



No.192(3)/2014-FC.A/Cs. / 1739
Government of India
Ministry of Consumer Affairs, Food and Public Distribution
Department of Food and Public Distribution

Krishi Bhavan, New Delhi
Dated the December 18, 2015

1. The Principal Secretary/ Secretary,
Department of Food and Civil Supplies,
Government of Andhra Pradesh, Bihar, Chhattisgarh, Gujarat,
Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh,
Maharashtra, Odisha, Punjab, Rajasthan, Telangana, Tamil Nadu,
Uttarakhand, Uttar Pradesh and West Bengal.
2. The Chairman and Managing Director, FCI, New Delhi.

Subject: Partial amendment in Principles regarding payment of gunny depreciation being allowed for use of new and once used gunny bags.

Madam/Sir,

I am directed to say that in the existing 'Principles' issued vide this Department's letter of even number dated 16.07.2003, 03.11.2014 and amended from time to time, there is a provision for payment of gunny depreciation in provisional cost sheets for central pool and DCP operation.

2. As per existing Principles, in the provisional cost sheet, cost of 2 new gunnies (50 kg capacity each), as calculated by FCI for the respective States on the basis of rates made available by Office of Jute Commissioner are allowed. Further, for remaining 2 once used gunnies (50 kg capacity each), depreciation @ maximum of 40% of the rates allowed for new gunnies are allowed in the provisional cost sheet. However, at the time of fixation of final rates, gunny depreciation as per actuals are allowed subject to upper limit of 40%. However, depreciation on 2 bags is allowed, where minimum of 37.5 kg of paddy is filled-in in a 50 kg capacity bag. In case, where more paddy is filled in a 50 kg capacity bag, depreciation is allowed on actual number of bags used.

3. Since this Principle was in vogue for quite a long time, this Department keep receiving queries/RTI applications from various quarters questioning the basis of allowing gunny depreciation @ 40%. Accordingly, the matter was examined in the Department and it was decided to get a review conducted in the matter through a Committee of Executive Directors of FCI. Accordingly, a Committee consisting of Executive Director (Finance), Executive Director (Sales), Executive Director (QC) and Executive Director (Proc.) was constituted to review the norms and complete the study with clear recommendations. The Committee has since submitted its report. In its report, the Committee has recommended that keeping in view the resale value of a bag, usable life of bags and other factors, depreciation may be allowed @ 38% of the cost of new gunny bags against existing norm of 40%.

Imp. MD, APSCSCL
MD, may have
to re-do the
costing in the
software appln.
accordingly.
Pr. follow up
for mpa
5/1/16.

4. The report of the Committee has subsequently been examined in the Department and with the approval of Competent Authority, it has been decided to amend the existing Principles and allow gunny depreciation @ 38% from existing 40% subject to following conditions:

- (a) The provision in the provisional cost sheet allowing gunny depreciation @ 38% is subject to fixation of final rates on the basis of audited accounts to be submitted subsequently. However, in no case, depreciation will exceed 38% of the cost of new gunny bags of 50 kg capacity.
- (b) The amendment will be effective from KMS 2015-16 itself and accordingly all provisional cost sheets of KMS 2015-16 allowing gunny depreciation @ 40% stand amended, even if already issued.
- (c) State Govt./Designated Agencies/FCI will have to re-calculate the admissible amount and make necessary recovery, if any.

5. This amendment will be applicable from KMS 2015-16 onwards.

6. The "Principles" conveyed earlier vide this Department's D.O. letter No.192(4)/2003-FC.A/Cs. dated 16th July, 2003 and modified vide letters No.192(4)/2003-FC.A/Cs. dated 3rd November, 2004 stand further amended in so far as allowing rate of gunny depreciation in the provisional cost sheet is concerned. All other terms and conditions of the "Principles" shall remain the same.

This issues with the approval of the competent authority.

Yours faithfully,



(M.K. Gupta)

Director

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Copy to:

- 1. Sr.PPS to Secy.(F&PD)/PS to AS&FA/PPS to JS(P&FCI)
- 2. Principal Advisor(Cost)/ Advisor (Cost)/ Director (Policy)/ Director(FC A/cs)/ DS (Finance)/US (Policy-I)/US (Policy-III).
- 3. Policy-I Section/Policy-III Section/Guard File.