

**GOVERNMENT OF INDIA  
CHEMICALS AND FERTILIZERS  
LOK SABHA**

UNSTARRED QUESTION NO:2365  
ANSWERED ON:04.12.2001  
FERTILIZER POLICY  
N.T. SHANMUGAM

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

- (a) whether the Government have accepted in totality the recommendations of Hanumantha Rao Committee on New Fertilizers Pricing Policy;
- (b) if so, the details thereof; and
- (c) the time by which these are likely to be effectively implemented?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS(SHRI S. B. MOOKHERJEE)

(a)to(c): The Government had constituted a High Powered Fertilizer Pricing Policy Review Committee (HPC) in January 1997 under the Chairmanship of Prof. C.H.Hanumantha Rao to review the existing system of subsidization of urea and to make suggestions for correcting the deficiencies of the system and also suggest an alternative broad based, scientific and transparent methodology. HPC submitted its report in April 1998. It has inter-alia recommended that instead of unit-wise Retention Price-cum- Subsidy Scheme (RPS), a uniform Normative Referral Price be fixed for gas based urea units with a provision of feedstock differential cost reimbursement (FDCR) for urea units based on naphtha, fuel oil/low sulphur heavy stock.

Before the Government could firm up its views on formulation of new pricing policy urea units in place of existing RPS based on recommendations of HPC, Expenditure Reforms Commission (ERC) also submitted a report on rationalizing fertilizer subsidies, in September 2000. The recommendations of ERC have been examined in consultation with the concerned Ministries/Departments of Government of India, fertilizer industry and State Governments.

After examining all the relevant aspects and the views of the fertilizer industry and State Governments, Government expects to finalise the new pricing policy for urea units shortly.