

**No. 191(1)/2019-FC A/cs Part file1**

Government of India  
Ministry of Consumer Affairs, Food & PD  
Department of Food and PD

Krishni Bhawan, New Delhi

Dated 24/02/2020

To,

1. The Principal Secretary/Secretary,  
All State Governments/UTs
2. The CMD, FCI, New Delhi.

**Subject: Revised principles of procurement incidentals for Central Pool operation and Decentralized Procurement Operation to be applicable from RMS 2020-21 for Wheat and from KMS 2020-21 for Paddy/CMR & Coarsegrains.-regarding.**

Sir,

I am directed to refer to the above mentioned subject and to say that the "Principles" to be adopted for fixation of acquisition/economic cost of foodgrains conveyed vide this Department's D.O. letter no. 192(04)/2003-FC A/cs dated 16th July, 2003 and modified from time to time are further modified. The revised principles for the incidentals Statutory Charges, Mandi Labour Charges, Commission to Societies and Interest Charges are applicable for Paddy/CMR, Wheat and Statutory charges, Mandi Labour Charges, Interest Charges for coarsegrains. These PPIs will come into effect from RMS 2020-21 for wheat and from KMS 2020-21 for paddy/CMR and Coarsegrains. For coarsegrains, the principles on Commission to Societies will not be applicable for the time being.

2. The revised principles are made as a corollary to the brain storming session convened by Secretary, DFPD with State Food Secretaries, FCI & officers of DFPD on 08.02.2019 and the recommendation of subcommittees, which examined the existing principles in the light of diversities of ground level operations throughout the country. The subcommittee was constituted with State Food Secretaries and FCI Officers as their members. The recommendations of the sub-committees were further examined in the Department to formulate the present principle.

3. The principles envisage a system of committees involving States & FCI to fix and to make specific recommendations every 3 years on charges such as Commission to societies, Mandi labour charges etc so that the stakeholders have a say in fixing of rates. However, if there is any delay in making recommendations, the last approved rates allowed in PCS of the last marketing season shall be applicable without any indexation. Payments over and above the agreed principles would be borne by concerned State Governments.

4. The requirement of submission of sample bills & vouchers by the State Govt to this Department has been dispensed with as it is the responsibility of the State to ascertain the genuineness of bills/vouchers & payment and certify them. The expenditure as certified by food secretary shall be reflected in the annual accounts/trial balance.

5. Further, considering the long delay in submission of annual audited accounts and

non-adherence to timelines by some of the State Government, an additional withholding of provisional subsidy for long-defaulting States will be effected w.e.f 31.03.2021. The States which fail to submit annual accounts beyond five years will be deducted 5% of the admissible provisional subsidy in the 6<sup>th</sup> year and further by 2% per annum. The withheld subsidy will be released only at the time of settlement of final subsidy of the concerned year.

6. The incidental wise revised principles are tabulated below:

Revised principles for Incidental charges per quintal for Custom Milled Rice/ Wheat and Coarsegrain:

S.No.	Item	Deciding Principles	
		DCP Operations	Non-DCP Operation/ Central Pool Operation
1.	<b>Statutory Charges</b>	<p>a) Market Fee or any other fee/levy/cess recognized by this Department for a State or States in connection with procurement operations.</p> <p>b) Only those charges which are being utilized for improving the infrastructure and facilities to augment the quality of procurement centres should be part of claims for financial assistance.</p> <p>c) Rates as notified by the States will be accepted both for the PCS and FCS.</p> <p>d) States will have to do prior consultation of the Department of Food &amp; PD, Government of India before introducing any additional statutory charge or effecting any increase in rates of statutory charges for the purpose of reimbursement.</p> <p>After a request/proposal of State Government for enhancing the existing statutory charges or adding new statutory charges is received by GOI for consultation, GOI will examine the same and will have liberty to agree or disagree to reimbursement/pay such amended/enhanced/new statutory charge. State Government may take appropriate decision on it, taking into account the decision of GOI.</p> <p><b><u>I. Provisional Cost Sheet:</u></b></p> <p>a) For inclusion of the Statutory charges in the provisional</p>	<p>The norms for DCP operations will be applicable to Non-DCP operations for paddy.</p>

		<p>cost sheet, the copy of notification will be accepted.</p> <p><b>2. Final Cost Sheet:</b></p> <p>e) At the time of Final settlement, State Food Secretary will submit a certificate in the format prescribed below:</p> <hr/> <p><b><u>Certificate for payment of Statutory charges</u></b></p> <p>It is certified that the following Statutory Charges as notified by State Government on procurement of wheat/paddy/Coarse grain for RMS/KMS..... has been collected and actually been paid to the concerned authority for the purpose, i.e., for improving the infrastructure facility to augment the quality of procurement centers, it is levied for:</p> <table border="1" data-bbox="394 961 1124 1423"> <thead> <tr> <th>S. No.</th> <th>Name of statutory charge</th> <th>Notification no. with date</th> <th>Rate with prescribed in the notification</th> <th>Quantity of foodgrains procured</th> <th>Total amount paid</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table> <p>The statement above is based on the verification of the documents in support of the receipt and utilization of the statutory charges.</p> <p>To be signed by Food Secretary of State Govt.</p>	S. No.	Name of statutory charge	Notification no. with date	Rate with prescribed in the notification	Quantity of foodgrains procured	Total amount paid													
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<p>2.</p>	<p><b>Mandi Labour Charges</b></p>	<p>To be eligible to claim the MLC, the State Govt./FCI notification should clearly state that the charges were incurred for following activities:</p> <p>i. Unloading the farmer's produce wherever applicable.</p>	<p>The norms for DCP operations will be applicable to Non-</p>																		

	<p>ii. Weighing          iii. Bagging          iv. Sticking &amp; Labelling          v. Loading for dispatch from procurement centre.</p> <p><b>1. Provisional Cost Sheet:</b></p> <p>a) There shall be a State Level Committee with State Food Secretary and ED &amp; GM FCI in-charge of that State, representative of State Labour Dept (not below the rank of Director) and chairman of the State Mandi Board to recommend the MLC charges in the State. The rates so recommended will be applicable to both the State Government and FCI after both State and FCI have notified the rates. This rate will be applicable for 3 years.</p> <p>b) The same committee will fix the SoR for Handling Charges in the godowns including unloading/loading, stacking/destacking &amp; forwarding. The SoR will be basis of fixing the charges through competitive bidding.</p> <p>c) Where FCI/State Mandi Board has notified the MLC for all State Mandies in accordance with point (a), the rates notified by the Mandi Board will be considered for making provision for this purpose in the PCS. Notification of Mandi Board will have to be furnished along with the proposal for the PCS.</p> <p>d) Where MLC have been notified Mandi-wise by the FCI/State in accordance with point (a), the FCI/State Govt. will work out the average weighted rates of MLC, and the same will be allowed in the PCS subject to the FCI/States furnishing a statement of Mandi-wise MLC rates along with the certificate that the weighted average is worked out after verification of the Mandi-wise rate and procurement done during last concerned procurement season.</p> <p>e) In States where temporary procurement centres are opened and attached with Mandis, State Govt. will notify the Mandi-wise MLC taking into account the temporary procurement centres.</p> <p><b>2. Final Cost Sheet:</b></p> <p>a) For final settlement, the State Food Secretary will have to submit a certificate to the effect that the expenditure is found to be actually incurred on the examination of relevant record. The certificate should also state that there is no overlapping of activities viz loading at Mandi, and</p>	<p>DCP          Operations          for paddy.</p>
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		handling operations mentioned in point b above.	
3.	<b>**Commission to Societies/Arhatias Charges</b>	<p>a. This Commission would be payable to Societies/Cooperatives/sub-agents/departmental arrangements of FCI/State Governments including Arhatias for undertaking specified procurement operation on behalf of the Government. The above entities are hereby delinked from MSP. The State Government has to ensure that no duplicity in claim among aforesaid entities will exist.</p> <p>b. The society/arhatias are to discharge the following functions to claim the commission at the prescribed rate:</p> <p>(i) Overall supervision of procurement activities to ensure 100% compliance with the Government guidelines in this regard.</p> <p>(ii) Proper display of the MSP, FAQ Norms, procedure for procurement and payment, facilities to be provided at the procurement centers, the entitlements of farmers free of charge such as loading/unloading, gunny etc and grievance redressal mechanism of State Govt in a clearly visible and accessible manner in the local language.</p> <p>(iii) Proper upkeep of procurement centers in terms of security and safety of farmers' produce from theft, pilferage and pest, rodents infestation and adverse climatic conditions such as rain etc.</p> <p>(iv) Arrangement of basic amenities like drinking water and toilets</p> <p>(v) Use of online procurement system including adherence to PFMS compliance as instructed by the FCI/State Govt/GoI, along with arrangements for hardware items and technical manpower as required. The State Government/FCI should ensure that the online procurement system shall have online payment module for making MSP payment directly into the farmers' bank account.</p> <p>(vi) Arrangement of proper system of queuing by issuing tokens or SMS alerts to farmers.</p> <p>(vii) Arrangement of calibrated digital weighing machines for the farmers.</p> <p>(viii) Arrangements of temporary storage of farmer's produce before dispatch to the mills/ storage points.</p>	The norms for DCP operations will be applicable to Non-DCP Operations for paddy.

		<p>(ix) Maintenance of records as mandated by the FCI/State Govt.</p> <p>(x) Arrangement of cleaning and winnowing of farmers' produce by installation of required equipments.</p> <p><b><u>Provisional Cost Sheet</u></b></p> <p>a. To decide the rate of Commission to be paid to the societies, a committee will be constituted with ED(Finance), FCI, Headquarter as the chairperson and 3 zonal EDs and 5 State Food Secretaries as members. This rate of commission to societies recommended by the Committee after it is approved by the Department, shall remain in force for 3 years. If for some unavoidable reasons, there is delay in the revision of rates of concerned seasons, the existing rates will continue to be in force.</p> <p><b><u>2. Final Cost Sheet:</u></b></p> <p>a) Final settlement will be done on the basis of the actual expenditure incurred by the State subject to the ceiling approved by DFPD.</p> <p>b) State Food Secretary will have to furnish a certificate to this effect in the format prescribed by this Department. It should also state that the activity claimed under heads of mandi labour charges, Statutory charges and commission to societies do not overlap with each other. It should state that Society has carried out all the functions as notified by State Government.</p> <p>c) In case of societies, a copy of the certificate of registration as society under a central/state legislation, and in case of any other body engaged by the FCI or state Government as the sub-agent, which may include self-help groups, departmental arrangements etc., a copy of the order from the FCI/State government authorizing such body/arrangement to act as its sub-agent with express terms and conditions in respect of the duties and entitlements of the sub-agent shall have to be furnished. State Government has to submit a copy of agreement between Societies (registered) and State Govt/State Agencies engaging societies for procurement along with terms &amp; conditions.</p>	
4.	Interest	<b><u>Acquisition Stage</u></b>	The norms

charges	<p><b>1. Provisional Cost Sheet:</b></p> <p>a) Interest charges will be allowed on all the incidentals except driage and Admin charges included in the PCS at the acquisition stage in respect of which FCI/State has to incur interest.</p> <p>b) The interest rate at acquisition will be allowed in the PCS at the rate of interest given by State before beginning of the marketing season, supported by the relevant sanction letter from the bank concerned, for the period of storage period allowed at the acquisition stage. This will be verified/ confirmed by FCI to deduct any punitive interest charged by banks for default on the part of State Government, which will not be considered.</p> <p><b>2. Final Cost Sheet:</b></p> <p>a) The final settlement of expenses on interest charges will be done according to the actual expenses worked out on the basis of documentary evidence produced by FCI/State Government.</p> <p><b>Distribution Stage:</b></p> <p><b>1. Provisional Cost Sheet:</b></p> <p>a) Interest on storage, transportation and handling charges for distribution stage may be allowed calculated on the basis of acquisition cost of milled paddy excluding interest charges, driage, transit and storage loss ( in terms of rice) &amp; Admin charges. Other things will be similar to paddy.</p> <p>a. The interest rate at Distribution stage will be allowed at the permitted rate of interest for period of storage period allowed at distribution stage.</p> <p><b>2. Final Cost Sheet:</b></p> <p>a) The final settlement of expenses on the interest charges will be done on documentary evidence produce by State Govt. &amp; FCI for interest charges &amp; on the basis of audited accounts. The State Govt. will submit a bank sanction letter in support of interest rate of borrowing at commencement of procurement season.</p>	for DCP operations will be applicable to Non-DCP Operations for paddy
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\*\* The above revised PPIs is applicable for Statutory Charges, Mandi Labour Charges, Commission to Societies, Interest Charges applicable for wheat paddy and CMR as well as Statutory charges, Mandi Labour Charges, Interest Charges applicable for coarsegrains. Commission to societies is under examination in DFPD separately for coarsegrain.

B. This issue with the approval of Hon'ble Minister of CA, F & PD.

Yours faithfully,

(V.C. Sudeesh)  
Director (FC Accounts Division)

Copy to:

1. Sr. PPS to Secretary, DFPD
2. PPS to AS&FA, DFPD
3. PPS to Principal Advisor(Cost), DFPD
4. PPS to AS(P&FCI), DFPD
5. PPS to Advisor(cost), DFPD