

SEVENTEENTH REPORT

STANDING COMMITTEE ON
PETROLEUM & CHEMICALS (2001)

(THIRTEENTH LOK SABHA)

DEMANDS, AVAILABILITY AND IMPORT OF
POTASH AND POTASSIC FERTILISERS

MINISTRY OF CHEMICALS & FERTILISERS
(DEPARTMENT OF FERTILISERS)

*[Action Taken by the Government on the Recommendations/contained
in the Eleventh Report of the Standing Committee on Petroleum &
Chemicals (1999-2000) on Demands, Availability and Import
of Potash and Potassic Fertilisers]*

Presented to Lok Sabha on.....
Laid in Rajya Sabha on.....

29 AUG 2001



LOK SABHA SECRETARIAT
NEW DELHI

August, 2001/Sravana, 1923 (Saka)

CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE.....	(iii)
COMPOSITION OF THE SUB-COMMITTEE ON FERTILISERS.....	(v)
INTRODUCTION.....	(vii)
CHAPTER Report.	
CHAPTER II Recommendations which have been accepted by the Government.....	
CHAPTER III Recommendations which the Committee do not desire to pursue in view of the Government's replies.....	24
CHAPTER IV Recommendations in respect of which replies of the Government have not been accepted by the Committee...	28
CHAPTER V Recommendations in respect of which final replies of the Government are still awaited.....	32

APPENDICES

Extracts of Minutes of the Fourth sitting of the Sub-Committee on Fertilisers a Sub-Committee of Standing Committee on Petroleum & Chemicals (2001) held on 13 th August, 2001.....	38
II. Extracts of Minutes of the Seventh Sitting of The Standing Committee on Petroleum & Chemicals (2001) held on 20 th August, 2001.....	40
III. Analysis of Action Taken by the Government on the Recommendations contained in the Eleventh Report (13th Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on Demand, Availability and Import of Potash and Potassic Fertilisers.....	42

COMPOSITION OF THE STANDING COMMITTEE
ON PETROLEUM & CHEMICALS
(2001)

Shri Mulayam Singh Yadav – *Chairman*

MEMBERS

Lok Sabha

Shri Ashok Argal

3. Shri Ramchander Baina
- 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 Bijoy Krishna 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
24. Dr. Ramesh Chandra Tomar
25. Shri Tarlochan Singh Tur

(iv)

26. Shri Shankersinh Vaghela
27. Shri Ratilal Kalidas Varma
28. Shri B. Venkateshwarlu
29. Shri Rajesh Verma
30. Dr. Girija Vyas

Rajya Sabha

31. Shri Anil Kumar
32. Shri Gaya Singh
33. Shri Ram Nath Kovind
- *34. Vacant
35. Shri Moolchand Meena
36. Shri Dipankar Mukherjee
37. Shri Suresh Pachouri
38. Shri Ahmed Patel
39. Shri Mukesh R. Patel
40. Shri Ravishankar Prasad
Shri K. Kalavenkata Rao
42. Shrimati Basanti Sarma
43. Shri Rajiv Ranjan Singh 'Lalan'
44. Shri P. Soundararajan
45. Prof. Ram Gopal Yadav

SECRETARIAT

- | | |
|-----------------------|--------------------------|
| 1. Shri B.R. Kanathia | <i>Joint Secretary</i> |
| 2. Shri Brahm Dutt | <i>Deputy Secretary</i> |
| 3. Shri J.N. Oberoi | <i>Under Secretary</i> |
| 4. Shri A.K. Shah | <i>Committee Officer</i> |

*Vacancy caused consequent upon retirement of Dr. (Smt.) Joyashree Goswami Mahanta, M.P. (R.S.) from the membership of Rajya Sabha *w.e.f.* 14.06.2001.

COMPOSITION OF THE SUB-COMMITTEE ON FERTILISERS
A SUB-COMMITTEE OF THE STANDING COMMITTEE
ON PETROLEUM & CHEMICALS (2001)

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

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum and Chemicals (2001) having been authorised by the Committee to submit the Report on their behalf present this Seventeenth Report on Action Taken by Government on the recommendations contained in Eleventh Report (13th Lok Sabha) of the Standing Committee on Petroleum and Chemicals (1999-2000) on Demands, Availability and Import of Potash and Potassic Fertilisers.

2. The Eleventh Report of the Committee was presented to Lok Sabha on 20th December, 2000. Replies of Government to all the recommendations contained in the Eleventh Report were received on 19th March, 2001. The Sub-Committee on Fertilisers considered the Action Taken Replies received from the Government and considered and adopted the Report at their sitting held on 13th August, 2001.

3. The Standing Committee on Petroleum and Chemicals (2001) considered and adopted this Report at their sitting held on 20th August, 2001. The Committee place on record their appreciation of the work done by the Sub-Committee on Fertilisers.

4. An analysis of the Action Taken by Government on the recommendations contained in the Eleventh Report (Thirteenth Lok Sabha) of the Committee is given at Appendix III.

5. The Committee place on record their sense of deep appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat.

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

NEW DELHI ;
20 August, 2001

29 Sravana, 1923 (Saka)

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

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Eleventh Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (1999-2000) on 'Demand, Availability and Imports of Potash and Potassic Fertilisers' which was presented to Lok Sabha on 20th December, 2000.

2. Action taken notes have been received from the Government in respect of all the 20 recommendations contained in the Report. These have been categorised as follows :-

- (i) Recommendations/observations that have been accepted by the Government.

Sl. Nos. 2, 4, 9, 11, 13, 14, 15, 16 and 20.

- (ii) Recommendations/observations which the Committee do not desire to pursue in view of the Government replies:-

Sl.Nos. 3, 10 and 19.

- (iii) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee:-

Sl.Nos. 1, 5 and 17.

- (iv) Recommendations/observations in respect of which final replies of the Government are still awaited :-

Sl.Nos. 6, 7, 8, 12 and 18.

3. **The Committee desire that the final replies in respect of the recommendations for which only interim replies have been furnished by the Government should be furnished expeditiously.**

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

A. AFFECTS OF DECONTROL OF POTASSIC FERTILISERS

Recommendation (Sl. No. 1)

5. The Committee had found that there were three main nutrients *viz.* Nitrogen (N), Phosphate (P) and Potash (K) required for various crops. The Committee found that as against 23.32 lakh metric tonnes (LMT) consumption of Muriate of Potash (MOP) in 1991-92, the present level of consumption during 1999-2000 was 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 16.23 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 was a controlled fertilizer, which was Rs. 3060 PMT in 1992-93 had 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 fertilizers were decontrolled in August, 1992 and imports of MOP were decontrolled with effect from 17.6.93. The Committee found that production, import and distribution were at present determined by the market forces. The Committee noted that the decontrol had affected the availability of MOP and consequently Potassic fertilizers were becoming unaffordable for the farmers.

The Government in their reply have informed :-

“The MRP of MOP was maintained at Rs. 3700 per MT from 1997-98 till 29th February, 2000 while the rate of concession of MOP was increased from Rs. 2000 per MT from 14.1.1997 to Rs. 2800 to 3350 per MT. This has led to a substantial improvement in the consumption of MOP from 11.98 lakh MT in 1997-98 to 21.06 lakh MT in 1999-2000 giving a positive indication of the affordability of potash to the farmers. There has not been any shortage in

availability of MOP in the States in the last two years. The Government is also maintaining a bufferstock of 55,000 MTs of MOP to augment its availability in the country if market forces do not work satisfactorily. In addition, if required, the Government can import additional quantities as was done in the case of DAP in the current financial year when nearly 1.12 lakh MT of DAP were imported through IPL."

7. The Committee are not satisfied with the reply of the Government. The Government have informed that positive indication of affordability of potash to farmers have been signalled by increasing rates of concessions for MoP from 1997-98 to 2000 by keeping MRP at the low level during the period. In this context the Government have also informed that as against the low MRP of Rs. 3700 per tonne during 1997-98 to February, 2000 the rate of concessions have increased from Rs. 2800 to Rs. 3350 per tonne during the period. However, the consumption pattern of MoP since 1991-92 indicates that its consumption is declining in all these years except for 1999-2000 where it was 21.06 lakh tonnes. During 1996-97 it was 16.29 lakh tonnes. In subsequent years i.e. (1997-98) it was as low as 11.98 lakh tonnes. By 2000-2001 it was only 19.18 lakh tonnes. The Committee are unable to reconcile the fact that inspite of concessions being increased from Rs. 2800 to Rs. 3350 w.e.f. Feb. 2000 consumption of potash remained at 19.18 lakh tonnes in 2000-2001 even lower than the previous year consumption of 21.06 lakh tonnes.

The Committee, therefore, reiterate their observation that decontrol has affected affordability of potash to farmers. The Committee find that increase in MRP of MoP from Rs. 3700 per tonne as on 29.2.2000 to Rs. 4255 per tonne as on 31.3.2000 will further affect affordability. The Committee, therefore, feel that ensuring affordability of MoP to farmers is the responsibility of DoF for correcting the imbalance in use of fertilizers and Govt. should work in that direction sincerely.

B. NECESSITY OF DEMAND ASSESSMENT IN POTASH DEFICIENT STATES

Recommendation (Sl. No. 5)

8. The Committee had noted that nearly 70 per cent of Potash consumption in the country was confined to seven major States *viz.* Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Maharashtra, Gujarat and West Bengal, where soils were reported to be deficient in Potash. Since Potash was a critical plant nutrient and mostly used in cash crops for better quality of output, the Committee had recommended 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 Fertilizers related policies should have been prepared keeping these States as focal points so that matters relating to availability and shortages of these Fertilisers were handled effectively. In the maintenance of buffer stock also these States should be given due importance. The Committee had urged the Ministry of Agriculture and Department of Fertilisers, through its research institutes/centres as also PSUs/cooperatives/fertilizer units under them to study the requirements of soils in all parts of the country and advise the farmers about the level of requirement of Potash.

9. In their reply the Govt. have stated

“The Department of Agriculture & Cooperation have endeavoured to strengthen the soil testing services to the farmers to recommend balanced and precise application of Fertilisers. Importance of soil testing for proper and right use of various kinds of Fertilisers by farmers according to the requirements of the soil cannot be over-emphasized. Keeping this in mind among other things, the Ministry of Agriculture has recently formulated National Agriculture Policy which has laid stress on soil testing, quality testing of Fertilisers, balanced and optimum use of Fertilisers,

promotion of organic manure and bio-fertilisers to optimize the efficiency of nutrient use.

On the basis of the results of analysis of soil samples, farmers are advised on the level of fertilizer nutrient including potash to be applied for a particular crop. Fertiliser companies/ research institutes also advise farmers on use of potash based on soil test recommendations.

Although the Department of Fertilisers does not have any research centre under its administrative control to promote the use of potash on the basis of soil test reports, the fertilizer companies, including PSUs/ cooperatives, are promoting its judicious use as per nutrient deficiency found in soil after soil testing."

10. The Committee find the reply of the Govt. as inadequate. The Committee had recommended special attention towards demand assessment of Potash/Potassic fertilisers in seven major States whose consumption of Potash is quite high. Whereas the Govt. have generalised the thrust of recommendation by saying that Ministry of Agriculture & Cooperation has formulated National Agriculture Policy emphasizing for soil testing balanced use etc. The Committee reiterate their earlier recommendation that special attention towards demand assessment of potash particularly in potash consuming States be paid.

11. The Committee also feel that their other recommendation of about studying requirement of soil by DoF/Deptt. of Agriculture & Cooperation (DoAC) through its research centres in all parts of the country has also not been studied properly. In this context the Govt. have stated that since DoF does not have any research centres under its administrative control the fertilizer companies including PSUs/cooperatives are promoting use of potash on the basis of soil test reports. The Govt. have furnished the following companies

wise progress reports on working of soil testing laboratories for 1998-99:

Fertiliser Company	Annual Analysing Capacity	No. of samples Analysed	% utilization
Public Sector			
HFC	1,20,000	8630	
FACT	46,000	25,908	
MFL	25,000	17,569	
Joint Sector			
IPL	15,000	6,932	
Coop. Sector			
KRIBHCO	36,000	20,817	
Private Sector			
Duncan Industries	3000	1938	64.60
Chambal Fertilisers & Chemicals Ltd.	30,000	Information Awaited	

12. An analysis of the report reveals that soil samples analysed during 1998-99 a lot is still needed in this area. For instance the capacity utilisation of HFC in public sector and IPL in joint sector has been as low as 7.2% and 46.0%. Similarly in Cooperatives, KRIBHCO has a capacity utilization of only 57.83%. Like wise in private sector, the capacity utilization of Duncan Industries is only 64.60%. In view of the dismal performance of PSUs and other organizations regarding soil testing, the Committee feel that all out effort for augmenting soil testing by PSUs/Cooperatives and private companies is needed. The Committee, therefore, reiterate their recommendation that DOF/DOAC to carryout study of the requirement of soil in all parts of the country.

C. PREPARATION OF SOIL SPECIFIC FERTILISERS

Recommendation (Sl. No. 6)

13. The Committee had noted that there was imbalance in the use of NPK fertilizers. NPK 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 fertilizer policy NPK ratio was 6.6:2.9:1 in 2000-2001. 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 fertilizers, 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 fertilizer have also not played a significant role in improving the ratio of consumption. The Committee had observed that the complex NPK fertiliser have also not played a significant role in improving the ratio of consumption. The Committee also observed 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. Agreeing with the G.V.K. Rao Committee recommendations in this regard the Committee had desired 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 nutrients requirements of soil in each region.

14. The Government in their reply have informed :-

“The Government is aware of the need of balance application of all the three major nutrients viz. nitrogen, phosphorous and

potash. For this purpose, the Government is still continuing the concession on phosphatic and potassic fertilizers despite their decontrol in 1992.

Government is also alive to the importance of soil testing for proper and right use of various kinds of Fertilisers by farmers according to the requirements of the soil. Generally, Fertilisers application by farmers is made on the recommendations of soil testing laboratories based on soil test results. Soil test based fertilizer application helps in removing imbalances in use of Fertilisers. Keeping this in mind among other things, the Ministry of Agriculture has recently formulated National Agriculture Policy which has laid stress on soil testing, quality testing of Fertilisers balanced and optimum use of Fertilisers, promotion of organic manure and bio-Fertilisers to optimize the efficiency of nutrient use.

DAC has also been promoting the concept of integrated nutrient management which envisages conjunctive use of chemicals fertilizers with compost, manure and bio-fertilisers. Such a balanced approach helps in maintaining fertility of the soils.

The fertilizer manufacturing companies also are playing an active role in educating the farmers through various extension programmes and soil testing facilities on the need to adopt balanced nutrients application. Based on local crop and soil requirements, fertiliser companies are manufacturing various types of complex Fertilisers having varying degrees of NPK contents. Further, the Department is also ensuring adequate availability of all types of fertilizer providing NPK nutrients by either creating sufficient domestic capacity or by providing suitable environment to import requirements that are not fulfilled domestically for reasons of lack of raw-material. Imbalance of Fertilisers is assessed keeping in view NPK ratio which is derived from consumption of Nitrogen, Phosphatic and Potassic Fertilisers. This NPK ratio for reflecting balanced fertilisation at national level is taken as 4:2:1. This ratio has been improving over a period of years indicating improvement in fertiliser use in balanced manner having positive influence on

fertility of agriculture land. The estimated NPK ratio for the year 1996-97 was 10:2.9:1, for the year 1997-98 it was 7.9:2.8:1, for the year 1998-99 it was 8.5:3.1:1 and for year 1999-2000 the ratio is 6.9:2.9:1. The ratio is narrowing down in favour of greater balance in the nutrient consumption.

“While the Government has been laying emphasis on straight fertilizers like urea, DAP and MOP certain NPK complexes are also being manufactured in the country. These have been developed according to the recommendations of ICAR and State Agriculture Universities to suit the diversified soil and cropping patterns in the country. A few states, particularly from southern India have sought for giving encouragement to physical mixtures of Fertilisers on the grounds that such mixtures can be prepared with varying composition of nutrients to meet the specific requirements of soils. This suggestion is being examined. Initial enquiries have indicated that such mixtures, though useful in principle are likely to be subject to great difficulty in terms of quality and price control/ regulation. As of now sale of subsidized fertilizer is not permitted to the manufacturers of mixtures of Fertiliser.”

15. The Committee are not fully satisfied with the reply of the Government as it does not spell out clearly about region-wise use of soil specific fertilizers in the country. The reply only speaks about National Agriculture Policy under which emphasis has been laid down *inter-alia* on soil testing which helps in removing imbalances in use of fertilizers. DoF has also informed that based on local crop and soil requirement various fertilizer companies are manufacturing varying degree of NPK contents. Further in order to meet the specific requirements of soil, a proposal from a few States for physical mixtures of fertilizers on the ground is under consideration of the Govt. While agreeing to such a mixture, Govt. has expressed great difficulty in terms of quality price control regulation. The Committee feel that such a proposal be pursued vigorously. The Committee also reiterate that region-wise use of soil specific fertilisers be undertaken.

D. FINALISATION OF LONG TERM POLICY FOR ATTRACTING INVESTMENT & RATIONAL APPROACH FOR CONCESSIONAL SCHEME

Recommendation (Sl. Nos. 7 & 8)

16. The Committee had noted with regret that even though Government decontrolled Potash and Potassic fertilisers as far back in 1992, no long term policy for the industry had been framed. Representatives of FAI had pleaded before the Committee that in the absence of any policy of the Government on the subject, industry had 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 had negated the very concept of perspective planning. Even though the Department of Fertilisers had tried to forward a justification that by decontrolling Potash they have been able to curtail the growing subsidy, the fact seemed to prove the opposite. For instance, the subsidy (ad hoc-concession) figures of Potash/Potassic fertilisers had gone up by about 10 times in the last 8 years. The Committee, therefore, strongly recommended that the Government should evolve a long term policy which might attract the industry to invest and at the same is conducive for promotion of farmers' interest.

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

18. The Government in their reply have stated :-

"The Department of Fertilisers is in the process of formulating a Long Term Policy in the fertiliser sector. Draft Policy document covering various aspects including the improvement in implementation of the Concession Scheme for decontrol Phosphatic and Potassic Fertilisers, creation of new capacities for DAP, degree of protection to the domestic phosphatic industry etc. has been circulated amongst various stake holders such as fertiliser industry, State Governments, economists and agriculturists, to invite their suggestions and views on the proposals made in the document. The

draft policy document has also been put on the website of the Department of Fertilisers. After examining the responses, the draft policy document will be finalized for obtaining the approval of Cabinet.

Even while the formal long term fertiliser policy remain to be notified, several measures have been taken to attract the industry to invest in the fertiliser sector. These include delicensing of the industry, decontrol of fertiliser other than urea, relief in custom tariff in Fertilisers and their raw material/intermediates, abolition of import licensing requirements etc. However, the basic limitation remains the lack of resources of MOP within the country. Therefore, manufacturers of Potassic fertilisers (complexes) continue to depend on imports."

19. The Government have informed :-

"In order to have a comprehensive policy on Concession Scheme for decontrolled Fertilisers which includes MOP, the Department of Fertilisers had organized a national level consultation on Concession Scheme on February 9, 2001 at Vigyan Bhavan, New Delhi. On the basis of discussions and inputs received from the State Governments, manufacturers, Industry Associations and other beneficiaries, the existing guidelines of the Concession Scheme are being rationalised to plug the loopholes to avoid delays and to make it more transparent and effective. As regards the constitution of an independent regulatory authority, it may be mentioned that the High Powered Committee on Fertiliser Pricing Policy had also recommended the setting up of a Fertiliser Policy Planning Board. As indicated in the background paper on draft Long Term Fertilisers Policy (Para 29) the constitution of such an institution would be taken up at the appropriate time.

In the mean time, Government have, in March, 2001, appointed an Inter Ministerial Group (IMG) to review the various aspects of the Concession Scheme and make suitable recommendations."

20. The Committee find that formulation of Long Term Policy is pending since long and any further delay will dishearten the

fertiliser industry from making any investment particularly when the Report of High Powered Committee on Fertiliser Pricing is available with Government since March, 1998. Interactions with different interested groups like fertiliser industry, State Governments etc. have been going-on for finalisation of the Long Term Policy for Fertiliser Sector. The Committee feel that there should not be any kind of uncertainty. The Committee, therefore, reiterate their recommendation for early finalisation of the proposed policy in a definite time frame, eliminating the adhocism in decontrolled fertilisers.

E. SOIL MAPPING FOR CORRECTING IMBALANCE IN USE OF FERTILIZERS

Recommendation (Sl. No. 17)

21. The Committee had found that the results in the direction of achieving the ideal ratio 4:2:1 of N, P and K fertilizers were not very encouraging. Such an imbalance in the use of fertilizers leads to erosion in soil fertility and ultimately food grain production is affected adversely after a few years. Regular soil testing was a very efficient method to ensure balanced fertilization. In the Committee's view there were no sufficient soil testing facilities in the country. The Department of Agriculture and Cooperation (DOAC) should take all the measures to make the soil testing system more efficient. The Committee had hoped that preparation of soil map should be undertaken sincerely and the Panchayats should be held responsible to get their soils tested after every crop season. The Committee also recommended that the Panchayat should maintain the map. This in Committee's view would have helped the farmers in using actually required quantity of fertilizers for getting maximum production.

22. In reply the Government have stated

"The Government is encouraging balanced use of NPK in order to bring about the NPK ratio as near to optimum of 4:2:1 as possible. The ratio in 1996-97 was 10:2.9:1, in the year 1997-98 it was 7.9:2.9:1. For the year 1998-99 the ratio stood at 8.5:3.1:1 which has been narrowed down to 6.9:2.9:1 in the year 1999-2000. The estimated NPK ratio for the year 2000-01 is expected to be 6.6:2.9:1. Soil testing services in the country help in framing recommenda-

tions for fertilizer use based on soil analysis. The Govt. of India has been providing financial assistance to the States for expanding/upgrading the soil testing system in the country. Presently there are about 514 soil testing laboratories functioning in the country with a capacity to analyse about 6.4 million soil samples per annum. The Department of Agriculture & Cooperation (DAC) has provided assistance for upgrading the existing 273 laboratories and for establishment of 16 new soil-testing laboratories. After these laboratories start functioning to their full capacity the total soil samples analysis capacity in the country would go up to about 8 million soil samples per annum. However, this capacity is too inadequate to meet the requirement of analyzing soils of about 106 million farm holdings in the country. Soil maps indicating broad nutrient status of the country have also been prepared by ICAR. The Ministry of Agriculture in consultation with ICAR has also prepared soil health cards which are being distributed among the farmers for monitoring soil fertility. The expansion of soil testing facilities to the panchayat levels, while no doubt desirable, is constrained by the availability of funds."

23. The Committee are not satisfied with the reply of the Government in regard to taking all the measures to make the soil testing system more efficient by undertaking soil mappings after every crop-season. The Committee have been informed that Government is encouraging balanced use of NPK in order to bring NPK ratio near to optimum of 4:2:1. The N:P:K ratio for 2000-2001 has been estimated to be 6.6:2.9:1. However, in Committee's opinion the facts given by the Government for encouraging balanced use of N:P:K are quite alarming. For instance for total requirement of soil samples of 106 million farm holdings in the country there are only 514 soil testing laboratories in the country with a capacity of analysis of 6 million soil samples per year. DoF has stated that with assistance from DoAC this capacity is to be increased to 8 million soil samples by way of upgrading and setting up new labs. These facts substantiate the Committee's view that results in achieving the ideal ratio of 4:2:1 are not very encouraging.

About Committee's recommendations for soil mapping for necessary soil test by DoAC through Panchayats after every crop

season, the DoF has informed that soils maps indicating broad nutrient status of the country have also been prepared by the ICAR. The DoF have while agreeing with the Committee for expanding soil testing facilities to Panchayat levels, has however, not accepted, due to non-availability of funds. Since the present N:P:K ratio is of 6.6:2.9:1 is far behind ideal N:P:K ratio of 4:2:1, the Committee reiterate that soil mapping be entrusted to Panchayat levels and for this necessary funds be arranged.

F. CONSTITUTION OF SPECIAL FUND TO FIND A SUBSTITUTES FOR POTASH

Recommendation (Sl. No. 18)

24. The Committee had expressed their happiness to note that efforts are being made to find 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 had opined that scarcity of funds should not come in the way of research. The Committee had recommended that the Government should constitute a special fund for this project and all potassic fertiliser manufacturers in the country be bound by making small percentage of their profit towards this fund. The Committee hoped that the Government should start this fund by making a substantial contribution and the Department of Fertilisers may be designated to operate this fund.

25. Replying to this recommendation, the Government has simply stated that they have noted.

26. Before forwarding the recommendations of a Parliamentary Committee to Government for follow up action, it is mentioned that follow up replies should be descriptive and not taken as Noted or Noted for compliance. The Committee should have been apprised of the thinking of the Government, interactions made with private sector and their initial response, constitution of a task force within the Department to process the proposal etc. etc. The Committee would like to be apprised of the finality of action in this regard.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 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.

Reply of the Government

It is true that the supply and demand of potassic (and phosphatic) Fertilisers are determined by their international prices, rate of concession, specific requirement of soil and crop and host of other factors, whereas in the case of urea, Government examines supplies to work out the demand. It is also true that the Department of Agriculture & Cooperation (DAC), which is responsible for making formal assessments of various Fertilisers in the States, had discontinued such assessment after decontrol. However, since Kharif 1999, the system of such assessment has been restarted on a seasonal basis.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Recommendation (Sl. No. 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 is 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.

Reply of the Government

The introduction of the Concession Scheme in 1992 and subsequent improvements thereto from 1997-98 onwards have enhanced the consumption of Potash. The consumption of K has increased from 10.30 LMT of 1996-97 to 13.73 LMT in 1997-98 representing an increase of 34%. The K consumption in 1999-2000 has further improved to 17.33 LMT representing an increase of 26.2% over the previous best of 1997-98. The improvement in consumption of K component in the N.P.K. ratio of fertilizer consumption in the country over the recent years, is indicated in response to recommendations No. 17. Further the Department of Fertilisers had organised a national level consultation on decontrolled fertilizer at Delhi on 9.2.2001 to discuss various issues relating to such Fertilisers, particularly the issue of improving the effectiveness of scheme for concession of decontrolled Fertilisers. The buffer-stock of MOP has further contributed to augmenting the availability of MOP in the country.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Recommendation (Sl. No. 9)

During Kharif 1998, there was 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 this 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.

Reply of the Government

Assessment of requirement of all Fertilisers including MOP/ potassic Fertilisers, in various states, is undertaken before commencement of Kharif and Rabi seasons, by the Department of Agriculture & Cooperation (DAC), alongwith Department of Fertilisers, State Governments and fertilizer industry. Monitoring of sales of decontrolled Fertilisers is also done by DOF on a monthly and six monthly basis, Railways have a zonal coordination committee wherein States and fertilizer industry are associated, to jointly sort out problems of transportation, if any. In addition, Indian Potash Limited (IPL) maintains a buffer stock of MOP on behalf of Government of India in different strategic locations of the country. Additional transport subsidy is also provided for extra cost of transportation to move MOP to more difficult areas i.e. parts of Jammu & Kashmir, North Eastern states including Sikkim, hilly areas erstwhile Uttar Pradesh and West Bengal.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Recommendation (Sl. No. 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 marketers gained a lot the cost of farmers. The Committee strongly recommended 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.

Reply of the Government

The Government of India (Allocation of Business) Rules 1961, has now been amended and the responsibility of the administration of the Scheme of Concession and Management of Subsidy for controlled as well as decontrolled fertilisers has been transferred to the Department of Fertilisers w.e.f. 1.10.2000. The Department of Fertilisers, which is already monitoring the availability of all Fertilisers to the States, is taking adequate steps to ensure appropriate coordination with other Departments in the Government for an effective implementation of the Concession Scheme on the basis of balanced and judicious combination of costs, prices and subsidy regime as detailed in reply to recommendation No. 10. In addition a buffer stocking scheme for 55000 MTs of MOP is also being operated through IPL at various strategic locations.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Recommendation (Sl. No. 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 sectors, 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 of 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 a Government agency under the administrative control 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.

Reply of the Government

Potash and potassic Fertilisers are decontrolled and their availability is determined by market forces operating under the Concession Scheme. However, to moderate the negative impact of these forces, if any, the Government have been operating a buffer-stocking scheme through IPL under which stocks of MOP are being maintained at strategic locations to meet localised shortages, if any. The services of IPL are also utilized to rush MOP/DAP to far flung districts all over the country in case of emergency.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Recommendation (Sl. No. 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.

Reply of the Government

In the wake of decontrolled Fertilisers in 1992, the Department of Agriculture & Cooperation discontinued the system of formal assessment of demand of these Fertilisers. However, since Kharif 1999 the Government of India have started reassessing the requirement of Potassic and Phosphatic Fertilisers. The situation of availability of all Fertilisers, including DAP and MOP – the two major potassic and phosphatic Fertilisers – along with urea, is being monitored by the Department of Fertilisers for Rabi and Kharif seasons in close coordination with the State Governments. With regard to working for the farming community, most of the fertilizer companies are carrying out agricultural extension work with emphasis on education of farmers in the scientific application of Fertilisers out of their own resources. KRIBHCO, IFFCO and IPL are also implementing projects with foreign assistance, KRIBHCO is implementing rainfed farming projects in Western and Eastern India in six districts of Gujarat, Madhya Pradesh and Rajasthan, and twelve districts of West Bengal, Orissa and Bihar, which aim at improving the livelihood of the

poor families in the target areas through farming systems development and research, institution building and beneficiary participation for ensuring sustainability and replicability. IPL has been implementing the environment improvement in rainfed areas project in two districts of Madhya Pradesh and Maharashtra, whose aim is to conserve, develop and manage natural resources for sustainable improvement in environmental quality through people's participation. IFFCO has implemented as farm forestry cooperative project to improve the productivity of degraded lands for the benefit of rural poor by the application of farm forestry systems through village level cooperative societies in six districts of Uttar Pradesh, Madhya Pradesh and Rajasthan.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Recommendation (Sl. No. 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.

Reply of the Government

The buffer stocks of MOP are held by M/s Indian Potash Limited at different strategic locations. It is a rolling stock which is replenished from time to time. Since the commissioning of buffer stocking operations no shortages have been reported in any part of the country.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Recommendation (Sl. No. 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 seems 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 fertiliser 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.

Reply of the Government

The division of work between the Department of Agriculture and Department of Fertilisers is distributed on the basis of Government of India (Allocation of Business) Rules 1961. At present, all fertiliser related matters, except work relating to maximum retail price and quality control of Fertilisers are dealt in the Department of Fertilisers. On the basis of a recent amendment dated 27th September, 2000 the work relating to administration of the Concession Scheme and management of subsidy for decontrolled Fertilisers and ECA allocation of urea from manufacturers to States as per assessment made by the Department of Agriculture & Cooperation have been transferred to the Department of Fertilisers. The problems are also discussed jointly by the Department of Agriculture, Department of Fertilisers and the States in the Zonal conferences. As a

result, the coordination between the Department of Agriculture & Cooperation, Department of Fertilisers and State Governments in respect of sharing of information both for advance planning as well as periodic monitoring of availability of Fertilisers has improved considerably.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Recommendation (Sl. No. 20)

Another factor having impact on complex fertiliser prices in 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 used 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.

Reply of the Government

The fertilizer industry has been compensated for increase in rail freight by increasing the rate of concession for decontrolled P&K Fertilisers. Further, the Department of Fertilisers constantly monitors the transportation cost of all Fertilisers in coordination with the Ministry of Railways.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

CHAPTER III

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

Recommendation (Sl. No. 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 Fertilizers 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.

Reply of the Government

The demand of phosphatic and potassic Fertilisers, including Muriate of Potash (MOP) is being assessed by the Government for Kharif and Rabi separately, well before the commencement of the respective seasons. This is done as a part of Zonal input conference, organised by the Department of Agriculture & Cooperation (DAC), along with concerned Department of Government of India such as Department of Fertilisers, in which State Governments are also represented. The Zonal Conference for Kharif 2001 was organised during 12-16 February, 2001. No complaints were received by Government regarding lack of availability of MOP/Potassic Fertilisers during 2000-01. Besides, since 1998 onward, rates of concession of decontrolled Fertilisers including MOP, have been enhanced and concession scheme has also been

streamlined. In addition, Government has also been maintaining, through M/s Indian Potash Limited (IPL), a buffer stock of 55,000 MT at strategic locations in the country.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Recommendation (Sl. No. 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 basic. 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 Government.

To achieve the objectives, Government should draw a time-table, within which the State Governments have to certify the sales, failing which penalty in the form of interest on locked up amount must be provided.

Reply of the Government

The rates of concession on DAP, MOP and complexes are derived on the basis of use of imported inputs the prices of which fluctuate in international market apart from fluctuations in exchange rate. For this reason, it becomes difficult to announce a stable, long term rate of concession. However, from 2000-01 onwards the Government have introduced a base rate of concession at the beginning of the financial year to overcome the problem of uncertainty faced by the fertilizer industry.

The issue of delay in certification by the states is discussed in the pre-Kharif/Rabi Zonal Conferences also. In order to rationalise the guidelines for an effective implementation of Concession Scheme for decontrolled Fertilisers, the Department of Fertilisers had organised a National Level Consultation on February 9, 2001 at Vigyan Bhavan, New Delhi under the Chairmanship of Secretary (Fertilisers). The participants included the State Governments, fertiliser manufacturers, Industry Associations, importers and other experts. Various problems including delay in payments, speedy certification of sales by the State Governments and other related issues were discussed. On the basis of discussions and inputs received, the existing guidelines of the Concession Scheme for decontrolled Fertilisers are being rationalised to plug the loopholes, avoid delays and to make the Scheme more transparent and effective. An Inter Ministerial Group (IMG) has also been set up in March 2001, to review the various aspects of the Concession Scheme and make suitable recommendations.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Recommendation (Sl. No. 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.

Reply of the Government

At present, fertilizer industry is utilising the storage space created by the Central and State Warehousing Corporations and various corporate and other institutions at State, District and Block levels. In general, no serious shortage of such space has been reported.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

CHAPTER IV

RECOMMENDATION IN RESPECT OF WHICH REPLY OF GOVERNMENT HAS NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl. No. 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 of 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.

. Reply of the Government

The MRP of MOP was maintained at Rs. 3700 per MT from 1997-98 till 29th February, 2000 while the rate of concession on MOP was increased from Rs. 2000 per MT from 1.4.1997 to Rs. 2800 to 3350 per MT. This has led to a substantial improvement in the consumption of MOP from 11.98 lakh MT in 1997-98 to 21.06 lakh MT in 1999-2000 giving a positive indication of the affordability of potash to the farmers. There has not been any shortage in availability of MOP in the States in

the last two years. The Government is also maintaining a bufferstock of 55,000 MTs of MOP to augment its availability in the country if market forces do not work satisfactorily. In addition, if required, the Government can import additional quantities as was done in the case of DAP in the current financial year when nearly 1.12 lakh MT of DAP were imported through IPL.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Comments of the Committee

Please *see* paragraph No. 7 of Chapter of the Report.

Recommendation (Sl. No. 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 fertilises 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/fertilizer 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.

Reply of the Government

The Department of Agriculture & Cooperation have endeavoured to strengthen the soil testing services to the farmers to recommend balanced

and precise application of Fertilisers. Importance of soil testing for proper and right use of various kinds of Fertilisers by farmers according to the requirements of the soil cannot be over-emphasized. Keeping this in mind among other things, the Ministry of Agriculture has recently formulated National Agriculture Policy which has laid stress on soil testing, quality testing of Fertilisers, balanced and optimum use of Fertilisers, promotion of organic manure and bio-Fertilisers to optimise the efficiency of nutrient use.

On the basis of the result of analysis of soil samples, farmers are advised on the level of fertiliser nutrient including potash to be applied for a particular crop. Fertiliser companies/research institutes also advise farmers on use of potash based on soil test recommendations.

Although the Department of Fertilisers does not have any research centre under its administrative control to promote the use of potash on the basis of soil test reports, the fertilizer companies, including PSUs/ Cooperatives, are promoting its judicious use as per nutrient deficiency found in soil after soil testing. The details of soil testing facilities and soil tests conducted by the companies is given in Annexure.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Comments of the Committee

Please *see* paragraph No. 10, 11 and 12 of Chapter of the Report.

Recommendation (Sl. No. 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 food grain 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.

Reply of the Government

The Government is encouraging balanced use of NP & K in order to bring about the NPK ratio as near to optimum of 4:2:1 as possible. The ratio in 1996-97 was 10:2.9:1, in the year 1997-98 it was 7.9:2.9:1. For the year 1998-99 the ratio stood at 8.5:3.1:1 which has been narrowed down to 6.9:2.9:1 in the year 1999-2000. The estimated NPK ratio for the year 2000-01 is expected to be 6.6:2.9:1. Soil testing services in the country help in framing recommendations for fertilizer use based on soil analysis. The Govt. of India has been providing financial assistance to the States for expanding/upgrading the soil testing system in the country. Presently there are about 514 soil testing laboratories functioning in the country with a capacity to analyze about 6.4 million soil samples per annum. The Department of Agriculture & Cooperation (DAC) has provided assistance for upgrading the existing 273 laboratories and for establishment of 16 new soil-testing laboratories. After these laboratories start functioning to their full capacity the total soil samples analysis capacity in the country would go up to about 8 million soil samples per annum. However, this capacity is too inadequate to meet the requirement of analyzing soils of about 106 million farm holdings in the country. Soil maps indicating broad nutrient status of the country have also been prepared by ICAR. The Ministry of Agriculture in consultation with ICAR has also prepared soil health cards which are being distributed among the farmers for monitoring soil fertility. The expansion of soil testing facilities to the panchayat levels, while no doubt desirable, is constrained by the availability of funds.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Comments of the Committee

Please see para 23 of Chapter of the Report.

CHAPTER V

RECOMMENDATION IN RESPECT OF WHICH REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Sl. No. 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 fertilizer 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 production complex NPK fertilizer 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 line 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 requirement of soil in each region.

Reply of the Government

The Government is aware of the need of the balance application of all the three major nutrients viz, nitrogen, phosphorous, and potash. For this purpose, the Government is still continuing the concession on phosphatic and potassic Fertilisers despite their decontrol in 1992.

Government is also alive to the importance of soil testing for proper and right use of various kinds of Fertilisers by farmers according to the requirement of the soil. Generally, Fertilisers application by farmers is made on the recommendations of soil testing laboratories based on soil test results. Soil test based fertilizer application helps in removing imbalances in use of Fertilisers. Keeping this in mind among other things, the Ministry of Agriculture has recently formulated National Agriculture Policy which has laid stress on soil testing, quality testing of Fertilisers, balanced and optimum use of Fertilisers, promotion of organic manure and bio-Fertilisers to optimize the efficiency of nutrient use.

DAC has also been promoting the concept of integrated nutrient management which envisages conjunctive use of chemicals Fertilisers with compost, manure and bio-Fertilisers. Such a balanced approach helps in maintaining fertility of the soils.

The fertilizer manufacturing companies also are playing an active role in educating the farmers through various extension programmes and soil testing facilities on the need to adopt balanced nutrients application. Based on local crop and soil requirement, fertilizer companies are manufacturing various types of complex Fertilisers having varying degrees of NPK contents. Further, the Department is also ensuring adequate availability of all types of fertilizer providing NPK nutrients by either creating sufficient domestic capacity or by providing suitable environment to import requirements that are not fulfilled domestically for reasons of lack of raw-material.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

The Comments of the Committee

Please see para 15 of Chapter of the Report.

Recommendation (Sl. No. 7)

The Committee regret to note that even though Government decontrolled potash and potassic fertilisers as far back as in 1992, no long term policy for the industry has 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 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 fact 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' interest.

Reply of the Government

The Department of Fertilisers is in the process of formulating a Long Term Policy in the fertilizer sector. Draft Policy document covering various aspects including the improvement in implementation of the Concession Scheme for decontrol phosphatic and potassic Fertilisers, creation of new capacities for DAP, degree of protection to the domestic phosphatic industry etc. has been circulated amongst various stake holders such as Fertilizer industry, State Governments, economists and agriculturists, to invite their suggestion and views on the proposals made in the document. The draft policy document has also been put on the website of the Department of Fertilisers. After examining the reponses, the draft policy document will be finalised for obtaining the approval of Cabinet.

Even while the formal long term fertilizer policy remain to be notified, several measures have been taken to attract the industry to invest in the fertilizer sector. These include delicensing of the industry, decontrol of fertilizer other than urea, relief in custom tariff in Fertilisers and their raw material/intermediates, abolition of import licensing requirements etc. However, the basic limitation remains the lack of resources of MOP

within the country. Therefore, manufacturers of potassic fertilisers (complexes) continue to depend on imports.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Comments of the Committee

Please see Para 20 of Chapter I of the Report.

Recommendation (Sl. No. 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.

Reply of the Government

In order to have a comprehensive policy on Concession Scheme for decontrolled Fertilisers which includes MOP, the Department of Fertilisers had organised a national level consultation on Concession Scheme on February 9, 2001 at Vigyan Bhavan, New Delhi. On the basis of discussions and inputs received from the State Governments, manufacturers, Industry Associations and other beneficiaries, the existing guidelines of the Concession Scheme are being rationalised to plug the loopholes to avoid delays and to make it more transparent and effective. As regards the constitution of an independent regulatory authority, it may be mentioned that the High Powered Committee on Fertilizer Pricing Policy had also recommended the setting up of a Fertilizer Policy Planning Board. As indicated in the background paper on draft Long Term Fertilizer Policy (Para 29) the constitution of such an institution would be taken up at the appropriate time.

In the mean time, Government have, in March, 2001, appointed an Inter-Ministerial Group (IMG) to review the various aspects of the Concession Scheme and make suitable recommendations.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Comments of the Committee

Please see Para 20 of Chapter I of the Report.

Recommendation (Sl. No. 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 ensuing 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 30LMTs 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.

Reply of the Government

The Government is conscious of the fact that there are no commercially exploitable potash deposits in the country and the need to encourage Indian Companies to enter into joint ventures with strategic partners in areas with abundant potash deposits. IPL, IFFCO, KRIBHCO have established contacts in Argentina, Vietnam, Thailand etc but progress could not be made. The Government has accordingly constituted a task force under the Chairmanship of Secretary (Fertilisers) to suggest

a suitable policy including fiscal and other benefits required to be given by the Government to promote such joint ventures. The task force was constituted in August 2000 and has not yet completed its deliberations.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Recommendation (Sl. No. 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.

Reply of the Government

The recommendations of the Committee have been noted.

[M/o Chemicals & Fertilisers (Department of Fertilisers)
O.M. No. M-11011/6/2000-MPR (Part) dated 20.3.2001]

Comments of the Committee

Please see Para No. 26 of Chapter I of the Report.

NEW DELHI ;
20 August, 2001

29 Sravana, 1923 (Saka)

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

APPENDIX I

MINUTES

SUB-COMMITTEE ON FERTILISERS,

A SUB-COMMITTEE OF

STANDING COMMITTEE ON PETROLEUM & CHEMICALS

2001

Fourth Sitting

13.08.2001

The Sub-Committee sat from 1600 hrs. to 1645 hrs.

PRESENT

Shri Dipankar Mukherjee - *Convenor*

MEMBERS

Lok Sabha

2. Shri Ajay Singh Chautala
3. Shri D.C. Srikantappa

Rajya Sabha

4. Shri Ravi Shankar Prasad
5. Shri Rajiv Ranjan Singh 'Lalan'

SECRETARIAT

Shri Brahm Dutt

Deputy Secretary

2. Shri J.N. Oberoi

Under Secretary

At the outset, Hon'ble Convenor, Sub-Committee on Fertilisers welcomed the Members of the Sub-Committee to the Sitting.

2. The Sub-Committee considered and adopted the following Draft Action Taken Reports:-

(i)

(ii) Action taken by Government on the recommendations of the Committee contained in their Eleventh Report (13th Lok Sabha) on '*Demand, Availability and Import of Potash and Potassic Fertilisers.*

(iii)

3. The Sub-Committee authorised the Convenor to finalise the above three Draft Action Taken Reports and submit the same to Hon'ble Chairman for consideration by Standing Committee on Petroleum & Chemicals (2001).

4.

The Sub-Committee then adjourned.

APPENDIX II

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

MINUTES

Seventh Sitting
20.08.2001

The Committee sat from 1000 hrs. to 1040 hrs.

PRESENT

Shri Mulayam Singh Yadav *Chairman*

MEMBERS

Lok Sabha

- 2 Dr. (Smt.) C. Suguna Kumari
- 3 Shri Padam Sen Choudhary
- 4 Shri Dilipkumar Mansukhlal Gandhi
- 5 Shri Pawan Singh Ghatowar
- 6 Smt. Nivedita Mane
- 7 Dr. Bikram Sarkar
Smt. Kanti Singh
Shri Prabhunath Singh
- 10 Shri Shankersinh Vaghela
- 11 Shri B. Venkateshwarlu
- 12 Shri Rajesh Verma

Rajya Sabha

- 13 Shri Gaya Singh
- 14 Shri Moolchand Meena
- 15 Shri Dipankar Mukherjee
- 16 Shrimati Basanti Sarma
17. Shri Rajiv Ranjan Singh 'Lalan'

SECRETARIAT

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

At the outset, Hon'ble Chairman welcomed the Members to the sitting and explained the purpose of the day's meeting. He invited the Members to give their suggestions if any on the draft reports being considered for adoption. He also stated that such Members who wish to give their suggestions later may do so latest by 23rd August, 2001.

2. Thereafter, the Committee considered and adopted the following Draft Reports:-

(i)

(ii)

(iii) Action taken by Government on the recommendations contained in the Eleventh Report (13th Lok Sabha) of the Standing Committee on Petroleum & Chemicals (1999-2000) on 'Demand, Availability and Import of Potash and Potassic Fertilisers'.

(iv)

(v)

3. After some consideration, the Committee adopted the Reports without any amendment.

4. The Committee, thereafter, authorised the Chairman to finalise the Reports after factual verification from the concerned Ministry/ Department and present them to the Parliament.

5. The Committee also placed on record their appreciation of the work done by the Sub-Committees on Chemicals & Petrochemicals and Fertilisers.

6.

7. The Committee place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

The Committee then adjourned.

APPENDIX III
[Vide Para 4 of the Introduction]

Analysis of the Action Taken by Government of the recommendations contained in the Eleventh Report of the Standing Committee on Petroleum & Chemicals (1999-2000) (Thirteenth Lok Sabha) on 'Demand, Availability and import of Potash and Potassic Fertilisers'.

(i)	Total No. of Recommendations	20
(ii)	Recommendations that have been accepted by the Government (<i>vide</i> recommendations at Sl. Nos. 2, 4, 9, 11, 13, 14, 15, 16 and 20)	
	Percentage to total	45%
(iii)	Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> recommendations at Sl. Nos. 3, 10 and 19)	3
	Percentage of total	15%
(iv)	Recommendations in respect of which replies of the Government have not been accepted by the Committee (<i>vide</i> recommendations at Sl. Nos. 1, 5 and 17)	3
	Percentage of total	15%
(v)	Recommendations in respect of which final replies of the Government are still awaited (<i>vide</i> recommendations at Sl. Nos. 6, 7, 8, 12 and 18)	5
	Percentage of total	25%