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**STANDING COMMITTEE ON
CHEMICALS & FERTILIZERS
(2013-14)**

**MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)**

**[ACTION TAKEN BY THE GOVERNMENT ON THE
OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE
39TH REPORT (15TH LOK SABHA) OF THE STANDING
COMMITTEE ON CHEMICALS AND FERTILIZERS (2013-14) ON
'PRICING OF FERTILIZERS' OF DEPARTMENT OF FERTILIZERS.]**



FORTY-FOURTH REPORT

**LOK SABHA SECRETARIAT
NEW DELHI**

February, 2014/ 27 Magha 1935, (Saka)

REPORT

**STANDING COMMITTEE ON
CHEMICALS AND FERTILIZERS
(2013-14)**

FIFTEENTH LOK SABHA

**MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)**

**[ACTION TAKEN BY THE GOVERNMENT ON THE
OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE
39TH REPORT (15TH LOK SABHA) OF THE STANDING COMMITTEE ON
CHEMICALS AND FERTILIZERS (2013-14) ON 'PRICING OF
FERTILIZERS' OF DEPARTMENT OF FERTILIZERS.]**

Presented to Lok Sabha on 12.02.2014

Laid in Rajya Sabha on 11.02.2014



**LOK SABHA SECRETARIAT
NEW DELHI**

February, 2014/27 Magha 1935, (Saka)

(i)

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(ii)

**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS &
FERTILIZERS
(2013-14)**

Shri Gopinath Munde - Chairman	
MEMBERS LOK SABHA	
2.	Shri S. Alagiri
3.	Shri Gajanan D. Babar
4.	Shri P.P. Chauhan
5.	Shri Sher Singh Ghubaya
6.	Shri S.K. Nurul Islam
7.	Shri Sakti Mohan Malik
8.	Shri Paswan Kamlesh
9.	Shri Amarnath Pradhan
10.	Shri Ashok Kumar Rawat
11.	Shri Tufani Saroj
12.	Shri Suresh Kumar Shetkar
13.	Shri Raju Shetti
14.	Shri G.M. Siddeshwara
15.	Shri D. Venugopal
16.	Shri Sai Prathap Annayyagari
17. +	Vacant
18.	Vacant
19.	Vacant
20.	Vacant
21.	Vacant
RAJYA SABHA	
22.	Shri Biswajit Daimary
23.	Shrimati Naznin Faruque
24.	Shri A.A. Jinnah
25.	Shri Brijlal Khabri
26.	Shri Dilipbhai Pandya
27.	Shri Raghunandan Sharma
28.	Shri Ishwar Singh
29. &	Shri Pramod Kumar
30.	Vacant
31.	Vacant

SECRETARIAT

- | | | | |
|----|----------------------------|---|---------------------|
| 1. | Smt Rashmi Jain | - | Joint Secretary |
| 2. | Shri U.B.S. Negi | - | Director |
| 3. | Shri Anil Kumar Srivastava | - | Additional Director |
| 4. | Smt. Emma C. Barwa | - | Under Secretary |

INTRODUCTION

I, the Chairman, Standing Committee on Chemicals and Fertilizers (2013-14) having been authorised by the Committee to present the Report on their behalf present this Forty-Fourth Report (Fifteenth Lok Sabha) on Action Taken by the Government on the observations/recommendations contained in the Thirty-Ninth Report (Fifteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers (2012-2013) on 'Pricing of Fertilizers' of the Ministry of Chemicals and Fertilizers (Department of Fertilizers).

2. The Thirty-Ninth Report (Fifteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers was presented to Lok Sabha on 29 August, 2013. The Action Taken Replies of Government to all observations/recommendations contained in the Report were received on 01 November, 2013. The Standing Committee on Chemicals and Fertilizers (2013-14) considered the Action Taken Report and adopted the same at their sitting held on 20 January, 2014.

3. An analysis of the Action Taken by the Government on the observations/recommendations contained in the Thirty-Ninth Report (Fifteenth Lok Sabha) of the Committee is given in Appendix-II.

4. For facility of reference and convenience, the observations / recommendations of the Committee have been printed in bold letters in the body of the Report.

New Delhi;

28 January, 2014
8 Magha, 1935 (Saka)

GOPINATH MUNDE
Chairman,
Standing Committee on
Chemicals and Fertilizers

REPORT
CHAPTER – I

This Report of the Standing Committee on Chemicals and Fertilizers deals with the action taken by the Government on the Observations/Recommendations contained in the Thirty-Ninth Report (Fifteenth Lok Sabha) of the Committee on 'Pricing of Fertilizers' of the Ministry of Chemicals & Fertilizers (Department of Fertilizers) which was presented to Lok Sabha on 29.8.2013. The Report contained 12 Observations / Recommendations of the Committee.

2. The Ministry of Chemicals & Fertilizers (Department of Fertilizers) were requested to furnish replies to the Observations/Recommendations contained in the Thirty-Ninth Report within three months from the date of presentation of the Report, i.e., by 28.11 2013. The Action Taken Replies of the Government in respect of all the 12 Observations/ Recommendations contained in the Report have been received from the Ministry of Chemicals and Fertilizers (Department of Fertilizers) vide their O.M. No.H-11021/19/2013-Parl., dated 01.11.2013. These have been categorized as follows:-

- (i) Observations/Recommendations that have been accepted by the Government:

Sl.Nos. 2,3,7,8,9,10, and 12 Chapter II	(Total =7)
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- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the Government's reply:

Sl.No. Nil	(Total = Nil) Chapter III
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- (iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee:

Sl.Nos. 4,5,6,11	(Total =04) Chapter IV
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- (iv) Observations/Recommendations in respect of which final replies of the Government are still awaited:

Sl.No.1	(Total =1) Chapter V
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3. **The Committee desire that the Action Taken Notes on the Observations / Recommendations contained in Chapter-I, Chapter IV in respect of which replies of the Government have not been accepted by the Committee and Chapter V for which final replies are still awaited, of this Report, should be furnished expeditiously.**

4. The Committee will now deal with action taken by the Government on some of their Observations / Recommendations which still require reiteration or merit comments.

A. Nutrient Based Subsidy (NBS)

Recommendation No. 1

5. Stressing for conducting a comprehensive study on the impact of Nutrient Based Policy on prices of fertilizers, the Committee had recommended as under:-

"The Committee note that Nutrient Based Subsidy (NBS) policy was introduced w.e.f. 01.04.2010 to address the issues relating to agriculture productivity, balanced use of fertilizers and growth of indigenous fertilizer industry, competitiveness amongst the fertilizer companies, etc. Under this policy, a fixed amount of subsidy decided on annual basis is provided on each grades of subsidized fertilizers depending on its nutrient contents and fertilizer manufactures/marketeers are allowed to fix the MRP at reasonable rate. However, the Committee are distressed to note that after the introduction of NBS policy, the prices of the P&K fertilizers have escalated exponentially almost three or four times. The Committee also regret to note that the Government has yet to conduct a formal study on the impact of NBS Policy on prices of fertilizers since its implementation. In the absence of such study, the Committee feel that the Department of Fertilizers would not be able to take any appropriate and effective corrective measures to contain the escalating prices of the fertilizers in the country. Since NBS regime is for the last more than three years, the Committee, therefore, recommend that the Department of Fertilizers should initiate action to conduct a comprehensive study in this regard without further delay. The study should be completed within a fixed time frame and on the basis of outcome of the study, the Department should take corrective measures to render relief to the farmers through reduction in prices."

Reply of the Government

6. In its action taken reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:-

"The Department has in August 2013, engaged a consultancy firm namely M/s. Ernst & Young to carry out a study on the impact of NBS Policy. The key focus areas of the Study are as under:-

- (i) Impact of NBS Policy on prices and availability of fertilizers in India.
- (ii) Impact of NBS Policy on balanced fertilization on soil and its impact on the agricultural productivity.

- (iii) Mechanism to ascertain 'reasonability' of MRPs.
- (iv) Identification of additional mechanism under NBS policy to make it more effective in achieving its objectives.
- (v) Monitoring and regulation of prices.
- (vi) Price Discovery and Fixation of Prices.

The report from M/s. Ernst & Young is expected soon."

Comments of the Committee

7. The Committee were disappointed to note that after the introduction of NBS policy, the prices of P&K has escalated exponentially. The Committee had, therefore, recommended that a comprehensive study should be conducted within a fixed time frame on the impact of NBS policy on the prices of fertilizers since its implementation and on the basis of outcome of the study, the Department should take corrective measures to render relief to the farmers through reduction in prices. In their action taken reply, the Department of Fertilizers has stated that they have engaged in August 2013, a consultancy firm namely M/s Ernst & Young to carry out study on impact of NBS policy. However, the Committee are dismayed to note that no specific time limit has been set by the Department for submission of the report by M/s Ernst & Young. Since it is essential to evaluate the impact of NBS regime on price rise of fertilizers, the Committee, therefore, recommend that the Department of Fertilizers should impress upon M/s Ernst & Young to expedite the report in the matter within a fixed time frame and on the basis of outcome of the said study, the Department should take appropriate corrective measures to provide relief to the farmers. The Committee would like to be apprised of the action taken by the Department and the progress made in this regard.

B. Price Rise of Fertilizers

Recommendation No. 2

8. While expressing their concern over the increasing trend in rise in price of fertilizers, the Committee had recommended as under:-

"The Committee are dismayed to note the increasing trend of price rise of the P&K fertilizers in the recent years. The Department of Fertilizers has attributed various reasons for increase in the prices of fertilizers. According to the Department of Fertilizers, rise in the prices of imported raw material along with the depreciation of rupee against the dollar have led to the increase in the price of fertilizers in recent years. The increase in the price of the oil and natural gas has also led to increase in the prices of fertilizers. However, the Committee are not

entirely convinced with the reasons given by the Department of Fertilizers for the sharp and abnormal rise in prices of fertilizers. Under the NBS policy, there is no mechanism to determine the reasonableness of MRP fixed by the fertilizer companies or any express provision for taking action against those unscrupulous manufacturers/ marketeers which are raking up undue profits as a result of fixation of very high MRP. Needless to say, any increase in the prices of fertilizers adversely affects the farmers particularly those belonging to the poor and marginal sections. The Committee, therefore, recommend that an effective mechanism should be put in place to examine/ scrutinize the reasonableness of the MRP fixed by the fertilizer companies. In this context, fertilizer companies should also be asked to submit the requisite information mandatorily about the cost of fertilizers on which subsidy is being claimed by them and also justify the MRP of fertilizers fixed by them. In this regard, cost audit of the fertilizers produced/manufactured by the companies should be compulsorily carried out. In case the MRP fixed by the companies is found unreasonable, then the Department should take stern action against them and the subsidy given to them should either be restricted or even recovered from them. The prices at which the fertilizers are being sold to the farmers in the retail market should be strictly monitored by the Department in co-ordination with the State Governments and if anyone found selling the fertilizers above the printed MRP should be strictly dealt with under the EC Act. An institutional mechanism to monitor the sale price of the fertilizers at retail market to the farmers should be set up for the purpose."

Reply of the Government

9. In its action taken reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:-

"In order to monitor the reasonableness of MRPs of P&K fertilizers fixed by the fertilizer companies, it has been made mandatory for all the fertilizer companies to submit, along with their claims of subsidy, certified cost data in the prescribed format and as per the requirement. This has become effective from 1.4.2013.

In cases, where, after scrutiny, unreasonableness of MRP is established or where there is no correlation between the cost of production or acquisition and the MRP printed on the bags, the subsidy may be restricted or denied even if the product is otherwise eligible for subsidy under NBS scheme. In proven case of abuse of subsidy mechanism, DOF, on the recommendation of IMC, may exclude any company from the NBS Scheme.

The Cost Data from some of the fertilizer companies has since been received. After analysis of the requisite data, the Department will take appropriate action under the NBS Policy."

Comments of the Committee

10. The Committee were dismayed to note the increasing trend of price rise of P&K fertilizers in the recent years. The Committee had, therefore, recommended that an effective mechanism should be put in place to examine/ scrutinize the reasonableness of the MRP fixed by the fertilizer companies. The Committee had also impressed upon that the cost audit of the fertilizers produced/manufactured by the companies should be compulsorily carried out. In case the MRP fixed by the companies is found unreasonable, then the Department should take stern action against them and the subsidy given to them should either be restricted or even recovered from them. The Committee had also recommended that an institutional mechanism to monitor the sale price of the fertilizers at retail market to the farmers should be set up for the purpose. In its action taken reply, the Department has stated that it has been made mandatory for all the fertilizer companies to submit, along with their claim of subsidy certified cost data in the prescribed format and as per the requirement. This has become effective from 1.4.2013. The Department has also stated that in cases it is proven that there is unreasonableness of MRP and abuse of subsidy mechanism, Department on the recommendation of IMC, may exclude any company from the NBS scheme. The cost data from some of the fertilizer companies has since been received and after analysis of the requisite data, the Department will take appropriate action under the NBS policy. However, the Committee regret to note that no timeline has been fixed to finalize the investment proposal received by the Department. The Committee now expect from the Department to analyse the cost data as received from the fertilizer companies within a fixed time frame and to find out the reasonableness of MRP of the fertilizers fixed by the companies as well as the justification for their claim for subsidy. Rest of the companies should also be impressed upon to furnish the cost data without any further delay. If On the basis of outcome of the analysis, the companies are found raking up undue profits as a result of fixation of high MRP, then the Department should take stern action against such companies. The Committee would like to be apprised of the action taken in the matter and the progress made in this regard.

C. New Pricing Scheme

Recommendation No. 3

11. Stressing the need to augment the domestic production of urea, the Committee had recommended as under:-

"The Committee note that New Pricing Scheme (NPS) for urea units came in to existence w.e.f. 01.04.2003 replacing the erstwhile Retention Price System. The Committee also note that there is an imperative need to set up new urea units and expansion of existing urea units for augmenting the domestic production capacity of urea to meet the growing demand of urea for enhancing the agricultural production in the country over the years. The Committee are, therefore, of the view that formulation of policy for existing urea unit beyond stage III of New Pricing Scheme (NPS) is essential to achieve self-sufficiency in domestic production of urea which is also one of the cherished goals which the Government plans to achieve by the end of Twelfth Plan period. Hence, the Committee recommend that the formulation of the policy for existing urea units beyond Stage III of New Pricing Scheme may be expedited."

Reply of the Government

12. In its action taken reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:-

"The policy for stage III of New Pricing Scheme (NPS-III) was effective from 01.10.2006 till 31.03.2010. The provisions of policy for Stage-III of NPS have been extended beyond the validity period of NPS-III i.e. 31.03.2010 till further orders. The matter of formulation of policy for the existing urea units beyond stage-III of New Pricing Scheme (NPS) is under consideration of Group of Ministers constituted to review the fertilizer policy, the meeting of which was held on 5th June, 2013 and during the meeting, it was decided that further deliberations on the issues are required before formulation of policy for existing urea units beyond New Pricing Scheme."

Comments of the Committee

13. The Committee noted that the policy for stage III of New Pricing Scheme (NPS) expired on 31.03.2010 but its provisions have been extended beyond 31.03.2010 till further orders. Keeping in view the imperative need to achieve self-sufficiency in domestic production of urea, the Committee had, therefore, recommended that the formulation of the policy for existing urea units beyond Stage-III of New Pricing Scheme should be expedited. In their action taken reply,

the Department has stated that the provisions of policy for Stage-III of New Pricing Scheme (NPS) is under consideration of Group of Ministers constituted to review the fertilizer policy. In its meeting held on 5th June 2013, it was decided that further deliberations on the issues are required before formulation of policy for existing urea units beyond New Pricing Scheme. The Committee are not satisfied with the pace of progress in the matter as even after a lapse of more than three years, the new pricing scheme for existing urea units beyond stage III of NPS is yet to be formulated by the Government. The Department has also not fixed any time lines to formulate the policy in the matter. This shows the lackadaisical approach of the Government on the issue. Since it is essential to augment the domestic production of urea to meet the growing demand of agriculture and any further delay may adversely affect the growth of urea units, the Committee expect the Department to expedite the deliberations on the issue and formulate the policy for existing urea units beyond Stage-III of NPS with in a fixed time frame. The Committee would like to be apprised of the timeframe establish and progress made so far by the Department in this regard.

D. Availability of Fertilizers

Recommendation No. 4

14. While stressing direct interaction with the farmers at the Village or Panchayat levels, the Committee had recommended as under:-

"The Committee were informed that the weekly video conference is conducted jointly by Department of Agriculture, Department of Fertilizers, Ministry of Railways and Ministry of Shipping with State Agriculture officials with regard to all issues related to agricultural production, productivity and inputs such as availability of fertilizers. The video conference is held at official level only and farmers or Panchayats do not participate in such video conferences. The Committee were also informed that logistically it would not be possible to hold video conferences at the district level as the State Government are supposed to take data from the districts. It also came to the notice of the Committee that the Department of Fertilizers does not have any direct interaction with the farmers as they do not have any field officers and the Department has to depend entirely upon the officers of the State Government for getting the required information. The Committee were further informed that the teams constituted by the Department of Fertilizers conduct on field inspections to see whether the shops are available, weights of the fertilizer bags are correct or not and at what prices fertilizers are being sold etc. Nevertheless, the Committee are of the view that the

ground reality with regard to availability of fertilizers and on related issues could be ascertained only by way of direct interaction with the farmers at the Village or Panchayat levels. The Committee, therefore, recommend that the farmers or their representatives from Panchayats should invariably be involved and interacted in weekly or monthly video conferences organized by the Department of Fertilizers. Such conferences should be held at the District level and an Action Taken Report on the issues jointly reviewed by officials of the Government of India and the State Governments should be placed on the website of the Department. The Committee also recommend that Department should also find out the feasibility to establish an annual programme for regular field visits of their own field officers for interaction directly with the farmers in order to get first hand information about the demand, availability and prices of fertilizers and on related issues.

Reply of the Government

15. In its action taken reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:-

"Department of Agriculture & Cooperation organizes weekly video conferences with State Governments in which officials of State Government Agriculture department, responsible for availability of fertilizers in their respective States, participate. Officials of Department of Fertilizers also attend these conferences. It is not possible to involve farmers or their representatives in these conferences or holding video conferences at District level because Department of Fertilizers does not have any Field Officers even at State level.

As regards regular field visits by the officers of this Department are concerned, this Department formed teams to visit the States allocated to them and review the following items with the concerned State Government authorities and submit report periodically:-

- i. Inspection of Mobile Based Fertilizer Monitoring System.
- ii. Fertilizer availability at state as well as District level.
- iii. Quantity verification at godowns of dealers/ companies.
- iv. Quality of fertilizer bags.
- v. Black marketing, Hoarding and smuggling of fertilizers.
- vi. Diversion of fertilizers for other than agriculture use like industrial use.
- vii. Interactions with non-officials and farmers to take feedback.
- viii. Verification of printed MRP and MRP shown by the companies in FMS.
- ix. Updation of data in Fertilizer Monitoring System.
- x. Shortage/ leakage in quantity due to poor handling.
- xi. Updation of dealer's data in FMS/mFMS.
- xii. General awareness of rules by dealers.
- xiii. Quality of fertilizers/ sales of non-standard fertilizer."

Comments of the Committee

16. The Committee were of the view that the ground reality with regard to availability of fertilizers and on related issues could be ascertained only by way of direct interaction with the farmers at the Village or Panchayat levels. The Committee had, therefore, recommended that the farmers or their representatives from Panchayats should invariably be involved and interacted in weekly or monthly video conferences organized by the Department of Fertilizers. The Committee had also recommended that the Department of Fertilizers should find out the feasibility to establish an annual programme for regular field visits of their own field officers for interaction directly with the farmers in order to get first hand information about demand, availability and prices of fertilizers. However, the Committee are distressed to note from the action taken reply of the Government that it would not be possible for them to involve farmers or their representatives in these conferences or holding video conferences at district level as Department does not have any field officers even at state level. The Committee are not entirely convinced with the submission of the Department in the matter. The Committee are of the view that the Department, being the nodal agency, can not absolve themselves of their responsibility to ensure availability of fertilizers at reasonable prices to the farmers in various States and therefore, it is imperative for them to work out modalities or mechanism in co-ordination with the Ministry of Agriculture and respective State Governments with a view to get first hand information from the farmers or from their representatives about the demand, availability distribution and prices of fertilizers and on related issues. The Committee, therefore, reiterate its recommendation that farmers or their representatives should be involved in video conferences organized by the Department to get first hand information about demand, availability and prices of fertilizers and for this purpose, it is imperative for them to work out an annual program me for regular field visits for direct interaction with the farmers or their representatives. The Committee would like to be apprised of the initiatives taken by the Department in this regard.

E. Streamlining movement and distribution of Fertilizers

Recommendation No. 5

17. While noting that the overall supply (availability) of fertilizers is not as per the demand (requirement), the Committee had recommended as under:-

"The Committee were informed that there was no problem about the availability of fertilizers to the farmers in the last Kharif season and overall availability of fertilizer was comfortable. However, contrary to the claim of the Department of Fertilizers, it came to the notice of the Committee that the farmers in some parts of the country like in Medak and Nizamabad in Andhra Pradesh have to stand in long queues outside the fertilizer shop just to get one bag of fertilizer which sometimes they fail to get. In the action taken reply to the Recommendation No.9 of the Twenty Eighth Report of the Committee on 'Production, Demand and Availability of Fertilizers and its Distribution', the Department had stated that the supply (availability) of fertilizers is adequate and comfortable. However, on careful analysis of demand and supply of fertilizers during the year 2012, as reflected in the statement (Annexure-VII), the Committee have noted that the overall supply (availability) of fertilizers is not as per the demand (requirement), irrespective of sale of fertilizers. In fact, the availability of Urea, DAP, MOP and NPK in most of the States is less than the demand (requirement) which clearly indicates the shortage of fertilizers in the States. As for example, the demand (requirement) of urea in Maharashtra is 2190.00 MT whereas only 1779.42 MT of Urea was available. Similarly, as against the demand of 1301.00 MT of DAP, 482.00 MT of MOP and 1522.00 MT of NPK only 743.49 MT of DAP, 314.99 MT of MOP and 1325.73 of NPK was available. Similar is the position of demand and supply in reality in Karnataka, Kerala, Chhattisgarh, Gujarat, and other States as well. The Committee, therefore, recommend that the Department should find out the reported shortage of fertilizer in various parts of the country and simultaneously should take effective measures to streamline the movement and distribution system in coordination with the officials of the State Government concerned with a view to ensure timely and adequate supply of fertilizer to the farmers at affordable prices."

Reply of the Government

18. In its action taken reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:-

"The Status of requirement, availability and sales of Urea, DAP, MOP and NPK during the year 2012-13 is placed at **Annexure-I**. It may be seen from the table that availability of Urea, DAP, MOP and NPK during the year has been comfortable and more than the sales. The demand for the fertilizer is projected by the States one or two months in advance of commencement of the next season. For the annual demand for fertilizers, the States is largely dependent upon the ideal condition. It is generally seen that fertilizers are consumed during 2-3 months window in each season. Therefore, though the States give projection for all the months but lift less than projected requirement during last months.

The Department of Fertilizers tries to ensure availability of fertilizers as per the assessed demand by the State Governments at the start of the season but the supply/ availability of fertilizers to a particular State not only depend upon its assessed demand but also lifting of fertilizers by the States by placing orders with the fertilizer companies through their marketing institutions and actual sales at dealer level in States. The availability is also a factor of sales. Here, it is pertinent to mention that actual sales is reflective of actual demand during the season, whereas the initial projection at the start of season is mere an assessment. Assessed demand for fertilizers is largely dependent upon ideal conditions, whereas the sale are a reflection of actual conditions prevailing during the season which may change the actual demand of fertilizers by farmers on real time basis. Therefore, there is always a gap between the assessed demand, actual availability and sales of fertilizers. Hence, availability of fertilizers may appear to be low as compared to requirement but is quite comfortable vis-a vis sales."

Comments of the Committee

19. The Committee had recommended that the Department should find out the reported shortage of fertilizer in various parts of the country and simultaneously should take effective measures to streamline the movement and distribution system in coordination with the officials of the State Government concerned with a view to ensure timely and adequate supply of fertilizer to the farmers at affordable prices. In its action taken reply, the Department has stated that the demand for the fertilizer is projected by the States one or two months in advance of commencement of the next season. The Department tries to ensure availability of fertilizers as per the assessed demand by the State Governments at the start of the season but the supply/ availability of fertilizers to a particular State not only depend upon its assessed demand but also lifting of fertilizers by the States by placing orders with the fertilizer companies through their marketing institutions

and actual sales at dealer level in States. According to the Department, actual sales is reflective of actual demand during the season, whereas the initial projection at the start of season is mere an assessment. Assessed demand for fertilizers is largely dependent upon ideal conditions, whereas the sale are a reflection of actual conditions prevailing during the season which may change the actual demand of fertilizers by farmers on real time basis. Therefore, there is always a gap between the assessed demand, actual availability and sales of fertilizers. Hence, availability of fertilizers may appear to be low as compared to requirement but is quite comfortable vis-a vis sales. The Committee are not convinced with the reply of the Department in the matter that the overall availability of fertilizers to the farmers is comfortable. Contrary to the claim of the Department, there were reported shortage of fertilizers to the farmers which had come to the notice of the Committee as pointed out in their 39th Report but the Department, it seems, has not made any efforts to find out the specific reasons in to those cases as reported to the Committee. The Committee feel that it is very natural for the farmers to make demand for fertilisers as per the prevailing seasonal conditions. Therefore, it is the responsibility of the Government to keep adequate stock of fertilizers of various grades ensuring supply of adequate quantity of fertilisers as per their demand. During its study tour to Srinagar, Jammu, Dalhousie, Chamba and Pathankot (from 17 to 23 June, 2013), it was reported to the Committee that in the State of Jammu and Kashmir there is only one transporter appointed by National Fertilizers Limited (NFL) and the single transporter does not supply fertilizers to far flung areas, resulting in shortage of fertilizers. The Committee are of the view that there should not be any objection if other transporters besides those appointed by NFL, are allowed as secondary transporters to supply fertilizers in the State. In view of the foregoing, the Committee reiterate its recommendation that an effective mechanism may be put in place to streamline the movement and distribution of fertilisers to the farmers as per their demand. The Committee would like to be apprised of the initiatives taken by the Department in this regard.

F. Realistic assessment of requirement of fertilisers

Recommendation No. 6

20. While noticing that the requirement of fertilizers assessed by States is unrealistic and inflated, the Committee had recommended as under:-

"The Committee also observe that there is huge variation in the actual sales in comparison to availability (supply) of fertilizers. As for example, the availability of

Urea in Haryana was 1542.77 MT, whereas, corresponding sales was 1461.06 MT only. Similarly, as against the availability of 776.72 MT of DAP, 21.45 MT of MOP and 23.09 MT of NPK and only 473.82 MT of DAP, 18.36 MT of MOP and 17.19 MT of NPK was sold . The Committee, therefore, come to the conclusion that the requirement of fertilizers assessed by States is unrealistic and inflated if we go by the present way of assessment. The Committee, therefore, desire that a scientific mechanism need to be developed for working out a realistic assessment of requirement of fertilizers in the country. This is all the more essential in order to restrict import of fertilizers particularly P&K fertilizers so as to check outgo of precious foreign exchange. Therefore, the Committee recommend that the Department of Fertilizers should take initiative in cooperation with the Department of Agriculture and Cooperation to evolve a scientific process for realistic assessment of requirement of fertilizers. The Committee would like to be apprised of the steps taken by the Department in this regard."

Reply of the Government

21. In its action taken reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:-

"Various measures taken by Ministry of Agriculture to ensure the process of assessment of requirement of fertilizers more rational, scientific and realistic are as follow:

(i) The Ministry modified the process of assessment of requirement of fertilizers to make it more scientific by introduction of new proformas and modification of few earlier proformas (used to assess requirement of fertilizers). These new and modified proformas have been sent to States for assessing the requirement of fertilizers for last three cropping seasons.

The States have been requested to compile the information in these new & modified proformas related to gross cropped area, area under irrigation, area under crops at block level and information pertaining to deficiency in terms of nutrients, requirements in terms of NPK nutrients etc. at district level. These are the factors, which primarily govern the requirement of fertilizers. States have been compiling information in these new/modified proformas for last three cropping seasons.

(ii) State Governments project requirement of fertilizers more or less as per the requirement of NPK nutrients and availability of fertilizers in the states are made as per the projected requirement. But due to unprecedented increase in prices of P&K fertilizers as compared to the price of Urea ('N') has led to demand

destruction in P&K fertilizers. Thus, sales of P&K fertilizers vis-à-vis their availability are low despite these being required as per the actual status of soil health.

Comments of the Committee

22. The Committee had observed that the assessment of requirement of fertilizers by the States is unrealistic and inflated. The Committee had, therefore, recommended that Department of Fertilizers should take initiative in cooperation with Department of Agriculture and Cooperation (DAC) to evolve a scientific process for realistic assessment of requirement of fertilizers. In its action taken reply, the Department has stated that DAC has taken various measures to ensure the process of assessment of requirement of fertilizers more rational, scientific and realistic. The Committee are of the opinion that assessment of requirement of fertilizers of the farmers should be done in a scientific manner taking into account all relevant factors viz., weather forecast, market trend, local conditions, transport facility, previous history, etc. As a result of scientific assessment of demand of fertilizers, the Committee hope that the outgo of precious foreign exchange due to inflated and irrational assessment of demand of fertilizers in the country would be checked and at the same time, there would be adequate quantity of fertilizers to meet the just demand of farmers from time to time.

G. New Investment Policy- 2012

Recommendation No. 7

23. While noting that the initiative of the New Investment Policy is to facilitate fresh investment in urea sector, the Committee had recommended as under:-

"The Committee note that the New Investment Policy-2012 has since been notified by the Government on 2nd January 2013. The initiative of the policy is to facilitate fresh investment in urea sector to reduce India's import dependency in urea sector. The policy not only supports gas based plants but it also supports revival of closed units in the country. It encourages investment by Indian industry in Joint Venture abroad in resource rich countries. The Committee hope that the New Investment Policy would address comprehensively all the issues which are affecting the growth of fertilizer sector and reduce the gap between the indigenous production and import of urea in the country. The Committee, however, expect that the New Investment Policy would be implemented effectively

and expeditiously. The Committee would like to be apprised of the action plan formulated by the Government in this regard."

Reply of the Government

24. In its action taken reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:-

"The Government has announced New Investment Policy-2012 on 02.01.2013 to attract investment and enhance domestic production of Urea. Under this policy, the Government has received 14 investment proposals from various fertilizer companies including PSUs/Cooperatives which are under consideration. As per deliberation and discussion held in the meeting on 01.07.2013 under Chairmanship of PS to Hon'ble Prime Minister, it was decided to move an amendment in New Investment Policy, 2012 through CCEA for substituting the phrase "guaranteed buyback" with expression that subsidies will be given only upon domestic sale as at present with proper safeguards. The draft CCEA Note has been circulated on 21st August, 2013 for Inter-Ministerial consultation before placing it for consideration of CCEA."

Comments of the Committee

25. In their report, the Committee had expected that the New Investment Policy-2012 would be implemented effectively and expeditiously. In its action taken reply, the Department has stated that New Investment Policy-2012 was announced on 2.1.2013 to attract investment and enhance domestic production of urea. Under this policy, the Government has received 14 investment proposals from various fertilizer companies including PSUs/ Cooperatives which are currently under consideration. Further, in a meeting held on 1.7.2013, it was decided to move an amendment in New Investment Policy, 2012 through CCEA for substituting the phrase 'guarantee buyback' with expression that subsidies will be given only upon domestic sale as at present with proper safeguards. Further, the draft CCEA Note has been circulated on 21st August, 2013 for Inter-Ministerial consultation before placing it for consideration of CCEA. In view of the foregoing, the Committee expect the Department to pursue the matter so that investment proposals received under the new policy may be considered and finalized expeditiously within a fixed time frame with a view to attract investment and augment domestic production of Urea. The Committee would like to be apprised of the initiatives taken by the Department in this regard.

H. Revival of Closed Fertilizer Units

Recommendation No. 8

26. Stressing the need for early revival of closed fertilizer units, the Committee had recommended as under:-

"The Committee note that there are five closed units of Fertilizer Corporation of India Ltd. (FCIL) at Sindri, Talcher, Ramagundam, Gorakhpur and Korba and three closed units of Hindustan Fertilizer Corporation Ltd. (HFCL) at Durgapur, Barauni and Haldia. The Government of India decided to close these units in 2002. In addition, one unit in the private sector namely Duncans Industries Limited (DIL) was closed down in 2002. All these units were closed down as these companies were consistently making losses due to a variety of reasons such as technological obsolescence, lack of investment on up-gradation/modernization, power shortage etc. However, the Committee were informed that the efforts are being made to revive these closed units of FCIL/HFCL. The Committee were informed that after revival of all the units of FCIL and HFCL, the production of urea will increase approx. by 10.16 million tonnes. Keeping in view the significant role which is expected to be played by these units after their revival, in augmenting the production of urea in the country, the Committee regret to note the slow progress made by the Government in this regard and the units are still not revived even after a lapse of more than 12 years. The Committee, therefore, recommend that the process of revival of closed units of fertilizers be expedited with in a fixed time frame. The Committee would like to be apprised of the action taken in this regard."

Reply of the Government

27. In its action taken reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:-

"Revival of the closed units of FCIL and HFCL:

In 2008, Cabinet approved to revive Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizers Corporation Limited (HFCL) units subject to non-recourse to Government funding and to consider write off of GOI loan & interest to the extent required, subject to submission of fully tied up proposals for final decision on waiver. The revival of these closed units would be through nomination route by PSUs and through bidding route by private sector. Sindri, Talcher and Ramagundam Units of FCIL to be revived on nomination basis. Gorakhpur &

Korba units of FCIL and Durgapur, Haldia, Barauni of HFCL to be revived through bidding route.

2. The Cabinet Committee on Economic Affairs (CCEA) had in August, 2011 approved the Draft Rehabilitation Scheme (DRS) for revival of all the Units of FCIL and HFCL. DRS envisaged revival of Talcher Unit by a consortium of M/s.Rashtriya Chemicals & Fertilizers Limited (RCF), M/s Coal India Limited (CIL) and M/s Gas Authority of India Limited (GAIL), revival of Ramagundam Unit by M/s. Engineers India Limited (EIL) and M/s. National Fertilizers Limited (NFL) and revival of Sindri unit by M/s Steel Authority of India Limited (SAIL).

3. CCEA in its meeting held on 9.5.2013, inter-alia, approved waiver of Government of India loan and interest to facilitate FCIL to arrive at positive net worth. This enabled FCIL to get de-registered from the purview of Board For Industrial and Financial Reconstruction (BIFR). Proposal/action plan on revival of HFCL units is to be taken up once revival of FCIL units comes on track.

4. For Talcher unit, it is proposed to establish two joint venture (JV) companies viz. First company for upstream coal gasification section with GAIL and second company comprising RCF, CIL and FCIL for downstream section of Ammonia-urea, Nitric Acid, Ammonia Nitrate plants, off sites and utilities. The Memorandum of Understanding (MOU) among consortium PSUs i.e. CIL, RCF, GAIL and FCIL, has been signed on 5.9.2013.

5. For Ramagundam Project, EIL & NFL are having discussions with the technology providers, whose bids have already been received. EIL itself would take up the works of Engineering and Project Construction for the project.

6. For Sindri unit, it has been decided to entrust the assignment of R&R activities at Sindri Unit to M/s. Project & Development India Limited (PDIL) and PDIL have submitted their offer for the assignment to SAIL on 20.09.2013 for their examination and approval, before Work Order is issued to PDIL for the R&R activities."

Comments of the Committee

28. In their report, the Committee had recommended that the process of revival of closed units of fertilizers may be expedited with in a fixed time frame. In its action taken reply, the Department has elaborated the various measures/steps taken or being undertaken by the Government to revive the closed units of fertilizers. It has also been informed that while Sindri, Talcher and Ramagundam Units of FCIL are to be revived on nomination basis, Gorakhpur & Korba units of FCIL and Durgapur, Haldia, Barauni of HFCL are being revived through bidding

route. The Cabinet Committee on Economic Affairs (CCEA) had in August, 2011 approved the Draft Rehabilitation Scheme (DRS) for revival of all the Units of FCIL and HFCL. CCEA in its meeting held on 9.5.2013, inter-alia, approved waiver of Government of India loan and interest to facilitate FCIL to arrive at positive net worth. Proposal/action plan on revival of HFCL units is to be taken up once revival of FCIL units comes on track. The Committee are of the view that it is the responsibility of the Department to pursue the matter vigorously with all concerned at the highest level and to render all possible help with a view to revive the closed units of fertilizers in a time bound manner and make them commercially viable. The Committee would like to be apprised of the progress made in this regard.

I. **Joint Ventures Abroad**

Recommendation No. 9

29. While expecting the Department to provide incentives to Public Sector Companies for effective and expeditious development of assets and setting up of Joint Venture Fertilizer projects abroad, the Committee had recommended as under:-

"The Committee note that due to near total dependence on imports for Phosphatic fertilizer and its raw materials and full import dependence for MOP, the efforts are being made by the Government to encourage Government PSUs to establish joint ventures with the countries which are rich in raw material with the assurance to buy/ off take the fertilizers and fertilizer inputs regularly from them for using as fertilizer/ producing fertilizers indigenously. The Committee expect that the Department would provide suitable incentives to the Public Sector companies and would actively pursue the opportunities that exist with resource rich countries like Ghana, Indonesia, Nigeria, Oman, Canada, Iran, Russia, Tunisia, South Africa etc. for effective and expeditious development of assets and setting up of Joint Venture Fertilizer projects abroad. The Committee would further like the Department to take up the matter with a view to ensure that these joint ventures abroad are materialized expeditiously. The Committee would like to be apprised of the initiatives taken by the Department in this regard."

Reply of the Government

30. In its action taken reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:-

“The following is the current status of the JV initiatives being taken by DOF for setting up of JV abroad /development of assets abroad or to enter into long term agreement with foreign entities for supply of fertilizer to India :

(i) Co-operation with Ghana: A Secretary (F) led delegation had visited Ghana on 24th – 26th June 2013 to discuss with Ghanaian Authorities on draft Joint Venture Agreement. During the visit, the Ghanaian side was reminded of the draft JV agreement sent by RCF to Ghanaian side long time back on which they are yet to respond. The main issue was related to availability of gas and its price. The Ghanaian side was also reminded of sticking to the 15th September, 2013 deadline for signing of the JV agreement.

(ii) Co-operation with Togo: A Secretary(F) led delegation had visited Togo on 24th – 26th June 2013 to discuss with Togolese authorities participation of the Indian Fertilizer entities in mining and production of Phosphate in Togo. Meanwhile, a letter from MOS(IC) for Chemical and fertilizers has also gone to Minister of Transport, Mines and Energy, Govt. of Togo, intimating him that a questionnaire containing the details of information required by the Indian side for formulation of specific proposals for development of Carbonated Rock Phosphate deposits has already been sent to Govt. of Togo and also informing him about awaiting the visit of Togolese delegation to India with the detailed information in order to discuss the matter further. In response to the questionnaire, High Commission, Accra has sent a message from Minister for Mines and Energy of Republic of Togo w.r.t. the details of Mines and reserves of minerals which is under process.

(iii) Co-operation with Belarus: A Secretary(F) led delegation visited Belarus in January 2013 to discuss the following issues:-

- (a) Sale of Shares of Belaruskali.
- (b) Long-term purchase agreement.
- (c) Indian investment in Grodno Azot Project.
- (d) Investment in New Potash Mines of Belarus especially Petrikov Mines.

. But the Indian delegation was disappointed as no concrete decision could be taken on any of the four issues mentioned above. Recently, the Hon’ble speaker of Lok Sabha visited Belarus and a meeting was held with the President of Belarus on 20th May 2013. During the meeting, the President of Belarus has once again expressed interest in India’s participation in the privatization of the potash industry in Belarus. Further, Joint Secretary(Eurasia), MEA, vide D.O. letter dated 30.05.2013, has suggested to invite a delegation from Belarus to

discuss these matters. The Department of Fertilizers has conveyed to Embassy of India at Minsk that Indian side is ready to receive a delegation from Belarus during the week starting on 10th June 2013 to discuss issues related with Potash Fertilizers. Following a visit of officers of Belarus Potash Company (BPC) in August 2013, RCF and other companies are examining their proposal.

(iv) Co-operation with Canada: Price Waterhouse Coopers were appointed as financial advisors for negotiating a potash off-take agreement with M/s. Encanto. Discussions with M/s. Encanto were held in the 1st week of April 2013 and they submitted a revised proposal along with a revised Potash Off-take Agreement for review of the Indian side. The documents submitted by M/s ENCANTO are under examination.

A delegation of M/s ENCANTO visited Department of Fertilizers on 11th & 12th June 2013 and met Secretary (F). Meetings were also held with them under the Chairmanship of JS(SG) alongwith RCF led consortium. As an outcome of these meetings, a draft of Principle terms and purchase and sales agreement was initiated between RCF (on behalf of Indian consortium) and M/s ENCANTO to finalize the Draft Off-Take Agreement. An aggregate off-take of 1.8 million tonne of MOP per annum has been mentioned in the Draft Agreement. A copy of the draft agreement has been sent by RCF to Indian consortium to members for their review and necessary action. In this connection, a meeting held on 2nd July 2013 under the Chairmanship of Secretary(F) with the RCF led consortium to discuss the draft agreement initiated by RCF (on behalf of consortium) and M/s ENCANTO. The members of the consortium were requested to intimate the details of commitment of off-take quantity within a week subject to the approval of their respective Boards. M/s RCF led consortium had further discussions with M/s ENCANTO on the terms of agreement and M/s RCF has suggested calling M/s ENCANTO delegation to India for final discussions and prior to that have suggested to call for meeting to be taken by Secretary (F) for consulting consortium members on the issue. The issue is under process.

(v) Cooperation with Russia: A proposal was submitted by the ACRON Group of Russia in November 2011 for co-operation with the Govt. of India and the Indian entities for development of Potash and phosphate deposits in Russia. Thereafter, a series of meetings were held with ACRON Group on 20.10.11, 9.11.11 and 25.5.12 and a detailed questionnaire was framed and was sent to the President and CEO of the ACRON Group in August 2012. The President and CEO of the ACRON Group was informed, vide e-mail dated 10.5.13 that Indian companies namely M/s. Jubilant, KRIBHCO and GNFC have shown preliminary interest in the proposals of ACRON Group. Vide letter dated 31.5.13 received

through e-mail, the President of ACRON informed that information on the said questionnaire has already been sent to M/s. RCF and Jubilant. He also invited the representatives of the interested Indian companies for visiting their mining sites in Russia in the week beginning 17th of June 2013. Subsequently the visit was deferred. Recently an AS & FA led delegation consisting of representatives from RCF, FACT, EIL, FAI, KRIBHCO and NMDC visited mining sites of M/s ACRON from September 9-12, 2013. The meeting of Sub-Group on Fertilizers was on 9th September, 2013 in Moscow and the IRWGTEC held on 2-3 October, 2013. Further action is being taken on various proposals.

(vi) Cooperation with Ukraine: A high level delegation led by Secretary(F) visited Ukraine during 11th – 14th January 2013 to take up the matter with Ukrainian Govt. regarding supply of Urea to India and also to get investment by them in fertilizer sector. Department of Commerce had informed Department of Fertilizers about the visit of Ukrainian delegation to India to attend 2nd Session of the India-Ukraine Working Group on Trade & Economic Cooperation (IUWGTEC) on 20-21st March 2013. First Meeting of the Joint Working Group was held with Ukrainian delegation on 20th March, 2013. Further discussions are going on.

(vii) Cooperation with Iran: A meeting was held under the Chairmanship of Hon'ble MOS(I/C) for C&F on 28th May, 2013 with the Iranian delegation led by Iranian Petroleum Minister. In the said meeting, the following issues were raised with the Iranian delegation:-

- (i) Assurance of getting National treatment to the Indian joint venture as is given to the Iranian Companies.
- (ii) Assured supply of gas at a fixed rate of 0.84 USD per mmbtu to the Joint Venture Company for 10 years.
- (iii) Assured gas supply to the joint venture for entire project life i.e. 25 years at rate at which it would be supplied to local Iranian companies.
- (iv) Long Term Urea purchase arrangement.

An apprehension was expressed by Indian side about the sanctions imposed on Iran by US and the difficulties that would arise due to these sanctions in the implementation of Ammonia Urea Plant Joint Venture Project. The Department of Fertilizers has already commissioned a Pre-feasibility study through PDIL, an Indian Govt. consultancy company (PSU) and have also associated Indian companies M/s. GNFC and RCF with the proposed project. Iranian delegation assured that Indo-Iran Joint Venture will be given national treatment and will be treated in the same way as the Iranian companies are being treated. Supply of Gas to the Joint Venture would be at price of 700 Rial/Scm. The Iranian delegation was requested to reply on long-term price stability of the gas

which has been made available to the joint ventures project. Both sides agreed for joint venture project at Assaluye. Meanwhile M/s PDIL have been awarded the contract for conducting prefeasibility study for setting up gas based Ammonia Urea plant in Iran at a total cost of Rs 80 lakh which would be equally shared by RCF and GNFC and M/s IGC would serve as local consultant for the study. A PDIL led delegation was to visit Iran in first week of September, 2013 but due to an advisory from MEA, the visit has been postponed.

(viii) Tunisia and Jordan: On the invitation of Mr. Mehdi Jomaa, Tunisian Minister of Industry, a delegation led by Hon'ble MOS (I/C) (C&F) alongwith Secretary (F) and technical team from Fertilizer companies namely M/s Coromandel and M/s GSFC visited Tunisia during 11th -12th July, 2013 to jointly inaugurate the TIFERT plant which is the most important Tunisia-India Joint Venture Project and to explore further cooperation and the potential of new joint venture projects in the field of phosphatic of fertilizers. Before visiting Tunisia, Hon'ble MOS(I/C) (C&F) alongwith Secy(F) and representative of fertilizer PSU M/s RCF, visited Jordan during 09th-10th July, 2013 on the invitation received from the Chairman of the Board of Jordan Phosphate Mining Company (JPMC), a Govt. of Jordan company to visit Jordan with the purpose to :-

- (i) review the market conditions in India and the ways to improve them for the benefit of both sides i.e. JPMC and the Govt. of India
- (ii) Explore the potential of new joint venture projects leading to establishment of new phosphatic fertilizer plant for export of fertilizers.
- (iii) Presenting the future activities of JPMC and the infrastructural projects that would be needed to have them materialize.

As an outcome to the India delegation visit to Jordan, a draft EOI has been submitted by RCF for the proposed Joint Venture with JPMC and JAFCO and the same is under process.

(ix) Cooperation with IRAQ :On the request of Ministry of Petroleum and Natural Gas, AS &FA of Department of Fertilizers accompanied the delegation led by Minister (PNG) to attend the 17th Indian-Iraq Joint Commission Meeting (JCM) held at Baghdad during 7-8th July, 2013 to explore the possibilities of Joint Venture on Fertilizer in Iraq. During the discussions the Indian side showed interest in (i)setting up of a JV project in Al-Qaim/Al-Anbar area for establishing a Urea and Phosphate unit ; and (ii) import of sulphur from Iraq. Meanwhile an Inter-Ministerial meeting was held under the Chairmanship of Secretary (East), MEA to review the actions taken subsequent to the 17th India-Iraq Joint Commission

Meeting and in preparation for the forthcoming visit of Prime Minister of Iraq to India on 23rd August, 2013. In the meeting, DOF was asked to share Draft Letter of Interest (LOI) and Confidentiality Agreement to establish proposed Urea Plant and Phosphate Fertilizer Unit as JV project in Al-Qaim/Al-Anbar area of Iraq. The same was forwarded to MEA and Ambassador of India to Iraq on 31.7.2013. However, the Iraqi side sent us a LOI and NDA on 12.8.2013 which had the approval of their Cabinet and was also signed by 4-5 Indian companies for our comments so that if the same was agreeable, it could be signed during the visit of Prime Minister of Iraq. The LOI/NDA was forwarded to RCF for their comments and with some modifications it was sent back to us, The same after obtaining the approval of MOS (I&C) C&F, has been sent to MEA for necessary action at their end. Meanwhile, we have received an Expression of Interest from KRIBHCO to explore the possibility of investment in JV project for rock phosphate mining/ Phosphatic fertilizer project in Alkaim/Alanbar of Iraq which has been forwarded to MEA for necessary action.”

Comments of the Committee

31. The Committee noted that due to near total dependence on imports for Phosphatic fertilizer and its raw materials and full import dependence for MOP, the efforts are being made by the Government to encourage Government PSUs to establish joint ventures with the countries which are rich in raw material. The Committee had , therefore, expected that the Department would provide suitable incentives to the Public Sector companies and would actively pursue the opportunities that exist with resource rich countries for effective and expeditious development of assets and setting up of Joint Venture Fertilizer projects abroad. The Committee had also desired that the Department of Fertilizers would take up the matter with a view to ensure that the joint ventures abroad are materialized at the earliest . In its action taken reply, the Department of Fertilizers has given status of various joint ventures initiatives under taken or being taken by the Department for setting up of joint ventures abroad / development of assets abroad or to enter into long term agreement with foreign entities or to explore the possibility of investment in JV projects with foreign entities for supply of fertilizers to India. The Committee hope that the Department would continue to make its efforts for expeditious development of assets and setting up of Joint Venture Fertilizer projects abroad with a view to meet the demand of the farmers for phosphatic fertilizers in the country. However, the Committee are unhappy to note that the Department of Fertilizers is silent on the issue of providing incentives to PSUs to set up joint ventures abroad as recommended by the Committee. The

Committee, therefore, reiterate its recommendation in the matter and hope that Department of Fertilizers, being the nodal authority, would encourage PSUs and provide them all possible help and incentives to form joint ventures abroad to augment supply of phosphatic fertilizers or its input/ raw materials for the country. The Committee would like to apprised of the initiatives taken by the Department in this regard.

J. Creation of 'Sovereign Wealth Fund'

Recommendation No. 10

32. On the proposal of the Department of Fertilizers regarding creation of 'Sovereign Wealth Fund', the Committee had recommended as under:-

"The Committee also note that the Department of Fertilizers has prepared a proposal for creation of a dedicated 'Sovereign Wealth Fund' for acquiring fertilizer assets abroad to augment supplies of fertilizers and fertilizer input/raw materials for the Country. Since the proposed creation of Fund would help in acquiring fertilizer assets abroad which is very essential for the country, the Committee would like the Department of Fertilizers to pursue vigorously with all the stakeholders in the matter to get it finalised at the earliest. The Committee would like to be apprised of the initiatives taken by the Department in this regard."

Reply of the Government

33. In its action taken reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:-

"In order to secure long term interests of fertilizers for the country, DOF had submitted a proposal to DEA in January, 2012 for setting up of Sovereign Fund on the Fertilizers for acquiring fertilizers resources /assets aboard with an initial corpus of about Rs 5000 Crore. The modality of creation and operation of the fund was to be decided by the Ministry of Finance. The proposal was not favored by DEA as it was specifically for fertilizers sector. Meanwhile, DEA has circulated a concept note for setting up of India Overseas Investment Corporation Ltd (IOICL), a wholly owned entity of Government of India, to invest in the ownership of resources/ assets overseas to create long term resource security. The paid up capital of IOICL would be fixed Rs 10 Crore and funds will be raised through long-term rupee bonds which will be subscribed to by PSUs from their surplus funds and commercial banks/financial Institution. The proposed investment from PSUs in assets overseas would be submitted to INOIL which after taking the approval of EFCs would submit it to its Board and the Board /CCEA would have the power to

approve the investment. The proposal is at various levels of processing and no time frame could be given as to when it would become operative."

Comments of the Committee

34. The Committee noted that the Department of Fertilizers had prepared a proposal for creation of a dedicated "Sovereign Wealth Fund" for acquiring assets to augment supplies of fertilizers and fertilizers input/ raw materials for the country. The Committee had, therefore, desired that the Department of Fertilizers would pursue the matter vigorously with all the stakeholders to get it finalised at the earliest. In its action taken reply, the Department of Fertilizers has stated that the proposal was not favored by the Department of Economic Affairs (DEA) as it was specifically for fertilizers sector. Instead, DEA has circulated a concept note for setting up of India Overseas Investment Corporation Ltd (IOICL), a wholly owned entity of Government of India, to invest in the ownership of resources/ assets overseas to create long term resource security and the same is at various levels of processing. However, no time frame could be given as to when it would become operative. Nevertheless, the Committee hope that the proposed creation of IOICL would also help the Department of Fertilizers in acquiring fertilizer assets abroad. Since acquisition of these assets are absolutely essential for country, the Committee, therefore, expect the Department to pursue the matter vigorously with all concerned with a view to expedite the establishment of IOICL. The Committee would like to be apprised of the initiatives taken by the Department in this regard.

K. Diversion of Fertilizers for Non-Agricultural Purposes

Recommendation No. 11

35. While noting alleged diversion and smuggling of urea and other fertilizers for non-agricultural purposes, the Committee had recommended as under:-

"The Committee note that about 10-15% of urea is diverted for the non-agricultural purposes. There are reports of alleged diversion and smuggling of urea and other fertilizers from India to Nepal, Bangladesh and other neighboring countries. In this regard, the Department of Fertilizers has informed the Committee that several steps/measures have been taken/ are being taken to curb the diversion and smuggling of fertilizers to neighboring countries. State Governments have been advised by the Department of Fertilizers to keep a strict vigil to check such activities through land and sea routes. Similarly, Union Home Ministry has also alerted Border guarding forces viz. BSF, ITBP, SSB, Assam Rifles etc. to maintain strict vigilance on the borders to check smuggling of

fertilizers. The Committee were also informed that the Department had also written to State Governments particularly to the States touching the international borders to direct the police to see that there are no instances of black marketing of fertilizers, especially of urea in their States. Also through the weekly video conferencing with the State Governments, the Department of Fertilizers has repeatedly been instructing the State Governments to ensure that there is no divergence. However, the Committee note that the Department of Fertilizers do not have any field formation to check the divergence of fertilizers themselves. The Committee, therefore, would like to recommend that the Department should find out the feasibility of establishing an institutional mechanism in cooperation with the State Governments to take notice of instances of smuggling and divergence of fertilizers for non-agricultural purposes and to ensure stringent punishment for those who are involved in such activities. The Committee may be apprised of the action taken by the Department in this regard."

Reply of the Government

36. In its action taken reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:-

"At present, due to limited staff, Department of Fertilizers has no wherewithal for establishing an institutional mechanism. But the State Governments are adequately empowered under the provisions of Fertilizers Control Order for taking necessary steps, procedure and legal actions to check diversion and smuggling of fertilizers on their part. Department of Fertilizers will continue to advise the State Government, Border Security Forces to keep a strict vigil and take necessary steps to check diversion and smuggling of subsidized fertilizers."

Comments of the Committee

37. **The Committee noted that the Department of Fertilizers do not have any field formation to check the divergence of fertilizers themselves. The Committee had, therefore, recommended that Department of Fertilizers should find feasibility of establishing an institutional mechanism in cooperation with the State Governments, to take notice of instances of smuggling and divergence of fertilizers. In its action taken reply, the Department of Fertilizers has stated that at present due to limited staff, the Department of Fertilizers has no wherewithal for establishing an institutional scheme. However, the Department of Fertilizers would continue to advise the State Government and BSF to keep a strict vigil and take necessary steps to check diversion and smuggling of subsidized fertilizers. Notwithstanding the position explained by the Department of Fertilizers, the**

Committee are of the view that establishment of an institutional mechanism would be essential for checking instances of smuggling and divergence of fertilizers effectively and efficiently. The Committee, therefore, urge the Department of Fertilizers to examine the issue in right perspective and find out the feasibility to set up an institutional mechanism for the purpose. The Committee would like to be apprised of the initiatives taken by the Department in this regard.

CHAPTER-II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 2

Price Rise of Fertilizers

The Committee are dismayed to note the increasing trend of price rise of the P&K fertilizers in the recent years. The Department of Fertilizers has attributed various reasons for increase in the prices of fertilizers. According to the Department of Fertilizers, rise in the prices of imported raw material along with the depreciation of rupee against the dollar have led to the increase in the price of fertilizers in recent years. The increase in the price of the oil and natural gas has also led to increase in the prices of fertilizers. However, the Committee are not entirely convinced with the reasons given by the Department of Fertilizers for the sharp and abnormal rise in prices of fertilizers. Under the NBS policy, there is no mechanism to determine the reasonableness of MRP fixed by the fertilizer companies or any express provision for taking action against those unscrupulous manufacturers/ marketeers which are raking up undue profits as a result of fixation of very high MRP. Needless to say, any increase in the prices of fertilizers adversely affects the farmers particularly those belonging to the poor and marginal sections. The Committee, therefore, recommend that an effective mechanism should be put in place to examine/ scrutinize the reasonableness of the MRP fixed by the fertilizer companies. In this context, fertilizer companies should also be asked to submit the requisite information mandatorily about the cost of fertilizers on which subsidy is being claimed by them and also justify the MRP of fertilizers fixed by them. In this regard, cost audit of the fertilizers produced/ manufactured by the companies should be compulsorily carried out. In case the MRP fixed by the companies is found unreasonable, then the Department should take stern action against them and the subsidy given to them should either be restricted or even recovered from them. The prices at which the fertilizers are being sold to the farmers in the retail market should be strictly monitored by the Department in co-ordination with the State Governments and if anyone found selling the fertilizers above the printed MRP should be strictly dealt with under the EC Act. An institutional mechanism to monitor the sale price of the fertilizers at retail market to the farmers should be set up for the purpose.

Reply of the Government

In order to monitor the reasonableness of MRPs of P&K fertilizers fixed by the fertilizer companies, it has been made mandatory for all the fertilizer companies to

submit, along with their claims of subsidy, certified cost data in the prescribed format and as per the requirement. This has become effective from 1.4.2013.

In cases, where, after scrutiny, unreasonableness of MRP is established or where there is no correlation between the cost of production or acquisition and the MRP printed on the bags, the subsidy may be restricted or denied even if the product is otherwise eligible for subsidy under NBS scheme. In proven case of abuse of subsidy mechanism, DOF, on the recommendation of IMC, may exclude any company from the NBS Scheme.

The Cost Data from some of the fertilizer companies has since been received. After analysis of the requisite data, the Department will take appropriate action under the NBS Policy.

[MINISTRY OF CHEMICALS & FERTILIZERS (Department of Fertilizers)
O.M. NO. H-11021/19/2013-PARL. dated: 01-11-2013]

Comments of the Committee

(Please see Para 10 of Chapter I of the Report)

Recommendation No. 3

New Pricing Scheme

The Committee note that New Pricing Scheme (NPS) for urea units came in to existence w.e.f. 01.04.2003 replacing the erstwhile Retention Price System. The Committee also note that there is an imperative need to set up new urea units and expansion of existing urea units for augmenting the domestic production capacity of urea to meet the growing demand of urea for enhancing the agricultural production in the country over the years. The Committee are, therefore, of the view that formulation of policy for existing urea unit beyond stage III of New Pricing Scheme (NPS) is essential to achieve self-sufficiency in domestic production of urea which is also one of the cherished goals which the Government plans to achieve by the end of Twelfth Plan period. Hence, the Committee recommend that the formulation of the policy for existing urea units beyond Stage III of New Pricing Scheme may be expedited.

Reply of the Government

The policy for stage III of New Pricing Scheme (NPS-III) was effective from 01.10.2006 till 31.03.2010. The provisions of Policy for Stage-III of NPS have been extended beyond the validity period of NPS-III i.e. 31.03.2010 till further orders. The matter of formulation of policy for the existing urea units beyond stage-III of New Pricing Scheme (NPS) is under consideration of Group of Ministers constituted to review the fertilizer policy, the meeting of which was held on 5th June, 2013 and during the meeting,

it was decided that further deliberations on the issues are required before formulation of policy for existing urea units beyond New Pricing Scheme.

[MINISTRY OF CHEMICALS & FERTILIZERS (Department of Fertilizers)
O.M. NO. H-11021/19/2013-PARL. dated: 01-11-2013]

Comments of the Committee

(Please see Para 13 of Chapter I of the Report)

Recommendation No. 7

New Investment Policy- 2012

The Committee note that the New Investment Policy-2012 has since been notified by the Government on 2nd January 2013. The initiative of the policy is to facilitate fresh investment in urea sector to reduce India's import dependency in urea sector. The policy not only supports gas based plants but it also supports revival of closed units in the country. It encourages investment by Indian industry in Joint Venture abroad in resource rich countries. The Committee hope that the New Investment Policy would address comprehensively all the issues which are affecting the growth of fertilizer sector and reduce the gap between the indigenous production and import of urea in the country. The Committee, however, expect that the New Investment Policy would be implemented effectively and expeditiously. The Committee would like to be apprised of the action plan formulated by the Government in this regard.

Reply of the Government

The Government has announced New Investment Policy-2012 on 02.01.2013 to attract investment and enhance domestic production of Urea. Under this policy, the Government has received 14 investment proposals from various fertilizer companies including PSUs/Cooperatives which are under consideration. As per deliberation and discussion held in the meeting on 01.07.2013 under Chairmanship of PS to Hon'ble Prime Minister, it was decided to move an amendment in New Investment Policy, 2012 through CCEA for substituting the phrase "guaranteed buyback" with expression that subsidies will be given only upon domestic sale as at present with proper safeguards. The draft CCEA Note has been circulated on 21st August, 2013 for Inter-Ministerial consultation before placing it for consideration of CCEA.

[MINISTRY OF CHEMICALS & FERTILIZERS (Department of Fertilizers)
O.M. NO. H-11021/19/2013-PARL. dated: 01-11-2013]

Comments of the Committee

(Please see Para 25 of Chapter I of the Report)

Recommendation No. 8

Revival of Closed Fertilizer Units

The Committee note that there are five closed units of Fertilizer Corporation of India Ltd. (FCIL) at Sindri, Talcher, Ramagundam, Gorakhpur and Korba and three closed units of Hindustan Fertilizer Corporation Ltd. (HFCL) at Durgapur, Barauni and Haldia. The Government of India decided to close these units in 2002. In addition, one unit in the private sector namely Duncans Industries Limited (DIL) was closed down in 2002. All these units were closed down as these companies were consistently making losses due to a variety of reasons such as technological obsolescence, lack of investment on up-gradation/modernization, power shortage etc. However, the Committee were informed that the efforts are being made to revive these closed units of FCIL/HFCL. The Committee were informed that after revival of all the units of FCIL and HFCL, the production of urea will increase approx. by 10.16 million tonnes. Keeping in view the significant role which is expected to be played by these units after their revival, in augmenting the production of urea in the country, the Committee regret to note the slow progress made by the Government in this regard and the units are still not revived even after a lapse of more than 12 years. The Committee, therefore, recommend that the process of revival of closed units of fertilizers be expedited with in a fixed time frame. The Committee would like to be apprised of the action taken in this regard.

Reply of the Government

Revival of the closed units of FCIL and HFCL:

In 2008, Cabinet approved to revive Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizers Corporation Limited (HFCL) units subject to non-recourse to Government funding and to consider write off of GOI loan & interest to the extent required, subject to submission of fully tied up proposals for final decision on waiver. The revival of these closed units would be through nomination route by PSUs and through bidding route by private sector. Sindri, Talcher and Ramagundam Units of FCIL to be revived on nomination basis. Gorakhpur & Korba units of FCIL and Durgapur, Haldia, Barauni of HFCL to be revived through bidding route.

2. The Cabinet Committee on Economic Affairs (CCEA) had in August, 2011 approved the Draft Rehabilitation Scheme (DRS) for revival of all the Units of FCIL and HFCL. DRS envisaged revival of Talcher Unit by a consortium of M/s.Rashtriya

Chemicals & Fertilizers Limited (RCF), M/s Coal India Limited (CIL) and M/s Gas Authority of India Limited (GAIL), revival of Ramagundam Unit by M/s. Engineers India Limited (EIL) and M/s. National Fertilizers Limited (NFL) and revival of Sindri unit by M/s Steel Authority of India Limited (SAIL).

3. CCEA in its meeting held on 9.5.2013, inter-alia, approved waiver of Government of India loan and interest to facilitate FCIL to arrive at positive net worth. This enabled FCIL to get de-registered from the purview of Board For Industrial and Financial Reconstruction (BIFR). Proposal/action plan on revival of HFCL units is to be taken up once revival of FCIL units comes on track.

4. For Talcher unit, it is proposed to establish two joint venture (JV) companies viz. First company for upstream coal gasification section with GAIL and second company comprising RCF, CIL and FCIL for downstream section of Ammonia-urea, Nitric Acid, Ammonia Nitrate plants, off sites and utilities. The Memorandum of Understanding (MOU) among consortium PSUs i.e. CIL, RCF, GAIL and FCIL, has been signed on 5.9.2013.

5. For Ramagundam Project, EIL & NFL are having discussions with the technology providers, whose bids have already been received. EIL itself would take up the works of Engineering and Project Construction for the project.

6. For Sindri unit, it has been decided to entrust the assignment of R&R activities at Sindri Unit to M/s. Project & Development India Limited (PDIL) and PDIL have submitted their offer for the assignment to SAIL on 20.09.2013 for their examination and approval, before Work Order is issued to PDIL for the R&R activities.

[MINISTRY OF CHEMICALS & FERTILIZERS (Department of Fertilizers)
O.M. NO. H-11021/19/2013-PARL. dated: 01-11-2013]

Comments of the Committee

(Please see Para 28 of Chapter I of the Report)

Recommendation No. 9

Joint Ventures Abroad

The Committee note that due to near total dependence on imports for Phosphatic fertilizer and its raw materials and full import dependence for MOP, the efforts are being made by the Government to encourage Government PSUs to establish joint ventures with the countries which are rich in raw material with the assurance to buy/ off take the fertilizers and fertilizer inputs regularly from them for using as fertilizer/ producing fertilizers indigenously. The Committee expect that the Department would provide suitable incentives to the Public Sector companies and would actively pursue the

opportunities that exist with resource rich countries like Ghana, Indonesia, Nigeria, Oman, Canada, Iran, Russia, Tunisia, South Africa etc. for effective and expeditious development of assets and setting up of Joint Venture Fertilizer projects abroad. The Committee would further like the Department to take up the matter with a view to ensure that these joint ventures abroad are materialised expeditiously. The Committee would like to be apprised of the initiatives taken by the Department in this regard.

Reply of the Government

The following is the current status of the JV initiatives being taken by DOF for setting up of JV abroad /development of assets abroad or to enter into long term agreement with foreign entities for supply of fertilizer to India :

(i) Co-operation with Ghana: A Secretary (F) led delegation had visited Ghana on 24th – 26th June 2013 to discuss with Ghanaian Authorities on draft Joint Venture Agreement. During the visit, the Ghanaian side was reminded of the draft JV agreement sent by RCF to Ghanaian side long time back on which they are yet to respond. The main issue was related to availability of gas and its price. The Ghanaian side was also reminded of sticking to the 15th September, 2013 deadline for signing of the JV agreement.

(ii) Co-operation with Togo: A Secretary(F) led delegation had visited Togo on 24th – 26th June 2013 to discuss with Togolese authorities participation of the Indian Fertilizer entities in mining and production of Phosphate in Togo. Meanwhile, a letter from MOS(IC) for Chemical and fertilizers has also gone to Minister of Transport, Mines and Energy, Govt. of Togo, intimating him that a questionnaire containing the details of information required by the Indian side for formulation of specific proposals for development of Carbonated Rock Phosphate deposits has already been sent to Govt. of Togo and also informing him about awaiting the visit of Togo lese delegation to India with the detailed information in order to discuss the matter further. In response to the questionnaire, High Commission, Accra has sent a message from Minister for Mines and Energy of Republic of Togo w.r.t. the details of Mines and reserves of minerals which is under process.

(iii) Co-operation with Belarus: A Secretary(F) led delegation visited Belarus in January 2013 to discuss the following issues:-

- (a) Sale of Shares of Belaruskali.
- (b) Long-term purchase agreement.
- (c) Indian investment in Grodno Azot Project.
- (d) Investment in New Potash Mines of Belarus especially Petrikov Mines.

But the Indian delegation was disappointed as no concrete decision could be taken on any of the four issues mentioned above. Recently, the Hon'ble speaker of Lok Sabha visited Belarus and a meeting was held with the President of Belarus on 20th May 2013. During the meeting, the President of Belarus has once again expressed interest in India's participation in the privatization of the potash industry in Belarus. Further, Joint Secretary(Eurasia), MEA, vide D.O. letter dated 30.05.2013, has suggested to invite a delegation from Belarus to discuss these matters. The Department of Fertilizers has conveyed to Embassy of India at Minsk that Indian side is ready to receive a delegation from Belarus during the week starting on 10th June 2013 to discuss issues related with Potash Fertilizers. Following a visit of officers of Belarus Potash Company (BPC) in August 2013, RCF and other companies are examining their proposal.

(iv) Co-operation with Canada: Price Waterhouse Coopers were appointed as financial advisors for negotiating a potash off-take agreement with M/s. Encanto. Discussions with M/s. Encanto were held in the 1st week of April 2013 and they submitted a revised proposal along with a revised Potash Off-take Agreement for review of the Indian side. The documents submitted by M/s ENCANTO are under examination.

A delegation of M/s ENCANTO visited Department of Fertilizers on 11th & 12th June 2013 and met Secretary (F). Meetings were also held with them under the Chairmanship of JS(SG) alongwith RCF led consortium. As an outcome of these meetings, a draft of Principle terms and purchase and sales agreement was initiated between RCF (on behalf of Indian consortium) and M/s ENCANTO to finalize the Draft Off-Take Agreement. An aggregate off-take of 1.8 million tonne of MOP per annum has been mentioned in the Draft Agreement. A copy of the draft agreement has been sent by RCF to Indian consortium to members for their review and necessary action. In this connection, a meeting held on 2nd July 2013 under the Chairmanship of Secretary(F) with the RCF led consortium to discuss the draft agreement initiated by RCF (on behalf of consortium) and M/s ENCANTO. The members of the consortium were requested to intimate the details of commitment of off-take quantity within a week subject to the approval of their respective Boards. M/s RCF led consortium had further discussions with M/s ENCANTO on the terms of agreement and M/s RCF has suggested calling M/s ENCANTO delegation to India for final discussions and prior to that have suggested to call for meeting to be taken by Secretary (F) for consulting consortium members on the issue. The issue is under process.

(v) Cooperation with Russia: A proposal was submitted by the ACRON Group of Russia in November 2011 for co-operation with the Govt. of India and

the Indian entities for development of Potash and phosphate deposits in Russia. Thereafter, a series of meetings were held with ACRON Group on 20.10.11, 9.11.11 and 25.5.12 and a detailed questionnaire was framed and was sent to the President and CEO of the ACRON Group in August 2012. The President and CEO of the ACRON Group was informed, vide e-mail dated 10.5.13 that Indian companies namely M/s. Jubilant, KRIBHCO and GNFC have shown preliminary interest in the proposals of ACRON Group. Vide letter dated 31.5.13 received through e-mail, the President of ACRON informed that information on the said questionnaire has already been sent to M/s. RCF and Jubilant. He also invited the representatives of the interested Indian companies for visiting their mining sites in Russia in the week beginning 17th of June 2013. Subsequently the visit was deferred. Recently an AS & FA led delegation consisting of representatives from RCF, FACT, EIL, FAI, KRIBHCO and NMDC visited mining sites of M/s ACRON from September 9-12, 2013. The meeting of Sub-Group on Fertilizers was 9th September, 2013 in Moscow and the IRWGTEC held on 2-3 October, 2013. Further action is being taken on various proposals.

(vi) Cooperation with Ukraine: A high level delegation led by Secretary(F) visited Ukraine during 11th – 14th January 2013 to take up the matter with Ukrainian Govt. regarding supply of Urea to India and also to get investment by them in fertilizer sector. Department of Commerce had informed Department of Fertilizers about the visit of Ukrainian delegation to India to attend 2nd Session of the India-Ukraine Working Group on Trade & Economic Cooperation (IUWGTEC) on 20-21st March 2013. First Meeting of the Joint Working Group was held with Ukrainian delegation on 20th March, 2013. Further discussions are going on.

(vii) Cooperation with Iran: A meeting was held under the Chairmanship of Hon'ble MOS(I/C) for C&F on 28th May, 2013 with the Iranian delegation led by Iranian Petroleum Minister. In the said meeting, the following issues were raised with the Iranian delegation:-

- (i) Assurance of getting National treatment to the Indian joint venture as is given to the Iranian Companies.
- (ii) Assured supply of gas at a fixed rate of 0.84 USD per mmbtu to the Joint Venture Company for 10 years.
- (iii) Assured gas supply to the joint venture for entire project life i.e. 25 years at rate at which it would be supplied to local Iranian companies.
- (iv) Long Term Urea purchase arrangement.

An apprehension was expressed by Indian side about the sanctions imposed on Iran by US and the difficulties that would arise due to these sanctions in the implementation of Ammonia Urea Plant Joint Venture Project. The Department of

Fertilizers has already commissioned a Pre-feasibility study through PDIL, an Indian Govt. consultancy company (PSU) and have also associated Indian companies M/s. GNFC and RCF with the proposed project. Iranian delegation assured that Indo-Iran Joint Venture will be given national treatment and will be treated in the same way as the Iranian companies are being treated. Supply of Gas to the Joint Venture would be at price of 700 Rial/Scm. The Iranian delegation was requested to reply on long-term rice stability of the gas which has been made available to the joint ventures project. Both sides agreed for joint venture project at Assaluye. Meanwhile M/s PDIL have been awarded the contract for conducting prefeasibility study for setting up gas based Ammonia Urea plant in Iran at a total cost of Rs 80 lakh which would be equally shared by RCF and GNFC and M/s IGC would serve as local consultant for the study. A PDIL led delegation was to visit Iran in first week of September, 2013 but due to an advisory from MEA, the visit has been postponed.

(viii) Tunisia and Jordan:- On the invitation of Mr. Mehdi Jomaa, Tunisian Minister of Industry, a delegation led by Hon'ble MOS (I/C) (C&F) alongwith Secretary (F) and technical team from Fertilizer companies namely M/s Coromandel and M/s GSFC visited Tunisia during 11th -12th July, 2013 to jointly inaugurate the TIFERT plant which is the most important Tunisia-India Joint Venture Project and to explore further cooperation and the potential of new joint venture projects in the field of phosphatic of fertilizers. Before visiting Tunisia, Hon'ble MOS(I/C) (C&F) alongwith Secy(F) and representative of fertilizer PSU M/s RCF, visited Jordan during 09th-10th July, 2013 on the invitation received from the Chairman of the Board of Jordan Phosphate Mining Company (JPMC), a Govt. of Jordan company to visit Jordan with the purpose to :-

- (i) review the market conditions in India and the ways to improve them for the benefit of both sides i.e. JPMC and the Govt. of India
- (ii) Explore the potential of new joint venture projects leading to establishment of new phosphatic fertilizer plant for export of fertilizers.
- (iii) Presenting the future activities of JPMC and the infrastructural projects that would be needed to have them materialize.

As an outcome to the India delegation visit to Jordan, a draft EOI has been submitted by RCF for the proposed Joint Venture with JPMC and JAFCO and the same is under process.

(ix) Cooperation with IRAQ :On the request of Ministry of Petroleum and Natural Gas, AS &FA of Department of Fertilizers accompanied the delegation led

by Minister (PNG) to attend the 17th Indian-Iraq Joint Commission Meeting (JCM) held at Baghdad during 7-8th July, 2013 to explore the possibilities of Joint Venture on Fertilizer in Iraq. During the discussions the Indian side showed interest in (i) setting up of a JV project in Al-Qaim/Al-Anbar area for establishing a Urea and Phosphate unit ; and (ii) import of sulphur from Iraq. Meanwhile an Inter-Ministerial meeting was held under the Chairmanship of Secretary (East), MEA to review the actions taken subsequent to the 17th India-Iraq Joint Commission Meeting and in preparation for the forthcoming visit of Prime Minister of Iraq to India on 23rd August, 2013. In the meeting, DOF was asked to share Draft Letter of Interest (LOI) and Confidentiality Agreement to establish proposed Urea Plant and Phosphate Fertilizer Unit as JV project in Al-Qaim/Al-Anbar area of Iraq. The same was forwarded to MEA and Ambassador of India to Iraq on 31.7.2013. However, the Iraqi side sent us a LOI and NDA on 12.8.2013 which had the approval of their Cabinet and was also signed by 4-5 Indian companies for our comments so that if the same was agreeable, it could be signed during the visit of Prime Minister of Iraq. The LOI/NDA was forwarded to RCF for their comments and with some modifications it was sent back to us, The same after obtaining the approval of MOS (I&C) C&F, has been sent to MEA for necessary action at their end. Meanwhile, we have received an Expression of Interest from KRIBHCO to explore the possibility of investment in JV project for rock phosphate mining/ Phosphatic fertilizer project in Alkaim/Alanbar of Iraq which has been forwarded to MEA for necessary action.

[MINISTRY OF CHEMICALS & FERTILIZERS (Department of Fertilizers)
O.M. NO. H-11021/19/2013-PARL. dated: 01-11-2013]

Comments of the Committee

(Please see Para 31 of Chapter I of the Report)

Recommendation No. 10

The Committee also note that the Department of Fertilizers has prepared a proposal for creation of a dedicated 'Sovereign Wealth Fund' for acquiring fertilizer assets abroad to augment supplies of fertilizers and fertilizer input/raw materials for the Country. Since the proposed creation of Fund would help in acquiring fertilizer assets abroad which is very essential for the country, the Committee would like the Department of Fertilizers to pursue vigorously with all the stakeholders in the matter to get it finalised at the earliest. The Committee would like to be apprised of the initiatives taken by the Department in this regard.

Reply of the Government

In order to secure long term interests of fertilizers for the country, DOF had submitted a proposal to DEA in January, 2012 for setting up of Sovereign Fund on the Fertilizers for acquiring fertilizers resources /assets abroad with an initial corpus of about Rs 5000 Crore. The modality of creation and operation of the fund was to be decided by the Ministry of Finance. The proposal was not favored by DEA as it was specifically for fertilizers sector. Meanwhile, DEA has circulated a concept note for setting up of India Overseas Investment Corporation Ltd (IOICL), a wholly owned entity of Government of India, to invest in the ownership of resources/ assets overseas to create long term resource security. The paid up capital of IOICL would be fixed Rs 10 Crore and funds will be raised through long-term rupee bonds which will be subscribed to by PSUs from their surplus funds and commercial banks/financial Institution. The proposed investment from PSUs in assets overseas would be submitted to INOIL which after taking the approval of EFCs would submit it to its Board and the Board /CCEA would have the power to approve the investment. The proposal is at various levels of processing and no time frame could be given as to when it would become operative.

[MINISTRY OF CHEMICALS & FERTILIZERS (Department of Fertilizers)
O.M. NO. H-11021/19/2013-PARL. dated: 01-11-2013]

Comments of the Committee

(Please see Para 34 of Chapter I of the Report)

Recommendation No. 12

ADULTERATION OF FERTILIZERS

The Committee note that there have been various complaints from farmers regarding improper mixing in DAP fertilizer. In this regard, the Committee were informed that the responsibility of getting the samples tested has been given to the State Governments under Fertilizer Control Order (FCO). There are 74 labs with various State Governments where they randomly get the sample tested. They are authorized to take action against the defaulters under FCO. However, it has come to the notice of the Committee that these labs do not function quite often and the farmers are asked to visit from one lab to another to get the fertilizers tested. At the time of cultivation of crops, farmers do not have much time to visit from one laboratory to another to get the fertilizers tested.

The Committee regret to note that there is no mandatory requirement or mechanism for checking the quality of fertilizers at the factory or manufacturers' level till

it reaches to the farmers for usage. The superior quality of fertilizer is absolutely essential to maintain the fertility of soil for sustained growth of agricultural production. The Committee feel that Department of Fertilizers should impress upon the State Governments to ensure that the labs under their control are well equipped and functioning properly all the time and especially during the time of cultivation of crops. The Committee, therefore, recommend that the Government should work out a mechanism in coordination with the Ministry of Agriculture and the State Governments to make testing of fertilizers mandatory at every possible level right from the factory level till it reach to the farmers. The Committee also recommend that the Department of Fertilizers should look into the possibility of getting opened atleast one laboratory in all the districts of the country especially in those districts where consumption of fertilizers is comparatively more and provide all the assistance to the State Governments for that purpose. The setting up of laboratories at district level would facilitate farmers to get the fertilizers checked from the nearest laboratory. The Committee would like to be apprised of the initiatives taken by the Government in this regard.

Reply of the Government

(i) Fertilizer Quality Control Laboratories are established by the State Government under clause 29 of the Fertilizer Control Order 1985, to analyse the fertilizer samples drawn by the fertilizer inspectors from the manufacturing units and their dealers. In addition, four laboratories have also been established by the Central Government which mainly analyse the fertilizer samples drawn by the fertilizer inspectors from the ships/containers of imported fertilizers undergoing discharge at various ports in the country. Total 74 laboratories with an annual analyzing capacity of 1.30 lakh samples are functioning in the country as on date.

(ii) Ministry of Agriculture, from time to time, issues advisories/directions to all the State Governments to ensure that laboratories under their control are well equipped and function properly. Recently also, an advisory in respect of strengthening/up-grading of fertilizer quality control mechanism has been issued to all the State Governments. Copies of the letters issued in this regard are enclosed as **Annexure-II**.

(iii) A scheme 'National Project for Management of Soil Health & Fertility' has been under implementation by Ministry of Agriculture since 2008-09. Under the scheme, there are provisions of Strengthening/up-grading existing state fertilizer quality control laboratories, setting up of new fertilizer quality control laboratories by state governments and setting up of fertilizer testing laboratories for advisory purposes, under the private/cooperative sector.

Under the scheme, during 11th plan, total 14 new fertilizer quality control laboratories have been sanctioned in various states and funds for strengthening of 45 existing laboratories have been sanctioned. Copies of the details are enclosed as **Annexure-III** and **Annexure-IV** respectively. In addition, Madhya Pradesh Government is also establishing 6 new fertilizer quality control laboratories at each divisional level in Shahdol, Rewa, Sagar, Ujjain, Morena and Hoshangabad.

This scheme is proposed to be implemented during 12th plan as a part of Integrated Nutrient Management (INM) under National Mission for Sustainable Agriculture (NMSA).

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CHAPTER-III

**OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE
TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY**

- NIL -

CHAPTER-IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation No. 4

Availability of Fertilizers

The Committee were informed that the weekly video conference is conducted jointly by Department of Agriculture, Department of Fertilizers, Ministry of Railways and Ministry of Shipping with State Agriculture officials with regard to all issues related to agricultural production, productivity and inputs such as availability of fertilizers. The video conference is held at official level only and farmers or Panchayats do not participate in such video conferences. The Committee were also informed that logistically it would not be possible to hold video conferences at the district level as the State Government are supposed to take data from the districts. It also came to the notice of the Committee that the Department of Fertilizers does not have any direct interaction with the farmers as they do not have any field officers and the Department has to depend entirely upon the officers of the State Government for getting the required information. The Committee were further informed that the teams constituted by the Department of Fertilizers conduct on field inspections to see whether the shops are available, weights of the fertilizer bags are correct or not and at what prices fertilizers are being sold etc. Nevertheless, the Committee are of the view that the ground reality with regard to availability of fertilizers and on related issues could be ascertained only by way of direct interaction with the farmers at the Village or Panchayat levels. The Committee, therefore, recommend that the farmers or their representatives from Panchayats should invariably be involved and interacted in weekly or monthly video conferences organized by the Department of Fertilizers. Such conferences should be held at the District level and an Action Taken Report on the issues jointly reviewed by officials of the Government of India and the State Governments should be placed on the website of the Department. The Committee also recommend that Department should also find out the feasibility to establish an annual programme for regular field visits of their own field officers for interaction directly with the farmers in order to get first hand information about the demand, availability and prices of fertilizers and on related issues.

Reply of the Government

Department of Agriculture & Cooperation organizes weekly video conferences with State Governments in which officials of State Government Agriculture department, responsible for availability of fertilizers in their respective States, participate. Officials of

Department of Fertilizers also attend these conferences. It is not possible to involve farmers or their representatives in these conferences or holding video conferences at District level because Department of Fertilizers does not have any Field Officers even at State level.

As regards regular field visits by the officers of this Department are concerned, this Department formed teams to visit the States allocated to them and review the following items with the concerned State Government authorizes and submit report periodically:-

- i. Inspection of Mobile Based Fertilizer Monitoring System.
- ii. Fertilizer availability at state as well as District level.
- iii. Quantity verification at godowns of dealers/ companies.
- iv. Quality of fertilizer bags.
- v. Black marketing, Hoarding and smuggling of fertilizers.
- vi. Diversion of fertilizers for other than agriculture use like industrial use.
- vii. Interactions with non-officials and farmers to take feedback.
- viii. Verification of printed MRP and MRP shown by the companies in FMS.
- ix. Updation of data in Fertilizer Monitoring System.
- x. Shortage/ leakage in quantity due to poor handling.
- xi. Updation of dealer's data in FMS/mFMS.
- xii. General awareness of rules by dealers.
- xiii. Quality of fertilizers/ sales of non-standard fertilizer.

[MINISTRY OF CHEMICALS & FERTILIZERS (Department of Fertilizers)
O.M. NO. H-11021/19/2013-PARL. dated: 01-11-2013]

Comments of the Committee

(Please see Para 16 of Chapter I of the Report)

Recommendation No. 5

The Committee were informed that there was no problem about the availability of fertilizers to the farmers in the last Kharif season and overall availability of fertilizer was comfortable. However, contrary to the claim of the Department of Fertilizers, it came to the notice of the Committee that the farmers in some parts of the country like in Medak and Nizamabad in Andhra Pradesh have to stand in long queues outside the fertilizer shop just to get one bag of fertilizer which sometimes they fail to get. In the action taken reply to the Recommendation No.9 of the Twenty Eighth Report of the Committee on 'Production, Demand and Availability of Fertilizers and its Distribution', the Department

had stated that the supply (availability) of fertilizers is adequate and comfortable. However, on careful analysis of demand and supply of fertilizers during the year 2012, as reflected in the statement (Annexure-VII), the Committee have noted that the overall supply (availability) of fertilizers is not as per the demand (requirement), irrespective of sale of fertilizers. In fact, the availability of Urea, DAP, MOP and NPK in most of the States is less than the demand (requirement) which clearly indicates the shortage of fertilizers in the States. As for example, the demand (requirement) of urea in Maharashtra is 2190.00 MT whereas only 1779.42 MT of Urea was available. Similarly, as against the demand of 1301.00 MT of DAP, 482.00 MT of MOP and 1522.00 MT of NPK only 743.49 MT of DAP, 314.99 MT of MOP and 1325.73 of NPK was available. Similar is the position of demand and supply in reality in Karnataka, Kerala, Chhattisgarh, Gujarat, and other States as well. The Committee, therefore, recommend that the Department should find out the reported shortage of fertilizer in various parts of the country and simultaneously should take effective measures to streamline the movement and distribution system in coordination with the officials of the State Government concerned with a view to ensure timely and adequate supply of fertilizer to the farmers at affordable prices.

Reply of the Government

The Status of requirement, availability and sales of Urea, DAP, MOP and NPK during the year 2012-13 is placed at **Annexure-I**. It may be seen from the table that availability of Urea, DAP, MOP and NPK during the year has been comfortable and more than the sales. The demand for the fertilizer is projected by the States one or two months in advance of commencement of the next season. For the annual demand for fertilizers, the States is largely dependent upon the ideal condition. It is generally seen that fertilizers are consumed during 2-3 months window in each season. Therefore, though the States give projection for all the months but lift less than projected requirement during last months.

The Department of Fertilizers tries to ensure availability of fertilizers as per the assessed demand by the State Governments at the start of the season but the supply/availability of fertilizers to a particular State not only depend upon its assessed demand but also lifting of fertilizers by the States by placing orders with the fertilizer companies through their marketing institutions and actual sales at dealer level in States. The availability is also a factor of sales. Here, it is pertinent to mention that actual sales is reflective of actual demand during the season, whereas the initial projection at the start of season is mere an assessment. Assessed demand for fertilizers is largely dependent upon ideal conditions, whereas the sale are a reflection of actual conditions prevailing

during the season which may change the actual demand of fertilizers by farmers on real time basis. Therefore, there is always a gap between the assessed demand, actual availability and sales of fertilizers. Hence, availability of fertilizers may appear to be low as compared to requirement but is quite comfortable vis-a vis sales.

[MINISTRY OF CHEMICALS & FERTILIZERS (Department of Fertilizers)
O.M. NO. H-11021/19/2013-PARL. dated: 01-11-2013]

Comments of the Committee

(Please see Para 19 of Chapter I of the Report)

Recommendation No. 6

The Committee also observe that there is huge variation in the actual sales in comparison to availability (supply) of fertilizers. As for example, the availability of Urea in Haryana was 1542.77 MT, whereas, corresponding sales was 1461.06 MT only. Similarly, as against the availability of 776.72 MT of DAP, 21.45 MT of MOP and 23.09 MT of NPK and only 473.82 MT of DAP, 18.36 MT of MOP and 17.19 MT of NPK was sold . The Committee, therefore, come to the conclusion that the requirement of fertilizers assessed by States is unrealistic and inflated if we go by the present way of assessment. The Committee, therefore, desire that a scientific mechanism need to be developed for working out a realistic assessment of requirement of fertilizers in the country. This is all the more essential in order to restrict import of fertilizers particularly P&K fertilizers so as to check outgo of precious foreign exchange. Therefore, the Committee recommend that the Department of Fertilizers should take initiative in cooperation with the Department of Agriculture and Cooperation to evolve a scientific process for realistic assessment of requirement of fertilizers. The Committee would like to be apprised of the steps taken by the Department in this regard.

Reply of the Government

Various measures taken by Ministry of Agriculture to ensure the process of assessment of requirement of fertilizers more rational, scientific and realistic are as follow:

(i) The Ministry modified the process of assessment of requirement of fertilizers to make it more scientific by introduction of new proformas and modification of few earlier proformas (used to assess requirement of fertilizers). These new and modified proformas have been sent to States for assessing the requirement of fertilizers for last three cropping seasons.

The States have been requested to compile the information in these new & modified proformas related to gross cropped area, area under irrigation, area under crops **at block level** and information pertaining to deficiency in terms of nutrients, requirements in terms of NPK nutrients etc. **at district level**. These are the factors, which primarily govern the requirement of fertilizers. States have been compiling information in these new/modified proformas for last three cropping seasons.

(ii) State Governments project requirement of fertilizers more or less as per the requirement of NPK nutrients and availability of fertilizers in the states are made as per the projected requirement. But due to unprecedented increase in prices of P&K fertilizers as compared to the price of Urea ('N') has led to demand destruction in P&K fertilizers. Thus, sales of P&K fertilizers vis-à-vis their availability are low despite these being required as per the actual status of soil health.

[MINISTRY OF CHEMICALS & FERTILIZERS (Department of Fertilizers)
O.M. NO. H-11021/19/2013-PARL. dated: 01-11-2013]

Comments of the Committee

(Please see Para 22 of Chapter I of the Report)

Recommendation No. 11

DIVERSION OF FERTILIZERS FOR NON-AGRICULTURAL PURPOSES

The Committee note that about 10-15% of urea is diverted for the non-agricultural purposes. There are reports of alleged diversion and smuggling of urea and other fertilizers from India to Nepal, Bangladesh and other neighboring countries. In this regard, the Department of Fertilizers has informed the Committee that several steps/measures have been taken/ are being taken to curb the diversion and smuggling of fertilizers to neighboring countries. State Governments have been advised by the Department of Fertilizers to keep a strict vigil to check such activities through land and sea routes. Similarly, Union Home Ministry has also alerted Border guarding forces viz. BSF, ITBP, SSB, Assam Rifles etc. to maintain strict vigilance on the borders to check smuggling of fertilizers. The Committee were also informed that the Department had also written to State Governments particularly to the States touching the international borders to direct the police to see that there are no instances of black marketing of fertilizers, especially of urea in their States. Also through the weekly video conferencing with the State Governments, the Department of Fertilizers has repeatedly been instructing the State Governments to ensure that there is no divergence. However, the Committee note that the Department of Fertilizers do not have any field formation to check the divergence of fertilizers themselves. The Committee, therefore, would like to recommend that the Department should find out the feasibility of establishing an

institutional mechanism in cooperation with the State Governments to take notice of instances of smuggling and divergence of fertilizers for non-agricultural purposes and to ensure stringent punishment for those who are involved in such activities. The Committee may be apprised of the action taken by the Department in this regard.

Reply of the Government

At present, due to limited staff, Department of Fertilizers has no wherewithal for establishing an institutional mechanism. But the State Governments are adequately empowered under the provisions of Fertilizers Control Order for taking necessary steps, procedure and legal actions to check diversion and smuggling of fertilizers on their part. Department of Fertilizers will continue to advise the State Government, Border Security Forces to keep a strict vigil and take necessary steps to check diversion and smuggling of subsidized fertilizers.

[MINISTRY OF CHEMICALS & FERTILIZERS (Department of Fertilizers)
O.M. NO. H-11021/19/2013-PARL. dated: 01-11-2013]

Comments of the Committee

(Please see Para 37 of Chapter I of the Report)

CHAPTER-V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation No. 1

Nutrient Based Subsidy (NBS)

The Committee note that Nutrient Based Subsidy (NBS) policy was introduced w.e.f. 01.04.2010 to address the issues relating to agriculture productivity, balanced use of fertilizers and growth of indigenous fertilizer industry, competitiveness amongst the fertilizer companies, etc. Under this policy, a fixed amount of subsidy decided on annual basis is provided on each grades of subsidized fertilizers depending on its nutrient contents and fertilizer manufactures/marketeers are allowed to fix the MRP at reasonable rate. However, the Committee are distressed to note that after the introduction of NBS policy, the prices of the P&K fertilizers have escalated exponentially almost three or four times. The Committee also regret to note that the Government has yet to conduct a formal study on the impact of NBS Policy on prices of fertilizers since its implementation. In the absence of such study, the Committee feel that the Department of Fertilizers would not be able to take any appropriate and effective corrective measures to contain the escalating prices of the fertilizers in the country. Since NBS regime is for the last more than three years, the Committee, therefore, recommend that the Department of Fertilizers should initiate action to conduct a comprehensive study in this regard without further delay. The study should be completed within a fixed time frame and on the basis of outcome of the study, the Department should take corrective measures to render relief to the farmers through reduction in prices.

Reply of the Government

The Department has in August 2013, engaged a consultancy firm namely M/s. Ernst & Young to carry out a study on the impact of NBS Policy. The key focus areas of the Study are as under:-

- (i) Impact of NBS Policy on prices and availability of fertilizers in India.
- (ii) Impact of NBS Policy on balanced fertilization on soil and its impart on the agricultural productivity.
- (iii) Mechanism to ascertain 'reasonability' of MRPs.
- (iv) Identification of additional mechanism under NBS policy to make it more effective in achieving its objectives.
- (v) Monitoring and regulation of prices.
- (vi) Price Discovery and Fixation of Prices.

The report from M/s. Ernst & Young is expected soon.

[MINISTRY OF CHEMICALS & FERTILIZERS (Department of Fertilizers)
O.M. NO. H-11021/19/2013-PARL. dated: 01-11-2013]

Comments of the Committee

(Please see Para 7 of Chapter I of the Report)

New Delhi;
28 February, 2014
8 Magha, 1935 (Saka)

GOPINATH MUNDE
Chairman,
Standing Committee on
Chemicals and Fertilizers

Annexure-I

Statement showing state wise Requirement, Availability and Sales of Fertilizers during 2012-13 (April'12 to March'13)
 < Figures in LMT >

State	UREA			DAP			MOP			NPK		
	Requirement	Availability	Sales	Requirement	Availability	Sales	Requirement	Availability	Sales	Requirement	Availability	Sales
Andaman & Nicobar	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Andhra Pradesh	32.50	29.39	28.51	12.30	6.48	6.60	3.35	3.35	3.34	22.50	18.16	17.59
Arunachal Pradesh	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assam	3.15	2.62	2.62	0.65	0.33	1.50	0.61	0.61	0.58	0.23	0.06	0.06
Bihar	21.01	21.10	21.01	5.00	5.41	5.41	2.30	1.15	1.14	3.65	3.03	3.00
Chandigarh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.00	0.00
Chhattisgarh	5.90	7.26	7.06	3.12	2.33	1.27	0.68	0.66	0.66	1.75	1.17	1.04
Dadra & Nagar Haveli	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.05	0.00	0.00
Daman & Diu	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Delhi	0.07	0.02	0.02	0.05	0.04	0.02	0.02	0.00	0.00	0.03	0.00	0.00
GOA	0.07	0.04	0.04	0.04	0.02	0.01	0.01	0.01	0.01	0.08	0.03	0.03
Gujarat	23.75	19.30	19.24	8.80	4.21	3.95	2.00	0.83	0.79	5.55	4.69	4.58
Haryana	20.00	21.01	20.34	7.20	7.23	6.87	0.75	0.21	0.21	0.98	0.26	0.26
Himachal Pradesh	0.65	0.65	0.65	0.00	0.00	0.00	0.07	0.07	0.07	0.46	0.17	0.17
J&K	1.46	1.50	1.44	0.85	0.55	0.50	0.35	0.18	0.16	0.00	0.00	0.00
Jharkhand	2.70	1.98	1.98	1.25	0.54	0.54	0.35	0.03	0.03	1.29	0.26	0.26
Karnataka	15.00	14.54	14.46	8.90	4.19	4.04	5.65	2.76	2.67	14.40	9.67	9.40
Kerala	2.05	1.36	1.36	0.45	0.30	0.25	1.94	0.89	0.88	2.51	1.61	1.53
Lakshadweep	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Madhya Pradesh	18.50	19.48	18.91	11.50	11.74	11.07	1.40	0.86	0.85	4.34	2.51	2.33
Maharashtra	28.00	23.40	22.92	15.60	6.97	6.59	6.25	3.24	3.14	19.00	13.28	12.80
Manipur	0.48	0.21	0.21	0.12	0.00	0.00	0.07	0.00	0.00	0.00	0.00	0.00
Megalaya	0.08	0.06	0.06	0.06	0.00	0.00	0.03	0.00	0.00	0.00	0.00	0.00
Mizoram	0.11	0.04	0.04	0.06	0.00	0.00	0.06	0.00	0.00	0.00	0.00	0.00
Nagaland	0.02	0.01	0.01	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00
Orissa	6.50	5.41	5.26	2.75	1.50	1.44	2.00	0.75	0.75	3.97	2.36	2.29
Pondicherry	0.31	0.19	0.19	0.09	0.02	0.02	0.09	0.02	0.02	0.30	0.13	0.13
Punjab	26.40	29.05	28.43	8.80	9.10	8.71	1.06	0.35	0.35	1.48	0.44	0.42
Rajasthan	17.25	18.91	18.46	7.60	6.33	5.93	0.48	0.15	0.15	1.66	0.84	0.84
Sikkim	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tamil Nadu	11.50	9.36	9.28	4.55	2.44	2.33	5.55	2.18	2.17	6.82	5.89	5.71
Tripura	0.51	0.19	0.17	0.06	0.02	0.02	0.17	0.06	0.06	0.00	0.00	0.00
Uttar Pradesh	60.00	63.31	62.56	18.15	21.67	20.85	3.50	1.47	1.31	11.48	6.73	6.62
Uttaranchal	2.45	2.51	2.45	0.35	0.28	0.27	0.10	0.04	0.04	0.57	0.33	0.32
West Bengal	13.50	14.02	13.87	5.25	4.34	4.25	4.25	2.18	2.16	8.28	8.01	7.90
Total	315.43	307.25	301.58	123.58	96.80	92.22	47.82	22.07	21.34	111.39	79.64	77.29

Annexure-II

No. 12-5/2010- FU (FQC)
Government of India
Ministry of Agriculture
D/O Agriculture & Co-operation
INM Division

1/9

Krishi Bhawan, New Delhi
Dated the 27th September, 2013

To

Agriculture Production Commissioner/Secretary (Agriculture),
All State Governments/UTs Administration.

Subject : Strengthening/ upgrading of fertilizer quality control mechanism-regarding

Sir,

I am directed to refer to the recommendations contained in the 39th Report on "Pricing of Fertilizers" of the Ministry of Chemical & Fertilizers and to state that it has come to the notice of the committee that the laboratories for fertilizer testing do not function quite often and the farmers are asked to visit from one lab to another to get the fertilizers tested. At the time of cultivation of crops, farmers do not have much time to visit from one laboratory to another to get the fertilizers tested. Further, the committee feels that there is a need to impress upon the State Governments to ensure that the labs under their control are well equipped and functioning properly all the time and especially during the time of cultivation of crops.

The Committee has also recommended that the possibility of getting opened at least one laboratory in all the districts of the country, especially in those districts where consumption of fertilizers is comparatively more, may be looked into. A scheme 'National Project for Management of Soil Health & Fertility' has been under implementation by this Ministry since 2008-09. Under the scheme, there are provisions of Strengthening/up-grading existing state fertilizer quality control laboratories, setting up of new fertilizer quality control laboratories by state governments and setting up of fertilizer testing laboratories for advisory purposes, under the private/cooperative sector.

It is, therefore, requested that necessary action in respect of observations/recommendations of Standing Committee may be taken at your level.

Yours faithfully,

Sh

(Shailesh)

Deputy Secretary (INM)
Tel: 23382480

e/c

Copy to: Director (Agriculture), State Governments for kind information and necessary action

Sh

Deputy Secretary (INM)

e/c

No.12-15/2010-FU (FQC)
Government of India
Ministry of Agriculture
Department of Agriculture & Cooperation
Government of India

3/9

Dated the 30th July, 2013

To

Director of Agriculture/ Agriculture Commissioner
(All States)

**Sub: Strengthening of Quality Control Mechanism, Implementation of provisions of FCO
- regarding**

Sir,


Kind reference is invited to this Ministry's letter of even no dated 23.7.2012 and subsequent letters dated 05.02.2013 & 22.03.2013 on the subject cited above.

There is a need to review the functioning of mechanism of Fertilizer Quality Control & Implementation of FCO in the States and improve its effectiveness for ensuring good quality fertilizers. State Governments may take appropriate action in the matter and ensure that following instructions are followed in letter and spirit.

1. Analysis of fertilizer may be done within the period stipulated in clause 30 of FCO and test report shall be intimated to all concerned. Strict action against the officials violating this clause may be taken.
2. Identify infrastructural, equipment & manpower constraints in Fertilizer Quality Control Laboratories and addressing them on priority.
3. Testing facilities of fertilizers, soil samples etc in the State needs to be further enhanced.
4. Regular training of all analysts of fertilizers at CFQCTI, Faridabad needs to be ensured.
5. Regular collection of samples by Fertilizer Inspectors, their analysis and rigorous administrative and legal follow-up action in case of non-standard samples.
6. Sending reports of non-standard samples to Department of Fertilizers for necessary action in the matter.

- 4/9
7. Directions may be issued to all the fertilizer inspectors that samples of all such fertilizers, which are prone to adulteration, need to be collected.
 8. Sale of fertilizers shall only be permitted by dealer having valid authorization letter and action shall be taken against defaulters. Further, the penal provisions under the Essential Commodity Act (ECA), which prescribe the prosecution of offenders and sentence, if convicted, up to seven years of imprisonment besides cancellation of the authorization certificate and other administrative action, be invoked against the offenders/defaulters to deter supply/sale of sub-standard fertilizers.
 9. Confiscated fertilizer shall be dealt immediately as per the procedures/provisions of Essential Commodity Act, 1955.
 10. It has been observed that in some cases the testing of samples was much below the annual analyzing capacity of the laboratory. Thus, State Governments need to take necessary steps to ensure this.
 11. The farmers' complaint lodging mechanism for sub-standard quality of fertilizers be streamlined and they may be allowed to lodge their complaints with the District Magistrate/District Agriculture Officer for expeditious and appropriate action. List of Fertilizer Quality Testing Centers may be provided to MPs, MLAs and other representatives of the people such as NGOs in the respective states so as to enable them to take necessary action, whenever warranted.

Yours sincerely,


(Shaillesh)
Dy. Secretary (INM)

011-23382480

12-15/2010-FU (FQC)
Ministry of Agriculture
Department of Agriculture & Cooperation

Dated the 22nd March, 2013

To

**Principal Secretary/Secretary (Agriculture)/Agriculture Production Commissioner
(All States)**

**Subject: Strengthening of Quality Control Mechanism, Implementation of provisions
of FCO - regarding**

Sir,


Kind reference is invited to this Ministry's letter of even no dated 23.07.2012 and subsequent letter dated 05.02.2013 on the subject cited above.

There is a need to review the functioning of mechanism of Fertilizer Quality Control & implementation of FCO in the States and improve its effectiveness for ensuring good quality fertilizers. State Governments may take appropriate action in the matter and ensure that following instructions are followed in letter and spirit.

1. Analysis of fertilizer may be done within the period stipulated in clause 30 of FCO and test report shall be intimated to all concerned.
2. Identify infrastructural, equipment & manpower constraints in Fertilizer Quality Control Laboratories and addressing them on priority.
3. Testing facilities of fertilizers, soil samples etc in the State needs to be further enhanced.
4. Regular training of all analysts of fertilizers at CFQCTI, Faridabad needs to be ensured.
5. Regular collection of samples by Fertilizer Inspectors, their analysis and rigorous administrative and legal follow-up action in case of non-standard samples.
6. Sending reports of non-standard samples to Department of Fertilizers for necessary action in the matter.
7. Directions may be issued to all the fertilizer inspectors that samples of all such fertilizers, which are prone to adulteration, need to be collected.
8. Sale of fertilizers shall only be permitted by dealer having valid authorization letter and action shall be taken against defaulters.

9. Confiscated fertilizers shall be dealt immediately as per the procedures/provisions of Essential Commodity Act, 1955.
10. It has been observed that in some cases the testing of samples was much below the annual analyzing capacity of the laboratory. Thus, State Governments need to take necessary steps to ensure this.

Yours sincerely,


Narendra Bhoo'shan
Joint Secretary (INM)
(011-23388756)

Copy to:

1. Director of Agriculture/ Agriculture Commissioner (All States)

Joint Secretary (INM)

D.O.No. 12-15/2010 Fert. Law

Date: 13th July, 2012

Dear

It has been brought to the notice of this Ministry that some of the laboratories are not strictly following the time period stipulated for sending of samples, analysis and communication of results under clause 30 of Fertiliser Control Order, 1985. Clause 30 of FCO provides.

"30. (1) Where sample of a fertiliser has been drawn, the same shall be dispatched along with a memorandum in Form K and in case of Organic fertilizers, Biofertilisers and non-edible de-oiled cake fertiliser in Form K1 to the laboratory for analysis within a period of seven days from the date of its drawal.

(2) The laboratory shall analyse the sample and forward the analysis report in Form 1 and in case of Organic fertiliser, Bio-fertiliser and non-edible de-oiled-cake fertiliser in Form L1, L2, and L3, respectively, within 30 days from the date of receipt of the sample in the laboratory to the authority specified in the said memorandum.

(3) The authority in whom the analysis report is sent under sub-clause (2) shall communicate the result of the analysis to the dealer/manufacturer/importer/pool handling agency from whom the sample was drawn within 15 days from the date of receipt of the analysis report of the laboratory".

The provision of clause 30 is a mandatory provision and it is required to strictly comply within the time frame work provided in the said clause. The CAG in its 8th Report have observed this discrepancy and advised that the State Government Departments and quality control laboratories should be held accountable for timeliness in drawl of samples, sample analysis and communication of sample results. The State Government may also make use of IT techniques for collation and wide dissemination of analysis results. The CAG also observed that there is inadequacy of manpower in the fertiliser quality control laboratory.

There is a need to review the functioning of Fertiliser Quality Control set up by the States to strengthen it and improve its effectiveness for ensuring availability of good quality of fertiliser. The State Government may take appropriate action in the matter and ensure that, following instruction are followed in letter & spirit.

1. The analysis of fertiliser within the period stipulated in clause 30 of FCO.
2. Identify and addressing infrastructural and manpower constraints in FQCL and creating micronutrient capability in all the labs.
3. Regular collection of samples by the Fertiliser Inspector, their analysis FQCL and rigorous administrative and legal follow up action in case of non-standard samples.
4. Sending reports regularly of failed samples to Department of Fertiliser for necessary action in the matter.
5. To post all the analysis report at the centralized website of the State Government.
6. The State Government may direct all the inspectors to draw the samples from such fertiliser which are prone to adulteration.
7. It is also observed that there are cases where the persons are carrying on the business of selling of fertiliser without possessing the authorisation letter from the notified authority under clause 7 of Fertiliser Control Order, 1985. The State Government may take appropriate action in the matter.

I shall be grateful if the review is conducted under intimation to us.

Yours Sincerely,



(Narendera Bhooshan)

Shri Hage Kojeen
Secretary (Agriculture)
Government of Puducherry
Ground Floor
Chief Secretariat
Puducherry- 605 001

संयुक्त सचिव
भारत सरकार
कृषि मंत्रालय
(दूरस्थ एवं सहकारिता विभाग)
कृषि भवन, नई दिल्ली- 110114



Pankaj Kumar

Joint Secretary
Government of India
Ministry of Agriculture
(Department of Agriculture & Cooperative
Krishi Bhawan, New Delhi-110114)

Telefax: 23070306

Dated 21st June, 2010

Dear *As per list*

As you are aware, the Fertilizer Quality Control Laboratories (FQCLs) set up by the States have an important role to play in ensuring that only 'standard' fertilizers [i.e., fertilizers conforming to specifications laid down in the Fertilizer (Control) Order, 1985] are available in the market for use by the farmers.

2. There is a need to review the functioning of the fertilizer quality control set up by the States to strengthen it and improve its effectiveness for ensuring availability of fertilizers of specified quality to the farmers. Such a review may include:

- (i) Identifying and addressing infrastructural and manpower constraints in FQCLs and creating micro-nutrient testing capability in all FQCLs in the State;
- (ii) Designating one of the FQCLs in the State as apex or nodal FQCL to monitor functioning of all FQCLs in the State including periodically checking their fertilizer quality analysis procedures;
- (iii) Regular collection of samples by fertilizer inspectors, their analysis by FQCLs and rigorous administrative and legal follow up action in case of failed (or non-standard) samples; (while quality of all types of fertilizer needs to be checked regularly, special attention needs to be given to Single Super Phosphate and Mixtures as instances of 'non-standard' samples are observed to be higher in these fertilizers);
- (iv) Sending regularly reports of all failed samples in prescribed format to the Department of Fertilizers for taking necessary action in case of subsidized fertilizers and sending half yearly statistical reports to the Central Fertilizer Quality Control & Training Institute, Faridabad.

3. I shall be grateful if the review is conducted and the outcome intimated to us by 31.07.2010.

Yours sincerely,

Pankaj Kumar
(Pankaj Kumar)

Secretary (Agri), all States

Copy to :

1. Shri Satish Chandra, Joint Secretary (A&M), Department of Fertilizers, Shastri Bhavan, New Delhi
2. Director, CFQC&TI, Faridabad,

Pankaj Kumar
(Pankaj Kumar)

Annexure-III

List of New Fertilizer Quality Control Laboratories (FQCLs) sanctioned under National Project on Management Soil Health & Fertility

S. No.	State	No. of Lab	Location of FQCL
1.	Odisha	1	Rayagada
2.	Rajasthan	3	Ajmer, Sriganganagar & Kota
3.	Andhra Pradesh	2	Kottapalli, Vijaywada
4.	Bihar	1	Agriculture Deptt. Office Complex, Bhagalpur
5.	Jharkhand	1	Dhumka
6.	Maharashtra	1	Kolhapur
7.	Punjab	1	Gurdaspur
8.	Uttar Pradesh	3	Agra, Bareilly, Faizabad
9.	Gujarat	1	Nadiyad (Kheda Distt.)
	Total	14	

Annexure-IV

Number of Fertilizer Quality Control Laboratories (FQCLs) sanctioned for strengthening during 11th Plan period under National Project on Management of Soil Health & Fertility.

Sl. No.	State	Number of CQCLs
1.	Himachal Pradesh	2
2.	Karnataka	8
3.	Maharashtra	4
4.	Odisha	1
5.	Uttar Pradesh	8
6.	Uttarakhand	1
7.	West Bengal	3
8.	Andhra Pradesh	5
9.	Bihar	1
10.	Jharkhand	1
11.	Kerala	2
12.	Mizoram	1
13.	Rajasthan	4
14.	Chhattisgarh	1
15.	Gujarat	3
	Total	45

APPENDIX-I

MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2013-14)

The Committee sat on Monday, the 20 January, 2014 from 1530 hrs. to 1630 hrs. in Committee Room – D, Parliament House Annexe, New Delhi.

PRESENT

Shri Gopinath Munde - Chairman

MEMBERS

LOK SABHA

2. Shri Prabhatsinh P. Chauhan
3. Shri SK. Nurul Islam
4. Shri Shakti Mohan Malik
5. Shri Raju Shetti
6. Shri G.M. Siddeshwara

RAJYA SABHA

7. Shri Brijlal Khabri
8. Smt. Dilipbhai Pandya
9. Shri Raghunandan Sharma
10. Shri Ishwar Singh

SECRETARIAT

- | | | | |
|----|----------------------|---|---------------------|
| 1. | Smt. Rashmi Jain | - | Joint Secretary |
| 2. | Shri U.B.S. Negi | - | Director |
| 3. | Shri A.K. Srivastava | - | Additional Director |

2. At the outset, the Chairman welcomed the members of the Committee.

3. The Committee thereafter took up draft Action Taken Report on the action taken by the Government on the recommendations contained in the Thirty-ninth Report (15th Lok Sabha) on the subject 'Pricing of Fertilizers' pertaining to the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for Consideration and adoption. After some deliberations, the draft Action Taken Report was adopted by the Committee subject to corrections/ amendments as indicated at Annexure.

4. Thereafter, the Committee considered the representations of individuals/ organisations/ experts etc. who have expressed their willingness, for giving evidence before the Committee on the subject 'Jan Aushadhi Scheme' of the Ministry of Chemicals and Fertilizers (Department of Pharmaceuticals). After some deliberation, the Committee authorized Hon'ble Chairman to select the representationists who may be called for their personal appearance before the Committee. The Committee also decided to recirculate the advertisement in local vernacular newspapers in Punjab and Haryana only for seeking public opinion on the subject 'Jan Aushadhi Scheme'.

The Committee then adjourned.

Annexure

[Please see para 3 of the minutes]

Para No.	Page No.	Line	Amendments/ modifications
10	5	5 from below	<i>Insert the following Sentence;</i> For, 'In view of the forgoing, the Committee' <i>substitute as under :</i> "However, the Committee regret to note that no time line has been fixed to finalize the investment proposals received by the Department. The"
10	5	4 from below	<i>Before 'if' Insert the following sentence;</i> "Rest of the companies should also be impressed upon to furnish the cost data without any further delay."
16	9	8 from below	<i>After 'availability', Insert ',distribution'</i>
25	15	3 from below	<i>After expeditiously', Insert the following sentence;</i> "within a fixed time frame"

Appendix-II

(Vide Para 3 of the Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE THIRTY-NINTH REPORT (FIFTEENTH LOK SABHA) OF THE COMMITTEE ON PRICING OF FERTILIZERS OF THE MINISTRY OF CHEMICALS & FERTILIZERS (DEPARTMENT OF FERTILIZERS)

I	Total No. of Recommendations	12
II	Observations / Recommendations which have been accepted by the Government: (Vide Recommendation Nos. 2,3,7,8,9,10, and 12)	07
Percentage of Total		58.33 %
III	Observations / Recommendations which the Committee do not desire to pursue in view of the Government's reply: (Vide Recommendation No. Nil)	0
Percentage of Total		0%
IV	Observations / Recommendations in respect of which reply of the Government have not been accepted by the Committee and which require reiteration:- (Vide Recommendation Nos. 4,5,6 and 11)	04
Percentage of Total		33.33%
V	Observations / Recommendations in respect of which replies of the Government are still awaited:- (Vide Recommendation No. 1)	01
Percentage of Total		8.34%