44	**STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS** **(2022-23)** **SEVENTEENTH LOK SABHA**

MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)

FERTILIZER SUBSIDY POLICY AND PRICING MATTERS INCLUDING NEED TO CONTINUE UREA SUBSIDY SCHEME

FORTY-FOURTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT

NEW DELHI

August, 2023/ Sravana,1945 (Saka)

CC&F.No. 172

FORTY-FOURTH REPORT

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(2022-23)

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Presented to Lok Sabha on 09.08.2023

Laid in Rajya Sabha on 09.08.2023

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NEW DELHI

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COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS

(2022-23)

Dr. Shashi Tharoor - Chairperson

MEMBERS

LOK SABHA

2. Shri Dibyendu Adhikari
3. Maulana Badruddin Ajmal
4. Shri C.N. Annadurai
5. Shri Deepak Baij
6. Shri Ramakant Bhargava
7. Shri Prataprao Patil Chikhalikar
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17. Shri Atul Kumar Singh
18. Shri Pradeep Kumar Singh
19. Shri Uday Pratap Singh
20. Shri Indra Hang Subba
21 Shri Parbhubhai Nagarbhai Vasava

RAJYA SABHA

22. Shri G.C.Chandrashekhar
23. Dr. Anil Jain
24. Shri Arun Singh
25. Shri Ram Nath Thakur*
26. Shri Vijay Pal Singh Tomar
27. Vacant
28. Vacant
29. Vacant
30. Vacant
31. Vacant

SECRETARIAT

1.	Shri Vinay Kumar Mohan	-	Joint Secretary
2.	Smt. Geeta Parmar	-	Additional Director
3.	Shri Panna Lal	-	Under Secretary

***Nominated w.e.f. 13.02.2023 vide Lok Sabha Bulletin- Part-II Para No. 6251 dated 14.02.2023.*

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2022-23) having been authorized by the Committee do present on their behalf, this Forty-Fourth Report (Seventeenth Lok Sabha) on 'Fertilizer Subsidy Policy and Pricing matters including need to continue Urea Subsidy Scheme' pertaining to the Department of Fertilizers , Ministry of Chemicals and Fertilizers.

2. The Committee (2022-23) took oral evidence of the representatives of the Department of Fertilizers, Ministry of Chemicals and Fertilizers on 18th January, 2023.

3. The Committee (2022-23) considered and adopted this Report at their sitting held on 07th August, 2023.

4. The Committee wish to express their thanks to the officers of the Department of Fertilizers, Ministry of Chemicals and Fertilizers for tendering their evidence and placing before them all the requisite information sought for in connection with the examination of the subject.

5. The Committee also place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

6. For facility of reference and convenience, the observations/ recommendations of the Committee have been printed in bold letters at the end of the Report.

New Delhi;
07, August, 2023
16, Sravana,1945 (Saka)

DR. SHASHI THAROOR
CHAIRPERSON,
STANDING COMMITTEE ON
CHEMICALS AND FERTILIZERS.

ACRONYMS/ABBREVIATIONS OF THE TERMS USED IN THE REPORT

AMC	Annual Maintenance Contract
BE	Budget Estimate
BVFCL	Brahmaputra Valley Fertilizer Corporation Limited
CBG	Compressed Bio Gas
CCEA	Cabinet Committee on Economic Affairs
CFCL	Chambal Fertilizers and Chemicals Ltd
CFL	Coromandel Fertilizers Limited
CFR	Cost and Freight
CIL	Coal India Limited
DA&FW	Department of Agriculture and Farmers Welfare
DAP	Di-ammonium Phosphate
DARE	Department of Agricultural Research and Education
DBT	Direct Benefit Transfer
DoE	Department of Expenditure
DoF	Department of Fertilizers
EC Act, 1955	Essential Commodities Act, 1955
EFC	Expenditure Finance Committee
EPMC	Empowered Pool Management Committee
ESS	Energy Saving Schemes
FACT	Fertilizer and Chemicals & Travancore Limited
FAGMIL	FCI Aravali Gypsum and Minerals India Limited
FCIL	Fertilizer Corporation of India Limited
FCO&FMO	Fertilizer Control and Movement orders
FCO, 1985	Fertilizer (Control) Order,1985
FICC	Fertilizer Industry Coordination Committee
FLDs	Front Line Demonstrations
FMB	Fertilizer Market Bulletin
FY	Financial Year
GAIL	Gas Authority of India Limited
Gcal/MT	Gigacalorie per Metric Tonne
GNVFC	Gujarat Narmada Valley Fertilizers & Chemicals Limited
GST	Goods and Services Tax
ICAR	Indian Council of Agricultural Research
IFFCO	Indian Farmers Fertilizer Cooperative Limited
iFMS	integrated Fertilizer Monitoring System
IMC	Inter-Ministerial Committee
IPL	Indian Potash Limited
KFCL	Kanpur Fertilizers & Chemicals Limited
KRIBHCO	Krishak Bharati Cooperative Ltd

KVKs	Krishi Vigyan Kendras
LMT	Lakh Metric Tonnes
MDA	Market Development Assistance
MECL	Mineral Exploration Corporation Limited
MFL	Madras Fertilizers Limited
m-FMS	mobile-Fertilizers Management System
mmscmd	Million standard cubic feet per day
MoP	Muriate of Potash
MoU	Memorandum of Understanding
MRP	Maximum Retail Price
NBS	Nutrient Based Subsidy
NCU	Neem Coated Urea
NDA	Non Disclosure Agreement
NFCL	Nagarjuna Fertilizers and Chemicals Limited
NFL	National Fertilizers Limited
NIP	New Investment Policy
NPK	Nitrogen Phosphorus Potash
NPP	New Pricing Policy
NUE	Nitrogen Use Efficiency
NUP	New Urea Policy
OGL	Open General License
P&K	Phosphatic and Potassic
PDM	Potash Derived from Molasses
PM-PRANAM	PM Programme for Restoration, Awareness, Generation, Nourishment and Amelioration of Mother Earth
PMSKs	PM Kisan Samridhi Kendras
PoS	Point of Sale
PTPK	Per Tonne Per kilometer
RCF	Rashtriya Chemicals & Fertilizers Limited
RE	Revised Estimate
RLNG	Regasified Liquefied Natural Gas
SATAT	Sustainable Alternative Towards Affordable Transportation
SCOS	Steering Committee of Secretaries
SFC	Shriram Fertilizers & Chemicals Limited
SPIC	Southern Petrochemical Industries Corporation
SSP	Single Super Phosphate
STEs	State Trading Entities
TCL	Tata Chemicals Limited
TEN	Target Energy Norms
TFL	Talcher Fertilizers Limited
UF resin	Urea Formaldehyde resin
UFP	Uniform Freight Policy
USS	Urea Subsidy Scheme
YFIL	Yara Fertilizers India Limited

ZACL	Zuari Agro Chemicals Ltd
₹	Indian Rupee
$	Dollar

REPORT

PART- I

NARRATION

I INTRODUCTORY

1 Fertilizers are very crucial to many developing economies. Governments in most developing nations have intervened in the fertilizers market to achieve different national objectives. An essential intervention in this regard is the fixing of fertilizers prices. To promote fertilizers use, to avoid the rise in crop prices and subsidize agriculture, it is crucial to supply fertilizers to the farmers at a reasonable level. The relevance of fertilizers subsidy comes at this stage. The farm gate prices are fixed much below the average cost of the production of fertilizers. The Government provides the difference between these two as subsidies to the fertilizers manufacturers; otherwise, it would result in the exit of the producers from the market.

2 India, being a major consumer and producer of fertilizers products globally, had started promoting fertilizers during the Green Revolution in the 1960s. The fertilizers sector has been a recipient of a significant chunk of the subsidy in India over the years.

3. As regards fertilizers consumption in the country, it has been informed that India stands second in Nitrogen and Phosphatic fertilizers both in production as well as in consumption. Fertilizers consumption which was 637 LMT in 2020-21 dropped to 587 LMT in 2021-22 as some of the cash crop areas were reduced. Production of fertilizers in the country has slightly increased from 434 LMT in 2020- 21 to 436 LMT in 2021-22. The major fertilizers consumed in the country are the ones which are under subsidy, like Urea, Diammonium Phosphate (DAP), Muriate of Potash (MoP) and Nitrogen Phosphorus Potash (NPK), Single Super phosphate (SSP). As per the World Bank data, the fertilizers consumption per hectare in India (taking consumption of entire group of fertilizers) is 209 kg per hectare whereas the world average is 164 kg and the country occupies 44th position in this regard. In respect of nitrogen, the country stands at 30thposition with its consumption of 111 kg per hectare. Among the subsidized fertilizers, the country imports 30% of its urea requirement and 70 per cent is our indigenous production; 60 per cent DAP is imported; NPK is mostly produced in-house and 10 per cent of it is imported and MOP is 100 percent imported. The budget for fertilizers subsidy has been increasing constantly and this year, as of now it is ₹ 2.25 lakh crore, out of which 68 per cent is for urea including indigenous and imported fertilizers

II. FERTILIZERS SUBSIDY POLICY

B) Urea Subsidy Policy

Salient features, aims and objectives:

4. Growth of agriculture sector is the focus of the Government to ensure food security. Urea fertilizers have played a significant role in increasing food production in the country thereby making the country self-reliant in food grain production. It provides a very vital input for the growth of Indian agriculture and in the attainment of the goal of self-sufficiency in food grains. The objective of Government's policy is to maximize indigenous production of urea based on utilization of indigenous feedstock to reach self-sufficiency levels. For sustained agricultural growth, it is imperative that urea is made available to farmers at affordable prices.

5. With this objective, the MRP of urea is statutorily fixed by the Government of India and at present it is ₹ 242 per 45 kg of bag (exclusive of the Central/State Taxes). An extra MRP of 5 % is charged by fertilizers manufacturing entities on Neem Coated Urea.

6. Urea Subsidy is a part of the Central Sector Scheme. The Scheme is wholly financed by the Government of India through Budgetary Support. Urea Subsidy Scheme has three components, i.e., Indigenous Urea, Imported Urea and Uniform Freight Subsidy. Indigenous urea subsidy is administered to the urea units towards indigenous urea production. Imported Urea subsidy is directed towards imports made to bridge the gap between assessed demand and indigenous production of urea in the country. Both components also include freight subsidy for movement of urea across the country under the Uniform Freight Subsidy Policy.

7. The objectives of the Urea Subsidy schemes are stated to be as under:

(i) To ensure timely availability of adequate quantity of urea at statutory controlled price to the farmers across the country.
(ii) To optimize indigenous urea production.
(iii) To rationalize the subsidy outgo of the Government.
(iv) To bring energy efficiency.
(v) To enable urea units in sustaining their operations and
(vi) To fill up the gap between assessed demand and estimated production through imports.

8. On being asked about how far the Government has been able to achieve the objectives of its Urea Subsidy Schemes and what more is being done in this regard, the Department has informed that to ensure availability of adequate quantity of urea, the gap between estimated consumption and projected production is assessed regularly and the same is filled through imports so that it is available at statutory controlled price to the farmers across the country. Further, to ensure timely

availability of urea across the country, freight subsidy is given to the urea manufacturers/Fertilizers Marketing Entities (in case of the imported urea).

9. During evidence, a representative of the Department of Fertilizers informed about the profile of urea industry in the country and stated that there are 36 units manufacturing Urea which are all gas-based. The annual production capacity of Urea is 283.74 LMT. Under the New Investment Policy (NIP), six units of 12.7 LMT capacity each have come up. Out of them, two units viz. Gadepan and Matix are in private sector while the remaining four units viz. Ramagundam, Gorakhpur, Sindri, and Barauni are in Public sector have recently been commissioned. The two units of Brahmaputra Valley Fertilizers Corporation Limited (BVFCL) in Assam are under New Pricing Policy (NPS) whereas there are 25 units under New Urea Policy (NUP). There are three Naphtha-based units which have converted into gas-based units- SPIC, MFL, and MCFL. Apart from these 36 Urea units, another new unit is going to come up at Talcher with installed capacity of 12.7 LMT which will make our indigenous capacity up to 296.44 LMT. About the plans to increase the indigenous capacity of urea in the country, it was informed that with Nano urea, there will not be any requirement of establishing a new or reviving any other conventional urea plant.

10. In this context, when the Committee desired to know whether Nano Urea would be able to meet the future requirements of fertilizers in the country, a representative of the Department stated as under:

> *"It is still in a nascent stage. We have just five crore bottles in the field. We have to see the results first. It will be a slow process because farmers may not reduce the urea consumption initially with the uptake of nano urea."*

11. It has further been stated that the Department of Fertilizers is encouraging its PSUs for setting up Nano Urea plants. Two of its PSUs viz. National Fertilizers Limited (NFL) and Rashtriya Chemicals & Fertilizers Limited (RCF) have signed Non-Disclosure Agreement (NDA) & Memorandum of Understanding (MoU) with IFFCO to transfer the technology of Nano Urea from IFFCO. RCF's Nano Urea facility at Trombay is likely to be commissioned by March, 2024 and NFL's Nano Urea facility is likely to be commissioned at Nangal by July, 2024. Thus, by 2024-25, the production capacity of Nano Urea bottles is likely to be 44.0 Crore Bottles Per Year.

Production, consumption and import requirement of various types of fertilizers

12. When asked about the total production, consumption and import requirement of various types of fertilizers in the country and the extent to which the production and use of Nano fertilizers will help in meeting the requirements and reducing the import dependency of the country over the years, the Department has informed that the requirement, production and imports of fertilizers during the FY 2022-23 are as under:

<Figures in LMT>

S. No.	Product Group	Production	Import	Consumption/ Sales
1.	Urea	284.94	75.80	357.26
2.	DAP	43.51	65.83	105.31
3.	MOP	N.A.	18.66	16.32
4.	NPKS	100.40	27.52	107.31

It was further informed that, IFFCO has started Nano Urea production at its Kalol unit in August, 2021 with annual capacity of 4.95 crore bottles of 500 ml and at its Aonla and Phulpur units with annual capacity of 6.0 crore bottles of 500 ml. Furthermore, IFFCO is establishing 3 more plants of Nano Urea The Bengaluru and Deogarh plants have annual capacity of 6.0 crore bottles while the Guwahati plant has the annual capacity of 4.95 crore bottles.

Talcher Fertilizers Ltd.(TFL)

13. The Committee have been informed that considering the strategic advantage of the location of erstwhile Talcher Fertilizers Plant in close proximity with the coal mines and developing an alternate feedstock for manufacture of urea, the Department of Fertilizers decided to revive the erstwhile Talcher plant of FCIL on coal gasification technology on nomination basis through a consortium of Rashtriya Chemicals and Fertilizers (RCF), Gas Authority of India Limited (GAIL) and Coal India Limited (CIL). It was also decided that it is essential to ring-fence urea policy for TFL due to first of its kind plant in coal gasification. Accordingly, DoF submitted a CCEA Note under which exclusive subsidy policy for TFL was proposed. The Cabinet Committee on Economic Affairs (CCEA) in its meeting held on the 20th April, 2021 has approved that the concession rate/subsidy for the urea produced through coal gasification route by TFL for a period of 8 years from the date of start of production will be determined by providing 12% Post Tax IRR on equity. The same has been notified vide DoF notification dated 28th April, 2021.

14. On being asked about the delays, if any, in starting the urea production through coal gasification route by Talcher Fertilizers Ltd (TFL), it has been replied that the coal gasification contract was awarded to M/s Wuhuana, China based company in November, 2019. However, from December, 2019 onwards, COVID-19 pandemic struck China and spread across globe. The project activities at TFL therefore came to a virtual standstill due to enforcement of lockdown thereby impacting the recovery of project schedule during the periods of Covid pandemic. After the impact of COVID started to recede, the physical project activities at site were commenced. Due to COVID–19 pandemic and related contextual issues (travel restrictions etc.), immigration of Chinese expats to India as per the project manpower requirements got delayed. This has in turn adversely affected the project progress leading to time and cost overrun. Further, delay in placement of orders of project items by M/s Wuhuan has impacted the project due to exponential rise of prices of steel and other commodities globally. M/s Wuhuan has therefore, sought support from TFL due to exorbitant price escalation stating that the prices quoted

during bidding process are no longer workable for the contractors which is affecting the complete tendering process and consequent execution of the packages thereby contributing to the delay. The plant is, however, expected to be commissioned by September, 2024.

Neem Coated Urea (NCU)

15. The Committee have observed that keeping in view the added advantages of Neem Coated Urea in increasing the nitrogen use efficiency (NUE) in crops, the Government with the approval of CCEA, on 2nd June, 2008 had notified the policy for encouraging production and availability of fortified and coated fertilizers in the country wherein the indigenous manufacturers/producers of the subsidized fertilizers were allowed to produce fortified/coated subsidized fertilizers up to a maximum of 20% of their total production of respective subsidized fertilizers . This ceiling was subsequently increased from 20% to a maximum of 35% and to 75% of the total production. Finally, CCEA chaired by Hon'ble PM on 13th May 2015, decided to make it mandatory to produce entire production as neem coated urea. Accordingly, the notification was issued on 25th May, 2015 by DoF. Entire quantity of indigenously produced urea and imported urea is being neem coated w.e.f 1st September, 2015 and 1st December, 2015 respectively.

16. In this regard, the Committee desired to know about the expected decrease in use of Urea due to use of Neem Coated Urea. In reply, the Department has stated that Neem has proved to be a significantly superior in terms of many agronomic traits such as growth, yield attributes, grain and straw yields, nitrogen uptake, apparent Nitrogen (N) recovery, it turns fast releasing urea to slow releasing, improves nitrogen use efficiency in terms of N-uptake and use efficiency by the crops. Moreover, as per study conducted by M/s Micro Save farmers are aware that use of NCU leads to reduction in pest and disease attacks due to pesticidal properties of NCU (52%), an increase in crop productivity (29%), reduction in the use of urea as it promotes the use efficiency of urea (25%), improvement in soil health (15%) and reduction in the pesticide expenses (10%).

Introduction of 45 kg bag of urea

17. The Committee has been informed that as the introduction of Neem Coated Urea (NCU) increased its Nitrogen use efficiency, therefore with a view to reduce the consumption of urea and promote balanced use of fertilizers , DoF vide Notification dated 4th September, 2017, introduced 45 Kg bag of Urea in place of 50 Kg bag. The MRP of 50 Kg bag of urea was ₹ 268 per bag (exclusive of charges towards neem coating and taxes as applicable) whereas the MRP of 45 Kg bag of urea @ ₹ 242 per bag (exclusive of charges towards neem coating and taxes as applicable) has been fixed keeping in view the proportionate decrease in MRP of 45 Kg bag along-with increase in bag cost due to increase in number of bags.

Uniform freight policy

18. As regards the Uniform freight policy (UFP), the Department has informed that UFP has been implemented with effect from 1st April, 2008 vide notification dated 17th July, 2008 with the objective to ensure availability of fertilizers , especially during the peak demand period, in all parts of the country and to implement the freight reimbursement in line with NPS-III. Based on the recommendations of Tariff Commission, the slab-wise rates in respect of primary road movement upto 500 Kms are notified annually. The escalated/ de-escalated Per Tonne Per kilometer (PTPK) rates for road transportation in the case of secondary movement of fertilizers are also notified by Department of Fertilizers.

19. During the oral evidence when asked about the nature and objectives of the Uniform freight policy, a representative of the Department informed that the freight subsidy is paid for road movement of fertilizers up to 500 Km. While in case of rail movement the actual rail freight charge from the production unit/ port (in case of imported fertilizers) up to the rail rake point is reimbursed to the company. It was also apprised that the objective of the subsidy is to equalize the cost so that it is not passed on to the farmers and they get the same at reasonably low prices.

Measures to maximize indigenous production of urea.

20. The Committee enquired about the present and future plans of the Department to increase indigenous production of Urea and other types of fertilizers to attain self-sufficiency levels in the sector. In reply, the Department has informed about the following measures taken to maximize the indigenous production of Urea:

(a) The Government had announced New Investment Policy (NIP) – 2012 on 2nd January, 2013 and its amendment on 7th October, 2014 to facilitate fresh investment in the urea sector and to make India self-sufficient in the urea sector. The policy supports gas-based plants.Total 6 new urea units of production capacity 12.7 Lakh Metric Tonne per annum have been set up under NIP – 2012 and these units have together added 76.2 LMT per annum in the existing indigenous urea production capacity of the country.

(b) The annual installed capacity of indigenous urea production which was 207.54 LMT per annum has thus increased to 283.74 LMT per annum.

(c) The Government has notified the New Urea Policy (NUP) – 2015 on 25th May, 2015 with one of the objectives of maximizing indigenous urea production.

(d) The actual production capacity of urea used to be around 225 LMT per annum before 2015-16. The NUP-2015 has resulted in to additional production of 20-25 LMT per annum from existing urea units as compared to the urea production during 2014-15.

(e) the addition of new capacities after start of production from all the six NIP-2012 units and additional production due to NUP-2015 together have facilitated the actual production of 284.95 LMT urea during 2022-23 which is highest ever production, so far. The production is likely to further increase with the stabilization of production by new units set up under NIP-2012.

(f) Further, an exclusive policy has been notified on 28th April 2021 for the revival of Talcher unit of FCIL by setting up a new green field urea plant of 12.7 LMT per annum through coal gasification route.

New Urea Policy – 2015 (NUP-2015)

21. The Committee further desired to know about the important aspects of New Urea Policy-2015 (NUP-2015) and how it has given a boost to the fertilizers industry and further action being contemplated to facilitate the plants to enhance their energy efficiency. In its reply, the Department of Fertilizers has informed that based on CCEA decision, vide notification dated 25th May, 2015, the Department notified NUP-2015 with the objectives of maximizing indigenous urea production, promoting energy efficiency in urea production and rationalizing subsidy burden on the Government.

Target Energy Norms (TEN) for Urea manufacturing Units

22. As per NUP-2015, the 25 gas-based Urea units have been classified into three groups based on their pre-set energy norms. The revised energy norms for these 25 urea units were determined and notified on 15th October, 2015. Each of these three groups was given a target energy norm for the year 2018-2019 as per details given below:

Group	Energy level (In Gcal/MT)	Target Energy Norm (2018-19) (In Gcal/MT)	Name/No. of Companies
Group-I	5.0 to 6.0	5.5	NFL- Vijaipur-I & II, Kribhcho-Hazira, Indo-Gulf, IFFCO-Aonla-I & II and Phulpur-II, KSFL, CFCL-I & II, TCL, NFCL-I & II (Thirteen Units)
Group-II	6.0 to 7.0	6.2	IFFCO-Kalol, GSFC, RCF-Thal, GNVFC (Four Units)
Group-III	More than 7.0	6.5	NFL-Nangal, NFL-Panipat, Bhatinda, ZACL, SFC, RCF-Trombay-V, IFFCO-Phulpur-I, KFCL (Eight Units)

Notification dated 28th March, 2018: With the approval of the CCEA, Department of Fertilizers vide notification dated 28th March, 2018, has approved the following decisions with regard to Target Energy Norms given to all urea manufacturing units (except BVFCL):

i. For 11 urea manufacturing units viz., YFIL, NFL-Vijaipur-II, GIL, CFCL-Gadepan-I & II, IFFCO-Aonla-II, RCF-Thal, IFFCO-Kalol, IFFCO-Aonla-I, IFFCO-Phulpur-I & II, the target energy consumption norms, will come into force w.e.f. 1st April, 2018.

ii. The existing norms under New Urea Policy-2015 for remaining 14 urea manufacturing units viz., NFL Vijaipur-I, KRIBHCO-Hazira, KFL-Shahjahanpur, NFCL- Kakinada-I, NFCL-Kakinada-II, GNFC-Bharuch, GSFC-Vadodara, NFL-Bathinda, NFL-Nangal, NFL-Panipat, SFC-Kota, KFCL–Kanpur, RCF Trombay-V, ZACL-Goa are hereby extended for further period of 2 years i.e. till 31st March, 2020 with the following penalties:

(a) Penalty equivalent to 2% energy of difference between NUP Energy norms and Target Energy norms of NUP-2015, for the first year i.e. 2018-19.
(b) Penalty equivalent to 5% energy of difference between NUP Energy norms and Target Energy norms of NUP-2015, for the second year i.e. 2019-20.
(c) Urea manufacturing units must achieve Target Energy Norms during the extended period of 2018-19 to 2019-20 failing which additional penalties may be imposed on defaulting units in consultation with the Department of Expenditure.

iii. The aforesaid target energy norms may be continued upto 31st March, 2025. Meanwhile, an expert body under NITI Aayog would be engaged to recommend the energy norms to be achieved from 01st April, 2025.
iv. The three Naphtha based urea units viz., MFL, MCFL, SPIC are also allowed the existing energy norms for another two years i.e. till 31st March, 2020 or till these units get the gas pipeline connectivity, whichever is earlier. There will be no mopping up of energy efficiency for a fix period of 5 years from date of gas pipeline connectivity.

Notification dated 7th July, 2020: Department of Fertilizers vide notification dated 7th July, 2020, extended the existing energy norms under New Urea Policy-2015 for 14 urea manufacturing units till 30th September, 2020 with enhanced penalty of 10% of the difference between NUP existing energy norm and target energy norms of NUP-2015. The revised energy norms has been implemented w.e.f. 1st October, 2020.

Notification dated 18th November, 2022: Vide Notification dated 18th November, 2022, DoF has notified CCEA's approval as under:

(i) The provisions of notification dated 7th July, 2020 extended for 14 urea manufacturing units viz, KRIBHCO-Hazira, NFL-Vijaipur-I, NFCL-Kakinada-I, KFL-Shahjahanpur, NFCL-Kakinada-II, GNFC-Bharuch, GSFC-Vadodara, KFCL-Kanpur, SFC-Kota, RCF-Trombay-V, ZACL-Goa, NFL-Nangal, NFL-Bathinda and NFL-Panipat up to 30th September, 2022 or till the units achieve the Target Energy Norms (TEN), whichever is earlier, with the penalty equivalent to 10% energy of difference between NUP energy norms and target energy norms of NUP-2015 from 1st October, 2020 to 30th September, 2022.

(ii) An additional penalty of 2% will be imposed on all the units which are not TEN compliant w.e.f. 1st October, 2022. This additional penalty along with the penalty imposed earlier will be in effect till 31st March, 2023, by which date all units should mandatorily be TEN compliant and no further extension will be allowed.

(iii) In case, the six urea manufacturing units namely KRIBHCO-Hazira, NFCL-Kakinada-I, NFCL-Kakinada-II, GSFC-Vadodara, RCF-Trombay-V and ZACL-Goa (after excluding the 8 urea manufacturing units which have either successfully implemented the ESS or are being allowed to use coal as mix of energy) are not able to meet the TEN even by the extended timeline of 31st March, 2023, Department of Fertilizers would move a proposal after in depth examination, for consideration of Department of Expenditure and the said proposal would be examined on its own merit.

23. During the evidence, while elaborating about the 3 groups of pre-set energy norms into which the Urea manufacturing units have been divided, a representative of the Department informed that the lesser the energy level the more energy efficient is the Unit. This has been done to make the Units more energy efficient, increase production and reduce the subsidy burden. It was also apprised that the New Urea policy has resulted in budgetary saving of ₹ 8851 crore. The energy consumption trend of the Urea plants from 1987-88 to 2021-22 also reflects 60 percent reduction in energy consumption by the units and has resulted in average energy consumption coming down to 5.8 G cal/ MT from 8.87 Gcal/MT.

24. On being asked about the constraints being faced by the fertilizers companies in achieving the Target Energy Norms (TEN), the Department in its written reply has stated that Target Energy Norms of NUP-2015 have been successfully implemented on 18 units out of 25 units covered under NUP-2015. Two units namely PPL-Goa and GSFC-Vadodara are implementing energy saving schemes (ESS) and are expected to achieve TEN before the end of NUP-2015 tenure i.e. by March-2025. However, 2 units of NFCL namely NFCL-Kakinada-I and NFCL-Kakinada-II have not achieved TEN, due to non-implementation of the ESS and financial constraints being faced by the company but are likely to achieve TEN by March 2025. 2 other units viz. KFCL-Kanpur and SFC-Kota have not achieved TEN as these units use coal and power for upto 30% of their total energy requirement for the production of urea. As TEN can be achieved by these units only by replacing the cheaper coal/power with the costlier natural gas leading to higher cost of urea production and subsidy outgo, these units have been allowed to continue the use of coal and Government is

in process of formulating revised TEN which can be achieved by these units without disturbing the existing proportion of coal.

Procurement of gas for production of Urea

25. On being asked about the measures through which the cost of Urea production may be controlled/ reduced, the Department informed as follows:

> *"Cost of production of urea depends upon the efficiency for the use of raw materials such as energy (i.e. natural gas), water and power and the cost of input materials used by the units. Other costs have been included under the fixed cost of the urea units which are fixed for all the units. It has been observed that the cost of energy (i.e. natural gas) is main raw material and more than 80% cost of production of urea may be attributed to the cost of energy.*
>
> *Therefore, Government by means of policy provisions such as NUP-2015 etc. is facilitating units to become more efficient in energy consumption. Further, Government has also been monitoring the delivered price of natural gas and advising/facilitating the units in procuring the natural gas from cheaper sources, so that the cost of production can be brought down resulting into reduction in the subsidy outgo. DoF has issued advisory to all the urea manufacturing units to explore long term sources of natural gas including RLNG. Steps are also being taken to explore the sources of the mid-term natural gas. Further, in consultation with M/o P&NG, some reforms have been brought under EPMC gas procurement mechanism which includes Pooling of gas requirements of urea units, monthly tender, matching L-1 price, guaranteed off-take etc. in order to procure spot gas at cheaper prices."*

26. During evidence, a representative of the Department also informed that the total production capacity of the 36 Urea units is 283.74 LMT while the total gas requirement is 52 Million standard cubic feet per day (mmscmd) which comprises more than 80% of the cost of production of Urea. Out of the total gas requirement, more than 70% is supplied by GAIL. It was further informed that three types of gas are used in Urea production, first is domestic gas which is produced in our country and is available at lesser cost, second one is Re-liquefied Natural Gas (RLNG) and the third is RLNG-Empowered Pool Management Committee (EPMC). The use of domestic gas which was 30% in 2019-20 has over the years now reduced to 10% in the third quarter of 2022-23 even though its rate has increased from 4.22 $/ mmbtu to 10.33 $/ mmbtu over the year. The use of RLNG has increased from 63% to 64% over the years while its cost has increased from 11.46$ /mmbtu to 20.74 $/ mmbtu over the year. Further, the use of RLNG-EPMC has increased from 8% to 26% during the period. The overall gas procurement rates has increased from 9.15 $/ mmbtu to 27.86 $/mmbtu. An Empowered Pool Management Committee has been constituted under the gas pooling policy of the Ministry of Petroleum and Natural Gas as per which the domestic gas has been pooled with the RLNG gas so that all the Urea units may get gas at a uniform price. GAIL is the gas pooling authority which procures EPMC gas through tenders for supply to these Urea units.

27. It was further submitted as under:

सर, जैसा एिडशनल सेक्रे टरी ने बताया है, बेिसकली हमारी तीन गैस हैं, एकडोमेिस्टक गैस है, एक लांग टमर् आरएलएनजी है। डोमेिस्टक तो हमारे देश क�गैस है। जो लांग टमअरएलएनजी है, हमारे लांग टमर् एग्रीमें ट्स फिटर्लाइजर यूिनट्स के बाहर क�कंपनीज के साथ हैं।हमारे वषर् 2027-28 तक के उनके साथ एग्रीमें ट्स हैं। इन दोनों गैस के अलावा, we need some additional gas which is procured through EPMC mechanism. For this, we doshort-term tende₹ Earlier, when we were doing tenders for third quarter of thisFinancial Year, the rates which we got in EPMC were very high. They were ashigh as 60 dollars per MMBtu. The average cost of gas which we got in EPMCshort-term tender, was 52 dollars, whereas, हमारा लांग टमर् एग्रीमें ट का जो रेट है, it wasabout 20 dolla₹ We could see that there was a huge volatility in the gas prices.सर, जो हमारा ईपीएमसी का शॉटर् टमर् टेंडर होता था, उसमें पूरे क् वाटर् र का एक साथ टेंडर होता थाऔर हर यूिनट के िलए हम इंिडिवजुअल रेट्स मंगाते थे। अगली स् लाइड पर आइए। टेंडसर् में इस बारहम लोगों ने कॉफ�चेंज िकया है। हमने मंथली टेंडसर् मंगाये और जो िडमांड थी, उसे एग्रीगे ट िकया।उसका फायदा हमें यह िमला िक जब हम लोगों ने मंथली टेंडर मंगाये तो हमारा गैस का जो औसतमूल्य 52 डॉलर आ रहा था, वह गैस में 25 डॉलर क� िमली। इस फरवरी का भी हम लोगों ने जबअभी टेंडर िकया, उसके टेंडर आज ही खुले हैं, we are getting gas for 17 dollars on foreigncomponent. टोटल ट्ां सपोटेर्शन आिद िमलाकर वह गैस हमें 20 डॉलर तक क� िमल जाएगी। इसवजह से हम लोगों ने ईपीएमसी में टेंडर के प्र ोसे स को �रफामर् िकया है। इसमें हम लोग कॉफ�सेिवंगकर पाए हैं। हमने पहले क् वाटर् र में 3.5 हजार करोड़ �पये क�सेिवंग क�। इन तीन महीनों में भी हमलगभग इतनी ही सेिवंग करेंगे। हम लोग शॉटर् टमर् टेंडर में जो चेंजेज लेकर आए हैं, हमें उम्मीद है िकपूरे साल इस टेंडर क�वजह से 10 हजार करोड़ �पये क�सेिवंग हमारी आएगी। इसके अलावा गैसके प्र ोक्योरमें ट के िलए हम लोग यूिनट्स को और एडवाइज कर रहे हैं िक आप लोग लांग टमर् टेंडसर्के िलए अभी से कायर्वाही शु�करें। We have been told by the Ministry of Petroleum and Natural Gas that all long-term gases have already been booked till 2027-28.So, we will be getting very cheap gas from 2027-28 onwards. However, for these three years' period, that is, from 2024 to 2027, we are trying to procure gas on medium-term contracts. We have already started the process. So, it is very important for us that we procure gas at a reasonable price because हमारा 80परसेंट, जो सिब्सडी का और कॉस्ट ऑफ प्र ोडक्शन का कॉस्ट है, वह गैस पर ही जाता है। अगर हमेंसस्ती गैस िमलती है तो ठीक रहेगा। हमारे साथ इश्यू यह है िक हमारी डोमेिस्टक गैस िसफर् 10परसेंट है, बाक�हमारी इम्पोटेर् ड आरएलएनजी है। बाहर िजतनी अिस्थरता है, वह हमें डायरेक्टली प्रभािवत करती है। So, in a way, we are too much dependent on RLNG. This is the reason behind it. But we did much effort on this, and we were able to save around ₹ 10,000 crore.

28. It has been informed that the EPMC gas rates for quarter-3 (Oct-Dec, 2022) has varied from US$ 48/mmbtu to US$53.6/ mmbtu. During the same period, the spot gas rate in November, 2022 was 20.8/mmbtu and in December, 2022, it was 23.1/mmbtu. The Department has, therefore, requested the Urea units to replace the costlier EPMC gas by procuring cheaper gas by means of other alternatives including Spot gas.

29. On being enquired about the import procedure of fertilizers, a representative of the Department submitted as under:

"We have two State Trading Entities, which are our PSUs – National Fertilizers Limited (NFL) and Rashtriya Chemical and Fertilizers (RCF), and then the other

one is Indian Potash Limited (IPL). They procure urea imports to the country through tender. We have a Steering Committee of Secretaries (SCOS). Secretary, Fertilizers is the Chairman of this Committee. Chairman (Railway Board), Secretary (Commerce), Secretary (Expenditure), Secretary (Agriculture) and Secretary (Shipping) are the members of this Committee. They decide how much the requirement of the import urea is. Other P&K fertilizers are OGL, so the companies get import their fertilizers based on their requirements. The requirement is assessed beforehand. There is no intervention from the Government side, although we are helping in finalizing the MOUs with different countries.

So, this is regarding urea. The entire thing is hand held by the Government of India. Once we know the requirement, we know the production in the country, then whatever is the gap, the Steering Committee approves that to be imported from outside. These STEs procure urea from global suppliers through tender Once it comes here, there are certain companies which are called fertilizers marketing entities – they are nothing but the fertilizers companies – act as marketing agencies and market the imported urea and supply to different States as per the supply plan that we prepare. As far as long-term urea import is concerned, we have three-year long-term agreement with OMIFCO, Oman for 10 LMT/ year. They have started supply from 2022 and will continue for next three years, that is, up to 2025."

30. When asked about the expected reduction in cost of production of Urea and thus the Government subsidy budget on fertilizers during the current financial year (FY) due to recent decline in gas procurement price, it has been informed that during the financial year 2023-24, cost of production estimated per MT is Rs 50,798/MT approx. However, due to decline in Natural Gas procurement price the estimated cost of production of Urea will be ₹ 36,592 per MT (6.144 Gcal/MT x Rs 5500/Gcal) i.e. reduction in cost of production of ₹ 14,206 per MT (28%). Therefore, the expected effect of recent decline in gas procurement price to the Government subsidy budget on fertilizers during the current financial year is Rs 43,470* (₹14206/MT x 306 LMT estimated production) crores (31%).

*Budget Estimate (BE) ₹ 1,40,426 crores for the financial year 2023-24. Due to recent decline in Natural Gas procurement price estimated budget to be ₹ 96,956 crores.

Dealer's/ Distribution Margin

31. The Committee have been informed that the dealer's margin in case of sale of Urea is Rs 354 per Metric Tonne (i.e. ₹ 0.354 per kg) while the Retailers Margin is ₹ 50 per MT (i.e. ₹ 0.05 per kg). When asked whether the low margin on sale of Urea may prompt the dealers/ retailers to engage in malpractices like overcharging/ tagging/ adulteration/ black marketing/ smuggling, etc. and the proposal, if any, to enhance/ rationalize the dealer's/ retailers' margins on sale of Urea, it has been informed as under:

"*The Government of India considered the demand and vide notification dated 28th March, 2018, DoF has revised Dealer's Margin from ₹180/200 per MT of Urea (for Private Agencies/Institutional Agencies) to ₹354 per MT of Urea,* *effective from 1st April, 2018, which will be paid on the quantity sold through POS devices only.*

It is pertinent to mention here that no separate margin is paid to retailers and their margin is included in the above-mentioned figure of ₹ 354/MT. However, as per Notification dated 12th October, 2012, an incentive of ₹ 50/MT is given to retailers for acknowledging the receipt of fertilizers in the m-FMS by increasing the MRP. Further, as per Notification dated 20th May, 2019, ₹ 50/MT is paid as retailer margin for the cost towards purchase of POS devices, Annual Maintenance Contract (AMC) of PoS Devices and for acknowledging the receipt of fertilizers in mFMS.

It is clarified that the incentive of ₹ 50/MT was given to retailers for acknowledging the receipt of fertilizers in the m-FMS. At that time POS devices were not in use. However, after the introduction of POS devices, the manual entry in m-FMS is not necessary and the urea manufacturers/companies are responsible for installing POS devices, their maintenance etc. The urea manufacturers were to recover the cost of purchase of POS devices, maintenance etc. from the incentive of ₹ 50/MT notified for the retailers since the work for which the incentive was given was now to be performed through POS devices.

Further, no proposal for modification of Dealers margin is under consideration in the Department at present."

32. To a pointed query about the low retailer's margin of ₹ 2.20 per 45 kg Urea bag, a representative of the Department responded as under:

"Please do not look into the bag size. If it is into lakhs of metric tons, the margin will be high."

33. To this, the Committee pointed out that the labour cost on loading and unloading of a 45 kg Urea bag is also more than the retailer's margin of ₹2/- per bag and therefore, they may be tempted to indulge in malpractices in sale of Urea. In response, a representative of the Department stated that in that case the rates must be revised which will add up to the subsidy burden of the Ministry.

34. Drawing attention to the reported shortages of fertilizers at local level and the short comings in the distribution system due to mal-functioning of bio-metric authentication and the low retailer's margin which prompts the retailers to indulge in black marketing of fertilizers , a representative of the Department responded in affirmative and stated that the points have been noted.

Methodology for calculating the subsidy on Urea

35. During the evidence, a representative of the Department informed the Committee that normally when urea or any fertilizers is manufactured or imported, a plan is given to the companies based on the requirements of the States. Then the

fertilizers is moved to the States. Once the sale happens through the POS machines, then we provide the subsidies to the companies.

36. In this regard, explaining about the methodology for payment of subsidy to the Urea manufacturing companies after its sale through the PoS machines, it has been informed that under the fertilizers DBT system, 100% subsidy on various fertilizers grades including urea is released to the fertilizers companies on the basis of actual sales made by the retailers to the beneficiaries. Sale of all subsidized fertilizers to farmers/buyers is made through Point of Sale (PoS) devices installed at each retailer shop and the beneficiaries are identified through Aadhaar Card, KCC, Voter Identity Card etc. Different States/U.T.s have been put on Go-Live mode w.e.f. 01.09.2017 and the Pan-India Roll out has been completed by March, 2018.

37. Regarding the formula for calculating the net market realization on sale of a 45 kg bag of urea at current rates, it has been informed that net market realization in case of urea is the amount of MRP left with urea manufacturing companies after giving dealers margin and deducting the cost of POS installation/ maintenance/ acknowledgment by retailer under iFMS. The market realization on sale of a 45 Kg bag of urea at current rates is ₹223.82. Formula for determining net market realization is given as under:

Net Market Realization = M.R.P. – (Dealer Margin + cost of POS installation/maintenance/acknowledgment by retailer under iFMS)
Current MRP of urea is ₹242 per 45 Kg bag i.e. ₹5377.78 per MT
Current Dealer Margin is ₹354 per MT i.e. ₹15.93 per 45 Kg bag.
Current Cost of POS installation/maintenance/acknowledgment by retailer under iFMS is ₹50/MT i.e. ₹2.25 per 45 Kg bag.
Therefore, Net Market Realization per 45 kg bag (in ₹) = 242-15.93-2.25 = ₹223.82."

(B): Nutrient Based Subsidy Policy

Salient features, aims and objectives:

38. The Committee have been informed that all P&K fertilizers are covered under Open General License (OGL) regime and are imported by the companies on commercially viable terms. Government facilitates the imports of the fertilizers /raw materials by the P&K fertilizers companies from other fertilizers companies through long term MoUs/ agreements, etc.

39. On being asked about the salient features, aims and objectives of Nutrient Based Subsidy (NBS) Policy, it has been informed that the Government has implemented NBS Policy w.e.f. 1.4.2010 for Phosphatic and Potassic (P&K) Fertilizers Under the policy, a fixed amount of subsidy is fixed on nutrients namely

Nitrogen (N), Phosphate (P), Potash (K) and Sulphur (S) by the Government on annual/ bi-annual basis. The per Kg subsidy rates on the nutrient N, P, K, S is converted into per Tonne subsidy on the various P&K fertilizers covered under NBS Policy. Any variant of the fertilizers covered under the subsidy scheme with micronutrients namely Boron and Zinc, is eligible for a separate per tonne subsidy of ₹ 300 per MT and 500 per MT respectively to encourage their application along with primary nutrients. MRP is fixed by fertilizers companies as per market dynamics at reasonable level which is monitored by the Government. Accordingly, farmers including poor and marginal farmers who buy these fertilizers get benefits of subsidy and fertilizers are available to them at affordable cost.

40. The main objectives of NBS Scheme are stated to be as under:

i. To promote balanced use of fertilize₹
ii. To reduce subsidy burden on the Government.
iii. To improve availability of fertilizers to farmers at affordable costs.
iv. To encourage competition among fertilizers companies

41**.** The Committee have further been informed that as India is 100% import dependent on Potassic fertilizers and upto 90% on Phosphatic fertilizers and its raw materials, the increase in international price affects the prices of P&K fertilizers. However, GoI has analyzed the situation and notified the subsidy rates under the Nutrient Based Subsidy (NBS) scheme in such a way that the international price rise does not affect farming community of India and these fertilizers could be available at the affordable rates to Indian farmer The subsidy rates under NBS scheme during FY 2021-22 and FY 2022-23 are given as under :

Sl. No.	**Nutrient**	**NBS (₹ Per Kg of Nutrient) (From 01.04.2021 to 19.05.2021)**	**NBS (₹ Per Kg of Nutrient) (From 20.05.2021 to 31.03.2022)**	**NBS (₹ Per Kg of Nutrient) (From 1.04.2022 to 30.9.2022)**	**NBS (₹ Per Kg of Nutrient) (From 1.10.2022 to 31.3.2023)**
1.	**N**	18.789	18.789	91.96	98.02
2.	**P**	14.888	45.323	72.74	66.93
3.	**K**	10.116	10.116	25.31	23.65
4.	**S**	2.374	2.374	6.94	6.12
A special one-time package with additional subsidy has been provided (effective from 01.10.2021 to 31.3.2022) For DAP at ₹8769/MT and 3 most consumed NPK fertilizers (10:26:26, 20:20:0:13 and 12:32:16) at ₹ 2000/MT for each grade in order to make P&K fertilizers available at affordable prices to the farmer					

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42. During the evidence, explaining about the NBS rates fixed in different years from 2021 to 2023, a representative of the Department informed that the NPK rates

of Nitrogen has remained constant for two years i.e.₹18.789/ kg. Thereafter, it had gone up to ₹91.96/kg between April, 2022 to September, 2022. The Urea price increased because of Russia-Ukraine conflict as well as because of the pandemic, and has thus jumped up to ₹91.96/ kg. Similarly, the value of other contents like ‘P’, ‘K’ and ‘S’ have also increased. It is because of this NBS, we could reduce subsidy around ₹22,500 crore from 2011 to 2016-17. Afterwards it has increased to ₹52,725 crore. It was further informed that the NBS rates are fixed on annual basis for nutrients N P, K and Sulphur (S) on per kg basis which is converted to per MT subsidy for each grade of NBS fertilizers. Subsidy for ‘N’ is derived from Cost and Freight (CFR) of Urea, subsidy for ‘P’ is derived from CFR of DAP, subsidy for ‘K’ is derived from CFR of MOP. On the basis of the said calculation, the cost of nutrient is worked out and the subsidy on the said nutrient is given accordingly.

43. On being asked about the policy of the Department to ensure that DAP and NPK fertilizers are available to the farmers at affordable prices under NBS subsidy Policy in future also, it has been informed that in the wake of increased international prices of finished P&K fertilizers as well as its raw materials, Government has increased the subsidy rates on P&K fertilizers so that these fertilizers may be made available at affordable prices to farmers.

44. When asked about the present applicable NBS subsidy rates (in ₹ per kg) for N, P, K & S fertilizers nutrients after 31.03.2023, the Department in its written reply has apprised that the present NBS rates are applicable till 31.3.2023 only.

<u>Guidelines for evaluation of reasonableness of MRP of P&K fertilizers</u>

45. On being asked about the methodology adopted by the Government to ensure the reasonableness of MRP of P&K fertilizers fixed by the Fertilizers companies, it has been informed that as per reasonableness guidelines dated 15.11.2019 issued in respect of P&K fertilizers under NBS scheme, any profit earned above 12% on cost of sales is treated as “unreasonable profit” and the same is recovered from the company. For this purpose, the cost data analysis of cost incurred by P&K fertilizers companies in manufacturing/importing products is done by FICC (attached office of the Department) and accordingly, the reasonableness of MRP of P&K fertilizers fixed by the companies for their individual P&K fertilizers product is calculated.

46 When asked to provide the latest orders regarding revision in the NBS rates under the scheme, it has been stated that the reasonableness guidelines are under abeyance.

47. In this context, when further asked about the criteria adopted for deciding the product wise subsidy rates on various grades of P&K fertilizers covered under FCO

and NBS policy, it has been stated that under NBS policy, Government has constituted an Inter-Ministerial Committee (IMC) with Secretary (Fertilizers) as Chairperson and Joint Secretary level representatives from Department of Agriculture and Farmers Welfare (DA&FW), Department of Expenditure (DOE), NITI Aayog and Department of Agricultural Research and Education (DARE). This committee recommends NBS rates for various nutrients i.e. N, P, K & S on the basis of 'Benchmark International Prices' of major consumed Fertilizers i.e. Urea, DAP, MOP & Sulphur considering the annual / biannual average/current prices published in Fertilizers Market Bulletin (FMB) for taking the decision by Government. IMC also considers other relevant factors like requirement of nutrients in the country, balanced use of Fertilizers, subsidy burden, MRP of Fertilizers etc. while recommending the subsidy rates for different nutrients.

Measures to secure cheaper purchases of P&K Fertilizers and raw materials

48. Regarding the measures taken to secure cheaper purchases of P&K Fertilizers and raw materials, it has been informed that on the initiative of the Hon'ble Minister of Chemicals and Fertilizers, Department of Fertilizers have facilitated long term MoUs between the Indian fertilizers companies and fertilizers companies from other countries based on formula-based pricing. Under the initiative, Joint venture for mining, manufacturing fertilizers intermediates and finished fertilizers have also been initiated / extended. Their progress is reviewed from time to time at various levels.

49. The Committee desired to know about the problems/constraints being faced in the effective implementation of the fertilizers subsidy schemes (both Urea and P&K) and the future plans and policy including discontinuing, reducing / phasing out or extending the scope of fertilizers subsidy schemes. In reply, it has been stated that no constraint is being faced in the effective implementation of Urea Subsidy Scheme. Moreover, NBS scheme has been successful in meeting its objectives. Any problems faced due to price volatility in the international prices of finished P&K fertilizers as well as its raw materials are overcome through annual/biannual revision of subsidy rates and various other measures to ensure availability of fertilizers The NBS scheme has been approved for implementation upto FY 2025-26. Further, there is no proposal as on date to discontinue the policy or reduce/phase out or extending the scope of the scheme.

50. About the objectives and targets of the P&K fertilizers subsidy policy, it has been informed that as per the Third-Party Evaluation report to assess the impact of Nutrient Based Subsidy (NBS) scheme, the Department has been able to meet most of them and has been able to improve availability of P&K fertilizers to the farmers and to encourage competition among the fertilizers companies. However, the objective of balanced use of fertilizers has been influenced due to the controlled prices of Urea which remained more or less the same in last 10-12 years in comparison to the P&K fertilizers prices which is decontrolled and has increased in

the past due to rise in prices due to geo-political reasons, etc. which necessitated the increase in NBS subsidy rates to make them available to the farmers at affordable prices. It was also submitted that the future targets of the Department are to i) make P&K fertilizers available at affordable prices to Indian farmers, ii) give support for Aatmanirbhar Bharat in Phosphatic sector, iii) facilitate exploration of domestically available fertilizers minerals, in consultation with Ministry of Mines, GSI, MECL, FAGMIL and concerned State Governments, which is a continuous process and to iv) diversify availability of fertilizers /intermediates/raw materials from various resource rich countries.

Measures to maximize indigenous production of P&K fertilizers, etc.

51. When asked about the measures taken by the Government to maximize the indigenous production of P&K fertilizers, it has been stated that India is fully dependent on imports in Potassic sector and to the extent of 90% in Phosphatic sector in the form of either finished products or its raw material. However, the Government has taken the following steps to increase indigenous production of P&K fertilizers:

(i) DoF granted permission to Madhya Bharat Agro product Limited Unit-II, Banda Sagar, MP for production of DAP/NPK with installed capacity of 2.40LMT per annum.
(ii) DoF granted permission to M/s. Krishna Phoschem Ltd, MP for production of DAP/NPK with installed capacity 3.30 LMT per annum.
(iii) PDM or Potash Derived from Molasses (0-0-14.5-0) has been included under NBS scheme.
(iv) Freight Subsidy on SSP which is an indigenously manufactured fertilizers has been made applicable for Kharif and Rabi 2022-23.
(v) Exploration of minerals for raw materials for DAP & other fertilizers in India, in consultation with Ministry of Mines, GSI, MECL, FAGMIL and concerned State Governments is a continuous process.

52. In this context, during evidence, a representative of the Department submitted that as part of new initiatives in P&K sector, apart from coming up with new P&K plants, Potash Derived from Molasses (PDM) which is 100% indigenously manufactured and can substitute potash to a certain extent have been included under NBS. As the country imports 60 per cent potash from outside and if PDM is promoted its import may be reduced. Similarly, the raw material for Single Super Phosphate (SSP), which is imported, is available in Rajasthan and Madhya Pradesh and is now 100 per cent indigenously produced. The Government has now included SSP under freight subsidy on pilot basis for the Kharif and Rabi season, 2022.

III Third-Party Evaluation report(s) on Nutrient based Subsidy Scheme and Urea Subsidy Scheme.

(i) <u>Nutrient based Subsidy Scheme</u>

53. When asked to provide a gist of explanatory note and major recommendations contained in the Third-Party Evaluation report on Nutrient based Subsidy Scheme and action taken thereon, the Department in its reply has stated that in order to examine the efficacy of the NBS Policy for P&K fertilizers implemented w.e.f 1.4.2010, on the instructions of D/o Expenditure a third-party evaluation for certain Central Sector schemes including NBS scheme was carried out for its continuation. Accordingly, DoF initiated the study of its NBS Scheme for P&K fertilizers for which the scope of work of contract included the following :

(i) To ascertain whether and to what extent NBS policy has been able to meet its objectives of ensuring availability of P&K fertilizers to farmers at reasonable prices.

(ii) To ascertain the impact of NBS policy on balanced use of fertilize₹

(iii) To suggest (if any) modification in policy to better meet the above objective of the policy.

(iv) In view of changed domestic and international scenario, suggest (if any) modification in policy

(v) To suggest strategy for securing supply of P&K fertilizers on long term basis along with protection from international price volatility.

54. It was added that on successful completion of third-party evaluation, the Expenditure Finance Committee (EFC) proposal for continuation of NBS scheme was prepared which was accepted by EFC and granted NBS scheme continuation from FY 2021-22 to 2025-26.

<u>Major Recommendations:</u>

1. The continuation of this scheme is necessary and the objective of `availability at subsidized /reasonable price' has been met, though some constraints like decreasing subsidy on NBS products and keeping constant pricing of Urea results in overall decrease in the demand and consumption of NBS products unless appropriately addressed.

2. The entire industry needs to be decontrolled as soon as possible so as to realize its full potential.

3. Special package needs to be provided to augment the manufacturing facilities so as to reduce the import dependency. There is thus an urgent need to augment domestic production and reduce the import dependency, even if a special one-time packages for setting up /augmenting of manufacturing facilities is required and shift all fertilizers imports to OGL and free of any regulations whatsoever.

4. Domestic production be maximized on domestic front and on international front more joint ventures be set-up abroad and more assets be purchased / leased abroad.

5. Department of Agriculture & Farmers' Welfare / Department of Fertilizers may put in place specific well-coordinated measures including and extending to farmers the benefits of balanced usage of fertilizers , higher use efficiency and better scientific and management practices for use by the farmers through a dedicated strategy of farm extension services, awareness generation and publicity.

Current Status:

EFC granted continuation of NBS scheme from FY 2021-22 to 2025-26.

55. On being further asked whether the Government has been able to achieve the desired levels of consumption of N:P:K fertilizers through its Nutrient based Subsidy Scheme and about the efforts made by the Department to rationalize/ correct the consumption ratio of N:P:K through its NBS scheme, it has been replied that the NBS Policy did not succeed in controlling the imbalanced use of N, P and K nutrients in the soil which indicates that the efforts to promote balanced fertilization were not well directed and publicized. The reasons for such imbalance is the preference of Urea containing 'N' because it is cheaper than P&K fertilizers. The Department has introduced freight subsidy for Single Super Phosphate (SSP) and it has included Potash Derived from Molasses (PDM) under the NBS scheme, which not only promote the indigenous manufactured fertilizers but also help in improving the consumption ratio of P and K in comparison to N.

(ii) Urea Subsidy Scheme

56. The Committee have been informed about the gist of the recommendations/findings of the Third-Party Evaluation report on Urea Subsidy Scheme along-with its comments as under:

S.No.	Recommendations	Comments of Department
1.	The study noticed that Urea Subsidy Scheme has a great impact on agricultural sector in increasing crop yield and reducing the expenditure of farmers for cultivation. Also, it was noticed that due to the scheme, most farmers get their full requirement of urea, of good quality and in time. Because of the success of the scheme, there is improvement in energy efficiency of urea industries. Thus, there is the necessity for continuation of the urea subsidy scheme to help the urea industries, farmers and the agriculture sector.	Department of Fertilizers is in the process of preparing an EFC proposal for continuation of Urea Subsidy Scheme.
2.	Since there is need to continue subsidizing the urea for farmers, it will not be suitable option that the subsidy could directly be transferred in the accounts of farmers since DBT to farmers is a complex system. Thus, it is suggested that under the scheme, subsidy amount to the manufacturing/ importing companies should be given as per the current policy. At the same time, necessary modalities should be developed to reduce the delay in release of subsidy amount to the manufacturing/ importing companies.	Department of Fertilizers ensures that there is no unnecessary delay in releasing the subsidy amount to the urea manufacturing units. However, sometimes there are unavoidable delays due to delay in receipt of requisite data from the manufacturing unit, insufficient budget allocation etc.

S.No.	Recommendations	Comments of Department
3.	The study observed that five manufacturing units under public sector are under progress at Ramagundam, Talcher, Sindri, Gorakhpur and Barauni. Concrete steps should be taken to complete these units within the stipulated time period so as to meet the urea demand in the country. Self-sufficiency in urea products would help in reducing the subsidy burden.	Ramagundam, Sindri, Gorakhpur and Barauni are already operational. Talcher is likely to be operational in Sep, 2024.
4.	There is very little knowledge and understanding available with the farmers on the use of appropriate amount of urea in view of the soil conditions as well as the cropping patterns. Thus, awareness programs may be conducted in the villages to aware the farmers about soil testing and balances use of urea.	As per allocation of business rule, such awareness programs do not come under the domain of Department of Fertilizers Department of Agriculture & Farmers' Welfare (DA&FW) and State Governments use to conduct such awareness programs. Further, the PM-PRANAM s likely to motivate the state governments to conduct such awareness programs.

57. On being asked about the current status of implementation of the Urea Subsidy Scheme, it has been informed that the Expenditure Finance Committee (EFC) has concurred for the Continuation of Urea Subsidy Scheme till 2024-25. A Note for taking approval of the Cabinet Committee on Economic Affairs (CCEA) is under preparation in the Department of Fertilizers The Committee have learnt that the Government on 28 June, 2023 have decided to continue the current urea subsidy scheme for three years ending March 2025, with an outlay of ₹3.68 lakh crore which would ensure the availability of urea to the farmers at the same price of ₹ 242/- per 45 kg bag excluding taxes and neem coating charges and moderate input costs.

IV. <u>Projected Budgetary requirements to meet the demands of fertilizers subsidy schemes</u>

58. When asked if the budgetary allocations of the Department of Fertilizers are as per projections, the Department in its reply has informed that though the budgetary support for subsidy on Indigenous Urea at the stage of BE allocation of fund is lesser than the requirement, however, at the RE stage sufficient budgetary support is being provided by allocating more funds. The BE figures are only initial projection and is a conservative estimate and requirement of additional funds are re-assessed during the course of the year taking into account trends in demand of fertilizers and also prices of inputs costs for manufacturing of urea.

59. During evidence, the Committee pointed out that the Department's fertilizers subsidy budget allocation during the financial year 2022-23 at Budget Estimate (BE) stage was ₹ 1.05 lakh crore while its Supplementary Demands was for ₹ 1.09 lakh crore which is more than the BE itself. In response, a representative of the

Department informed that it was not any mistake as BE is estimated at the early phases of the year. During the middle of the year, the import prices of Urea and gas and that of raw materials for DAP, NPK have increased many times. However, there has been no change in the quantities of import.

60. On being asked whether the Government has imposed certain limit for purchase of fertilizers covered under the Subsidy Schemes, it has been informed that a limit of 50 bags per Aadhar per month for all kind of subsidized fertilizers under the Subside scheme have been imposed.

V (A) <u>Promotion of balanced use of Fertilizers</u>

61. On being asked about the prescribed/ correct dosage of fertilizers nutrients for balanced fertilization of crops, it has been stated that the prescribed/correct dosage of fertilizers nutrients to crops depends on proper assessment of nutrient requirement of crop and crop cultivars, contribution of nutrients from soil and other sources, nutrient use efficiency of the fertilizers, availability of assured irrigation, mode, method and time of applications.

62. When asked about the initiatives taken by the Government to promote balanced use of fertilizers in the country to save the crop and soil health, the Department has informed that ICAR suggests soil test based balanced and integrated nutrient management through conjunctive use of both inorganic and organic sources (manure, bio-fertilizers etc.) of plant nutrients to meet crop nutrient requirement and maintain good soil health in the country.

63. During evidence, the Committee expressed their concern on the overuse of Urea by the farmers in relation to other fertilizers in the country as it is absurdly cheap due to subsidy. In reply, a representative of the Department informed that though the recommended dose of use of Nitrogen, Phosphorus and Potash is 4:2:1 it has increased to 8:3:1 indicating over use of Nitrogen fertilizers consumption. This will lead to leaching and affect the soil health.

64. Expressing their concern in this regard, the Committee desired to know whether there was a need to modify the subsidy policy so that Urea is not overused and it promotes balanced use of fertilizers. The Committee stressed on the need to draw a mechanism to decrease the use of chemical fertilizers in phases and also to maintain its production level to meet future requirements.

65. Replying to the concerns expressed, the Department informed that they have taken an initiative with the Ministry of Agriculture to promote organic farming. There are certain schemes like Paramparagat Krishi Vikas Yojana, Mission Organic Value Chain Development and Natural farming. A proposal of the Department for introduction of ₹ 1500/- per MT Market Development Assistance on organic and bio-fertilizers has been sent for approval of the Department of Expenditure.

Moreover, compressed bio-gas plants are being commissioned under the SATAT and GOBARdhan schemes.

(B) SOIL HEALTH CARD

66. When asked about the administrative mechanism put in place for issue of soil health cards on the basis of soil testing and measures taken to educate the farmers about the appropriate/ balanced use of fertilizers, it has been informed that the Government has launched a National Mission on Soil Health Card to evaluate fertility of soils/arable land across the country and to provide soil test-based fertilizers recommendation to farmers in the country. The Indian Council of Agricultural Research (ICAR) has developed location specific soil test-based fertilizers prescriptions equations for various crops to provide soil test-based fertilizers recommendations to the farmers in the country under National Mission on Soil Health Card. The Council has also prepared a soil testing manual including method of sampling and contributed towards development of Soil Health Card portal. Indian Institute of Soil Science, Bhopal and Indian Agricultural Research Institute, New Delhi have developed digital soil test kits for estimating all the 12 parameters enlisted in soil health card. Krishi Vigyan Kendras (KVKs) and some of the ICAR institutions are equipped with these kits to supplement the soil analysis and distributing soil health cards. Besides, ICAR imparts training, organizes Front Line Demonstrations (FLDs) to educate farmers on soil test based balanced and integrated nutrient management.

67. The Committee further pointed out that even though 22 crore soil health cards have been issued to the farmers; the KVKs, Agricultural Universities or the State Governments are not taking optimum measures to facilitate soil testing at the district and block levels. The Committee emphasized that for effective utilization of soil health cards issued to the farmers, a proper mechanism must be developed where the Government official visits the village on a prescribed date and time for testing of soil. Till the farmers are made aware that the use of Urea is actually spoiling their soil, they will not decrease its use. To this, a representative of the Department responded in affirmative and apprised that even though awareness generation falls under the jurisdiction of the Agriculture Department and the State extension machinery, the Department also assists and coordinates in this regard through its companies, PSUs, KVKs and PM Kisan Samridhi Kendras.

68. In this context, it was added that to decrease the use of chemical fertilizers in the country, the Department is working on a saving scheme whereby if any State consumes less chemical fertilizers during the year than the average consumption of the last three years, it will be given 50% of the savings on subsidy on the decreased amount as an incentive for use in development works, promotion of organic farming or non-chemical fertilizers The Committee have learnt that the Government has now approved PM Programme for Restoration, Awareness, Generation, Nourishment and Amelioration of Mother Earth (PM-PRANAM) scheme, for grant of ₹ 1500 per MT Market Development Assistance on organic and bio-fertilizes, to incentivize the States

to reduce the use of chemical fertilizers and promote alternative fertilizers , which will help maintain crop and soil health.

VI Measures to stop malpractices in the sale of fertilizers

69. During evidence, the Committee, having regard to some cases of over-charging per bag of urea beyond MRP and complaints of tagging of items with the sale of Urea, opined that the benefit of subsidy on fertilizers should reach the farmers. In response, a representative of the Department informed that all the fertilizers companies have been given strict instructions not to indulge in tagging of items and in case of any such complaints their subsidy is withheld. Regarding, sale of urea at prices above the statutory price, it has been informed that necessary action is being taken in such cases by the Department or where it is under the jurisdiction of the State Government, they are directed to take appropriate actions in the matter.

70. It has also been informed that the Department of Fertilizers has the responsibility to supply the fertilizers upto the States. Thereafter, it is upto the State Governments to supply fertilizers from various Rake points to the retail shops for sale. However, it seems that gradually the responsibility of the State Governments is also being taken care of by the Central Government. So, the State Governments need to be sensitized about their responsibilities after the fertilizers reach any State. To this, the Committee expressed that in case of some shortcoming at the State level, an advisory must be issued at the national level which should also be broadcast on the news channels, social media, etc. so that people are aware of it. A representative of the Department responded in affirmative and stated that there is a separate Social media cell in the Ministry which takes care of such matter.

71. In this context, **t**he Committee further pointed out that though the supply of fertilizers up to the States is the responsibility of the Department of Fertilizers and beyond that the supply of fertilizers within the State is the responsibility of the State Governments, yet, there are reports of mismatch between the supply and availability of fertilizers in the State(s) and asked whether the Government is contemplating to issue any national level advisory/ guidelines to ensure proper availability and distribution of fertilizers though out the country. In reply, it has been stated that in order to minimize the mismatch between supply and availability of fertilizers in the States, regular directions are given to State Governments from time to time. Further, Weekly Video Conference is conducted jointly by Department of Agriculture and Farmers Welfare (DA&FW) and DoF with State Government to take corrective actions if needed in order to ensure adequate and timely availability of fertilizers in the States.

72. On being asked about the administrative mechanism to ensure adequate and timely supply of fertilizers by the Government to the farmers at subsidized rates (both Urea and P&K fertilizers), it has been informed that the following steps are

taken by the Government every season to meet adequate and timely requirement of fertilizers in all the States :

i. Before the commencement of each cropping season, Department of Agriculture and Farmers Welfare (DA&FW), in consultation with all the State Governments, assesses the state-wise & month-wise requirement of fertilizers On the basis of requirement projected, Department of Fertilizers allocates sufficient/ adequate quantities of fertilizers to States by issuing monthly supply plan and continuously monitors the availability.
ii. The movement of all major subsidized fertilizers is monitored throughout the country by an on-line web-based monitoring system called integrated Fertilizers Monitoring System (iFMS);
iii. The State Governments are regularly advised to coordinate with manufacturers and importers of fertilizers for streamlining the supplies through timely placement of indents for railway rakes.
iv. Regular Weekly Video Conference is conducted jointly by DA&FW and DoF with State Agriculture Officials and corrective actions are taken to dispatch fertilizers as indicated by the State Governments.
v. The gap between demand (requirement) and production for Urea & other fertilizers is met through imports. The import for the season is also finalized well in advance to ensure timely availability.

73. When asked about the system of monitoring and surveillance regarding availability of fertilizers, its sale at various retail points, linking with Aadhar card and soil health card and grievance redressal mechanism, etc. to ensure the benefits of the subsidy schemes to the farmers, it has been informed that Integrated Fertilizers Management System (iFMS), developed by DoF captures end to end details of Fertilizers in terms of production, movement, availability, requirement, sales, etc. This robust digital platform ensures real time monitoring of the quantity of fertilizers received and sold by dealers on daily basis.

74. On being asked about the administrative mechanism to check the malpractices like black marketing/tagging of items with the sale of fertilizers, smuggling of fertilizers to neighboring countries, diversion, adulteration of fertilizers, etc., the Department has informed that fertilizers have been declared as an essential commodity under the Essential Commodities Act, 1955 and notified under Fertilizers Control Order, 1985. State Governments are empowered to take action against persons involved in black-marketing and hoarding as per provisions of EC Act. Surprise inspections jointly by Central and State enforcement teams are also carried out from time to time to prevent any such violation.

75. When further asked about the measures being taken to ensure that fertilizers covered under the Subsidy Schemes are not used for purpose other than agriculture, it has been informed that a strong enforcement mechanism is in place under Fertilizers Control and Movement orders (FCO&FMO) to stop any possible diversion of fertilizers for non-agriculture purpose. Special Flying Squads constituted at GoI/ State level conduct surprise inspections/raids on suspected industries to stop

any diversion of urea for non-agricultural purposes and immediate action is initiated against erring companies as per the provisions of EC Act and Prevention of Black marketing and Maintenance of Supplies of Essential Commodities Act. 1980.

76. In this regard, the Department further elaborated that even though the regulation of fertilizers is the responsibility of the Ministry of Agriculture or the State Government, the Department conducts weekly raids to stop diversion of fertilizers for other uses along with the fertilizers inspectors of the Central Fertilizers Quality Testing Institute, Faridabad, and take action as per EC Act.

VII. Need to create separate tariff code for Urea being used for non agricultural purposes.

77. During evidence, the Committee desired to know about the impact of creating a separate tariff code for urea being used for non-agricultural purposes. In reply, a representative of the Department submitted that presently both Agricultural urea and technical grade Urea come under the same tariff code. However, creating a separate tariff code for Urea used for non-agricultural purposes will enable better monitoring, as the Technical grade Urea is sold at around Rs 70-80 per kg whereas the Agricultural Grade Urea being subsidized is available at ₹ 5 to ₹ 6 per kg. Therefore, there is a lot of scope for diversion of Agricultural urea for industrial or non-agricultural purposes. If there are different codes, then the quantity of import of Urea and the quantity used by the industry can be better monitored.

PART-II

OBSERVATIONS/RECOMMENDATIONS

General

1. The Committee note that for promoting use of fertilizers and to avoid the rise in crop prices, it is important that fertilizers are made available to the farmers at subsidized rates. Thus, farm gate prices are fixed much below the average cost of production of fertilizers and Government provides the difference between the two as subsidies to the fertilizer manufacturing companies. It is, however, a matter of concern that all major fertilizers consumed in the country like Urea, Di-ammonium Phosphate (DAP), Muriate of Potash (MoP), Nitrogen Phosphorus Potash (NPK) and Single Super Phosphate (SSP) are covered under subsidy. The budget for fertilizer subsidy has been increasing constantly over the years. Moreover, the country is dependent on imports of fertilizers to the extent that 30% of its urea requirement; 100 percent MOP, 60% DAP and 10% NPK is imported. According to World Bank data, the consumption of fertilizers in India is 209 kg/hectare against the world average of 164 kg/hectare.

In view of the foregoing, the Committee are of the view that the Government should aim to increase production of fertilizers in the country so as to reduce its import dependencies. The Committee derive some solace to observe that production of fertilizers has increased, though marginally, from 434 LMT in 2020- 21 to 436 LMT in 2021-22. The Committee while commending various policy initiatives taken up by the Department to increase indigenous production of urea, which have been discussed in the succeeding paragraphs, desire that momentum be continued unabated with added thrust and impetus by taking further initiatives for the growth of the domestic fertilizer industry.

Promotion of fertilizers production

2. The Committee note that there are 36 Urea manufacturing units in the country and under the New Investment Policy (NIP), 2012, six units of 12.77 LMT capacity have been set up. At present, the annual production capacity of urea is 283.74 LMT. Besides, one new unit at Talcher with installed capacity of 12.7 LMT is being set up and that will make indigenous capacity up to 296.44 LMT. The Department has submitted that with the availability of nano liquid urea, there will not be any need to set up new plants or revive conventional

urea plants. However, as reported to the Committee, the results of nano liquid urea are yet to be assessed and presently it cannot fulfill the requirements of fertilizers in the country. In this regard, the Committee are of the opinion that this is an area which requires Department's utmost attention and, therefore, correct assessment of the results of nano liquid urea should be expeditiously done so that nano urea meets the requirements of fertilizers in the country in a convincing manner in near future.

3. The Committee find to their satisfaction that IFFCO has started nano urea production at its Kalol unit in August, 2021 with annual capacity of 4.95 crore bottles of 500 ml and at its Aonla and Phulpur units with annual capacity of 6.0 crore bottles of 500 ml. Furthermore, IFFCO is establishing 3 more plants of nano liquid urea. The Bengaluru and Deogarh plants have annual capacity of 6.0 crore bottles while the Guwahati plant has the annual capacity of 4.95 crore bottles. Besides, National Fertilizers Limited (NFL) and Rashtriya Chemicals & Fertilizers Limited (RCF) have signed Non-Disclosure Agreement (NDA) & Memorandum of Understanding (MoU) with IFFCO to transfer the technology of Nano Urea from IFFCO. RCF's nano urea facility at Trombay is likely to commissioned by March, 2024 and NFL's nano urea facility at Nangal by July, 2024. While commending these steps, the Committee would like the Department to take all such measures necessary to ensure that the expected target of producing 44 crore bottles of nano urea by 2024-25 is achieved within the stipulated time. The Committee would further desire that the Department should gear up its efforts to meet the progressive or the exponential demand of nano liquid urea that may surge up in near future. Immediate measures are needed to be taken to facilitate transfer of nano fertilizers technology by IFFCO to other PSUs to enhance its production.

<u>Adequate Budgetary allocation at BE stage.</u>

4. The Committee note that though the budgetary support for subsidy on Indigenous urea at BE stage is lesser than the projected amount, sufficient budget is being provided at RE stage. According to the Department, the BE figures are only initial projection and a conservative estimate. The requirement of additional funds is re-assessed during the course of the year taking into account trends in the demand of fertilizers and also prices of cost of inputs for

manufacturing of urea. The Committee are deeply concerned to note that during 2022-23, the Department was allocated ₹ 1.05 lakh crore at BE stage under its fertilizer subsidy schemes while a higher amount of ₹ 1.09 lakh crore was allocated in supplementary demands. The reason for the same is stated to be that the import prices of urea, gas and raw materials for DAP, NPK had increased in the middle of the year, however, quantities of import remained the same. The Committee do not find the reasons adduced by the Department in this regard as very persuasive, particularly when it is already known that our country is dependent on imports to fullfil the need of fertilizers and raw materials. The Committee, therefore, recommend that the Government should introduce purchase policy reforms and enter into long term contracts for import of various types of fertilizers and raw materials so as to offset the effects of international price rise in the short/medium term. Besides, it is imperative that the Department should be more realistic in projecting their demands of funds at BE stage and get adequate funds to facilitate timely and optimum utilizations of funds.

<u>Target Energy Norms (TEN)</u>

5. The Committee observe that New Urea Policy-2015 (NUP-2015) was notified by the Department with the objective to maximize indigenous urea production, promote energy efficiency in urea production and rationalize subsidy burden on the Government. Pursuant to that, 25 gas-based urea units have been classified into three groups and given Target Energy Norms which may be continued upto 31st March, 2025. Further, an expert body under NITI Aayog would be engaged to recommend the energy norms to be achieved from 01st April, 2025. According to the Department, the lesser the energy level, the more energy efficient is the Unit. The Committee are happy to note that the NUP-2015 has resulted in budgetary saving of ₹ 8851 crore. It is also encouraging that the energy consumption trend of the urea plants from 1987-88 to 2021-22 reflects 60 percent reduction in energy consumption resulting in average energy consumption coming down to 5.8 Gcal/MT from 8.87 Gcal/MT. So far, out of the 25 urea units, which were given TEN, 18 units have been able to successfully implement the TEN. The rest 7 units are at different stages of implementation of TEN. The Committee would like the Department to ensure that TEN is implemented by the remaining 7 urea units also. While

appreciating the measures taken by the Department to make urea units more energy efficient, the Committee trust that Department would continue in its endeavour to devise more such policy initiatives in the coming years and extend support to the urea manufacturing units through suitable incentives to achieve TEN to enhance their energy efficiency level which will in turn augment production of urea and result in budgetary savings.

Commissioning of Talcher Fertilizers plant

6. The Committee note that Department of Fertilizers has decided to revive the erstwhile Talcher plant of FCIL on coal gasification technology on nomination basis through a consortium of Rashtriya Chemicals and Fertilizers (RCF), Gas Authority of India Limited (GAIL) and Coal India Limited (CIL), considering the strategic advantage of the location of erstwhile Talcher Fertilizers Plant (TFL) being in close proximity of the coal mines and developing an alternate feedstock for manufacture of urea. The Committee, however, are constrained to find that though the coal gasification contract was awarded to M/s Wuhuana China based company in November, 2019, the project activities at TFL came to a virtual standstill due to Covid-19 pandemic leading to time and cost overruns. There were further delays in placement of orders of project items by M/s Wuhuan. Now, the plant is expected to be commissioned by September, 2024. In the light of the fact that TFL has the installed capacity of 12.7 LMT, which will immensely affect the total annual production capacity of urea in the country, the Committee recommend that the Department should take all concrete measures to ensure that the Talchar Fertilizers Plant is commissioned by September, 2024 to avoid further time and cost overrun.

Third Party evaluation of Urea Subsidy Scheme

7. The Committee learn that in the Third-Party Evaluation report on the Urea Subsidy Scheme (USS), it has been observed that USS has a great impact on agricultural sector in increasing crop yield and reducing the expenditure of farmers for cultivation. Due to this scheme, most farmers get their total requirement of good quality urea on time and there is improvement in energy efficiency of urea industries. Thus, the necessity was felt for continuation of the Scheme to help the urea industries, the farmers and the agriculture Sector.

Also, the Expenditure Finance Committee (EFC) had concurred for the continuation of USS till 2024-25. The Department has stated to have prepared a Note for taking approval of the Cabinet Committee on Economic Affairs (CCEA) in this regard. The Committee are happy to learn that the Government on 28 June, 2023 has decided to continue the current urea subsidy scheme for three years ending March 2025, with an outlay of ₹3.68 lakh crore which would ensure the availability of urea to the farmers at the same price of ₹ 242/- per 45 kg bag excluding taxes and neem coating charges and moderate input costs. The Committee trust that Department would take all required measures to ensure that the urea subsidy scheme safeguards the interest of the urea industries, the farmers and the agriculture Sector. The scheme should focus on achieving its objectives which include, inter-alia, its timely and adequate availability at statutory controlled price, optimize urea production, rationalize subsidy outgo, bring energy efficiency and help the urea units to sustain their operations in an effective manner.

8. It has further been recommended in the Third-Party Evaluation report on urea subsidy scheme that it will not be a suitable option to transfer the subsidy directly in the accounts of farmers since DBT to farmers is a complex system. Thus, it is suggested that under the scheme, subsidy amount to the manufacturing/ importing companies should be given as per the current policy. At the same time, necessary modalities should be developed to reduce the delay in release of subsidy amount. As per the submission of the Department, there is no unnecessary delay in releasing the subsidy amount to the urea manufacturing units except when delays are unavoidable due to delay in receipt of requisite data from the manufacturing unit, insufficient budget allocation, etc. In this context, the Committee would emphasize that the Department should develop a robust mechanism to expeditiously resolve the issues pertaining to the settlement of subsidy amount of the urea manufacturing units and, if need be, to accurately project the additional fund requirements at RE stage for timely settlement of payment of subsidy bills. The Committee, therefore, desire the Department to take suitable steps in this regard.

9. Further, the Third-Party Evaluation report of urea subsidy scheme has observed that farmers have very little knowledge and understanding of the use

of appropriate amount of urea in view of the soil conditions as well as the cropping patterns and recommended for awareness programs to be conducted in villages to make the farmers aware about soil testing and balanced use of urea. The Department of Fertilizers has, however, contended that as per allocation of business rule, such awareness programs do not come under its domain. Department of Agriculture & Farmers' Welfare and State Governments conduct such awareness programs. Also, the PM- Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth (PRANAM) is likely to motivate the State Governments to conduct such awareness programs. The Committee, however, feel that the responsibility of making the farmers aware about soil testing and balanced use of urea should be shouldered by the Department of Fertilizers also and both the Ministries and respective State Governments should act in proper coordination and unity of purpose to fulfill the objective. The Committee are happy to note that the Government has approved PM-PRANAM scheme to incentivize States to promote alternative fertilizers and reduce the use of chemical fertilizers. The Committee hope that the Department of Fertilizers will extend their full support to the respective State Governments in successful implementation of the scheme and trust that the PM-PRANAM scheme, subject to its effective implementation, will help achieve the intended objective of minimizing the subsidy burden on chemical fertilizers .

<u>Introduction of smaller size bags of urea</u>

10. The Committee note that introduction of Neem Coated Urea (NCU) has increased the Nitrogen use efficiency and, therefore, in order to reduce the consumption of urea and promote balanced use of fertilizers, the Department has introduced 45 kg bag of Urea in place of 50 Kg bag in the year 2017 at proportionate price. While commending such a policy initiative as being in the right direction, the Committee would like the Department to introduce more efficient varieties of Urea and other fertilizers and they are made available to the farmers in bags of even more smaller sizes/ quantity (i.e. 20kg, 35kg etc.) at proportionate prices to facilitate all farmers including marginal farmers to purchase urea and other fertilizers as per their requirement for a more balanced and appropriate use throughout the country.

Reassessment of Dealers'/ Distribution Margin

11. The Committee are informed that the dealers'/distribution margin in case of sale of Urea is Rs 354 per Metric Tonne (i.e. Rs. 0.354 per kg) while the Retailers' Margin is Rs. 50 per MT (i.e. Rs. 0.05 per kg). The Department has clarified that the incentive of Rs. 50/MT was given to retailers for acknowledging the receipt of fertilizers in the mobile- Fertilizers Management System (m-FMS). Now since the manual entry in m-FMS is not necessary and the urea manufacturers/companies are responsible for installing POS devices, their maintenance, etc; they recover the cost of purchase of POS devices, maintenance, etc. from the incentive of Rs. 50/MT notified for the retailers. However, in view of the fact that the labour charges for loading and unloading of a 45 kg Urea bag is even more than the retailers' margin of Rs 2 per bag, the retailers'/ dealers' may indulge in malpractices in sale of urea. The matter, therefore, requires immediate attention of the Department and expeditious corrective steps are called for. The Department has, however, informed that at present there is no proposal for increasing the dealers'/retailers' margin. According to them, in case the rates are revised, it will add up to the subsidy burden of the Ministry. The Committee, however, recommend a revision in the dealer's/distribution margin in sale of urea through POS devices as it would enhance their financial viability and thus check the malpractices in sale/ distribution of fertilizers. The Committee are of the strong opinion that the fertilizer subsidy scheme needs to be reviewed in consultation with all the stake holders including the State Governments, PSUs, etc. to remove deficiencies, if any, in the scheme, so that it meets the objectives of the scheme in an effective manner.

Market Development Assistance (MDA) for Organic and Bio-fertilizers

12. The Committee are gravely concerned to observe that though the recommended dose for use of Nitrogen, Phosphorus and Potash is 4:2:1, it has increased to 8:3:1 indicating more consumption of Nitrogen fertilizers and consequently affecting the soil health. As such, ICAR suggests soil test based balanced and integrated nutrient management through conjunctive use of both inorganic and organic sources (Manure, bio-fertilizers, etc) of plant nutrients to maintain good soil health in the country. The Committee feel that the Department need to pay special attention to what ICAR has suggested to

maintain the soil health. After all soil is the basis of agriculture and protecting soil is the responsibility of each and every farmer to sustain agriculture. The Department will have to take a lead and devise strategies in consultation with all the stakeholders to educate the farmers as to how to reduce the use of chemical fertilizers while maintaining agricultural production.

13. The Committee further note that the Department had sent a proposal for introduction of ₹ 1500 per MT Market Development Assistance on organic and bio-fertilizers to the Department of Expenditure (DoE). Also, compressed bio-gas plants are being commissioned under the 'SATAT' (Sustainable Alternative Towards Affordable Transportation) scheme to promote Compressed Bio-Gas (CBG) as an alternative green transport fuel. The GOBARdhan scheme is also being pursued to augment income of farmers by converting biodegradable waste into CBG. The Committee are glad to learn that the Government has approved PM-PRANAM (PM Programme for Restoration, Awareness, Generation, Nourishment and Amelioration of Mother Earth) scheme, for grant of ₹ 1500 per MT Market Development Assistance on organic and bio-fertilizes, to incentivize the States to reduce the use of chemical fertilizers and promote alternative fertilizers, which will help maintain crop and soil health. The Committee, therefore, impress upon the Department to chalk out a programme for effective implementation of the scheme. Moreover, the role of the Department as a facilitator to implement the scheme and in commissioning of the compressed bio-gas plants under SATAT and GOBARdhan schemes throughout the country requires to be strengthened to yield the required result.

<u>Streamlining Procurement process of gas for production of Urea.</u>

14. The Committee observe that more than 80% of the cost of production of Urea in the country is attributed to the cost of energy (i.e. natural gas). Out of the total gas requirement, only 10% is domestic and the remaining 90% is imported Regasified Liquefied Natural Gas (RLNG). The Government by means of policy provisions such as NUP-15, etc. is facilitating the units to become more efficient in energy consumption. The Government has also been monitoring the delivered price of natural gas and advising/facilitating the units in procuring the natural gas from cheaper sources so that the cost of production can be brought down resulting in reduction in the subsidy outgo.

The Committee are concerned to note that the average cost of gas purchased through Empowered Pool Management Committee (EPMC) in short term tender was 52 dollars per mmbtu whereas its rate in the long term agreement is about 20 dollars per mmbtu, which shows a huge volatility in the gas prices. The EPMC rate tenders were being invited on quarterly basis for each unit separately. The Committee derive some satisfaction to note that the Ministry of Petroleum and Natural Gas has already booked long term tenders and gas shall be available at cheap rates from 2027-28 onwards. However, the Government is still trying to procure gas on medium term contracts for three year period from 2024 to 2027. As the country is too dependent on imported RLNG and the volatility in the international market influences the purchase price of gas, the Committee recommend that the Government should bring policy reforms in EPMC gas procurement mechanism and chalk out short term, medium term and long term plans after pooling the gas requirement of all the urea units through monthly tender, guaranteed off take, etc. so as to purchase spot gas at cheaper rates and to provide gas to all the urea units at uniform price. This will not only offset the effects of international price escalation in procurement of RLNG by the country but also result in reduction of subsidy outgo.

<u>Measures to stop irregularities in the sale of fertilizers</u>

15. The Committee observe that there are reported cases of diversion, black marketing, hoarding and supply of sub-standard quality of fertilizers across the country. The reason being, besides agriculture, urea is also used in many other industries, like UF resin/glue, plywood, resin, crockery, moulding powder, cattle feed, dairy and industrial mining explosives, etc. The Committee derive some satisfaction from the fact that fertilizers have been declared as an essential commodity under the Essential Commodities Act 1955 (EC Act) and are notified under Fertilizers Control Order, 1985. State Governments are empowered to take action against persons involved in black-marketing and hoarding as per provisions of EC Act. In this connection, the Department also conducts weekly raids along with the inspectors of the Central Fertilizers Quality Testing Institute to stop diversion of fertilizers for uses other than agriculture and take action as per EC Act to streamline the system of sale of fertilizers in the country. Considering these steps to be in right direction, the

Committee trust that many more initiatives will be devised in consultation with all the stakeholders/State Governments to check malpractices in the supply of fertilizers. The Department should also develop a central monitoring mechanism to conduct random checks to prevent diversion of fertilizers meant for use by farmers for purposes other than agriculture in order to ensure uninterrupted supply of fertilizers at statutorily fixed prices to the farmers.

Separate tariff codes for Urea used for Agricultural and non-agricultural purposes.

16. The Committee find it significant to note that at present, agricultural urea as well as technical grade urea come under the same tariff code. While the technical grade urea is sold at around ₹ 70-80 per kg, the agricultural grade urea being subsidized, is available at ₹ 5 to ₹ 6 per kg. Therefore, there is an ample scope left for diversion of agricultural urea for industrial or non-agricultural purposes. The Department has admitted that creating a separate tariff code for urea used for non-agricultural purposes will enable better monitoring. If there are different codes, then the quantity of import of urea and the quantity used by the industry can be better monitored. In view of the above, the Committee desires the Department to take suitable corrective steps on an urgent basis to prevent further diversion of agricultural urea for industrial or non-agricultural purposes.

National Level advisory/guidelines to ensure proper availability and distribution of fertilizers

17. The Committee note that Department of Fertilizers is responsible for supply of fertilizers upto the States and supply of fertilizers within the State is the responsibility of the State Government. However, it is a matter of concern that there are reports of a mismatch between the supply and availability of fertilizers in the States which clearly speaks of the unpreparedness on the part of the States in supply of fertilizers according to demand. As submitted, the Department has been giving regular directions to State Governments besides conducting weekly video conference with the State Governments to ensure adequate and on time availability of fertilizers in the States. Taking note of measures taken by the Department, the Committee exhort the Department to continue similar efforts and try to make iFMS system, an online web based

monitoring system for movement of all major subsidized fertilizers, more robust so that flow/supply chain of fertilizers can be tracked without failure at each stage and leakage/deficiency at any point could be identified and timely corrective action is taken through coordinated efforts of Central Government/ State Governments and concerned agencies.

Issue of Soil Health Card

18. The Committee note that the Government has launched a National Mission on Soil Health Card to evaluate fertility of soils/arable land across the country and provide soil test-based fertilizers recommendation to farmers in the country. Under the National Mission on Soil Health Card, the Indian Council of Agricultural Research (ICAR) has developed location specific soil test-based fertilizers prescriptions equations for various crops to provide soil test-based fertilizers recommendations to the farmers in the country. It has also prepared a soil testing manual including method of sampling and contributed towards development of Soil Health Card portal. Digital soil test kits have been developed for estimating all the 12 parameters enlisted in soil health card. Besides, ICAR imparts training and organizes Front Line Demonstrations (FLDs) to educate farmers on soil test based balanced and integrated nutrient management.

In this regard, the Department shared the apprehension of the Committee on the effectiveness of about 22 crore soil health cards issued so far to the farmers as the KVKs, Agricultural Universities or the State Governments are not taking optimum measures to facilitate soil testing at the district and block levels. Even though awareness generation falls under the jurisdiction of the Agriculture Department and the State extension machinery, the Department has stated to be assisting and coordinating in this regard through its companies, PSUs, KVKs and PM Kisan Samridhi Kendras. In this context, the Committee feel that concerted efforts from the Department of Fertilizers, Agriculture Department and State Government are warranted so that optimum required measures are taken to facilitate soil testing to evaluate fertility of soils/arable land across the country so as to provide soil test-based fertilizers recommendations to farmers. There is a need to develop a proper monitoring mechanism at the Centre to ensure that the concerned agencies regularly visit the villages as per the prescribed schedule for testing of soil

and educate the farmers about appropriate usage of fertilizers. The Department should take appropriate measures accordingly.

<u>Guidelines for evaluation of reasonableness of MRP of P&K fertilizers</u>

19. The Committee are informed that as per reasonableness guidelines dated 15.11.2019 issued by the Department in respect of P&K fertilizers under NBS scheme, any profit earned above 12% on cost of sales is treated as 'unreasonable profit' and the same is recovered from the company. The cost data analysis of cost incurred by P&K fertilizers companies in manufacturing/importing products is done by FICC (attached office of the Department). Further, under NBS policy, Government has constituted an Inter-Ministerial Committee (IMC) which recommends NBS rates for various nutrients i.e. N, P, K & S on the basis of 'Benchmark International Prices' of major consumed fertilizers i.e. Urea, DAP, MOP & Sulphur. IMC also considers other relevant factors like requirement of nutrients in the country, balanced use of fertilizers , subsidy burden, MRP of fertilizers etc. while recommending the subsidy rates for different nutrients. The latest NBS rates were applicable till 31.03.2023 only. The Committee are concerned to note that the reasonableness guidelines regarding fixing of prices of fertilizers are presently under abeyance. The Committee urge the Department to ensure that NBS rates are revised regularly on annual/ bi-annual basis in view of the volatility of prices of N, P, K & S nutrients in the international market to ensure availability of DAP, NPK fertilizers to the farmers at affordable prices under the NBS subsidy Policy in future also. The matter should receive greater priority in the interest of the farmers and the country at large.

<u>Measures to secure cheaper purchases of fertilizers and raw materials</u>

20. It has been brought to the notice of the Committee that to secure cheaper purchases of P&K fertilizers and raw materials, the Department has facilitated long term MoUs between the Indian fertilizers companies and fertilizers companies of other countries based on formula-based pricing. Under the initiative, Joint venture for mining, manufacturing fertilizers intermediates and finished fertilizers have also been initiated/ extended. Their progress is reviewed from time to time at various levels. The Committee are, however, concerned to note that prices of P&K fertilizers, which are

decontrolled, have increased in the past due to geo-political and other reasons, which necessitated an increase in NBS subsidy rates to make them available to the farmers at affordable prices. The Committee would like the Department to encourage the fertilizers companies to establish joint venture production facilities, with long term buy back arrangements and diversify sources of purchase of fertilizers /intermediates/raw materials from various resource rich countries. The Committee trust that the Department will take suitable steps accordingly and apprise the Committee of the same.

Freight Subsidy on Single Super Phosphate (SSP)

21. The Committee are concerned to note that India is 100% dependent on imports in Potassic sector and to the extent of 90% in Phosphatic sector, in the form of either finished products or raw materials. As submitted, as part of new initiatives in P&K sector, apart from coming up with new P&K plants, Potash Derived from Molasses (PDM), which is 100% indigenously manufactured and can substitute potash to a certain extent, have been included under NBS scheme. Currently, the country imports 60 per cent of its potash requirement and the promotion of PDM may reduce its import. To increase indigenous production of P&K fertilizers, the Government included Single Super Phosphate (SSP) under freight subsidy on pilot basis for Rabi and Kharif seasons 2022-23. As the raw material for imported SSP is available in Rajasthan and Madhya Pradesh, it is now 100 per cent indigenously produced. The Committee would like to be apprised of the outcome of pilot project for including SSP under freight subsidy for Rabi and Kharif seasons 2022-23 and be assured that the Department will take a favorable decision in this regard and continue to include SSP under freight subsidy which will help promote its indigenous production and hence, reduce import of P&K fertilizers.

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New Delhi;
07, August, 2023
16, Sravana,1945 (Saka)

DR. SHASHI THAROOR
CHAIRPERSON,
STANDING COMMITTEE ON
CHEMICALS AND FERTILIZERS.

APPENDIX-1

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS

(2022-23)

Minutes of the Seventh Sitting of the Committee

The Committee sat on Wednesday, the 18 January, 2023 from 1500 hrs. to 1700 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. Shashi Tharoor – Chairperson

MEMBERS

LOK SABHA

2. Shri Sanjay Jaiswal
3. Shri Satyadev Pachauri
4. Shri Arun Kumar Sagar
5. Shri Uday Pratap Singh
6. Shri Parbhubhai Nagarbhai Vasava

RAJYA SABHA

7. Shri G.C. Chandrashekhar
8. Dr. Anil Jain
9. Shri Arun Singh
10. Shri Vijay Pal Singh Tomar

SECRETARIAT

1.	Shri Vinay Kumar Mohan	-	Joint Secretary
2.	Shri N. K. Jha	-	Director
3.	Smt. Geeta Parmar	-	Additional Director
4.	Shri Kulvinder Singh	-	Deputy Secretary
5.	Shri Panna Lal	-	Under Secretary

WITNESSES

Representatives of the Ministry of Chemicals and Fertilizers (Department of Fertilizers)

1.	Ms. Neeraja Adidam	Additional Secretary
2.	Ms. Aneeta Meshram	Joint Secretary
3.	Ms. Aparna Sharma	Joint Secretary
4.	Dr. Pratibha A	Eco. Advisor
5.	Shri Niranjan Lal	Director
6.	Ms Tina Soni	Director
7.	Shri Anil Phulwari	Director
8.	Shri Harvinder Singh	Director

Representatives of the Ministry of Finance

1.	Shri Gaurav Masaldan	Joint Secretary

Representatives of the Ministry of Commerce

1.	Shri Jaipal	Joint DGFT
2.	Shri Sanjay Kumar Tiwari	Dy. DGFT

2. At the outset, the Chairperson welcomed the representatives of the Department of Fertilizers, Ministry of Chemicals and Fertilizers; the Ministry of Finance and the Ministry of Commerce to the sitting of the Committee convened to brief the Committee on the subjects, (i) 'Planning for fertilizers production and Import Policy on fertilizers including GST and import duty thereon' and (ii) 'Fertilizer Subsidy Policy and Pricing Matter including need to continue Urea Subsidy Scheme'. Their attention was invited to Direction 58 of the 'Directions by the Speaker' regarding confidentiality of the proceedings during deposition before the Parliamentary Committees.

3. The Additional Secretary, Department of Fertilizers then briefed the Committee on various issues which *inter-alia* included the fertilizer subsidy schemes (both Urea and Nutrient based subsidy scheme), a profile of Urea industry, existing

policies of the Government viz. the New Pricing Scheme (NPS), Modified New Pricing Scheme, New Urea Policy (NUP)-2015, New Investment Policy (NIP)-2012, Uniform Freight Subsidy Scheme, Impact of NUP, etc. energy consumption trend in Urea Plants over the years, Gas requirement of Urea industry, proportion of gas types and their rates, pooling of gas policy, constitution of Empowered Pool Management Committee (EPMC) to administer the pooling of gas policy, savings by replacing costlier EPMC gas with spot gas which are procured at cheaper price, Urea import procedure, P&K Fertilizer pricing matters, import of fertilizers, comparative retail sale prices of fertilizers in India with certain other countries, etc. The representatives of the Ministry of Finance and the Ministry of Commerce also briefed the Committee on revenue collection by levy of Basic customs duty on import of various fertilizers and fertilizer raw materials, non-inclusion of Natural gas in the ambit of GST, reasons for different rates of VAT on Natural Gas in various States, monitoring of Urea imports, separate tariff code for agricultural and non-agricultural use of Urea, etc.

4. The Members, then, raised several questions related to the subjects which *inter-alia* included the Dealer's/ Retailer's Margin per bag of Urea, Net Market realization by the sale of fertilizers, shortage, black marketing and smuggling of fertilizers, objectives of freight subsidy policy, initiatives taken to check mal-practices in distribution/ sale of fertilizers at the local levels, educating the farmers for balanced use of fertilizers to maintain soil health, need to decrease the tax rates on fertilizers raw materials, etc.

5. The representatives of the Department/ Ministry(ies) responded to the aforesaid concerns/ queries raised by the members.

6. The Chairperson then thanked the representatives of the Department of Fertilizers, Ministry of Finance and the Ministry of Commerce for furnishing valuable information on the subjects taken up for discussion before the Committee. They were asked to furnish written replies to the queries raised by the Members, on which information was not readily available.

7. A copy of the verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS
(2022-23)

Minutes of the Seventeenth Sitting of the Committee

The Committee sat on Monday, the 07th August, 2023 from 1600 hrs. to 1630 hrs. in Chamber of Hon'ble Chairperson, Room No. 219, 'B' Block, Parliament House Annexe Extension Building, New Delhi.

PRESENT

DR. SHASHI THAROOR- Chairperson

MEMBERS

LOK SABHA

2. Shri RamakantBhargava
3. Shri Prataprao PatilChikhalikar
4. Shri Rajeshbhai Naranbhai Chudasama
5. Dr. Sanjay Jaiswal
6. Shri Kripanath Mallah
7. Shri SatyadevPachauri
8. Smt. Aparupa Poddar
9. Dr. Sanjeev Kumar Singari
10. Shri Uday PratapSingh
11. Shri Parbhubhai Nagarbhai Vasava

RAJYA SABHA

12. Shri G.C.Chandrashekhar
13. Shri Ram Nath Thakur
14. Shri Vijay Pal Singh Tomar

SECRETARIAT

1.	Shri Vinay Kumar Mohan	-	Joint Secretary
2.	Shri Nabin Kumar Jha	-	Director
3.	Smt. Geeta Parmar	-	Additional Director
4.	Shri Kulvinder Singh	-	Deputy Secretary
5.	Shri Panna Lal	-	Under Secretary

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee. Thereafter, the Committee took up for consideration, the following Draft Reports: -

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ii. Forty-Fourth Report on the subject 'Fertilizer Subsidy Policy and Pricing matters including need to continue Urea Subsidy Scheme' pertaining to the Department of Fertilizers, Ministry of Chemicals and Fertilizers.

3. Giving an overview of the important Observations/Recommendations contained in the draft Reports, the Chairperson solicited the views/suggestions of the Members.

4 After some deliberations, the draft Reports were adopted by the Committee without any amendment.

5. The Committee then authorized the Chairperson to finalize the Reports and present/lay the Reports in both the Houses of Parliament in the current session.

The Committee then adjourned.

xxx- matter not related to this report