3

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2009-10)

FIFTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)

PERFORMANCE OF FERTILIZER INDUSTRY IN PUBLIC, PRIVATE AND COOPERATIVE SECTORS

[Action Taken by the Government on the recommendations contained in the Twenty-Seventh Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals & Fertilizers (2008-09) on 'Performance of Fertilizer Industry in Public, Private and Cooperative Sectors']

THIRD REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT

NEW DELHI

December, 2009/Agrahayana, 1931 (Saka)

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Presented to Lok Sabha on 08.12.2009

Laid in Rajya Sabha on 08.12.2009

LOK SABHA SECRETARIAT
NEW DELHI

December, 2009/Agrahayana, 1931 (Saka)

COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2009-10)

Shri Ananth Kumar - Chairman **Members** **LOK SABHA**	
2	Smt. Sushmita Bauri
3	Shri Prabhatsinh P. Chauhan
4	Shri K.D. Deshmukh
5	Shri Ganeshrao Nagorao Dudhgaonkar
6	Shri Madhu Koda
7	Shri N. Peethambara Kurup
8	Shri Baidyanath Prasad Mahato
9	Shri Ponnam Prabhakar
10	Shri Ashok Kumar Rawat
11.	Shri Suresh Kumar Shetkar
12	Shri Ajit Singh
13	Shri N. Cheluvaraya Swamy
14	Shri Narendra Singh Tomar
*15	Vacant
16 to 21	Vacant
RAJYA SABHA	
22	Shri J.D. Seelam
23	Shri Raghunandan Sharma
24	Dr. C.P. Thakur
25	Shri Brijlal Khabri
26	Shri A.A. Jinnah
27	Shri Raj Mohinder Singh Majitha
28	Shri Biswajit Daimary
#29	Vacant
30 to 31	Vacant

*** Consequent upon nomination to the Committee on Information Technology Shri Tufani Saroj, MP (LS) ceased to be Member of the Committee w.e.f. 13.10.2009.**

 # Vacancy arisen due to demise of Shri Mahendra Sahni, MP (RS) w.e.f. 6 November 2009.

SECRETARIAT

1.	Shri N. K. Sapra	-	Additional Secretary
2.	Shri P. Sreedharan	-	Joint Secretary
3.	Shri A.K.Srivastava	-	Deputy Secretary
4.	Smt. Madhu Bhutani	-	Committee Officer

CONTENTS

INTRODUCTION

I, the Chairman, Standing Committee on Chemicals and Fertilizers (2009-10) having been authorised by the Committee to submit the Report on their behalf present this Third Report on Action Taken by the Government on recommendations contained in the Twenty Seventh Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers (2008-09) on 'Performance of Fertilizer Industry in Public, Private and Cooperative Sectors'.

2. The Twenty Seventh Report of the Committee was presented to Lok Sabha on 27 October 2008. The replies of Government to all the recommendations contained in the Twenty Seventh Report were received on 25 February 2009. The Standing Committee on Chemicals and Fertilizers (2009-10) considered the Action Taken Replies received from the Government and adopted the Draft Action Taken Report thereon at their sitting held on 3 December 2009.

3. An analysis of the Action Taken by the Government on the recommendations contained in the Twenty Seventh Report (Fourteenth Lok Sabha) of the Committee is given in Appendix-II.

4. For facility of reference and convenience, the observations and recommendation of the Committee have been printed in bold letters in the body of the Report.

New Delhi;

7 December 2009 — ANANTH KUMAR,

16 Agrahayana, 1931 (Saka)

Chairman,

Standing Committee on

Chemicals and Fertilizers

REPORT

CHAPTER – I

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Twenty-Seventh Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals & Fertilizers on 'Performance of Fertilizer Industry in Public, Private and Cooperative Sectors' which was presented to Lok Sabha on 27 October 2008.

2. The Ministry of Chemicals & Fertilizers (Department of Fertilizers) were required to furnish replies to the recommendations contained in the Twenty-Seventh Report of the Committee within three months from the presentation of the Report, i.e. by 26 January 2008. The action taken replies of the Government in respect of all the 14 recommendations contained in the Report were received on 25 February 2008. These have been categorised as follows:-

(i) Recommendations/observations which have been accepted by the Government:
Sl. Nos. 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12 and 14.
Total-12

(ii) Recommendations/observations which the Committee do not desire to pursue in view of the Government's reply:
Nil

(iii) Recommendations/observation in respect of which replies of the Government have not been accepted by the Committee:
Sl. Nos.7 and 13
Total-2

(iv) Recommendations/observations in respect of which final replies of the Government are still awaited:
Nil

3. The Committee hope that utmost importance would be given to the implementation of the recommendations/observations accepted by the Government. In case, it is not possible for the Ministry to implement any recommendation/observation in letter and spirit, the matter should be reported to the Committee with reasons for non-implementation. The Committee further desire that the Action Taken Notes on the recommendations/observations contained in Chapter-I of this Report should be furnished expeditiously.

4. **The Committee will now deal with the action taken by the Government on some of their recommendations in the ensuing paragraphs.**

A. <u>Skill Development of Unskilled Workers</u>

(Recommendation Sl. No. 4)

5. Taking note of lower capacity utilization in the nitrogenous and phosphatic fertilizer units in the public sector as compared to units in the cooperative and private sectors, the Committee had recommended as under:-

> "The Committee note that the capacity utilization in respect of both nitrogenous and phosphatic fertilizers in case of public sector companies is lower in comparison to the capacity utilization in the cooperative and private sectors. The Committee have been informed that lower capacity utilization by the public sector fertilizer Companies has been due to under utilization of capacity by Madras Fertilizers Limited(MFL), Brahmaputra Valley Fertilizer Corporation Limited(BVFCL] and Rashtriya Chemicals and Fertilizers Limited (RCF) Trombay-IV plant. MFL could not utilize the installed capacity due to liquidity problems, while BVFCL had problems of erratic gas supply and liquidity. Lower production at RCF-Trombay-IV plant has been due to a major accident resulting in closure of the plant which is under revamp now. The Committee observe that besides the problems of liquidity, erratic gas supply and accidents, there are substantial number of workers both in public and cooperative sectors who are not skilled to handle the machinery. They, therefore, recommend that in addition to the provision of adequate and regular gas supply and modernization of plants so as to ward off accidents, the fertilizer industrial units, especially PSUs, should also explore the feasibility of skill development of unskilled workers."

6. The Ministry in their Action Taken Reply have stated as follows-

> "The Fertilizer Industrial Units viz., MFL, BVFCL and RCFL have been advised to undertake skill development of unskilled workers, provision of adequate and regular gas supply and modernization of their plants so as to ward off accidents."

7. The Committee are not satisfied with the casual reply given by the Government. Based on review of their capacity utilization in the nitrogenous and phosphatic fertilizer units in the public sector, the Committee were convinced of the need for skill development of existing employees to enable such units to improve their performance. The crucial

role played by skill and motivation of employees in the efficient running of a unit need no reiteration. However, the reply furnished, by the Government shows that the recommendation has not received due attention it deserves. The Committee would, therefore, like to emphasize once again the need for skill development of its employees by the public sector fertilizer units in addition to ensuring provision of adequate and regular gas supply and modernization of the fertilizer plants. The Committee expect a status report on this aspect within a month.

B. Need for giving priority in allocation of gas to non-gas based plants

(Recommendation (Sl. No. 5)

8. Emphasizing the need for giving priority in allocation of gas to non-gas based plants, the Committee had recommended as under:-

> “The Committee have been informed that Natural Gas is the preferred feedstock for the manufacture of urea over other feedstocks, viz. Naphtha and Fuel Oil/ Low Sulphur Heavy Stock (FO/LSHS) because it is clean and an efficient source of energy and is also considerably cheaper and more cost effective. Considering the fact that the capital investment required for a gas based plant and its energy consumption is less than that of naphtha and fuel oil based plants, the Committee recommend that priority in allocation of gas to meet the full requirement should not only be given to the existing gas based plants but also to the non-gas based plants for converting them into gas based plants and for future capacity additions to meet the growing demand. The Government should also nominate a single Public Sector Unit/body as the designated authority within the Ministry of Petroleum and Natural Gas to ensure dedicated and continuous supply of gas to the fertilizer units. Further, the scheme to incentivise and expedite conversion of the FO/LSHS plants into gas-based plants should be finalized at the earliest.”

9. The Ministry in their Action Taken Reply have stated as follows:-

> “The Government has decided to accord highest priority in allocation of gas beyond 2008-09 for revamp, conversion and expansion of existing units including revival of closed urea units in the country. Further, a policy to expedite conversion of Naphtha based units to gas has already been notified by the Government. A Policy for conversion of FO/LSHS based units to gas is also under active consideration of the Government.
>
> Further, as desired by the Committee, the Department of Fertilizers has already taken up with the Ministry of Petroleum & Natural Gas for nominating Gas Authority of India Ltd.(GAIL) as the nodal authority for supply of gas to fertilizer sector in the country.”

10. The Committee are happy to note that Government has decided to accord highest priority for allocation of gas to the fertilizer sector beyond 2008-09 and also a policy measure a proposal for conversion of FO/LSHS based Units to gas-based plants is under active consideration of the Government. However, the Committee expect to be informed of the

progress made in this regard and the definite time frame within which this would be implemented. In view of the precarious situation prevailing in the fertilizer sector, The Committee stress that the matter be accorded top priority and pursued to its logical conclusion. Apart from this, the Committee desire to be apprised of the status of nominating Gas Authority of India Ltd. (GAIL) as the nodal authority for supply of gas to the fertilizer sector and the impact it has made on improving gas supply to the fertilizer sector. The Committee would also like to be apprised of progress of gas linkages to various fertilizer companies and current status in this regard.

C. <u>Need to minimize the carryover amount of Fertilizer subsidy</u>

(Recommendation Sl. No. 7)

11. Stressing the need to minimize the carryover amount of fertilizer subsidy and to increase the indigenous production of urea and SSP, the Committee had recommended as under:-

> "The Committee note that there has been a tremendous increase in the subsidy amount since the year 2002-03 both in the case of urea and P&K fertilizers. The Committee note that the carryover amount is also gradually increasing year by year which is not a happy situation. The Committee have been apprised that 88% of the increase in subsidy is due to the sharp increase in the international price of fertilizer inputs and finished fertilizers while 12% increase is due to the increase in consumption of fertilizers. The Committee understand that Government provide fertilizers to farmers at much lower price of indigenously produced price/imported price. Thus, a substantial amount of money is incurred on subsidy. The amount of subsidy is further increased by the carryover amount of the preceding year. The Committee, therefore, recommend that efforts should be made to minimize the carryover amount. The Committee also recommend that the issue of the burgeoning price of fertilizers and its inputs should also be raised at the appropriate international forum. The Committee feel that the need of the hour is to increase the indigenous production of urea and SSP as there is vast difference in the indigenous price and the import price in respect of both the fertilizers."

12. The Ministry in their Action Taken Reply have stated as follows :-

> "The Government has announced on 4th September 2008 a new investment policy for urea sector to attract the much required investment in this sector. The policy is based on IPP benchmark and has been finalized in consultation with the industry. The policy is expected to lead to savings to the Government in the form of availability of urea at a price below IPP and will also lead to indirect savings by bringing down the import price due to reduction in imports. The policy has provisions for revamp projects, expansion projects, revival/ brownfield projects and greenfield projects to increase the production of indigenous production of urea in the country."

13. The Committee express their displeasure over the incomplete reply furnished by the Government on the recommendation of the Committee. The Action Taken Reply is completely silent about the precise action taken by the Department to bring down the carryover amount of fertilizer

subsidy. Besides this, the Department has not enumerated the steps taken by the Government to bring down the burden of subsidy in respect of SSP. Keeping in view the emergent need of minimizing the burden of burgeoning fertilizer subsidy, the Committee would like the Government to pay more focused attention to augmenting of indigenous production of fertilizers. They, therefore, reiterate the earlier recommendation and urge upon the Department to take prompt measures for stepping up indigenous production of urea and SSP and to bring down the carryover amount of fertilizer subsidy. The Committee would like to be apprised of the concrete action taken by Government in this regard.

D. Need to chalk out monitoring mechanism to control the artificial scarcity of fertilizers.

(Recommendation Sl. No. 13)

14. Emphasising the need for making available quality fertilizers to the farmers at reasonable price and in a time bound manner and the need to chalk out a monitoring mechanism in consultation with the State Governments to control the artificial scarcity of fertilizers, the Committee had recommended as under:-

> "The Committee note that as per the allocation of Business Rules, the Department of Fertilizers have been entrusted the responsibility of ensuring movement, distribution and allocation of controlled fertilizers i.e., urea from various fertilizer plants and ports in accordance with the State-wise requirement as assessed by the Department of Agriculture & Cooperation (DAC), Ministry of Agriculture. The major responsibility of transportation of fertilizers lies with Railways. The Committee are happy to note that various measures have been taken by the Government with regard to proper and need based distribution and movement of fertilizers in each part of the country. The Committee also appreciate the Government's decision to reimburse the entire freight cost to the companies and hope that companies would not restrict their distribution to any area which is within their freight zone and they would also distribute fertilizers in the remote and difficult areas. The Committee are happy to note that the Government are also giving the companies the road freight at the first stage as per the actual average leads to the district and encourage them to go to districts and even to the blocks also. However, as regards the issue of black marketing, the Committee are not convinced with the reply of the Government that the responsibility of preventing black marketing lies solely with the State Governments. The Union Government cannot shy away from their responsibility and they should ensure that quality fertilizer reach the farmers at a reasonable price and in a time bound manner. The Committee, therefore, recommend that the Government should chalk out a monitoring mechanism in consultation with the State Governments to control artificial scarcity of fertilizers so that adequate fertilizers could be reached to the districts and the blocks in time."

15. The Ministry in their Action Taken Reply have stated as follows:-

> "Department of Fertilizers ensures availability of fertilizers at State level in accordance with the assessed requirement. The State Government in turn draws district-wise monthly supply plan vis -a-vis requirement of fertilizers in consultation with the fertilizer suppliers."

16. The Committee are least satisfied with the vague and non-committal reply furnished by the Government on the recommendations of the Committee on a vital aspect like distribution of fertilizers in the country. Needless to say that without an effective mechanism for monitoring adequate distribution of fertilizer, the farmers are likely to be at the mercy of black marketeers. The Action Taken has not spelt out the steps taken by the Government to prevent black marketing of fertilizers, to check artificial scarcity and to chalk out a monitoring mechanism for adequate availability of fertilizers. The Committee also observe that timely and sufficient availability of quality fertilizers in remote, inaccessible and low consuming areas is of utmost importance. The Committee, therefore, reiterate that keeping in view the interests of small and marginal farmers in particular, the Government should make earnest efforts towards setting up of a monitoring mechanism to ensure adequate and timely distribution and to control the artificial scarcity of fertilizers. They should specify the mechanism being adopted for distribution of fertilizers for poor farmers and the achievements made as a result thereof.

E. <u>Early finalization of nutrient based pricing regime for subsidized fertilizers.</u>

(Recommendation Sl. No. 14)

17. Emphasising the need for expeditious finalization of nutrient based pricing regime for subsidized fertilizers and strengthening of Fertilizers Education Programmes, the Committee had recommended as under:-

> "The Committee observe that agricultural productivity in the country had been stagnant for several years in the past. One of the reasons for the stagnation is the incorrect use of fertilizers. Due to low application of secondary and micro nutrients, soils are deficient in sulphur, zinc, boron etc., resulting in low productivity. The Committee have been informed that in order to promote balanced and effective use of plant nutrients and fertilizers, the Government have notified a new policy to encourage production and availability of fortified/coated fertilizers besides bringing sulphur as a nutrient under the concession scheme. Further, a nutrient based pricing regime for subsidized fertilizers is also under consideration of the Government. While hoping that the nutrient based pricing regime for subsidized fertilizers would be finalized soon, the Committee recommend that the Government should encourage the development and use of crop specific, soil specific, customized fertilizers fortified with secondary and micronutrient to promote balanced and efficient use of plant nutrients. The Committee also recommend that farmers should be made aware of the benefits of the balanced use of fertilizers and they should also be educated about the ill-effects of excessive use of fertilizers. The Committee are of the view that the Department of Fertilizers, under the Government of India cannot perform well within area without the active support of the State Agriculture Departments and for this purpose the Department would have to mobilize them for conducting soil tests effectively. In this regard, the fertilizer companies should also assist the State Governments in securing soil testing mobile vans etc., as some of the States do not have the same in adequate numbers. Besides this, Fertilizer Education Programme needs to be further strengthened by the fertilizer industries in coordination with the State Governments and the Department of Fertilizers. The Committee also feel that without proper irrigation, the application of fertilizers is of very little use. As such, the Committee would also like to recommend that irrigation facilities in the State should also be augmented simultaneously for the effective use of fertilizers. The desired results could be achieved if synergic efforts are made by the Department of Fertilizers, Department of Agriculture, Ministry of Water Resources and the Irrigation and Agriculture Departments of State Governments."

18. The Ministry in their Action Taken Reply have stated as follows:-

"Department of Agriculture & Cooperation is implementing a scheme 'National Project on Management of Soil Health and Fertility' to promote balanced and judicious use of fertilizers in conjunction with organic manures on soil test basis. Under the scheme there is a provision for financial assistance for organization of farmers training and demonstration on balanced use of fertilizers.

To achieve the goal the DAC is providing financial assistance for setting up of new static and mobile soil testing laboratories under the State Government as well as under private and cooperative sector including fertilizer industry in the country.

To promote the concept of Balanced use of fertilizer, Clause 20 -B has been introduced recently in the FCO with the main objective to promote site specific nutrient management so as to achieve maximum fertilizer use efficiency of applied nutrient in a cost effective manner. The fertilizers are multi nutrient carrier designed to contain macro and micronutrient. These fertilizers are soil specific and crop specific and are formulated on the basis of soil testing results. So far only 14 grades of these fertilizers have been notified and three manufacturers of fertilizers namely, Tata Chemicals, Nagarjuna Fertilizers and Deepak Fertilizers have been permitted to manufacture these Customized fertilizers. Production of the fertilizer is likely to start soon. The Government is encouraging the use of fortified fertilizer and the following fertilizers fortified with Micronutrients have been included in the FCO:

1. Single Super Phosphate fortified with Boron (Boronated SSP)
2. Zincated Urea
3. Zincated Phosphate
4. NPK complex 10 : 26 : 26 with 0.3% Boron."

19. The Committee note with dissatisfaction that the initiative taken by the Department of Agriculture and Cooperation for implementing the scheme, "National Project on Management of Soil Health and Fertility" to promote balanced and judicious use of fertilizers and the process of commencement of production of customized fertilizers which are soil and crop specific undertaken by the Department of Fertilizers, will prove futile unless efforts are made for finalization of nutrient based pricing regime for subsidized fertilizers besides taking and requisite steps to strengthen the Fertilizer Education Programme for farmers and augmentation of irrigation

facilities. The Committee, therefore, reiterate their earlier recommendation that the Department should vigorously pursue expeditious finalization of the nutrient based pricing regime to promote balanced and efficient use of plant nutrients. The Committee also desire that awareness should be created among farmers about the newly-developed source of nutrients through Fertilizer Education Programme. They would like to be apprised of the action taken by Government in this regard at the earliest.

New Delhi;
7 December 2009 **ANANTH KUMAR,**
16 Agrahayana, 1931 (Saka)
Chairman,
Standing Committee on
Chemicals and Fertilizers.

CHAPTER II

RECOMMENDATIONS/ OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (SI.No.1)

The Committee note that the indigenous operational installed capacity of urea in the country has been stagnant at 197.01 LMT for the last many years. There has been no addition in capacity in the last 10 years due to lack of major investment in this sector. However, the consumption of urea which was 191.87 LMT during the year 2000-01 increased to 243.38 LMT during the year 2006-07, thus necessitating the increase in the import of urea. The Committee have been informed that in order to encourage capacity addition and production of urea, the Government, under the New Pricing Scheme (NPS) stage-Ill, has incentivised the production of urea from the existing units beyond 100% of their installed capacity and also the conversion of non-gas based units to gas-based units by March 2010. Further, a new investment policy to facilitate the requisite investment in this sector is under active consideration of the Government. While noting the fact that the Government is now taking steps for increasing the indigenous capacity and production of urea by introducing the new investment policy, the Committee fail to understand as to why no major investment in the fertilizer sector has been made since 1999. The Committee, therefore, express their displeasure over the delay in finalizing the new investment policy. The Committee desire that the New Investment Policy should be operationalised immediately in order to abridge the demand-supply gap in respect of urea through adequate indigenous production.

REPLY OF THE GOVERNMENT

A pricing policy announced on 29.1.2004 for setting up new urea projects and expansion of existing urea projects for augmenting the domestic production capacity of urea to meet the growing demand for enhancing the agricultural production in the country was aimed at enabling the entrepreneurs to decide about their investment plans in the fertilizer sector. The policy was expected to encourage setting up of plants with international efficiency standards for fresh investment in new projects and expansion of existing units. The policy was based on the principle of Long Run Average Cost (LRAC). This policy was not successful in attracting investment in this sector. The non-availability of natural gas, which is the critical feedstock for production of urea, has also been one of the major constraints in further addition of indigenous capacity for production of urea. However with the projected improved availability of gas from 2009 onwards, it is expected that investment in fertilizer sector will also take place.

The Government has announced on 4th September 2008 a new investment policy for urea sector to attract the much required investment in this sector. The policy is based on IPP benchmark and has been finalized in consultation with the industry. The policy in addition to attracting investments, is expected to lead to savings to the Government in the form of availability of Urea at a price below IPP and will also lead to indirect savings by bringing down the import price due to reduction in imports.

[M/o Chemicals and Fertilizers (Department of Fertilizers)

OM.No.H-11021/18/2008-Parl.]

Recommendation (Sl. No. 2)

The Committee note that there is no production of DAP in the public sector. The committee also note that the consumption of DAP in the country far exceeds the indigenous production. About 39% of requirement of DAP had been met through import during the year 2006-07. The committee have been informed that the indigenous production of Phosphatic fertilizers (approximately 90%) is largely dependent upon imported raw materials/intermediates such as rock phosphate, sulphur, ammonia, phosphoric acid etc. Due to tight availability and rise in international price of the raw materials and the intermediates in the recent past, indigenous production has suffered resulting in low capacity utilization in this sector. The committee have been further informed that a new revised policy framework is being finalized with a view to encourage production of Phosphatic fertilizers including DAP that would be encouraging optimal capacity utilization in

Phosphatic fertilizer production sector. Considering these aspects, the Committee recommend that the new revised policy framework should be finalized as early as possible so that the country becomes self sufficient in the production of Phosphatic fertilizers and its dependence on import of Phosphatic fertilizers is reduced to the minimum.

Reply of the Government

Based on the examination of the Tariff Commission Report and the long-term approach suggested by the Expert Group under the Chairmanship of Prof. Abhijit Sen, the revised policy frame work for Concession Scheme (except SSP) for 2008-09 has been continued w.e.f. 1.4.2008. Accordingly, the Final concession rates are being worked out on monthly basis w.e.f. 1st April 2008 with the following parameters/taking into account prices adopted as detailed below. Since, import parity has been provided to indigenous DAP, MAP, TSP and P205 price, it is hoped that the revised policy will encourage production in the country.

(a) Monthly concession for imported MOP and imported and indigenously granulated MAP is based on average of the low and the high C&F prices for the preceding month published in the Fertilizer Market Bulletin (FMB) - Former Soviet Union (FSU) fob plus Baltic freight for MOP and Baltic fob plus Baltic freight for MAP or the actual weighted average of the landed prices for current month, whichever is lower. For computing delivered cost credit days of 105 days for MAP and 150 days for MOP is allowed. In addition to C&F price with credit days, handling & distribution cost, dealer's margin, returns are also allowed alongwith customs duty.

(b) Monthly concession for imported DAP is based on the average of low and high prices of DAP published in FMB and Ferticon from US Gulf fob, plus Tampa-Mundra freight, for the previous month or the actual weighted average of the landed price for the current month, whichever is lower. Monthly concession for indigenous DAP will be same as that given to imported DAP. For DAP, a credit day of 105 days is allowed and in addition to C&F price with credit days. Handling & Distribution cost, dealers margin and return are also allowed alongwith customs duty.

(c) Per unit price of 'P' for monthly concession for complex fertilizers is derived from the delivered cost of DAP and imported Ammonia. Per unit price of 'N' for monthly concession for complex fertilizers is based on individual unit-wise cost of 'N' as considered by the Tariff Commission. Per unit price of 'K' for monthly concession for complex fertilizers is based on the C&F cash price of MOP, as recognized for the Concession Scheme for MOP. A separate cost of 'S' for sulphur containing complex fertilizers is being recognized based on the price of imported sulphur. Group-wise 'Other costs' as recommended by Tariff Commission is recognized for monthly concession complex fertilizers. For IFFCO Paradeep, 'Other Cost' also includes separate cost of investment/revamping, as calculated by Tariff Commission.

(d) Triple Super Phosphate (TSP) has been included in the Concession Scheme w.e.f. 1.4.2008.The MRP of TSP is fixed at Rs.7460/-PMT. Monthly concession for indigenous and imported TSP is based on the average of low and high fob prices of TSP published in FMB plus freight for the previous month or the actual weighted average of the landed price for the current month, whichever is lower. For TSP, a credit day of 105 days is allowed and in addition to C&F price with credit days. Handling & Distribution cost, dealers margin and return are also allowed alongwith customs duty.

(e) Ammonium Sulphate (AS) has been included w.e.f. 1.7.2008.The MRP of AS is Rs. 10350/- PMT. Monthly concession for indigenous AS is computed in line with other complex fertilizers based on the individual unit wise cost of 'N' of the respective units (GSFC, Baroda & FACT, Udyogmandal).

(f) Concession payable for MAP (11-52-00) and TSP (0-46-0) is capped to that payable for DAP.

(g) The average of the low and the high C&F prices of Ammonia (cfr India), Sulphur (cfr India) and Prilled Urea (Arabian Gulf fob) for the preceding month published in the fertilizer market Bulletin (FMB) or actual weighted average landed price for the current month purchased by the P&K manufacturers/importers is adopted for monthly concession for complex fertilizers. Price of naphtha purchased by the Fertilizers & Chemicals Travancore Limited (FACT) during the current month is adopted for working out the cost of 'N' for naphtha based Complex fertilizers. Price of natural gas (APM) as per the current month is adopted for working out the cost of 'N' for gas based Complexes fertilizers.

(h) The input/fertilizer prices for the Concession Scheme is derived on the basis of an 'outlier' methodology. Accordingly, the weighted C&F price of various raw materials/intermediates/finished fertilizers (landed at Indian Ports in the relevant month) for computation of monthly concession is adopted by excluding the outlier(s). Prices, which are less than 5% or US $ 30 Per MT of the 'industry average', whichever is lower, will be excluded while computing the 'industry average'. The outlier is provided a separate treatment whereby the difference between outlier price and the 'industry average' is shared in the ratio of 65:35 between the 'outlier' price and the Government respectively. The 'outlier; methodology is also be applicable to all long-terms contracts including all existing long-term contracts such as ammonia Off-Take Agreement (AOTA) of IFFCO with OMIFCO w.e.f. 1st April, 2008.

The monthly concession rates for DAP / MOP / NPK Complexes / TSP / MAP / AS have been announced uptil September 2008.

[M/o Chemicals and Fertilizers (Department of Fertilizers)

O.M. H-11021/18/2008-Parl.]

Recommendation (SI.No. 3)

The Committee have been informed that nine urea plants in the public sector are presently closed/under shutdown due to various reasons, such as technological obsolescence, feedstock limitation, non-viability of unit/company and heavy financial losses. Further, inadequate availability of gas has acted as a constraint in de-bottlenecking/vamping/modemization of the existing fertilizer units through some units, viz. TCL -Babrala, KRIBHCO-Hazira, RCF-Thal, Indo-Gulf-Jagdishpur, Chambal-Gadepan have initiated the de-bottlenecking/revamping projects. Considering the fact that the Government has decided to accord the highest priority for allocation of gas to the fertilizer sector and the projected improvement in gas availability from the latter half of

2008-09, the Committee hope that a conducive policy in this regard will help to expedite the process of de-bottlenecking/revamping of the existing fertilizer units. The Committee desire that a firm policy with a long-term perspective should be put in place in this regard at the earliest. The Committee also desire that all out efforts should be made to ensure the upgradation of the brownfield units with a view to reviving the closed/sick units. The Committee further desire that adequate funds should be provided for the revival of all sick PSUs in the fertilizer sector within a definite time frame.

REPLY OF THE GOVERNMENT

As desired by the Committee, the Government has announced on 4lh September 2008 a New Investment policy for urea sector to attract the much required investment in this sector which is based on Import Parity Price benchmark. The policy will help in capacity addition, debottlnecking/revamp, expansion and also upgradation of brownfield projects and setting up of Greenfield projects.

The Cabinet had taken a decision on 12th April, 2007 to examine the feasibility of reviving the closed units of FCIL and HFCL subject to the confirmed availability of gas. The revival of the closed fertilizer units through brown field projects subject to confirmed availability of gas having been found feasible, the Cabinet in its meeting held on 30th October, 2008, considered the proposal of the Department of Fertilizers for revival of Barauni Unit of Hindustan Fertilizer Corporation through a Special Purpose Vehicle (SPV) viz. Urvarak Videsh Limited (UVL) which is promoted by National Fertilizers Limited (NFL), Rashtriya Chemicals & Fertilizers Limited (RCF) and Krishak Bharti Cooperative Limited (KRIBHCO). The SPV would submit a fully tied-up revival scheme for the closed fertilizer unit at Barauni.

The Cabinet also accorded approval for constitution of an Empowered Committee of Secretaries under the Chairmanship of Secretary (Fert.) and Secretaries of Expenditure, Disinvestment, Planning Commission, Department of Public Enterprises and Petroleum & Natural Gas as members, to look into all the financial models for revival of each of the closed units. The Committee would also look into various linkages including gas for facilitating revival of the closed units. The Committee will submit its recommendations including the model for revival of each of the closed units, to the Government.

The Cabinet also gave in-principle approval for considering write-off of Government of India loans and interest liabilities of FCIL and HFCL. The final decision on waiver will be taken when fully tied-up proposals are received by the Government.

[M/o Chemicals and Fertilizers (Department of Fertilizers)

OM.No.H-11021/18/2008-Parl.]

<u>Recommendation (SI. No.4)</u>

The Committee note that the capacity utilization in respect of both nitrogenous and phosphatic fertilizers in case of public sector companies is lower in comparison to the capacity utilization in the cooperative and private sectors. The Committee have been informed that lower capacity utilization by the public sector fertilizer Companies has been due to under utilization of capacity by Madras Fertilizers Limited(MFL), Brahmaputra Valley Fertilizer Corporation Limited(BVFCL] and Rashtriya Chemicals and Fertilizers Limited-RCF Trombay-IV plant. MFL could not utilize the installed capacity due to liquidity problems, while BVFCL had problems of erratic gas supply and liquidity. Lower production at RCF-Trombay-IV plant has been due to a major accident resulting in closure of the plant which is under revamp now. The Committee observe that besides the problems of liquidity, erratic gas supply and accidents, there are substantial number of workers both in public and cooperative sectors who are not skilled to handle the machinery. They, therefore, recommend that in addition to the provision of adequate and regular gas supply, modernization of plants so as to ward off accidents, the fertilizer industrial units especially PSUs should also explore the feasibility of skill development of unskilled workers.

REPLY OF THE GOVERNMENT

The Fertilizer Industrial Units viz., MFL, BVFCL and RCFL have been advised to undertake skill development of unskilled workers, provision of adequate and regular gas supply and modernization of their plants so as to ward off accidents.

[M/o Chemicals and Fertilizers (Department of Fertilizers)

OMNo.H-11021/18/2008-Parl.]

Comments of the Committee

(Please see Para No.7 of Chapter-I of the Report)

Recommendation (Sl.No. 5)

The Committee have been informed that Natural Gas is the preferred feedstock for the manufacture of urea over other feedstocks, viz. Naphtha and Fuel Oil/ Low Sulphur Heavy Stock (FO/LSHS) because it is clean and an efficient source of energy and is also considerably cheaper and more cost effective. Considering the fact that the capital investment required for a gas based plant and its energy consumption is less than that of naphtha and fuel oil based plants, the Committee recommend that priority in allocation of gas to meet the full requirement should not only be given to the existing gas based plants but also to the non-gas based plants for converting them into gas based plants and for future capacity additions to meet the growing demand. The Government should also nominate a single Public Sector Unit/body as the designated authority within the Ministry of Petroleum and Natural Gas to ensure dedicated and continuous supply of gas to the fertilizer units. Further, the scheme to incentivise and expedite conversion of the FO/LSHS plants into gas-based plants should be finalized at the earliest.

REPLY OF THE GOVERNMENT

The Government has decided to accord highest priority in allocation of gas beyond 2008-09 for revamp, conversion and expansion of existing units including revival of closed urea units in the country. Further, a policy to expedite conversion of Naphtha based units to gas has already been notified by the Government. A Policy for conversion of FO/LSHS based units to gas is also under active consideration of the Government.

Further, as desired by the Committee, the Department of Fertilizer has already taken up with the Ministry of Petroleum & Natural Gas for nominating Gas Authority of India Ltd.(GAIL) as the nodal authority for supply of gas to fertilizer sector in the country.

[M/o Chemicals and Fertilizers (Department of Fertilizers)
OM.No.H-11021/18/2008-Parl.]

Comments of the Committee

(Please see Para No.10 of Chapter-I of the Report)

Recommendation (SI. No. 6)

The Committee note that energy efficiency parameters for fertilizers production varies from one fertilizer unit to another and also depend upon the type of feedstock sed. For improving energy efficiency level, depending upon the specific requirements, necessary revamp of the plants are undertaken from time-to-time which involve repairs and replacements of critical equipments of the plants. The committee also note that fertilizers companies are implementing measures/schemes to improve the enerty efficiency on a continuous basis and accordingly they have used waste heat within the plants and have replaced/revamped reactors with more efficient designs, rotatory machines, solvents and instrumentation system. The committee appreciate the efforts made by the fertilizer industry and recommend that the

Government should assist the industry liberally in revamping their machinery/instruments so that energy conservation and optimum use of energy are achieved.

REPLY OF THE GOVERNMENT

The Government has announced on 4th September 2008 a new investment policy for urea sector to attract the much-required investment in this sector. The policy is based on IPP benchmark and has been finalized in consultation with the industry. Under the new investment policy, revamp of existing units in the country had been incentivised by linking the cost of production through revamp with IPP benchmark. As a result of this policy, most of the fertilizer units have initiated efforts towards revamp of their units.

[M/o Chemicals and Fertilizers (Department of Fertilizers)

OM.No.H-11021/18/2008-Parl.]

Recommendation (SI.No. 8)

The Committee note that the amount of subsidy is also given in the form of bonds in addition to cash payment. The Committee feel that bonds constitute a good option to reduce the carryover amount for the next year. However, they note that the value of bonds vary with the market rate and as such it tends to affect the fertilizer industry. The Committee observe that fertilizer industry had to bear considerable loss in encashing the second tranche of bond amount, as the market slumped and they had to pay heavy discount. The Committee, therefore, recommend that the major amount of subsidy should be paid in cash and not in the form of bonds. The committee desire and the Department should pursue with the Ministry of Finance for payment of maximum amount of subsidy in cash instead of bonds

REPLY OF THE GOVERNMENT

As desired by the Committee, the Government is taking steps to minimize the carry over amount of fertilizer subsidy from current year to next year. As a result, the carry over amount of fertilizer subsidy which has increased upto Rs.8788 crore in 2007-08 from 2006-07, was reduced to Rs. 5000 crores from 2007-08 to 2008-09.

The rise of international prices of fertilizers is a matter of great concern to the Government. Further, due to current recessionary trend in the international market and strategic buying by India in the international market has led to fall in the international prices of fertilizers in last few months. Moreover, the indigenous production of fertilizer is being encouraged to its maximum in order to reduce the import dependent of the country in fertilizer sector. The new investment policy in urea sector has already been announced by the Government to attract new investment in the sector and add to indigenous production within the country. To incentivise higher production of SSP, a revised policy of SSP linking its subsidy with input prices w.e.f 1st May, 2008 has also been notified by the Government.

The Department has been regularly in touch with Ministry of Finance for the allocation of fertilizer subsidy in cash instead of fertilizer bonds. In the current year 2008-09, a total of Rs.75849.76 crore (net) has been allocated by the Government in cash and Rs. 20,000 crores in bonds for payment of fertilizer subsidy.

[M/o Chemicals and Fertilizers (Department of Fertilizers)

OM.No.H-11021/18/2008-Parl.]

Recommendation (Sl. No.9)

The Committee are aware that due to the constraints in the availability of gas, which is the preferred feedstock for production of nitrogenous fertilizers, near total dependence of the country is on imported raw materials for production of phosphatic fertilizers. In case of Potassic fertilizers, the entire demand of

Potassic Fertilizers is met through import as there is absence of commercially exploitable potash sources in the country. In view of this, the Committee feel that setting up of joint venture projects, with long term buy back arrangement for securing raw materials, intermediates and finished products in the countries having abundant and cheaper raw material resources is an important option to increase fertilizer production. While appreciating the efforts of the Government which resulted in setting up of some joint venture, the Committee desire that the process of exploring the possibility of setting up of joint venture projects in resource rich countries should be expedited. The Committee note with satisfaction that the Government also encourage private sector entities to be part of either Public Sector consortium or explore independently the possibility of long term joint ventures in foreign countries in collaboration with either the Private "Sector entities abroad or Public Sector in those countries. The Committee are of the view that Government should provide all the necessary assistance and incentives wherever needed, to the Private Sector Industries also for completing necessary formalities in setting up joint ventures with foreign companies.

REPLY OF THE GOVERNMENT

The Department of Fertilizers is providing all help to assist both the Public as well as Private sector entities to set up long term Joint Ventures abroad for securing the requirement of Phosphate Fertilizers for the country with security of quantity and price advantage.

[M/o Chemicals and Fertilizers (Department of Fertilizers)

O.M. No. H-11021/18/2008-Parl.]

Recommendation (SI. No. 10)

The Committee note that against the requirement of urea to the tune of 234.25 LMT, the total availability of urea (including imported urea) was 221.56 LMT during the year 2005-06. In the year 2006-07, the total availability of urea was 250.45 LMT against the requirement of 249.45 LMT. Thus, there has been improvement in the availability of urea in the year 2006-07 as compared to the year 2005-06. The availability also remained satisfactory throughout the Kharif 2007 season as well as during the current Rabi 2007-08. However, it came out during the course of examination that there are reports of shortage of fertilizers in some States or in some districts which face shortage of fertilizers from time to time in spite of surplus supply by the Centre. The Committee note that various steps have been taken by the Department to manage this situation so that fertilizers could be made available to farmers in all districts and all blocks. The Committee appreciate the efforts made by the Department in this regard. However, the Committee express their concern over delay on the part of the Government in announcing the fertilizer pricing policy and the freight policies in time which resulted in a situation of scarcity of fertilizers. The Committee deplore the Government's apathy towards this sensitive issue and hope that in future the Government will take all possible precautions to formulate and announce its pricing policy and the freight policies well in time to avoid such a sorry state of affairs. The Committee also suggest that the Government should earmark sufficient funds for the payment of subsidy bills.

REPLY OF THE GOVERNMENT

The Government has finalized the new investment policy for urea sector and the same has been announced on 4th September, 2008. Further, to ensure easy availability of fertilizers in all parts of the country, the Department of Fertilizers has notified on 17th July, 2008 a uniform policy for freight subsidy for all subsidized fertilizers, wherein freight subsidy will be paid separately on receipt of all subsidized fertilizers in the districts/blocks. The freight subsidy will constitute two components, namely, rail freight and road freight. The rail freight will be paid on actual, and the road freight will be paid on normative average district lead (average of the actual leads of block headquarters from the nearest rail rake point) and a normative per KM rate. The uniform freight subsidy regime will facilitate availability of fertilizers in all parts of the country, especially in areas which are far from the production facilities and ports by reimbursing freight on actual.

Department of Fertilizers OM.No.H-11021/18/2008-Pari.]

Recommendation (Sl. No. 11)

The Committee note that there are 78 Single Super Phosphate (SSP) units operational in the country. The total installed capacity of SSP units is about 68 lakh metric tonne per annum. The Committee note with concern that capacity utilization of the Single Super Phosphate (SSP) plants is abysmally low in the range of 38-40 percent. The reason for this is the ad hocism in determining the volume of subsidy which has no linkage with the increase in input cost. The increase in input cost is due to the inflationary pressure, which makes the production unviable. The Committee also note with concern that the Government has not taken any steps to tackle this problem on a long term basis. Only an ad hoc approach is being adopted and subsidy on SSP is being revised from time to time on a short-term basis. In the absence of a long-term realistic approach, there cannot be any revival of the SSP capacity utilization. The Committee are also dismayed to note that out of 115 units, 29 were found manufacturing substandard products. This situation is very alarming and requires a quality control mechanism to be put in place. The Committee, therefore, recommend that the Government should deal with such cases with a heavy hand to prevent the manufacturer of sub-standard products.

Reply of the Government

Revised Concession Scheme for Single Super Phosphate (SSP) fertilizer for 2008-09 has been announced by the Government w.e.f. 1.5.2008. Accordingly, the following are the parameters of the revised Concession Scheme for SSP.

(a) Government of India has decided to announce a uniform all India MRP of SSP. Earlier, the State Governments used to indicate the MRP of SSP. Accordingly, the MRP of powdered SSP shall be Rs.3400/- PMT. Manufacturers/Marketers of SSP are allowed to charge additional Rs. 400/-per MT for Granulated SSP (GSSP) over the MRP of Rs.3400 per MT applicable for PSSP. For Boronated SSP (BSSP), manufacturers/marketers are allowed to charge additional 10% of the MRP of SSP.

(b) For manufacturing SSP, indigenous as well as imported Rock Phosphate is used. Accordingly, Government of India has decided to provide separate rate of concessions for SSP manufactured based on indigenous and imported Rock Phosphate. For SSP manufactured using both indigenous and imported Rock Phosphate by any manufacturer, the rates of concession will be settled in proportion to the production of SSP through use of indigenous and imported Rock Phosphate respectively. The base/final rates of concession on SSP per MT in Rs. during May-October 2008 are as follows: -

Amount in Rs.

Month	Rate of concession based on indigenous Rock Phosphate	Rate of concession based on imported Rock Phosphate	MRP
Base rate	3658	5630	3400
May 2008	4587	6406	3400
June 2008	5383	8942	3400
July 2008	5674	9160	3400
August 2008	6776	10391	3400
Sept. 2008	6990	11661	3400
October 2008	5823	13003	3400

(c) Final concession rates will be worked on monthly basis on the basis of price of imported and indigenous Rock Phosphate, as applicable and imported sulphur for the preceding month.

(d) The monthly final rates (escalation/de-escalation) will be based on the average of the low and the high C&F prices for the preceding month published in the Fertilizer Market Bulletin (FMB) or actual weighted average of imported Sulphur and imported Rock Phosphate (imported by the DAP/NPK manufacturers excluding any outlier) arrived during the same period, whichever is lower, for manufacturers using imported Rock Phosphate. Price of indigenous rock from Rajasthan State Mines & Mineral Ltd. (RSMML) would be reckoned with for concession to indigenous SSP manufacturers.

(e) manufacturers/Marketers of SSP irrespective of their annual production would be entitled to receive 'On Account' payment of 85% (90% with Bank Guarantee) of claims on sale of SSP duly certified by the Statutory Auditor and subject to filing complete information as prescribed under FMS. Balance claim will be considered for payment after the quantity as well as quality of SSP sold in the State has been certified by the State Government concerned as per Proforma 'B'.

(f) It is certified that only such quantity of SSP would be eligible for concession which has been covered under the quality inspection by the State Government and has been certified as prior to October, 2000 the criteria contained in the FCO through Proforma 'B' by the State Government. In case of any short supply or supply of sub-standard product, as identified by the State Government through Proforma 'B', necessary recoveries would be effected from subsequent claims or the manufacturers/importers.

(g) In those case where concession has been availed by manufacturers/ marketers for quantities claimed to have been sold but later contested by the State concerned and found to be so, recovery of the concession would be made. In those case, where concession claimed involved sub-standard and/or produced based on non-qualified raw material, recovery of the amount involved would be made along with a penal interest @ Prime Lending Rate (PLR based on SBI rate) plus 3% of the amount involved.

[M/o Chemicals and Fertilizers (Department of Fertilizers)
O.M. No. H-11021/18/2008-Parl.]

Recommendation (Sl. No. 14)

The committee note that during the year 2005-06, the total availability of DAP was 70.66 LMT against the requirement of 78.02 . Similarly, during the year 2006-07, the total availability of DAP was 77.27 against the total requirement of 81.29 LMT. In case of MOP which is fully imported, the availability during theyyear2005-06 and 2006-07 was 27.31 LMT and 25.86 LMT respectively against the requirement of 28.88 LMT and 33.23 LMT. The Committee understand that due to non-availability of Phosphatic rocks and raw materials, the requirement of DAP and MOP cannot be completely fulfilled indigenously. The Committee, therefore, recommend that the import of both of the fertilizers be increased as per the requirement. Simultaneously, efforts should also be made to procure raw materials for

DAP for increasing its indigenous production in order tobridge the demand and supply gap.

REPLY OF THE GOVERNMENT

Department is constantly monitoring the situation and will take all necessary steps to meet the requirement of DAP.

[M/o Chemicals and Fertilizers (Department of Fertilizers)

O.M.No. H-l 1021/18/2008-ParI.]

Recommendation (SI. No. 14)

The Committee observe that agricultural productivity in the country had been stagnant for several years in the past. One of the reasons for the stagnation is the incorrect use of fertilizers. Due to low application of secondary and micro nutrients, soils are deficient in sulphur, zinc, boron etc., resulting in low productivity. The Committee have been informed that in order to promote balanced and effective use of plant nutrients and fertilizers, the government have notified a new policy to encourage production and availability of fortified/coated fertilizers besides bringing sulphur as a nutrient under the concession scheme. Further, a nutrient based pricing regime for subsidized fertilizers is also under consideration of the Government. While hoping that the nutrient based pricing regime for subsidized fertilizers would be finalized soon, the Committee recommend that the government should encourage the development and use of crop specific, soil specific, s\customized fertilizers fortified with secondary and micronutrient to promote balanced and efficient use of plant nutrients. The Committee also recommend that farmers should be made aware of the benefits of the balanced use of fertilizers and they should also be educated about the ill-effects of excessive use of fertilizers. The Committee are of the view that the Department of Fertilizers, under the Government of India cannot perform well within area without the active support of the State Agriculture Departments and for this purpose the Department would have to mobilize them for conducting soil tests effectively. In this regard, the fertilizer companies should also assist the State Governments in securing soil testing mobile vans etc., as some of the States do not have the same in adequate numbers. Besides this, Fertilizer Education Programme needs to be further strengthened by the fertilizer industries in coordination with the State Governments and the Department of Fertilizers. The Committee also feel that without proper irrigation, the application of fertilizers is of very little use. As such, the Committee would also like to recommend that irrigation facilities in the State should also be augmented simultaneously for the effective use of fertilizers. The desired results could be achieved if synergic efforts are made by the Department of Fertilizers, Department of Agriculture, Ministry of Water Resources and the Irrigation and Agriculture Departments of State Governments.

REPLY OF THE GOVERNMENT

Department of Agriculture & Cooperation is implementing a scheme "National Project on Management of Soil Health and Fertility" to promote balanced & judicious use of Fertilizers in conjunction with organic manures on soil test basis. Under the scheme there is a provision for financial assistance for organization of farmers training and demonstration on balanced use of fertilizers.

To achieve the goal the DAC is providing financial assistance for setting up of new static and mobile soil testing laboratories under the State Government as well as under Private and Cooperative sector including Fertilizer Industry in the country.

Customised Fertilizer To promote the concept of Balanced use of fertilizer, Clause 20 -B has been introduced recently in the FCO with the main objective to promote site specific nutrient management so as to achieve maximum fertilizers use efficiency of applied nutrient in a cost effective manner. The fertilizers are multi nutrient carrier designed to contain macro and micronutrient. These fertilizers are soil specific & crop specific and are formulated on the basis of soil testing results. So far only 14 grades of these fertilizers have been notified and three manufacturers of Fertilizers namely, Tata Chemicals, Nagarjuna Fertilizers and Deepak Fertilizers have been permitted to manufacture these Customized fertilizers. Production of the fertilizer is likely to start soon. The Government is encouraging the4 use of fortified fertilizer and the following fertilizers fortified with Micronutrients have been included in the FCO:

1. Single Super Phosphate fortified with Boron (Boronated SSP)
2. Zincated Urea
3. Zincated Phosphate
4. NPK complex 10 : 26 : 26 with 0.3% Boron

[M/o Chemicals and Fertilizers (Department of Fertilizers)

OM.No.H-11021/18/2008-Parl.]

Comments of the Committee

(Please see Para No.19 of Chapter-I of the Report)

CHAPTER III

RECOMMENDATIONS/ OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

- **NIL -**

CHAPTER IV

RECOMMENDATIONS/ OBSERVATIONS IN RECTION OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl. No. 7)

The Committee note that there has been a tremendous increase in the subsidy amount since the year 2002-03 both in the case of urea and P&K fertilizers. The Committee note that the carryover amount is also gradually increasing year by year which is not a happy situation. The Committee have been apprised that 88% of the increase in subsidy is due to the sharp increase in the international price of fertilizer inputs and finished fertilizers while 12% increase is due to the increase in consumption of fertilizers. The Committee understand that Government provide fertilizers to farmers at much lower price of indigenously produced price/imported price. Thus, a substantial amount of money is incurred on subsidy. The amount of subsidy is further increased by the carryover amount of the preceding year. The Committee, therefore, recommend that efforts should be made to minimize the carryover amount. The Committee also recommend that the issue of the burgeoning price of fertilizers and its inputs should also be raised at the appropriate international forum. The Committee feel that the need of the hour is to increase the indigenous production of urea and SSP as there is vast difference in the indigenous price and the import price in respect of both the fertilizers.

REPLY OF THE GOVERNMENT

The Government has announced on 4th September 2008 a new investment policy for urea sector to attract the much required investment in this sector The policy is based on IPP benchmark and has been finalized in consultation with the industry. The policy is expected to lead to savings to the Government in the form of availability of Urea at a price below IPP and will also lead to indirect savings by bringing down the import price due to reduction in imports. The policy has provisions for revamp projects, expansion projects, revival/brownfield projects and greenfieid projects to increase the production of indigenous production of urea in the country.

[M/o Chemicals and Fertilizers (Department of Fertilizers)
OM.No.H-11021/18/2008-Parl.]

Comments of the Committee

(Please see Para No.13 of Chapter-I of the Report)

Recommendation (Sl. No. 13)

The Committee note that as per the allocation of Business Rules, the Department of Fertilizers have been entrusted the responsibility of ensuring movement, distribution and allocation of controlled fertilizers i.e., urea from various fertilizer plants and ports in accordance with the State-wise requirement as assessed by the Department of Agriculture & Cooperation (DAC), Ministry of Agriculture. The major responsibility of transportation of fertilizers lies with Railways. The Committee are happy to note that various measures have been taken by the Government with regard to propser and need based distribution and movement of fertilizers in each part of the country. The Committee also appreciates the Government's decision to reimburse the entire freight cost to the companies and hope that companies would not restrict their distribution to an area which is within their freight zone and they would also distribute fertilizers in the remote and difficult areas. The Committee are happy to note that the Government are also giving the companies the road freight at the first stage as per the actual average leads to the district and encourage them to go to districts and even to the blocks also. However, as regards the issue of black marketing, the Committee are not convinced with the reply of the government that the responsibility of preventing black marketing lies solely with the State Governments. The Union Government cannot shy away from their responsibility and they should ensure that quality fertilizer reach the farmers at a reasonable price and in a time bound manner. The committee, therefore, recommend that the Government should chalk out a monitoring mechanism in consultation with the State Governments to control artificial scarcity of fertilizers so that adequate fertilizers could be reached to the districts and the blocks in time.

REPLY OF THE GOVERNMENT

Department of Fertilizers ensures availability of fertilizers at State level in accordance with the assessed requirement. The State Government in turn draws district-wise monthly supply plan vis -a-vis requirement of fertilizers in consultation with the fertilizer Suppliers.

[M/o Chemicals and Fertilizers (Department of Fertilizers)

O.M.No. H-11021/18/2008-Parl.

Comments of the Committee

(Please see Para No.16 of Chapter-I of the Report)

CHAPTER V

RECOMMENDATIONS/ OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

- NIL –

New Delhi;
7 December 2009
16 Agrahayana, 1931 (Saka)

ANANTH KUMAR,
Chairman,
Standing Committee on
Chemicals and Fertilizers,

Appendix-I

MINUTES

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2009-10)

NINTH SITTING
(03.12.2009)

The Committee sat from 1500 hours to 1700 hours.

Shri Ananth Kumar - in the Chair

Members

Lok Sabha

2. Smt. Sushmita Bauri
3. Shri K. D. Deshmukh
4. Shri Ganeshrao Nagorao Dudhgaonkar
5. Shri N. Peethambara Kurup
6. Shri Ajit Singh

Rajya Sabha

7. Shri A.A. Jinnah

SECRETARIAT

1.	Shri N. K. Sapra	-	Additional Secretary
2.	Shri Ashok Sarin	-	Joint Secretary
3.	Shri C. S. Joon	-	Director

2. At the outset, Chairman apprised about the sad demise of Shri Mahendra Sahni, a member of the Committee. The Committee placed on record the active prticipation of Shri Sahni in the deliberations of the Committee and appreciated his valuable contribution. The Committee then passed a condolence resolution and stood in silence for a while in memory of the departed soul.

3. The Committee thereafter took up for consideration the following draft Reports on:

(i) XXXXXXXXXXXXXXXXXXXXX

(ii) XXXXXXXXXXXXXXXXXXXXX

(iii) Action Taken Report on 27th Report of the Committee (2008-09) on the subject 'Performance of Fertilizer Industry in Public, Private and Cooperative Sectors'

4. The draft Reports were adopted by the Committee with minor amendments.

5. The Committee authorised the Chairman to make consequential changes, if any, arising out of the factual verification of the Reports by the Ministry of Chemicals and Fertilizers (XXXXXXXXXXXXXXXX) and (Department of Fertilizers) and present the same to both the Houses of Parliament.

The Committee then adjourned.

……………….

XX Matters not related to this Report.

Appendix – III

(Vide Para 3 of the Introduction)

Analysis of Action Taken by the Government on the recommendations contained in the Twenty-seventh Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers (2009-10) on 'Performance of Fertilizer Industry in Public, Private and Cooperative Sectors'.

I	Total No. of Recommendations	14
II	Recommendations/observations which have been accepted by the Government (Vide Recommendations at Sl. Nos.1,2,3, 4, 5,6,8, 9, 10, 11,12 & 14)	12
	Percentage to Total	85.71%
III	Recommendations/observations which the Committee do not desire to pursue in view of Government's Replies	Nil
	Percentage of Total	Nil
IV	Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee (*Vide Recommendation at Sl. No. 7 & 13*)	2
	Percentage of Total	14.29%
V	Recommendations/observations in respect of which final replies of the Government are still awaited	Nil
	Percentage of Total	Nil

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