

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

UNSTARRED QUESTION NO:1139
ANSWERED ON:29.11.2012
STUDY ON FERTILIZER SUBSIDY
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Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

- (a) whether a study on the topic 'Fertilizer subsidy in India – who are the beneficiaries' has been conducted by the Indian Institute of Management (IIM) in respect of grant of fertilizer subsidy directly to the farmers and the various other related issues;
- (b) If so, the outcome thereof;
- (c) Whether as per the proposal of the Government, the study was not in favour of granting subsidy directly to the farmers;
- (d) If so, the reason therefor; and
- (e) The reaction of the Government thereto?

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 (e): The Indian Institute of Management (IIM), Ahmadabad in its internal working paper titled "Fertilizer subsidy in India: who are the beneficiaries?" published in July 2009 which can be downloaded from the website (<http://www.iimahd.ernet.in/publications/data/2009-07-01Sharma.pdf>), made following observations:

- i. Fertilizer subsidy is concentrated in few states, namely, Uttar Pradesh, Andhra Pradesh, Maharashtra, Madhya Pradesh and Punjab;
- ii. Rice, wheat, sugarcane, and cotton account for about two-third of total fertilizer subsidy;
- iii. The fertilizer subsidy is more equitably distributed in farm sizes;
- iv. A reduction in fertilizer subsidy is likely to have adverse impact on farm production and income of small and marginal farmers;
- v. The paper justifies the fertilizer subsidies and questions the rationale for direct transfer of subsidy to farmers.

Department of Fertilizers has already decided to implement direct cash transfer to the farmers in a phased manner. The direct cash transfer to the farmers has following advantages:

- a. Direct transfer of subsidy to farmers would help the Government to target small, marginal and other farmers and would bring more transparency in subsidy disbursement;
- b. It shall also help in avoidance of diversions of fertilizer for non-agricultural usage and thus better availability of fertilizer to farmers.