

ALL ORISSA RICE MILLERS ASSOCIATION

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President: Sri Santosh Panda (M-094370-32004) Secretary : Sri Santosh Kr.Agrawal (M-094330 11631)

Submissions for discussions during meeting on 17th Jan, 05 **In Committee Room No.41 at Krishi Bhawan, New Delhi.**

Sub: Normative milling charges for Raw & Parboiled rice.

The Milling charges fixed for custom milled paddy as well as for supply of rice under levy scheme to Food Corporation of India are highly non-remunerative. While the current milling rate for custom milled paddy is Rs.15/- for Raw & Rs.20/- for Boiled rice, the rates considered under levy rice costing is not known to us since no cost break-up is available for our reference. The milling rate of Rs.15/- per quintal is continuing since last four decades (fixed in the year 1966) while the cost of electricity, oil & fuels, labour charges, plant & machinery and consumables etc. have increased by almost 4 to 5 times.

The price for levy rice fixed during last several years is gradually becoming uneconomical. We give below a chart showing Levy Rice Price & other charges paid to us during 2002-03 KMS and the price & other charges that would have been declared for the current 2004-05 KMS by the same standards: -

	Table-A (2002-03 KMS)	Table-B (2004-05 KMS)
MSP of Common Paddy	550.00*	560.00
Cost of Rice	924.70*	940.70
Cost of 2pc.gunnies(March,03)	33.70	37.00
Minimum TC on Rice(upto 8 KM)	5.55	5.55
Bag machine stitching charges(2bags)	2.50	2.50
Differential tax on rice(approx.)	5.75	5.80
Sales Tax on Gunny bags	1.35	1.48
Total per qtl. Rs.	973.55	993.03

(* rate including drought relief)

Table-A represents the effective rate of rice paid by FCI during 2002-03 KMS and Table-B reflects the would be rate for the 2004-05 KMS based on the same standards and parameters. **As against the above would be rate of Rs.993/03, Government has declared a consolidated rate of only Rs.952/10.** While the cost of inputs and other expenses like electricity, diesel, labour, machinery parts etc. have increased substantially during all these years, it is surprising as to how there can be any cuts in the rates of levy rice.

From the above chart at Table-A & Table-B, it appears **that now FCI do not want to reimburse the cost of transportation, machine stitching, tax on rice & gunny bags but as per the procurement guidelines, miller will have to carry out the services of transportation, machine stitching and payment of sales tax on rice and gunny to the State Government.** This is something unbelievable and undemocratic. Rates should be revised and payments may kindly be made from 2003-04 KMS with retrospective effect.

Market rates of new gunny vary from month to month and Food Corporation of India declared different rates every month in earlier years. If the gunny rates differs from month to month, then how a fixed rate of rice (which includes cost of gunny also) is declared for whole of 2004-05 KMS.

We very much appreciate Government's concern for payment of Minimum Support Price (MSP) to the farmers. But in order to ensure this, a reasonable and remunerative price has to be fixed for the resultant rice. In the absence of remunerative price, rice mill industry is not growing and more & more rice mills are getting defunct. Modernization and development has come to stand still. In the long run, this will further aggravate the existing problem of distress sale. **If Government is really serious about payment of MSP to farmers, it should take immediate corrective measures to declare a reasonable and remunerative price of rice. Or else, it should get rid of this MSP and Levy Rice concept and let the demand supply and prevailing market forces decide the rates of both paddy and rice.**

Difference rates of Raw & Boiled Rice: The processing and operations required in production of Raw rice are much less in comparison to Boiled rice. Additional land space and infrastructure is required for steaming, soaking, re-steaming and drying for boiled rice before the paddy is milled. And for this reason, price of Raw rice was lower than Boiled rice in earlier years. **The rate of Common Raw rice was Rs.3/20 less than Boiled rice during the 1998-99 KMS. But at present, it is higher by Rs.13/60 per quintal** (2004-05 KMS rates for Common Raw & Boiled Rice are Rs.965/70 & Rs.952/10 per qtl respectively). Mostly boiled rice is produced and consumed in the State of Orissa and the rice milling industry is suffering a lot on this count too.

Out turn ratio (OTR): Out turn ratio of rice varies from place to place depending upon quality and type of seeds, climatic conditions, geographical area etc. As such, uniform OTR can not be specified for all the States as well as for all the districts of a State. In Orissa, the average OTR of FAQ standard rice varies between 62 to 63% in the Coastal belt of Balasore, Bhadrak, Puri, Ganjam etc. while it is 64 to 65% in the Hirakud Command area. Therefore, area wise test milling may be conducted to determine the correct OTR for different areas for inclusion in the overall costing of rice. Moreover, FAQ standard paddy is hardly available in the State of Orissa. This has already been established by the Officials

of Food Corporation of India, New Delhi who were on a visit to Orissa in the 2002-03 KMS.

Disparity between rates paid to millers and to Govt.Agencies: We would like to mention here that the effective price of Custom Milled Rice (CMR) as approved by Government of India is Rs.1039/91 that is Rs.84/81 paise per quintal higher than the rate fixed for levy rice. Costing sheet of approved rate of CMR is enclosed herewith for ready reference. After going through the break-up given in the said approved costing sheet, you may kindly appreciate that no extra operation has been included therein which the rice millers do not have to incur while producing and delivering Levy Rice. Therefore, there is no justification for the difference of Rs.84/81 per quintal between the rate of CMR and Levy Rice. Various operations are involved right from purchase of paddy from farmers till delivery of rice to FCI. There is lot of discrepancy in the costing of levy rice regarding payment of Transport Charges on both paddy and rice, actual cost of new gunnies, Stenciling and machine stitching of gunny bags, payment of differential Sales Tax etc. We are quite in dark as to what rates these innumerable operations are considered by FCI while fixing the levy rice price. **Therefore, FCI may kindly be requested to furnish the cost Break-up of levy rice and for revision of Levy rice price at par with that of the Custom Milled Rice with retrospective effect from 2003-04 KMS in addition to current 2004-05 KMS.**

The requirement of rice under various social welfare schemes like P.D.S, Food for Work, Mid-day meal etc., is much more than the target fixed for procurement of rice in Orissa during the current khariff Marketing Season. As a result, the **Central Government will have to transport a substantial stock of rice from other States involving an additional cost of about Rs.100/- per quintal.** In view of this, acceptance of more levy rice from rice millers may kindly be encouraged by paying reasonable and remunerative rates to the Rice Milling Industry.

We hope, the committee will take up the matter seriously. We will continue to offer our full co-operation and are ready to sit together for dialogues and interaction whenever required.

Yours faithfully,

Encl: C.M.R. Costing Sheet.

Sd/-.

Santosh Kumar Agrawal,
(Secretary)

- c.c. to i) The Hon'ble Minister, F.S.& C.W.Dept.,Govt.of Orissa.
ii) The Commissioner, F.S.& C.W.Dept.,Govt.of Orissa.