

## Food Subsidy

5.41 In recent years, annual increases in MSP have been substantial and at times much above the inflation rate. Higher procurement prices invariably cause FCI to procure more than what is required for food security, leading to much higher commitments for Government subsidy, while lower volumes stocked by trade means higher market price during lean season. In addition, the carrying cost of buffer stocks (comprising freight, storage, interest charges etc.) also included as part of food subsidy, adds further to the subsidy burden.

5.42 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 is filled by the Central Government through the consumer subsidy, (Table 5.10). The consumer subsidy together with the buffer carrying cost constitute the food subsidy. The subsidy on foodgrains incurred by the Central Government since 1991-92 is listed below:

Year	Food Subsidy (in 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
1999-2000	9200
2000-2001	8100(BE)

\* Including Sugar Subsidy

5.43 The issue price of foodgrains for both APL and BPL families were downwardly revised in July 2000 as a consequence to the reduction in economic cost. In view of poor offtake and increased level of procurement, the food subsidy is likely to go up substantially. The increase will be mostly in buffer carrying costs.

5.44 In order to reduce the economic cost and thus the subsidy burden, efforts are required to be made to reduce the costs incurred by FCI through more efficient management in handling losses, transportation costs, storage and also maintenance of stock quality. This may be an arduous task if FCI is forced to procure stocks below the prescribed standard quality as has often happened in respect of rice.