

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

UNSTARRED QUESTION NO:2479

ANSWERED ON:03.12.2009

SHORT SUPPLY OF RAW MATERIALS TO FERTILIZER INDUSTRIES

Rathod Shri Ramesh

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

- (a) whether the Chemical and Fertilizer based industries are facing problems due to short supply of raw materials;
- (b) if so, the details thereof alongwith the quantum of raw materials provided to each unit during the last three years and the current year; and
- (c) the steps taken by the Government to provide the sufficient raw material to this industry?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI SRIKANT KUMAR JENA)

(a) & (b): The chemical sector in India is de-licensed and 100% FDI is permissible in respect of most of the products. All the items are under Open General License (OGL) and are therefore freely importable. Hence, there is no problem of short supply of raw materials for the chemical industry. Since the industry is de- licensed, question of provision of raw materials by Government does not arise. Feedstock for production of urea includes natural gas (NG), Liquefied NG, naphtha, Fuel Oil, etc., available in the country. Any shortfall in a particular type of feed/fuel is made good from the alternative feed/fuel such as spot gas, LNG, naphtha, etc. to maintain committed level of production. Phosphatic and Potassic fertilizers are decontrolled and are under OGL. The country is heavily dependent on the import of raw materials/intermediates in Phosphate sector, as indigenous availability of inputs is very limited. The source of Potash in the country is non-existent. Accordingly, the raw materials such as Rock Phosphate, Phosphoric Acid, Sulphur and Ammonia are imported by the fertilizer companies to manufacture fertilizers. Government provides concession only on finished fertilizer products, which are supplied to the farmer by the companies. As such, the Government does not provide raw materials to the fertilizer companies. As Phosphatic and Potassic inputs are on OGL, the Indigenous manufacturers of Phosphatic and Potassic Fertilizers import raw materials / intermediates on their own based on their installed capacity and production requirements. However, availability of Rock Phosphate/ Phosphoric Acid and Potash is limited to a few countries. Some of the companies producing Phosphatic fertilizers presently have joint venture projects in foreign countries, such as Jordan, Senegal, Morocco etc. to off-take Phosphoric Acid etc. Due to closure of these producing units for certain periods in 2008-09, supply of inputs was affected. Further, the availability of raw materials in the country gets affected due to tight availability and highly volatile prices of these materials in the international market. At times, this may result in short supply of raw materials to the fertilizers production units in the country. However, the gap between indigenous production and requirement is met through import of fertilizer.

(c) With respect to feedstock/raw material under OGL, the companies are responsible to tie-up / import of inputs. However, the Department of Fertilizers is encouraging the Indian entities, PSUs as well as private entities, to enter into long-term Joint Venture and off take arrangement for supply of fertilizer raw materials/fertilizers from various foreign countries. Government has reduced import duty on critical fertilizer inputs such as rock phosphate and sulphur from 5% to 2% to reduce cost of import.