

## Food Subsidy

5.31 The gap between the economic cost incurred by the FCI towards procurement, storage, distribution and wastage of foodgrains and its average realization based on the issue prices under PDS has been widening over the years. This gap is filled by the Central Government through consumer subsidy, (Table 5.10). In the past, the Government used to make adjustments in the PDS issue price of rice and wheat consequent to an increase in the MSP with a much shorter time lag. However, the issue prices had not been adjusted by the Government in line with the increasing Minimum Support Price(MSP) since February 1994, (Table 5.11 and 5.12). On the contrary, issue prices for BPL families were actually reduced from June 1997. This has caused the food subsidy bill to reach a high level of Rs.8700 crores in 1998-99.

Year	Food Subsidy (Rs. Crore)
1991-92	2850
1992-93	2800*
1993-94	5537
1994-95	5100*
1995-96	5377*
1996-97	6066*
1997-98	7500
1998-99	8700 (RE)
1999-2000	8200 (BE)

\* Includes Sugar Subsidy

5.32 Some increase in issue prices for APL households from January 1999 may help reduce this burden to Rs.8200 crores (Budget Estimates) for 1999-2000, though there are reports that wheat offtake by APL households has declined as APL issue prices are close to market prices.

5.33 One of the major areas of concern before the Government is the burgeoning fiscal deficit. An increasing food subsidy bill adds to this deficit. In recent years, there has been a progressive increase in the subsidy on foodgrains borne by the Central Government. Food subsidy was Rs.2850 crores in 1991-92 which rose to Rs.8200 crores(BE) in 1999-2000. If it is not possible to reduce the food subsidy burden, an attempt to limit the subsidy to present levels is now imperative in order to ensure fiscal discipline.

**TABLE 5.11**  
**Issue Price of Wheat and Rice**

(Rs./quintal)

Year	Wheat	%change	Rice	%change
1990-91	234		289	-
1991-92	280	19.7	377	30.4
1992-93	280	0.0	377	0.0
1993-94	330	17.9	437	15.9
1994-95	402	21.8	537	22.9
1995-96	402	0.0	537	0.0
1996-97	402	0.0	537	0.0
<b>1997-98</b>				
BPL	250	-	350	-
APL	450	-	700	-
<b>1998-99</b>				
BPL	250	00.0	350	0.0
APL	650	44.4	905	29.3
<b>1999-2000</b>				
BPL	250	00.0	350	0.0
APL	682	4.9	905	0.0
<b>Economic cost</b>				
1997-98	800	-	940	-
1998-99	808	-	1076	-

**TABLE 5.10**  
**Economic Cost and Consumer Subsidy**

(Rs/quintal)

Fiscal year	Economic cost		FCI's/ Average Sales Realization		Consumer Subsidy	
	Wheat	Rice	Wheat	Rice	Wheat	Rice
1991-92	390.79	497.04	251.68	365.58	139.11	131.46
1992-93	504.10	585.27	279.36	442.40	224.74	142.87
1993-94	532.03	665.10	355.88	500.42	176.15	164.68
1994-95	551.17	694.71	407.89	600.75	143.28	93.96
1995-96	583.95	762.82	411.94	613.34	172.01	149.48
1996-97	640.16	847.69	433.20	610.57	206.96	237.12
1997-98	800.50	940.40	395.87	610.80	404.63	329.60
1998-99	807.95	980.36	388.33	601.18	419.62	379.18
1999-2000(BE)						
BPL	-	-	258.98	364.82	531.88	661.88
APL	790.86	1026.70	691.78	919.82	99.08	106.88
APL(North-East)	-	-	790.86	714.82	-	311.88

**TABLE 5.12****Minimum Support / Procurement Price of Wheat and Paddy***(Rs/quintal)*

	<b>Wheat</b>		<b>Paddy</b>				
	<b>MSP</b>	<b>% change</b>	<b>Common</b>	<b>% change</b>	<b>Fine</b>	<b>Super fine</b>	<b>Grade 'A'</b>
1991-92	275	11.1	230	12.2	240	250	-
1992-93	330	20.0	270	17.4	280	290	-
1993-94	350	6.1	310	14.8	330	350	-
1994-95	360	2.9	340	9.7	360	380	-
1995-96	380	5.6	360	5.9	375	395	-
1996-97	475	25.0	380	5.6	395	415	-
1997-98	510	7.4	415	9.2	-	-	455*
1998-99	550	7.8	440	6.0	-	-	470*
1999-2000	-	-	490	11.4	-	-	520*

For MSP of Other crops, see Appendix-1

\* Effective 1997-98, MSP is fixed for only two varieties of paddy, common and grade-A.