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STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2023-24)

(SEVENTEENTH LOK SABHA)

MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS)

Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Forty-Fourth Report (Seventeenth Lok Sabha) on 'Fertilizer Subsidy Policy and Pricing Matters including need to continue Urea Subsidy Scheme' of the Ministry of Chemicals and Fertilizers (Department of Fertilizers)

FORTY-NINTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT

NEW DELHI

December, 2023/ Agrahayana, 1945 (Saka)

CC&F NO. 177

FORTY-NINTH REPORT

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(DEPARTMENT OF FERTILIZERS)

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Presented to Lok Sabha on 19 December, 2023

Laid in Rajya Sabha on 19 December, 2023

सत्यमेव जयते

LOK SABHA SECRETARIAT

NEW DELHI

December, 2023/ Agrahayana, 1945 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS

(2023-24)

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
8. Shri Rajeshbhai Naranbhai Chudasama
9. Dr. Sanjay Jaiswal
10. Shri Ramesh Chandappa Jigajinagi
11. Shri Kripanath Mallah
12. Shri Satyadev Pachauri
13. Smt. Aparupa Poddar
14. Shri Arun Kumar Sagar
15. Shri Muniyan Selvaraj
16. Dr. Sanjeev Kumar Singari
17. Shri Atul Kumar Singh
18. Shri Pradeep Kumar Singh
19. Shri Indra Hang Subba
20. Shri Parbhubhai Nagarbhai Vasava
21. Vacant*

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 Chander Mohan	-	Joint Secretary
2.	Smt. Geeta Parmar	-	Director
3.	Shri Panna Lal	-	Under Secretary

* Vacant *vice* Shri Uday Pratap Singh, MP(LS) who resigned his seat in LS w.e.f. 06.12.2023. [Lok Sabha Secretariat Notification No. 21/1(1)/2023/T(B) dated 6th December, 2023]

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2023-2024) having been authorized by the Committee, do present on their behalf this Forty-Ninth Report on Action taken by the Government on the Observations/Recommendations of the Committee contained in their 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 Forty-fourth Report was presented to Lok Sabha and also laid in Rajya Sabha on 09th August, 2023. The Department of Fertilizers, Ministry of Chemicals and Fertilizers furnished their replies on 10th October, 2023 indicating Action Taken on the Observations/Recommendations contained in the Forty-fourth Report. The Committee considered and adopted the Draft Report at their sitting held on 14th December, 2023.

3. An analysis of the Action Taken by the Government on the Observations/Recommendations contained in the Forty-Ninth Report (Seventeenth Lok Sabha) of the Committee is given in **Appendix-II.**

4. For ease of reference, Observations/Recommendations of the Committee have been printed in bold letters in the Report**.**

New Delhi;	**DR. SHASHI THAROOR**
<u>14 December, 2023</u>	**CHAIRPERSON,**
23 Agrahayana, 1945 (Saka)	**STANDING COMMITTEE ON**
	CHEMICALS AND FERTILIZERS.

CHAPTER-I

REPORT

This Report deals with Action Taken by the Government on the observations/ recommendations of the Standing Committee on Chemicals and Fertilizers contained in their Forty-Fourth Report (17th Lok Sabha) on 'Fertilizer Subsidy Policy and Pricing Matters including the need to continue Urea Subsidy Scheme' pertaining to the Department of Fertilizers, Ministry of Chemicals and Fertilizers.

1.2 The Forty-Fourth Report was presented to Lok Sabha and laid in Rajya Sabha on 09th August, 2023. The Report contained 21 Observations/Recommendations. Action Taken Replies in respect of all the Observations/Recommendations contained in the Report have been received and are categorized as under:

(i) Observations/ Recommendations which have been accepted by the Government:

Rec. Para No. 1,2,3,4,5,6,7,8,9,12,13,14,15, 17,18,19,20 and 21

(Total=18)

Chapter-II

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

Rec. Para No. Nil **(Total = 00)**

Chapter-III

(iii) Observations/ Recommendations in respect of which replies of the Government have not been accepted by the Committee which require reiteration:

Rec. Para No. 11 and 16 **(Total=02)**

Chapter-IV

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

Rec. Para No. 10 **(Total = 01)**

Chapter-V

1.3 The Committee desire that the Action Taken Notes on the Observations/ Recommendations contained in Chapter-I and Chapter-V of this Report may be furnished to the Committee within three months of the presentation of this Report.

1.4 The Committee will now deal with the action taken by the Government on some of their Observations/Recommendations that require reiteration or merit comments.

(Recommendation No. 3)

1.5 The Committee had noted in their original Report that IFFCO had started nano urea production at its Kalol unit with an annual capacity of 4.95 crore bottles, at Aonla and Phulpur units with an annual capacity of 6.0 crore bottles each of 500 ml. and is also establishing nano liquid urea plants at Bengaluru and Deogarh with an annual capacity of 6.0 crore bottles each and at Guwahati with an annual capacity of 4.95 crore bottles. Moreover, RCF's nano urea plant is likely to be commissioned at Trombay by March, 2024 and NFL's nano urea facility at Nangal by July, 2024. The Committee had desired the Department to ensure the targeted production of 44 crore bottles of nano urea by 2024-25 and hence take immediate measures to facilitate the transfer of nano fertilizers technology by IFFCO to other PSUs to enhance its production in the country.

1.6 In their Action Taken Reply furnished to the Committee, the Department of Fertilizers has stated as follows:

> "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 at Nangal by July, 2024. Further, IFFCO was requested to transfer the technology of Nano urea to Brahmaputra Valley Fertilizers Company Limited (BVFCL) and Fertilizers & Chemicals Travancore Limited (FACT) for free of cost. However, IFFCO has conveyed that the license fee for grant of license & know-how and the production based Royalty Fee would be on chargeable basis for setting up Nano Urea (Liquid) fertilizer plant in India based on IFFCOs proprietary technology."

1.7 The Committee had desired that the Department, in order to ensure targeted production of 44 crore bottles of nano urea by 2024-25 and also for meeting its future requirements, should take immediate measures to facilitate the transfer of nano fertilizers technology of IFFCO to other PSUs to enhance its production in the country. From the Action Taken reply, the Committee note that the Nano Urea plants of RCF and NFL are likely to be commissioned by March and July 2024, respectively with the help of technology transferred from IFFCO. However, with regard to the transfer of technology of Nano urea to Brahmaputra Valley Fertilizers Company Limited (BVFCL) and Fertilizers & Chemicals Travancore Limited (FACT) free of cost, IFFCO has conveyed that the license fee for grant of license & know-how and the production based Royalty Fee would be on a chargeable basis for setting up a Nano Urea (Liquid) fertilizer plant in India based on IFFCOs proprietary technology.

In this context, the Committee would desire that the Department should pursue the matter with IFFCO for transfer of nano urea technology to other PSUs as was done in the case of RCF and NFL to facilitate the targeted production of Nano urea by 2024-25. The Committee would like to be informed of the progress made in this regard.

(Recommendation No. 5)

Target Energy Norms (TEN)

1.8 The Committee had noted that as per the New Urea Policy 2015 which has been aimed at maximizing indigenous urea production, promoting energy efficiency in urea production and rationalizing the subsidy burden on the Government, 25 gas-based urea units had been classified into three groups as per the Target Energy Norms (TEN), which may be continued upto 31st March, 2025. Further, NUP-2015 had resulted in budgetary saving of ₹ 8,851 crore due to the reduction in energy consumption levels in urea plants from 1987-88 to 2021-22. While observing that out of the 25 urea units only 18 units had successfully implemented the TEN and remaining 7 units were at different stages of TEN implementation, the Committee had desired that the Department should extend support to these units through suitable incentives to help them in implementing

TEN, thus facilitating an increase in urea production and reduction in energy consumption.

1.9 In their Action Taken Reply furnished to the Committee, the Department of Fertilizers has stated as follows:

> "There are 7 units viz., PPL-Goa, GSFC-Vadodara, NFCL-I, NFCL-II, NFL-Vijaipur-I, KFCL-Kanpur and SFC-Kota which could not achieve the target energy norms under NUP-2015 till date. As decided by Cabinet Committee on Economic Affairs in its meeting dated 13th November 2022, which has been notified by Department of Fertilizers on 18th November 2022, the energy norms of the 4 units namely PPL-Goa, GSFC-Vadodara, NFCL-I and NFCL-II units are to be examined by Department of Fertilizers in consultation with the Department of Expenditure. Further, for the KFCL-Kanpur and SFC-Kota, which are coal-based units, revised Target Energy Norms was to be decided.
>
> Accordingly, the energy norms of the PPL-Goa, GSFC-Vadodara, KFCL-Kanpur and SFC-Kota was reviewed in consultation with the DoE and followings have been decided:
>
> a. The Revised Energy norms of NUP-2015 (REN) of the PPL-Goa is extended with the penalty of 30% of the difference between REN and Target Energy Norms prescribed under NUP-2015 (TEN) till 31st December, 2023 or till PPL-Goa achieves the TEN, whichever is earlier, Thereafter, no further extension will be allowed.
>
> b. The Revised Energy Norms of NUP-2015 (REN) of the GSFC-Baroda is extended till 31st March 2024 with the penalty of 30% of the difference between REN and TEN or till the unit achieves the TEN, whichever is earlier.
>
> c. Expert Group constituted under NITI Aayog has been requested to examine the energy norms of SFC-Kota and KFCL-Kanpur and to recommend the revised target energy norms (TEN) for these units. In the meantime, the REN of the SFC-Kota and KFCL-Kanpur is extended with deduction of 30% of the difference between REN and TEN till 31st March, 2024 or the fixation of revised TEN of these units, whichever is earlier.
>
> Further, the energy norms of NFCL-I, II and NFL-Vijaipur-I with effect from 1st April 2023 is under examination in the Department of Fertilizers to submit a proposal to the Department of Expenditure.
>
> It is also pertinent to mention here that the Energy Norms prescribed under NUP-2015 are effective till 31st March 2025. Thereafter, energy norms of the units are to be decided based on the recommendation of the expert group constituted under the NITI-Aayog."

1.10 The Committee take note of the measures being taken by the Department to ensure that 7 urea plants achieve the target energy norms under NUP-2015. Energy norms have been reviewed in consultation with the Department of Expenditure in respect of PPL-Goa, GSFC-Vadodara, SFC-Kota and KFCL-Kanpur with the provision of penalty clause, etc. However, the Committee observe that energy norms in respect of NFCL - I, II and NFL-Vijaipur-I with effect from 1st April 2023 are still being examined by the Department of Fertilizers and, therefore, desire that the same should be reviewed expeditiously. The Committee would also like to be apprised of the status with regard to the achievement of TEN by each of these units from time to time.

(Recommendation No. 11)

Reassessment of Dealers'/ Distribution Margin

1.11 The Committee had noted that the dealers'/distribution margin in case of the sale of Urea is ₹ 354 per Metric Tonne while the Retailers' Margin is ₹ 50 per Metric Tonne. Further, as the labour charges for loading and unloading of a 45 kg urea bag is even more than the retailers' margin of ₹ 2/- per bag, the retailers/ dealers may indulge in malpractices in the sale of urea. The Committee, had, therefore, desired that immediate and expeditious corrective steps be taken by the Department through a revision in the dealer's/distribution margin in the sale of urea through POS devices so as to enhance their financial viability and thus check the malpractices in the sale/ distribution of fertilizers. A need was also expressed to review the fertilizer subsidy scheme in consultation with all the stake holders so that it meets the objectives of the scheme in an effective manner.

1.12 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> "Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 28th June, 2023 has inter-alia approved to continue the present system of subsidy on urea till 2024-25. The Expenditure Finance Committee (EFC) chaired by Secretary (Expenditure) will review the scheme during 2024-25 for continuation of the scheme beyond 2024-25."

1.13 The Committee find that the Action Taken reply of the Department is silent on their recommendation to examine/review the dealers'/ distribution margin in the sale of Urea through POS devices to make it financially viable and thus check the malpractices, if any, in the sale/distribution of fertilizers so as to fulfill the

objective of the fertilizer subsidy scheme. The Committee, therefore, reiterate their earlier recommendation.

(Recommendation No. 16)

<u>Separate tariff codes for Urea used for Agricultural and non-agricultural purposes</u>

1.14 The Committee in their Report had noted that, at present, the agricultural urea which is available at ₹ 5 to ₹ 6 per kg as well as the technical grade urea, which is sold at around ₹ 70-80 per kg, comes under the same tariff code that gives ample scope for the diversion of agricultural urea for use in industrial or non-agricultural purposes. The Committee had, therefore, desired the Department to take suitable corrective steps by creating a separate tariff code for urea used for non-agricultural purposes so as to prevent its diversion for industrial or non-agricultural purposes.

1.15 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> "The Fertilizer is an essential commodity in terms of the Essential Commodities Act 1955 read with the Fertilizer Control Order, 1985 and Fertilizer (Movement Control) Order 1973, which provides adequate powers to arrest adulteration, smuggling, black marketing and hoarding of fertilizers.
>
> The State Governments are adequately empowered under FCO to check for the quality of the fertilizers and to stop diversion of fertilizers for non-agriculture purposes and to take punitive action against any individual / fertilizer company involving in black marketing / smuggling / adulteration of fertilizers which are violative of the provisions of Fertilizer Control Order, 1985 read with Essential Commodities Act, 1955.
>
> The Department of Fertilizers, alongwith the Agriculture Department officers of the respective State Governments conducts regular joint inspections of fertilizer and related units. Apart from checking of samples, wherever other violations are observed, punitive action as per prevailing law(s) is initiated against the violators.
>
> To differentiate the Agricultural Grade Urea (AGU) from the Technical Grade Urea (TGU), presently, the AGU comes with Neem Oil Coating, which can be easily tested to find out the difference.
>
> During the periodical surprise checks at the Units where the Urea is in use i.e., the units involved in manufacture of Plywood, Resin etc., samples are lifted and sent for lab testing, in terms of Schedule I [clause 2(h) & (g) of the Fertilizer Control Order, 1985.
>
> Negative results of the TGU for the above test confirms that the same is Technical Grade Urea (TGU). Wherever the test is positive, punitive action is initiated by the States.

To handle the issue still more efficiently at the State Governments level, active involvement of the related departments of the state governments i.e., Departments of Finance, Industry and Environment would be required who can check the evasion of taxation, adherence to the license conditions and maintenance of pollution control levels etc. The Department of Fertilizers is, accordingly, separately taking up the issue with the State Governments for effective fertilizer management."

1.16 The Committee in their Report had noted that both the Agricultural Grade Urea (AGU) as well as the Technical Grade Urea (TGU) come under the same tariff code. The Committee also took note of the submission of the Department that, creating a separate tariff code for Urea used for non-agricultural purposes will enable better monitoring, as the TGU is sold at around ₹ 70-80 per kg, whereas the AGU being subsidized is available at ₹ 5 to ₹ 6 per kg, leaving a lot of scope for the diversion of Agricultural urea for industrial or non-agricultural purposes. If there are different codes, the quantity of import of urea and the quantity used by the industry can be better monitored. The Committee had, therefore, desired that the Department should take suitable corrective steps for creating a separate tariff code for the urea used for agricultural purposes so as to prevent its diversion for industrial or non-agricultural purposes.

The Department in their Action Taken reply has mentioned the measures in place/being taken to stop the diversion of fertilizers for non-agriculture purposes, however, the reply is silent on the recommendation of the Committee to create separate tariff codes for AGU and TGU to monitor their use. The Committee, therefore, reiterate their earlier recommendation.

CHAPTER – II

OBSERVATIONS/ RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

(Recommendation No. 1)

2.1 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.**

2.2 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> "As regards to the Committee's recommendation that the Department should take all remedial measures to contain the deficit of various types of fertilizers in the country specially Urea, as consumption of urea is the highest in the country, and make the country more self-reliant. In this regard, it is submitted that after setting up six new Ammonia-Urea units under the New Investment Policy (NIP) – 2012, the annual installed capacity of indigenous urea production has increased from 207.54 LMT during F.Y. 2014-15 to 283.74 LMT during F.Y 2022-23. Further, incentivization of urea production beyond the Re-Assessed Capacity by the existing units under New Urea Policy-2015

(NUP-2015) has added about 20-25 LMT additional urea production annually in the country. Due to above measures, India recorded highest ever urea production of 284.95 LMT during F.Y. 2022-23 and urea production is expected to cross 300 LMT during F.Y. 2023-24. Further, an exclusive policy has also 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.

In addition to above, introduction of PM Programme for Restoration, Awareness Generation, Nourishment and Amelioration of Mother-Earth (PM-PRANAM), Market Development Assistance (MDA) to promote Organic Fertilizers, Promotion of Sulphur Coated Urea with the name of 'Urea Gold' and production of Nano Urea is expected to reduce use of chemical fertilizers particularly urea".

(Recommendations No. 2)

Promotion of fertilizers production

2.3 The Committee note that there are 36 Urea manufacturing units in the country and under the New Investment Policy (NIP), 2012, 06 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.**

2.4 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

"ICAR conducted field studies during Kharif -2021 at 20 locations on Rice, Maize, Finger Millet, Pearl Millet and Ginger. They found that there was yield advantage of 3-8% of various crops and Urea saving of 25-50% was observed due to Nano urea application. ICAR has been requested to continue with the study on effectiveness of Nano Urea at fields".

(Recommendations No. 3)

2.5 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.**

2.6 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> "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. Further, IFFCO was requested to transfer the technology of Nano urea to Brahmaputra Valley Fertilizers Company Limited (BVFCL) and Fertilizers & Chemicals Travancore Limited (FACT) for free of cost. However, IFFCO has conveyed that the license fee for grant of license & know-how and the production based Royalty Fee would be on chargeable basis for setting up Nano Urea (Liquid) fertilizer plant in India based on IFFCOs proprietary technology".

COMMENTS OF THE COMMITTEE
(Please see Para No. 1.7 of Chapter – I of the Report)

(Recommendation No. 4)

Adequate Budgetary allocation at BE stage.

2.7 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 fulfill 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.**

2.8 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> "It is true that there was an unprecedented increase in the international prices of raw materials as well as finished P&K fertilizers in last 2 years. However, the prices in the fertilizer international market have shown a downward trend in last few months. However, to reduce the adverse effects of such types of increase in fertilizer prices, the department has been encouraging MOUs and Long term agreements on supply of raw materials as well as finished fertilizers between Indian companies and companies in the resource rich countries. The Government is also trying to diversify the suppliers of fertilizers as well to reduce the effects of volatile international fertilizer market such as suppliers from various countries like Saudi Arabia, Russia, Morocco, Israel, Canada, Jordan, Germany etc. Further, the realistic demand of funds are projected by the Department at BE/RE stage. However, the recommendation of the committee for more realistic projections of demands of funds at BE stage has been noted down for future compliance".

(Recommendations No. 5)

Target Energy Norms (TEN)

2.9 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 ₹ 8,851 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.**

2.10 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> "There are 7 units viz., PPL-Goa, GSFC-Vadodara, NFCL-I, NFCL-II, NFL-Vijaipur-I, KFCL-Kanpur and SFC-Kota which could not achieve the target energy norms under NUP-2015 till date. As decided by Cabinet Committee on Economic Affairs in its meeting dated 13th November 2022, which has been notified by Department of Fertilizers on 18th November 2022, the energy norms of the 4 units namely PPL-Goa, GSFC-Vadodara, NFCL-I and NFCL-II units are to be examined by Department of Fertilizers in consultation with the Department of Expenditure. Further, for the KFCL-Kanpur and SFC-Kota, which are coal-based units, revised Target Energy Norms was to be decided.

Accordingly, the energy norms of the PPL-Goa, GSFC-Vadodara, KFCL-Kanpur and SFC-Kota was reviewed in consultation with the DoE and followings have been decided:

d. The Revised Energy norms of NUP-2015 (REN) of the PPL-Goa is extended with the penalty of 30% of the difference between REN and Target Energy Norms prescribed under NUP-2015 (TEN) till 31st December, 2023 or till PPL-Goa achieves the TEN, whichever is earlier, Thereafter, no further extension will be allowed.

e. The Revised Energy Norms of NUP-2015 (REN) of the GSFC-Baroda is extended till 31st March 2024 with the penalty of 30% of the difference between REN and TEN or till the unit achieves the TEN, whichever is earlier.

f. Expert Group constituted under NITI Aayog has been requested to examine the energy norms of SFC-Kota and KFCL-Kanpur and to recommend the revised target energy norms (TEN) for these units. In the meantime, the REN of the SFC-Kota and KFCL-Kanpur is extended with deduction of 30% of the difference between REN and TEN till 31st March, 2024 or the fixation of revised TEN of these units, whichever is earlier.

Further, the energy norms of NFCL-I, II and NFL-Vijaipur-I with effect from 1st April 2023 is under examination in the Department of Fertilizers to submit a proposal to the Department of Expenditure.

It is also pertinent to mention here that the Energy Norms prescribed under NUP-2015 are effective till 31st March 2025. Thereafter, energy norms of the units are to be decided based on the recommendation of the expert group constituted under the NITI-Aayog".

COMMENTS OF THE COMMITTEE
(Please see Para No. 1.10 of Chapter – I of the Report)

(Recommendations No. 6)

Commissioning of Talcher Fertilizers plant

2.11 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.**

2.12 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> "Government of India mandated revival of Talcher Plant of FCIL by forming Joint Venture Company of nominated PSUs i.e. RCF, GAIL, CIL and FCIL for setting up Ammonia-Urea plant of 12.7 LMTPA Capacity based on Coal Gasification Technology. The commissioning of TFL Plant is mainly delayed due to Covid-19 Pandemic and subsequent disruptions. However, all concrete measures are being taken by Department of Fertilizers to ensure that the TFL is commissioned within stipulated time schedule. Regular and close monitoring of TFL Project is being done by the Department. During the review meetings, CMDs of all JV Partners, Chairman and MD of TFL have been directed to have regular review meetings, maintain proper coordination among all stake holders, deploy requisite man power, expedite recruitment process, expedite award of all critical packages etc. Department of Fertilizers is also facilitating TFL to take up matters with concerned Ministries/Departments for getting early clearance/approvals".

(Recommendations No. 7)

<u>Third Party evaluation of Urea Subsidy Scheme</u>

2.13 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.**

2.14 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> "Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 28th June, 2023 has inter-alia approved to continue the present system of subsidy on urea till 2024-25. The Expenditure Finance Committee (EFC) chaired by Secretary (Expenditure) will review the scheme during 2024-25 for continuation of the scheme beyond 2024-25".

(Recommendations No. 8)

2.15 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.**

2.16 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> "So far as indigenous urea is concerned, settlement of subsidy/DBT claims of fertilizers companies are being done regularly subject to availability of funds. Against the projected amount of Rs. 1,43,962.00 Cr, an amount of Rs. 1,04,063.18 Cr. have been allocated under BE 2023-24 for subsidy for indigenous urea. The BE figure is only initial projection at this stage. Cost of Natural Gas is a major cost element towards cost to producing urea and currently gas price is showing decreasing trend and if this trend sustains, it will ease expenditure on indigenous urea subsidy outgo during 2023-24. However, the requirement of additional funds will be re-assessed and demanded at the time of RE/Supplementary for 2023-24".

(Recommendations No. 9)

2.17 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 (PM-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.**

2.18 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> "The Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 28th June, 2023 has approved the "PM Programme for Restoration, Awareness Generation, Nourishment, and Amelioration of Mother-Earth (PM-

PRANAM)”. The initiative aims to support the mass movement started by States/UTs to save the health of Mother Earth by promoting sustainable and balanced use of fertilizers, adopting alternate fertilizers, promoting organic farming and implementing resource conservation technologies.

Under the said scheme, it is proposed that 50% of the fertilizer subsidy saved by a State/UT in a particular financial year by way of reduction in consumption of chemical fertilizers (Urea, DAP, NPK, MOP) compared to previous 3 years' average consumption, will be passed on to that State/UT as Grant. The PM-PRANAM scheme is being implemented for a period of three years (FY 2023-24 to FY 2025-26)”.

(**Recommendations No. 12)**

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

2.19 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.**

2.20 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

“The Government has approved the Market Development Assistance (MDA) @ ₹1,500/MT to promote organic fertilizers produced at plants under GOBARdhan initiative covering different biogas/CBG support schemes/ programmes of stakeholders Ministries/Departments at the total outlay of ₹1,451.84 Crore (FY 2023-24 to FY 2025-26), which includes a corpus of ₹360 Crore for research gap funding, etc. It will promote integrated nutrient management and reduce overuse of chemical fertilizers ensuring sustainability, soil health and better use efficiency of inputs.

The Government has also approved the PM Programme for Restoration, Awareness Generation, Nourishment and Amelioration of Mother Earth (PM-

PRANAM) for three years (FY 2023-24 to FY 2025-26) to incentivize States/UTs to promote alternative fertilizers and balanced use of chemical fertilizers. This will incentivize the farmers to reduce the overall consumption of fertilizers for improving soil health and fertility and sustainable productivity.

The Government has been promoting use of bio-fertilizers and organic fertilizers and bio-pesticides under organic farming through the scheme of Paramparagat Krishi Vikas Yojana (PKVY) and Mission Organic Value Chain Development in North East Region (MOVCDNER) since 2015-16. Under these schemes, farmers are primarily encouraged for organic cultivation using organic inputs and end to end support to farmers, i.e., from production to marketing of organic produce is ensured. Hands-on training to farmers about on-farm production of organic fertilizers and its use are integral part of these schemes. Farmers are provided subsidy of ₹31,000/ha/3 years under PKVY and ₹32,500/ha/3 years under MOVCDNER for on-farm organic inputs including bio-fertilizers and bio-pesticides as well as for procurement of off-farm organic inputs.

Trainings are provided to farmers on use of bio/organic fertilizers by National Centre for Organic and Natural Farming (NCONF) and Indian Council for Agricultural Research (ICAR). ICAR has developed improved and efficient strains of bio-fertilizers specific to different crops and soil types with higher shelf life.

National Project on Management of Soil Health & Fertility has been implemented to assist States in promoting Integrated Nutrient Management (INM) through judicious use of chemical fertilizers including secondary and micro nutrients in conjunction with organic manures & bio fertilizers for improving soil health and its productivity.

All these initiatives of the Government on promotion of organic fertilizers and alternative fertilizers address the imbalanced use of chemical fertilizers thereby restoring the standard NPK ratio".

(Recommendations No. 13)

2.21 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.**

2.22 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> "The Government has approved that the Market Development Assistance (MDA) @ ₹1,500/MT will be provided to promote organic fertilizers, produced at plants under umbrella Galvanizing Organic Bio-Agro Resources Dhan (GOBARdhan) initiative covering different Biogas/CBG support schemes/programmes of stakeholder Ministries/ Departments such as Sustainable Alternative Towards Affordable Transportation (SATAT) scheme of Ministry of Petroleum & Natural Gas (MoP&NG), 'Waste to Energy' programme of Ministry of New & Renewable Energy (MNRE), Swachh Bharat Mission (Grameen) of Department of Drinking Water & Sanitation (DDWS), etc. with total outlay of ₹1,451.84 Crore (FY 2023-24 to FY 2025-26), which includes a corpus of ₹360 Crore for research gap funding, etc.
>
> The Government has also approved the PM Programme for Restoration, Awareness Generation, Nourishment and Amelioration of Mother Earth (PM-PRANAM) for three years (FY 2023-24 to FY 2025-26) to incentivize States/UTs to promote alternative fertilizers and balanced use of chemical fertilizers. This will incentivize the farmers to reduce the overall consumption of fertilizers for improving soil health and fertility and sustainable productivity.
>
> The Government has further approved that a Steering Committee chaired by Secretary (Fertilizers) and comprising of atleast Joint Secretary level Officers from the Department of Expenditure, NITI Aayog, Department of Agriculture & Farmers Welfare, Department of Drinking Water & Sanitation, Ministry of New & Renewable Energy, Ministry of Housing & Urban Affairs, Ministry of Petroleum & Natural Gas and Department of Animal Husbandry & Dairying will oversee operational aspects and detailed guidelines for MDA including packaging size, retail price, manner of disbursement of MDA, subject to the approval of Hon'ble Minister of Chemicals & Fertilizers on the recommendations of the Steering Committee.

The Steering Committee in its first meeting held on 1st August, 2023 had detailed deliberations on implementation of Market Development Assistance to promote organic fertilizers and implementation of PM-PRANAM to incentivize States/UTs to promote alternative fertilizers and balanced use of chemical fertilizers ensuring reduction in overall consumption of fertilizers resulting in improvement of soil health and fertility and sustainable productivity".

(Recommendations No. 14)

Streamlining Procurement process of gas for production of Urea.

2.23 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.**

2.24 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

"Policy reforms in EPMC gas procurement mechanism has been made applicable since January-2023. Reforms include as under:

a. Monthly bidding for the aggregated additional requirement of the gas for all the urea manufacturing units unlike the erstwhile system of quarterly and unit wise bidding.

b. Matching to L1 price.

c. Take off guarantee for the 40% of the bid quantity unlike the erstwhile system of reasonable endeavor basis.

Above measures have resulted in substantial reduction in the price of natural gas procured through the EPMC route.

In addition to the above, due to regular follow ups and instructions from the Department of Fertilizer the urea units have entered into various long term, mid-term and short term gas arrangement which includes 4 MMSCMD of HPHT natural gas. Further, M/s GAIL had imposed cut of 10% in the supply of LT RLNG to the urea units during 2021-22 and some period of 2022-23, supply of which has been restored due to which dependency on procurement of gas through EPMC has reduced to around 4 MMSCMD from the level of 13-14 MMSCMD.

In view of the above it may be stated that the procurement process of gas for the production of Urea has been already streamlined. Further, Department of Fertilizers is actively monitoring the supply of gas to the natural gas".

(Recommendations No. 15)

Measures to stop irregularities in the sale of fertilizers

2.25 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.

2.26 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> "All the Fertilizer Companies registered under Urea subsidy scheme and NBS schemes produce Urea and P & K fertilizers like DAP, MOP, SSP & approved NPK Grades conforming to the standards and specifications as laid down in the Fertilizer Control Order 1985.
>
> The Fertilizer is an essential commodity in terms of the Essential Commodities Act 1955 read with the Fertilizer Control Order 1985 and Fertilizer (Movement Control) Order 1973, which provides adequate protection to arrest adulteration, smuggling, black marketing and hoarding of fertilizers by the State Governments.
>
> The State Governments are adequately empowered under FCO to check for the quality of the fertilizers and to stop diversion of fertilizers for non-agriculture purposes and to take punitive action against any individual / fertilizer company involving in black marketing / smuggling / adulteration of fertilizers which are violative of the provisions of Fertilizer Control Order 1985 read with Essential Commodities Act 1955.
>
> The Department of Fertilizers, along with the Agriculture Department officers of the respective State Governments conducts regular joint inspections of fertilizer and related units. Apart from checking of samples, wherever other violations are observed, punitive action as per prevailing law(s) is initiated against the violators by the State Governments".

(Recommendations No. 17)

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

2.27 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.**

2.28 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> "The suggestion of the committee regarding regular directions to State Government besides conducting weekly video conference with the State Governments to ensure adequate and on time availability of fertilizers in the States have been noted".

(Recommendations No. 18)

<u>Issue of Soil Health Card</u>

2.29 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.**

2.30 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> The Soil Health & Fertility scheme is being implemented to promote Integrated Nutrient Management through judicious use of chemical fertilizers including secondary and micronutrients in conjunction with organic manures & bio-fertilizers for improving soil health and its productivity. Under this scheme, all State Governments/UTs are assisted to evaluate the fertility in farm holdings across the country and test soil samples to issue the soil health cards to farmers. Soil Samples is processed as per standard procedures and analyzed for various parameters viz, pH, electrical conductivity (EC), Organic Carbon, available N, P, K, S and micro nutrients (Zn, Cu, Fe, Mn & B). Soil health cards provide information to farmers on nutrient status of their soil along with recommendations on appropriate dosage of nutrients to be applied for improving soil health and its fertility. Under this scheme:
>
> (a) The scheme is being monitored through frequent visits of department officers dealing with the subject, video conferences & correspondence with State Governments/UTs. Issue of soil health cards to farmers, demonstrations on balanced use of fertilizers based on soil health card recommendations and training to the farmers on proper and integrated use fertilizers are integral part of the scheme.
>
> (b) In Cycle-I (2015 to 2017), 10.74 crore grid based soil health cards have been distributed to farmers. In Cycle-II (2017 to 2019), 12.19 crore grid based soil health cards have been distributed to farmers. In Model Village Programme (2019-20), 23.71 lakh land holding based soil health cards have been distributed to farmers across the country. During the year 2020-21, 11.52 lakh land holdings based Soil Health Cards have also been distributed.

(c) Since 2015, around 6.45 lakh demonstrations, 93781 lakh farmer's trainings and 7425 farmers melas have been organized/conducted to educate farmers on proper and integrated use of fertilizers under the programme.

The Department is closely monitoring the implementation of the Soil Health Card Scheme. The dedicated SHC portal and a mobile app is in place. Soil Health Card is generated online through mobile application on SHC portal. Farmers can download the card from portal. SMS link is also sent to mobile of Farmers for downloading of SHC Card. Soil Health Card gives recommendation of fertilizer to be used and suitable crop to be grown on the farmers' fields. The Scheme is implemented through State Governments. Farmers are educated from time to time by SRLM SHGs, like Krishi Sakhi, State officials etc about appropriate usage of fertilizers based on Soil Health Card. So far as monitoring mechanism is concerned, progress of the scheme is reviewed through regular meeting and Video Conferences. Farmers mela, training and demonstration to farmers are also arranged through state govts from time to time for farmers awareness.

(Recommendations No. 19)

Guidelines for evaluation of reasonableness of MRP of P&K fertilizers

2.31 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.**

2.32 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> "It is informed that the department has taken cognizance of the volatility of prices of N, P, K & S nutrients in the international market and has shifted from annual fixation of NBS rates to bi-annual fixation of NBS rates since last 2021-22. This has helped the Government to provide timely relief to farmers from the adverse of effects of increased international prices of raw materials as well as finished P&K fertilizers".

(Recommendations No. 20)

Measures to secure cheaper purchases of fertilizers and raw materials

2.33 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.**

2.34 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> " The Government of India has been encouraging Indian companies to establish Joint Ventures abroad in countries which are rich in fertilizer resources for production facilities with buy back arrangements and to enter into long term agreement for supply of fertilizers and fertilizer inputs to India. Further the department is also working with the goal of having access to acquisition of fertilizer raw materials abroad. During the said year a number of initiatives were taken for signing of MOUs with resource rich nations for secured supply of finished fertilizers, raw materials and intermediates. The department has also encouraged the diversifying of the MOUs, Long term

agreements on supply of raw materials as well as finished fertilizers between Indian companies and foreign suppliers. Such agreements have been done by Indian companies with suppliers from various countries like Saudi Arabia, Russia, Morocco, Israel, Canada, Jordan, Germany etc".

(**Recommendations No. 21**)

Freight Subsidy on Single Super Phosphate (SSP)

2.35 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.**

2.36 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

"Department has introduced the freight subsidy for SSP at first for Kharif 2022 (w.e.f 1.4.2022 to 30.9.2022) on pilot basis and has continued it in the Rabi 2022-23 Season (from 1.10.2023 to 31.3.2023) and again in the Kharif 2023 (w.e.f 1.4.2023 to 30.9.2023). The Department acknowledges the promotion of SSP as it is indigenously manufactured and has accordingly acted in this direction by continuing the freight Subsidy on SSP for agriculture season"

CHAPTER – III

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

NIL

CHAPTER – IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND REQUIRE REITERATION

(Recommendations No. 11)

Reassessment of Dealers'/ Distribution Margin

4.1. 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 Metric Tonne (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.**

4.2 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> "Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 28th June, 2023 has inter-alia approved to continue the present system of subsidy on urea till 2024-25. The Expenditure Finance Committee (EFC) chaired by Secretary (Expenditure) will review the scheme during 2024-25 for continuation of the scheme beyond 2024-25".

COMMENTS OF THE COMMITTEE
(Please see Para No. 1.13 of Chapter – I of the Report)

(**Recommendation Sl. No. 16)**

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

4.3 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.**

4.4 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

> "The Fertilizer is an essential commodity in terms of the Essential Commodities Act 1955 read with the Fertilizer Control Order 1985 and Fertilizer (Movement Control) Order 1973, which provides adequate powers to arrest adulteration, smuggling, black marketing and hoarding of fertilizers.
>
> The State Governments are adequately empowered under FCO to check for the quality of the fertilizers and to stop diversion of fertilizers for non-agriculture purposes and to take punitive action against any individual / fertilizer company involving in black marketing / smuggling / adulteration of fertilizers which are violative of the provisions of Fertilizer Control Order 1985 read with Essential Commodities Act 1955.
>
> The Department of Fertilizers, alongwith the Agriculture Department officers of the respective State Governments conducts regular joint inspections of fertilizer and related units. Apart from checking of samples, wherever other violations are observed, punitive action as per prevailing law(s) is initiated against the violators.

To differentiate the Agricultural Grade Urea (AGU) from the Technical Grade Urea (TGU), presently, the AGU comes with Neem Oil Coating, which can be easily tested to find out the difference.

During the periodical surprise checks at the Units where the Urea is in use i.e., the units involved in manufacture of Plywood, Resin etc., samples are lifted and sent for lab testing, in terms of Schedule I [clause 2(h) & (g) of the Fertilizer Control Order 1985.

Negative results of the TGU for the above test confirms that the same is Technical Grade Urea (TGU). Wherever the test is positive, punitive action is initiated by the States.

To handle the issue still more efficiently at the State Governments level, active involvement of the related departments of the state governments i.e., Departments of Finance, Industry and Environment would be required who can check the evasion of taxation, adherence to the license conditions and maintenance of pollution control levels etc. The Department of Fertilizers is, accordingly, separately taking up the issue with the State Governments for effective fertilizer management".

COMMENTS OF THE COMMITTEE
(Please see Para No. 1.16 of Chapter – I of the Report)

CHAPTER – V

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

(Recommendations No. 10)

Introduction of smaller size bags of urea

5.1 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.**

5.2 In their Action Taken Note furnished to the Committee, the Department of Fertilizers has stated as follows:

"The matter is under examination of the Department".

New Delhi;
14 December, 2023
23 Agrahayana 1945 (Saka)

DR. SHASHI THAROOR
Chairperson,
Standing Committee on
Chemicals and Fertilizers.

APPENDIX-II

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FORTY-FOURTH REPORT (SEVENTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2023-24) ON FERTILIZER SUBSIDY POLICY AND PRICING MATTERS INCLUDING THE NEED TO CONTINUE UREA SUBSIDY SCHEME' OF THE MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS).

	Total No. of Recommendations	21
I	Observations/Recommendations which have been accepted by the Government: (Recommendation Nos. 11,2,3,4,5,6,7,8,9,12,13,14,15, 17,18,19,20 and 21)	18
	Percentage of Total	86%
II	Observations/Recommendations which the Committee do not like to pursue in view of the Government's replies: NIL	00
	Percentage of Total	0%
III	Observations/Recommendations in respect of which the replies given by the Government have not been accepted by the Committee and which require reiteration: (Recommendation No. 11 and 16)	02
	Percentage of Total	9%
IV	Observations/Recommendations in respect of which the final replies of the Government are still awaited: (Recommendation No. 10	1
	Percentage of Total	5%