of the pesticide	Result
Salad cucumber	Acephate	0.050 mg/kg-1	0.769 mg/kg-1
Chilli	Profen	0.050 mg/kg-1	2.170 mg/kg-1
	Acephate	0.050 mg/kg-1	0.520 mg/kg-1
	Thiamethoxam	0.050 mg/kg-1	0.053 mg/kg-1

We observed two instances of food poisoning after consumption of vegetables purchased from the Company as discussed below:

- During June 2014, students and teachers of Government Higher Secondary School for Girls, Cotton Hill, Thiruvananthapuram were hospitalised due to food poisoning after consuming vegetables (yam) supplied by the Company. The Kerala State Commission for Protection of Child Rights had directed (February 2015) the Company to ensure the quality of vegetables supplied. Further, in July 2016, the Director General of Prisons and Correctional Services informed that tapioca supplied by the Company to Special Sub-Jail, Thiruvananthapuram had caused stomach ailments to the jail inmates. The Superintendent of the Jail also appraised (July 2016) the Company regarding the poor quality of tapioca supplied to them.

While accepting the audit observation, GoK informed that directions had already been given to the Company to furnish necessary proposals for starting chemical test laboratories in all the districts.

Lapses in Internal Control system

Lapses in accounting of procurement and damage

2.2.13 The following Internal Control lapses were noticed:

The Company collected indents on a daily basis from the stalls and institutions to ascertain their requirement of vegetables and fruits on the next day. However, these indents were not properly tabulated and purchases regulated in accordance with indented quantity. We observed excess procurement of vegetables and fruits in two DPCs as shown in Table 2.31:

Name of the DPC	Year	Indented quantity	Procured quantity	Excess quantity
		(MT)		
Thiruvananthapuram	2014-15	6,423	7,059	636
	2015-16	2,803	4,067	1,264
Kollam	2014-15	893	1,618	725
	2015-16	1,019	1,236	217
Total		11,138	13,980	2,842

Excess procurement led to abnormal damage of vegetables and fruits as stated in Paragraph 2.2.11.

- At Sub-Centre Poojapura, DPC Kottayam and DPC Kollam, we noticed that purchases were made from one person, but payments were made to a different person. Illustrative cases of such irregularities for the settlement of purchase bills are given in Appendix 8.
- Payment vouchers were prepared and passed by a temporary Accounts Assistant instead of a permanent staff authorised by the MD of the Company. As the payments were made in cash and details of purchases, sales, closing stock and damage were not recorded in the stock register, the possibility of payment based on bogus bills could not be ruled out. The situation was more alarming at the Sub Centre Poojappura as it recorded purchases showing only the amount and name of suppliers in Tally Software while more specific details like, name of item, quantity procured, rate/kg, etc., were not recorded.
- Stock register was not maintained at DPC Kollam while it was not properly maintained at DPC Thiruvananthapuram and Sub-Centre Poojappura;
- Cash Book was not updated at DPC Thiruvananthapuram and SubCentre Poojappura;

In the absence of such primary records, fraudulent practices could not be ruled out. It is also pertinent to mention that the Finance Inspection Wing of GoK found blank bill books of two suppliers from the Company's head office and Sub-DPC Chadayamangalam.

The Company/GoK accepted the audit observations and agreed to issue proper directions to all DPCs for proper maintenance of records. It also agreed to give

directions to the managers to procure vegetables from the farmers' cluster with proper bills duly countersigned by the agriculture officer concerned.

Excess employment of staff at DPCs

2.2.14 In the Government Order (November 2001) for the revival of the Company, it was directed that one worker should handle at least 500 kg of items per day.

A test check of the staff position at the five selected DPCs revealed that the average weight handled per person at DPC Thiruvananthapuram was far less as shown in Table 2.32

Table 2.32: Details of excess staff in DPCs

Year	DPC Thiruvananthapuram					
	Total staff at DPC	Total weight handled (kg)	Average weight handled per day* (kg)	Average weight handled/ day/ staff (kg)	Number of Staff required ¹⁷	Number of Excess Staff
2012-13	112	50,82,433	16,941.44	151.26	34	78
2013-14	141	74,21,804	24,739.35	175.46	49	92
2014-15	157	90,07,570	30,025.23	191.24	60	97
2015-16	132	48,20,918	16,069.73	121.74	32	100

* An average of 300 working days per year.

Accepting the audit observation, GoK agreed (January 2017) to reduce excess staff at DPC Thiruvananthapuram.

Conclusion

The Company could not achieve the intended objectives as it procured only around two per cent of the total vegetable production in the State during 2011-12 to 2015-16. Lower share in procurement of vegetables were due to lack of co-ordination among various agencies of GoK, inconsistent procurement policy, absence of procurement centres in all districts and non-implementation of planned schemes. Instead of procuring directly from farmers, world markets, etc., as envisaged, the Company made 75.47 per cent purchases valuing ₹53.74 crore from traders/middlemen during 2014-15 to 2015-16. Selection of traders was not through transparent process. DPC Thiruvananthapuram purchased items worth ₹4.34 crore

¹⁷ 41 To handle weight at the rate of 500 kg per person per day.

(21.34 per cent) in 2014-15 and ₹4.93 crore (37.32 per cent) in 2015-16 from a single supplier. Similarly, 77.90 per cent of the purchase from traders for the year 2014-15 and 74.71 per cent for the year 2015-16 were made from a single non-empanelled supplier at DPC Kottayam. There were delays in payment to farmers and failure to pay remunerative prices to farmers. Vegetables supplied by the Company as “Safe to eat” contained chemical residues above permissible limits in certain cases. The Company also failed to supply vegetables and fruits to the public at reasonable price due to improper pricing policy, non-passing of benefit of subsidy to the public and inefficient operation of sales outlets.

[Audit Paragraph 2.2 (2.2.1 to 2.2.14) contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2016.]

Notes furnished by Government on Audit paragraph is given in Appendix II

Discussion and Findings of the Committee

2.2.7 Procurement of vegetables and fruits

2.2.7.1 Lack of planning

The Committee sought the reason for procurement of vegetables from farmers of the State that hovered around meagre 2% of the total production and enquired whether there was any increase in percentage of procurement in the succeeding years. The Managing Director, HortiCorp replied that there had been a steady increase in procurement of vegetables since 2016-17 and achieved around 10% of the production which was 19240 MT of vegetables during 2018-19. To a query of the Committee about the procurement, the witness informed that as a social commitment HortiCorp procured vegetables more than it could sell out and could not fix a target for procurement as most of the items procured by HortiCorp were under minimum support price and there was no issue of denial of procurement. The witness stated that some of the issues faced by the company were related to the process of procurement. He added that when the production of

same type of vegetables became surplus in almost all districts, Horticorp could not find market to sell them and eventually vegetables got damaged.

Then the Committee asked why Horticorp could not consider marketing them in other states. The witness replied that some type of vegetables faced the issues of demand and storage. He added that some type of vegetables like snake gourd and bitter gourd would easily get damaged. As the consumers would prefer only fresh vegetables, minor damages and colour changing would adversely affect its selling. Most of the vegetables cultivating in Kerala could not afford cold conditions and would be easily ruined if cold stored. At this juncture, the Committee noticed that lack of production plan among farmers led to the simultaneous production of same type of vegetables.

Regarding a query about budget provision the witness disclosed that Horticorp had no budget provision specifically for procurement of vegetables and all expenses for the current year is met from the turnover of the previous year. From the Government reply, the Committee noticed that working capital requirement for procurement was worked out based on the previous years' procurement data which is considered as the anticipated production data of the current year and the directions received from the Agriculture Department. The Committee observed that the working capital requirement for procurement is not scientifically calculated based on harvest schedule and wanted the company to prepare realistic targets and budgets for the procurement of vegetable. The Committee inquired as to whether a specific target had been fixed for vegetable procurement for each year. The target was 20000 MT and procured 16080 MT in 2020-21 so far and it was explained that targets were fixed at the DPC level after 2017.

When the Committee enquired about calculation of quantity of production, the concerned officer replied that upper level monitoring was difficult up to 2016

due to district level procurement and marketing. Since 2017 a centralised system was implemented for monitoring of payment and procurement and entire State was divided into two regions and regional managers were appointed so as to enable smooth functioning of the whole process of procurement.

2.2.7.2 Lack of co-ordination among various agencies

The Committee observed that Horticorp being the sole PSU for marketing of vegetables and fruits in the State, it has to work in liaison with Department of Agriculture, VFPCCK and SHM to ensure maximum procurement from farmers. The Committee also noticed that Agriculture Department was entrusted to co-ordinate the activities and GOK decided to constitute a review Committee in each district consisting of the Deputy Director and Assistant Director (Marketing) of Department of Agriculture and the Regional Manager of the Company. The Committee enquired whether the review Committees are constituted in all districts. The concerned officer replied that as per G.O (Ms) No. 80/2020/Agri dated 26-10-2020, District Price Level cum Monitoring Committees had been constituted in all districts under the chairmanship of the District Collector for price fixing and procurement of 16 agricultural crops. The witness added that price fixing and co-ordination were done by the said Committee and it ensure the minimum support price for the product.

The Committee also inquired as to which agencies participate in procurement of vegetables and whether the agricultural co-operative societies and Kudumbasree are involved in it. The witness replied that there are 1884 centres under Department of Agriculture for procurement and distribution. These include VFPCCK, ECOshop, BLFO, A grade cluster etc. Horticorp also stock locally unmarketable items as well. The witness added that Kudumbasree was not included yet and plans to include kudumbasree in the next years as part of marketing strategy. Horticorp procured vegetables from primary Agricultural credit societies.

2.2.7.3 Non- assignment of specific role to the Company

The witness clarified that Horticorp did not have a plan fund and budget provision and got only a share capital of ₹20-25 lakh. During festive season, if Horticorp incurred any loss due to special market intervention, it would be compensated by allotting the amount through market intervention head. The Company had to meet all the expenditure from its own income and followed the policy of procuring products from farmers giving maximum price and selling them lower than market price. The witness also informed that annual turnover of the Company was only ₹70 crore and the establishment cost was more than ₹20 crore. In such a situation the Company was always in loss and this affected payment to farmers. If farmers do not get proper payment in time they may seek other options and will give their products to other vendors since there are no other options left. The witness appealed to the Committee to take a favourable decision to get a budget provision for market intervention.

2.2.7.4 Absence of DPCs in three districts

The Committee demanded to explain the absence of District Procurement Centres in Wayanad, Malappuram and Kasaragod. The witness replied that Company had opened new DPCs in Malappuram and Wayanad in 2017-18. For starting DPC in Kasaragod ₹50 lakh was allocated in the current years' Budget and necessary actions are initiated to start it.

2.2.7.5 Procurement of bulk quantity of vegetables from traders

The Committee noticed that the absence of a consistent policy to procure vegetables and fruits from farmers/farmers' group which resulted in non-procurement of vegetables at source from farmers and consequent bulk purchase of vegetables from traders. The witness replied that the vegetables procured from farmers were not enough for the proper functioning of Horticorp. So Horticorp

made an agreement with Raithamitra (Karnataka-Mysore based Farmers' Producer Company) and Tirunelveli based farmers Company (Kurinji) for providing vegetables that are cultivated in those States. To overcome the non-availability of certain vegetables, an empanelled list of traders willing to supply vegetables in all districts had been compiled and circulated. Procurement Committee will examine the market price on a daily basis. Draft procurement policy was prepared and it is under consideration of Board.

2.2.7.6 Delay in payment to farmers

The Committee enquired about the delay in payment to farmers, the witness explained that payment was still pending for farmers and traders. Farmers had to be paid about ₹ 4,83,00,000. He added that to avoid delay and ensure timely payment to farmers Agriculture Department had taken temporary measures by creating revolving fund of ₹ 7 crore using the amount received from Onam Bazars which is to be repaid by Hortcorp. The Committee opined that prompt payment to farmers will help them to continue with farming.

2.2.8 Absence of ancillary facilities for processing

The Committee desired to know the current functioning of strawberry processing unit setup in 2014 at a cost of ₹ 75 lakh for safeguarding the interest of farmers of Idukki district involved in the cultivation of strawberry. The witness disclosed that a special scheme was introduced by State Hortcorp Mission in Munnar, Devikulam area for strawberry cultivation, but a year later commercial cultivation was ceased. Recently, Strawberries were cultivated in SHM's own land in Munnar and were processed in this unit and marketed through Hortcorp outlet. Since farmers cultivated strawberry as part of farm tourism and sold to tourists at better rate, only a small quantity could be procured from them. Strawberry cultivation was uneconomical because the crops are destroyed when the rain starts. This

unit is currently used for processing other fruits including passion fruit and works for single shift only.

2.2.9 Non-utilisation of storage facilities

The Committee inquired about the non-utilisation of cold storages at Munnar and Eruthiampathy. The witness replied that cold storage at Munnar was being used to some extent. Palakkad cold storage was built as a single room and had been lying idle for years and can only be made usable if more money is invested. Since each vegetable had to be kept at a different temperature, storage of all varieties are possible only if done in compartment mode. Cold storage is useful only if it can be stored frozen directly from field until it reaches to the customer's hand. The witness added that tropical vegetables cannot be stored for more than 15 days.

2.2.10.1 Regional imbalances in marketing outlets

When the Committee sought explanation about the regional imbalances in marketing outlets, improper pricing, failure to pass on subsidy to customers, poor performance of sales outlets, loss due to excessive damage of vegetables etc, the witness replied that HortiCorp had own stalls and licensee stalls. Own stalls started in places where there were more sales, as it had to bear the cost of rent and hiring staff. A deposit of ₹15000/- was charged from the licensee and given 16% as commission. Outlets in the Supplyco supermarket did not incur huge loss as the Commission was only 4% of the sale. So HortiCorp is trying to open outlets in Supplyco supermarkets in all districts.

2.2.10.3 Fixation of higher prices for inter district sale

The Committee inquired the reason for selling some items at a much higher rate than the procuring price. The witness replied that HortiCorp fixes the price by

comparing the selling price in the local market even when they procure vegetables directly from Thirunelveli at a lower price. In order to compensate the huge damage due to excess procurement, a slight variation in price would have to be made. However, it is made cheaper than in the local market. The traders in the local market tend to reduce the price after Horticorp publish price list and Horticorp could not decide to lower the price with immediate effect owing to the fluctuations in the open market and has to wait for the decision of the District Committee.

Regarding the denial of remunerative price for farmers, the witness replied that Horticorp procures fruits and vegetables without any grading. Percentage of damage increase when procured items are transported from one district to another and unloaded for distribution. Horticorp did not receive any financial assistance from the Government even when the Government demanded the implementation of Cold Chain Scheme. The retail price in the market was uploaded as AGMARK-PRICE in the AGMARKNET. Minimum support price and procurement policy are being implemented now.

To the query of the Committee whether suitable directions were given to the Company to treat inter DPC transfers as stock transfers and in which year it was implemented, the concerned officer replied that since 2017 only stock transfer was allowed, before 2017 each district was considered as a unit and even if 10 tonnes of vegetables were taken, the transaction would be in the range of 20 to 25 tonnes.

To a query about the market intelligence system to determine the fairprice, the witness answered that the biggest hurdle facing the Horticorp was the retail price in the Chala market that is reflected in AGMARKNET PRICE. On the basis of it, the procurement price of Anayara and Nedumangad World Market are fixed and Horticorp sometimes procured vegetables at higher price than actual price.

The Committee inquired whether mobile units were operating as part of cold chain scheme, the witness replied that cold chain schemes were not implemented as such but Horticorp follows guidelines in many activities. Normal vehicles that did not have a cooling facility are used as mobile outlets. The mobile vans were purchased using Horticorp's own fund and SC/ST fund. The mobile vans are now running in Thiruvananthapuram, Ernakulam and Thrissur Districts. At this juncture, the Committee suggested that it would be helpful to use mobile units as part of the cold chain scheme.

2.2.10.4 Failure to pass on the subsidy to consumers and irregular claim of subsidy from GoK

The Committee sought an explanation as to why beneficiaries were not getting subsidy provided by the Government, the witness replied that amount was allotted in the market intervention. The amount on that Head was used only for procurement. At present the procurement price and distribution price were fixed by the district level Committee. Consumer would get subsidy for only 10% of vegetables and fruits procured from indigenous farmers. The subsidy would not be available if the vegetables were purchased from wholesale traders. An allotment from Departmental scheme was credited to Horticorp's Account for market intervention. Under market intervention Head, funds were sanctioned for procurement, stall expense and transportation during festival seasons. Earlier due to financial crisis funds allocated in market intervention Head were used for other purposes. At present such practices were stopped and the amount in each head was used only for that particular purpose. The reply given by the witness thereon was accepted as satisfactory by the Committee.

2.2.10.5 Inefficient operation of sales outlets

The Committee enquired about the audit objection regarding failure to supply items in time and not assuring the quality of items procured from the open market by the licensee. The witness replied that lack of centralisation adversely affected the monitoring during the period from 2011 to 2016. Own stall employees didn't pay any attention for the promotion of sale and failure to supply in time since these did not affect their income. Failure to supply items in time tend licensees to procure items from the open market and sold it under the brand name "safe to eat". After 2016 monitoring system was implemented by each DPC and necessary arrangements were done for supply of items before 11 O' Clock.

The Committee inquired about the audit objection that specific targets are not fixed for both own and licensed stalls and their performance need be closely monitored. The witness disclosed that each employee had to handle at least 500 Kg/ day. Separate Committees for procurement and distribution are formed in all DPCs and inspections are conducted regularly. The activities of the stalls are being reviewed by Finance Officer on a monthly basis and verification of each stall is being conducted by Internal Audit in each year.

2.2.11 Loss due to excessive damage of vegetables

The Committee inquired about the audit objection regarding excess damage and non-recovery of consequent loss from the delinquent officials. The witness replied that damage was very high in the case of own stalls. Now the Company has fixed the maximum permissible damage in own stalls as 5% percentage and the staff in the stall are being held liable if the damage exceeds the permissible rate and various reasonable mechanisms are being implemented for assessing the damage. The reply given by the witness thereon was accepted as satisfactory by the Committee.

2.2.12 Quantity of vegetables sold as ‘safe to eat’

To the query of the Committee regarding the excess amount of pesticide residue in some vegetables that were sold under the banner “safe to eat” as pointed out by the audit, the concerned officer replied that Company did not produce vegetables and fruits of its own. About 46-75% were procured from farmers and remaining from traders. Horticorp had no mechanism to test the pesticide content in these vegetables whether it is safe to eat. Kerala Vegetables and vegetables from other States are displayed separately in the main outlet run by the Horticorp.

The Committee criticised the Company for selling the vegetables under the banner “safe to eat” which have been found to contain the pesticides beyond the permissible limit and enquires about the proposals for starting chemical test laboratories in all districts. The concerned officer replied that for starting a fullyfledged lab would cost around ₹ 4 crore and also would require professional technicians. He also added that at present there were only two pesticide labs functioning under Kerala Agriculture University in Vellanikkara and Vellayani to check the pesticide residue and it generally take one week to get the result of the sample collected. The Committee observed that by the time those vegetables from which the samples are collected would have sold out.

At this juncture, the Sr.DAG commented that it is essential to test all the vegetables sold under the brand name “safe to eat”. To the query of the Committee about the way the samples are collected from the traders for testing, the concerned officer replied that Horticorp had done periodical testing only for organic certified vegetables.

2.2.13 Lapses in accounting of procurement and damage

The Committee enquired about the irregularities occurred in the settlement of purchase bills and the way payment vouchers were prepared and passed by a

temporary Accounts Assistant instead of a permanent staff, improper maintainance of stock register and non updation of cash book. The witness informed that action was taken against responsible persons including the Accounts Officer and they were dismissed. The Accounts were prepared manually in the respective districts during the audit period and now a centralised system using Tally Software has been introduced and billing machines has also been setup. Appointments in HortiCorp has not been handed over to PSC since staff pattern and Special Rules were under consideration of the Government. Out of 603 employees, only 56 were permanent and others were appointed on contract/daily wage basis. To prevent such type of lapses, Assistant Directors of Agriculture had been appointed in all districts on deputation basis.

2.2.14 Excess employment of staff at DPCs

To the query of the Committee regarding the employment of excess staff at Thiruvananthapuram DPC, the managing Director of HortiCorp replied that the number of staff could be reduced only through retirement and dismissal.

Observations / Recommendations of the Committee

1. The Committee observes that proper implementation of production plan and crop plan would help the farmers resolve the issues to a great extent. The Committee recommends that the Agriculture Department should prepare production plan and crop plan and should help farmers in its implementation. Farmers usually prefer less expensive and easily cultivable vegetables and hence they shall not be forced to implement production plan and crop plan. Instead, a strong awareness program among the farmers describing the benefits of production plan and crop plan would be more

beneficial and they be made aware of the existing supply chain system. The Committee also recommends to implement proper storage facilities to support farmers.

The Committee observed that the sole PSU for marketing fruits and vegetables in the state is Horticorp and it is dependent on Government agencies like Department of Agriculture, Vegetables and Fruits Promotion Council Keralam (VFPCCK) and State Horticulture Mission (SHM) for procurement because these agencies oversee cultivation of vegetables and fruits with in the state. The lack of co-ordination among these agencies and non-preparation of crop calender by the agencies lead to delay in planning for procurement of vegetables by the Company.

It was also evident that an amount of ₹5 crore sanctioned to the Company as part of Haritha Vipananam Project, extending vegetable cultivation in 1000 organic villages and for procuring vegetables was diverted by the Company and the creative project ended in a catastrophe.

2. The Committee observes that the working capital requirement for procurement is not scientifically calculated based on harvest schedule and directs the Company to prepare realistic targets and budgets for the procurement of vegetable. The Committee observes that the Company did not set any targets for procurement of vegetables and fruits by the DPCs before 2017 and also budget details of procurement were not recorded in the RMT. Hence the Committee instructs the Department to submit latest budget details and targets fixed for each DPC.

3. The Committee directs the Company to rectify the flaws existing in the whole process of procurement of vegetables that is intended to help the farmers and recommends the Agriculture Department to give advice to the Company and farmers after preparing crop calendar that can ensure maximum procurement of vegetables.

4. The Committee observes that the Department had constituted District Price Level cum Monitoring Committees in all districts instead of Review Committees. The Committee criticises the Company for not implementing the Government decision for constituting a Review Committee in each district and vehemently recommends to constitute Review Committees at the earliest and report the same to the Committee.

5. The Committee observes that due to absence of DPCs in Wayanad, Malappuram and Kasaragod districts, the Company could not make any impact on marketing of 3.11 lakh MT vegetables produced by farmers in these districts, which accounts for 18.23% of total vegetables produced in the state during the period from 2012-13 to 2014-15. From the discussion the Committee notices that the Company had opened new DPCs in Malappuram and Wayanad in 2017-18. Hence the Committee recommends that steps should be taken to start a DPC in Kasaragod district at the earliest.

6. The Committee vehemently criticizes the Company for not implementing procurement policy till 2021. Hence Committee recommends that procurement policy should be prepared and implemented within a period of six months.

7. The Committee observes that payment to farmers and traders is still pending. The Committee opines that prompt payment to farmers will help

them continue with farming. Hence the Committee directs to submit the details of current status of revolving fund and the pending payment details to farmers.

8. The Committee observes that the strawberry processing unit costing ₹75 lakh was set up specifically for safeguarding the interest of farmers of Idukki district involved in the cultivation of strawberry. But now it is operating unprofitably. Hence the Committee suggests to take necessary steps for the maximum utilisation of the unit by diversification.

9. The Committee observes that cold storage at Munnar is being used to some extent. Since each vegetable had to be kept at a different temperature, storage of all varieties are possible only if done in compartment mode. But Palakkad cold storage was built as a single room and had been lying idle for years and can only be made usable if more money is invested. The Committee observes that construction of cold storage was done without proper feasibility study. The Cold Chain Project would be feasible only if air conditioning was installed at all stages from field to the market, including outlet. Hence the Committee recommends to implement effective cold chain scheme.

10. The Committee observes that market intelligence system is essential to ensure fair price for vegetables and fruits and the Company lacks the system. Hence the Committee recommends that necessary steps should be taken to implement market intelligent system.

11. The Committee notices that in HortiCorp, cold chain schemes were not implemented as such. Mobile vans were now running in Thiruvananthapuram, Ernakulam and Thrissur districts. Hence, the

Committee observes that it would be helpful to use mobile units as part of cold chain scheme.

12. The Committee observes that licensees procured items from open market and sold under “safe to eat”. Hence, the Committee recommends that HortiCorp had to check the quality of items of the licensees randomly to ensure the quality of items are such that they are safe to eat .

13. The Committee directs to furnish a detailed statistical report of monitoring of own stalls and licensee stalls. The Committee recommends that targets should be fixed for stalls, both own and licensed ones and performance shall be monitored closely to enhance their functioning.

14. The Committee observes that the Company does not monitor pesticide residue in vegetables and fruits for selling the same under the banner “safe to eat” and found that no trader has been blacklisted in this case. The Committee raises its concern over the lackadaisical way the Company handled the pesticide residue issue in vegetables that are sold through their outlets. Hence the Committee recommends that vegetables procured by HortiCorp must be done periodical test in co-ordination with Kerala Agricultural University and the test result should be sent to the Agriculture Department for further action. The Committee also recommends that if the pesticide content come above the permissible limit the Company which supplied the same should be blacklisted. The Committee also opines that using of pesticides over the permissible limit can be controlled only by resorting to stringent measures like this.

15. The Committee notices that though HortiCorp is a Public Sector Undertaking, its appointments are not handed over to PSC since its staff

pattern and Special Rules are under consideration of the Government. Hence the Committee recommends that permanent staff pattern and Special Rules should be implemented as early as possible which would be helpful for the better performance of the Company.

General Recommendations

16. The officials of the Agriculture Department have shown scant response for the welfare of farmers in the state and their irresponsible attitude in coordinating and monitoring the programmes of agriculture agencies resulted in failure of government policies and projects in Agriculture neglecting the farmers. But no serious response taken against officials by Government till date. If the farmers get fair price for their produce the plight of the farmers get alleviated.

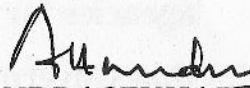
17. The Committee strongly believes that any project or policy with Agriculture Sector for upgrading the living standards of farmers became fruitful only when the assistance they received continue from cultivation to selling of produce at fair price. None of the agencies working in the Agriculture Sector follow this way and participation of farmers in these agencies for taking decisions is minimal. Hence, the Committee recommends that Government should review the working modalities of these agencies and frame policies and projects accordingly.

18. The Committee also noticed that the permanent employees working in the agriculture agencies are very minimum and officials of Agriculture Department are working on deputation in most of the higher posts in these agencies. The lethargy of deputed officials for taking responsibility in these agencies and reluctance of higher officials in the Department for reviewing their work and

taking disciplinary action against them, if warranted, making the matters worse in the Agriculture Sector. Hence, the Committee recommends that a separate mechanism to review the performance of deputed officials in agriculture agencies should be mooted and to take proper measures if warranted.

19. The Committee strongly believes that it is the prime responsibility of Agriculture Department to give all assistance to farmers to produce pesticide free vegetables and fruits in the light of alarming proportion in the increase of cancer, renal failure, cardiac diseases and other life style disorders in the society. Some FPOs produce organic vegetables and only affluent can buy and consume it. Hence, the Department should chalk out a state wide programme with the involvement of farmers /FPOs and with the help of agriculture agencies to ensure that cultivated vegetables are fully pesticide free in the State. Co-operation from LSGDs may also be sought for the complete success of such a massive program.

Thiruvananthapuram,
17th September, 2025.


E.CHANDRASEKHARAN,
Chairperson,

Committee on Public Undertakings.

APPENDIX-I
SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

Sl No.	Para No.	Department Concerned	Conclusions/Recommendations
(1)	(2)	(3)	(4)
1	1	Agriculture	<p>The Committee observes that proper implementation of production plan and crop plan would help the farmers resolve the issues to a great extent. The Committee recommends that the Agriculture Department should prepare production plan and crop plan and should help farmers in its implementation. Farmers usually prefer less expensive and easily cultivable vegetables and hence they shall not be forced to implement production plan and crop plan. Instead, a strong awareness program among the farmers describing the benefits of production plan and crop plan would be more beneficial and they be made aware of the existing supply chain system. The Committee also recommends to implement proper storage facilities to support farmers.</p> <p>The Committee observed that the sole PSU for marketing fruits and vegetables in the state is Horticorp and it is dependent on Government agencies like Department of Agriculture, Vegetables and Fruits Promotion Council Keralam (VFPCCK) and State Horticulture Mission (SHM) for procurement because these agencies oversee cultivation of vegetables and fruits with in the state. The lack of co-ordination among these agencies and non-preparation of crop calender by the agencies lead to delay in planning for procurement of vegetables by the Company.</p> <p>It was also evident that an amount of ₹5 crore sanctioned to the Company as part of Haritha Vipanana Project, extending vegetable cultivation in 1000 organic villages and for procuring vegetables was diverted by the Company and the creative project ended in a catastrophe.</p>

2	2	Agriculture	The Committee observes that the working capital requirement for procurement is not scientifically calculated based on harvest schedule and directs the Company to prepare realistic targets and budgets for the procurement of vegetable. The Committee observes that the Company did not set any targets for procurement of vegetables and fruits by the DPCs before 2017 and also budget details of procurement were not recorded in the RMT. Hence the Committee instructs the Department to submit latest budget details and targets fixed for each DPC.
3	3	Agriculture	<i>The Committee directs the Company to rectify the flaws existing in the whole process of procurement of vegetables that is intended to help the farmers and recommends the Agriculture Department to give advice to the Company and farmers after preparing crop calendar that can ensure maximum procurement of vegetables.</i>
4	4	Agriculture	The Committee observes that the Department had constituted District Price Level cum Monitoring Committees in all districts instead of Review Committees. The Committee criticises the Company for not implementing the Government decision for constituting a Review Committee in each district and vehemently recommends to constitute Review Committees at the earliest and report the same to the Committee.
5	5	Agriculture	The Committee observes that due to absence of DPCs in Wayanad, Malappuram and Kasaragod districts, the Company could not make any impact on marketing of 3.11 lakh MT vegetables produced by farmers in these districts, which accounts for 18.23% of total vegetables produced in the state during the period from 2012-13 to 2014-15. From the discussion the Committee notices that the Company had opened new DPCs in Malappuram and Wayanad in 2017-18. Hence the Committee

			recommends that steps should be taken to start a DPC in Kasaragod district at the earliest.
6	6	Agriculture	<i>The Committee vehemently criticizes the Company for not implementing procurement policy till 2021. Hence Committee recommends that procurement policy should be prepared and implemented within a period of six months.</i>
7	7	Agriculture	<i>The Committee observes that payment to farmers and traders is still pending. The Committee opines that prompt payment to farmers will help them continue with farming. Hence the Committee directs to submit the details of current status of revolving fund and the pending payment details to farmers.</i>
8	8	Agriculture	The Committee observes that the strawberry processing unit costing ₹75 lakh was set up specifically for safeguarding the interest of farmers of Idukki district involved in the cultivation of strawberry. But now it is operating unprofitably. Hence the Committee suggests to take necessary steps for the maximum utilisation of the unit by diversification.
9	9	Agriculture	<i>The Committee observes that cold storage at Munnar is being used to some extent. Since each vegetable had to be kept at a different temperature, storage of all varieties are possible only if done in compartment mode. But Palakkad cold storage was built as a single room and had been lying idle for years and can only be made usable if more money is invested. The Committee observes that construction of cold storage was done without proper feasibility study. The Cold Chain Project would be feasible only if air conditioning was installed at all stages from field to the market, including outlet. Hence the Committee recommends to implement effective cold chain scheme.</i>
10	10	Agriculture	<i>The Committee observes that market intelligence system is</i>

			<i>essential to ensure fair price for vegetables and fruits and the Company lacks the system. Hence the Committee recommends that necessary steps should be taken to implement market intelligent system.</i>
11	11	Agriculture	<i>The Committee notices that in HortiCorp, cold chain schemes were not implemented as such. Mobile vans were now running in Thiruvananthapuram, Ernakulam and Thrissur districts. Hence, the Committee observes that it would be helpful to use mobile units as part of cold chain scheme.</i>
12	12	Agriculture	The Committee observes that licensees procured items from open market and sold under “safe to eat”. Hence, the Committee recommends that HortiCorp had to check the quality of items of the licensees randomly to ensure the quality of items are such that they are safe to eat .
13	13	Agriculture	The Committee directs to furnish a detailed statistical report of monitoring of own stalls and licensee stalls. The Committee recommends that targets should be fixed for stalls, both own and licensed ones and performance shall be monitored closely to enhance their functioning.
14	14	Agriculture	The Committee observes that the Company does not monitor pesticide residue in vegetables and fruits for selling the same under the banner “safe to eat” and found that no trader has been blacklisted in this case. The Committee raises its concern over the lackadaisical way the Company handled the pesticide residue issue in vegetables that are sold through their outlets. Hence the Committee recommends that vegetables procured by HortiCorp must be done periodical test in co-ordination with

			<p>Kerala Agricultural University and the test result should be sent to the Agriculture Department for further action. The Committee also recommends that if the pesticide content come above the permissible limit the Company which supplied the same should be blacklisted. The Committee also opines that using of pesticides over the permissible limit can be controlled only by resorting to stringent measures like this.</p>
15	15	Agriculture	<p>The Committee notices that though HortiCorp is a Public Sector Undertaking, its appointments are not handed over to PSC since its staff pattern and Special Rules are under consideration of the Government. Hence the Committee recommends that permanent staff pattern and Special Rules should be implemented as early as possible which would be helpful for the better performance of the Company.</p>
16	16	Agriculture	<p><i>The officials of the Agriculture Department have shown scant response for the welfare of farmers in the state and their irresponsible attitude in coordinating and monitoring the programmes of agriculture agencies resulted in failure of government policies and projects in Agriculture neglecting the farmers. But no serious response taken against officials by Government till date. If the farmers get fair price for their produce the plight of the farmers get alleviated.</i></p>
17	17	Agriculture	<p><i>The Committee strongly believes that any project or policy with Agriculture Sector for upgrading the living standards of farmers became fruitful only when the assistance they received continue from cultivation to selling of produce at fair price. None of the agencies working in the Agriculture Sector follow this way and participation of farmers in these agencies for taking decisions is minimal. Hence, the Committee recommends that Government</i></p>

			<i>should review the working modalities of these agencies and frame policies and projects accordingly.</i>
18	18	Agriculture	<i>The Committee also noticed that the permanent employees working in the agriculture agencies are very minimum and officials of Agriculture Department are working on deputation in most of the higher posts in these agencies. The lethargy of deputed officials for taking responsibility in these agencies and reluctance of higher officials in the Department for reviewing their work and taking disciplinary action against them, if warranted, making the matters worse in the Agriculture Sector. Hence, the Committee recommends that a separate mechanism to review the performance of deputed officials in agriculture agencies should be mooted and to take proper measures if warranted.</i>
19	19	Agriculture	The Committee strongly believes that it is the prime responsibility of Agriculture Department to give all assistance to farmers to produce pesticide free vegetables and fruits in the light of alarming proportion in the increase of cancer, renal failure, cardiac diseases and other life style disorders in the society. Some FPOs produce organic vegetables and only affluent can buy and consume it. Hence, the Department should chalk out a state wide programme with the involvement of farmers /FPOs and with the help of agriculture agencies to ensure that cultivated vegetables are fully pesticide free in the State. Co-operation from LSGDs may also be sought for the complete success of such a massive program.

**STATEMENT OF ACTION TAKEN ON THE REMARKS CONTAINED IN THE REPORT OF THE COMPTROLLER & AUDITOR
GENERAL OF INDIA ON PUBLIC SECTOR UNDERTAKINGS FOR THE YEAR ENDED 31ST MARCH 2016 (HORTICORP)**

SL. NO.	PARAS	RECOMMENDATIONS	ACTION TAKEN
1	2.2.3 to 2.2.7	The company may prepare a realistic financial budget to ascertain the working capital requirements for procurement, based on the harvest schedule.	Hortcorp is dealing with the marketing of fruits and vegetables, and not with production and does not have competent field level technical staff for preparation of harvest schedule. Working capital requirement for procurement is worked out based on the previous year procurement data which is considered as the anticipated production data of the current year and direction received from Agriculture Department.
2	2.2.7.2	There should be a close co-ordination among the company, Department of Agriculture, VFPC, SHM etc, for more efficient procurement of vegetables and fruits from the farmers.	The Company is now having close co-ordination with Department of Agriculture, VFPC, farmer clusters, Block Level Farmers Organisation's for procurement of farmers produce. The Director of Agriculture and Mission Director, SHM are members in the Board of Directors of Hortcorp. During 2018-19, the company procured 19240 MT of fruits and vegetables out of which 8997.5 MT is procured from farmers which accounts to 46.76% of total procurement. The company is taking sincere efforts to procure maximum produce from farmers.
3	2.2.7.3 to 2.2.7.5	Direct procurement from farmers should be encouraged. Clear-cut procurement policy emphasising procurement of vegetables and fruits from farmers/ farmer's markets like UAWM/ RAWM should be formulated at the earliest.	Hortcorp is procuring farmer produce from the whole sale markets, VFPC, samithies and farmer clusters, if marketable surplus is available. Hortcorp is having a procurement centre in each District. Government agencies like AUWM, VFPC Samithies, Block Level Farmers Organisation's are engaged in direct procurement from farmers and HORTICORP is procuring the entire produce procured through these centres. Hortcorp has prepared Standard Operating Procedures for Procurement & Marketing of Fruits & Vegetables, and is submitted to the Director of Agriculture for vetting and the same is under consideration of Government.
4	2.2.7.3 to 2.2.7.6	When procurement from traders is inevitable, the same should be done through a transparent process.	To ensure transparency in procurement from farmer producer companies outside the State and from the traders, Hortcorp is following an existing empanelling system for the inclusion of suppliers / traders . The entire payment to suppliers / traders for purchase has been centralised with effect from January 2017.
5	2.2.7.6 to 2.2.8, 2.2.9, 2.2.10, 2.2.10.1	A marketing policy which prescribes the method of fixation of selling price should be adopted and it should be ensured that this policy is strictly followed by the Regional Managers while fixing selling price. The company should pass on the	There is regional variation in the wholesale market price for each and every agriculture produce depending on the availability and scarcity of produce in the market. Since the primary objective of Hortcorp is to protect the farmers' interest, a procedure for fixing procurement & selling prices is scheduled as per the following stipulations . " i) Procurement price of each item must be fixed after considering the wholesale market prices. The prices should be fixed by the district purchase committee

	2.2.10.2 2.2.10.3 2.2.10.4	benefit of subsidy received from the Government to the public.	<p>constituted by District Manager, Procurement Officer (I/c) and Accounts Officer. The daily procurement price of each commodity of the district must be submitted to head office for updation in the website.</p> <p>ii) The selling price of item must be fixed on a daily basis and the price should be fixed in such a manner that it should not exceed the prevailing wholesale market rates</p> <p>iii) The procurement price of items from farmers must be fixed in consultation with the concerned officials of Department of Agriculture / VFPCCK / Market secretaries and may be fixed on a weekly basis. The weekly procurement rates must be published in the District Procurement Centre of the Hortcorp .”</p>
6	2.2.10.5	Specific targets should be fixed for both own and licensed stalls and their performance should be closely monitored.	<p>Based on the recommendations, targets have been fixed for own stalls as well as licensee stalls and Horticorp is taking utmost care in monitoring their performance on monthly basis. The sale commission for licensee is given based on the sales volume. The selling price for fruits & vegetables in own / Licencee stalls are fixed by District Procurement Centre of the Horticorp.</p> <p>As per G.O.(Ms)80/2020/Agri dated 26.10.2020, orders were issued fixing base price for 16 items of Agricultural produces in the brand name “Kerala Farm Fresh Fruits and Vegetables”. As such Horticorp procured the following items from 1.11.2020 to 24.10.2021.</p> <ol style="list-style-type: none"> 1. Wayanadan nenthran - 596.1 ton for Rs.88.72 Lakh 2. Tapioca - 493.1 ton for Rs.38.89 Lakh 3. Vazhakkulam Pineapple - 35.6 ton for Rs.5.32 Lakh 4. Vegetables - 28.8 ton for Rs.4.01 Lakh <p>The Market price for the items procured will be paid by the procuring Agencies i.e., Horticorp and the difference between the base price and the market price will be paid by the Agriculture Department directly to farmers’ account through e-payment system.</p>
7	2.2.11	The company may fix norms for maximum permissible percentage of damage for each category of vegetables and fruits. The staff concerned should be held responsible if damage happens above the permissible limit.	The usual permissible damage percentage in own stalls is fixed at 5% and the staff in the stall will be held liable if the damage exceeds the permissible limits. As the primary objective of the Horticorp is to protect the interests of the farmers to procure the entire produce from farmers. In such situations, the damage levels may tend to go higher.

Appendix 6

Statement showing details of purchase from single supplier in DPCs

(Referred to in Paragraph 2.2.7.5)

Sl. No.	Name of DPC	2014-15				2015-16			
		Purchase from traders (₹in crore)	Name of the supplier	Amount of purchase from the supplier. (₹in crore)	Percentage of purchase from the supplier to total purchase from traders	Purchase from traders (₹in crore)	Name of the supplier	Amount of purchase from the supplier (₹in crore)	percentage of purchase from the supplier to total purchase from traders
1	Thiruvananthapuram	20.34	Shajikumar (KR)	4.34	21.34	13.21	Shajikumar (KR)	4.93	37.32
2	Kollam	4.25	SPD Alangulam	2.04	48.00	3.63	Shajikumar (KR)	0.86	23.69
3	Kottayam	5.25	STR Vegetable	4.09	77.90	5.14	STR Vegetable	3.84	74.71
4	Palakkad	0.86	COT	0.19	22.09	0.58	ASR	0.33	56.90
5	Idukki	0.16	JMS	0.16	100	0.32	JMS	0.28	87.50
	Total	30.86		10.82		22.88		10.24	

Appendix 7

Statement showing details of procurement and distribution of vegetables from Munnar and Palakkad
(Referred to in Paragraph 2.2.10.3)

Item	Procurement by DPC Munnar			Distribution to DPC Thiruvananthapuram			Margin obtained by DPCs per kg (₹)	Percentage of margin obtained by DPCs	Sales from DPC Thiruvananthapuram		Total margin obtained by the Company per kg (₹)	Percentage of margin
	Date	Quantity (kg)	Rate (₹)	Date	Quantity (kg)	Rate (₹)			Date	Rate (₹)		
Cabbage	07/07/2016	1350	15.50	08/07/2016	1350	17.00	1.50	9.68	09/07/2016	34.70	19.20	123.87
	12/07/2016	2925	14.50	13/07/2016	1575	17.00	2.50	17.24	14/07/2016	36.60	22.10	152.41
	14/07/2016	2610	15.00	15/07/2016	1350	17.00	2.00	13.33	16/07/2016	38.70	23.70	158.00
	30/07/2016	990	16.00	31/07/2016	900	17.50	1.50	9.38	01/08/2016	35.30	19.30	120.63
	Total				5175							
Carrot	14/07/2016	549	32.00	15/07/2016	207	36.00	4.00	12.50	16/07/2016	53.50	21.50	67.19
	30/07/2016	868	25.00	31/07/2016	810	29.00	4.00	16.00	01/08/2016	51.00	26.00	104.00
	Total				1017							
Beans	07/07/2016	935	39.00	08/07/2016	965	42.00	3.00	7.69	09/07/2016	58.80	19.80	50.77
	12/07/2016	1355	25.00	13/07/2016	823	35.00	10.00	40.00	14/07/2016	42.30	17.30	69.20
	Total				1788							
Item	Procurement by Palakkad DPC			Distribution to Thiruvananthapuram DPC					Sales from Thiruvananthapuram DPC			
Padavalam	11/07/2016	2026	11.00	11/07/2016	1350	13.00	2.00	18.18	12/07/2016	29.70	18.70	170.00
	13/07/2016	869	11.00	14/07/2016	300	15.00	4.00	36.36	15/07/2016	30.50	19.50	177.27
	22/07/2016	1385	12.00	22/07/2016	1015	16.00	4.00	33.33	23/07/2016	30.80	18.80	156.67
	25/07/2016	2240	9.00	25/07/2016	1000	12.50	3.50	38.89	26/07/2016	30.70	21.70	241.11
	28/07/2016	1033	11.00	28/07/2016	680	13.00	2.00	18.18	28/07/2016	28.80	17.80	161.82
	Total				4345							
Pavakka	11/07/2016	900	23.00	11/07/2016	400	28.00	5.00	21.74	12/07/2016	44.40	21.40	93.04
	13/07/2016	924	25.00	14/07/2016	500	28.00	3.00	12.00	15/07/2016	50.10	25.10	100.40
	22/07/2016	608	29.00	22/07/2016	505	32.00	3.00	10.34	23/07/2016	50.20	21.20	73.10
	25/07/2016	1225	27.00	25/07/2016	500	30.50	3.50	12.96	26/07/2016	60.50	33.50	124.07
	28/07/2016	453	27.00	28/07/2016	680	29.00	2.00	7.41	28/07/2016	58.20	31.20	115.56
	31/07/2016	519	27.00	31/07/2016	350	29.00	2.00	7.41	31/07/2016	57.50	30.50	112.96
	Total				2935							

Appendix 8
Statement showing procedural lapses in settlement of purchase bills
(Referred to in Paragraph 2.2.13)

Name of the DPC/ Sub-Centre	Period of purchase	Name of the supplier as per Purchase Register	Name of the person to whom payment was made	Amount paid (₹ in lakh)	Remarks
Kollam	August 2015	Fathima Vegetables	Payment vouchers were passed to Kalarikal Traders and amount paid to Shri.Shafeek	18.26	No documentary proof was produced to explain the relationship between Fathima Vegetables, Kalarikal Traders and Shri.Shafeek. It was replied that this mistake was due to lack of proper directions regarding payment procedure from Head Office of the Company.
Kollam	October 2015	Local	Shri. Kabir Binyamin	0.51	No bills for the purchase of vegetables were obtained from Shri. Kabir Binyamin to whom payment was made. It was replied that this mistake was due to lack of proper directions regarding payment procedure from Head Office of the Company.
Kottayam	2015-16	Priyadarshini Karshaka Sangham, Wayanad	Shri.Baiju	49.21	It was replied that vegetables were supplied by Shri.Baiju in his own name up to 2014-15 and thereafter produced the bills of Priyadarshini Karshaka Sangham. The Company, however, did not ensure that the Karshaka Sangham was actually formed for the welfare of the farmers and the vegetables supplied by Shri. Baiju were produced by the members of the Karshaka Sangham.
Sub-Centre, Poojapura	2015-16	Swasraya Karshaka Sangham (Mohanam, Sukumaran, Geetha)	Mariyapuram (name of a place)	6.16	It was stated in the bill that Swasraya Karshaka Sangham was a Co-operative Sangham under GoK. However, no such Society was in existence and the cash payment vouchers were passed to 'Mariyapuram' (name of a place). The identity of the supplier was not disclosed in the bills or vouchers.
Sub-Centre, Poojapura	2015-16	Swasraya Karshaka Sangham (Mohanam, Thankappan Mullassery, Sukumaran, Johny Karakulam)	Karshaka Vipani	19.40	It was stated in the bill that Swasraya Karshaka Sangham was a Co-operative Sangham under Kerala Government. However, no such Society was in existence and the cash payment vouchers were passed to 'Karshaka Vipani'. The identity of the supplier was not disclosed in the bills or vouchers.