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Punjab denies misuse of food-procurement funds

By ET Bureau | Updated: Apr 16, 2016, 03.01 AM IST

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The Punjab state [government](#) issued a response to ET's on Friday regarding banks having to make provisions against loans to fund its food-procurement programme. Edited excerpts:

ON BACKDROP TO FOOD CREDIT OPERATIONS: It is essential to understand the backdrop in which the food credit operations are carried out by the states, including Punjab, towards procurement of food-grains (wheat and paddy) for the central pool. The central government, through [FCI](#) (Food Corporation of India), carries out procurement activities to create a buffer stock of food grains and for distribution to the economically weaker sections. Purchase at MSP, transportation, labour, handling charges, storage, maintenance of stocks, etc. is carried out in a very short span of time. Punjab has traditionally supplied 40% of total stocks and is by far the largest contributor to the Central Pool.



Punjab government today said there was no disappearance of foodgrains from godowns in the state and all stocks procured over the years have been duly accounted for and handed over to FCI.

ON THE 'GAP' THAT HAS ARISEN: It has been sought to be highlighted that food stocks of Punjab have 'disappeared' and that there is a gap between the available food stocks in the state and the amount it owes the banks. The said assertion is wholly incorrect, as food-grains procured over the years have been duly accounted for and handed over to the FCI, through well-documented transactions, and the same are duly audited. It is clarified that the 'gap' has arisen over the years on account of the difference between actual costs and reimbursements made by the [Gol](#) (government of India)/FCI pertaining to interest, transportation, incidental charges, etc., which are based solely on the "provisional cost sheets", or "final cost sheets", as and when prepared by them. Further, as the state avails huge cash credit loans from commercial banks to fund the procurement, non-reimbursement of actuals leads to ballooning of the interest component, which is being compounded on a monthly basis by the lending bank. These payments are released by FCI directly to the bank without recourse to the state, after receipt of stocks and as per the specification fixed by [Gol](#).

ON CLAIM SUBMISSION: For procurement purposes, the state, on the basis of procurement targets fixed by [DFPD](#), has over the years been authorised cash credit limit by [RBI](#). The claims are submitted by the state government, post-procurement and accepted by the [FCI](#) based on "provisional cost sheets". The provisional cost sheets are made final only after submission of claims by the food agencies, and the differential paid to the state agencies/state government after finalisation. Prior to 2003-4, all procurement expenses used to be reimbursed to state agencies, but from 2004 onwards, these procurement expenses are based on the 'principles' as determined by the [Gol](#).

ON DISCUSSION WITH CENTRAL GOVERNMENT: The matter regarding the outstandings/receivables pertaining to food credit account of the state is already under discussion with [Gol](#). Funds availed by the State government on account of food credit limits have been utilised for food procurement operations, in the national interest. There has been no misutilisation of funds, and as explained... above, the differential amount is on account of difference between claims and amounts received.

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