

Food Subsidy

20. Subsidy on foodgrains borne by the Central Government has been rising progressively over the years. Food subsidy was Rs 2850 crores in 1991-92 but rose to Rs 9000 crores (BE) in 1998-99 as shown below:

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 (BE)	9000

* including sugar subsidy

21. The widening gap between economic cost of FCI (for procurement, storage, distribution and wastage, etc.) and the FCI's average realization based on the issue prices of PDS, is filled by the Central Government through consumer subsidy (Table 5.10). It has been a regular practice in the past to adjust the PDS issue price of rice and wheat consequent to increase in the MSP. However, the issue price was not changed after February, 1994. In fact, from June 1997, the issue

Year	Wheat Rs./q	% change	Rice Rs./q	% 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
1997-98				
BPL	250	-37.8	350	-34.8
APL	450	11.9	700	29.3
Economic cost	800	-	940	-
1998-99				
BPL	250	0.0	350	0.0
APL	650	44.4	905	29.3
Economic cost	808	-	1076	-

prices were actually lowered for the BPL population, thus widening the gap between the MSP (and consequent economic cost of FCI) and the issue price (Table 5.11, Figure 5.3 and 5.4). All this resulted in substantial increase in the food subsidy to Rs 9000 crores in 1998-99 (BE). Raising of issue prices from January 1999 for APL households would help reduce the subsidy burden.

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
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	1076.00	388.33	601.18	419.62	474.82

