

FOOD SUBSIDY :

Food subsidy is provided in the budget of the Department of Food and Public Distribution to meet the difference between economic cost of foodgrains and their sales realization at Central Issue Prices fixed for TPDS and other welfare schemes. In addition, the Central Government also procures foodgrains for meeting the requirements of buffer stock. Hence, part of the food subsidy also goes towards meeting the carrying cost of buffer stock.

Since 2004-05, the MSP of wheat has increased from Rs. 630 per quintal to Rs.1400.00 per quintal in RMS 2014-15. Similarly MSP + bonus of paddy (Common) has increased from Rs.560 per quintal to Rs.1360.00 per quintal in KMS 2013-14. However the Central Issue Price (CIP) of wheat and rice for AAY, BPL and APL families has not been revised since 2002. As a result, the gap between economic cost and CIPs has been increasing and food subsidy incurred by the Government has risen substantially.

The subsidy is provided to FCI, which is the main instrument of the Government of India 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.

This apart, fifteen States, namely Andhra Pradesh, Telengana, Bihar, Madhya Pradesh, Chhattisgarh, West Bengal, Uttarakhand, Tamil Nadu, Andaman & Nicobar, Orissa, Gujarat, Karnataka Kerala, Punjab and Rajasthan have joined the DCP Scheme under which they have undertaken the responsibility of not only procuring foodgrains from within the State but also distributing the same to the targeted population under TPDS and other welfare schemes. Under this scheme of Decentralized procurement, State specific economic cost is determined by the Government of India and the difference between the economic cost so fixed and the Central Issue Prices is passed on to the State as food subsidy.

The year-wise break-up of subsidy released for distribution of subsidised foodgrains and maintenance of buffer stocks during the last seven years and current financial year to FCI and the States operating the Decentralized Procurement Scheme is as under:-

(Rs. in crore)

| Year | Subsidy Released | | |
|------------------------------|-------------------------|---------------|--------------|
| | FCI | States | Total |
| 2007-08 | 27760 | 3500 | 31260 |
| 2008-09 | 36744 | 6924 | 43668 |
| 2009-10 | 46867 | 11375 | 58242 |
| 2010-11 | 50729.56 | 12200.00 | 62929.56 |
| 2011-12 | 59525.90 | 12845.00 | 72370.90 |
| 2012-13 | 71980.00 | 12574.00 | 84554.00 |
| 2013-14 | 75500.02 | 14240.00 | 89740.02 |
| 2014-15 (upto 04.03.2015) | 91995.35 | 17765.03 | 109760.38 |