

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

UNSTARRED QUESTION NO:129
ANSWERED ON:08.07.2014
SUBSIDY ON FERTILIZERS
Simha Shri Prathap

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

- (a) the subsidy provided to the farmers on fertilizers/chemical fertilizers by the Government during each of the last three years and the current year, fertilizer- wise and State-wise, including Karnataka and Andhra Pradesh;
- (b) whether the poor and marginal farmers of the country are not being benefited by the subsidy;
- (c) if so, the details thereof and the reaction of the Government thereto;
- (d) whether the Government has introduced any new scheme to provide fertilizer subsidy directly to farmers in their bank accounts; and
- (e) if so, the details thereof and if not, the reasons therefor?

Answer

MINISTER OF STATES IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI NIHAL CHAND)

(a): The subsidy paid to manufacturers/Importers during the last three years & the current year (upto 30th June 2014), in respect of Indigenous Urea, Indigenous P&K and Imported P&K (company-wise) is given in Annexure I to III. As the subsidies are paid to companies; therefore state wise subsidy payment are not maintained.

(b) & (c) : Yes Madam, The poor and marginal farmers are benefited from the grant of subsidy on fertilizers as both urea & P&K are made available to farmers at subsidized price which are much below the actual cost of the fertilizers. Urea is controlled and made available to the farmers at fixed price as decided by Government. Fixed amount of subsidy per MT under Nutrient Based Subsidies (NBS) also provided on P&K fertilizers which results in MRP lower than actual cost of P&K fertilizers.

(d) & (e): Yes Madam, The scheme for direct transfer of subsidy in case of fertilizer was planned. Details of the Scheme are as under:

Consequent upon Finance Minister Budget speech, a Task Force by the Finance Ministry was constituted to recommend an implementable solution for direct transfer of subsidies on kerosene, LPG and fertilizers to the intended beneficiaries. In June 2011, the Taskforce submitted its Interim Report to the Finance Ministry, proposing an IT-driven Core Subsidy Management System (CSMS) to leverage the `Aadhaar` unique identity numbers for distribution of subsidy.

In the interim report, the taskforce recommended a phased approach for direct disbursement of fertilizer subsidy to the intended beneficiaries. Based on the recommendations of the task force, the Department of Fertilizers decided to follow a phased approach to achieve the goal of transfer of direct fertilizer subsidy (to the end user i.e. buyer). These phases are as follows:

1. Phase I: Information visibility till the retailer's level where part subsidy is disbursed to the manufacturers on the basis of the information of retail acknowledgements reported in mFMS (mobile Fertilizer Management System)
2. Phase II: Part subsidy payment to the manufacturers on the basis of the information of retailer sales of fertilizers captured in mFMS.
3. Phase III: Subsidy payment to the retail customer on the basis of fertilizer sales made to him/her.
4. Phase IV: Subsidy payment to the farmer on the basis of details of sales made to him/her.

As per the decision taken in the meeting on Direct Transfer of Fertilizer Subsidy chaired by Principal Secretary to PM on 6.5.2013, it was discussed and decided that Direct Benefit Transfer (DBT) in fertilizers was complex matters as there are problems in targeting, determining entitlements and preparing beneficiary databases. Therefore, for the moment it would be better to keep DBT away from fertilizers. Accordingly, Phase III and IV have been kept on hold. However, it was decided that DoF would take steps to build up a digital database of 'buyers' as part of Phase II.

To achieve the desired goals, NIC was engaged to develop a mobile Fertilizer Management System (mFMS). This application is primarily a web based application. However, considering the end user's profile, a Java / Android based mobile handset application has also been developed by NIC to facilitate acknowledgements for tracking fertilizer movement and availability at the wholesaler and retailer.

The mFMS which is implemented in a phased manner intends to bring information visibility in the fertilizer supply chain and to enhance transparency in the fertilizer subsidy mechanism. This entails capturing sales made by fertilizers companies to whole seller and retailer, capturing sales and also receipts acknowledgements at whole seller and retailer level. In 2nd phase, it plans to capture the buyer's details at the last point of sale (i.e. retailers).

A part of subsidy payment has been already linked to the retailers' acknowledgement in Phase I & II.