FIFTY-FOURTH REPORT

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2003)

(THIRTEENTH LOK SABHA)

DEMAND, AVAILABILITY AND DISTRIBUTION OF FERTILISERS

MINISTRY OF CHEMICALS & FERTILISERS

(DEPARTMENT OF FERTILISERS)

[Action Taken by the Government on the recommendations contained in the Forty-Fourth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2003) on 'Demand, Availability and Distribution of Fertilisers']

Presented to Lok Sabha on 16.12.2003

Laid in Rajya Sabha on 16.12.2003

LOK SABHA SECRETARIAT

NEW DELHI

December, 2003/Agrahayana, 1925 (Saka)

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Prof. Ram Gopal Yadav - Acting Chairman

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* ***Nominated w.e.f. 21st February, 2003.***

** ***Nominated w.e.f. 26th February, 2003.***

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4.	Smt. Reena M. Jacob	-	*Committee Officer*

****** Nominated w.e.f. 3rd September, 2003.***

Composition of Sub-Committee on Fertilisers of the Standing Committee on Petroleum & Chemicals (2003)

Shri Mulayam Singh Yadav - Chairman

Prof. Ram Gopal Yadav - Acting Chairman

3. Sh. Ram Nath Kovind - Convenor

Members

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Rajya Sabha

12. Sh. Balkavi Bairagi
13. Sh. Kripal Parmar
***14. Sh. Lajpat Rai
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3. Shri P.D. Malvalia - *Under Secretary*
4. Smt. Reena M. Jacob - *Committee Officer*

**** Nominated w.e.f. 21st February, 2003***

***** Nominated w.e.f. 26th February, 2003.***

****** Nominated w.e.f. 3rd September, 2003.***

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Chemicals (2003) having been authorised by the Committee to submit the Report on their behalf, present this Fifty-Fourth Report on Action Taken by Government on the recommendations contained in the Forty-Fourth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2003) on 'Demand, Availability and Distribution of Fertilisers'.

2. The Forty-Fourth Report of the Committee was presented to Lok Sabha on 8th May, 2003. Replies of Government to all the recommendations contained in the Forty-Fourth Report were received on 10th October, 2003. The Sub-Committee on Fertilisers considered the Action Taken Replies received from the Government and adopted the Report at their sitting held on 12th December, 2003. The Standing Committee on Petroleum & Chemicals (2003) considered and adopted this Report at their sitting held on 15th December, 2003.

3. An analysis of the Action Taken by Government on the recommendations contained in the Forty-Fourth Report (Thirteenth Lok Sabha) of the Committee is given in **Appendix-III**.

4. 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.

5. 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.

NEW DELHI
December 15, 2003
Agrahayana 24,1925 (Saka)

PROF. RAM GOPAL YADAV
Acting *Chairman*
Standing Committee on Petroleum & Chemicals.

REPORT

CHAPTER-I

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Forty-Fourth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2003) on 'Demand, Availability and Distribution of Fertilisers', which was presented to Lok Sabha on 8th May, 2003.

2. Action taken notes have been received from the Government in respect of all the 25 recommendations contained in the Report. These have been categorised as follows:-

(i) Recommendations/conclusions that have been accepted by the Government:-
Sl. Nos. 1, 4, 5A, 6,14, 16, 19 and 20

(ii) Recommendations/conclusions which the Committee do not desire to pursue in view of the Government's replies:
Sl. Nos. 13, 21 and 23

(iii) Recommendations/conclusions in respect of which replies of the Government have not been accepted by the Committee.
Sl. Nos. 2, 7, 8, 10, 11, 12, 18 and 22

(iv) Recommendations/ conclusions in respect of which final replies of the Government are still awaited:
Sl. Nos. 3, 5, 9, 15, 17 and 24

3. The Committee desire that the final replies in respect of the recommendations for which only interim replies have been furnished by the Government and the recommendations which have been commented upon by the Committee in Chapter-I should be furnished expeditiously.

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

A. DEMAND ASSESSMENT OF DAP AND MOP

(Recommendation Sl. No. 2, Para No. 1.20)

5. The Committee had noted that since DAP and MOP were decontrolled fertilisers and therefore costlier as compared to urea, the Government in order to cushion the impact of their prices started under Department of Agriculture & Cooperation a Scheme in 1992-93 for concessions to manufacturers on these fertilisers and it had continued to the present day. After 27.9.2000 it had been transferred to DOF. The supply of DAP/ MOP, SSP and other complex fertilisers was generally administered under that scheme based on certification of sales from different State Governments. Besides, in order to maintain supply, DOF was responsible to maintain Buffer stocks of DAP and MOP at national level. The Committee had felt that a study be conducted to assess the demand of DAP and MOP in a scientific manner based on real requirement of per hectare of land under cultivation in different States.

6. The Government in their reply have informed:-

> "Working Group on Fertilisers for the Tenth Five Year Plan (2002-2007) made a detailed study on assessment of demand of DAP and MOP. Various approaches for demand assessment were considered namely:
>
> (i) Neural net Approach made by National Informatic Centre (NIC)
> (ii) Multiple Regression Model by Fertiliser Association of India (FAI)
> (iii) Sustainable Growth Rate Approach by Department of Agriculture and Cooperation (DAC).

Finally Multiple Regression Model approach was favoured for Tenth Plan estimates. The multiple regression model, developed by FAI was based on several factors namely, irrigated area, area under HYV, Fertiliser prices, prices of agricultural commodities and fertiliser consumption in previous year.

However, study on demand assessment of DAP and MOP on the basis of real requirement per hectare of cultivated land in different states has not been done. It is felt that the nature of agriculture in India, weather condition, cropping pattern, selling prices of fertilisers and purchasing power of farmers are the major factors in determining the demand for fertilisers.

Requirement of DAP and MOP for each season is assessed through Zonal Conferences in which representatives of State Governments, Fertiliser Industry and Department of Agriculture are also present. A state-wise requirement, which is based on a scientific assessment requirement of fertiliser for estimated area sown under different crops is made. However, MOP and DAP are both decontrolled fertilisers, which can be freely imported, moved and sold in the country with concession as indicated above."

7. The Committee are not fully satisfied with the reply of the Department, as no attempt has been made to assess the demand of DAP and MOP on the basis of real requirements per hectare of cultivated land in different States, as recommended by the Committee. In the Committee's opinion the assessment of the requirement of DAP and MOP for each season through zonal conferences in which the representatives of the State Government, Fertiliser Industry and Department of Agriculture are present, is not sufficient. Even the Multiple Regression Model Approach which takes into account factors like irrigated area, fertiliser prices, agricultural prices and the consumption of fertilisers in the previous year, does not take into account the real requirements per hectare of cultivated land in the country. The Committee feel that the Government should aim at minimising the gap between the assessed demand and actual demand, thereby ensuring adequate supply. Even though DAP and MOP are decontrolled fertilisers, a realistic methodology for their demand assessment is needed. Therefore,

the Committee reiterate their earlier recommendation that a demand assessment study of DAP and MOP be made on the basis of real requirements per hectare of cultivated land in different States. This should be done well in advance of the commencement of the cropping season.

B. CONCESSION SCHEMES FOR DAP AND MOP

(Recommendation Sl. No. 3, Para No. 1.21)

8. The Committee had noted that the objective of decontrol on Phosphatic and Potassic fertilisers in 1992 was to reduce subsidies. Later, the Government introduced Concessional Scheme to lower the prices of Potassic fertilisers to make it affordable for the farmers. In the year 1992-93, the amount disbursed under the Concessional Scheme was Rs. 339.73 crore only which was likely to reach Rs. 4456.00 crore in the current financial year. The Committee had felt that time had come to evaluate whether the objective of decontrolling Phosphatic and Potassic fertilisers had been achieved and whether subsidies on this had really gone down as expected. The Committee had also felt that Concessional Scheme was not working well as it entailed various procedures such as certification of sales by various agencies. The Committee had recommended that Concessional Scheme should be reviewed and for this purpose an expert group with representatives from dealers, farmers and State Governments be constituted.

9. The Government in their reply have stated:-

> "The Scheme and its operation have to be looked at in the context of the circumstances in which it was introduced and the objectives that it was expected to serve. After decontrol of Phosphatic and Potassic (P&K) fertilisers in 1992, the prices of these fertilisers registered a sharp increase and consequent decline in their consumption. The Scheme was introduced from Rabi 1992 as an ad hoc measure, to cushion this adverse impact of decontrol so as to make available these fertilisers at reasonable prices. The Retention Price-cum-Subsidy Scheme (RPS), under which these fertilisers were covered prior to decontrol, took into account product-wise unit-specific cost, which resulted in product-wise unit-specific subsidy outgo with reference to the statutorily declared Maximum Retail Price (MRP). Under the Concession Scheme the cost of production is not unit-specific

and is for the industry as a whole and the fertiliser-wise MRP for decontrolled P&K fertilisers is an indicative price and is finalised by the Ministry of finance taking into account the availability of funds within the budgetary constraints. The concession rates for DAP/MOP (indigenous and imported) and Complexes are arrived at by subtracting the cost of sales (including cost of raw materials, conversion cost and return) from MRP. The amount of Rs. 339.73 crore disbursed under the Scheme during the financial year 1992-93 was against sales of these fertilisers during Rabi only. During the first full year of implementation of Concession Scheme in 1993-94, the outgo was of Rs. 517.34 crore. In that year, the total consumption of DAP, MOP and Complex fertilisers was to the tune of 76.92 lakh MTs, which is estimated at 128.47 lakh MTs for the 2002-03 with an estimated outgo of Rs. 3500 crore. The above gradual increase in consumption of DAP, MOP and Complex fertilisers by about 51.55 lakh MTs upto 2002-03, which is about 1.6 times of the consumption in 1993-94, justifies that the main objective of the Scheme of thwarting adverse impact of increase in prices of P&K fertilisers consequent upon their decontrol and maintaining their consumption is being achieved. The higher outgo of subsidy has to be viewed in the above context of overall increase in quantity of consumption as also on account of increase in prices of all inputs, utilities and services.

The Department of Fertilisers has completed rationalization of pricing mechanism for calculating concession rates for various grades of NPK complex fertilisers and the system therefor is in operation since 1.4.2002. The Department had also constituted an Inter-Ministerial Group (IMG) for rationalizing the methodology for fixation of MRPs for various Complexes. The Department proposes to implement this report after seeking the Government's approval on the same.

Under the Concession Scheme the concession is payable on sale of decontrolled P&K fertilisers. Mainly there are two stages of payment of concession – 'On account' payment, which is calculated with reference to the annual fertiliser-wise base rate of concession based on sales claimed by the manufacture/importer duly certified by its Statutory Auditors; and second Balance payment of concession (final settlement of claim), which is calculated at the final rate of concession announced on quarterly basis (except for SSP for which no final rate of concession is announced) and is based on certification of sales by the concerned State in which the sales took place. But for the time taken by the concerned State authorities in issuance of sales certification, the system has been working more or less satisfactorily. However, the Department is reviewing the payment procedure, especially, sales certification by the States to make this simplified and easy to administer.

The Department has already formulated revised and rationalised pricing policy for computing concessions for complex fertilisers based on per nutrient cost of different grades of complexes and the revised policy for DAP is likely to be finalised shortly, the former is likely to be made effective from 1.4.2003. Simultaneously, as stated above, the Department is also reviewing the procedure for payment of concession and would soon introduce a revised payment system under the concession scheme. After assessing the impact of the above proposed changes on the functioning of Concession Scheme, the Department would consider setting up of Expert Group to evaluate achievement of the objectives of decontrol of phosphatic and potassic fertilisers as well as need for further modification in implementation of the Scheme."

10. The Committee have been informed that the DOF has rationalized the concession rates for various NPK Complexes and a report by an Inter-Ministerial Group constituted for rationalizing the methodology for fixation of MRP's for various complexes would be implemented after seeking the Government's approval. The Committee desire that the necessary approval for the IMG Report should be obtained early and it should be implemented expeditiously. The Department, the Committee find, has agreed that the issuance of sales certificate by States causes delay in the payment of concessions and has hence decided to review the certification and payment process. The Committee would like such review to be undertaken without delay and its outcome communicated to them. The Committee also notice that while the DOF has formulated a revised policy for computing concession for complex fertilisers, the policy for DAP is still pending. They, therefore, desire that the Government should put an end to the uncertainty in this regard and expedite the process. The Committee also reiterate their recommendation to set up an expert group to evaluate the new schemes for the decontrolled phosphatic and potassic fertilisers.

C. DEDMAND – SUPPLY GAP

(Recommendation Sl. No. 5, Para Nos. 1.39 & 1.40)

11. The Committee after having examined the demand of fertilisers during 10th Plan (2002-07) and 11th Plan (2008-2012) period, found that as against the demand of 123 lakh tonnes of nitrogen and 55.05 lakh tonnes of phosphates during the first year of 10th Plan i.e. 2002-2003, the supply position was 120.58 lakh tonnes and 52.31 lakh tonnes respectively which meant there was a gap of 2.42 lakh tonnes of Nitrogen and 2.74 lakh tonnes of phosphate during the first year of the current Plan. The total gap came to 5.16 lakh tonnes. Similarly the Committee had found that this gap might further rise to 25.32 lakh tonnes by the end of the Plan i.e. by 2006-07. Out of this 25.32 lakh tonnes the gap for Nitrogen would be of the order of 9.18 lakh tonnes and for Phosphates it would be 16.14 lakh tonnes. For bridging the gap between demand and supply of Nitrogen the DOF had informed that additional supply from Namrup Revamp Project by 2003-04 and from Indo-Oman Fertiliser Project by 2006-07 at 100% capacity was expected. Similarly for Phosphate, supply from Gujarat State Fertiliser Corporation Limited (GSFC)'s DAP project was expected by 2003-04. The Committee had been informed that supply from no other project was expected till 2006-07. The actual demand during 2002-03 was stated to be 25% lower than the projected demand thereby reducing demand-supply gap further mainly due to drought conditions in many parts of the country. Similarly for phosphate sector the Committee had been informed that the demand of DAP might also not materialise due to various reasons like poor monsoon and general economic scenario in agricultural sector.

12. The Committee did not find the Government serious in making plans for meeting the fertiliser requirements ten years hence. The demand and supply projections for 11th Plan (2007-2012) indicated that the gap between demand and supply was expected to be around 70 lakh tonnes approximately for Nitrogen and Phosphates. The Government did not have exact figures regarding availability of

fertilisers at the end of 11th Plan. This Committee had in their earlier reports recommended that Government should accord final investment approval in respect of those mega plants for which in principle approval had been given. The Committee had noted the Minister's statement in Lok Sabha made on 8th April, 2003 that at present there was no proposal for setting up new gas based fertiliser plants in Public Sector. As against this, the Department had informed the Committee that there was proposal to revive pending grassroot urea plants namely, Nellore and Thal. From these two statements, the Committee had inferred that Government were taking this issue casually. The Committee had, therefore, observed that Government should announce their final decision on the future of pending mega projects. This would help to end uncertainty.

13. In reply the Government have stated:-

> "The policy for new urea units/expansion units, which would determine subsidy receivable by such units under the new pricing scheme, is under finalization and will be announced shortly by the Government. As of now, KRIBHCO has revived its proposal for expansion of urea production capacity at Hazira in Gujarat, by 10.56 lakh tonnes per annum. The promoters of the other proposed urea projects in the public/cooperative sector, which were earlier approved in principle, have not re-submitted their proposals so far to the Government."

14. The Committee find the reply of the Government inadequate. They had observed that the Government was not serious in making plans for meeting the fertiliser requirement ten years hence, as the demand supply projections for the Eleventh Plan (2007-2012) showed an alarming gap of about 70 lakh tonnes. Accordingly, the Committee had urged upon the Government to take a final decision on pending mega projects that would enhance indigenous production and bring down the demand supply gap. The Committee are not satisfied with the reply of the Government as it evades a clear answer by merely referring to policy matters that are under finalisation. The Committee, therefore, reiterate that the final decision on the future of pending mega projects be announced soon to end the uncertainty and to ensure enhanced availability of fertilisers.

D. FACTORS AFFECTING INCREASED CONSUMPTION OF FERTILISERS

(Recommendations Sl. Nos. 7 & 8, Para Nos. 2.5 & 2.6)

15. The per hectare consumption figures of fertilisers in India vis-à-vis those in some other countries had made the Committee note with concern that ground situation of fertiliser consumption in India was not satisfactory. As against consumption level in Egypt and U.K. of around 385.8 kg. and 285 kg. per hectare and that in neighbouring China of 254 kg., the per hectare consumption of fertilisers in India was as low as 90 kg which was even lower than the level of 135 kg and 128.9 kg in Pakistan and Sri Lanka respectively. Barring some States like Andhra Pradesh, Tamil Nadu and Uttar Pradesh, the per hectare consumption of fertilisers was far from satisfactory. For instance, in large States of Maharashtra, Rajasthan, Madhya Pradesh it was as low as 76, 37 and 40 kilograms respectively. The Committee had, therefore, felt that there was greater scope of increased consumption of fertilisers in India but it depended on various factors such as irrigation facilities, farmers education etc. While noting that various official and non-official organisations were engaged in educating the farmers the Committee had recommended that such efforts needed to be broadened. The Committee had desired the Department of Fertilisers to expand the farmers education programmes by involving Agricultural Universities. Any hurdles in the way of increased consumption of fertilisers should be removed and the Department of Fertilisers should perform the role of facilitator in this task.

16. Replying to this recommendation, the Government have stated:-

> "For increasing the productivity of crops, higher doses of fertiliser application is necessary for which total irrigated area to gross cropped area has to be increased by 50% as envisaged by the Planning Commission. Department of Agriculture and Cooperation is implementing the scheme 'On-Farm Water Management for increasing the Crop Production in Eastern India'. The objective of the scheme is to increase the production of crops by exploiting available ground water. The scheme is being implemented in the States of Assam, Bihar, Jharkhand, Orissa, Chhattisgarh, West Bengal,

Arunachal Pradesh, Manipur, Mizoram and Eastern Uttar Pradesh. The scheme will help in increasing area under assured irrigation and thereby increasing Fertiliser consumption. Besides, the Department of Agriculture and Cooperation is also funding Frontline Demonstrations organised by ICAR for transfer of crop technologies. A number of schemes are being implemented under Macro Management Programme for increasing production and productivity of various crops. These steps will also help in increasing the Fertiliser consumption."

17. The Government have further informed:-

"The Government is promoting soil test based judicious and balanced use of chemical fertilisers, in conjunction with organic manures and bio-fertilisers to improve soil health and factor productivity.

The Department of Agriculture & Cooperation is already implementing following Plan Schemes in this regard:-

(i) Balanced and Integrated Use of Fertilisers which provides for strengthening/establishment of new soil testing laboratories, training programmes for updating the skills of soil testing staff and the financial support for setting up of mechanical compost plants for conversion of biodegradable urban waste into good quality compost and an amount of Rs. 15.09 crore have been spent IX Plan. This scheme has since been subsumed into Macro Management Scheme during 2001-02. The State Governments may now source the funds for implementing the scheme under Macro Management through their work plans.

(ii) National Project on Development and Use of Bio-fertilizers for production, promotion and quality control of bio-fertilizers in the country. It also provides for financial assistance for setting up of the bio-fertilizer units. Under the scheme 81 bio-fertilizer units (including by Department of Fertilisers) have been financially supported for establishment of bio-fertiliser production units and an expenditure of Rs. 16.09 crores have been made during IX Plan. This scheme has since been subsumed into a new Plan Scheme 'National Project on Organic Farming' for implementation during X Plan with wider dimensions.

(iii) National Project on Organic Farming: The Government has formulated a new Plan Scheme 'National Project on Organic Farming' for implementation during X Plan with an outlay of Rs. 99.58 crore, which envisages setting up of National Institute of Organic Farming (NIOF) for the production, promotion, market development and regulation of organic farming in the country. It also

provides for financial support for setting of commercial production units of bio-fertiliser, Fruits and vegetable waste compost and hatcheries of earthworm in addition to the extension and promotion of organic farming in the country.

These schemes will have positive impact on enrichment of soil organic matter, improved soil physico-chemical properties and also the balanced and integrated use of chemical Fertilisers and organic manure."

18. The Committee are not satisfied with the reply of the Government, as it does not speak about the reasons for the inadequate consumption of fertilisers. The Committee had expressed its concern over the unsatisfactory level of consumption of fertilisers in the country, as compared to some developed and developing countries, as well as the dismal individual performance of most of the States with regard to per hectare consumption of fertilisers. They had specifically desired that an integrated plan be drawn up to identify the hurdles in the way of increased consumption of fertilisers. But the reply of the Government focuses on irrigation programmes and advanced crop technologies that would ensure increased production and facilitate increased fertiliser consumption and the schemes of the Department of Agriculture and Cooperation in promoting bio-fertilisers. The Committee hope that the steps taken by Government would increase the consumption of fertilisers. But this alone will not suffice. The real factors that hamper the prospects of increased consumption such as soil quality, irrigation facilities, farmers awareness, financial constraints and other factors with special reference to regional variations need to be identified and farmers' awareness regarding balanced nutrient application given the thrust and importance it deserves. The Committee, therefore, reiterate their recommendation to expand the farmers' education programmes involving Agricultural Universities, manufacturers and distributors and desire that the Department of Fertilisers should perform the role of a facilitator in this task.

E. FINALISATION OF POLICY MATTERS

(Recommendation Sl. No. 9, Para No. 2.25 & 2.26)

19. The Committee were anguished to note that as against the assessed requirement of urea of around 213.06 lakh tonnes to 215 lakh tonnes during 1998-99 to 2001-02, the consumption during the corresponding period had not matched as it was hovering around 199 lakh tonnes to 204 lakh tonnes. Coming to season-wise (Rabi and Kharif seasons) figures of assessed requirement vis-à-vis consumption, the Committee had found that during the last five years the level of consumption had not matched assessed demand at all. Thus, the Committee had found that there was stagnation in the consumption of Urea in the country during 1998-99 to 2001-2002. Similarly with regard to DAP the consumption stagnated at around 58 lakh tonnes to 61 lakh tonnes except for 1999-2000 when it increased to 69 lakh tonnes. Like-wise for MOP the consumption remained at around 13 lakh tonnes to 17 lakh tonnes during this period.

20. As regards reasons for the above stagnation in fertiliser consumption the Committee had agreed with the findings of a study conducted by an independent Association that uncertain policy environment and hike in price of fertilisers during Post Reform Period 1992-2001 were the basic causes for this. In the light of these findings, the Committee had recommended that at least uncertainty in policy matters be removed.

21. The Ministry has replied to the observation as under:-

> "Government is aware of the stagnating consumption of Urea, DAP and MOP during the last five years. The department feels that lesser availability of irrigation water for the last few years is the major factor for this stagnation. Severe drought was experienced in 2000-01 and 2002-03, which dipped Fertiliser consumption and also acted as hurdle for demand growth in subsequent years.

The increase in Fertiliser prices during the last six years is given in the table below:-

(Rs. Per MT)

Date from which effective	Urea	DAP	MOP	NPK Complexes
1.4.1997	3660*	8300	3700	6200-8000
29.1.1999	4000 (9.3%)	8300 (-)	3700 (-)	6200-8000
29.2.2000	4600 (15.0%)	8900 (7.2%)	4255 (15.0%)	6620-8520#
28.2.2002	4830 (5.0%)	9350 (5.1%)	4455 (4.7%)	6980-9080

**** Effective from 21.2.1997 # Effective from 15.3.2000***

Note: Figures in parentheses are percentage increase over the previous price.

It was estimated that increase in price of fertilisers by 15% would have an impact of less than 1.5% in the cost of cultivation. The small increase in fertiliser prices is not likely to have much impact on the cost of cultivation. Notwithstanding this increase in prices of fertilisers, substantial amounts are being paid by way of subsidy/concession.

A study of 'Agricultural Input subsidies in India – Impact on Small and Marginal Farmers was conducted by the Institute of Economic Growth, Delhi University and report was presented to the Government in September, 2001. The study examines all type of subsidies including fertilisers. As regards fertilisers, the main conclusion of the study is that the increasing prices by 10% shall have a very small impact on demand for it.

There has been no increase in the prices of fertilisers since 2002. Regarding uncertainty of policy, new pricing scheme for urea units has already been announced and is now applicable from 1.4.2003. The new policy is expected to promote efficiency and competitiveness and attainment of high technical standards of performance in the fertiliser industry.

Besides, a new policy for expansion of existing projects and new projects is under finalisation and would be put up for approval of the Cabinet shortly. After finalisation of this, there will not be any uncertainty regarding policy for urea industry at least upto 31.3.2006."

22. The Committee are not convinced by the reply of the Government which tries to justify that the price variations do not have much impact on consumption. On the contrary, the Committee would like to reiterate that the Indian farmer is extremely price sensitive and any hike in price of a fertiliser affects the consumption rates. With regard to policy initiatives, the Committee while appreciating the finalisation of the pricing policy for urea which was notified on 31.1.2003, recommend speedy finalisation of policies for DAP and for capacity expansion schemes.

F. FERTILISER SUBSIDY

(Recommendation Sl. No. 10, Para No. 2.66)

23. The issue of granting subsidy for agricultural sector had been attracting the attention of common man. Whereas one section of the society felt that it was wasteful and avoidable expenditure the other section felt that for agricultural security, subsidy was a must. The Committee were of the firm opinion that subsidy should not be taken as donation but society's contribution, towards a cause which was, ensuring food security. The Committee in their earlier recommendations had emphasized that the mind set relating to concept of subsidy needed to be changed. The Committee were aware that the Expenditure Reforms Commission had also recommended phased removal of subsidy in agricultural sector. The Committee did not agree with this recommendation and strongly recommended that fertiliser subsidy should continue.

24. The Ministry responded to this observation as under:-

> "With the objective of making available fertilisers to farmers at affordable rates, Government continues to provide subsidy/concession on urea and decontrolled phosphatic and potassic fertilisers. While maximum retail price (MRP) of urea, being the only controlled fertiliser, is statutorily notified, the MRPs of decontrolled phosphatic and potassic fertilisers are indicated by the Central Government. Indicative MRP of single supper phosphate (SSP) is fixed by respective State Governments. Government

continues to provide subsidy/concession on these fertilisers as the MRP/indicative MRPs are generally less than the cost of production. As of now, there is no proposal to discontinue subsidy/concession payable to fertiliser industry for ensuring uniform selling price of fertilisers throughout the country."

25. The Committee agree that as on date the Government is providing subsidy/concession on fertilisers with the object of making it available to farmers at low and affordable prices. But the Committee also note that the economic reforms process and the contractual obligations under WTO have initiated the process of phased withdrawal of subsidies. It is obvious that the policy decisions of the Government in the fertiliser sector are based on the prime objective of containing fertiliser subsidy as the fiscal situation is not so happy. Even though the Ministry has stated in its reply that there is no proposal to discontinue subsidy/concession payable to fertiliser industry as of now, the Committee are aware that the policy changes in this sector are all directed towards total decontrol and phased withdrawal of subsidies as recommended by Expenditure Reforms Commission. But the Committee wish to point out that a proper approach towards fertiliser subsidy is very important and the matter needs to be viewed in the right perspective. Moreover, the contemplated changes in the policy dispensation should be such as to achieve the overriding objective of ensuring availability of fertilisers at affordable prices to farmers so that the desired growth in consumption and in turn production of foodgrains is achieved. Therefore, the Committee again recommend strongly that the fertiliser subsidy should continue.

G. FEEDSTOCK POLICY

(Recommendation Sl. Nos. 11 & 12, Para Nos. 2.67 & 2.68)

26. The Committee had reviewed the installed capacity vis-à-vis production of Nitrogen and Phosphates at the end of 8th Plan (1996-97) and 9th Plan (2001-02) and at the beginning of 10th Plan (2002-2003). In this connection, the Committee had found that production of Nitrogen and Phosphates had not reached the

installed capacity under the period under review. For instance in the case of Nitrogen, by the end of 8th Plan, 9th Plan and beginning of 10th Plan against the installed capacity of 97.77 lakh tonnes, 120.58 lakh tonnes and 121.10 lakh tonnes the production was as low as 85.99 lakh tonne, 107.68 lakh tonnes and 105.54 lakh tonnes. Similarly, for Phosphates as against the installed capacity of 29.05 lakh tonnes, 52.31 lakh tonnes and 53.60 lakh tonnes the production level was as low as 25.56 lakh tonnes, 38.60 lakh tonnes and 38.85 lakh tonnes (estimated). The Committee had found that the main reason for lower production for Nitrogenous fertilisers had been gas shortage whereas shortage of raw materials was the main reason for lower production of Phosphate in the country. In this connection, the Committee had examined the sector-wise share in installed capacity and found that role of private sector in the industry was predominant being around 47% in Nitrogen and 77% in Phosphates. About gas shortage the Secretary (Fertilisers) had explained in detail the uncertain scenario before the Fertiliser industry. The Committee had found that Naphtha as feedstock was not economically viable in view of its increased cost of production. The Committee had been informed that in view of gas shortage, Urea Units had been asked to search for alternative suppliers of gas in place of existing supplier. The Committee had, therefore, felt that a clear policy in this regard was of paramount importance. The Committee would recall that in their previous reports they had advised fertiliser units to explore the possibility of importing gas on exclusive basis. However, the fertiliser industry did not pay heed to this advice. The Committee had reiterated their earlier recommendation that Public Sector fertiliser units and cooperative societies should in combination form a separate body to import gas.

27. Further, the Committee had found that in the absence of feedstock policy the present scenario was still fluid and as such, a *status quo* like situation was prevailing in the fertiliser sector. The Committee had found that the finalisation of feedstock policy had been recommended in their Forty-First Report also. The Committee, therefore, had urged the Government to finalise the feed stock policy quickly.

28. The Government while responding to the recommendation have said:-

> "Fertiliser plants, which use natural gas for feed stock and fuel, are facing shortage of natural gas because of dwindling domestic gas supplies.
>
> Import of natural gas including liquefied natural gas (LNG) is under Open General Licence (OGL) and therefore does not require Government approval. However, the Government has approved the formation of a Joint Venture of Indian Oil Corporation, Bharat Petroleum Corporation Limited, Oil and Natural Gas Corporation Limited and Gas Authority of India Limited by the name of Petronet LNG Limited (PLL). PLL is setting up an LNG terminal at Dahej in Gujarat for the import of five million tonne per annum of LNG. The terminal is expected to be commissioned by first quarter of 2004. PLL also plans to set up an LNG terminal at Kochi for which almost all pre-project activities have been completed. Further progress will depend on market tie-ups for the gas.
>
> The re-gasified LNG from the Dahej terminal may be available for meeting the deficit of fertiliser plants also."

29. The Committee deeply regret the delay in the finalisation of the feedstock policy as the cost of feedstock accounts for a major share in the cost of production of fertilisers. The adequate availability of feedstock has a major bearing on the health of the industry. The Ministry in its reply has accepted the shortage in domestic gas supplies, yet the projections for the future have not been taken care of. The long term planning with respect to capacity enhancement and feedstock conversions too are hampered in the absence of a long term policy. Therefore, the Committee reiterate their recommendation that a long term policy on the pricing and supply of feedstock including LNG may be finalised quickly.

H. <u>DECONTROL OF MOVEMENT OF UREA</u>

(Recommendation Sl. No. 18, Para No. 3.3)

30. The Committee had noted that the mechanism for distribution of controlled fertilisers viz. urea and decontrolled fertilisers viz. DAP, MOP and SSP fertilisers was not uniform. For instance urea being under price and distribution control, its

distribution had been under Retention Price Scheme which included two Schemes for distribution one 'Equated Freight Scheme' for the whole country and the other 'Special Freight Reimbursement Scheme' for remote and hilly areas. Distribution of urea to different States from various plants throughout the country was done under Essential Commodities Act 1955 by making specific allocations for States. As against this, distribution of decontrolled fertilisers was administered under the Concession Scheme. Under this scheme concessions were paid to the manufacturers after certification of sales from different State Governments. The Committee had found that for urea the Government had brought out a new scheme de-regulating distribution control in phases. For instance ECA allocation for Kharif 2003 had been restricted upto 75% and for Rabi 2003-04 upto 50% under the New Policy for a period of one year (Stage I) and rest of allocation had been deregulated . Based on the review of this stage the entire distribution control was proposed to be decontrolled during the two years viz. 2004-2006 (Stage II). The Committee had apprehended that decontrol in distribution of urea would adversely affect its availability by and large. The Committee had reiterated the recommendation made in their Forty First Report (April 2003) that a regular system should be established through which availability of urea and other fertilisers could be assured across the country at affordable prices.

31. The Ministry is response have stated as under:-

> "Based on the recommendation of the Group of Ministers phased deregulation of distribution of urea has been undertaken. To begin with it was decided to restrict deregulated quantity to only 25% of the annual re-assessed capacity of the units for Kharif 2003. Based on the experience of Kharif 2003 during which adequate availability of urea as per demand of the States could be ensured and no difficulty was experienced by any State. 50% of distribution of re-assessed capacity has been deregulated. Care has been taken to cover the requirement of hilly and deficit states to ensure adequate availability all over the country. Further deregulation would be decided upon only after a review of experience of Rabi 2003-04. In any case the DOF reserves the right to issue special movement orders in case of need to any State. Efforts would be made to allocate urea keeping in view their assessed demand either way of special movement orders or by issuing EC allocation to the deficit States in the eastern regions, namely, Jharkhand, Bihar, Orissa, Chattisgarh and West Bengal, hilly states or J&K,

Himachal Pradesh and States of North Eastern regions i.e. Tripura, Meghalaya, Manipur, Nagaland, Arunachal Pradesh, Sikkim and Mizoram. In remaining States, where urea plants are located in that state or in vicinity and marketing network of various urea manufacturers is well established, industry will make available urea as per their assessed requirement."

32. The Committee do not share the optimism of DOF that, in a prospective scenario of total decontrol of urea, the industry will make available the fertiliser as per its assessed requirement. The Committee would like to point out that the locations of the fertiliser plants in the country are highly skewed in favour of Western and Northern regions. Though the DOF reserves the right to issue special movement orders in case of need to any State, the Committee strongly feel that a total decontrol scenario will lead to distorted fertiliser distribution and consumption as there will be pockets of abundance and shortages. Priorities of the suppliers would obviously be profit oriented and this would lead to distortions of market discipline. Hence, the Committee reiterate their earlier recommendation that Government should review deregulation of urea in order to ensure equitable distribution of this fertiliser as per the needs of different territories.

I. SOIL TESTING LABORATORIES

(Recommendation Sl. No. 22, Para No. 3.15)

33. The Committee had found that the most important area of educating the farmers about the micro-nutrient requirement of the soils for different crops had been neglected by the Government. Due to lack of awareness about these requirements, most of the fertilisers used by the farmers either went waste or were not adequately utilised. Only 7.5% of the 106 million farmers holdings were covered by soil testing laboratories. Not only this, the capacity utilisation of 533 laboratories was almost half and in some States they were not functioning adequately. The Committee also found that out of the 533 labs, 474 were under State Governments and rest 59 with the Fertiliser Industry. With a view to disseminating micro-nutrient requirement in soils for different crops among the

farmers, the Committee desired that the Department of Fertilisers should coordinate with different State Governments for strengthening these labs for their 100% capacity utilisation. The Committee also recommended that Fertiliser Industry should increase their laboratories considerably.

34. In their reply, the Government have stated as under:-

> "Government is promoting the soil test based judicious and balanced use of chemical fertilisers including micro-nutrients in conjunction with organic manures and bio-fertilisers, as per the requirement of the crop. A Centrally Sponsored Scheme on Balanced and Integrated Use of Fertilisers was initiated during 1991-92 with the aim to promote soil test based application of fertilisers. Under the scheme, 327 soil testing laboratories were set up/strengthened. The scheme has since been merged with Macro-Management Scheme during October 2000 and the States can take up these activities through their work Plans."

35. The Committee are not satisfied with the reply furnished by the Government since it does not mention any specific efforts being made by the Government to increase the percentage of coverage of farmers' holdings by soil testing laboratories. It is also not clear whether any concrete steps are being taken to increase the capacity utilisation of the laboratories in coordination with the State Governments. The Committee, therefore, reiterate their recommendation that not only the number of soil testing laboratories should be increased, the existing labs also be strengthened to achieve hundred percent capacity utilisation.

CHAPTER-II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1, Para Nos. 1.18 and 1.19)

Fertilisers have played a crucial role in accelerating the production of foodgrains from 52 million tonnes in 1950-51 to the level of 206 million tonnes during 1999-2000 indicating a four fold increase. The Committee feel that this crucial role of fertiliser has to be maintained. In this connection, the Committee find that for maintaining assured supply of fertilisers the role of two Ministries of Government comes into play viz Ministry of Agriculture and Ministry of Chemicals and Fertilisers. The former assesses the demand of fertilisers in the country whereas the latter ensure their availability and distribution. There are mainly three kinds of fertilisers for agriculture viz. Nitrogen, Phosphate and Potash. Urea is controlled fertiliser and is under price and distribution control whereas DAP and MOP are decontrolled fertilisers. Therefore, availability and system of distribution of urea is different from DAP and MOP. For urea official machinery is available right from its sourcing from manufacturing units in all the three sectors viz. public, private and cooperative to making it available to consumer centres through allocations made under Essential Commodities Act, 1955. No such apparatus is available for DAP and MOP fertilisers after these were decontrolled in August 2002. The Government have introduced New Pricing Policy for urea, units which has come into operation from 1st April 2003 under which the distribution of urea has been deregulated in phases. Since the demand of fertilisers is assessed at the beginning of the

crop seasons viz. Kharif (April- Sept.) and Rabi (March- Oct.) every year, the Government under new policy has restricted allocations under ECA for kharif 2003 upto 75% and for Rabi 2003-04 upto 50% for a period of one year 01.04.2003 to 31.3.2003 (Stage I). For next two years (1.4.03 to 31.3.06) based on experience of stage I, the Government would be deregulating the entire distribution of urea.

As regards demand assessment of fertilizers the Committee find that it is done by the Department of Agriculture and Cooperation before the commencement of every crop season viz. Kharif (April to September) and Rabi (October to March) at Zonal Conferences based on consultations with the State Governments, Urea manufacturers, Department of Fertilizers etc. The DOF is satisfied with the present system of demand assessment. The committee however, find that since in the current system huge inventories are already available in opening stock of Urea for next seasons, the present system should be reviewed and assessment of demand should be made on more realistic basis to reduce the inventory cost on stocks by urea manufacturers in the light of concern expressed by Secretary (Fertilizers) in this regard.

REPLY OF THE GOVERNMENT

The demand of urea is assessed in consultation with State Governments, Lead Fertilizer Suppliers, Fertilizer Industry representatives and DOF. The assessment is made at the beginning of each season with the assumption that not only the monsoon season i.e. spread and adequacy of rainfall and other water availability would be normal but also there would be some growth over the previous year's level. Cropping pattern, cropped area, irrigated area and previous consumption level in each State are also taken into consideration while assessing the demand realistically. This mechanism of demand assessment has been followed without any difficulty for a long time.

It is observed that actual consumption of Urea during a season generally varies between 90-95% of the assessed demand for that period. However in 2002-03, consumption of fertilizer was low due to widespread prevalence of drought in the country. Fertilizer consumption in the country is highly dependent on the extent of rainfall/ water availability. Owing to unfavourable monsoon, there was water constraint in almost all the major reservoirs in Kharif 2002 & Rabi 2002-03. There was also depletion in ground water level. This adversely affected the level of fertilizer consumption in the country. During Kharif 2003 season, urea sale was lower by 51.7% in April, 64.7% in May and 16.3% in June 2003 as compared to corresponding months in Kharif 2002. However, the current south west monsoon has been very good so far. Due to good rainfall, urea sales picked up smartly by 67.1% in the month of July and 20% in the month of August. July 2003 sales is the highest ever sale achieved so far for the month. Again, sales are expected to be higher in the month of September. Thus huge inventories which were lying till June 2003 during the season due to subdued rainfall and low availability of water have mostly been liquidated in Kharif season itself. On the other hand, the indigenous production of urea is as of now more or less stable and is not demand driven. Any gap in demand and supply is supplemented through imports, besides, the Steering Committee of Secretaries on Import of Fertilizers (SCOS) monitors supply-demand situation in the country while deciding on quantum of imports. In Kharif 2003 despite a high assessed requirement and buoyant sales in view of wide spread monsoon, the demand for urea was managed without imports.

Further, the concerns raised by the Hon'ble Committee have been taken into consideration while assessing the demand of fertilizers at Zonal Conference for Rabi 2003-04.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Recommendation (Sl. No. 4, Para Nos.1.27 & 1.28)

The Committee find that there is requirement of three main nutrients viz. Nitrogen (N), Phosphate (P) and Potash (K) in the country. Since indigenous raw material is available only for Nitrogen, the country is self – sufficient in Nitrogen. For Phosphate (P) and Potash (K) since raw material is not available within the country, the country has to depend on imported raw materials viz. rock phosphates and sulphur and imported intermediates like ammonia and phosphoric acid. With this the country has achieved near self –sufficiency in DAP production. The present installed capacity is 70 lakh tonne of DAP in the country. The Committee also note that three Joint Ventures engaged in production of phosphoric acid and finished products in Senegal, Jordan and Morocco are meeting our requirements.

The Committee are glad to note that the country is self-sufficient in the production of Nitrogen and has attained near self-sufficiency in production of Phosphate at present. The Committee however feel that there is an urgent need to maintain this level of self-sufficiency to match the future demand of both these fertilizers specially phosphates. The Committee feel that there is need to add to phosphate capacity in the country. This can be done either by importing raw material and adding capacity in manufacturing units or by setting up Joint Ventures abroad on the pattern as are already operating. The Committee have taken note of the statement of the concerned Minister in Parliament that one task force under Secretary (Fertilizers) was set up by the Government to finalize a long term policy for setting up joint ventures in fertilizer sector abroad. That draft Report of the task force has been circulated for finalization. In view of the foregoing the Committee recommend expeditious finalization of the above draft report so that clear policy emerges on the subject for setting up such ventures early.

REPLY OF THE GOVERNMENT

Installed capacity of phosphatic fertilizer in the country has now reached to 53.60 LMT (in nutrient terms) and resultantly, the country has attained near self-sufficiency in case of phosphatic fertilizers. As a result, import of DAP has also decreased considerably during the last 2-3 years.

Attainment of self-sufficiency in production of N and P nutrients would have to be pursued within the constraints of availability of preferred feedstock at economical rates and viability of capacity additions under the new price support/subsidy policies for fertilizers. The report of the Task Force on long-term policy for setting up joint ventures in fertilizer sector has been finalized and is available at the DOF's web-site. The task force has delineated a facilitator's role for the Government in encouraging the setting up of joint ventures for creation of NPK capacity based on comparative advantage of feedstock availability.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Recommendation Sl. No.5A / Paragraph No.1.41

The Committee had also observed that Department of Fertilizers should facilitate setting up urea plant in Tripura since there is availability of gas in that area. The Committee are glad that the Department has responded positively to the Committee's observations viewing the impending gap between demand and supply of Urea, the Committee's observation assumes more importance. The Committee, therefore, desire that Department of Fertilizers should extend all necessary help in setting up gas based fertilizer plant in Tripura.

REPLY OF THE GOVERNMENT

M/s. Oswal Chemicals & Fertilizers Limited (OCFL) has evinced interest in setting up a fertilizer plant in Tripura utilising available natural gas. OCFL's request for allocation of natural gas for the proposed plant has already been agreed to by the Ministry of Petroleum & Natural Gas. OCFL is at present holding negotiations for finalization of long-term gas supply contract with GAIL the gas supplier and is also in touch with the Tripura State Government regarding infrastructure required for setting up the project. DOF is committed to extend the required support and assistance for the proposed project.

M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003

Recommendation (Sl. No. 6, Para No. 1.42)

The Committee note that with increased capacity utilization of the existing plants in the country, the production can increase further by 10 to 20%. The Committee are aware of the feedstock problem. They learn that if permitted by the Government, Urea can be exported to remunerative price. It is hoped that by next year, there will be sufficient availability of LNG in the country and obviously for fertilizer sector also. The Committee desire that Government should explore the possibility of exporting Urea if not now after 5 to 7 years when the country starts getting urea from Oman Project and our internal feedstock position improves.

REPLY OF THE GOVERNMENT

Under the New Pricing Scheme (NPS) for urea units applicable from 1.4.2003, manufacturers are encouraged to export or supply urea to complex manufacturing units, with the permission of the DOF, within as well as beyond 100% of their re-assessed capacity. Units are now free to supply urea for this purpose on the principle of import parity price and as per the policy announced by

Fertiliser Industry Co-ordination Committee (FICC) regarding sharing of net gains (i.e. import parity price minus group concession rate/variable cost).

In view of good monsoon and expected increase in demand of urea during the current Rabi season of 2003-04, it has been decided to procure additional production of urea from some of the gas based manufacturing units so as to increase the overall availability of urea in the Indian market. Export of urea has also been permitted to Nepal during this year, as Nepal being a land locked country and in view of friendly relationship. The Department is in full agreement with the Hon. Committee that Government should explore the possibility of exporting urea once the country starts getting urea from Oman Indian Fertiliser Company (OMIFCO) and also when gas position improves. Department will continue to encourage, specially gas based unit to examine their production not only for export of urea to neighbouring countries but also making supplies to complex manufacturing units subject to domestic requirement of urea. It is reiterated that despite favourable monsoon, country has not imported any urea this year for agriculture purposes. On the other hand, Department has been given permission to many units for export to Nepal as well as supply to complex manufacturers.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Recommendation (Sl. No.14, Para No.2.70)

The Committee visualise that LNG shall start reaching India early next year. Fertilizer industry is expected to be the bulk consumer of this gas. But the basic problem is of providing infrastructure to transport it from port to the sites. The Committee learn that this issue has not been settled so far as GAIL and IOCL are reluctant to make huge investments to provide transportation facilities. The Committee feel that this issue should have been resolved by now. However, the Committee recommend that GAIL be directed to finalise a scheme for transportation of LNG from ports to consuming sites. Further, Secretaries in the Ministries of Petroleum and

Natural Gas and Department of Fertilizers should hold joint meetings to ensure that issue of providing infrastructure for transportation of gas to fertilizer units is resolved during this calendar year.

REPLY OF THE GOVERNMENT

Presently, the major gas pipeline infrastructure i.e. HBJ pipeline partially covers the markets in Gujarat, MP, Rajasthan, UP and Haryana States. Besides, there are some localized/regional pipeline systems in Maharashtra, Gujarat, Andhra Pradesh, Tamil Nadu, Assam, Tripura, Rajasthan etc.

According to the information made available by Gas Authority of India Ltd. (GAIL), the Dahej LNG terminal of Petronet LNG Ltd. (PLL) is expected to be commissioned by March 2004. The R-LNG available from Dahej terminal is expected to meet the current shortfall of domestic gas supply with respect to the existing fertilizer plants along the HBJ pipeline as well as to replace the liquid feed used by the fertilizer plants in the vicinity of HBJ system. The pipeline infrastructure to supply LNG to these plants is expected to be ready by 2005. GAIL has further informed that it is implementing the Dahej-Vijaipur pipeline (DVPL) on a fast track. From Vijaipur, R-LNG would be transported to the downstream consumers through its existing pipeline network and new spur lines. GAIL has already undertaken Detailed Feasibility Report studies for the spur lines required to be constructed for transporting R-LNG to fertilizer plants which are presently either not fed by HBJ pipeline system or where the capacity of the pipeline connecting such plants has no further margin. The infrastructure for supplying LNG to such urea units is expected to be ready by 2007.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Recommendation (Sl. No. 16, Para No. 2.72)

The Committee note that role of bio-fertilizers in supplying Nitrogen and Phosphate to the soil is very important since they supply 15-40 kg. of Nitrogen per hectare and 25 kg. of phosphate per hectare if applied properly. Main bio-fertilizers are Rhizobium for pulses, Azotabacter for cereals, Azospirium for millets and Blue Green Algae for rice besides phosphates soluble organism for all crops. The Committee find that for their promotion a Central Sector Scheme, National Project on Development and use of bio-fertilizers had been in operation. The Committee also find that these fertilizers can be used in major crops and their potential is quite large at around 65 thousand tonnes if 25% of cropped area is put under their use. As regards, production of these fertilizers, the Committee find with dissatisfaction that as against the capacity of 18275 tonnes in 2001-02 their present production is only 10300 tonnes under 83 production units. The Committee find that in view of the importance of bio-fertilizers their both installed capacity as also production need to be substantially enhanced. In this connection the constraints like short shelf life, lack of quality control and poor storage facilities have been highlighted before the Committee. The Committee feel that these are small problems and DOAC is capable of addressing these. The Committee hope that the Department would initiate necessary action in this regard. The Committee feel that Chemical Fertilizer is being replaced by bio-fertilizers but find that Government are not proactive to the desired extent to popularize the use of this Fertilizer extensively. The Committee learn that the Government have withdrawn Central Sector Scheme which was launched for production and distribution of bio-fertilizers. The Committee recommend that Government should prepare a new scheme on the pattern of earlier scheme and provide all financial assistance to make it successful.

REPLY OF THE GOVERNMENT

Government has set up National Bio-fertilizer Development Centre (NBDC) at Ghaziabad and its 6 Regional Centres (RBDC) located at Hissar, Jabalpur, Nagpur, Bangalore, Bhubaneshwar and Imphal. The NBDC and RBDCs in association with State Governments are carrying out large scale training of State Extension Officers and farmers and also demonstrations on farmers fields and it has made tremendous impact in creating awareness on this issue as well as augmenting production capacity of Bio-fertilizer through financial assistance for setting up Bio-fertilizer production units.

The main constraints in promotion of bio-fertilizers like quality control, short shelf-life and poor storage facilities are being properly addressed by NBDC as well as ICAR and research institutions. For ensuring quality control, the Government has since formulated National standards through Bureau of India Standards for 4 important bio-fertilizers namely, Rhizobium, Azotobacter, Azospirillum and Phosphate Solubilising Micro-organisms. The State Governments are also advised to ensure the quality of bio-fertilizers being produced and sold in the state strictly as per the standards notified. The NBDC and RBDCs regularly testy the quality of bio-fertilizers.

Regarding increasing the shelf-life, studies have been conducted by the ICAR and also by NBDC and it has now been possible to increase the shelf-life of the carrier based bio-fertilizers up to 6-12 months. Research is already under way for development of liquid bio-fertilizers with much longer shelf-life. Regarding poor storage facilities, some efforts have been made by the Research Institutions to develop cheap and indigenous method of storage to control the temperature in adverse conditions like use of the earthen pots wrapped with moist cloth. Besides retailers are being advised to transport the cultures during night and to store them under controlled temperature around 20^0 C by using air conditioners.

Bio-fertilizers are the thrust area and it is Government's endeavour to promote this eco-friendly and cheap source of nutrient not only for supplementing the plant nutrients but also to use it as organic source of nutrient for organic

farming. Regarding the Committee's recommendation for preparation of new scheme for providing financial assistance as per pattern of the earlier scheme, it is stated that a **'National Project on Organic Farming'** has since been formulated for implementation during X Plan. Since Bio-fertilizers are one of the important constituents of organic source of nutrients, the scheme envisages providing financial assistance for setting up of Bio-fertilizer units and its promotion through training and demonstration.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Recommendation (Sl. No. 19, Para No. 3.7)

Another aspect regarding distribution of urea pertains to review of freight rates during the Stage I (2003-04) of the new Pricing Policy. The Committee find that the present freight rate is Rs.467 per tonne of urea. This rate is to be revised based upon the experience during the last years i.e. 2000-01, 2001-02 and 2002-03 on normative lead and rail-road mix of each unit. The Committee find that during the last five years the percentage of distribution of urea by rail has been in the range of around 74% against 26% by road. The Committee note with satisfaction that percentage of transportation by road is gradually being reduced which presumably is in economic interest. The Committee would like the fertilizer industry to make transportation more cost-efficient.

REPLY OF THE GOVERNMENT

Under the phased decontrol of distribution it has been decided to further deduct Rs.100 from equated freight of regulated quantity while calculating freight for deregulated part of production. It is expected that this measure would further force urea manufacturing units to strive for the more economic mode of transport and control lead. In view of this measure, urea manufacturers have already started

to rationalize their lead and rail-road mix so as to achieve economy in transportation of urea from plant to various destinations/ States. Manufacturers have also started formulating their marketing strategies in this direction.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Recommendation (Sl. No. 20, Para No. 3.8)

The Committee are glad to note that under the new policy no change has been made in Special Freight Reimbursement Scheme for hilly States. The Committee are also pleased to note that in the event of any shortage of urea in difficult and remote areas special movement orders have been envisaged. Needless to say that these areas must get unhindered supply of urea even in decontrolled scenario. Thus, the Committee would like to be assured on this account.

REPLY OF THE GOVERNMENT

Under the phased decontrol of distribution no change has been contemplated under the Special Freight Reimbursement Scheme for hilly areas. Even after total decontrol of urea distribution, the Government would continue to ensure adequate availability of urea to deficit and remote States. The Department also reserves the right under the new pricing scheme (NPS) applicable from 1.4.2003 to issue Special Movement Orders to meet any situation of possible localized shortages.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

CHAPTER-III

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

Recommendation (Sl. No.13, Para No. 2.69)

As regards production constraints for Phosphates production, the Committee find that it is mainly due to the following reasons mentioned against each unit:-

Unit	Reasons
(1)	(2)
IFFCO-Kandla	Non-stabilization of DAP production due to earthquake in Gujarat.
Paradeep Plant of Oswal Chemicals & Fertilizer Ltd. (OCFL)	Non-stabilization of DAP production
Dahej Plant of Indo-Guulf Corporation Ltd. (IGCL)	Non-stabilization of DAP production
Paradeep Plant of Paradeep Phospates Ltd. (PPL)	Shortage of Phosphoric acid and labour problem

The committee find that these constraints have to be resolved by DOF and the private units. The Committee, therefore, hope that Government would soon tiding over these difficulties.

REPLY OF THE GOVERNMENT

The shortfall in production at Kandla, IFFCO and Paradeep plant of Paradeep Phosphate Limited (PPL) was due to temporary operational problems which has since been resolved. During 2002-03 the production at Kandla IFFCO plant was 15.02 LMT against targeted production of 10.50 LMT of DAP. Similarly, the production at Paradeep plant of PPL was 7.5 LMT against a target of 6.08 LMT.

On the other hand, Dahej plant of Hindalco Industries (formerly Indo-Gulf) could not stabilized be during 2001-02 due to equipment related problems but

during 2002-03 production of fertilizers which was 3.16 LMT against the target of 4.00 LMT, has now been more or less stabilized.

Oswal & Chemical Fertilizer plant at Paradeep continued under shut down mainly on account of low demand and financial crunch during 2002-03. This plant, however has resumed production in August/ September, 2003.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Recommendation (Sl. No. 21, Para No. 3.12)

The issue of feasibility of distribution of fertilizers to small and marginal farmers also came up before the Committee for examination. The Ministry of Agriculture has stated that it conducts Annual Input Survey to review the availability of fertilizers to marginal farmers. Further, the Committee have been informed by Department of Agriculture and Cooperation that there is no need to undertake any study in this regard and have said that unequal access to market does not come under their ambit. The Committee does not subscribe to the view of the DOAC. The Committee would like to draw attention to their earlier recommendation contained in Forty First Report (April 2003) that Government should examine the issue after identifying the number of small and marginal farmers State-wise. The Committee reiterate their above recommendation in this regard.

REPLY OF THE GOVERNMENT

Targeting the subsidy specifically for the small and marginal farmers is a gigantic task. As per information available from Agriculture Census Division of Department of Agriculture and Cooperation, number of marginal operational holdings (less than 1 hectare) and small operational holdings (1.0-2.0 hectares) in

India is around 83 million. Total consumption of fertilizers in India, in terms of 50 Kg. bags, is about 720 million bags. Distribution of about 470 million bags of different types of fertilizers (Urea, DAP, MOP, SSP and Complexes etc.) to small and marginal farmers assuming consumption of 65% fertilizers by small and marginal farmers, spread over 83 million holdings all over the country would involve huge administrative expenditure. Government of India did attempt targeting Fertilizer subsidy to small and marginal farmers in 1991-92. But the Scheme could not make any headway because of administrative problems involved in its implementation. Further, in dual pricing there is always scope for leakage and the benefit may not go only to small and marginal farmers for whom it is intended. Hence it may be desirable to continue with present system wherein subsidy on fertilizers is available to all farmers including small and marginal farmers.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Recommendation (Sl. No. 23, Para No. 4.11)

The Committee note with dissatisfaction that large scale sale of spurious fertilizers has been reported. The Committee rather feel that in reality the presence of spurious fertilizers in the market is more than reported formally. This issue has been engaging the attention of the Committee in the past also. The Committee in their Forty First Report (April 2003) has already recommended tough action against the manufacturers of these spurious fertilizers. The Committee are pained to note that out of 115 Single Super Phosphates (SSP) producing units, as many as 29 SSP units located in Uttar Pradesh only were found producing spurious fertilizers although similar complaints have been received with regard to other units in other parts of the country. There is already a mechanism available for checking these spurious fertilizers under Fertilizer Control Order (FCO) 1985. Despite this during 1999-2000 as many as 4759 samples were found sub-standard. The Committee find that there is multiplicity of enforcing agencies

without a proper system of accountability to executive authorities. The Committee recommend that a Study Group be constituted to look into this problem and suggest measures including review and amendment of existing Act so that miscreants are dealt with sternly.

REPLY OF THE GOVERNMENT

In order to ensure the adequate availability of right quality of fertilizers to farmers, the Government of India has promulgated FCO, 1985 under section-3 of ECA, 1955. The order lays down the specifications of various fertilizers in Schedule-I. State Governments notify specification of Fertilizer mixture as per provision under Clause 13(2) of FCO. Clause 19 of the order strictly prohibits the manufacture/sale of any Fertilizer, which does not meet the prescribed standards. Regarding multiplicity of Enforcement agencies, it is stated that the State Governments are the Enforcement agency and are adequately empowered for implementation of various provisions of FCO, 1985 and also to take action against the offenders who indulge in the activities of manufacturers/selling of non-standard fertilizers. Violation of any of the provisions of FCO, 1985 is an offence and is punishable under ECA, 1955, which prescribes 3 months to 7 years imprisonment. The main Enforcement agencies are Fertilizer Inspectors, Notified Authority, Registering Authority and Appellate Authority.

There is no such report about large-scale sale of spurious fertilizers. However, sporadic cases have been noticed in which State Governments have taken action. In fact the non-standard fertilizers are hovering around 5.5% during last 6 years as indicated below:

Year	No. of Samples	% Non-standard.
1996-97	96450	5.5
1997-98	96292	5.9
1998-99	92958	6.6
1999-2000	101192	6.0
2000-01	102838	5.3
2001-02	10842	5.8

The Ministry has observed a decline in the number of non-standard samples especially of SSP during last two years i.e. after having specified the standards of Rock Phosphate to be used in the production of SSP and various other actions connected therewith.

In regard to the recommendation of Standing Committee for constituting a study group for review and amendment in existing provisions, it is submitted that this Ministry has recently reviewed all the provisions of Fertilizer (Control) Order, 1985 in consultation with State Governments, Fertilizer manufacturers, and DOF including the technical group and further discussed in Central Fertilizer Committee. Based on these, various amendments were made in the FCO, 1985 during January 2003 to June 2003 to make it more effective. Incidentally there is already a Technical Committee called 'Central Fertilizer Committee' constituted under Clause 38 of FCO under the Chairmanship of Agriculture Commissioner for advising the Central Government on issues relating to Fertilizer quality control etc.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

CHAPTER-IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLY OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl. No. 2, Para No. 1.20)

As regards decontrolled fertilizers viz. DAP and MOP the Committee find that since there are decontrolled fertilizers and therefore costlier as compared to urea, the Government in order to cushion the impact of their prices started under Department of Agriculture and Cooperation a Scheme in 1992-93 for concessions to manufacturers of these fertilizers and it has continued to the present day. After 27.9.2000 it has been transferred to DOF. The supply of DAP/MOP, SSP and other complex fertilizers is generally administered under this scheme based on certification of sales from different State Governments. Besides, in order to maintain supply, DOF is responsible to maintain Buffer stocks of DAP and MOP at national level. The Committee feel that a study be conducted to assess the demand of DAP and MOP in a scientific manner based on real requirement of per hectare of land under cultivation in different states.

REPLY OF THE GOVERNMENT

Working Group on Fertilizers for the Tenth Five Year Plan (2002-2007) made a detailed study on assessment of demand of DAP and MOP. Various approaches for demand assessment were considered namely:

i) Neural net Approach made by National Informatic Centre (NIC)
ii) Multiple Regression Model by Fertilizer Association of India (FAI).
iii) Sustainable Growth Rate Approach by Department of Agriculture and Cooperation (DAC).

Finally Multiple Regression Model approach was favored for Tenth Plan estimates. The multiple regression model, developed by FAI was based on

several factors namely, irrigated area, area under HYV, Fertilizer prices, prices of agricultural commodities and Fertilizer consumption in previous year.

However, study on demand assessment of DAP and MOP on the basis of real requirement per hectare of cultivated land in different states has not been done. It is felt that the nature of agriculture in India, weather condition, cropping pattern, selling prices of fertilizers and purchasing power of farmers are the major factors in determining the demand for fertilizers.

Requirement of DAP and MOP for each season is assessed through Zonal Conferences in which representatives of State Governments, Fertilizer Industry and Department of Agriculture are also present. A state-wise requirement, which is based on a scientific assessment requirement of fertilizer for estimated area sown under different crops is made. However, MOP and DAP are both controlled fertilizers, which can be freely imported, moved and sold in the country with concession as indicated above.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Comments of the Committee

(Please *see Para No.* 7of Chapter I of the Report)

Recommendation (Sl. No. 7, Para No. 2.5)

The per hectare consumption figures of fertilizers in India vis-a-vis those in some other countries have made the Committee to note with concern that ground situation of Fertilizer consumption in India is not satisfactory. As against consumption level in Egypt and UK of around 385.8 kg. and 285 kg. per hectare and that in neighboring China of 254 kg., the per hectare consumption of fertilizers in India is as low as 91.49 kg. which is even lower than the level of 135 kg. and 128.9 kg. in Pakistan and Sri Lanka respectively. The Committee, therefore, feel

that there is greater scope of increased consumption of fertilizers in India but it depend on various factors such as irrigation facilities, farmers education etc. The Committee are aware that various official and non-official organizations are engaged in educating the farmers but it needs to be broadened. The Committee would like the Department of Fertilizers to expand the farmers' education programmes by involving Agricultural Universities.

REPLY OF THE GOVERNMENT

For increasing the productivity of crops, higher doses of fertilizer application is necessary for which total irrigated area to gross cropped area has to be increased by 50% as envisaged by the Planning Commission. Department of Agriculture and Cooperation is implementing the scheme ' On-Farm Water Management for Increasing the Crop Production in Eastern India'. The objective of the scheme is to increase the production of crops by exploiting available ground water. The scheme is being implemented in the States of Assam, Bihar, Jharkhand, Orissa, Chhattisgarh, West Bengal, Arunachal Pradesh, Manipur, Mizoram and Eastern Uttar Pradesh. The scheme will help in increasing area under assured irrigation and thereby increasing Fertilizer consumption. Besides, the Department of Agriculture and Cooperation is also funding Frontline Demonstrations organised by ICAR for transfer of crop technologies. A number of schemes are being implemented under Macro Management Programme for increasing production and productivity of various crops. These steps will also help in increasing the Fertilizer consumption.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Comments of the Committee

(Please *see Para No.* 18 of Chapter I of the Report)

Recommendation (Sl. No. 8, Para No. 2.6)

The Committee regret to note that barring some States like Andhra Pradesh, Tamil Nadu and Uttar Pradesh, the per hectare consumption of fertilizers is far from satisfactory. For instance, in large States of Maharasthra, Rajasthan, Madhya Pradesh it is as low as 76, 37 and 40 kilograms respectively. The Committee feel that this position needs to be improved. Although State Governments are already doing their best in this regard but the Committee recommend that an integrated plan be drawn to identify the hurdles in the way of increased consumption of fertilizers. The Committee wish that Department of Fertilizers should perform the role of facilitator in this task.

REPLY OF THE GOVERNMENT

The Government is promoting soil test based judicious and balanced use of chemical fertilizers in conjunction with organic manures and bio-fertilizers to improve soil health and factor productivity.

The Department of Agriculture & Cooperation is already implementing following Plan Schemes in this regard:-

1. **'Balanced and Integrated Use of Fertilizers'** which provides for strengthening /establishment of new soil testing laboratories, training programmes for updating the skills of soil testing staff and the financial support for setting up of mechanical compost plants for conversion of biodegradable urban waste into good quality compost and an amount of Rs.15.09 crore have been spent during IX Plan. This scheme has since been subsumed into Macro Management Scheme during 2001-02. The State Governments may now source the funds for implementing the scheme under Macro Management through their work plans.

2. **National Project on Development and Use of Bio-fertilizers** for production, promotion and quality control of bio-fertilizers in the country. It also provides for financial assistance for setting up of the bio-fertilizer units. Under the scheme 81 bio-fertilizer units (including by Department of Fertilizers) have been financially supported for establishment of bio-fertilizer production units and an expenditure of Rs.16.09 crores have been made during IX Plan. This scheme has since been subsumed into a new Plan

Scheme 'National Project on Organic Farming' for implementation during X Plan with wider dimensions.

3. **National Project on Organic Farming**. The Government has formulated a new Plan Scheme 'National Project on Organic Farming' for implementation during X Plan with an outlay of Rs.99.58 crore, which envisages setting up of National Institute of Organic Farming (NIOF) for the production, promotion, market development and regulation of organic farming in the country. It also provides for financial support for setting of commercial production units of bio-fertilizer, Fruits and vegetable waste compost and hatcheries of earthworm in addition to the extension and promotion of organic farming in the country.

These schemes will have positive impact on enrichment of soil organic matter, improved soil physico-chemical properties and also the balanced and integrated use of chemical Fertilizers and organic manure.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Comments of the Committee

(Please *see Para No.* 18 of Chapter I of the Report)

Recommendation (Sl. No.10, Para No.2.66)

The issue of granting subsidy for agricultural sector has been attracting the attention of common man. Whereas one section of the society feels that it is wasteful and avoidable expenditure the other section feels that for agricultural security, subsidy is must. The Committee are of the firm opinion that subsidy should not be taken as donation but society's contribution towards a cause which is, ensuring food security. The Committee in their earlier recommendations have emphasized that the mind set relating to concept of subsidy needs to be changed. The Committee are aware that the Expenditure Reforms Commission have also recommended

phased removal of subsidy in agricultural sector. The Committee do not agree with this recommendation and strongly recommend that fertilizer subsidy should continue.

REPLY OF THE GOVERNMENT

With the objective of making available fertilizers to farmers at affordable rates, Government continues to provide subsidy/concession on urea and decontrolled phosphatic and potassic fertilizers. While maximum retail price (MRP) of urea, being the only controlled fertilizer, is statutorily notified, the MRPs of decontrolled phosphatic and potassic fertilizers are indicated by the Central Government. Indicative MRP of single super phosphate (SSP) is fixed by respective State Governments. Government continues to provide subsidy/ concession on these fertilizers as the MRP/ indicative MRPs are generally less than the cost of production. As of now, there is no proposal to discontinue subsidy/concession payable to fertilizer industry for ensuring uniform selling price of fertilizers throughout the country.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Comments of the Committee

(Please *see Para No.* 25 of Chapter I of the Report)

Recommendation (Sl. No.11, Para No.2.67)

The Committee have reviewed the installed vis-à-vis production of Nitrogen and Phosphates at the end of 8th Plan (1996-97) and 9th Plan (2001-02) and the beginning of 10th Plan (2002-03). In this connection, the Committee find that

production of Nitrogen and Phosphates has not reached the installed capacity under the period under review. For instance in Nitrogen, by the end of 8th Plan, 9th Plan and beginning of 10th Plan against the installed capacity of 97.77 lakh tonnes, 120.58 lakh tonnes and 121.10 lakh tonnes the production was as low as 85.99 lakh tonnes, 107.68 lakh tonnes and 105.54 lakh tonnes. Similarly, for Phosphates as against the 29.05 lakh tonnes, 52.31 lakh tonnes and 53.60 lakh tonnes the production level was as low as 25.56 lakh tonnes, 38.60 lakh tonnes and 38.85 lakh tonnes (estimated). The Committee find that main reason for lower production for Nitrogenous fertilizers has been gas shortage whereas shortage of raw materials is main reason for lower production of Phosphate in the country. In this connection, the Committee have examined the sector-wise share in installed capacity and found that role of private sector in the industry is predominant being around 47% in Nitrogen and 77% in Phosphates. About gas shortage the Secretary (Fertilizers) has explained in detail the uncertain scenario before the Fertilizer industry. The Committee find that Naphtha as feedstock is not economically viable in view of its increased cost of production. The Committee have been informed that in view of gas shortage, Urea Units have been asked to search for alternative suppliers of gas in place of existing supplier. The Committee, therefore, feel that a clear policy in this regard is of paramount important. The Committee would recall that in their previous reports they had advised fertilizer units to explore the possibility of importing gas on exclusive basis. However, the fertilizer industry did not pay heed to this advice. The Committee reiterate their earlier recommendation that Public Sector fertilizer units and cooperative societies should in combination from a separate body to import gas.

REPLY OF THE GOVERNMENT

Fertilizer plants, which use natural gas for feed stock and fuel, are facing shortage of natural gas because of dwindling domestic gas supplies.

Import of natural gas including liquefied natural gas (LNG) is under Open General Licence (OGL) and therefore does not require Government approval. However, the Government has approved the formation of a Joint Venture of Indian Oil Corporation, Bharat Petroleum Corporation Limited, Oil and Natural Gas Corporation Limited and Gas Authority of India Limited by the name of Petronet LNG Limited (PLL). PLL is setting up an LNG terminal at Dahej in Gujarat for the import of five million tonne per annum of LNG. The terminal is expected to be commissioned by first quarter of 2004. PLL also plans to set up an LNG terminal at Kochi for which almost all pre-project activities have been completed. Further progress will depend on market tie-ups for the gas.

The re-gasified LNG from the Dahej terminal may be available for meeting the deficit of fertilizer plants also.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Comments of the Committee

(Please see Para No. 29 of Chapter I of the Report)

Recommendation (Sl. No.12, Para No.2.68)

The Committee find that in the absence of feedstock policy the present scenario still fluid since the feedstock policy is not yet finalized and as such status quo like situation prevailing in fertilizer sector. The Committee find that matter of finalisation of feedstock policy has been recommended by the Committee quite often and also in their latest Forty-First Report. The Committee reiterate their recommendation and urge the Government to finalize the feed stock policy quickly.

REPLY OF THE GOVERNMENT

As stated in reply to recommendation No.11 above, fertilizer plants, which use natural gas for feedstock and fuel, are facing shortage of natural gas because of dwindling domestic gas supplies. Shortage of natural gas can either be met by way of import of LNG or availability of natural gas from the new gas reserves, as and when they are commissioned.

Petronet LNG Ltd. (PLL), a Joint Venture of Indian Oil Corporation, Bharat Petroleum Corporation Limited, Oil and Natural Gas Corporation Limited and Gas Authority of India Limited, is setting up an LNG terminal at Dahej in Gujarat for the import of 5 million tonne per annum of LNG. The terminal is expected to be commissioned by first quarter of 2004. The re-gasified LNG from the Dahej terminal may be available for meeting the deficit of fertilizer plants also.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Comments of the Committee

(Please *see Para No.* 29 of Chapter I of the Report)

Recommendation (Sl. No.18, Para No. 3.3)

The Committee note that the mechanism for distribution of controlled fertilizers viz urea and decontrolled fertilizers viz DAP, MOP and SSP fertilizers is not uniform. For instance urea being under price and distribution control, its distribution has been under Retention Price Scheme which includes two Schemes for distribution one 'Equated Freight Scheme' for the whole country and the other 'Special Freight Reimbursement Scheme' for remote and hilly areas. Distribution of urea to different States from various plants throughout the country is done under Essential Commodities Act 1955 by making specific allocations for States. As against this, distribution of decontrolled fertilizers is administered under the

Concession Scheme. Under this scheme concessions are paid to the manufacturers after certification of sales from different State Governments. The Committee find that for urea the Government have brought out a new scheme deregulating distribution control in phases. For instance ECA allocation for Kharif 2003 has been restricted upto 75% and for Rabi 2003-04 upto 50% under the New Policy for a period of one year (Stage I) and rest of allocation has been deregulated. Based on the review of this stage the entire distribution control is proposed to be decontrolled during the coming two years 2004 to 2006 (Stage II). The Committee apprehend that decontrol in distribution of urea would adversely affect its availability and large. The Committee have already recommended in their Forty First Report (April 2003) that a regular system should be established through which availability of urea and other fertilizers can be assured across the country at affordable prices. Thus, the Committee had recommended review of the deregulation of urea. The Committee reiterate their recommendation.

REPLY OF THE GOVERNMENT

Based on the recommendation of the Group of Ministers phased deregulation of distribution of urea has been undertaken. To begin with it was decided to restrict deregulated quantity to only 25% of the annual re-assessed capacity of the units for Kharif 2003. Based on the experience of Kharif 2003 during which adequate availability of urea as per demand of the States could be ensured and no difficulty was experienced by any State. 50% of distribution of re-assessed capacity has been deregulated. Care has been taken to cover the requirement of hilly and deficit states to ensure adequate availability all over the country. Further deregulation would be decided upon only after a review of experience of Rabi 2003-04. In any case the DOF reserves the right to issue special movement orders in case of need to any State. Efforts would be made to allocate urea keeping in view of their assessed demand either way of special movement orders or by issuing EC allocation to the deficit States in the eastern regions, namely, Jharkhand, Bihar, Orissa, Chattisgarh and West Bengal, hilly

states of J & K, Himachal Pradesh and States of North Eastern regions i.e. Tripura, Meghalaya, Manipur, Nagaland, Arunachal Pradesh, Sikkim and Mizoram. In remaining states, where urea plants are located in that state or in vicinity and marketing network of various urea manufacturers is well established, Industry will make available urea as per their assessed requirement.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Comments of the Committee

(Please *see Para No.32* of Chapter I of the Report)

Recommendation (Sl. No. 22, Para No. 3.15)

The committee find that the most important area of educating the farmers about the micro-nutrient requirement of the soils for different crops has been neglected by the Government. In this connection the Committee feel that since farmers are not aware about these requirements most of the fertilizers used by them go either waste or are not adequately utilised. The Committee note that only 7.5% of the 106 million farmers holdings are covered by soil testing laboratories. Not only this, the capacity utilization of the 533 laboratories is only almost half and in some States they are not functioning adequately. The Committee also find that out of the 533 labs, 474 are under State Governments and rest 59 with the Fertilizer industry. With a view to disseminating micro-nutrient requirement in soils for different crops among the farmers, the Committee feels that the Department of Fertilizers should coordinate with different State Governments for strengthening these labs for their 100% capacity utilization. The Committee also recommend that Fertilizer industry should increase their laboratories considerably.

REPLY OF THE GOVERNMENT

Government is promoting the soil test based judicious and balanced use of chemical fertilizers including micro-nutrients in conjunction with organic manures and bio-fertilizers, as per the requirement of the crop. A Centrally Sponsored Scheme on Balanced and Integrated Use of Fertilizers was initiated during 1991-92 with the aim to promote soil test based application of fertilizers. Under the scheme, 327 soil testing laboratories were set up/strengthened. The scheme has since been merged with Macro-Management Scheme during October 2000 and the States can take up these activities through their Work Plans.

The Government of India is impressing upon the States/UTs to encourage the setting up of more soil testing laboratories. The Government has been promoting enhanced use of organic manure and compost produced from recycling of rural and urban waste in order to increase the fertility of the soil. In addition the use of bio-fertilizers is also being propagated through the National Project on Development and Use of Bio-fertilizers.

To ensure adequate availability of micro-nutrients in the country, the Government have notified 11 grades straight micro fertilizers. In addition NPK complexes fortified with Zinc and Boron have also been recently permitted to some manufacturers for commercial trial.

Regarding the role of Fertilizer Industry in augmenting capacity, many of Fertilizer manufacturing units including PSUs are providing this facility to farmers through their Static/Mobile laboratories both for NPK as well as micro-nutrients and also advocating the use of micro-nutrients in combination with NPK. IFFCO has increased the number of Mobile vans from 2 to 5 besides their 2 static laboratories at Phulpur and Kalol.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Comments of the Committee

(Please see Para No. 35 of Chapter I of the Report)

CHAPTER-V

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

Recommendation (Sl. No. 3, Para No. 1.21)

The Committee note that objective of decontrol on Phosphatic and Potassic fertilizers in 1992 was to reduce subsidies. Later, the Government introduced Concessional Scheme to lower the prices of Potassic fertilizers to make it affordable for the farmers. In the year 1992-93, the amount disbursed under the Concessional Scheme was Rs.339.73 crore only which is likely to reach 4456.00 crore in the current financial year. The Committee feel that time has come to evaluate whether the objective of decontrolling Phosphatic and Potassic fertilizers has been achieved and whether subsidies on this have really gone down as expected. The Committee also feel that Concessional Scheme is not working well as it entails various procedure such as certification of sales by various agencies. The Committee recommend that Concessional Scheme should be reviewed and for this purpose an expert group with representatives from dealers, farmers and State Governments be constituted.

REPLY OF THE GOVERNMENT

The Scheme and its operation have to be looked at in the context of the circumstances in which it was introduced and the objectives that it was expected to serve. After decontrol of Phosphatic and Potassic (P&K) fertilizers in 1992, the prices of these fertilizers registered a sharp increase

and consequent decline in their consumption. The Scheme was introduced from Rabi 1992 as an ad hoc measure, to cushion this adverse impact of decontrol so as to make available these fertilizers at reasonable prices. The Retention Price-cum-Subsidy Scheme (RPS), under which these fertilizers were covered prior to decontrol, took into account product-wise unit-specific cost, which resulted in product-wise unit-specific subsidy outgo with reference to the statutorily declared Maximum Retail Price (MRP). Under the Concession Scheme the cost of production is not unit-specific and is for the industry as a whole and the fertilizer-wise MRP for decontrolled P&K fertilizers is an indicative price and is finalised by the Ministry of Finance taking into account the availability of funds within the budgetary constraints. The concession rates for DAP/MOP (indigenous and imported) and Complexes are arrived at by subtracting the cost of sales (including cost of raw materials, conversion cost and return) from MRP. The amount of Rs.339.73 crore disbursed under the Scheme during the financial year 1992-93 was against sales of these fertilizers during Rabi only. During the first full year of implementation of Concession Scheme in 1993-94, the outgo was of Rs.517.34 crore. In that year, the total consumption of DAP, MOP and Complex fertilizers was to the tune of 76.92 lakh MTs, which is estimated at 128.47 lakh MTs for the 2002-03 with an estimated outgo of Rs.3500 crore. The above gradual increase in consumption of DAP, MOP and Complex fertilizers by about 51.55 lakh MTs up to 2002-03, which is about 1.6 times of the consumption in 1993-94, justifies that the main objective of the Scheme of thwarting adverse impact of increase in prices of P&K fertilizers consequent their decontrol and maintaining their consumption is being achieved. The higher outgo of subsidy has to be viewed in the above context of overall increase in quantity of consumption as also on account of increase in prices of all inputs, utilities and services.

The Department of Fertilizers has completed rationalization of pricing mechanism for calculating concession rates for various grades of NPK complex fertilizers and the system there for is in operation since 1.4.2002. The Department had also constituted an Inter-Ministerial Group (IMG) for rationalising the methodology for fixation of MRPs for various Complexes. The Department proposes to implement this report after seeking the Government's approval on the same.

Under the Concession Scheme the concession is payable on sale of decontrolled P&K fertilizers. Mainly there are two stages of payment of concession – 'On account' payment, which is calculated with reference to the annual fertilizer-wise base rate of concession based on sales claimed by the manufacturer/importer duly certified by its Statutory Auditors; and second Balance payment of concession (final settlement of claim), which is calculated at the final rate of concession announced on quarterly basis (except for SSP for which no final rate of concession is announced) and is based on certification of sales by the concerned State in which the sales took place. But for the time taken by the concerned State authorities in issuance of sales certification, the system has been working more or less satisfactorily. However, the Department is reviewing the payment procedure, especially, sales certification by the States to make this simplified and easy to administer.

The Department has already formulated revised and rationalised pricing policy for computing concessions for complex fertilizers based on per nutrient cost of different grades of complexes and the revised policy for DAP is likely to be finalised shortly, the latter is likely to be made effective from 1.4.2003. Simultaneously, as stated above, the Department is also reviewing the procedure for payment of concession and would soon introduced a revised payment system under the concession scheme. After assessing the impact of the above proposed

changes on the functioning of Concession Scheme, the Department would consider setting up of Expert Group to evaluate achievement of the objectives of decontrol of phosphatic and potassic fertilizers as well as the need for further modification in implementation of the Scheme.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Comments of the Committee

(Please see Para No. 10 of Chapter I of the Report)

Recommendation (Sl. No.5, Para Nos.1.39 & 1.40)

The Committee after having examined the demand of fertilizers during 10th Plan (2002-07) and 11th Plan (2007-2012) period, find that as against the demand during the first year of 10th Plan i.e. 2002-03 to 123 lakh tonnes of nitrogen and 55.05 lakh tonnes of phosphates, the supply position is 120.58 lakh tonnes and 52.31 lakh tonnes respectively which means there is a gap of 2.42 lakh tonnes of Nitrogen and 2.74 lakh tonnes of phosphate during the first year of the current Plan. The total gap comes to 5.16 lakh tonnes. Similarly the Committee find this gap may further rise to 25.32 lakh tonnes by the end of the Plan i.e. by 2006-07. Out of this 25.32 lakh tonnes the gap for Nitrogen would be of the order of 9.18 lakh tonnes and for Phosphates it would be 16.14 lakh tonnes. For bridging the gap between demand and supply of Nitrogen the DOF has informed that additional supply from Namrup Revamp Project by 2003-04 and from Indo-Oman Fertilizer Project by 2006-07 at 100% capacity is expected. Similarly for Phosphate, supply from Gujarat State Fertilizer Corporation Limited (GSFC)'s DAP project is expected by 2003-04. The Committee have been informed that supply from no other project is expected till 2006-07. The actual demand during 2002-03 is stated to be 25% lower than the projected demand thereby reducing demand-supply gap further mainly due to drought conditions in many parts of the country. Similarly for

phosphate sector the Committee has been informed that the demand of DAP may also not materialise due to various reasons like poor monsoon and general economic scenario in agricultural sector.

The Committee do not find the Government serious in making plans for meeting the fertilizer requirements of ten years hence. The demand and supply projections for 11th Plan (2007-2012) indicate that the gap between demand and supply is expected to be around 70 lakh tonnes approximately for Nitrogen and Phosphates. The Government do not have exact figures regarding availability of fertilizers at the end of 11th Plan. This Committee had in their earlier reports recommended that Government should accord final investment approval in respect of those mega plants for which in principle approval has been given. The Committee note the Minister's statement in Lok Sabha made on 8th April 2003 that at present there was no proposal for setting up new gas based fertilizer plants in Public Sector. As against this, the Department has informed the Committee that there was proposal to revive pending grass-root urea plants namely, Nellore and Thal. From these two statements, the Committee infer that Government are taking this issue casually. The Committee, therefore, observe that Government should announce their final decision on the future of pending mega projects. This will help to end uncertainty.

REPLY OF THE GOVERNMENT

The policy for new urea units/expansion units, which would determine subsidy receivable by such units under the new pricing scheme, is under finalization and will be announced shortly by the Government. As of now, KRIBHCO has revived its proposal for expansion of urea production capacity at Hazira in Gujarat, by 10.56 lakh tonnes per annum. The promoters of the other proposed urea projects in the public/cooperative sector, which were earlier

approved in principle, have not re-submitted their proposals so far to the Government.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Comments of the Committee

(Please *see Para No* 14 of Chapter I of the Report)

Recommendation (Sl. No. 9, Para Nos. 2.25 & 2.26)

The Committee are anguished to note that as against the assessed requirement of urea during 1998-99 to 2001-02 of around 213.06 lakh tonnes to 215 lakh tonnes, the consumption during the corresponding period has not matched as it is hovering around 199 lakh tonnes to 204 lakh tonnes. Coming to season-wise (Rabi and Kharif seasons) figures of assessed requirement vis-à-vis consumption, the Committee find that during the last five years the level of consumption has not matched assessed demand at all. Thus, the Committee find that there is stagnation in the consumption of Urea in the country during 1998-99 to 2001-02. Similarly with regard to DAP the consumption stagnated at around 58 lakh tonnes to 61 lakh tonnes except for 1999-2000 when it increased to 69 lakh tonnes during the same period. Like-wise for MOP the consumption remained at around 13 lakh tonnes to 17 lakh tonnes during this period.

As regards reasons for the above stagnation in Fertilizer consumption the Committee agree with the findings of a study conducted by an independent Association that uncertain policy environment and hike in price of fertilizers during Post Reform period 1992-2001 were the basic causes for this. In the light of these findings, the Committee recommends that at least uncertainty in policy matters be removed.

REPLY OF THE GOVERNMENT

Government is aware of the stagnating consumption of Urea, DAP and MOP during the last five years. The department feels that lesser availability of irrigation water for the last few years is the major factor for this stagnation. Severe drought was experienced in 2000-01 and 2002-03, which dipped Fertilizer consumption and also acted as hurdle for demand growth in subsequent years.

The increase in Fertilizer prices during the last six years is given in the table below:

Prices of Fertilisers (Rs. Per MT)

Date from which effective	Urea	DAP	MOP	NPK Complexes
1.4.1997	3660*	8300	3700	6200-8000
29.1.1999	4000 (9.3%)	8300 (-)	3700 (-)	6200-8000
29.2.2000	4600 (15.0%)	8900 (7.2%)	4255 (15.0%)	6620-8520#
28.2.2002	4830 (5.0%)	9350 (5.1%)	4455 (4.7%)	6980-9080

* Effective from 21.2.1997 # Effective from 15.3.2000

Note: Figures in parentheses are percentage increase over the previous price.

It was estimated that increase in price of fertilizers by 15% would have an impact of less than 1.5% in the cost of cultivation. The small increase in fertilizer prices is not likely to have much impact on the cost of

cultivation. Notwithstanding this increase in prices of fertilizers, substantial amounts are being paid by way of subsidy/concession.

A study of 'Agricultural Input Subsidies in India - Impact on Small and Marginal Farmers was conducted by the Institute of Economic Growth, Delhi University and report was presented to the Government in September 2001. The study examines all type of subsidies including fertilizers. As regards fertilizers, the main conclusion of the study is that the increasing prices by 10% shall have a very small impact on demand for it.

There has been no increase in the prices of fertilizers since 2002. Regarding uncertainty of policy, new pricing scheme for urea units has already been announced and is now applicable from 1.4.2003. The new policy is expected to promote efficiency and competitiveness and attainment of high technical standards of performance in the fertilizer industry.

Besides, a new policy for expansion of existing projects and new projects is under finalization and would be put up for approval of the Cabinet shortly. After finalisation of this, there will not be any uncertainty regarding policy for urea Industry at least upto 31.3.2006.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Comments of the Committee

(Please see Para No. 22 of Chapter I of the Report)

Recommendation (Sl. No. 15, Para No. 2.71)

As regards impact of closure of various units of Hindustan Fertilizer Corporation Ltd. (HFC), Fertilizer Corporation of India (FCI) and Pyrites and Phosphates Chemicals Ltd. (PPCL) on the overall availability of fertilizers, the

Committee find that although the Secretary (Fertilizers) has assured the Committee that such closure will not affect the availability scenario, yet the Committee feel that closure has various implications. The closure has deprived the eastern sector of the country of any fertilizer unit. Eastern India is backward in industrialization and the closure of fertilizer units has further aggravated this position. Thousands of employees working in these units have been rendered jobless. This closure has also added to the unemployment. With this closure, the overall freight charges would also go up. The Committee feel that now that these units have been closed, the least the Government should do is to utilize the plants sites for industrialization. The Committee had earlier recommended that Government should set up power generating units at the sites where fertilizer plants were located. The Committee reiterate their earlier recommendation.

REPLY OF THE GOVERNMENT

At the time of closure, none of the units of FCI and HFC were in operation. The Haldia Fertilizer Project of HFC, though mechanically completed in 1979, could never be commissioned. The operations of Durgapur unit have remained suspended since June, 1997. The operations of Barauni unit of HFC and Ramagundam and Talcher units of FCI have been suspended since 1999. The Gorakhpur unit of FCI was shut down in 1990. The Sindri unit is lying closed since March, 2002. Of the various units of HFC and FCI, only the Sindri unit of FCI was in production during 1999-2000 to 2001-02 and even this unit produced only 3.06 LMT, 2.37 LMT and 0.76 LMT during 1999-2000, 2000-01 and 2001-02, respectively, which was equivalent to 1.5%, 1.24% and 0.38% of the urea consumption in the country. Thus the production or non-production of urea by the units of FCI and HFC had no significant impact on the availability of urea fertilizers in the country.

The revamp of the only viable unit of HFC i.e. Namrup unit in the State of Assam was approved by the Government and is under implementation. These units of HFC have since been hived off into a new company under the name of 'Brahmaputra Valley Fertilizer Corporation Ltd. (BVFCL)'. After completion of the revamp, the installed capacity of BVFCL would be 5.55 LMT of urea.

While taking the decision to close the Barauni unit of HFC, regional development, particularly the industrial development in the State of Bihar was duly considered. Accordingly, it was kept in mind that as and when natural gas or LNG, the economically viable feed stock for urea manufacture, becomes available, Bihar may be considered as the priority destination for investment in new urea capacity. Further, proposals for converting the coal based Ramagundam and Talcher units of FCI into power plants were examined in consultation with the Ministry of Power. However, NTPC showed its unwillingness to take over the plants and revive the same as these were not found techno-economically viable. The recommendation of the Committee for setting up of power plants at the closed sites of the units of these companies in view of the availability of coal in abundance in the region has already been communicated to the Ministry of Power for examination and necessary action. In respect of Sindri unit of FCI, the proposal of the Damodar Valley Corporation for handing over 2000 acres of land for setting up a 1000 MW capacity power plant is under examination in consultation with Ministry of Power.

It may be stated that employees of the units decided to be closed have been offered benefits under the Voluntary Separation Scheme (VSS) as per the existing guidelines and almost all the employees have opted for the scheme in view of the beneficial nature of the Scheme.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Recommendation (Sl. No.17, Para No. 2.77)

The Committee note with concern that projected supply of fertilizers during the XIth Plan Period (2007-2012) is not available with the Deptt. Of

Fertilizers. The Committee find that the demand of fertilizers would be around 143 lakh tonnes for nitrogen and around 74 lakh tonnes for phosphates at the commencement of the plan. It may go further to around 162 lakh tonnes and around 93 lakh tonnes by the end of the Plan. The Committee have been informed that the Department of Fertilizers have not firmed up its policy to meet the projected demand of nitrogen as industry is witnessing dynamic changes. The Committee were earlier informed that the future of pending mega projects was uncertain as their economic viability was under review. However, now the Government have again revived two out of four projects in view of new discoveries. The Committee are happy to note this. The Committee hope that Government will take early decisions on these projects and with their implementation, there will be enhanced availability of urea.

REPLY OF THE GOVERNMENT

The policy for determination of subsidy receivable by new units/expansion units under the new pricing scheme, is under finalisation and will be announced shortly. As of now, KRIBHCO has revived its proposal for expansion of the urea production capacity at Hazira in Gujarat, by 10.56 lakh tonnes per annum. The promoters of the other proposed urea projects in the public/cooperative sector, which were earlier approved in principle, have not re-submitted their proposals so far to the Government.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

Comments of the Committee

(Please see Para No. 14 of Chapter I of the Report)

Recommendation (Sl. No. 24, Para No. 4.14)

The Committee are not convinced with views of DOAC that colouring of SSP fertilizers was not feasible/practicable. The Committee are of the opinion that this issue needs to be examined in all seriousness. They, therefore, recommend that an independent group comprised of agricultural scientists including those forms ICAR be constituted to look into the matter and report on the feasibility of colouring of SSP fertilizers.

REPLY OF THE GOVERNMENT

The issue concerning colouring of SSP granules to check its adulteration in DAP and complexes have been examined in the past and discussed at various fora, and it has been concluded that due to chemical composition of the product (being acidic in nature) and high temperature at granulation stage, it is not technologically feasible. Efforts to provide coating of suitable material ('ochre' - 'geru') was also not found to be feasible due to its easy disintegration during handling and storage within 2-3 months and also reduction in phosphate content of SSP. The colouring of DAP is also not considered feasible due to various colours on account of different impurities present in phosphoric acid of different origin/sources.

Besides the granulated SSP, there are large number of lower grades of granulated NPK mixtures approved by State Governments, which could also be used in a similar way for adulteration in DAP and complexes. Hence colouring of SSP alone may not check adulteration menace.

Most of the State Governments have opined during discussion that misbranding of SSP is not now a serious problem. This is also borne out of the fact that on All India basis only around 4.2 to 5.1% samples of DAP and complexes (which are prone to such adulteration) were found to be non-standard during 2001-02. Further, the Department of Agriculture and Cooperation has recently advised

State Governments to denotify the lower grades of NPK mixtures. This will help in minimizing the chances of their adulteration in DAP and complexes.

The Department of Fertilizers (DOF) is consulting the Department of Agriculture and Co-operation (DAC), the administering authority for Fertilizer (Control) Order, 1985 (FCO) through which provisions relating to prevention of sale of sub-standard/spurious fertilizers are implemented, to set up an independent Group comprising of agricultural Scientists, representatives of Fertilizer Industry, DAC and DOF to look into the matter of feasibility of colouring of SSP.

[M/o of Chemicals & Fertilizers, Department of Fertilizers
O.M. No.1-3/2002-FM dated October 8, 2003]

NEW DELHI
December 15, 2003
Agrahayana 24,1925 (Saka)

PROF. RAM GOPAL YADAV
Acting Chairman
Standing Committee on
Petroleum & Chemicals.

Appendix-I

MINUTES

SUB-COMMITTEE ON FERTILISERS

(A SUB-COMMITTEE OF STANDING COMMITTEE ON PETROLEUM AND CHEMICALS) (2003)

THIRD SITTING

(12.12.2003)

The Sub-Committee sat from 1500 hrs. to 1600 hrs.

Present

Shri Ram Nath Kovind - Convenor

Members

Lok Sabha

2. Shri Padam Sen Choudhry
3. Shri Khagen Das
4. Shri Punnulal Mohale
5. Shri Harpal Singh Sathi

Rajya Sabha

6. Shri Balkavi Bairagi
7. Shri Lajpat Rai
8. Ms. Mabel Rebello

Secretariat

1. Shri P.D.T. Achary - *Additional Secretary*
2. Shri P.K. Grover - *Director*
3. Shri P.D. Malvalia - *Under Secretary*
4. Dr. Ram Raj Rai - *Assistant Director*

At the outset, Hon'ble Convenor, Sub-Committee on Fertilisers welcomed the Members to the sitting and explained the purpose of the day's meeting.

2. The Sub-Committee considered and adopted the Draft Action Taken Report on the action taken by the Government on the recommendations of the Committed contained in their Forty-Fourth Report (13th Lok Sabha) on 'Demand, Availability and Distribution of Fertilisers' after making some verbal changes.

3. The Sub-Committee, thereafter authorised the Convenor to finalise the Report and submit the same to Hon'ble Chairman for consideration by the Standing Committee on Petroleum and Chemicals (2003).

The Sub-Committee then adjourned.

Appendix-II

MINUTES

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2003)

EIGHTH SITTING

(15.12.2003)

The Committee sat from 1030 hrs. to 1100 hrs.

Present

Prof. Ram Gopal Yadav - Acting Chairman

Members

Lok Sabha

2. Shri Padam Sen Choudhry
3. Shri Khagen Das
4. Shri Bijoy Handique
5. Shri Shriprakash Jaiswal
6. Shri Punnulal Mohale
7. Shri P. Mohan
8. Dr. Debendra Pradhan
9. Shri Ram Sajivan
10. Dr. Bikram Sarkar
11. Dr. (Smt.) V. Saroja
12. Shri Prabhunath Singh
13. Dr. Ram Lakhan Singh
14. Dr. Ramesh Chand Tomar
15. Shri Shankersinh Vaghela
16. Dr. Girija Vyas

Rajya Sabha

17. Shri Balkavi Bairagi
18. Shri Dipankar Mukherjee
19. Shri Kripal Parmar
20. Ms. Mabel Rebello

Secretariat

1.	Shri P.D.T. Achary	-	Additional Secretary
2.	Shri P.K. Grover	-	Director
3.	Shri P.D. Malvalia	-	Under Secretary
4.	Dr. Ram Raj Rai	-	Assistant Director

At the outset Hon'ble Acting Chairman welcomed the Members to the sitting and explained the purpose of the day's meeting.

2. Thereafter, he invited the Members to give their suggestions, if any, on the following Draft Reports being considered for adoption:-

(i) ** ** ** ** ** ** ** ** ** ** **
** ** ** ** ** ** ** ** ** ** **

(ii) ** ** ** ** ** ** ** ** ** ** **
** ** ** ** ** ** ** ** ** ** **

(iii) 54th Report on action taken by Government on the recommendations contained in the 44th Report of the Committee on 'Demand, Availability and Distribution of Fertilisers'.

3. The Committee, thereafter, authorised the Chairman to finalise the Reports after factual verification from the concerned Ministries/Departments and present them to the Parliament.

4. The Committee placed on record their appreciation of the work done by the Sub-Committees on Petroleum and Fertilisers of the Standing Committee on Petroleum & Chemicals.

5. The Committee also placed 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.

** ***Matters not related to this Report***

Appendix –III

(Vide Para 3 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FORTY-FOURTH REPORT (13TH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2003) ON 'DEMAND, AVAILABILITY AND DISTRIBUTION OF FERTILISERS'

I	Total No. of Recommendations	25
II	Recommendations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 1, 4, 5A, 6, 14, 16, 19 and 20)	8
	Percentage of Total	32%
III	Recommendations which the Committee do not desire to pursue in view of Government's Reply (Vide Recommendations at Sl. Nos. 13, 21, and 23)	3
	Percentage of Total	12%
IV	Recommendations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations at Sl. Nos. 2, 7, 8, 10, 11, 12, 18 and 22)	8
	Percentage of Total	32%
V	Recommendations in respect of which final replies of the Government are still awaited (Vide Recommendations at Sl. Nos. 3, 5, 9, 15, 17 and 24)	6
	Percentage of Total	24%