

Centre extends free foodgrain scheme till Dec

Move to cost the exchequer additional ₹44,762 cr

SANJEEB MUKHERJEE & ARUP ROYCHOUDHURY
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The central government on Wednesday extended its free foodgrain scheme for the poor by another three months, till December, ahead of major festivals and elections in Gujarat and Himachal Pradesh.

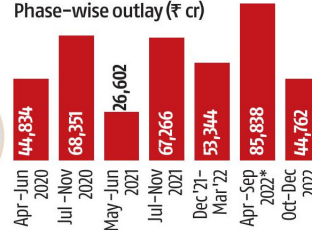


The latest extension of the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY), which was launched in April 2020 during the first wave of the Covid-19 pandemic, will cost the exchequer ₹44,762 crore over and above the budgeted food subsidy for the financial year 2022-23 (FY23), Information and Broadcasting Minister Anurag Thakur said. The overall expenditure on the scheme would be about ₹3.9 trillion, he added. Under the PMGKAY, 5 kg of wheat or rice is provided free of cost to the beneficiaries of the National Food Security Act, estimated at 800 million — in addition to their monthly quota.

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SCHEME'S FISCAL IMPACT

Phase-wise outlay (₹ cr)



Total duration:
28 months

Quantity of foodgrain allocated
112.1 million tonnes

Overall expenditure
₹3.91 trillion

Note: *According to the first official statement issued on March 26, 2022, the outlay was ₹80,000 crore
Source: Government of India

Free foodgrain scheme...

In the seventh phase, 12.2 million tonnes (mt) of foodgrain will be distributed.

The Union Cabinet's decision to extend the scheme comes at a time when questions have been raised about the central pool stocks amid

a sharp fall in wheat procurement in FY23.

However, as on September 1, 2022, the Centre had 60.1 mt of foodgrain, including 10.82 mt of unmilled paddy, in its stock. The quantity of foodgrain required to maintain healthy operational stocks and strategic reserve levels as on October 1 each year is 30.75 mt. Also, the new rice procurement season is expected to start from October 1 in which the government has targeted to purchase 51.8 mt of rice.

Sources said the three-month extension would give the government an opportunity to assess its grain procurement and stock levels by December-end, before extending the programme any further.

The Centre had pegged the FY23 food subsidy at ₹2.07 trillion in the Budget. It is projected to swell by ₹85,838 crore due to the scheme's extension in April, and by ₹44,762 crore due to the latest extension. This could take the estimated expenditure on food subsidy in FY23 close to ₹3.38 trillion.

But there is a catch here. There could be some savings in procurement and carrying cost this year due to a decline

in wheat purchases.

Also, economists said that considering there has been very healthy collections in direct and indirect taxes so far, the impact of the additional outlay should not be very stark.

"The amount per se may not be distortionary in case other revenue heads are met. GST collections for the Centre so far have been around ₹30,000 crore higher (apart from the shared component). Also, other tax collections like corporation tax have been buoyant. The challenge will arise if there are shortfalls in, say, disinvestment or non-tax revenue," Madan Sabnavis, chief economist, Bank of Baroda, said.

He said the impact on fiscal deficit would be marginal if these revenue trends persist. "If all other Budget numbers are as per the Budget (*ceteris paribus*), the increase will be 0.2 per cent of GDP," Sabnavis added.

Aditi Nayar, chief economist at ICRA, said the fiscal deficit might modestly overshoot the budgeted level due to the decision. "We expect the size of the fiscal deficit overshoot to be limited to around ₹1 trillion," Nayar said.