

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

STARRED QUESTION NO:71

ANSWERED ON:04.08.2011

PRICES OF FERTILIZERS

Mohan Shri P. C.;Vardhan Shri Harsh

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

- (a) the impact of Nutrient Based Subsidy Scheme on the prices of urea and complex fertilizers;
- (b) whether the scheme has led to an increase in the prices of fertilizers;
- (c) if so, the details thereof;
- (d) whether the Government has finalized the modalities for direct subsidy to farmers on fertilizers;
- (e) if so, the steps proposed or being taken to expedite the same; and
- (f) the steps taken to make adequate and timely availability of fertilizers at reasonable prices to the farmers?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION AND MINISTER OF STATE IN MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI SRIKANT KUMAR JENA)

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

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF THE LOK SABHA STARRED QUESTION NO. 71 TO BE ANSWERED ON 4.8.2011 REGARDING PRICES OF FERTILIZERS ASKED BY SHRI HARSH VARDHAN AND SHRI P.C. MOHAN.

(a) to (c): Nutrient Based Subsidy (NBS) policy for decontrolled Phosphatic & Potassic (P&K) fertilizers has been implemented w.e.f. 1.4.2010.

The NBS is applicable for 22 grades of P&K Fertilizers which include Di-Ammonium Phosphate (DAP, 18-46-0), Di-Ammonium Phosphate lite (DAP, 16-44-0), Muriate of Potash (MOP), Mono Ammonium Phosphate (MAP, 11-52-0), Triple Super Phosphate (TSP, 0-46-0), Single Super Phosphate (SSP), 15 grades of complex fertilizers and Ammonium Sulphate (AS - (Caprolactum grade by GSFC and FACT). Primary nutrients, namely Nitrogen (N), Phosphorus (P) & Potash(K) and Secondary nutrient Sulphur(S) contained in the fertilizers mentioned above are eligible for NBS.

Under NBS, the subsidy on decontrolled P&K fertilizers is determined for each nutrient on per kg basis and fixed by the Government on annual basis. NBS is fixed taking into the consideration the affordability of the farmer and prevalent price level of fertilizers and fertilizer inputs in the international market at that time. Since the subsidy for each grade of fertilizers is fixed for a year, the Maximum Retail Price (MRP) of fertilizers at farm gate level has been opened. Accordingly, the MRP of P&K fertilizers is decided and fixed by the fertilizer producing companies or the importers. However, they are required to print MRP along with applicable amount of subsidy on each fertilizer bag clearly. Any sale above the printed MRP is punishable under the Essential Commodities Act.

Since under NBS, subsidy is fixed for a year, the increase or decrease in prices of fertilizers and its raw materials will have an impact on the MRP of these fertilizers which is fixed by the companies. The international prices of fertilizers and its raw materials in the year 2011 have increased substantially as compared to the prices in the year 2010. This increase in international prices of fertilizers and its raw materials have been taken into account while fixing the subsidy rates under NBS Scheme for the Year 2011-12. However, any further increase or decrease in international prices of fertilizers and its raw material is expected to have some effect in the MRP of these fertilizers which is fixed by the companies.

Urea remains under Government control and its import is canalised by the Government through designated canalising agencies. NBS Scheme has not been implemented on Urea and it continues to be governed by New Pricing Scheme-III (NPS-III). The MRP of Urea continues to be fixed by the Government and therefore NBS Scheme does not have any impact on the MRP of Urea. The MRP of Urea fixed by the Government is Rs. 5310 per metric tonne w.e.f 1st April 2010.

(d) & (e): A Task Force on direct subsidy in respect of Kerosene, LPG & fertilizers has been set up under the chairmanship of Shri Nandan Nilekani, Chairman, Unique Identification Authority of India (UIDAI) to examine and implement a solution for transfer of subsidy directly to the farmers. The mandate of the Department of Fertilizers is to make available fertilizers to the farmers at affordable prices.

The Task Force is expected to give an implementable solution on how the direct transfer of subsidy to the beneficiary can take place. An Interim Report of the Task Force has been submitted to the Government on 5th July, 2011 and is available on the website of Ministry of Finance.

In respect of fertilizers, the Task Force has recommended a three stage approach to the issue of direct subsidy. Phase-I is to capture the information availability regarding fertilizers at the farm gate level, wherein the availability at the last point of sale will be captured. In Phase-II, which will be implemented after the Phase-I stabilizes, the subsidy is expected to be transferred to the last point sale and in Phase-III, when the Phase-I & II stabilize, the subsidy is expected to be transferred directly to the intended beneficiary once the AADHAR numbers are given to the beneficiaries and AADHAR enabled payment bridges are in place. The roll out of Phase-I will be in December 2011 and the roll out of Phase-II in June 2012. Phase-III will take place after AADHAR Numbers are given to all the eligible beneficiaries.

(f): As stated above, Urea is the only fertilizer, which is under price and partial movement and distribution control of the Government of India. All other fertilizers like DAP, MOP and NPKS complex fertilizers, SSP etc. are de-controlled. However, movement of 20% of quantity of P&K fertilizers is controlled by the Government. The demand of major fertilizers namely Urea, DAP, MOP and Complexes in the country is on the rise over the years. The increasing demand of fertilizers is bridged through imports. A statement showing the availability of fertilizers is at Annex-I.

The following steps are taken to meet the demand & supply of fertilizers:

(i) Zonal conferences each for Kharif and Rabi season are held every year, wherein the requirement and availability of fertilizers is assessed for all the States/UTs jointly by the State Governments, Department of Agriculture and Cooperation and Department of Fertilizers.

(ii) Monthly Supply Plan is given by Department of Fertilizers to each fertilizer company for the fertilizers supplied by them under the subsidy scheme. Monthly, Movement Orders are issued in respect of Urea. 20% of the price decontrolled fertilizers produced/imported are under the movement control under the Essential Commodities Act. DOF regulates the movement of these fertilizers to bridge the supplies in underserved areas. Freight subsidy is also given on the fertilizers under the Uniform Freight Subsidy Policy. The movement of all major subsidized fertilizers is being monitored throughout the country by an on-line web based monitoring system (www.urvarak.co.in) also called as Fertilizer Monitoring System (FMS);

(iii) The State Governments have been advised (i) to instruct the State Institutional agencies to coordinate with manufacturers and importers of fertilizers for streamlining the supplies (ii) to review the railway rake points in their states and take up the issues with the Railways for improvements, if any, required to ensure availability of fertilizers in every nook and corner of the State;

(iv) The Government has introduced Nutrient Based Subsidy (NBS) Policy in respect of Phosphatic & Potassic fertilizers w .e. f. 1.4.2010. Under the NBS, State Governments have to play more proactive role to co-ordinate with the manufacturers/importers to tie up supplies of fertilizers as per the requirement of states;

(v) Department of Fertilizers and Department of Agriculture & Cooperation are jointly reviewing fertilizer availability with State Agriculture Department through Video Conferencing every week. The corrective actions, if required, are taken immediately to avoid any hardships to farmers;

(vi) The Department of Fertilizers contacts on phone the officials of major fertilizer consuming states on daily basis to find out any shortages of fertilizers in any part of the state and the corrective actions are taken immediately;

(vii) In so far as decontrolled Phosphatic and Potassic fertilizers are concerned, subsidy is released on the receipt/sale of fertilizers;

(viii) The gap between requirement and indigenous availability of Urea is met through imports;

(ix) Under NBS, 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 retail price will be punishable under the EC Act.