

ELEVENTH REPORT
STANDING COMMITTEE ON
PETROLEUM & CHEMICALS
(1999-2000)

(THIRTEENTH LOK SABHA)

DEMAND, AVAILABILITY & IMPORT OF
POTASH/POTASSIC FERTILISERS

MINISTRY OF CHEMICALS & FERTILISERS
(DEPARTMENT OF FERTILISERS)

Presented to Lok Sabha on 20.12.2000

Laid in Rajya Sabha on 20.12.2000



LOK SABHA SECRETARIAT
NEW DELHI

December, 2000/Agrahayana, 1922 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON
PETROLEUM & CHEMICALS
(1998-99)

Dr. Balram Jakhar *Chairman*

MEMBERS

Lok Sabha

2. Shri Ratilal Kalidas Varma
- *3. Shri Z.M. Kahandole
4. Dr. Vallabhbai Katheria
5. Shri Ashok Argal
6. Shri V. Dhananjay Kumar
7. Shri Ganga Charan
8. Shri Devibux Singh
9. Dr. Ramesh Chand Tomar
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14. Shri Krishan Datt Sultanpuri
15. Shri Gurudas Kamat
16. Shri Nepal Chandra Das
17. Shri Narendra Budania
18. Dr. Asim Bala
19. Shri Balram Singh Yadav
20. Shri Raja Paramasivam
21. Shri Pitambar Paswan
22. Shri Prabhunath Singh
23. Dr. C. Suguna Kumari
24. Shri Arjun Charan Sethi
25. Shri M. Selvarasu

*Nominated *w.e.f* 10.7.98 *vice* Shri Chandubhai Deshmukh expired on 28.6.1998.

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26. Shri Prem Singh Chandumajra
27. Shri Mohan Vishnu Rawale
28. Shri Ambreesh
29. Shri C. Kuppusami
30. Smt. Kailasho Devi

Rajya Sabha

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32. Shri Radhakishan Malaviya
33. Shri Surendra Kumar Singh
34. Shri Anantha Sethi
- *35. Shri Kanak Mal Katara
36. Smt. Malti Sharma
37. Shri Ram Nath Kovind
38. Shri Dipankar Mukherjee
39. Dr. Y. Lakshmi Prasad
40. Shri Ram Gopal Yadav
41. Shri Anil Kumar
42. Shri Mukesh R. Patel
43. Shri Dara Singh Chauhan
44. Shri Joyanta Roy
45. Shri Parag Chaliha

SECRETARIAT

1. Dr. A.K. Pandey — *Additional Secretary*
2. Shri Harnam Singh — *Joint Secretary*
3. Shri Brahm Dutt — *Deputy Secretary*
4. Shri J.N. Oberoi — *Under Secretary*
5. Smt. Madhu Bhutani — *Senior Executive Assistant*

*Nominated *w.e.f.* 5.8.98 *vice* Prof. Naunihal Singh retired from the membership of Rajya Sabha *w.e.f.* 4.7.98.

COMPOSITION OF THE STANDING COMMITTEE ON
PETROLEUM & CHEMICALS (1999-2000)

Shri Mulayam Singh Yadav—*Chairman*

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Shri Ramchander Bainsa
4. Shri Ananda Mohan Biswas
5. Shri Ajay Singh Chautala
6. Dr. (Smt.) C. Suguna Kumari
7. Shri Padam Sen Choudhary
8. Shri T.T.V. Dhinakaran
9. Shri Dilipkumar Mansukhlal Gandhi
10. Shrimati Sheela Gautam
11. Shri Pawan Singh Ghatowar
- *12. Shri B.K. Handique
13. Shri Shriprakash Jaiswal
14. Shrimati Nivedita Mane
15. Shri Punnulal Mohale
16. Shri P. Mohan
17. Shri Ashok Pradhan
18. Shri Mohan Rawale
- **19. Dr. Bikram Sarkar
20. Shri Shyama Charan Shukla
21. Shrimati Kanti Singh
22. Shri Prabhunath Singh
23. Shri D.C. Srikantappa

* Nominated in lieu of Shri Vilas Muttemwar, M.P., Lok Sabha *w.e.f.* 24th January, 2000.

** Nominated to serve as Member of the Committee *w.e.f.* 26th July, 2000.

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24. Dr. Ramesh Chand Tomar
25. Shri Tarlochan Singh Tur
26. Shri Shankersinh Vaghela
27. Shri Ratilal Kalidas Varma
28. Shri B. Venkateshwarlu
29. Shri Rajesh Verma
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Rajya Sabha

31. Shri Ram Nath Kovind
32. Shri Anil Kumar
- ***33. Shri Mool Chand Meena
34. Dr. (Smt.) Joyasree Goswami Mahanta
- ****35. Shri Dipankar Mukherjee
36. Shri Ahmed Patel
37. Shri Mukesh R. Patel
- *****38. Shri Suresh Pachouri
- **39. Shri Ravi Shankar Prasad
40. Shri K. Kalavenkata Rao
41. Shrimati Basanti Sarma
- ***42. Shri Rajiv Ranjan Singh
43. Shri Gaya Singh
44. Shri P. Soundararajan
45. Prof. Ram Gopal Yadav

SECRETARIAT

- | | |
|-----------------------|-----------------------------------|
| 1. Dr. A.K. Pandey | <i>Additional Secretary</i> |
| 2. Shri John Joseph | <i>Joint Secretary</i> |
| 3. Shri Brahm Dutt | <i>Deputy Secretary</i> |
| 4. Shri J.N. Oberoi | <i>Under Secretary</i> |
| 5. Smt. Madhu Bhutani | <i>Senior Executive Assistant</i> |

** Nominated to serve as Member of the Committee *w.e.f.* 16th May, 2000.
*** Nominated to serve as Member of the Committee *w.e.f.* 5th May, 2000.
**** Nominated to serve as Member of the Committee *w.e.f.* 24th April, 2000.
***** Nominated to serve as Member of the Committee from Committee on Defence *w.e.f.* 5th May, 2000.

COMPOSITION OF THE SUB-COMMITTEE ON FERTILISERS,
A SUB-COMMITTEE OF STANDING COMMITTEE
ON PETROLEUM & CHEMICALS (1999-2000)

Shri Mulayam Singh Yadav—*Chairman*

2. Shri Dipankar Mukherjee — *Convenor*
3. Shri Ramchander Baina
4. Shri Ananda Mohan Biswas
5. Shri Ajay Singh Chautala
6. Shri Padam Sen Choudhary
7. Shri Dilipkumar Mansukhlal Gandhi
8. Shri Punnulal Mohale
9. Shri Suresh Pachouri
10. Shri Ravi Shankar Prasad
11. Shri K. Kalavenkata Rao
12. Shri Rajiv Ranjan Singh
13. Shri P. Soundararajan
14. Shri D.C. Srikantappa
15. Shri Rajesh Verma
- *16. Dr. Bikram Sarkar

*Nominated as a member of the Sub-Committee on Fertilisers *w.e.f.* 11th August, 2000

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Chemicals (1999-2000) having been authorised by the Committee to submit the Report on their behalf present this Eleventh Report on 'Demand, Availability and Import of Potash/Potassic Fertilisers'.

2. This subject was selected for examination by the Standing Committee on Petroleum & Chemicals (1998-99) (Twelfth Lok Sabha). The Committee considered the replies furnished by the Ministry of Chemicals & Fertilisers, Department of Fertilisers and Ministry of Agriculture, Department of Agriculture and Cooperation to the questionnaire issued on the subject and other material related to the subject. The Committee took evidence of the representatives of Department of Agriculture and Cooperation on 15th December, 1998 and Department of Fertilisers on 16th December, 1998. The Committee could not complete the examination due to pre-mature dissolution of Twelfth Lok Sabha.

3. After constitution of Thirteenth Lok Sabha, the Standing Committee on Petroleum & Chemicals (1999-2000) decided to continue with this subject. The Sub-Committee on Fertilisers, a Sub-Committee of the main Committee took evidence of the representatives of Fertiliser Association of India on 18th September, 2000.

4. The Committee wish to express their thanks to officers of the Ministry of Chemicals & Fertilisers, Department of Fertilisers and Ministry of Agriculture, Department of Agriculture & Cooperation and representatives of Fertiliser Association of India for placing their views before them and for furnishing the information desired in connection with examination of the subject.

5. The Sub-Committee on Fertilisers considered and adopted this Report at their sitting held on 18th December, 2000.

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6. The Standing Committee on Petroleum & Chemicals (1999-2000) considered and adopted this Report at their sitting held on 18th December, 2000. The Committee place on record their appreciation of the work done by the Sub-Committee on Fertilisers.

7. The Committee would also like to place on record their sense of deep appreciation for the invaluable assistance rendered to them by the Officials of the Lok Sabha Secretariat attached to the Committee.

NEW DELHI;
December 18, 2000
Agrahayana 27, 1922 (Saka)

MULAYAM SINGH YADAV,
Chairman,
Standing Committee on
Petroleum and Chemicals.

PART I
CHAPTER I
BACKGROUND ANALYSIS

INTRODUCTORY

Fertiliser plays a significant role in accelerating the growth of agricultural production which is treated as the backbone of the Indian economy. Nitrogen (N), Phosphate (P) and Potash (K) are the three basic fertiliser nutrients for various crops. Each nutrient performs a specific function in crop growth and fructification. Potash is an important plant nutrient as it enhances the ability of the plant to resist adverse conditions. Its impact is felt in quality as much as on the quantity of output. The entire quantity of Potash consumed in the country is imported as it does not have any known and commercially viable source of this nutrient. Muriate of Potash (MoP) is used as a source of Potash for direct application as well as for the production of complex grade potassic fertilisers.

Muriate of Potash (MoP) and Potassic fertilisers were decontrolled w.e.f. 25.8.1992 and imports of MoP were been decanalised w.e.f. 17.6.1993. The total expenditure on subsidy on Potash/Potassic fertilisers declined immediately after decontrol and has only now returned to pre-decontrol levels. The objective of decontrol was to save on subsidy. If the subsidy level prevalent in the pre-decontrol regime had continued, the total expenditure on subsidy would have been far higher as the prices under the controlled regime would have remained much lower, thereby resulting in higher subsidy. The MRP of Urea, which is a controlled fertiliser, which was Rs. 3060 PMT in 1992-93 has gone up to Rs. 4600 PMT in 1999-2000 (increase of 50.33%). In the same period, the MRP of DAP increased from Rs. 4680 PMT to Rs. 8900 PMT (90.17%) and that of MoP from Rs. 1700 PMT to Rs. 4255 PMT (150.29%).

I. Demand and Consumption of Potash/Potassic Fertilisers

A. Role of Administrative Ministries/State Governments

1.1 The Department of Fertilisers (DoF) in the Ministry of Chemicals and Fertilisers is entrusted with the responsibility of sectoral planning, promotion and development of fertiliser industry, planning and monitoring of production, import, availability and distribution of fertilisers, management of subsidy for indigenous and imported fertilisers and administrative responsibility for public sector undertakings and cooperative sector units engaged in the production of fertilisers. The work relating to assessment of requirement of fertiliser nutrients, ensuring timely and adequate supply and promotion of fertilisers, however, is the responsibility of the Ministry of Agriculture (Department of Agriculture and Cooperation).

B. Demand Projection and Assessment of Potash/Potassic Fertilisers

1.2 As earlier mentioned, Muriate of Potash (MoP) and Potassic fertilisers have been decontrolled w.e.f. 25.8.1992 and imports of MoP have been decanlised w.e.f. 17.6.1993. Thus the demand for these fertilisers is not assessed formally as in the case of Urea (Controlled fertilisers).

1.3 During the course of examination when the Committee wanted to know the reasons for no formal assessment of demand for decontrolled fertilisers, the Department of Agriculture and Cooperation stated in a written reply:

“In the case of controlled fertilisers, the movement and distribution are controlled by the Government. This mechanism is used to meet the demand which is formally assessed. Since movement and distribution of potassic fertilisers is not controlled, no assessment of demand is made. The States, however, indicate their requirements before each cropping season, though in some cases these are overestimates when seen in the light of previous year’s consumption.”

1.4 Explaining it further, Secretary, Department of Agriculture and Cooperation stated during evidence:—

“This assessment is made before the cropping seasons. We have, what we call, the Input Conference where all the requirements of inputs are assessed. This assessment is done jointly with the States; with the Department of Fertilisers and with the Fertiliser Association, which has a representation of all fertiliser manufacturing and importing units. These assessments are then made available to the States and the various Departments and agencies concerned.”

1.5 When the Committee further inquired about the exact mechanism being followed to regulate demand and availability of these fertilisers and justification for leaving supply and demand to market forces, the Department explained the facts as under:—

“When commodities are decontrolled, demand and availability can be influenced through policy mechanisms. In the case of decontrolled fertilisers, the price and rates of concession under the concession scheme are such mechanisms. If the importers perceive adequate demand and returns, they would import in required quantities. As far as procurement by the States are concerned, State level cooperative institutions as buyers enter into contracts with the suppliers. The institutions then supply to their constituents.

Since, imports are under OGL, competition among importers will exert pressure against unusually high profits. Holding stocks increases inventory carrying costs and is a disincentive in itself. Also, Public Sector Units among the importers are expected to operate in a responsible fashion.”

1.6 In response to the specific query of the Committee about the method of demand projection for the 9th Plan, the Department of Agriculture and Cooperation explained as follows:—

“The demand projections for the Ninth Plan were made by the Working Group on Critical Agriculture Inputs Fertilisers for the formulation of the Ninth Five Year Plan. Its projections were based on estimates made by the DAC, NIC and FAI.

It has made two sets of projections, one with price correction and the other without price correction. Under price correction the consumption of K was projected to grow by 1.43 times to reach 18.30 lakh tonnes by the end of the Ninth Plan. The price ratio between Urea: MOP was envisaged at 1:0.9 in 1996-97 and the projection for consumption in 1997-98 was 13.66 lakh tonnes of K, 160.96 tonnes of NPK and a consumption ratio of 8.75:2.7:1. In reality, the prices of Urea and MOP were very close to each other and the actual consumption achieved in 1997-98 are 13.73 lakh tonnes of K, 161.88 lakh tonnes of NPK, and a consumption ratio of 7.9:2.9:1."

1.7 When the Committee wanted to know about the basis for such demand projection, the Department of Fertilisers expressed as follows:—

"Demand/Projections were worked out by the Working Group for different fertilisers looking to the targeted production of foodgrains production and other important crops and past trend of growth, crop response ratios, etc. The demand projection was made under two scenarios—one with price correction and one without price correction for Urea. Without any price correction for Urea, the projected estimates indicated a distortion in the NPK ratio. The Working Group, therefore, recommend an increase in the Maximum Retail Price (MRP) of urea."

1.8 The Committee were not convinced by the replies of the Department of Fertilisers and the Department of Agriculture and Cooperation. They emphasised upon the need to have formal assessment of demand Potash/Potassic fertilisers to have a better planning for importers both in Public and Private Sector. The Committee have been informed that after the decontrol of Potassic fertilisers, the Government have now started assessing the demand for these fertilisers *w.e.f.* 1999-2000 onwards.

1.9 The projected demand for Potassic fertilisers in nutrient terms estimated by the Working Group on Fertilisers for the 9th Plan is as under:—

(In lakh tonnes)

| Nutrient | Consumption Terminal year of 8th Plan 1996-97 | | Projected Demand Terminal year of 9th Plan 2001-2002 | |
|----------|---|-----------------------------|--|-----------------------------|
| | With price correction | Without price correction | With price correction | Without price correction |
| K | 12.74 | 12.45 | 18.30 | 16.04 |

C. Consumption of Potash/Potassic Fertilisers

1.10 Till 1992 these fertilisers were also covered by the subsidy scheme administered by the Ministry/Department of Fertilisers. While Potash is wholly imported, in the case of phosphatic fertilisers, a part is imported. The balance is domestically manufactured, mainly based on imported rock phosphate/sulphur/phosphoric acid and imported ammonia.

In 1992 both sets of fertilisers were decontrolled and the subsidies removed. The resultant increase in prices led to a sharp drop in consumption of these fertilisers thus unsettling the NPK balance built up over the years. In order to contain the increase in price, the Government introduced a concession scheme under the aegis of the Ministry of Agriculture. Necessary subsidy in the form of concession scheme is given on imported potash, imported DAP and domestically manufactured DAP, at levels, which will ensure availability of these fertilisers at pre-determined maximum retail prices. In 1999-2000, the total consumption of Potassic and Phosphatic fertilisers, including complexes was 170 lakh tonnes consisting of 69 lakh tonnes of DAP, 36 lakh tonnes of SSP, 45 lakh tonnes of complexes and 20 lakh tonnes of MOP.

Imports and consumption of Muriate of Potash (MOP) and production and consumption of complexes in the country during the last five years is as under:—

| Year | MOP | | Complexes in nutrient terms (N+P) | |
|-----------|---------|------------------------|-----------------------------------|-------------|
| | Imports | Sales/ Consumption* | Production** | Consumption |
| | | | | |
| 1995-96 | 21.92 | 19.45 | 15.96 | 15.07 |
| 1996-97 | 10.21 | 16.27 | 14.33 | 14.82 |
| 1997-98 | 19.00 | 22.33 | 13.90 | 14.88 |
| 1998-99 | 25.70 | 22.03 | 14.78 | 14.84 |
| 1999-2000 | 28.98 | 29.75 | 19.54 | 17.79 |

*Including sales for complex manufacture.

**There is no production of potash in the country. The Potash(K) content in complex is taken from imported MOP, of which record is maintained in terms of import and sales thereof.

1.11 The Committee wanted to know the details of last 2-3 decades and asked specifically about the analysis of results of the actual consumption of Potash/Potassic Fertilisers during each Five Year Plan period and the steps taken to improve the situation in this regard. The Department of Fertilisers furnished the following details:—

“The consumption of K₂O on all India basis in different Plan periods starting from the 5th Plan has been as under:—

(In lakh M.T.)

| Plan | Year | K ₂ O |
|------------------------------|---------|------------------|
| 1 | 2 | 3 |
| 5th Plan | 1974-75 | |
| | 1975-76 | 2.78 |
| | 1976-77 | 3.19 |
| | 1977-78 | |
| | 1978-79 | 5.91 |
| Average Annual Growth | | 0.46 |
| 6th Plan | 1979-80 | 6.06 |
| | 1980-81 | |
| | 1981-82 | |
| | 1982-83 | |
| | 1983-84 | 7.75 |
| 1984-85 | | |
| Average Annual Growth | | 0.47 |
| 7th Plan | 1985-86 | 8.08 |
| | 1986-87 | 8.50 |
| | 1987-88 | 8.80 |
| | 1988-89 | 10.68 |
| | 1989-90 | 11.68 |

| 1 | 2 | 3 |
|------------------------------|-----------|-----------------|
| Average Annual Growth | | 0.66 |
| Inter Plans | 1990-91 | |
| | 1991-92 | 13.61 |
| 8th Plan | 1992-93 | 8.84 |
| | 1993-94 | |
| | 1994-95 | 11.25 |
| | 1995-96 | 11.56 |
| | 1996-97 | 10.30 |
| Average Annual Growth | | (-) 0.66 |
| | 1997-98 | |
| | 1998-99 | |
| | 1999-2000 | 16.78 |

As would be seen, in the period prior to decontrol, consumption of K₂O has shown consistent increase from one Plan period to another. In the 7th Plan, the increase was more than in the 5th and 6th Plan periods. In the 8th Plan, the consumption of K₂O registered a negative growth. This was the period following decontrol of phosphatic and potassic fertilisers in 1992-93 and in which prices rose sharply from those prevailing prior to decontrol. The negative growth established price elasticity of demand of these fertilisers. That is why the Government decided in 1996-97 to hike rates of concessions of Potash and potassic fertilisers to bring them within the affordable limit. The rates were revised upwards in 1997-98 and along with it the implementation of the concession scheme was streamlined. The MRPs of MOP and Potassic fertilisers were maintained at the levels indicated in Kharif' 97 till February, 2000. However, the rate of concession on MOP was raised from Rs. 2000 PMT to between Rs. 2800 and 3350 PMT in the same period with a corresponding increase in rates of concession on Potassic fertilisers. The result of all these measures has been that in 1999-2000, the consumption of K₂O increased to 16.78 LMT as compared to 11.56 LMT in 1995-96 thereby registering a growth of 45.15%."

1.12 Explaining the reasons for adverse effect on consumption of Potash/Potassic fertilisers and steps taken in this regard to improve the situation, the Department of Agriculture and Cooperation stated:—

“The consumption of Potash (K) had been adversely affected since 1992-93 when Phosphatic (P) and Potassic (K) fertilisers were decontrolled. The consumption of K fell from 13.61 lakh tonnes in 1991-92 to 8.84 lakh tonnes in 1992-93. The consumption in 1996-97 was 10.30 lakh tonnes which was a little less than 11.56 lakh tonnes of K consumption in 1995-96. The lower consumption was due to a lower consumption of MOP by 1.94 lakh tonnes mainly due to lower consumption in Karnataka, Kerala, Tamil Nadu and Maharashtra, the major MOP consuming States. 1996-97 also saw low levels of imports because of increase in import price of MOP due to depreciation of the Rupee.

During 1997-98, a balance was struck between cost, concession and price since the Central Government fixed a single price for the whole country taking into account the cost of imports and the rates of concession. Introduction of the system of on-account payment improved the cash flow of importers. The price fixed by the Government was also found to be favourable. All these factors led to increased consumption of K from 10.30 lakh tonnes in 1996-97 to 13.73 lakh tonnes in 1997-98, an increase of 33.4%. The K consumption has further improved to 17.33 LMT in 1999-2000, representing an increase of 26.2% over the previous best of 1997-98, even though it came down marginally to 13.32 LMT in 1998-99.”

1.13 The Department of Agriculture and Cooperation analysed the impact of decontrol of MOP on farming as under:—

“The highest consumption of K and MOP prior to decontrol was achieved in 1991-92 with 13.61 lakh tonnes of K and 17.01 lakh tonnes of MOP. With decontrol and consequent increase in price, the consumption fell and remained below the 1991-92 level upto 1996-97. However, with enhanced rates of concession and with reasonable prices, the consumption of both K and MOP (as also DAP) surpassed the 1991-92 level.

The positive relationship between consumption of fertilisers and productivity is firmly established through yield-response ratios. However, food production is dependent on a number of factors. This is seen from the fact that though 1997-98 saw record consumption of fertilisers, foodgrain production fell as compared to 1996-97. It is difficult to quantify the impact of low fertiliser consumption following decontrol on food production."

1.14 the following table shows region-wise consumption of Potash:

(in lakh tonnes)

| Year | South | West | North | East | North-East | Total |
|-----------|-------|------|-------|------|------------|-------|
| 1989-90 | 5.66 | 2.67 | 1.12 | 1.87 | 0.36 | 11.68 |
| 1990-91 | 6.39 | 3.21 | 1.22 | 2.04 | 0.42 | 13.28 |
| 1991-92 | 6.48 | 3.14 | 1.30 | 2.33 | 0.36 | 13.61 |
| 1992-93 | 4.61 | 2.02 | 0.66 | 1.36 | 0.19 | 8.84 |
| 1993-94 | 4.80 | 1.91 | 0.49 | 1.70 | 0.18 | 9.08 |
| 1994-95 | 5.68 | 2.59 | 0.98 | 1.85 | 0.15 | 11.25 |
| 1995-96 | 5.72 | 2.57 | 0.93 | 2.12 | 0.22 | 11.56 |
| 1996-97 | 4.76 | 2.14 | 1.01 | 2.18 | 0.20 | 10.29 |
| 1997-98 | 6.51 | 3.14 | 1.21 | 2.65 | 0.21 | 13.72 |
| 1998-99 | 6.25 | 2.87 | 1.15 | 2.93 | 0.12 | 13.32 |
| 1999-2000 | 7.72 | 3.78 | 1.51 | 3.53 | 0.25 | 16.79 |

1.15 Asked about the reasons for not achieving the higher consumption level during the last five years, the Department of Fertilisers stated:

"After decontrol the prices of P&K fertilisers had shot up. Although immediately after decontrol the Government had announced (effective from Rabi 1992-93) concession of Rs. 1000/MT on DAP and MOP each and commensurately on the complex fertilisers (which was continued on year to year basis), this could not contain the fall in consumption as the prices of decontrolled fertilisers continued to rule high despite this. The effect of

concession was over the years eroded by the increase in the prices of input of these fertilisers and the deteriorating dollar-rupee parity (details of exchange rate depreciation are given below). As a result, the prices continued to be high (Rs. 4000-Rs. 5800) which affected consumption. The consumption was also affected due to infirmities in the administration of Ad-hoc Concession Scheme.

| Year | Exchange Rate (Rs./\$) |
|-----------|------------------------|
| 1991-92 | 24.47 |
| 1992-93 | 25.89-26.19 |
| 1993-94 | 31.37 |
| 1994-95 | 31.37 |
| 1995-96 | 33.45 |
| 1996-97 | 35.50 |
| 1997-98 | 38.00 |
| 1998-99 | 42.50 |
| 1999-2000 | 43.50" |

1.16 The Committee pointed out that the use of Potash/Potassic fertilisers has not increased upto the desired level and wanted to know about the specific steps being taken by the Government to create a higher demand of Potash/Potassic fertilisers. The Department of Fertilisers described as follows:

"The extension and propagation of importance of use of fertilisers is primarily the responsibility of the Department of Agriculture and Cooperation (DAC) in the Government of India and of the Agriculture Departments in the States. The fertiliser manufacturing companies of potassic fertilisers are undertaking extension programmes in addition to providing education about the use of these fertilisers to the farmers.

IPL is the lead company for promotion of potash application in the country since its inception in 1970. There have been three marked phases in the endeavour as under:

- 1) to create awareness of Potash;
- (2) to promote balanced use of fertilisers; and
- (3) to educate the farmers on fertiliser use efficiency specially of Muriate of Potash (MOP).

Awareness of the use of potash is created by means of publicity through mass media programmes, distribution of printed publicity material, use of Mobile Visual units for screening educational films and slides and farmers meetings.

Balanced use of fertilisers is propagated through large scale demonstration and trials on farmers fields, field days, farmers gatherings, crash programme, etc., collaboration with State Departments, Agricultural Universities and other Research Bodies for extending lab results to field, association with national demonstration programmes and TV Programmes of Government of India.

Education of farmers regarding fertilisers is undertaken by means of soil tests through Mobile Soil Testing Units operated under different projects, seminars for soil/crop specific recommendations, research trails for assessing the MOP efficacy at different application states, funding of crop specific research at different locations through Universities, Research Institutes and joint demonstrations with State Departments of Agriculture, high technology research for defining soil test limits for different soils and crops, mineralogy studies of soil potassium, developing maps based on soil fertility status, exchange of information on potassium research at national and international levels through Potash Research Institute of India."

1.17 Regarding future consumption level of Potassic Fertilisers, the Department of Agriculture and Cooperation informed the Committee:

"Soils of about 47 districts in the country are low in Potassium. Keeping in view the present rates of application, there is a possibility that soils of some areas which at present, are rich in potash may become deficient in future. For example, the potassium content of soils in Punjab is reported to be declining due to increasing crop yields and low levels of application of potassium.

Apart from the soil factor the type of crops also decide about the need for the application of a particular nutrient in specific quantity. Crops like potato, sugarbetat, tapioca and plantation crops need more of potash than other crops.

With continuous cropping with the high levels of production, the need for regular application of plant nutrient is well established. As such, the need for potash in Punjab soils is also expected to be gradually increasing.

The application of potassium or any other plant nutrient is required to be made on the basis of soil analysis results obtained through the soil testing labs. Fertiliser applications are also made according to the general recommendation framed by the State Governments based on the soil fertility status and crop requirements."

CHAPTER II

PRODUCTION OF POTASSIC FERTILISERS

2.1 Optimum fertiliser production plays a key role in improving the productivity of various crops. Of the three main nutrients required for various crops—Nitrogen, Phosphate and Potash—indigenous raw materials are available mainly for nitrogen. There are no known commercially exploitable reserves of Potash in the country and per force, the entire requirement of Potash for direct application as well as for production of complex fertilisers is met through imports.

2.2 The capacity and production of units producing Potassic fertilisers in the country in the last three years is given in the table below:

Capacity and Production of Potassic Fertilisers

(Figures in 1000 MT)

| Name of Plants | Product | Capacity on 31.3.2000 | Production | | |
|----------------------------|----------|--------------------------|--------------|---------------|---------------|
| | | | 1997-98 | 1998-99 | 1999-2000 |
| | 2 | 3 | 4 | 5 | 6 |
| PUBLIC SECTOR | | | | | |
| RCF: Trombay | 15:15:15 | 300 | 331.7 | 354.5 | 410.4 |
| MFL: Chennai | 17:17:17 | 840 | 430.9 | 683.8 | 799.5 |
| | 14:28:14 | 0 | 10.3 | 26.2 | 11.8 |
| | 14:35:14 | 0 | 7.3 | 0 | 0.0 |
| | 19:19:19 | 0 | 0 | 1.1 | 0 |
| PPL: Paradeep | 12:32:16 | 0 | 23.6 | 67.0 | 17.9 |
| | 10:26:26 | 0 | 0 | 0 | 80.1 |
| Total Public Sector | | 1140 | 803.8 | 1132.6 | 1319.7 |

| 1 | 2 | 3 | 4 | 5 | 6 |
|-----------------------------------|----------|---------------|---------------|---------------|---------------|
| COOP. SECTOR: | | | | | |
| IFFCO: Kandla | 10:26:26 | 602 | 301.2 | 303.6 | 507.5 |
| IFFCO: Kandla | 12:32:16 | 455 | 338.7 | 284.9 | 493.6 |
| Total Coop. Sector | | 1057 | 639.9 | 588.5 | 1001.1 |
| PRIVATE SECTOR: | | | | | |
| CFL: Vizag | 14:35:14 | 96.5 | 135.6 | 114.6 | 193.4 |
| ZIL: Goa | 19:19:19 | 300.0 | 156.2 | 79.5 | 130.5 |
| ZIL Goa | 10:26:26 | 0 | 0 | 0 | 43.5 |
| HLL Haldia | 10:26:26 | 0 | 0 | 0 | 56.0 |
| Total Private Sector | | 396.5 | 291.8 | 194.1 | 423.4 |
| Total (Pub. + Coop.+ Pvt.) | | 2593.5 | 1735.5 | 1915.2 | 2744.2 |

2.3 The Department of Fertilisers elaborated on capacity and production of Potassic Fertilisers further:

"Capacity utilisation of complex fertilisers, in product terms, is not very realistic. The plants have a flexibility to shift between DAP and complex fertilisers depending upon the market requirement. Hence, the capacity utilisation will have to be looked at, in nutrient terms, for the company as a whole and not for complex fertilisers at DAP separately."

2.4 When specifically asked whether presently produced complex fertilisers having adequate contents of N,P and K are sufficient, the DOF replied:

"NPK fertilisers also use MOP of which there are no known reserves in the country so that entire requirement is imported. Of the total imports, two-thirds is used for direct application and one-third for production of NPK complex. The present capacity of 4.78 million tonne of NPK fertiliser in the country is adequate to meet the domestic demand. The application of MOP and NPK complexes is complementary i.e. either MOP is used for straight application or NPK grades are applied to replenish the K deficiency in the soils."

2.5 When the Committee specifically wanted to know whether the Indian Companies have been able to produce the complex and mixture fertilisers in terms of standard ratio 4:2:1 of N,P and K, the Department of Fertilisers described the factors as given below:

“The main NP complexes produced in the country are DAP (18:46), 20:20:0, 28:28:0 and 23:23:0. Amongst NPK complexes, the common grades are 14:35:14, 15:15:15, 17:17:17, 10:26:26, 12:32:16, 19:19:19. The production of these grades has been developed on the fertiliser application recommendations by the ICAR and the State Agricultural Universities.

All the NP complexes, except DAP are produced in the ratio 1:1 and are usually applied in soils where K status is high. This ratio is suitable for crops where the entire quantity of N and P is applied at the time of sowing which is usually the recommendation in rain-fed areas. This ratio is also suitable for application at the time of sowing even in irrigated areas where the remaining dose of N can be given as a top dressing in the standing crop. DAP which has N:P ratio of 1:2.6 is suitable as a complete fertiliser in K sufficient areas for pulse crops. It has also been used in all other situations for supplemental application of nitrogenous fertilisers at the time of sowing or in standing crops.

The NPK grades are popular in crops where K is also required. Out of six common grades mentioned above, three are produced in 1:1:1 ratio and in the remaining grades the P:K ratio is either in 1:1 (10:26:26) or 2:1 (12:32:16) or 2.5:1 (14:35:14). The grades with higher K are largely used in crops with high K requirement and/or in areas with high K deficiency in the soils. In the country the Southern and Eastern States are mostly using grades with P:K ratio of 1:1 for all crops. In the Northern States, the grades having 2:1 P:K ratios are used for fruit and vegetable crops due to high requirement of K.

In addition to the above, given the diversity of the soils and cropping patterns in the country NPK mixtures of fertilisers by weight are used to suit local soil conditions and farm practices. As on 1.4.1999, there are 62 units with a capacity of 17.45 lakh MT in the country.”

2.6 Replying to a specific query whether DOF undertakes its responsibility in regard to movement and distribution of fertilisers and whether the Department has any control over import/distributors to ensure proper availability and quality of Potash/Potassic fertilisers, it was stated:

“Being decontrolled fertilisers, there is no direct responsibility. However, DOF helps the State Governments by advising the public sector undertakings under its control for arranging supplies in case of requirement of these fertilisers. In case of problems regarding availability, the DOF requests the Ministry of Surface Transport to accord ousting priority in berthing of vessels carrying DAP and MOP and Ministry of Railways to accord priority in allotment of railway wagons.

The quality of fertilisers is checked by the laboratories of the CFQC and TI Faridabad which is under the administrative control of DAC.”

2.7 While referring to the recommendations of G.V.K. Rao Committee, the Committee wanted to know about the details and follow up action being taken by the Government. The Department of Fertilisers explained the position as follows:

“The G.V.K. Rao Committee of Fertiliser Consumer Prices had recommended that the existing capacity of complex fertilisers should be allowed to continue and used optimally. But for future, the country should produce and import urea, DAP and MOP and their product mix should deliver the required nutrients namely nitrogen from urea, phosphate from DAP and potash from MOP which could be mixed in proportion to the nutrient requirement of the soil in each region. The complex fertilisers in which nutrients are combined in pre-specified proportions often results in wastage of costly fertilisers whenever the soil did not require the nutrients in that proportion. This policy is being implemented because no significant investment for NPK fertilisers were made between 1992-93 and 1997-98. Subsequently, some additions have taken place in NPK capacity in the country.”

CHAPTER III

BALANCED FERTILISATION AND CONSUMPTION OF FERTILISER NUTRIENTS

3.1 The agronomic recommendation on ratio of various types of nutrients to be used for optimum yields varies according to crop-soil combination. A ratio of 4:2:1 for consumption of Nitrogen (N), Phosphate (P) and Potash (K) has been generally accepted as an objective for monitoring of consumption of plant nutrients for the country as a whole. Besides obtaining optimum yields, balanced fertilisation is important for preservation of soil health to ensure future productivity. The following table shows the N:P:K ratio as measured by consumption of chemical fertilisers in terms of N, P and K:

NPK Consumption Ratio

| Sl.No. | Year | NPK Ratio |
|---------------------------|-----------|-------------|
| 1. | 1985-86 | 7.0:2.5:1 |
| 2. | 1986-87 | 6.7:2.4:1 |
| 3. | 1987-88 | 6.5:2.5:1 |
| 4. | 1988-89 | 6.8:2.5:1 |
| 5. | 1989-90 | 6.3:2.6:1 |
| 6. | 1990-91 | 6.0:2.4:1 |
| 7. | 1991-92 | 5.9:2.4:1 |
| 8. | 1992-93 | 9.5:3.2:1 |
| 9. | 1993-94 | 9.7:2.9:1 |
| 10. | 1994-95 | 8.4:2.6:1 |
| 11. | 1995-96 | 8.5:2.5:1 |
| 12. | 1996-97 | 10.00:2.8:1 |
| 13. | 1997-98 | 7.9:2.8:1 |
| 14. | 1998-99 | 8.5:3.1:1 |
| 15. | 1999-2000 | 6.9:2.9:1 |
| Optimum Consumption Ratio | | 4.0:2.0:1 |

3.2 The Committee observed that the prices of three basic fertilisers i.e. Urea, DAP, MOP were most important factors to affect NPK consumption pattern. The following table shows the comparative figures of prices of different fertilisers prior to control and after decontrol:

(Rs./Tonnes)

| Year | Urea | DAP | MOP | Relative Price DAP/Urea | Ratio MOP/Urea |
|-------------|------|---------|---------|----------------------------|-------------------|
| 1990-91 | 2350 | 3600 | 1300 | 1.53 | 0.55 |
| 1993-94 | 2760 | 6600 | 3800* | 2.39 | 1.38 |
| 1996-97 (K) | 3320 | 11000** | 4800** | 3.31** | 1.44** |
| 1996-97 (R) | 3320 | 9000*** | 4300*** | 2.71*** | 1.29*** |
| 1997-98 | 3660 | 8300 | 3700 | 2.27 | 1.01 |

* After control-prices fixed by State Governments.

** Upto 6th July, 1996

*** With enhanced concession on DAP/MOP

K— Kharif

R— Rabi

3.3 The Committee went into the details and desired to know about the factors which contribute to the NPK consumption pattern. The Department of Agriculture and Cooperation explained as follows:

“There are a large number of other factors which contribute to the NPK consumption pattern. The important ones are:

- (i) Price of various fertilisers.
- (ii) Type of crop and nutrient status of the soils.
- (iii) Price of output (crop produce).
- (iv) Farmers’ knowledge about the benefit of balanced fertiliser use.
- (v) Access to the soil testing facilities and its use.
- (vi) Alternative and supplementary source of nutrients, more particularly local source such as compost, farm-yard manure and bio-fertilisers, etc.”

3.4 When the Committee wanted to know about the reasons for such imbalance, the Department of Agriculture and Cooperation expressed their views as follows:

“Increase in price of phosphatic and potassic fertilisers owing to decontrol in August, 1992 was mainly responsible for the decline in their consumption which was of the order of 14.36% in case of P and 35% in case of K. The decline in consumption also distorted the relationship among NPK nutrient consumption and thus caused imbalance in their use.”

3.5 When the Committee enquired about the steps taken by the Government to improve the consumption of decontrolled fertilisers, the Department of Fertilisers stated as follows:

“Steps taken by the Government to improve the consumption of P&K are the following:

- (i) Increase in the rates of concession on MOP from Rs. 1000 PMT to Rs. 1500 PMT from 6th July, 1996 and to Rs. 2800 PMT on account from 1.4.2000. Commensurately, the rates of concession on Potassic fertilisers have also been increased.
- (ii) Implementation of:
 - (a) Centrally Sponsored Scheme of Balanced & Integrated Use of Fertilisers, which provides for strengthening of testing facilities for soils, fertilisers, bio-fertilisers and seeds. Under the scheme, field demonstrations on use of micro-nutrients are also carried out. The Budgetary provision for the scheme in the 9th Plan is 46.11 crore.
 - (b) Scheme on Promotion of Bio-fertilisers. Rs. 11.6 crore was spent in the 8th Plan and the budgetary outlay in the 9th Plan will be Rs. 19.3 crore.
 - (c) Scheme for Promotion of Fertiliser Use in Low Consumption Areas. Rs. 6.2 crore was spent on the scheme in the 8th Plan.”

3.6 The Committee also enquired about the specific role being played by the Department of Fertilisers and Department of Agriculture and Cooperation, the Department of Fertilisers stated in a note:

"The Department of Agriculture and Cooperation (DAC) is the nodal Department for carrying out extension and promotional activities for the balanced use of fertilisers. The Department has set up a network of soil testing laboratories all over the country to test the nutrient content of soil and advise the farmers on the proportions in which NPK fertilisers should be used.

2. The Department of Fertilisers (DOF) has no funds for undertaking such activities nor are these provided under the Allocation of Business Rules. However, the Public Sector Undertakings/Cooperative Units under the administrative control of DOF have been carrying out similar activities. The role of IPL has been, particularly, notable in this regard. IPL has been focussing on field-oriented extension and promotional activities which include field demonstrations and trials, audio-visual programmes, soil testing service, intensives sales campaigns and crash programmes, field-days, farmers' conferences, seminars, exhibitions, dealers training programmes, village adoption, agro-service centres, publicity through media etc. Besides IPL, other PSUs/Cooperatives under the administrative control of Department of Fertilisers are carrying out similar promotional and educational activities for popularising the use of potassic fertilisers."

3.7 On being pointed out by the Committee that the Government could not achieve the required results in the direction of achieving ideal national level NPK consumption ratio of 4:2:1, the Department of Agriculture and Cooperation replied:

"Consumption of P&K has improved which shows that the steps taken by the Government have proved successful. The increased consumption of these fertilisers has obviously improved the NPK consumption ratio which was 6.9:2.9:1 during 1999-2000 as against 9.5:3.2:1 during the year following the decontrol *i.e.* 1992-93.

It may also be mentioned that nitrogen consumption has maintained a normal pace in growth after decontrol of P&K which has been of the order of 3% to 5.8% except during 1994-95 when it was 8% and 2.10% in 1999-2000. Nitrogen consumption can be considered as normal while consumption of P&K has to be increased with special efforts to have a healthy balance of various nutrients in soil."

CHAPTER IV

IMPORT, AVAILABILITY AND SHORTAGES OF POTASH/ POTASSIC FERTILISERS AND ROLE OF INDIAN POTASH LIMITED AND PRIVATE IMPORTERS

4.1 There being no commercially exploitable reserves in the country the entire requirement of Potash is met through imports. The prices of Potash/Potassic fertilisers were decontrolled in August, 1992 and imports of Potash were decanalised in June, 1993. The imports of Potash are dependent upon the market forces operating within the frame work of the concession scheme which is now being operated by the Department of Fertilisers *w.e.f.* 27.9.2000. Year-wise Imports of MoP in absolute product terms from 1991-92 onwards are as follows:

| Year | Import (in lakh tonnes) |
|-----------|-------------------------|
| 1991-92 | 20.40 |
| 1992-93 | 17.66 |
| 1993-94 | 14.67 |
| 1994-95 | |
| 1995-96 | 21.92 |
| 1996-97 | 10.21 |
| 1997-98 | |
| 1998-99 | |
| 1999-2000 | 28.98 |

4.2 Prior to decanalisation, MMTC was the sole importing agency and supply of potash was arranged from the CIS countries, Germany, Canada and Jordan. After decanalisation, Potash can be imported freely on private trade account. The main companies/agencies importing potash into the country are:

1. The Fertilisers and Chemicals Travancore Ltd. (FACT)
2. Madras Fertilisers Ltd. (MFL)
3. MMTC Ltd.

4. Paradeep Phosphates Ltd. (PPL)
5. Hindustan Lever Chemicals Ltd.
6. Rashtriya Chemicals & Fertilisers Ltd. (RCF)
7. Indian Farmers Fertilisers Cooperative Ltd. (IFFCO)
8. Indian Potash Ltd. (IPL)
9. Nagarjuna Fertilisers & Chemicals Ltd. (NFCL)
10. Southern Petrochemicals & Industries Corporation Ltd. (SPIC)
11. Zuari Industries Ltd. (ZUARI)
12. Chambal Fertilisers and Chemicals Ltd.
13. Indo-Gulf Fertilisers Ltd.
14. Shriram Fertilisers
15. Gujarat Narmada Fertiliser Corporation.
16. Deepak Fertilisers.

After decanalisation the imports are arranged from the following countries:

- (a) CIS countries
- (b) Germany
- (c) Canada
- (d) Israel
- (e) Jordan

4.3 Explaining the import mechanism further, the Department of Fertilisers explained:

“Of total imports of potash in the country, nearly 50% is made by IPL, 25-30% by other public sector undertakings and only 20-22% by the private sector. Being decontrolled fertiliser, the availability is a function of market forces of demand and supply. There are no imports on Government account and Government has no control on the imports by private or Government agencies. The monitoring by the Department is done only on an exceptional basis in case there are reports of shortages. The intervention in such a situation is limited to giving advice to the PSUs/ Cooperatives for rushing supplies on priority to areas where these are required.

”

The imports of potash depend on the right price and rates of concessions under the Concession Scheme in which private and public sector companies can earn reasonable realisations on the value of imports. The imports of potash have been increasing in recent years. In 1997-98, total imports of MoP in the country reached 19 LMT against 10.21 LMT in 1996-97. In 1998-99, this figure is likely to go upto 22 LMT."

4.4 Regarding ensuring availability of Potassic fertilisers in peak season periods, DoF Stated:

"The potassic fertilisers are decontrolled fertilisers. Their production, import and distribution are determined by the market forces operating within the parameters of Concession Scheme administered by Department of Agriculture and Cooperation (DAC). As in the case with the urea, Government of India is neither making any formal assessment of the requirement of these fertilisers, nor it monitoring the supply after the allocations are made under the Essential Commodities Act. The State Governments and their agencies are free to import/produce or make procurement directly or through importers/manufacturers of these fertilisers. However, the DAC and DoF do help the States (as and when required) by influencing importers/manufacturers to divest their supply from surplus areas to deficit one. From 1999-2000, the DAC has been operating buffer stocks of MoP for market intervention and for helping the States in overcoming the localised shortages, if any, during the peak season."

4.5 In the same context, DoF further clarified:

"...the endeavour of the Government would be to ensure the policy regime in which it becomes possible and the intervention of the Government is limited only to meeting the peripheral shortage. For the letter, the Government has provision under the 'Concession Scheme for buffer stocking of MoP."

4.6 The Committee were informed that the Government — Ministry of Agriculture (Deptt. of Agriculture & Corporation) — has decided to operate a buffer stock of 55,000 tonnes of MoP. The detailed modalities for operationalising the buffer stocking scheme was approved by the Government and operationalised from 1999-2000.

4.7 The Committee enquired whether this quantity of buffer stock would be sufficient for all parts of the country. The Secretary, Department of Agriculture and Cooperation stated during evidence:

"55000 tonnes of MoP buffer stock is considered adequate as it will be in the form of a rolling stocks, which will be replenished as and when it is depleted. The stock will be held at different locations of the country keeping in view the consumption pattern. M/s. Indian Potash Limited has been designated as the agency to maintain the buffer stock. The actual decision to intervene in the case of shortages will be left to the IPL, the DAC could advise them suitably."

4.8 In reply to a question about the machinery to handle the buffer stock and ensure the knowledge of demand/shortages and appropriate use of buffer stock, the Department of Agriculture and Cooperation informed the Committee as follows:

"M/s. IPL, which is a Joint Sector Company under administrative control of Government of India, with its large marketing network has access to information on requirement and availability of P&K fertilisers. Government of India gets report on any shortages from the State Governments."

4.9 The details of sales and import price of Muriate of Potash (MoP) and the selling price during each crop season since 1992-93 when it was decontrolled is given below:

| | | Sales MoP (LMT) | Prices MoP (Rs. PMT) | |
|-------------|---|--------------------|-----------------------------|---------------------|
| | | | Average landed C&F price | Farmgate Price # |
| 1 | | 2 | 3 | 4 |
| 1992-93 | K | 9.88 | 35.80 | 1700 |
| (decontrol) | R | 5.16 | 3580** | 4500-5000 |
| 1993-94 | K | 6.68 | 3700** | 3800-5200 |
| | R | 9.02 | 3700** | 3800-5200 |

| | | 2 | 3 | 4 |
|-----------|-------------------------|-------|--------|-----------|
| 1994-95 | K | 7.05 | 3520** | 3800-5400 |
| | R | 9.99 | 3520** | 3800-4400 |
| 1995-96 | K | 9.26 | 4215** | 4100-4600 |
| | R | 10.13 | 4215** | 4100-5540 |
| 1996-97 | K | 8.15 | 4200** | 3500-5800 |
| | R | 8.12 | 4200** | 4100-5540 |
| 1997-98 | K | 10.79 | 4465** | 3700 |
| | R | 11.54 | 4465** | 3700 |
| 1998-99 | K | 6.67 | 5163 | 3700 |
| | R | 4.65 | 5185 | 3700 |
| 1999-2000 | K (1.4.99 to 30.6.99) | 13.45 | 5394 | 3700 |
| | K (1.7.99 to 30.9.99) | | | |
| | R (1.10.99 to 31.12.99) | 16.1 | 5394 | 3700 |
| | R (1.1.2k to 28.2.2k) | | | 3700 |
| | R (29.2.2k to 31.3.2k) | | | 4255 |

Prices net of concession

** This does not include handling expenses at Rs. 1100-1300 PMT and distribution margin (Rs. 200 PMT).

K Kharif.

R Rabi.

4.10 The Committee further wanted to know the specific mechanism to keep a vigil on importers so that they may not create any artificial scarcity of Potash/Potassic fertilisers. The Department of Fertilisers replied:

“The direct responsibility for enforcing the provisions of Essential Commodities Act (ECA) and prevent black marketing is that of the State Government. The Government of India has been assisting the States by asking IPL, which is under its administrative control, to rush supplies whenever shortages are reported. From 1999-2000 the Government of India is operating a Buffer-Stock for MoP and DAP through M/s. Indian Potash Limited (IPL) to meet sudden increase in demand or any unexpected shortage.”

4.11 During the course of evidence the Committee specifically pointed out certain cases when Potash was not available in required quantity in various parts of the country during Kharif, 1998 and wanted to know the reasons therefor, Secretary, Department of Fertilisers stated as follows:

“...I would admit that there were delays in Kharif, 1998. There were two reasons for the delays. One was the delay in announcing the policy and the other was that we in the Department of Fertiliser suspected that the international suppliers had ganged up and formed a cartel. We also received a letter from one of the parties. In fact, they said, ‘You announce your concessions first, we will then firm up an offer’. So, we took up the matter with the Department of Agriculture to see how we could try and break the cartel. We succeeded but in the process, I admit, some time was lost. Therefore, shortages were experienced in the southern States of Andhra Pradesh, Karnataka, Tamil Nadu and Kerala. But in Rabi, 1998, we had lined up seven lakh metric tonnes.”

4.12 In the same context, Secretary, Department of Agriculture and Cooperation explained the position as under:

“...some of them were not very happy with the concession rate that was announced. If you would recall, in 1997-98, the subsidy on these fertilisers had been raised. In spite of the fact that there was some deterioration in the rate of rupee versus dollar, the subsidy was not raised at that particular moment. That perhaps led people to feel that the subsidy would not be adequate and hence imports did not take place in time. What the Government then would do at that time was to authorise the IPL to import potash on Government account. The Government authorised it to import 75,000 tonnes of potash, and if necessary, more. That would be revolving import of potash.”

4.13 The Committee also wanted to know long-term policy of the Government including long-term goals and strategies for meeting the future requirements of Potassic fertilisers. DoF in a written note responded:

“The long term policy shall depend upon whether the requirement of Potash in the soil should be met by increasing the production of complexes and or mixtures of NPK or that the country should concentrate on production of major fertilisers like urea, DAP and MoP and leave the decision on application of nutrients to the judgement of the farmers looking to fertility status of the soil.

The nutrient content of soils in India varies considerably across the different regions of the country...Since the entire requirement of MOP is met from imports, it is essential that this is used in a discriminating manner and applied only in soils where it is most required. ...In the interest of security of supplies, some of the Indian Companies are exploring the possibility of setting up Joint Ventures in countries having reserves of Muriate of Potash."

4.14 Enlightening the Committee on the same issue, Director General, Fertiliser Association of India deposed:—

".....So far as Potash is concerned, it is entirely imported. So there is no question of conflict with the domestic industry, which may be there in the case of differential cost structure in urea, DAP complexes. But, for Potash we are entirely dependent on imports. Therefore, we feel there are very strong cartels of suppliers in this kind of products...There are very strong cartels over there and the price is determined by them basically depending upon the supply-demand balance at the international level in which purchases by India and China play a very important role. Therefore, from that point of view it will be good idea, if we can acquire some mine and processing facilities in some other countries having potassic deposits, purely from principle, it is very attractive idea. In fact, in the phosphatic sector, we started with a Joint Venture in Senegal in which two of our companies and the Government of India had participated way back in early 1980s.

Then we set up another JV in Jordan. They have rich deposits of rock phosphate. SPIC has set up a JV. From there we are bringing phosphoric acid and DAP. Recently, last year another JV in Morocco has been commissioned because it has rich resources of rock phosphate, phosphoric acid, etc. About 60 per cent of our import of phosphoric acid is from Morocco. Chambal Fertiliser has set up a JV. Our presence there will make a difference because we do not have our own deposits. It can help in stabilising the market. If we have some sources of our own where we can have our stake by virtue of our partnership, it will have an influence on the other.

But it has not made much of a headway because currently a lot of uncertainty of policy is there. One day we are told that there will be de-control of the fertiliser. The next day we are told de-control cannot be done because farmers will have to pay a higher price. Therefore, unless the long-term and the short-term policies are finalised, investors will not be able to take a view whether they should put money or not. Today it is only trading in potash. If the price atmosphere is reasonable, I can import any quantity. If it is not reasonable, I need not import that quantity. But once you put your investment into it, you are obliged because nobody agrees to set up a JV unless you give the buy-back guarantee. If you give the buy-back guarantee, you are stuck up. Here pricing atmosphere is such that you cannot get the right price. That is what is bringing in the uncertainty aspect."

4.15 Responding to a query, the witness added:—

"*De jure* there is no control on phosphate and potash from 1992. But, *de facto* it is control of a much worse order. Despite calling phosphatic and potassic fertilisers as decontrolled, the Government still fixes the price at which you sell them to the farmers. They also fix the concession amount. They do not call it subsidy any more. It has come back in a different incarnation. They started calling it *ad hoc* concession and then they made it concession only. That amount is also fixed."

4.16 Explaining the perception of forming Joint Venture abroad, a representative of FAI stated:—

"Basically, the number of suppliers of potash in the world is only five today. The available capacity far exceeds the demand. People are not really keen to expand production because this will mean reduction in sale price. But there are two countries where some deposits have been identified which are lying unutilised or not exploited. These are Laos and Argentina. We are talking to IPL, IFFCO and KRIBHCO. The talks are at a preliminary stage. As our DG, FAI has mentioned, it is a right step. We must make some progress in this and we are on the job. We have signed a confidential agreement which only gives us access to some data about the deposits. So, the question of investment and sharing of marketing quantities etc. will come up much later. But we have now access to the full information as to what type of deposits are there, at what depth the deposits are there, what will be the cost of mining, how it compares with the other existing producers, etc. These are the things which we are right now analysing and investigating."

4.17 As a long term measure, the Committee wanted to know whether some efforts have been made to find a substitute of Potash. DoF replied:—

“Some low analysis “K” bearing products have been isolated in which IPL has financed some limited research. These are:—

- (i) Potassium Carbonate (Gluconite mineral)
- (ii) Potassium Schonite.

The research findings hold out some promise. But to further develop these products as regular source of “K”/import substitute, substantial investments are required which IPL cannot afford under the present circumstances.”

4.18 During the course of examination, when the Committee enquired about the role being played by IPL in Potash related matters, the competition being faced by them in regard to carry out operations and steps taken to sustain it, the Department of Fertilisers stated in a written reply as follows:—

“Prior to decontrol, IPL was the sole agency for promotion and distribution of potassic fertilisers. After the decontrol and decanalisation of MOP, imports can be made freely on private trade account. As a result, besides IPL a number of agencies in both the public and the private sector, have entered the business of imports and distribution of MOP in the country. Some of the new agencies have added trading in MOP as another business without really having commitment towards the promotion of MOP as in the case of IPL. These trading houses concentrate on assured markets where much efforts are not required and the costs of marketing are lower and consequently the profit margin is higher. IPL on the other hand has over the years developed extensive marketing and distribution network throughout the country including remote areas like Jammu & Kashmir, North-East, Himachal Pradesh etc. This results in movement over higher leads for distribution and, consequently, higher transportation and marketing costs.

While IPL has established a leading position in the market for potash and potassic fertilisers in the country, the Government has taken the following steps to sustain this position. These are:—

- (a) appointment of IPL as the nodal agency for undertaking buffer stocking Operations for DAP and MOP on behalf of the Government in DAC;
- (b) appointment of major receivers and allocation of more than 50% of MOP quantity received under the German Soft Loan;
- (c) appointment of IPL as a canalizing agency for the imports of urea on Government account."

4.19 In response to another query, DoF submitted:—

"Before decanalisation and decontrol of MOP, the share of IPL in the market had been 100%. After decanalisation and decontrol, IPL's market share of MOP has been in the range of 45 to 50%."

DoF furnished the following details of imports of MOP made by IPL during the last 5 years:—

| Year | Quantity (in MT) |
|-----------|------------------|
| 1995-96 | 10,37,500 |
| 1996-97 | 6,50,481 |
| 1997-98 | 9,07,995 |
| 1998-99 | 10,70,895 |
| 1999-2000 | 13,96,032 |

4.20 The Committee wanted to know about the existence of any specific regular mechanism to analyse the quality of the imported Potash/Potassic fertilisers and the number of cases of inferior quality, etc. detected during the last 5 years. DAC replied:—

"As per the provision of Fertilisers Control Order (1985), the importers of decanalised fertilisers, which include MOP, are required to inform the Directors of Agriculture of the State in which they intend to discharge the imported fertilisers, under

intimation to the Ministry of Agriculture and Department of Fertilisers in the Central Government, before the import is made or within a period of 15 days after an indent for import is placed. The information includes name of the fertiliser, the country of import, name of the manufacturer, quality to be imported, date of arrival of consignment and the name of the discharge port. This information enables the State Governments and the Central Fertiliser Quality Control and Training Institute, Faridabad and its regional laboratories located at Bombay, Kalyani and Chennai to draw the samples from fertilisers being discharged at various ports. The Central Laboratory after analysis sends the reports to the State Governments under intimation to the Ministry. The State Governments who are mainly responsible for checking the quality of fertilisers in the field are requested to check the same at manufacturing units, in distribution system/storage points and at dealers network before it is sold to the farmers. There are a total of 60 fertiliser testing laboratories with State Governments. The total analysing capacity including 4 laboratories of the Central Government is about 1.10 lakhs samples per year.

No nutrient deficiencies have been reported in the analysis of MOP by the Central Institute or its regional laboratories. However, variations have been observed with regard to the moisture content and particle size which are described as physical parameters. During last 5 years variations of particle size/moisture have been reported in 96 ships out of a total of 333 ships of MOP imported in the country.

The effect of particle size on agronomic efficiency of fertilisers has not been well established. The ICAR had carried out a study to ascertain the effect of particle size of MOP on agronomic efficiency and did not find significant difference with varying particle size on the crop yields. The import being under OGL, no formal import license is issued for importing MOP in the country. The State Governments verify the quality which are as per the fertiliser control orders specifications and are permitted for use in the agriculture. The material which do not conform to prescribe specifications are permitted to be used for making complex fertilisers/mixtures. The State Governments certify about the quality of fertilisers which have been sold for agriculture use as direct application before the full concession is paid to the importers."

CHAPTER V

CONCESSION SCHEME AND PRICES OF POTASH/ POTASSIC FERTILISERS

5.1 Price plays a major role in the use of an input-including fertilisers. Price of the input determines the profitability of the farmers. The distortion in consumption pattern after decontrol was mainly due to the price changes. Government, therefore, decided to start an *ad-hoc* Concession Scheme on phosphate and potassic fertilisers. Concession is given to bridge the gap between the cost of the product at the point of sale and the maximum retail prices fixed by the Government. The scheme was originally introduced for Rabi 1992-93 season and continues till date. The rate of concession of complexes is given in proportion to their nutrients content taking concession on indigenous DAP and MOP as the basis. Initially a concession of Rs. 1000/- per tonne on DAP and MOP was sanctioned. The concession has over the years been increased because initial rate of concession made favourable impact considering the magnitude of increase in the prices of phosphatic and potassic fertilisers. The main features of the Concession Scheme as it has evolved over the years are as under:—

1992-93 to 1993-94

MRP bands for decontrolled fertilisers were indicated by DAC and States fixed price

Rates of Concession were as follows:

(Figures in Rs./MT)

| Fertilisers | 1992-93 | 1993-94 |
|------------------|---------|---------|
| DAP (Indigenous) | 1000 | 1000 |
| DAP (Imported) | 1000 | Nil |
| MOP | 1000 | 1000 |
| Complexes | 435-999 | 435-999 |
| SSP | Nil | 340 |

Payments of Concession claims were made by the State Governments.

1994-95 to 1995-96

- * MRPs were fixed by the State Governments and varied from State to State.
- * Rates of Concession were as in 1993-94.
- * Payments of concession claims were released directly by the Government of India in DAC to the suppliers on the basis of certification of sales by the State Governments.

1996-97

- * Concessions were revised as under:

(Figures in Rs./MT)

| Fertilisers | Upto 5.7.96 | After 5.7.96 |
|------------------|-------------|--------------|
| DAP (Indigenous) | 1000 | 3000 |
| DAP (Imported) | Nil | 1500 |
| MOP | 1000 | 1500 |
| Complexes | 435-999 | 1304-2633 |
| SSP | 340 | 500 |

Prices fixed by the State Government as before and varied from State to State.

Payments of Concessions claims were released as before.

1997-98**Kharif '97**

Uniform MRPs were fixed by the Government of India in DAC

Rates of Concession further hiked as under:

(Figures in Rs./MT)

| Fertilisers | 1.4.97 to 30.9.97 |
|------------------|-------------------|
| DAP (Indigenous) | 3750 |
| DAP (Imported) | 2250 |
| MOP | 2000 |
| Complexes | 1630-3320 |
| SSP | 600 |

Payments of Concession claims were released as before.

Rabi 1997-98

Rate of Concession reduced on DAP by Rs. 250 PMT while rate of concession on MOP remained unchanged. Rates of Concession on Complex Fertilisers reduced proportionately.

All other features of the Scheme remained unchanged.

1998-99

- * For Kharif '98, the industry-wise normated prices recommended by the BICP were used as the basis for determination of the rates of concession. The concession on Complex grade fertilisers were determined by taking into account "N" component also. The rates of concession were indexed on quarterly basis to the fluctuations in the exchange rate. The rates of concession for Kharif '98 and Rabi '98-99 were as under:

| Fertilisers | Kharif '98 | (Rs. per MT) | |
|------------------|------------|--------------|-----------|
| | | Rabi '98-99 | |
| | | Ist Half | IInd Half |
| DAP (Indigenous) | 4400 | 4285 | 4000 |
| DAP (Imported) | 3400 | 3400 | 3200 |
| MOP | 3000 | 3000 | 3000 |

The based rates of concessions were determined for making 'on-account' payments basis for the year as a whole and then subsequently finalised on a quarterly basis. The rates of concession for 'on-account' and quarterly basis were as under:

| Fertilisers | 'On-account' | | Final Rates of Concession | | | |
|----------------|-----------------|-----------------|-----------------------------------|---------------------------------------|--|--|
| | Upto 28.2.2k | From 29.2.2k | Ist Quarter 1.4.99- 30.6.99 | IInd Quarter 1.7.99- 30.9.99 | IIIrd Quarter 1.10.99- 31.12.99 | IVth Quarter 1.1.2k- 29.2.2k- 28.2.2k- 31.3.2k |
| Indigenous DAP | 4500 | 3900 | 4150 | 4250 | 4300 | 4550 3900 |
| Imported DAP | 3050 | 900 | 3050 | 3200 | 3200 | 3250 1050 |
| MOP | 3250 | 2695 | 3250 | 3300 | 3300 | 3350 2800 |

The year-wise expenditure incurred under the Concession Scheme has been as under:

Expenditure on Concession Scheme

(Rs. in crores)

| Year | Expenditure |
|-----------|-------------|
| 1992-93 | 339.73 |
| 1993-94 | 517.34 |
| 1994-95 | 527.95 |
| 1995-96 | 500.00 |
| 1996-97 | 1671.77 |
| 1997-98 | 2596.00 |
| 1998-99 | 3789.94 |
| 1999-2000 | 4500.00 |

Implementing Agency

The Department of Fertilisers (DoF) is the implementing agency of the Concession Scheme *w.e.f.* 27th September, 2000. Prior to this the Scheme was being handled by Department of Agriculture and Cooperation (DAC).

5.2 When specifically asked whether changes are being thought of in the Concession Scheme in the light of implementing the High Powered Committee Report on Fertiliser Pricing Policy, DoF replied in a written note as under:

“The High Powered Review Committee on Fertiliser Pricing Policy has recommended a pricing mechanism consisting of a Normative Referral Price (NRP), Farm-gate Price (FGP) and level of subsidy which would be equal to the difference between the NRP and the FGP for urea and DAP. Since MOP is entirely imported, the Committee has recommended that the farm-gate price should be linked with the import price. The Recommendation along with others are under examination. A final view is yet to be taken.”

5.3 The Committee pointed out the trend of increasing expenditure on concession and taking into account the total expenditure on concession, the Government incurred on Potash during the last 5 years desired to know whether the reduction of the subsidy, which was the sole reason for decontrol of Potash has been achieved. The Department of Fertilisers explained in a written reply as under:

“The total expenditure on subsidy of Potash/Potassic fertilisers declined immediately after decontrol and has only now returned to pre-decontrol levels. If the subsidy level prevalent in the pre-decontrol regime had continued, the total expenditure on subsidy would have been far higher as the prices under the controlled regime would have remained much lower, thereby resulting in higher subsidy. The MRP of urea, which is a controlled fertiliser, which was Rs. 3060 PMT in 1992-93 has gone up to Rs. 4600 PMT (increase of 50.33%). In the same period, the MRP of DAP increased from Rs. 4680 PMT to Rs. 8900 (90.17%) and that of MOP increased from Rs. 1700 PMT to Rs. 4255 PMT (150.29%).

5.4 While perusing the details of prices since 1990s the Committee wanted to know about the range of prices of MOP fixed by the State Governments since 1992-93 and the guidelines involved therein. The Department of Agriculture and Cooperation explained in a written reply as follows:

“The range of price of MOP fixed by the State Governments since 1992-93 were as follows:

- | | | |
|-------|---------|---------------|
| (i) | 1992-93 | Rs. 4500-6000 |
| (ii) | 1993-94 | Rs. 3800-5200 |
| (iii) | 1994-95 | Rs. 3760-5400 |
| (iv) | 1995-96 | Rs. 3500-5800 |
| (v) | 1996-97 | Rs. 4100-5540 |

No specific guidelines were issued to the State Government about fixing of price of P&K fertilisers. Department of Agriculture and Cooperation had indicated in 1992-93 and 1993-94 a band of maximum retail prices to the State Governments which may vary from State to State depending on distance from ports/location of plants and local taxes, etc.”

5.5 On being enquired about the details of present method being followed for fixation of prices at regular intervals, DoF explained as follows:

“After decontrol, concession of Rs. 1000/MT was announced on DAP and MOP each and commensurately on complex fertilisers. A band of maximum retail prices (MRP) was indicated by the DAC during first two years. Later, in 1994-95, 1995-96 and 1996-97, price fixation was left to the State Governments. They decided these in consultation with various manufactures and importers. From 1997-98, the decision making process under the Concession Scheme was changed and Government of India assumed the responsibility of fixing both the MRPs and the rates of concession on decontrolled fertilisers. An Empowered Committee mechanism consisting of representatives of BICP, FICC, FAI and the Secretaries of DAC, DoF and the Department of Expenditure was put in place. The Committee after taking into account the costing data given by various manufacturers and importers and thereafter evaluation, the Committee decided the price Rs. 8300 PMT as the MRP for DAP, Rs. 3700 PMT as the MRP of MOP and commensurately for complexes for Kharif and Rabi 1997-98. These continued till 29th February, 2000, when the MRP for DAP was increased to Rs. 8900 PMT and Rs. 4255 PMT for MOP.

With this stability in prices, the consumption of MOP in 1999-2000 increased by 71.03% over consumption in 1996-97. The consumption of complex fertilisers has registered an increase of 26.06% over 1996-97. The consumption of DAP in 1999-2000 increased by 91.44% over the consumption in 1996-97.”

5.6 During the course of examination when the Committee wanted to know whether fixing of retail prices and concession scheme has brought some favourable results, the DAC expressed their views as under:

“Government of India started indicating the maximum retail prices of P&K Fertilisers (except SSP) from 1997-98 (1st April, 1997-98). This, along with enhancement of rates of concession and streamlining the process of payment of concession had increased the availability of P&K fertilisers in the country as indicated by the substantial increase in their consumption during 1997-98.

The rates of concession which were paid to manufacturers and importers/suppliers during 1997-98 were substantially higher than the rates prevailing in 1996-97. The maximum retail prices of DAP, MOP and Complex, which used to be fixed by the State Government in previous years, were fixed by the Department of Agriculture and Cooperation during 1997-98 to bring about a uniformity in price and better availability throughout the country.

To streamline the process of Payment under Concession Scheme during the period 1994-95 to 1996-97 disbursement of concession to manufacturers and importers was made on the basis of certified reports of sales received from the concerned State Government and Union Territory Administrations. From 1997-98 the procedure has been slightly modified. As per the revised procedure, 80 per cent 'on account' payment is being made to manufacturers of DAP/Complexes, public limited companies of SSP and certain eligible categories of importers of DAP/MOP. The balance of 20 per cent is released on receipt of certified reports of sales from the States. For others, the system of reimbursement on receipt of verifications from States is applicable."

5.7 Asked about the success of a working of the Concession Scheme, the Department of Agriculture and Cooperation replied as follows:

"Under the present system, 80% of the concession claims of manufacturers/importers is paid as on account on receipt of a certificate of sale from them. The remaining 20% claim is paid after the State Government certifies the quantity and quality of the fertilisers. The manufacturers/importers were requesting the Department of Agriculture and Cooperation to make payments to them directly on the basis of details of supplies made to different States. The present system has enabled the manufacturers/importers to get payments for sale of Phosphatic and Potassic fertilisers quickly. In fact, at present the 80% on account concession is paid within 25 days of the receipt of claims. The current system has removed a major complaint of delayed payments and liquidity/cash flow problems being faced by manufacturers/importers."

5.8 The Committee interacted with representatives of Fertiliser Association of India (FAI) to know their experience of the working of the Concession Scheme. Director General FAI apprised the Committee:—

“Government’s policies are such that we are thrown at the mercy of the State Governments. They do not fix the price. Khariff season is over now and only four States have fixed the price. Others have not even fixed the prices. We call it decontrol. In decontrolled sector, it is paradoxical that I have to get certified by the State Government every grain that I sell. For months together, we do not get the certificate. You can imagine the situation. If we require to go and we have 270,000 retail outlets which have to be certified, then I do not understand how the Director of Agriculture can effectively certify the sales taking place. The result of that is that, apart from other problems that we face, a lot of money is locked up with the Government. at any point of time, Rs. 1400 to Rs. 1500 crores is locked up over there. These are the uncertainties which are creating problems. That is why, I said that wider issues of what the future policy of fertilisers should be and the pricing mechanism should be considered by the Committee. We keep on continuously interacting with the State Governments and the Central Government. We are just petitioners and you are aware that petitioners are not normally heard easily. That is the situation to which we have been reduced to. In fact, we are at the crossroads. Hitherto, somehow, we never acted on the basis of the interest of the industry because as I mentioned in the beginning, fertiliser by itself has no meaning. It is an essential input for agriculture. So, in suggesting policies, we tried to identify ourselves as to what is in the interest of the growth of agriculture by farmers. Unfortunately, when we talked of such policies, we have been dismissed as hypocrites and that we have vested interests in subsidy and therefore, we are talking of such policies. Now, lately, because of our bottomline having been affected very adversely, no growth is taking place in the industry and there are serious problems of payments. Three months back, we said that enough is enough, if you want to remove subsidy, then remove it and decontrol. Then if we can run our shop, we will run it. Otherwise, we will close the shop and go into other business. I thought that the Government should have been very happy that we do not want Government subsidy. But today, we are dismissed as irresponsible people not bothering about agricultural growth. We are at such crossroads and we do not exactly know what we should do. We are virtually struggling for our survival.

Unfortunately, what is happening is that there is over-obsession with the word subsidy. There are developed countries which give much more subsidy than what we give although their routes are different for different reasons which I would not go into now. They subsidise their agriculture heavily only to give high income to the farmers and not to increase foodgrain production. In USA, we have a system of payment in kind and area reduction programme where they were giving cash subsidies many times to reduce foodgrain production. In our country, with the level of poverty etc., when we talk of subsidy, we are told that is bad economics and the over-obsession with the word subsidy is leading to this situation.

Now, subsidy is not fixed by itself. It is a function of two sets of prices. One is the farmer price which is the sales realisation fixed by the Government and the other set is the cost of production and distribution. This again is fixed by the Government. Every aspect is controlled by the Government. What is happening in other sectors is that they have been deregulated. For example, the hydrocarbon sector. Between 1980 and 1999, naphtha price has gone up by 22 times, fuel oil price has gone up by 12 times, gas price has gone up by 12 times. As regards railway freight, I am a former railway man, I would say that it has gone up by five times. The classical example the like of which I have not seen in my 42 years association with the Railways earlier is that they have increased the freight on phosphatic fertilisers and raw materials by 48 per cent in one stroke. For ten to fifteen per cent, there is all round noise. But they say that we are getting subsidy and why should I also not run like this?"

5.9 During the course of examination, the Committee also wanted to know whether the Government had received complaints about the misuse of the concession scheme by importers/traders/distribution agencies, and also about the steps taken to resolve them. DAC submitted the following facts in this regard:—

- “(i) Few complaints have been received about some manufacturers, mainly SSP, selling substandard fertilisers. Such complaints are referred to the State Governments for detailed investigations. State Governments are also required to certify the quality of fertilisers sold, before the 20% concession is released to the manufacturers/importers.

- (ii) A case of a manufacturer and its marketer simultaneously claiming concession for the same quantity had come to notice recently. After this, Department of Agriculture and Cooperation has issued instructions that from 1.1.98 only manufacturers/importers can claim concession and not marketers.
- (iii) An anonymous complaint has been received that a company which produced and also imported DAP claimed concession for imported DAP at the higher rates of indigenous DAP. The matter is being examined by going into the records of the Company.
- (iv) The manufacturers/importers are required to sign an undertaking which enable the Government to recover any concession claimed fraudulently.
- (v) According to the guidelines of the scheme, manufacturers/importers who do not follow the guidelines can be kept out of the scheme."

5.10 The Committee observed that the different matters relating to Potash/Potassic fertilisers involved various agencies and wanted to know about the nature of coordination between DAC, DoF and the State Governments to ensure the availability of Potash/Potassic fertilisers. The Department of Fertilisers submitted the following details:

"The Potassic fertilisers are decontrolled fertilisers. Their production, import, and distribution are determined by the market forces operating within the parameters of Concession Scheme administered by Department of Agriculture and Cooperation (DAC). As in the case with the urea, Government of India is neither making any formal assessment of the requirement of these fertilisers, nor is it monitoring the supply after the allocations are made under the Essential Commodities Act. The State Governments and their agencies are free to import/produce or make procurement directly or through importers/manufacturers of these fertilisers. However, the DAC and Department of Fertilisers (DoF) do help the States, (as and when required), by influencing importers/manufacturers to divert their supply from surplus areas to deficit one. From 1999-2000, the DAC has been operating buffer stock of MOP for market intervention and for helping the States in overcoming the localised shortages, if any during the peak season."

5.11 In response to the query made by the Committee about the specific steps being taken to ensure the availability of MOP and complex fertilisers to the farmers at a notified MRP, the Department of Fertilisers replied:—

“For MOP and the complex fertilisers which are decontrolled, the MRPs are being determined by the Government of India since 1997-98. The companies are free to fix higher prices than those fixed by the Government but in that case they would not be eligible for concession under the Scheme. The MRP is required to be printed on each bag under Section 21 of the Fertiliser (Control) Order (FCO), 1985 issued under Section 3 of Essential Commodities Act, 1955. The State Governments have powers under FCO, 1985 to enforce that the sale of fertilisers takes place at the notified price and are competent to prosecute those who act in violation.”

5.12 In the context of the need for a stable and conducive policy for Potash and Potassic Fertiliser Sector, FAI submitted a written note:

“Ever since the sudden decontrol *w.e.f.* 25th August, 1992 the phosphatic and the potassic fertiliser sector has been facing a highly uncertain and restrictive policy environment apart from serious distortions in implementation of relevant support mechanisms which were introduced primarily to mitigate the hardships caused by decontrol. Despite *de jure* decontrol, *de facto*, intervention by the Government controls on various aspects are very much in-tact and that too without any accountability for the health of the industry.

In order to get a feel of the seriousness of the problems, at the outset, it may be necessary to take note of the kind of policy intervention that was put in place after decontrol. *w.e.f.* 1.10.1992, the Government had introduced a scheme of concession support on all decontrolled P and K fertilisers which provided for concession at prescribed rate *viz.*, DAP at Rs. 1000 per tonne with a view to facilitate corresponding reduction in their selling prices. In view of restoration of subsidy under a new form *i.e.*, concession as against subsidy support under the earlier dispensation of RPS, controls on selling price (in some States even on distribution) were revived.

Quite unlike the earlier dispensation, these controls were unstructured, arbitrary and *ad hoc*. During the first two years of operation of the scheme *i.e.* 1992-93 and 1993-94, even as the selling prices of decontrolled fertilisers were being fixed by the State Governments, they were also responsible for making payments of concession amount—as notified by the GOI—to the manufacturers/importers. From 1994-95 onwards, even as the selling price continued to be fixed by the State Governments, the responsibility for payment of the concession amount shifted to the GOI in the Ministry of Agriculture (MOA). This was, however, subject to certification of the sales at the notified price by the State Governments.

Beginning 1997-98, the Government took on to itself the responsibility of fixing the selling price of DAP and other complex fertilisers besides MOP, fixation of the SSP selling price continues to be with the respective State Governments. It also took another important decision of making 'on account' payments of 80 per cent of concession amount *i.e.* on submission of claims by manufacturers/importers without waiting for the certificate from the State Governments and the balance 20 per cent only after receiving the reports from the States. This arrangement continues till today.

The above has thrown the entire phosphatic and potassic sector into a state of turmoil and turbulence; under which while, on one hand the profitability/viability of the producing units is constantly under stress, on the other, there have been hiccups in the supplies of these materials at the right time. This, in turn, has affected growth of consumption in P and K fertilisers thereby leading to worsening of the imbalance in the NPK use ratio. The major weaknesses in the prevailing dispensation both at the policy and the administrative level are enumerated in the following paragraphs.

Persisting Imbalance in Policy Support for P and K *vis-a-vis* Urea

At the policy level, unlike the earlier dispensation of the RPS which continues to govern urea even now and runs on a continuing basis, the policy for concession support to decontrolled P and K fertilisers remains highly unstable and uncertain. For

the long duration of 8 years that the scheme has been in operation, it is notified separately for each year and lapses automatically at the year end. This is then, revived through the issue of a fresh notification for the next year. And the process repeats over the years. Thus, at the end of each year, producers/importers wait with baited breath as to whether or not the scheme will be renewed for the next year. This is in sharp contrast to the RPS whereby the scheme runs on a continuous basis.

Apart from this high instability, in a fundamental sense, the P and K sector is seriously disadvantaged *vis-a-vis* urea as in the latter, the RPS allows for the possibility of fully absorbing all escalations in cost by way of higher subsidy and for the former concession amount remains fixed (until 1995-96, on indigenous DAP this remained at Rs. 1000 per tonne) and is adjusted when the Government takes a conscious decision. This leads to a lot of subjectivity and arbitrariness and experience has been that not all the escalations in cost are taken up for compensation while deciding on the selling price and concession amount.

All through in the past—except in 1997 Kharif—the fixation of selling price and the concession rates has been such that the sum total of the two has generally fallen short of the reasonable cost of production/imports and distribution. This in turn, affected the viability of operations. And, as a result, consumption of P and K fertilisers has been seriously impaired.

The steep increase in the prices of hydrocarbons particularly after their being linked to the import parity since 2nd September, 1997 has created an extremely difficult situation particularly for plants using indigenous ammonia based on these feedstocks. Thus, even as the cost of production from these plants has increased steeply (due to increase in ammonia cost), the realisation which is fixed uniformly on the basis of production cost of units using imported ammonia has fallen significantly short. As a result, unlike urea units whose differential costs are taken care in unit wise RPS, the uniform concession system in phosphatic sector has led to serious distortions affecting units based on indigenously produced ammonia.

Unlike the RPS for urea wherein, the payment of subsidy is on despatch, the system of release of payments on the basis of certification of sales by State Governments has played havoc with the decontrolled P and K sector. This is because fundamentally such a system is prone to delays leading to huge outstanding subsidy dues with the Government, serious liquidity problems and having the potential of disrupting production. The introduction of the system of release of 80 per cent of the payment 'on account' improved the situation for some time but, even this has run into serious problems. From February 2000, even this payment has been suspended. The release of balance 20 per cent remains a nightmare. In Punjab, no amount has been released since April 1998, initially due to delay in certification by State Government and now MOA returning whatever were received. In Uttar Pradesh, for SSP no 'on account' payment has been released since January, 2000 and huge payments even for earlier years for 20 per cent are held up. This has created serious liquidity problems for the industry."

PART II

RECOMMENDATIONS/CONCLUSIONS OF THE COMMITTEE

1. There are three main nutrients, *viz.* Nitrogen (N), Phosphate (P) and Potash (K) required for various crops. The Committee find that as against 23.32 Lakh Metric Tonnes (LMT) consumption of Muriate of Potash (MOP) in 1991-92, the present level of consumption in 1999-2000 is only 29.75 Lakh Metric Tonnes. Between 1991-92 and current year the consumption was much lower. For instance, during 1996-97 it was only 16.27 lakh tonnes. In 1991-92, imports of MOP was of the order to 20.40 LMT, whereas in 1999-2000 it was 28.98 LMT. The MRP of urea, which is a controlled fertiliser, which was Rs. 3060 PMT in 1992-93 has gone up only to Rs. 4600 PMT (increase of 50.33%). In the same period, the MRP of DAP increased from Rs. 4680 PMT to Rs. 8900 PMT (90.17%) and that of MOP increased from Rs. 1700 PMT to Rs. 4255 PMT (150.29%). The price, distribution and movement of MOP and Potassic fertilisers were decontrolled in August, 1992 and imports of MOP were decontrolled with effect from 17.6.93. Now production, import and distribution are determined by the market forces. The Committee note that the decontrol has affected the availability of MOP and consequently Potassic fertilisers are becoming unaffordable for the farmers.

2. The Committee find that after decontrol the Government of India have not been making any formal assessment of the requirement of Potassic fertilisers as in the case of urea (controlled fertiliser). Their supply and demand are determined by the market forces. There is almost no control of the Government on the demand and supply of Potash/Potassic fertilisers. The importers do not work according to the demand of the farmers, rather they visualise their profits. The situation is very fluid and non-assessment of demand has affected the availability of these fertilisers to the farmers adversely. Government should, therefore, develop a system to make an assessment of demand of Potash and Potassic fertilisers as it is being made in the case of controlled fertilisers.

3. While going into the details of actual procedure adopted for demand assessment, the Committee have been informed that the States indicate their requirements before each cropping season and during the input conference all the requirements of inputs are assessed. This assessment is done jointly with the States, Department of Fertilisers and representatives of all fertiliser manufacturing and importing units. The Committee recommend that the Government should complete the assessment process for each particular season well in advance and tie up the matter either with Indian Potash Limited or private importers or influence the State Governments and their agencies to import their requirement so that the required quantity of Potash and Potassic fertilisers is made available to the farmers at the time of sowing.

4. After analysing the details of the consumption of MOP, the Committee have viewed that in the Post-decontrol period, the consumption of Potash/Potassic fertilisers has been affected. In the period prior to decontrol, consumption of Potash had shown consistent increase from one Plan period to another. In the 8th Plan (1992-93 to 1996-97) consumption of Potash showed a negative growth. Impact of increase in potassic fertilisers was so grave that it took 4-5 years to reach the consumption level prior to the period of pre-decontrol. Despite the increasing level of *ad hoc* concessions provided to Potassic fertilisers and upward price revision of urea, impact of price distortions introduced in August, 1992, in such that the desired level of balanced use of NPK fertilisers, is yet to be achieved. The Committee are not very sure whether the consumption of about 30 LMT for 1999-2000 is just a one time figure or it is indicative of likely the consumption levels for the years to come. Therefore, they would like the Government to examine the measures taken by the Department to enhance consumption level of Potash/Potassic fertilisers in the country and also to sustain it in future.

5. The Committee find that nearly 70 per cent of Potash consumption in the country is confined to seven major States, *viz.* Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Maharashtra, Gujarat and West Bengal, where soils are reported to be deficient in Potash. Since Potash is a critical plant nutrient and mostly used in cash crops for better quality of output, the Committee recommend that the Department of Agriculture and Cooperation should pay specific attention towards the demand assessment of Potash/Potassic fertilisers, particularly in these States. All the Potash/Potassic fertilisers related

policies should be prepared keeping these States as focal points so that matters relating to availability and shortages of these fertilisers are handled effectively. In the maintenance of buffer stock also these States should be given due importance. The Committee would also like the Ministry of Agriculture and Department of Fertilisers, through its research institutes/centres as also PSUs/cooperatives/fertiliser units under them to study the requirements of soils in all parts of the country and advise the farmers about the level of requirements of Potash.

6. The Committee note that there is an imbalance in the use of N, P and K fertilisers. N, P and K, consumption ratio which was gradually moving towards the ideal of 4:2:1 around 1991-92 when it was at 4.0:1.63:0.68, got seriously distorted to 4.9:1.35:0.5 in 1992-93 after the changes in fertiliser policy. The full impact was felt during Rabi 1992-93 when the ratio changed to 4:1.19:0.26. The consumption of Phosphate and Potash went down by 20.9 per cent and 46.7 per cent respectively. The all India consumption of Phosphate and Potash, which was growing at the rate of 10.74 and 8.38 per cent respectively in the pre-decontrol period remained stagnant thereafter till 1996-97. By increasing *ad hoc* concessions and by improving availability of potassic fertilisers, the consumption has increased considerably. But it is still far away from the ideal ratio of 4:2:1 (NPK). The companies which are producing complex NPK fertiliser have also not played a significant role in improving the ratio of consumption. The Committee observe that the complex fertilisers in which nutrients are combined in pre-specified proportions often result in wastage of fertilisers when the soil do not require the nutrients in that proportion. They are in lien with the G.V.K. Rao Committee recommendations in this regard and desire that the Government should ensure that in future the country should produce and import only urea, DAP and MOP and their product mix should deliver the required nutrients, namely nitrogen from urea, phosphate from DAP and Potash from MOP which could be mixed in proportion to the nutrient requirements of soil in each region.

7. The Committee regret to note that even though Government decontrolled potash and potassic fertilisers as far back as in 1992, long term policy for the industry has not been framed so far. Representatives of FAI pleaded before the Committee that in the absence of any policy of the Government on the subject, industry has been unable to take a decision to go for investment, including

investment in Joint Ventures. The concept of *ad hoc* concessions carried over on an year to year basis has negated the very concept of perspective planning. Even though the Department of Fertilisers has tried to forward a justification that by decontrolling Potash they have been able to curtail the growing subsidy, the facts seem to prove the opposite. For instance, the subsidy (*ad hoc*-concession) figures of Potash/Potassic fertilisers has gone up by about 10 times in the last 8 years. The Committee, therefore, strongly recommend that the Government should evolve a long term policy which attracts the industry to invest and at the same is conducive for promotion of farmers' interests.

8. The Committee would also like the Government to evolve a rational approach towards the Concession Scheme instead of deciding it on *ad hoc* basis. The Committee recommend that an independent regulatory authority with full functional autonomy be constituted to decide and implement the Concession Scheme.

9. During Kharif 1998, there was a severe scarcity of Potash and Potassic fertilisers in several States. There was less fertiliser availability, as the private sector importers did not import the fertilisers in time. Ultimately, the Government asked the IPL to import Potash on Government account. Potash is imported at present over a period of many months during a crop season. But to use it in the field, the farmer must have it at the right time. To ensure timely availability the Government should make an arrangement for periodical meetings to review the situation regarding availability of manufactured as well as imported fertilisers in time. State Governments should also be involved actively in the process and all States should be asked to intimate the total requirement of fertilisers well in advance so that the fertilisers are made available in the required quantity during crop season. The Committee desire that the requirement of all the fertilisers should be closely monitored on the same pattern as being is done in the case of urea. The Government must also ensure proper coordination for rail/road transportation of fertilisers to make it available across the country, including hilly and difficult areas.

10. The Committee agree with the observations of the Fertiliser Association of India that despite *de-jure* decontrol, *de facto* intervention/control by the Government on various aspects are very much intact and that too without any accountability. After decontrol, Government initiated a Concession Scheme, as against subsidy support coupled with certain controls on selling price (in some States even on distribution). But these controls were unstructured, arbitrary and *ad hoc*. During 1992-93 and 1993-94, even as the selling prices

of decontrolled fertilisers were being fixed by the State Governments, they were also responsible for making payments of Concession amount as notified by the Government to the manufacturers/importers. From 1994-95 onwards, even as the selling price continued to be fixed by the State Governments, the responsibility for payment of the Concession amount shifted to the Ministry of Agriculture. Beginning 1997-98, Government took on itself the responsibility of fixing the selling price of DAP and other complex fertilisers besides MOP and fixation of SSP selling price continues to be with the respective State Governments. The Committee feel that Concession support scheme lacks stability and continuity and is merely run on *ad hoc* basis. It is notified separately for each year some times from crop to crop season and lapses automatically at the year end or after sowing season. This leads to uncertainty both for the producer and importer. The Committee also realise the difficulties which the sellers face to get their sale certified by State Governments and in this process their dues are locked up unnecessarily.

The Government should, therefore, evolve a system by which quantum of support under the scheme is assured at least for two-three years. Government should also ensure that sellers are not harassed for getting their sales certified by the representatives of State Governments. To achieve the objectives, Government should draw a time table, within which the State Government have to certify the sales, failing which penalty in the form of interest on locked up amount must be provided.

11. The Committee observe that due to uncertainty as mentioned in the previous paras and delayed announcement of continuance of the *ad hoc* concession scheme and the subsidy, there was an adverse impact on consumption of Phosphatic and Potassic fertilisers in 1998. Reportedly, as a result the suppliers ganged up and formed a cartel, in the hope of extracting sizeable increase over the prices of MOP for 1997-98. All the initiatives taken to resolve the situation became futile and the importers did not import the required quantity of Potash within the stipulated time. The lower level of availability resulted in shortages which were experienced in major MOP consuming States. As a last resort IPL was asked to import the required quantity but it was too late. The farmers could not get the required quantity of Potash/Potassic fertilisers at the appropriate time. Thus black marketeers gained a lot at the cost of farmers. The Committee strongly recommend that the Department of Fertilisers and Department of Agriculture and Cooperation should analyse this situation and adopt suitable standing direction with a view to ensuring that administrative and other formalities are completed well in time to avoid recurrence of such situations in future.

12. The Committee having noted the fact that there being no commercially exploitable reserves in the country, the entire requirement of Potash is met through imports, observe that the quantum of MOP import almost doubled during the last four years from 16.27 LMT in 1996-97 to 29.75 LMT in 1999-2000. Prior to decontrol in 1991-92, the consumption of Potash (MOP) was 23.32 LMTs and that of complex fertilisers (including potassic fertilisers) was 40.25 LMTs. Taking into consideration the increasing multiple crops practices in fertile areas, far higher consumption level of Potash can be envisaged. The Committee's examination has, however, revealed that the Government do not seem to have a long term policy in regard to ensuring adequate availability of Potash in the country. The Committee find a ray of hope in the fact that some Indian companies are exploring the possibility of setting up Joint Ventures in countries having reserves of Muriate of Potash. The Government should come forward and act proactively in this field. The Committee recommend that the Government should prepare an attractive financial package which may be circulated to Public Sector fertiliser companies and also to those in the cooperative sector on the basis of which these companies could scout for establishing JVs abroad. The Government should endeavour that the entire production of such JVs, which initially may be with a capacity of 30 LMTs production with gradual increase of at least 10% per year in the subsequent years, is bought back for use in the country. The financial package should tempt Indian companies to go in for JVs abroad and the Department of Fertilisers should act as a nodal agency to facilitate setting up JVs.

13. The Committee have observed that Indian Potash Limited has a large marketing network and has an access to information on the requirement and availability of Potash/Potassic fertilisers. Prior to decontrol IPL was the sole agency for promotion and distribution of these fertilisers. After decontrol, besides IPL, a number of agencies in both the public and private sector, have, entered in the business of imports and distribution of MOP in the country. These agencies lack commitment towards the promotion of MOP. These trading houses concentrate on assured markets unlike the IPL whose main concern is not to hanker after such markets but discharge its responsibility for handling and distribution of MOP in the country. IPL has over the years developed an extensive marketing and distribution network throughout the country. Now the activities of IPL have been diversified. The Committee feel that since there is an agency under the administrative responsibility of the Government with an expertise in the field of Potash/Potassic fertilisers, the import and availability of these fertilisers should not be left to the market forces alone. Services of IPL should be utilised to the maximum extent.

14. The Committee have been informed that of the total import of Potash in the country, nearly 50% is made by IPL, 25-30% by other PSUs and only 20-22% by the private sector. In such a situation the Committee are unable to understand the reason for which the Government could not make available the Potash/Potassic fertilisers during Kharif 1998. All the Undertakings involved in import of Potash could be mobilised when the importers showed their reluctance. It was only at the last moment that the IPL was asked to import on Government account. The Committee strongly recommend that the total demand of Potash/Potassic fertilisers required during a particular season should be tied up well in advance with IPL and other PSUs so that the dependence on private importers is minimised. If the private importers are to be involved, the Government should finalise the contracts well in advance before a particular sowing/crop season. The Government should also ensure that all involved Undertakings/importers do not wait for the favourable conditions for maximum profitability, etc. rather they should work for the welfare of the farming community of the country.

15. The Committee are happy to note that the Government have decided to maintain a buffer stock of two lakh tonnes of DAP and 55,000 tonnes of Potash to meet any eventuality arising out of sudden spurt in demand. This scheme is operated through Indian Potash Limited (IPL). The Committee desire that the Government should ensure to hold this buffer stock ready at different strategic locations where the demand of Potash/Potassic fertilisers is more and that too at the time of sowing during each season. It must be maintained as a rolling stock and should be replenished as and when it is depleted. A periodical close monitoring should also be maintained to make sure that farmers get the right quantity of fertilisers at the right time.

16. During the course of examination it came out that the nature of division of various subjects relating to fertilisers between two Central Government Departments *viz.* Department of Fertilisers and Department of Agriculture & Cooperation seem to be the most important hurdle affecting the functioning of agencies involved in matters relating to fertilisers. Quality control is administered by the Department of Agriculture and Cooperation whereas import and distribution of fertilisers come under the purview of the Department of Fertilisers. In all these processes both the Departments have to coordinate between themselves and as also with State Governments. Proper coordination at every stage

is required for ensuring availability of fertilisers at the appropriate time. The Committee view that all fertiliser related matters should be dealt with at one place. Even if this is not possible, the Department of Fertilisers and the Department of Agriculture and Cooperation should work in better coordination along with maximum sharing of information with the State Governments so that shortages are not created during the sowing/crop season. This will also ensure advance planning with a view to avoiding last minute emergencies.

17. The Committee find that the results in the direction of achieving the ideal ratio 4:2:1 of N, P and K fertiliser are not very encouraging. Such an imbalance in the use of fertilisers leads to erosion in soil fertility and ultimately foodgrain production is affected adversely after a few years. Regular soil testing is a very efficient method to ensure balanced fertilisation. In the Committee's view there are no sufficient soil testing facilities in the country. The Department of Agriculture and Cooperation should take all the measures to make the soil testing system more efficient. Preparation of soil map should be undertaken sincerely and the Panchayats should be held responsible to get their soils tested after every crop season. They should maintain the map. This will help the farmers in using actually required quantity of fertilisers for getting maximum production.

18. The Committee are happy to note that efforts are being made to find a substitute for Potash. For this research work is on and some low analysis "K" bearing products have been isolated. The research findings hold out some promise. To further develop these products as regular source of "K", substantial investment is needed. IPL has already contributed Rs. 4.5 crore and is not in position to afford further. The Committee are of the opinion that scarcity of funds should not come in the way of research. The Committee recommend that the Government should constitute a special fund for this project and all Potassic fertiliser manufacturers in the country be bound to contribute a small percentage of their profit towards this fund. The Government should start this fund by making a substantial contribution. The Department of Fertilisers may be designated to operate this fund.

19. The Committee have noted that there is a shortage of storage facilities for fertilisers everywhere. Therefore, it is not possible to keep whole lot of fertilisers in the beginning of the sowing season. That is why the manufacturers and importers are not able to send the full quantity of fertilisers at appropriate time. The Committee strongly recommend that the Government should take all measures to strengthen the storage facilities for fertilisers. These facilities should be made available at Block Level so that manufacturers and importers may not hesitate to send fertilisers because of non-availability of storage space. This facility alone can give better results in regard to availability of fertilisers.

20. Another factor having impact on complex fertiliser prices is its transportation cost. It came out during examination that the Railways have increased freight rates on movement of Phosphatic fertilisers and raw materials by 48 per cent in one stroke. This may result in artificial increase in the price of fertilisers besides distorting the balanced use of fertilisers. The Committee urge that DoF should take up this issue with the Railways with an objective to have only rational increases in freights.

NEW DELHI;
December 18, 2000

Agrahayana 27, 1922 (Saka)

MULAYAM SINGH YADAV,
Chairman,
Standing Committee on
Petroleum & Chemicals.

APPENDIX I

MINUTES

**STANDING COMMITTEE ON PETROLEUM & CHEMICALS
(1998-99)**

FIFTEENTH SITTING

15.12.1998

The Committee sat from 1500 hrs. to 1545 hrs.

PRESENT

Dr. Balram Jakhar *Chairman*

MEMBERS

Lok Sabha

2. Shri Ratilal Kalidas Varma
3. Dr. Vallabhbbhai Kathiria
4. Dr. Asim Bala
5. Shri Pitambar Paswan
6. Dr. C. Suguna Kumari
7. Shri Arjun Charan Sethi
8. Shri C. Kuppusami

Rajya Sabha

9. Shri Radhakishan Malviya
10. Shri Joyanta Roy

SECRETARIAT

1. Shri Harnam Singh *Joint Secretary*
2. Shri Brahm Dutt *Deputy Secretary*
3. Shri J.N. Oberoi *Under Secretary*

Representatives of Ministry of Agriculture

- | | |
|---------------------|--------------------------|
| 1. Shri Kamal Pande | Secretary (A&C) |
| 2. Shri Anil Sinha | Jt. Secy. (Fertilisers) |
| 3. Dr. M.R. Motsara | Jt. Commissioner (Fer.) |
| 4. Shri M. Senapaty | Director (Fert.) |
| 5. Shri C.R. Hazra | Agriculture Commissioner |
| 6. Shri G.B. Singh | DDG (Soils) |

The Committee took oral evidence of the representatives of Ministry of Agriculture, Department of Agriculture and Cooperation in regard to examination of Demand, Availability and Import of Potash/Potassic Fertilisers.

2. The main issues which came up for discussion included the demand and consumption of Potash/Potassic fertilisers, factors responsible for affecting availability and shortage of these fertilisers in certain parts of the country at proper time including delay in declaration of subsidy, complete dependence of market forces reluctance on the part of importers, flaws in distribution system and coordination between the Department of Fertilisers, Ministry of Agriculture and the State Governments.

3. The Committee emphasised the need of better coordination between Department of Fertilisers, Ministry of Agriculture and State Governments so that the farmers could get the right amount of fertilisers, right kind of fertiliser at right time. They also stressed for better planning in advance to avoid the shortage of fertilisers in every season.

4. The verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

APPENDIX II

MINUTES

STANDING COMMITTEE ON PETROLEUM AND CHEMICALS (1998-99)

SIXTEENTH SITTING

16.12.1998

The Committee sat from 1500 hrs. to 1600 hrs.

PRESENT

Dr. Balram Jakhar — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ratilal Kalidas Varma
3. Dr. Vallabhabhai Kathiria
4. Shri Ashok Argal
5. Shri Tejveer Singh
6. Dr. Ravi Mallu
- Shri Gurudas Kamat
8. Shri Nepal Chandra Das
9. Dr. C. Suguna Kumari
10. Shri M. Selvarasu

Rajya Sabha

11. Shri Ahmed Patel
12. Shri Kanak Mal Katara

SECRETARIAT

- | | |
|----------------------|-------------------------|
| 1. Shri Harnam Singh | <i>Joint Secretary</i> |
| 2. Shri Brahm Dutt | <i>Deputy Secretary</i> |
| 3. Shri J.N. Oberoi | <i>Under Secretary</i> |

Representatives of Deptt. of Fertilisers

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|----------------------|------------------------|
| 1. Shri A.V. Gokak | Secretary |
| 2. Shri Ravi Mathur | Jt. Secretary |
| 3. Shri D.K. Sikri | Jt. Secretary (A&M) |
| 4. Shri Sanjay Das | Jt. Commissioner (FSD) |
| 5. Shri U.S. Awasthi | MD, IFFCO |
| 6. Shri P.S. Gahlot | MD, IPL |
| 7. Shri N.Y. Mahajan | MD, MFL |
| 8. Shri D.K. Verma | MD, RCF & FACT |
| 9. Shri H. Mishra | MD, PPL |

The Committee took oral evidence of the representatives of Ministry of Chemicals and Fertilisers, Department of Fertilisers in regard to examination of Demand, Availability and Import of Potash/Potassic fertilisers.

2. The Main issues which came up for discussion included the factors responsible for non-availability of Potash/Potassic fertilisers to the farmers in several States during Kharif, 98 season. This also included the assessment of demand for the States delay in import of fertilisers, role of Indian Potash Limited and private importers, delays in declaration of concessions by the Ministry of Agriculture, lack of coordination between Deptt. of Fertilisers and Ministry of Agriculture and future programmes to avoid such shortages of fertilisers. The Committee further examined the details of steps being taken for balanced use of fertilisers including soil testing, soil mapping and education to farmers. The Committee also discussed the status of Oman Project.

3. The Committee felt that a foolproof system is required to be developed to ensure better planning and timely supply of fertilisers to the farmers in future. This was possible only through better coordination between the Department of fertilisers and Ministry of Agriculture in demand assessment and supply of fertilisers to the States.

4. The verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

APPENDIX III

MINUTES

SUB-COMMITTEE ON FERTILISERS

**A SUB-COMMITTEE OF STANDING COMMITTEE ON
PETROLEUM & CHEMICALS (1999-2000)**

FOURTH SITTING

18.09.2000

The Sub-Committee sat from 1400 hrs. to 1500 hrs.

PRESENT

Shri Dipankar Mukherjee *Convenor*

MEMBERS

Lok Sabha

2. Shri Ananda Mohan Biswas
3. Shri Padam Sen Choudhary
4. Shri Dilipkumar Mansukhlal Gandhi
5. Shri D.C. Srikantappa
6. Shri Rajesh Verma
7. Dr. Bikram Sarkar

Rajya Sabha

8. Shri Suresh Pachouri
9. Shri K. Kalavenkata Rao
10. Shri Rajiv Ranjan Singh
11. Shri P. Soundararajan

SECRETARIAT

1. Shri Brahm Dutt *Deputy Secretary*
2. Shri J. N. Oberoi *Under Secretary*

Representatives of Fertiliser Association of India (FAI)

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|----------------------|--|
| Shri Pratap Narayan | Director General (FAI) |
| 2. Shri P.S. Gahlaut | Managing Director, Indian Potash Limited (IPL) |
| 3. Dr. Uttam Gupta | Chief Economist (FAI) |

The Sub-Committee took oral evidence of the representatives of Fertiliser Association of India in connection with examination of 'Import of Potash (MoP) and Potassic Fertilisers.'

2. The main issues that came up for discussions included hundred per cent dependence on import of Potash due to non-availability of domestic raw material and possibilities of setting up joint venture projects for manufacture of MoP.

3. Besides policy issues relating to other three fertilisers, *viz.* Urea, DAP and SSP also came up for discussions. In this connection, problems being faced by fertiliser industry due to Government's direct control over Urea in the form of subsidy and its indirect control over DAP and MoP in the form of announcement of concessions were also discussed.

4. A verbatim record of the proceedings of the sitting has been kept.

The Sub-Committee then adjourned.

APPENDIX IV

MINUTES

SUB-COMMITTEE ON FERTILISERS

**A SUB-COMMITTEE OF STANDING COMMITTEE ON
PETROLEUM & CHEMICALS (1999-2000)**

SIXTH SITTING

18.12.2000

The Sub-Committee sat from 1500 hrs. to 1530 hrs.

PRESENT

Shri Dipankar Mukherjee — *Convenor*

MEMBERS

Lok Sabha

2. Shri Padam Sen Choudhary
3. Shri D.C. Srikantappa
4. Shri Rajesh Verma

Rajya Sabha

5. Shri Ravi Shankar Prasad
6. Shri P. Soundararajan

SECRETARIAT

1. Shri John Joseph *Joint Secretary*
2. Shri Brahm Dutt *Deputy Secretary*
3. Shri J.N. Oberoi *Under Secretary*

At the outset, Hon'ble Convenor of the Sub-Committee on Fertilisers welcomed the Members to the sitting and explained the purpose of the meeting. He apprised the Members of the contents of the Report and invited the Members to give their suggestions. After some discussion, the Sub-Committee approved it unanimously and authorised the Convenor to present it to the Chairman for consideration and adoption by the Committee.

The Committee then adjourned.

APPENDIX V

MINUTES

**STANDING COMMITTEE ON PETROLEUM & CHEMICALS
(1999-2000)**

SEVENTEENTH SITTING

18.12.2000

The Committee sat from 1530 hrs. to 1630 hrs.

PRESENT

Shri Mulayam Singh Yadav *Chairman*

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Dr. (Smt.) C. Suguna Kumari
4. Shri Padam Sen Choudhary
5. Smt. Sheela Gautam
6. Shri Pawan Singh Ghatowar
7. Smt. Nivedita Mane
8. Dr. Bikram Sarkar
9. Smt. Kanti Singh
10. Shri Prabhunath Singh
11. Shri D.C. Srikantappa
12. Shri Ratilal Kalidas Varma
13. Shri Rajesh Verma

Rajya Sabha

14. Ravi Shankar Prasad
15. Ram Nath Kovind
16. Shri Dipankar Mukherjee
17. P. Soundararajan

SECRETARIAT

- | | |
|---------------------|-------------------------|
| 1. Shri John Joseph | <i>Joint Secretary</i> |
| 2. Shri Brahm Dutt | <i>Deputy Secretary</i> |
| 3. Shri J.N. Oberoi | <i>Under Secretary</i> |

At the outset, Hon'ble Chairman welcomed the Members to the sitting of the Committee and explained the purpose of the today's meeting which was to consider and adopt Draft Eleventh Report on Demand, Availability and Import of Potash/Potassic Fertilisers. He observed that the Sub-Committee on Fertilisers has already considered this Report and approved the same. He appreciated the contribution made by the Sub-Committee on Fertilisers. He also praised the work done by the Secretariat staff for rendering valuable service in preparing the Report. He requested Convenor of the Sub-Committee on Fertilisers to apprise the Committee of the broad recommendations of the Report. After he had done so, Hon'ble Chairman invited the Members to give suggestions, if any.

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4. The Committee discussed Draft Eleventh Report and after some discussion adopted it unanimously. The Committee then authorised Hon'ble Chairman to finalise the Report after factual verification from the concerned Ministries and present it to the Parliament during the current session.

The Committee then adjourned.

* Matters not related to this Report.