

THIRTY-FIRST REPORT

PUBLIC ACCOUNTS COMMITTEE (1980-81)

LEVENTH LOK SABHA)

ck
PURCHASE OF FERTILISERS
FROM ABROAD

MINISTRY OF SUPPLY AND REHABILITATION
(DEPARTMENT OF SUPPLY)

MINISTRY OF AGRICULTURE AND IRRIGATION
(DEPARTMENT OF AGRICULTURE)

[Action Taken on 27th Report (Sixth Lok Sabha)]



Presented to Lok Sabha on .15.

Laid in Rajya Sabha on

LOK SABHA SECRETARIAT
NEW DELHI

March, 1981/Chaitra, 1903 (Saka)

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CORRIGENDA TO 31ST REPORT OF THE PUBLIC ACCOUNTS
COMMITTEE (SEVENTH LOK SABHA).

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CONTENTS

	<i>Page</i>
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE	(iii)
INTRODUCTION	(v)
CHAPTER I —Report	1
CHAPTER II —Recommendations or Observations that have been accepted by Government	6
CHAPTER III —Recommendations or Observations which the Committee do not desire to pursue in the light of the replies received from Government	113
CHAPTER IV —Recommendations or Observations replies to which have not been accepted by the Committee and which require re- iteration	140
CHAPTER V —Recommendations or Observations in respect of which Gov- ernment have furnished interim replies	144
APPENDIX —Conclusions/Recommendations	145

PUBLIC ACCOUNTS COMMITTEE

(1980-81)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Thirty-First Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 27th Report (Sixth Lok Sabha) relating to Purchase of Fertilizers from abroad.

2. The Committee had in the 27th Report observed that the estimates of fertiliser consumption which formed the basis for assessing requirements and planning for import, had never been realised, based as they were on an optimistic view of the situation. The Committee had opined that greater care could have been exercised in planning for the import of an item like fertilisers. While recognising that fertiliser consumption is subject to many variable factors, the Committee have in this Action Taken Report recommended that Government should have a definite system of compiling such vital data so as to facilitate proper decision making.

3. On 20 August, 1980, the following 'Action Taken Sub-Committee' was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports :

1. Shri Chandrajit Yadav	}	CHAIRMAN
2. Shri K. P. Singh Deo		MEMBERS
3. Shri K. P. Unnikrishnan		
4. Shri V. N. Gadgil		
5. Shri Satish Agarwal		
6. Shri N. K. P. Salve	}	

4. The Action Taken Sub-Committee of Public Accounts Committee (1980-81) considered and adopted the Report at their sitting held on 19 March, 1981. The Report was finally adopted by the Public Accounts Committee (1980-81) on 29 March, 1981.

5. For reference facility and convenience, the 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.

6. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;

March, 29, 1981
Chaitra 8, 1903 (Saka)

CHANDRAJIT YADAV,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1. This Report of the Committee deals with the action taken by Government on the Committee's recommendations/observations contained in their 27th Report (Sixth Lok Sabha) on Paragraph 41 of the Report of the Comptroller and Auditor General of India for the Year 1973-74, Union Government (Civil), relating to "Purchase of Fertilizers from abroad."

1.2. The Committee's Twenty-Seventh Report (Sixth Lok Sabha) was presented to Lok Sabha on 19 December, 1977. It contains 98 recommendations/observations. Action Taken Notes on all these recommendations/observations have been received from the Government and these have been broadly categorised as follows :

- (i) Recommendations or observations that have been accepted by Government :
Sr. Nos.—1, 2, 3, 6, 9, 10, 12-36, 38, 40-42, 44, 45, 47-49, 53-54, 56, 64-66, 68-69, 72, 73-81, 82-86, 87 (a. b. c.), 88-94 and 96-98.
- (ii) Recommendations or observations which the Committee do not desire to pursue in the light of the replies received from Govt. :
Sr. Nos.—5, 11, 37, 39, 43, 46, 50-52, 55, 57-63, 67, 70, 71, 87(d) and 95.
- (iii) Recommendations or observations replies to which have not been accepted by the Committee and which require reiteration :
Sr. Nos.—4, 7 and 8.
- (iv) Recommendations or observations in respect of which Government have furnished interim replies :

Nil

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

Estimation of fertiliser consumption and planning for imports (Paragraphs 1.63, 1.66 and 1.67—S. Nos.—4, 7-8)

1.4. Emphasising the need for a more scientific and realistic assessment of requirements as the basis of import of fertilisers, the Committee had recommended :

"1.63. For instance, the Committee find that the estimates of fertiliser consumption levels, which forms the basis for assessing requirement and planning for import, have never been realised to the full extent which would indicate that these were perhaps optimistic and on the high side. Thus, during 1969-70, 1970-71 and 1971-72,

while the agronomic requirements of nitrogen and phosphorous had been estimated at 23.00 lakh tonnes, 27.50 lakh tonnes and 28.00 lakh tonnes respectively, actual consumption was only 17.72 lakh tonnes, 20.20 lakh tonnes and 23.36 lakh tonnes. A similar trend is discernible in the subsequent years also and during 1972-73, 1973-74 and 1974-75, the actual consumption of nitrogen and phosphorous was respectively 24.21 lakh tonnes, 24.80 lakh tonnes and 22.51 lakh tonnes as against the estimates of 30.00 lakh tonnes, 34.10 lakh tonnes and 39.10 lakh tonnes. Similarly, there were wide variations between estimates and actuals during this period in respect of potassic fertilisers also. That the projections made in this regard were unrealistic is also borne out by the following observations contained in the 'Fourth Plan Mid-term Appraisal' :

"Fertiliser consumption has not increased as planned. The targets are not likely to be reached. The likely consumption of nitrogenous fertilisers in 1973-74 is now reckoned at 2.60 million tonnes (N) as against the original target of 3.20 million tonnes (N). Against the Plan target of 1.4 million tonnes (P_2O_5) for phosphatic fertilisers, actual achievements are likely to be around 0.8 million tonnes (P_2O_5)."

The draft Fifth Five Year Plan also refers to the shortage in the achievement of fertiliser consumption targets."

"1.66 That this elaborate exercise spanning nearly six months did not also produce the desired results would be evident from the figures of estimated requirements and actual consumption quoted earlier in paragraph 1.61. (In 1972-73, actual consumption of fertilisers was only 24.21 lakh tonnes of nitrogen and phosphorous as against the estimated demand of 30.00 lakh tonnes). The representative of the Department of Agriculture also admitted during evidence that 'this was really a formula which was adopted to arrive at an agreed figure.' As has been pointed out earlier, the tendency appears to have been to base future projections on the recommended doses without, however, taking into account the fact that the farmers do not always use the full recommended doses, and herein lies the root cause of the inflated estimate of fertiliser consumption for the future. Besides, as has been rightly pointed out by a recent (June 1976) study by the Reserve Bank of India on 'Fertiliser consumption in Indian Agriculture' the pre-plan levels of consumption of fertilisers were so low as a base that subsequent increases in consumption worked out to a high compound growth rate and 'such high growth rates cannot be expected to be sustained throughout in future for the simple reason that the bulk of fertiliser consumption, by and large, is accounted for by certain pockets in various parts of the country with favourable conditions for its use and even as it reaches a near saturation level at the existing level of technology and related factors like irrigation and cost-price relationship the scope for further growth is rather limited.' Unfortunately, however, the availability of complementary inputs like credit and irrigation on which the use of fertilisers depends to a large extent does not also appear to have been taken into account while making demand projections. Yet another variable factor which seems to have been lost sight of is the varia-

tion in soil-crop complexes from place to place. In these circumstances, it is not at all surprising that the estimates made from time to time had gone away."

"1.67 It would, therefore, appear *prima facie* that inflated consumption figures had been assumed somewhat mechanically and not on the basis of any sound statistical data leading to unrealistic forecasting of demand and requirements, which also had its inevitable impact on the import programme. It would also appear that Government had played excessively safe and erred on the side of liberalism in planning fertiliser imports and that some of the imports could well have been avoided by a more scientific and realistic assessment of requirements. The Committee are of the opinion that greater care could and ought to have been exercised in planning for the import of an item like fertilisers instead of adopting ad-hoc measures."

1.5. Replying to the recommendation in paragraph 1.63 in their Action Taken Note dated 15-8-1978, the Department of Agriculture have stated :

"The Committee's observations on the shortfalls in the growth rates of fertiliser consumption are noted. Such shortfalls have persisted during the Fifth Plan. Need based projections of fertiliser demand as well as those based on the requirements of the agricultural production programmes or response ratios have often proved to be wide off the mark. It is recognised that fertiliser consumption is a function of many variables which have a complex inter-relationship. Efforts are under way to sharpen the projections. While it is no doubt true that scientific estimation of demand should ideally make available reasonably accurate forecast of requirements and the quantum of imports required, we would submit that in a vast country like ours where the number of non-controlable and unpredictable variables operating in the fertiliser scene are very large and complex, the estimated demand has still to be based on the best guess available depending on various reports available as to :—

- (a) The adequacy/timeliness and geographical spread of rainfall;
- (b) Crop improvement programmes e.g. high yielding varieties;
- (c) The actual supply position in respect of irrigation and power;
and
- (d) availability of material at the right place and time.

These variables subsume many others which cannot be predicted especially in the short run. For example, the ability of the Railways to make wagons available for timely movements of fertiliser from factories or ports to the consumption centres depends on the other competing requirements of the economy such as large movement of food grains, imported cement and other equally pressing demands. To quote another example, the efficiency with which State distribution channels will function cannot be predicted accurately. Since the efficiency of the cooperative system varies from State to State and year to year and the quantum of credit available happens to be linked with recoveries which in turn depend not only on weather

but other circumstances, it is very difficult to make a scientific forecast taking into account all such factors. As pointed out in the answer to para 1.62, on the whole, greater accuracy has been achieved in recent years in forecasting requirements, but this, it is submitted, is more a matter of intuitive judgement than precise calculation. The National Council of Applied Economic Research who are now engaged in submitting a report on the structural demand for fertiliser production and of fertiliser consumption for future years are themselves confronted with the difficulty of taking into account such a large mass of variables each of which is subject to great variations over time. A district-wise and State-wise analysis of the fertiliser consumption figures shows that during 1977-78, 52% of the total consumption was accounted for by the four States of Uttar Pradesh, Andhra Pradesh, Punjab and Tamil Nadu, Maharashtra, Gujarat, Karnataka and Madhya Pradesh. It would have been equally difficult to foresee the sizable increase in the consumption level of Uttar Pradesh in the last two years and the stagnation in fertiliser use in a State like Assam.

In this connection, we would venture to submit that there may be some confusion in understanding the cause-and-effect relationship between the factor of availability from imports and the trends of consumption. It has been ably argued by Shri Gunvant M. Desai of the Indian Institute of Management, Ahmedabad in a paper on "Fertiliser Consumption after 1974-75—a Critical Review" that at least in one year viz. 1973-74 the growth in aggregate consumption could have suffered adversely due to tight overall availability. To quote from the paper further, 'the poor growth in 1972-73 and 1973-74 was due to tighter overall availability of fertilisers during those years resulting from over cautious fertilisers import policy during the earlier years' From the reasoning advanced in this Paper it would appear that the cause of fertiliser consumption may not be properly served by reducing imports to suit the short term trends in consumption."

1.6. The Action Taken Note dated 15 December, 1978 on paragraph 1.66 furnished by the Department of Agriculture reads as follows :

"The Committee's observations are noted. It is, however, submitted that the projections made at the time were simplistic, being merely a trend-line extension and the factor of recommended doses, therefore, did not come into play in these projections. With regard to the Reserve Bank of India study quoted, it is respectfully submitted that the levels of consumption reached even at the present time in over 80% of the districts in the country are so far below the recommended or the economic optimum levels that high rates of growth may still be capable of achievement. It is, further, submitted that according to our analysis of the district-wise and State-wise consumption figures, about 78 districts still have a lot of potential from the points of view of availability of irrigation, spread of high yielding varieties, etc. Promotion efforts concentrated in such districts is bound to result in considerable increase in the overall level of fertiliser use."

1.7 Replying to paragraph 1.67, the Department of Agriculture have, in a note dated 15 December, 1978, stated as follows :

“The Committee’s observations are noted. Regarding the complexity of the task of forecasting, our submission contained in the answer to para 1.63 may kindly be noted. We would also submit that in a vast country like ours with a distribution system which is not very well organised, even as light climate of shortage of fertilisers can lead to a serious situation. Since precise calibration of the import requirements is not possible for the reasons already explained, in this Department’s view it may be better to plan for a slightly larger availability than a slightly smaller availability in relation to the requirements. A climate of shortage such as the one that occurred in 1973-74, which has also been referred to by the Committee, would not only lead to the exploitation of the farmer but results in a fall in agricultural production, apart from exposing the Government to criticism for not making available the inputs which are crucial to agricultural production. We would, further submit that it is our aim to promote fertiliser consumption so that it will reach certain optimum levels from the point of view of the agricultural economy as a whole and with this view a fertiliser promotion programme involving both the State Governments and the fertiliser industry has been launched in the country. Such a promotion programme would only have adverse impact if more than sufficient availability of fertilisers is not ensured.”

1.8 The Committee had found that from 1969-70 to 1974-75 the annual requirements of fertilisers were being over-estimated consistently year after year and despite a sizeable shortfall in consumption with difference to estimates, no corrective action was taken to forecast the requirements in subsequent years on a more realistic basis. While the Committee appreciate that fertiliser consumption is subject to many variable factors, they cannot accept the contention of the Ministry that the estimates of demands for fertilisers in the country could be no better than a “best guess” or a “matter of intuitive judgement.” If that were so, there could be no planning in the field of agriculture in the accepted sense of the term and all decisions based on the existing plan projections would be mere *ad-hoc* decisions based on guess work. The Committee strongly recommend that Government should have a definite system of compiling such vital data so as to facilitate proper decision making.

CHAPTER II

RECOMMENDATIONS OR OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

These statistics serve to emphasise the imperative need for exercising great care in planning for the imports of a vital commodity, which is known to be acutely sensitive to world demand, supply and price trends, and for evolving a sound and rational import strategy which would enable purchases being made at the proper time and at the most advantageous prices. Unfortunately, however, as would be seen from the facts disclosed in the foregoing paragraphs as well as from some of the specific cases of purchases discussed later in this Report, it appears that there had been no scientific planning in the past on which a sound import strategy could have been determined, as a consequence of which recourse had often to be had to distress purchases at inopportune moments, when market conditions were unfavourable, to bridge the gap between demand and production. It also appears that imports were persisted with even when the estimated demands and consumption levels did not materialise, resulting in purchases in a falling market at abnormally high prices and avoidable inventories and accumulation of stocks.

[S. No. 2 (Para 1.61) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The observations of the Committee in regard to the need for scientific planning and to evolve a sound import strategy are noted. In regard to the specific cases of purchase referred to, the position has been further explained with reference to the relevant paragraphs below. It is submitted that during the last two years, there has been fairly systematic planning of imports which has helped avoid distress purchases as well as excess inventories.

[Ministry of Agriculture & Irrigation (Deptt. of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

In the committee's view, the failure of the strategy hitherto adopted for the purchase of fertilisers from abroad is mainly attributable to the unreliable and unscientific estimation and projection of consumption and demand, indigenous production and requirements, leading to periodical changes and adjustments in the purchase programmes which proved to have been, in the ultimate analysis, detrimental to the country's financial interests. The Committee have been informed that the annual import requirements of fertilisers are worked out by the Department of Agriculture by deducting the domestic production, as estimated and communicated by the Ministry of Petroleum and Chemicals, from the total agronomic requirements, which in turn are estimated a year in advance, of fertilisers to support the agricultural produc-

tion programmes of that year. The requirements thus computed are intimated to the Department of Economic Affairs for authorisation of the imports and allocation of funds. That Department, in turn, depending upon the availability of foreign exchange resources, approves the purchases either against free foreign exchange or against foreign aid or credit or from Rupee Payment Areas under bilateral trade agreements. While all this sounds simple enough, the Committee find that in actual practice, there were wide variations between the consumption levels estimated initially and actual consumption and off-take and between the estimates of indigenous production intimated by the Ministry of Petroleum and Chemicals and actual production, as a result of which the import requirements as assessed by the Department of Agriculture had mostly been wide off the mark and far removed from realities.

[S. No. 3 (Para 1.62) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The observations of the Committee in respect of assessment of import requirements and estimates of consumption are noted. Some improvements have been brought about during the last few years in the estimation of consumption as a result of which the actual levels of consumption achieved have reasonably approximated to the projections.

The actual levels of consumption against the targets for each year since 1975-76 are indicated below which would confirm the above :—

(In lakh tonnes)

Year	Target of fertiliser consumption				Actual consumption			
	—N	P	K	N+P+K	N	P	K	N+P+K
1975-76	20.15	4.52	2.70	27.37	21.49	4.67	2.78	28.94
1976-77	26.35	6.93	3.50	36.78	24.57	6.35	3.19	34.11
1977-78	30.4	8.2	4.1	42.70	29.13	8.67	5.06	42.86

[Ministry of Agriculture and Irrigation (Deptt. of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

The Committee find that it was only in respect of the requirements for 1972-73 that serious attempt to assess the requirements on a more realistic basis was made for the first time, in December, 1971, when a sub-Committee, under the chairmanship of the then Additional Secretary, Ministry of Foreign Trade, was appointed to go into the requirements projected by the Department of Agriculture in October, 1971 and to evaluate the supply position vis-a-vis requirement. This sub-committee, after studying the trends of consumption and various other factors, also came to the conclusion that it would suffice if the requirements were worked out after allowing a certain percentage increase over the consumption of the previous Kharif and Rabi seasons and accordingly recommended an increase of 23 per cent over the previous years' consumption. However, on the Committee of Secretaries suggesting a fresh look at the demand projections, the sub-

committee recommended, in March, 1972, that the projections for Kharif, 1972 be made on the basis of an increase of 15 to 20 per cent over the Kharif, 1971 consumption, and for Rabi, 1972-73 on the basis of an increase of 20 to 25 per cent over the consumption during the preceding Rabi season. The Committee of Secretaries, which considered these recommendations, appears on the contrary to have adopted a safe course when they decided that the demand for 1972-73 should be worked out on the basis of 17 per cent increase over the consumption of the preceding Kharif season and 22 per cent increase over the preceding Rabi consumption, as against the increments of 20 per cent and 25 per cent respectively over the consumption of the previous Kharif and Rabi seasons recommended earlier, in October, 1971, by the Standing Committee on Fertilisers of the Department of Agriculture.

[S. No. 6 (Para 1.65) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

No specific comments are offered on this paragraph. However the replies ventured in respect of paragraph 1.70 and 1.71 may kindly be noted in this connection.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-12-1978]

Recommendation

The Committee have, however, been informed that certain corrective measures aimed at ensuring a more accurate forecast of requirements have since been taken and that "a very scientific method" has been evolved recently to arrive at the total demand by linking the assessment to the actual consumption in each State and also the level of consumption reached in individual States and to the agriculture production programmes of the States. Under this method, which was adopted for the assessment of fertiliser requirement for Rabi, 1973-74, the area under high yielding variety programmes, non-high yielding variety, cereals and other commercial crops is taken into consideration separately and the requirements computed in the following manner :

- (i) An option was given to the State Governments to select the best fertiliser season since 1969-70 as the base.
- (ii) The area under different crops in a State was standardised by converting the area under different crops and reducing these area figures into one common figure. For instance, if a State grew HYV wheat, local wheat, HYV Bajra, local Bajra, Sugarcane, Potatoes and Cotton, the area under these various crops was reduced into one area (e.g. area under HYV wheat), the conversion being done by assuming certain conversion ratios, based on the recommended doses. It was, thus, assumed that if HYV wheat required one unit of fertilisers, non-HYV wheat would need $\frac{1}{2}$ unit, cotton 1 unit, HYV Bajra $\frac{1}{2}$ unit, local Bajra $\frac{1}{4}$ unit, etc. and the standardised areas of different crops were added to arrive at one common figure.
- (iii) The average dose required was then calculated by dividing the consumption at (i) by the area calculated as at (ii) above.

- (iv) On the average dose thus calculated, a 5 per cent increase was granted for each season to obtain the estimated dose for the season under consideration. (Thus, if the average dose had been calculated for Rabi, 1970-71 season, a 5 per cent increase was given for Rabi, 1971-72, another 5 per cent for Rabi, 1972-73 and yet another 5 per cent for Rabi 1973-74.)
- (v) The estimated dose so arrived at was multiplied by the standardised area for Rabi, 1973-74 (or for the season for which assessment is to be made) to work out the total requirements of fertilisers.
- (vi) However, in case Rabi, 1972-73 season happened to be the best season for a particular State, this State was granted yet another 5 per cent increase over the requirements worked out at (v) above. (The reason for this is stated to be the artificial depression of consumption during 1972-73 on account of non-availability of fertilisers and it was, therefore, assumed that if sufficient fertilisers were available, the consumption "would have been comparatively a little more".) The State Governments were, however, given the option of choosing between the results obtained by this method and those obtained on the basis of the method earlier adopted in respect of assessment of requirements for 1972-73, viz. applying an increment of 22 per cent over the preceding Rabi consumption.

[S. No. 9 (Para 1.68) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

No comments.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

A further refinement in the method of assessing fertiliser requirements was introduced for the Kharif, 1974 season, on the basis of the recommendations of a Committee constituted, under the Chairmanship of the Joint Secretary (Inputs), Department of Agriculture, to go into this question once again when some State Governments (particularly in the eastern region) protested that the earlier method, according to which a uniform rate of increment over the previous best year's consumption was allowed for all States was weighted in favour of the States which had already progressed far in fertiliser consumption and did not take into account the fact that some State which had started with low levels of consumption had the potential for achieving a much higher level of consumption. This Committee (the Anna George Committee), while broadly approving the method adopted by the Department for Rabi, 1973-74, however, suggested that comparatively backward States should be accorded a higher rate of increase in the dosage rate to enable them to gradually catch up with the progressive States and had arrived at the following conclusions :

- (i) The assessment should be based on the production programmes of the season and not on the basis of past consumption only.

- (ii) By and large, the formula proposed by the Ministry of Agriculture was considered to be sound except for the rate of increment which it was felt should not be uniform for all the States.
- (iii) The increment in dose to be allowed for each State may be worked out in such a manner that the consumption per hectare of all the States will be brought more or less to the same level in a reasonable number of years, say 8 to 10 years.

In pursuance of these recommendations, while assessing the fertiliser requirements of the States for Kharif, 1974, the States were classified into eight groups on the basis of their consumption per hectare in a year of no shortage and a different percentage increase in the average dose, varying between 5 per cent (for States like Punjab) and 12 per cent (for States like Assam, Tripura, etc.) was granted to each group of States. However, from Rabi, 1974-75 onwards, on complaints from the States that the percentage increase accorded to the backward States was "too meagre", the States were reclassified into nine groups and allowed percentage increases in the average dose varying from 5 per cent (Punjab and Pondicherry) to 20 per cent (Assam, Manipur, Tripura and Rajasthan).

[S. No. 10 (Para 1.69) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

No comments.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR dated 15-7-1978]

Recommendation

It is thus fairly evident that the major problem of estimation of domestic requirements, which forms the basis for the import strategy, is yet to be resolved satisfactorily, and the requirements continue to be computed by adopting different criteria more with a view to reconciling the divergent claims of the comparatively developed States and the developing States, as a result of which a certain amount of adhocism still persists in working out the requirements. The Committee are of the view that it should not be too difficult to ensure a more accurate forecasting of requirements by adopting various tools of demand estimation as are provided by the science of econometrics. While they admit that even the most rigorously scientific econometric methods can yield estimates which prove to be different from the actuals, and that these estimates can be vitiated by a number of unforeseen and unpredictable factors, the Committee, however, see no justification for the replacement of scientific estimation by *ad-hoc* and arbitrary formulae. Imports of fertilisers should not be planned on the basis of a mere extrapolation of past trends in this regard but in the context of a definite picture emerging from a scientific study of the actual patterns of fertiliser use in the country, the evolution of high-yielding varieties of commercial crops, extension of irrigation facilities, multiple cropping, break-through in dry farming techniques, etc. A critical review of the estimates projected from time to time would also be necessary to determine what went wrong and, benefiting from past mistakes, to adopt concrete corrective measures promptly. The Committee, therefore, recommended that such a review should be under-

taken with the assistance of experts in the field of econometrics and the fertiliser import policy realigned and determined in a more scientific and realistic manner.

[S. No. 12 (Para 1.71) of Appendix XXIV to 27th Report of the
PAC (Sixth Lok Sabha)]

Action taken

The Department accepts the recommendation of the Committee and would like to submit that from time to time attempts have been made to estimate fertiliser requirements/consumption on the basis of sophisticated econometric studies. The last study was done in 1972 by Shri W. B. Donde and Shri Dorris D. Brown under a project jointly sponsored by the Government of India and the World Bank. It is, however, submitted that the projections resulting from this study indicate a range of consumption figures which have in practice not been achieved due to a variety of factors. The method of projection of requirements is often based on the time series method which is most commonly used in projections of fertiliser demand. However, again under a World Bank sectoral loan programme, another study has been entrusted to the NCAER on fertiliser demand for future years and the Report, which is based on a sampling method instead of a time series method, is expected to be received shortly. The Department of Agriculture would continue to benefit from such studies and try to arrive at the best judgement on imports.

[Ministry of Agriculture & Irrigation (Department of Agriculture),
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

A sound machinery for the collection of relevant statistical data is also a basic pre-requisite for a scientific estimation of demand and requirements. For any planning on a realistic basis, it is also absolutely necessary that the planning agency is provided with timely and reliable data. In this connection, the Committee find that the Indian Institute of Management, Ahmedabad had suggested, at the request of the Department of Agriculture, a system of data reporting in regard to stocks and sales of fertilisers using the retailers as the reporting base and that their suggestions included rationalisation of the report format, avoidance of double accounting and streamlining of the reporting machinery. It, however, appears that this system, when tried out in Punjab and Tamil Nadu, disclosed "large scale defaults" in the reporting by the retailers, despite a legal obligation cast on them and it was therefore, proposed to adopt the wholesalers rather than the retailers as the reporting base and also to maintain a month-wise flow of data for effective import planning. It also appears from the Report of the sub-committee, appointed to examine the requirements projected for 1972-73, that the Department of Agriculture were also not in possession of past data relating to the actual dosage per hectare used for different crops. Stressing, therefore, the importance of timely and contemporaneous flow of all relevant data, the committee desire that the adequacy of the existing machinery for data collection should be reviewed and necessary measures taken urgently to streamlining it so as to ensure that the data collected is timely and also reliable to form a sound basis for the formulation of policies. They would also

2—1284 LSS/80

like to be apprised of the specific steps taken in this regard and whether the adoption of the wholesalers as the reporting base has worked satisfactorily.

[S. No. 13 (Para 1.72) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The Department accepts the recommendation of the Committee and would submit that the adoption of the wholesaler as the reporting base has worked more satisfactorily as the number of wholesalers is smaller and it is easier to collect and compile information received from them. The figures of off-take of fertilisers furnished every fortnight by the wholesalers have served as a useful device to monitor the progress of consumption against the target and to adjust the supply plan to the actual trends and off-take. At the end of the season the information also serves as a cross check on the consumption figures furnished by the State Governments. However, in an effort to further refine this system the Department is now considering a method of reporting of off-take and stocks at the level of the sub-wholesaler i.e. one level above the retailer as this would ensure greater accuracy in the figures of consumption.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

As pointed out earlier, another factor responsible for the deficiencies noticed in the planning for imports is the unreliable estimation of indigenous production of fertilizers by the Department of Fertilizers and Chemicals. The Committee are concerned to observe a wide gulf between the estimates initially projected by the Department, on the basis of which the import strategy was determined often with disastrous results and the actual production. The estimates had also been periodically revised by the Department of Fertilizers and Chemicals as a result of which changes and adjustment had to be made in the purchase programmes, not always to the country's advantage. Thus, the original estimates (December, 1970) of 14.20 lakh tonnes of Nitrogen, expected to be produced during 1971-72, had been revised in April, 1971 to 13.20 lakh tonnes and further revised in October, 1971 to 11.90 lakh tonnes, while the actual production amounted to only 9.52 lakh tonnes. Similarly, as against the original estimates (October, 1971) of 18.20 lakh tonnes, revised estimates (December, 1971) of 14.05 lakh tonnes and further revised estimates (June, 1972) of 12 to 13 lakh tonnes, the actual production of nitrogen in the country during 1972-73 was only 10.60 lakh tonnes. The position in this regard was no better during 1973-74 and 1974-75 also. While in 1973-74, actual production of nitrogen was 10.60 lakh tonnes as against the original estimates (June, 1972) of 16.00 lakh tonnes, revised estimates (February, 1973) of 14.04 lakh tonnes and re-revised estimates (July, 1973) of 11.28 lakh tonnes, during 1974-75, actual production amounted to 11.85 lakh tonnes as against the initial estimates (December, 1973) of 15.50 lakh tonnes and revised estimates (November, 1974) of 12.70 lakh tonnes. The indigenous production of phosphatic fertilizers had also not come upto the levels originally estimated and subsequently revised during these years. The representative of the Department of Agriculture also informed the Committee during evidence that it

had been the Department's experience that the actual indigenous production was "far below the estimates given earlier" by the Department of Fertilizers and Chemicals.

The representative of Department of Chemicals and Fertilizers admitted during evidence that he "would not hesitate to concede that over the past six to seven years, the estimations have not been accurate", and that "there has been a big gulf between the target and the actual production". It appears that while forecasting estimates of indigenous production, a somewhat facile assumption had been made that the new fertilizer projects would actually be commissioned as planned, as a consequence of which the estimates had been pitched at levels which were even higher than the then existing installed capacities. The fact that even the existing plants were operating only at levels far below their installed capacity also appears to have been overlooked. Thus the estimates themselves bore no relation to the available capacities and delays in the commissioning of new plants inevitably made the estimates unreliable and unrealistic. The Committee cannot help feeling that adequate care had not been exercised in this regard by the Department which is regrettable.

The Committee have been informed that the Department of Fertilizers and Chemicals, learning from past mistakes, have revised the method of estimation from 1975-76 onwards. Under the revised method, the estimates of production are based entirely on the performance of the operating units and no credit is taken for production likely to come out of units expected to go on stream during the year. Even in estimating production from the operating units, a suitable provision is made for likely loss in production arising out of known constraints like power cuts fluctuations, shortage of raw material, labour problems, etc. From the gross assessment of production an overall allowance to the extent of 5 per cent is made for all unforeseen shutdowns due to labour problems, mechanical breakdowns, accidental damages etc. The Committee, however, note that there was variation in the estimates of production and actual production of nitrogenous and phosphatic fertilizers during 1975-76 and 1976-77. The production of nitrogenous fertilizers during 1975-76 was 2.30 per cent in over original targets but 2.60 per cent less than original targets in 1976-77. The production of phosphatic fertilizers was 17.90 per cent less than original target during 1975-76. The Committee would, therefore, like the Ministry of Chemicals and Fertilizers to have fresh look at the method employed for estimating indigenous production and devise a more scientific and realistic method which would ensure that all the variables are taken into account and the estimates approximate as closely as possible, to the actuals. The Committee are also of the opinion that since under the revised method of estimation, the likely increase in production as a result of commissioning of new plants during the year is not taken into account, a situation may well arise (in the event of the new plants going on stream as per schedule) in which the import requirements worked out on the basis of these depressed estimates of production may prove to be excessive. The Committee are, therefore, of the view that in forecasting for the purposes of planning for imports, indigenous production of fertilizers, this fact should also be taken into account suitably and the progress made in the commissioning of new plants as well as the performance of existing plants monitored effectively and continuously so that timely intimation regarding likely increase in or set-back to production could be made available to the indenting agency (Department of Agri-

culture) and the procurement organisation (Minerals and Metals Trading Corporation).

[Sl. Nos. 14, 15, 16 (Paras 1.73, 1.74, 1.75) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

Observations of the Committee in regard to the importance of production planning have been duly taken note of. In fact, the method of production planning, as earlier intimated to the Committee, has already been streamlined since 1975-76. To reiterate, the following steps are now being taken :

- (i) Production plan for each production unit is drawn up in the beginning of the year in consultation with the management of each of the fertilizer plants both in public and private sector.
- (ii) Due allowance is given for the condition of the plant, its technological deficiencies, limitations of inputs and utilities, modification jobs to be carried out and its after effects.
- (iii) A careful examination of the progress of such plants under implementation as are likely to be commissioned during the year is made. In case of any doubt about the commissioning of the plant on due date no credit of production is taken for that unit during that year.
- (iv) Due consideration is given to the planned shutdowns their duration, month of shutdown, jobs to be done, etc.
- (v) From the gross assessment of production, an overall allowance to the extent of 5% is made for all unforeseen shutdowns due to labour problems, mechanical breakdowns, accidental damages, etc.
- (vi) Production plan so drawn up is closely monitored in the Ministry on a weekly basis, with a view to identifying the shortfall, if any, and the factors inhibiting production. Corrective measures are taken to reduce the shortfall in production in the subsequent weeks. Review meetings are arranged in the Ministry during the year to identify the problem areas and the corrective methods required.

2. During the years 1975-76 and 1976-77, the production estimates in respect of nitrogen have been very close to the targets. As already indicated in para 1.75 of the Report, the nitrogen production during 1975-76 was 2.30 per cent in excess of the target, while in 1976-77, it was 2.60 per cent less than the targets. Production of P_2O_5 in 1976-77 (4.8 lakh tonnes) was also equal to the target.

3. For the year 1977-78, the original target for nitrogen was 22.0 lakh tonnes and for P_2O_5 7.2 lakh tonnes. However, the actual production achieved during the year was 20 lakh tonnes of nitrogen and 6.7 lakh tonnes of P_2O_5 , representing a shortfall of 9 per cent in respect of nitrogen and 7 per cent in respect of P_2O_5 . While this shortfall in production is unfortunate, it is not due, in any way, to the method of production planning now adopted by the Government. It may be appreciated that any method of

forecasts is inevitably based on certain assumptions. The actual achievements would vary from the forecasts when any of the assumptions are belied for reasons that could not be foreseen, which is what has happened during the year 1977-78. In fixing the target at 22 lakh tonnes of nitrogen, after making allowance for unforeseen factors, it had been assumed that (i) there would be no power cuts during the year; (ii) that labour management relations would be cordial; (iii) that new plants, namely, Nangal Expansion and Trombay IV would be successfully commissioned from August, 1977 and January, 1978 respectively; and (iv) that production in Tuticorin, Mangalore, Barauni, Durgapur and Cochin I plants would stabilise with the completion of planned modification jobs. As it turned out, however, most of these assumptions went away. Power cuts were imposed on various units accounting for a production loss of about 63,722 tonnes during 1977-78.

3. Nangal Expansion plant was commissioned in January, 1978, but had to be stepped due to a fire. Trombay IV plant could not be commissioned as anticipated due to non-availability of clearance from pollution angle. Thus, as against an anticipated production of 65,000 tonnes of nitrogen from these two plants, only 3,300 tonnes of N was available from Nangal Expansion during its short period of operation. Mechanical breakdowns in new plants like Namrup Expansion, Barauni and Mangalore also had a very adverse effect on production. Besides, strikes at Durgapur and Neyveli plants also accounted for production losses.

4. In regard to P_2O_5 , the shortfall of 50,000 tonnes is mainly attributable to the non-commissioning of Sindri Rationalisation and Khetri projects which were estimated to contribute a production of 71,000 tonnes, but yielded a production of only 9,000 tonnes.

5. Government are fully aware of the vital importance of the production planning owing to its interplay with the import planning for fertilizers. This is why the indigenous availability for purposes of imports is reckoned at a level even lower than the production target so as to take care of the imponderables. For instance, as against a target of 22 lakh tonnes of nitrogen during 1977-78 the production for purposes of imports was reckoned at 21 lakh tonnes for calendar year 1977 taking due cognisance of the adverse power supply situation which had begun to cause concern at the time the targets were considered and finalised. Due, however, to the reasons as aforesaid, the actual production was only 20 lakh tonnes, one lakh tonnes less than what was assumed for purposes of imports. It may be pointed out, nevertheless, that overall availability of fertilizers in such situations is normally not adversely affected because of buffer stocking by the Ministry of Agriculture.

As regards the observations made by the Committee in regard to the non-reckoning of production from the new plants likely to be commissioned during the year, and the resultant possibility of excessive imports being planned, it is submitted that production contribution is not taken into account only from doubtful new starts and not from all the new starts. Thus, while no contribution was taken into account from Bhatinda plant which was then expected to be commissioned in January, 1978, contribution was taken into account from Nangal Expansion and Trombay IV in whose commissioning there was no doubt at that time. However, even if such a situation emerges—though it is highly unlikely the Ministry of Agriculture, etc. would certainly be intimated, as desired by the Committee, about the additional production

being available. It may be added however that even if such an eventuality arises, it would not lead to excessive imports, since the Ministry of Agriculture already maintain a buffer stock and to the extent such stocks go up due to additional production, imports for the next year will get reduced.

[Ministry of Supply & Rehabilitation (Deptt. of Supply), O.M. No. P.II-3(11)/77, dated 26-9-1978]

Recommendation

Hitherto, the procurement of fertilisers from abroad was also dependent on the availability of foreign exchange and the Committee have been informed in this context that earlier the Department of Economic Affairs used to authorise imports of quantities less than what had been estimated by the Department of Agriculture and also allot foreign exchange only in instalments. As a result, the requirements of fertilisers to be imported by the Department of Supply had been regulated periodically having an inevitable impact on the prices. Thus, during 1972-73, as against the initial requirement of 60,000 tonnes of Muriate of Potash (Special Grade) for Madras Fertilisers Ltd., indents for the procurement of only 22,000 tonnes could be placed on 24th March, 1972 owing to shortage of foreign exchange and less availability of credit, which were later revised to 65,000 tonnes (after taking into account the modified demand of Madras Fertilisers Ltd.) on 11 April, 1972, after the Department of Economic Affairs had clarified that larger credit would be available. Similarly, periodical adjustments in the purchase programme for urea had to be made as and when the Department of Economic Affairs authorised purchases against credit or released additional foreign exchange. Such piece-meal purchases, particularly during 1972-73, when there was admittedly a general world-wide shortage of fertilisers leading to increases in international prices of fertilisers (prices of urea, for instance, ranged from US Dollars 65 to US Dollars 67 C&F approximately between April, 1972 and July, 1972 and from US Dollars 70 to US Dollars 92 C&F between August 1972 and February, 1973) had obviously adversely affected the procurement programme and resulted in purchases at disadvantageous prices.

[S. No. 17 (Para 1.76) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

Department of Agriculture have no comments on this Para.

[Ministry of Agriculture & Irrigation (Department of Agriculture) O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

In the opinion of the Committee, better results might have ensured had indents for the entire quantity of fertilisers, computed on a more scientific and rational basis, required during the year had been placed in advance after, of course, taking into account the prevailing market prices and the likely behaviour of the market during the following period, as this would have made for better planning and lower prices. The Committee have been informed in this connection that the Department of Economic Affairs not make a bulk allotment of foreign exchange straightaway which has enabled

the Department of Agriculture to streamline and overcome some of the difficulties faced in the past in procuring fertilisers through the Department of Supply and the Minerals & Metals Trading Corporation and they trust that this would bring about the desired improvements in planning for imports and placement of demands on the purchase agencies.

[S. No. 18 (Para 1.77) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

It is submitted that the present system of allocation of foreign exchange in bulk well in advance of the period of procurement and planning of the purchase strategy in advance have helped in bringing about improvements in the system.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

It would also be seen from a specific case of purchase of ammonium sulphate discussed later in this Report that while planning for imports of fertilisers, even the elementary precaution of building up a market buffer which could be used in times of emergency had not been taken. This combined with the unrealistic estimation of requirements and indigenous production, led to purchases at wrong seasons and at prohibitive prices on the ground that the requirements were urgent and could not be postponed, and placed the country at the mercy of the suppliers and allowed little leverage in negotiations. The Committee were amazed to learn from a representative of the Department of Agriculture that imports were resorted to only "when the stocks had run down almost to the last tonne" which was "very well known" to the suppliers who "have exploited us year after year". Now that a decision has been taken, though belatedly, to allow a market buffer of 10 per cent and pipeline provision of 20 per cent, the Committee hope that there would be greater flexibility in making purchases keeping in view the seasonal advantages and market conditions and distress purchases at inopportune moments will be a thing of the past.

[S. No. 19 (Para 1.78) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The Committee's observations with regard to build up of a market buffer which could be used in times of emergency are noted. In this connection, it is submitted that in December, 1976, acting on the recommendation of the Kaul Committee on foreign exchange utilisation, the Committee of Economic Secretaries had decided that 20% of the country's total agronomic requirements of fertilisers should be added to the import programme formulated on the basis of the deficit between availability and demand, in order to meet the requirements of the buffer and the pipeline which invariably account for certain stocks in transit including those on the high seas. Since the above decision, a buffer stock is gradually being built up in the country to meet the requirements. It is submitted that as a result the possibility of the suppliers exploiting us taking the advantage of scarcity of

fertilisers and our pressing need for the same, has been considerably reduced.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

The success or failure of the import strategy also depends to a very large extent on effective co-ordination and speedy exchange of information between the different agencies involved in planning and implementation. The Committee note that in respect of fertilisers, a multiplicity of agencies are concerned with various aspects of imports. While the Department of Agriculture is responsible for assessing requirements, prescribing material specifications and shippings schedules, and placing indents, indigenous production is monitored by the Department of Fertilisers and Chemicals, imports authorised by the Department of Economic Affairs and the actual procurement done by the Department of Supply and the Minerals and Metals Trading Corporation (with effect from 1st August, 1975, however, the entire purchase of fertilisers from abroad has been centralised in the Mineral and Metals Trading Corporation). Similarly, the responsibility for marketing and distribution of fertilisers has been entrusted to the Department of Agriculture and the State Governments. It is, therefore, evident that unless effective liaison and co-ordination are maintained between all the agencies involved, integrated functioning would be well high impossible. Though it has been claimed during evidence that effective inter-ministerial co-ordination was in fact being ensured judging from the actual performance, the Committee are of the view that a lot more requires to be done in this regard. They would, therefore, stress that a suitable system for continuous co-ordination and exchange of information between the different agencies involved should be devised and its actual performance kept constantly under review and timely corrective measures taken.

[S. No. 20 (Para 1.79) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

As had been stated by the representatives of the Ministry of Chemicals and Fertilisers and this Ministry during the course of oral evidence before the P.A.C., considerable co-ordination already existed between the Ministry of Agriculture & other concerned Ministries/agencies involved in the import, production, distribution etc. of fertilisers.

Further, since the deliberations of the Committee, a number of additional steps have been taken to ensure more effective co-ordination, as recommended by the Committee. These are enumerated below :—

- (a) With a view to keeping a watch over the supply position a system of monthly reviews has been introduced. Representatives of State Governments, Co-operatives, CWC/SWC and Food Corporation of India, besides this Ministry, participate in these reviews.
- (b) An inter-Ministerial Co-ordination Committee has been set up, comprising of the representatives of Ministries of Agriculture,

Shipping and Transport and Railways, Food Corporation of India and I.P.L. This Committee meets every month to resolve points of differences and to decide means to accelerate unloading, movement and distribution of fertilisers in the country.

- (c) In order to review every fortnight the position about loading shipments and arrivals of imported fertilisers, a Monitoring Committee has been set up with representatives of Ministry of Agriculture, Ministry of Shipping & Transport and MMTC.
- (d) A system of monthly meetings between the Joint Secretaries of Ministries of Agriculture and Chemicals and Fertilisers incharge of Fertilisers, has been introduced. At these meetings, all outstanding issues between the two Ministries are discussed with a view to expediting action thereon.

Before the above measures, co-ordination between different Ministries and agencies concerned with fertilisers, is being achieved through the setting up of Working Groups of Committees for specific and time bound tasks. To quote an example, recently a Working Group on Handling and Clearance of Fertilisers from ports was constituted for taking care of problems of handling and clearance of imported fertilisers at Indian Ports.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

Consumption trends, which determine the demand, influence to a very large extent planning and strategies for the purchase and stock-piling of fertilisers. The Committee are, however, concerned to find that even though the growth of the indigenous fertiliser industry has been steady with substantial output in absolute terms and imports have also been considerable, the consumption of fertilisers in the country is still extremely disappointing and India, even after four Five Year Plans, is at the bottom of the world map in fertiliser consumption with the per capita consumption in 1970-71 being only 4 kilograms. It makes distressing reading that in spite of the acknowledged role of fertilisers in augmenting agricultural production, the consumption achieved during the Fourth Plan period was consistently less than the Plan targets, and for the last two years of the Plan, Government themselves had to revise the earlier target. Thus, as against a 27 per cent compound rate of increase per year in the consumption of fertilisers envisaged in the Fourth Five Year Plan, the actual consumption growth achieved was only 15 per cent in 1969-70 (against the growth rate of 40 per cent achieved in 1967-68), 14 per cent in 1970-71, 18% in 1971-72, 4.5 per cent in 1972-73 and a meagre 0.005 per cent in 1973-74. Again, in the first year of the Fifth Plan (1974-75), even though an ambitious target of 44.26 lakh tonnes (in terms of nutrients) had been proposed, actual consumption achieved was only 25.79 lakh tonnes, which was even less than the levels achieved in the preceding three years.

[S. No. 21 (Para 1.80) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The Committee's observations are noted. No comments are offered except those already offered against para 1.62 and 1.63. We would also submit that apart from the encouraging trend shown by fertiliser consumption, the overall per hectare application and level of the country has also increased to about 25 kg/hectare.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

Explaining the reasons for the decline in consumption of fertilisers during this period, the Department of Agriculture have stated that while the growth consumption during the period from 1966-67 to 1971-72 had been really remarkable, the consumption going up from 7.57 lakh tonnes of nutrients in 1965-66 to 26.21 lakh tonnes of nutrients in 1971-72, the consumption of fertilisers in 1972-73 and 1973-74 had been "seriously hampered" on account of (i) the domestic production falling "far below expectations" and (ii) non-availability and steep rise in prices in the international market, as well as increase in the cost of indigenous production (on account of increase in the cost of fuel-feed-stock and labour) leading to increase in the cultivators' prices of fertilisers. And in 1974-75, apart from the adverse impact of non-availability and rise in prices, unfavourable weather conditions, shortage of power which reduced the area under irrigation and shortage of diesel oil, aggravated the situation, resulting in less consumption than envisaged. The Committee have also been informed that "a large number of corrective steps" have already been taken to reverse this trend and that a fertiliser promotion scheme was also launched in the Fourth Plan under which a series of demonstrations were organised to encourage the use of fertilisers, which however has not been approved for continuance in the Fifth Plan as a paradoxical situation arose in which while Government were not in a position to provide adequate fertilisers to farmers who needed them, efforts were being made to persuade cultivators to use chemical fertilisers.

[S. No. 22 (Para 1.81) of Appendix XXIV to 27th Report of the
PAC (Sixth Lok Sabha)]

Action taken

No comments.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

However, now that availability of fertilisers has improved considerably and prices have also been reduced, the Committee feel that an intensive campaign for stimulating consumption should be launched. They need hardly emphasise that a major thrust in fertiliser consumption can be achieved only through sustained promotional activities and that in the interest of sound agricultural development, there should be greater awareness amongst the farmers of the role of balanced nutrition and complex fertilisers. A well thought out and properly integrated promotional approach, in which duplication and overlapping of efforts should be avoided, is also necessary

to overcome the apathy of the average farmer to the use of fertilisers. As has also been pointed out by the Committee on Public Undertakings, in paragraph 5.41 of their 50th Report (Fifth Lok Sabha), the promotional programmes undertaken by the Fertiliser Corporation of India Limited should be properly dovetailed and integrated with the other promotional measures of the State Governments to avoid any overlapping.

[S. No. 23 (Para 1.82) Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

It is submitted that the Intensive Fertiliser Promotion Campaign launched by this Department during the last two years has had reasonable success and efforts are under way to intensify promotion efforts. Frequent reviews of manufacturers' efforts have highlighted areas where efforts are more productive. FAI have also undertaken an evaluation after their recent seminar on fertiliser promotion. Not only in the case of FCI's programme but in all promotion programmes of manufacturers, State Governments are kept in the picture through co-ordination Committees at the State level to review the progress of promotion.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

Another important aspect which needs to be kept in view while undertaking promotional activities is the identification of areas in which fertilisers can be profitably utilised. The Committee learn that six States (Andhra Pradesh, Tamil Nadu, Gujarat, Maharashtra, Uttar Pradesh and Punjab) alone accounted for over 65 per cent of the total consumption of fertilisers in the country during the period from 1970-71 to 1974-75. Accelerating the growth rate of fertiliser use should, therefore, be directed in those areas where consumption is low and also towards aiding small farmers, by making available timely credit for a package of inputs and other necessary intra-structural facilities, in taking to the use of fertilisers on a much larger scale than before. All this necessarily calls for concerted efforts and effective coordination at all levels as well as a periodical evaluation of the efficiency of the measures undertaken and the Committee trust that timely and concentrated action would be taken in this regard.

[S. No. 24 (Para 1.83) Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The Intensive Fertiliser Promotion campaign which was commenced in Kharif 1976 takes into account the fact that about 55 districts out of a total number of 383 districts in the country account for over 45% of the total fertiliser consumption. The campaign is based on the identification of 58 districts which had good irrigation potential and suitable cropping pattern but comparatively low fertiliser consumption on account of the absence of a strong marketing system, among other factors. The campaign has been continued during every season since then and the number of Districts enlarged. Instructions are issued to the State Governments with regard to the various aspects of the campaign including those pointed out by the Com-

mittee. A periodical evaluation is obtained from the State Governments at the zonal conferences and also through the manufacturers from the Fertiliser association of India. It is submitted that the results of the campaign are to some extent reflected in the figures of fertiliser consumption during the last two years.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Further action taken

(Sl. Nos. 21 to 24)

The Fertiliser Corporation of India had launched a well-planned fertiliser promotional programme for increasing fertiliser consumption with special emphasis on balanced nutrition in the States where the level of consumption of fertilisers had been traditionally low. For planning, co-ordinating and monitoring the programme in each State the Fertiliser Corporation of India is having a Technical Coordination Committee. These Committees in the respective States are headed by the Director of Agriculture and the Specialists of the Agricultural University, the State Government and the Fertiliser Corporation are Members. The Technical Co-ordination Committees in each State meet twice a year once before the kharif season and once before the rabi season. In each of these meetings, these Committees review the progress of work during the previous season and plans the programme for the coming season. After the programmes are finalised, these are passed down the line to the respective District Agricultural Officers and to the Block Development Offices. The Fertiliser Corporation of India has staff posted at the Block and District levels who implement the programme in very close coordination with the block and District Officials. Therefore, from the planning upto the implementation stage a very close co-ordination is being maintained at the State, District and Block levels, for ensuring proper integration of the programme with that of the State Government programme, and also to avoid any possible duplication of effort. So far this system has been working effectively.

As regards the Indo-German Fertiliser Educational Programme in West Bengal and the FAO/UK/FCI Fertiliser Educational Programmes in the States of Madhya Pradesh and Uttar Pradesh are concerned, these are administered by the Central Level Committee. The Composition of the State Level Committees are as follows :

1. Minister of Agriculture/Commissioner of Agriculture	Chairman
2. Secretary/Special Secretary (Agriculture)	Member
3. Director of Agriculture	Member
4. Managing Director, Agro-Industries Corporation	Member
5. Regional Marketing Manager, FCI/HFC	Member
6. Regional Chief Agronomist FCI/HFC	Member
7. Project Reader	Member-Secretary

These Committees at the State Level draw out the programme and monitor its implementation. At the District level, there is a Committee headed by the District Magistrate and the District Agriculture Officer, con-

cerned. Block Development Officer, the representatives of the nationalised banks and the representatives of the Agro-Industries Corporations are Members. This Committee plans and reviews the progress of work at the district level. Through the State level and the District level Committees a proper integration of the programme is ensured and any possible duplication of efforts is avoided since the State Government is very intimately involved in the programme starting from the planning up to the implementation.

At the national level, there is a Committee consisting of the representatives of the Ministry of Petroleum, Chemicals & Fertiliser, Ministry of Agriculture, the Commissioner of Agriculture of the respective States and the representatives of the FCI/HFC. This Committee ensures proper integration of the programme with that of the Agriculture Ministry's programme at the national level in order to avoid any possible duplication.

While formulating the fertiliser promotional programme, the Fertiliser Corporation of India took note of the fact that six States namely Andhra Pradesh, Tamil Nadu, Maharashtra, Uttar Pradesh, Karnataka and Punjab alone accounted for over 65 percent of the total consumption of fertiliser in the country. Therefore, a very special programme was drawn up for the States of Assam, West Bengal, Bihar, Orissa and Madhya Pradesh by the Fertiliser Corporation of India. This Programme is aimed at not only popularising fertiliser but is specially designed to increase fertiliser consumption with special emphasis on balanced nutrition using complex fertilisers suited to the agro-climatic conditions of these States. The Programme in these States is backed up by comprehensive research programmes since certain basic information with regard to efficient use of fertilisers are not available in these States. The Indo-German Fertiliser Educational Programme, being implemented in the State of West Bengal with the above objectives in view has yielded very encouraging results. This programme was evaluated by the National Council of Applied Economic Research. The results of the evaluation carried out by the National Council of Applied Economic Research indicated that the cultivators in the Project areas have moved towards greater cropping intensity, increased area under irrigation and fertilisation, extensive use of high yielding varieties of seeds, increased levels of fertiliser consumption, better nutrient balance and increased yields.

In summing up, it may be noted that the Fertiliser Corporation had taken the lead in organising a scientific and comprehensive fertiliser promotional programme in the States where the present level of fertiliser consumption is low in order to promote fertiliser use and particularly balanced use of nutrients using complex fertilisers. Also the fertiliser promotional programme of the Fertiliser Corporation of India is being planned and implemented in very close collaboration with the respective State Governments at all levels to ensure proper integration of the programme with that of the State Government programme for avoiding duplication of efforts.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 29-7-1978]

Recommendation

The normal accepted method of purchase of stores by Government purchase agencies is to invite tenders and accept the lowest offer subject

to technical suitability, capability of the tenderer, etc. If necessary, the offers and other terms and conditions are negotiated with the tenderers after the opening of tenders. This method has a certain sanctity and secrecy attached to it and ensures purchases in the most competitive manner. In regard to purchase of fertilisers from abroad, however, the Committee find that while it is obligatory to make purchases made through tenders in respect of purchases made against US and Canadian Aid loans, the position in regard to other sources of purchase has varied widely from time to time. While purchases prior to 1966 were made by the Department of Supply mostly as a result of tenders, an analysis of 176 contracts relating to the period from 1970-71 to 1972-73 discloses that 34 contracts for a total quantity of 6.71 lakh tonnes for purchases against loans and credits other than US and Canadian Aid loans (U.K., West Europe and Japan) were placed by negotiations only and 36 contracts (11.95 lakh tonnes), 30 contracts (5.68 lakh tonnes) and 26 contracts (3.34 lakh tonnes) relating to purchases against free foreign exchange were placed respectively by negotiations, tenders followed by negotiations and by tenders. Subsequently, during 1973-74 and 1974-75, the entire quantity (19.20 lakh tonnes and 24.99 lakh tonnes) had been purchased only by negotiations. On the other hand, all the fertilizer purchases by the other procurement agency, Minerals and metals Trading Corporation, from Rupee Payment countries against bilateral trade agreements with them were negotiated with the Government enterprises of the countries concerned.

The Committee observe that conflicting views have been expressed in regard to the comparative advantages and disadvantages of purchases through negotiations and through tenders. While the Department of Supply have maintained that inviting tenders was not the best method of purchase and that purchases by negotiations had been found to be more suitable, the Committee have been informed by the representative of the Minerals and Metals Trading Corporation that while the methodology of purchase to be adopted was difficult to determine, a "judicious combination" of purchases by both tenders as well as negotiations depending on market conditions was considered advisable and would lead to the most economic buying, and that the selection of the method of purchase would necessarily have to depend on a judgment of the market situation at a given point of time. The Committee also understood that while tenders are expected to establish reasonable prices and to indicate the market trend, there was no guarantee that 'rings' would not be formed between the suppliers for quoting higher than market prices and that while calling for tenders and acceptance of the lowest offer might be satisfactory in a well-organised market for a commodity the supply of which is well in balance with the demand, it was not always possible to adopt the tender system for buying fertilizers. On the other hand, the Report of the Food and Agriculture Organisation (FAO) on the State of Food Agriculture, 1973, points out that export sales are normally on tender which results in a certain amount of flexibility with smaller lots usually commanding the highest prices.

While the Committee concede, in the circumstances, that it might perhaps be difficult to lay down any rigid norms for the methodology of purchase to be adopted, they would, however, emphasise that before deciding upon the method to be adopted in a particular situation, all the pros and cons should be carefully weighed and the method which would prove most advantageous to the country adopted. In order to safeguard against the

possibility of arbitrary and ad-hoc decisions, it would also be advisable to invariably record the reasons for adopting a particular method. The Committee also feel that it would be worthwhile to make a comparative study of the methods adopted in the past so as to determine what went wrong on different occasions, as well as those adopted by other countries like USSR and China, and see what improvements can be brought about in the present methods to obtain fertilizers at internationally competitive prices and also on an assured basis for meeting the country's requirement adequately and in time. In any case, it should be possible to maintain strict confidentiality about the quantum of purchase of fertilizers contemplated so that when the country is forced to enter the world market as a large scale buyer, prices do not increase unnecessarily thus placing the country at a disadvantage.

[S. Nos. 25 to 27 (Paras 2.22 to 2.24) of the Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action Taken

The work of import of fertilizers from General Currency Area was transferred to MMTC with effect from 1st August 1975. A study of the effectiveness of the methods adopted in the past has to be done by the Department of Supply. A study for the purchases made from August 1975 only by MMTC has, therefore, been made as under :—

The Fertilizers Purchase Committee (Consisting of representatives from Departments of Commerce, Economic Affairs, Agriculture and Chemicals & Fertilizers, etc.) met on 7-11-1975 and took note of the fact that in recent years the practice of calling for tenders had practically been given up by the Department of Supply for purchases made from GCA. Since expectation at that time was that 1976 would be an easy year for supplies it was decided that a general enquiry (limited to leading manufacturers/traders) should be issued for establishing reasonable prices. Subsequently, after the offers had been received it was decided that purchases should be made by negotiations. It was done and a large quantity of urea was purchased at very competitive prices in the month of January 1976. During rest of the year, purchases from GCA were also made by negotiation expecting purchases against credits where the terms of the loans prescribed purchase after inviting tenders. Purchases from East European countries were invariably made by negotiations.

After April 1977, urea market situation became somewhat unstable owing to a variety of reasons. Prices moved up and, therefore, in May 1977, a tender was floated for 100,000 tonnes of urea. In response to the tender, 11 offers were received but the prices quoted were *prima facie* high, only one purchase was made against the tender for 25,000 tonnes. Immediately following closure of the tender, MMTC purchased substantial quantity of urea (4,95,000 MT) through negotiations at prices below the level of the lowest bid received against the tender.

Subsequently, owing to failure of East European supplies to ship material according to the contracted schedule and in view of the anticipation of the Department of Agriculture that there would be increase in the consumption of fertilizer during Rabi season, it was once again felt necessary to test the market before making purchases. It also came to notice that Sri Lanka and Pakistan were floating three tenders for a total quantity of

2,35,000 tonnes between 7-10-1977 to 15-10-1977 and available material would be drawn towards the same. Consequently a telex/cable enquiry was floated closing on 7-10-1977 for 200,000 tonnes. Quotations were received from as many as 14 parties but the prices offered were on the high side. Therefore, none of the offers was accepted. However, purchases of 70,000 tonnes of urea were finalised at \$ 115 FOB bulk and this price was substantially lower than the lowest bid—US \$ 122 FOB bulk received against telex enquiry.

In the case of DAP, as purchases had not been made by MMTC for a long time, a limited tender enquiry was made. The prices received were high; and a settlement was made with Agrico at US \$ 144.50 FOB bulk outside the tender and subsequently through negotiations, the other tenders were persuaded to supply DAP at the same price level.

For the purchase of urea during 1978, the Committee decided that it will be best to send telex/cable enquiry to major US producers/traders giving them not more than 5 days for quotation without specifying any quantity and for delivery upto January 1978 extendable to September 1978. In the subsequent Fertilizer Purchase Committee meeting, the responses to the above tender were examined and it was found that the offers were not at all upto expectations. FPC, therefore, decided that negotiations should be held with West European producers in the Nitrex group and price settled as low as possible taking into consideration then current market trends. 300,000 tonnes were purchased at \$ 122.50 FOB bulk, a level below the offers received against the telex enquiry.

It will be seen from the above that the guidance of FPC has been sought from time to time on the strategy for purchase as also the mechanics to be adopted in the purchase of fertilizers. Before entering into contracts approval of the Board of Directors/concerned Purchase Advisory Committee is also obtained.

The above position was placed before the Board of Directors for confirmation of the procedure being adopted in respect of fertilizer purchases and giving such other guidelines that they may like to give in this regard. An extract from the Minutes of the proceedings of the Board is given below:—

“The Board appreciated the position brought out in the note. The Board agreed that there is no one best way for purchasing fertilizers and the procedure adopted should necessarily be flexible to enable purchases at the best prices. The Board, therefore, agreed that it is not necessary or desirable to follow the tender system always and advised that purchases could be made through negotiations with major producers and reputable traders. The Board, however, indicated that as in the past guidance of Fertilizer Purchase Committee may be taken whenever considered necessary in regard to the strategies and procedures to be adopted in making purchases”.

USSR is major exporter of fertilizers. We do not have information as to how exactly USSR and China are making purchases. But from available information it seems that they always negotiate purchase of fertilizers with sellers.

Committee's recommendations in paragraph 2.24 would, however, be kept in view while finalising the deals in respect of import of fertilizers in future.

[Ministry of Supply & Rehabilitation (Deptt. of Supply), O.M. No. P.II-3(11)/77, dated 5-12-1978]

Recommendation

Since the methodology to be adopted for the purchase of fertilizers necessarily depends on a judgment of the market situation at a given point of time, it is absolutely imperative that the purchase agency is armed with all relevant data relating to international production trends availability of fertilizers, behaviour of world prices, recent happenings on the world fertilizer front, etc. so as to be in a position to regulate imports in the best interests of the country. The Committee have been informed in this connection that apart from the information gathered from international journals and publications devoted to the fertilizer trade as well as from circulars received from certain international suppliers, the Department of Supply also obtained monthly reports from the Supply Missions in London and Washington and consulted the embassies in Tokyo and Washington and the High Commission in London as to the appropriate time for making purchases. It has also been stated that reports were obtained from time to time from the embassies in Kuwait, Ottawa etc. Relevant economic information relating to market trends, prices etc. is also understood to have been made available by the Commercial Counsellors posted at various Indian Missions abroad. It however, appears on the evidence that these are only recent developments and that prior to 1973-74, the arrangements in this regard left much to be desired and the coordination between the embassy officials and the purchase organisation/delegations was rather unsatisfactory. As has been admitted by a representative of the Department of Supply, apart from making arrangements for the stay of the delegations, the officials of Indian Missions abroad, with the exception of Rome and Tokyo, were not of any direct concrete assistance earlier in the matter of making available commercial intelligence on a regular basis. The Chairman of the Minerals and Metals Trading Corporation also conceded that when shortages began to develop in 1972 in the international market pushing up world prices, the consequences of fertilizer availability and prices were still to be understood in India. A representative of the Department of Expenditure (who had been associated with various purchase delegations) also informed the Committee that though during 1973-74 and 1974-75, delegations were sent abroad or suppliers asked to come to India for negotiations only when the Indian Ambassadors advised that it was the proper time for making purchases, "there may have been a few exceptions in the past."

That there was no effective channel of communication between the Department of Supply and the Indian Missions abroad for a regular and continuous exchange of information prior to 1973-74 is also evident from the fact that though instructions had been issued in 1976 to all the Indian Embassies/High Commissions abroad to furnish monthly reports, in a standardised proforma, in regard to availability of various types of fertilizers, trend of prices etc. The requisite information had been received from a few Missions only and that too not regularly, necessitating the issue of fresh instructions on the subject by the Ministry of External Affairs in April 1973. Even thereafter, during the period from May 1973 to August 1974 while only four reports from Washington, five from Tokyo and six from Kuwait had been received, no reports had been received from London.

Paris or Ottawa and it was only in June 1975 that one report had been furnished by the Indian Embassy in Paris. It also appears that during this period, the Department of Supply had not actively sought the co-operation and assistance of the Missions abroad and their inaction in this regard between 1967 and 1973 in spite of the fact that the requisite reports were not being received regularly needs to be explained satisfactorily. It is also regrettable that the question of non-receipt of reports even after the issue of fresh instructions in May 1973 had been taken up with the Ministry of External Affairs only after a lapse of nearly fifteen months, in August 1974. As this was a period when there were violent fluctuations in the international market for fertilizers on account of the general transformation of the international economy into a seller's market, adverse weather conditions, etc., the Committee feel that the timely collection of market intelligence would have ensured better planning and regularisation of imports.

[Sl. Nos. 28 & 29 (Paras 2.44 & 2.45) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

This Department vide O.M. dated 18-4-67 had requested the Ministry of External Affairs to issue suitable instructions to all the Indian Embassies/High Commissions to furnish monthly reports to the Department of Supply on fertilizers transactions taking place in the countries concerned. From the reports received from various Embassies in response to the instructions issued by Ministry of External Affairs it was found that many of these reports did not serve the purpose as they did not contain the rates paid by the importing countries. This Department therefore, devised a proforma and requested the External Affairs Ministry in August 1967 to issue suitable instructions to the Missions and Posts abroad requesting them to furnish monthly reports in the prescribed proforma.

It may be mentioned that whatever information or report considered to be useful, used to be called for by this Department from the Missions etc. This Department vide its letter dated 22-5-70 had requested the Supply Mission, London to arrange to send the March/April 1970 issue of 'Nitrogen' as the same had not been received here and to ensure the despatch of the further issues of this Journal regularly in future. A similar letter for 'Nitrogen' July/August 70 issue was sent to Supply Mission, London on 26-10-70. Likewise, the Mission was reminded for the issues of 'Nitrogen' Jan./Feb., 71. Phosphorus and Potassium-Jan/Feb. 71, and Fertilizer International Jan-Feb. 71 on 25-3-71. In addition, the books 'Ammonium Nitrate-Supply/Demand 1975-77' and 'World Fertilizers Atlas' were also purchased by this Department in 1970. In the year 1971 also, this Department had been requesting the Supply Wing, London to send the magazines on market intelligence regularly. On the basis of the reports received, the Supply Mission, London and Embassy of India, Tokyo were also requested to give some more information. The book 'The World Directory of Fertilizer Products 1970/71' was also purchased in that year.

In June/July, 72, the Department of Agriculture requested this Department to send its comments on collection and use of intelligence in regard to world market conditions. The comments of the Department sent to the Department of Agriculture on 26-7-72 were as follows :—

1. There is no doubt that whatever market intelligence is available to us is only by keeping constant contact with the industry and by the Delega-

tions going abroad which brings them in direct contact not only with the suppliers but also with the producers. Our Missions in London and Washington send us some information which is mostly based on the material available in the magazines which are also received by us. A few years back we had requested the various Embassies, through the Ministry of External Affairs, to keep up informed of the developments, but no useful information has ever been received. The two main sources from where useful information can be collected are Switzerland and Japan. If officers conversant with background of fertilisers were posted in these places, they would certainly be of great help. At present the feedback of information to the very limited extent is incomplete as details regarding the sales are never mentioned. For example, we may be informed that the contract at a particular price has been placed, but they do not indicate the details which are very vital, namely, whether the purchase was under Free Foreign Exchange or Credits, whether the purchase was in Jute bags or in polypropylene bags or in bulk. In the absence of these details the information furnished is very misleading and tends to create more problems rather than help us.

2. The Fertilisers Delegations have from time to time been suggesting that firstly the requirements should be kept secret and purchases should be made well in advance so as to give the suppliers sufficient lead time to make supplies and also that any purchases made in a hurry always tend push up the prices.

3. In conclusion we would say that officers at a senior level conversant with fertiliser should be posted to the two main sources, namely Japan and Europe : the headquarters of Europe may be London or Berne.

Fresh instructions on market intelligence pertaining to fertilisers were issued by the Ministry of External Affairs on 16-4-73. In June 1973, this Department also took up the matter with various Embassies/High Commissions requesting them to keep up-to-date information on intelligence of fertilisers.

As explained above this Department had been taking all possible steps for collection of information on market intelligence during the period 1967 to 1973.

[Ministry of Supply & Rehabilitation (Department of Supply)
O.M. No. PII-3(11)/77, dated 12-7-1978]

Recommendation

All this brings into sharp focus the need for improving the system of timely collection of market intelligence and for strengthening the Commercial Wings in Indian Missions abroad. The general impression that Indian Missions abroad, with the exception of one or two large ones, are not adequately equipped to gather necessary intelligence, on a scientific basis, on a commodity like fertilisers also needs to be dispelled. The Committee have been informed in this context that efforts were being made to strengthen the Commercial Wings at five stations, raise the status of the existing commercial officers at two stations and create new set-ups at eight places. While they would like to be apprised of the progress made in this regard so far the Committee would like the officers serving in the Country's Missions abroad to be well-trained and well versed in the nuances of gathering information

of commercial value and feeding it back in time to the various government agencies at home. Now that the Minerals and Metals Trading Corporation has been entrusted with the responsibility of procuring fertilisers both from the Rupee Payment Areas and General Currency Areas, the Committee expect that more effective use would be made of commercial information and market intelligence collected from various sources and the system therefor placed on a more scientific and firmer footing.

[Sl. No. 30 (Para 2.46) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

As regards the progress made in respect of strengthening and raising the status of the Commercial Wings of certain Indian Missions abroad, it may be stated that action to the creation of separate Commercial Sections/upgradation of existing posts/and creation of additional posts was taken and the following posts were created in March 1976 :—

Name of Mission	Name of posts	No. of posts
(1)	(2)	(3)
A. New Set-up :		
(i) Embassy of India, Kuwait	Second Secretary, P. A.	1 1
(ii) Embassy of India, Muscat (Oman)	Second Secretary P. A.	1 1
(iii) Embassy of India, Bahrain	Assistant	1
(iv) Embassy of India, Berlin (GDR)	First Secretary P. A.	1 1
(v) Embassy of India, Sofia (Bulgaria)	First Secretary P. A.	1 1
(vi) Embassy of India, Copenhagen (Denmark)	Marketing Officer (Local)	1
(vii) Embassy of India, The Hague (Netherlands)	Marketing Officer (Local)	1
(viii) Embassy of India Pyong Yong (Peoples' Rep of Korea)	Second Secretary P. A.	1 1
NOTE :—The posts sanctioned for Pyong Yong have been transferred to Embassy of India, Dubai from the current financial year (1978-79).		
B. Strengthening of Commercial Wing :		
(i) Embassy of India, Moscow (USSR)	Third Secretary/Commercial Attache	1
(ii) Embassy of India, Bucharest (Rumania)	Commercial Attache	1
(iii) Embassy of India, Baghdad (Iraq)	Personal Assistant	1
(iv) Embassy of India, Tripoli (Libya)	Assistant	1

	1	2	3
(v) Permanent Mission of India, Geneva		First Secretary P. A.	1 1
(vi) Consulate-General of India, Frankfurt (West Germany)		Statistical Assistant (Local)	1
C. Raising the status of Commercial Representatives :			
(i) Embassy of India, Baghdad		The post of First Secretary	has been upgraded to that of Counsellor
(ii) Embassy of India, Tripoli		The post of Second Secretary	has been upgraded to that of First Secretary.

2. In connection with the training of Commercial Representatives and gathering information of Commercial value by them, and feeding it back to the various government agencies at home it is stated that the Indian Foreign Service Officers serving in Indian Missions abroad are given detailed training in commercial work etc. before they are posted abroad. The training is given by the Institute of Foreign Trade, which is an adjunct of the Ministry of Commerce. They also undergo attachments with the STC and MMTC etc. At the time of their departure on foreign assignments they visit various port towns, places of commercial and industrial importance to have consultation with the Export Promotion Councils/Chambers of Commerce, Industrial Houses etc. so as to keep themselves abreast of current economic and industrial developments in the country. They are also called for consultation duty in India as and when important development takes place or an occasion demands. At the time of their proceeding on Home-Leave-Cum-Transfer from one post abroad to another, they are ordinarily, permitted to visit places lying on the route of their journey through India and such other industrial, economic and commercial centres considered essential by the Government. They are kept in touch with the latest developments in the field of trade etc. through a monthly letter issued by this Ministry. The Commercial Representatives, on their part, keep the Government informed of the latest economic and political conditions obtaining in the countries of their posting; events affecting imports and exports through their Monthly Commercial Reports.

3. Further, with a view to making the role and the working methods of the Commercial Representatives responsive to the requirements of the Indian exporting community the Department of Commerce in collaboration with the International Trade Centre, GATT/UNCTAD, Geneva, is organising four Regional Seminars for officers handling commercial work in our Missions abroad. The first two seminars in West and East Europe and in North and South America have already been held in March-April 1978 as detailed below. The Seminars for Commercial Representatives in Africa, WANA, South and South-East Asia will be held in September and November this year.

1. Geneva—from 1st to 10th March, 1978

2. San Jose—from 18th to 27th April, 1978

These seminars have been helpful in drawing up guidelines to strengthen the contacts between the Export Promotion Councils/Commodity Boards and the Commercial Representatives abroad so as to increase their efficiency, efficacy and effectiveness, especially in the fields of :—

- a. Collection and dissemination of trade information,
- b. Trade enquiries and trade disputes,

- c. Organisation of trade delegations both to and from India,
- d. Commercial publicity including participation in trade fairs, and
- e. Market research and survey.

4. In addition to the holding of these Seminars, meetings of Commercial Representatives are also organised in order to sort out the various problems faced by any particular Indian Mission vis-a-vis other Indian Missions abroad and to find ways and means to tackle those problems to take corrective steps, and to coordinate inter-country functions. Such meetings have been helpful in discussing the commercial strategy also. Recently, the following meetings have been held :

1. New York—from August 24-26, 1977
2. Prague—from October 24-26, 1977
3. Singapore—from May 30 to June 1, 1978
4. Commerce Ministry's meeting with Export Promotion Organisations held on 8th June, 1978.

[Ministry of Commerce, Civil Supplies and Cooperation (Deptt. of Commerce) D.O. No. 2/3/78-TC, dated 22-7-1978]

Recommendation

According to a decision taken by the Committee of Secretaries on Internal Affairs in February 1971 and reiterated by the Finance Minister in May 1971 no delegation was to be sent abroad for the purchase of fertilisers and ordinarily suppliers were to be invited to come to India if negotiations were considered necessary. It had been further clarified in February 1972 that a departure from the policy of holding negotiations in India for purchases from abroad would be allowed only if in the national interest. The Committee are, however, concerned to find that the policy has been honoured more in the breach than in observance and that during the period from 1971-72 to 1974-75, as many as 15 purchase delegations of the Department of Supply and 4 delegations of the Minerals and Metals Trading Corporation had visited various countries of the world and an expenditure of nearly Rs. 6 lakhs had been incurred on these accounts. The Committee have been informed in this connection that clearance for a departure from the approved policy was obtained in each individual case from a screening Committee, which included the Cabinet and Finance Secretaries, and that the system of sending delegations abroad had been found to be more effective for the following reasons :

- (i) This gives an opportunity to the delegation not only to meet the suppliers but also the producers, without bringing in, to the extent possible, the agents.
- (ii) Foreign teams invited to India did not always consist of the senior representatives of the suppliers and producers and, therefore, by sending Indian delegations abroad it was possible to deal directly with the senior representatives.
- (iii) By going abroad, it is also possible for the delegations to have a feel of the market.

Whatever may be the merits of these arguments, it is a moot point whether trips abroad by such delegations on so many occasions and at considerable expense were absolutely necessary and unavoidable, particularly in 1972-73 when as many as 7 delegations of the Department of Supply were sent to various parts of the world for negotiating purchases, and whether the same results could not have been achieved by inviting the suppliers/producers to India. While market conditions could have been assessed on the basis of regular and continuous market intelligence reports. India being one of the largest purchasers of fertilisers in the world, it should have been possible to insist upon the suppliers/producers to send their senior representatives for negotiations in India. Besides, it would also be seen from a specific instance of purchase of ammonium sulphate, which has been discussed later in this report, that on account of the Secretary of the Department of Supply being away from the country on one such visit, negotiations with the suppliers from another country invited to India had to be postponed at a time when world fertiliser prices were rising, resulting in purchases at higher prices subsequently to the detriment of national interest. In these circumstances, the Committee have their reservations about the real utility of such visits abroad. They would, therefore, urge Government to review carefully the need for these frequent visits and approve them only after a thorough examination of their justification, which should be invariably recorded, and only on occasions when it is considered absolutely inescapable in the country's wider interest.

[S. Nos. 31 & 32 (paras 2.60 & 2.61) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action Taken

The comments and recommendations of the Public Accounts Committee have been noted. The details of the visits made by MMTC upto 1974-75 for purchase of fertilizers have already been given to the Committee. Work relating to the import of fertilizers from general currency areas was transferred to MMTC with effect from 1st August 1975. Subsequently, generally, visits have not been undertaken by MMTC's officers exclusively for the purpose of purchase of fertilizers. During 1976, only two tours abroad were undertaken which can be regarded as exclusively for purchase of fertilizers. It may also be added that since March 1977, purchases of fertilizers have been finalised only at New Delhi.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M. No. P.II-3(11)/77, dated 27-11-1978]

Recommendation

What, however, causes greater concern to the Committee is the absence of any clearly defined criteria for determining the composition of fertilizer purchase delegations and the lack of uniformity in this regard. While the Committee have been informed by the Commerce Ministry that, on grounds of economy, the Minerals and Metals Trading Corporation had been sending usually only one man delegations in the past for purchasing fertilisers and other commodities, they find that the Department of Supply have been adopting different norms at different times in regard to their delegations. Thus, while the delegation comprised of only the Secretary of the Department on one occasion (November 1971 to Japan), the Secretary had been accompanied by the Deputy Secretary dealing with fertilisers on two

occasions (July 1971 and July-August 1972), by the Deputy Secretary and one representative of the Finance Ministry on seven occasions (April-May 1972, May 1972, September 1972, November-December, 1972, March 1973, August-September 1973 and September 1973), by the Deputy Secretary and two representatives of the Finance Ministry on four occasions (April 1974, May 1974, June-July 1974 and November-December 1974). Apart from informing the Committee that the composition of various delegations was duly got approved by the Fertiliser Purchases Committee, Minister of Supply and the Screening Committee of Secretaries, the Department of Supply have not been in a position to explain the criteria on the basis of which the selection of personnel for the delegations was made. The reasons for the non-inclusion of a Finance representative in the delegations sent abroad between March 1971 and January 1972 and for the inclusion of two representatives of that Ministry in the delegation sent to Japan in January-February 1973 have also not been satisfactorily explained. As regards the inclusion of the Deputy Secretary in some of the delegations, the Committee have been informed that as it was not possible for the Secretary to carry all relevant information with him and also in view of the necessity to have consultations as to how best the negotiations could be conducted, he had been included to render assistance in this regard. If this were indeed so, it is not very clear why the official, who is supposed to be "conversant" with market trends, prices, etc. had been excluded from the delegation to Japan in November 1971, which comprised of only the Secretary of the Department and also from the delegations that were sent abroad during 1974-75.

[S. No. 33 (Para 2.62) of Appendix XXIV to 27th Report of the P.A.C. (Sixth Lok Sabha)]

Action Taken

Action taken note on this Recommendation has been submitted by the Department of Supply.

[Ministry of Supply & Rehabilitation (Deptt. of Supply, O.M. No. P.II-3(11)/77, dated 27-11-1978)]

Recommendation

The Committee have also been informed by the Chairman of the Minerals and Metals Trading Corporation (who was also a member of the Fertiliser Purchases Committee) that the Fertiliser Purchase Committee only took a decision on the short point whether it was desirable for a purchase delegation to be sent abroad when negotiations could not take place in India and did not specify what should be the size and composition of the delegation. It would, therefore, appear *prima facie* that this question had been decided often in an *ad hoc* or routine manner. The Committee recommend that well defined and clear-cut criteria and principles should be prescribed in this regard and the size and composition of purchase delegations determined after a most careful consideration and scrutiny and expenditure thereon kept to the barest minimum. The delegations should also comprise only of persons possessing the requisite expertise and specialised knowledge of the commodity that is to be purchased.

[S. No. 34 (Para No. 2.63) of Appendix XXIV to 27th Report of the P.A.C. (Sixth Lok Sabha)]

Action taken

The advice of the Committee has been noted for guidance in the future.

[Ministry of Supply and Rehabilitation (Deptt. of Supply) O.M.
No. P.II-3(11)/77, dated 27-11-1978]

Further action taken (Sl. Nos. 32 to 34)

The Committee's observations have been duly noted for guidance. However action on the recommendations of the Committee, regarding close scrutiny of proposals for sending delegations abroad for purchase of fertilisers, and regarding the composition of such delegations has to be taken by the Ministry of Commerce, as the purchase of fertilisers is now being handled by MMTC. As for the Supply Department, not only has it ceased to handle the import of fertilisers, but it has hardly any occasion to send delegations abroad even for the purchase of stores procured through the DGS&D. No such delegation has been sent in recent years.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M.
No. P.II-3(11)/77, dated 16-1-1978]

Recommendation

As pointed out earlier in this Report great care should be taken in planning for the import of a commodity like fertilisers, which is actually sensitive to world demand, supply and price trends. In this context, the timely and most economical procurement by availing of the best market conditions assumes importance. The Committee, however, regret to observe that in this particular case, failure to anticipate the requirements of the seeding programme of a public sector undertaking and place the indent well in advance had resulted in avoidable purchases at considerably higher prices in the domestic season of the foreign country. Though it has been contended by the Department of Supply that in this particular case the payment of higher prices was inescapable as part of the quantity was required in April, 1971, which happened to be the domestic season of the foreign country, the Committee have been informed by the Chairman of the Minerals and Metals Trading Corporation that there was no harm in getting shipments during the domestic season if the contract had been concluded earlier and that while the time of procurement was important the time of actual shipment was not very material. It has also been conceded by the representative of the Department of Supply that there was an avoidable mistake in not placing the indents well in advance so as to secure an advantage in prices.

[S. No. 35 (Para 2.82) of Appendix-XXIV to 27th Report of the
P.A.C. (Sixth Lok Sabha)]

Action taken

The Department of Agriculture has no comments on this paragraph.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

In this context, the Committee find that the Department of Agriculture were aware of the requirements of di-ammonium phosphate for the public

sector undertaking (Trombay Unit of the Fertiliser Corporation of India) in the beginning of November 1970 itself if not earlier. Let it was only after a lapse of 1½ months that the indent was placed, on 17 December 1970, on the Department of Supply. While the reasons for this delay need to be explained, a further delay of about two months occurred in floating the tenders. Explaining the reasons for this delay the Department of Supply have stated *inter alia*, that procurement action could be initiated by them only after allocation of funds, which was made by the Department of Economic Affairs on 4 January 1971, and that some delay also occurred because the Canadian Government had to be consulted about the timing of the issue of tenders. The Committee, however, find that the Supply Department had been asked by the Agriculture Department, on 17 December 1970, to initiate procurement action in anticipation so that advantage could be taken of the slack season price.

[S. Nos. 35 & 36 (Paras 2.82 & 2.83) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The observations of the Committee have been duly noted for guidance. As the import of fertilisers is no longer handled by the Supply Department, it will now be for the MMTC (which handles such import) in consultation with the Agriculture Department to ensure that procedures for such import are streamlined and made thoroughly efficient.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M. No. P.II-3(11)/77, dated 16-6-1978]

Action taken (Sl. No. 36)

The requirements of DAP as well as other fertilisers for Kharif 1971 and Rabi 1971-72 were, no doubt, available, with this Department in November, 1970 and at that time the requirements of Trombay were also available with the Department. However, the supply of DAP to Trombay could not take precedence over the requirements of distribution of Pool DAP for direct application by farmers. These requirements for Kharif, 1971 were placed before the Standing Committee on Fertilisers on 9-12-1970 and a letter was issued to the Department of Economic Affairs on 11-12-79 *i.e.* within two days of the approval by the Standing Committee, requesting that Department to release foreign exchange for import of 1.20 lakh tonnes of DAP comprising of 60,000 tonnes each for Kharif, 1971 and Rabi 1971-72. It was made clear that these requirements included the requirement of F.C.I. Trombay of approximately 40,000 tonnes.

[Ministry of Agriculture & Irrigation (Department of Agriculture) O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

Incidentally, the Committee note that copies of market intelligence reports from Indian Missions abroad are also sent to the Department of Agriculture and it should have, therefore, been possible for that Department to have made use of these for placing the demands at the proper time taking into account the market trends. That this was not done in this case would indicate that little or no use is made by the Department of the market intelligence received by it. As the agency mainly responsible for ensuring

that fertilisers are procured and made available on time and for coordinating various activities in this regard, the Department should also constantly monitor the behaviour of the market, availability, etc. and not leave it entirely to the procurement agencies.

[S. No. 38 (Para 2.85) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The Committee's observations in regard to the role of the Department of Agriculture in the matter of procurement of fertilisers are noted. It is, however, submitted that the information which was generally received in this Department with regard to the world market for fertilisers was often scanty and seldom first hand. This Department used to obtain information mostly from fertiliser journals and occasionally from reports on market conditions received from other private sources in the world fertiliser industry. Market Intelligence Reports were not being sent to this Ministry by the Indian Missions abroad (except very occasionally or in pursuance of a visit of a fertiliser delegation from India), till about the Middle of 1975. During 1975, such reports were received through not on regular basis from the Indian High Commission at London, Washington and Tokyo. Since July, 1975, however, the Missions have ceased to send these reports as a result of the entrustment of fertiliser procurement work exclusively to MMTC. The Department of Agriculture continues to be represented by the Fert. Purchase Committee which is headed by Chairman, MMTC.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

The Committee find that even after the requirements of ammonium sulphate had been intimated to the Department of Supply there was a difference of opinion between the Secretary, Department of Supply and the Ministry of Finance about the strategy to be employed for this purchase. While the Department of Supply wanted to send a delegation to West Europe for the purpose before holding negotiations with the Japanese suppliers whose prices were generally higher so that purchase from them did not push up the West European prices, a policy decision had been taken that instead of sending delegations abroad, quotations should be invited and the suppliers requested to come to India for negotiations, if necessary, as such a method would facilitate prior consultation and approval within Government and generally result in better terms of purchase. Accordingly, offers had been invited from an organisation (Nitrex, Zurich) representing most of the West European producers of nitrogenous fertilisers and from whom bulk of the purchases from West Europe were regularly made, on 15 June 1971 and while communicating their offers by telex on 22 June 1971, Nitrex had also stated that their delegation would be ready to visit India at short notice in case the Indian purchasing mission was unable to visit the supplier in Europe. This had been followed up by another message received on 29 June 1971 wherein Nitrex had stated that their delegation would be arriving on 7 July 1971. Yet, strangely enough, a proposal made by the Department of Agriculture that urgent action to meet emergent requirements should be taken by sending a delegation to Japan appears to have been approved a day later, on 30 June 1971, in spite of the fact that it was known by then

that Nitrex were willing to come to India on 7 July 1971, resulting in the postponement of negotiations with the West European suppliers till August 1971, by which time Nitrex had increased their price to 13.50 dollars (f.o.b) per tonne (as against the earlier June offer of 13 dollars per tonne) on the ground that they were completely sold out and even had to refuse an offer of 20 dollars from Brazil.

The Committee are unable to understand why the lower offer of Nitrex for ammonium sulphate was not clinched in July itself especially when the foreign suppliers themselves had agreed to come to India for negotiations. It would *prima facie*, appear that these negotiations had to be postponed, much to the country's disadvantage, only on account of the Secretary of the Department of Supply having to proceed to Japan for emergent purchases of ammonium sulphate. It is surprising, to say the least, that the negotiations could not have been conducted as scheduled by other responsible Government officials, even if it had been considered absolutely inescapable for the Secretary to proceed to Japan. It is also significant that the suppliers themselves had pointed out, when negotiations were ultimately held with them in August 1971, that had the negotiations been held even as late as in July 1971, they would have been able to supply the full quantities of fertilisers required and that it would also have been possible to negotiate "substantially better prices". In these circumstances, the Committee have to regretfully conclude despite all protestations to the contrary, that this deal had been handled in a thoroughly unsatisfactory manner and that the then prevailing trends in the international fertilisers market had not been properly taken note of and utilised to the country's advantage.

It has, however, been contended by the representative of the Department of Supply that as a result of a "Package deal" for ammonium sulphate, Urea and CAN negotiated with Nitrex in August 1971 while the price of ammonium sulphate was increased by 25 cents per tonne, a reduction of 4.10 dollars and 15 cents per tonne had been obtained respectively for urea and CAN and that there was thus an overall saving of 157,020 dollars from the deal as against the higher price of 10,000 dollars paid for 0.40 lakh tonnes of ammonium sulphate. The Committee, however, find that while submitting their quotations, on 22 June 1971, for these three varieties, of fertilisers, Nitrex had not specifically stipulated that the offer should be treated as a package. Besides, it would also appear from the evidence made available to the Committee that even the initial offer of 13 dollars per tonne in respect of ammonium sulphate had little or no relevance to the market trends then prevailing. Admittedly, there was a downward trend in the prices of nitrogenous fertilisers at that time (June-July 1971) and in fact, the Secretary of the Department of Supply had also gone on record, during negotiations with the Japanese suppliers in July 1971 that the price quoted by Nitrex was only an initial offer and that "he was confident that he would be able to get a reduction of at least \$ 4 to \$ 5 when negotiations were held with Nitrex". It is also significant in this context that Nitrex themselves had stated at one stage of the discussions subsequently held in August 1971 that had the purchase been negotiated in July, it would have been possible for the suppliers to sell the material at 7 dollars per tonne, the price at which ammonium sulphate had been sold to the United Arab Republic. Similarly, even in respect of urea which subsequently formed part of the package deal offered by Nitrex, the Secretary of the Department of Supply had observed in a note dated 25 June 1971, that the price of 59.60 dollars per tonne

(f.o.b.) quoted by Nitrex was not in keeping with the then current world prices of urea. It is, therefore, amply evident that the suppliers had kept a cushion in their initial quotations and had successfully exploited the Country's helplessness to their advantage and the Committee are unable to accept the Department's contention in this regard.

[Sl. Nos. 40 to 42 (Paras 2.120 to 2.122) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The Department of Supply, *vide* its telex dated 15-6-71 requested M/s. Nitrex, Zurich to submit their offers for the supply of Urea, CAN and Ammonium Sulphate. In response to this telex, M/s. Nitrex *vide* their telex dated 23-6-71 quoted the following prices :

Fertiliser	Quantity	Country	Price	Packing
			per MT (f.o.b.)	
Urea	44,000 MT	France	\$ 53.60	50 Kg Bags
Urea	15,000 MT	Germany	\$ 53.60	50 Kg Bags
CAN	25,000 MT	Germany	\$ 33.65	100 Kg Bags
Ammonium Sulphate	32,000 MT	Germany	\$ 13.00 & \$100.00	Bulk 100 Kg Bags

This Department were aware that the price of \$ 53.60 f.o.b. quoted by Nitrex for Urea was not in keeping with the prices of Urea prevailing at that time and that in case of CAN also, there was increase in price by nearly a dollar per tonne over the last purchase price. This Department, *vide* its telex dated 26-6-71 addressed to M/s. Nitrex, expressed disappointment over the rates quoted by them and asked them to send their delegation as early as possible but not later than 6-7-71. On 28-6-71 M/s. Nitrex informed that their delegation would be arriving on 7-7-71. On 30-6-71, a proposal of the Department of Agriculture to send a delegation to Japan was approved. On the same day M/s. Nitrex were informed not to send their delegation till further notice. On 26-7-71 this Department asked M/s. Nitrex to send their delegation on 2-8-71. This was agreed to by Nitrex on 30-7-71. By that time M/s. Nitrex had increased the price of Ammonium Sulphate to \$ 13.50 per MT from \$ 13.00 per MT quoted by them initially. After prolonged negotiations this Department were able to persuade M/s. Nitrex to reduce the price to \$ 13.25 per MT.

2. As regards the question why the offer of \$ 13.00 was not clinched; it may be stated that as mentioned earlier this Department were of the view that the prices quoted by M/s. Nitrex were on the high side. It would be seen from the minutes of FPC meeting held on 27-7-71 that according to this Department there was every possibility of obtaining a reduction in price from Nitrex over their quoted price of \$ 13.00 per tonne. In this meeting, Secretary (Supply) had also mentioned that the entire purchase strategy had gone wrong that year as the negotiations had been conducted with the Japanese first. It was with a view to bring down the prices that negotiations were proposed to be held with Nitrex who were asked to send their delegations to India for the purpose. However these negotiations were postponed in view of the decision of the Government that a delegation

may be sent to Japan to meet the urgent requirements of Department of Agriculture. The negotiations with M/s. Nitrex could ultimately be held in August 1971 when the suppliers had increased the rate of Ammonium Sulphate to \$ 13.50 from 13.00. At the time of postponement of negotiations, it could not be foreseen that the suppliers would increase, the rate of Ammonium Sulphate. Nevertheless, this Department spared no efforts in the negotiation and was able to persuade M/s. Nitrex to reduce their prices of Urea and CAN. Due to the reduction in prices of Urea and CAN, there was an overall saving of \$ 176,670.50. In this connection, an extract from notes dated 2-6-72 recorded by the then Secy. (Supply) is given below :

"S. In regard to the next point of clinching the offer at \$ 13 without loss of time when there was the feeling that the prices were hardening, I am afraid the strategy of conducting the negotiations has not at all been appreciated. Day in and day out negotiations are held in the Department of Supply at various levels. It is our experience that the chances of securing a more sizable reduction in the prices are better when the items for discussion are bulked together and the value of the total order is large than if negotiations are conducted in respect of individual items in isolation of each other. If we had decided to place the order for Ammonium Sulphate at \$ 13 before the firm revised their quotations on the 16th August, we would not have obtained the same size of reduction in the other two items, namely, Urea and CAN as had been secured in the combined negotiations for all the items. In any case as I have explained, the prices of all these items obtaining in May 1971 were much lower than those as quoted by the firm in June/July, 1971."

In view of the position explained above, it is felt that this Department could not have done anything better in the circumstances. However the observations of the Committee have been duly noted for guidance.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M.
No. P.II3(11)/77, dated 16-6-1978]

Recommendation

It would also appear that in spite of having gone in for emergent purchases at high prices, the fertiliser was not available in adequate quantities when it was actually required. Though the Department of Agriculture had indicated that they would require two lakh tonnes of ammonium sulphate by October 1971, orders only 0.41 lakh tonnes could be placed by August 1971 and a further quantity of 0.77 lakh tonnes ordered in September 1971, leading to further purchases to cover the balance demand only in November 1971 actual shipments being completed only by March 1972. Besides, as would be seen from the discussions in the subsequent section of this Chapter, the supplies against the orders for 0.37 lakh tonnes placed on an Italian supplier at the same price as in the case of orders placed on Nitrex (13.25 dollars for tonne) commenced only

as late as in October 1972 on account of delay in completion of various formalities. Admittedly, the time available was too short to carry out meaningful discussions with the Japanese suppliers who sensing the quantum and urgency of the requirements, exploited the situation to their advantage.

[Sl. No. 44 (para 2.124) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The observations of the PAC contained in para 2.124 have been noted.

[Ministry of Supply and Rehabilitation (Deptt. of Supply) O.M. P.II-3(11)/77, dated 16-6-1978]

Recommendation

This case, therefore, brings into sharp focus a number of glaring deficiencies in the planning and procurement of fertilisers and emphasises the need for evolving a more foolproof strategy. As has been rightly pointed out by the Secretary, Department of Expenditure there could be better advance planning of requirements and also more confidential handling of purchases without making the urgency of our requirements known to the suppliers. The Committee note in this connection that the Secretary, Department of Expenditure as well as the Secretary, Department of Supply had analysed the causes that led to the unsatisfactory situation in the present case and had suggested a number of remedial measures for the future. Action was also to be initiated by the Department of Agriculture on the suggestions of the former and a paper prepared for discussion before the Cabinet Secretary. It, however, appears on the evidence, that some correct steps, like a more realistic assessment of requirements, building up of a buffer stock, timely placing of indents, etc., have been taken only as late as in 1975. The Committee would, therefore, like to be informed in detail of the specific steps taken in pursuance of the suggestions of the Secretary, Department of Expenditure between August, 1971 and June, 1975, especially in the context of the rising trend in world prices of fertilisers coupled with non-availability during this period. and to ensure that procurement was made before conditions of scarcity developed and a situation as in the present case, in which the country had to yield to the dictates of the suppliers was avoided.

[Sl. No. 45 of Appendix XXXV (Para 2.125) to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

After the Ammonium Sulphate episode and the note dated 12-8-71 of the Secretary, Department of Expenditure, action was in fact initiated in the Department of Agriculture on the latter's suggestion and a paper was prepared for discussion by the committee of Economic Secretaries. This paper was submitted to them on 16th October, 1971 and considered by the Committee on 7th December, 1971. This note dealt with an analysis of the Ammonium Sulphate case, an optimum system of imports and buffer stock to match the supplies with demand, the promotion of low analysis fertilisers and measures to instal reliable data reporting system of fertiliser stocks and sales. Thus, a wide gamut of issues was, in fact, considered at length in the note submitted by the Department of Agriculture. The Com-

mittee of Secretaries decided in the context of this note that the import of Ammonium Sulphate and CAN should be phased out during the next 5-6 years. Keeping in view the difficult foreign exchange situation at the time, in the wake of the suspension of economic aid by US and the Bangladesh crisis, the Committee constituted a Working Group to go into the entire picture of fertiliser demand, domestic production and inescapable import. The Committee deferred consideration of the idea of a buffer stock to a more appropriate occasion. The report of the Working Group headed by Shri Y. T. Shah and the subsequent decision of the Committee, of Secretaries with regard to the method of estimation of requirements have already been noted by the Public Accounts Committee. The position of imports, the system of allocation of foreign exchange and the strategy to be adopted have, ever since then, been constantly under review at the time of formulation of import programme every year. Unfortunately, however, the circumstances since December 1971 till about the Middle of 1975 were not propitious for consideration of issues such as optimum estimation of requirements and import planning, buffer stocking to avoid distress purchases at high prices etc. in view of the continued difficulty in the availability of foreign exchange and the scarce availability and very high escalation in prices of fertilisers in the world market following the oil crisis of 1973. Since the question of meeting adequately the requirements from imports did not arise on account of the scarce availability of fertilisers the consideration of issues such as buffer stocking which would have involved larger imports and further outgo of foreign exchange had inevitably to be deferred. At the earliest opportunity, however, following the gradual fall in the trend of world prices and return to a more stable supply and demand situation in the world supply market, these issues were again taken up for consideration in 1975. It is submitted that since 1975-76, as already pointed out, the system of release of foreign exchange in lump-sum allocations and the relatively stable prices helped us to take up the building of a buffer stock.

[Ministry of Agriculture and Irrigation (Department of Agriculture) O.M. No. 10/47/77-MPR, dated 15-7-1978]

Recommendation

This, case, therefore, underlines the need for streamlining and rationalising the procedures with a view to eliminating avoidable delays in the completion of formalities relating to purchase from abroad. The Committee note in this connection that the question of simplification of procedures in respect of Italian credit was discussed with the Officials of the Department of Economic Affairs on 13 April, 1972, who had then advised that there was no immediate solution to the problem of Italian suppliers credit and the meaningful discussions with the Italians, could be held only after the Italian elections in June 1972. They would, therefore, like to know whether these discussions were held subsequently and if so, what specific steps were taken in this regard. The Committee would also like Government to undertake a selective case study of purchases from various countries with a view to assessing the time taken at various stages from the placing of the indent to the commencement of supplies and determining what improvements could be effected in the procedure for the processing of purchase proposals. An attempt should also be made to eliminate all non-essential stages and to reduce the time taken for processing the proposals at each stage. The Committee would like to be informed of the measures

taken in pursuance of these recommendations and the improvement actually affected.

[S. No. 47 (para 2.135) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

This Department would like to submit that the entire question of delays inherent in the cumbersome procedure prescribed for Italian Credit for fertiliser purchases was taken up at this Department's initiative with the Department of Economic Affairs, the Indian High Commission and other agencies. As pointed out by the Public Accounts Committee, however, no solution to the problem was found even after the meeting of 12th April, 1972. With regard to the question whether those discussions were held subsequently and if so, what specific steps were taken in this regard, this Department would submit that following the gradual improvement in the foreign exchange situation and the utilisation of Italian credit for other purchases, the question of import of fertilisers under the Italian credit has so far not arisen.

[Ministry of Agriculture and Irrigation (Department of Agriculture) O.M. No. 10/47/77-MPR, dated 15-7-1978]

Action taken

Action taken note in respect of simplification of procedures regarding Italian Credit will be submitted by the Deptt. of Agriculture in consultation with the Ministry of Finance, Deptt. of Economic Affairs. The Ministry of Commerce, being concerned with procurement of fertilisers from abroad, have to undertake a selective case study of purchase of fertilisers from various countries, as recommended by the Committee. That Ministry have been asked to submit action taken note in this regard and the same will be forwarded to the Lok Sabha Secretariat on receipt.

2. This Department are, at present, concerned with the purchases made by DGS&D. A selective case study in respect of purchases made by DGS&D from abroad was undertaken with a view to reducing the time taken for processing the proposals and determining what improvements can be effected in these procedures. It has been observed that some of the areas in which improvements can be effected are :

(i) Cutting down the time in the issue of confirmatory A/Ts.

(ii) Simplification of procedure for opening of letter of credit.

3. Regarding (i) above, the Directors of Supplies in the DGS&D have been asked to ensure prompt action. Surprise checks are also being made to locate cases of delay if any, between the issue of advance A/T and the issue of confirmatory A/T. Regarding (ii) the matter is being further reviewed in consultation with the concerned authorities, with a view to simplify the existing procedure for opening of letters of credit.

4. It may be mentioned that in respect of import of items other than fertilisers, a copy of the subject recommendation has been sent to the major purchasing Departments viz. Ministry of Railways, Ministry of Defence, Ministry of External Affairs, P&T Board with the request to undertake indi-

vidual selective case studies in order to streamline and rationalise the procedures for purchases from abroad, and to intimate the results to this Department for onward transmission to L.S.S.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M. No. P.II-3(11)/77, dated 4-9-1978]

Further action taken

As desired by the Committee, a selective case study of purchases from various countries has been conducted and the result is as under :—

Normal time taken in MMTC at various stages from the placing of indent to the commencement of supply is given below :—

- (i) Formulation of the strategy of purchase on receipt of requirement from Ministry of Agriculture. —One to two weeks.
- (ii) Normal time allowed for giving offers. —Three weeks.
- (iii) Placing of order after scrutiny of offer and/or holding of negotiation. —One to two weeks.
- (iv) Signing of contract, submission of performance guarantee bond and opening of Letter of Credit. —Two/three weeks.
- (v) Nomination of vessels through transchart, acceptance of the same by supplier and commencement of shipment at loading ports. —Two/three weeks.

The following procedure is followed by MMTC on receipt of indents from the Department of Agriculture :—

A. IMPORT FROM GCA/EAST EUROPEAN COUNTRIES :

- (i) Department of Economic Affairs are approached for release of foreign exchange if the needful had not already been done.
- (ii) Import licence is obtained from the CCI&E Office (this is no longer required as import of fertilizer falls in the category of OGL now).
- (iii) Purchase is finalised in accordance with the strategy approved by the EPC.
- (iv) In cases where a contract has to be sent to foreign suppliers for their signature and the material is required urgently, the letter of credit is established, even in anticipating of the signing of the contract, with the approval of appropriate authority.
- (v) Matter is pursued with transchart/supplier for fixing of the vessel depending on whether purchases may be made on FOB basis or C&F basis.

No procedural difficulty has come in the way of speedy import of fertilizer.

B. IMPORTS AGAINST CREDITS

Since the transfer of work relating to import of fertilizer from GCA, to MMTC, credits from Japan, Canada, Belgium, France, Sweden have been made available to MMTC.

Stages after signing of the contract will be the same as mentioned at (i), (ii), (iii) above. However, if the tender conditions stipulate that purchases should be made after inviting tenders, this is invariably done. No letter of credit is established in case of purchases under Credit. After signing of the contract, copies thereof, together with photostat copies of import licence are forwarded to the Department of Economic Affairs, who in turn, obtain approval of the Indian Government or the foreign Government, as the case may be, before payment is authorised to supplier.

No procedural difficulties have come in the way of speedy import of fertilizers against the credits or otherwise. Committee's recommendations would, however, be kept in view for streamlining and rationalising the procedures, wherever found necessary, while effecting future purchases.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M.
No. P.II-3(11)/77, dated 27-11-1978]

Recommendation

This is yet another instance of lack of foresight in planning for import and of failure to initiate timely action for procurement from abroad after taking into account the developments on the domestic as well as on the international fertiliser front. The Committee are perturbed to note that considerable delay had occurred at various stages in arranging for the imports of fertilisers to meet the requirements of Kharif 1972 and Rabi 1972-73, resulting in the postponement of purchase till the already depleted stocks had reached "a dangerously low level". To begin with the Committee find that even though the fertiliser requirements for Kharif 1972 and Rabi 1972-73 to which the present purchase of urea related, were finalised on 4th November, 1971 itself and had also been communicated to the Department of Economic Affairs on 6th November, 1971, it was only a month later, on 7th December 1971, that a working group was constituted by the Committee of Economic Secretaries for making a fresh assessment of the fertiliser supply position *vis-a-vis* demand. While on the recommendation of the working group (13th December, 1971), the Department of Economic Affairs authorised, on 30th December, 1971, import of 7.5 lakh tonnes of urea from Rupee Payment Areas and released foreign exchange of 47 million dollars for these imports as well as imports of other fertilisers from Rupee Payment Areas and the Minerals and Metals Trading Corporation was also asked to procure at least 3 lakh tonnes of urea to reach India before the end of May 1972, it took another six weeks for the release of free foreign exchange for purchases from General Currency Areas and placing indents therefore on the Department of Supply. It appears that this delay was on Account of the Committee of Economic Secretaries asking the working group to do a complete review of the demand. However, as has been pointed out earlier in Chapter I of this Report (*vide* paragraphs 1.63 and 1.64), the outcome of this elaborate exercise was not very much different from the projection made earlier, in October, 1971, by the Standing Committee on Fertilisers of the Department of Agriculture. It is also seen from the report of this working group, that the import requirements for 1972-73 had been worked out by the Group on the assumption that the indigenous production of nitrogenous fertilisers would amount to 14 lakh tonnes of nutrients as estimated by the Department of Fertilisers and Chemicals even though the Department of Agriculture appear to have expressed reservations about these estimates. (As against these estimates, actual indigenous pro-

duction of nitrogenous fertilisers during 1972-73 amounted to only 10.60 tonnes of nutrients). It should have also been apparent even before 7th March, 1972 when the MMTC formally intimated that they would not be in a position to procure more than 70,000 tonnes of urea by June, 1972 against the earlier estimation of 3 lakh tonnes, in view of the fact that though it had been estimated in December 1971 that 7.5 lakh tonnes of urea would be available from Rupee Payment Areas, only as a quantity of 4.5 lakh tonnes had been agreed upon in the trade plans actually concluded. Besides it should have been possible, by timely collection of market intelligence, to anticipate that on account of adverse weather conditions in Europe in the beginning of 1972 and the consequent upsurge in demand for fertiliser in East and West Europe, the quantities actually available in the international market would be far less than the initial estimates made in this regard.

[S. No. 48 (Para 2.142) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The Committee's observations in this regard are noted. In fact the entire case of the Department of Agriculture is that considerable delay occurred at various stages in arranging for imports of fertilisers to meet the requirement of Kharif 1972 and Rabi 1972-73. As the Committee has rightly observed despite the communication of the requirements for Kharif 1972 and Rabi 1972-73 on 6th November, 1972 to the Department of Economic Affairs, there was a total delay of nearly two months in the allocation of foreign exchange by the Department of Economic Affairs, no doubt on account of the extremely difficult circumstances faced by the country at that time. As events turned out, the allocation on 30th December, 1971 of \$47.00 million for import from RPA countries proved to be theoretical as, against the quantity of 7.5 lakh tonnes of urea to be procured from RPA including 3.00 lakh tonnes for shipment by May, 1972, the actual quantity contracted by MMTC was less than 2.50 lakh tonnes including only 0.20 lakh tonnes for arrival in time for Kharif 1972. Even the allocation of \$5.00 million of free foreign exchange for DAP was not utilised in time for purchase of fertiliser to be available for Kharif 1972, since the purchase of DAP was postponed on account of the high price quoted. Thus, by the time the letter was received from MMTC on 8-3-1972 regretting their inability to purchase the quantities of fertilisers committed by them, it became clear that there was going to be a sizeable deficit in the availability for Kharif 1972. An exercise made by this Department on 13-6-72 which was communicated in a letter from the Minister of Agriculture to Finance Minister indicated sizeable shortfalls in the availability both for Kharif 1972 (2.15 lakh tonnes of N and 0.72 lakh tonnes of P_2O_5) and Rabi 1972-73 (4.36 lakh tonnes of N and 2.01 lakh tonnes of P_2O_5). As the Committee has correctly observed, these deficits were partly on account of the shortfall in domestic production. It was only by late July, 1972 that the Ministry of Petroleum and Chemicals conceded that there might be a shortfall of between 1 and 2 lakh tonnes of Nitrogen in the domestic production. As it turned out, however, the shortfall was actually 3.40 lakh tonnes for the whole year which necessarily contributed to a huge deficit in the overall availability, especially, for Rabi 1972-73. It was in this context that this Ministry had brought to the notice of the Prime Minister in a letter dated 13 June, 1972 that with a better economic intelligence system, the shortfalls in availability

could have been foreseen and alternative arrangements for imports could have been made.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-78]

Recommendation

The Committee are, therefore, of the view that these factors should have been adequately taken note of and arrangements made to enter the market as expeditiously as possible. It is, however, fairly obvious that the developments on the international fertiliser front in the beginning of 1972 had not been properly understood in India and that timely remedial measures were not taken in the context of the likely shortfalls in the indigenous production and in the scheduled imports from Rupee Payment areas. That such a situation should have been allowed to develop in spite of the existence of a high level Fertiliser Purchases Committee for Co-ordinating imports is regrettable. The Committee would urge the 'Fertiliser Purchases Committee' to have a firmer grip on the import programme and assess its progress continuously so that timely remedial action could be taken in the event of a likely set back to the scheduled imports from any country on anticipated steep increase in prices or shortfalls in indigenous production. This case also points to the need for improving the machinery for the timely collection of market intelligence on production and price trends in the international market and other factors likely to have an impact on availability of fertilisers. In this connection, the Committee would invite attention to their observations/recommendations contained in paragraphs 2.44 to 2.46 of this report.

[S. No. 49 (Para 2.143) of Appendix XXIV to 27th Report of
the PAC (Sixth Lok Sabha)]

Action taken

The Department of Agriculture have no comments on the observations made by the Committee in this paragraph. The Department, would, however, submit that to some extent the defects which existed in the arrangements for procurement of fertilisers during 1972-73 have been remedied during the last two years. It is, further, submitted that as a result of entrusting the procurement exclusively to Minerals and Metals Trading Corporation, a greater flexibility has been introduced since the shortfalls in availability in one area such as the Rupee Payment Areas can now be compensated by larger purchases in the other area viz. the General Currency Area.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-78]

Action taken

The recommendations of the Committee that there should be a firm grip on the import programme and the progress of the same should be continuously assessed is noted. As has been indicated in the comments on para No. 2.166 procedure has been laid down for organising the import of fertilisers. The Fertilizer Purchase Committee determines the strategy for procurement from time to time and is constantly in touch with the progress of procurement and implementation of contracts. The nature of the international market for fertilisers is a guiding factor in the strategy

followed for the purchase of fertilisers. To assess the conditions in the international market, the MMTC has organised the collection of market intelligence relating to fertilisers on a continuing basis. Fertiliser prices in the international market tend to fluctuate widely during the year and change quickly and it is often difficult to say precisely at any point of time what the world market price is. Some of the main factors which affect prices could be as under :—

- (a) Geographical location of buyer and seller.
- (b) Short term and long term market objectives of seller and buyer.
- (c) Current material situation of buyer and seller *i.e.* the urgency to buy or sell.
- (d) Material requirement of buyer and availability with seller.
- (e) Existing and potential market demand in the buyers areas.
- (f) Material and packing specifications.
- (g) Period of delivery.
- (h) Port conditions—Loading, unloading rates and charges.
- (i) A variety of other factors, including strength of agricultural lobby, trade, political and social affiliations.
- (j) Climatic conditions in various parts of the world.
- (k) Psychological tone of the market.

The Corporation has an Economic & Research Cell which collects market intelligence on production and price trends in the international market as also other factors relating to fertilisers which are likely to have an impact on the availability and price of fertilisers. Material is collected from a large number of specialised journals.

Some of the main sources are listed below :

1. Fertiliser Edition—Published from Tokyo daily except on holidays.
2. Nitrogen & Phosphorous & Potassium—Published from London after every two months.
3. Sulphur—Published from London.
4. Fertiliser international—Published from London monthly.
5. Fortnightly report—From British Sulphur Co.
6. Weekly “Green Market” report—Published from London.
6. (i) Weekly “Chemical Marketing Reporter”—from USA.
7. Monthly newsletter from British Sulphur & Reports from British Sulphur, ISMA, etc. engaged in collection in dissemination sale of market information fertiliser and fertiliser raw materials.

8. Periodical reports from International Trading Organisation like Woodward & Dickerson, ICEC, IMC, etc.
9. European Chemical News—Weekly—London.
10. Industrial Minerals—Monthly—London.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M. No. P.II-3(11)/77, dated 27-11-1978]

Recommendation

This particular case also appears to indicate that higher prices have to be paid for purchases financed out of loans as compared with the prices paid for purchases in free foreign exchange. Though the Department of Supply have informed the Committee in this connection that generally, by and large, there was not much difference in prices between purchases made on credit and those in free foreign exchange, they have, however, added that while most of the credit purchases were confined to the source country, there was no doubt that a global tender under free foreign exchange might result in an advantageous purchase from the point of view of prices. A similar position also appears to hold good in respect of purchases of fertiliser plant equipment and the committee understand that there have been some cases where higher amounts have been paid for credit purchases. It has, however, been paid for credit purchases. It has, however, been brought to the Committee's notice that even if prices which are marginally or reasonably higher have to be paid for credit purchases. Government would still prefer purchases against tied credit on account of the need to conserve the country's scarce foreign exchange resources and that while Government bears in mind the possible price differential in making purchases against credit and in free foreign exchange, necessary steps are always taken, when for any reason substantial variation is found to ensure that the country was not a loser in the process. While the Committee note that assurance given in this connection, that the decision whether a particular purchase should be made against credit or in free foreign exchange was taken after considering the merits of each individual case and that in planning for the purchases of fertilisers, involving as it does large amounts of foreign exchange, a "judicious mixture" of credits, rupee payment arrangements and free foreign exchange was employed after striking a balance between optimum procurement and the least strain on Government's resources, they nevertheless feel that a critical study of the entire question, in all its aspects, with particular reference to the present comfortable position of foreign exchange reserves so as to effect the desired improvements should be undertaken in the purchase strategy in the broader national interest. The Committee would like to be informed of the action taken in pursuance of this recommendation within three months.

[S. No. 53 (Para No. 2.164) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

As desired by the Committee, the position of purchases made by MMTC from August, 1975 against Credits *vis-a-vis* free currency has been reviewed. It has been observed that the prices paid to European Suppliers against Credit have almost been the same as for purchases made from them against free currency. However, in case of MOP. purchased

from Canada Corporation we have been paying US \$ 2-4 more than the price paid to Kali-Und-Salz, West Germany in terms of FOB cost, but if freight element is added, the difference is between US \$ 6-8. This position had been duly brought to the notice of the Department of Economic Affairs.

Committee's recommendations in this regard would be kept in view in respect of the future purchases of fertilizers by MMTC.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M. No. P.II-3(11)/77, dated 27-11-1978]

Recommendation

The Committee are informed that as a special experiment tenders for the supply of plant and equipment for the Trombay V project have been invited on a dual basis, one based on the availability of free foreign exchange and the other based on tied credits from France and UK which would indicate whether the package based on tied credit was in fact substantially higher priced than the other. They would like to be apprised of the outcome of this experiment as well as the conclusions drawn by Government therefrom.

[Sl. No. 54 (Para 2.165) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

NITs for the Trombay V ammonia plant were issued to 9 parties requesting them to submit their bids for licence, engineering services, know-how, lumpsum price for imported equipment, procurement assistance for purchase of bulk raw materials, supervision of startup, erection and commissioning etc. The parties were asked to bid on three alternatives. The first alternative was that quotations should be on the basis of payment in free foreign exchange whereas under alternatives two payments were to be made under French Credit and under alternative three under U.K. Credit.

Out of 9 parties only 5 quoted and the position of their bids is as follows :

(i) *Toyo Engineering Corporation (TEC)*

Since TEC only quoted a lumpsum price based on the availability of free foreign exchange a comparison could not be made.

(ii) *Halder Topsoe* : M/s. Halder Topsoe quotations under alternative two and three were about 20.5% and 17.5% higher than alternative one.

(iii) *Foster Wheeler in collaboration with UHDE* : Since Foster Wheeler only quoted under alternative three no comparison could be made.

(iv) *Snamprogetti* : Snamprogetti offers under alternative two and three were 8% and 12% higher respectively over alternative one.

- (v) *Kellogg International* : Kellogg International quoted in Pound sterling but did not indicate under which alternative they were quoting.

From the analysis above it would be observed that the offers under alternative two and three wherever available were higher than offers under free foreign exchange.

The offer from M/s. Sham based on free foreign exchange was accepted for the ammonia plant. For the Urea plant also M/s. Snam were selected as the contractor.

The arrangements made to finance the foreign exchange cost of the different sections in the Trombay V project are as under :

	(Rs. in crores)		
	Free Foreign Exchange	Foreign Credit	Total
(i) Ammonia Plant	Rs. 26.69	Rs. 1.32	Rs. 28.01
(ii) Urea Plant	Rs. 3.16	Rs. 6.14	Rs. 9.30
(iii) Offsite including spares & contingency	Rs. 6.21	—	Rs. 6.21

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M. No. P.II-3(11)/77, dated 8-12-1978].

Recommendation

The Committee have also been informed by the Chairman of the Minerals and Metals Trading Corporation that there was indication of tremendous possibilities of imports from the East European countries and that long-term purchases could be made from them under 5-year trade plans. It should be possible to persuade producers/suppliers in the General Currency Areas also to have the similar long-term arrangements in the interest of ensuring that imports are made on an assured basis and at the most competitive prices for meeting the country's fertiliser requirements adequately and in time.

[Sl. No. 56 (Para No. 2.167) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

Recommendation of the P.A.C. for having long-term arrangements for import of fertilizers with the producers/suppliers in the general currency area has been noted as a guideline.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M. No. P.II-3(11)/77, dated 8-12-1978]

Recommendation

Since the selling agent appears to have a complete monopoly of sales of sulphate of potash and could, therefore, dictate his own terms and conditions, the Committee see no reason why Government cannot deal directly with the producers thus eliminating the middleman agent and ensure

better terms, as has already been recommended by the Committee in paragraphs 1.60 and 1.61 of their 160th Report (Fifth Lok Sabha). Now that all imports of fertilisers both from Rupee Payment and General Currency Areas, have been entrusted to the Minerals and Metals Trading Corporation, the Committee would like concrete steps to be taken in this regard. Besides, with a view to reducing our dependence on imports of potassic fertilisers, efforts should also be directed towards finding newer methods of potash recovery from all available sources within the country.

[Sl. No. 64 (Para No. 2.193) of Appendix-XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

In paragraph 1.60 and 1.61 of the PAC's 160th Report (5th Lok Sabha), the Committee appreciated the need for agent's commission in the case of import of plant machinery and equipment where after-sales services are involved, but they considered the role of Indian agents in the case of import of commodities like fertiliser to be of no utility as the same did not involve any maintenance. The Committee, therefore, desired that Government should deal directly with the foreign suppliers.

The recommendations of the Committee were examined by a working group comprising of various Government purchasing Departments which was convened by the Director General of Directorate General of Revenue, Cabinet Secretariat. A summary of their recommendations is enclosed (Annexure I).

Subsequently in para 1.8 of the appendix to the 185th Report (5th Lok Sabha) the Public Accounts Committee expressed the hope that with the transfer of the entire work of import of fertilisers to the MMTC all dealings in this regard would be handled directly with the foreign producers of fertilisers and the superfluous middlemen agents and suppliers will be altogether eliminated. A copy of the 'Action Taken Note' prepared on this para is also enclosed (Annexure II).

MMTC has been organising procurement action keeping in view the guideline indicated by Government. As far as possible, within the constraints imposed by material requirements and other market forces, MMTC attempts to procure material from producers or producer groups rather than from traders and other middlemen.

As regards Indian Agents it may be stated that MMTC does not appoint any agents for import of fertiliser. However, various producers/suppliers employ Indian agents/consultants etc. The agents convey to their principals proposals regarding tender enquiries etc. They also act as agents to quote on behalf of their principals and produce documentation etc. They coordinate on behalf of their principals and work for the proper implementation of the contracts. The firm's agents deal with MMTC as agents of the sellers. There seem to be no regulation to prevent foreign suppliers exporting to India employing Indian agents. The Commission payable by the foreign supplier to his Indian agents is divulged in the contract and remitted to them directly by MMTC in rupees.

The Government of India had, in the year 1974, signed a long-term contract (for 5 years) with a producer, Kali-Und-Salz, West Germany, for the import of both MOP and SOP. During the last three years MMTC have imported SOP directly from that producer. The price paid to Kali-Und-Salz in each case has been quite competitive in comparison with market prices as indicated by the offers received from other suppliers.

The suggestion that efforts should also be directed to find newer methods of Potash recovery of sources within the country, it is hoped, is engaging the attention of Departments of Agriculture and Mines.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O. M. No. P.II-3(11)/77, dated 27-11-1978]

ANNEXURE I

Summary of Conclusions and Recommendations

1. In respect of imports where after-sale service is involved the agents have a useful role to play and need not be dispensed with.
2. There is no definite basis to conclude that in the absence of an agent, in India, of the foreign supplier, the pricing structure would be different and more favourable to the purchasing department.
3. If the prices are competitive, any payment to the Indian agent in rupees out of that price would result in saving of some foreign exchange.
4. If the foreign supplier is not allowed to have some kind of open and legal arrangements for keeping in touch with the Indian market, there can be a serious apprehension either of the agency arrangements being deliberately suppressed which may lead to greater leakage of foreign exchange and evasion of taxes, or of diversion of the agency functions to the associates of suppliers resulting in greater outflow of foreign exchange.
5. It is not possible to confine any ban on the agents to the area of Government imports, and, therefore, before taking any such action, its possible effect on long established and well settled commercial practices will have to be considered.
6. Indian agents have utility in certain spheres and they should not be regarded as an unmixed evil. Ways and means should, however, be found to have better control on them to ensure against undue make-up of the price in the contract without regard to the nature of their role or services and against any leakage of taxes of foreign exchange.
7. A power in law may be taken to ban agency arrangements in respect of those commodities where such arrangements are not in national interest.
8. The suggestion regarding compulsory registration of agents is not feasible for a variety of reasons.
9. There should be uniformity regarding the clauses or conditions in the tender and the contract forms relating to agency arrangements.
10. The scope of the relevant clauses in the tender and contract forms should be widened to apply not only to agents but also to all kinds of commercial relationship or financially linked concerns.

11. The relevant clauses in the tender and contract forms should be appropriately revised so as to require the supplier to indicate (a) the precise relationship with the agent-associated, (b) the mutual interest which the supplier and the agent/associate have in the business of each other, (c) any payment which the agent/associate is to receive in India or abroad from the supplier whether as a commission for the contract or as a general retainer fee, and (d) all services to be rendered by the agent, whether of a general nature or in relation to the particular contract.

12. There should be specific sanction against breach of the clause requiring the foreign supplier to disclose the agency arrangements, but whether this should take the form of black-listing of the supplier and the agent or of damages or of payment of a specified amount may be settled in consultation with the Ministry of Law.

13. It is necessary to ensure that the information which is received by the Purchasing Departments is made full use of systematically and expeditiously by the concerned agencies.

14. The Purchasing Departments should carefully scrutinise the quantum of commission particularly regarding cases where in respect of any single commodity and the range of variation of the commission is very wide; no after-sales service is involved or where the prices are determined by negotiations.

15. The Purchasing departments while negotiating the price should take into consideration all relevant factors, such as the precise nature of relationship between the agent and the supplier and whether the commission, having regard to the level of the transaction, is reasonable.

16. The Customs should exercise a careful check regarding value in cases where goods are imported by the agent of the supplier under a letter of authority issued against the licence of a Government Department.

17. Experts having the basic background of customs work and familiarity with taxation and foreign exchange laws and procedures and with commercial intelligence techniques should be posted in I.S.M., Washington and I.S.M., London.

18. All relevant information should be sent by the Purchasing agencies in a tabulated form to the Customs Department, the Income-Tax Department, the Enforcement Directorate and the Reserve Bank of India. Copies of contracts and tenders however, need not be sent.

19. The Central Board of Direct Taxes and the Central Board of Excise and Customs should nominate a Unit each in their respective organisations which will receive the information from the purchasing agencies and pass it to the concerned officers for appropriate action.

20. In so far as the Reserve Bank and the Enforcement Directorate, are concerned, the relevant information should be sent to their head offices.

21. The Income-tax, Customs and the Enforcement Directorate should be able to take the assistance of the expert officers to be posted in ISM for special enquiries and information from abroad.

22. Like DGS&D other purchasing departments also should require the persons or firms to indicate their Income-Tax Permanent Account Numbers in the tenders quoted by them and these numbers should also be incorporated in the contracts.

23. In the rules to be framed under the Taxation Laws (Amendment) Act, 1975, the Central Board of Direct Taxes should specify the import transactions of the Government Departments where it would be necessary to indicate the Permanent Account Numbers in the tenders and contracts.

24. The Indian agents/representatives of the foreign suppliers should be included in those categories of persons whose accounts or returns require special attention and scrutiny by the Income Tax authorities.

25. The Customs should, in the light of the information received from Purchasing Departments, exercise special scrutiny of the invoice values where additional payment of the Agent's Commission in India is involved.

26. Wherever possible, the Customs, on the basis of their wider experience, may advise the purchasing agencies as well as the other concerned taxation or enforcement organisations about the correctness of the agency commission.

27. The Enforcement Directorate should pay special attention to the cases of Indian agents or other commercial contacts of the foreign suppliers particularly where the commission or remuneration received is apparently not adequate.

28. Where common items are purchased by different purchasing departments, they should have a system of frequent consultations among themselves.

29. The Co-ordination Committees of the Income-tax, Customs and Enforcement Department should meet frequently to ensure that the investigations of one agency do not run counter to that of another.

30. The Purchasing Departments should transmit to the Income-tax authorities and Foreign Exchange Enforcement Directorate full particulars of the "unauthorised persons" who contact them.

ANNEXURE II

GOVERNMENT OF INDIA MINISTRY OF COMMERCE (VANIJA MANTRALAYA)

Note showing action taken/or proposed to be taken on the recommendation of the Public Accounts Committee

Recommendation of the Committee

"The Committee have been informed by the Department of Supply, with reference to another recommendation of theirs contained in paragraph 1.61 of the Report, that the Government of India have decided, that, from 1st August, 1975, the work relating to procurement of fertilisers from regions other than East European Countries would also be handled by the Minerals and Metals Trading Corporation, in addition to its existing responsibility of procuring fertilisers from the East European Countries.

The Committee expect that with this transfer of entire work to the Corporation, all dealings in regard to purchase of fertilisers would be handling directly with the foreign producers of fertilisers and the superfluous middlemen agents and suppliers altogether eliminated. The Committee would be watching with interest the performance of the Minerals & Metals Trading Corporation in this regard."

[S.No. 2 (para 1.8) of the Appendix to the 185th Report (Fifth Lok Sabha)]

Action taken by the Government

"The Government has noted the recommendation of the PAC regarding elimination of superfluous middlemen, agents and suppliers in the purchase transactions relating to fertilizers. The MMTC will act upon this advice to the maximum extent possible. It is, however, added that the major portion of International trade in fertiliser is handled by traders. Such being the pattern, it would be to India's advantage to make use of such channels, wherever necessary. The Corporation will make every effort to secure the major portion of the fertiliser from producers but it will be necessary also to make use of middlemen, traders etc. wherever it is more advantageous to deal with them rather than with the producers themselves. The Corporation would therefore, use its discretion in this regard, keeping in view all the time, the Committee's recommendations, as a guideline".

Recommendation

The Committee regret to note that purchases could not be made against certain attractive offers for the supply of ammonium sulphate received in the later half of 1972 and the first half of 1973 mainly on account of paucity of foreign exchange at the relevant time, and that when purchases were subsequently made possible on release of additional foreign exchange by the Department of Economic Affairs in June 1973, only lesser quantities at considerably higher prices could be procured. Though it has been contended by the Department of Supply that the offers earlier received by them could not be considered as the necessary funds required for the purchase of dilute fertilisers like ammonium sulphate, CAN, etc., has not been made available, the Committee find that some concrete steps to press for the allocation of additional funds had been taken by the Department of Agriculture only on 9th May, 1973 when this question was taken up with the Cabinet Secretariat in spite of the fact that the decision to import suitable varieties of dilute fertilisers to meet the short-falls in the procurement of higher analysis nitrogenous fertilisers by the Minerals and Metals Trading Corporation had been taken by the Committee of Economic Secretaries on 4th January itself. That the imports from East European countries would be far less than estimated earlier had also become evident as early as in June 1972 itself. Besides, as has also been pointed out earlier in paragraph 2.142, it should have been possible to anticipate the shortage of fertilisers in the international market and take timely remedial measures. It is unfortunate that proper advantage was not taken of the offers received and expeditious sanction taken to process the case for allocation of additional funds for the purchase of dilute fertilisers. Now that the procedure for the allocation of foreign exchange for imports of fertilisers are stated to have been streamlined, the Committee expect that purchases from abroad would be planned properly keeping in

view the world market conditions and instances such as have been highlighted by Audit would not recur.

[Sl. No. 65 (Para 2.199) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The requirements for Kharif 1973 and Rabi, 1973-74 had been finalised by June 1972 and August 1972 respectively. So far as Rabi 1973-74 is concerned the allocation of foreign exchange (to the extent of \$ 203.62 million) was released by the Department of Economic Affairs on 15th September, 1972. As for the import programmes authorised by the Department of Economic Affairs, the total quantity to be purchased was of the order of 18.00 lakhs tonnes of urea, 5.65 lakh tonnes of DAP, about 7.00 lakh tonnes of MOP, 1.5 lakh tonnes of CAN, 2.60 lakh tonnes of ANP and 1.20 lakh tonnes of TSP. Considerable time elapsed before the import strategy, especially for Rabi 1973-74 was decided upon. It appears from the available information that there was a substantial shortfall in the Nitrogenous fertilisers contracted during the year 1973 against the above allocations. The Committee of Secretaries stated on 4th January 1973 that if there was a shortfall in the procurement of Urea, limited import of suitable varieties of dilute fertilisers could be considered if available at reasonable rates. The Committee of Secretaries also clarified that total import for the year should, however, be kept within the overall ceiling of the foreign exchange already released. The purchases of Urea and other fertilisers made against allocation for Rabi 1973-74 accounted for the entire allocation, thus leaving no funds for the purchase of CAN and Ammonium Sulphate, although the shortfall in the purchase of Urea for instance was of the order of 6.62 lakh tonnes with reference to the authorised import programme. During this period the picture of import of fertilisers against an allocation of foreign exchange for Rabi 1973-74 was still not clear. It was necessary to obtain a clear assessment of the situation from the Department of Supply and MMTTC before moving the Committee of Secretaries again. Thus, a note was submitted to the Committee of Secretaries for this meeting on 9th May 1973 requesting additional allocation of \$ 75.00 million to make additional purchases to meet the shortfall for Rabi 1973-74. The Committee, however, decided that the additional import requirement for Rabi 1973-74 could be clubbed together with the allocation for Kharif 1974 so that there could be greater scope for manoeuvrability in arranging the purchases and delivery schedule.

[Ministry of Agriculture & Irrigation (Department of Agriculture).
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

The Committee note that though Government had been reluctant to import dilute fertilisers like calcium ammonium nitrate and ammonium sulphate on the ground that the cost of such fertilisers per unit of plant nutrient was higher than that of urea (which is a concentrated fertilisers) and had also reiterated, on a number of occasions since 1970, that the use of calcium ammonium nitrate should be discouraged and substituted by urea, considerable quantities (17.44 lakh tonnes) of calcium ammonium nitrate had been imported during the period from 1969-70 to 1975-76. It has been stated by the Department of Agriculture that while the entire imports during the period from 1969-70 to 1972-73 were against gifts and credits (including purchases

against credit from Rupee Payment Areas in terms of bilateral trade agreements), imports against free foreign exchange had to be resorted to in the subsequent periods on account of acute shortage and non-availability of other high analysis nitrogenous fertilisers all over the world and that efforts were being made to keep the imports of CAN as low as possible. Now that the availability of fertilisers in the international market had improved considerably and other measures like lump sum release of foreign exchange, building up of buffer stocks, etc., have been taken to ensure better planning of purchases from abroad, the Committee trust that the need for distress purchases of calcium ammonium nitrate would be altogether eliminated.

[Sl. No. 66 (Para 2.212) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The observations on the Committee with regard to the import of dilute fertiliser like CAN and Ammonium Sulphate are noted. This Department would like to submit that the present policy is to make limited imports of Ammonium Sulphate and CAN to meet the minimum agronomic requirement, the bulk of the nitrogenous imports being accounted for by Urea. The factors mentioned *viz.* improvement in the availability of fertilisers in international markets, advance lump-sum release of foreign exchange, building up of buffer stock etc., have effectively removed the need for distress purchases of CAN.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/-MPR, dated 15-7-1978)]

Recommendation

Another reason for the continued imports of calcium ammonium nitrate is stated to be the Indian farmer's preferences for it and it appears that the promotional work done in this field by an European concern has contributed in no small measure to this situation. While the Committee note that the foreign concern has now stopped its promotional work and a number of steps have also been taken to wean away farmers from the use of dilute fertilisers they are of the view that a lot more still needs to be done in this regard. They would like Government to review urgently the adequacy of the steps so far taken in this direction and take necessary remedial measures. Greater emphasis should also be laid on the educational aspects in various promotional programmes for the use of high analysis fertilisers and concrete steps taken to strengthen the extension services in the villages so that information in regard to the proper use of fertiliser can be disseminated over a wider front than at present.

[Sl. No. 68 (Para 2.214) of Appendix XXIV, to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The Committee's observations in this regard are noted. Much work has already been done to popularise the use of Urea through extension services and in almost all the States including those where CAN or Ammonium Sulphate used to hold sway previously, Urea is now emerging as the Major source of Nitrogen. Except to the extent that the limited domestic production of CAN and Ammonium Sulphate have to be marketed—which do not

require any promotion—the emphasis in marketing has been mainly on high analysis fertilisers.

[Ministry of Agriculture & Irrigation, (Department of Agriculture)
O. M. No. 10-47/77,—MPR dated 15-7-1978]

Recommendation

The Committee are concerned to observe that prior to 24 March 1972, no provision for the levy of liquidated damages or penalty for late delivery existed in the fertiliser contracts executed by the Director General, India Supply Mission, Washington, who purchases more than 40 per cent of the total purchases of fertilisers from abroad, while contracts executed by the India Supply Mission, London and the Director General of Supply and Disposals contained provisions for the imposition of liquidated damages or penalty for non-adherence to the delivery schedule. That such a lacuna should have been allowed to exist thereby conferring an undue advantage on the suppliers is regrettable. What, however, causes greater concern to the Committee that even after the incorporation, by means of a Special Condition of Contract, of clause for the levy of liquidated damages, a general decision had been taken by the Fertiliser Purchase Committee not to invoke this clause ordinarily but utilise it only as a deterrent against “wilful and unnecessary delays” by the suppliers. Unfortunately, no grounds for this strange decision are stated to be on record though the Department of Supply have sought to explain it away by stating that “so long as there was a sellers’ market for fertiliser it might have been embarrassing for us to raise any question of liquidated damages”. This in the Committee’s view, is entirely impermissible and unwarranted and apprehension about how the suppliers would react in the event of levy of liquidated damages should not have gained precedence over sound and prudent commercial principles. Since this decision has apparently frustrated the very purpose of incorporating the clause for the levy of liquidated damages, the Committee desire that this should be reviewed urgently and steps taken to rescind the instructions issued in this regard and each case judged on its merits instead of giving a virtual carte-blanche to the suppliers.

[Sl. No. 69 (Para 2.229) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

Action on the recommendation of the Committee that for levy of liquidated damages each case should be judged on merits is to be taken by MMTC who now deal with all work relating to import of fertilisers. The Ministry of Commerce have been requested by this Department to furnish Action Taken Note on this point to the PAC.

It may be mentioned that on the basis of the decision of the FPC held on 30th July, 1975 referred to by the PAC in the subject para, no instructions were issued by this Department to the Supply Wings, abroad. The question of rescinding the instructions, therefore, does not arise.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O. M.
No. P.II-3(11)/77, dated 16-6-1978]

Further Action taken

MMTC's contracts for purchase of fertilisers provide the following clause :—

"XII Defaults :

In the event of failure of delivery of the material within the time stipulated for delivery in the contract it is agreed that the buyers shall have the option :

- (a) to recover as liquidated damages and not by way of penalty for the period after this material was due until actual delivery or until the Buyers secure material from other sources, a sum equivalent to 2% of the contract value of the undelivered material for each month, or part of month's delay.
- (b) to purchase from other sources without notice to the sellers at the risk and account of the Sellers the material not delivered or other material of similar description (where material exactly complying with the particulars are not, in the opinion of the Buyers, readily procurable, such option being final) without cancelling the contract in respect of the consignment(s) not yet due for delivery; or
- (c) to cancel the contract or a portion thereof and, if so desired, to purchase the material at the risk and cost of the Sellers."

It will be seen that three alternatives are provided for in case of any failure in delivery of fertilisers within the stipulated time for delivery by the suppliers. As suggested by the Committee each case where the question of liquidated damages arises, will be judged on merits.

It is relevant to mention in this regard that the legal opinion based on case laws is that even if a contract stipulated payment of certain amount by way of liquidated damages by the defaulting party, it cannot be claimed by the other party by way of a right. The provisions in the contract will not be conclusive evidence for the court, as it can consider whether the amount is excessive, penal and unjust. It is open to the Court to fix a reasonable amount as damages on our offering proof of having suffered pecuniary damages.

The suggestion of the Committee has been noted and action will be taken on the merits of individual cases keeping in view all aspects of the matter and the larger interest of the country in securing the material to achieve targets of agricultural production.

[Ministry of Supply & Rehabilitation. (Deptt. of Supply) O. M. No. P. II-3(11)/77, dated 27-11-1978]

Recommendation

The Committee are concerned to note that though, in the context of promoting indigenous jute exports and the economic advantages likely to accrue therefrom, positive encouragement was not to be given to synthetic packing where jute could be more advantageously used and in spite of the Department of Agriculture, also having expressed preference, for operational reasons, for jute packing considerable quantities of fertilizers have been purchased from abroad by the Department of Supply from 1971 onward in polypropylene bags to the detriment of country's jute interest. For instance, it was reported

in September, 1972 that out of 4.60 lakh tonnes of fertilisers purchased from a foreign country only 77,000 tonnes were packed in jute bags and the rest in polypropylene bags. Purchase of fertilisers in polypropylene bags had been agreed to mainly on the ground that prices of fertilisers packed in such bags as compared to jute bags were lower about 2 to 3 dollars per tonne in August, 1972 and by about 5 dollars per tonne in January 1975. It has also been stated that from 1972 when shortage of fertilisers started developing, the Department of Agriculture had no choice except to accept fertiliser in whatever packing they were offered. It, however, appears that while assessing, in August, 1972, the price advantage resulting from purchases in polypropylene bags, the comparative economics of the two propositions had not been examined in detail and the inflow of foreign exchange by the export of jute bags taken in to account and only a simplistic comparison between the prices quoted for supply in synthetic packing and for supply in jute bags made. That this was so would be evident from the calculations subsequently made by the departmental committee (The Polypropylene Committee) appointed to enquire in to this matter, according to which the net foreign exchange inflow due to the export from the country for packing fertilisers was 6.57 dollars per tonne in May 1973, which was much more than the price advantages of 3 dollars and 5 dollars respectively offered by the suppliers in August 1972 and January 1975. Besides, as has also been pointed out by the polypropylene Committee, the argument that fertilisers packed in polypropylene/polythelene bags would be comparatively cheaper than those packed in Jute bags may no longer be valid on account of the increase in prices of oil-based raw materials required for the polypropylene/polythelene industry.

[Sl. No. 72 (Para 3.10) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The observations of the Committee with regard to the need to import fertilisers in Jute bags to the extent possible are noted. Our further comments in this regard may kindly be seen in the reply to paragraph 3.11.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O. M. No. 10-47/77—MPR dated 15-7-1978]

Recommendation

The other contention that on account of shortage of fertilisers at the relevant time, there was no choice except to buy fertilisers in whatever packing they were offered, may also no longer be valid at present in the context of easier availability of fertilisers and fall in prices. As a sellers' market no longer exists for fertilisers, it should not be too difficult to ensure that whatever purchases are required to be made from abroad in a packed condition are made only in jute bags so that exports of jute bags from the country for packing fertilisers are not adversely affected. The Committee have also been informed in this connection by the Chairman of the Minerals and Metals Trading Corporation that apart from one or two very exceptional cases, the entire bulk of their imports have come in jute bags and that supply in jute bags could be insisted upon as one of the forms and conditions of the purchase which should be acceptable to many of the suppliers, failing which purchases would not be made from them. Having regard to the fact that the polypropylene Committee has also indicated the methodology for

making a quantitative comparison between (a) the net inflow of foreign exchange due to export of jute bags expressed in terms of per tonne of fertilisers and (b) the savings, if any, per tonne of fertiliser in the price of fertilisers supplied in polypropylene bags as compared to jute bags, the Committee desire that every care should be exercised to see that the fertilisers are imported as far as possible in jute bags in preference to polypropylene bags.

[Sl. No. 73 (Para 3.11) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

It is submitted that, no doubt, the availability of fertiliser in the world market during the last two years has been easier and the prices have stabilised at more reasonable levels. It is also true that a sellers' market no longer exists for fertilisers, it should be possible to ensure import of fertilisers in jute bags. However, it is submitted that in the world market there has been a gradual shift to the use of PP bags and this trend has not been reversed or arrested even by the increased prices for petroleum products following the oil crisis. The situation pointed out by Chairman, MMTC and mentioned in the Report by the Committee *viz.*, that except in one or two exceptional cases the bulk of imports from RPA has come in jute bags, is also no longer applicable since even the RPA countries have found it advantageous to switch over to PP bags. A Statement has been attempted showing the proportion of the total quantity of imports in PP bags and jute bags. It would be seen from the Statement that, recognizing the economy implicit in bulk imports, this Ministry has gradually increased the proportion of bulk imports with a view to saving foreign exchange on account of bags and economy in freight. However, keeping in view the observations of the Committee, it will be examined how far fertilisers can be imported in jute bags in preference to PP bags without any price disadvantage. It is, however, understood that the reduced import of fertilisers in jute bags in recent years has not caused any significant setback to the export of jute bags.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O. M. No. 10-47/77-MPR, dated 29-7-1978)]

Recommendation

Apart from assessing in a realistic and scientific manner the requirements of fertilisers and evolving a sound and rational import policy which would enable purchases being made at the proper time and at the most advantageous prices, it is equally important to ensure that the available fertilisers reach the farmers when most required. Thus, in the context of supplies being far from regular on account of shortfalls in indigenous production and uncertainties of purchases from abroad in a violently fluctuating market, and the difficulties known to be faced by the average Indian farmer in obtaining in time and at reasonable prices fertilisers of requisite quality, a proper and equitable distribution and pricing of fertilisers assume great significance. As regard the arrangements that exist for ensuring the timely and equitable distribution and pricing of fertilisers, the Committee have been informed that internal arrangements for the distribution of Pool fertilisers within a State.

are the responsibility of the State Government concerned and that from July 1972, the distribution of fertilisers is regulated under the Essential Commodities Act while the actual distribution is monitored by the State Governments in terms of the coordinated supply plans drawn by the Department of Agriculture for Pool fertilisers as well as indigenous manufacturers of fertilisers. The Committee also understands that the entire quantity of Pool fertilisers (which constitutes roughly 50 per cent of the total availability) and about 60 per cent of the domestic production are distributed through public institutionalised channels like cooperatives over which the State Governments exercise control and that even in respect of the balance quantity, the districts/areas where the fertilisers are to be supplied can be decided by the State Governments concerned, although the actual marketing may be done through private distributors of the domestic manufacturers. The entire fertiliser distribution within a state in the context of areas and priorities is thus under the control of the State Governments.

[Sl. No. 74 of Appendix XXIV (Para 4.33) to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The observations of the Committee are noted.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-12-1978]

Recommendation

These apparently elaborate arrangements notwithstanding, the Committee are doubtful whether the machinery that hitherto existed was capable of and adequately equipped for tackling a situation arising from shortage of fertilisers and scarcity conditions and whether the distribution mechanism actually worked satisfactorily to the farmer's benefit particularly during 1972-73 when there was an acute shortage of fertilisers in the country with overall availability both from indigenous and imported sources being far short of the total requirements. It is well known that the common complaint of the farmer during this period was that fertilisers were not readily available and in adequate quantities during the peak seasons of consumption when they were actually required. Admittedly, some State Government, in a time of scarcity, merely resorted to a mechanical "mathematical distribution" by dividing the total quantity of fertilisers available by the acreage, as a result of which farmers accustomed to using high doses of fertilisers, as in Andhra Pradesh, got hardly 4 to 5 kilogrammes of fertilisers for an acre of paddy. It also appears that many of the State Governments had introduced a card permit system which, according to the representative of the Department of Agriculture, led to "some amount of malpractices" and acted "more as a bottleneck than as a help." The Department's representative was also candid enough to admit during evidence that in the past when there was an acute scarcity, fertilisers were being sold in the black market at a premium as a result of which there was no need for any aggressive marketing at all, and that in Andhra Pradesh, despite arrangements made to divert fertilisers from States where there was less demand on account of drought a black market in fertilisers flourished till the end of 1974 as there was a brisk demand from growers of cotton, tobacco and other commercial crops.

[Sl. No. 75 (Para 4.34) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The observations of the Committee are noted. It is submitted that the conditions pointed out in this paragraph do not obtain any longer in this regard. The distribution system is periodically reviewed and stocks of pool fertilisers are rushed wherever scarcity is reported. The psychology of shortage is no longer present, with the result that the card/permit system of fertilisers has been done away with.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15th December 1978]

Recommendation

The Department of Agriculture have, however, informed the Committee that these were now things of the past and that as a result of better indigenous production, improved imports, which were coming according to schedule and in some cases even in advance of schedule leading to better availability of fertilisers, the position was much better than in 1974. According to the Department, the factors inhibiting proper distribution of fertilisers have been identified and a number of corrective measures like (i) building up sizeable buffer stocks of Pool fertiliser to guard against shortages, (ii) stepping up of domestic production, (iii) location of buffer stocks near consumption centres, (iv) reduction in prices of fertilisers (v) rationalisation of and advance programming for movement of imported and domestic fertilisers, etc. have been taken in recent times to ensure availability of fertilisers adequately and in time to the State Government agencies and cultivators. With these measures as well as the withdrawal of the card/permit system for distribution of fertilisers, it was hoped that the phenomenon of the past would not recur in the coming years.

[Sl. No. 76 (Para 4.35) of Appendix XXIV to 27th Report of the
PAC (Sixth Lok Sabha)]

Action taken

It is submitted that with the corrective measures pointed out, the availability of fertiliser has certainly improved and the abuses of the past have not recurred in the last few years.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

While these are, no doubt, steps in the right direction, it would appear that a lot more needs to be done to streamline the procedures in times of scarcity so as to ensure that the farmers, particularly the small and marginal farmers with their meagre resources, get their input requirements in time. Apart from reviewing urgently whether the existing channels of distribution are adequately equipped to reach the small farmers in the remote areas of the country and to react quickly and effectively in times of scarcity, and taking all necessary remedial measures in this regard, the actual performance of the existing machinery for the distribution of fertilisers should also be constantly monitored to ensure its smooth and efficient functioning and to safeguard against the situation of serious shortages which developed in 1972-73 and continued till the first half of 1974 much to the disadvantage

of the peasants. The functioning of the institutionalised channels like cooperatives, agro service centres, etc. should be continuously watched and steps taken to ensure, as has also been pointed out by the Estimates Committee (1972-73) in paragraph 3.54 of their 40th Report (Fifth Lok Sabha), that the cooperatives do not become merely an intermediate agency distributing fertilisers through private traders, but provide better and effective service to the needy farmers. The cooperative structure should also be strengthened both organisationally and financially to enable it to take up a larger share of the fertiliser business and to rationalise the location of its retail depots so as not leave out remote or inaccessible areas. Necessary infrastructural facilities like godowns, transport vehicles, trained personnel, etc. also need to be provided in a larger measure than before, if the problem of making available fertilisers in adequate quantities and in time to the farmers is to be tackled effectively. The present comfortable position in fertilisers affords the necessary opportunity and time to revamp the distribution system and the Committee trust that the Central Government, in consultation with the State Governments, will take all necessary steps in this behalf.

[Sl. No. 77 (Para 4.36) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The cooperatives functioning at the wholesale/sub-wholesale level distribute fertilisers generally through lower level cooperatives such as village credit societies. At the national level, National Cooperative Development Corporation has been continuously watching the functioning of the cooperative distribution system to ensure that the cooperatives do not operate through private traders but provide better and effective facilities to the needy farmers. In a few States like Andhra Pradesh, Bihar, where the cooperatives functioning at wholesale/sub-wholesale level were distributing fertilisers through private retail distributors also in the past, the concerned State Governments/Federations were advised by the National Cooperative Development Corporation not to operate through private traders and to take steps to eliminate them in a phased manner so that the entire distribution of fertilisers is in the hands of cooperatives as early as possible. The State Governments have again been impressed upon the need for keeping a constant watch over the functioning of cooperatives to ensure that they do not operate through private traders. Taking the country as a whole, by and large, cooperatives functioning as wholeseller/sub-wholeseller distribute fertilisers through lower level cooperatives only at the present.

The State Governments and the cooperatives have been requested to strengthen the cooperative structure both organisationally and financially to enable it to take up a larger share of business. Opening of more retail outlets through primary agricultural credit/service societies or branches of primary apex marketing societies specially in the interior and inaccessible areas and making adequate administrative, financial and other arrangements both at the retail and wholesale level to ensure adequate and timely supply of fertilisers to the farmers, are some of the specific steps suggested by the National Cooperative Development Corporation to the States in this connection. At present, there are about 54,000 outlets run by cooperatives in the country. The aim is that by the end of 6th Plan, all the 80,000 reorganised primary credit societies will be functioning as retail outlets for

fertilisers in addition to the retail outlets run by branches of apex and primary marketing societies. By the end of Sixth Plan, all remote and inaccessible areas will be covered by cooperatives retail depots.

With a view to strengthen the cooperative structure, the National Cooperative Development Corporation, at the national level, has been providing financial and other assistance to the various State Governments/Cooperatives. Financial assistance have been provided by the National Cooperative Development Corporation to the various state level federations and other wholesale cooperatives by way of margin money for raising bank loans for the distribution of fertilisers and other inputs. The Corporation has also been providing financial assistance to these federations to appoint specialised staff on fertilisers.

The National Cooperative Development Corporation has also been assisting the cooperatives to construct mandi and rural level godowns which are mainly used for stocking of fertilisers. Up to 30th June, 1977, the Corporation had assisted 5730 mandi level godowns and 2506 rural godowns in the cooperative sector in various States and the storage capacity available on that date was 50.60 lakh tonnes. The Corporation has also been providing assistance to cooperatives to acquire transport vehicles particularly in the remote and inaccessible areas. Various training programmes are being organised by the Cooperative Training Colleges in various States and by the Fertiliser Association of India for the personnel engaged in fertiliser distribution business. The Corporation has been advising the cooperatives and the State Governments to avail of these training facilities increasingly. The Corporation has also been meeting cent per cent cost of such trainings.

The Indian Farmers Fertiliser Cooperative Ltd. (IFFCO), a cooperative venture engaged in the manufacture and distribution of chemical fertilisers, has also contributed to the larger availability of fertilisers to the farmers in the cooperative sector and has provided various promotional and extension services to the farmers. Apart from selling fertilisers worth Rs. 130 crores during 1977-78 mainly through the cooperative marketing federations in the States, IFFCO has been providing various services like training to the sales personnel of cooperatives at the district and primary societies, level, making package of inputs practices to the farmers through its Farmers' Services Centres established in various States etc. With a view to assisting the cooperatives to lift fertiliser stocks, whenever they need from the nearest warehousing points, IFFCO has so far opened 421 warehousing points over 13 States in the country.

In the light of the recommendations of the Committee, the State Governments have again been advised to take necessary action for strengthening the cooperative structure so that it can increase its share in fertiliser distribution and to extend all possible facilities to enable cooperatives to provide fertilisers to farmers in time and in adequate quantities.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 29-7-1978]

Recommendation

Strengthening of the distribution machinery alone would not produce the desired results unless corresponding steps are taken simultaneously to assist

the weaker sections of the farming community to obtain timely credit for purchase of fertilisers. Admittedly, one of the factors influencing the off-take of fertiliser is the inadequacy of credit facilities. While the Committee note that efforts have been made to remove this constraint by making available additional short-term loans to the State Governments in the Budget for 1975-76 for the purpose, *inter alia*, of granting loans to the farmers for the purchase of fertilisers and other inputs over and above the normal provision for grant of such loans in the State budgets, relaxing conditions for advancement of cooperative loans, etc., they would urge Government to keep the arrangements for the provision of credit to the farmers, particularly those belonging to the weaker sections, under close and continuous review and take prompt and appropriate remedial measures whenever deficiencies come to light.

[Sl. No. 78 (Para 4.37) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The strategy in the fields of agricultural credit adopted during the Five Year Plans is progressive institutionalisation of agricultural credit under a multi-agency approach. Measures have been taken for increasing the flow of institutional credit for agriculture from various agencies with particular emphasis to enable the weaker sections of the agricultural community to obtain credit with greater facility. The main institutional agencies for extending agricultural credit are cooperatives and commercial banks and to some extent Government Taccavi. As on 30th June, 1977 apart from 9536 rural branches and 7210 semi-urban branches of commercial banks, a net work of 1.27 lakh primary agricultural credit societies, covering about 97% of the villages and 47% of rural population in the country, provided the main institutional base for supply of production credit for agricultural production including fertilisers, to the farmers. Progress of loans advanced by various agencies during the past few years can be seen from the following figures :—

(Loans issued during the year ended June)

	1973	1974	1975	1976	1977
Cooperative Banks*					
Amount (Rs. Crores)	958	877	1,040	1,187	1,367
Share in total (%)	82.9	73.9	74.7	70.9	67.4
Commercial Banks					
Amount (Rs. Crores)	21	219	274	406**	577**
Share in total (%)	1.8	18.5	19.7	24.2	28.4
Government Department					
Amount (Rs. Crores)	117	91	78	82	85
Share in total (%)	15.3	7.6	5.6	4.9	4.2
	1,156	1,187	1,392	1,675	2,029

*Through primary agricultural credit societies.

**Including regional rural banks.

Special emphasis is laid on credit for the weaker sections. The lending policies and procedures of the credit institutions were under continuous

review during the past few years to make agricultural credit production-oriented rather than security-oriented and also to assist the weaker sections of the farming community to obtain credit with greater facility. Special concessions like liberalised share capital requirements, loans without insistence of mortgaged security, lower margin and longer repayment schedules are being provided to benefit the weaker sections. Nearly one-third of the credit advanced by primary agricultural credit cooperative societies was for cultivators, with land holdings of less than two hectares.

Loans issued to small farmers (i.e. those cultivating upto 2 hectares of land) and tenant cultivators and agricultural labourers etc. during the past 3 years, for which data is available, were as under :—

(Rs. in crores)

Year	Loans Issued	Total Production of which issued to small farmers with holding upto 2 hectares Agricultural labourers and tenant cultivators etc.	Percentage
1973-74	762	217	29
1974-75	901	285	32
1975-76	1047	360	34

(State-wise break up is given at Annexure I)

Steps have also been taken to streamlining and increasing the flow of credit in the rural sector through commercial banks. Some of these include locating of commercial bank branches in the unbanked rural areas, covering each unbanked community development block by June 1978, deploying 60% of the total deposits mobilised in the rural and semi-urban areas in those areas itself, etc.

In order to ensure proper utilisation of credit for agricultural production efforts are being made to provide as much of production credit as possible in kind, which is mostly in the form of fertilisers, seeds etc. A Statewise statement showing the seasonal agricultural loans advanced during the years 1974-75 to 1976-77 and the 'B' (kind) component is given at Annexure II. The Cooperatives have also taken steps to nationalise their retail fertiliser outlets and are expanding their network to the interior and remote areas. There were 49,955 outlets run by cooperatives as on 30-6-1977.

We would also like to add that as per the credit policy announced recently by the Government for the current cooperative year further liberalisation of terms has been granted in respect of both term loans and short term credit disbursed through the cooperative banks.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

ANNEXURE-I

State-wise break of loans issued to borrower cultivating upto 2 hectares of land during 1973-74, 1974-75 and 1975-76 and also total loans advanced to tenant cultivators, agricultural labourers and others during the period

State/U.T.	1973-74				1974-75			1975-76		
	1	2	3	4	5	6	7	8	9	10
1. A.P.	.	1004.28	3150.17	32	1004.23	3150.17	32	2513.12	7350.79	34
2. Assam	.	102.01	120.76	84	102.01	120.76	84	—	—	—
3. Bihar	.	744.33	1520.28	49	817.94	1649.00	50	1179.52	2200.00	54
4. Gujarat	.	—	12724.77	—	2222.80	17507.75	13	2128.11	13261.76	16
5. Haryana	.	858.28	2983.69	29	752.47	3718.36	20	893.92	4353.68	21
6. H.P.	.	181.55	516.57	35	311.30	555.18	56	254.21	581.39	44
7. J. & K.	.	—	215.44	—	—	94.46	—	—	—	—
8. Karnataka	.	1857.90	5076.90	37	1899.74	6363.84	30	2181.41	8160.38	27
9. Kerala	.	2330.59	4090.99	57	3026.98	4454.33	68	3781.66	5749.79	66
10. M.P.	.	649.99	5562.08	12	854.44	6532.65	13	1123.25	6965.47	16
11. Maharashtra	.	3066.62	13653.87	22	2707.73	14009.06	19	3523.87	17000.92	21
12. Manipur	.	16.85	27.49	61	16.85	27.49	61	41.50	42.03	99
13. Nagaland	.	0.47	0.77	61	—	2.09	—	0.01	4.55	—
14. Orissa	.	595.22	1340.61	44	975.31	1930.43	31	1080.35	2066.00	52
15. Punjab	.	1235.61	5896.10	21	1728.25	7817.90	22	2007.58	7497.57	27

(Rs. in lakhs)

	1	2	3	4	5	6	7	8	9	10
16. Rajasthan		765.35	2549.47	30	963.99	3554.87	27	1933.33	5964.88	32
17. Tamil Nadu		1934.20	7799.40	25	3663.90	8768.46	42	3806.10	10284.63	37
18. Tripura		21.35	31.04	69	17.16	22.04	78	38.93	50.80	77
19. Uttar Pradesh		2765.43	7268.92	38	3110.14	7480.22	42	3210.13	9509.00	34
20. West Bengal		363.58	1446.01	25	1262.64	2126.89	59	2177.78	3390.53	64
21. A & N Islands		—	3.15	—	—	3.15	—	—	—	—
22. Chandigarh		0.46	1.45	32	0.10	3.94	—	1.99	6.88	29
23. D & N Haveli		—	1.90	—	3.00	3.00	100	2.87	8.28	35
24. Delhi		—	76.42	—	—	76.42	—	—	88.15	—
25. Goa, Daman & Diu		—	27.77	—	6.12	32.75	19	6.61	30.66	22
26. Lakshadweep		2.66	3.16	84	3.33	3.93	85	4.25	4.70	90
27. Mizoram		—	0.20	—	—	0.20	—	—	0.20	—
28. Pondicherry		29.04	68.30	43	42.98	73.01	59	31.47	91.39	34
(i) Total		18625.80	76166.68	29	25498.56	90082.35	32	31921.97	104664.43	34
(ii) Total for tenant cultivators, Agricultural labourers and others		3122.92			3021.67			4028.49		
GRAND TOTAL		21748.72	76166.68	29	28515.23	90082.35	32	35950.46	104664.43	34

ANNEXURE-II

Statement Showing S.A.O. Loans (Short term) Advanced During 1974-75, 1975-76 and Short Term Loans 1976-77 and 'B' Component.

(Rs. in crores)

1	S.A.O. Loans	S.T. loans		'B' component		
	1974-75	1975-76	1976-77	1974-75	1975-76	1976-77
1. Andhra Pradesh	29.17	66.85	83.68	N.A. (2.62)	N.A. (9.21)	27.24
2. Assam	1.14	N.A.	1.11	N.A.	N.A.	N.A.
3. Bihar	11.91	14.83	31.00	N.A.	N.A. (2.75)	6.20
4. Gujarat	103.16	99.66	140.25	N.A. (10.01)	N.A. (13.45)	17.67
5. Haryana	34.81	41.68	66.04	11.14 (16.46)	15.78 (22.17)	N.A.
6. Himachal Pradesh	2.18	1.47	2.52	0.28 (0.10)	0.43	N.A.
7. Jammu & Kashmir	N.A.	N.A.	1.65	0.54	0.70	N.A.
8. Karnataka	49.22	58.42	73.69	10.50 (11.40)	16.85 (14.78)	25.79
9. Kerala	29.14	32.99	50.47	3.64 (3.62)	3.99 (3.06)	9.08
10. Madhya Pradesh	54.33	63.96	68.69	16.69 (7.20)	N.A. (23.86)	94.73
11. Maharashtra	131.24	137.76	175.00	45.71 (58.65)	32.87 (52.68)	N.A.
12. Manipur	0.27	0.42	0.42		(0.42)	
13. Meghalaya	—	—	0.60	0.11	0.08	0.01
14. Nagaland	—	—	0.34	—	—	—
15. Orissa	13.54	16.53	17.60	4.92 (0.42)	6.93 (0.93)	13.73
16. Punjab	69.89	63.92	80.00	60.45 (24.53)	50.51 (37.79)	
17. Rajasthan	32.41	58.46	67.10	8.48 (0.40)	13.00 (4.96)	16.10
18. Sikkim	—	—	0.07	—	—	—
19. Tamil Nadu	83.66	100.20	130.00	— (24.47)	— (37.43)	48.10
20. Tripura	0.20	0.47	0.29	—	—	0.04
21. Uttar Pradesh	66.34	87.53	133.00	31.25 (22.20)	40.00 (5.14)	66.50
22. West Bengal	20.46	20.46	51.05	(2.13)	(2.13)	40.80
TOTAL	734.57*	867.47**	1179.57			

*Includes Rs. 1.50 crores for U.Ts (1974-75)

**Includes Rs. 1.86 crores for U.Ts (1975-76)

Figures in brackets are as reported by R.B.I.

Recommendation

Yet another aspect requiring constant attention and monitoring is the quality of fertiliser actually supplied to the farmers. While admitting that in times of shortage, many cases of adulteration of fertilisers took place in the distribution system, the representative of the Department of Agriculture informed the Committee during evidence that the regulatory machinery for curbing adulteration and other malpractices had been tightened to a considerable extent and sufficient powers vested with the State Governments to draw samples at any stage of distribution of fertilisers and to prosecute offenders. It, however appears that on account of financial constraints which have come in the way of appointing staff exclusively for quality control many state Governments have not been in a position to effectively monitor and exercise better checks over the quality of fertiliser actually supplied to the farmers. This deficiency has been sought to be remedied by including a scheme in the Fifth Plan for assisting the State Govts. in appointing one input Inspector practically per district exclusively to draw samples and to prosecute offenders. Apart from rendering all necessary assistance to the State Governments in this regard, the Committee would also urge Government to ensure the provision of adequate testing facilities and quality control laboratories and develop quick methods for spot-detection of malpractices. The existing enforcement machinery needs also to be tightened with a view to ensuring that unscrupulous dealers who indulge in various malpractices like adulteration, dilution, short weighment, etc. of fertilisers are proceeded against promptly and deal with sternly.

[Sl. No. 79 (Para 4.38) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The Fifth Plan Scheme referred to, by P.A.C. was put in operation in early 1976 at an outlay of Rs. 3 Crores. The main component of this scheme were establishment of 36 quality control laboratories, 17 insecticide control laboratories and the appointment of 220 numbers of quality control Inspectors in different States. During the two years of its operation, 26 fertiliser quality control, 11 insecticide control laboratories were sanctioned in different States. In addition to this, 76 posts of quality control Inspectors were also approved in response to proposals from various States. 10 Fertilisers and 6 insecticide control laboratories are proposed to be sanctioned during 1978-79. 50 posts of quality control Inspectors are to be sanctioned during the year. The proposal is also under consideration to sanction 30 fertilisers and 15 insecticide control laboratories during 1978-79 and 1982-83 and for appointment of 350 quality control Inspectors. Each Laboratory will have the analytical capacity of 2000 to 2500 fertiliser samples. It is expected that with the establishment of these laboratories adequate facilities will be created throughout the country for analysing fertiliser samples drawn from various sale depots in the country. Creation of these facilities will enable the State Government to detect the sale and distribution of Sub-standard/adulterated fertilisers and Insecticide samples.

The State Governments have been advised to draw fertiliser samples from various sale depots and utilise the available analytical facilities fully for this purpose. The States have been advised to tighten the existing agricultural machinery and strengthen the facility of ensure effective check on the adulteration of fertiliser. It may be mentioned that with the initiation

of the Centrally Sponsored Scheme, adequate funds are being provided to State Governments for creating facilities for fertiliser testing and for the appointment of quality control Inspectors. Funds are no longer a limiting factor with the State Governments in having the required facilities created.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

As regards pricing of fertilisers, the Committee are concerned to note that the prices paid by Indian farmers are about the highest in the World and admittedly the cultivators' resistance to the increases effected in prices of fertilisers with effect from 1 June, 1974, on account of abnormally high prices in the international market, increased ocean freight and increased cost of production of the indigenously produced fertilisers attributable to overall increase in prices of raw materials, operating cost, etc., affected the off-take of fertilisers during 1974-75 leading to the downward revision of prices in July 1975 and December 1975. With effect from 16 March, 1976 Government introduced a Scheme of subsidy at the rate of Rs. 1250 per tonne on phosphatic fertilisers which was meant to be passed on by the domestic manufacturers concerned to the farmers by way of reduction in prices. The prices of fertilisers were also reduced again with effect from 20 April 1976 and again on 8 February 1977. The Committee have been informed in this connection that all imported fertilisers are distributed through the Central Fertiliser Pool, which operates on a 'no profit no loss' principle, at uniform Pool issue prices and that while the prices of the three major nitrogenous fertilisers Urea, CAN and Ammonium Sulphate are controlled statutorily, both in respect of imported and indigenous fertilisers, under the Fertiliser (Control) Order, there is no control by Government of the prices of other indigenously produced fertilisers. However, in respect of fertilisers the prices of which are not statutorily controlled, the pool prices of imported fertilisers influence these prices and have a some what regulatory effect. The Department of Agriculture have also assured the Committee that it has always been Government's endeavour to fix the Pool issue prices and the retail prices of fertilisers as low as possible and that a number of measures have been taken by Government in recent times to bring down the prices of fertilisers.

While the Committee are also not unwilling to concede that the pricing policy has to take into account the total economics of imported fertilisers as well as of indigenous production and a drastic reduction in prices would be difficult, they would urge Government to keep the position under review and ensure that the pricing policy of fertilisers is invariably directed towards making this vital input available at reasonable prices. Now that the prices of imported fertilisers have fallen substantially and adequate buffer stocks are also being built up so as to provide the country with a strong bargaining basis in the international market, it should not be too difficult to pass on the benefits accruing therefrom to the cultivator. Besides it should also be possible to effect economics in indigenous production and to take effective and conclusive steps to ensure the highest possible levels of capacity utilisation in the public sector fertilisers plants and thereby reduce production costs. The Committee would also urge Government to examine the feasibility of reducing the prices of fertilisers further in the overall interest of the country to increase the production of foodgrains. What is, therefore,

required is an integrated approach to the entire question and not piece-meal and *ad-hoc* solutions.

[Sl. Nos. 80 & 81 (Paras 4.39 & 4.40) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The recommendation of the Committee that the Government should keep the price position under review and ensure that the pricing policy of fertiliser is invariably directed towards making fertiliser available at reasonable prices has been noted. In fact, this already forms the cardinal principal of the Government policies on pricing and distribution of fertilisers. In pursuance of the policy, Government has reduced the prices of fertilisers several times and afforded a number of financial concessions during the past 3 years with a view to bring down the prices of fertilisers, with ultimate aim of boosting the consumption of fertilisers so that agricultural production is bolstered up.

As regards the recommendation of the Committee that the Government must examine the feasibility of reducing the prices of fertilisers further, it may be mentioned that the prices of Urea, the most imported of all fertilisers used in the country, was again reduced by Rs. 100/- per tonne i.e. from Rs. 1650/- per tonne to Rs. 1550/- per tonne with effect from 12-10-1977. This was sixth reduction in the prices of fertilisers since 18-7-75. Besides reducing the prices of fertilisers, Government have during the past three years extended a number of fiscal concessions and effected reductions in the cost of raw materials used by the domestic industry in order to bring down the cost of production of indigenous fertilisers. These measures included reduction in the import duty on Phosphoric Acid from 45% to 15%; abolition of countervailing duty on Muriate of Potash; reduction of excise duty on single superphosphate and triple superphosphate from 15% to 7½%; subsidy on phosphatic fertilisers; announcement of additional reduction of 25% in excise duty on fertilisers for production over and above the base production and reduction in the indigenous and imported prices of rock-phosphate and imported sulphur. All these reductions were effected and fiscal concessions afforded with a view to reduce not only the farm-gate prices but also to reduce the cost of production of indigenous manufacturers. As a result of the reduction in fertiliser prices made by the Government during the last three years, the prices of urea are now down by 22.5%; of Diammonium Phosphate by 26.5%; of Ammonium Nitro-phosphate (20-20-20) by 14.3% of NPR (17-17-17) by 30.1% and of Muriate of Potash by 34.6% over the prices existing on 17-7-1975.

As regards the observation of the Committee about the need for reducing production costs of indigenous fertilisers, the fiscal concessions like reduction in excise and import duties, reduction in prices of raw materials, etc. mentioned above were steps in that direction. Also, recently, the Government of India have introduced a system of retention prices for units in nitrogenous fertiliser industry with a view to rationalising prices of fertilisers produced by indigenous manufacturers. Under this Scheme, while the farmer level price of the same fertiliser from different sources would remain the same, each manufacturer would get a realisation which would give him fair return on his investment subject to certain norms of efficiency being achieved. This is sought to be done by the operation of a Fertiliser Fund Account into which the manufacturers whose cost of production is

lower would credit their excess realisation and from which payments would be made to those manufacturers whose cost of production is higher.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

While the Committee are also not unwilling to concede that the pricing policy has to take into account the total economics of imported fertilizers as well as of indigenous production and a drastic reduction in prices would be difficult, they would urge Government to keep the position under review and ensure that the pricing policy of fertilizers is invariably directed towards making this vital input available to reasonable prices. Now that the prices of imported fertilizers have fallen substantially and adequate buffer stocks are also being built up so as to provide the country with a strong bargaining base in the international market, it should not be too difficult to pass on the benefits accruing therefrom to the cultivator. Besides it should also be possible to effect economies in indigenous production and to take effective and conclusive steps to ensure the highest possible levels of capacity utilisation in the public sector fertilizer plants and thereby reduce production costs. The Committee would also urge Government to examine the feasibility of reducing the prices of fertilizers further in the overall interest of the country to increase the production of food-grains. What is, therefore, required is an integrated approach to the entire question and not piecemeal and *ad hoc* solutions.

[S. No. 81 (Para 4.40) of Appendix XXIV to 27th Report of the
PAC (Sixth Lok Sabha)]

Action taken

Ministry of Agriculture would no doubt be sending their reply in regard to this recommendation which concerns them.

However, as regards the Committee's suggestion for reducing production cost by ensuring a higher capacity utilisation in fertilizer units, it is submitted that the cost of production is dependent not only upon the level of capacity utilisation but also factors such as capital cost of the project, cost of feedstock, consumption efficiencies etc. Government are taking measures as enumerated in reply to recommendations No. 84, 85, 86 to improve capacity utilisation and to reduce the cost of projects as enumerated in reply to recommendation No. 87(a). It may also be submitted here that the introduction of the retention price scheme has brought about a regulation in the profits that would be earned by the fertilizer units in future in as much as the retention price provide for a return of only 12% post tax on net worth; this return would also be available to the units only if they achieve a capacity utilisation of 80% and established consumption norms. This in itself would be in incentive to the units to maximise capacity utilisation and achieve efficiencies in operation.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M.
No. P.II-3(11)/77, dated 26-9-1978]

Recommendation

In this context the Committee understand that a Fertilizer Prices Committee (Marathe Committee) has been constituted by Government to
6—1284LSS/80

evolve a fertilizer pricing policy which would ensure a fair return on a sustained basis for the investment made in the industry and that this Committee was also to evolve, *inter-alia*, a policy for pricing of imported fertilizers in relation to cost of imports nutrient content and the price of indigenous fertilizers of similar grades and to suggest retention prices for different domestic units in operation and those likely to be commissioned during the Fifth Plan, which will give a fair rate of return. The Committee would like to be apprised, in some detail, of the findings of the Marathe Committee and the specific action taken by Government in pursuance thereof.

[Sl. No. 82 (Para 4.41) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

In part-I of its report dealing with the nitrogenous fertilizers, the Fertilizer Prices Committee had recommended that a return of 12% post-tax on the net worth would be fair to the manufacturing units, subject to the condition that they operate at a capacity of 80% and achieve appropriate consumption norms in regard to raw materials, utilities and inputs. Based on this approach, the Committee worked out fair retention price for each unit producing Urea, Ammonium Sulphate and Calcium Ammonium Nitrate, and recommended a system of retention-cum-transfer price to be operated on the basis of establishing an account in which the units whose retention price is lower than the transfer price would credit the surplus, and from which units whose retention price is higher than the notional ex-factory price would draw their deficit. The Committee had also recommended that a Fertilizer Industry Coordination Committee should be set up to administer the said account and the system of retention prices. Decisions of the Government are contained in a Resolution dated the 1st November, 1977 published in the Gazette of India, a copy of which is enclosed as Annexure I. A copy of another Resolution dated the 1st December, 1977 published in the Gazette of India dated 5-12-1977 setting up the Fertilizer Industry Coordination Committee is also enclosed (Annexure II).

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M.
No. P.II-3(11)/77, dated 26-9-1978]

ANNEXURE I

No. 166(24)/77-FDA

GOVERNMENT OF INDIA

MINISTRY OF CHEMICALS AND FERTILIZERS

New Delhi, the 1st November 1977

RESOLUTION

The introduction of a rational system of pricing of fertilizers with a view to ensuring a reasonable return on investment and facilitating the healthy development and growth of the fertilizer industry has been engaging the attention of the Government for some time. A Committee was

established for this purpose under the Chairmanship of Shri S. S. Marathe, Chairman of the Bureau of Industrial Costs and Prices including representatives of the Industry. This Committee submitted the first part of its Report covering nitrogenous fertilizers in May, 1977. After a careful consideration of the Report, Government have decided to introduce a system of retention prices for units in the nitrogenous fertilizer industry with effect from 1st November, 1977. The system will be administered by a Fertilizer Industry Coordination Committee to be set up for this purpose and the Committee will operate a Fertilizer Price Fund Account for purposes of administering the system.

2. The system provides for a fair *ex-factory* retention price per tonne of Urea (hereinafter referred to as retention price) for each plant based on a capacity utilisation of 80 per cent and a combination of norms and actuals in regard to the consumption of raw materials, utilities and other inputs, maintenance and other costs and provides for a post-tax return of 12 per cent on net worth. The retention prices have been worked out on this basis by the Marathe Committee for the period upto 31st March, 1979 for each of the 21 Urea manufacturing plants.

3. Government of India have, under the Fertilizer (Control) Order 1957, fixed with effect from 1-11-1977 Rs. 1,158 as the maximum price per tonne at which Urea can be sold by a manufacturer at the factory gate. The build up of the price of urea is as under :—

	(Rs. per tonne)
Ex factory price	1158.00
Excise duty @ 15% ad valorem	174.00
Fertilizer Pool Equalisation Charge	65.00
Equated Freight	38.00
Dealer's Margin	115.00
Total <i>i.e.</i> maximum retail price per tonne	1550.00

Government of India have already notified under the Fertilizer (Control) Order 1957 the maximum retail price of urea to be Rs. 1550 per tonne. The companies would continue to pay the excise duty @ 15 per cent and make a contribution of Rs. 65 per tonne towards the Fertilizer Pool Equalisation Charge as is being done today.

4. Units whose retention prices, as fixed under this scheme, are lower than the *ex-factory* price mentioned in para 3 will be required to credit the difference to the Fund Account referred to in paragraph 1 above in accordance with the procedural instruction to be issued for the purpose. The amount will be calculated on the quantities of Urea cleared through excise in any given month from 1st November, 1977 onwards and should be credited to the Fund Account within 45 days from the last day of the month in question. Delayed credits will attract interest at the rate of 16% per annum. Units whose retention prices under the scheme are higher than the *ex-factory* price will receive the difference from the Fund Account on the monthly submission of claims supported by either clearance certificates. The payments on such claims will be made within sixty days from the date of receipt of the claim. Detailed forms and procedures will be prescribed in due course.

5. The Fertilizer Industry Coordination Committee will function under the chairmanship of Secretary (Chemicals and Fertilizers) and include Secretaries in the Ministries of Agriculture, Finance etc. There will also be representatives of the industry on the Committee. It will have an Executive Director and his office will be adequately staffed to maintain accounts, make and recover payments, undertake costing and other technical functions, collect and analyse production data, costs and other information, review the retention prices periodically in consultation with the Bureau of Industrial Costs and Prices and make adjustments where necessary etc. The examination necessary for fixing retention prices for future periods will also be undertaken by the Committee.

6. Retention prices are also being introduced on Ammonium Sulphate and Calcium Ammonium Nitrate. In the case of Ammonium Sulphate, however, it has not been possible to fix the retention prices in such a manner as to ensure a post-tax return of 12% on net worth. For the time being, retention prices for Ammonium Sulphate have been worked out to the extent feasible with the assistance of the contribution from the Exchequer to the extent of excise and Fertilizer Pool Equalisation Charge revenues. The ex-factory prices of Ammonium Sulphate and Calcium Ammonium Nitrate continue to be Rs. 625 and Rs. 686 per tonne respectively. In respect of these fertilizers also, the difference between the retention price of the unit and the ex-factory price will be paid to the unit from the Fund on the same lines as explained above in regard to Urea. No unit, in the case of Ammonium Sulphate and Calcium Ammonium Nitrate, has a retention price less than the ex-factory price.

7. Retention prices will also be devised for the new plants producing urea. Ammonium Sulphate and Calcium Ammonium Nitrate as they go into production in the future.

8. Part II of the Committee's Report covering freight costs as well as the pricing of phosphatic fertilizers is expected to be received soon and Government decisions on it will be announced separately.

9. These decisions come into effect from the 1st November, 77.

Sd/-

(S. M. KELKAR)

Joint Secretary to the Govt. of India

No. 166(24)/77-FDA

GOVERNMENT OF INDIA

MINISTRY OF CHEMICALS AND FERTILIZERS

New Delhi, the 1st November 1977

ORDER

Ordered that a copy of the Resolution be communicated to all the State Governments, Union Territory Administrations, Lok Sabha and

Rajya Sabha Secretariats and the concerned Ministries and Departments of the Government of India.

Ordered to be also that the Resolution be published in the Gazette of India for general information.

Sd/-

(S. M. KELKAR)

Joint Secretary to the Govt. of India

ANNEXURE II

[TO BE PUBLISHED IN THE GAZETTE OF INDIA (EXTRAORDINARY PART I, SECTION I)]

No. 166/23/77-FD(A)

GOVERNMENT OF INDIA

MINISTRY OF CHEMICALS AND FERTILIZERS

New Delhi dated 1st Dec. 1977

Agrahayana 5, 1899 Saka

RESOLUTION

With a view to ensuring a reasonable return on investment and facilitating the healthy development and growth of the fertilizer industry in the country, Government have, vide Ministry of Chemicals and Fertilizers, Resolution No. 166/24/77-FD(A) dated 1st November, 1977 introduced with effect from 1-11-1977 a system of retention prices for units manufacturing nitrogenous fertilizers.

2. Government have decided to constitute the Fertilizer Industry Coordination Committee (FICC) to administer and operate the system of retention prices. The FICC would consist of :

1. Secretary, Ministry of Chemicals and Fertilizers New Delhi.
Chairman
2. Secretary, Ministry of Industry, New Delhi. *Member*
3. Secretary, Department of Agriculture, Ministry of Agriculture and Irrigation, New Delhi. *Member*
4. Secretary, Department of Expenditure, Ministry of Finance, New Delhi. *Member*
5. Chairman, Bureau of Industrial Costs and Prices, Ministry of Industry, New Delhi. *Member*
6. Shri K. C. Sharma, Chairman and Managing Director, Fertilizer Corporation of India, New Delhi. *Member*
7. Shri Paul Pothan Managing Director, Indian Farmers Fertilizer Cooperatives Limited, (IFFCO), New Delhi. *Member*

8. Executive Director Fertilizer Industry Coordination Committee,
New Delhi. *Member Secretary*

The membership of the Chairman & Managing Director, FCI and the Managing Director, IFFCO would initially be for a period of two years.

3. The scope and function of the Committee would be as under :—

1. To operate the Fertilizer Price Fund Account to be created for purposes of administering the system of retention prices;
 2. To maintain accounts and to make payments to and to recover amounts from fertilizer companies;
 3. To undertake costing and other technical functions;
 4. To collect and analyse production data, costs and other information;
 5. To review the retention prices periodically in consultation with the Bureau of Industrial Costs and Prices and to make adjustments in retention prices, where-ever necessary, with the prior concurrence of the Government;
 6. To undertake the examination necessary for evolving retention prices for future pricing periods;
 7. To undertake such other functions as the Government may entrust to the Committee from time to time.
4. The Head Quarters of the Committee will be at New Delhi.

5. The Committee shall have its own Secretariat and shall formulate its own procedure for the conduct of its business. In regard to the maintenance and operation of the Fertilizer Price Fund Account and related matters the necessary instructions will be issued separately.

Sd/-

(S. M. KELKAR)

Joint Secretary to the Govt. of India

No. 166/23/77-FD(A)

GOVERNMENT OF INDIA

MINISTRY OF CHEMICALS AND FERTILIZERS

New Delhi, the 1st December 1977

Agrahayana 5, 1899 (SAKA)

ORDER

Ordered that a copy of this Resolution be communicated to all the State Governments, Union Territory Administrations, Lok Sabha and Rajya Sabha Secretariats and the concerned Ministries and Departments of the Government of India.

Ordered also that the Resolution be published in the Gazette of India for general information.

Sd./-

(S. M. KELKAR)

Joint Secretary to the Govt. of India.

Action taken

As intimated earlier, the retention prices for nitrogenous fertilizers approved by the Government were in force upto 31-3-1979. For the pricing period commencing from 1-4-1979, exercises are under way to finalise the new set of retention prices, the parameters to be adopted, etc. Pending finalisation of new retention prices, provisional payments are being made at the previous rates in force upto 31-3-1979.

2. Based on the recommendations of the Fertilizer Prices Committee Part II of its Report, the Government introduced a system of retention prices for the complex phosphatic fertilizers w.e.f. 1-2-1979, which is similar to the system of retention prices for the nitrogenous fertilizers. Like the nitrogenous fertilizer retention price scheme, the retention price scheme for phosphatic fertilizers also provides for a post tax return of 12% on the net worth based on prescribed levels of capacity utilisation and stipulated consumption norms. The retention prices fixed by the Government for phosphatic fertilizers w.e.f. 1-2-1979 were also effective upto 31st March, 1979 and exercises are under way to finalise the new set of retention prices, the parameters to be adopted, etc. to be effective from 1-4-1979.

3. Following the introduction of retention prices in respect of phosphatic fertilizers, the Government also brought these fertilizers, under the system of statutory control as in the case of nitrogenous fertilizers. A copy of the Resolution dated 1st February, 1979 giving the details of the phosphatic fertilizer retention price scheme is enclosed. (Annexure)

4. The Fertilizer Prices Committee, in Part II of its Report had also gone into the fixation of freight element for the three straight nitrogenous fertilizers, namely, Urea, Ammonium Sulphate and Calcium Ammonium Nitrate. Based on the recommendations of the Committee, the Government decided that the manufacturers of Urea, Ammonium Sulphate and Calcium Ammonium Nitrate shall be allowed individual freight rates according to the expenditure incurred by them. The freight cost, as determined by the Fertilizer Prices Committee for the year 1976-77 on the basis of actual experience of the manufacturers, was made applicable for the retention pricing period commencing from the 1st November, 1977 and ending on 31st March, 1979. Under this scheme, the manufacturers of Urea, Ammonium Sulphate and Calcium Ammonium Nitrate were paid the difference between their actual freight expenses and the notional freight in the price build up of Urea, Ammonium Sulphate and Calcium Ammonium Nitrate. This scheme was made effective from 1-11-1977 since the retention price scheme for nitrogenous fertilizers, namely, Urea, Ammonium Sulphate and Calcium Ammonium Nitrate was introduced with effect from that date and it was necessary to ensure that the manufacturers of these fertilizers are assured of the retention prices fixed for them by the Government and do not suffer on account of erosion

of their retention prices due to the provision of a lesser amount of freight as compared to the actual freight being incurred by them.

[Ministry of Petroleum, Chemicals & Fertilizers (Deptt. of Chemicals & Fertilizers) O.M. No. 151/37/77-Ferts. Coord, dated 12-12-1979]

MINISTRY OF PETROLEUM, CHEMICALS AND FERTILIZERS

(Department of Chemicals and Fertilizers)

New Delhi, the 1st February, 1979

RESOLUTION

No. 4(20)/78-FDA-I.—The Government had introduced with effect from 16th March, 1976 a scheme of price support on phosphatic fertilizers at a uniform rate of Rs. 1250/- per tonne of P_2O_5 in order to bring down the prices and to make these fertilizers available to farmers at a reasonable rate. The price of each phosphatic fertilizer product was brought down to the extent of price support applicable on such product, depending on the content of P_2O_5 therein. With effect from 1st November, 1977, the Government introduced a system of retention prices for the straight nitrogenous fertilizers, namely, Urea, Ammonium Sulphate and Calcium Ammonium Nitrate, based on the recommendations of the Fertilizer Prices Committee. The system provided for a fair ex-factory retention price for the nitrogenous fertilizers, based on prescribed levels of capacity utilisation and stipulated consumption norms and post-tax return of 12 per cent on the net worth.

2. Based on the recommendations of the Fertilizer Prices Committee, the Government have now decided to introduce a system of retention prices for the complex phosphatic fertilizers also. This provides for a post-tax return of 12 per cent on the net worth based on prescribed levels of capacity utilisation and stipulated consumption norms. Under this system, the manufacturers of complex phosphatic fertilizers will be paid the difference between their ex-works price (without subsidy) in terms of the current prevailing prices of complex fertilizers and the fair ex-works retention prices determined for their products. The scheme of uniform price support on complex phosphatic fertilizers will, therefore, be replaced by a scheme of price support related to the fair ex-works retention price determined for each product manufactured.

3. The scheme of retention prices for complex phosphatic fertilizers will come into force with effect from the 1st February, 1979.

4. The Government have also decided to bring the complex phosphatic fertilizers within the purview of the statutory price control with effect from 1st February, 1979 and orders have simultaneously been issued in this regard under the Fertilizer Control Order.

5. The scheme of retention prices for complex phosphatic fertilizers will be operated by the Fertilizer Industry Coordination Committee which is operating the scheme of retention prices for straight nitrogenous fertilizers.

6. The current set of ex-works retention prices will be in force upto 31st March, 1979. For the next pricing period commencing from 1st

April, 1979, retention prices will be worked out by the Fertilizer Industry Coordination Committee.

Recommendation

As pointed out earlier in this Report, though the growth of the indigenous fertilizer industry has been no doubt impressive in terms of installed capacity, actual production of fertilizers in the country has, however, not kept pace commensurately with the capacity and estimated demand, necessitating large imports to bridge the gap. The Committee have been informed that with a view to achieving self-sufficiency in fertilizers, the country has embarked on a very large programme for capacity expansion, as a part of which 21 projects (with a total capacity of 2.16 million tonnes of nitrogen and 0.46 million tonnes of P_2O_5) were in different stages of implementation and another 8 projects (with a total capacity of 1.58 million tonnes of nitrogen and 0.46 million tonnes of P_2O_5) had been approved/approved in principle and were expected to be taken up for implementation depending, among other things, on the availability of resources, and that with the completion of all these projects, the total capacity would rise to about 6.5 million tonnes of nitrogen and 1.78 million tonnes of P_2O_5 , (as against the installed capacity of 1.94 million tonnes of nitrogen and 0.56 million tonnes of P_2O_5 at the end of the Fourth Plan). While it is thus anticipated that the increased production arising from the substantial additions to capacity would help in narrowing appreciably the gap between demand and indigenous availability of fertilizers, the Department of Fertilizers and Chemicals have nevertheless stated that though the Fifth Plan document envisaged a capacity target of about 6 million tonnes of nitrogen and a capacity of about 1.7 million tonnes of P_2O_5 , it had become necessary, on account of financial constraints, to rephase some of the projects as a result of which production by 1978-79 (the terminal year of the Fifth Plan) was expected to be only about 3.0 million tonnes of nitrogen and 0.9 million tonnes of P_2O_5 , as against the assessed requirements of 5.2 million tonnes of nitrogen and 1.8 million tonnes of P_2O_5 , and consequently there would still be a gap between demand and indigenous availability which may have to be bridged by imports. Some of the projects for augmenting the indigenous capacity for production of chemical fertilizers will also be taken up only in the closing stage of the Fifth Plan and be really implemented or be operational only in the Sixth Plan period, and if past performance in this regard be any guide, the Committee are doubtful how many of the new projects would actually go on stream and achieve stability in production as scheduled. It would, therefore, appear prima facie that even with an improved utilisation of expanding capacity, domestic availability of fertilizers would not be sufficient in the near future to ensure a significant spread across the entire agricultural economy and the country may still have to go a long way to reach the goal of self-sufficiency when imports could be dispensed with.

[Sl. No. 83 (Para 5.50) of Appendix XXIV, to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

Presently, the installed capacity for the manufacture of fertilizers is 30.28 lakhs tonnes of nitrogen and 10.05 lakh tonnes of P_2O_5 . Twelve

large sized fertilizer projects are presently under implementation as part of a large scale programme for expansion of fertilizer capacity. With the completion of these projects, the capacity would go up to about 51 lakh tonnes of nitrogen and 13.11 lakh tonnes of P_2O_5 . The production of fertilizers by 1982-83 is expected to be 41 lakh tonnes of nitrogen and 11.25 lakh tonnes of P_2O_5 , as against an estimated demand of 52.50 lakh tonnes of nitrogen and 16 lakh tonnes of P_2O_5 by that year. There would, thus, be a gap between the demand and production estimated by 1982-83. In order to reduce the gap, it is proposed to take up four large sized nitrogenous fertilizer plants based on the gas available from Bombay High/South Bassein structure, and one plant based on the gas available from the oilfields of Oil India Limited and ONGC in Assam. Besides, M/s. Nagarjuna Fertilizers are setting up a fuel-oil based fertilizers plant at Kakinada in Andhra Pradesh. A letter of intent has been issued to M/s. Indian Explosives Limited for expansion of the capacity of their existing fertilizer plant at Kanpur. M/s. Shriram Chemicals Kota have also made proposals for expansion of their existing plant at Kota.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O. M. No. P.II-3(ii)/77, dated 26-9-1978]

Recommendation

In these circumstances and also in view of the fact that fertilizer plants are highly capital intensive and require a considerable period for stabilisation of production, it is imperative to ensure optimum utilisation of the capacity already established at considerable cost and maximise production in the existing plants. However, as has also been pointed out earlier by Estimates Committee in paragraph 2.86 of their 40th report (Fifth Lok Sabha). It is nothing short of a tragedy that at a time when the country requires more and more fertilizers to step up agricultural production, the existing fertilizer plants, particularly in the public sector, have not been able to produce according to their installed capacity. (In 1973-74, the last year of the Fourth plan, production of nitrogenous and phosphatic fertilizers in the country amounted respectively to only 58.4 percent and 57.7 percent of the installed capacity. The capacity utilisation of nitrogen during 1974-75 was 59.5 per cent). It has, however, been contended by the Department of Fertilizers and Chemicals that the capacity utilisation of the operating plants in the country require to be viewed with reference to the spread of investment in extremely old plants and those with built-in constraints (like Sindri, the FACT plant at Udyogmandal and to some extent the original investment in Trombay), in stabilised plants (like the Gorakhpur and Namrup plants of the Fertilizer Corporation of India in the public sector, the IFFCO plant at Kalol in the Co-operative sector and the GSFC plant at Baroda in the private sector), and in the new plants (at Madras, Goa, Durgapur and Cochin) which have to go through an initial period of teething troubles till they reach stabilisation, and that viewed against this background, the capacity utilisation of the existing fertilizer plants has been reasonably good. It has also been argued that the international norm for comparable Chemicals and Fertilizers Plants is about 82 per cent and that, by and large, the overall performance of the industry in India in respect of nitrogenous fertilizers was comparable both with the developed and developing countries and during 1972, productivity in India was higher than the world average. As regards phosphatic fertilizers, the Department have informed the Committee that relevant comparative data were available only for the period 1965-67.

which showed that the performance in India was lower than that in the developed countries, though the present position was likely to be quite different in the context of the steps taken in the recent past to improve the productivity of the P_2O_5 units in India.

An analysis of the performance of some of the individual plants in operation, however, reveals a rather disquieting picture, which would indicate that there is scope for considerable improvement. For instance, though it was stated by the representative of the Department of Fertilizers and Chemicals that the assumption made in Government's investment decisions was that the new plants would operate at 50 per cent capacity in the first year, build up to about 65 per cent in the second year and reach 80 per cent capacity utilisation in the third year, the Committee are concerned to note that while the aggregate utilisation of capacity of the new plants in operation during the period 1971-72 to 1976-77 ranged between 17 and 43.2 per cent only, the utilisation of capacity of the Durgapur plant was as low as 3.9 per cent in 1973-74 and 9.9 per cent in 1974-75 and that of the Cochin plant was only 9.2% in 1973-74 and 26.3 per cent in 1974-75. Similarly, the utilisation of capacity of some of the stabilised plants was also below 70 per cent in some of the years. The Committee need hardly emphasise that the factors responsible for the under utilisation of capacities should be critically analysed and necessary remedial measures taken at the earliest to maximise the production so as to reach as near the installed capacity as possible. In this context, the Committee find that a World Bank Mission, which visited the operating units of FCI and the Udyogamandal Division of FACT in 1969 to assess their performance and suggest remedial measures for overcoming various difficulties in attaining higher capacity utilisation, had also emphasised the need for taking necessary measures to improve capacity utilisation and had suggested, *inter alia*, that it would be greatly to the country's advantage to make some marginal balancing investments on optimising the capacity in the existing plants rather than go in for bigger programmes for new investments.

In this connection, the Committee have been informed by the Department of Fertilizer and Chemicals that the need for maximising fertilizer production from existing capacity has constantly been engaging Government's attention and that the under-utilisation of capacity of individual plants was attributable to various factors like (i) power cuts and instability of the power systems (as in the case of Nangal, Baroda, Vizag and Kanpur), (ii) Occasional labour troubles (as in the case of Kanpur), (iii) breakdowns of plant and equipment on account of poor maintenance and mechanical problems (Trombay, Baroda and Vizag), (iv) unplanned shutdowns on account of unforeseen technological difficulties (Namrup, Durgapur and Cochin), (v) defective design and obsolescence of technology (Neyveli), (vi) reduced quantum of critical inputs (like inadequate availability of coke oven gas in the case of Rourkela and non-availability of power in the case of Nangal) and (vii) extreme age of some of the plants (Sindri, where the equipments were stated to be worn out and to have outlived their normal life, and Udyogamandal where certain sections of the plant have been operating over a long period of time with equipment which have outlived their normal life). The Committee have also been informed that from 1975-76, learning from past mistakes, the monitoring systems have been improved considerably not only in the Department of Chemicals and Fertilizers but in other Ministries as well

and various programmes initiated for de-bottlenecking for most of the existing plants under a 'Plant Operations Improvement Project (POIP)' launched with the support of the World Bank. As part of the monitoring operations, the production performance of the operating units is stated to be monitored on a weekly and monthly basis and the reasons for short-falls in production carefully scrutinised and necessary corrective measures taken, "not on any theoretical basis but as a regular production plan" and the project management and operating management had also been separated. As regards the steps taken under the "Plant Operations Improvement Project", the Committee have been informed that on the basis of the suggestions of the World Bank and of a Technical Coordination Group constituted to review the performance of the operating units of FCI and FACT and identify areas where modifications and improvements could be carried out for achieving better levels of production, as well as the advice given by specialists and consultants in regard to problems faced by certain individual plants like Durgapur, Cochin and Trombay, various programmes to improve capacity utilisation have been evolved and are being implemented. The representative of the Department of Chemicals and Fertilizers also stated during evidence that it was Government's endeavour "to bring all the plants to a high degree of stability" and that they would not be satisfied unless 80 per cent capacity utilisation was reached and that as a result of the de-bottlenecking measures undertaken it was expected that capacity utilisation would register an increase of $12\frac{1}{2}$ per cent, from 58.5 per cent to 71 per cent, during 1975-76. The Committee are informed that as a result of various measures taken to augment production, the capacity utilisation of nitrogen during 1975-76 and 1976-77 has substantially improved, being 70 per cent and 72.5 per cent respectively. They hope that Government would keep a contemporaneous watch on the implementation of various capacity augmentation measures so as to improve the capacity utilisation further in the years to come. It should also be ensured, particularly in the context of the massive investment involved (for the FCI and FACT scheme alone a credit of 17 million dollars has been negotiated with the World Bank), that these measures actually subservise the objective envisaged.

[Sl. No. 84 to 86 (Paras 5.51 to 5.53) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

Observations of the Committee in regard to the capacity utilisation have been noted and the Government would like to assure the Committee that all possible efforts are being made to bring about optimum production efficiency in the existing plants.

2. As has already been submitted to the Committee earlier, the main factors affecting capacity utilisation in the fertilizer plants are power cuts and instability of power systems, mechanical breakdowns, design deficiency and obsolescence of technology, difficult feedstock and extreme age of some of the plants.

3. A number of modification programmes have been undertaken in various units so as to improve their performance. These include :—

- (i) Provision of captive power generation facilities in the public sector units at Gorakhpur, Durgapur and Trombay which have been prone to the unstable power supply over the years;

- (ii) substantial reduction in the power requirement of the Nangal unit which has been subjected to heavy power cuts in the past, by implementing the Nangal Expansion project based on fuel oil which will supply ammonia to the existing Nangal unit;
- (iii) complete switch over of feed stock from coke oven gas to Naphtha at Rourkela and from lignite to fuel oil at Neyveli;
- (iv) long term modification programme to remove the design and equipment deficiency at Durgapur and Cochin;
- (v) the existing Sindri unit, which has closed down its nitrogen production for safety reasons would be in a position to do better when ammonia is made available to it from Sindri Modernisation project and good quality by-product gypsum from the Sindri Rationalisation project.

Details of unitwise schemes for optimum utilisation of installed capacity are given in *Annexure*.

Concerned over the recurring problems of mechanical breakdowns, the Government have constituted a High power Expert Committee with the following terms of reference.

- (i) To review the mechanical failures/breakdowns that have occurred in the public sector fertilizer plants during 1977-78, resulting in loss of production;
- (ii) to identify the causes for mechanical failures/breakdowns;
- (iii) to suggest short-term as well as long-term preventive measures;
- (iv) to review the maintenance programme of the plants and to suggest changes, if any, therein;
- (v) Any other related matter.

It is hoped that the recommendations of this committee would enable the units to achieve higher levels of operational efficiency.

As regards phosphatics, it may be pointed out that the main factor which has been affecting capacity utilisation in the past is poor offtake of phosphatic fertilizers on account of higher prices. The price support scheme introduced by the Government in March, 1976 has resulted in substantial spurt in the demand for phosphatics and as a result the capacity utilisation of phosphatic fertilizers has shown a sharp increase. The capacity utilisation, which was 50.6% in 1975-76 increased to 69.4% in 1976-77 and touched a level of 79.8% in 1977-78.

[Ministry of Supply & Rehabilitation (Deptt. of Supply), O.M. No. P.II-3(11)/77, dated 26-9-1978]

SCHMES FOR OPTIMUM UTILISATION OF INSTALLED CAPACITY

ANNEXURE

1. SINDRI :

Sindri Modernisation scheme based on fuel oil as feedstock is being implemented. Ammonia from this scheme will be made available to the

existing plant. Better quality gypsum is to be made available from Sindri Rationalisation project.

2. *NANGAL* :

In order to remove dependence of this unit on power, Nangal Expansion project based on fuel was taken in hand. This project has already started trial run in January, 1978.

3. *GORAKHPUR* :

- (i) In plant power generation scheme of 25 MW.
- (ii) Procurement of Regenerators for air separation units.
- (iii) Provisions of time delay relays in some sections to reduce loss of production due to voltage dips.
- (iv) Other replacement of equipments and modification are being carried out to improve the performance of various equipments.

4. *DURGAPUR* :

- (i) Replacement of reformer tubes and pig tails to reduce shutdown frequency.
- (ii) Installation of chevron dryers in P.G. Boiler drum for better performance.
- (iii) Replacement of compressors intercoolers/tube bundles.
- (iv) Installation of a new H.P. Process boiler of 30 tonnes per hour capacity.

5. *BARAUNI* :

- (i) Modification of the carbamate pumps as already done in Durgapur and Cochin is planned.
- (ii) Scheme for augmenting capacity of D.M. water plant has been finalised and detailed design engineering is in progress.
- (iii) Action has been initiated to procure one KSB circulation pump,

6. *UDYOGAMANDAL* :

- (i) Certain outlived sections are being scrapped.
- (ii) Diversification project is being undertaken.
- (iii) Sulphuric acid plant is being revamped.
- (iv) Critical equipment in phosphoric acid plant is being replaced.

7. *COCHIN-I* :

A long term programme for removal of the various constraints is under implementation.

8. *COCHIN-II* :

- (i) Plant is still under stabilization.
- (ii) Various defects noticed during the tribal runs are being removed.

9. *ROURKELA* :

Facilities for additional naphtha reformer are being created to change over completely to naphtha as feedstock.

10. *NEYVELI* :

The unit is now being changed over to the use of fuel oil as feedstock for which facilities are being created.

11. *MADRAS* :

Ammonia production limitation has already been overcome. 75 days shutdown is planned for March to May, 1979 to replace 5 catalysts and to change the top and bottom forgings of the Ammonia converter with better material, replace the catalyst tube slab ends in primary reformer with more suitable material.

12. *BARODA* :

- (i) During 1978-79 replacement of various critical equipments in Ammonia, S.A., Urea, Ammonium Sulphate and DAP plants is planned.
- (ii) Debottlenecking scheme of phosphoric acid plant is being implemented.

13. *VIZAG* :

- (i) Systematic replacement/repair to ageing equipments is being undertaken.
- (ii) Detailed analysis of major equipments and machineries are being taken up to minimise downtime due to breakdowns.

14. *KOTA* :

A team of experts are studying the plant from operation, maintenance and design aspects to maximise production.

15. *KANPUR* :

Replacement of CCI(WA)'s Synthesis Catalyst.

16. *GOA* :

- (i) Debottlenecking of ammonia plant is in progress.
- (ii) Action to improve the efficiency of Syn-Gas turbines has been initiated with the suppliers.

17. *TUTICORIN* :

Replacement of some of the equipments being done and preventive maintenance systems and inspection systems are being streamlined.

18. *MANGALORE* :

Installation of captive power plant is under consideration.

19. KALOL/KANDLA :

Additional cells in the cooling tower are being provided to overcome high cooling water temperature during summer months.

In addition to the schemes mentioned above for industrial units, the State Governments have been requested to ensure adequate and reliable supply of power to fertilizer plants, for maximising production.

Recommendation

In order to correct the present imbalances between installed capacity and production of fertilizer plants in the country, the Committee would also suggest the following measures for implementation on high priority :

- (a) The cost of production of individual units should be critically examined and conclusive steps taken to effect economies in costs which could generate funds for re-investment in programmes for de-bottlenecking and improved capacity utilisation. For instance, it should be possible to reduce inventories and thus cut down the inventory carrying charges by scientific inventory planning and control.

[Sl. No. 87 Para 5.54(a) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

So far as the debottlenecking programmes for improvement of capacity utilisation are concerned, the reply to recommendation Nos. 84, 85 and 86 already gives in detail the unitwise measures under implementation with a view to optimising production efficiency.

The cost of production of fertilizers as stated in reply to recom. 81 is dependent on various factors such as the capital cost of the project, cost of feedstock, capacity utilisation, consumption efficiencies etc. While the need for Scientific Inventory Planning and Control cannot be over-emphasised, it is submitted that several other measures are required to reduce the cost of production.

A major component in the cost of production, especially of nitrogenous fertilizers, is the fixed cost element. As a consequence of the Oil Crisis of 1973-74, the capital cost of fertilizer projects has escalated very steeply. As a result, the fixed cost element alone in the cost of production per tonne of urea has become substantial. With a view to reducing the capital cost of the project, Govt. have reduced the custom duty on import of equipment from 40% to 25% in March, 1978. In the introduction of the new import policy, fertilizer project authorities would now be in a position to buy plant and equipment on international competitive bidding basis so that the plant and equipment can be bought at the most competitive rates and according to the requirement of the project schedule. Foreign exchange arrangements are also being made for projects with a view to ensuring that availability of credit does not become constraint on speedy implementation of projects. The implementation of the projects is also closely monitored with a view to seeing that project schedules are maintained and there is no escalation in capital cost on account of time delays.

As for the generation of funds for re-investment in the debottlenecking programmes, adequate priority is accorded for funding such programmes in the fertilizer industry. The introduction of the Retention Price Scheme would also enable units operating at the required levels of efficiency to earn a return and generate the necessary funds.

[Ministry of Petroleum, Chemicals and Fertilizers (Deptt. of Chemicals and Fertilizers, O. M. No. 6/22/78-FDA-I, dated 5-7-1978)]

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O. M. No. P.II-3(ii)/77, dated 26-9-1978]

Recommendation

In order to correct the present imbalances between installed capacity and production of Fertilizer plants in the country the Committee would also suggest the following measures for implementation on high priority.

(b) Adoption of scientific materials management and maintenance management principles would go a long way in reducing idle capacity caused by non-availability of raw materials and spares for maintenance. There should also be a proper schedule of preventive maintenance and repairs and it should be ensured that maintenance is carried out according to this schedule so that there may not be any loss of production on account of inadequate maintenance.

[Sl. No. 87 Para 5.54(b) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The Action taken Note on the recommendations contained in paragraph 5.54 (d) of the Public Accounts Committee's 27th Report covers the points made by the Committee in regard to spare parts. As regards maintenance management, the fertilizer industry is paying increasing attention to preventive maintenance and sound maintenance management practices. Recognising the importance of good preventive maintenance, Government has set up a High Powered Committee under the Chairmanship of Shri M. S. Ram to review the maintenance programmes particularly in the public sector units. The terms of reference of the Committee are as under :—

- (i) To review the mechanical failures/break downs that have occurred in the public sector fertilizer plants during 1977-78, resulting in loss of production;
- (ii) to identify the causes for mechanical failures/breakdowns;
- (iii) to suggest short-term as well as long term preventive measures;
- (iv) to review the maintenance programme of the plants and to suggest changes, if any, therein;
- (v) any other related matter.

2. As regards non-availability of raw materials it may be stated that the difficulty is in regard to non-availability of the proper quality of raw materials required for use in the plants with specific design parameters. For instance, at Neyveli Fertilizer Plant it was the improper quality of lignite while at Sindri it was the poor quality of gypsum. In order to overcome the problem at Neyveli, a long term programme for complete switch over to fuel oil as feedstock has been taken up for implementation. In regard to the

Sindri Unit, the requirement of proper quality of gypsum by the existing old plant after its renovation is proposed to be met by the better quality of gypsum which would be available as a by-product from the Sindri Rationalisation Project.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O. M. No. P.II-3(ii)/77, dated 6-10-1978]

Recommendation

In order to correct the present imbalances between installed capacity and production of fertilizer plants in the country, the Committee would also suggest the following measures for implementation on high priority :

- (c) Special R&D efforts should be directed towards the development of technology to meet shortages in respect of feedstock, raw materials and spare parts.

[S. No. 87) Para 5.54 (c) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The recommendation is accepted.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O. M. No. P.II-3(ii)/77, dated 8-12-1978]

Recommendation

Yet another factor which has necessitated continued imports of fertilizers at heavy foreign exchange outflow is the serious delays that have taken place in the implementation and commissioning of new projects. According to the information furnished by the Ministry of Petroleum and Chemicals to the Estimates Committee (1972-73), delays ranging from six months to three and a half years had taken place in the commissioning of various projects of the Fertilizer Corporation of India. Similarly, in respect of Cochin, Phase I and Udyogmandal Fourth Stage Expansion projects of FACT, delays ranging between one to four years had occurred in completing and commissioning various components of the projects. It has also been conceded by the Department of Fertilizers and Chemicals that slippages in the commissioning of new projects had led to the periodical revision downwards of the estimates of indigenous production, on the basis of which the import strategy was worked out, necessitating larger imports than were anticipated initially. Besides, such delays have also led to an inevitable escalation of costs. That important projects vital to the country's agricultural economy should have thus lagged considerably behind schedule, in spite of the fact that the public sector has more resources at its command and also the backing of the entire governmental machinery, causes serious concern to the Committee.

[Sl. No. 88(Para 5.55) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

Every effort is being made to ensure that projects under implementation are completed within the anticipated time schedule. Periodical reviews are being made to see that projects do not slip. In case of slippage the

reasons therefor are analysed and necessary assistance given to the project authorities to avoid such slippages in future.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O. M. No. P.II-3(ii)/77, dated 8-12-1978]

Action taken

The following are the details of the specific steps taken by the Government with a view to avoid delays in the implementation and commissioning of projects.

1. At the project planning and appraisal stage, a much more vigorous and detailed examination is done of all the aspects on the technology adopted, cost and time projections made, the attention paid to provision of all inputs and infrastructure and supporting facilities, the locational aspects of inward movement of inputs and outward flow and distribution of products. In short, it is ensured that preparatory work done at the project formulation and appraisal stage is made much more comprehensive than used to be before. Attention to details, realism in planning and stress on economy and cost effectiveness have been improved.

2. In the selection of technology, greater care is exercised to ensure that in large scale projects, whenever possible only such units are put up where plants of about the same size and service capabilities, have been successfully run elsewhere. A realistic assessment is made of the adoptability of the process to Indian conditions. The capacities of the plants have been standardized at about the highest level which would give the highest benefits from economies of scale without getting into difficulties with either fabrication capabilities within this country or movement restrictions due to dimensions.

3. With more liberal types of credits available to-day notably from the World Bank, it has been possible to reduce the diversity of tied credits. This has given the owners, in most cases, freedom to choose technically the best available equipment in the World by International competitive bidding. Wherever necessary, free foreign exchange is being provided so that the best of equipment can be chosen based on worldwide bidding. While doing this, protection is given to indigenous industry either by way of export entitlement or in terms of a graded system of weightages in comparative evaluation of offers to enable them to complete on favourable terms with foreign bidders. The measure has, however, put them on the alert both as regards quality of the equipment and time schedules they would have to keep and cost consciousness in framing the bids. The procedure at the same time, ensures that the project authorities have the freedom to choose the cheapest technically acceptable bid with deliveries suited to their time schedules. This should, in the normal course, eliminate one factor which often used to be cited by project authorities as primarily responsible for slippages in costs and schedules.

4. Rigorous monitoring of the projects during their implementation stage is insisted on and periodical reports are called for both by Government as well as the lender institutions. Quarterly review meetings are held in the Ministry to identify slippages, if any, and to see what corrective action is possible. Where help is necessary it is rendered promptly.

[Ministry of Petroleum, Chemicals & Fertilisers (Deptt. of Chemicals and Fertilisers) O. M. No. 151/37/77-Coord. dated 31-12-1979]

Recommendation

According to the Department of Fertilizers and Chemicals the following factors were responsible for the delays in completing and commissioning of new projects under implementation :

- (a) Delay in supply of equipment, both indigenous and imported required for fertilizer plants which, in turn, was attributable to unforeseen factors like labour unrest in the fabricators' workshops, power cuts, difficulty in obtaining material for fabrication, etc.
- (b) Difficulties in fabrication of some sophisticated equipment being indigenised for the first time.
- (c) Extended time taken in arranging credits and finalising contract arrangements.
- (d) Delays by entrepreneurs in finalising their own plans and finalising arrangements.
- (e) Delay on the part of construction contractors.
- (f) Difficulties in procurement of construction and structural items like cement, steel, etc.
- (g) Failure of critical items of equipment including imported equipment.
- (h) Delays due to adoption of new technology on a large scale.
- (i) Constraints in taking up new schemes on account of paucity of funds.

The Committee are of the view that some of these problems were, by no means, insurmountable and could have been solved by more effective coordination between the different agencies involved, and by reviewing critically the progress of the projects at regular intervals. The delays and gestation periods could have also been minimised by an efficient system of monitoring and adoption of techniques like PERT, CPM, etc.

[Sl. No. 89 (Para 5.56) Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The recommendation is noted.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O. M. No. P II-3 (11)/77 dated 8-12-1978]

Recommendation

The Committee note in this connection that, though late than never, a number of remedial measures, like stream-lining of the distribution procedure for steel materials, expeditious disposal of individual requests received from fabricators for the import of tools and for obtaining foreign technical know-how for the manufacture of sophisticated equipment, timely placement of orders for equipment on the fabricators as soon as possible after the projects are sanctioned, ensuring that the items produced by the indigenous manufacturers are of the requisite quality, etc., have been taken in pursuance of the recommendations of a committee (Kasturirangan Com-

mittee) appointed to examine the reasons for the delays in commissioning of public sector plants. The Committee have also been informed that "a careful watch" is being kept by the Department of Fertilizers and Chemicals on the progress of all the projects under implementation through monthly progress reports and quarterly performance review meetings. As regards the steps taken to eliminate delays in the supply of equipment for fertilizer plants, particularly by Bharat Heavy Plates and Vessels Ltd., the Committee learn that the Ministry of Heavy Industry have taken "very strong monitoring steps" to reduce delays in deliveries and a number of remedial measures like allocation of blanket foreign exchange for import of components and materials, streamlining of procedure for authorisation of imports, monitoring of processing of orders placed on foreign suppliers, off-loading of some of the items on other manufacturers, monitoring of progress of major orders by means of CPM/PERT charts, etc. have been adopted and that with these measures, further slippages in delivery schedules would be avoided. The Committee need hardly emphasise the imperative need for reducing the gestation periods and expediting the commissioning of various new plants in the context of achieving self-sufficiency in fertilisers in none-too-distant a future and they trust that the measures now stated to have been taken would produce the desired results. Their adequacy should also be kept under constant review and timely corrective action taken whenever deficiencies come to notice.

[Sl. No. 90 (Para 5.75) of Appendix XXIV to 27th Report of of the PAC (Sixth Lok Sabha)]

Action taken

The recommendation is noted.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O. M. No. P. II-3(II)/77, dated 8-12-1978]

Recommendation

With a view to expediting increase in the growth rate of installed capacity, a decision appears to have been taken to speed up investment in new fertilizer projects and to sanction at one time a large number of projects and to ensure their completion simultaneously instead of staggering the implementation of new projects. Thus, a massive investment of Rs. 1,100 crores in the public sector had been provided in the Fifth Plan for the purpose and with the escalation in costs, the investment necessary has been presently estimated at Rs. 1,700 crores, which represents a five-fold increase over the investments made in the public sector fertilizer industry during the last four years of the Fourth Plan period (1970-71 to 1973-74). In the context of the sizeable shortfalls that had occurred in the achievement of financial as well as physical targets envisaged for augmentation of fertilizer production capacity during the Fourth Plan, the already over-loaded order book position of units manufacturing fertilizer plant equipment problems of feedstock and raw materials and other constraints that have come in the way of realisation of targets earlier, the Committee are doubtful how far the ambitious programme now proposed is capable of attainment. There is also need for a balanced approach to evolve a workable system to ensure that the fertilizers reach the farmer at the right time and place in the right quantities and at minimal cost. All this, therefore, naturally calls for the most careful planning, effective coordination and scientific monitoring.

The organisational machinery also needs to be properly re-oriented and geared up to face the challenges likely to be posed by such a gigantic task, so as to be in a position to tackle effectively the multitude of problems likely to crop up in the implementation of any programme of such magnitude. The Committee would, therefore, urge Government to ensure that the fulfilment of the programme is not hampered in any way and to have the progress achieved so far properly and expeditiously evaluated by a body of experts and take conclusive steps to remedy deficiencies, if any.

[S. No. 91 (Para 5.58) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

During 1973-74, the last year of the Fourth Five Year Plan, the consumption of fertilizers was 18.3 lakhs tonne of N and 6.5 lakh tonnes of P_2O_5 . Against this the actual production of fertilizers in the country during that year was of the order of 10.6 lakh tonnes of N and 3.23 lakh tonnes of P_2O_5 and fell short of the demand. It, therefore, became essential to augment production within the country in a big way, to meet not only the current gap between indigenous availability and consumption but also to meet the growth in demand for fertilizers over the plan period.

2. In any appraisal of growth of the fertilizers industry, it would have to be appreciated that the industry is highly capital intensive with a long gestation period. The financial magnitude involved is so large that private sector projects also would have to lean very heavily on public financial institutions for financial support needed by them. The public sector had, therefore, to play a dominant role in the programme for expansion of fertilizer capacity. A large programme to augment fertilizer production in the public sector entailing an investment of around Rs. 1100 crores was proposed for the then envisaged Fifth Five Year Plan commencing from 1974-75. Later due to the oil crisis and the consequent escalations, the estimated investment for these proposals came to around Rs. 1700 crores.

3. Though it was recognised that such a programme would result in some bunching up of projects, calling for larger imports of equipments, it was considered necessary in the long term interests of developing the fertilizer manufacturing facilities to draw up an ambitious programme. It was expected that this would result in a considerable not foreign exchange saving even after taking into account the extra foreign exchange that might be involved in a somewhat larger imports of equipment.

4. Later due to the resources constraint, partly arising out of the oil crisis, it became necessary to prune some of the earlier contemplated projects. It was, therefore, decided to defer action in regard to the implementation of the fertilizer projects proposed earlier for implementation at Paradeep and Mathura. Similarly it was also decided to defer the further implementation of the coal based fertilizer plant at Korba till adequate experience of the working of the coal based projects at Talcher and Ramagundam under implementation was available. The programme for augmenting fertilizer production during the plan period was eventually drawn up after a close review of the availability of resources for their implementation.

5. The progress of implementation of the new fertilizer projects was closely monitored and appropriate remedial action initiated wherever necessary to ensure their speedy completion. Wherever considered necessary the matters relating to delays in the supply of equipment were taken up with the fabricators as well as the administrative Ministries concerned.

6. Standardisation of capacity and technology was resorted to facilitate repetitive orders for equipment and reduce on time for design and engineering. The Nangal expansion project and the Sindri Modernisation Projects, both envisaging the setting up of a 900 tonnes per day Scachioapient based on fuel oil and a 1,000 tonnes per day Urea plant have been conceived on this pattern of resorting to repetitive orders for equipment and reducing time for design and engineering. Similarly the Bhatinda and Panipat pair of projects were conceived and executed with this aspect in view. There were, however, certain limitations in the past in extending this principle since some of the plants installed were using different feedstock and credits from different sources to cover foreign exchange cost resulting in equipment supplies from different sources, making it difficult to have common spares, etc. However, in the setting up of the proposed gas based plants, it is envisaged to not only standardise the size but also adopt the same technology and even procure equipment from same or similar sources to the extent possible. These steps are expected to cut down time delays to some extent in the project implementation.

7. An analysis of the time and cost overruns that occurred in some of the earlier executed fertilizer projects has shown that the constraint on foreign exchange and consequent necessity to choose technology and consultancy from specific sources, the need to resort to large scale indigenisation in engineering and equipment purchase, absence of clear responsibility for project implementation etc. were some of the principal factors resulting in time and cost escalations. In the execution of the new projects every endeavour is made to see that these constraints do not recur and project implementation is smooth.

8. Government was also concerned about the mammoth size of the Fertilizer Corporation of India and the consequent difficulty in according the required management attention at higher levels to the problems in the implementation of the projects and in the operation of the plants. In order to ensure that adequate management attention was paid to the projects and operating units, Government took the radical step of breaking up the Fertilizer Corporation and reorganising it together with National Fertilizers Ltd. into four companies [excluding Fertilizer (Planning and Development) India Ltd.,] which would function as the premier engineering organisation in the country in the field of fertilizers. The reorganised companies of FCI/NFL are as under :

Name of Company	Units/divisions administered by the Company
1. Fertilizer Corporation of India Limited	Sindri (including Sindri Modernisation and Sindri Rationalisation) Gorakhpur, Talcher Ramagundam and Korba.
2. National Fertilizers Ltd.	Bhatinda, Panipat and Nangal.
3. Hindustan Fertilizers Corporation Limited.	Namrup, Haldia, Barauni and Durgapur
4. Rashtriya Chemicals and Fertilizers Ltd.	All units of Trombay and the gas based plants proposed in south of Bombay.

9. The main purpose of the reorganisation was to avoid centralisation of decision making and powers and to bring about greater delegation of powers and greater autonomy to the five units.

10. The reorganised companies have started functioning from 1st April, 1978. With the reorganisation a far greater efficiency and improvement in performance and quicker implementation of new projects allotted to the companies is anticipated because of better and direct control being exercised by the management of the new companies over the units under them.

11. The fertilizer needs of the various States in the country are discussed at the six monthly Zonal Conferences organised by the Ministry of Agriculture and Irrigation in the various zones before the commencement of the two sowing seasons, namely, Kharif and Rabi. After assessment of fertilizer requirements at these conferences, a coordinated supply plan is drawn up by the Ministry of Agriculture and Irrigation for the entire country, and orders are issued under the Essential Commodities Act requiring each manufacturer to supply specific quantities of specified products in specified States. In order to reach the fertilizers in the interior areas, the Ministry of Agriculture have declared certain road points as rail heads and also opened 669 storage centres for the benefit of the farmers located in the interior areas. Besides, the Ministry of Agriculture are also maintaining buffer stock of imported fertilizers in each part of the country which enables the Government to tide over any situation of shortage that may be arising out of production short falls or movement bottlenecks. It is, thus, ensured that the farmers get the fertilizers in adequate quantity in right time.

12. The price of the three straight nitrogenous fertilizers namely urea, ammonium sulphate and calcium ammonium nitrate are statutorily controlled under the Fertilizer Control Order, administered by the Ministry of Agriculture. The Phosphatic fertilizers have also come under the informal control of the Government with effect from the 16th March, 1976, from which date the Government have been extending a subsidy on phosphatic fertilizers so as to make them available to the farmers at a reasonable price.

13. With effect from the 1st November, 1977, the Government have introduced a scheme of retention price for the three straight nitrogenous fertilizers which assures the manufacturer a post tax return of 12% on net worth subject to their achieving a capacity utilisation of 80% and meeting the stipulated consumption norms. This scheme assures a reasonable return to the manufacturers. Government have also reduced the price of urea by Rs. 100 per tonne with effect from 12th October 1977, with a view to making this vital agricultural input available to the farmer at a reasonable price.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M. No. P II-3(11)/77, dated 8-12-1978]

Recommendation

In this connection, the Committee also feel that it would be worthwhile to have a critical appraisal of the targets proposed for the Fifth Plan particularly in the light of certain weighty observations contained in the Reserve Bank of India study referred to earlier in Chapter I. The study rightly points out that under existing conditions, the scope for further growth of fertilizer consumption is rather limited and that unless there was a break-

through in the technology of cultivating commercial crops (such as cotton, jute and oilseeds) on the scale achieved in wheat, areas under multiple cropping were stepped up for improving the off-take of fertilizers and steps were taken to aid small farmers in taking to fertilizers on a much larger scale than they had done so far, the country might well reach a point of stagnation in fertilizer use. These facts only serve to underscore the importance of an integrated and multi-pronged approach to the entire question and the Committee would, therefore, like to be reassured that all these factors have been duly taken note of and necessary supporting measures initiated while arriving at a decision to speed-up investment in new fertilizer projects.

[Sl. No. 92, (Para 5.59) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

Development of additional fertilizer capacity is planned keeping in view the projections of fertilizer consumption made by the Ministry of Agriculture and Irrigation and the Planning Commission. Projections of fertilizer consumption are, in turn, based on factors such as programmes for increasing the irrigation potential and the areas under high yielding varieties of crops, areas under different crops and recommended doses therefor, agricultural demand and response rates of crops to additions of fertilizers. As a result of multi-pronged measures taken by the Govt., the consumption of fertilizers has shown significant improvement from the year 1975-76 onwards, as can be seen from the details given below :—

Year	(Consumption in '000 tonnes)	
	N	P ₂ O ₅
1974-75	1765	472
1975-76	2149	467
1976-77	2457	635
1977-78	2943	883

Government agree that alongwith investment in new fertilizer projects, it would be equally necessary to undertake programmes to promote the use of fertilizers. The Ministry of Agriculture have already launched various programmes in this direction. With the efforts made by the manufacturers and the Ministry of Agriculture in promoting the use of fertilizers, it is submitted that there would be no reason to apprehend that fertilizer consumption in the next 5 to 10 years may slow down and become stagnant.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M. No. P. II-3(11)/77, dated 26-9-1978]

Recommendation

In this connection, the Committee also feel that it would be worthwhile to have a critical appraisal of the targets proposed for the Fifth Plan particularly in the light of certain weighty observations contained in the Reserve Bank of India study referred to earlier in Chapter I. The study rightly points out that under existing conditions, the scope for further growth of fertilizer consumption is rather limited and that unless there was a break-through in the technology of cultivating commercial crops (such as cotton, jute and

oilseeds) on the scale achieved in wheat, areas under multiple cropping were stepped up for improving the off-take of fertilisers and steps were taken to aid small farmers in taking to fertilisers on a much larger scale than they had done so far, the country might well reach a point of stagnation in fertiliser use. These facts only serve to underscore the importance of an integrated and multi-pronged approach to the entire question and the Committee would, therefore, like to be reassured that all these factors have been duly taken note of and necessary supporting measures initiated while arriving at a decision to speed up investment in new fertiliser projects.

[Sl. No. 92 (Para 5.59) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

This Department's views in this connection have already been spelt out in the answer to paragraphs 1.63, 1.64, 1.65 and 1.66. As submitted therein, this Department is of the view that there is considerable scope for further growth in fertiliser consumption and it is not as though the growth in consumption has reached a plateau. This would be evidenced by the record increase (in absolute terms) achieved during 1977-78. This Department would submit that firstly, even in areas with large coverage of high yielding varieties of wheat, the optimum levels of fertiliser consumption have not yet been reached and there is still a lot of leeway to be made up in this regard. Secondly, there are large areas (48 districts have been indentified for intensive development of Command Areas) where irrigation facilities have been created but their potential is not yet fully exploited. In these areas the potential for increase in fertiliser consumption is particularly large. Thirdly, fertiliser consumption in predominately price growing areas has also picked up as would be evidence by the interim report received recently from the NCAER. Fourthly, the emphasis during the Sixth Plan on production of pulses and oil-seeds has already begun to make its impact on fertiliser use in areas where these crops are predominant. As already submitted however, in assessing fertiliser requirements for the future years a number of factors are taken into account including the needs of agricultural production, the like by doses that will be applied, the effective demand for fertilisers on the basis of the prevailing input output price relationship etc. As further submitted, the NCAER are already engaged in the task of drawing up projections of fertiliser use for future years on the basis of these and several other considerations. The planning of domestic production is based by the Ministry of Chemicals and Fertilisers on such realistic estimates of consumption as are available from this Ministry, the Planning Commission and other sources and incidentally, it may be mentioned that the fertiliser projects planned for over the coming ten-year period do not aim at 100% self sufficiency on the basis of these projections of requirement partly on account of the feed-stock and investment constraints.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

Another aspect over which there has been considerable uncertainty and shift in policies from time to time relates to the feedstock to be adopted for fertilizer production. Till recently, naphtha had been the preferred feedstock for production of nitrogenous fertilizers. However, in the wake

of the oil crisis and in view of the anticipated deficits in naphtha supplies on account of hardening of world supplies, increase in prices and uncertainties in regard to internal availability to sustain a major expansion programme for the production of fertilizers and also in the light of the findings of the Feedstock Committee, a policy decision appears to have been taken that there should be maximum diversification of the feedstock and that, as far as possible, fertilizer capacity should be developed on other feedstocks like fuel oil, heavier petroleum fractions and coal. The Committee, however, understand that with the prospect of improved availability of naphtha following the oil strike in Bombay High, there appears to be a shift once again towards the use of naphtha as feedstocks as is seen from the recent decision to use this as the feedstock for the Mathura Fertilizer Project. While the Committee concede that the issues involved in the determination of an appropriate feedstock are complex and that the various options available should be kept open taking into account the changing situations, they would nevertheless stress the need for evolving a definite and long-term feedstock policy to facilitate timely and correct investment decisions being taken. In view of the fact that considerable time has also elapsed since the various options available were last gone into in detail by the Feedstock Committee (1969), the Committee also feel that it might be worthwhile for an expert body to have a fresh look at the entire question. The Committee would also like Government to consider whether it is not possible to provide "built in" option in the new plants to enable them to switch over to naphtha, fuel oil ect., or any other fraction of crude oil as may be most economic and advantageous to be used in given circumstances.

[Sl. No. 93 (Para 5.60) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

Government have already had a fresh look at the feedstock policy for fertilizers in the context of clear indications of gas being available from the Bombay High off shore wells. An expert group was set up under the chairmanship of Shri L. Kumar of the Planning Commission in November, 1976 to advise on the optimum utilisation of hydrocarbons. This group came to the following main conclusions in their report submitted in February, 1977 :

- (i) The opportunity cost of gas (in the quantity then estimated as available) when used in plants designed to use gas as feedstock is substantially higher than when it is used to substitute other feedstocks in fertilizer plant designed to use these, or when it is used in the generation of power or as an under boiler fuel. The viability of fertilizer plants designed to use gas is attractive and is substantially better than of fertilizer plants based on naphtha or fuel oil.
- (ii) It is more economic to process the gas into fertilizers nearest the on-shore point at which it is available (subject to the availability of infrastructure services) than to transport the gas to fertilizer deficit areas and erect a fertilizer plant there.
- (iii) It is also more economic to process the gas into fertilizers nearest the on-shore point at which it is available and transport the fertilizers produced to fertilizer deficit area rather than erect

- a new naphtha or fuel oil based fertilizer plant in such deficit areas. Exception to this could arise if existing naphtha or fuel oil based plants can be expanded at low cost and completed much more quickly than building new gas based fertilizer plants.
- (iv) 1350 tonnes/day ammonia plants based on gas utilising the economies of scale and of proven design appear feasible for the processing of Bombay High/Bassein gas into fertilizers.
 - (v) The demand for petro-chemicals as well as schemes for their manufacture together with their viability have yet to be determined. However, certain naphtha fractions from domestic crude oil are very suitable for the manufacture of aromatics and the pattern of utilisation of these should be such that it becomes possible to withdraw these fractions as and when it becomes necessary.
 - (vi) C₂ & C₃ fractions available from Bombay High/Bassein associated natural gas can be utilised in the manufacture of olefins. Pending formulation of new schemes and an examination of their viability all that is necessary at this stage is to ensure that the fertilizer plants recommended be so designed that they can operate without difficulty on lean gas.

Taking into account *inter-alia*, the aforesaid conclusions arrived at by the Expert Group, a review of the fertilizer feedstock policy was undertaken. Based on this review, the Government have now taken a firm policy decision on feedstock for future fertilizer plants, a salient features of which are given below :—

- (i) Where gas is available, it should be the preferred feedstock upto the limit the domestic demand permits it.
- (ii) Consideration should be given to the further use of coal as fertilizer feedstock, as soon as it can be confirmed on the basis of experience of operation of the coal based Talcher and Ramagundam plants that the coal gasification technology is established and is viable.
- (iii) Thereafter, the use of gas and coal should be arranged, on economic considerations, e.g. area of consumption logistics of transportation, viability, availability, etc.
- (iv) Use of naphtha as fertilizer feedstock for entirely new plants should be considered only in case of a long term disposal problem in an inland location, after decisions have been taken on petro-chemicals projects based on the use of naphtha as feedstock. Considerations would, however, be given to use of naphtha as feedstock, where existing plants at inland locations can be expanded at relatively lower capital costs and completed in quick time.
- (v) Use of fuel oil as fertilizer feedstock should be excluded for all new projects.

As regards the Committee's suggestion for providing built-in options in the new plants to enable them to switchover to fuel oil, naphtha, etc. It

may be pointed that, technically, it is possible to switch over only a fuel oil based plant to naphtha, gas, etc., with some modifications. If the need arises, such switchovers can be given effect to.

[Ministry of Supply & Rehabilitation (Department of Supply)
O.M. No. P.II-3(11)/77, dated 26-9-1978]

Recommendation

The Committee find that in spite of the fact that coal is abundantly available in the country and would, therefore appear to be the most suitable feedstock from the point of view of self-reliance, adequate and serious attention had not been given to the use of coal for fertilizers until recent years, when a decision was taken to establish three coal-based plants at Ramagundam, Talcher and Korba, of which implementation of the Korba project has also been slowed down on account of financial constraints while the Ramagundam and Talcher plants were expected to be commissioned in 1977. What is more disconcerting is the fact that some doubts have also been raised about the very success of the coal based project, which has been described as a 'major experiment'. The Committee have been informed in this connection that apart from an ICI plant in South Africa, coal-based technology had not been used as yet the world over and that as it was the first time that a large coal-based project was being taken up for implementation in the country, an "obvious investment risk" was involved. The Department of Fertilizers and Chemicals have however, sought to reassure the Committee and have stated that they were in touch with the experts possessing the requisite experience in coal gasification processes and that the consultants for the project were also the consultants for the earlier South African projects which had been successfully commissioned and was in operation. While the Committee are not averse to forward technology being employ in establishing projects, they cannot, however help feeling that in view of the apparent risks and uncertainties involved in and the misgivings expressed by Government spokesmen over the experiment with coal-based fertilizer plants, a smaller pilot project with a view to ensuring that the technology was a proven one might have been more prudent to begin with before going in for large sized plants involving larger capital outlay and which were also going to take a longer time for commissioning. No doubt, this would have postponed further, as has been contended by the representative of the Department of Fertilizer and Chemicals, the possibility of using coal in any significant scale. However, such a step would have ensured that the country's meagre resources were not expressed expanded injudiciously in major experiments whose outcome is uncertain. In any case, the performance of the two coal based plants at Ramagundam and Talcher should be closely watched and monitored and timely action taken to remedy the deficiencies in these plants as well as the new project coming up at Korba.

[Sl. No. 94 (Para 5.61) of Appendix XXIV to 27th Report of the
PAC (Sixth Lok Sabha)]

Action taken

The recommendation of the Committee is noted. Action would be taken to closely watch and monitor the commissioning of the plants at Talcher and Ramagundam. It is submitted that Government have already decided that the Korba fertilizer project which had earlier been showed down, should not

be taken up for implementation only after assessing the performance of the coal gasification sections in the Talcher and Ramagundam plants.

[Ministry of Supply & Rehabilitation (Department of Supply)
O.M. No. P.II-3(11)/77, dated 8-12-1978]

Recommendation

Incidentally, the Committee find that the Feedstock Committee had also examined the economic feasibility of using electricity as a feedstock for fertilizer production had felt that certain developments then in experimental stage might be of interest for adoption if proved successful for commercial use in fertilizer production. While the Committee would like to be informed, in some detail of the outcome of these experiments, they would also stress the importance of directing indigenous R&D efforts towards the development of a suitable technology for low cost electrolysis which could be profitably utilised, among other things, for the economic production of fertilizers. Similarly, R&D efforts should also be oriented towards the development of simpler processes to reduce costs and newer methods of potash recovery from all available sources to reduce the country's dependence on imports of potassic fertilizers which are at present being imported cent per-cent. There is no dearth of technical and scientific talent in the country and given the requisite encouragement and resources there is no reason why they should not be able to find solution to these problems.

[Sl. No. 96 (Para 5.63) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

In regard to the outcome of experiments regarding use of electricity as feedstock for fertilizer manufacture the position is as follows :

Research work was being carried out notably in USA to secure more efficient equipment for production of hydrogen by electrolysis, particularly with a view to supply this as the principal starting point for production of ammonia and nitrogenous fertilizers. The pressing need for this was the realization that world resources of hydrocarbon feedstocks are going to run out in future and substitute sources of energy which are now considered costly, will have to be tapped economically. Among these solar energy and atomic energy were considered most promising, the main form in which it will be available being electric power. Power can be a source for hydrogen provided it is cheap and available in massive quantities.

In a recent publication in the "Chemtech" magazine (January 1978) a conceptual scheme for a compress or less ammonia process has been outlined where a very compact electrolysis unit would be able to generate hydrogen at 400 atms pressure. A part of this hydrogen will be burnt with air to leave a residue of nitrogen after using up the oxygen. Nitrogen would then be combined with hydrogen for production of ammonia. The total cost of such a plant had been projected at 80,000 US \$ per daily tonnes of ammonia. At a unit power cost of 10 \$ (Rs. 80) per MWH, the cost of production of one tonne of ammonia was estimated at \$ 140 (Rs. 1120 approx.) The development is, however, still to go through a semicommercial demonstration stage before a full scale plant can be conceived or executed. The electrolyzers required are sophisticated equipment with certain proprietary

features which have been developed by some multi-national companies like Dupont. Access to information on this technology is available only through published literature.

No research work on similar lines is reported to be taken up or in progress in this country. Since at present the costs of generated power are too high to make the process economic, and since there is also a general shortage of power, any power intensive process for ammonia production is unlikely to be attractive in the foreseeable future in this country.

[Ministry of Supply & Rehabilitation (Department of Supply)
O.M. No. P.II-3(11)/77, dated 8-12-1978]

Action taken

The following is a resume of the research work going on in various directions in the field of fertilizer development and the specific action taken by Government by way of augmentation of resources for research in the field of fertilizers.

2. Research work in fertilizer technology and allied fields has been concentrated mostly in the in-house facilities which had been developed in Public or Joint sector fertilizer units—Fertilizer Corporation of India, Fertilizer and Chemicals Travancore Limited, Madras Fertilizers Limited. Some private sector units like Gujarat State Fertilizer Company, Dharamsi Morarji Co. Limited or the cooperative sector unit IFFCO have also set up some Research and Development (R&D) facilities on a moderate scale, but strictly in fields of immediate interest to their corporate activities. Other specialised agencies like National Metallurgical Laboratory, the Central Marine and Salt Research Institute, Central Building Research Institute, Central Mechanical Engineering Research Laboratories etc. have been associated from time to time on consultancies pertaining to their own fields of specialisation in problem solving or development prospects on certain facets of the fertilizer industry.

3. The main heads under which the Research efforts have been concentrated are reviewed below :

- (a) Efforts to adapt raw materials available in this country and maximise their use for fertilizer production. The materials covered are : Pyrites (as substitute for imported sulphur) Rock Phosphate, coal, potash, etc. Suggestions have been received on work to be conducted on use of ethyl alcohol as a substitute for petroleum based feedstock. In each case, the properties and likely process behaviour of the raw material are tested and studied, where the material is poor in quality, means to upgrade it to the standards required for successful processing are identified, and means are investigated to extract the maximum value in terms of the material which has an import substitution potential. As a result of these efforts the way has been opened now for exploitation of Amjhore Pyrites deposits to the full; a scheme for upgrading the raw pyrites with about 20% to the required grade of +38% S is being finalised; another scheme aims at recovering the sulphur from the rejects in the mining and the beneficiation operations to augment domestic supplies.

Similar work is being done on deposits of pyrites ore in Saladi-pura. Rock Phosphate deposits from Udaipur, Mussoorie, (UP) Jhabua (MP), Singhbhum (Bihar), Purulia (West Bengal) have been examined in detail and means of getting the standard grade material are being worked out. Schemes based on Udaipur & Jhabua rocks are included for large scale phosphatic production in next plan period. Similarly a lot of work has been done on coal analysis in order to have data to cover the needs of the Ramagundam/Talcher/Korba schemes. Special tests were done to identify the optimum requirements of fluring agents for enabling smooth gasification of these coals in the plants.

4. Efforts to conserve some of the vital imported raw materials used in the industry by reprocessing or recycling by products. Notable among these are efforts now under way to perfect methods of recovering elemental sulphur from by-product gypsum thrown out from Phosphoric acid plants; recovery of cryolite or Aluminium fluoride from fluoride containing effluents from phos. acid plants; some methods of recovering Ammonia, Nitrous oxides, sulphuroxides etc. (which can cause pollution if freely let out from stacks), aiming at absorption of these on certain active media, and their regeneration and recycle to the front end of the plants for reuse in process.

5. Efforts at finding new diversified uses for several intermediate products or by products from normally used chemical processes in the fertilizer industry. Examples are : use of fly ash from coal burnt in service boilers, for making bricks or building blocks. Briquetting of coke breeze for supplying domestic fuel; conversion of by-product gypsum to a setting plaster which can be used for brick making, prefabricated blocks for housing or as an acid proof lining; use of fine carbon (which separates from fuel oil gasification) as an active absorbent material for removing pollutants colour etc. or for paint and ink manufacture, reuse as fuel along with powdered coal, as filler for rubber industry, possibly in manufacture of carbon blocks or graphite; use of carbonmonoxide from Nitrozen wash tail gases for manufacture of formates; industrial chemicals such as hexametaphosphates, trisodium phosphates etc. from Phosphoric acid, sodium nitrite, sodium nitrate from nitrous oxides produced in nitric acid manufacture; industrial grade Ammonium nitrate or urea from fertilizer grade material; food grade Dicalcium phosphote, Pharmaceutical or cosmetic grade preccipitated chalk etc. from nitric acid and rockphosphate; dry ice blocks or veberage grade carbon-dioxide from by-product CO_2 etc.

6. Efforts to make fertilizer inputs most cost effective by cutting down potential waste. The idea here is to provide one single rich primary source for each principal plant nutrient; for example—urea for Nitrogen, Diammonium Phosphate or preferably Triple superphosphates for Phoshatics granulated Potassium chloride for Potash. To get these all to uniform size corresponding to standard size urea prills; to promote use of custom made mixtures to farmers by locally blending these three main inputs in required proportions so as to provide correct amounts of N, P_2O_5 , K_2O to the fields according to crops, climate and local situation.

7. To review other input requirements of the industry, improve economies of usage, promote import substitution. Among materials covered are :

water treatment methods and chemicals used for the purpose such as ion exchange resins flocculating agents, biocides, sequestrating chemicals, detoxification agents, corrosion inhibitors, etc. inputs like methanol for which captive production can be provided from side streams, side by side with Ammonia; production and evaluation of various catalysts which are speciality items on which many chemical processes in fertilizer production critically depend; production of special varieties of absorbents or desiccants for gas or air cleaning operations or pollutants fixation; recovery and reuse of lubricating oils; methods of packaging and transport of fertilizers in bulk to avoid bagging costs.

8. Problems arising in running plants—such as : corrosion studies; pollution control aspects; material and service evaluation on such elements as Reformer tubes used in high temperature operation; development of protective coatings for metals, civil structures, foundations and other underground installations, etc. finding and perfecting quick and accurate analysis methods for process controls; Developing new and sensitive instruments for process control; testing raw material supplies such as coal/rockphosphate etc. to gauge their behaviour under simulated processing conditions and provide guidance to processing units on best operating conditions to be maintained.

9. Investigation of newer processes more suited to present day conditions of an energy crunch and the depletion of premium grade raw materials like high BPL rockphosphates, etc.; one of the institutions claims to have developed a new phosphoric acid production technique which saves on steam for concentrating low concentration product.

10. When the Research facilities were part of a corporate service run in a multi-unit Corporation by FCI, the funding was done from internal sources of the unit. This continues to be the case with R&D establishments attached to Fertilizers and Chemicals Travancore Limited or Madras Fertilizers Ltd. and so on. But with the split up of FCI, its R&D wing has been detached from the reconstituted operating unit groups and put along with the new engineering company fertilizer (Planning and Development) India Limited, located at Sindri. While some of the ongoing research projects with FPDIL have been promised financial back up by way of sponsorship by some of the new companies, others which may not be of immediate relevance to any of the new companies, are left out. FPDIL as well as other institutions have requested for grants and aids from plan fund allocations for Science and Technology to support some of the schemes which they consider to be of national importance. FPDIL is also soliciting for sponsorship from the oil industry R&D funds, from NRDC etc. The question of funding their residual on going projects through non-plan assistance is also being examined in the Ministry. The fund requirements as requested by various institutions for the period 1979-80 to 1983-84 are given in the table on the next page.

	(Rs. lakhs)		
	Capital	Recurring	Total
1. FPDIL			
—what it has requested from Plant S&T funds	169	201	370
—what sister companies have promised to fund			133

	Capital	Recurring	Total
—Balance for which sources are to be settled .	119	517	636
2. PPCL			
—Request for Plan S&T funds			233
3. FACT			
—Request for Plan S&T funds .	51	40	91
—Own Corporate funds .	45	39	84
4. MFL			
—Request for Plan S&T funds .	7	3	10
			1557

[Ministry of Petroleum, Chemicals & Fertilizers (Department of Chemicals & Fertilizers) O.M. No. 151/37/77-Ferts. Coord., dated 31-12-1979]

Récommendation

In the present context of short supply and high prices of chemical fertilisers, the development of local manurial resources and the use of organic manures assume great importance. Besides, the use of organic manures in conjunction with chemical fertilisers is also very essential for preserving nutritional balance and fertility of the soil. While the Committee note that some organised steps are at long last being taken to produce organic fertilisers from the abundantly available urban and agricultural waste in the country and to promote their use, (like the establishment of mechanical compost plants in cities with a population of 3 lakhs and above, of sewage and sullage utilisation schemes, setting up of 1 lakh gobar gas plants in rural areas during the Fifth Plan for the production of gas for fuel purposes and good quality manure for agricultural production, organisation of demonstration-cum-training camps for popularising the production and use of organic manures, etc.), they, however, feel that a lot more still needs to be done to tap the vast potential available in the country for the purpose. For instance, the Committee find from an article by Dr. Sethna (Chairman, Atomic Energy Commission) that while it was estimated that around 324 million tonnes of cattle dung would be available in India in 1975-76, only 0.15 million tonnes had been utilised in 1972 in gobar gas plants located in different parts of the country to produce methane gas and manure. According to another expert cited in an article entitled "Bio-gas (Gobar Gas) Plant in Perspective" by R. K. Awasthi, the burning of the cattle dung in the whole of the country amounts to losing annually as much fertiliser as eight Sindri Plants can produce. Yet another article featured by the United Nations Environment Programme (UNEP) based on study by Prof. Amulya Kumar N. Reddy, Convenor of ASTRA (Application of Science and Technology to Rural Areas) at the Indian Institute of Science in Bangalore, points out that to produce 230,000 tonnes of nitrogenous fertiliser a year, a developing country can build either one large coal based plant in the city or 26,150 small, village level bio-gas (Gobar Gas) plants, which would also generate 130 times as much employment in poor, rural areas where employ-

ment is most needed. That a lot more needs to be done in this regard is also evident from a report submitted by a committee appointed by the Indian Council for Agricultural Research, which indicates that there is a possibility of increasing the use of organic manures by about 30 percent by adopting improved methods. The representative of the Department also conceded that there was a need for stepping up the use of organic manures.

[Sl. No. 97 (Para 5.64) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

Government is fully aware of the importance of utilisation of organic manures in conjunction with the chemical fertilisers in the country to maintain the soil fertility level for permanent agriculture. It was due to this fact that during the 5th Five Year Plan a massive programme of mobilization organic resources and utilisation of organic wastes was launched. While the State Governments were requested to give a befitting priority to the development of this programme, certain key programmes were taken up under the Central sector. These programmes are being expanded during the current Five Year Plan. Some of the highlight of these programmes are as given below :

(1) *Setting up of Mechanical Compost Plants*

The largest of setting up of 35 mechanical compost plants with cities having a population of more than 3 lakhs was fixed. This would result in availability of 0.7 M/tonnes of good quality compost. Out of these 24 have already been approved with a Central subsidy of the order of 33% of the capital cost. Two plants—one each at Ahmedabad and Baroda are already in production while the plant at Calcutta has been completed and is undergoing a trial run. Similarly, a plant at Bangalore is also under advanced stage of implementation. In addition to the spill-over from the 5th Plan, 15 more compost plant projects have been targetted for the current plan period.

With the improvement of the technology, which at present is new, it is expected that more compost plants will be set up. Based on the experience gained, units for smaller cities will also be tried to ensure recycling of all organic wastes for the urban areas.

(2) *Setting up of Gobar Gas Plants*

A target of installation of 1 lakh plants was fixed. This would make available 2.5 million tonnes of good quality manures besides the badly needed fuel required for cooking by the rural population. So far 60,000 Gobar Gas Plants have been installed making available 1.5 million tonnes of good quality compost and 130 million Cubic meter of gas every year. This programme is being implemented with Central subsidy of 50% for the plants in hilly and tribal areas, plants of 2-3 cubic meter capacity set up by small and marginal farmers will get 25% subsidy and other category of farmers for all sizes will get a subsidy of 20 per cent.

The technology for the fabrication of the cheap Janta Model gobar gas plant is also being perfected so that the poor farmers could also get gobar gas plant installed at lower investment costs. Once this technology is perfected the programme will get expanded.

It is also targetted to set up bio-gas plants in the country using night-soil as feed-stock with 100% central subsidy.

(3) *Utilisation of Sewage & Sullage*

Potential availability of Sewage in the country is estimated to be of the order of 300 M.G. per day. With a view to tapping this potential, a programme for implementing 250 sewage/sullage utilisation schemes were taken up. Under the programme 33% grant-in-aid of the total capital cost of the scheme is being extended to the local bodies as an incentive. So far 210 sewage schemes have been sanctioned by the Government of India, out of which 148 schemes are under implementation which will tap about 290 MGD of sewage of irrigate about 35,000 hectares of agricultural land.

(4) *Green Manuring*

With a view to making available good quality green manure seeds to the farmers, a scheme has been initiated during the current Plan with the co-operation of National Seeds Corporation. This has a subsidy component of 5% of the cost of seeds.

(5) *Demonstration-cum-training Camps*

With a view to familiarising the farmers with the idea of compost making on efficient line, a programme for organising 1,000 camps of two days duration each was fixed during the 5th Five Year Plan. During the period 1974-78, 609 camps were organised.

(6) *Award of prizes to Local Bodies and Gram Panchayat*

With a view to stimulating healthy competition amongst the local bodies and the gram panchayats, a system of awarding All India and State level prizes has been instituted. Competitions are held at block/district/State level and the best entries are sent to the Government of India for judging the best entries for the award.

(7) *Bio-Fertiliser*

In addition to these items it is proposed to promote the use of new items such as developing blue-green algae in paddy fields to increase the nitrogen content of the paddy soils and the promotion of use of azolla also in the rice fields. The utilisation of rhizobium culture in the leguminous crops to increase the nitrogen fertility of the soils, is also being expanded on a larger scale, particularly with a view to increasing the production of pulses.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 29-7-1978]

Recommendation

The Committee note that Government have taken up a comprehensive programme during the Fifth Five Year Plan to intensify production and use of compost and other organic manures. The target fixed for the production of rural compost and urban compost a year by the end of the Plan period is 350 million tonnes and 7.5 million tonnes respectively as against the present production of the order of 200 million tonnes and 5.3 million tonnes of rural and urban compost respectively. Green manuring and sewage/sullage

utilisation programmes are also being intensified. The Committee hope that Government will keep a watch over the implementation of these programmes so as to achieve the targets laid down. The Committee expect that the various programmes for increasing production of organic fertilisers during the Fifth Plan would be energetically implemented and concrete and conclusive steps should also be taken concurrently to tap the available potential on a much larger scale. The Committee have been informed in this connection that a Committee has been set up under the chairmanship of the Secretary, Department of Fertilisers and Chemicals, for the development of organic fertilisers and that the Department of Agriculture have been asked to work out a specific programme with a view to commercialising some of the ideas suggested by people like Dr. S. P. Dua, Chief Agricultural Scientist, Fertiliser Corporation of India. Considerable time having elapsed since then, the Committee would like to be apprised of the outcome of these efforts and the specific steps taken as a sequel thereto.

[Sl. No. 98 (Para 5.65) of Appendix XXIV to 27th Report of the
PAC (Sixth Lok Sabha)]

Action taken

Further to the progress already reported to the Public Accounts Committee, rural and urban compost production has reached the level of 205 and 5.8 million tonnes respectively. Area under green manuring is 7 million hectares and the area receiving/sewage/sullage irrigation is 33,000 hectares. The need for further intensify these programmes is continuously being impressed upon the State Governments.

To support and augment the above programmes, certain key programmes were launched during the Fifth Plan under the Central Sector. These have made substantial progress during the Plan period. The Programmes are being intensified further during the current year.

The Committee have also desired to know the progress made in regard to commercialisation of the ideas suggested by Dr. S. P. Dua, Chief Agricultural Scientist, Fertiliser Corporation of India, for development of organo-mineral fertilisers. In this connection, it may be reiterated that no formal committee has been set up by the Ministry of Fertilisers and Chemicals for the purpose. Results of laboratory and field tests for development of organo-minerals fertilisers conducted by Dr. S. P. Dua, have not yet been received by this Ministry. Action is being taken to obtain them. Further action for the development of organo-minerals fertilisers on commercial scale would be taken after the results are received.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Further action taken

Regarding commercialisation of the ideas suggested by Dr. Dua, it is mentioned that Dr. Dua, General Manager (Marketing), H.F.C. (Then Chief Agricultural Scientist, Fertiliser Corporation of India), has very recently sent data on development of Organo-mineral fertilisers. The data has been examined and the following observations are made :—

1. The experiments have been conducted only on laboratory scale. These have not been tried under field conditions.

2. The observation relating to available phosphorus are based on citrate extractable phosphorus and not on the basis of its availability to the plants under pot/field experiments;
3. Extent of losses of Nitrogen and oxidation of organic matter in case of experiments conducted with the addition of HNO_3 , have not been studied;
4. No cost benefit ratio has been worked out to prove its economic availability.

2. From the above it would be seen that the data furnished by Dr. Dua are incomplete and therefore, no conclusion can yet be drawn on the possibility of commercialising his ideas. Lot of experiments covering various aspects viz., losses of various nutrients during the process of decomposition, availability of nutrients to the plants under different agro-climatic conditions, techno-economic feasibility of the trials etc. need to be conducted before any decision could be taken on commercialising Dr. Dua's ideas. Therefore time is yet not ripe to develop a programme for commercialisation of Dr. Dua's ideas.

[Ministry of Agriculture & Irrigation (Deptt. of Agri. & Co-operation) O.M. No. 10-47/77-MPR, dated 20-10-1980]

CHAPTER III

RECOMMENDATIONS OR OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

Though it was contended during evidence by the representative of the Department of Fertilisers and Chemicals that an estimation of fertilisers which will be actually consumed by the peasants is "by no means an easy task," and that when even developed countries were not finding it easy to estimate the fertiliser consumption level in agriculture, what the Department of Agriculture was doing was "quite good in international circumstances", it has nevertheless been conceded by the representative of the Department of Agriculture that "in the past, the nature of the methods of assessment of the requirement was not very satisfactory". Admittedly also, upto 1970, the Department had been assessing the consumption of fertilisers with reference to what the State Governments had asked for and the figures of consumption intimated by the State Governments merely went by the recommended doses any without reference to levels of consumption in the State. Even after the Department of Agriculture themselves assumed the responsibility subsequently of assessing the requirements, the practice still 1971-72 was to allow an ad hoc increase of 25 per cent over the consumption achieved in the States in the previous years which was also, according to the witness "found to be a little irrational".

[Sl. No. 5 (Para 1.64) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

In this connection the replies ventured in respect of Para 1.70 and 1.71 may kindly be noted. This Department would also submit that while it is a fact that actual levels of consumption were widely at variance with the targetted levels it is not correct that this Department had gone only by the recommendations of the State Governments in arriving at the requirements. As already explained the requirements had to be determined by the best collective judgment possible in consultation with the State Governments and the fertiliser industry. It is, however, true that, progressively, the method of forecasting requirements was gradually improved to arrive at a fully reliable forecasting system. As already submitted, however, there is no way of guaranteeing that the forecasting now done by the present method will always turn out to be correct, since too many variables are involved and many things could go wrong in the actual working of the fertiliser distribution system which would affect the validity of the forecast.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 1G-47/77-MPR, dated 15-7-1978]

Recommendation

While the Committee concedes that this represents a certain improvement over the earlier methods of estimation of requirements, they however,

find that even this method suffers from a number of deficiencies with a number of basic issues involved remaining largely unresolved, and that this can, therefore, be considered at best a sort of compromise formula. For instance, the Committee note that under the revised method of assessment, an option was given to the State Governments to select the best consumption season since 1969-70 as the base. For forecasting purposes, the base should be, by and large, a representative base and not a biased one which will result in excessive weightage being given to extremes of high or low performance, thus vitiating the reliability of the final figures. Further, though the fertiliser requirements have been linked to the production programmes, the conversion factor employed for standardisation of the area under different crops is once again based on the recommended doses and here again the fact, referred to earlier in paragraph 1.64 that the farmers do not always use the full recommended doses appears to have been lost sight of. In this context, the observations contained in the Report of the Programme Evaluation Organisation of the Planning Commission for Kharif, 1967, that "the nitrogenous fertilisers were applied for about 2/5ths of the high-yielding paddy plots and at about half the recommended dose" are also relevant. In fact, the Committee also find from the Report of the Anna George Committee that the Economic and Statistical Adviser to the Ministry of Agriculture (who was also a member of the Committee) had also drawn attention to the fact that even in IADP (Intensive Agricultural Development Programme) districts, the recommended doses had not been achieved even at a time when there was no shortage of fertilisers. Besides since Demand Estimation is a positive and not a normative analysis, the prescribed or recommended dosages can be employed as a basis for estimation only if the other factors which influence the use of fertilisers, like availability of funds, climatic conditions, other infrastructural facilities and, above all, willingness on the part of the farmer to employ fertilisers, are held to be *ceteris paribus* factors, and this is an assumption which is naturally extremely restrictive. The basis on which the incremental percentage of 5 per cent over the average dose was arrived at for Rabi, 1973-74, is also not clear to the Committee. Finally, whatever might have been the reliability of this method, it had been nullified to a considerable extent by giving an option to the state Governments to choose either the results obtained by this method or those obtained by the earlier one which was even less scientific. In these circumstances, and also in view of the fact that the actual consumption of fertilisers during 1973-74 and 1974-75 was only 24.80 lakh tonnes and 22.51 lakh tonnes respectively as against the estimates of 34.10 lakh tonnes and 39.10 lakhs tonnes the Committee are doubtful whether even the revised method of estimation of requirements can be considered dependable.

[Sl. No. 11 (Para 1.70) of Appendix to 27th Report of the PAC
(Sixth Lok Sabha)]

Action taken

The method of estimation of requirement adopted by this Department has steadily undergone a series of changes with a view to learning from experience and correcting the deficiencies noted in the method adopted earlier. Thus, the method which has been described by the Committee as "at best a sort of compromise formulated is the result of evolution

spread over several years. With regard to the specific comments on the method, it is submitted that selection of the best consumption season since 1969-70 as the base was based on the consideration that the best consumption season would have been that season wherein normal conditions (as opposed to ideal) prevailed, viz., easy availability of fertilizer, normal weather conditions, normal availability of credit and other inputs, irrigation, etc. and behind the adoption of such a season as the basis was the assumption that if the coming seasons were also equally normal in all these respects, consumption of fertilisers would follow the same trends as in the base year. Thus, it is submitted that it would not be possible to avoid giving "excessive weightage" referred to by the Committee to the base year. The object is to plan for a normal season and obviously it would be risky to plan for anything less than normal since a situation might then arise where we are not in a position to meet the requirements fully. With regard to the conversion factor employed for standardization of the area under different crops, no doubt, this is based on the recommended doses, the reason for adoption of the recommended doses is that there is no other satisfactory basis for such conversion. It is also submitted that the method adopted for conversion is such that the average dose calculated on the basis of the actual consumption divided by the total of the standard areas under different crops is in fact for below the recommended doses. For example, in the case of Punjab the best year selected was Rabi 1976-77 for the purpose of estimating the requirement for 1977-78 season. The average dose arrived at for the best season was 98.93 Kg. per hectare as against the recommended dose of 240 Kg. per hectare, for high yielding wheat varieties.

From the above it will be seen that the recommended doses are not used in the method of estimation of requirements except indirectly to arrive at a conversion factor to calculate the standard area. The fact that the recommended doses have not been achieved in actual practice, therefore, it is submitted, does not detract from the soundness of the above method. Since the purpose of the estimation exercise done by the Department of Agriculture is to ensure the availability of fertilisers according to these estimates, there is no other way except to assume that the factors affecting the use of fertilisers such as availability of funds, climatic conditions and infrastructural facilities will be normal unless positive information to the contrary is available at the time of estimation. The rationale for the 5% increase on the average dose which was granted for each season to obtain the estimated dose for the season under consideration was simply that the average dose calculated for the base year was itself, as already explained, well below the recommended rate of application and it was considered necessary to provide for increased rate of application in respect of the season under consideration.

It is submitted that since Rabi 1974-75 in respect of which this Department has already made certain submissions before the Committee, the above method of estimation has been refined further as follows :

Firstly, the increment allowed on the base season was confined to a maximum of three seasons irrespective of the distance of the base year to the season under consideration. Secondly, the requirements of a given State for the season under consideration were to be limited to the lowest of the following three figures : (a) requirements as computed according to the formula; (b) requirements computed on the basis of 30% increment on the

best consumption season for that State in respect of each of the three nutrients; and (c) the requirements indicated by the State Government themselves. This refinement ensured that the increment allowed was subject to certain limits which were considered reasonable. The reasonableness of the estimates made thus is confirmed by the actual figures of consumption for 1975-76 and the two succeeding years which in the case of most States more or less correspond to the estimates of this department. It is also submitted that the National Council of Applied Economic Research were requested in 1976 to make an evaluation of the methodology followed by this Department for working out the requirement of fertiliser for each cropping season and suggest modifications and improvement in the same, if felt necessary. In November, 1976 the NCAER recommended that the present methods for assessment of fertiliser may be continued.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/MPR, dated 15-7-1978]

Recommendation

It is, therefore, amply evident that the handling of this purchase both by the Department of Agriculture and the Department of Supply has been rather unsatisfactory. Purchase at higher prices on a plea of urgency of requirement could have well been avoided in this case had the planning been done in advance and more effectively and the indents in time. As had been pointed out by the Fertiliser Purchase Committee, efforts should have been made for procurement well in advance so that the purchases did not clash with the domestic season, and this is especially necessary in regard to the requirements of public sector projects whose requirements can be anticipated in advance. The Committee need hardly emphasise the necessity for a well-coordinated timely, and concerted action in this regard and they expect that, benefiting from this experience, necessary steps will be taken to streamline the procedures for planning for the import requirements of public sector projects, the Committee would like to be apprised in some detail, of the remedial measures already taken or contemplated.

[Sl. No. 37 (Para 2.84) of Appendix XXIV to 27th Report of the
PAC (Sixth Lok Sabha)]

Action taken

As already submitted in our reply to para 2.83, this Department had submitted the indent for fertilisers for Kharif 1971 as early as December, 1970 but prompt action was not taken for arranging purchases accordingly, for various reasons. We would also submit that it is difficult to establish a nexus between the high price paid for DAP and the fact that the shipment was to be made at a time which clashed with the domestic season in U.S.A. Firstly, it is not possible to avoid such clash with domestic season in the exporting countries since imports are required to arrive throughout the year in order to make the best use of a country's ports and the internal transportation facilities. Secondly, there is no evidence to show that any price rise is associated with purchases made during such periods. In this particular case of DAP purchase, the only factor which appears to emerge clearly is that the overall availability of DAP for export was tight at the time and, in the result, the offers of the various individual bidders against the tenders had to be accepted to mop up the quantity available. It is also submitted that, at present, planning for imports is done a year in advance and requirements of seeding/public sector are taken into account as part

of the import programme and no separate indent is given for such requirements.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

The Committee are concerned to note that in this case, as a result of failure to make a proper and timely estimate of the requirements of the ammonium sulphate and consequent postponement of imports till the stocks were exhausted, distress purchases of below-specification fertiliser at higher prices than those prevailing in the market had to be resorted to on a plea of urgency. They find that while the original import programme for 1971-72 provided for the import of a total quantity of only 1.70 lakh tonnes (1 lakh tonnes from Japan and 0.70 lakh tonnes from West Europe), the final requirements intimated to the Department of Supply in May, 1977 were more than two and a half times the requirements initially computed. Admittedly, no demand had been projected for this fertilisers on the Department of Supply in 1970 and, in fact, no purchase of ammonium sulphate was effected from the United States (where the f.o.b. price was only 2 dollars per metric tonne in 1970 as against the prices of 13.25 dollars per tonne and 14.80 dollars per tonne paid in August, 1961 and September, 1971 for purchases of ammonium sulphate from West Europe and Japan respectively) after July, 1969 till the present proposals were refinalised in May, 1971. The representative of the Department of Agriculture also conceded during evidence that the purchase strategy had been seriously affected in the absence of a market buffer and pipeline provision and that they always tried to get their imports "when the stocks had run down almost to the last tonne" which was "very well known to the suppliers who have exploited us year after year". That such a situation should have been allowed to develop in spite of the fact that ammonium sulphate is known to be a preferred variety of fertiliser among the farmers is puzzling, to say the least. Even if the elementary precautions of taking into account the quantities in the pipelines and of building up of a market buffer had not been taken, the Committee fail to appreciate why the downward trend in prices of ammonium sulphate during 1970 had not been taken into account by the Departments of Agriculture and Supply and timely purchases at advantageous prices resorted to. The reasons for the postponing purchases till the stocks exhausted have also not been satisfactorily explained. It would, *prima facie*, appear, and this has also been pointed out in no uncertain terms by the Secretary, Department of Expenditure that there was something radically wrong with our planning and procurement of fertilisers which placed us at the mercy of the suppliers and give us little leverage in negotiations.

[Sl. No. 39 (Para 2.119) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The practice of placing indents for imports followed at the time was to review the consumption, stocks and availability position at the end of each crop season, assess that requirement for the next two crop seasons

and place the proposed import programme before the inter-Departmental Standing Committee on fertilisers. The position with regard to Ammonium Sulphate at the time was that during 1969-70 large stocks of Ammonium Sulphate were imported, most of which were of the coloured and powdery variety (by-product of ammonium sulphate from the U.S. Steel Industry) which was not moving briskly enough partly on account of the unwillingness of cultivators to use this variety of Ammonium Sulphate. It had been assessed that more than 5.0 lakh tonnes of Ammonium Sulphate had remained in stock and accordingly two price reductions of Rs. 50 each had been announced by the pool on 1-11-69 and 16-3-70. The import programme for Kharif, 1971 which had been programmed in early November, 1970 had not foreseen any additional requirement of Ammonium Sulphate for Kharif, 1971. It, however, came to light at the end of Rabi 1970-71 that, especially after two price reductions for coloured/powdery Ammonium Sulphate, the offtake of Ammonium Sulphate had picked up considerably and as against the opening stock of 4.49 lakh tonnes of Ammonium Sulphate on 1-4-1970. It was estimated that the stock of ammonium sulphate with the pool on 1-2-1971 would only be of the order of 0.70 lakh tonnes. It was against this background that an immediate decision was taken in February, 1971 to import for Rabi 1971-72 2.00 lakh tonnes Ammonium Sulphate including about 1.00 lakh tonnes of the coloured/powdery variety keeping in view its lower prices. Although the approval of the Associated Finance was awaited for the proposal, a letter was addressed to the Department of Economic Affairs on 24th February, 1971 with intimation to the Department of Supply requesting foreign exchange allocation for import of 2.00 lakh tonnes of Ammonium Sulphate, preferably from the Japanese. Men Credit keeping in view the low freight rates and short time lag involved in supplies from that country.

It will, thus, be appreciated that in the circumstances prevailing during 1970, viz. glut of Ammonium Sulphate with the pool and the need to effect price reduction in stages to give push to its offtake, it was not possible to anticipate a total reversal of the situation within 3-4 months. It was also at this time that the PAC *vide* their 28th Report of the PAC (Fifth Lok Sabha) had found fault with this Department for alleged over-import of fertilisers and specifically cautioned this Department against recurrence of over import. It will also be appreciated that as soon as the first indication of a possible shortage of Ammonium Sulphate appeared and, without even waiting for the approval of the Associated Finance, the Department of Agriculture had moved the Department of Economic Affairs for foreign exchange allocations. However, no decision about source of purchase was taken till late April, 1971 and no decision about the method of purchase was taken till May, 1971, in fact that decision of the Ministry of Finance that suppliers should be asked to held negotiations in India resulted in further delay as the suppliers dragged their feet. This Ministry was, therefore, left with no alternative but to take the initiative in late June, 1972 to write to the Ministry of Finance with regard to sending of the Delegation to Japan.

The requirement indicated in May, 1971 was 4.50 lakh tonnes for Kharif 1972 of which 2.00 lakh tonnes was required for pre-kharif stock building. Thus the notice given to the Department of Supply for arranging procurement cannot be considered short. It cannot also be alleged that the

Department of Agriculture had waited to get their imports till the stock had run down almost to the last tonne.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

Admittedly, even in respect of the purchases made from Japan in August, 1971 at 14.80 dollars per tonne (f.o.b.) the Japanese suppliers evidently took advantage of the urgency of the Department of Agriculture for Ammonium Sulphate, even though a reduction in price was also indicated by the general downward trend in prices of straight nitrogenous fertiliser. That the Japanese prices bore no relation to the prevailing international prices is also evident from their subsequent sale in November, 1971 (when world fertiliser prices had started rising) at 14.15 dollars per tonne (f.o.b.) against the price of 14.80 dollars per tonne (f.o.b.) accepted only three months earlier. What is even more disconcerting is the fact that the acidity of the ammonium sulphate purchased from Japan was much more than that provided in the Standard specifications (0.25 per cent as against 0.025 per cent specified) which necessitated precautions being taken to prevent absorption of moisture during transit and at the time of unloading. In regard to the acceptance of below-specification supplies, the Committee have been informed that it was felt that there would be no harm in accepting such supplies on account of the considerable price advantage offered. While this argument could perhaps be put forward in respect of the quantity of 1.36 lakh tonnes purchased in November, 1971 at a price of 14.15 dollars per tonne (f.o.b.) when world prices had started rising, the Committee cannot, however, understand the rationale for accepting in August, 1971 below-specification supplies at prices which were admittedly considered commercially higher. Besides, it is also not clear what precautions were taken to prevent damage to the fertiliser and bag rot after their receipt in India, particularly at the storage centres and distribution outlets. The Committee would, therefore, seek more specific clarifications in this regard and would like to be informed urgently whether any complaints were received after the fertiliser had been cleared from the port and till it had actually been sold and used in the field.

[Sl. No. 43 (Para 2.123) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

• Action taken

The circumstances in which relaxation of specifications with regard to moisture and free acidity was decided upon in the case of purchase of Ammonium Sulphate from Japan have been explained already by this Department. The precautions mentioned in the note of this Department viz. use of polythylene sheets cover the material in the hatches and use of polyethylene inner liners for packing the fertilisers at the time of unloading were taken and there was, therefore, no damage to the material or the bags as a result of free acidity. As the shipment arrived after monsoon there was in fact no moisture absorption by the material. As the Ammonium Sulphate received in the ports was distributed direct from the ports to the farmers for application in the Kharif crop, the question of bag-rot did not arise. No complaint was received with regard to the quality of the fertilisers after their clearance from the ports either before or after their use.

[Ministry of Agriculture and Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

The Committee regret to note that as a result of the delay of nearly a year in completing the necessary payment formalities for making purchases against Italian Suppliers credit (obtaining approval of the Italian Government arranging advance payment to the supplier, opening of Letter of Credit, etc.), supplies of ammonium sulphate, orders for which had been placed on grounds of urgency in September 1971 and required by November 1971, could commence only in October 1972, thereby dislocating the procurement programme. Besides, on account of the increase in the C. & F. cost of the fertiliser following the considerable increase in the freight rates in the meantime, only 0.32 lakh tonnes as against 0.37 lakh tonnes initially contracted for could be procured, which must have obviously affected availability of the fertiliser for the country's agricultural production programmes. While the Committee are not unwilling to concede that some of the delay might be attributable to factors beyond the Indian Government's control, they cannot, however, help feeling that the time taken for the completion of the formalities in this case was somewhat abnormal. They are also of the view (after an analysis of the chronological sequence of various events—relating to this purchase) that much of the delay could well have been avoided by more effective coordination between the agencies involved and better follow-up action, particularly when it was not unknown that among all credits the Italian credit involved the most cumber, some procedures in the context of earlier purchases made from Italy. For instance the Committee find that though the Italian firm's offer had been accepted on 25 September, 1971, the contract was issued by the India Supply Mission, London, only on 17 Nov. 1971, and amendments to the contract issued respectively on 1 March, 1972 and 1 April, 1972. There also appears to have been some dispute over the rate of interest payable which took over five months to be resolved. It is not clear to the Committee why this question could not have been settled in September, 1971, itself, when the terms and conditions of the offer must have presumably been gone into before acceptance thereof, and why it should have taken nearly two months for the Department of Economic Affairs to ask the Department of Agriculture, on 12 Nov., 1971, to "consider in depth" when they would agree to the increased rate of interest of 6 per cent as against 5.8% charged in the earlier contracts under credit. Action to obtain the Italian Government's approval also appears have been initiated only as late as in May 1972 and it required further protracted correspondence between the Department of Agriculture and Economic Affairs and the Indian Embassy in Rome before the necessary approval was obtained on 4 July, 1972. What is more surprising is the fact that even after all the formalities had been completed after a considerable lapse of time, further delay should have occurred on account of the Letter of Credit being opened in a wrong bank.

[Sl. No. 46 (Para 2.134) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

In this connection, reply attempted by this Ministry to S. No. 47 Appendix XXIV Para 2.135 may kindly be seen. Reply given by the Ministry of Finance (Department of Economic Affairs) is reproduced below :

The Public Accounts Committee in its 27th Report (1977-78) has made some observations/recommendations regarding the purchase of fertili-

sers in 1972 under Italian Suppliers Credit. The concerned agencies were the Departments of Supply, Agriculture and Economic Affairs. The main thrust of the PAC's observations is that inordinate delay took place in finalising the contract with the consequence that supplies were delayed and costs increased. The Committee has underscored the need for streamlining and relationalising procedures with a view to eliminating avoidable delays in the completion of formalities relating to purchases from abroad. As it had been informed at that time there was no immediate solution to the complicated and long-drawn procedure under the Italian Supplier's Credit and that meaningful discussions with the Italians could be held only after the Italian election in June, 1972, the Committee "would like to know whether these discussions were held subsequently and if so what specific steps were taken in this regard".

The operative role of this Department commences from the date the contract and other relevant papers are received from the purchasing agency/ Department. According to the prescribed procedure under Italian Supplier's Credit, the Importer is required to conclude a contract with the suppliers and forward copies of the same alongwith a copy of the import licence to this Ministry for approval. The contract is scrutinised in Department of Economic Affairs in order to ensure that the terms of payment, the rate of interest on the deferred portion of the payment, correspondence of the contract value and the import licence value etc. are in accordance with the stipulations laid down under the Licensing Conditions. If the contract is found to be in order, the same is sent to our Embassy in Rome for obtaining the approval of concerned Italian authorities. Our Embassy in Rome in turn sends the contract to Italian Government authorities. After issue of authorisation by the Italian Government (who incidentally do so after an application for export authorisation is also received by them from the suppliers), our Embassy forwards to us a copy of the communication received from Italian authorities. As soon as we receive an intimation in regard to the issue of approval by Italian authorities, the contract is made effective and the importer is authorised to remit the first down payment to the suppliers. The remittance of second down payment is authorised before the actual shipment, after a request to that effect is received by us from the importer.

In the instant case regarding the procurement of Ammonium Sulphate from Italy under the Supplier's credit terms, the chronological sequence of the various steps taken by this Department in regard to the processing of the contract and obtaining approval of Italian authorities is as follows :—

Date

Action taken

- (i) Request for covering fertiliser imports under Italian Suppliers Credit was received *vide* Department of Supply's letter dated 10-8-1971 and this Department conveyed their approval *vide* our letter of 16-8-1971 to the holding of negotiations with Italian Suppliers under Italian Suppliers Credit.
- (ii) Department of Supply made a request for the first time for approval of the increased rate of interest (6% instead of 5.8% as in the case of previous contracts) on deferred payments proposed to be made to the suppliers.

1-11-71

- (iii) Department of Agriculture made a request for completion of formalities connected with approval of the contract. That Department, however, did not send us copies of the contract.
11-11-71
- (iv) We requested the Department of Agriculture to send us copies of the contract. They were also asked to reconsider the acceptance of increased interest rate on deferred payment (it was made clear to Department of Agriculture that if it was not possible for them to persuade the suppliers to agree to the old rate of interest, this Department would be prepared to approve the contract with the increased rate of interest).
12-11-71
- (v) Department of Agriculture was further advised to take a view in consultation with their Associate Finance in regard to payment of interest at enhanced rate and in particular on the question whether in view of urgency the extra cost on account of enhanced rate of interest should be borne by the Government.
16-11-71
- (vi) Embassy in Rome was requested by telex to persuade Suppliers not to insist on enhancement in the interest rate.
17-11-71
- (vii) Department of Agriculture sent copies of the contract (They did not however inform us whether the question of interest rate had been settled by them).
7-12-71
- (viii) Receipt of clarification in regard to interest rate from Department of Agriculture Embassy in Rome (Before this we had reminded the Ministry of Agriculture and Embassy on 6-12-1971 and 10-12-1971 respectively).
28-12-71/30-12-71
- (ix) Contract forwarded to Embassy in Rome.
3-1-1972
- (x) Contract forwarded by our Embassy to Italian authorities.
20-1-1972
- (xi) Release of first and send down payments (This was done in anticipation of approval of Italian authorities as a Special case, in view of urgency of request from the Department of Agriculture).
24-4-1972
- (xii) Issue of approval by Italian authorities (Embassy had been in the meanwhile reminded on 13-3-1972, 22-5-1972 and 7-6-1972).
8-6-1972
- (xiii) Receipt of communication regarding approval from our Embassy.
23-6-1972
- (xiv) Contract made effective.
4-7-1972

It would be seen from the preceding paragraphs that this Department took prompt action in processing and pursuing this case. Because of the urgent nature of the case, this Department did not take a rigid view on compliance with prescribed procedure. As mentioned above, we had issued the authorisation for the down payments in anticipation of the Italian Government's approval. Even in the matter of interest-rate we did not insist on the adoption of the old rate of interest. The chief cause of delay lay, it would be observed, in the receipt of the approval of the contract from the Italian Government, which took about six months.

In so far as the question of simplification of procedures in respect of Italian Supplier's Credit is concerned, we have tried our best to ensure that delays are minimised to the extent possible. In 1972 the then existing procedures was examined further in consultation with the Department of Agriculture and our Embassy in Rome and this Department agreed to issue the two down payments simultaneously with a view to cutting down on procedural delays. However, as our experience is, and is also clear from the instant case, the delay in effecting import of fertilisers is mainly on account of the very long time taken by the Italian authorities to accord their authorisation. This may be partly due to the failure of the Italian supplier to approach their Govt. in time for the corresponding Export Authorisation as has been the case in respect of some other contracts processed under Italian Supplier's Credit.

We have taken up the question of undue delays in the processing of such contracts at their end with the Italian authorities in the meetings of Indo-Italian Joint Commission. In the first meeting of this Commission held in December, 1976, the Italian had assured us that they would do all that was possible to ensure that the contracts received by them from us were approved in the quickest possible time. In the next meeting held in December, 1977 this matter was again discussed in the context of speedier utilisation of the Italian Supplier's Credit. However, this has not remedied the situation to any considerable extent. We also requested our Embassy in March, 1978 to sound the concerned Italian authorities whether they would be agreeable to empower Italian Embassy in New Delhi to approve the contracts on their behalf. If this could come about, considerable reduction in time would be possible, but we have been recently informed by Our Embassy in Rome that the proposal has not been acceptable to the Italian Government.

Basically, the main reason for delay in the Italian authorities according their approval is the adverse economic situation prevailing in Italy for a number of years. The Italian suppliers have in the very large number of cases backed out of their commitments or raised their prices when the time came for applying for Export Authorisation to their authorities; the Italian authorities have also not been very helpful in this regard. As a matter of fact, because of the political instability in that country, it has not been possible to hold any fruitful discussions with them on this aspect.

In conclusion it may be stated that the Department of Economic Affairs is fully aware that the utilisation of some of the credits involve time consuming procedures and it is the constant endeavour of this Department to try and streamline these procedures in consultation with the concerned donors.

In so far as commodities, such as fertilisers, are concerned, with the improvement in our own foreign exchange position we are having lesser and

lesser recourse to credit financing because we are aware that commodity prices fluctuate fairly rapidly and time, therefore, is of the essence in conclusion of contracts for such commodities. However, in the relevant period, i.e. 1971-72 the overall foreign exchange situation of the country was not so comfortable, and hence recourse to imports under the Italian Supplier's Credit was unavoidable.

It may also be added that while the operation of the Italian Supplier's Credit continues to be time consuming because of procedural delays on the Italian side considerable simplification has been achieved in the operation of most other development assistance which this Department receive from other countries, such as Japan, U. K., Holland, Sweden, etc.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 29-7-1978]

Recommendation

The Committee are concerned to note that in this case after having rejected in May, 1972 on offer for NPK grade 15-15-15 at 64.45 dollars per tonne (C&F) on the ground that its moisture content was 2 per cent instead of the stipulated 1.5 per cent and only part of the phosphorus was in water soluble form (which, therefore, made it unsuitable for the seeding programme for which it was required), a revised decision had been taken only two months later, in July, 1972, not on any fresh technical consideration but on account of shortage of fertilisers, to accept NPK of the specification rejected earlier for distribution to the cultivators for general agricultural purposes, and that the postponement of this purchase resulted in an extra expenditure of 86,900 dollars (about Rs. 6.52 lakhs). Explaining the reasons for not accepting this fertiliser in May, 1972 the Department of Agriculture have stated in that NPK fertilisers were not normally imported, on account of their being dilute fertilisers, unless they were required for the seeding programme of specific manufacturers or when other higher analysis varieties of nitrogenous and phosphatic fertilisers (e.g. urea, di-ammonium phosphate, etc.) were available and that in the instant case, they were not aware in May, 1972 of the difficulty in obtaining higher analysis fertilisers. According to the Department, a situation developed in the second half of 1972, when the availability of nitrogenous and phosphatic fertilisers had become more difficult and whatever fertiliser was available had to be accepted after consulting the State Governments to meet their demands.

[S. No. 50 (Para 2.148) of Appendix XXIV to 27th Report of the
PAC (Sixth Lok Sabha)]

Action taken

In this connection, reply given by this Ministry under S. No. 51 Appendix XXIV Para 2.149 and S. No. 52 Appendix XXIV Para 2.163 may kindly be seen.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

The Committee, however, find that the market reports received from the India Supply Mission, London had indicated that shortage of phosphatic

tic fertilisers had begun to develop from the middle of 1971 itself, if not earlier and that their prices in the international market were also known to be on the increase. It would also appear from the discussion in the preceding section of this Report, relating to the purchase of urea in the beginning of 1972, that the Department of Agriculture had been aware in February, 1972 itself, if not earlier, that the stocks of fertilisers with the State Governments were getting depleted and a scarcity situation was developing. Besides, on 7th March, 1972, it was known to the Department that there would be a heavy shortfall in imports from the East European Countries by the Minerals and Metals Trading Corporation and that alternate arrangements would, therefore, have to be made. In these circumstances, the Committee are unable to accept the Department's contention and are of the view that prudent use had not been made of the information already available with the Department and adequate steps had not been taken to regulate imports in the best interest of the country. They are inclined to take a serious view of this failure and would urge fixation of responsibility therefore.

[S. No. 51 (Para 2.149) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The Committee's observations in this regard are noted. It is submitted that the Department of Agriculture had, in fact, been aware of a developing situation of hardening of the world fertiliser market. However, it is respectfully submitted that in such situations one cannot expect an immediate reaction of panic to the hardening conditions of the market. The reactions not only of this Department but of the other Ministries connected with imported fertilisers were still gradually evolving. This would be evident from the fact that the offers received against the first tender for DAP in 1972 were rejected as the prices were considered too high. It is also submitted that this was not the first time that the world fertiliser market had shown a change in the trends of easy availability. Such hardening of the market used to take place from time to time but on this occasion it happened to enter upon a sustained phase of price escalation which was ultimately fuelled by the oil crisis of into a major situation of scarce availability and unprecedented high prices. It is, therefore, submitted that even though the scarcity situation was seen to be developing, the Government had no means to take immediate action to circumvent it partly by reason of the limited availability of foreign exchange which happened to coincide with the shortage of fertilisers. In such a situation it was natural that we should have made every effort to purchase as little as possible at as low a price as possible. Although no conscious decision to this effect was taken in Government, it appears from hind-sight that this, in fact, was what had happened. It is, further submitted that in the absence of a comfortable situation of foreign exchange it would not have been possible to "take adequate steps to regulate imports in the best interests of the country" as suggested by the Committee. This Ministry would, therefore, submit that

a serious view may not be taken of the failure to arrange adequate imports in the context of a rising market which was spread over a period of nearly three years.

[Ministry of Agriculture & Irrigation (Department of Agriculture) O.M. No. 10-47/77-MPR, dated 15-7-1978].

Recommendation

The Committee observe that though the Fertiliser and Chemicals Ltd., Travancore, had intimated their requirements of seeding material for the year 1972-73 as early as on 21st July, 1971 and the material was also required for use during the Kharif 1972 season, a firm demand for the purchase of NPK grade 15-15-15 for the purpose had been placed only nine months later on 14 March, 1972, owing to the 'very tight foreign exchange situation' at that time and the consequent necessity to give preference first to the imports of fertilisers required by the State Governments for their agricultural production programmes. As a result of this delay, apart from paying higher prices for the purchase subsequently on the ground that the requirement of FACT was "also of an urgent and pressing nature" in view of the factory's obligation to the World Bank, the fertiliser could also be shipped only in September 1972 (although it was required in June and July, 1972) and could be put to use for the seeding programme of the factory only during the Rabi 1972-73 season. Since the requirement of FACT had admittedly been intimated in July 1971 itself and its urgency should also have been known by then, it is not clear to the Committee why by proper planning this requirement could not have been included in the import programme for 1970-71, when availability of fertilisers was comparatively easier and prices were also lower. The Committee find in this context, from the information furnished in this regard by the Department of Supply that considerable quantities of NPK fertilisers had, in fact, been ordered during November, 1971 at prices ranging between 72.15 dollars and 73.14 dollars (c&f) and they would, therefore, seek a more specific clarification in this regard. The delay of over a month between 11 February, 1972, when the Department of Economic Affairs informed the Department of Agriculture that the seeding material requirements of FACT should be accommodated within the foreign exchange allocations already made, and 14 March 1972, when the firm demand was placed on the Department of Supply, also needs to be explained more satisfactorily.

[S. No. 52 (Para 2.163) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)].

Action taken

Although M/s FACT furnished their seeding requirements for the year 1972-73 on 21st July, 1971, yet it was not possible for this Department to process them further as the specifications furnished by them were not complete. They were requested on the 31st August, 1971 to furnish further information in the matter. They furnished the information of 21st October, 1971. As the specifications prescribed by the firm for their material were again not in order, they were requested on 5th November, 1971 to take immediate steps to frame their specifications in detail. Revised specifications received from the firm on 17-1-1972 were examined in this Department in consultation with our technical experts. As we had not imported such material in the past because of their high urea nitrogen content and low critical relative humidity, the firm was requested to indi-

cate whether they would like to suggest changes in them and also furnish an undertaking to this Ministry that they would accept the material of its arrival in India in whatever condition it arrived. As the prospect of import of their grades under USAID from the USA was uncertain, the firm was requested on 3rd February, 1972 to approach the World Bank for making available necessary funds to the Department of Economic Affairs as otherwise it might not be possible for this Department to arrange their seeding programme material. At that stage, the Department of Economic Affairs also made clear that unless World Bank gave additional credit for the import of seeding material, it might not be possible for them to allot additional funds.

2. However, on 11th February, 1972 that Department informed this Department that it would not be possible for the World Bank to give any additional credit allocation for the import of seeding material and manufacturers requirements should be accommodated within the allocation already made available to us by that Department. The matter was considered in this Department and it was felt that we should import NPK complex fertilisers for manufacturers only if DAP was not forthcoming in adequate quantities. The consideration that weighed in our importing popular grades of fertilisers was that we would be risking the criticism of the States that the Pool was supplying special products to seeding manufacturers rather than meeting the common requirements of State agencies like cooperative or agro-industries.

3. After careful consideration, with approval of Secretary (Agriculture), it was decided in the month of March, 1972 to import some quantity of NPK complex fertilisers for the seeding Manufacturers. Our above decision was communicated to the Department of Supply on 14th March, 1972 for further necessary action. Specifications of NPK complex Fertilisers, as approved by us, were also made available to that Department.

4. From the above it will be seen that import of seeding requirements of manufacturers was under active consideration of this Department throughout and the delay in the placing of indent with the Department of Supply was due to the shortage of foreign exchange which was to be made available by the Ministry of Finance (Department of Economic Affairs).

5. As regards including M/s FACT's requirements in our 1970-71 programme, it may be submitted that foreign exchange was being released for import of our fertiliser requirements by the Department of Economic Affairs on a year to year basis; the question of including the requirements of M/s. FACT for the year 1972-73 in our import programme for 1970-71, therefore, did not arise.

[Ministry of Agriculture & Irrigation (Department of Agriculture) O.M. No. 10-47/77-MPR dated 29-7-1978]

Recommendation

The present case of purchase of NPK commented upon by Audit as well as the preceding two cases of purchase of urea and NPK also appear to indicate that the present system in which tenders/enquiries are floated periodically after every few weeks has not led to imports on an assured basis and at the most economic prices. The Committee need hardly point out that India being the single largest buyer of fertilizers in the World

Market, it should be possible to devise most suitable import arrangements, after careful study, which would ensure timely imports at most competitive prices of fertilizers of the requisite quantity and chemical properties. The Committee would like to be informed of the action taken.

[S. No. 55 (Para No. 2.166) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The normal procedure of tender purchases does not necessarily ensure competitive prices. If the quantities involved are small with reference to the market availability at any particular time, tender procedure can work up to a certain point. But India's requirements have been very large compared to the internationally traded quantities. For instance in 1977-78 India bought about 30% of the Internationally traded urea with these next only to that of China. In the face of such large requirements, there is always the risk that the prices will get pushed up and yet sufficient quantities will not be offered. In fact, 7 years ago the Supply Department found that the tender purchase system did not yield good results. Therefore, the then Fertilizer Purchase Committee (an Inter-Departmental Committee of Secretaries) decided that purchases should be made through negotiations. This practice was adopted from 1972-73 onwards. In MMTC both procedures namely tender purchases and purchases on the basis of negotiations have been tried.

In practice, what happens is that throughout the year MMTC gets enquiries and offers. This is because there is considerable interest on the part of the major producers to sell to India, India being known to be a large importer from year to year. The problem, however, is that it is not always possible to get a number of major producers interested at the same time in order to make tendering procedure successful. Initiative is taken by MMTC to float enquires whenever it is considered that the time is suitable for it or when material has to be booked for certain periods and existing orders have not covered them. This is done either through inviting large established producers/suppliers to make their offers for a half year or full year or through a tender enquiry or through a limited enquiry to established suppliers. Also, if offers are received from reputed parties for significant quantities, they are considered on merits. Since the requirement is large and deliveries have to be spread out in consideration of shipping and port problems, rail transport and stocking difficulties etc. it becomes necessary to enter market at intervals and, therefore, our interest in buying can be said to be there throughout the year. There is, therefore, on the one hand a continuous liaison with the Department of Agriculture and on the other a continuous process of gathering market information about the supply and price situation. MMTC keeps track of significant purchases made by other importers, information about which is available through specialised periodicals and reports compiled by expert non-trading organisations. Information is also available from our Missions abroad. Commercial contacts also generate a certain amount of information though it can be relied upon only if supported by corroborative evidence from other sources and after a process of subjective judgement based on experience.

Experience has shown that in the case of Urea which is the major item of import this system of purchase through negotiations has yielded satis-

factory results. On the other hand, it has also been seen when a tender system is tried it is difficult to get a good response.

Procedural safeguards considered necessary by the Committee are built into the existing purchase procedure in two steps. Firstly, the Inter-Ministerial Fertilizer Purchase Advisory Committee consisting of (i) Chairman MMTC (ii) Director (Fertilizer), MMTC (iii) Director Finance, MMTC (iv) Joint Secretary (Fertilizer) Department of Agriculture, (v) Joint Secretary, Ministry of Commerce, (vi) Financial Adviser, Ministry of Commerce, (vii) Joint Secretary, Ministry of Chemicals & Fertilizers, (viii) Joint Secretary, Deptt. of Economic Affairs, (ix) Chief Chartering Officer, Department of Transport considers the strategy with reference to the type of fertilizers, the quantities involved, the shipping period desired, the market conditions including potential supply sources, other large buyer interests in the market and trend in prices. This committee decides whether procedure of international tender has to be followed and if so, for what quantities, deliveries etc. or whether negotiated purchases are to be done and if so in which way negotiations are to be conducted with reference to the various markets. On the basis of the strategy decided by the Committee purchase action is initiated. The actual decision on the purchase whether after a tender procedure or through negotiations is again subject to the decision of the MMTC's Sr. Purchase Committee which consist of the following :

1. Director (Fertilizer), MMTC.
2. Director (Finance), MMTC.
3. Director Representing Ministry of Commerce on the Board of MMTC.
4. Director Representing Ministry of Finance on the Board of MMTC.
5. Joint Secretary, Department of Agriculture who is also on the Board of MMTC.
6. GM/DM (Fertilizer), MMTC.
7. Finance (Manager) MMTC.
8. GM (ERMS).

The decisions of the Committee are put up to the Chairman for his approval. This procedure is based on the review that the responsibility for the actual purchase decision in a Corporation like MMTC vests ultimately with the Board of MMTC. After the decision by the relevant committee and the approval by Chairman, the cases are also submitted to the Board of Directors of MMTC for approval at the normal Board meetings.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M.
No. P. II-3(II)/77, dated 27-11-1978]

Recommendations

The Committee are surprised to note that somewhat unusual procedures had been adopted in these two cases of purchase of Di-ammonium phosphate. While in the first case relating to purchases made during August-September 1972, apart from increasing the quantity to be purchased from

1 lakh tonnes to 3 lakh tonnes after the offers had been considered and post-tender negotiations had also been concluded, the negotiations had been conducted not only with those suppliers who had initially responded to the tender enquiry but also with two other firms (Interore Occidental and Mitsui National Phosphates) who had not quoted against the original enquiry and no uniform date or time for submission of revised/new offers had also been prescribed. In the second case of purchase (January 1973) for some inexplicable reason, an unusual stipulation that there would be negotiations on receipt of the offers had been included in the tender enquiry itself.

Explaining the reasons for increasing the quantity to be procured when the offers were under consideration, the Department of Agriculture have stated that the foreign exchange of 5 million dollars initially authorised by the Department of Economic Affairs was adequate only for the purchase of 0.50 lakh tonnes of di-ammonium phosphate and 0.50 lakh tonnes of ammonium phosphate in respect of which tenders were invited in July 1972 (this has been revised later to 1.00 lakh tonnes of di-ammonium phosphate only by the Fertiliser Purchase Committee on 17 August 1972), and that when additional foreign exchange was authorised subsequently, they had informed the Fertiliser Purchase Committee that they would have no objection if quantities in excess of 1 lakh tonnes could be purchased. It, however, appears from the sequence of events relating to fertiliser purchase during 1972-73, which have been discussed in some detail in the earlier sections of this chapter, that though the foreign exchange of 5 million dollars had been authorised by the Department of Economic Affairs, on 30 December 1971 and additional foreign exchange of 46 million dollars and 15 million dollars had been made available respectively on 31 January 1972/4 February 1972 and 14 March 1972, the increased requirements had been communicated only on 29 August 1972. It is, therefore, not very clear to the Committee why procurement action could not have been initiated in respect of the entire quantity of 3 lakh tonnes earlier than July 1972. Even if some delay in this regard had been inescapable, at least the additional demand could have been placed in July 1972 itself, if not earlier, when tenders for 0.50 lakh tonnes were invited. It is also significant in this context that in March 1972, the ruling domestic price of di-ammonium phosphate ranged between 71 dollars and 77 dollars per tonne f.o.b. in USA and was 85 dollars per tonne f.o.b. in Canada as against the lowest offers of 92 dollars per tonne f.o.b. and 93.45 dollars per tonne f.o.b. obtained respectively from Canadian and US suppliers in August 1972. It would, *prima facie*, appear that by better planning and market intelligence and by more effective coordination between the Department of Agriculture and Supply, it should have been possible to place demands for the entire quantity *ab initio* and also to expedite the procurement action so as to take advantage of the more favourable market conditions prevailing earlier. Besides, in view of the fact that normally smaller quantities command higher prices and the larger the quantity the more competitive the offers would be, this might have also resulted in better offers than what were obtained by resorting to piece-meal purchases. Stressing, therefore, once again the importance of proper planning of imports, the Committee would urge the Department of Agriculture to streamline the procedure in this regard.

The Department of Supply have sought to justify the decision on hold negotiations with the suppliers after the opening of the tenders on the

ground that the adoption of such a procedure for the purpose of reducing the price was not 'altogether unusual' and was resorted to even by the Directorate General of Supplies & Disposals if the general level of quotation was very high. The Committee are, however, unable to appreciate the rationale for accepting without negotiations the offer of 103.50 dollars per tonne (C&F) quoted by three of the firms, which was also considerably higher than the prices prevailing earlier and confining the negotiations only to the balance quantity of 68,900 tonnes (1 lakh tonnes minus 31,100 tonnes ordered on three of the firms). If at all the quotations had been considered high, the logical course would have been to negotiate with all the suppliers. The reasons for accepting the subsequent offers of two firms who had not responded initially to the tender enquiry are also not easy to understand. In this connection, the Committee find from the minutes of the meeting of the Fertiliser Purchase Committee held on 17 August 1972 and the notes dated 1 September 1972 in the relevant file of the Department of Supply that the post-tender negotiations for the balance quantity of 0.60 lakh tonnes were to be held only with those suppliers who had quoted in response to the original enquiry and that the offers of these two firms had not been referred to the Fertiliser Purchase Committee but had been approved at the level of the then Secretary, Department of Supply.

In the absence of any recorded reasons, the Committee have also not been able to satisfy themselves about the reasonableness of the ceiling of 111.50 dollars per tonne (C&F) decided upon by the Fertiliser Purchase Committee on 29 August, 1972.

Similarly, in respect of the second case of purchase, the Committee find that at the meeting of the Fertiliser Purchase Committee in January 1973, the Secretary (Supply) read out a cable received from ISM, Washington, in which the Director General had advised that purchase of Di-Ammonium Phosphate (DAP) should be by floating a tender, Shri Ramachandran, the then Chairman, Minerals and Metals Trading Corporation, mentioned that it had come to his knowledge that some firms had cornered the stocks. Some firms had also advised him that while they would be prepared to enter into negotiations, they were reluctant to quote against a tender, Secretary (Supply) had stated that he had also received overtures and indications had been given to him that if a tender was floated, very high prices would be quoted. The Committee note that the Fertiliser Purchase Committee thereupon decided that instead of floating a public tender, all the known firms should be invited to submit offers which could be followed by negotiations. To a specific enquiry of the Committee as to at what level the decision was taken to incorporate the stipulation that negotiations should be entered into on the receipt of the offers, the Department of Supply, have stated "this was done with the approval of the Secretary (Supply) and Financial Adviser (Supply Wing)". Even conceding that this decision was justified in view of the then prevailing situation, the Committee consider it strange that, as decided by the Secretary (Supply)/Financial Adviser this stipulation should have been made known to the suppliers in the tender enquiry itself by the Department of Supply. Admittedly, since the tender had indicated the possibility of post-tender negotiations, the tenderers had kept a cushion in their quotations. This is also borne out by the fact that while rates ranging between 102.00 dollars and 109.80 dollars per tonne (f.o.b.) had been quoted against this enquiry, prices ranging between 99.50 dollars and 106.28 dollars per tonne were quoted against tenders floated by another foreign country about that time (February 1973)

Since the manner in which these two purchases were handled has given rise to serious misgivings in their mind, the Committee desire that Government should conduct a thorough probe into these cases with a view to ensuring that no *mala fide* intentions were involved. Lessons should also be drawn for the future and necessary improvements brought about in the purchase strategies and procedures.

[Sl. Nos. 57 to 62 (Paras 2.180 to 2.185) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action Taken

The two cases of purchase of DAP, referred to by PAC, have been examined in consultation with the Central Vigilance Commission who advised closure of the cases since all the Officers concerned have already retired and action against them has become time barred.

2. The observations contained in Para 2.181 have been noted by the Supply Department for guidance. However, the implementation, as far as streamlining procedures is concerned, will be done by the Agriculture Department who will submit Action Taken Note to the PAC. As Supply Department no longer deals with import of fertilisers, the matter of streamlining does not apply.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M. No. P. II-3(II)/77, dated 23-8-1978]

Action Taken

(Sl. No. 58)

The sequence of events concerning the purchase of DAP during the latter half of 1972 and the first half of 1973 have to be viewed in total perspective to appreciate the situation. It has been noted elsewhere in the Report by the Committee that the release of foreign exchange during 1971, 1972 and 1973 was made by the Department of Economic Affairs in dribbles because of the extreme tightness of the foreign exchange situation following the economic aid suspension in the middle of 1971 by USA and these events leading to the Bangla Desh was in late 1971. Thus, inspite of repeated insistence of the part of the Department of Agriculture on the advantages of the purchase well in advance of the seasons of requirements, it was not possible to translate these objectives into reality on account of the release of foreign exchange in small instalments. The requirements assessed in 1972 for Kharif, 1972 and Rabi 1972-73 were 0.75 and 2.56 lakh tonnes of P205 respectively. However, the allocation of foreign exchange made for Kharif 1972 was just sufficient for purchase of about 0.50 lakh tonnes of P205. The tender for 50,000 tonnes of DAP and 50,000 tonnes of Ammonium Phosphate had, no doubt, been issued in 1972 with reference of the above allocation. At the time of the meeting of the Fertiliser Purchase Committee on 17-8-1972 there is enough evidence on record to show that the Agriculture Ministry was not only keenly aware of the hardening situation in the World fertiliser market but was also impatient at the tardy progress of procurement. It was after this meeting that the Department of Economic Affairs approved the requirements for Rabi 1972-73 and authorised purchase of additional quantities of DAP under free foreign exchange which would be made available as necessary. As already explained by this Department, the total quantity from the subsequent piece-meal allocation which could have been purchased came to 2.50 lakh tonnes.

This Ministry would like to submit that by the middle of 1972 it had been agreed in theory by all concerned that the import planning should be done 12 to 18 months in advance. This Department had finalised the requirements of Kharif 1973 and Rabi 1973-74 by August, 1972. The P 205 requirement for these two seasons was 0.79 lakh tonnes for Kharif 1973 and 3.69 lakh tonnes for Rabi 1973-74. Thus, it is not surprising that this Ministry indicated on 13th September, 1972 that they required 8.00 lakh tonnes of DAP to be shipped by September 1973 at the latest. Obviously, this requirement of 8.00 lakh tonnes of DAP to the total of Kharif 1973 and Rabi 1973-74 requirements. The statement that the actual requirements of the Ministry of Agriculture progressively increased would, therefore have to be viewed in the context of the telescoping of the requirements of these seasons, namely, Rabi 1972-73, Kharif 1973 and Rabi 1973-74.

As regards the statement made in para 2.181 that "though foreign exchange of dollars 5.00 million had been authorised by the Deptt. of Economic Affairs on 30-12-1971 and additional foreign exchange of \$ 46.00 million and \$15.00 million had been made available respectively on 4th February, 1972 and 14th March, 1972 the increased requirements had been communicated only on 29th August, 1972," it is submitted that this statement is not based on facts. This Department had indicated the requirements for Kharif 1972 and Rabi 1972-73 as early as 6-11-1971. As discussed in detail in paras 1.65 and 1.66 of the Report of the Committee, these requirements were put through an elaborate scrutiny not only by the inter-Ministerial Committee of this Department but by the Y. T. Shah Committee and the Committee of Economic Secretaries. The release of \$ 46.00 million and \$ 15.00 million referred to above were far from sufficient to meet the above requirement. It is also submitted that between 14th March 1972 and 29th August 1972 a number of communications not only at the official level but at the level of the Union Minister for Agriculture (addressed to the Prime Minister, Finance Minister and others) had been issued with regard to the procurement action generally and the specific purchase strategy with regard to individual items of import. This Ministry would like to reiterate that the question of foreseeing the additional demand for DAP in July, 1972 does not arise since the demand was known and had been communicated to the concerned Departments and the availability of foreign exchange would not have justified the decision to purchase a larger quantity than 50,000 tonnes of P 205.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

The Committee note that though the purchase of Sulphate of potash required for use in the tobacco season commencing in September-October 1972 was to be made in free foreign exchange and there was also adequate time for making the purchase with the stock position being comfortable, a contract for 5,000 tonnes had been placed after negotiations with only one foreign supplier, instead of obtaining competitive rates through tenders. It has, however, been contended by the Department of Supply that an advertised tender enquiry would not have yielded any better results in view of the fact that all the four manufacturers of sulphate of potash in Europe (located in France, Germany, Belgium and Italy) were represented by one single selling agent (Potash Fertilisers Ltd., London) and that if an offer of

the fertiliser from one of the countries was submitted by the agent, the presumption was that the other countries did not have any material to offer. Such a presumption without actually testing the market or verifying the actual position does not appear to be prudent and the Committee would, therefore, like to know whether in fact any independent enquiry in this regard was made by the Department of Supply through the Indian Missions abroad or from the producers themselves and if so what was the response thereto.

[Sl. No. 63 (Para 2.192) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action Taken

The Department of Agriculture *vide* their letter of 20-1-1973 requested this Department to make immediate arrangement for purchase of 7,000 tonnes of Sulphate of Potash for tobacco crop with shipment as May/June, 1973. On 27-1-1973, this Department asked M/s. Potash Fertilisers to submit their offer latest by 15-2-1973. The offer for 7,000 tonnes plus 25% option was submitted by M/s. Potash Fertilisers Ltd. *vide* their letter dated 12-2-1973; the offer was valid upto 28-2-1973. The Department of Agriculture for comments on 22-2-1973. That Department *vide* their U.O. dated 21-2-1973. As some points required clarifications discussions were held with the suppliers and the matter was again referred to Department of Agriculture for comments on 22-2-1973. That Department *vide* their U.O. dated 23/24-2-1973 stated that we may not insist on certain conditions in view of the extremely limited time available and the urgency of Sulphate of Potash requirements. The material is required for use in April-May. That Department also stated that it has been decided to reduce the purchase to 5,000 tonnes instead of 7,000 tonnes since some surplus stock had been reported. The offer for 5,000 MT was accepted on 28-2-1973 by this Department. It may also be mentioned that the Department of Agriculture *vide* their D.O. letter dated 22-2-1973 had requested this Department to ensure the shipment in May, 1973 and not for shipment in May/June 1973 as stated earlier by them in order to ensure availability of the material to the farmers for application of tobacco crop in time.

From facts stated above, it would be deemed that it is not correct to say that there was adequate time for making the subject purchase. On the contrary, the time available was very short and the Department of Agriculture did not insist on certain conditions in view of the extremely limited time available and the urgency of Sulphate of Potash requirements. As regards the price accepted, it may be mentioned that Financial Adviser, while giving approval to the subject purchase, had stated that the increase over the price paid in May, 1972 was about 6% and was acceptable. It was noted by Financial Adviser that the offer was made prior to devaluation and no increase has been claimed subsequently.

It may be mentioned that apart from writing to the Indian Agent M/s. Potash Fertilisers Ltd., Bombay to submit their offer for Sulphate of Potash, no independent enquiry was made by this Department either through the Missions abroad or from the producers themselves.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M.
No. P. II-3(11)/77, dated 16-6-1978]

Recommendation

In this connection, the Committee find that of the total quantity of 17.44 lakh tonnes of calcium ammonium nitrate imported during this period, only 1.24 lakh tonnes had been received as gifts and 1.94 lakh tonnes purchased in free foreign exchange and that bulk of the imports (14.26 lakh tonnes) were against credit. The Committee are doubtful whether it was advisable to have utilised the scarce credit facilities made available by foreign exchange governments for the purpose of low analysis fertilisers at higher prices, in terms of nitrogen, particularly till 1972-73 when other varieties of high analysis fertilisers were easily available. While they would like to know the reasons therefore, they would also urge Government to ensure that as far as possible only high analysis fertilisers are purchased against credit.

[Sl. No. 67 (Para 2.213) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action Taken

In this regard it is submitted that the popularity of Ammonium Sulphate and CAN for use on certain crops in certain regions and the agronomic suitability of these fertilisers for certain specific crops coupled with the limited production of these fertilisers in the domestic production sector have led to some purchases of these fertilisers being made in the past years. The allocation of foreign exchange used to be made first from RPA and credit sources and, to meet the balance, from the free foreign exchange resources of the Government. The position was that from RPA and credit sources, by and large the scope for choice of products was restricted and purchased of those fertilisers in our shopping list had to be made from these sources depending on their availability. For example, USSR has been giving mainly A/S, Canada has been a source of MOP and Bulgaria and Poland have generally supplied only urea, while in the case of Romania the Trade Plan allocation was mainly utilised for CAN. This situation was true of the credit sources also. After the purchases under RPA and credit sources were fully made exhausting the allocation under these sources, free foreign exchange allocations had then to be utilised for getting the balance of our requirement. It is submitted that except for certain minimum quantities of CAN and A/S the bulk of our nitrogenous imports is confined to urea.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR dated 15-7-1978]

Recommendation

It is also a matter for concern that while clause 10 of the conditions of the contracts executed by the India Supply Mission, Washington, provides, *inter-alia*, that claims for extension of time on account of 'force majeure' shall be granted, the expression 'force majeure' has not, however, been precisely defined or delimited by setting for the particular eventualities that would constitute it, giving rise to conflicting views and interpretations. Thus, in one case of delayed deliveries, the supplier had invoked the 'force majeure' clause on account, *inter alia*, of a breakdown in the plant of a sub-contractor who had promised to supply him the raw material while the Law Ministry were of the view that this could not be construed as falling within the purview of the 'force majeure' clause since the contin-

gency of a breakdown in a sub-contractor's plant was not specifically included or made a term of the contract entered with the firm, the Legal Adviser of the India Supply Mission at Washington had, however, advised that whenever 'force majeure' was not defined, it might imply that the situations covered would be those which in fact constitute acts of God and was of the view that accident at the plants would constitute such an act. The representative of the Law Ministry also informed the Committee that it was always better to have a restricted 'force majeure' clause and leave some room to contend that the events on account of which the clause was sought to be invoked were not actually events which would fall under the 'force majeure' clause. It would, however appear to be financially prudent to lay down some criteria, on the basis of accepted norms of international mercantile practice, for the determination of events that would constitute 'force majeure', so that any vagueness or ambiguity in this regard is not taken advantage of by the suppliers. The Committee, therefore, desire that this question should be re-examined, in all its aspects, and necessary remedial measures taken to plug what appears to be a loophole in the contracts.

[Sl. No. 70(Para 2.230) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action Taken

In the MMTC contracts the 'force majeure' clause has been provided as under :—

"If at any time during the existence of this contract either party is unable to perform in whole or in part any obligations under this contract because of war, hostility, civil commotions, sabotage, quarantine restrictions, acts of God and acts of Government (including but not restricted to prohibition of exports or imports), embargoes then the date of fulfilment of engagement shall be postponed during the time when such circumstances are operative.

Any waiver/extension of time in respect of the delivery of any instalment or part of the goods shall not be deemed to be waiver/extension of time in respect of the remaining deliveries.

If operation of such circumstances exceed three months, each party shall have the right to refuse further performance of the contract in which case neither party shall have the right to claim eventful damages.

The party which is unable to fulfil its engagements under the present contract must within 15 days of occurrence of the causes mentioned in this clause shall inform the other party of the existence or termination of the circumstances preventing the performance of the contract. Certificate issued by Chamber of Commerce in the country of sellers or the buyers shall be sufficient proof of the existence of the above circumstances and their duration. Non-availability of raw material will not be in an excuse to the sellers for not performing their obligations under this contract."

It will be seen that in the clause, it has been specifically provided that non-availability of raw material cannot be taken as an excuse by the sellers for not performing their obligations under the contract. Otherwise,

the normal events which constitute 'force majeure' conditions and which are internationally accepted are provided. It needs, however, to be appreciated that the 'force majeure' clause cannot be totally comprehensive and provide for all conceivable situations. Further, needless elaboration of the clause, contrary to prevailing international commercial and trade practice and contracts, may lead to reluctance on the part of the suppliers to sign such contracts and may also even lead to inflated prices. It is MMTC's experience that the present clause is quite adequate to meet most eventualities.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M.
No. P. II-3(11)/77, dated 27-11-1978]

Recommendation

2.231 As regards the specific case relating to the contract executed in April 1973 commented upon by Audit. It appears that the supplier's plea in regard to the breakdown in the sub-contractor's plant had been accepted on the basis of the advice given by the Legal Adviser to the Supply Mission, Washington. The contractor would very much like to know why the Law Ministry's views on the subject had been ignored particularly in view of the fact that the Legal Adviser to the Mission had not given any written opinion but had only "conveyed" his "preliminary oral observations" through an officer of the Mission.

[Sl. No. 71 (para 2.231) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action Taken

Contract No. FP. 55/937 dated 10-4-73 was placed on M/s. Continental Ore Corporation, New York for supply of 55,000 MT of DAP in five lots from May, 73 to Oct., 73. In July, 1973, the suppliers requested extension in delivery period upto Oct., 1973 for the quantity due in Aug., 1973 and Sept., 1973 on account of breakdown in manufacturer's plant and silting of Mississippi river. They also stated that these conditions constitute Force Majeure. The Ministry of Law opined that the reasons advanced by the firm did not constitute acts falling under Force Majeure. That Ministry also stated that it would be advisable to refer the matter on merits to our Legal Adviser in Washington for confirmation. A copy of the advice of the Ministry of Law was sent to Supply Wing, Washington for such action as they may like to take in consultation with their Legal Adviser. The Supply Wing, Washington informed this Department that according to their Legal Adviser, the silting of river or accident in the plant were acts of God falling under Force Majeure. The matter was again referred to the Ministry of Law who changed their earlier view and stated that silting of river and strike in plant would constitute acts falling under Force Majeure. That Ministry's final views were as follows :

- (i) Force Majeure is applicable in this case.
- (ii) There was failure on the part of purchaser to provide vessels.
- (iii) It is not clear whether any notice was given to the firm by the purchaser at the time when the delivery was due that as per the terms and condition of the contract he (the purchaser) would also be claiming L/D for delayed supplies.

The case was examined in consultation with Supply Wing, Washington, Ministry of Shipping and Transport and the Department of Agriculture. The Supply Wing, Washington were of the view that in this case, the delay in supply was on account of both parties i.e. suppliers as well as purchasers and therefore, in accordance with the opinion of Ministry of Law, no recoveries can be leviable. The Supply Wing suggested that the case may, therefore be treated as closed. The Ministry of shipping and Transport intimated this Department that in their view the reasons given by the suppliers for delayed deliveries amount to Force Majeure and the case may be treated as closed. The Department of Agriculture, vide their D.O. letter dated 20-7-77 also agreed to close this case in view of the revised law opinion and views expressed by the Ministry of shipping and Transport. The Supply Wing, Washington was accordingly, informed vide this Departments letter dated 29-7-77 to treat this case as closed.

2. In view of the position explained above. It will be appreciated that the opinion of Ministry of Law was not ignored in the subject case.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O.M. No. P. II-3(11)/77, dated 16-6-1978]

Recommendation

In order to correct the present imbalances between installed capacity and production of fertilizer plants in the country the Committee would also suggest the following measures for implementation on high priority.

(d) Government may also examine the feasibility of establishing a centralised 'Spares Bank' where costly and important spares in common use could be stocked instead of each individual unit carrying this heavy burden on itself and the resultant economies in costs channelised into more productive activities which might have been deferred on account of financial constraints.

[Sl. No. 87 (Para 5.54 (d)) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

Certain steps such as standardisation of the plant have been taken with a view to giving some practical shape to this idea. However, the main difficulty in the way of having a centralised 'spares bank' is that the process, technology, etc. adopted in different plants vary from one plant to another. Further, the equipment are also procured from different sources depending on the availability of credits.

[Ministry of Supply & Rehabilitation (Department of Supply) O.M. No. P.II-3(11)/77, dated 26-9-1978]

Recommendation

The Committee would also like to recall in this context that more than two decades earlier, the possibility of evolving a coal-based technology had been suggested and supported by Indian scientists like late Dr. A. C. Ghosh and some studies in this regard had also been started subsequently at the Dhanbad Institute. The Committee cannot resist the impression that had these suggestions and studies been given positive encouragement and pursued to their finality, a good deal would perhaps have been learnt earlier

from the experience instead of relying now heavily on the somewhat uncertain outcome of foreign know-how. It is sad that coal-based technology had not been considered then with the seriousness that it rightly deserved.

[Sl. No. 95 (Para 5.62) of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

Stress was not laid on coal based technology earlier in view of the fact that no proven technology for the manufacture of fertilizers was available. Moreover, with the developments in the naphtha based fertilizer technology it was not considered advisable to set up a unit with a significantly higher cost of production. Naphtha was also surplus at that time. By the later 1960s in the context of a likely shortage of naphtha interest in fertilizer technology based on coal as feedstock was revived and a Committee under the late V. N. Kasturirangan recommended the use of the Koppers Totzèk process for coal gassification. In view of this a decision was taken to use the same process in the Ramagundam and Talcher fertilizer plants now under implementation.

[Ministry of Supply & Rehabilitation (Deptt. of Supply) O. M. No. P. II-3(II)/77, dated 8-12-1978]

CHAPTER IV

RECOMMENDATIONS OR OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

For instance, the Committee find that the estimates of fertilisers consumption levels, which forms the basis for assessing requirement and planning for import, have never been realised to the full extent which would indicate that these were perhaps optimistic and on the high side. This, during 1969-70, 1970-71 and 1971-72, while the agronomic requirements of nitrogen and phosphorous had been estimated at 23.00 lakh tonnes, 27.50 lakh tonnes and 28.00 lakh tonnes respectively, actual consumption was only 17.72 lakh tonnes, 20.20 lakh tonnes and 23.36 lakh tonnes. A similar trend is discernible in the subsequent years also and during 1972-73 1973-74 and 1974-75, the actual consumption of nitrogen and phosphorous was respectively 24.21 lakh tonnes, 24.80 lakh tonnes and 22.51 lakh tonnes as against the estimates of 30.00 lakh tonnes, 34.00 lakh tonnes and 39.10 lakh tonnes. Similarly, there were wide variations between estimates and actuals during this period in respect of potassic fertilisers also. That the projections made in this regard were unrealistic is also borne out by the following observations contained in the 'Fourth Plan Mid-term Appraisal'.

"Fertiliser consumption has not increased as planned. The targets are not likely to be reached. The likely consumption of nitrogenous fertilisers in 1973-74 is now reckoned at 2.60 million tonnes (N) as against the original target of 3.20 million tonnes (N). Again the Plan target of 1.4 million tonnes (P 205) for phosphatic fertilisers, actual achievements are likely to be around 0.8 million tonnes (P205)."

The draft Fifth Five Year Plan also refers to the shortage in the achievements of fertilizers consumption targets.

[Sl. No. 4 (Para 1.63) of Appendix XXIV to 27th Report of
the PAC (Sixth Lok Sabha)]

Action taken

The Committee's observations on the shortfalls in the growth rates of fertiliser consumption are noted. Such shortfalls have persisted during the Fifth Plan. Need based projections of fertiliser demand as well as those based on the requirements of the agricultural production programmes or response ratios have often proved to be wide of the mark. It is recognised that fertiliser consumption is a function of many variables which have a complex inter-relationship. Efforts are under way to sharpen the projections. While it is no doubt true that scientific estimation of demand should ideally make available reasonably accurate forecast of requirements and the quantum of imports required, we would submit that in a vast country like ours were the number of non controlable and unpredictable variables operating in the

fertilisers scene are very large and complex, the estimated demand has still to be based on the best guess available depending on various reports available as to :—

- (a) The adequacy/timeliness and geographical spread of rainfall;
- (b) crop Improvement programmes e.g. high yielding varieties;
- (c) the actual supply position in respect of irrigation and power; and
- (d) availability of material at the right place and time.

These variables subsume many others which cannot be predicted especially in the short run. For example, the ability of the Railways to make wagons available for timely movements of fertiliser from factories or ports to the consumption centres depends on the other competing requirements of the economy such as large movement of foodgrains, imported cement and other equally pressing demands. To quote another example, the efficiency with which the State distribution channels will function cannot be predicted accurately. Since the efficiency of the cooperative system varies from State to State and year to year and the quantum of credit available happens to be linked with recesses which in turn depend not only on weather but other circumstances, it is very difficult to make a scientific forecast taking into account all such factors. As pointed out in the answer to para 1.62, on the whole, greater accuracy has been achieved in recent years in forecasting requirements, but this, it is submitted, is more a matter of intuitive judgement than precise calculation. The National Council of Applied Economic Research who are now engaged in submitting a report on the structural demand for fertiliser and production of fertiliser consumption for future years are themselves confronted with the difficulty of taking into account such a large mass of variables each of which is subject to great variations over time. A district-wise and State-wise analysis of the fertiliser consumption figures shows that during 1977-78, 52% of the total consumption was accounted for by the four States of Uttar Pradesh, Andhra Pradesh, Punjab and Tamil Nadu and 76% of the consumption was accounted for by the eight States of U.P., A. P., Punjab, Tamil Nadu, Maharashtra, Gujarat, Karnataka and Madhya Pradesh. It would have been equally difficult to foresee the sizeable increase in the consumption level of Uttar Pradesh in the last two years and the stagnation in fertiliser use in a State like Assam.

In this connection, we would venture to submit that there may be some confusion in understanding the cause-and-effect relationship between the factor of availability from imports and the trends of consumption. It has been ably argued by Shri Gunvans M. Desai of the Indian Institute of Management, Ahmedabad in a paper on "Fertiliser Consumption after 1974-75—a Critical review" that atleast in one year *viz.* 1973-74 the growth in aggregate consumption could have suffered adversely due to tight overall availability. To quote from the paper further, "the poor growth in 1972-73 and 1973-74 was due to tighter overall availability of fertilisers during those years resulting from over cautious fertilisers import policy during the earlier years." From the reasoning advanced in this Paper it would appear that the cause of fertiliser consumption may not be properly served by reducing imports to suit the short-term trends in consumption.

[Ministry of Agriculture Irrigation (Deptt. of Agriculture) O. M. No. 10-47/77-MPR, dated 15-7-1978)]

Recommendation

That this elaborate exercise spanning nearly six months did not also produce the desired results would be evident from the figures of estimated requirements and actual consumption quoted earlier in paragraph 1.61. (In 1972-73, actual consumption of fertilisers was only 24.21 lakh tonnes of nitrogen and phosphorous as against the estimated demand of 30.00 lakh tonnes). The representative of the Department of Agriculture also admitted during evidence that "this was really a formula which was adopted to arrive at an agreed figure." As has been pointed out earlier the tendency appears to have been to base future projections on the recommended doses without, however, taking into account the fact that the farmers do not always use the full recommended doses, and herein lies the root cause of the inflated estimates of fertiliser consumption for the future. Besides, as has been rightly pointed out by a recent (June 1976) study by the Reserve Bank of India on 'Fertiliser consumption in Indian Agriculture', the pre-Plan levels of consumption of fertilisers were so low as a base the subsequent increases in consumption worked out to a high compound growth rate and 'such high growth rates cannot be expected to be sustained throughout in future for the simple reason that the bulk of fertiliser consumption, by and large, is accounted for by certain pockets in various parts of the country with favourable conditions for its use and even as it reaches a near saturation level at the existing level of technology and related factors like irrigation and cost-price relationship the scope for further growth is rather limited.' Unfortunately, however, the availability of complementary inputs like credit and irrigation on which the use of fertilisers depends to a large extent does not also appear to have been taken into account while making demand projections. Yet another variable factor which seems to have been lost sight of is the variation in soil-crop complexes from place to place. In these circumstances, it is not at all surprising that the estimates made from time to time had gone away.

[Sl. No. 7; Para 1.66 of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The Committee's observations are noted. It is, however, submitted that the projections made at the time were simplistic, being merely a trend-line extension and the factor of recommended doses, therefore, did not come into play in these projections. With regard to the Reserve Bank of India study quoted, it is respectfully submitted that the levels of consumption reached even at the present time in over 80% of the districts in the country are so far below the recommended or the economic optimum levels that high rates of growth may still be capable of achievement. It is, further, submitted that according to our analysis of the district-wise and State-wise consumption figures, about 78 districts still have a lot of potential from the points of view of availability of irrigation, spread of high yielding varieties, etc. Promotion efforts concentrated in such districts are bound to result in considerable increase in the overall level of fertiliser use

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

Recommendation

It would therefore, appear *prima-facie* that inflated consumption figures had been assumed somewhat mechanically and not on the basis of any sound statistical data leading to unrealistic forecasting of demand and requirements, which also had its inevitable impaction the import programme. It would also appear that Government had played excessively safe and erred on the side of liberalism in planning fertiliser imports and that some of the imports could well have been avoided by a more scientific and realistic assessment of requirements. The Committee are of the opinion that greater care could and ought to have been exercised in planning for the import of an item like fertilisers instead of adopting *ad-hoc* measures.

[Sl. No. 8 (Para 1.67 of Appendix XXIV to 27th Report of the PAC (Sixth Lok Sabha)]

Action taken

The Committee's observations are noted.

Regarding the complexity of the task of forecasting, our submissions contained in the answer to para 1.63 may kindly be noted. We would also submit that in a vast country like ours with a distribution system which is not very well organised, even a slight climate of shortage of fertilisers can lead to a serious situation. Since precise calibration of the import requirements is not possible for the reasons already explained, in this department's view it may be better to plan for a slightly larger availability than a slightly smaller availability in relation to the requirements. A climate of shortage such as the one that occurred in 1973-74, which has also been referred to by the Committee, would not only lead to the exploitation of the farmer but result in a fall in agricultural production, apart from exposing the Government to criticism for not making available the inputs which are crucial to agricultural production. We would, further, submit that it is our aim to promote fertiliser consumption so that it will reach certain optimum levels from the point of view of the agricultural economy as a whole and with this view a fertiliser promotion programme involving both the State Governments and the fertiliser industry has been launched in the country. Such a promotion programme would only have adverse impact if more than sufficient availability of fertilisers is not ensured.

[Ministry of Agriculture & Irrigation (Department of Agriculture)
O.M. No. 10-47/77-MPR, dated 15-7-1978]

CHAPTER V
RECOMMENDATIONS OR OBSERVATIONS IN RESPECT OF
WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

NIL

NEW DELHI,
March 29, 1981
Chaitra 8, 1903 (S)

CHANDRAJIT YADAV
Chairman,
Public Accounts Committee.

APPENDIX

Statement of Conclusions/Recommendations

Sl. No.	Para of Report	Ministry/Department	Conclusion/Recommendation
1	2	3	4
1.	1.8	Ministries of Supply and Rehabilitation (Deptt. of Supply) and Agriculture & Irrigation (Deptt. of Agriculture)	<p>The Committee had found that from 1969-70 to 1974-75 the annual requirements of fertilisers, were being over-estimated consistently year after year and despite a sizeable shortfall in consumption with reference to estimates, no corrective action was taken to forecast the requirements in subsequent years on a more realistic basis. While the Committee appreciate that fertiliser consumption is subject to many variable factors, they cannot concede the position held by the Ministry that the estimates of demand for fertilisers in the country could be no better than a "best guess" or a "matter of intuitive judgement." If that were so, there could be no planning in the field of agriculture in the accepted sense of the term and all decisions based on the existing plan projections would be more <i>ad hoc</i> decisions based on guess work. The Committee strongly recommend that Government should have a definite system of compiling such vital data so as to facilitate proper decision making.</p>