

GOVT PUTS ON HOLD CHANGES TO FERTILIZER, FOOD SUBSIDIES

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The [farmers' protest](#) has prompted the finance ministry to indefinitely postpone proposed changes to food and fertilizer subsidies on fears that these reforms will further alienate farmers and the poor.

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"We have just carried forward with the food and fertilizer subsidy programmes for FY22 though they are becoming unsustainable. The timing is not right for any reform in these subsidies," a finance ministry official said on condition of anonymity.

Thousands of protesting farmers from Punjab, Haryana and Uttar Pradesh are camping on the outskirts of Delhi, demanding the withdrawal of three market-oriented farm laws enacted by the government and are seeking a minimum support price guarantee for crops.

For FY22, the budget has allocated 2.4 trillion for food subsidy and around 80,000 crore for fertilizer subsidy. Both the Economic Survey and the 15th Finance Commission have raised concerns over the growing burden of food and fertilizer subsidies.

The Economic Survey for FY21 said the food subsidy bill is becoming "unmanageably large".

"While it is difficult to reduce the economic cost of food management in view of rising commitment towards food security, there is a need to consider the revision of CIP (central issue price) to reduce the bulging food subsidy bill," it added.

The difference between the per quintal economic cost of the foodgrain and its per quintal CIP gives the quantum of per quintal food subsidy. CIPs of wheat and rice for National Food Security Act (NFSA) beneficiaries have not been revised since the introduction of the Act in 2013 from 200 per quintal in the case of wheat and 300 per quintal in the case of rice.

"On the other hand, the economic cost of wheat for Food Corporation of India (FCI) operations has increased from 1,908.32 per quintal in 2013-14 to 2,683.84 per quintal in 2020-21. Similarly, the economic cost of rice has increased from 2,615.51 per quintal in 2013-14 to 3,723.76 per quintal in 2020-21. Further, the NFSA provides wider coverage than the erstwhile targeted public distribution system. These all taken together has resulted in the rise in food subsidy," the Survey said.

The 15th Finance Commission in its report said though targeting of food subsidy is expected to have improved with electronic point of sale (e-PoS) devices at fair price shops authenticating

beneficiaries at the time of distribution of foodgrain and also electronically capturing the quantum distributed to families, there has been no reduction in allocation nor any savings in the budgeted expenditure on a net basis, as improved targeting has been offset by the inclusion of new beneficiaries in the scheme.

“Increases in the economic cost of food grains will need to be partially offset by increases in central issue prices of subsidized food grains, which is permissible under the NFSA,” it recommended.

In 2016, the department of fertilizers chalked out a programme to implement direct benefit transfer (DBT) for fertilizer subsidy in a modified form through a pilot project in 16 districts. At present, fertilizer subsidy is transferred to manufacturers based on data captured in the point of sale (PoS) devices at the retail shop. Using sales data captured on a real-time basis for subsidy payment was an improvement over the previous system, which relied on the audited books of producers. Identifying the real beneficiaries has also delayed the rollout of the DBT for fertilizer subsidy, the finance ministry official cited earlier said.

A query emailed to the finance ministry spokesperson did not elicit any response till the time of going to the press.

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