

Paddy bonus will cost Odisha govt ₹6,000 cr a year

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TO FULFIL ITS election promise of a 42% bonus over the minimum support price (MSP) to paddy farmers, the new government in Odisha has to make budgetary provision in excess of ₹6,000 crore per annum, given the current level of procurement in the state, official sources said.

The largesse will require the food ministry to give an exemption to the state for procurement of surplus paddy above what is needed for the central pool, as done for Chhattisgarh in the ongoing procurement season - 2023-24 (October-September). The sources indicated that the ministry is not quite inclined to accord this waiver, as it will inflate the economic cost of grains due to the higher storage and transport costs. A rise in economic cost of grains handled for the National Food Security Act will result in higher food subsidy.

The BJP, in its manifesto for Odisha, promised to buy paddy at ₹3,100/quintal, against the MSP of ₹2,183/quintal for the current procurement season under the proposed Samrudh Krushak Niti. The MSP for the 2024-25 season is likely to be revised upward and agencies have purchased 6.39 million tonne (MT) of paddy in the state this season.

The Centre bears the MSP payment to farmers, while bonus is paid from the state government's budget.

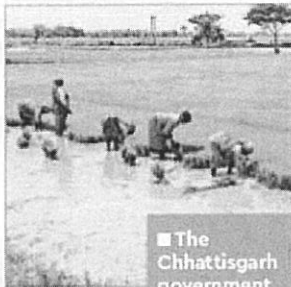
Under the Krishak Unnati Yojana launched in March, Chhattisgarh paid a bonus amounting to ₹13,320 crore or a differential of ₹917/quintal over MSP to 2.4 million paddy farmers. The bonus is provided as an input assistance of ₹19,257/acre to farmers with the aim to enhance their income, crop production, and productivity.

Chhattisgarh and Odisha have a share of 16% and 9% respectively in the total paddy purchase of 75.29 MT across key growing states in the current season.

Typically, when a bonus over MSP is offered for a crop, the farmers tend to grow that in more areas, leading to surplus output. This is because the Centre is firm that it is against taking over surplus rice and wheat stocks from these states for the 'central pool', beyond the requirement for the public distribution system and buffer.

In 2021, a memorandum of understanding (MoU) was signed between the food ministry and decentralised procurement (DCP) and non-DCP states for procurement of paddy. It stated that "in the situation of state giving any bonus of financial incentive in direct or indirect form, over and above MSP, if the overall procurement of the state is in excess of the total allocation of the state made by the government under

FARMER WELFARE



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TPDS, such excess quantity shall be treated to be outside the central pool."

Sources said after the exemption against the existing guidelines was provided to Chhattisgarh, the state agencies in the 2023-24 season have purchased a record 12.38 MT of paddy against procurement of 8.75 MT in the 2022-23 season.

"If we provide an exemption to Odisha on bonus, all other paddy growing states may demand similar concessions," an official said.

Currently, FCI holds 50 MT - 32.31 MT of rice stocks and 17.91 MT of grain receivable from millers. The stock is against the buffer of 13.54 MT for July 1. The government needs about 38 MT of rice annually to supply under the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY).

Because of rising stocks, officials said that at present FCI has been unable to receive rice given from milling due to space constraints across several states, including Punjab, Haryana and Chhattisgarh.

In 2014, the Centre, through an official communication, had discouraged states from declaring bonuses over MSP. The letter had stated that if a surplus DCP state declares a bonus over MSP, the Centre would limit its procurement for the central pool only to the extent required for managing the public distribution system in the state. States such as Punjab, Haryana, Chhattisgarh, Odisha, Telangana and Andhra Pradesh contribute significantly to the central rice pool which is used for supplying grain to PMGKAY beneficiaries.