

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

UNSTARRED QUESTION NO:5612
ANSWERED ON:10.05.2012
SUBSIDY ON FERTILIZERS
Ahir Shri Hansraj Gangaram

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

- (a) The modalities of allocating subsidy on fertilizers by the Government under the fertilizers head;
- (b) whether the Government is providing subsidy to the fertilizer companies without the certificates of sale issued by the State Governments;
- (c) if so, the reasons for the release of subsidy to the fertilizer companies without examining the sale of fertilizers and its utilization by the Government;
- (d) Whether the Government has taken any steps to tighten its reins on the fertilizer manufacturing companies in the light of the report of the Comptroller and Auditor General of India on large scale irregularities committed by the fertilizer companies in fertilizer subsidy; and
- (e) if so, the details thereof?

Answer

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

(a): Subsidy on fertilizer is allocated by the Government in Demand Grant No.7 under the following Major Heads as given below:-

S.No. M.H. Head

I 2401 Manures and Fertilizers - Payment for Concessional sale of Indigenous decontrolled fertilizers.

II 2401 Manures and Fertilizers - Payment for Concessional sale of imported decontrolled Fertilizers.

III 2401 Import of Fertilizers - Import of Urea

IV 2852 Fertilizers Industries - Fertilizers Subsidy - Indigenous Urea, including freight subsidy.

In case of I & II above, the Nutrient based subsidy (NBS) on decontrolled P&K Fertilizers was introduced w.e.f. 1.4.2010. The product wise subsidy is computed and notified annually for 'N' - Nitrogen, 'P' - Phosphorous, 'K' - Potash and 'S' - Sulphur contents of fertilizers. Based on the annual requirement of decontrolled fertilizers, the budget for the same is allocated.

So far as Indigenous Urea is concerned (IV above), the budget for indigenous urea is prepared on the basis of delivered cost of urea being manufactured by different units located in different states of the country.

The gap between the total demand of urea and indigenous production of urea is being fulfilled through import of urea. The total allocation of the budget (III above) is based on the net cost outgo on the basis of average import cost per metric tonne and MRP

recovered from handling agents at the time of import.

(b) & (c): The subsidy in respect of P&K fertilizers is released on the basis of certification of the Statutory Auditor of the company that the fertilizer has been received and sold thereafter in the district. The State Governments give an online certification of the quantity as also quality received through the Proforma 'B'. The same is monitored by the Department through the online Fertilizer Monitoring System (FMS) and follow up action is taken by the Department as and when needed.

In the case of SSP fertilizers, a portion of the subsidy (10-15%) is released only after State Governments certify the quantity sold as also quality of fertilizers supplied through the Proforma 'B'.

In both the above cases, the subsidy paid for the quantity declared by the State Governments as short /sub-standard is recovered from the companies with penal interest.

In the case of Indigenous Urea, the subsidy is reimbursable to the urea manufacturers on the basis of quantities of urea received in the States. Subsequently, the quantity sold in the various States is sent annually for certification to the respective State Governments.

(d) & (e): While large scale irregularities committed by the fertilizer companies have not been mentioned in the Comptroller and Auditor General of India report, the observations in their report have been addressed by the Department.