

Food subsidy

5.69 Provision of minimum nutritional support to the poor through subsidised foodgrains and ensuring price stability in different States are the twin objectives of food security system. To attain these twin objectives, Government incurs food subsidies. Annual increases in food subsidies, which were 27-45 per cent in the three years between 2000-01 and 2002-03, moderated in the four subsequent years (Table 5.22). Food subsidy as a proportion of GDP has also shown a moderating tendency since 2002-03.

5.70 Food subsidy is disbursed through FCI, which is the main instrument of Government for procurement and distribution of wheat and rice under TPDS and other welfare schemes, and for maintaining the buffer stock of foodgrains as a measure of food security. In the States which are undertaking decentralized procurement, State-specific economic cost is determined by the Government well in advance in consultation with the State Governments, and the

Table 5.22 : Growth of food subsidies in India

Year	Food subsidy* (Rs crore)	Annual growth (Per cent)	As per cent of GDP Base: 1993-94
1997-98	7500	23.64	0.52
1998-99	8700	16.00	0.52
1999-00	9435	8.45	0.48 [^]
2000-01	12060	27.82	0.57 [^]
2001-02	17499	45.10	0.77 [^]
2002-03	24176	38.16	0.99 [^]
2003-04	25160	4.07	0.91 [^]
2004-05	25800	2.54	0.83 [^]
2005-06(RE)	23200	-10.08	0.66 [^]
2006-07(BE)	24200	4.31	-

[^] As per cent of GDP (new series based on 1999-00).

* Other than that on sugar.

Source : Budget documents, various issues and CSO.

difference between the economic cost so fixed and the CIP fixed on an all-India basis is reimbursed to the States as food subsidy. Efforts are on to persuade other States to adopt this scheme.