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GOVERNMENT OF ODISHA
FOOD, SUPPLIES & CONSUMER WELFARE DEPARTMENT

No. 4560 / Bhubaneswar dated the 14-3-14
09-61-19/2014

From

**Shri Madhusudan Padhi, I.A.S.
Commissioner-cum-Secretary to Govt.**

To

Shri U.K.S Chauhan, IAS
Joint Secretary (Policy & FCI)
Govt. of India, Ministry of Consumer Affairs, Food and P.D
Deptt. of Food & Public Distribution
Krishi Bhawan, New Delhi

Sub: **Problem/Constraints faced by the State Govt. in adopting DCP
mode of Procurement**

Ref. DO No. F-195(3)/2014-FC.A/C dt.06.03.2014 of Govt. of India

Sir,

With reference to the letter and subject cited above, I am enclosing herewith the views/Comments on problems/constraints faced by the State Govt. in adopting DCP mode of Procurement.

I would, therefore, request you to kindly place the issues on DCP operation before the committee for consideration.

Yours faithfully,

M.S.Padhi
14-3-14

Commissioner-cum-Secretary to Govt.

Issues on DCP operation

1. Use of once used gunny bags for packing of paddy

Gunny depreciation @40% of cost of new gunny bags is normally allowed for use of new B.Twill gunny bags for packing of paddy. In Odisha, once used gunny bags are used for which depreciation @30% (approx.) has been provided in the costing since KMS 2009-10. In KMS 2009-10, Gol has allowed Odisha to use once used gunny bags for packing paddy.

But in the subsequent KMS 2010-11, 2011-12 & 2012-13, no such communication has been received from Gol. In the forwarding letter to the costing sheet for all above three KMS, it has been mentioned that ***"the costing is for new gunny bags only; in case the procurement of paddy is done in once used gunny, separate orders would be issued for same."*** Though we have been moving the Govt. of India every year to issue separate orders, the same is not forthcoming. (Reference letter No.4236/QC 2/11 dt.21.02.2013 of Govt. of Odisha addressed to Joint Secretary to Govt. of India).

Therefore, as mentioned in the forwarding letter to the costing sheet, separate orders on *once used gunny bags* may be issued for regularising the matter.

2. Transportation charges

a).Provision in costing sheet for central pool rice: There is no lump sum provision towards transportation charges on paddy / rice in the Economic Cost Sheet issued by Government of India for Central Pool stock for KMS 2012-13 and KMS 2013-14. In the forwarding letter , there is a remark that ***"the transportation charges on paddy from purchase centres/mandi to mills and from mills to storage godowns from 0 Km. onwards will be payable based on the rates fixed by the District Collectors of the State or FCI's rate whichever is lower"***. As a lump sum amount of Rs 34.20 per quintal of paddy is being provided in the costing sheet for DCP stock, the same provision may also be provided in the Costing sheet of Central pool as was being done up to KMS 2011-12.

b).Transportation rate fixed by FCI, Odisha region: In Odisha, Collectors do not fix any transportation rates as the same is fixed by State Govt. after a lot deliberation & through a process. *FCI, Odisha region has more or less adopted the State Govt.'s rates but has made a change in the first 10 KM range.* FCI does not have any special rate for first 10 KM distance even though the cost of hiring a vehicle is quite high for a short distance. Hence, FCI's rate may be modified for first 10 KMs so that State agencies are encouraged to participate in the procurement operation. Till date in the current KMS, the participation of all State agencies in procurement except OSCSC has been less 5%

The Government of India has been requested vide letter No.21589 dt.21.12.2013 for reintroduction of transport charges in the costing sheet for paddy and rice for deliveries made to FCI on Central Pool account & for modification of FCI's rate for first 10 KM range.

3. Provision of interest on subsidy released by Government of India.

Subsidy on CMR distributed under PDS is being claimed quarterly by State Govt. But this subsidy is accruing every month for the rice issued during the month. In this manner, the funds are blocked which carries interest since entire paddy procurement is being done with bank finance. The period from accrual of subsidy to actual receipt of subsidy from Government of India is more than 3 months. This may be considered by Govt. of India and interest for three months on subsidy amount due may be provided by Govt. of India.

The Government of India has been requested vide letter No.815 dt.16.01.2014 to allow interest for 3 months on subsidy due in the economic costing of CMR.

4. Interest on Investment on paddy:

At acquisition stage, the interest on investment for paddy is provided for 4 months for DCP stock i.e. CMR used for PDS. Whereas for CMR delivered on "Central Pool Account", interest on investment is provided for only two months. As the operational cost for both CMR are same, equal rate i.e. 4 months interest should be allowed for both DCP & Central Pool Account. More ever, FCI does not have enough space to receive huge quantity of surplus rice delivered by the State within two months of paddy procurement. In fact, we have been seeking and getting 3 months extension in last 3 years for making deliveries to FCI.

Procurement under DCP by all State agencies/Levy has been increasing over last three years, as given below.

| KMS | Total Procurement of Paddy in Lakh MT | Procurement of paddy by OSCSC in lakh MT | CMR Delivery made to FCI in Lakh MT |
|---------|---------------------------------------|--|-------------------------------------|
| 2010-11 | 36.96 | 31.06 | 4.58 |
| 2011-12 | 42.90 | 37.80 | 7.42 |
| 2012-13 | 54.17 | 50.02 | 12.03 |

In view of huge procurement and uneven milling capacity across the districts, the actual storage period of paddy is more than 4 months with the State agency/Miller.

5. Delay in settlement of bills for CMR delivered to FCI

OSCSC has delivered about 9.36 lakhs MT of CMR to FCI in the KMS 2012-13. It has been planned that in KMS 2013-14, about 10.00 Lakh MT of CMR will be delivered in Central Pool Account to FCI. It is a fact that FCI takes more than two months to settle the bills of OSCSC. The bills worth around Rs. 800 crores pertaining to KMS 2011-12 & 2012-13 are pending with FCI as on date. Besides, 2.2 LMT of (approx. value Rs.550 Crores) of CMR has already been delivered in KMS 2013-14 to FCI. The bill processing procedure in FCI needs a thorough change as there are redundancies in the present process. Secondly, per day payment limits in high procuring areas like Sambalpur and Titlagarh need to be enhanced.

The Government of India has been requested vide letter No.941 dt.18.1.2014 to allow interest for at least two months in the costing sheet of CMR for Central Pool delivery of rice. As per existing system no distribution cost is allowed for Central Pool rice.

6. Value cut on new B-Twill gunny bags by FCI

All the new gunny bags for packing of rice are being procured through DGS&D by the OSCSC. FCI while taking delivery of CMR is deducting @ Re 1 per bag of rice (50kg) on 50 % of the deliveries. As OSCSC has no control over the gunny bag quality, this deduction should be stopped. FCI may be instructed accordingly.