

## BUDGET ESTIMATE FOR FOOD SUBSIDY

# Govt's food subsidy outlay likely to be ₹2.3-trn for FY25

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THE CENTRE'S food subsidy outlay will likely be pegged at Rs 2.3 trillion in the Budget Estimate (BE) for the next financial year, sources told FE.

The revised estimate (RE) for FY24 is likely to see food subsidy rise by Rs 17,000 crore to Rs 2.14 trillion due to sharp increases in the minimum support prices (MSP) for key crops, FE reported last week.

"The food subsidy BE for FY25 is likely to be around 7 per cent higher than the FY24RE," a senior official told FE.

The subsidy estimate for the next financial year has broadly factored in a likely increase in MSP and other incremental expenditures.

The hike in food subsidy in the current financial year will unlikely affect the Centre's aim of containing the fiscal deficit at 5.9 per cent of GDP despite the expected shortfall in disinvestment receipts thanks to healthy tax and non-tax revenues.

For all key rabi and kharif crops, the MSP increases this



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year have been the highest since 2018-19 when a new policy of 50 per cent profits over computed cost of production was adopted for the price setting.

The MSP of wheat, the key rabi crop, has been raised by 7.05 per cent to Rs 2,275/quintal for the 2024-25 marketing season (April-June), the sharpest increase since 2014-15. The MSP for paddy, the key kharif crop, was fixed at Rs 2,183/quintal, up 7 per cent on the year.

Elevated MSPs this year were partly keeping political dividends in assembly elections in key crop-yielding states including Madhya Pradesh and Rajasthan. Robust procurement could potentially boost rural income and purchasing power.

With general elections due in April-May next year, the Centre has already announced to extend the free grains under NFSA (National Food Security Act) for five more years. The government had factored in the

impact of free food grains for the first nine months in the budget. The impact of the balance three months (Q4FY24) would be absorbed from savings under the scheme in the first nine months as many states have not fully lifted their quota of grains, sources said.

The supply of free grains in addition to NFSA grains was initially launched for the April-June period of FY21 after Covid broke out; it was later extended till December FY23.

While discontinuing the extra free grains scheme, which almost tripled the annual food subsidy bill between FY21 and FY23, the Centre waived the nominal Rs 2/3 per kg charged for wheat/rice under PDS for 2023. Prime Minister Narendra Modi recently announced the extension of free grains under the public distribution system (PDS) for another five years to insulate the poor from inflation.

Under Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY), the free grains for the NFSA beneficiaries, 813 million people are currently being provided 5 kg each of specified grains per month free of cost. FE