

● ₹24,000 CRORE FOR REPAYMENT OF EARLIER LOANS

FCI to avail ₹50,000 crore short-term loan from banks

Amid rising fiscal burden, food subsidy releases get delayed

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THE FOOD CORPORATION OF India (FCI) will raise ₹50,000 crore as short-term loans from banks next month for financing its operations, because of inadequate release of food subsidy expenses from the Centre.

Sources told *FE* that against demand of around ₹47,000 crore towards the expenses for April-June 2022, FCI has been provided with only around ₹33,000 crore so far under the food subsidy budget.

The corporation has been comfortable with its cash position in 2021-22 as the government promptly released the food subsidy amount to it. The practice of availing National Small Saving Fund (NSSF) loans for subsidy financing was stopped

in FY22 Budget for the sake of transparency of government finances.

Sources said that of the short-term loan of ₹50,000 crore to be raised by FCI in early July, around ₹24,000 crore will go towards repayment of short-term loans availed in the first two months of current fiscal. These loans were availed to finance FCI's operations of procurement, transportation and distribution of foodgrains to states for public distribution system.

FCI is mandated to avail short-term loans which are of 90 days duration from scheduled banks to address cash flow mismatches because of slow release of subsidy by FCI. These short-term loans carry an interest rate in the range of 3.85-3.9% per annum.

The finance ministry has provided ₹10,000 crore as wage and means advance to FCI this quarter which had to be adjusted against the release of food subsidy by March 31, 2023.

The central issue prices of ₹3, ₹2, ₹1 for a kg of rice, wheat and



CASH FLOW MISMATCHES

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coarse grains respectively, under the National Food Security Act (NFSA) have not been revised since 2013. On the other hand, FCI's economic cost (MSP to farmers, storage, transportation and other costs) of rice and wheat

for 2022-23 is ₹36.70 and ₹25.88 per kg, respectively.

For 2022-23, the central government has allocated ₹2.06 trillion for food subsidy expenses out of which ₹1.45 trillion or 71% is provided to FCI. However,

following the extension of Pradhan Mantri Garib Kalyan Anna Yojana, an additional ₹800,000 will be spent on food subsidy.

FCI procures and distributes more than 60 million tonne (MT) of wheat and rice annually. The corporation manages procurement, storage and transportation of rice and wheat to states for distribution, mainly for the NFSA and other welfare schemes.

Due to a huge mismatch between rising expenses because of open-ended procurement of rice and wheat under minimum support price (MSP) operations from farmers and cost of carrying excess stocks, between 2016-17 to 2020-21, the government had provided it funds from loans taken from NSSF during 2016-17 to 2020-21 in lieu of food subsidy.

However, finance minister Nirmala Sitharaman, in her Budget speech, for 2021-22 had announced ending the practice of extra-budgetary borrowing from next fiscal by making provisions of ₹3.35 trillion towards payment of NSSF loans.