

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

UNSTARRED QUESTION NO:2160

ANSWERED ON:10.03.2015

PRICES UREA

Kateel Shri Nalin Kumar;Singh Shri Ravneet;Subbareddy Shri Yerram Venkata;Sule Smt. Supriya Sadanand

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

- (a) whether the Government is aware that average price of imported urea is less than the production cost of domestic urea;
- (b) if so, the steps taken by the Government to protect domestic urea producers in the country and improve production so that urea is made available to the farmers at the affordable price;
- (c) whether due to increase in the prices of fertilizers the input cost of the agriculture product has risen considerably and if so, the details thereof and the steps taken to help the farmers particularly dry land farmers to survive;
- (d) whether there is a nexus between MARKFED of Andhra Pradesh and companies resulting in inflating the prices of urea; and
- (e) if so, the steps taken by the Government to ensure that each district in the States get its due share of urea and to prevent the abuse of subsidy system in case of fertilizers?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI HANSRAJ GANGARAM AHIR)

(a) : Yes, Madam.

(b) : As per Modified New Pricing Scheme (NPS)-III policy for existing urea units dated 02nd April, 2014, it has been decided that the import of urea is canalized through three designated State Trading Enterprises (STEs) i.e. Minerals & Metals Trading Corporation (MMTC), State Trading Corporation (STC) and Indian Potash Limited (IPL) in order to protect the indigenous urea.

The Government has notified the New Investment Policy (NIP) - 2012 and amendment thereof on 02nd January, 2013 and 07th October, 2014 respectively to facilitate fresh investment in urea sector to boost the indigenous production of urea and to reduce import dependency.

The Department of Fertilizers has taken initiative to amend the provision of Modified New Pricing Scheme (NPS) - III and NIP - 2008 to incentivize production beyond re-assessed capacity and cut off quantity. The final Cabinet Committee on Economic Affairs (CCEA) Note to amend the NIP-2008 and to establish a Unified Pricing Formula in order to incentivize and to protect the additional production of about 2 million MT of urea beyond re-assessed capacity from existing urea units which have taken revamp under NIP-2008 will be placed before CCEA shortly.

(c) : The MRP of urea is statutorily fixed by the Government of India and at present it is Rs. 5360/- per MT (exclusive of the central excise duty for domestically produced urea and countervailing duty for imported urea (which is 1% at present) and state VAT which differs from state to state). Urea is made available to all farmers irrespective of size of their land holdings.

Further, the Government of Uttar Pradesh and Gujarat have levied Additional VAT on natural gas used by urea plants situated in these states. Impact of this additional VAT is calculated per MT of urea on the quantity of urea sold in these states, separately for each state and is recovered from the farmers of these respective states by charging Rs. 940/- per MT and Rs. 300/- per MT.

So far as P&K fertilizers is concerned, for the last one year the average prices of P&K fertilizer remained more or less stable. Hence, there would not have any impact on the cost of agriculture inputs relating to P&K fertilizers.

(d) & (e): Department of Fertilizers ensures availability of fertilizers at State level and distribution within the state through cooperative sector or private sector or marketing federation is the responsibility of the concerned State Government. It is also stated that Government of India has declared that fertilizer as an essential commodity under the Essential Commodities Act, 1955 (ECA) and has notified Fertilizer Control Order, 1985 (FCO) under this Act. State Government are responsible for ensuring availability of fertilizers at fair price to the farmers and they have been adequately empowered to take punitive action against any person violating provisions of FCO, 1985 under Essential Commodities Act, 1955.