

**Brief Note on Rationalization of Transportation charges on Paddy  
Procurement Operation for the Meeting to be held on 10.05.2018 at 3 PM  
at Krishi Bhawan, New Delhi**

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1. In the Provisional Economic Cost sheet issued by Govt. of India transportation charge has been provided at flat rate per quintal at 3 stages.
  - i) For transportation of paddy from mandi to mills.
  - ii) For transportation of rice from mills to Storage godowns of OSCSC for DCP Operation.
  - iii) For transportation of rice on distribution.
2. FCI transportation charges on paddy and rice has not been provided in the costing pertaining to CMR delivered to Central PWI. As per guidelines contained in the Provisional Costing FCI is to reimburse transportation charges on submission of bills, based on the rates fixed by the District Collector's of the State or FCI rate whichever in less.
3. **Issues on movement of paddy & rice:**
  - i) Scale of procurement of paddy in the State is not uniform. In 5 districts namely Bargarh, Sambalpur, Kalahandi, Bolangir, Subarnapur about 50% of the total paddy is procured. Thus procurement of paddy is highly skewed in the State. Further out of 30 districts only in 18 districts paddy is procured both in Khariff & Rabi. Procurement & milling capacity of the districts also mismatch. Above factors necessitated transportation of paddy to other districts for custom milling. As a result the transportation cost for movement of paddy is high.
  - ii) Distance to be covered from mandi to mills within the districts also depends upon a) availability of Rice Mills & Capacity, b) Marketable surplus of paddy in the locality, c) Performance of the mills.
  - iii) In current KMS 2017-18 there is deficit in procurement of rice compared to requirement of rice under NFSA & OWS in as many as 18 districts out of 30 districts of the State. The surplus rice procured in other districts is required to be moved to the deficit districts to meet the requirements involving higher transportation cost.

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#### **4. Issues on Transportation rates for DCP Operation:**

- i) In the Economic Costing issued for the KMS 2017-18 by Govt. of India Rs.4.75 p.q. of paddy/ Rs.6.62 p.q. of rice have been provided, as against the transportation cost of Rs.34.12 p.q. for paddy/ Rs.13.44 p.q. for rice provided in the KMS 2016-17. The present rate is abnormally low and unworkable. The actual expenditure incurred by the State on transportation of paddy & rice for last 5 KMS is at Annexure.
- ii) The transportation charges on rice for movement from mill point to OSCSC storage godowns have not been revised since KMS 2011-12.
- iii) In the Economic Costing there is provision for transportation charges for rice to be moved on acquisition from millers. There is no mention of handling charges in the costing though the rice received from the millers at the scale points are to be carried inside the godowns and stacked. This operation is being done by OSCSC by engaging handling contractor through tender process.

#### **5. Issues on transportation cost on paddy & rice for CMR delivered to FCI.**

- i) From KMS 2012-13 transportation cost on paddy is not provided in the PCS. As per foot note this is to be reimbursed by FCI at the FCI rate or that of District Collectors, whichever is less.
- ii) FCI in the state is not involved in paddy procurement and hence FCI does not have any rate for transportation of paddy. The rates available with FCI are for the transportation of food grains from Railway siding to storage depots and the vis-versa, the nature of such transportation is quite different from transportation of paddy from mandis located at rural areas having difficult terrain, road condition etc. Availability of adequate number of vehicles is another factor. Hence the FCI rate for transportation of rice from Railway siding cannot be the basis for fixation of transportation rates on paddy. Even FCI is not settling the bills of OSCSC at such rate.
- iii) A miller lifts paddy from different mandis at different locations and delivers rice both at FCI and at State Godowns for DCP. FCI only allows the minimum end to end distance i.e. from mandi to mills for lifting of paddy by the miller while settling the transportation bills of paddy irrespective of the fact that there is no such earmarking for FCI. The organization should

allow weighted average distance covered for movement of paddy since it is not practically possible to distinguish the mandi as said above. OSCSC stand to lose heavily if FCI allows minimum distance for payment of transportation charges on paddy.

- iv) The rates of FCI are much less than the rates fixed by OSCSC/ State Govt. for transportation of paddy & rice. FCI has not revised the rates of transportation from KMS 2012-13. There was a meeting at FCI Headquarters, New Delhi on 23.04.2014 wherein Joint Secretary (Policy), FCI, Govt. of India was present. It was decided that Regional Office, FCI should re-examine the transportation rates. This has not been acted upon by FCI. The present rate of FCI is Rs.12.50 p.q. for 1<sup>st</sup> 10 Kms whereas the State Govt. rate is Rs.18/- p.q. for 1<sup>st</sup> 10 kms.

In view of this insouciant approach of FCI not to appreciate our concern, there has been no major release under the head since KMS 2012-13 on account of which the bill value of OSCSC pending with FCI has piled upto Rs.210 Crore.

**Suggestion for Rationalization:**

1. Transportation charges on Paddy & Rice should be included in the Provisional Costing Sheet at flat rate instead of foot note, in the PCS for CMR delivered to FCI on Central Pool Account.
2. The volume & skewers' of Procurement vis-à-vis milling capacity should be considered while finalization of procurement incidentals on Transportation cost.
3. The rates fixed by FCI for reimbursement of transportation charges on paddy should be based on market rate for similar nature of goods, mode of transportation and nature of operation. The rates of FCI for movement of food grains from Railway siding to godown should not be made applicable for paddy movement.
4. FCI should release the transportation cost of paddy for weighted average lead distance, where paddy has been lifted from more than one mandi and CMR is partly retained & partly delivered to FCI.

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