

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

UNSTARRED QUESTION NO:2140
ANSWERED ON:06.12.2012
SUBSIDY ON FERTILIZERS TO FARMERS
Muttemwar Shri Vilas Baburao

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

- (a) whether as per the report of the Ministry of Finance only 46 per cent of the subsidy is reaching the farmers;
- (b) if so, the details thereof and the reasons therefor;
- (c) the steps being taken by the Government in this regard;
- (d) the suggestions of Alagh Committee and the steps taken by the Government thereon;
- (e) whether the burden of subsidy on the Government is likely to be less if the same is provided directly to the farmers and the usage of urea will also be less; and
- (f) if so, the steps proposed to be taken thereon?

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) No, Madam. The report prepared by the Ministry of Finance, Department of Economic Affairs with the assistance of the National Institute of Public Finance & Policy in December 2004 regarding Central Government Subsidies in India

(i) estimated the subsidies provided by the Central Government for 2002-03 and 2003-04;

(ii) examined three major types of subsidies viz. food subsidies, fertilizer subsidies and petroleum subsidies at the level of Government of India;

(iii) suggested possible reforms measures with respect to these three types of subsidies; and

(iv) provided an analysis of the six major centrally sponsored poverty alleviation schemes.

The report further analysed the share of fertilizer subsidy between the farmers and fertilizer industry for the period starting from 1983-84 to 2002-03.

(b) : In view of (a) above, question does not arise.

(c): The Government is providing subsidy on urea and Phosphatic and Potassic (P&K) fertilizers to fertilizer companies. Urea is provided to the farmers at MRP fixed by the Government. The difference between cost of delivered price of urea and its MRP is paid by the Government as subsidy. In case of P&K fertilizers, the Government is implementing Nutrient Based Subsidy(NBS) Policy we.f. 1.4.2010. Under this policy, a fixed amount of subsidy decided on annual basis is provided to each grade of subsidized P&K fertilizers depending upon its nutrient content. Maximum Retail Prices (MRP) of P&K fertilizers is fixed by fertilizer companies.

(d): On the recommendation of Alagh Committee, New Pricing Scheme-III for existing urea manufacturing units was formulated. It has been in force from 1.10.2006 till date. The committee also recommended the existing system of subsidy through manufacturing units to continue.

(e) & (f): The Government has adopted a phased approach to achieve the goal of direct transfer of fertilizer subsidy to the end beneficiary as mentioned below:

Phase I: Implemented with effect from 1st November 2012, Phase I of the project gives information on availability of fertilizers at the last point of retail sales to the farmer.

Phase III: Transfer of subsidy directly to the farmer in a phased manner.

Each stage will serve as the platform for moving to the next stage. The stages are:

Phase III A: Capture of information on sale of fertilizers to the farmer.

Phase III B: Transfer of subsidy to the farmer's account.

Phase III C: Defining entitlements for purchase of fertilizers and transfer of subsidy thereafter.