

Free grain for 3 more months, to cost Centre ₹44,762 crore

Food security welfare scheme to run till December-end to aid the poor during festival season

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NEW DELHI

In a move that could stretch public finances, the Union cabinet on Wednesday said it was extending the government's scheme to provide free foodgrains to the poor by three months till 31 December.

Extending the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) comes at an additional outlay of ₹44,762 crore, taking the scheme's total expenditure to about ₹3.91 trillion.

Prime Minister Narendra Modi said the decision would benefit hundreds of millions of people across India, ensuring support during the festive season. The food programme, launched in March 2020 during the covid-19 lockdown, covers nearly 800 million people who are provided free 5 kg of foodgrains per person per month.

The additional spending announcement of ₹44,762 crore on the scheme comes just before the Centre issues its borrowing calendar for the second half of the financial year on 1 October. The government's original estimate for food subsidies through the public distribution system for FY23 was ₹2 trillion.

"Under this welfare scheme, 5 kg of



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food grain per person per month will be continued to be provided free of cost for all the beneficiaries covered under the National Food Security Act including those covered under Direct Benefit Transfer. The financial implication for the government has been about ₹3.45 trillion up to Phase-VI of PMGKAY.

Thakur told reporters.

Expressing concern over the availability of grain, Madan Sabnavis, chief economist, Bank of Baroda said that the challenge will be to ensure that the procurement of rice is on target because production is expected to decline by 7 million tonnes this year. The government is focussing on giving rice instead of wheat as the stocks of the latter are down. Stocks of rice and wheat at 49 million tonnes as of September are one of the lowest since 2017, Sabnavis said.

"We expect the fiscal deficit to modestly overshoot the budgeted level, following the extension in PMGKAY for another three months. We expect the size of the fiscal deficit overshoot to be limited to around ₹1 trillion,"

said Aditi Nayar, chief economist, ICRA.

The government said it was extending the free food programme so that the poor and vulnerable are supported for the forthcoming major festivals like Navratri, Dussehra, Milad-un-nabi, Diwali, Chhath Pooja, Gurunank Dev Jayanti and Christmas. With a view to ensuring this, the government has approved this extension of PMGKAY for three months, so that they continue to enjoy the benefits of easy availability of foodgrains without any financial distress, the government said.

Amid a decline in the production of wheat and fear of shortages in the country, the Union government had replaced 550,000 tonnes of wheat with rice under the PMGKAY programme. However, a rainfall deficit in key rice-growing states forced the government to curb rice exports. India had banned wheat exports earlier this year too. "PM-GKAY, started during the difficult time of the covid-19 crisis, has provided food security to the poor, needy and vulnerable households and beneficiaries so that they do not suffer on account of non-availability of adequate foodgrains. Effectively, it has doubled the quantity of monthly foodgrain entitlements being normally delivered to beneficiaries," the government added.

"Today's Cabinet decision to extend the Pradhan Mantri Garib Kalyan Anna Yojana will benefit crores of people across India and ensure support during this festive season," Modi said in a social media post.

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HELPING HAND

PMGKAY was introduced in March 2020 during the pandemic lockdown to help out the poor

IT has now been extended until end of the year to give a further helping hand over festive period

BUT concerns remain over availability of rice, the staple as wheat production falls

With the additional expenditure of about ₹44,762 crore for Phase-VII of this scheme, the overall expenditure of PMGKAY will be about ₹3.91 trillion for all the phases," Union minister Anurag