

## LESS SUBSIDIES ON THE PLATE

# Big cut in food, fertiliser subsidy bill in FY24

Possible triggers? Abolition of extra free foodgrain distributed as part of PMGKAY, cooling of international fertiliser prices

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New Delhi, 1 February

The Centre's two big-ticket expenditure items — food and fertiliser — are tipped to drop sharply in the coming fiscal year (2023-24, or FY24) after rising in a big way in 2022-23 (FY23).

This is largely owing to the abolition of extra free foodgrain distributed as part of the Pradhan Mantri Gareeb Kalyan Ann Yojana (PMGKAY) and the cooling of international fertiliser prices.

According to Budget documents, in FY24, the Centre expects its food subsidy to drop to around ₹1.97 trillion, which is 31.28 per cent lower than the Revised Estimates (RE) of FY23, while

fertiliser subsidy is projected to dip to around ₹1.75 trillion, which is 22.25 per cent less than the Budget Estimates (BE) of FY23.

In the case of food subsidy, this is the lowest allocation since 2019-20, which was the last normal year before the pandemic struck.

In FY23, the Centre had budgeted food subsidy at ₹2.06 trillion while the RE showed it bulged by almost 39 per cent to ₹2.87 trillion as the Centre persisted with the free grains scheme for the first nine months of 2023.

In the case of fertilisers, the BE for FY23 was ₹1.05 trillion, while, according to Budget documents, the RE has been estimated at ₹2.25 trillion as the Centre pumped in extra funds to shield farmers from spiking DAP (c)

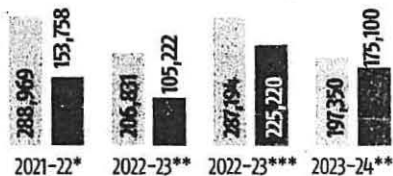


and urea prices, which jumped due to the Russia-Ukraine war.

Since June 2022, global fertiliser markets have softened considerably

### FERTILE GROUND

Food and fertiliser subsidies over the past few years (₹crore) Food ■ Fertiliser  
Change% -31.28 -22.25



\*Actuals \*\*Budget Estimates (BE) \*\*\*Revised Estimates (RE); % change is from RE of 2022-23 versus BE of 2023-24  
Source: Budget papers

and with global economies tipped to go into a recession, which could cool down energy prices, fertiliser markets are projected to remain weak in the coming months.

In the case of the free foodgrain scheme, the PMGKAY, launched during the first Covid wave in 2020, the Centre discontinued it in December after seven extensions.

Sources said in a normal year, the subsidy allocation for the National Food Security Act (NFSA), which governs the public distribution system in India, was around ₹1.8 trillion.

On top of this, the Centre has been bearing almost an equal amount of subsidy owing to extra grains distributed under the PMGKAY since the first wave of the pandemic.

This extra amount will not have to be borne because the PMGKAY has been discontinued while the hit due to making food under the NFSA free is ₹10,000-15,000 crore a year.