

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

STARRED QUESTION NO:282

ANSWERED ON:15.04.2010

NUTRIENT BASED SUBSIDY FOR FERTILIZERS

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

- (a) whether the Government has worked out the modalities for implementation of the Nutrient Based Subsidy Scheme for fertilizer industry;
- (b) if so, the details thereof;
- (c) if not, the reasons therefor;
- (d) whether the Government proposes to incentives the domestic capacity additions; and
- (e) if so, the details thereof?

Answer

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

(a) to (e) A statement is laid on the table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 282 ANSWERED ON 15.04.2010 REGARDING NUTRIENT BASED SUBSIDY FOR FERTILIZERS ASKED BY SHRI VARUN GANDHI AND SHRI B.N. PRASAD MAHATO.

(a) to (c) Government has introduced the Nutrient Based Subsidy (NBS) Policy w.e.f. 1.4.2010 for decontrolled Phosphatic and Potassic (P&K) fertilizers. The details of Nutrient Based Subsidy Policy are as under:

(i) The NBS is applicable for Di Ammonium Phosphate (DAP, 18-46-0), Muriate of Potash (MOP), Mono Ammonium Phosphate (MAP, 11-52-0), Triple Super Phosphate (TSP, 0-46-0), 12 grades of complex fertilizers and Ammonium Sulphate (AS - Caprolactum grade by GSFC and FACT), which were covered under the earlier Concession Scheme for Phosphatic and Potassic (P&K) fertilizers up to 31st March 2010 and Single Super Phosphate (SSP). Primary nutrients, namely Nitrogen 'N', Phosphate 'P' and Potash 'K' and nutrient Sulphur 'S' contained in the fertilizers mentioned above are eligible for NBS.

(ii) Any variant of the fertilizers mentioned above with secondary and micronutrients (except Sulphur 'S'), as provided for under FCO, is also eligible for subsidy. The secondary and micro-nutrients (except 'S') in such fertilizers attracts a separate per tonne subsidy to encourage their application along with primary nutrients.

(iii) The NBS to be paid on each nutrient namely, 'N', 'P', 'K' and 'S' is being decided annually by the Government. For 2010-11, per kg NBS and per tonne NBS for each subsidized fertilizer w.e.f 1st April 2010 has been announced.

(iv) An Inter-Ministerial Committee (IMC) has been constituted with Secretary (Fertilizers) as Chairperson and Joint Secretary level representatives of Department of Agriculture & Cooperation (DAC), Department of Expenditure (DOE), Planning Commission and Department of Agricultural Research and Education (DARE). This Committee recommends per nutrient subsidy for 'N', 'P', 'K' and 'S' before the start of the financial year for decision by the Government (Department of Fertilizers). The IMC also recommends a per tonne additional subsidy on fortified subsidized fertilizers carrying secondary (other than 'S') and micro- nutrients. The Committee considers and recommends inclusion of new fertilizers under the subsidy regime based on application of manufacturers/ importers and its need appraisal by the Indian Council for Agricultural Research (ICAR), for decision by the Government.

(v) The distribution and movement of fertilizers along with import of finished fertilizers, fertilizer inputs and production by indigenous units continues to be monitored through the online web based 'Fertilizer Monitoring System (FMS)' as being done under the outgoing Concession Scheme for P&K fertilizers.

(vi) 20% of the price decontrolled fertilizers produced/imported in India is now in the movement control under the Essential Commodities Act 1955 (ECA). Department of Fertilizers will regulate the movement of these fertilizers to bridge the supplies in under-served areas.

(vii) Freight subsidy on the decontrolled fertilizers for rail/ road subject to a maximum of equivalent rail freight is being provided in

addition to NBS to enable wider availability of fertilizers in the country.

(viii) The import of all the subsidized P&K fertilizers, including 12 grades of complex fertilizers is placed under Open General License (OGL). Earlier, no concession was available for imported complex fertilizers. Now, NBS will be available for imported complex fertilizers. However, subsidy will not be applicable on imported Ammonium Sulphate (AS) during the first phase. Import of Urea will remain canalized during the first phase.

(ix) Though the market price of subsidized fertilizers, except Urea, will be determined based on demand-supply balance, the fertilizer companies are required to print Maximum Retail Price (MRP) along with applicable subsidy on the fertilizer bags clearly. Any sale above the printed net RP will be punishable under the EC Act.

(x) Manufacturers of customized fertilizers and mixture fertilizers are eligible to source subsidized fertilizers from the manufacturers/importers after their receipt in the districts as inputs for manufacturing customized fertilizers and mixture fertilizers for agricultural purpose. There would be no separate subsidy on sale of customized fertilizers and mixture fertilizers.

(xi) A separate additional subsidy is provided to the indigenous manufacturers producing complex fertilizers using Naphtha based captive Ammonia to compensate for the higher cost of production of 'N'. However, this will be for a maximum period of two years during which the units will have to convert to gas or use imported Ammonia. The quantum of additional subsidy will be finalized by Department of Fertilizers in consultation with DOE, based on study and recommendations by the Tariff Commission.

(xii) The NBS is being released through the industry during the first phase. The payment of NBS to the manufacturers/importers of DAP/MOP/Complex Fertilizers/ MAP/TSP and AS shall be released as per the procedure followed vide notification No. 19011/59/2003-MPR (Pt.) dated 12.3.2009 of the Department. Payment of NBS to the manufacturers/marketers of SSP shall be released as per the procedure mentioned in notification No. 22011/4/2007-MPR dated 13.8.2009 of the Department.

2. 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.

3. The Department of Fertilizers has announced the per Kg value of nutrients 'N', 'P', 'K' & 'S' and subsidy per MT of fertilizers under the Nutrient Based Subsidy as well as per MT additional subsidy on fortified subsidized fertilizers carrying secondary and micronutrients w.e.f. 1.4.2010 for 2010-11. Notifications issued so far pertain to the following:-

(i). Nutrient Based Subsidy Per Kilo Gram of Nutrients (in Rs.)

Sl.No. Nutrients NBS per Kg of nutrient

1. 'N'	23.227
2. 'P'	26.276
3. 'K'	24.487
4. 'S'	1.784

(ii). Per MT Nutrient Based Subsidy

Fertilizers NBS per MT (Rs.)

DAP	16268
MAP	16219
TSP	12087
MOP	14692
16-20-0-13	9203
20-20-0-13	10133
23-23-0-0	11386
10-26-26-0	15521
12-32-16-0	15114
14-28-14-0	14037
14-35-14-0	15877
15-15-15-0	11099
Ammonium Sulphate	5195

(iii). Per MT additional subsidy for fortified fertilizers with secondary and micro-nutrients as per FCO

Sl.No. Nutrients for Additional subsidy
fortification per MT of fortified
as per FCO fertilizers (Rs.)

1. Boron `Bn` 300
2. Zinc `Zn` 500

(d) to (e). The Government has notified Policy for New Investment in urea sector on 4th September 2008. As per the policy, urea sector is given import parity price subject to certain percentage for production of urea through revamp, expansion, de-bottlenecking and Greenfield projects. This is expected to encourage industry to undertake revamp, expansion, de-bottlenecking and set up Greenfield projects.

2. The fertilizer Industry has responded positively to the New Investment Policy notified on 4th September 2008 by initiating investment decision for revamp of existing capacities. Most of the existing units have either completed their revamp or are currently implementing revamp projects in their units contributing around 1.5 million tonnes increase in existing urea capacity. Further, six fertilizer companies viz IFFCO-Kalol, KRIBHCO-Hazira, RCF-Thal, IGFL-Jagdishpur, CFCL-Gadepan and TCL-Babrara have also indicated their intention for expansion of their existing units by setting up a 1.15 Million Tonne per annum Ammonia Urea plants in their existing premises. The creation of additional capacities by revival of closed plants of HFCL and FCIL is also under consideration of Government. M/s Matix Group Company, Mumbai has informed to set up a Greenfield Gas Based Ammonia-Urea project in BURDWAN District, West Bengal of one million metric tonne per annum (1 Mn MTPA), based on Coal Bed Methane(CBM) Gas which will be supplied to them by Essar Oil Limited's Raniganj CBM block. The companies have been regularly requesting the Government for either firm allocation of gas at predetermined fixed prices from domestic gas sources or insulate industry from any additional liability arising due to increase in delivered price of gas by correspondingly increasing the floor prices in the absence of any commitment on allocation of natural gas at fixed prices. The constraints indicated are under examination and a proposal for amendments in the New Investment Policy notified on 4th September 2008 is under consideration of Department of Fertilizers to facilitate the investments in urea sector.

3. In P&K fertilizers, Nutrient Based Subsidy policy is expected to encourage investment by companies abroad in resource rich countries for securing fertilizer inputs. It will also encourage setting up of indigenous units based mainly on imported intermediates.