

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

UNSTARRED QUESTION NO:769

ANSWERED ON:04.08.2011

INCREASE IN PRICES OF FERTILIZERS

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

- (a) whether the prices of fertilizers have increased rapidly during the last three years;
- (b) if so, the details thereof alongwith the reasons therefor;
- (c) the existing monitoring mechanism to monitor the prices of chemical fertilizers;
- (d) whether the Government has conducted any study to find ways to reduce the production cost of fertilizers;
- (e) if so, the details thereof; and
- (f) the steps being taken by the Government to reduce the prices of fertilizers?

Answer

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

(a) to (c) : The Government has introduced Nutrient Based Subsidy (NBS) Policy for decontrolled Phosphatic & Potassic fertilizers w.e.f. 1.4.2010. The NBS is applicable on 22 grades of P&K fertilizers namely, Di-Ammonium Phosphate (DAP), DAP Lite, Muriate of Potash (MOP), 15 grades of NPKS complex fertilizers, Mono Ammonium Phosphate (MAP), Triple Super Phosphate (TSP), Ammonium Sulphate (AS) and Single Super Phosphate (SSP). Primary nutrients namely, N, P, K (Nitrogen, Phosphate and Potash) and Secondary nutrient 'S' (Sulphur) contained in the fertilizers mentioned above are eligible for NBS. Under NBS, the subsidy on decontrolled P&K fertilizers is determined for each nutrient of N, P, K & S on per kg basis and fixed by the Government on annual basis. NBS is fixed by the Government by taking into the consideration the affordability of the farmer and prevalent price level of fertilizers and fertilizer inputs in the international market.

The Maximum Retail Price (MRP) of P&K fertilizers prior to 1.4.2010 were fixed by the Government, however with the implementation of NBS w.e.f 1.4.2010 the MRP of P&K Fertilizers have been opened and fertilizer producing companies or the importers are allowed to fix the MRP at reasonable level.

Since under NBS, subsidy is fixed for a year, the increase or decrease in prices of fertilizers and its raw materials 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 year 2010. The increase in international prices of fertilizers and its raw materials during the year 2010-11 have been taken into account while fixing the subsidy under NBS Scheme for the Year 2011-12. Accordingly the subsidy has been increased this year as compared to 2010-11. Details of subsidy on P&K fertilizers are as below:-

Fertilizer NBS 2011-12 w.e.f NBS 2010-11 w.e.f 1st Jan 2011
under NBS 1st April 2011 to 31st to 31st March 2011
March 2012 (Rs per MT) (Rs per MT)

AS : 20.6-0-0-23	5979	5195
DAP : 18-46-0-0	19763	15968
DAP Lite:16-44-0-0	18574	14991
MOP : 0-0-60-0	16054	14392
MAP : 11-52-0-0	19803	15879
TSP : 0-46-0-0	14876	11787
SSP : 0-16-0-11	5359	4296
NPS: 16-20-0-13	11030	9073
NPS: 20-20-0-13	12116	10002
NP: 20-20-0-0	11898	9770
NP: 23-23-0-0	13683	11236
NP: 24-24-0-0	14278	11724
NP: 28-28-0-0	16658	13678
NPK:10-26-26-0	18080	15222
NPK: 12-32-16-0	17888	14825

NPK: 14-28-14-0	16602	13785
NPK: 14-35-14-0	18866	15578
NPK: 15-15-15-0	12937	10926
NPKS: 15-15-15-09	13088	11086
NPK: 16-16-16-0	13800	11654
NPK: 17-17-17-0	14662	12383
NPK: 19-19-19-0	16387	13839

The statements showing the MRPs of subsidized fertilizers from 1.4.2007 to Kharif 2011-12 is at Annex – I.

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 it was last increased from Rs 4830 per metric tonne to Rs. 5310 per metric tonne w.e.f 1st April 2010 after a gap of eight years.

Inter-Ministerial Committee (IMC) has been constituted under the NBS Policy comprising of 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 inter alia monitors the prices of P&K fertilizers in its meetings.

(d) & (e) No Madam. No specific study has been conducted by Department of fertilizers to reduce production cost of fertilizers. However, NBS Scheme on P&K fertilizers encourages competition amongst the manufacturer of P&K fertilizers due to which the fertilizer producers tend to reduce the production cost of fertilizers in order to maximize the profit.

(f) The various steps taken by the government to reduce the prices of fertilizers are as under:-

(i) The Nutrient Based Subsidy for the year 2011-12 has been increased as compared to that of year 2010-11 keeping in view the international price trends of DAP, Urea, MOP and Sulphur.

(ii) The government also provides the freight subsidy on fertilizers covered under the subsidy schemes.

(iii) The Government announced 5% countervailing duty on all imported goods which was rolled back to 1% in case of fertilizers to reduce its impact on prices of fertilizers in the country.

(iv) Government has notified New Investment Policy for urea units on 4th September 2008 which incentivises greater efficiency, reduction in energy norms and higher production of urea.