

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

UNSTARRED QUESTION NO:1323

ANSWERED ON:03.03.2011

HIKE IN PRICES OF FERTILIZERS

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

- (a) whether the Government proposes to hike the prices of different kinds of fertilizers;
- (b) if so, the details thereof, alongwith the reasons therefor;
- (c) whether such decision would affect the farm sector;
- (d) if so, the steps taken to protect the interest of this sector;
- (e) whether the Government also proposes to decontrol the fertilizer sector; and
- (f) if so, the details thereof?

Answer

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

(a) & (b) Government of India is implementing New Pricing Scheme (NPS-III) for Urea and Nutrient Based Subsidy (NBS) Policy for decontrolled Phosphatic & Potassic (P&K) fertilizers to make available fertilizers to the farmers at subsidized prices. Maximum Retail Prices (MRPs) of Urea and P&K fertilizers did not increase since February 2002 to 31st March 2010. Meanwhile, the MRPs of various grades of complex fertilizers were reduced w.e.f. 18th June 2008. While the cost of fertilizers and fertilizer inputs have been increasing every year, due to constant MRP, the increase in cost has been absorbed by the Government as subsidy. On the other hand, the Minimum Support Price (MSP) for procurement of agriculture produce has been raised by the Government every year. Generally, the MRPs paid by the farmers for different fertilizers are only 25% to 40% of the total cost of the fertilizers; the balance being paid as subsidy to the fertilizer companies. In view of these, w.e.f. 1st April 2010, Government has increased the MRP of Urea marginally by 10% from Rs.4830 per MT to Rs. 5310 per MT. 90% of the requirements of P&K fertilizers and inputs are met through imports. Prices of P&K fertilizers and their inputs in the international market have direct bearing on the cost of fertilizers and subsidy thereof.

Government is implementing NBS w.e.f. 1st April 2010. MRPs of P&K fertilizers under the NBS Policy have been left open and the same are announced by the importers/manufacturers. However, the Government fixes the subsidy on these fertilizers by taking into account the international prices and the prevailing MRPs in such a manner that it does not affect the MRPs of the fertilizers adversely. After the introduction of NBS policy, MRPs of P&K fertilizers announced by the companies increased by an average of Rs. 30 to Rs.40 per bag (Rs.600 to Rs.800 per MT) only over MRPs that prevailed as on 31.3.2010. MRP of SSP decreased by Rs. 70 per bag. However, due to the rising international prices of the fertilizers and their inputs, the cost of indigenously produced fertilizers has increased. This has resulted in marginal increase in the MRPs of indigenously produced fertilizers during Rabi 2011-12.

(c) & (d): MRPs of fertilizers have marginally increased from 1.4.2010 after a period of 8 years during which the cost of fertilizers, intermediates and raw materials have increased considerably. MSP has also been revised upwards by the Government. At present, the MRPs of fertilizers being paid by the farmers are only 25-40% of the total cost of the fertilizers made available to the farmers. Department of Fertilizers is ensuring adequate availability of fertilizers in all the States. The State Governments have been directed to ensure that the fertilizers are sold to the farmers at the MRPs, which are printed on the fertilizer bags.

(e) & (f): Urea is under statutory price, partial movement and distribution control of the Government. Government announces the MRP of Urea and it is canalized on Government account. P&K fertilizers covered under the NBS Policy are decontrolled since 1992. However, subsidy is provided on the fertilizers in order to provide the same to the farmers at affordable prices.