

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

UNSTARRED QUESTION NO:1295

ANSWERED ON:04.03.2010

SUBSIDY ON FERTILIZERS

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

- (a) whether the Government intends to move from the existing subsidy regime towards a nutrient based subsidy regime;
- (b) if so, the facts thereof;
- (c) whether the proposed Nutrient Based Subsidy (NBS) policy for fertilizers will hike the prices of fertilizers across the country;
- (d) if so, the facts thereof;
- (e) whether the Union Government has assessed its impact on the poor farmers;
- (f) if so, the steps taken by the Union Government in this regard;
- (g) whether with the continuance of earlier pricing structure for urea without a change to fixed subsidy per kilogram of nutrient will still keep the fertilizer subsidy bill as high as earlier; and
- (h) if so, the reaction of the Government thereto?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI SRIKANT KUMAR JENA)

(a) to (f) In the context of the Nation's food security, the declining response of agricultural productivity to increased fertilizer usage in the Country and to ensure the balanced application of fertilizers, the Government has introduced Nutrient Based Subsidy Policy (NBS) for decontrolled P & K fertilizers, w.e.f. 1.4.2010. Under NBS, subsidy will be based on the nutrients i.e. Nitrogen (N), Phosphate (P), Potash (K) and Sulphur (S) contained in the decontrolled P&K fertilizers already covered under the subsidy scheme, namely Di Ammonium Phosphate (DAP), Mono Ammonium Phosphate (MAP), Triple Super Phosphate (TSP), Muriate of Potash (MOP), 12 grades of Complex Fertilizers, Single Super Phosphate (SSP) and indigenous Ammonium Sulphate (AS) produced by FACT and GSFC. The per nutrient subsidy shall be decided annually by Department of Fertilizers based on the recommendations of the Inter Ministerial Committee (IMC) constituted under the Chairmanship of Secretary (Fertilizers) and representatives of Department of Agriculture & Cooperation, Department of Expenditure, Planning Commission and Department of Agricultural Research and Education. Any variant of the fertilizers mentioned above with secondary and micronutrients (except 'S') in such fertilizers will attract a separate per tonne subsidy to encourage their application along with primary nutrients. The Nutrient Based Subsidy, so decided by the Government, will be converted into subsidy per tonne for each subsidized fertilizer. The distribution and movement of fertilizers alongwith import of finished fertilizers will be monitored through the 'Fertilizer Monitoring System'. 20% of the above said decontrolled fertilizers produced/imported in India will be in the movement control under the Essential Commodities Act 1955 (ECA) to regulate the movement of these fertilizers to bridge the supplies in under served areas. Freight subsidy on decontrolled fertilizers will be restricted to the rail freight. The road freight is assumed to be part of the fixed subsidy and the retail prices. The import of all the decontrolled subsidized fertilizers including complex fertilizers will be placed under Open General License. The market price of the subsidized decontrolled fertilizers will be determined based on the demand supply forces. However, the Government has decided that under the Nutrient Based Subsidy for 2010-11, subsidy for the nutrients 'N', 'P', 'K' & 'S' will be fixed in such a manner that the farm gate prices of non-urea fertilizers are as far as possible, near the current prices so that the farmers are not adversely affected. The customized fertilizers and the fertilizer mixture industry will be able to receive the subsidized fertilizers from the manufacturers/importers after its receipt in the districts as inputs for manufacturing customized fertilizers/fertilizer mixture. A separate additional subsidy will be provided to the indigenous manufacturers producing complex fertilizers using Naphtha based captive ammonia to compensate for the higher cost of production for a period of two years. Such units will have to convert their plants from Naphtha based to gas based plants. The payment of subsidy to the manufacturers/importers of DAP/MOP/Complex fertilizers/MAP/TSP/AS shall be based on the receipt of fertilizers in the districts of the States. The payment of subsidy to the manufacturer/marketer of SSP shall be based on the sale of SSP in the States.

(g) & (h) The Government has decided to increase the MRP of urea by 10% from the current Rs. 4830/MT to Rs. 5310/MT w.e.f. 1.4.2010. However, Urea will remain under partial movement and distribution control of Government. Import of urea will remain canalized during the first phase. The import of urea is made to bridge the gap between the requirement and the indigenous production. The fertilizer subsidy bill depends upon the cost of urea, requirement of fertilizer and the MRP of the same. By virtue of increase in MRP of Urea w.e.f. 1st April 2010, the quantum of subsidy is not expected to increase.

