Free Foodgrain Scheme

Why in news?

The Centre decided to provide 5 kg of free food grains per month for the 81 crore beneficiaries of the National Food Security Act (NFSA) during 2023.

What is the background of the issue?

- Rather than charging an amount of Rs.3 for a kg of rice, Rs.2 for a kg of wheat and Rs.1 for a kg of coarse cereal the government will give them at free of cost.
- This will soften the blow of the termination of the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY).
- The scheme has provided an additional 5 kg of free grains every month to NFSA beneficiaries after being launched as an emergency measure in response to the COVID-19 pandemic.
- The new integrated scheme will subsume two current food subsidy schemes of the Department of Food and Public Distribution
    - Food Subsidy to Food Corporation of India (FCI) for NFSA, and
    - Food Subsidy for decentralized procurement states, dealing with procurement, allocation and delivery of free food grains to the states under NFSA.

What is the impact of this measure on the food subsidy bill?

- In a normal year, without COVID disruptions, the Centre's food subsidy bill on account of the NFSA amounted to ₹2 lakh crore.
- The PMGKAY effectively doubled that sum for the past two years.
- Now that the Centre plans to give free food grains under the NFSA for a year, it will spend an additional ₹15,000 crore to ₹16,000 crore on that.
- However, the Centre will save around ₹2 lakh crore by ending the PMGKAY scheme.
- Overall, the move will relieve a major burden on the Union Budget.

What does this mean for food grain stocks?

- The annual food grain requirement for the NFSA is about 520 lakh tonnes, while the PMGKAY required an additional 480 lakh tonnes.
- The difference comes from the fact that the poorest families coming under the Antyodaya Anna Yojana category received 35 kg a family every month under the NFSA, but received 5 kg per person under the PMGKAY.
- At the time when the PMGKAY was launched, food grain production, government procurement and government stocks were regularly breaching record levels.
- However, in 2022, the situation is different. Rice and wheat harvests have both been lower this year, hit by climatic events and fertilizer shortages in some areas.
- The global stress due to the Russia-Ukraine war has led to a situation of high food

grain inflation.
- India's wheat stocks, have dipped dangerously close to the required buffer stock levels, with the Centre resorting to a ban on exports to ensure food security for the domestic market.
- Continuing the PMGKAY would have been unsustainable without further increasing procurement levels.

What are the political implications?

- The political fallout will be in the States such as Tamil Nadu, Kerala, Karnataka, West Bengal and Jharkhand.
- These states provide free food grains anyway, using their own money to further subsidise the Central allocation.
- The states such as Andhra Pradesh, Chhattisgarh, Odisha and Telangana also provide further subsidies, though their ration is not completely free.
- This will give them a financial surplus, but it takes away an important political plank for States.
- The Centre will now take full credit for something they had been providing previously.

How will it impact beneficiaries?

- Leaving aside government budgets, household budgets could be toppled by the move.
- The Right to Food Campaign estimates that poor families will be forced to spend ₹750-₹900 a month to access the current level of ration entitlement.
- Ration card holders who have received 10 kg of grains a person every month for the past two years will see their entitlement abruptly halved.
- Of course, their expenditure on their NFSA entitlement will also come down.
- However, that is dwarfed by the additional ₹150-₹175 they will need to spend to buy the 5 kg previously provided free under the PMGKAY in the open market.
- The increased expenditure will be even starker for those in States which anyway provide free NFSA rations, since beneficiaries in those States will not even receive any savings due to the Centre's announcement.

References

1. The Hindu | How will the free food grain scheme work out?
2. The Indian Express | Govt notifies 1-year scheme to give free food grains
3. Times Now | Over 80 crore people to get free food grain

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