

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

UNSTARRED QUESTION NO:32

ANSWERED ON:22.11.2012

DIRECT CASH TRANSFER OF FERTILIZER SUBSIDY TO FARMERS

Owaisi Shri Asaduddin

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

- (a) whether the Government has increased the prices of urea and proposes to direct cash transfer of fertilizer subsidy to farmers;
- (b) if so, the reasons for increasing the urea prices;
- (c) whether the Ministry of Finance proposes to frame a plan in this regard and policy for rapid conversion of existing Naptha based urea plants into gas based units;
- (d) if so, whether the said proposal has been prepared for the approval;
- (e) if so, the details thereof;
- (f) if not, the time by which these proposals are likely to be cleared by the Government; and (g) the benefits likely to be derived by the farmers by direct transfer of fertilizer subsidy?

Answer

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

a) Yes, Madam. The MRP of urea in all the States was increased to Rs.5310/- PMT w.e.f. 1st April 2010. The MRP fixed is exclusive of CST, Sales Tax and Central Excise Duty. With effect from 1st November 2012, the MRP of urea has been increased to Rs.5360 PMT (exclusive of the central excise duty, central sales tax, countervailing duty, the state tax and other local taxes wherever levied, whether at the retail sales point or at an intermediate stages).

The Government proposes to implement direct cash transfers of fertilizer subsidy to the farmer in the following phased manner:

i. Phase I (Information Visibility till the Retailers) – In this stage all stakeholders across the fertilizer supply chain report daily dispatch, receipts and stock updates. With effect from 1st November 2012, Manufacturers/Importers will receive a part portion of the subsidy only after retailer's confirmation regarding receipt of fertiliser stock. This will focus on increasing transparency across the supply chain. There are a total of 1,95,369 wholesalers and retailers registered in the mobile-Fertilizer Monitoring System (m-FMS).

ii. Phase III - The ultimate objective of this phase is to achieve direct transfer of fertiliser subsidy by crediting into the end buyer's accounts. Phase III is further detailed out into three sub-stages as follows:

Phase III (A) – It captures the information of retailer sales to the farmers through either a Point of Sale (PoS) device or internet. The farmer will be identified through his Aadhaar number and the core bank linked Kisan Credit Card (KCC) or bank account. Part of the subsidy will be paid to manufacturers/importers on the basis of sales to the farmers when the system stabilizes.

Phase III (B) – Subsidy to retail customer on the basis of fertilizer sales made to him / her. This will be considered for implementation once Phase III (Stage A) stabilizes.

Phase III (C) - Subsidy to farmer basis details of sales made to him / her. Criteria for identification of a farmer will be established and promulgated after due consultation with all stakeholders and credible information is available on the end user database.

(b) : The prices of all fertilizers, including urea have been increased by Rs.50 PMT (Rs.2.50 per bag of 50 Kg) w.e.f. 1st November 2012 to incentivize the retailer at the last point of sale to the farmer to acknowledge to receipt of fertilizers through internet/SMS in the m-Fertilizers Monitoring System (m-FMS) and reporting the stock as well. This will be paid only to those retailers who acknowledge the receipt of fertilizers. The farmer benefits by having real time information on availability of fertilizers at the last retail point of sale.

(c) to (f): The Ministry of Finance has advocated rapid conversion of existing naphtha based urea units into gas based units. Accordingly, the Department of Fertilizers is considering the New Pricing Scheme (NPS) policy of existing urea units beyond stage-III.

(g): Direct transfer of subsidy to farmers should help the Government to target small, marginal and other farmers and shall bring more transparency in the subsidy disbursement. This shall also help in avoidance of diversion of subsidized fertilizers for non-agricultural

usage and thus help in better availability of fertilizers to the farmers.