

SCHEME FOR CONSTRUCTION OF GODOWNS FOR DCP STATES - STORAGE REQUIREMENTS THROUGH PRIVATE ENTERPRENEURS - 2009

BACKGROUND

In RMS 2008-09 & 2009-10 and KMS 2007-08 & 2008-09, procurement of wheat and rice has been substantially higher than in previous year. Procurement in DCP States has also seen an increasing trend in the last few years. Due to shortage of storage capacity with FCI and State Agencies, large quantity of wheat has been stored in CAP which is not considered desirable in the long run. In order to provide food security to the nation, it is considered necessary that sufficient stock of wheat and rice is available in all States. A scheme for FCI for construction of godowns through private entrepreneurs was issued on 28.7.2008. On the request of State Governments a similar scheme has been formulated for DCP States.

2. Identification of the location for hiring of godowns:

2.1 State Government or any agency designated by it will analyse the storage needs of the region based on overall procurement/consumption (under TPDS and OWS), availability of existing godowns of FCI/CWC/SWC/State Agencies.

2.2 The assessment of additional storage capacity required in various States would then be placed before the State Level Committee.

3. Parameters for identification of locations

3.1 Location of godowns under the Scheme will be decided by following parameters:

- i. Past utilization of the godown in the area;
- ii. Lead distance between (a) procurement centre and the proposed godown and (b) the distance between the proposed godown and the loading point/rail head. All godowns shall be on National/State Highways.
- iii. Expected utilization of godown at procurement levels of last three years.

3.2 The creation of additional godown capacity should not involve creation of any additional post including labour. If additional posts are created, the cost will not be borne by the Government of India.

4. Competent Committees/Agencies and their Role:

State Level Committee:

4.1 Constitution:

The State Level Committee would consist of the following:-

- (1) Secretary(Food) of the State - Chairman
- (2) ED(Zone), FCI
- (3) GM(Region) FCI
- (4) Director(Food) of the State
- (5) MD, SWC
- (6) Regional Manager of Central Warehousing Corporation(CWC)
- (7) Nominee of General Manager of the Railways under whose jurisdiction the concerned location is situated
- (8) MD of any other State Agency nominated by State Government
- (9) Nominee of the Department of Finance of the State Government

4.1.1 This Committee will examine storage needs on the basis of the criteria given below:-

- (a) In a DCP State, the quantity equivalent to 14 months allocation under TPDS and other welfare schemes will be retained by the State Government and the balance quantity will be taken over by FCI.

4.1.2 The requirement of storage capacity will be calculated in the following manner:-

- (a) For each month in the year, the sum of average stock of wheat and rice in a month in the last three years will be calculated. For example, for calculating of average stock in July, the average stock of wheat and rice in July, 2007, 2008 and 2009 will be calculated. This exercise will be done for all 12 months of the year for both wheat and rice.
- (b) The highest of the sum of average stock of wheat and rice will be considered as the storage capacity required if it is less than 14 months' requirement under TPDS and other welfare schemes. If this is in excess of the States 14 months' requirement under TPDS & other welfare schemes, such excess stocks will be taken over by FCI and suitable storage capacity will be created by FCI for management of these stocks. If sum of average stock is less than requirement of 4 months TPDS and other welfare schemes, then the requirement of 4 months would be considered. Hence the storage capacity required would be in the range greater or equal to the 4 months TPDS and OWS requirement of the State and less than or equal to the 14 months' requirement of TPDS and OWS requirement as the case may be.

4.1.3(a) At the micro level, the requirement of storage capacity will be assessed in the following manner: (i) In plain areas, the existing storage capacity within 100 kms. available with FCI/CWC/SWC and other State Agencies will be taken into account. (ii) In hilly areas, the existing storage capacity within 50 kms. available with FCI/CWC/SWC, other State Agencies will be taken into account.

(b) For consuming areas, the shortfall in storage capacity would be assessed after taking into account the storage capacity required for holding four months' stocks for meeting the requirement of TPDS and other Welfare Schemes.

(c) In procuring areas, the storage capacity required for holding one year's requirement for TPDS and other Welfare Schemes will be calculated so that there is no back movement. For the calculation of this capacity, at the starting of the procurement season, it should be assumed that two months' requirement of TPDS and other Welfare Schemes are available in the stocks. Then a monthly inflow and outflow statement should be made based on last three years average data of inflow and outflow to be calculated on the current year's allocation. Based on this, the maximum stock level should be calculated. Considering this, and if the procurement is more than the requirement of the yearly consumption in TPDS and other Welfare Schemes, the excess quantity will be moved out of the procuring areas.

(d) After taking into account the capacities required in consuming areas and the capacities required in procuring areas for meeting TPDS and other Welfare Schemes for one year, the net shortfall vis-à-vis the total storage capacities required in the State as calculated in para 4.1.2 above would be worked out. The capacity available with FCI/CWC and SWC/State Agency as well as the capacity likely to be constructed/hired by FCI/CWC/State Agency under the various other schemes would be taken into account for calculating the storage gap. For calculation purposes, the capacity utilization of the existing godowns would be taken as 80%.

(e) The net shortfall would then be distributed in procuring areas or consuming areas as per choice of the State with the approval of SLC/HLC, keeping in view the available infrastructure for moving stocks.

(f) No new godown constructed under this Scheme would be less than 5,000 tonnes in plain areas and less than 1670 tonnes in hilly areas.

4.2 The State Level Committee will send its recommendations along with justification of the capacity and location to be constructed to the High Level Committee on Storage already constituted by the Government.

4.3 CONSTITUTION OF HLC:

The HLC will consist of the following:-

- (a) Government of India & FCI
 - (1) CMD(FCI) - Chairman
 - (2) AS&FA, Ministry of Consumer Affairs, Food & Public Distribution
 - (3) MD, CWC
 - (4) JS(P&FCI)
 - (5) JS(Storage)
 - (6) Economic Adviser, Department of Consumer Affairs
 - (7) Executive Director of Railway Board

- (8) Executive Directors (Storage/Traffic /Procurement/ Sales/Finance), FCI Headquarters
- (b) State Government representatives:
- (9) Secretary(Food) of State Government concerned
- (10) Finance Secretary of the concerned State.
- (11) Director(Food) of State Government of concerned State.
- (12) MD of the State Warehousing Corporation (or any other State Government Agency involved in the scheme)

The HLC will decide the storage capacity to be created in each State. The decision of the HLC will be forwarded to the Government of India for information.

5. Identification of Implementing Agencies:

After the locations and storage capacity to be created is finalized by the High Level Committee of the FCI, the State Government will decide the partner agency out of SWC/any other State Government Agency (engaged in the business of procurement and warehousing). SWC/ State Government Agency will get these godowns constructed through private investment by inviting tenders.

5.1 For States where SWC is not present, FCI will be the implementing agency and it may issue the tenders directly.

6. Defining roles and duties of Agencies involved

The following 3 entities are involved:

- i. FCI
- ii. SWC/State Govt. Agency (engaged in the business of procurement and warehousing)
- iii. Private Parties

6.1 Specification for construction of godowns will be finalized by FCI and communicated to State Government.

6.2 The responsibility of maintenance of stocks of the godowns would lie with the SWC/State Govt. Agency to whom the supervision charges will be payable. SWC/State Govt. Agency will have full responsibility for the losses in foodgrain stocks and **the storage loss** (in excess of limits prescribed during the relevant period) **shall be deducted from the total rentals payable to SWC/State Govt. Agency.**

The SWC/State Govt. Agency will be free to take other services like security, preservation of foodgrains stocks etc. from the private investor or to arrange it through their own staff. In both the cases SWC/State Govt. Agency will have full responsibility for the losses (in excess of limits prescribed for FCI during the relevant period) in the foodgrain stocks.

6.3 Role of Private Party:

The Private Party would be responsible for construction of godown as per FCI specifications. Where required the Private Party would provide services like security, preservation of foodgrain stocks etc. to the SWC/State Govt. Agency.

6.4 Agreement between parties

6.4.1 For defining role/duties, the relevant parties shall enter into agreement in the following manner:

a) An agreement shall be entered between the FCI and the concerned SWC/State Govt. Agency.

b) Another agreement shall be entered into between the concerned SWC/State Govt. Agency and the private investor. The FCI shall prescribe the format of such agreement. A copy of the agreement (duly entered) shall be forwarded by the partner agency (SWC)/State Government Agency as the case may be) to the FCI

6.4.2 The format of agreement, as above, will be made a part of the tender document itself. The agreement should interalia specify the agency that will be providing infrastructural facilities (like weigh bridge, computers, equipments etc.), manpower (like workers, godown keepers etc.), Information technology facilities and preservation facilities like fumigation etc.

Rates for hiring:

7. Fixing of ceiling rates for proposed godowns:

7.1 FCI will fix ceiling rates for proposed godowns on the basis of local conditions after due study and in consultation with the implementing agencies (decided vide Clause 5 above) before advertisements are given out. These rates will form only the upper ceiling of rates and will be either equal or less than the CWC indexed rate of Rs.4.78 per quintal per month for normal hiring under one year guarantee.

7.2 In case offers for rentals are higher than indexed rates as mentioned in Clause 7.1 above, a detailed analysis about:

(i) Desirability of creating storage space in such area may be reassessed;

(ii) Alternative storage space including storage arrangement being adopted till now may be analyzed;

(iii) Economics of clubbing of storage requirements with nearby storage facilities may be carried out.

7.3 On the basis of above analysis by FCI, the High Level Committee will be empowered to accept rates higher than the ceiling rates for CWC mentioned in Clause 7.1 above. Reasons for accepting higher rates may be recorded by HLC.

8. Salient features of the godowns:

The salient features of godowns under the Scheme will be as follows:

8.1 Godowns should enable scientific storage of foodgrain

8.2 All godowns of 25000 MTs or above capacity will be preferably Railway siding godowns and all other godowns should be preferably within 8 Kms. of a Railway goods shed with full rake Railway siding facility.

8.3 The entrepreneur will be allowed to develop additional storage capacity in the same premises for storage of other agricultural commodities including facilities for cold storage, food processing etc. to optimize asset utilization so long as it does not adversely affect storage and operations of SWC/State Govt. Agency. However, such additional facility will not be covered under guarantee scheme and the concerned entrepreneur will use the normal market channel for hiring out these additional storage facilities. However, before development of any such additional storage facility the entrepreneur will take permission from SWC/State Govt. Agency so as to ensure that such activity will not hamper SWC/State Govt. Agency operations and safety of it's stocks.

9. Godowns with flexi-storage capacity

9.1 The godowns to be henceforth hired should preferably be able to accommodate storage of different commodities thus ensuring better utilization.

9.2 The godowns would be suitably structured so as to ensure that storage of foodgrain and the movement of SWC/State Govt. Agency stock is not disturbed and also to ensure that the possibility of the deterioration of the stock is eliminated.

9.3 Restrictions should be imposed on the commodities which can be stored in separate compartments of the godown for which prior permission of the SWC/State Govt. Agency would be required. Fertilizers, Pesticides, Chemicals will not be stored in the same compartment

10. Payment Rates, Mode of Payment and Guarantee Period.

10.1 Payment Rates for Implementing Agencies:

SWCs/State Government Agencies will be paid on the basis of payments made by them to the private party [A] + expenses on foodgrain preservation, security etc.[B] (to be pre-determined by FCI and specified in the agreement) + supervision charges (upto maximum limit of 15% of [A]) subject to the ceiling of CWC indexed rate of Rs.4.78 per quintal per month for normal hiring under one year guarantee.

10.2 Mode of payment to DCP States:

State Government would submit their claims under the scheme on quarterly basis (on the line of subsidy claims) as per the terms and conditions indicated in para 10, 11 of scheme along with stock flow statement (indicating details of capacity, opening stock, receipts, disposal/offtake, closing stock - commodity-wise & ownership-wise) duly certified by authorized official of FCI. The claim would be processed in the DoF&PD and after adjusting for the storage/custody & maintenance charges for the quantity stored under DCP/CP, the quarterly payment would be made to the State Governments.

10.3 Guarantee Period

Under the Scheme, bids will be invited for a guarantee period of 7 years for creation of new storage facility only.

11. Hiring out of vacant space:

11.1 The State Government would make efforts to plan atleast 80% occupancy of the godowns at all times. The vacant space may be hired out to other parties with the consent of the FCI the rent received being adjusted against the guaranteed amount for the period so hired out and surpluses, if any, being shared in the ratio of 50:50 between FCI and the SWC/State Government Agency. If SWC/State Government Agency procure and store any stock for their own scheme through their own funds, the storage charges would be adjusted on the same rate on which the guaranteed payment is to be made.

11.2 It will be ensured by SWCs/State Government Agency while giving consent that only such commodities are allowed to be stored which do not affect SWC/State Government Agency stocks as also such storage does not adversely affect SWC/State Government Agency operations.

11.3 The surplus space shall be physically segregated before being hired out. It shall be ensured, by the concerned party, that in this exercise there is no risk whatsoever to the foodgrain stored in the godown.

12. Guidelines for issue of Tenders for hiring of new godowns:

After the High Level Committee of FCI has finalized a location and capacity of godown and FCI has conveyed it to the State Government which will decide the implementing agency, advertisements will be issued by the implementing agency at least in one National & two Regional newspapers having large circulation in the concerned State. Such advertisements should also be inserted in relevant website. The tenders would be on two bid system and would be as per the Government rules and CVC guidelines issued from time to time.

13. Two part bid system will be applied for the offers as laid down by the CVC.

13.1 In the first part (technical bid), in addition to the basic evidences to establish the financial strength and relevant experience of the party, proposal for the proposed land/site for construction of godown shall also be obtained from the party.

13.1.1 The criteria of evaluation of technical bids shall be identified and the weights, to be attached to them, shall be indicated in the tender document itself.

13.2 The second part(financial bid) will be opened only for those parties who are found to be technically qualified.

14. In the second part(financial bid) parties shall be asked to indicate the monthly rates of rent for guaranteed utilization on the terms and conditions prescribed for guaranteed hiring. All the parties who have been considered fit after evaluation of Ist part will be treated at par while evaluating the offers received in the second part(subject to normalizing in case of situation as per para 16) and will be finalized on the basis of minimum rates received (provided they have agreed to all the laid down conditions in the tender and have not added any conditions of their own).

15. Negotiations with the approved parties will be done only as per CVC guidelines taking into consideration the investment proposed to be made by the private party, distance of the proposed storage capacity from the railway siding with full rake facility availability of suitable infrastructure for transportation etc. For this purpose 10% ROI be considered for negotiations.

Normalizing of financial bids:

16. There is a possibility of godowns, located far from railway siding, offering less price, though additional transportation cost would be involved. In such cases the cost of hiring plus transportation involved may be analyzed. The financial bids ought to be normalized. Therefore, the rate quoted for godowns, having location more than 8 kms, would be normalised by:

a) The prevailing transportation charges as notified by the FCI or the State Government (where FCI rates don't exist) in the immediately preceding year; and

b) Appropriate average storage factor suitable to that area based on past data.

17. All details like other conditions, tender and agreement forms, earnest & security deposits, payment terms and conditions etc. will be finalized by the FCI keeping the conditions laid down in the scheme as above in mind and CVC guidelines.

Criteria for accepting technical bids:

18. For 25000MT or above capacity godowns, if after opening of 1st part of the tender, two or more acceptable proposals are received for railway siding godowns and all other parameters like road linkage, drainage, distance from Mandi etc. is found satisfactory, only such tenders will be treated as eligible for opening of the financial bid.

19. Similarly, for other godowns with lower capacity, if two or more acceptable proposals are received for godowns within 8 kms. of full rake railway siding and with all other parameters satisfactory, then only such tenders will be treated as eligible for opening of the financial bid.

20. In case if less than two tenders are received in the above two cases, the implementing agency with the consent of FCI, may agree for considering the Non Railway Siding/more than 8 kms. from existing railway siding (as the case may be) proposals, subject to normalizing as per CVC guidelines and accordingly may open the financial bids of those parties who have been found technically qualified after opening of the 1st part. However, it should be the endeavour of the implementing agency to ensure maximum participation thus generating competition.

21. It is reiterated that while technically evaluating a proposal, not only financial strength and past experience should be considered but the proposal of the site where godown is proposed to be constructed should be thoroughly examined and only proposals with appropriate site should be considered for the opening of the financial bids. The model tender form should be prepared with due diligence and the CVC/Government guidelines issued should be strictly adhered to at all stages.

22. Acceptance of the tenders will be done by the State Level Committee.

Post tender obligations:

23. After the selection process is over & the tenders are finally accepted by State Level Committee, an agreement may be signed between FCI & the implementing agency & a separate agreement may be signed between the implementing agency & the private entrepreneur.

24. The FCI will have right to reject any offer without giving any reason at any stage before the agreement is signed.

25. The party finalized after the tender process will get 15 days to sign the agreement and further maximum one year in case of non Railway siding godown and two years for Railway siding godowns for completion of the project.

26. The delay in construction of maximum upto one year may be allowed with a clause of similar reduction in the guarantee period. In case of delay beyond one year the agreement will stand cancelled.

27. In case of delay in construction of godowns upto one year, SWC/State Govt. Agency will have freedom to choose a date of taking over the godown within 6 months of the completion of the godown and the guarantee period will start from the date of taking over the godown.

28. Criteria for selection of location of godowns under Seven Year Guarantee Scheme 2009

1. The criteria for selection of creation of space will be as follows:
 - 1.1 **No godowns for less than 5000 MTs in plain areas and less than 1670 MTs in hilly areas** will be constructed.
 - 1.2 All godowns should be on National/State Highways.
 - 1.3 All godowns of 5000 MTs and above capacity should be preferably within 8 Kms. of full rake capacity Railway goods shed except if they are in a revenue district where there are no full rake capacity railways goods shed or for some other reason such construction is not possible.
 - 1.4 **All 25000 MTs and above** capacity godowns should be preferably Railway siding godowns except if they are in a revenue district where there are no railway line or for some other reason such construction is not possible. Moreover, as far as possible the site should be parallel to the existing Railway track for the Railway siding godown and the land required for laying the Railway line should be in possession of the private party.
 - 1.5 If in a radius of 100 kms. in plain areas and 50 kms. in hilly areas of the proposed godown, sufficient capacity are available or likely to be available in existing FCI, CWC, SWC or private godowns already hired/to be hired by FCI and likely to remain available in future, than preferably these capacities will be utilized rather than creating the new capacity. If for some reason inspite of sufficient capacity being available in these godowns the need of additional capacity creation is felt, the reasons should be enumerated in detail by the State Level Committee for the consideration of High Level Committee.
 - 1.6 If the requirement of four months of PDS and other schemes etc. of any proposed location(proposed to be covered) is less than 1670 MTs in hilly areas and less than 5000 MTs in other areas **no godown space** shall be hired.
 - 1.7 The godowns should be as near to procurement centres as possible, preferably within 8 Kms. of the procuring mandi.
 - 1.8 The above principles should be taken as a broad guidelines. In cases where for some reasons, inspite of above conditions not being fulfilled, the creation of storage needs is considered necessary by the State Level Committee, it may recommend the case with full justification to High Level Committee of FCI which will be competent to take final decision.

