F.No. PS-01003/5/2017-PMC
Government of India
Ministry of Consumer Affairs, Food & Public Distribution
Department Consumer Affairs
(Price Monitoring Cell)

Krishi Bhavan, New Delhi.-110001
Dated: 25th April 2018

OFFICE MEMORANDUM

Subject: Policy for Disposal of Pulses from Buffer created under the Price Stabilisation Fund (PSF) -reg.

Government has approved creation of buffer of upto 20 lakh MT of pulses for appropriate intervention to help moderate the price. In pursuance to this decision, Government procured under PSF while simultaneously undertaking disposal based on market and other considerations. Based on the decision, Government has taken from time to time, and taking into account the learning from ongoing disposal efforts, the D/o consumer Affairs, in consultation with D/o Expenditure, has finalised the 'Policy for Disposal of Pulses from Buffer' with the approval of the Minister of Consumer Affairs, Food and Public Distribution.

2. The undersigned is directed to enclose herewith the approved Policy for Disposal of Pulses from Buffer for your kind information.

Encl: as above

(Priya Sarraf)
Assistant Director
Tele: 23386127/ 2332

To,

The Secretary

Government of India
Ministry of Consumer Affairs, Food & Public Distribution
Department of Consumer Affairs

POLICY FOR DISPOSAL OF PULSES FROM BUFFER

The overarching framework for disposal has already been delineated in the notes for the Cabinet Committee on Economic Affairs (CCEA) approved on 09.12.2015 and 12.09.2016. The Price Stabilization Fund Management Committee (PSFMC) has been disposing the buffer based on this broad overarching framework for disposal.

Principles of disposal already approved by the CCEA

1. The allocation/release of the pulses to States/UTs from the buffer stock may be decided by the PSFMC based on a rational criteria taking into account the details such as demand from States, availability of specific pulse in the buffer stock, population, prices rise etc. Pulses would also be allocated/ released to Central Agencies, Government outfits and its organs/agencies based on need/exigencies. The remaining quantity for which no request is received from the States would be released through strategic open market sale based on considerations such as prices, availability, storability and appropriate stock management and with the approval of PSFMC. For managing the buffer, PSFMC may engage professional pulses buffer management entity the cost/charges of which would be borne from the Fund. **(Para 4.3 of CCEA Note approved on 12.09.2016)**

2. The allocation/release of the pulses from the buffer stock to States/ UTs, Governments and its organs and Central Agencies may be decided by the PSFMC as indicated at para 4.3. The remaining quantity would be released through strategic open market sale based on considerations such as prices, availability, storability and appropriate stock management and with the approval of PSFMC. For managing the buffer, PSFMC may also engage professional pulses buffer management entity the cost/charges of which would be borne from the Fund. **(Para 8.4 of CCEA Note approved on 12.09.2016)**

3. Any losses incurred by the agencies in these operations may be met through budgetary provisions of PSF. **(Para 8.5 of CCEA Note approved on 12.09.2016)**

4. In the subsequent years, part of the revenue requirement for procurement would be covered by the sale proceeds of the pulses released from the buffer stock. However, such release/sale from the buffer stock may vary year to year depending upon the price and demand situation of pulses as well as stock management considerations. The requirement of funds in the subsequent years would,

therefore, be decided by PSFMC with the approval of Committee of Secretaries headed by Cabinet Secretary and projected in the Annual Budget of the Department. **(Para 8.6 of CCEA Note approved on 12.09.2016)**

5. Any subsidy to State Governments/Consumers on disposal of these pulses may be decided by Minster of Consumer Affairs, Food & Public Distribution on the recommendation of COS. This may be provided from funds available under PSF. **(Para 8.7 of CCEA Note approved on 12.09.2016)**

6. Approval and Write-off of losses in buffer operations.

6.1 The CCEA has approved that any losses incurred by the agencies in buffer operations may be met through budgetary provisions of PSF. Department of Expenditure has conveyed that the write-off of losses would be as per Rule 223 of GFR read with Schedule VII of Delegation of Financial Powers Rules. **(DoE note dated 29/12/17 is Annexed)**

7. Release to Central Agencies, Government outfits and its organs

7.1 The CCEA in its meeting held on 10.11.2017 has approved utilization of pulses from the buffer stock through Central Government Schemes having a nutrition component and for the services of catering, hotels etc. This essentially entails that Ministries/Department offering nutrition/protein component under their respective schemes, may meet their requirement of protein by taking pulses from buffer and offering it in 'kind'. It also lays down the pricing mechanism for such disposal which is as under

i. Pulses from the buffer may be offered by DOCA through its designated agencies at prices as may be determined as follows:

   a. For Central Sector Schemes (CS), the Committee of Secretaries (CoS), chaired by Cabinet Secretary may recommend the offer rate based on the proposal moved by DoCA taking cognizance of the cost of pulses in buffer as finalised by DoE.

   b. For Centrally Sponsored Schemes (CSS), the prices of pulses from buffer may be guided by the market rates when the market rates are lower than cost of pulses from the buffer. The appropriate criteria for arriving at the market rate may be recommended by PSFMC and implemented with the approval of CoS.

c. In a high market price scenario, the rates may be recommended by CoS based on considerations such as cost recovery, exigencies, stock position, price intervention needed etc.

d. The subsidy requirement, if any, emanating from such supply, either under CS or CSS would be met from Price Stabilization Fund and as per the procedure approved by CCEA in its meeting of 12 Sep, 2016.

e. These prices may be reviewed at a predetermined periodicity.

ii. The logistics/transport cost of supply of pulses would be borne as per the existing provisions wherever applicable. The specific details of cost sharing for logistics/transport, if required, would be finalized by the concerned Department in consultation with DoCA and with the approval of CoS.

iii. The Payment for the supply of pulses from the buffer may be made by the concerned Central Ministry / Department operating the scheme against the bills submitted by the designated agency.

iv. Ministries/Departments and their agencies, which provide food/catering/ hospitality services, should make serious efforts including enabling provisions in their commercial arrangements(tenders/contracts) to ensure that requirements of pulses for their operations are met through Central buffer of pulses built through PSF.

Release to States

7.2 Disposal/release to States/UTs would be guided by the following principles:

i. In the years when prices of pulses are low, States may be offered pulses from buffer at market price/dynamic reserve prices. During the years of high prices States may be offered pulses based on the cost as suggested by Chief Adviser Cost in DoE and arrived at with the recommendation of CoS.

ii. Subsidized pulses from the buffer may be provided to States as per the procedure approved by CCEA vide para 8.7 of its meeting of 12th September 2016.

8. Open Market Sale

8.1 As per the CCEA decision, pulses are also being released through strategic Open Market Sale (OMS) based on the decisions of PSFMC/CoS. PSFMC has constituted two Coordination Committees for Disposal, separately for domestically procured and imported pulses.

8.2 PSFMC recommended that the strategic OMS for pulses should be undertaken through auction as per the First-In-First-Out (FIFO) principle. Also, the following criteria for setting the Dynamic Reserve Price (DRP) for market auction was recommended for approval of CoS:

i. Average of the last seven days modal price of the specific pulses in the mandis situated within 100 km of the godowns where the stock being auctioned is kept.

ii. The average landed price (C&F) of the import of specific pulses during preceding seven days for stock kept in warehouses/godowns near ports.

iii. Reports/Sources providing details on prices like Agmarknet, NCDEX, Agriwatch Market Intelligence Report, Level A Commodities Report, etc. may be used for validation.

- The reserve price may be up to 10% lower than the indicative rate emanating from above criteria. The basis for the reserve price should be documented.
- Further 5% discount to states

8.3 Committee of Secretaries recommended the above criteria for consideration of Department of Expenditure (DOE). DOE gave its concurrence to the criteria for fixing dynamic reserve price for disposal of pulses nearing their shelf-life as a one-time measure for disposal. However, in case of the subsequent proposal moved by DoCA for disposal of additional 3.88 lakh MT of pulses nearing shelf-life, DOE agreed to disposal at the dynamic reserve price without any discount.

8.4 While considering the quantum of pulses that may be considered for market disposal, reconstituted PSFMC, in its 17th meeting held on 10th March 2017, had laid down the necessary criteria for identifying pulses that may be disposed of in the market on the basis of dynamic reserve price. The criteria for identifying the pulses as approved by the PSFMC are as under:

i. Domestically procured pulses viz. Tur, Urad, Masur and Chana stocks which are 9 months and older
ii. Moong stocks which are 5 months and older
iii. Imported pulses which are 6 months and older from the date of landing.

The above age criteria may be utilized for identifying pulses for future market disposal also. PSFMC may, however, decide to hold pulses that are in good condition even beyond this period, based on the availability position, demand and price situation.

8.5 In view of the foregoing, the market operation would be undertaken for pulses identified as per the criteria proposed at para 8.4 above. PSFMC may change such criteria based on additional scientific input/experience, as and when required. The Reserve price for such disposal will be guided by the criteria as laid down at para 8.2. (i) to (iii) above. However, these criteria would be subject to following conditions:

i. Discount, if any, on such reserve prices would be available only on recommendation of CoS. Such decisions of offering discount on the reserve price would be guided by successive bids failing to attract reserve price, age of the stock, condition of the stock etc.
ii. Small quantities of up to 100 MT of residual pulses left in stock a warehouse/godowns may be allowed by PSFMC for disposal in spot auctions at Dynamic Reserve Prices.
iii. Efforts would be made to improve participation and make the bidding process inclusive.
iv. In specific cases of non-availability of relevant data for determining DRP, based on recommendation of the Coordination Committee on disposal, PSFMC may allow taking prices in Mandis beyond the 100 Km radius for fixing DRP for disposal in such cases.
v. Disposal from current/fresh stock to be on the cost recovery basis. Subsidy, if any, on this would approved by Minister (CA,F & PD) on recommendation of CoS. DoCA may take up such proposal for subsidy to CoS on recommendation of PSFMC.
vi. The old stocks of pulses may be disposed at appropriate time in such a way as not to depress the prices realized by farmers.
vii. Any revision in the criteria for fixing the reserve price of the pulse for market disposal may be with recommendation of COS.

9. Monitoring Disposal of Pulses

9.1 Monitoring of disposal will be undertaken by PSFMC and DoCA on regular basis. The daily/regular disposal of the buffer may be undertaken by the two coordination committees on disposal set up by PSFMC.

10. Determination of Cost of Pulses

10.1 The cost of pulses in the buffer would be finalised by the Costing Cell of DoCA in consultation with Chief Adviser Cost in the Department of Expenditure. The procuring agencies will maintain transaction details as per the relevant accounting principles and keep the documentary records for the same. The agencies would keep the record updated at all times.

10.2 Maintenance of the records of expenses incurred on procurement or disposal by the designated agencies would be as per prescribed template. All the agencies shall maintain and provide the details of the account on monthly, quarterly, half yearly and annual basis. Agencies would present the record, complete in all respect, as and when sought.

10.3 All the operative provisions of General Financial Rules, as amended from time to time including instructions of the Government for maintenance of buffer of pulses would apply mutatis mutandis.

11. Physical and Financial Audit under PSF

11.1 In accordance with PSF Guidelines, implementing agency will be required to maintain subsidiary accounts of the interest free advance / loan and audited statement of accounts, along with profit & loss statement, income & expenditure statement, and detailed physical & financial progress report and provide to Fund Manager/DoCA a final statement of settlement of the accounts.

12. Review of Policy

12.1 Since the market of pulses is highly sensitive and volatile, the aforementioned policy and related mechanism may need changes from time to time so as to meet the challenges and minimize any avoidable loss.

12.2 Changes in the different aspects of the disposal mechanism, if any, will be based on recommendations of the PSFMC. PSFMC may recommend placing such changes for consideration of the Competent Authority.

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Annexure

Ministry of Finance
Department of Expenditure
PFC-I Division
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Subject: Enhancing the buffer stock of pulses to up to 20 lakh tones – reg.

The undersigned is directed to refer to notes on pg 47-51/N of Ministry of Consumer Affairs, Food & Public Distribution file No. PS-01003/2/2017-PMC dated 21-12-2017 seeking decision of Ministry of Finance in respect to the writing off of losses.

2. Power to write off losses is provided in Rule 223 of GFR along with Schedule VII of Delegation of Financial Power Rules. Department of Consumer Affairs has estimated a loss of Rs. 439.17 crore for selling pulses in open market at reserve price. This is just estimation and actual quantum of losses will be known only after sale of the stock is materlised. Govt. of India's decision under Note on Schedule VII of DFPR provides that loss due to one specific cause should be written off at one time only. In the present case, the quantum of losses will only be final when sale of pulses takes place.

3. Therefore, the issue of writing off of losses will only arise once PSFMC liquidates the stock in question as authorized by CCEA. Deptt. of Consumer Affairs is therefore advised to complete the liquidation of pulses by PSFMC and move specific proposal for writing off of losses under Schedule VII of DFPR only after ascertaining the final quantum of losses once the sale process is completed.

4. This issues with the approval of **Secretary (Expenditure).**

Swati 29/12/2017

(Swati Singla)
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Tel: 23095672

Ministry of Consumer Affairs, Food & Public Distribution
Department of Consumer Affairs
(Shri Nikhilesh Jha, SS & FA)
Krishi Bhawan, New Delhi

MoF, D/o Expenditure ID Note No. 38(02)/PF.II/2008 (Pt.) dated 29th Dec,2017