

PMGKAY may end in Dec on fiscal, foodgrain constraints

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The Centre is likely to discontinue the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) after December due to considerations on its fiscal position and foodgrain stocks, apart from the fact that there is no immediate political imperative to continue with it, *Business Standard* has learnt.

"The scheme may end after the current extension runs out. The food subsidy burden is crossing ₹3 trillion and we are hopeful that it will be brought down below that mark as some savings may be realised," said a senior government official.

The person conceded the point that the last extension was partly done keeping the Gujarat and Himachal Pradesh elections in mind. "It was always meant to be a temporary measure introduced during the pandemic to ensure that the poor did not go hungry due to the pandemic-induced economic hardship," the second official said.

The fiscal considerations are rather pressing. The finance ministry has committed itself to containing the fiscal deficit as close to the target of 6.4 per cent of fiscal deficit as possible for this fiscal year (FY23).

The Centre had estimated the FY23 food subsidy at ₹2.07 trillion. After two extensions this year (sixth and seventh extensions since 2020), it is expected to rise to ₹3.34 trillion. Then there are fertiliser subsidies, which could rise to ₹2.5 trillion from the budgeted ₹1.05 trillion. Both are a result of shocks caused to food and energy prices due to the war in Europe.

The PMGKAY was launched in March 2020 to alleviate the hardships of people affected by the pandemic, and it provides about 5 kg free grains to food security beneficiaries.

"Our topmost priority is the 6.4 per cent target, it is a red line. The revenue flows may not compensate for the additional costs adequately, so we will have to find ways to cut non-priority expenditure," a second official said.

The finance ministry is hoping to have



TAKING STOCK

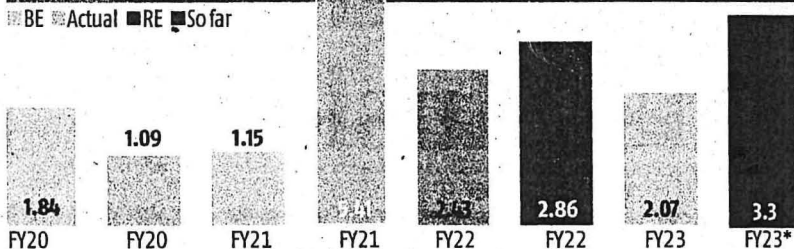
Foodgrain stock in central pool as on November 16 (in mn tonnes)

Grains	Nov 16 2022	Buffer norms*	Excess over buffer in %
Rice**	14.06	7.61	45.58
Wheat	20.09	13.8	45.58

* Buffer norms as on January 1 of each year
** Does not include 22.45 mn tonnes of unmilled paddy lying with the millers
Source: Food Corporation of India

FISCAL BURDEN

Amount (₹trn)



BE: Budget Estimates, RE: Revised Estimates] *After the latest PMGKAY extension Source: indiabudget.gov.in

savings in foodgrain procurement and carrying costs this year due to a steep decline in wheat purchases.

The Ministry of Consumer Affairs, Food and Public Distribution has been asked to look at how the cost of procurement is calculated for foodgrains meant for the Central government's food guarantee schemes.

According to some reports, the government is hopeful that by the end of March 2023, India will have approximately 11.3 million tonnes of wheat and 23.6 million tonnes of rice in the central pool after meeting all the requirements.

This would be significantly higher than the buffer requirement of 7.5 million tonnes of wheat and 13.6 million tonnes of rice as on the same date.

However, the tight position also means the Centre has very little leeway to intervene in the open market to cool

rising domestic wheat prices. This year, since April, no wheat has been sold through the Open Market Sale Scheme, which, traders says, is the basic reason for wheat prices reaching almost ₹2,900 a quintal in the North Indian markets, which is much higher than 2022-23 MSP of ₹2,125 a quintal.

To manage stocks, the Centre had a few months back changed the mix between rice and wheat distributed through the public distribution system and PMGKAY. As a consequence of this, between June and September, it distributed 8.66 million tonnes of rice and 6.32 million tonnes of wheat. According to rough calculations, the monthly drawdown of grain stocks based on the changed mix between wheat and rice since June is around 8 million tonnes (2 million tonnes of wheat and 6 million tonnes of rice) for both the regular PDS and PMGKAY.