

**GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA**

STARRED QUESTION NO:404
ANSWERED ON:24.08.2004
PRICE OF FERTILIZERS
Krishnadas Shri N.N.

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

- (a) the details of the methodology to fix up the price of the fertilizers from time to time;
- (b) whether the Government is aware of the irrationalities and irregularities in fixing the price of the fertilizers;
- (c) if so, the details thereof;
- (d) whether the Government is planning to set up any mechanism to regulate the price fixing of the fertilizers; and
- (e) if so, the details thereof?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS & MINISTER OF STEEL (SHRI RAM VILAS PASWAN)

(a) to (e) : A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No. 404 to be answered on 24.8.2004

(a) to (e) : Upto 31.3.2003, subsidy for the manufacture of urea, which is the main nitrogenous fertilizer, was being disbursed to the urea manufacturing units under the provisions of the erstwhile unit specific Retention Price Scheme (RPS). With the introduction of group based New Pricing Scheme (NPS) for urea units w.e.f. 1.4.2003, subsidy payments to urea manufacturing units are being made under the provisions of NPS.

Till the decontrol of phosphatic and potassic fertilizers viz. Di-ammonium Phosphate (DAP), Muriate of Potash (MOP), complex fertilizers and Single Super Phosphate (SSP) on 25.8.1992, subsidy to manufacturers of these fertilizers was also made in accordance with the provisions of RPS. After decontrol, the Government introduced a concession scheme for these fertilizers on 1.10.1992 under which the State Governments fixed the selling prices of all phosphatic and potassic fertilizers and Government of India made payment of concession based on the sales certified by the State Governments. With effect from 1.4.1997, the Government of India started announcing the indicative Maximum Retail Prices (MRPs) of DAP, MOP and complex fertilizers. The MRP of SSP is still indicated by the respective State Governments.

Under this concession scheme, the delivered cost of DAP, MOP and complex fertilizers are worked out and updated based on the methodology/escalation formulae recommended by the Tariff Commission. The difference between delivered cost and the indicative MRP is paid as the subsidy/concession on these fertilizers.

The Government reviews the policy parameters governing the payment of subsidy/concession to fertilizer manufacturing units regularly with a view to rationalising the system of subsidy/concession disbursement and to induce fertilizer manufacturers to take cost reduction measures and increase their production efficiency in order to be competitive and cost effective.