Bihar State Food & Civil Supplies Corporation Ltd.
Khadya Bhawan Daroga Rai Path,R.Block,Road No.2,Patna-1

Letter No.- 02:15:271:01:2013 - 3900 /Patna, Dated- 18/04/18
From

Chief General Manager(Procurement)
Headquarter,Patna .

To

The Additional Secretary,
Food & Consumers Protection Deptt.
Bihar,Patna

Sub:- **Fixation of rates of Procurement incidentals of Wheat to be procured by the State Govt. and their agencies during the RMS 2018-19 proposal regarding.**

Ref:- Your letter No.878 dated-21-02-2018

Sir,

In inviting your kind attention towards the letter cited under reference on the subject noted above, I would like to say that the detailed proposal for fixation of the rates of procurement indidentals of wheat to be procured for central pool and the economic cost of Wheat to be procured under the Decentralized Procurement Scheme for RMS 2018-19 alongwith the explanation of item for incidentals of wheat is being enclosed herewith, as desired, for onward action.

Encl-As above.

Yours faithfully,

18/4.18

RCM/18.04.18

Chief General Manager (Procurement).

Proposed Cost Sheet for RMS 18-19

For the State of Bihar

Acquisition Cost		
1	Cost of Wheat (MSP)	1,735.00
2	Operational Cost payable to Societies @ 3% of MSP (for societies which are entrusted with the job of procurement)	52.05
3	Transportation (for transporting wheat from PACS storage point to SFC Godowns)	30.68
4	Handling Charges* (@7.29 per 50 KG bag for one time lifting from PACS and one unlifting at SFC Godown)	29.16
5	Custody & Maintenance Charges @ 6.15 per bag based on 700 Category of CWC Godown rates as per the notification attached - for 1 month.	12.30
6	Interest Charges @ 11.01 % for 1 month on MSP, Society Commission Charge, Transportation and Handling Charge	16.95
7	Cost of 2 New Gunny Bags (Current Cost + 10% of Current Cost)	92.64
8	Transportation Cost of Gunny Bags	1.39
9	Administrative Charges @2.5% of MSP	43.38
	Total (A)	**2,013.55**
Distribution Cost		
10	Custody & Maintenance Charges @ 6.15 per bag based on 700 Category of CWC Godown rates as per the notification attached - for 6 month.	73.80
11	Interest Charges @ 11.01 % for 6 month on acquisition cost less administrative charges	36.64
12	Handling Charges (@7.29 per 50 KG bag)	29.16
13	Transportation Charges	30.00
14	Administrative Charges @1% of MSP	17.35
15	Transit Loss @ 0.50% on sum of Acquisition Cost - Cost related to gunny bags and administrative cost	9.38
	Total (B)	**196.33**
	Economic Cost (A+B)	**2,209.88**
	Storage Gain	**-17.35**
	Nett Economic Cost after adjustment of Storage Gain	**2,192.53**

Explanation of item for Incidentals of Proposed Cost Sheet - Wheat under RMS 2018-19

A. Acquisition Cost

1) **Minimum support price (MSP):** The minimum support prices (MSP) by the Government of India for RMS 2018-19 of Wheat has been decided ₹ 1735/- per quintal vide Letter No. 4(1)/2017-PY.1 dated 15/11/2017 of Department of Food & Public Distribution of Government of India.

2) **Operational Cost payable to Societies**: The State Government/Agency engages co-operative societies like Primary Agriculture Cooperative Society (PACS) and Vyapar Mandals to undertake entire or part of its procurement operations. As per Principles, GOI allows Commission for such cooperative societies at prescribed rate. Here, the Society Commission has been requested to be paid in extra of the previous year approvals, i.e. @ 3.00% of MSP i.e. ₹ 52.05 per quintal. Further, it is requested to please mention it under the head **"Operational Cost payable to Societies"** instead of the head "Commission to Societies" due to TDS issues.

3) **Transportation Charge**: The Transportation Charge has been calculated from PACS storage point to SFC Godowns godown based on the tentative average rates. The average rate has been calculated based on the 60% of per quintal rates for movement of CMR. The requested per quintal amount has thus been calculated @ ₹ 30.68 per quintal.

4) **Handling Charge:** Handling charge under the acquisition cost has been calculated as per @7.29 per 50 KG bag for one time lifting from PACS and one unlifting at SFC Godown. This is to note that this rate has been ordered to be paid under the directions of Hon'ble High Court of the Judicature of Patna.

5) **Custody & Maintenance Charges:** Storage Cost is provided in the Provisional cost sheet at acquisition stage as "Custody & Maintenance Charges". These costs depend upon the storage period, type of storage viz. the same has been calculated using applicable CWC rate @ 6.15 per bag based on 700 Category of CWC as per the recent notified rates as on 01/04/2018 for 1 month. The total cost for 1 month comes to ₹ 12.30/- per quintal.

6) **Interest Charge**: Interest at acquisition stage is provided on the element of MSP. It depends upon the funds involved, rate of interest and period of usage of such funds. Interest has been calculated @ 11.01% for 1 Months on MSP, Society Commission Charge & Transportation, Handling Charge is ₹ 16.95 per quintal (1846.89 X 11.01% X 1/12).

7) **Cost of Gunny Bags:** The estimated cost of new gunnies included in the provisional cost sheet is based on the current Cost of new gunny bags which is ₹ 42.11 per bag as per Jute Commissioners Website. The claimable amount of new gunny bags has been calculated with an expected maximum 10% increase in cost which comes to ₹ 92.64 per quintal of Wheat (₹ 46.32 per bag X 2 Bags).

8) **Transportation cost of Gunny Bags**: Transportation cost of Gunny bags from Railway station to locations is ₹ 1.39 per quintal of Wheat as per the previous requests.

9) **Administration Charge**: The Administrative Cost is incurred to carry out the procurement operation which includes establishment and other costs necessary to complete the procurement successfully. Administrative Charge has been calculated @ 2.5% on MSP. The claimable amount of Administrative Charge is ₹ 43.38 per quintal.

B. Distribution Cost

10) **Custody & Maintenance Charges:** Storage Cost is provided in the Provisional cost sheet at acquisition stage as "Custody & Maintenance Charges". These costs depend upon the storage period, type of storage viz. the same has been calculated using applicable CWC rate @ 6.15 per bag based on 700 Category of CWC as per the recent notified rates as on 01/04/2018 for 6 month. The total cost for 6 month comes to ₹ 73.80/- per quintal.

11) **Interest Charge**: Interest cost is provided on the acquisition cost less interest charge incurred at acquisition stage. Interest has been calculated @ 11.01% for 6 Months on distribution cost (as reduced by interest cost included in acquisition cost part of wheat procurement) is ₹ 36.64 [(2013.55-16.95) X 6/12] per quintal of Wheat.

12) **Transportation Charge**: The Transportation Charge has been calculated from SFC Godowns based on the average rail rack rates. The average rate has been calculated based on the ₹ 15,00,000/- rail rack charges for 2500 MT for 50% of the grains. The requested per quintal amount has thus been calculated @ ₹ 30.00 per quintal.

13) **Handling Charge:** Handling charge under the distribution cost has been calculated as per @7.29 per 50 KG bag for one time lifting from SFC Godown. Additionally assuming 50% movement of the grains by Rail Racks, 50% cost of one handling for lifting and unlifting each has been included under this heading. This is to note that the per bag rate taken for calculation purposes, has been ordered to be paid under the directions of Hon'ble High Court of the Judicature of Patna.

14) **Administrative Cost**: The administrative cost is incurred to carry out the procurement operation which includes establishment and other costs necessary to complete the procurement successfully. Administrative cost has been charged @1% on Minimum Support Price (MSP) for the quantity retained by the State Government for distribution under PDS. The claimable amount of Administrative charge is ₹17.35 (17.35 x 1%) per quintal of Wheat.

15) **Transit & Storage Loss:** Transit & storage loss estimated to have incurred a loss @ 0.50% of acquisition cost excluding the cost of gunny bags (0.50% of ₹ 1876.14) per quintal of Wheat.

16) **Storage Gain**: Storage Gain has been calculated as per the Standard norms of Government of India @ 1% of MSP which comes to ₹ 17.35 per quintal.

C. Special Note

17) **Statutory Charge – GST:** The food grain is exempt under the GST act and hence no charge on account of Goods & Service Tax has been levied on the food grain.