

From

Director, Food Civil Supplies and
Consumer Affairs, Punjab.

To

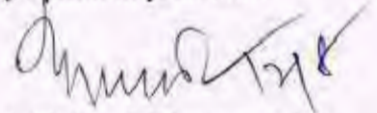
General Manager, Food Corporation of India Punjab Region, Chandigarh
Managing Director, PAFC Chandigarh
Managing Director, PUNGRAIN Chandigarh
Managing Director, PSWC Chandigarh
Managing Director, MARKFED Chandigarh.
Managing Director, PUNSUP Chandigarh.

Memo No: RP1/(Policy 2016-17)-2016/1364
Dated, Chandigarh 12-08-2016

Subject: Custom Milling Policy & Draft Agreement for Kharif Marketing Season 2016-17.

Please refer to the subject cited above.

2. A copy of Custom Milling Policy and draft agreement of Kharif Marketing Season 2016-17 each is sent herewith for information and necessary action at your end.



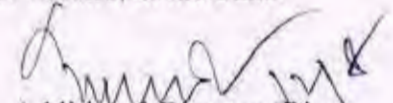
Additional Director (Rice)

Endst. No. RP-1(Policy 2016-17)-2016/1365

Dated, Chandigarh 12-08-2016

A copy of the above along with the copies of Custom Milling Policy and draft agreement for Kharif Marketing Season 2016-17 is forwarded to the following for information and necessary action.

1. All Deputy Directors (Field), Food, Civil Supplies and Consumer Affairs, in the State.
2. All District Controllers, Food, Civil Supplies and Consumer Affairs, in the State.



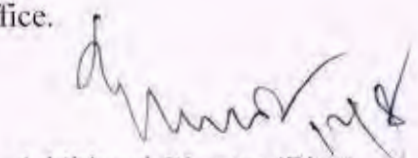
Additional Director (Rice)

Endst. No. RP-1(Policy 2016-17)-2016/1366

Dated, Chandigarh 12-08-2016

A copy of the above along with the copies of Custom Milling Policy and draft agreement for Kharif Marketing Season 2016-17 is forwarded to the following for information and necessary action.

1. Private Secretary to Food, Civil Supplies and Consumer Affairs Minister, Punjab
2. Private Secretary to Secretary, Food, Civil Supplies and Consumer Affairs, Punjab.
3. Personal Assistant to Director Food, Civil Supplies and Consumer Affairs, Punjab.
4. Personal Assistant to Secretary, Mandi Board Punjab.
5. All Officers at Head Office, Chandigarh.
6. All branch assistants through Superintendent (Rice), Head Office.



Additional Director (Rice)

PUNJAB GOVERNMENT
DEPARTMENT OF FOOD, CIVIL SUPPLIES & CONSUMER AFFAIRS
(RICE BRANCH)

CUSTOM MILLING POLICY
KHARIF MARKETING SEASON 2016-17

INTRODUCTION:-

The state of Punjab is a major contributor of rice in the Central Pool. The handling of food grain stocks is a major responsibility of the Punjab Government. The entire process - right from receiving food grains at the purchase centre to its cleaning, drying, transportation, storage and milling with minimum wastage - is the main concern of the Department of Food Civil Supplies and Consumer Affairs, Punjab. In order to maintain transparency and proper co-ordination between the procuring agencies and millers there is a need to frame a proper policy which can provide proper management, financial and administrative mechanism to reach explicit goals.

1. **SCHEME FOR CUSTOM MILLING OF KHARIF 2016-17 PADDY STOCKS:-**

In order to ensure smooth operation of custom milling of Kharif 2016-17 paddy procured by the procuring agencies, the following scheme called "Scheme for custom milling of Kharif 2016-17 paddy" shall be followed by all the procuring agencies i.e. PUNGRAIN, MARKFED, PUNSUP, Punjab State Warehousing Corporation, Punjab Agro Food Grains Corporation, Food Corporation of India and the rice millers/their legal heirs. For the purpose of custom milling of paddy, the State will be taken as a single unit.

2. **PADDY TO BE CUSTOM MILLED ON CONTRACTUAL BASIS:-**

Marketing Season commences from the 1st day of October each year or as per the dates notified by the Government. Paddy arriving in the mandis shall be procured by the Government Agencies as per the specifications laid down by the Government of India. Paddy so procured shall be got milled from the rice millers

of the State as per various clauses provided in the Punjab Rice Procurement (Levy) Order 1983. No rice miller shall undertake the work of custom milling of any agency under any circumstances unless or until duly allotted for the purpose. In case any miller refuses the custom milling work allotted to him by the concerned procuring agency or wilfully refuses to lift the paddy from the agency as per his allotted paddy, he shall invite penal action and shall be blacklisted for a period of 3 years. The following terms and conditions shall be adhered to for the custom milling of paddy during Kharif Marketing Season 2016-17 by all concerned millers, and violation, if any, shall invite penal action as provided in ensuing provisions.

3. **DEFINITIONS :-**

In this policy, unless the context otherwise requires,

- i) **Department** means the Department of Food Civil Supplies and Consumer Affairs, Punjab.
- ii) A **permanent milling centre** means a permanent centre where there is a cluster of rice mills located, storage for food grains is available and where procurement staff of the agencies is permanently posted and at which the procurement/milling operations are carried out/monitored round the year.
- iii) A **temporary purchase centre** means the one which operates only during the procurement period and no permanent staff of the procurement agency is posted there round the year.
- iv) A **Mandi** means a place at which the procurement staff of the agencies is posted during the procurement season and at which the procurement operations are carried out.
- v) A **Permanent Storage Centre** means a place at which storage for food grains is available and procurement staff of the agencies is permanently posted round the year and at which the storage operations are carried out/monitored round the year.
- vi) The word **centre** means a particular place where there is availability of space for the permanent storage/milling of paddy/rice.

- vii) **Paddy against Release Order (RO)** means the paddy lifted by a rice miller as per RO Scheme after making payment to PUNGRAIN at the rates and norms as prescribed from time to time by the Government.
- viii) **Custom Milling paddy** means the paddy purchased/procured by the procuring agencies, including FCI and given to the rice mills for milling.
- ix) **Lessee** means a miller who has taken a rice mill on lease for a minimum period of 12 months from the original owner by way of a deed duly registered under Registration Act, 1908 and duly incorporated in the Revenue Records and shall not include the miller who has after taking land on lease set up a rice mill thereupon.
- x) **Miller** means the owner or other person in charge of a rice mill and includes a person or authority which has the ultimate control over the affairs of such mill and when the said affairs are entrusted to a Manager, Managing Director or Managing Agent, such Manager, Managing Director or Managing Agent. It may be a company, duly registered under the Companies Act, partnership firm, proprietorship firm, individual or any other legal entity or lessee as defined above.
- xi) **Rice Mill** means the plant and machinery with which and the premises including the precincts thereof in which or in any part of which, rice milling operation is carried on.
- xii) **Mill Premises** means a definite place having definite boundaries/limits on which a rice mill is established, paddy is stored in the area meant for storage and rice milling operations are carried on.
- xiii) **Milling Season** means the time allowed by the Government to complete the procurement of paddy/ its custom milling and delivery of rice to the Government in a specific Kharif year.
- xiv) **Family** means a group of people who share ties of blood, marriage or adoptions and other related with each other due to family ties, which includes the husband, the wife and dependent children, grand children, mother, father, brother, sister, grand-father and grand-mother."

Explanation: Any member of family claiming himself/herself not to be part of the family being separate and independent shall have to establish his or her financial independence.

- xv) **Defaulter** means a mill/miller who has failed to clear the entire dues of rice and/or settle the accounts, of any procuring agency/agencies of the previous year (s) and as detailed in Clause 11.”

4. **REGISTRATION OF A RICE MILL :-**

Each rice mill which is not registered previously with the Food Civil Supplies and Consumer Affairs Department or where there is a change in the constitution of the firm/company, lease deed or any other legal entity shall have to be registered provisionally with the concerned District Controller, Food Civil Supplies and Consumer Affairs to be eligible for custom milling of the agency's paddy. For this, such rice miller shall pay a fee of Rs.10,000/- (Ten Thousand Rupees) per mill (Non-refundable) with the concerned District Controller, apart from supplying other relevant information as detailed in Annexure-‘III’. The Registration Fee is non-refundable. The registration of rice mills shall be maintained on the website of the department. The registration of new/lessee rice mills/change of ownership/partnership/Constitution etc. for KMS 2016-17 shall be sent to the Head Office, Chandigarh by 09th September, 2016 and after that no such case shall be entertained.

5. **LINKAGE OF MANDIS AND RICE MILLS:-**

The purchase centres/mandis shall be linked with the nearest milling centre/storage centre keeping in view the availability of milling capacity at the milling/storage centre(s) at which paddy is proposed to be stored/got milled. All the procuring agencies shall make necessary arrangements of linking the proposed purchase centers/mandis with the storage points/milling centers in such a way so as to incur bare minimum expenditure on transportation. The agencies may also indicate at least one alternate storage point, where paddy could be stored in case of any exigency. This should be got done by the agencies at the time of allotment of rice mills. Storage of paddy at a

particular milling centre shall depend upon the number of clear mills available at that centre.

6. **STOCK ARTICLES :-**

For the storage of custom milling paddy of the agency/agencies, crates shall be arranged by the miller/ millers and he/they shall be paid user charges for this @ Rs.15/- per tonne of the paddy stored by the concerned agency. Gunnies/Tarpaulins/Polythene covers/Nets etc. shall be supplied to the millers by the concerned agency.

7. **SHIFTING OF PADDY:-**

a) **WITHIN THE DISTRICT:-**

Surplus paddy, if any, at a milling centre shall be shifted against Release Orders under the RO Scheme for its storage to other mills within the district. The ROs of paddy to be shifted for all the agencies within the district mills shall be issued by the District Controller, Food Civil Supplies and Consumer Affairs (DFSC) concerned. A copy of such ROs shall be sent to Deputy Director (F) concerned and to the Director, Food Civil Supplies and Consumer Affairs, Punjab.

b) **OUTSIDE THE DISTRICT:-**

Surplus paddy, if any, available with any procuring agency in a district shall be shifted only as per the plan approved by the Director, Food, Civil Supplies & Consumer Affairs, Punjab and against the submission of non-refundable fee as defined in RO Scheme by the millers of the district, where the paddy is proposed to be shifted. Provided that, keeping in view the specific problem of the districts and the exigencies of the situation, the paddy of any procurement agency can be shifted from one district to another district irrespective of the fact whether the paddy in that district is surplus or not. However, the decision in such cases will be taken at the level of Director, Food Civil Supplies and Consumer Affairs, Punjab and will be final.

c) It should be ensured that paddy is shifted directly from the purchase centre/mandi to the storage points/mill premises and no crisscross movement of paddy stocks takes place. In case any crisscross movement of paddy stocks is detected, the

District Controller/District Manager of the concerned Agency and Deputy Director/equivalent official of the concerned agency shall be held personally responsible and disciplinary action shall be initiated against him/her.

- d) Paddy from capacity deficit milling centres can be shifted to the interested millers of other milling centres/districts. The cost as to transportation either within or outside the district shall be against the release orders under the RO Scheme as mentioned in Clause 7(f).

e) **SECOND SHIFTING OF STORED PADDY:-**

1. In case of second shifting of paddy - i.e. paddy already stored at any particular place/mill, the procuring agency may shift paddy to the rice mills already allotted to them after getting approval from the Director, Food, Civil Supplies & Consumer Affairs, Punjab who shall give such approvals keeping in view the availability of space and other factors needed for the smooth delivery of rice by the stipulated period in the central pool.

In case the paddy stored in any rice mill is not being milled as per schedule defined in the policy for one reason or the other, then the agency reserves the right to get the paddy shifted to any other rice mill at the risk and cost of the original allottee. However, it is explained that till the time whole of the rice is delivered by the transferee miller, both the transferor and the transferee miller shall be liable to the same extent for any act or omission under the policy and agreement. In case of default neither of the millers shall be considered for allotment until they have obtained an NOC from the concerned agency.

Explanation: In case of embezzlement of paddy or deficiency of stocks after the transfer of the paddy, the responsibility will be of the transferee, if the transferor has the final receipt of the quantity of paddy so transferred.

The paddy shall be shifted to only those rice mills which have completed 100% of its original allotment and that too subject to Physical Verification/Certification by the District Controller of the district concerned. Specific reasons for allowing/disallowing the proposal have to be recorded. Provided, however that, under

certain exceptional circumstances, paddy from such mills which are declared defaulters on account of their having delivered BRL rice and/or are not delivering rice as per the stipulated schedule during mid-season as laid down in the policy, or have become non-functional due to any other reason whatsoever, can be shifted to other allotted mills even though they might not have completed its 100% milling. In such cases, the decision of Director, Food Civil Supplies and Consumer Affairs, Punjab shall be final.

f) **Shifting of Paddy under Release Order (RO) Scheme :-**

While shifting paddy with release orders, the following instructions may be kept in view:-

- i) Only the allotted rice mill shall be allowed to lift paddy under this Scheme. Since the transfer of paddy under this Scheme is on the basis of PR Centre to PR Centre, all applications for lifting of such paddy should have the recommendation of the concerned DFSC who shall certify that the concerned rice mill is an allotted rice mill and is in a position to mill the lifted paddy on the basis of the rice mill's past performance.
- ii) Surplus paddy, if any, available with any procuring agency within or outside district shall be shifted against the release orders after the miller deposits required amount of non-refundable fee for Release Order with the District Manager, PUNGRAIN of the concerned district, irrespective of the fact that the paddy belongs to any other agency. The deposit of non-refundable fee against Release Orders shall be Rs. 25/- per MT of paddy. However, in order to incentivize the lifting of paddy from "Paddy Surplus and milling capacity deficit districts" namely Amritsar, Fazilka, Ferozepur, Gurdaspur, Pathankot and Taran-Taran the non-refundable fee for ROs shall be Rs. 15/- per MT. The release orders will be issued on priority from above mentioned "Paddy Surplus and milling capacity deficit districts" to which millers shall not have any objection.

- iii) Paddy to be allotted under RO Scheme shall be allotted in multiples of 100 MTs.
- iv) Transportation cost of surplus paddy against RO within and outside district from one milling centre to another up to a distance of 25 KMs shall be borne by the agency @ Rs. 5/- per quintal and for distance above 25 KMs and up to 50 KMs, the agency shall bear Rs. 10/- per quintal. For distances above 50 KMs to up to 100 KMs, agency shall bear Rs. 15/- per quintal and the rest shall be borne by the miller. In case of transportation of paddy beyond the distance of 100 KMs, the agency shall be liable to bear a maximum of Rs. 22.50 per quintal as transportation cost and the rest shall be borne by the concerned miller himself.
- v) The payment of transportation charges for paddy shifted against ROs shall be made by the recipient district. This payment shall be made only when the shifted paddy actually reaches the recipient mill and the quantity is verified through physical verification by the staff of the recipient district.
- vi) No additional security amount shall be got deposited from the millers for the paddy allotted to them under the release order scheme. No supplementary agreement shall be signed by the millers and the concerned agency and acceptance of this paddy shall be deemed to be the part of the original agreement signed between the miller and the agency concerned.
- vii) A miller shall be allowed to lift paddy against Release Order Scheme of the same agency to which he is allotted for custom milling as far as possible.
- viii) To deposit the non-refundable fee either by cash or by draft for lifting paddy against the Release Orders, the rice millers shall collect pre-printed Fee Deposit Slips from the concerned District Manager, PUNGRAIN. Duly-filled in slips shall be got checked and signed from the District Manager, PUNGRAIN before deposit with any branch of the designated Bank, even if the paddy belongs to any procuring agency.

- ix) The miller shall lift the paddy against RO within ten days from the issuance of release order for the additional paddy, failing which the next eligible rice miller shall be considered for allotment of additional paddy. However, in case of advance ROs for lifting paddy from the excessively surplus districts, the validity shall last till 15th of October, 2016.
- x) Loading and unloading charges of the paddy shifted under the Release Order Scheme shall be borne by the concerned agency.

8. **STORAGE OF PADDY STOCKS :-**

- a. Paddy shall be stored at the storage point/rice mill by the agency concerned at its own expenses only after the completion of the agreement with the miller. Subsequent operations like de-stacking/loading of paddy from storage point/transportation/ unloading at haudi/drying/re-stacking etc., till the delivery of rice in FCI godowns shall be handled by the miller concerned at his own expenses.
- b. Paddy procured by the agencies shall be stored separately in the premises of the allotted mills or a place adjoining to the rice mill to be made available by the concerned miller. Paddy so stored shall be in joint custody of the agency and the miller till its milling is completed and rice delivered to Food Corporation of India. (The definition of Joint Custody shall be as per department Letter no: RP2/2016/41 dated 20.01.2016.) (Annexure 1A).
- c. The responsibility for quantity and quality of the paddy stored shall be of the concerned miller. The miller shall ensure the storage of the paddy stocks of the agencies separately from that of his own purchased paddy stocks by erecting a physical barrier such as a boundary wall or a proper and durable fencing. These stocks shall be open to Physical Verification/ Inspection by the concerned agencies as per the contract and the miller shall facilitate it.
- d. Immediately on receipt of entire paddy, each miller shall prepare in triplicate a pictorial chart/ sketch depicting the positioning of the stacks, stack number, with the number of bags in each stack. He shall retain a copy of the above at his mill premises while the second copy shall be available with the inspector in -

charge of the concerned agency and the third copy shall be kept in the district office of the procuring agency.

e. The paddy stored over and above the stipulated norm in a mill shall be shifted at the risk and cost of the concerned Inspector/AFSO/DFSO/DFSC or equivalent ranks of the concerned agencies.

f. The paddy shall be stored only at storage points duly approved by the concerned procuring agency. These storage places shall be adjoining/near the rice mills. No paddy shall be stored at any unauthorized and far off place, under any circumstances.

g. The concerned Inspector/Staff of the procuring agency shall reconcile and submit complete details/receipt of the paddy stocks stored with the millers within 7 days of completion of storage to the district office.

9. **STORAGE OF PADDY IN OWN CUSTODY:-**

Bare minimum paddy shall be stored in own custody and that too under exceptional circumstances only with the prior approval of the Managing Director (MD) of the concerned procuring agency. The paddy to be stored in own custody shall be stored preferably within 8 kilo-meters of the rice mills allotted to the procuring agencies. Such paddy stocks are to be got milled from the mills allotted to the agencies at the earliest possible so that agencies do not incur any undue financial expenditure. The responsibility for quality and quantity of the paddy stored in own custody shall be of the staff of concerned agency.

10. **PHYSICAL VERIFICATION (PV) OF PADDY:-**

The staff of agencies shall conduct physical verifications of the paddy stocks on a fortnightly basis. Copies of PV reports shall have to be submitted regularly by the concerned staff to the district offices. The reports, besides indicating physical availability of stocks and their quality, shall clearly give the quantity delivered and that available with the miller.

Initial storage of paddy with a rice mill shall be video graphed. The first physical verification should be carried out within 10 days of completion of storage of

paddy. After that, physical verifications should be video graphed once every two months. A proper record of these checkings shall be maintained. The following will be the fortnight norms for carrying out the physical verifications:-

1. Inspector or equivalent official of each procuring agency: 100%
2. AFSO or equivalent officer of each procuring agency: 50%

Each AFSO shall be bound to carry out PVs of 100% mills in one month, meaning thereby that he/she shall carry out PVs of mills on rotational basis every fortnight. The physical verification of rice mills where the storage is 10,000 MTs and above shall be carried out jointly by the officials mentioned at Sr. No. 1 and 2.

3. DFSSO or equivalent officer of each procuring agency: 25%
4. DFSC/DM or equivalent officer of each procuring agency: 10%

For Sr. No 3 and 4 it will be mandatory to conduct PVs of such mills which have the lowest milling percentage and are lagging behind the milling schedule prescribed in the Policy.

5. DDE/RM or equivalent officer of each procuring agency: 4 rice mills with at least one mill from each district and the mills which are at the lowest milling percentage.

11. ALLOTMENT OF RICE MILLS:-

- A. Allotment of rice mills shall be made by a district level committee comprising of district heads of all the procuring agencies headed by the Deputy Director (Field) of the concerned division. District Managers of procuring agencies shall be equally responsible in case of any wrong allotment. If any agency finds any discrepancy in allotment or any violation of the policy, they shall bring these facts to the notice of the Director, Food, Civil Supplies & Consumer Affairs, Punjab for necessary action and his decision in this regard shall be final.
- B. The rice mills which completed 100% milling of paddy stocks of Kharif 2015-16 by 31.05.2016/last date of milling allowed by the Government of India are to be considered as eligible for allotment of paddy during Kharif Marketing Season 2016-17. But those millers who have not cleared the entire milling by 31-05-2016,

however if deposit the acquisition cost of the balance paddy i.e., MSP + Dami + taxes + cost of bag + labour and transportation charges + Custody and Maintenance charges + Administrative charges + interest @ 13% and incidental charges as allowed by Government of India to be charged from 01-11-2015 shall also be considered eligible for the allotment for KMS 2016-17.

- C. All the allotments of rice mills shall be completed before 15.09.2016. After this date, the allotment cases shall be sent to Director, Food, Civil Supplies & Consumer Affairs, Punjab for approval. Allotment once made, shall not be changed. Wherever any necessary change is required, it shall be done at the level of Director, Food, Civil Supplies & Consumer Affairs, Punjab.
- D. If a defaulter mill clears the government/agencies dues of the previous year(s) including KMS 2014-15 and 2015-16 to the full satisfaction of the Government, as mentioned in clause 11(B) above, it can be considered as eligible for allotment from the date all the dues are cleared. However, the rice mill shall have to obtain a No-Objection/Dues Certificate from all the procurement agencies.
- E. The rice mills are to be allotted to all the State procuring agencies in proportion to the paddy to be procured by them. In case one agency completes its milling of paddy stored with a mill and does not want to get any more paddy milled from it, then the same mill can be formally allotted to any other agency at the level of Director, Food and Supplies, Punjab after assessing the factual position from the concerned agency.
- F. All the district heads of procuring agencies including F.C.I. shall prepare an authenticated list of defaulter and eligible rice mills by 24th of August, 2016 giving the nature of default and submit the same to the concerned District Controller, Food, Civil Supplies & Consumer Affairs. The list shall be consolidated by the concerned District Controller, Food, Civil Supplies & Consumer Affairs by including the defaulter mills of PUNGRAIN and submitted to the concerned Deputy Director (Field) cum- Chairman of the allotment committee immediately. A copy of the Performa in which this information is to be furnished, is enclosed as

Performa-I & II (Annexure I & II). A copy of the consolidated list will also be sent to Head Office by District Controllers, Food Civil Supplies and Consumer Affairs, in the State of Punjab.

Each allotted miller shall enter into and execute an agreement with the concerned agency as per the performa given hereinafter along with all the annexures I to XX attached therewith, which shall be made available in the shape of brochure. This agreement shall be on a stamp papers of Rs. 2000/- (Two Thousand Rupees). Each page of the agreement shall be signed by the District Manager and the miller concerned.

The following schedule will be adhered to by the District Allotment Committee:-

- i. Preparation of list of eligible rice mills by 24th August, 2016;
- ii. Scrutiny of the list by 29th August, 2016;
- iii. Issuance of first list of allotted rice mills by 5th September, 2016;
- iv. Signing of agreement and deposit of security etc. by the allotted millers by 13th September, 2016.

The Chairman of the Allotment Committee-cum- Deputy Director (Field) shall pass a speaking order in respect of a defaulter rice mill, clearly stating the reasons for not allotting the mill at his level. These orders shall be appealable before the Director, Food & Civil Supplies within seven days from the date of order refusing allotment. These speaking orders shall be passed in respect of each list of allotment issued by the District Level Allotment Committee. A detailed list of such cases where the Allotment Committee has not made the allotment shall be submitted to the Head Office by 10-09-2016.

- G. Single Mill/Single Agency – Each Rice Mill shall be allotted to a single agency.
- H. No defaulter rice mill shall be considered for allotment/ provisional registration.

The default may be on the following counts:-

- a. If a rice mill has not delivered custom milled rice of any agency pertaining to the previous years including 2015-16.

- b. Any rice miller who has not completed 100% custom milling of paddy allotted to him in KMS 2015-16 by any procuring agency would be declared as ineligible for allotment for KMS 2016-17.
- c. In case the owner/partner/director of a lessee/owner rice mill becomes partner/Director of a new/lessee/owner rice mill, or if the transfer of a rice mill either through sale or through lease is found to be sham or any financial relation is established between the new and old rice mill, which was defaulter on any count then the said mill and the mill premises in question shall also be declared as defaulter. Besides, in case of family member of a defaulter rice miller, proof of separate residence/ separate family shall not itself be sufficient to prove that his project is not being financed/ promoted by his defaulter family members/blood relations. The Director, Food Civil Supplies & Consumer Affairs, Punjab shall examine such cases and his decision in this regard shall be final and binding on all concerned.
- d. The rice miller(s) who stood guarantor(s) for any other miller against whom a police/court case is registered or arbitration proceedings are initiated on account of embezzlement and/or on account of non-delivery of rice relating to custom milling or levy rice pertaining to any crop year, shall not be considered for allotment until such miller for whom guarantee was furnished, clears the default of the concerned agency along with penal interest at the rates for the relevant year(s) as decided by the Government from time to time.
- e. If the agency reports any case of misappropriation of paddy by a miller of the previous years.
- f. If a police/court case/arbitration case is pending against the miller on account of embezzlement and/or on account of non-delivery of rice. However, if the miller clears the default of the concerned agency along-with penal interest at the rates for the relevant year(s), as decided by the

govt. from time to time, he may be considered for allotment without prejudice to the out-come of the FIR/Court Case/Arbitration Case pending against him.

- g. The miller against whom an arbitration award has been passed and has failed to deposit the amount of award shall be considered as defaulter and shall not be considered for allotment, till he has deposited the awarded amount.
- h. Premises of a defaulter mill auctioned by a financial institution/commercial bank shall not be considered for allotment during KMS 2016-17 if there is a relation between the buyer and the previous owner. However, these premises could be considered for allotment only in case there is no relation between the buyer and the previous owner and the premises has been duly auctioned by the financial institution/Bank. The decision in such cases will be taken at the level of Director, Food Civil Supplies & Consumer Affairs, Punjab and shall be final.
- i. The millers with whom FCI has banned its business dealings on account of delivery of rice "Beyond Rejection Limit" (BRL) and beyond PFA (BPFA) during the previous years.
- j. If a rice miller does unauthorized milling of an agency other than the one allotted to him, he shall be black listed and the paddy stocks shall be lifted from his premises at his risk and cost.
- k. A rice mill running on a generator set or diesel engine shall not be considered for allotment.
- l. Any miller who is defaulter for non-delivery of levy rice or non-payment of levy penalty for the years 2007-08, 2008-09, 2009-10 and 2010-11, in order to become eligible for allotment of paddy during KMS 2016-17, shall have to give cheques of the like amount along with an undertaking that he shall be bound by the final decision of FCI taken in this regard.

- m. No defaulter rice mill shall be permitted to do custom milling for and on behalf of an eligible miller i.e., an eligible rice mill shall not get his paddy milled from a defaulter rice mill. In case he does so, the eligible miller shall be blacklisted.
- n. No defaulter miller shall be allowed to operate the mill (which includes the land on which it is situated) or to transfer it to any other party by way of gift/lease or sale unless and until he clears all dues of all procurement agencies and obtains NOCs from concerned agency/agencies.
- l. In case of a lessee firm being allotted to an agency, it shall be the duty of the concerned agency to fully satisfy itself about the bonafides of the lessee firm and it shall also take care of stocks stored in such mills.
- J. The authenticity of documents and identity of owners/ partners/Directors, including photographs, PAN number etc. shall be verified by the concerned agency before storing paddy in all mills.
- K. The electricity connection shall be available in the rice mill on or before the date of the allotment without which no allotment shall be made.
- L. Each allotted rice miller (whether owner or lessee) shall submit a guarantee by way of two signed payee's account MICR cheques in favour of Managing Director of the concerned agency as per his eligibility for allotment of paddy as detailed in clause 14 (b) of the policy. First cheque of 50% value of total paddy to be stored shall be given by the miller before the storage of paddy and the second cheque of the remaining 50% value shall be given after the completion of storage of paddy. These cheques can be got en-cashed after giving notice to the miller in case of shortage of paddy/rice, if required.
- M. The rice miller shall enter the data of paddy storage at the portal of the department. After verification of the same by the concerned District Controller, Food Civil Supplies & Consumer Affairs, he shall get the contract numbers automatically. He shall abide by the instructions given by the department regarding the release of

contract numbers from time to time. The rice miller shall give his IP Address to the Department.

- N. Any rice mill found guilty of tampering with the official data or any other such mal-practice in this regard shall be declared defaulter by a reasoned order to be passed by Director, Food, Civil Supplies and Consumer Affairs, Punjab.

12. **ALLOTMENT TO LESSEE RICE MILLS:-**

- a. The allotment to lessee rice mill shall only be made if he is a lessee for a minimum period of 12 months from the date of allotment and the lease must be duly registered under Registration Act, 1908 and this entry must be incorporated in the Revenue Record in the name of lessee. Proof in this regard shall be furnished by the miller to the concerned agency.
- b. Each lessee rice miller shall furnish a guarantee of the owner of the rice mill taken on lease by him (lessee) and guarantee of the owner of another rice mill on a stamp paper of minimum of Rs. 300/- (Three Hundred Rupees) as per Performa attached with the policy. (Annexure IV).
- c. The owners/rice millers who furnish the guarantee on behalf of lessee must be duly authorized by a legally valid document i.e. in case it is a Company, then this must be by a resolution of the company; in case of partnership firm, by all the partners and in case of any other legal entity, then by valid legal document[s].
- d. The property of the owner who stood guarantee on behalf of the lessee shall remain under lien of the concerned procuring agency [ies] till the liabilities of the lessee are fully discharged.
- e. In case a lessee rice mill fails to complete the milling operations before the expiry of his lease period, he shall be required to extend the lease period of his mill till the completion of milling operations.

13. **VOLUME OF WORK:-**

The Government/agency does not guarantee any definite volume of work relating to shelling of paddy at any time or throughout the period of contract. The mere

mention of any type of work in this policy shall not by itself confer a right on the miller to demand that work relating to shelling of paddy at a particular centre/mandi should necessarily or exclusively be entrusted to him.

As paddy is to be allotted to the miller subject to its availability with the procurement agencies at that particular milling centre, the shortfall, if any, will not be arranged from other milling centres or districts and this portion shall be deemed to have lapsed and the miller shall have no claim against it.

14. **ALLOTMENT OF PADDY:-**

a) A minimum of 150 MTs of paddy is required to be purchased by the miller in his own account or he shall deposit an amount of Rs. 5 Lac (Rupees Five Lac only) to be eligible for starting the Custom Milling of paddy. The Rice Millers shall collect pre-printed Security Deposit Slips from the District Manager, PUNGRAIN. Duly filled slips shall be got checked and signed from the District Manager, PUNGRAIN before deposit with any branch of designated Bank, even if the paddy relates to any procuring agency.

Henceforth, a miller will be eligible to convert any quantity of paddy into rice provided he submits bank guarantee or FDR of the matching value of paddy to the concerned agency and gets prior permission for it.

b) While allocating paddy for KMS 2016-17 to eligible rice mills, the performance in KMS 2015-16 shall be the sole deciding factor. The criterion for performance shall be last year's milling i.e. paddy milled and rice delivered till 31-03-2016 **excluding paddy received through Release Orders**. Installed milling capacity of the mill shall not be any criteria for allocation of paddy. For the mills from where paddy was shifted by the millers/agency in KMS 2015-16, the quantity of shifted paddy shall be deducted from the quantity of paddy to be allotted to that mill, i.e. For all purposes of paddy allocation, the quantity of paddy shifted through second shifting of paddy from a mill shall be excluded while calculating the performance of that particular mill. The paddy in rice mills at a milling centre should be stored proportionately in rounds of 20% each (of the

millers' allocation). The next round of paddy storage should start only after 20% of paddy storage of the previous is completed in each eligible rice mill. The paddy shall be allotted to all the eligible rice mills in a milling centre subject to the availability of paddy at the milling centre concerned and cut, if any, will be imposed on the quantum of allotment in ratio and proportion on all the mills at that particular milling centre. The quantum of previous year's allocation of paddy, in no way, shall be considered as a right by the miller. Further, it is also clarified that the miller has no right to claim paddy as per his/her milling capacity.

I) The miller who had completed his milling of KMS 2015-16 by 31-12-2015 will be eligible for 15% additional paddy allocation over and above the quantity of the paddy milled and rice delivered during KMS 2015-16.

II) The miller who had completed his milling of KMS 2015-16 by 31-01-2016 will be eligible for 10% additional paddy allocation over and above the quantity of the paddy milled and rice delivered during KMS 2015-16.

III) The miller who had completed his milling of KMS 2015-16 by 28-02-2016 will be eligible for 5% additional paddy allocation over and above the quantity of the paddy milled and rice delivered during KMS 2015-16.

IV) The miller who had completed his milling of KMS 2015-16 after 31-03-2016 but before 31-05-2016 will be eligible for allocation of paddy equivalent to the paddy milled and rice delivered by him up to 31-03-2016.

V) The miller who had not completed his milling even by the extended period of milling i.e. 31.05.2016 but cleared his milling dues up to 30.06.2016 by depositing the acquisition cost of balance paddy of 2015-16 (MSP + Dami + taxes + cost of bag + labour and transportation charges + Custody and Maintenance charges+ Administrative charges + interest @ 13% and incidental charges as allowed by Government of India to be charged from 01.11.2015) will be eligible for allocation of paddy equivalent to paddy milled and rice delivered by him up to 31-03-2016.

VI) The mills which were installed new in KMS 2014-15 and/or had become operational in KMS 2014-15 and have delivered their due rice of KMS 2015-16 by

31-03-2016 will be eligible for allocation of paddy equal to the paddy of the mills of the same capacity at that milling centre, if the paddy becomes surplus after completion of storage of allocated paddy to the already running/old rice mills at that milling centre.

VII) The mills which were installed new in KMS 2015-16 and delivered their due rice of KMS 2015-16 by 31-03-2016 will be eligible for allocation of paddy equal to two thirds (66%) of the paddy allocated to the mills of the same capacity at that milling centre, if the paddy becomes surplus after completion of storage of allocated paddy to the already running/old rice mills at that milling centre.

VIII) The eligible rice mills which have been set-up afresh in KMS 2016-17 shall be allotted a maximum quantity of 2500 MTs of Paddy irrespective of their installed milling capacity.

Such rice mills, regardless of their year of commission and of installed milling capacity, which were allotted a maximum of 2000 MTs paddy during KMS 2015-16, the basic eligibility of such mills in KMS 2016-17 will be taken as 2500 MTs paddy provided they had completed their due milling of KMS 2015-16 and delivered due rice by 31-03-2016. However, incentive for completion of milling will be given at the actual quantity of paddy milled and rice delivered up to 31-03-2016. But any rice mill which milled less than 2000 MT paddy despite having higher allocation in KMS 2015-16 will be eligible during 2016-17 for a quantity equal to what it milled up to 31-03-2016.

a) Those old rice mills which affect a change in their partnership in KMS 2016-17 within family due to death or any other reason whatsoever will be treated as old rice mills for the purpose of allotment of paddy provided that no partner thereof is a defaulter and have delivered due rice during KMS 2015-16.

b) In case of rice mills including lessee rice mills, if the partnership deed is changed outside the family, provided there is no defaulter either in the old or the new partnership and the rice miller had delivered 100% due rice, then those mills would be treated as new rice mills, and will be given 2500 MTs paddy.

c) In case the rice miller changes the lease from one rice mill to another rice mill, the rice mill shall be treated as new rice mill and shall be eligible for allotment

of a maximum of 2500 MTs paddy. In case, a rice mill was operated on lease last year and the same rice mill is to be operated by the owner party this year, the rice mill shall be treated as new rice mill during 2016-17 and shall be eligible for allotment of a maximum of 2500 MTs paddy.

IX) In case of the old rice mills, if the partnership deed is changed, and there is no defaulter either in the old or the new partnership; and the rice miller has delivered 100% due rice up to 31-03-2016, the land which is already available with the rice miller will be treated as sufficient, and the miller will not be asked to provide additional land as per the new norms of registration.

X) The date of uploading of last Acceptance Note on the portal by the concerned miller shall be deemed to be the last date of completion of milling by that mill.

XI) Each allotted miller shall submit MICR cheque drawn in favour of MD of the agency concerned @Rs.38 lakh for every 2000 MT of paddy or part thereof stored in his mill.

XII) The paddy purchased by the commission agent shall not be stored in his own rice mill, if he operates a rice mill also.

XIII) The allotted rice mills shall enter into an agreement with the concerned agency by 09-09-2016, the format of the which has been attached with the policy along with the Annexures - which shall be supplied in the shape of a brochure - and complete all other formalities in this regard, failing which the allotment shall be liable to be cancelled. Signatory to the agreement must be authorized by the owners/partners/ Directors, as the case may be, through a legally executed document in his favour. However, the overall responsibility shall still rest with the owner rice miller. No paddy shall be stored with the miller till he executes the agreement and signs the necessary documents. A complete set of documents so executed shall be sent by the concerned District Manager to his Head Office.

The power of attorney to run a rice mill can be given only to the shareholder or partner of a rice mill and not to any other person. Transfer of power of attorney to any person other than shareholder or partner shall tantamount to fraud and shall invite penal

action as per Law. The agreement to be executed by the rice millers shall be made in three copies (One original and two attested copies). The District Manager shall retain the original copy of the agreement and one copy each shall be retained by the Managing Director of the concerned agency and the miller. Signatory to the agreement shall be authorized by the partners/directors in the partnership deed or otherwise all partners shall sign the agreement. No GPA shall be entertained for signing the agreement.

XIV) Each allotted rice miller shall submit a security amount of Rs. 1,50,000/- (Rupees One Lac fifty thousand only) in the form of a demand draft in favour of Managing Director of the concerned agency for every 2000 MT of paddy or part thereof allotted to his mill. It must reach Head Office of the respective agency by 10.09.2016. No paddy shall be stored in a rice mill which does not deposit the requisite security amount.

For depositing the above mentioned security, the mills allotted to Pungrain shall collect pre-printed Security Deposit Slips from the District Manager, Pungrain. Duly filled slips shall be got checked and signed from the District Manager, Pungrain before deposit with any branch of designated Bank.

XV) For the purpose of milling of paddy, stocks shall be issued against advance rice by the staff of procuring agencies in lots of 200 tonnes (two stacks) each through a release order and that paddy issued/received without a proper release order shall be treated as a serious lapse. The next lot of paddy for milling shall be issued only after the resultant rice of previous lot has been delivered to FCI, and the acceptance note and weight check memo have been received and uploaded on the website as required. The agency shall keep a proper record of issuance of release orders of paddy.

XVI) In case the miller lifts the paddy without R.O. or un-authorisedly converts it into rice, it shall tantamount to defalcation and the department may take any action against the miller in accordance with law besides holding him liable to pay the interest @ prevalent SBI rates of Cash Credit Limit per annum for the value of paddy for the duration of defalcation.

XVII) It shall be the responsibility of the millers to ensure that the "Acceptance note", weight check memo and all other relevant documents are uploaded by FCI on the

Department Portal for claiming payment from FCI, failing which the release order for due quantity of paddy shall not be issued.

XVIII) Each rice mill shall maintain the Stock Registers which shall be duly authenticated/ verified by the concerned staff (Inspector/AFSO).

15. **PAYMENT OF MILLING CHARGES:-**

- A. The rice millers shall be paid milling charges for custom milling of paddy as fixed by the Government of India. All by-products viz. broken rice, rice kani (rice husk and rice bran etc.) shall be the property of the rice miller. All the taxes pertaining to by-products, if any, shall be borne by the miller and the State procuring agencies are not responsible for this.
- B. The miller shall settle all accounts with the concerned agency within 15 days from the date of hundred percent delivery of custom milled rice.

16. **OUT-TURN RATIO:-** The out-turn ratio fixed by the Government of India as applicable shall be as follows: -

- a) 67% for raw rice.
- b) 68% for par-boiled rice.
- c) Benefit of Driage @1% of MSP shall be given to only those rice millers who have completed 100% milling i.e., 67% raw rice delivered to FCI within the stipulated period as per the norms and policies of Government of India. No benefit of driage will be given to those millers who would not complete their milling within the stipulated time and deposit the amount of balance rice with the concerned agency. However, par-boiled rice mills are not eligible for driage benefit.

17. **Services to be provided by the miller:-**

- a) De-stacking of paddy.
- b) Loading of paddy from storage point, transportation and unloading of paddy for milling at haudi/drying.
- c) Drying of paddy stocks.

- d) Katai of paddy bags before de husking.
- e) Re-stacking of paddy stocks.
- f) De-husking of paddy stocks.
- g) Filling up of bags of rice prior to dara making.
- h) Dara making of rice bags and filling/sewing of bags with double line machine Stitching.
- i) Transportation of rice to FCI depot.
- j) Delivery of acceptance notes, weight-check memos and other relevant documents for claiming payment from the Food Corporation of India and uploading them on website as directed by the Government from time to time.
- k) Miller shall stitch a raxin slip/canvas slip with each bag, bearing name of the mill/Centre/District/ category of rice/ net weight/ contract no / crop year on the bags.
- l) The miller shall be responsible for maintaining the quality and quantity of the paddy/rice stocks till the delivery of rice to FCI under the supervision, control and assistance of the agency officials.
- m) The miller shall not misappropriate the agency's paddy stored with him for delivery of advance rice in the FCI account under any circumstances.

18. **DELIVERY OF RICE:-**

- A) FCI shall intimate the latest status about the vacant space to the concerned agency on the first of every month and the delivery of custom milled rice shall be routed through the concerned agency. However, responsibility for the quality of rice shall be that of the concerned miller.
- B) The miller shall utilize the milling capacity strictly on the basis of paddy stocks stored by the Government agency and paddy purchased by the miller in his account.
 - a) During KMS 2016-17, the millers are exempted from delivery of levy rice on their private purchase.

- b) Delivery of custom milled rice shall start immediately i.e. from the commencement of Kharif Marketing Season 2016-17.
- c) Time schedule for the delivery of custom milled rice shall be as under :-

Month	Percentage of delivery
Upto 31 st December, 2016	33%
Upto 15 th February, 2017	66%
Upto 31 st March, 2017	100%

The pace of milling shall be monitored by the agencies as per the above schedule and shortfall, if any, shall invite action such as shifting of paddy to other mills at the risk and cost of the concerned rice miller.

- d) If the miller fails to complete his milling by 31-03-2017, he shall be required to pay the acquisition cost of balance paddy i.e., MSP + Dami + taxes + cost of bag + labour and transportation charges + Custody and Maintenance charges + Administrative charges + incidental charges as allowed by Government of India + interest @ prevalent SBI rates of Cash Credit Limit to be charged from 01-11-2016 till the time he clears the dues. He shall not be paid any milling charges for the undelivered stocks. The last date of payment of these dues by a miller shall be 31st of May, 2017 failing which he shall not be considered for allotment in KMS 2017-18. The balance un-milled stocks shall become the property of the rice miller and a proper release order vat invoice shall be issued to him/her after the deposit of the due amount.

If the miller fails to pay the cost of un-milled paddy by 31-05-2017, action shall be initiated against the miller by the concerned agency as per the contract/agreement. The balance of un-milled paddy/rice lying with the miller shall be auctioned by the concerned agency at the risk and cost of the miller(s).

The agency shall have full right to access to the mill where the agency's paddy has been stored for lifting the same for auction purposes. It

is also made clear that un-milled paddy shall be lifted only from the premises or the separate enclosure provided for the storage of paddy delivered by the agency. The action of lifting the un-milled paddy for auction shall not be construed in any manner as trespass on the premises of the miller.

The auction amount shall be adjusted against the amount recoverable from the miller. In case any recoverable amount is still left, then action shall be initiated to recover the amount as per the contract. The defaulter miller shall not be allowed to participate in the auction proceedings.

- e) In case a miller causes any loss to the stored paddy stocks because of misappropriation, theft etc. or if the rice manufactured by him/her does not conform to the specifications, or if he fails to deliver the rice by the due date, he shall be liable to make good the entire loss @ the acquisition cost of balance paddy i.e., MSP + Dami + taxes + cost of bag + labour and transportation charges + Custody and Maintenance charges + Administrative charges + incidental charges as allowed by Government of India + interest @ prevalent SBI rates of Cash Credit Limit to be charged from 01-11-2016 till the time he clears the dues..
- f) The rice miller shall be required to manufacture rice as per specifications laid down by the Govt. of India and deliver the same to FCI at its depots. The transportation/incidental charges, if any, shall be paid in accordance with the instructions issued by the Govt. of India from time to time.
- g) The liability of quality cuts on rice, if any, shall be that of the miller.
- h) The rice miller shall deliver rice to FCI in 50 KG bags (B-twill gunny bags) as per FCI specifications. The cost of surplus gunny bags retained by the millers used for packing of paddy would be realized from the millers at the rates fixed by the Govt. of India/State Govt. or under the instructions issued from time to time.

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- i) In case a rice miller fails to deliver the custom milled rice of Kharif 2016-17 season to the agency as per the stipulated schedule and the agency has to shift the paddy stocks, it shall be done at the risk and cost of the miller concerned after giving him due notice for this purpose.
 - j) That the material (tarpaulins etc.) which shall be supplied by the procurement agencies to the Rice Mills for proper storage of paddy must be returned to the agency concerned after the completion of process of paddy and in case the miller fails to return the same, then the procuring agency is bound to claim its costs along with simple interest @ 18% per annum.
 - k) The delivery of rice shall be deemed to have been completed by the miller on delivery of rice into the Godowns of Food Corporation of India and issuance of Acceptance Note and Weight Check Memo by the FCI. It shall be the responsibility of the miller to ensure that the "Acceptance note", weight check memo and all other relevant documents are uploaded by FCI on the Department Portal for claiming payment from FCI, failing which the release order for due quantity of paddy shall not be issued.
19. All the disputes and differences arising out of or in any manner touching or concerning the agreement whatsoever shall be referred to the sole arbitration of the Managing Director of the concerned agency or any person appointed by him in this behalf. There will be no objection to any such appointment that the person appointed is or was an employee of the Food and Supplies Department, Punjab or the concerned agency or that he had to deal with the matter to which the contract relates and that in the course of his duties such an employee of the Food and Supplies Department, Punjab or the concerned agency had expressed views on all or any of the matter in dispute or difference. The award of such arbitration shall be final and binding on the parties to this contract. It is a term of this contract that in the event of the Arbitrator being transferred or vacating his office or being unable to act for any reason, the Managing Director concerned at the time of such transfer, vacation of office, death or inability shall appoint another person to act as

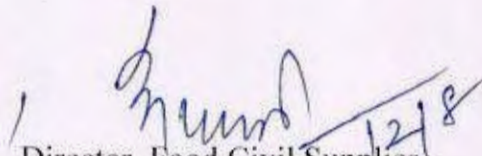
Arbitrator. Such a person shall be entitled to proceed with reference from and the stage where it was left by his predecessor.

Provided that any demand for arbitration in respect of any claim(s)/dispute between both the parties, under the contract shall be in writing and made within one year of the date of completion or expiry of the period of contract. If the demand is not made within the period, the claim(s) of the Miller shall be deemed to have been waived off and the agency shall be released of all liabilities under the contract in respect of these claims. The cost for and in connection with arbitration shall be the discretion of the arbitrator who may make suitable orders in his award. Subject as aforesaid, the Arbitration and Conciliation Act, 1996 or any statutory re-enactment or modifications thereof shall apply to the arbitration provided under this clause. However, the cases of fraud, theft or misappropriation etc. on the part of the miller are not covered under this clause and in such cases legal proceedings as deemed fit shall be initiated by the agency against the miller as well as against the sureties.

20. In case of any embezzlement/loss of paddy/rice etc. the State agency shall be at liberty to launch criminal prosecution against the concerned miller besides availing other legal remedies in accordance with law.
 - a) However, it will be the responsibility of the concerned agency to deposit the cost of the allotted paddy in the CCL account.
21. No rice miller shall pledge the paddy belonging to the State procuring agencies with the banks for availing cash credit limit for his business transactions. A consolidated list of rice mills along with allotted and stored paddy would be supplied to the lead banks with a direction to them not to accede to such requests of such millers for availing cash credit limit facility after pledging paddy. If any miller indulges in this malpractice, he shall be immediately black listed and the stocks of paddy/rice shall be lifted from his mill to other mills at his risk and cost.
22. In order to secure the re-payment of outstanding dues against a miller, the procurement agency concerned shall have first charge over the land as well as the

machinery erected over there and the miller concerned shall not alienate the same by way of sale, lease, gift, mortgage, except without prior permission of the Director Food Civil Supplies and Consumer Affairs, Punjab who shall grant such permission after taking reports from the State Procuring Agencies regarding any dues of theirs' outstanding against such a miller.

23. The Government reserves the right to add/delete/amend any clause of this policy at any time in view of any exigency.


Director, Food Civil Supplies
And Consumer Affairs,
Punjab.