

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

UNSTARRED QUESTION NO:839

ANSWERED ON:13.07.2004

PRODUCTION COST OF CHEMICAL FERTILIZERS

Singh Shri Rajiv Ranjan (Lalan);Suman Shri Ramji Lal

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

e:

- (a) whether the cost of production of fertilizers is affected due to use of various kinds of fuels;
- (b) if so, the details of production cost of different chemical fertilizers;
- (c) the details of different kinds of fuels used in production of chemical fertilizers during the last two years and the current year; and
- (d) the steps taken by the Government to reduce the production cost of chemical fertilizers?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI K.RAHMAN KHAN)

(a) to (d): The cost of production of chemical fertilizers is dependent, among other things, on the kinds of feedstock/fuels/raw materials used in their production. Various kinds of hydrocarbons are used as feedstock/fuel in the production of urea. Variation in the prices of inputs/raw materials has a direct bearing on the cost of production of fertilizers. Rates of concession payable to urea units as on 15.6.2004 are given in the enclosed annexure.

The urea manufacturing units are mainly using natural gas, naphtha, Fuel Oil (FO), Low Sulphur Heavy Stock (LSHS), coal etc. in the manufacture of urea. The value of consumption of natural gas, naphtha, FO, LSHS and HSD for the manufacture of urea during the year 2002-03 and 2003-04 as furnished by the urea manufacturing units is given below:

Feedstock/fuel Value of consumption (in Rs. crore)

	2002-03	2003-04
Natural gas	2628	2605
Naphtha	4981	5647
FO	561	626
LSHS	1484	1385
HSD	8	24
Total value	9662	10286

Until 31.3.2003, the subsidy payments to urea units were being governed under the provisions of the erstwhile Retention Price Scheme (RPS), which was unit specific and cost plus in nature. New Pricing Scheme (NPS) for urea units has been introduced with effect from 1.4.2003 replacing RPS. The primary consideration and goal of the NPS is to encourage efficiency parameters of international standards based on the usage of the most efficient feedstock and state-of-art technology.

The Department of Fertilizers has fixed normatively determined pre-set energy levels per tonne of urea for the urea manufacturing units which have become effective from 1.4.2004.

As regards the decontrolled phosphatic and potassic fertilizers, these fertilizers are produced primarily with the use of imported fertilizer inputs viz. ammonia, phosphoric acid, rock phosphate and sulphur. The cost of production, therefore, depends upon the cost of these fertilizer inputs in the international market and the exchange rate. The Government entrusted cost pricing study of all phosphatic and potassic fertilizers except Single Super Phosphate (SSP) to the Tariff Commission. The Tariff Commission worked out the normative cost of these fertilizers on the basis of most efficient norms of efficiency and consumption, which has been taken as the basis for providing concession/subsidy on these fertilizers.

Annexure

Annexure referred to in reply to parts (a) to (d) of the Lok Sabha Unstarred Question No. 839 for answer on 13.7.2004

Statement giving the rates of concession determined for urea units as on 15.6.2004

S. No. Name of the urea unit Rate of concession (Rs/tonne)

Feedstock: Pre-1992 Gas

1	HFC-Namrup-III	5267
2	IFFCO-Aonla-I	6000
3	Indo Gulf-Jagdishpur	6065
4	KRIBHCO-Hazira	5159
5	NFL-Vijaipur-I	5856

Feedstock: Post-1992 Gas

6	NFCL-Kakinada-I	6878
7	CFCL-Gadepan-I	7760
8	TCL-Babralla	7622
9	OCFL-Shahjahanpur	7662
10	NFCL-Kakinada-II	7984
11	IFFCO-Aonla-II	6570
12	NFL-Vijaipur-II	7171

Feedstock: Pre-1992 Naphtha

13	IFFCO-Phulpur-I	11944
14	MCFL-Mangalore	12625
15	MFL-Chennai	14686
16	SFC-Kota	11613
17	SPIC-Tuticorin	12545
18	ZIL-Goa	13766

Feedstock: Post-1992 Naphtha

19	IFFCO-Phulpur-II	12129
20	CFCL-Gadepan-II	11996

Feedstock: FO/LSHS

21	GNVFC-Bharuch	8204
22	NFL-Nangal	12522
23	NFL-Bhatinda	12209
24	NFL-Panipat	11843

Feedstock: Mixed

25	GSFC-Vadodara	9060
26	IFFCO-Kalol	8648
27	RCF-Tha	17864

