

CHAPTER VI: MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION

Food Corporation of India

6.1 Excess payment on gunny depreciation

FCI made excess payment of ₹ 11.53 crore on gunny depreciation to State Government and their agencies during KMS¹ 2010-11 to 2012-13 on purchase of Custom Milled Rice.

Government of India (GOI) fixes the rates to be reimbursed by Food Corporation of India (FCI) to the State Government Agencies (SGAs) for Custom Milled Rice (CMR) delivered by them to the Central Pool. The rates include *inter alia* the element of gunny cost for two bags² and gunny depreciation for another two gunny bags per quintal of rice delivered to the Central Pool. The rationale for allowing gunny depreciation @ 40 *per cent* of the cost of two new bags was that four bags of 50 Kg. each were required to be purchased for filling 150 Kg. of paddy to manufacture 100 Kg. of rice (67 *per cent*³ out-turn ratio) as decided by GOI. Thus, two bags were to be delivered to FCI along with one quintal CMR and depreciation would be allowed on the two bags remaining with the State Government/agencies/millers which could not be used for packing CMR.

Examination in Audit revealed that the Government of Uttar Pradesh (GoUP), in its Paddy Purchase policy for KMS 2010-11 to 2012-13, directed that 40 Kg paddy was to be packed in 50 Kg capacity gunny bags. Thus, when 40 Kg paddy is actually being packed in 50 Kg capacity gunny bags, then considering the out-turn ratio of 67 *per cent*, 3.75 gunny bags would only be needed to fill paddy equivalent to one quintal of rice, of which the gunny cost of two bags used for filling one quintal rice and delivering the same to FCI would be paid to SGA. However, for the remaining used gunny bags left with the SGA, gunny depreciation at the rate of 40 *per cent* would be payable for 1.75 bags only thereby resulting in savings of gunny depreciation for 0.25 gunny bag per quintal of rice.

Based on the orders of GoUP, a total quantity of 335.28 lakh quintal of rice had been delivered by SGAs to the Central Pool in Uttar Pradesh during KMS 2010-11 to 2012-13. Thus, a sum of ₹ 11.53 crore was paid by FCI on account of excess gunny depreciation to the State Government of Uttar Pradesh and its agencies on purchase of CMR during 2010-11 to 2012-13.

FCI stated (October 2012) that payments were made as per the cost sheet of GOI.

The reply is not acceptable as the payment of depreciation on gunnies should be allowed on actual basis after arriving at the number of gunnies left with the State

¹ *Karif Marketing Season*

² *Each bag was to be used to pack 50 Kg of rice*

³ *Proportion of rice milled out of paddy*

Government/agencies and not at a fixed rate. FCI being the nodal agency of GOI, should have taken up the aforesaid matter with the latter.

Thus, the excess amount of cost/depreciation allowed on gunny bags based on the orders of the GoUP had led to excess payment of ₹ 11.53 crore to the State Government and its agencies on purchase of CMR during 2010-11 to 2012-13.

The matter was reported to the Ministry in October 2013; their reply was awaited (March 2014).