GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

STARRED QUESTION NO:335
ANSWERED ON:12.12.2000
COMMITTEE ON FERTILIZER PRICING
RAMDAS ATHAWALE

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) Whether the high power committee on fertilizer pricing has submitted its report in the first week of April, 1998;

(b) if so, whether the Government have since examined the report;

(c) if so, the main recommendations contained therein; and

(d) the time by which these are likely to be implemented?

Answer

MINISTER OF CHEMICALS AND FERTILIZERS (SHRI SUKHDEV SINGH DHINDSA)

(a) to (d) : A statement is laid on the Table of the House.

Statement referred to in reply to the parts (a) to (d) of Lok Sabha Starred Question No. 335 to be answered on 12.12.2000.

(a) to (d): Yes, Sir. The High Powered Fertilizers Pricing Policy Review Committee (HPC) headed by Prof. C.H. Hanumantharao submitted its report to the Government on 3.4.1998. The salient features of recommendations of HPC are given in the enclosed Annexure. The Government would be taking a view on the pricing policy for urea units keeping in view, amongst other things, the recommendations of HPC and the Expenditure Reforms Commission (ERC) headed by Shri K.P.Geethakrishnan, which has submitted its report in September 2000.

ANNEXURE

ENCLOSURE REFERRED TO IN REPLY TO PARTS (a) to (d) OF LOK SABHA STARRED QUESTION NO. 335 TO BE ANSWERED ON 12.12.2000.

1. The High Powered Fertilizer Pricing Policy Review Committee has made its recommendations on a number of issues concerning the fertilizer sector. It has dealt with important issues relating to the pricing policy, subsidy, creation of new capacities and removal of controls, etc. The following are among the important recommendations :

2. The unitwise retention price scheme be discontinued. It has suggested that normative referral price (NRP) may be determined for the existing units based on the Long Run Marginal Cost (LRMC) method for arriving at the subsidy to be paid on the sale of fertilizers within a notified ceiling farm gate price. It has recommended that fertilizer units using naphtha and fuel oil/LSHS as feedstocks should be given the Feedstock Differential Cost Reimbursement (FDCR) for a period of 5 years during which they should switch over to LNG. In so far as new units are concerned, a guaranteed price for a period of 15 years of production may be announced by the government well in advance related to LRMC principle for projects based on most efficient feedstock and operating on attainable efficient norms. Subsidy on complex fertilizers, low analysis fertilizers and SSP should be derived with reference to their nutrient contents.

3. The Committee has observed that import parity prices do not serve as a dependable guide for domestic investment decisions because of the high degree of volatility observed by them. Any policy framework recommended for the urea industry should prove stable and recognize its strategic nature in the context of food security. The Committee has accordingly called for a positive policy to attract new investment and thereby ensure that over a period of time the level of self sufficiency already reached is not eroded to unacceptable levels. Policy prescriptions for the future should take note of what is the minimum level of self sufficiency that the country should adhere to over the years in respect of this critical input for agriculture.

The Committee has also suggested that fertilizer industry should assume a more dynamic role in propagating use of improved kinds of fertilizers like super granulated urea, liquid fertilizers etc for which there is no incentive under the RPS and that it should also concentrate on developing adjacent and compact areas to increase fertilizer use through a comprehensive package of services.

4. It has also recommended setting up of joint ventures abroad near sources of abundant availability of feedstock as a matter of policy in the coming years, given gas shortages in India and growing demand for fertilizers.

5. The import of urea may be canalised for a period of five years and existing industry be protected from dumping of fertilizers

6. Allocations under the Essential Commodities Act for movement of fertilizers and equated freight scheme may be discontinued from Rabi, 1998-99. ECA allocation may be made only for notified scarcity and remote areas and in other emergent situations.