

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

UNSTARRED QUESTION NO:718

ANSWERED ON:29.07.2010

IMPACT OF LIBERALISATION ON FERTILIZER INDUSTRY

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

- (a) the impact of liberalization policy of the Government on fertilizer industry; and
- (b) the efforts being made by the Government to safeguard the fertilizer industry ?

Answer

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

(a) & (b): In the wake of the liberalization and the rising quantum of the fertilizers subsidy bill under the then Retention Price cum Subsidy Scheme, Government of India decontrolled the Phosphatic & Potassic fertilizers in 1992. Accordingly, the fertilizers such as DAP, MOP, NPK Complexes, SSP etc. were decontrolled. However, urea remained under the price, distribution and movement control of the Government. Subsequently, in the interest of balanced use of fertilizers in the country, Department of Agriculture & Cooperation introduced Concession Scheme on adhoc basis for DAP, MOP, NPK Complex fertilizer and SSP in October, 1992 which has been allowed to continue by the Government with the changed parameters from time to time. Accordingly, the fertilizers are sold to the farmers at the MRP, which is much below the actual cost of the fertilizers. The difference between the actual cost of the fertilizers and the MRP is provided by the Government to the manufacturers/importers in the form of concession/subsidy. Government of India has introduced Nutrient Based Subsidy policy w.e.f. 1.4.2010 for decontrolled P & K fertilizers (w.e.f. 1.5.2010 for SSP). As per this policy the fertilizers namely DAP, MOP, NPKS Complexes, MAP, TSP, Ammonium Sulphate and Single Super Phosphate are provided to the farmers at the subsidized rates based on the nutrients ('N', 'P', 'K' and 'S') contained therein. Additional subsidy is also provided on the fertilizers fortified with secondary and micronutrients such as Boron and Zinc. This has ensured availability of Phosphatic and Potassic fertilizers to the farmers in adequate quantities. Similarly, Department of Fertilizers is also implementing New Pricing Scheme for urea. DOF is also making efforts for assured supply of natural gas to Fertilizer Manufacturing Units. Efforts are also being made for gas pipeline connectivity to plants, which are functioning on Naphtha and furnace oil, for revival of closed units and for New projects. The policy for new investments in urea sector and joint ventures abroad, notified by DOF on 4.9.2008 is being amended to attract investments in Urea fertilizer industry through greenfield projects, expansion of existing units, revamp of existing units and restart of closed units of FCIL/HFCL.