

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

UNSTARRED QUESTION NO:310

ANSWERED ON:06.08.2013

RISE IN PRICES OF FERTILIZERS

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

- (a) whether there has been a steep rise in the prices of fertilizer;
- (b) if so, the details thereof and the reasons therefor during each of the last three years and the current year, fertilizer-wise;
- (c) the extent to which this price rise has affected production cost;
- (d) the steps taken/proposed to be taken by the Government to control/check the rise in prices of various fertilizers and the extent to which success is achieved therefrom during the said period, fertilizer and State-wise;
- (e) whether the international pricing formula for natural gas as proposed by the Planning Commission/Rangarajan Panel is likely to affect the production and pricing of fertilizers; and
- (f) if so, the details thereof?

Answer

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

(a) to (c): Urea is under statutory price control and its Maximum Retail Price (MRP) is fixed by the Government. The MRP of Urea was fixed at Rs.5310 per tonne w.e.f. 1.4.2010. The MRP fixed is exclusive of CST, sales tax and Central Excise Duty. The MRP was increased marginally by Rs.50 per tonne w.e.f. 1.11.2012.

In respect of Phosphatic & Potassic (P&K) fertilizers, Government is implementing Nutrient Based Subsidy (NBS) Policy w.e.f. 1.4.2010, under which a fixed amount of subsidy, decided on annual basis, is provided on each grade of subsidised P&K fertilizer depending upon their nutrient content. Under the Policy the fertilizer companies have been allowed to fix MRPs of P&K fertilizers reasonably. The highest MRP of P&K fertilizers fixed by the fertilizer companies quarter-wise for the last three years and current year are annexed.

The country is fully dependent on imports in Potassic sector and to the extent of 90% in Phosphatic sector in the form of either finished products or its raw material. Subsidy being fixed, any fluctuation in international prices has effect on the production cost and consequently the domestic prices of P&K fertilizers.

It would be seen from Annexure that in the year 2010-11, the prices of P&K fertilizers had increased only marginally. In spite of increase in subsidy during the year 2011-12, the MRPs increased due to sharp increase in the prices of P&K fertilizers and its raw materials in international market. The depreciation of Indian Rupee further added to the increase in MRP of these fertilizers. The unprecedented depreciation of Indian Rupee during the year 2012-13 resulted in increase in the prices of fertilizers. To summarize, the prices of fertilizers during the last 3 years have increased mainly on account of fluctuation in international prices of fertilizers, over which the Government has no control and also on account of depreciation of Indian rupee vis a vis USD.

(d) In order to ensure that the MRPs of P&K fertilizers covered under NBS Scheme are fixed reasonably, it has been made mandatory for the fertilizer companies to submit certified cost data alongwith their subsidy claims to examine and ensure that the MRPs fixed by the companies are reasonable. While announcing subsidy rates for 2013-14, Government has also notified the indicative MRPs of P&K fertilizers and the amount to be reduced by the fertilizer companies from the said indicative prices to check and ensure that the prices are fixed reasonably.

(e) & (f): After implementation of Rangarajan formula on gas pricing for domestically produced gas w.e.f. 1st April 2014, the cost of production of Urea will increase. The cost of production of Urea increases by about US\$25 per MT with US\$1/mmbtu increase in gas price. The present wellhead price of RIL gas is US\$4.2/mmbtu, which is projected to increase to US\$ 8.4/mmbtu w.e.f. 1.4.2014. India produces 180 lakh MT of urea domestically with gas as feedstock. Since the MRP of urea is statutorily fixed, the increase in cost of production will be a pass through in subsidy thereby increasing the subsidy outgo of the Government.

As regards P&K fertilizers, natural gas is used by a very few fertilizer companies. The cost of production of these fertilizers would also go up sharply, which may make domestic production of these fertilizers economically unviable.

