

Mr. P. K. Mohapatra, IAS
Principal Secretary to Government



GOVERNMENT OF ODISHA
FOOD SUPPLIES & CONSUMER
WELFARE DEPARTMENT
ODISHA SECRETARIAT
BHUBANESWAR-751001

Ph. : 0674-2536892
Fax. : 0674-2392854
e-mail : food.odisha@gov.in

DO No. 22244 /SFS&CW
09661900092016
Date: 11/11/2016

Dear Madam,

Sub:- Gunny depreciation for once used Gunny Bags for packing of paddy in the provisional Economic Costing for KMS 2010-11 to 2015-16.

Ref:- 1) Govt. in FS & CW Deptt. letter No.2044 dt.01.02.2011, No.5007 dt.09.03.2011, No.QC 2/11 4236 dt.21.2.2013, No.4560 dt.14.3.2014, No.QC-02/2015 9106 dt.08.05.2015 & No.24401 dt.23.12.15 addressed to Govt. of India.
2) Govt. of India letter No.192 (12)2015-FC, A/Cs dt.11.04.2016 & No.F.No.15-8/2204-PY-III(pt) dt.09.06.2016- Regarding clarification on once-used gunny for KMS 2015-16.

This is regarding rates of gunny depreciation allowed by Government of India for packing of paddy procured from farmers in Odisha.

2. As per decision of Government of India communicated in letter No. 192(26)/2009-FC.A/Cs dtd.06.04.2010(copy at Annexure-I), once used gunny bags were used in Odisha for packing of paddy procured from farmers in KMS 2009-10. For this Rs.12/- per quintal of CMR was allowed as gunny depreciation in that year as per request made by State Government.
3. In the light of Government of India decision communicated for KMS 2009-10, procuring agencies in Odisha continued to procure paddy from farmers in once used gunnies in all subsequent KMS i.e. from KMS 2010-11 to till date. For this gunny depreciation was allowed by Government of India in provisional cost sheets of all KMS (except KMS 2015-16 and 2016-17) at 30% of new gunnies cost as claimed by the State for use of once used gunny bags. But in the foot note of provisional cost sheet, it was mentioned that "the costing is for new gunny bags only". In case the procurement of paddy is done in once used gunnies, separate orders

would be issued for same. Since only 30% was provided in the provisional cost sheet as gunny depreciation on the proposal of the State Government for once used gunny bags instead of 40% applicable for use of new gunny bags for packing of paddy, it was obvious that gunny depreciation was fixed by Government of India for Odisha for use of once used gunny bags only. Expenditure was also made for once used bags as per the amount allowed in provisional cost sheet. At the same time, Government of India was intimated repeatedly in each relevant year about the above facts and for re-permitting the use of once used bags in paddy procurement operations for those years in compliance to observations made in foot note of approved cost sheet. Copy of the latest correspondence made in this department letter No.24401 dated 23.12.2015 is enclosed in **Annexure-II**. But no communication was received from Government of India in this matter till date and gunny depreciation amount continued to be allowed as suggested by State Government for use of once used gunnies.

4 In the meantime Government of India in their letter No.F.No.15-8/2004-PY-III(pt) dated 09.06.2016 issued to NAFED (copy enclosed at Annexure-III) intimated not to allow gunny depreciation @ 30% of new gunny cost for all those years i.e. from KMS 2010-11 to 2014-15 for utilization of once used gunnies in paddy packing as suggested by FCI RO, Odisha on the basis of CAG observation. But Government of India did not consider the fact that 30% of new gunny cost allowed in costing was the amount towards cost of once used gunnies as suggested by State Government and for use of new gunnies in paddy packing 40% of new gunny cost or more was allowed all along to other States.

It was also not considered that amount already allowed by Government of India for years together cannot now be reduced, as expenditures were already made by State agencies for once used new gunnies at the rates allowed in provisional cost sheet for those years.

5. The suggestion of FCI RO, Odisha was based on C&AG observation that gunny depreciation to be allowed in all subsequent years shall be the same percentage of new gunny cost as was allowed in KMS 2009-10. But, as a matter of fact, in KMS 2009-10 the gunny depreciation was allowed

by Government of India not as any percentage of new gunny cost but as cost of two once used new gunnies prevailing at that time. This is very much evident from the permission letter issued by Government of India (copy at **Annexure-I**) for KMS 2009-10, which fact should have been explained to C&AG.

Considering the C&AG's comments which were also recommended by FCI, Odisha to Government of India, gunny depreciation shall be allowed @ 19.35% of new gunny cost, which means a new gunny shall be used more than 5 times for rice and/or subsequent paddy packing, which is never feasible. This also contradicts Government of India's laid down principle of allowing 2.5 times use of new gunnies for paddy packing purposes. The rates allowed to other states for use of new gunnies for paddy packing and the rate allowed to Odisha for packing of paddy in once used gunnies and resultant lesser expenditure made by Odisha were also not considered in this matter.

6. Market Price of once used gunny bags suitable for paddy packing was about Rs.16/- per bag some time before and thus cost of four such once used gunny bags required for packing of paddy for one quintal of rice was Rs.64/-. Considering the principle adopted by Government of India, at least 50% of such total cost i.e. Rs.32/- per quintal of rice shall emerge as the minimum amount of gunny depreciation to be allowed to Odisha.

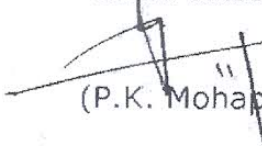
7. In the above context, a comparative statement of gunny depreciation allowed to Odisha and that allowed to other States for KMS 2015-16 is placed at **Annexure-IV**. The statement shows that among all the states lowest amount of gunny depreciation has been allowed to Odisha. Same is the case for all earlier KMSes also. This is notwithstanding the fact that Odisha continues to be a major rice procuring State of the country with DCP operations because of which huge funds of Central Government are saved which otherwise would have been spent to meet the rice requirements under TPDS and other schemes. By use of once used gunny bags, Odisha has further saved crores of rupees of central exchequer as only 30% was allowed to Odisha in all years against 40% or more allowed to other states for paddy packing in new gunnies. Surprisingly, without considering the facts and circumstances of

the case, amount allowed to other states, prevailing rates of once used gunnies, savings made by use of once used gunnies and other field realities, gunny depreciation rate has been reduced in provisional costing for KMS 2015-16 and 2016-17 and retrospective reduction has been indicated in Government of India's letter No. Nil dt.09.06.16 enclosed at Annexure-III.

8. Considering all above, it is requested to allow Rs.32/- per quintal of rice as gunny depreciation for KMS 2015-16 and 2016-17 for use of once used gunny bags for packing of paddy procured from farmers. Suitable instructions may also be issued to FCI, Odisha for reimbursement of gunny depreciation to the procuring agencies as approved by Government of India in the provisional economic cost sheets for KMS 2010-11 to KMS 2014-15. It may be mentioned that due to non-provision of adequate rates of gunny depreciation, procuring agencies have faced problems in packing of paddy purchased as offered by farmers.

9. Since present KMS 2016-17 has already commenced, it is requested to kindly communicate the revised rates immediately for smooth purchase of paddy from farmers in the State avoiding distress sale and timely availability of adequate procured rice for distribution under NFSA under DCP operations in the State.

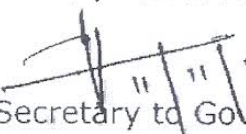
Yours sincerely,


11/11/2016
(P.K. Mohapatra)

Ms. Vrinda Sarup, IAS
Secretary to Government of India,
Ministry of Consumer Affairs, Food & Public Distribution,
Department of Food & Public Distribution.
Krishi Bhawan, New Delhi - 110 001.

Memo No. 22945 Dated 11/11/2016

Copy forwarded to the MD, OSCSC Ltd., Bhubaneswar for information and necessary action.


11/11/2016
Principal Secretary to Government