

SEVENTY-FOURTH REPORT

ESTIMATES COMMITTEE (1983-84)

(SEVENTH LOK SABHA)

MINISTRY OF AGRICULTURE
DISTRIBUTION OF FERTILIZERS



सत्यमेव जयते

Presented to Lok Sabha on..... 30 108

LOK SABHA SECRETARIAT
NEW DELHI

April, 1984/Chaitra, 1906, (Saka)

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(1983-84)

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2. Shri Bipin Behari—*Chief Financial Committee Officer.*
3. Shri S. P. Chanana—*Chief Financial Committee Officer.*

INTRODUCTION

I, the Chairman of Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Seventy-Fourth Report on the Ministry of Agriculture—Distribution of Fertilisers.

2. The Committee took evidence of the representatives of the Ministry of Agriculture on 16, 17, 24, 25 and 27th August, 1983. The Committee wish to express their thanks to the officers of the Ministry for placing before them the material and information which they desired in connection with the examination of the subject and giving evidence before the Committee.

3. The Committee also wish to express their thanks to Shri Gopal Sobhti, Chief Executive, Fertiliser Association of India for giving evidence and making valuable suggestions to the Committee.

4. The Committee also wish to express their thanks to all other Organisations/Institutions for furnishing memoranda on the subject to the Committee.

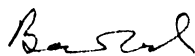
5. The Report was considered and adopted by the Committee on 19th March, 1984.

6. For facility of reference and convenience, recommendations and observations of the Committee have been printed in thick type in the body of the Report, and have also been reproduced in a consolidated form in the Appendix to the Report.

NEW DELHI;

April 2, 1984

Chaitra 13, 1906 (S).



BANSI LAL,

Chairman,

Estimates Committee.

CHAPTER I

AVAILABILITY OF FERTILIZERS

A. Government Policy

1.1 Fertiliser was declared an "essential commodity" on 29 March, 1957. On 23 April, 1957, Government of India introduced the Fertiliser (Control) Order, 1957. For the control of movement of fertilisers from one State to another. Government issued the Fertiliser (Movement Control) Order in 1973. It has been stated that "it is the Government policy to provide fertiliser in right time in adequate quantity, at right price and at right place to the farmers".

1.2 The role and functions of the Ministry of Agriculture are, therefore directed towards achieving the aforesaid goals. These include carrying out the following functions or issuing guidelines therefor:—

- (a) Formulation of policies, providing guidelines, overseeing and monitoring of the programmes.
- (b) Assessment of requirements of the various States/Union Territories etc. for fertilisers.
- (c) Formulation of the Supply Plan for the manufacturers for each cropping season and monitoring of the Plan including mid-term corrections, if any needed.
- (d) Handling of imported fertilisers at Ports and their further transport to and distribution in the States.
- (e) Delivery of fertilisers.
- (f) Ensuring adequate availability of fertilisers. Also to estimate and arrange for imports to bridge the gap between the requirements and availability from domestic sources.
- (g) Maintenance of adequate stocks at points nearest to the consumption centres.
- (h) Fixation of prices of fertilisers and Distribution Margins for the trade.
- (i) Storage of fertilisers.
- (j) Provision of Credit to farmers and distributing agencies for purchase of fertilisers.
- (k) Regulation of trade of fertilisers.

1.3 The Committee desired to know the specific steps taken by Government to implement this policy in letter and spirit. In reply, the Secretary, Ministry of Agriculture, stated in evidence that following steps had been taken in this direction:

- (i) In the beginning of every crop season, Kharif and rabi, we have a tripartite conference with State Governments, manufacturers and handling agents to assess, season-wise, crop-wise and State-wise requirements of various types of fertilisers. There are three main nutrients in the fertiliser system viz., nitrogen, phosphorus and potash. So far as potassic fertilisers are concerned, we are not producing them at all. So, our entire requirement of it is to be imported. So far as nitrogen and phosphatic fertilisers are concerned, we do this fine tuning of the requirement and indigenous availability, in consultation with the manufacturers and State Governments. The gap is covered by import. On the basis of their requirements we assess how much fertiliser and of what type will be required by which State.
- (ii) We have established about 690 centres where our imported fertilisers are stocked so that at short notice they can be moved to the States which require them. Apart from that, industries are maintaining their own field godowns in order to reach fertilisers to most interior parts of the country.
- (iii) Last year, we increased the number of sale points by 20,000 in one year in order to ensure that fertilisers are available in right quantity at a uniform price throughout the country.
- (iv) Government has declared a uniform price for the whole country, and the difference in cost—what the manufacturer incurs, transport cost and the distribution cost—and their realisation has to be met by the Government by giving subsidy. In June, 1983, the price of fertiliser was reduced by 7.5 per cent.
- (v) When Government found that 50 per cent of the blocks are not connected with the railway and the farmers have to travel a long distance to get fertiliser the gov-

ernment decided in 1980 that the transport cost of fertiliser right upto the block headquarter will be met entirely by the government even though the block headquarters are not connected by railways. This has helped in making fertiliser easily available to the farmers.

(vi) Under the new scheme of helping small and marginal farmers, we have given fertiliser free of cost to the farmers.

(vii) We have adopted more than 4000 villages for increasing agricultural production and fertiliser is also one of the items which is attended to.

(viii) The Central Government also annually gives about Rs. 180-200 crores depending upon the resources position to the State Governments for advancing loans to the cooperative sector etc. for purchase and distribution to the farmers.

(ix) For the first time in the sphere of agriculture, we observed a National Agricultural inputs fortnight from 1st June to 15th June, 1983. The main thrust of this was to see that inputs like fertilisers, water, electricity diesel sets, agricultural credit, etc. are available to the farmers and the necessary steps in this direction are taken in advance.

1.4 The Committee asked, how far has the country become self-sufficient in fertilisers, In reply, the Secretary, Ministry of Agriculture said:

“The Government of India in the Department of Agriculture are very much concerned about adequate availability of fertiliser in the various States, especially in the interior rural areas. Since we are not yet self-sufficient in the production of fertilisers, we have to balance the indigenous production of fertilisers with the requirement of fertilisers by the farmers and if there is any gap between demand and supply and there is always—we import fertilisers from abroad at the most reasonable rates”.

1.5 The Committee note that it is the Government's policy “to provide fertiliser in right time, in adequate quantity, at right price and at right place to the farmers.” In pursuance of this policy, a number of steps have been taken which include establishment of

690 centres for stocking of imported stocks, increase of sale points, sale of fertiliser to farmers at a uniform price throughout the country, meeting transport cost of fertiliser right upto the Block Headquarters, grant of loans to State Governments for being given to cooperative sector for purchase and distribution of fertilisers to the farmers, observance of National Agricultural Fortnight in June, 1983, supply of fertiliser free of cost of small and marginal farmers etc. During evidence the Secretary, Ministry of Agriculture expressed his concern about "adequate availability of fertiliser in the various States especially in the interior rural areas." Shortage of fertiliser adversely affects our foodgrains production. The Committee feel that if gains of green revolution are to be consolidated Government should evolve a more effective and integrated policy in consultation with State Governments to ensure adequate availability of quality fertilisers to farmers all over the country, even in the remotest areas, at a price which is within their reach.

B. Availability of Fertilisers

1.6 Ministry of Agriculture have intimated that during the last 5 years, the domestic production and imports of fertilisers had been as under:

(Figures in lakh tonnes)

Item	1978-79	1979-80	1980-81	1981-82	1982-83
1 Anticipated demand	50.00	59.00	61.00	66.00	72.04
2 Opening Stock (with institutional distribution agencies, Pool Handling agencies and manufactures).	12.56	12.36	13.34	14.89	24.56
3 Domestic Production	29.40	29.83	30.05	40.92	44.04
4 Imports	19.89	20.06	27.59	20.41	11.32
5 Total availability	61.85	62.25	70.98	76.22	79.92

1.7 India's share in the World's production of Nitrogenous and Phosphatic fertilisers is about 3.5 per cent and 2.5 per cent respectively. India's position in world production of Nitrogenous fertilisers is fourth and in world production of phosphate fertilisers is sixth. India's position would have been much better had fertiliser plants worked to their optimum capacity. According to the data furnished by the Ministry of Agriculture, capacity utilisation in the

fertiliser units in the public and cooperative sectors had been as under:

	No. of Units	1980-81	1981-82	1982-83
A. Nitrogen	33	52.8	66.9	67.2
Phosphate (P ₂ O ₃)	13	65.9	70.1	62.1

1.8 There are as many as 12 fertiliser units in India which had worked at less than 50 per cent of their respective capacities during the last 3 years (1980-81 to 1982-83). Details are given below:

S. No.	Fertiliser Unit	Percentage of (capacity utilisation)		
		1980-81	1981-82	1982-83
A. Nitrogen				
1	Ramagundam (FCI)	20.7	25.8	32.8
2	Talcher (FCI)	4.4	20.1	9.0
3	Namrup II (HFC)	—	52.7	47.4
4	Barauni (HFC)	30.6	48.7	49.9
5	Durgapur (HFC)	23.1	39.4	25.8
6	Udyogmandal (FACT)	51.2	48.6	42.2
7	Rourkela (SAIL)	29.8	44.5	9.2
8	Hari Fertiliser Ltd. Varanasi (IFFC)	18.0	20.0	12.0
9	EID Perry (India) Ltd. Ennore (IFFC)	49.4	50.0	45.6
B. Phosphate (P₂O₃)				
10	Sindri (FCI)	12.0	14.3	6.9
11	Khetri (HCL)	6.2	4.9	1.8
12	Cochin II (FACT)	34.4	32.0	44.1

1.9 In this connection, the Ministry of Agriculture have, in a note, pointed out that:

“Incidentally, it may be mentioned that the utilisation of installed capacity of nitrogen during 1982-83 was about 67 per cent. This compares favourably with the utilisation of capacity in the developing world namely 51 per cent in Africa|Latin America and 65 per cent Asia, in 1980-81. Even the world average utilisation of capacity during 1980-81 was 71 per cent. In so far as the future is concerned, it is expected that by 1989-90, the utilisation of capacity would improve to about 72.1 per cent for nitrogen (anticipated production of 66.76 lakh tonnes against the anticipated installed capacity of 92.50 lakh tonnes). This would improve further to 80.25 per cent by 1992-93 when some of the plants commissioned in 1988-89 and 1989-90 would start producing at full load”.

1.10 Ministry of Agriculture have attributed the under utilisation of capacity to two main factors namely (i) inadequate availability of inputs and (ii) Power-cuts and frequency dips. It has been estimated that during the last 3 years, the loss of production was 413,000 tonnes due to shortage of inputs and 375,000 tonnes due to power shortage.

1.11 Referring to the shortage of inputs, a representative of the Ministry of Chemicals and Fertilisers explained in evidence:

“As far as phosphatic resources are concerned, we have very limited resources of rock phosphate. It will be only about half a million tonnes. The major requirement of rock phosphate is met by importing it. Similarly, sulphur is not available in the country. The entire requirement of phosphoric acid is met by import. I would therefore like to submit that we should not try to achieve 100 per cent self-sufficiency since raw materials are not available indigenously. Our objective is to achieve 75 per cent self-sufficiency by producing here those things by importing raw materials. If we import DAP it is cheaper than importing rock phosphate and sulphur, etc. and then produce DAP. This is because the price of raw materials is higher. The strategy which we have devised is that we will achieve 75 per cent self-sufficiency keeping option available for imports to fill the gap because there is also uncertainty about the actual demand”.

1.12. A view was that it would be better to go in for more captive power plants to overcome the power shortage rather than suffer loss in production and spend valuable foreign exchange on import of fertilisers. Dealing with this view point the Ministry of Agriculture have, in a Note, stated that action has been taken to progressively provide for captive power facility, even though in terms of cost of production it is higher than the power tariff charged by the State, Electricity Boards. As it is, fertiliser plants have already got a total captive power capacity of 168 MW. Additional capacity of 173 MW is under installation! Recently, proposals for 32.5 MW capacity have been cleared and Proposals for 110 MW capacity are under consideration.

1.13 Asked if it would be possible to bridge the gap between demand and local production of fertilisers in the foreseeable future, the witness said:—

“On the other hand, the gap will increase..we have detailed discussion with the Ministry of Chemicals and Fertilisers. They expect that by 1989-90 they will be able to produce 90 lakh tonnes of nutrients as against 44 lakh tonnes at present. In the meantime our requirements will go up in view of the requirement of food-grains and our projection is that so far Nitrogenous and Phosphatic fertilisers are concerned which are produced indigenously, our requirement will be about 105 or 110 lakh tonnes. In addition, we will be needing about 14 lakh tonnes of potassic fertiliser which will have to be imported fully. There will be a shortage of about 30 to 35 lakh tonnes of nutrients”.

1.14 It is observed from the Table given in an earlier paragraph that during the last 5 years (1978-83) our domestic production ranged between 30 to 44 lakh tonnes. Our buffer stock of fertilisers varied between 12.5 and 15 lakh tonnes, except in 1982-83 when the stock was 24.56 lakh tonnes. This level of domestic production was not adequate to meet our growing demand for fertilisers. The import of fertilisers, therefore, went up from 19.89 lakh tonnes in 1978-79 to 27.59 lakh tonnes in 1980-81. Subsequently, however, the import of fertiliser declined to 20.41 lakh tonnes in 1981-82 and to 11.32 lakh tonnes in 1982-83. The import of fertilisers during this 5 year period aggregated to 99.27 lakh tonnes.

1.15 The Committee cannot help pointing out that had our fertiliser plants worked to their optimum capacity, the import of 99.27

lakh tonnes fertilisers during the period 1978-79 to 1982-83 would have been considerably less, if not altogether eliminated.

1.16 The Ministry of Agriculture have claimed that India's 67 per cent capacity utilisation of fertiliser plants in public and cooperative sectors, compares favourably with the capacity utilisation of developing countries which was 51 per cent in Africa/Latin America and 65 per cent in Asia, and world's average utilisation of 71 per cent (in 1980-81). However satisfactory this comparison may look the fact is that during the last 3 years (1980-81 to 1982-83), as many as 13 fertiliser units had worked at less than 50 per cent of their respective capacities. It transpired in evidence that by 1989-90 India will be able to produce 90 lakh tonnes of nutrients as against the present level of 44 lakh tonnes but as the demand by that time would rise to the level of 105—110 lakh tonnes, there will still be a shortfall of about 30 to 35 lakh tonnes including about 14 lakh tonnes of potassic fertiliser which will have to be imported fully. In the circumstances, the Committee recommend that effective steps should be taken by Government right now to prevent such gross under utilisation of capacity in fertiliser units which were set up at considerable cost. This will not only increase availability of fertilisers in the country but also save valuable foreign exchange on imports of fertilisers.

1.17 The Committee find that apart from shortage of inputs one of the major factors which adversely affects utilisation of capacity in fertiliser plants is the power shortage. At present fertilisers plants have already got a total captive power generation capacity of 168 MW. Additional Capacity of 173 MW is under installation. Recently, proposals for 32.5 MW capacity have been cleared and proposals for 110 MW capacity are under consideration of Government. The Committee urge that proposals for augmentation of captive power generation capacity in fertiliser plants may be viewed with favour and cleared expeditiously so as to meet the problem to some extent.

C. Consumption of Fertilisers

1.18 India's Fertiliser Consumption per hectare of agricultural land as compared with other countries of Asia in 1980-81 was as under:—

(Kg./per hectare)

Country	Nitrogen	Phosphate (P ₂ O ₃)	K ₂ O	Total
1	2	3	4	5
1. Bangladesh	27.9	12.5	3.0	43.4
2. China	37.9	8.6	1.5	48.0
3. India	19.4	6.0	3.4	28.9

4. Israel	33.1	15.4	18.1	66.7
5. Japan	112.4	126.4	93.8	332.5
6. Korea (Repub.)	199.2	86.9	81.6	367.6
7. Pakistan	31.9	7.5	0.4	39.8
8. Phillipines	20.6	4.9	5.1	30.6

During the last 5 years fertiliser consumption in India was as follows:—

Year	(In lakh tonnes)				Growth rate
	Consumption N	P	(Nutrient-wise) K	Total	
1977-78	29.13	8.67	5.06	42.86	..
1978-79	34.20	11.06	5.92	51.18	19.14%
1979-80	34.98	11.91	6.06	52.55	2.6%
1980-81	36.78	12.14	6.24	55.16	5.0%
1981-82	40.69	13.22	6.73	60.64	9.93%
1982-83 (estimated)	42.63	14.20	7.35	64.18	5.8%

1.19 The following steps are stated to have been taken to increase the fertiliser consumption:—

- (i) Ensuing adequate and timely availability of fertilisers through domestic production and imports.
- (ii) Ensuring favourable cost-benefit ratio by increasing support price of crops to reflect increase in the fertiliser prices w.e.f. 8-6-1980 (3.8 per cent) and 11.7.81 (18 per cent).
- (iii) Delivery of fertilisers upto the Block Headquarters on Govt. account.
- (iv) Increase in distribution margin by 22 per cent w.e.f. 15-2-81 on *ad-hoc* basis, pending detailed study by a Consultant.
- (v) Launching Intensive Fertiliser Promotion Campaign in 104 identified districts where adequate potential exists but the consumption level was low.

- (vi) Increasing the short-term loan to States from Rs. 136 crores in 1979-80 to Rs. 200 crores in 1980-81 and 1981-82 and Rs. 250 crores in 1982-83.

1.20 As a part of the productivity year (1982) drive, an intensive fertiliser promotion campaign was launched in 104 Districts having low level of fertiliser consumption but with good irrigation facilities or assured rain fall. It has been claimed that the progress of this campaign was monitored both at the district and State level by coordination Committee as also by officers in the State Departments of Agriculture.

1.21 The Committee desired to know why India had lagged behind in fertiliser consumption as compared to countries like Japan, Malasia, Korea and China. The Secretary explained in evidence:—

“There are more irrigation facilities in those countries. There is rain throughout the year in China whereas in our country 80 per cent rain comes during four months and during the rest seven or eight months there is much less rain. Here 70 per cent land is unirrigated in which less quantity of fertilizers is used. Secondly in our country the prices of fertilisers are much higher than that of other countries.”

1.22 Dealing with the level of fertiliser consumption achieved in India the Secretary, Ministry of Agriculture claimed in evidence that:

“As a result of the various efforts we have made over the last 30 years, the consumption of fertilisers has increased from 69,000 tonnes in 1951-52 to 64 lakh tonnes i.e. about 93 times. The per hectare consumption has gone up from 0.5 or half a Kg. in 1951-52 to 36.6 Kg. per hectare in 1982-83 i.e. about 70 times. We are today the fourth biggest country in the world in the consumption of Nitrogenous fertiliser. About 66 per cent consumption is nitrogenous. Unfortunately 85 per cent of our fertiliser today is being used in irrigated area and unirrigated area consumes hardly 15 per cent. It is surprising that 70 per cent of the farmers use fertilisers in irrigated areas. 30 per cent of farmers are not using the fertilisers even now.”

1.23 The witness admitted that there is wide regional imbalance in the consumption of fertiliser in India and gave the following data:—

“In Punjab the consumption of fertiliser is about 120 kgs. per hectare whereas in the North Eastern Region it is about 4.5 kg. per hectare. The consumption in other states is: Haryana—45 kg.; Madhya Pradesh—10.9 kg.; Rajasthan—7.9 kg.; U.P. 52 kg.; Assam 3.3 kg. Bihar 18 kg.”

1.24 The witness was asked if Govt. had conducted any study to find out whether in the 104 districts where fertiliser promotion campaign was launched in the productivity year (1982), there had been increase in fertiliser consumption. In reply, the Secretary said:—

“We have not made any study so far but if fertilisers are applied and there is no draught and crop is not destroyed, there will be increase in production by the use of fertilisers.”

1.25 It will be seen from the Table given an earlier paragraph that while the consumption of fertilisers went up from the level of 42.86 lakh tonnes of nutrients in 1977-78 to 64.18 lakh tonnes of nutrients (estimated) in 1982-83, the year-wise growth of consumption has not been uniform. Growth of consumption which was 19.14 per cent in 1978-79 declined to 2.7 per cent in the subsequent year i.e. 1979-80. After registering improvement in 1980-81 (5 per cent) and 1981-82 (9.93 per cent), the growth rate slumped to 5.8 per cent in 1982-83. The Committee enquired if Government had analysed the reasons for this adverse trend and if so, what they were. The Secretary, Ministry of Agriculture attributed the fall in the growth rate of fertiliser consumption to the following factors:—

- (i) increase in the price of Urea from Rs. 1450 to Rs. 2,000 per tonne from 8-6-1980 and again to Rs. 2,350 from 11-7-1981.
- (ii) droughts in 1979-80 and 1982-83 affecting 38 and 42 million hectares of crop respectively.
- (iii) inadequacy of cheap credit to farmers.

1.26 Asked if lower consumption in India could be due to inadequacies in the distribution system itself and fall in the purchasing

capacity of farmers, the witness opined that:—

“I would not say that the distribution system was inadequate. In 1981-82 our stock position was one of the highest in the recent past. But the purchasing capacity of the farmers could be less because of drought and non-availability or agricultural credit for purchase of fertiliser. In 1982-83 our stock position was one of the highest in brought down in 1979-80 the growth rate fell very steeply because of the adverse weather conditions. So weather conditions play a very crucial role, apart from the price, in the matter of consumption of fertiliser.”

1.27 The Committee enquired how the per hectare consumption of fertilisers in the case of small and marginal farmers compared with that of the well-to-do farmers. In reply, the Secretary Ministry of Agriculture revealed:—

“The national scenerio of small and marginal farmers is that they are holding only 23 per cent of land. If their average consumption had been at the same level as any other farmer, they would have consumed 23 per cent of the total fertilisers. But as against 23 per cent, they are using 30 per cent of the fertilisers, which means they are cultivating their fields more intensively than big farmers; they want to get maximum out of whatever land is with them. They can do even much better than that if they are given some incentives.”

The witness added:—

“I may also say that the Prime Minister launched this year the small and Marginal Farmers Programme of Rs. 250 crores. In one year, Rs. 250 crores will be given to three categories of farmers for irrigation facilities, fertilisers and seeds for pulses, oil seeds for plantation work and so on. We have purposely indicated to the States that minikits of seeds will be given to farmers along with mini-kits of fertilisers.”

1.28 The Committee desired to know if growth rate of consumption of fertilisers could not be improved by lowering the fertiliser prices, a representative of the Ministry of agriculture pointed out that:—

“There are two factors. If you reduce the price, the element of subsidy will be more and that will create other problems. Secondly, the major factor which affects the

consumption of fertiliser is weather condition. When the price was dropped by Rs. 100 in 1979-80, despite this the consumption growth rate went down drastically."

1.29 The Committee invited attention to the Press report about the change in the weather cycle and wanted to know if any study had been made to find out, if that had any effect on the cropping pattern or fertiliser consumption. In reply, the witness revealed:—

"A committee was appointed for that purpose. We got a note from the Prime Minister herself that we should examine closely whether there is a change in the weather conditions in the country and whether the change has affected the agriculture and the other fields and also about the rainfall, etc. DG, ICAR, DG Meteorological Deptt. our Agriculture Commissioner and other meteorological experts in the country, in their preliminary report, have said that there is nothing to indicate that the weather has been changing, but there is a fluctuation in the weather."

1.30 The Committee desired to know if it was a fact that indiscriminate consumption of chemical fertilisers like urea, year after year, produced adverse effects and made the soil unfit for production of grams. In reply, a representative of the Ministry of Agriculture explained:—

"If you apply nitrogenous fertiliser, such as urea, immediately the productivity is boosted upto 15 or 17 quintals per hectare. At higher levels of production achieved with application of nitrogen alone, the up-take of phosphorous which is an essential constituent of protein is also increased. With continuous application of nitrogenous fertilisers for three or four years, the phosphorous is reduced to such a critical level that unless its deficiency is made up, the soil fails to support normal growth of field crops.

ICAR has been operating an All India Coordinated Scheme on simple fertilisers experiments on cultivators' fields for the last 20 years. Earlier, we were conducting these experiments in Hissar district and now we have shifted to Bhiwani district. The result of these experiments show that with balanced application of nitrogenous and phosphatic fertilisers, it is possible to maintain the productivity of these soils.

We should have a balanced application of fertilisers. With the intensive cropping and with the introduction of high yielding varieties, there is very heavy depletion of the essential nutrients. When the depletion takes place, we do not replenish the required quantity. So, unless we make a balanced application of required quantity of fertilizers, there will be some limitation to production."

1.31 The Committee pointed out that sometimes uneducated farmers used wrong mix of fertilisers resulting in infructuous expenditure. Asked if it was not possible to carry out surveys to test the soil of each district and make available to farmers only that mix of fertilisers as would suit that soil, the witness assured that:—

"This is a very desirable objective. One has to do it. I am told that while deciding about the type of fertiliser mixture, the soil, type of the area which is in the command of that industry is always taken into account. I do not know how intensively this particular point is taken into account, but, nonetheless, this suggestion will be kept in view and I shall communicate to the Ministry of Chemicals and Fertilisers so that in future the demand of the particular factory, the type of soil and crop that it has, is duly taken into account in the production programme. I assure you that in future while making allocation of fertiliser to various States, we will try to match soil with that particular fertiliser that a particular manufacturer is producing. We will take into account this suggestion. Cases have to be checked that way and it has to be ensured that the fertilizer mix will be kept intact. We are grateful to you for your suggestion."

1.32 In a note furnished after evidence, Ministry of Agriculture intimated that at present 13 grades of "Complex fertilisers" are in use and these constituted 34 per cent of the total fertiliser used in 1981-82. Referring to the need for development and use of Bio-fertilisers, Ministry of Agriculture intimated in a Note that:

"A National Project on the development and use of Bio-fertilisers has recently been cleared by EFC. Its implementation would be taken in hand during the course of the current financial year and will be completed in two years. The project will cost Rs. 2.82 crores."

1.33 Bio-fertilisers are preparations containing active strains of selected micro-organisms which provide nitrogen to crops. The

importance of bio-fertilisers lies mainly in their ability to fix atmospheric inert nitrogen and make it available as nutrients for agricultural production. The fixation of nitrogen is carried out by the selected bacteria either in symbiosis with plants or as free living organism in the soil.

1.34 The Committee wanted to know whether Government agreed that such a project should have been conceived of much earlier. The Secretary, Ministry of Agriculture conceded in evidence:—

“We concede this type of project should have been taken up much earlier. The only constraint was that the preparation of culture and algae was quite specialised. They have to be done first in the laboratory. It is what is called ‘Mother culture’. From there, it gets multiplied into inoculum culture. We got necessary sophistication and training on the basis of which we prepared this project; this project was under consideration between 1979 and 1983; and finally it was sanctioned in 1983. Now we are taking it up on a national scale.”

1.35 The Committee find that while the consumption of fertiliser in India has gone up from the level of 42.86 lakh tonnes of nutrients in 1977-78 to 64.18 lakh tonnes of nutrients (Estimated) in 1982-83, the year-wise growth of consumption of fertiliser has not been uniform. Growth of consumption of fertiliser which was 19.14 percent over the previous year's consumption in 1978-79 declined to 2.7 percent in the subsequent year, i.e. 1979-80. After registering some improvement in the years 1980-81 (5 percent) and 1981-82 (9.93 percent) the growth rate slumped to 5.8 percent in 1982-83. The Secretary, Ministry of Agriculture attributed the fall in the growth rate of fertiliser to increase in the price of Urea in June, 1980 and July, 1981, droughts in 1979-80 and 1982-83 and inadequacy of cheap credit to farmers for the purchase of fertilisers.

1.36 Ministry of Agriculture have intimated that various steps have been taken by them to boost fertiliser consumption in India. These include increase in domestic production, import of fertilisers, increase in support price of crops to absorb increase in fertiliser prices, meeting transportation charges on distribution of fertiliser upto Block Headquarters, increase in distribution margin and launching fertiliser promotion campaign etc. The Committee, however, find that while the consumption of fertiliser per hectare of agricultural land in India has gone up from 0.5 kg. in 1951-52

to 36.6 kg. in 1982-83, i.e., 70 times, it is still far less than the consumption levels achieved by other Asian countries. For example, fertiliser consumption per hectare of agricultural land in 1980-81 was 367.6 kg. in Republic of Korea, 332.5 kg. in Japan, 66.7 kg. in Israel, 48.0 kg. in China, 43.4 kg. in Bangladesh and 39.8 kg. in Pakistan. The Secretary, Ministry of Agriculture pointed out in evidence that low level of fertiliser consumption in India is due to the fact that we get rains only in 4 months during a year and 70 per cent of our land is unirrigated in which lesser quantity of fertilisers is used, 85 per cent of fertiliser is consumed in 30 per cent of the area 30 per cent of our farmers do not use fertilisers at all. He also stated that the prices of fertilisers are much higher in India than those in other countries and this also adversely affects growth in fertiliser consumption. The Committee recommend that Government should devise a long term strategy and provide incentives to farmers to boost fertiliser consumption in India so as to bring it to the level of at least the developing countries of Asia.

1.37 The Committee are concerned to find that not only the level of fertiliser consumption in India is low, but there are wide regional imbalances also. While in Punjab the per hectare consumption of fertiliser is about 120 kg., it is 45 kg. in Haryana, 18 kg., in Bihar, 10.9 kg. in Madhya Pradesh, 7.9 kg. in Rajasthan, 52 kg. in U.P., 3.3 kg. in Assam and only 4.5 kg. in North Eastern Region. The Committee would like Government to analyse reasons for regional imbalance in fertiliser consumption and take appropriate measures to remove these imbalances.

1.38. The Committee are alarmed to find that repeated use of nitrogenous fertiliser alone reduces the phosphorous content of the soil and unless this deficiency is made up, the soil fails to support the normal growth of crops. Since this fact is not adequately publicised, the farmers using the nitrogenous fertiliser are likely to come to grief. The Committee would like Govt. to give adequate publicity to this fact in their fertiliser promotion publicity programmes. The Committee would also like Govt. to have soil testing in all the districts intensified and make available to the farmers only that mix of fertiliser which is suitable to the soil.

CHAPTER II

DISTRIBUTION OF FERTILISERS

A. Distribution Plan

2.1 The fertiliser requirements in the country are met through two sources, namely Indigenous Production and Imports. To distribute the then available quantities of fertilisers through imports and domestic production, the Government of India set up, in 1944, a Central Fertiliser Pool, to ensure an equitable distribution of available pooled quantities. This practice of pooling the indigenous production and quantities available through imports was continued thereafter in respect of main Nitrogenous Fertilisers up to December, 1965. During this period, the Government used to 'acquire' the available indigenous production from the domestic manufacturers and pay them a retention price for the same. The quantities so acquired were pooled with the imported quantities and sold at a uniform price throughout the country. The complex fertilisers, superphosphate and Ammonium Chloride produced indigenously at that time were marketed by the manufacturers themselves through private dealers and cooperatives. Within the States, the State Governments used to indent the required quantities of nitrogenous fertilisers from the Pool and distribute them in the States through the cooperative and private dealers.

2.2 In December, 1965, the Government of India announced a new policy granting freedom of marketing and pricing to the indigenous manufacturers of fertilisers with a view to attract more capital for this capital intensive industry. This policy laid down that fertiliser producers would be given freedom to market their products through agencies of their choice. Government would, however, have the right to take up for its own distribution, 30 per cent of the factories' production at prices to be negotiated with the factories. With the enunciation of the New Policy, the Government gave up acquiring the indigenous production in phases, completely giving it up from 1-1-1969. The power to acquire 30 per cent production was exercised only once, i.e. in July, 1972 and that also for Ammonium Sulphate for a period of six months. With the coming into force of the New Policy from 1966 onwards the domestic manufacturers were left free to choose their own channels of distribution.

They built up their distribution net works to supplement the then existing institutional channels.

2.3 In 1972, the Government brought the distribution of fertilisers by domestic manufacturers under the control of the Essential Commodities Act with a view to ensuring an equitable distribution and in keeping with the cardinal principle of the Government policy "to make fertiliser available in adequate quantity, at proper time, at proper place, and at proper price". This was necessitated because in the wake of shortage of fertilisers that occurred in 1971-72, there were complaints of non-availability of fertilisers, overcharging and other malpractices. Under this arrangement, a system of drawing up a coordinated supply plan in the country as a whole and notifying it under the Essential Commodity Act was brought in. Ministry of Agriculture have intimated that preparation of this plan involves the following steps:—

- (a) The requirements of each State/Union Territory/Commodity Board are assessed in accordance with a formula adopted by the Ministry. This formula takes into account the selection of the best season for each State since 1969-70, levels of fertilisers consumption in the best season, estimation of average dosages for that season, assessment of area under crops in the season, for which fertiliser requirements are to be estimated, conversion of area under different crops in that season to the standard area and finally estimating the fertiliser requirement for the ensuing season.
- (b) From the gross requirement so assessed, the likely opening stocks with each State/Union Territory/Commodity Board are deducted to arrive at the figure of Net requirements.
- (c) To the "Total requirements" is added a provision of 10 per cent for pipeline stocks. It is this 'Total net requirement' which is met from domestic sources and imports.
- (d) The likely availability from the indigenous production is assessed by the Ministry of Chemicals & Fertilisers and intimated to this Ministry.
- (e) This Ministry convenes tripartite Conferences, once before each cropping season, with the State Govts./Union Territory Administrations/Commodity Boards.

- (f) At these tripartite Conferences, the requirement of each State/Union Territory/Commodity Board for the ensuing season is finalised. For meeting the 'Total net requirement' referred to in (c) above, a Supply Plan is then drawn up. In this Supply Plan the supplies from each manufacturer concerned are indicated, State-wise. This broadly follows the pattern of economic marketing areas of each domestic manufacturer concerned.
- (g) The gap between the 'Total Net Requirement' and the likely availability from the indigenous production, is registered with the Central Fertiliser Pool to be met from the Imports.
- (h) The Supply Plan so drawn up is notified in the Gazette under the Essential Commodities Act.
- (i) In the notifications, it is clearly stipulated that each manufacturer must supply 1/6th of the allocated quantity of each State, every month.
- (j) As a matter of policy, no State is left to the mercy of any one manufacturer, or vice-versa, in the Supply Plan. This is done with a view to avoid disruption of continuous supplies to any State, or area thereof in case of any snag in the production/Supply line of any one manufacturer as well as to insulate the manufacturers against the possibility of being left with heavy stocks in the event of the State, whom their production has been allocated, not lifting the allocated quantities.
- (k) The supplies from the manufacturers and Pool Handling Agencies are reviewed periodically in order to see that all States etc. are being supplied according to the Supply Plan. Mid term corrections are promptly made, where called for.
- (l) For the supply of imported fertilisers to fill the gap between the "Total net requirements" and the availability from the domestic sources, another Supply Plan State Wise, fertiliser-wise and agency wise is drawn up. This is also monitored regularly.
- (m) Alongwith the Supply Plan for imported fertiliser is drawn up a "stock plan", state-wise and agency-wise for the coming consumption season. The allotment of imported quantities/shipments is made to satisfy the Supply

Plans for imported fertilisers for a particular season and the Stock Plan for the next season.

- (n) The stocks of imported fertilisers are maintained at convenient points in all the nooks and corners of the country, nearest to the consumption centres.
- (o) The fertilisers, whether imported or indigenous, are delivered right upto the Block Headquarters in the country at Government cost.
- (p) With a view to reaching as wider an area as possible and in order to penetrate the interior areas, more than 50 per cent of the fertilisers are distributed through Co-operatives and other institutional agencies. For this they are paid higher distribution margins.
- (q) Short term loans are granted to the States to enable farmers to purchase fertilisers. All the policies about credit are oriented towards affording greater purchasing power to the greater number of farmers.
- (r) Small and marginal farmers are given subsidies on fertilisers.
- (c) Fertilisers are sold at uniform prices throughout the length and breadth of the Country.
- (t) Government is indirectly subsidising fertilisers in a big way by keeping the cultivator's prices at levels lower than the cost of imports and/or cost of production of domestic fertilisers.

2.4 The Ministry of Agriculture have claimed that the above mentioned measures ensure equitable distribution of fertilisers in the country.

2.5 During evidence the Committee asked why under the Supply Plan a farmer living in an area close to the fertiliser factory had to pay the same price for fertiliser as a farmer living in a far off place. In reply, representative of the Ministry of Agriculture explained in evidence:—

“fertilizer is a vital input for agricultural production. That is as much needed by the farmer in Kanyakumari as in Kashmir. Fertiliser constitutes 27 per cent of the input of production of foodgrains. The public distribution issue price is common throughout the country. In that

scenerio, the input price should also be common for the whole country."

Another representative of the Ministry of Agriculture added:—

"two committees were set up by the Government. One is the Marathe Committee and the other is the Pandey Committee which looked into the entire sector. They have come up with the suggestion that the freight equalisation scheme should be phased out and over a period of time this should be done away with. It is their recommendation and it is awaiting a final decision from the Government. It will be gradually removed over a period of time so that the industries which are already set up in different areas do not suffer on account of this."

2.6. The Committee enquired if any State or Union Territory had complained about the formula adopted for allocation of fertiliser under the Supply Plan. In reply, the Secretary, Ministry of Agriculture said:—

"No State has so far complained about our system. They would have brought it to the notice in a general way during the Conference. On the other hand a number of countries in the world have appreciated our supply Plan."

2.7 The Committee recall that during the periodic 1944 (when Central Fertilizer Pool was set up by Govt.) to December, 1965, the available indigenous nitrogenous fertilizers, after being acquired from the domestic manufacturers by paying them a retention price, used to be pooled with the imported fertilisers and sold at a uniform price throughout the country. However, the complex fertilizers, super phosphate and Ammonium Chloride produced indigenously at that time were marketed by the manufacturers themselves through private dealers and cooperatives. In December, 1965 a new system under which indigenous manufacturers of fertilisers were given freedom to sell their products through agencies of their choice and at a price to be determined by them was introduced. Government retained the right to take up for its own distribution 30 per cent of the factories' production at prices to be negotiated with the factories, later, in the wake of shortage of fertilisers that occurred in 1971-72 and complaints of non-availability of fertilisers, overcharging and other malpractices a radical change in the system of distribution of fertilisers was effected. Government brought the distribution of fertiliser by domestic manufacturers under the control of the Essential Commodities Act with a view to ensuring an equitable and timely distribution at a reasonable price. Now that this system has remained in operation for

more than 10 years, the Committee recommend that Government should, in consultation with the State Governments/Union Territory Administrations/Commodity Boards, critically evaluate the system to find out how far it has been helpful in achieving the objectives underlying the Government's distribution policy and what further improvement can be made in the system to make it more efficacious.

2.8 At present fertilisers are being sold at uniform prices throughout the country and the equated freight is in-built in these prices. The Committee were given to understand in evidence that Marathe Committee (1977) and Pande Committee (1980) have suggested that the freight equalisation scheme for fertilisers should be phased out over a period of time. The Committee trust that Government will give most careful consideration to the proposal for phasing out the freight Equalisation Scheme in respect of fertilisers keeping in view the interest of the farmers in the remotest part of the country. So long as the equalisation of freight has to be continued it should be ensured that there is rational movement of fertilisers and the transport cost is kept at the minimum.

B. Distribution Agencies

2.9. A statement showing the quantum of fertilizers distributed through (i) private trade and (ii) co-operatives during each of the preceding 5 years and percentage of each to total fertilizers distributed is given below:—

(in lakh tonne NP)

Year	Total fert. consumption in the country	Share of Coops.	Percentage to total	Share of private trade & Others	Percentage to total
1977-78	42.87	21.43	49.50	21.44	50.50
1978-79	51.17	21.50	42.50	29.67	57.50
1979-80	52.55	23.50	45.00	29.05	55.00
1980-81	55.16	25.30	46.00	29.86	54.00
1981-82	61.00	28.67	47.00	32.33	53.00

2.10 The Ministry of Agriculture have stated that channels for distribution of indigenous fertilizers by domestic manufacturers in a State are left to be decided by the manufacturers themselves.

However, most of the manufacturers have been using the institutional channels in the States in a significant way. In so far as imported fertilizers are concerned, prior to May 1978, while potassic fertilizers were handled and distributed by the Indian Potash Ltd., non-potassic fertilizers were handled and distributed by the Food Corporation of India. However, from May 1978 Government have adopted a "multi-agency approach", under which besides the FCI, the following private sector/joint sector manufacturers were entrusted the handling and distribution of imported non-potassic fertilisers:—

- (i) Hindustan Fertilizer Corporation
- (ii) Rashtriya Chemicals and Fertilizers
- (iii) Southern Petro-Chemical Industries Corporation
- (iv) Mangalore Chemicals and Fertilizers.

2.11 The year-wise agency-wise break up of cost of handling of imported fertilizers during 1978-79 to 1982-83 is indicated below:—

(Rs. in crores)

Agency	1978-79	1979-80	1980-81	1981-82	1982-83	Total
SPIC	2.78	16.79	25.14	35.48	34.25	114.44
MCF	2.81	9.53	17.34	15.73	15.70	61.11
HFC	2.48	3.56	10.58	10.74		27.36
RCF	..	3.90	4.00	4.61	1.07	13.58
IPL	6.68	32.45	71.91	75.28	52.62	238.94
FCI	121.19	118.83	122.93	102.46	1.08	466.49
MFL	1.13	1.13
	135.94	185.06	253.03	244.30	104.72	923.05

2.12 The Ministry of Agriculture have, in a note, claimed that except the Food Corporation of India all other agencies have (i) their own marketing organisations (ii) better arrangements for packing of fertilizers (iii) lesser inventory carrying cost (iv) better extension and promotional services (v) lesser cost of handling of fertilizer. The Ministry have pointed out that the handling expenses per tonne for bulk fertilizer in 1981-82 were Rs. 726/- in the case of Mangalore Chemicals & Fertilizer and Rs. 649 in the case of Southern Petro-chemical Industries Corporation, while these amounted to Rs. 1620.00 in respect of Food Corporation of India.

2.13 In order to ensure that the Cooperatives get adequate share, Agriculture Ministry has prescribed certain percentage share for Cooperatives for each State, which must be offered to the Cooperatives in the first instance and if these quantities are not lifted within 30 days of the offer made (these 30 days period includes the time for making the financial arrangements and taking delivery etc.), the agencies concerned are free to dispose of the quantity so offered through other channels. The share fixed for cooperatives is 50 per cent for Maharashtra and Bihar, 40 per cent for Orissa, 25 per cent for Kerala, Karnataka, Rajasthan and Madhya Pradesh, 30 per cent for Tamil Nadu, 15 per cent for West Bengal and U.P. and 10 per cent for Andhra. 20 per cent has also been fixed for Agro Industries Corporations in Andhra Pradesh.

2.14 Asked whether share of Cooperatives in distribution of fertilizers within States had been going down and if so whether the matter had been taken up with the State Governments, a representative of the Ministry of Agriculture assured the Committee that:—

“We have been pleading with the State Governments and some of them have done well. For instance, take Gujarat, 80 per cent of the fertilizer distribution is through cooperatives in Gujarat. It is a direct linkage between manufacturers and the village level cooperative societies. In Punjab also, we have got focal-point system.”

The Secretary, Ministry of Agriculture, added:—

“The policy of the Government is to involve the cooperatives more and more because their network is spread in the interior. Through cooperatives, we have been able to link it with credit and also ensure quality of the inputs better than what is through the private sector.”

2.15 The Committee desired to know whether it was a fact that under the existing multi-tier system of distribution of fertilizers through Co-operatives, it is the Apex Cooperative Federation which kept a major portion of the distribution margin and left very little to the primary village societies. In reply, a representative of the Ministry of Agriculture admitted in evidence that:—

“By and large it started as a three-tier system when the main source of fertilizer was the import. At the State level we had the apex federation, at the district level we had the marketing society and at the village level, the primary marketing society. In the case of Andhra the apex federation is in a bad shape. But in other States you find that

this three-tier system is unnecessarily costly.... the apex federation is keeping a major portion of the margin and they are leaving very little to the village level cooperative societies with the result that they are not finding the business remunerative."

2.16 The Committee pointed out that if there was only one Co-operative Society in a village and that too becomes weak or defunct due to mis-management, how will the distribution of fertilizers be arranged. In reply, a representative of the Ministry of Agriculture explained:—

"Now, we have the system where there is one society for one village. Where there were many societies in one village, they were considered to be very weak societies, not viable societies and therefore a scheme of reorganisation of societies was started and processed by amalgamating three or four societies into one. This has happened to some extent in Andhra Pradesh and in other States, it has happened in a much bigger way. When the cooperative society becomes weak or defunct sometimes the Apex body or the marketing society comes in and starts distribution of fertilizers."

2.17 The Committee are surprised to find that among the public sector/joint sector manufacturers who were entrusted with the handling and distribution of imported non-potassic fertilisers under "Multi-Agency" approach adopted by Government from May, 1978, the handling expenses per tonne of bulk fertilizer have been the highest in the case of Food Corporation of India. For example, in 1981-82 while the handling charges were Rs. 726 in the case of Mangalore Chemical & Fertilizers and Rs. 649 in the case of Southern Petro-Chemical Industries Corporation there expenses amounted to Rs. 1620 in respect of the Food Corporation of India. According to the Ministry of Agriculture the multi-agency approach has resulted in an estimated saving of Rs. 235 crores in 1982-83 alone. The Committee would like Government to analyse why the handling charges of the Food Corporation of India are so high as compared to other distribution agencies.

The Committee would also like Government to consider whether similar multi-agency approach could be applied in the case of potassic fertilizers which are at present being distributed solely by the Indian Potash Ltd.

2.18 The Committee are concerned to note that though the share of cooperatives in distribution of Fertilizers in absolute terms has

gone up from 21.43 lakh tonnes NPK in 1977-78 to 28.67 lakh tonnes NPK in 1981-82, in terms of percentage, it has come down from 49.59 per cent in 1977-78 to 47.00 per cent of the total consumption in 1981-82. It is indeed surprising that fall in the share of the cooperatives should come about despite Government's policy of encouraging the cooperatives in this field. The Committee would like Government to step up the share of cooperatives in distribution of fertilizers as it is only the cooperatives who can reach out to the far flung interior areas of our country.

2.19 At present there is a three-tier system of cooperatives who handle the distribution of fertilizers, viz. (i) Appex Federation at the State level (ii) Marketing Society at the District level and (iii) Primary Marketing Society at the Village level. It transpired in evidence that there are reports that the Appex Level Federations keep a major portion of distributor's margin leaving very little margin for the village level cooperative societies with the result that these societies find the distribution business unremunerative. The Committee recommend that the Ministry may, in consultation with the State Governments/U.T. Administrations, fix fair distributors' margins for different levels of cooperative societies so that interest of cooperative societies in distribution of fertilizers is sustained.

C. Retail Outlets

2.20 In order to improve the delivery system of fertilizers, a target of opening 15,000 additional retail fertilizer sale points was fixed during the Productivity Year 1982. As against this, 20,000 retail outlets were added.

By 31 March, 1983, total number of retail outlets has gone upto 1.33 lakhs. The Committee wanted to know whether the number of retail fertilizer sale point in the country was considered adequate and if not, was there any programme to augment the number in the years to come. The Secretary, Ministry of Agriculture, during evidence stated:

"So far as adequacy of the number of retail points is concerned, there are about 5 lakh villages in the country and we have at present 1,33,000 sale points. It comes to about 4-5 villages per sale point. Our programme for increasing the number of sale points for 1983-84 is 15,000 more. Numerically, it may appear that this number of sale points is adequate. With 15,000 more, this adequacy will be numerically better achieved. But I am worried that the distribution of the sale points in the interior is

concentrated near the Block Headquarters of the townships or near irrigated areas. But I am not so sure whether the distribution is as it should be in the dry land areas, interior areas, backward areas, hilly areas and so on. Therefore, unless there is a deliberate policy and attempt to disperse these sale points in the interior, it will not be to the advantage of the backward areas.”

2.21 When asked why the distribution of fertilizers, seeds and other inputs could not be made through village cooperatives, the witness assured:—

“In May 1982, out of 1,15,000 sale points, as many as 43,000 are through cooperatives. Your point is well-taken that if distribution of seeds and other inputs is made entirely through cooperatives in the villages, they will reach the interior. Our policy is to encourage the cooperative societies to take up this task of distribution of inputs.”

A representative of the Ministry however pointed out:

“We had historically speaking, three-tier system in the cooperative fertilizer marketing. Distribution through this system is becoming unnecessary and costly and the margin which the cooperative is getting is very low with the result they are not finding it profitable to get into the fertilizer business. In fact, some of them have withdrawn from this business. They are suffering losses. Most of the apex level and State-level federations are incurring heavy losses. We have been trying for more storage areas of the manufacturers or of the handling agencies in the interior and direct link between village cooperative societies and the manufacturers”.

2.22 The Committee asked whether there was any scheme to give incentives to those dealers who open their sale points in the interior areas. In reply, the witness said:

“Our policy is to open more sale points in the interior and we are trying to get some powers by amendment of the Fertiliser Control Order or through similar means to give some preferences to those who open sale points in the interior or unpopular areas. I am told by my colleague that in Maharashtra, there is some system of giving incentive to those dealers who open their sale points in the interior. We will examine that too and, if

necessary, we will try to encourage other States also to follow a similar policy.”

2.23 The Committee find that as against 5 lakh villages in the country, there are only 1.33 lakh retail outlets for distribution of fertilizers i.e. one sale point for 4 to 5 Villages. During evidence the Secretary, Ministry of Agriculture admitted that while numerically the number of retail outlets might appear to be adequate, there was need to disperse these sale points in the interior to serve the people living in backward areas. The Committee stress the need to strengthen the distribution system in dry land areas, interior areas, backward areas and hilly areas to ensure timely and adequate availability of fertilizers to farmers living in such areas. The Committee were given to understand that in Maharashtra there is some system of giving incentive to dealers who open their sale points in the interior areas. If that system proved successful there, Government would do well to commend that system to other State Governments.

D. Movement of Fertilisers

2.24 The various modes available for transportation of fertilisers are Rail, Road, Coastal Shipping and Inland Water Transport, Railways are the predominant mode of transportation of both imported and indigenous fertiliser in India. The following figures would indicate the actual movement of fertilisers by rail vis-a-vis total quantity distributed for the last five years:

Year	Quantity distributed	Traffic moved by rail	Percentage of total	Expenditure incurred by Ministry of C&F on payment of equated freight for marketing of Fertilisers by rail/road
(Million tonnes)				
1977-78	9.8	8.2	83.7	
1978-79	10.8	8.5	78.7	
1979-80	11.9	8.2	68.9	42.33
1980-81	12.1	8.1	66.9	98.23
1981-82	13.4	9.5	70.8	185.10
1982-83	13.5	8.5	62.9	242.97

(Rs. in crores)

2.25 Next to rail, road plays an important role in transportation of fertiliser from the factories and ports. Very insignificant role is played by the other two modes viz. Coastal shipping and inland water transport. Ministry of Agriculture have intimated in a Note, that "Exact Statistics about the quantity moved by modes other than rail are not available".

2.26 The Ministry of Agriculture have reported that "Availability of railway wagons for movement of fertilisers has been satisfactory for the last two years and continues to be so. Earlier shortage of wagons was experienced at different points of time requiring transportation by road even to uneconomical distances".

2.27 Till the end of 1980 Railways permitted movement of fertilisers in piecemeal as well as in rakes and after that switched on predominantly to the pattern of block rake movement. This was done with a view to reduce the turn round time of wagons. As a result of change in the pattern of movement through block rake, railways could carry an all time record fertiliser traffic of 9.5 million tonnes during 1981-82.

2.28 Ministry of Agriculture have claimed that as a result of persistent efforts made by the Ministry of Agriculture during the last few years many irrational and criss-cross movements of fertiliser have been largely eliminated in consultation with the Ministry of Railways and the fertiliser industry. This, it has been stated, brought about considerable reduction in the lead of fertiliser movement as would be seen from the following figures:—

Year	Average lead in KMs
1978-79	1038
1979-80	1122
1980-81	1086
1981-82	1010
1982-83	949

2.29 Today, most fertilisers are delivered at Block Headquarters, both by the domestic manufacturers as well as by the Pool Handling Agencies, at Government's expense.

2.30 The Committee desired to know why the percentage of movement of Fertilisers by rail had been going down year after year so much so that from 83.7 per cent in 1977-78, it had come down to 62.9 per cent in 1982-83. The Ministry of Agriculture have adduced the following reasons for this declining trend:

- (i) Almost 100 per cent hike in railway freight during the last 2-3 years.
- (ii) Railways' policy to discourage picemeal movement of fertilisers.
- (iii) Railways policy to discourage movement of fertilisers through transshipment points by asking manufacturers to open transshipment dumps like the one opened by IFFCO at Sabarmati and the suggestion given to Hindustan Fertiliser Corporation at Namrup to open a dump at Gauhati.
- (iv) Drop in imports by more than 50 per cent from 27.59 lakh tonnes nutrients in 1980-81 to 20.47 lakh tonnes in 1981-82 and 11.33 in 1982-83. This traffic used to almost always move by rail. While at one time the volume used to be between 2 to 3 lakh tonnes per month, during the current financial year it was only 30,000 tonnes per month.

Elaborating further on the depressing affect of the Railways' insistence on block rake movement, the Ministry of Agriculture have stated, in a Note that:—

“It is true that because of Railways' insistence on block rake movement, fertiliser industry had to resort to road movement to areas where demand is low. This point has been

brought to the notice of the Railways with the request that they should offer piecemeal wagons or allow the industry to load rakes for 2-3 destinations. This has also been agreed to as a matter of principle but railways would like the industry to tie up their specific needs with the concerned zonal railways. The industry has been advised to take advantage of this offer”.

2.31 The Committee find that of the total quantity of fertilisers distributed in the country, the percentage moved by rail has declined from 83.7 per cent in 1977-78 to 62.9 per cent in 1982-83. In physical terms the fertiliser traffic moved by rail has remained almost static around 8.1 to 8.5 million tonnes with the exception of 1981-82 when it rose to 9.5 million tonnes. Greater reliance on transport of fertiliser by road which is costlier, could have been one of the reasons for the considerable increase in expenditure incurred by the Ministry of Chemicals and Fertilisers on payment of equated freight for marking of fertilisers which leapt from Rs. 42.33 crores in 1979-80 to as much as Rs. 242.97 crores in 1982-83. The decline in the percentage moved by rail has been attributed to (i) 100 per cent hike in railway freight during recent years, (ii) Railways' policy switch over from movement of fertilisers piece-meal to predominantly block rake movement pattern from 1981, (iii) Railways' insistence on manufacturers opening transshipment dumps and (iv) drop in imports. The Committee were assured in evidence that considering the difficulties being faced by the fertiliser industry, the Ministry of Railways have already covered in principle to other piecemeal wagons or allow the fertiliser industry to load rakes for two to three destinations. The Committee would like the Ministry of Chemicals & Fertilizers to see to it that the fertiliser Industry takes advantage of the offer of the Railways and ties up their specific needs for wagons with the concerned Zonal Railways.

E. Adulteration and Malpractices in Fertiliser Trade

2.32 There are about 1.33 lakh fertiliser dealers in the country. Cases of black marketing of fertilisers and sale of sub-standard, adulterated fertilisers continue to arise year after year, despite the fact that the Fertiliser (Control) Order, 1957 contains comprehensive regulatory measures which provide for registration of fertiliser dealers ensuring the standard of quality, packaging of fertilisers, display of prices and daily stocks of fertiliser etc. During the period 1978-82 (5 years) as many as 117 cases of black marketing and 11,986 cases of sale of sub-standard|adulterated fertilisers were detected. Prosecution was launched in 822 cases only and action

under the Control Order taken in 6,170 cases. Details are given below:—

Sl. No.	Year	No. of cases of black marketing detected	No. of samples drawn	No. of samples found sub-standard/adulterated	No. of prosecutions launched	No. of action taken under FCO	No. of other action taken
1.	1978	51	26,924	2999	224	2671	--
2.	1979	18	25,331	2772	161	1261	29
3.	1980	15	20,954	1561	187	523	584
4.	1981	22	35,582	3135	182	1370	276
5.	1982	11	22,657	1519	68	345	254
TOTAL :		117	1,31,448	11,986	822	6170	1143

2.33 Action against fertiliser dealers found guilty of selling sub-standard/adulterated fertilisers or indulging in black marketing in fertilisers etc. is taken by the State Governments concerned under the Fertiliser (Control) Order.

2.34 Under the Fertiliser (Control) Order, 1957 a non-standard fertiliser can be sold, offered for sale, stocked or exhibited for sale or distributed after super-scribing as "Non-standard" and putting a sign 'X' both in red colour. For the disposal of the non-standard fertiliser, a separate certificate of authorisation is needed from the registering authority. Price of such a fertiliser is required to be fixed by the registering authority on the basis of analysis and nutrient content. The Central Government have, however, the power to exempt any agencies distributing fertilisers on its behalf from complying with these conditions.

The Committee desired to know, during evidence, the quantity of non-standard fertilisers consumed during each of the last 5 years. The Secretary informed the Committee:

"The FCI holds the major quantum of buffer stock. In view of the long storage, some quantity of fertilisers loses its nutrient value. In 1980-81 they disposed of 7075.6 tonnes, in 1981-82—15,7991 tonnes and in 1982-83—12029.7 tonnes of fertiliser. In respect of indigenous

manufacturers and other agencies, the quantum of non-standard fertilisers is very negligible.”

2.35 The Committee wanted to know why action had been taken in only 8,135 cases out of 11,986 cases of sub-standard|adulterated fertilisers. In reply, Ministry of Agriculture explained that:—

“When some malpractice comes to notice, the matter requires some further investigation, including opportunity being given to the accused to explain his position, before an action is taken against him. For taking action administrative approval etc. is also required. These things take some time. Therefore, in all the cases of malpractice, action is not complete in the same quarter in which such cases took place. This leaves a gap in the quarterly report of the State Government relating to the number of cases detected for malpractice and the number of action taken thereon. Moreover, in some cases of minor nature only warnings etc. are issued by the State Govts. However, the State Govts. have been asked to furnish detailed information on this point, which is awaited despite repeated reminders.”

2.36. Replying to the question that in case the machinery of the State Govts. to check the sale of sub-standard|adulterated drugs to farmers has not been very effective, should not the Central Govt. also involve themselves in greater measure in this field, the Secretary, Ministry of Agriculture pleaded in evidence that:—

“The enforcement of the law is with the State Govts. we can only help them, cajole them, and ask them to enforce the law more strictly. It will be helpful if we can have some sort of Central assistance scheme for the appointment of more inspectors and more laboratories so that there is a vast network of laboratories and fertilizer inspectors throughout the length and breadth of country. The Govt. of India also has been sending inspectors periodically to different States to get reports. On the basis of an analysis of the reports the State Govts. are requested to take necessary action. We have been making periodical references to the manufacturers also. We often insist upon the manufacturer that they should also take some moral responsibility, if not legal. We have

been requesting them that they should also give to the dealers a share and take samples and ensure that the farmers get the right type of fertiliser. The farmers are also interested in it, to see that the fertiliser of standard specification is sold and not adulterated. The State Govts. and the manufacturers have to play a role for this purpose."

2.37 Reporting the result of surprise checks made by the Central teams, in UP and Haryana the Ministry of Agriculture have, in a note furnished after evidence, stated:—

- (i) During the year 1982-83, 8 districts of UP namely Agra, Etah, Mainpuri, Allahabad, Mathura, Rai Bareilly, Lucknow and Sultanpur were visited by the officers of the Ministry of Agriculture and 61 samples were collected in a surprise manner. Out of these samples, 22 samples were found to be non-standard. The analysis reports were sent to the State Govts. with the request to take action against the offenders under provisions of the Fertiliser (Control) Order. During the year 1983-84, the Central Fertiliser Squad again visited 8 districts namely Bullandshahar, Muzzaffarnagar, Ghaziabad, Meerut, Gorakhpur, Allahabad and Lucknow. 56 samples were collected during these surprise visits out of which 22 samples were found to be non-standard. The reports have been sent to the State Govt. with the request to take action against the offenders. The Govt. of UP has been reminded in the matter with the request to inform regarding the type of action taken in the matter.
- (ii) In Haryana, 28 samples were collected out of which 4 were found to be non-standard.

2.38 Replying to a question about adequacy of Inspectors deployed to check adulteration of fertilisers, the Secretary, Ministry of Agriculture expressed the following view in evidence:

"Considering the number of samples that are being taken my feeling is that the number of Inspectors is not adequate in the country to meet this demand. There is a system by which regular Inspectors are appointed on a full time basis; there is another system by which Inspectors are appointed on a part-time basis under the Fertiliser Control Order so that they are authorised to take samples

and test them. Even if I take a sample, it will not be valid in the court of law. Having taken a sample, it has to be tested in a notified laboratory. This notification about a laboratory and the person who is authorised to take a sample has to be done by the State Government. According to the information, in the whole country, there are about 580 full time Inspectors. Though the complete and up-to-date information is not available, there are some States like Andhra Pradesh, Assam, Bihar, Karnataka, etc. where the part-time officers who have been declared as Inspectors are 11,337. So, the total is between 11,000 and 12,000 as per the information available with us. It may be a little more also.

2.39 Asked if it was a fact that the adulteration of fertilisers was affecting the Small and marginal farmers, more because it were they who purchased loose fertilisers, a representative of the Ministry of Agriculture conceded:—

“Those farmers, who can not purchase full bag, take only loose fertilisers. In their cases the adulteration is taking place. Therefore we decided to sell it in small packages, so that chances of adulteration may minimise.”

2.40 The Committee wanted to know if the Fertiliser (Control) Order should not be amended to make the control or sale of adulterated sub-standard fertiliser tighter, the Secretary, Ministry of Agriculture assured that:—

“the purpose of control order is to ensure equitable distribution of fertilisers of good quality and at reasonable prices. In order to achieve these objectives, 64 amendments have been issued from time to time. With the revision of Fertiliser Control Order which is on the anvil, the objectives will be achieved...The Control Order itself has been reviewed and a revised fertiliser Control Order will be issued shortly in consultation with the Ministry of Law.”

2.41 The Committee are perturbed to find that despite the fact that the Fertiliser (Control) Order, 1957 contains comprehensive regulatory measures which provide for registration of fertiliser dealers, ensuring the standard of quality, packaging of fertilisers, display of prices and daily stocks, malpractices like black marketing and sale of sub-standard and adulterated fertilisers are rampant. Ministry of Agriculture have reported that during the last 5 years (1978—82),

as many as 117 cases of black marketing and 11,986 cases of sub-standard/adulterated fertilisers were detected. Prosecution was launched in 822 cases, action was taken under the Central Order in 6170 cases, and "Other" action was taken in 1,143 cases. It transpired in evidence that a revised Fertiliser (Control) Order likely to be issued shortly in consultation with the Ministry of Law. The Committee feel that if the existing Fertiliser (Control) Order, 1957 has failed to check such malpractices in the fertiliser trade, the proposed revised Control Order should provide for a stricter control and more stringent penalties.

2.41A The Secretary, Ministry of Agriculture pleaded in evidence that as the enforcement of the Fertilizer (Control) Order is the responsibility of the State Governments "we can only help them, cajole them and ask them to enforce the law more strictly." He pointed out that the Central Government had been sending their own Inspectors on surprise checks. For example, during 1982-83, in 8 districts of UP where surprise check was carried out, 22 out of 61 samples were found non-standard. In the subsequent year i.e, 1983-84 in surprise checks conducted in UP by the Central Fertilizer Squad 22 out of 56 samples collected were found to be non-standard. However in Haryana only 4 out of 28 samples were found non-standard. The Committee recommend that the State Governments should be advised to strengthen and tighten their control on the distribution network to ensure availability of fertilisers of requisite quality at fixed prices. If the existing number of Inspectors (reported to be 580 full time and 11,337 part-time) is inadequate to cope with this task, their strength should be suitably increased as early as possible with assistance provided by the Central Government.

F. Storage

2.42 For any distribution system to be efficient and successful, the existence of well-maintained, well-spread and well-run chain of storage points is a must. The role of the Ministry of Agriculture in the distribution of fertilisers, therefore, extends to this field also. The broad guidelines are provided by the Ministry of Agriculture. It also reviews the position of availability of adequate storage space at all the required places. In so far as imported fertilisers are concerned, adequate stocks are maintained in over 500 Centres at points nearest to the consumption centres.

2.43 The Ministry of Agriculture have intimated that according to Central Warehousing Corporation, State Warehousing Corporations, NCDC and the Food Corporation of India approximately 9 million ton-

nes capacity is already available with them. The break up is as under:—

	Storage capacity (lakh tonnes)
1. Central Warehousing Corporation	17.0
2. Central Warehousing Corporation .	34.0
3. National Cooperative Development Corporation.	37.0
4. Food Corporation of India	3.0
	91.0

2.44 Answering a question about the stocks of fertiliser laying with the Food Corporation of India, a representative of the Ministry of Agriculture indicated in evidence that as on 1st July, the stocks of Fertilisers were as under:—

As on 1st July	Stock (in Lakh tonnes)
1979 .	14.31
1980 . .	15.51
1981 . .	16.57
1982 . .	16.83
1983	13.72

2.45 According to Press Reports, in August, 1983, Govt. announced a rebate of 10 per cent on sale of stock of imported fertilisers lying with the FCI for more than two years. Such stock consisted of 9.07 lakh tonnes of urea and 3.87 lakh tonnes of DAP. This rebate was over and above the reduction in prices to the extent of 7.5 per cent.

2.46 During evidence, the Committee desired to know the basis for allowing 10 per cent rebate on FCI's stock of imported fertilisers. In reply, a representative of the Ministry of Agriculture explained:—

"The basis for arriving at this 10 per cent has nothing to do with the comparison of prices outside. It is pure and simple economics. If the speed at which the FCI have been

able to dispose of these stocks particularly during the last few years were to continue, they may take 4-5 years to dispose of all the stocks. But this will mean a very heavy inventory cost. We feel that if we can dispose of these stocks within 2 years, it can lead to a saving of Rs. 130 crores to us. We are utilising this inventory cost saving in two ways. Firstly, the agencies which have been involved in lifting the stocks from the FCI godowns are required to re-pack using absolutely new bags and total re-standardisation so that the weight is perfect. Naturally, they will incur certain expenditure on this. They may also have to keep the stock for two or three months and that will add to the inventory cost."

2.47 Asked whether it was a fact that the fertilisers on which rebate was allowed had lost some of its nutrient value, Secretary, Department of Food stated "I am told that they have not lost their nutrient value and that they are all right. The only thing is that they have become two years old. . . ." Secretary, Ministry of Agriculture added: "What was worrying was the fact that the age of the fertiliser had been going longer. Some of the fertilisers were very old—two to five years."

2.48 Asked to state the steps taken to improve the turnover, the witness said:—

"The fertiliser stock with the FCI was only 11.74 lakh tonnes in 1978-79; it went upto 17 lakh tonnes in 1982. We got a little worried about this increased stock with the FCI. They did not have their own market. We suggested that they should try to sell this fertiliser in those areas where there was shortage of fertiliser. Then they started their own marketing network. Due to our determined effort to reduce the stock of fertiliser and the cooperation that we got from the FCI, we have been able to reduce the stock of fertiliser with the FCI from 17 lakh tonnes in 1982 to only 13.7 lakh tonnes in 1983. We hope this stock will move into the field very fast."

2.49 In reply to a query whether it was a fact that sometimes State Govts. had not lifted the fertilisers allocated to them resulting in accumulation of stock, the witness explained:—

"If we find that certain States are not lifting fertilisers—or reverse may also be true i.e. States are prepared to lift, but the

manufacturers are not able to supply fertilisers or the pool handling agency is not in a position to supply—we try to adjust the requirement and supply in which a manner that the requirements of the various States are met with as much satisfaction to all concerned as possible. As Mr. Gangopadhyaya said, for certain reasons beyond our control—e.g. where the assessment for a particular year does not come true, and as had happened in the case of Food Corporation, the State Govts. are not able to utilise the allocation that we made at the Centre. It is also important that imported fertilisers are supplied only to meet the deficit arising out of shortage of indigenous fertiliser, i.e. to the extent the manufacturers who are allotted particular States are able to meet the full requirements of that particular State, to that extent the imported fertiliser is not used.”

2.50 Dealing with the impact of weather on the turnover of Stocks of fertilisers, the witness assured “we do tuning every month. But if the whole country suffers from widespread drought, as happened in 1979 and 1982, then perhaps the inevitability of certain stock piling up with some agency is there.”

2.51 The Committee are unable to appreciate how FCI could accumulate nearly 13 lakh tonnes of 2 to 5 year old stock of imported fertilisers which had to be disposed of at prices reduced to the extent of 7.5 per cent with a further rebate of 10 per cent. They feel that such a situation could not have developed unless the imports and distribution were not properly synchronized over a period. They recommend that the position should be examined in depth to ascertain the reasons for the accumulation of stock of imported fertilisers with the FCI, fix responsibility for lapses of various levels, if, any, and suggest improvement in the systems and procedures in this behalf to prevent recurrence of such unpleasant and costly situations.

CHAPTER III

FERTILIZER PRICES

A. Expenditure on Procurement and Distribution

3.1 According to the data furnished by the Ministry of Agriculture the budget estimate, revised estimate and actual expenditure on the procurement and distribution of fertilizers during the years 1977-78 to 1982-83 was as under:—

(Figures in Crores of Rs.)

Year	Budget Estimates.	Revised Estimates.	Final Grant	Expenditure	Savings and % of Savings*	
1977-78 .	434.14	549.69	504.16	500.96(-)	3.20	0.64
1978-79 .	567.86	770.01	755.01	752.05(-)	2.75	0.39
1979-80 .	635.66	887.90	858.90	856.62(-)	2.28	0.26
1980-81 .	989.31	1314.31	1314.31	1311.82(-)	2.48	0.19
1981-82 .	1238.70	1163.70	1113.70	1118.22(-)	0.48	0.04
1982-83 .	1174.34	593.33	539.33	539.24(-)	0.09	0.02

Fertilizers are obtained from two sources viz. domestic production and imports. For equitable distribution of these fertilizers, the indigenous production of various manufacturing units is allocated by the Central Government to different States as per the needs of different States/Union Territory/Commodity Boards. Imported fertilizers are used by way of residual supplies to cover deficit registered with the Central Fertilizer Pool. This pool was set up in 1944. The financial support for the operations of the Pool is provided under non-plan Scheme. The

year-wise expenditure and revenue of this Pool has been indicated as under:—

Year	Expenditure	Recovery	Percentage Shortfall
1978-79 . . .	752.06	631.98	15.9
1979-80 . . .	856.62	574.82	33.0
1980-81 . . .	1311.83	976.57	25.9
1981-82 . . .	1118.22	1018.00	9.0
1982-83 . . .	539.24	483.57	10.3

3.2 Ministry of Agriculture have intimated that the following amounts of subsidy were paid by Govts. on indigenous and imported fertilizers since 1978-79:—

Year	Indigenous	Imported	Total
			Rs. in Crores
1978-79 . . .	172.17	120.08	292.25
1979-80 . . .	320.87	282.00	602.87
1980-81 . . .	170.00	335.00	505.00
1981-82 . . .	275.00	100.22	375.22
1982-83 . . .	550.00	55.67	605.67
	1488.04	892.97	2381.01

3.3 The subsidy is given at source to the manufacturers in respect of indigenous fertilizers for covering cost of production, marketing, transportation, etc. In the case of imported fertilizers, the subsidy is a difference between the expenditure incurred by the Government for import, shipment, handling at the ports; transportation, warehousing etc. and the realisation of the Government on the basis of the statutorily controlled prices minus distribution margin and handling and transportation cost.

3.4 The Secretary, Ministry of Agriculture informed the Committee in evidence that Distribution Margin on Distribution of fertilisers.

is allowed at the following scale:—

- (a) The distribution margin before 15-8-1981 was Rs. 115 per tonne of Urea for cooperatives and Rs. 105 per tonne of Urea for the private and other sectors;
- (b) From 15-8-81, distribution margin was raised on ad hoc basis to Rs. 140|- for the cooperatives and to Rs. 120|- for the non-cooperatives.
- (c) From 20-5-83 the distribution margin was further raised from Rs. 140|- to Rs. 150|- for the cooperatives and from Rs. 120|- to 130|- for the other sectors. This was done after considering the Report (April 1982) of the Fertilizer Planning and Development (India) Ltd., a public sector undertaking.

3.5 The witness explained that the increase in distribution margin was necessitated primarily because of the high-inventory carrying costs, rise in the price of fertilizers, increase in the transportation cost, increase in the price diesel as also increase in the storage charges, the increase in the rate of interest as also increase in the handling expenses.

3.6 A retention Price Scheme is in operation since November, 1977 to ensure that if a fertilizer plant operates at 80 per cent capacity utilization, it gets a return of 12 per cent (post-tax) on its cost of production. The consumers are supplied fertilizers at statutorily fixed retail prices which are uniform through the length and breadth of the country. These prices are as under:—

Product	Prices during 10-3-79 to 7-6-80	Prices fixed from 8-6-80	Prices fixed from 11-7-81
Urea (46%)	1450	2000	2350
(26%)			
Muriate of Potash	805	1100	1300
Di-ammonium Phosphate	2200	3050	3600

3.7 Ammonium Sulphate, Ammonium Chloride, Calcium Ammonium Nitrate and Zinc Sulphate are outside the ambit of statutory

control. The Committee desired to know why these fertilizers had been left out. In reply, the Ministry of Agriculture have explained, in a Note that:—

- (i) the consumption of these fertilizers is low;
- (ii) Ammonium Sulphate and Calcium Ammonium Nitrate are mainly used for cash crops and plantations;
- (iii) Ammonium Chloride is largely used for industrial purposes. Statutory fixation of price of this fertilizer may result in its unauthorised diversion to industrial use;
- (iv) Zinc Sulphate is a new fertilizer and its use on large scale has yet to pick up. Besides, it is manufactured in the small-scale sector and it would be extremely difficult to fix Retention Price for this fertilizer.

3.8 The Committee desired to know what factors were taken into account while fixing retail prices of fertilizers. In reply, the Ministry of Agriculture have intimated the following factors:—

- (a) the cost of production of indigenous fertilizers,
- (b) the C&F cost handling and distribution expenses etc. of imported fertilizers,
- (c) the ability of farmers to pay,
- (d) the need for promoting the use of specific grades of fertilizers.

3.9 Defending the 38 per cent hike in fertilizer prices in June, 1980 and 18 per cent rise in July, 1981, the Ministry of Agriculture have stated that:—

- (a) The increase in the prices of fertilizers in 1981 was effected in the light of the Cabinet decision to peg the fertilizer subsidy at the same level as in 1980-81;
- (b) In regard to the cost of production of indigenous fertilizers, there has been an increase in prices of Naptha, fuel oil, Potash, coal, power etc. The increase was of the order of 331 crores between 1980-81 and 1982-83. During this period rail freight was increased by about 80 per cent. The price of gas which was Rs. 330/- per thousand cubic meter upto 1981-82 went upto Rs. 1550/- per thousand

cubic meter and further upto Rs. 2170|- per cubic meter. Similarly Naptha which was priced at Rs. 650|- per tonne in 1979-80 increased to Rs. 1450|- per tonne in 1981-82.

(c) As regards imported fertilizers, the cost of handling and distribution has gone up marginally mainly because of:

(i) increase in freight charges, both rail and road.

(ii) Larger inventory holdings by some handling agents due to lesser off-take. This was because of increase in indigenous production and lesser demand due to drought conditions.

3.10 The Committee asked if it was not possible for Government to ensure that prices of fertilizers once fixed remain stable for a few years. In reply, the Ministry of Agriculture have intimated that:—

“The cost of production of indigenous fertilizers has been going up because of rise in price of inputs, raw-materials, freight charges etc. The burden of subsidy on both imported and indigenous fertilizers has also been increasing as a result of escalation in cost of production of indigenous-fertilizers and cost of imports. As a result, the prices of fertilizers had to be revised upward in 1980 and 1981. However, from July, 1981 till June, 1983, there was no change in the prices of fertilizers and price stability was maintained. Fertilizer prices have been reduced with effect from June, 1983 by about 7.5 per cent.

3.11 At present retail prices of fertilizer are uniform throughout the country with the result that small and Marginal farmer gets fertilizer at the same rate as a rich farmer. Asked if it would not be advisable to introduce dual pricing, a representative of the Ministry of Agriculture opined that:—

“Price of fertilizer to the consumer is uniform throughout the country whether to the marginal or small farmer but there are various schemes for small and marginal farmers by which certain State Governments are giving certain concessions. Dual pricing in fertilizers will lead to lot of mal-practices in the rural sector.”

3.12 The comparative prices of fertilizers paid by the farmers per 100 Kg. of plant nutrient in different countries during 1980-81 were as under:—

	(Rs. per 100 kg.)				
	A/S	Urea	SSP	MOP	DAF
India	787	484	582	213	—
Egypt }	276	261	—	—	—
Bangladesh	—	341	—	169	—
Korea-Rep. of	554	449	—	117	—
Pakistan	372	375	259	—	173
Denmark	557	432	711	276	—
France	586	—	505	269	—
U.K.	—	—	550	—	—

3.13 The Committee wanted to know why fertilizer prices were higher in India than in many other countries. In reply, the Ministry of Agriculture have pleaded in a note that:—

“It is true that the prices of fertilizers in India are higher than in many other countries. However, fertilizer prices cannot be seen in isolation. They have to be compared with other prices also. Besides, they have to be seen in relation to output prices. In 1979-80, nitrogen prices/paddy price in India was 3:32. In Philipines, this ratio was 3:35 and in Nepal 4:68. Thus in comparison to these countries the cost benefit ratio was better for the farmers. Another reason behind high prices of fertilizer is high cost of inputs for the manufacturer of fertilizers. These have risen very sharply during the last few years resulting in increase of fertilizer subsidy to very high levels and thus consequently increase in fertilizer prices. However, to give the farmer a better cost benefit ratio, the Government of India reduced the prices of fertilizers by 7.5 per cent on 27th June, 1983. Besides more than 2 years old FCI fertilizer was reduced in price by a further 10 per cent.”

3.14 The Committee note that a Central Fertilizer Pool was set up as back as in 1944 for procurement and distribution of indigenous and imported fertilizers. The financial support for the operation of this Pool is provided under non-plan scheme. The Committee find that though during the last 5 years (1978-83) the revenue of this Pool had always fell short of its expenditure, the percentage shortfall has come down from 33.0 in 1979-80 to 10.3 in 1982-83. The Committee feel that there is scope for economy in the cost of the operations.

3.15 The Committee find that before 15 August, 1981 distribution margin was allowed to cooperatives at the rate of Rs. 115 per tonne of Urea and to others at Rs. 105 per tonne of Urea. From 15 August, 1981, the margin was raised on ad hoc basis from Rs. 115/ to Rs. 140/- per tonne for the cooperatives and from Rs. 105/- to Rs. 120/- per tonne for other. On 20 May, 1983 this margin was again raised to Rs. 150/- per tonne for cooperatives and Rs. 130/- per tonne for other Sectors. The last increase was based on the Report (April, 1982) of the Fertilizer Planning and Development (India) Ltd. The Committee would like Government to consider how far it is practicable that instead of fixing the distribution margin as a fixed sum per tonne, it may be in terms of a fixed percentage on sales. This would obviate the need for frequent revision of distribution margin. If, however, this is not possible, it should be ensured that there should be prompt revision at periodic intervals say once a year having regard to all factors.

3.16 The Committee find that the retail prices of fertilizers per 100 Kg. of plant nutrient that the farmers in India have to pay the highest as compared to what their counterparts paid in other countries viz. Egypt, Bangladesh, Republic of Korea, Pakistan, Denmark, France and U.K. Despite the fact that droughts of 1979-80 and 1982-83 had eroded the paying capacity of farmers in India, Government increased the prices of fertilizers to the extent of 35 per cent in June, 1980 followed by another hike of 18 per cent in July, 1981. The Ministry of Agriculture have pleaded that 1981 increase was effected in the light of the Cabinet decision to peg the fertilizer subsidy at the same level as in 1980-81. It has been pointed out to the Committee that the price of Gas has gone up from Rs. 330/- per thousand cubic metre in 1981-82 to Rs. 2170.00 and that of Naphtha from Rs. 650/- per tonne in 1979-80 to Rs. 1450.00 per tonne in 1981-82. Whatever may be the justification of these two hikes, the result was that the growth rate of fertilizer consumption which in 1978-79 was 19.4 per cent slumped to 5.8 per cent in 1982-83. Government had, therefore, to reduce the fertilizer prices by 7.5 per cent in June, 1983. The Committee emphasise

that the fertiliser prices should be such as the small farmer can afford. Special discount in prices may be allowed for specified category of purchasers during the post-drought period to enable the farmers to make the best use of the credit facilities made available to them.

B. Grant of Short-term Loans to State Governments for procurement and distribution of Fertilizers.

3.17 The quantum of short-term loans sanctioned to the State Governments during the last 5 years was as follows:—

(Rs. in crores)

Year	Amount asked for by States	Budget provision available	Amount sanctioned	Percentage shortfall
1978-79	138.61	125.00	125.00	10
1979-80	264.12	136.00	136.00	49
1980-81	313.01	200.00	200.00	36
1981-82	393.63	200.00	200.00	49
1982-83	488.89	250.00	250.00	49

3.18 It will be seen from the above Table that during the last 5 year period, except in 1978-79, when percentage shortfall in meeting the requirements of States was less than 10 per cent, this shortfall had ranged between 36 to 52 per cent.

3.19 Short-term loans are sanctioned to the State Governments separately for Kharif and Rabi seasons for purchase and distribution of agricultural inputs *viz.*, fertilizers, seeds and pesticides and/or any special programmes like the advance purchase of seeds for bringing new areas under pulses comprehensive plants protection measures on compact areas basis for important crops etc. The assistance is to be given only in kind and no cash payment is required to be given to farmers or group of farmers.

3.20 The period of loan is 6 months from the date of drawal by the State and repayment to the Centre commences from expiry of this period. The rate of interest on these loans is 6 per cent. Rebate for prompt repayment/interest is 1/4 per cent and the penal rate of interest in the event of default in the repayment/interest payment is 8½ per cent.

3.21 The Committee desired to know why it had not been possible for the Central Government to meet in full the requirements of State

Governments for short term loans. In reply the Ministry of Agriculture explained that:—

“It is not possible to meet in full the demand of the State Governments for short-term loans due to inadequate availability of funds. The demands of the State Governments for short-term loans are much more than the budgetary provision of funds for the purpose.”

3.22 The Committee cannot look with equanimity the fact that the Central Government had not been meeting in full the requests of State Governments for short term loans for purchase and distribution of agricultural inputs including fertilizers. Between the years 1979-80 to 1982-83 the percentage shortfall in meeting the States requirements ranged between 36 to 49 per cent. The Committee have been informed that these shortfalls were due to “inadequate availability of funds.” The Committee emphasise the need for a larger allocation for this purpose so that it may be possible to accommodate the needs of State Governments for such loans to a larger extent than what has been possible in the past.

C. Credit to Farmers for Purchase of Fertilizers

3.23 The quantum of credit made available to farmers by Co-operatives and Commercial Banks during the last 5 years was as follows:—

(Rs. in crore)

Year	Value of fertilisers purchased by farmers.	Fertilizer credit by cooperatives to farmers (Rs. in crores—kind component)	Fertilizer credit by commercial banks to farmers	Total	Gap
1978-79 . . .	1617.72	414.89	103.72	518.61	32% 1099.11
1979-80 . . .	1591.68	456.12	114.03	570.15	36% 1021.53
1980-81 . . .	2312.62	484.24	121.06	605.30	26% 1707.32
1981-82 . . .	2996.03	597.12	149.28	746.40	25% 2249.63
1982-83 . . .	3162.04	699.94	174.98	874.92	28% 2287.12

3:24 A non-official in a memorandum to the Committee pointed out that:

“There are State level, District level and Tahsil level co-operative marketing federations|societies engaged in distribution of fertilizers and other inputs required for agricultural operations. At the grass-root level the farmers get their supplies of fertilisers from the primary agricultural credit societies. In order to ensure that distribution of fertilizers does not burden the farmers with any additional cost in the pursuit of production activities, this activity should be termed as activity akin to agricultural operations so that concessional refinance from the NABARD to the farmers through the three tier cooperative, credit structure could be made available.”

3.25 The Committee wanted to know the reaction of Government to the aforesaid suggestion. In reply the Ministry of Agriculture have in a note stated:—

- (a) NABARD considers fertilizer Stocking by MARKFED and Societies as a trading activity and, therefore, has kept higher rate of interest for this activity. It may be pointed here that the strategy was not so in 50s when both the credit limits that is for agricultural credit and for fertilizers trading was given by RBI at the same rate.
- (b) For societies and MARKFED, the rate of interest prescribed by NABARD till last year was 17.5 per cent. It has now been reduced w.e.f. 1st April 1983 to not exceeding 16.5 per cent.
- (c) Regarding private trade, the earlier rate of interest varied between 18 to 20 per cent. It has now been reduced w.e.f. 1st April, 1983 to
 - (a) Upto Rs. 5000/- credit limit 11.50 per cent.
 - (b) Rs. 5000|- to Rs. 25000|- Credit limit 14.0 per cent.
 - (c) Over Rs. 25,000 not exceeding 16.50 per cent.

3.26 The Committee are concerned to find that during the last 5 years (1978-79 to 1982-83), the quantum of credit made available

to farmers by cooperatives and Commercial Banks together was only about 25 to 36 per cent of the value of fertilizers purchased by farmers. The Committee suggest that the credit facilities should be increased. Further, NABARD considers the fertilizer stocking by MARKFED and Cooperative Societies as a trading activity and has therefore kept a higher rate of interest for this activity. A non-official has urged that "this activity should be termed as activity akin to agricultural operation so that concessional refinance from the NABARD to the farmers though the three tier cooperative credit structure could be made available." The Committee feel that this suggestion deserves sympathetic consideration.

CHAPTER IV

QUALITY CONTROL

A. Quality Control Laboratories

4.1 Besides the Central Fertilizer Control Laboratory at Faridabad, there are 36 Fertilizer Quality Control Laboratories in the States—5 in Andhra, 4 in Tamil Nadu, 3 in U.P., 2 each in Gujarat, J&K, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan West Bengal and 1 each in Assam, Bihar, H.P., Haryana, Punjab & Pondicherry. The total analysing capacity of these Laboratories is 57,770 fertilizer samples a year.

4.2 State-wise distribution of Fertilizer Control Laboratories and their Annual analysing capacity during 1981-82 was as follow:—

Sl. No.	State	No. of Labs.	Total analysing capacity in the State (1981-82)
1.	Andhra Pradesh	5	6300
2.	Assam	1	120
3.	Bihar	1	2000
4.	Gujarat	2	4000
5.	Himachal Pradesh	1	1000
6.	Haryana	1	1200
7.	Jammu & Kashmir	2	1000
8.	Karnataka	2	4800
9.	Kerala	2	4000
10.	Madhya Pradesh	2	3000
11.	Maharashtra	2	3500
12.	Orissa	2	3000
13.	Punjab	1	1000
14.	Rajasthan	2	4000
15.	Tamil Nadu	4	7000
16.	Uttar Pradesh	3	4000
17.	West Bengal	2	2500
18.	Pondicherry	1	350
	Central Fertilizer Quality Control & Training Institute	1	5000
	ALL INDIA	37	57,770

4.3 Ministry of Agriculture have intimated that the number of samples of fertilizers drawn during the last 5 years were as under:

	1978	1979	1980	1981	1982	Total
Samples Drawn.	26,924	25,331	20,954	35,582	22,657	131,448

4.4 It has been stated that use of fertilizer has major influence on yields and earning of the farmer. Farmers are really not in a position to examine the quality of fertilizer and as such they are to rely on the information supplied by the producer or the dealer. Adulterated fertilizers can cause serious damage to the soil and also to the crops. The economy of farmers may be badly affected by such fertilizer.

4.5 The Committee desired to know the basis on which the number of fertilizer control laboratories that a State should have is determined. In reply, the Secretary, Ministry of Agriculture explained in evidence that:—

“The establishment of these laboratories is determined primarily by the quantity of fertilizers consumed and the number of retail shops through which fertilizers are distributed. Apart from that, we have to take into account the capacity of the laboratories for testing the samples.”

4.6 Asked how was it that leading agricultural State like Punjab had only one laboratory, the witness assured:

“It is being taken up periodically with State Governments. There will be another laboratory in Ludhiana. The building has been constructed.”

4.7 The Committee desired to know whether fertilizer laboratories were working to their full capacity and, if not, what was the extent of their under-utilisation. In reply, the Secretary, Ministry of Agriculture stated:

“The total sanctioned capacity of these 37 laboratories is 57,770 or 58,000 samples. As against this, during 1982-83, the samples taken were 38,000. So there is under-utilisation of capacity of the laboratories which has to be looked into.”

4.8 When asked if in view of the under-utilisation to the extent of 34.4 per cent in 1982-83 the analysing capacity already established

in the country could be regarded as more than adequate, the witness reacted thus:

"I would put it this way. The number of samples taken is not commensurate with total consumption of fertilizers. The total number of retail shops is 1.33 lakhs. If we take two samples per retail shop per year the total number that should have been taken in the country would come around 2.6 lakhs. But they have taken only 38000 samples."

4.9 Asked how was it that despite the fact that these laboratories were under-utilised, they took an unduly long time in making available the test results, the witness said:—

"I concede that point. Most of the complaints about delay have arisen from Punjab..... These laboratories have been set up at different times. Once a scheme is sanctioned, it takes some gestation period, to reach the capacity utilisation. There are two channels of quality control. The officials evaluate samples. The other is, the Enforcement Office Inspectors collect the samples. Enforcement system is working all right; but in the case of other laboratories, there is need of matching samples collected with the utilisation capacity and licensing capacity."

A representative of the Ministry of Agriculture added:

"Another thing is that, through amendment in the Fertilizer Control Order, we are making it obligatory on the part of the State Government to make the analysis result available within a fixed date."

4.10 The Committee are surprised to find that the 37 Fertilizer Quality Control Laboratories (including the Central Fertilizer Control Laboratory at Faridabad) are not working to their optimum capacity. The total annual analysing capacity of these laboratories is 57,770 samples. In 1982-83 these laboratories tested only 38,000 samples, 34 per cent of their analysing capacity thus remained idle. There are 1.33 lakh fertilizer retail outlets in the country and even if only two samples are taken from each retail outlet, total number of samples should be around 2.6 lakhs. This clearly shows that the number of samples taken is not at all commensurate with the quantum of fertilizers consumed in the country. The Committee recommend that Government should take a serious note of the laxity in collecting samples which has led to gross under-utilisation of capacity of existing Fertilizer Quality Control Laboratories and take measures to optimise the capacity utilisation, simultaneously taking steps to augment the capacity.

4.11 What has surprised the Committee more is that inspite of the fact that the Fertilizer Quality Control laboratories are not working to their full capacity, they take unduly long time in making available the results of their testing. While conceding this point, the Secretary, Ministry of Agriculture revealed that "most of the complaints about delay have arisen from Punjab."

The Committee were given to understand in evidence that in order to avoid such delays Government was thinking of amending the Fertilizer Control Order to make it obligatory on the part of the State Government to make the analysis result available within a fixed period. The Committee trust that the Fertilizer Control Order would be amended soon.

4.12 As it is, there are 5 laboratories in Andhra, 4 in Tamil Nadu, 3 in Uttar Pradesh, 2 each in Gujarat, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, West Bengal and 1 each in Assam, Bihar, Himachal Pradesh, Haryana, Punjab and Pondicherry. Since the Fertilizer Quality Control Laboratories were set up at different points of time, it is not unlikely that some States have got more laboratories than they need and the other States have less. The Committee recommend that if there is any imbalance in location of these laboratories with reference to fertilizer consumption it should be rectified.

B. Soil Testing Laboratories

4.13 Soil testing is an essential agro-technical service to evaluate the inherent capacity of soils to supply the available nutrients needed for plant growth and the data derived therefrom on the available contents of nutrients in soils are useful in recommending economic and effective fertilizer use. Though soil testing is multi-purpose in nature but its foremost purpose in our country is to reveal the nutrient supply position (deficient, adequate or very well supplied) of soils and to advise farmers on judicious and balanced use of fertilizers so that maximum overall benefit from fertilizer use is achieved.

With the above main objective in mind, the Government of India started the soil testing programme in the country with the establishment of 24 soil testing laboratories in different agro-climatic regions in 1955-56. According to the Preliminary Material furnished to the Committee by the Ministry of Agriculture, the existing net work comprises of 341 soil testing laboratories (259 static and 82 mobile) in the country with the total capacity to analyse 5.28 million soil samples annually. (During evidence before the Committee, the Secretary, Agriculture indicated the number of Soil Testing laboratories as 364 with a capacity of analysing 5.64 million samples per year.) A total of 4.12 million soil samples

were analysed by these laboratories during the year 1981-82. Details are given below:—

Sl. No.	Name of the State	No. of districts	No. of laboratories	Capacity	Per cent capacity utilisation (1981-82)
1.	Delhi Administration	1	1(0)	3000	158
2.	Himachal Pradesh	12	12(1)	60000	85
3.	Jammu & Kashmir	14	6(1)	59000	45
4.	Haryana	12	28(1)	306000	77
5.	Punjab	12	33(8)	355000	86
6.	Uttar Pradesh	56	24(10)	1055000	113
7.	Andhra Pradesh	23	25(2)	101600	86
8.	Karnataka	19	28(4)	506000	71
9.	Kerala	12	13(3)	175000	77
10.	Pondicherry	4	2(1)	26000	68
11.	Tamilnadu	16	32(15)	930400	75
12.	Assam	10	7(2)	95000	31
13.	Orissa	13	10(2)	270000	42
14.	West Bengal	16	12(3)	97000	13
15.	Bihar	31	22(4)	236000	58
16.	Nagaland	7	1(1)	10000	53
17.	Mizoram	3	1(1)	4800	20
18.	Meghalaya	5	1(1)	8000	49
19.	Manipur	6	2(1)	15000	32
20.	Tripura	3	2(1)	15000	17
21.	Arunachal Pradesh	9	1(0)	5000	21
22.	Gujarat	19	21(6)	235000	101
23.	Sikkim	4	1(0)	3000	92
24.	Andaman & Nicobar	2	1(0)	7200	80
25.	Madhya Pradesh	45	26(5)	218500	57
26.	Maharashtra	26	19(5)	281500	63
27.	Rajasthan	26	8(3)	102000	79
28.	Goa	3	2(1)	18000	55
Total :		409	341(82)	5287500	78

Note : Figures indicated within paranthesis show the number o Mobile Soil Testing Vans.

4.14 From the data furnished regarding capacity utilisation of soil Testing Laboratories in the country, it was seen that while laboratories in some of the States had been working in excess of their capacity (Delhi Administration 158 per cent, U.P. 113 per cent and Gujarat 101 per cent), there are states where these laboratories had been working below 50 per cent of their capacity. These States are Jammu and Kashmir, Orissa, West Bengal, Mizoram, Meghalaya, Tripura and Arunachal Pradesh. The Committee, therefore, desired to know the steps Government proposed to take to improve the capacity utilisation of the laboratories in these States. The Secretary conceded in evidence that:—

“As per the latest information, there are 364 soil testing laboratories with a capacity of 5.64 million samples per annum against a total of 815 million operational land holdings. This shows that the soil testing programme is inadequate and needs to be augmented.”

• Explaining the reasons for under utilisation of soil testing laboratories, the witness said:—

“The major reason is that the equipment get out of order and in the absence of qualified technicians, it takes time. The electric power failure is also a factor. Some of the laboratories are adequately staffed and others are not. Work of the soil testing laboratories also suffers due to transfer of technical staff. The State Governments have another cadre and officers are subject to frequent transfer. These transfers should be minimised. They should be there at least for three years at one station.”

4.15 Asked what steps Government contemplate to improve capacity utilisation in these laboratories, the witness indicated that:

“The Kharif Review Campaign is going to be there. I will impress upon them the views of this Committee so far as fertilizer and soil testing are concerned. We hope to get monthly progress report about the improvement in capacity utilisation by way of staff and equipment. We will make frequent visits to pursue the State Governments to increase capacity utilisation. We propose to organise training programme of officers for soil testing. Intensive regional workshop should also be recommended to the State Governments to remove bottlenecks in the running of these State Testing Laboratories.”

4.16 A non-official has, in his Memorandum suggested the setting up of Central Laboratories on the basis of at least 1 for each region. This according to him, will have salutary effect on state level laboratories in terms of the quality of their work as well as productivity. The Committee desired to know the Government's reaction to this proposal. The Secretary during evidence stated:

"The State Governments have been asked to establish lead soil testing laboratories in each State to coordinate the functioning of the soil testing laboratories, to provide technical support and also to check the quality of their work. It may be worth considering to finance the lead laboratories if the State Governments so suggest..... There is no Centrally-sponsored or assisted scheme to help the State Government in the matter of soil testing laboratories. It is done entirely by the State Governments and the allocation of funds in the State Plans is determined by the priority accorded to soil testing as such by the State Governments."

Another representative of the Ministry of Agriculture supplemented thus:

"There is need to coordinate and to see that the existing laboratories are running to full capacity. Secondly, they should also see that if there is need for opening additional laboratories how many laboratories should be opened. For that, the State Governments have been asked to open one lead laboratory which will coordinate and suggest if there is any need for opening additional laboratory."

4.17 The Committee asked if it would not be better to have a centrally sponsored or assisted scheme to help the State Governments to not only augment soil testing laboratories but also to ensure that the laboratories already been set up were adequately staffed and equipped. In reply, the witness assured that:—

"We can consider having a centrally-sponsored scheme for assisting the State Governments in setting up such laboratories, as in the case of testing fertilisers."

4.18 From the data furnished by the Ministry of Agriculture, the Committee find that there is a network of 364 soil testing laboratories including mobile soil testing vans with an annual capacity of testing 5.64 million samples of soil against a total of

815 million operational land holdings. In 1981-82, these laboratories had tested only 4.12 million samples. While laboratories in some of the States had been working in excess of their capacity (Delhi 158 per cent, U.P. 113 per cent, Gujarat 101 per cent), the laboratories in the States of Jammu & Kashmir, Orissa, West Bengal, Mizoram, Meghalaya, Tripura and Arunachal Pradesh had been working below 50 per cent of their capacity. The Secretary, Ministry of Agriculture attributed this under utilisation of capacity to breakdowns of equipment, power failure, absence of qualified technicians and frequent transfers of staff. He conceded that, "the soil testing programme is inadequate and needs to be augmented." The Committee feel that keeping in view the number of operational land holding in the country, the soil testing capacity set up so far is inadequate. However, as even the existing capacity is not being utilised fully, the Committee would like Government to take steps to intensify the Soil Testing Programme.

4.19 The Committee further recommend, that, as assured in evidence, lead soil testing laboratories may be established in each State soon to coordinate the functioning of the soil testing laboratories in the State, to provide technical support to them, to ensure their capacity utilisation, to check the quality of their work and to examine and make recommendations in regard to the adequacy of the existing laboratories. If State Governments are not in a position to finance these lead laboratories, a centrally sponsored or assisted scheme may be drawn up in this behalf.

NEW DELHI;

April 2, 1984

Chaitra 13, 1906 (S)

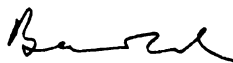


BANSI LAL

Chairman,

Estimates Committee

AUTHENTICATED



Chairman,

Estimates Committee

APPENDIX

Statement of Recommendations/Observations

S. No.	Para No. of Report	Recommendations observations
1	2	3
1	1.5	<p>The Committee note that it is the Government's policy "to provide fertiliser in right time, in adequate quantity, at right price and at right place to the farmers." In pursuance of this policy, a number of steps have been taken which include establishment of 690 centres for stocking of imported stocks, increase of sale points, sale of fertiliser to farmers at a uniform price throughout the country, meeting transport cost of fertiliser right upto the Block Headquarters, grant of loans to State Governments for being given to cooperative sector for purchase and distribution of fertilisers to the farmers, observance of National Agricultural Fortnight in June, 1983, supply of fertiliser free of cost to small and marginal farmers etc. During evidence, the Secretary, Ministry of Agriculture expressed his concern about "inadequate availability of fertiliser in the various States especially in the interior rural areas". Shortage of fertiliser adversely affects our foodgrains production. The Committee feel that if gains of green revolution are to be consolidated, Government should evolve a more effective and integrated policy in consultation with State Governments to ensure adequate availability of quality fertilisers to farmers all over the country, even in the remotest areas, at a price which is within their reach.</p>
2	1.15	<p>The Committee cannot help pointing out that had our fertiliser plants worked to their optimum capacity, the import of 99.27 lakh tonnes fertilisers</p>

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during the period 1978-79 to 1982-83 would have been considerably less, if not altogether eliminated.

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1.16

The Ministry of Agriculture have claimed that India's 67 per cent capacity utilisation of fertilisers, plants in public and cooperative sectors, compares favourably with the capacity utilisation of developing countries which was 51 per cent in Africa/Latin America and 65 per cent in Asia, and World's average utilisation of 71 per cent (in 1980-81). However satisfactory this comparison may look the fact is that during the last 3 years (1980-81 to 1982-83), as many as 13 fertiliser units had worked at less than 50 per cent of their respective capacities. It transpired in evidence that by 1989-90 India will be able to produce 90 lakh tonnes of nutrients as against the present level of 44 lakh tonnes but as the demand by that time would rise to the level of 105—110 lakh tonnes, there will still be a shortfall of about 30 to 35 lakh tonnes including about 14 lakh tonnes of potassic fertiliser which will have to be imported fully. In the circumstances, the Committee recommend that effective steps should be taken by Government right now to prevent such gross under-utilisation of capacity in fertiliser units which were set up at considerable cost. This will not only increase availability of fertilisers in the country but also save valuable foreign exchange on imports of fertilisers.

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1.17

The Committee find that apart from shortage of inputs one of the major factors which adversely affects/utilisation of capacity in fertiliser plants is the power shortage. At present fertilisers plants have already got a total captive power generation capacity of 168 MW. Additional capacity of 173 MW is under installation. Recently, proposals for 32.5 MW capacity have been cleared and proposals for 110 MW capacity are under consideration

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of Government. The Committee urge that proposals for augmentation of captive power generation capacity in fertiliser plants may be viewed with favour and cleared expeditiously so as to meet the problem to some extent.

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1.35

The Committee find that while the consumption of fertiliser in India has gone up from the level of 42.86 lakh tonnes of nutrients in 1977-78 to 64.18 lakh tonnes of nutrients (Estimated) in 1982-83, the year-wise growth of consumption of fertiliser has not been uniform. Growth of consumption of fertilizer which was 19.14 per cent over the previous year's consumption in 1978-79 declined to 2.7 percent in the subsequent year *i.e.* 1979-80. After registering some improvement in the years 1980-81 (5 per cent) and 1981-82 (9.93 per cent) the growth rate slumped to 5.8 per cent in 1982-83. The Secretary, Ministry of Agriculture attributed the fall in the growth rate of fertiliser to increases in the price of Urea in June, 1980 and July, 1981, droughts in 1979-80 and 1982-83 and inadequacy of cheap credit to farmers for the purchase of fertilisers.

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1.36

Ministry of Agriculture have intimated that various steps have been taken by them to boost fertiliser consumption in India. These include increase in domestic production, import of fertilisers, increase in support price of crops to absorb increase in fertiliser prices, meeting transportation charges on distribution of fertiliser upto Block Headquarters, increase in distribution margin and launching fertiliser promotion campaign etc. The Committee, however, find that while the consumption of fertiliser per hectare of agricultural land in India has gone up from 0.5 kg. in 1951-52 to 36.6 kg. in 1982-83 *i.e.* 70 times, it is still far less than the consumption levels achieved by other Asian countries. For example fertiliser consumption per hectare of agricultural land in 1980-81 was 367.6 kg. in Republic of Korea, 332.5 kg. in

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Japan, 66.7 kg. in Israel, 48.0 kg. in China, 43.4 kg. in Bangladesh and 39.8 kg. in Pakistan. The Secretary, Ministry of Agriculture pointed out in evidence that low level of fertiliser consumption in India is due to the fact that we get rains only in 4 months during a year and 70 percent of our land is unirrigated in which lesser quantity of fertilisers is used. 85 percent of fertiliser is consumed in 30 percent of the area. 30 percent of our farmers do not use fertilisers at all. He also stated that the prices of fertilisers are much higher in India than those in other countries and this also adversely affects growth in fertiliser consumption. The Committee recommend that Government should devise a long term strategy and provide incentives to farmers to boost fertiliser consumption in India so as to bring it to the level of at least the developing countries of Asia.

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1.37

The Committee are concerned to find that not only the level of fertiliser consumption in India is low, but there are wide regional imbalances also. While in Punjab the per hectare consumption of fertiliser is about 120 kg. it is 45 kg. in Haryana, 18 kg. in Bihar, 10.9 kg. in Madhya Pradesh, 7.9 kg. in Rajasthan, 52 kg. in U.P., 3.3 kg. in Assam and only 4.5 kg. in Northern Eastern Region. The Committee would like Government to analyse reasons for regional imbalances in fertiliser consumption and take appropriate measures to remove these imbalances.

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1.38

The Committee are alarmed to find that repeated use of nitrogenous fertiliser alone reduces the phosphorous content of the soil and unless this deficiency is made up the soil fails to support the normal growth of crops. Since this fact is not adequately publicised the farmers using the nitrogenous fertiliser are likely to come up grief. The Committee would like Government to

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give adequate publicity to this fact in their fertiliser promotion publicity programmes. The Committee would also like Government to have soil testing in all the districts intensified and make available to the farmers only that mix of fertiliser which is suitable to the soil.

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2.7

The Committee recall that during the period 1944 (when Central Fertiliser Pool was set up by Government) to December, 1965, the available indigenous nitrogenous fertilisers, after being acquired from the domestic manufacturers by paying them a retention price, used to be pooled with the imported fertilisers and sold at a uniform price throughout the country. However, the complex fertilisers, super phosphate and ammonium chloride produced indigenously at the time were marketed by the manufacturers themselves through private dealers and cooperatives. In December, 1965 a new system under which indigenous manufacturers of fertilisers were given freedom to sell their products through agencies of their choice and at a price to be determined by them was introduced. Government retained the right to take up for its own distribution 30 per cent of the factories' production at prices to be negotiated with the factories. Later, in the wake of shortage of fertilisers that occurred in 1971-72 and complaints of non-availability of fertilisers, over charging and other malpractices, a radical change in the system of distribution of fertilisers was effected. Government brought the distribution of fertiliser by domestic manufacturers under the control of the Essential Commodities Act with a view to ensuring an equitable and timely distribution at a reasonable price. Now, that this system has remained in operation for more than 10 years, the Committee recommend that Government should, in consultation with the State Governments/Union Territory Administrations/Commodity Boards, critically evaluate the system to find out how far

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it has been helpful in achieving the objectives underlying the Government's distribution policy and what further improvement can be made in the system to make it more efficacious.

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2.8

At present fertilisers are being sold at uniform prices throughout the country and the equated freight is in-built in these prices. The Committee were given to understand in evidence that Marathe Committee (1977) and Pande Committee (1980) have suggested that the freight equalisation scheme for fertilisers should be phased out over a period of time. The Committee trust that Government will give most careful consideration to the proposal for phasing out the freight Equalisation Scheme in respect of fertiliser keeping in view the interest of the farmers in the remotest part of the country. So long as the equalisation of freight has to be continued, it should be ensured that there is rational movement of fertiliser and the transport cost is kept at the minimum.

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2.17

The Committee are surprised to find that among the public sector/joint sector manufacturers who were entrusted with the handling and distribution of imported non-potassic fertilisers under a "Multi-Agency" approach adopted by Government from May, 1978, the handling expenses per tonne of bulk fertilizer have been the highest in the case of Food Corporation of India. For example, in 1981-82 while the handling charges were Rs. 726 in the case of Mangalore Chemicals & Fertilizers and Rs. 649 in the case of Southern Petro-Chemical Industries Corporation, these expenses amounted to Rs. 1620.00 in respect of the Food Corporation of India. According to the Ministry of Agriculture, the multi-agency approach has resulted in an estimated saving of Rs. 235 crores in 1982-83 alone. The Committee would like Government to analyse why the handling charges of the Food Corporation of India are so high as compared to other distribution agencies.

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12	2.17A	The Committee would also like Government to consider whether similar multi-agency approach could be applied in the case of potassic fertilizers which are at present being distributed solely by the Indian Potash Ltd.
13	2.18	The Committee are concerned to note that though the share of cooperatives in distribution of Fertilizers in absolute terms has gone up from 21.43 lakh tonnes NPK in 1977-78 to 28.67 lakh tonnes NPK in 1981-82, in terms of percentage, it has come down from 49.50 per cent in 1977-78 to 47.00 per cent of the total consumption in 1981-82. It is indeed surprising that fall in the share of the cooperatives should come about despite Government's policy of encouraging the cooperatives in this field. The Committee would like Government to step up the share of cooperatives in distribution of fertilisers as it is only the cooperatives who can reach out to the far flung interior areas of our country.
14	2.19	At present there is a three tier system of co-operatives who handle the distribution of fertilisers, viz. (i) Appex Federation at the State level (ii) Marketing Society at the District level and (iii) primary marketing society at the Village level. It transpired in evidence that there are reports that the Appex Level Federations keep a major portion of distributor's margin leaving very little margin for the Village level cooperative societies with the result that these societies find the distribution business unremunerative. The Committee recommend that the Ministry may, in consultation with the State Governments/U.T. Administrations, fix fair distributors' margins for different levels of cooperative societies so that interest of cooperative societies in distribution of fertiliser is sustained.
15	2.23	The Committee find that as against 5 lakh villages in the country, there are only 1.33 lakh retail outlets for distribution of fertilizers i.e. one

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sale point for 4 to 5 Villages. During evidence the Secretary, Ministry of Agriculture admitted that while numerically the number of retail outlets might appear to be adequate, there was need to disperse these sale points in the interior to serve the people living in backward areas. The Committee stress the need to strengthen the distribution system in dry land areas, interior areas, backward areas and hilly areas to ensure timely and adequate availability of fertilizers to farmers living in such areas. The Committee were given to understand that in Maharashtra there is some system of giving incentive to dealers who open their sale points in the interior areas. If that system has proved successful there, Government would do well to commend that system to other State Governments.

16 2.31

The Committee find that of the total quantity of fertilisers distributed in the country, the percentage moved by rail has declined from 83.7 per cent in 1977-78 to 62.9 per cent in 1982-83. In physical terms the fertiliser traffic moved by rail has remained almost static around 8.1 to 8.5 million tonnes with the exception of 1981-82 when it rose to 9.5 million tonnes. Greater reliance on transport of fertiliser by road which is costlier, could have been one of the reasons for the considerable increase in expenditure incurred by the Ministry of Chemicals and Fertilisers on payment of equated freight for marketing of fertilisers which lept from Rs. 42.33 crores in 1979-80 to as much as Rs. 242.97 crores in 1982-83. The decline in the percentage moved by rail has been attributed to (i) 100 per cent hike in railway freight during recent years (ii) Railways' policy switch over from movement of fertilisers piece-meal to predominantly block rake movement pattern from 1981, (iii) Railways' insistence on manufacturers opening transhipment dumps and (iv) drop in imports. The Committee were

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assured in evidence that considering the difficulties being faced by the fertiliser industry, the Ministry of Railways had already agreed in principle to offer piecemeal wagons or allow the fertiliser industry to load rakes for two to three destinations. The Committee would like the Ministry of Chemicals & Fertilizers to see to it that the fertiliser Industry takes advantage of the offer of the Railways and ties up their specific needs for wagons with the concerned Zonal Railways.

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2.41

The Committee are perturbed to find that despite the fact that the Fertiliser (Control) Order, 1957 contains comprehensive regulatory measures which provide for registration of fertiliser dealers, ensuring the standard of quality, packaging of fertilisers, display of prices and daily stocks, malpractices like black marketing and sale of sub-standard and adulterated fertilisers are rampant. Ministry of Agriculture have reported that during the last 5 years (1978—82), as many as 177 cases of black marketing and 11,986 cases of sub-standard/adulterated fertilisers were detected. Prosecution was launched in 822 cases, action was taken under the Control Order in 6170 cases, and "Other" action was taken in 1143 cases. It transpired in evidence that a revised Fertiliser (Control) Order is likely to be issued shortly in consultation with the Ministry of Law. The Committee feel that if the existing Fertiliser (Control) Order, 1957 has failed to check such malpractices in the fertiliser trade, the proposed revised Control Order should provide for a stricter control and more stringent penalties.

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2.41A

The Secretary, Ministry of Agriculture pleaded in evidence that as the enforcement of the Fertiliser (Control) Order is the responsibility of the State Governments "we can only help them, cajole them and ask them to enforce the Law more strictly." He pointed out that the Central Government had been sending their own Inspectors on surprise

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		<p>checks. For example, during 1982-83, in 8 districts of UP where surprise check was carried out, 22 out of 61 samples were found non-standard. In the subsequent years <i>i.e.</i> 1983-84 in surprise checks conducted in UP by the Central Fertiliser Squad 22 out of 56 samples collected were found to be non-standard. However in Haryana only 4 out of 28 samples were found non-standard. The Committee recommend that the State Governments should be advised to strengthen and tighten their control on the distribution network to ensure availability of of fertilisers of requisite quality at fixed prices. If the existing number of Inspectors (reported to be 580 full time and 11,337 part-time) is inadequate to cope with this task, their strength should be suitably increased as early as possible with assistance provided by the Central Government.</p>
19	2.51	<p>The Committee are unable to appreciate how FCI could accumulate nearly 13 lakh tonnes of 2 to 5 year old stock of imported fertilisers which had to be disposed of at prices reduced to the extent of 7.5 per cent with a further rebate of 10 per cent. They feel that such a situation could not have developed unless the imports and distribution were not properly synchronized over a period. They recommend that the position should be examined in depth to ascertain the reasons for the accumulation of stock of imported fertilisers with the FCI, fix responsibility for lapses at various levels, if any, and suggest improvement in the systems and procedures in this behalf to prevent recurrence of such unpleasant and costly situations.</p>
20	3.14	<p>The Committee note that a Central Fertilizer Pool was set up as back as in 1944 for procurement and distribution of indigenous and imported fertilizers. The financial support for the operation of this Pool is provided under non-plan scheme. The Committee find that though during the last 5 years (1978-83) the revenue of this Pool</p>

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had always fell short of its expenditure, the percentage shortfall has come down from 33.0 in 1979-80 to 10.3 in 1982-83. The Committee feel that there is scope for economy in the cost of operations.

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3.15

The Committee find that before 15 August, 1981 Distribution margin was allowed to cooperatives at the rate of Rs. 115 per tonne of Urea and to others at Rs. 105 per tonne of Urea. From 15 August, 1981, the margin was raised on *ad hoc* basis from Rs. 115/- to Rs. 140/- per tonne for the cooperatives and from Rs. 105/- to Rs. 120/- per tonne for others. On 20 May, 1983 this margin was again raised to Rs. 150/- per tonne for cooperatives and Rs. 130/- per tonne for other Sectors. The last increase was based on the Report (April, 1982) of the Fertilizer Planning and Development (India) Ltd. The Committee would like Government to consider how far it is practicable that instead of fixing the distribution margin as a fixed sum per tonne, it may be in terms of a fixed percentage on sales. This would obviate the need for frequent revision of distribution margin. If however, this is not possible, it should be ensured that there should be prompt revision at periodic intervals say once a year having regard to all factors.

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3.16

The Committee find that the retail price of fertilizers per 100 Kg. of plant nutrient that the farmers in India have to pay the highest as compared to what their counterparts paid in other countries viz. Egypt, Bangladesh, Republic of Korea, Pakistan, Denmark, France and U.K. Despite the fact that droughts of 1979-80 and 1982-83 had eroded the paying capacity of farmers in India, Government increased the prices of fertilizers to the extent of 35 per cent in June, 1980 followed by another hike of 18 per cent in July, 1981. The Ministry of Agriculture have pleaded that 1981 increase was effected in the light of the Cabinet decision to peg the fertilizer subsidy

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at the same level as in 1980-81. It has been pointed out to the Committee that the price of Gas has gone up from Rs. 330/- per thousand cubic metre in 1981-82 to Rs. 2170/- and that of Naphta from Rs. 650/- per tonne in 1979-80 to Rs. 1450/- per tonne in 1981-82. Whatever may be the justification of these two hikes, the result was that the growth rate of fertilizer consumption which in 1978-79 was 19.4 per cent slumped to 5.8 per cent in 1982-83. Government had, therefore, to reduce the fertilizer prices by 7.5 per cent in June, 1983. The Committee emphasise that the fertiliser prices should be such as the small farmer can afford. Special discount in prices may be allowed for specified category of purchasers during the post-drought period to enable the farmers to make the best use of the credit facilities made available to them.

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3.22

The Committee cannot look with equanimity the fact that the Central Government had not been meeting in full the requests of State Governments for short term loans for purchase and distribution of agricultural inputs including fertilizers. Between the years 1979-80 to 1982-83 the percentage shortfall in meeting the States requirements ranged between 36 to 49 per cent. The Committee have been informed that these shortfalls were due to "inadequate availability of funds." The Committee emphasise the need for a larger allocation for this purpose so that it may be possible to accommodate the needs of State Governments for such loans to a larger extent than what has been possible in the past.

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3.26

The Committee are concerned to find that during the last 5 years (1978-79 to 1982-83), the quantum of credit made available to farmers by cooperatives and Commercial Banks together was only about 25 to 36 per cent of the value of fertilizers purchased by farmers. The Committee

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1		<p>suggest that the credit facilities should be increased. Further, NABARD considers the fertilizer stocking by MARKFED and Cooperative Societies as a trading activity and has therefore kept a higher rate of interest for this activity. A non-official has urged that "this activity should be termed as activity akin to agricultural operation so that concessional refinance from the NABARD to the farmers through the three tier cooperative credit structure could be made available." The Committee feel that this suggestion deserves sympathetic consideration.</p>
25	4.10	<p>The Committee are surprised to find that the 37 Fertiliser Quality Control Laboratories (including the Central Fertilizer Control Laboratory at Faridabad) are not working to their optimum capacity. The total annual analysing capacity of these laboratories is 57,770 samples. In 1982-83 these laboratories tested only 38,000 samples. 34 per cent of their analysing capacity thus remain idle. There are 1.33 lakh fertilizer retail outlets in the country and even if only two samples are taken from each retail outlet, total number of samples should be around 2.6 lakhs. This clearly shows that the number of samples taken is not at all commensurate with the quantum of fertilizers consumed in the country. The Committee recommend that Government should take a serious note of the laxity in collecting samples which has led to gross under-utilisation of capacity of existing Fertilizer Quality Control Laboratories and take measures to optimise the capacity utilisations, simultaneously taking steps to augment the capacity.</p>
26	4.11	<p>What has surprised the Committee more is that in spite of the fact that the Fertilizer Quality Control laboratories are not working to their full capacity, they take unduly long time in making available the results of their testing. While conceding this point, the Secretary, Ministry of Agriculture revealed that "most of the complaints about delay have arisen from Punjab."</p>

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The Committee were given to understand in evidence that in order to avoid such delays Government was thinking of amending the Fertilizer Control Order to make it obligatory on the part of the State Government to make the analysis result available within a fixed period. The Committee trust that the Fertilizer Control Order would be amended soon.

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4.12

As it is, there are 5 laboratories in Andhra, 4 in Tamil Nadu, 3 in Uttar Pradesh, 2 each in Gujarat, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, West Bengal and 1 each in Assam, Bihar, HP, Harayana, Punjab and Pondicherry. Since the Fertilizer Quality Control Laboratories were set up at different points of time, it is not unlikely that some States have got more laboratories than they need and the other States have less. The Committee recommend that if there is any imbalance in location of these laboratories with reference to fertilizer consumption it should be rectified.

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4.18

From the date furnished by the Ministry of Agriculture, the Committee find that there is a net-work of 364 soil testing laboratories including mobile soil testing vans with an annual capacity of testing 5.64 million samples of soil against a total of 815 million operational land holdings. In 1981-82, these laboratories had tested only 4.12 million samples. While laboratories in some of the States had been working in excess of their capacity (Delhi 158 per cent, UP 113 per cent, Gujarat 101 per cent), the laboratories in the States of Jammu & Kashmir, Orissa, West Bengal, Mizoram, Meghalaya, Tripura and Arunachal Pradesh had been working below 50 per cent of their capacity. The Secretary, Ministry of Agriculture attributed this underutilisation of capacity

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to breakdowns of equipment, power failure, absence of qualified technicians and frequent transfers of staff. He conceded that, "the soil testing programme is inadequate and needs to be augmented." The Committee feel that keeping in view the number of operational land holding in the country, the soil testing capacity set up so far is inadequate. However, as even the existing capacity is not being utilised fully. The Committee would like Government to take steps to intensify the Soil Testing Programme.

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4.19

The Committee further recommend that, as assured in evidence, lead soil testing laboratories may be established in each State soon to coordinate the functioning of the soil testing laboratories in the State, to provide technical support to them, to ensure their capacity utilisation, to check the quality of their work and to examine and make recommendations in regard to the adequacy of the existing laboratories. If State Governments are not in a position to finance these lead laboratories, a centrally sponsored or assisted scheme may be drawn up in this behalf.

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