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**STANDING COMMITTEE ON
CHEMICALS & FERTILIZERS**

(2020-21)

SEVENTEENTH LOK SABHA

**MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)**

DEMANDS FOR GRANTS

(2021-22)

TWENTIETH REPORT



LOK SABHA SECRETARIAT

NEW DELHI

March, 2021/ Phalguna, 1942 (Saka)

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(2021-22)



Presented to Lok Sabha on 17 March 2021

Laid in Rajya Sabha on 17 March 2021

LOK SABHA SECRETARIAT

NEW DELHI

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**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2020-21)**

Smt. Kanimozhi Karunanidhi - Chairperson

**MEMBERS
LOK SABHA**

2	Shri Maulana Badruddin Ajmal
3	Shri Deepak Bajj
4	Shri Ramakant Bhargava
5	Shri Prataprao Govindrao Patil Chikhalikar
6	Shri Rajeshbhai Naranbhai Chudasama
7	Shri Ramesh Chandappa Jigajinagi
8	Shri Pakauri Lal
9	Shri Kripanath Mallah
10	Shri Satyadev Pachauri
11	Smt Aparupa Poddar
12	Dr. M.K.Vishnu Prasad
13	Shri Atul Kumar Singh alias Atul Rai
14	Shri Arun Kumar Sagar
15	Shri M. Selvaraj
16	Shri Pradeep Kumar Singh
17	Shri Uday Pratap Singh
18	Shri Indra Hang Subba
19	Er. Bishweswar Tudu
20	Shri Prabhubhai Nagarbhai Vasava
21	Dr. Sanjeev Kumar Singari#

RAJYA SABHA

22	Shri G.C.Chandrashekhhar
23	Dr. Anil Jain
24	Shri Ahmad Ashfaque Karim
25	Shri M.V. Shreyams Kumar
26	Shri Jaiprakash Nishad
27	Shri Anthiyur P. Selvarasu
28	Shri Arun Singh\$
29	Shri A.D. Singh
30	Shri Vijay Pal Singh Tomar
31	Shri K. Vanlalvena

SECRETARIAT

1.	Shri Manoj K. Arora	-	OSD (LSS)
2.	Sh. N.K. Jha	-	Director
3.	Shri C. Kalyanasundaram	-	Additional Director
4.	Shri Panna Lal	-	Under Secretary

\$Re-nominated to the Committee w.e.f. 23.12.2020.

#Nominated to the Committee w.e.f 28.12.2020 vice Shri Nandigam Suresh.

INTRODUCTION

I, the Chairperson (Acting), Standing Committee on Chemicals and Fertilizers (2020-21) having been authorised by the Committee [as per Rule 277(3) of Procedure and Conduct of Business in Lok Sabha] to present the Report on their behalf, present this Twentieth Report (Seventeenth Lok Sabha) on 'Demands For Grants (2021-22)' of the Ministry of Chemicals and Fertilizers (Department of Fertilizers).

2. The Committee examined the Demands For Grants (2021-22) pertaining to the Department of Fertilizers of the Ministry of Chemicals and Fertilizers which were laid in Lok Sabha and Rajya Sabha on 9 February, 2021.

3. The Committee took evidence of the representatives of the Ministry on Chemicals and Fertilizers (Department of Fertilizers) at their sitting held on 19 February, 2021.

4. The Report was considered and adopted by the Committee at their sitting held on 15 March, 2021.

5. The Committee wish to express their thanks to the Officers of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for their cooperation in furnishing the written replies and other information and for placing their views before the Committee.

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

7. For facility of reference and convenience, the Observations/ Recommendations of the Committee have been printed in bold letters at the end of the Report.

New Delhi;
15 March, 2021
24 Phalguna, 1942 (Saka)

Uday Pratap Singh
Chairperson (Acting)
Standing Committee on
Chemicals and Fertilizers

CHAPTER – I

INTRODUCTORY

Fertilizer

1.1 Fertilizers are natural or chemical substances supplied to the crops to increase their growth and productivity. Fertilizers enhance the natural fertility of the soil or replace the chemical elements taken from the soil by previous crops. These are used by farmers to increase the crop yield. The use of manure and composts as fertilizers is probably almost as old as agriculture. Modern chemical fertilizers contain one or more of the three elements that are important in plant nutrition viz. nitrogen, potassium and phosphorus. Of secondary importance are the elements sulphur, magnesium and calcium.

Objectives of the Department of Fertilizers

1.2 The main objective of Department of Fertilizers (DoF) is to ensure adequate and timely availability of fertilizers at affordable prices for maximizing agricultural production in the country. The main functions of the Department include planning, promotion and development of the fertilizers industry, planning and monitoring of production, import and distribution of fertilizers and management of financial assistance by way of subsidy / concession for indigenous and imported fertilizers.

Vision and Mission

1.3 The following is the vision and mission of the Department:-

Vision :- Achieving fertilizer security for the country for sustainable agricultural growth supported by a robust domestic fertilizer industry.

Mission:- Ensuring adequate and timely availability of fertilizers to the farmers at affordable prices through planned production and imports and distribution of fertilizers in the country and planning for self-sufficiency in urea production.

Allocation of subjects

1.4 List of subjects allotted to the Department of Fertilizers as per Government of India (Allocation of Business) Rules, 1961 amended from time to time is given below:-

1. Planning for fertilizers production, including import of Urea through designated canalizing agencies.

2. Allocation and supply linkages for movement and distribution of fertilizers in terms of assessment made by the Department of Agriculture & Cooperation.
3. Administration of concession schemes and management of subsidy for controlled as well as decontrolled fertilizers, including quantum of concession for decontrolled fertilizers.
4. Administration of the Fertilizers (Movement control) order 1973 verify.
5. Policy and pricing matters relating to Urea.
6. All matters pertaining to disinvestment of fertilizers PSUs.
7. All matters pertaining to Fertilizers Projects, Joint venture/Joint Sector Companies.
8. External assistance for new Fertilizers Projects.
9. Matters connected with supply and availability of Fertilizers raw materials and marketing of fertilizers.
10. Fixation of remuneration rate for handling imported Urea.
11. Work relating to planning, monitoring and valuation of fertilizers production.
12. All matters relating to WTO in the fertilizers sector.
13. Direct Benefits Transfer (DBT)

Attached Office

1.5 The Department has one attached office under it, viz., Fertilizer Industry Coordination Committee (FICC) headed by Executive Director which is responsible to evolve and review periodically, the group concession rates including freight rates for units manufacturing nitrogenous fertilizers, maintain accounts, make payments to and to recover amounts from fertilizer companies, undertake costing and other technical functions and collect and analyze production data, costs and other information.

Central Public Sector Undertaking (CPSUs) under the Department of Fertilizers

1.6 The Department of Fertilizers administers the nine public enterprises namely:

1. FCI Aravali Gypsum & Minerals India Limited (FAGMIL)
2. Brahmaputra Valley Fertilizer Corporation Limited (BVFCL)
3. The Fertilizer Corporation of India Limited (FCIL)
4. Project & Development India Limited (PDIL)
5. Hindustan Fertilizer Corporation Limited (HFCL)
6. Rashtriya Chemicals and Fertilizers Limited (RCF)
7. National Fertilizers Limited (NFL)
8. The Fertilizers and Chemicals Travancore Limited (FACT)
9. Madras Fertilizers Limited

Divisions under the Department of Fertilizers

1.7 The Department of Fertilizers consists of following divisions/attached offices dealing with:

1. Fertilizers Projects and Planning (Urea Policy Division).
2. Phosphatic&Potassic Fertilizers (P&K Division) and Joint Ventures abroad (IC Division).
3. Fertilizer Imports, Movement and Distribution (Movement Division).
4. PSU Division (dealing with PSUs) & Board Level appointments.
5. Fertilizer Industry Coordination Committee (FICC), an attached office.
6. Fertilizers Subsidy (FS Wing) dealing with payment of subsidy.
7. General administration, Establishment, Parliament, Coordination, Information Technology, RTI matters & Vigilance.
8. Planning, Monitoring and Innovation (PMI) and City Compost
9. Finance and Budget (IFD)
10. Direct Benefits Transfer (DBT)
12. Official Language (Hindi Cell)
13. Shipping Division

1.8 The Detailed Demands for Grants (2021-22) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) was presented to the Lok Sabha on 9th February, 2021. An allocation of Rs. 80011.39 Crore [(Revenue - Rs.79566.77Crore) + (Capital - Rs.444.62 Crore)) has been made in the Budget Estimates (BE) of Demand No.6 pertaining to Department of Fertilizers for the year 2021-22. The Committee have examined, in-depth, the Demands for Grants of the Department for the year 2021-22 and these details are given in succeeding Chapters of the Report. The Observations/Recommendations of the Committee have been given at the end fo the Report. The Committee expect the Department to take all necessary steps for proper and timely utilization of funds ensuring completion of the various plans and projects in a time bound manner. The Committee expect the Department of Fertilizers to take the Committee's Observations/Recommendations seriously and act on them expeditiously and furnish Action Taken Replies in respect of the Observations/Recommendations made in the Report within three months from the date of presentaiton of this Report.

CHAPTER – II

OVERVIEW OF INDIAN FERTILIZER SECTOR

2.1 Agriculture contributes 17.1% to the country's Gross Value Added for the year 2017-18 (at current prices). 54.6% of the population in our country is engaged in agriculture and allied activities (census 2011). Besides, it provides crucial backward and forward linkages to the rest of the economy. Successive five-year plans have laid emphasis on self-sufficiency and self-reliance in food grain production and concerted efforts in this direction have resulted in substantial increase in agriculture production and productivity. This is clear from the fact that from a very modest level of 52 million tonnes in 1951-52, food grain production increased to 291.95 million tonnes in 2019-20 against the target of 298.3 million tones. The significant role played by chemical fertilizers is well recognized in meeting the domestic requirement of food grains and also generating exportable surpluses.

2.2 As of now, the country has achieved 80% self-sufficiency in production capacity of Urea. As a result, India could manage its substantial requirement of nitrogenous fertilizers through the indigenous industry besides imports. Similarly, 50% indigenous capacity has been developed in respect of phosphatic fertilizers to meet domestic requirements. However, the raw-materials and intermediates for the same are largely imported. For potash (K), since there are no viable sources/reserves in the country, its entire requirement is met through imports.

Growth of fertilizer industry

2.3 The actual production of all major Fertilizers during the year 2019-20 was 425.92 Lakh Metric Tonnes (LMT). The estimated Production of all the Fertilizers during the year 2020-21 is expected to be 478.99 LMT showing an increase of more than 12.46% in comparison to the previous year. The rapid build-up of fertilizer production in the country has been achieved as a result of a favourable policy environment facilitating investments in the public, co-operative and private sectors.

2.4 At present, there are 32 large size urea plants in the country manufacturing urea, 19 units producing DAP & complex fertilizers and 2 units manufacturing Ammonium Sulphate as a by-product.

Measures taken by the Department to achieve mission objectives

2.5 Department of Fertilizers has informed the Committee that it has been using fertilizer policies as strategic tool through consultative process of stakeholders to achieve the mission objectives. The following steps have been taken by the Department in this regard:-

I. Enhancing production of fertilizers

a) New Investment Policy (NIP 2012 as amended in 2014)

To facilitate fresh investments and enhance urea production in the country, DOF notified a New Investment Policy in 2012 (NIP-2012), based on import parity pricing which was subsequently amended in 2015. It has paved the way for revival of closed urea units and also investment in new urea units in the country.

b) Pricing Policy

Urea Price (NPS III & modified NPS III)

i) NPS III policy was notified in the year 2007. It seeks to encourage urea production from the indigenous urea units beyond 100% of their reassessed capacities by introducing a system of incentives for additional urea production. It also encouraged usage of natural gas, which is more efficient as compared to other feedstock. Under the modified NPS III, some special concessions / additional fixed cost provisions were made.

ii) **New Urea Policy-** Based on CCEA decision, vide notification dated 25th May, 2015, Department of Fertilizers has notified New Urea Policy – 2015 (NUP-2015) effective from 1st June, 2015, with the objectives of maximizing indigenous urea production; promoting energy efficiency in urea production; and rationalizing subsidy burden on the Government.

iii) Nutrient Based Subsidies in P&K Fertilizers

The Government has implemented Nutrient Based Subsidy Policy w.e.f. 1.4.2010 for Phosphatic and Potassic (P&K) Fertilizers with the objectives to ensure balanced use of fertilizers, promote growth of

indigenous fertilizers industry, improve agriculture productivity and reduce subsidy burden. Under the policy, a fixed amount of subsidy, decided on annual basis, is provided on subsidised P&K fertilizers depending on their nutrient content with an objective to make available these fertilizers to farmers at a reduced price. Under this policy, MRP is fixed by fertilizer companies as per market dynamics at reasonable level. To ensure that P&K fertilisers are made available to farmers at reasonable prices, the evaluation of reasonableness of MRPs of these fertilisers is being conducted by the Department of Fertilisers

II. Enhance efficiency in fertilizer production

a) Introduction of Group energy norms (Nov 2015)

With the objective of promoting energy efficiency in urea production, enhancing urea production, and rationalizing subsidy burden, a New Urea Policy 2015 was notified. The urea units were categorized in three groups (with a few outliers) with introduction of Group energy norms to make the plants more energy efficient.

b) Introduction of Group norms for other permissible costs (Nov 2015)

The other permissible costs were also covered under this policy.

III. Ensure Reasonability of prices

FICC cost audit of P&K Fertilizers: DoF notified guidelines on 15.11.2011 to ensure the reasonability of prices of fertilizers under NBS to farmers. FICC undertakes periodical audit of P&K fertilizers pricing. Cost sheets of companies have been collected and scrutinised. Issuance of notice to defaulting companies begun. Revised guidelines is under consideration.

IV. Promotion of Balanced use of fertilizers

- (i) The Department has been working on promotion of city compost, organic and bio-fertilizers. On one hand they reduce dependency on chemical fertilizers to some extent; on the other hand, they improve

the structure of the soil and increase its ability to hold water and nutrients.

- (ii) DoF in collaboration with DAC&FW and DARE organized a joint awareness programme for farmers on 22nd October 2020 to disseminate knowledge on optimum usage of fertilizer nutrients and to make farmers aware of new developments in the field of fertilizer usage and management. 683 KVKs were involved and 1,12,553 farmers participated in the programme. Due to Covid 19 pandemic, such awareness campaign has been redesigned as outreach programmes through Video Conferences with the State Agriculture Departments and other stakeholders.

V. Ensuring timely supply

The Department of Fertilizers has been entrusted the responsibility to ensure movement and distribution of subsidised chemical fertilizers, from various fertilizer plants and ports in accordance with the State-wise requirement assessed by the Department of Agriculture & Co-operation and Farmers Welfare (DACFW). To ensure the timely supply and plug in any gap, following are vital:

- a) Fertilizers movement control order
It contains provisions such as prohibition of export of fertilizers and power of entry, search and seizure
- b) Integrated Fertilizer Management System (IFMS) for real time data on fertilizer availability

All the Fertilizer sale transactions are captured online in the Integrated Fertilizer Management System (IFMS) system on real time basis. The Direct Benefit Transfer (DBT) system entails 100% payment of subsidy to the fertilizer manufacturing companies on the basis of actual sales by the retailer to the beneficiary. The sales to the beneficiary are captured through the Point of Sale (PoS) machines installed at the retailer's end.

VI. Comprehensive Guidelines to Promote Coastal Shipping for Movement of Fertilizers:

To facilitate the smooth movement of fertilizers produced by domestic fertilizer companies and reduce the load of rail / road movement of fertilizers, a comprehensive guidelines was issued on 17.06.2019 for promoting coastal shipping / inland waterways which is relatively cheaper than road / rail, energy efficient, environment friendly and safe mode. Actual coastal freight bills of coastal shipping paid by GoI. It reduced the load of rail / road movement of fertilizers. Saving to the economy. It facilitates smooth movement of fertilizers produced by domestic fertilizer companies and also increase competition among shipping companies for movement of fertilizers.”

2.6 As regards the trends of Fertilizer Production, sales, consumption and Imports, over the last four (04) years, the Department conveyed therein as under:

VII. Trends in Fertilizer Production

YEAR	TYPE OF FERTILIZER				
	UREA (LMT)	DAP (LMT)	NPKS (LMT)	SSP (LMT)	TOTAL (LMT)
2017-18	240.23	46.50	88.14	38.75	413.61
2018-19	239.99	38.99	95.15	40.72	414.85
2019-20	244.55	45.50	96.34	42.53	425.53
2020-21 (As on 31.01.2021)	209.85	33.60	85.04	41.35	369.84

Trends in Fertilizer Sales / Consumption

YEAR	TYPE OF FERTILIZER					
	UREA (LMT)	DAP (LMT)	MOP (LMT)	NPKS (LMT)	SSP (LMT)	TOTAL (LMT)
2017-18	303.08	89.85	30.25	90.75	54.36	568.29
2018-19	320.19	94.95	27.36	96.22	42.98	581.70
2019-20	336.97	101.04	27.88	105.18	44.04	615.14
2020-21 (As on 31.01.2021)	304.82	108.42	27.67	106.20	40.20	587.31

VII. Trends in Fertilizer Import

YEAR	TYPE OF FERTILIZER				
	UREA	DAP	MOP	NPKS	TOTAL
2017-18	59.75	42.69	35.08	4.99	142.51
2018-19	76.41	69.18	30.27	7.19	183.05
2019-20	91.99	54.44	28.68	8.61	183.73
2020-21 (As on 31.01.2021)	97.76	56.74	33.00	15.22	202.73

Production of major fertilizers

2.7 The sector-wise production of Urea, DAP and Complex fertilizers during 2019-20 and estimated production during 2020-21 are given in the table below (Fig. in LMT):

S. No	Sector	2019-20			2020-21 (Estimated)		
		Urea	DAP	Complex fertilizers	Urea	DAP	Complex fertilizers
1.	Public Sector	65.75	-	14.81	71.28		14.29
2.	Cooperative Sector	72.05	20.93	21.65	72.15	20.04	22.83
3.	Private Sector	106.75	24.75	50.15	119.18	19.65	56.62
Total		244.55	45.50	86.61	262.61	39.69	93.74

Joint Ventures abroad

2.8 India's dependency on import at present is to the extent of 25% of our requirement of Urea, 90% in case of Phosphates, either as raw material or finished fertilizers (DAP/MAP/TSP) and 100% in case of Potash. The Government 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 the fertilizer raw materials abroad.

So far, the Department of Fertilizers has undertaken Joint Ventures abroad with 5 Countries in the previous years. Although during the year 2020-21, no joint venture with any country was signed by this Department but during the said year a number of major developments have taken place with Countries like Algeria, Malaysia, Jordan, Nepal and Russia.

2.9 When asked to explain how the Department evaluates the growth of the fertilizer industry in the country over the years, the Department replied in writing as under:

“The growth of the fertilizer industry has been evaluated based on the production, import and sales performance. With a view to move towards self-sufficiency in Urea sector, the Government is reviving 5 closed urea units with annual installed capacity of 12.7 LMT each.”

CHAPTER-III
EXAMINATION OF DEMAND NO.6 – DEMANDS FOR GRANTS OF
THE DEPARTMENT OF FERTILIZERS FOR 2021-22.

Budget Estimates for 2021-22.

3.1 Demand No. 6 pertaining to the Department of fertilizers was presented in the Lok Sabha on 09th February, 2021. Rs. 80011.39 crore is the Budget Estimates (BE) of Demand No.6 related to the Department of Fertilizers for the year 2021-22 which includes Revenue Expenditure of Rs.79566.77 crore and Capital Expenditure of Rs.444.62 crore.

Budget Estimates and Expenditure

3.2 A statement showing the Budget Estimates, Revised Estimates and Actual Expenditure of Department of Fertilizers for 2020-21 and BE for 2021-22 in Gross terms; schemes/ programmes of the Department and allocation made in the 2nd Batch of Supplementary Demand for Grants (2020-21), as furnished by the Department is given below:

		BE 2020-21	RE 2020-21	Expenditure as on 22.1.2021	BE 2021-22
1	Secretariat Economic Services (3451)	35.94	32.16	25.30	37.08
2	Nutrient Based Subsidy Policy (2401)	23504.00	38989.88	17954.72	20762.00
	Indigenous P & K Fertilizers	14179.00	23901.53	9772.01	12460.00
	Imported P & K Fertilizers	9296.00	15015.37	8153.71	8260.00
	City Compost	29.00	72.98	29.00	42.00
3	Urea Subsidy (2852)	50435.00	99547.42	60189.73	62797.68
	Indigenous Urea Subsidy	38375.00	74487.80	35875.00	43236.28
	Import of Urea Subsidy	12050.00	25049.62	24309.18	19550.00
	Direct Benefit Transfer (DBT) in Fertilizer Subsidy				
	(a) Office Expense	1.00	1.50	0.99	1.40
	(b) Professional Service	9.00	8.50	4.56	10.00
4	Assistance to PSUs				
	For write off of loan, interest and penal interest on Govt. of India loan outstanding (3475)	0.01	0.00	0.00	0.01
	BVFCL (6855)	0.01	0.00	0.00	0.01
	HFCL 6855)	0.01	0.00	0.00	0.01
	FCIL(6855)	0.01	0.00	0.00	0.01
	PPCL(6855)	0.01	0.00	0.00	0.01
	HURL(6855)	0.01	813.24	0.00	444.58
	Grand Total (Gross)	73975.00	139382.70	78169.75	84041.39
5.	Recovery	2630.00	4590.00		4030.00
	Grand Total (Net)	71345.00	134792.70		80011.39

Budget allocation and expenditure statement:

Schemes/Programmes of the Department of Fertilizers for which Budget allocation made:

Secretariat-Economic Services: Provision is for expenditure on Secretariat of the Department.

Nutrient Based Subsidy Policy:

- a. **Indigenous P & K Fertilizers:** Provision is for payment to the manufacturers of fertilizers/agencies under the Nutrient Based Subsidy (NBS) scheme on the sale of decontrolled Phosphatic and Potassic fertilizers at concessional rate to the farmers. The concession would lead to balanced use of fertilizer (NPK) nutrients for better soil health and productivity.
 - b. **Imported P & K Fertilizers:** Provision is for payment to the importers of fertilizers/agencies under the Nutrient Based Subsidy (NBS) scheme on the sale of decontrolled Phosphatic and Potassic fertilizers at concessional rate to the farmers. The concession would lead to balanced use of fertilizer (NPK) nutrients for better soil health and productivity.
 - c. **City Compost:** Provision is for payment of Market-Development-Assistance to manufacturers of City Compost at the rate of Rs. 1500/- per MT.
- **Urea Subsidy:**
 - a. **Indigenous Urea:** This provision relates to subsidy under Fertilizer New Pricing Scheme (NPS) including Freight Subsidy for production of urea. The subsidy scheme is intended to make fertilizers available to the farmers at reasonable prices and to give producers of fertilizers a reasonable return on their investment. The difference between the concession price so fixed less distribution margin and the statutorily controlled consumers' price is allowed as subsidy. The quantum of subsidy depends on the concession price, the consumer's price and the level of production.
 - b. **Imported Urea:** As indigenous production is not adequate to meet the demand for fertilizers, imports are arranged to make up for the shortfall. The cost involved is broadly the price of imported fertilizers plus the cost of handling and distribution of the fertilizers. The selling price of imported fertilizers to farmers is controlled under the Fertilizer Control Order and the consumer prices are thus statutorily regulated. This selling price is the same as the selling price for indigenous production. The difference between the amount realised by way of sale of fertilizers to

farmers and the import costs to Government represents the subsidy on fertilizer imports.

- **Assistance to PSUs:**

a. **For write off of loan, interest and penal interest on Govt. of India loan outstanding against HFCL, MFL, FACT, FCI & PCIL:** For write off of Govt. of India's loans, interest and penal interest due from Hindustan Fertilizer Corporation Ltd., Fertilizer Corporation of India Ltd., Projects and Development (India) Ltd., Madras Fertilizers Ltd. and Fertilizers and Chemicals Travancore Ltd.

b. **Fertilizer Corporation of India Ltd. :** Token provision has been made for loans to PSU.

c. **Hindustan Fertilizer Corporation Ltd. :** Token provision has been made for loans to PSU.

d. **Pyrites, Phosphates & Chemicals Ltd. :** Token provision has been made for loans to PSU.

e. **Brahmaputra Valley Fertilizers Corporation Ltd. :** Token provision has been made for loans to PSU.

f. **Hindustan Urvarak and Rasayan Ltd. :** A provision of Rs.813.24 crore has been made in RE 2020-21 and Rs.444.58 crore in BE 2021-22.

2nd Batch of Supplementary Demand for Grants (2020-21)

3.3 As per the information provided by the Department of Fertilizers, in the 2nd Batch of Supplementary Demands for Grants, 2020-21, the Department had provision of Rs. 65411.54 Crore as per the following description:

DEMAND NO. 6 (2020-21) DEPARTMENT OF FERTILIZERS

	Revenue	Capital	Total
I. ORIGINAL GRANT			
Charged	0.00	0.00	0.00
Voted	73974.95	0.05	73975.00
Total	73974.95	0.05	73975.00
II. This Supplementary Grant will be accounted for the following Major Heads			
REVENUE SECTION			

MH 2401 – Crop Husbandry	
(a) Payment for Indigenous P & K Subsidy	9722.53
(b) Payment for Imported P & K Subsidy	5719.37
(c) Payment for City Compost	43.98
Total MH2401	15485.88
MH 2852 – Industries	
(a) To revive Research & Development Budget Head	.01
(b) Payment for Indigenous Urea	36112.80
(c) Payment for Import of Urea Subsidies	12999.62
Total MH2852	49112.43
Total Revenue	64598.31
CAPITAL SECTION	
HURL	813.23
Total Capital	813.23
GRAND TOTAL	65411.54
Justification	
1. The above amount of Rs.65411.54 has been increased in RE 2020-21.	
2. This additional allocation will entail a cash outgo from the Government exchequer. The department has no funds to meet this urgent and unavoidable requirement.	
3. Token Supplementary of 1.00 lakh under the MH 2852 - Industries to revive Research & Development Budget Head. Funds therein will be re-appropriated after approval of Parliament for revival of this budget head. This Token Supplementary is moved as directed by Department of Economic Affairs (Budget Division) vide their notes Computer No. 300453861 dated 13.02.2020.	

3.4 Regarding additional allocation of funds to the Department at RE stage in 2020-21, the Secretary to the Department of Fertilizers during the oral evidence, stated as under:

“Due to active advocacy and recommendation of the hon. Committee, the Department of Fertilisers has been provided an additional allocation of Rs. 64,598. 30 crore at RE stage in 2020-21 to clear up all the pending liabilities of indigenous fertiliser industry. This support could greatly benefit to strengthen their production as a part of Atmanirbhar Bharat initiative. Even during the peak of the COVID pandemic, the fertiliser sector is the only sector out of the eight core sectors which has maintained a positive growth rate. The credit goes to the hon. Committee for this.”

3.5 There has been a drastic increase of budget allocation for various Heads in the 2nd Batch of Supplementary Demand for Grants (2020-21) of the Department whereby a provision of Rs. 65411.54 Crore has been made. In this regard, the Department when asked to specify the concrete steps taken to fully utilize the funds under various Heads before 31.03.2021, replied in writing as under:

“As mentioned above, the demand was proposed as per the requirements under different schemes. Out of which, Rs. 47,463.33 crore has already been approved as assurance under Appendix 10 of GFR 2017 by Ministry of Finance and most of this amount has been spent. Rest of the funds will be utilized during the financial year 2020-21.”

Breakup of BE 2021-22 proposed by the Department for different schemes and approved by Ministry of Finance

3.6 When asked to provide the breakup of BE 2021-22 proposed by the Department for different schemes and finally approved by Ministry of Finance indicating IEBR/GBS (Internal and Extra Budgetary Resources/Gross Budgetary Support), the Department in its written reply stated, “The Department’s expenditure consists of Secretariat Expenditure and Subsidy Expenditure. The Budget Head wise allocation against the proposed requirement of the Department is as follows:-

(Amount in crores)

Budget Heads of Expenditure	Proposed Requirement	BE allocation 2021-22
Secretariat Expenditure (MH 3451)	47.33	37.08
Nutrient Based Subsidy Policy (MH 2401)	29660.00	20762.00
Urea Subsidy (MH 2852)	80650.40	62797.68
Subsidy(NBS + Urea Subsidy)	110310.40	83559.68
Write Off of loans and interest on GOI loans outstanding against DOF PSUs (MH 3475)	0.01	0.01
Loans for Fertilizer Industries (MH 6855)	444.62	444.62
Total	110802.36	84041.39

The PSUs in the Department are not being given any Government Budgetary Support. Their IEBR for 2021-22 is under:-

(Rs. in Crore)

S.No.	Name of the CPSU	Proposal for BE 2021-22
1	BVFCL	79.44
2	FAGMIL	7.07
3	NFL	206.68
4	PDIL	4.40
5	RCF	267.85
	Total	565.44

3.7 To a further query, regarding the challenges which the Department foresee in view of gap between the proposed outlay of Rs. 110802.36 crore and the allocated outlay of only Rs. 84041.39 crore for BE 2021-22, the Department of Fertilizers replied in writing, "With the reduction in the budgetary allocation (BE), there will be carry-over liabilities, and the amount required to meet those carry-over liabilities will be demanded in the supplementary demand."

Major Head 2852 – Urea Subsidy:-

3.8 BE allocation 2021-22 for Urea subsidy is Rs. 62797.68 Crore against the proposed requirement of Rs.80650.40 crore made by the Department. In this regard, the Department of fertilizers, when asked to provide the break-up of estimated amount of carry-over liabilities in respect of Urea subsidy (both in case of indigenous and Imported Urea subsidy), as on date, in a written reply stated, "Carry-over liabilities of imported urea as on date is Rs.561.63 crore. Carry-over liability on 31.03.2020 of indigenous urea is as on date NIL."

3.9 On being asked whether the reduced allocation is sufficient to disburse the requirements of Urea subsidy during the year 2021-2022; the Department replied in writing as under:

"The Ministry of Finance has provided Rs. 99547.42 crore for indigenous urea subsidy and Rs.25049.62 crores for imported urea subsidy in RE 2020-21 in order to clear the entire carry over liabilities of the urea industry of previous years so that there is no carry over liability on 31.03.2021. The BE 2021-22 of Rs. 62797.68 crore for indigenous urea is higher than the BE of 2020-21 which was Rs. 50435.00 crore. Further, the BE of Rs.19550.00 for import of urea is based on budgetary requirement. The requirement of urea subsidy depends upon a number of factors like actual consumption of urea, price of natural gas etc. At the time of RE 2021-22, if required, additional requirement for urea subsidy would be projected to Ministry of Finance."

Recovery

3.10 BE 2021-22 shows a negative (-) Recovery amount of Rs. 4030.00 Crore. In this regard, the Department on being asked to convey the purpose and nature of Recovery(ies) made and to provide a statement on the amount of Recovery(ies) made during the period from 2018-2021, informed in writing as below:

"Pool Issue Price (PIP) of urea amounting to Rs.4974/- per M.T. is being recovered by the Department of Fertilizers (DOF) from Fertilizer Marketing Entities (FMEs) through Letter of Credit and adjustment through the Debit Note. Recoveries made since 2018-19 onwards are as follows:-

Sl.No.	Year	Amount(Rs. In Cr.)
1	2018-19	2927.10
2	2019-20	2350.20
3	2020-21(as on 17-02-2021)	2890.88

3.11 To a further query, to provide the break-up of anticipated Recoveries of Rs.4030.00 Crore to be made under the Head as per BE 2021-22; the Department conveyed that based on the anticipated demand, it is proposed to import 81.07 LMT of urea during the year 2021-22. Accordingly, the recovery is expected to be Rs.4030.00 crore approximately (81.07 LMT X PIP of Rs.4974/-).

Major Head 2401 – Nutrient Based Subsidy Policy

3.12 BE 2021-22 under the Head Nutrient Based Subsidy Policy has drastically been reduced to Rs. 20762.00 Crore even though the Department proposed a requirement of Rs. 29660.00 crore. In this regard, when asked to state whether the reduced allocation is sufficient to meet the fund requirements of P&K fertilizer subsidies and Market Development Assistance (MDA) for City Compost during the year 2021-2022, the Department submitted as under:

“No the reduced allocation is not sufficient to meet the fund requirements of P&K Fertilizers and City-Compost. The funds required will be demanded through Supplementary demand and/or through Special Banking Arrangement.”

3.13 It was pointed out that even though a higher allocation of Rs.38916.90 Crore was made in RE 2020-21 and there has been mounting carry over liabilities under the Scheme; the utilization/ disbursement of indigenous and imported P&K subsidies was very slow. In this regard, on being asked, the manner in which the Department proposes to dismantle the carry over liabilities of urea subsidy completely by the end 2020-21, the Department stated in a written reply stated, “Carry over liabilities in respect of indigenous P&K and City Compost are being fully met and the balance of carry over liabilities in respect of Imported P&K amounting to Rs.102.76 crores only are left and the same is expected to be utilized by March-2021.”

3.14 When asked to furnish the details of efforts made by the Department to convince the Min. of Finance on the need to completely pay-out the carry-over liabilities of P & K fertilizer subsidies (both in case of indigenous and Imported P & K fertilizers) during the year 2021-22, the Department replied in writing as under:

“This Department has demanded for 65411.54 crore in the 2nd Batch of Supplementary Demand for Grants 2020-21 after considering the carry over liabilities and under Atma Nirbhar 3.0, Hon’ble PM has already announced Rs. 65000 crore for fertilizer subsidy, it is expected that the department will be able to completely pay-out the carry over liabilities of urea subsidy during 2021-22.”

3.15 The Department when further asked to convey whether they foresee any requirement of Supplementary Demands to meet the requirements of P & K fertilizer subsidy (both on account of indigenous and Imported Urea subsidy) during the year 2021-22, stated in writing, “As the allocation is reduced (Indigenous P&K & Imported P&K) as per the demand under BE 2021-22, the requisite amount of funds will be demanded under the supplementary Demand.”

CHAPTER-IV

FERTILIZERS SUBSIDY POLICY

4.1 The Government has introduced Direct Benefit Transfer (DBT) system in Fertilizers w.e.f. October 2016. Under the fertilizer DBT system, 100% subsidy on various fertilizer grades is released to the fertilizer companies on the basis of actual sales made by the retailers to the beneficiaries. Sale of all subsidized fertilizers to farmers/buyers is made through Point of Sale (PoS) devices installed at each retailer shop and the beneficiaries are identified through Aadhaar Card, KCC, Voter Identity Card etc.

Urea subsidy

4.2 The urea is sold at a Maximum Retail Price (MRP) statutorily fixed by the Government of India. The difference between the delivered cost of urea at farm gate and net market realization by the urea units is given as subsidy to the urea manufacturer/importer by the Government of India. The components of subsidy are as follows:-

(i) Variable cost which includes:

- (a) Cost of energy viz. Natural Gas, RLNG, Naphtha
- (b) Cost on non-plant use of power and water
- (c) Cost of bags

(ii) Conversion cost or fixed cost:

- (a) Salary and wages,
- (b) Cost of contract labour
- (c) Cost of consumables like catalyst, chemicals and other consumables
- (d) Administrative overheads.
- (e) Factory overheads, insurance etc.

Implementation of DBT in 2 phases:

4.3 Phase-1 envisages release of 100% subsidy on various fertilizer grades is released to the fertilizer companies on the basis of actual sales made by the retailer to the beneficiaries. The phase-2 of DBT will explore the feasibility of cash transfer to farmer's accounts. An expert committee under NITI Aayog has been constituted on 28.9.2017 as per the request of the Dept., to suggest a model for the implementation of phase-2.

4.4 Direct Benefit Transfer (DBT 1.0) and Introduction of DBT 2.0 in Subsidy Payments.

- (i) DBT rolled out PAN India w.e.f 1.3.2018. 100% subsidy is released to fertilizer manufacturing companies based on the actual sales through PoS

devices. The beneficiaries identified through Aadhaar Card, KCC, Voter Identity Card etc.

- (ii) Department of Fertilizers(DoF) introduced DBT 2.0 initiatives with following additions:
- (iii) Launch of desktop version of PoS software to reduce dependence on PoS devices.
- (iv) PoS software 3.0 version launched with multilingual operation and sales receipts, recommendation based on soil health card.
- (v) Dashboard for various stakeholders - Real time information regarding availability, stock, etc. of fertilizers at various points including retail outlets.
- (vi) PoS Software 3.1 version launched on 30th Sept 2020.

New features are:

- (i) Contactless OTP based Authentication in the wake of Covid-19 pandemic.
- (ii) Desktop App and Android based Mobile Application.
- (iii) Launch of fertilizer SMS gateway to facilitate farmers to know availability of fertilizers at retail point through SMS.

4.5 Subsidy Policy for P&K fertilizers

Nutrient Based Subsidy (NBS) Policy is being implemented w.e.f. 1st April 2010.

- (i) Primary nutrients, namely Nitrogen 'N', Phosphorous 'P' and Potassium 'K' and nutrient Sulphur 'S' are eligible under NBS.
- (ii) 22 fertilisers i.e. DAP, MAP, MOP, TSP, AS, SSP and 16 grades of Complex Fertilizers are covered under NBS subsidy regime.
- (iii) Fixed subsidy for each nutrient announced annually. MRP decontrolled.
- (iv) Additional subsidy is allowed for fortification of subsidized fertilizers with Boron (Rs. 300/MT) and Zinc (Rs. 500/MT).
- (v) NBS rates (Rs. per Kg) for 2020-21 as below:

N	P	K	S
18.789	14.888	10.116	2.374

4.6 Import of all the subsidized P&K fertilizers, including complex fertilizers has been placed under Open General License (OGL). NBS is available for imported complex fertilizers also except Ammonium Sulphate. However, in case of Ammonium Sulphate (AS) the NBS is applicable only to domestic production by M/s FACT.

4.7 The Department when asked to furnish a detailed note on progress in the implementation of DBT scheme in the country; constraints faced in its implementation and regarding direct cash transfer of subsidy amount directly to the farmers on the basis of details of actual sales made through PoS machines so as to achieve the real objective of the scheme (which is presently being paid to the fertilizers manufacturing companies) replied in writing as under:

“The Department of fertilizers has successfully implemented Direct Benefit Transfer system across all States/U.Ts by 1st March 2018.

Under the fertilizer DBT system, 100% subsidy on various fertilizer grades is released to the fertilizer companies on the basis of actual sales made by the retailers to the beneficiaries. Sale of all subsidised fertilizers to farmers/buyers is made through Point of Sale (PoS) devices installed at each retailer shop and the beneficiaries will be identified through Aadhaar Card, KCC, Voter Identity Card, etc.

A Project Monitoring Cell has been set up at Dept. of Fertilizers to oversee implementation of DBT exclusively. State Coordinators have been deployed across all States to coordinate the on-going DBT activities. Implementation of the DBT in Fertilizer Scheme required deployment of PoS devices at every retailer shop and training of retailers for operating PoS device. DoF has conducted 10878 training sessions across the country. About 2.26 Lakh PoS devices have been deployed across all States.

Department is continuously making efforts to improve the system based on the feedback received from various stakeholders. Some of the new initiatives of DBT 2.0 are as under:

- a) Development of DBT Dashboards.
- b) Development of PoS 3.0 Software.
- c) Development of Desktop PoS Version.
- d) PoS Software 3.1 Version launched on 30th Sept, 2020 with contact less OTP based Aadhaar Authentication in the wake of Covid-19 pandemic and SMS gateway to farmers for sending SMS alerts.

Implementation of Cashless Transactions at Fertilizers Outlets:

To promote cashless transactions in DBT in Fertilizers, this department has directed all the States/UTs to instruct all Fertilizer Retailers to make arrangement for acceptance of Cashless/Digital payments for the sale of Fertilizers at their retail outlets. In the first step, all retailers were directed to facilitate UPI QR Code Payment System at their retail outlets.

Direct Cash Transfer to farmers has been under discussion at various forums such as PMO, Cabinet Secretariat and Niti Aayog. A Committee of Secretaries headed by Cabinet Secretary has been setup to develop the broad contours of the DCT framework under which DCT to farmers can be implemented. The last meeting was held on 16.01.2020. The CoS inter-alia has recommended to constitute a Nodal Committee to be co-chaired by Secretaries of Department of Fertilizers and Department of Agriculture, Cooperation & Farmers Welfare to formulate and implement Direct Cash Transfer in Fertilizers. Accordingly, a Nodal Committee has been constituted vide DoF's OM no. 15011/21/2019 dated 1st June, 2020 to formulate policy relating to implementation of Direct Cash Transfer of Fertilizer Subsidy to farmers. The first meeting of Nodal Committee was held on 25.06.2020 and second meeting on 28.10.2020 through Video Conferences. The report of the Committee is under finalization."

4.8 During oral evidence of the representatives of the Department of Fertilizers on Demands for Grants, 2021-22, when the Committee desired to know about the status of implementation of Direct Cash transfer to the farmers, a representative of the Department replied as follows:

....we call DCT the Phase-II of DBT system which has been successfully rolled out now. A lot of work has happened on the fact that whether we can take the next step of transferring the subsidy directly to the farmer. We had a nodal Committee, which is headed by the Secretary, Fertilizers. They have held a lot of discussions and they have given us their draft recommendations. Then, we also had a 'Chintan Shivir' where the farmers' leaders were also invited to debate and discuss this entire issue. They have also given some sort of broad outline as to how we could proceed in that direction. But at the moment, there are critical issues. There are a number of issues and challenges. For example, who is a farmer; definition of farmer is one key issue; what will be his entitlement is another issue; and how do we treat formal and informal tenants under that system is another big issue.

At the moment, there is no consensus on most of these issues. So, we are having a constant discussion on that but we have not really found the right acceptable answer to the questions across the Board. We do not want to implement a system where many people will say: "Oh, what have you done?" We are trying to arrive at a consensus on these two or three typical questions. As and when we get that consensus arrived, I think we should be able to take the next step.

Third Party Evaluations of Urea and P&K Subsidy Schemes:

4.9 The Department when asked about the evaluation studies of fertilizer Subsidy schemes, along with the status of action taken by the Department on their suggestions/recommendations, stated in a written reply as below:-

“DoF awarded the task of evaluation of NBS scheme to M/s Santek Consultants Private Limited vide letter dated 8.11.2019. The report submitted by M/s Santek Consultants Private Limited has been accepted by the Department of Fertilizers. Based on the recommendations of the study report, Department is in the process of proposing continuation of NBS Scheme for another 5 years i.e. upto 2025-26

The policy on promotion of city compost was introduced in 2016. For evaluation of policy on promotion of city compost scheme for continuation beyond 14th Finance Commission i.e. beyond March, 2020 onwards, the Department of Fertilizers, Ministry of Chemical and Fertilizers has awarded the contract to M/s Santek Consultants Pvt Ltd., a Government empanelled agency, for carrying out the study on impact of policy of providing Market Development Assistance (MDA) to promote use of City Compost and for suggesting improvement/recommend the most appropriate and effective mechanism including administrative methodology of the policy. The agency is in the process of completion of study and has submitted inception report to this Department.”

4.10 In this regard, when further asked about the salient features of recommendations of third party evaluation of Nutrient Based Subsidy Scheme and follow-up steps taken, the Department conveyed in writing, “The salient features of the recommendations of third party evaluation of NBS scheme are as follows:

- i. The continuation of this scheme is necessary as it has met the objective of ‘availability at subsidized / reasonable price’, though there is decrease in the demand and consumption of NBS products due to constant price of Urea.
- ii. NBS Policy did not succeed in controlling the imbalanced use of N, P and K nutrients due to cheaper price of Urea than P&K fertilizers. Efforts for publicizing the balanced use of fertilizers is not appropriate.
- iii. It recommended de-controlling the entire fertilizer industry with urgent need to augment domestic production and reduce the import dependency. It also recommended that DAC should commission projects for assessing Economic analysis for Net Returns, Value-Cost Ratio, Partial Factor Productivity, Agronomic Efficiency and Marginal Return.
- iv It recommended to de-control the entire industry making it more competitive & cost efficient, not only domestically but also globally. Special package needs to be provided to augment the manufacturing facilities so as to reduce the import dependency.
- v The production of SSP should be increased to reduce dependence on imported DAP or other imported phosphatic fertilizers. Domestic production be maximized on domestic front and on international front more joint ventures be set-up abroad and more assets be purchased

/ leased abroad.

The follow-up steps taken till now by the Department are as under:

Department of Expenditure vide OM dated 17.09.2018 conveyed that an independent third party evaluation of all continuing scheme is mandatory before the appraisal and approval by appropriate authority. Accordingly, a third party evaluation of NBS scheme was assigned and the final report has been approved based on which the EFC proposal for appraisal of continuation of NBS scheme from 2021-22 to 2025-26 has been circulated for Inter – Ministerial Consultation. The recommendations which relate DAC&FW have been forwarded to them for further action.

4.11 On being asked, if during third party evaluation it has been observed that the farmers have not been able to use P&K fertilizers due to their higher cost and the steps being taken thereon, the Department replied as under:

“As per the third party evaluation report following observations have been made :

- i. 45% farmers reported P&K ingredients are too expensive.
- ii. 46% farmers reported P&K ingredients were not available at MRP.

It is clear from above that majority of the farmers does not feel that P&K fertilizers are too expensive or are not available at MRP. However, the department is dedicated to ensure reasonable pricing of P&K fertilizers as well as its availability at MRP so that the expectation of all the farmers could be met appropriately. Accordingly, the Department has issued Reasonableness guidelines wherein the reasonableness of MRP of the final P&K product is being evaluated on the basis of the cost of production of these P&K fertilizers. This ensures the reasonable MRP of P&K fertilizers in the market.

Further, Government has declared fertilizer as an essential commodity under the Essential Commodities Act, 1955(ECA) and notified Fertilizer (Control) Order (FCO), 1985 & Fertilizer (Movement Control) Order, 1973 under the EC Act. Under FCO, it is mandatory to indicate the MRP on bags of fertilizer and no person shall sell or offer for sale any fertilizer at a price exceeding the maximum price or rate fixed. State Governments have been adequately empowered to ensure selling of fertilizers at MRP besides stopping black marketing/smuggling of fertilizers.”

4.12 On being asked if the third party evaluation of Nutrient Based Subsidy policy has noted that the imbalanced use of fertilizers in the country is due to decontrol of prices of P & K fertilizers while retaining control on the price of urea and if so the corrective steps being taken thereon; the Department in its written reply stated as below:

“Yes, it is true that the third party evaluation has mentioned in its report that the policy of the Government to decontrol prices of P & K fertilizers while retaining its control on the price of urea has resulted in use of more quantity of urea than P & K fertilizers which in turn resulted in imbalanced use of fertilizers in the country. The Department of Fertilizers (DOF), Department of Agriculture, Cooperation and Farmers Welfare (DAC&FW) and Department of Agricultural Research and Education (DARE) jointly organized Fertilizer Application Awareness Programme (FAAP) to promote balanced use of fertilizers. Further, the initiatives/proposals for reduction of the raw materials for fertilizer production may help in cost reduction and thus bring more competitiveness in the market which may lead to availability of P&K fertilizers at more appropriate prices and encourage farmers to use them as per the requirement.”

4.13 Regarding the major recommendations of the third party evaluation of urea subsidy scheme and the follow-up steps that are being taken thereon by the Department, the Department in its written reply stated that the major recommendations of third party evaluation of urea subsidy scheme and the Department’s comments are as below:

S.No.	Recommendations	Comments of Department
1.	The study noticed that Urea Subsidy Scheme has a great impact on agricultural sector in increasing crop yield and reducing the expenditure of farmers for cultivation. Also, it was noticed that due to the scheme, most farmers get their full requirement of urea, of good quality and in time. Because of the success of the scheme, there is improvement in energy efficiency of urea industries. Thus, there is the necessity for continuation of the urea subsidy scheme to help the urea industries, farmers and the agriculture sector.	Department of Fertilizers has circulated EFC proposal for inter-ministerial consultation continuation of Urea Subsidy Scheme.
2.	Since there is need to continue subsidizing the urea for farmers, it will not be suitable option that the subsidy could directly be transferred in the accounts of farmers since DBT to farmers is a complex system. This, it is suggested that under the scheme, subsidy amount to the manufacturing/ importing companies should be given as per the	Department of Fertilizers ensures that there is no unnecessary delay in releasing the subsidy amount to the urea manufacturing units. It is estimated that on 31.03.2021, there would be no carry

	current policy. At the same time, necessary modalities should be developed to reduce the delay in release of subsidy amount to the manufacturing/ importing companies.	over liabilities of urea industry.
3.	The study observed that five manufacturing units under public sector are under progress at Ramagundam, Talcher, Sindri, Gorakhpur and Barauni. Concrete steps should be taken to complete these units within the stipulated time period so as to meet the urea demand in the country. Self-sufficiency in urea products would help in reducing the subsidy burden.	Utmost efforts are being undertaken by the Department of Fertilizers to ensure that the projects are completed in stipulated time.
4.	There is very little knowledge and understanding available with the farmers on the use of appropriate amount of urea in view of the soil conditions as well as the cropping patterns. Thus, awareness programmes may be conducted in the villages to aware the farmers about soil testing and balances use of urea.	As per allocation of business rule such awareness programmes do not come under the domain of Department of Fertilizers. Department of Agriculture, Cooperation & Farmers' Welfare (DAC&FW) and State Governments conduct such awareness programs.

CHAPTER –V PROMOTION OF CITY COMPOST

A. INTRODUCTION

5.1 The term Bio-compost or compost means plant matter that has been decomposed and recycled as a fertilizer or manure. Bio-compost or compost is considered as a key ingredient in organic farming and is rich in nutrients also. Compost from city garbage does not only provide carbon and primary/secondary nutrients to soil but also help in keeping city clean.

The Hon'ble Prime Minister in his Independence Day speech on 15th August, 2014 emphasized the need for improving general hygiene and cleanliness in the cities and villages. Accordingly, Government of India has approved a policy on promotion of City Compost and a notification conveying the approval of the Government has been issued by the Department of Fertilizers on 10.02.2016 in which Market Development Assistance (MDA) of Rs.1500/- per MT has been provided for scaling up production and consumption of City Compost.

A Committee of Joint Secretaries of Department of Fertilizers, Ministry of Urban Development and Department of Agriculture has been set up for coordination. The Fertilizer Companies have adopted 498 villages for promoting the use of City Compost. For better coordination and promotion of city compost, States have been asked to constitute State Level Steering Committee and uptil now 12 States/UTs have constituted this Committee.

The Direct Benefit Transfer (DBP) has been rolled out in Fertilizer Sector w.e.f. 1st March, 2018 and fertilizer companies marketing city compost are also covered under the scheme.

5.2 According to media report, the Government is likely to make purchase of bio-fertilizer compulsorily for every bag of urea a farmer buys to promote organic nutrients and slash the use of chemical fertilizers. A task force constituted for promoting balanced and sustainable use of chemical fertilizers has suggested bundling bio-fertilizer with urea bags. It has also asked government to promote drip-fertigation technique in which fertilizer is incorporated within the irrigation water by the drip system. It conserves 30-40% nutrients and cut down water use by 50%.

GENERATION OF CITY COMPOST

5.3 As regards the quantity of waste produced in urban areas, a Report on "Inter-Ministerial Task Force on Integrated Plant Nutrient Management Using City Compost, (Ministry of Urban Development 2003)" observed as under:

“In recent years, there is a world wide awareness of the need to recycle Urban Organic wastes. In India, the average per capita generation of wastes has been estimated to be 0.3 to 0.4 kg per capita per day, out of which 50-60 percent is biodegradable wastes from fruit, vegetable, food grains etc. from household. India is the second largest producer of fruits and vegetables in the world. Agro-Industrial wastes to be another category of potential material which can be used for composting. Estimates show that by the year 2001 AD urban population of 285 million is generating around 42 million tonnes of urban waste annually. The magnitude of urban wastes generated can be realized by the fact that Delhi alone produces nearly 6000 tonnes of Solid wastes per day.”

5.4 According to one estimate (<https://www.downtoearth.org.in>):

“India currently produces close to 1.5 lakh tonnes of solid waste every day and its biodegradable fraction ranges between 30 per cent and 70 per cent for various Indian cities. This means there is a huge potential for composting, the most natural form of processing wet waste.”

5.5 During the course of discussion with the officials of Department of Fertilizer, Ministry of Chemicals and Fertilizers on Demands for Grants, 2021-22, it was stated:

“..... .It is already four years since the launch of this scheme. In these four years, we could only achieve 5 per cent. Let us have some targets.....Shall we remain at 5 per cent or improve that?We are losing a lot of irrigable land and we are losing the fertility of the land. Keeping that in view, can we have a clear-cut target like enhancing it from 5 per cent to 60 per cent? Do you have any strategy for that?”

The year-wise production and sales of the City Compost is as under:
(in MT)

Year (i)	Production of city Compost (ii)	Sale by marketing companies lii	Bulk sale by manufacturing companies iv	Total sale v	Difference between Production-Sale of companies (ii)-(v)
2016-17	196992.32	96584.00	-	96584.00	100408.32
2017-18	340017.21	123569.87	75492.04	199061.91	140955.30
2018-19	234515.70	195551.48	111078.99	306630.47	-72114.77
2019-20	327790.58	215725.88	111046.84	326772.72	1017.86
2020-21 (April-Dec-2020)	198348.89	200848.76	64232.94	265081.70 (294017.40 as on 31.1.2021)	-95668.51

It is clear from above that the difference between production of city compost and total sale including by marketing companies and manufacturing companies is 100408.32 MT, 140955.30 MT, -72114.77MT, 1017.86 MT, -95668.51 MT in the year 2016-17, 2017-18, 2018-19, 2019-20, 2020-21 (as on 31.1.2021) respectively.

POLICY ON PROMOTION OF CITY COMPOST

5.6 Department of Fertilizers of Ministry of Chemical and Fertilizer deals with policy on promotion of city compost. Framing/revision of guidelines, granting permission to fertilizer marketing companies and city compost manufacturer companies for MDA for scaling up production and consumption of city compost by the farmers is the responsibility of this Department. It also deals with the issues related to the fertilizer similar to city compost *i.e.* new innovating fertilizers *viz.* Nano-fertilizers, Bio-fertilizers, Liquid Fertilizers, Organic Fertilizers etc.

5.7 A Policy on promotion of City Compost was notified on 10.02.2016 under which Market Development Assistance (MDA) of Rs.1500/MT is provided for it. Fertilizer manufacturers allowed for co-marketing of City Compost. Compost manufacturers are also allowed to market City Compost and claim subsidy.

Achievements

Year	MDA Released (Rs. in Crore)	Sale of Compost (in MT)
2016-17	0.55	96584.00
2017-18	7.26	199061.91
2018-19	10.00	306630.47
2019-20	32.00	324598.45
2020-21 (as on 31.1.2021)	36.00	294017.40

BUDGETARY ALLOCATION

5.8 The details of Budget/Revised Estimate and expenditure for 2020-21 and the Budget Estimate for 2021-22 are given below:

Under Nutrient Based Subsidy Policy (2401)

Rs. In crore

B.E.(2020-21)	R.E.(2020-21)	Expenditure as on 22.1.2021	B.E.(2021-22)
29.00	72.98	29.00	42.00

5.9 When asked about the reasons for very less utilization of RE allocation of 2020-21 i.e. only Rs.29.00 crore out of Rs.72.98 crore and also the methodology to utilize balance amount of 43.98 crores (Rs.72.98 – Rs.29.00) under the Scheme, the Department has replied as under:

“The reason for lesser expenditure as compared to funds allocated under RE for 2020-21 in respect of City-Compost, is due to lesser allocation of funds under MEP. As on 16.02.2021, the expenditure under the scheme of City-Compost, is Rs.36.00 Crores as on date and the funds will be fully utilized by 31.3.2021.”

5.10 When further asked whether the Department will be able to achieve the underlining objectives of the scheme with the reduced BE of Rs.42.00 Crore in the year 2021-22 for city compost, the Department replied as under:

“No, the reduced allocation is not sufficient to achieve the underlying objectives of the scheme. The funds required will be demanded through Supplementary demand.”

B. NUMBER OF CITIES COVERED UNDER THE SCHEME

Furnishing the total number of cities covered during the period from 2017 to 2021, the Department of Fertilizer stated as under:

Sl.No.	Years	Number of Cities
1.	2017-18	485
2.	2018-19	558
3.	2019-20	535
4.	2020-21	535 (March 2021)

5.11 When asked about whether the Scheme is proposed to be expanded to semi-urban and rural areas so as to ensure large scale use of environment friendly city compost in the country, the Department replied as under:

“The Government has approved a policy on promotion of city compost which has been notified by the Department of Fertilizers on 10.2.2016. The policy is implemented throughout the country. Ministry of Housing and Urban Administration (MoHUA), through Swachh Bharat Mission (Urban) is focusing on all statutory towns, wherein they are promoting compost facilities from municipal solid waste, in line with the promotion of city compost policy.”

5.12 A Statutory Town is one with a municipality, corporation, cantonment board or notified town area committee. As per 2011 Census, there are 4,041

such towns as against 3,799 in 2001. Conversion of Census towns into statutory Urban Local Bodies (ULBs) entitle States to Central assistance as per the guidelines of 14th Finance Commission. Under Atal Mission for Rejuvenation and Urban Transformation (AMRUT), 50% weightage is given to the number of statutory towns in any State/UT in allocation of funds among States/UTs.

5.13 Elaborating about the initiatives taken by the Department to encourage production and use of City compost by encouraging setting up of mini-Compost producing plants (making use of latest Research and innovations in the field) on a wide scale, the Department replied as under:

“The Government has approved a policy on promotion of city compost which has been notified by the Department of Fertilizers on 10.2.2016 wherein a Market Development Assistance of Rs.1500/- M.T. has been provided in the form of subsidy for scaling up production and consumption of City Compost. Under Swachha Bharat Mission – Urban (SBM-U), 35% of Central financial assistance as Viable Gap Funding (VGF) is given for managing municipal solid waste by MoHUA. MoHUA is also regularly conducting IEC Campaigns and has issued technical advisories to promote decentralized and centralized composting from wet waste and encourage use of organic manure at households and urban areas. Government of India have initiated capital investment subsidy scheme (CISS) being implemented through NABARD since 2004 for encouraging establishment of Fruit & Vegetables Agro/composting Unit and Bio-fertilizer production unit throughout the country.”

5.14 As regards the strategy to promote the generation of city compost, it was stated during the evidence as under:

“...The strategy is that we should promote the usage of city compost and alternate fertilizers. So far as the city compost is concerned, there is convergence of three Departments. One is Ministry of Urban Development because they control the municipalities. The others are the Ministry of Agriculture and we. We will sit together and take initiative to promote the usage of alternate fertilizers because this is very useful for saving the environment.....

.....Though the convergence of three Departments is there, there are certain teething problems which need to be sorted out like, the municipalities have to identify the land fill sites, investors have to come forth, etc. We have to discuss all these things and we will definitely find out the solution.....”

CHAPTER-VI

PRODUCTION/ IMPORT/ DISTRIBUTION AND BALANCED USE OF FERTILIZERS.

6.1 During the course of evidence, the Department in its Power Point Presentation about the Major Policy Initiatives since 2014 conveyed in brief about the New Urea Policy(NUP) and New Investment Policy (NIP), as under:-

1. New Urea Policy 2015.

Notified on 25.05.2015

Objectives of New Urea Policy-2015:

- To maximize - Indigenous urea production
- To promote - Energy efficiency in urea units
- Rationalizing the subsidy.
- To incentivise production beyond Re-assessed Capacity.

Achievement of NUP-2015:

- (i) Production increased from 225.85 LMT in 2014-15 to 244.75 LMT in 2015-16 (highest ever production). Production in subsequent years was more or less maintained to that level.
- (ii) Actual energy consumption for 18 units out of 25 units in 2019-20 have been reduced (as they have become more energy efficient by 2019-20) in comparison to the 2014-15 i.e. pre NUP 2015 period.
- (iii) Increase in energy efficiency is estimated to save subsidy outgo of the Government Exchequer to the tune of Rs. 2820.69 crore per annum in comparison to pre NUP 2015 regime.
- (iv) Objectives of NUP 2015 are being achieved.

2. Neem Coating of Urea (NCU)

- (i) 100% Neem Coated urea production made mandatory vide notification dated 25.05.2015.

Final study report of DAC&FW (Agricultural Development and Rural Transformation Centre) on benefits of neem coated urea:

- (i) Increase in yield levels of both main product and by-products in all reference crops.

- (ii) Farmers have reaped the positive externalities of Neem Coated Urea in terms of increased outputs in respect of all the reference crops.
- (iii) Reduced costs (in terms of pest and disease control) and thereby increased returns.
- (iv) Diversion of urea reduced post introduction of Neem Coated Urea.

3. New Investment Policy (NIP) 2012 (as amended in 2014)

- (i) NIP 2012 announced on 2nd January, 2013 and amended on 7th October, 2014 to facilitate fresh investment in Urea sector and to make India self-sufficient in the Urea sector.
- (ii) Under NIP 2012 read with its amendment; Matix has set up a Coal Bed Methane (CBM) based Greenfield Ammonia-Urea complex at Panagarh, West Bengal and Chambal Fertilizer & Chemical Ltd. (CFCL) has set up a gas based brown field Ammonia-Urea plant at Gadepan (Gadepan-III). Each of these units have installed capacity of 12.70 MT per annum.
- (iii) Matrix started its commercial production 1st Oct, 2017 while CFCL-Gadepan-III started commercial production on 1st Jan, 2019.
- (iv) Ramagundam, Sindri, Gorakhpur and Barauni units of FCIL / HFCL are also being revived by setting up new ammonia urea plants of 12.70 LMTPA capacity each under NIP 2012.

Impact of NIP 2012

- (i) With the operationalization of all the above mentioned projects, the indigenous production of the urea is likely to increase by around 76.20 LMTPA.
- (ii) It will reduce import dependency of urea to that extent.

6.2 With regard to Production, Consumption and Import of Urea and P&K Fertilizers, the Department during the course of evidence conveyed as under:-

Production and Consumption in 2019-20:

- (i) Production: 244.55 LMT of Urea and 180.98 LMT of P&K.
- (ii) Consumption (Sales) : 336.97 LMT of Urea and 278.86 LMT of P&K

Production and Consumption in 2020-21 (as on 31.01.2021)

- (i) Production: 209.85 LMT of Urea and 159.99 LMT of P&K
- (ii) Consumption (Sales): 308.49 LMT of Urea and 272.24 LMT of P&K

Production and Import Scenario- India

Year	(In LMT)			
	Urea		P&K Fertilizers	
	Production	Import	Production	Import
2012-13	225.75	80.44	104.13	86.03
2013-14	227.15	70.88	110.94	68.03
2014-15	225.85	87.49	117.18	83.41
2015-16	244.75	84.75	125.02	98.80
2016-17	242.01	54.81	123.31	86.42
2017-18	240.23	59.75	173.38	82.76
2018-19	240.00	76.41	174.85	106.64
2019-20	244.55	91.99	180.90	91.74
2020-21 (as on 31.01.2021)	209.85	97.76	159.99	104.96

Note: Country is 100% dependent on import of Potash. 90% dependent on import of phosphates.

6.3 On being asked to furnish a statement showing details regarding demand, supply, consumption in respect of (a) Urea, (b) P&K fertilizers covered under NBS Policy & (c) City Compost during each of the last two years, current year (2020-21) and proposed details in respect of 2021-22, the Department of Fertilizers furnished the following information:-

Urea

Year	Demand (LMT)	Installed capacity (LMT)	Actual production (LMT)	Quantum of import (LMT)	Availability (LMT)	Sales (LMT)	Subsidy provided (Rs. in Cr)
2018-19	300.04	220.24	240.00	76.41	379.62	320.19	49351.83
2019-20	335.26	220.24	244.55	91.99	395.31	336.97	57105.67
2020-21	318.70*	220.24	209.58*	97.76*	364.50*	304.82*	75095.51*

*as on 31.01.2021

P&K

Year	Demand (LMT)	Installed capacity (LMT)#	Actual production (LMT)	Quantum of import (LMT)	Availability (LMT)	Sales (LMT)	Subsidy provided (Rs. in Cr)
2018-19	232.89	276.60	174.85	106.64	298.04	261.51	24090.35
2019-20	246.24	278.04	181.36	91.74	320.96	278.17	26368.35
2020-21	225.68*	281.80	160.06*	104.96*	311.18*	282.49*	26461.72*

*as on 31.01.2021 #DAP+A/S+ Complex + SSP

City Compost

Year	Demand (MT)	Installed capacity (MT)	Actual production (MT)	Quantum of import (MT)	Availability (MT)	Sales (MT)	Subsidy provided (Rs. in Cr)
2018-19	-	-	388804.79	-	-	306630.47	10.00
2019-20	-	-	327754.47	-	-	324598.45	33.85
2020-21	-	-	215583.87*	-	-	294017.44*	36.00*

*as on 31.01.2021

Demand of fertilizers is assessed by DAC&FW in consultation with States at the beginning of each cropping season. Based on the demand assessment, supply plan is drawn in consultation with the fertilizer companies. DAC&FW has not yet assessed the demand of fertilizers for 2021-22.

Production targets were fixed in consultation with the fertilizer industry at the beginning of each financial year. Production targets for 2021-22 have not yet been finalised.

6.4 A statement indicating the extent to which the Department of Fertilizers has been able to convert the outlays for different schemes and programmes into commensurate outcomes during the year 2019-20 & 2020-21 is as under:

Fertilizer	Financial Outlay	2019-20 (Figure in LMT)			
		Production Target	Actual Production	Availability	Sales
Urea	Rs. 53629 Crore	261.04	244.55	395.31	336.97
P&K*	Rs. 26367 Crore	281.99	181.36	320.96	234.13
Fertilizer	Financial Outlay	2020-21 up to Dec. 2020 (Figure in LMT)			
		Production Target	Actual Production	Availability	Sales
Urea	Rs. 99547.42 Crore	198.86	188.33	364.49	304.82
P&K*	Rs. 38989.88 Crore	205.48	142.90	311.18	242.29

* P&K includes DAP+A/S+Complex+SSP

Note: Sales are DBT Sales.

6.5 In this regard, when the Department was asked to specify the reasons as to why the production targets could not be achieved both in case of Urea and P&K fertilizers* during the period and the measures taken to incentivize production in the sector so as to achieve self-sufficiency by introducing Production Linked Incentive (PLI) scheme for promotion of domestic

manufacturing of various types of fertilizers and decrease the import dependency, conveyed in writing as under:

“Production targets were fixed in consultation with the fertilizer industry. In the Urea sector, the production target could not be achieved as some units could not be operationalized due to financial problems, lack of feedstock and Covid-19 pandemic. With a view to move towards self-sufficiency in urea, five closed urea units are being revived.

P&K fertilizers is a de-controlled commodity. The P&K fertilizer industry take their policy decisions according to their commercial viable terms. P&K fertilizer industry go for import whenever they feel it is more profitable than producing it in the country.”

Import of Fertilizers

6.6 In this regard, when further asked to convey the steps being taken/proposed to be taken for augmenting domestic production of P&K fertilizers in the country so as to curtail the expenditure on imports; the Department replied in writing as under:

“The P&K Fertilizers are decontrolled and under Open General License (OGL) under the NBS Scheme. Hence, the production and sale of these fertilizers are basically the commercial decisions of the companies. The Government doesn't interfere in the decisions of the companies.

Further, the Country is dependent on imports on different fertilizers either in the form of finished fertilizers or their raw material due to non-availability/scarce availability of resources as per details below:

Phosphatic fertilizers	upto 90%
Potassic Fertilizers	upto 100%

In view of almost complete dependency of the country on raw materials, it is not possible to do much for augmenting domestic production of P&K fertilizers. The Department of Fertilizers have requested the Ministry of Finance to grant exemption or nominal rate of 1% BCD on raw materials for manufacture of fertilizers viz. Ammonia, Phosphoric acid, Rock Phosphate, Sulphur, Sulphuric acid, Urea (as input), MOP (as input).”

6.7 As the country is importing 90% of its Phosphate requirement, in this regard, when the Committee desired to know the reasons for levy of customs duty and other duties on import of phosphate raw materials and the efforts being made by DoF to convince the Ministry of Finance the need for removal of the duty, the Department replied as under:

“The hon. Member is very correct. For the raw material and intermediate products for the production of phosphatic fertilisers like phosphoric acid

and ammonia, we have been writing to the Ministry of Finance. We have been impressing at every level to reduce the customs duties on intermediate and raw products for phosphatic fertilisers. If the Committee thinks fit, it may also look into whether it can recommend about this.”

6.8 When the Committee showed its grave concern and sought the attention of the Department about the lack of availability of DAP / the need to encourage the production of Single super Phosphate (SSP) and regarding the sub-standard quality of the SSP fertilizers being sold to the farmers and the quality of rock phosphate which is being imported, the Secretary to the Department stated, “We will take action.”

6.9 The Department on being asked to specify if any kind of encouragement/ incentive was being given by them to the fertilizer companies to form joint ventures/ encourage investment in other resource rich countries to achieve self-sufficiency, stated in a written reply as follows:

“The Department of Fertilizer has no incentive scheme for fertilizer companies to form joint ventures in other resource rich countries. However, in case any fertilizer company requesting for non-financial support to DoF, through the Indian Missions abroad and Ministry of External Affairs efforts are made to reduce hindrance and to facilitate to the extent possible.”

6.10 In this regard, to a specific query, if any new Joint Venture Project has come up in the last three years or any new joint venture fertilizers projects are proposed in the near future to achieve self-sufficiency; the Department in its written reply stated as below:

“No joint venture project with equity participation from PSUs under Department of Fertilizers has been set up in the last three years and are not proposed in the near future. The PSUs under DoF have made equity contributions in the revival projects of Ramagundam Fertilizers and Chemicals Limited (RFCL) and Talcher Fertilizer Limited (TFL) already to promote indigenous production of urea.”

6.11 As per the information provided by the Department (Ref. Table at para 6.3 above), the sale of both Urea and P&K fertilizers has been less than the availability during 2019-2020 & 2020-2021, in this regard, the Department when asked to specify the reasons for resorting to import of extra quantity of fertilizers and for not properly estimating the demand so as to avoid extra foreign exchange outgo; replied as under:

“The requirement of Fertilizers for each cropping season is assessed by the Department of Agriculture, Cooperation and Farmers

Welfare(DAC&FW) in consultation with the states/UTs and conveyed to Department of Fertilizers(DoF) with month wise breakup. The mandate of DoF is to ensure adequate and timely availability of fertilizers at the state level. The extra availability vis-à-vis sales is one of the indicators of comfortable availability of fertilizers. In case of urea, the gap between the assessed requirement and the indigenous production is met through timely imports by DoF. In case of P&K, the imports come under Open General License (OGL), wherein the companies import the fertilizers based on their commercial judgments. These imports are planned well in advance with a sufficient window for the consignments to reach the various Indian ports and thereafter, to the hinterland through rail/road/inland waterways.

It is pertinent to mention that the field demand for fertilizers depend upon various factors which are geographical/climatic in nature and with the fluctuation in any of these factors; the demand goes up or down intermittently. However, the DoF as per its mandate ensures comfortable level of availability in the pipeline so as to keep a cushion for these variations along with any sudden breakage in the logistic chain of transportation.”

6.12 During the course of oral evidence of the representatives of the Department of Fertilizers on Demands for Grants, 2021-22, when the Committee enquired about the reasons for increase of import of fertilizers every year; the Secretary, Department of Fertilizers stated as under:

“Sir, it depends upon various factors. In case of a good rainfall, as the demand for Urea increases, we have to plan accordingly. As some of our Plants are under construction, therefore, we are manufacturing as much as we can domestically, from the plants which are operational. For the remaining quantity we are dependent on imports. As we have conveyed, our four (04) plants are under construction and we are regularly monitoring their progress. We are regularly monitoring it every month at the level of the Minister and at my level. The progress is little slow due to Covid factor. First, Ramagundam plant will be commissioned by next month. Testing is already going on the plant for its commissioning. 98% work related to Gorakhpur plant which is already connected to Gas pipeline, will be complete by July. Work is in progress at some sites and Bagging plant is under construction and as soon as it is completed in July, it will be commissioned. The remaining plants will be commissioned in one year period. After the commissioning of these plants our dependency on imports will decrease a lot.”

Distribution of Fertilizers to Farmers

6.13 The Department on being asked to convey the details of institutional set-up to ensure unhindered and transparent supply chain of all fertilizers in the States upto the Block level and to check black-marketing and hoarding of fertilizers in the country, conveyed in writing as under:-

“Before the commencement of each cropping season, Department of Agriculture, Cooperation and Farmers Welfare (DAC&FW), in consultation with all the State Governments, assesses the requirement of fertilizers. After assessment of requirement, DAC&FW projects month-wise requirement of fertilizers. On the basis of month-wise & State-wise projection given by DAC&FW, Department of Fertilizers allocates sufficient/ adequate quantities of fertilizers to States by issuing monthly supply plan and continuously monitors the availability.

The movement of all major subsidized fertilizers is being monitored throughout the country by an on-line web based monitoring system called integrated Fertilizer Monitoring System (iFMS). The State Governments are regularly advised to coordinate with manufacturers and importers of fertilizers for streamlining the supplies through timely placement of indents for railway rakes through their state institutional agencies like Markfed etc.

Further, Regular Weekly Video Conference is conducted jointly by Department of Agriculture & Cooperation and Farmers Welfare (DAC&FW) and Department of Fertilizers (DoF) with State Agriculture Officials and corrective actions are taken to dispatch fertilizer as indicated by the State Governments.

The gap between demand (requirement) and production is met through imports in case of urea. However, in case of P&K, the imports come under Open General License (OGL), wherein the companies import the fertilizers based on their commercial judgments.

To avoid black marketing and hoarding, the state governments are adequately empowered under the Fertilizer Control Order (FCO), 1985 to take necessary steps. Department of Fertilizers regularly advises the state governments to take the required steps so that the fertilizer is made available to the farmers at reasonable prices and to keep a strict check on malpractices such as black marketing and hoarding.”

6.14 In view of the Covid-19 outbreak, the Department, when asked to convey the details of precise steps taken, so as to monitor and ensure adequate and timely availability of fertilizers to the farmers as per their demand in the remote and inaccessible areas of the country, replied in writing as under:

“Post Covid-19 outbreak, keeping in view the field demand of various fertilizers, the following steps were taken:

- i) DoF was in regular touch with the states/UT, the fertilizers companies, Ministry of Home Affairs and Ministry of Railways so as to ensure timely redressal of issues related to supply chain and thereby ensuring smooth supply of fertilizers.

- ii) DoF has been closely monitoring the availability of fertilizers in all the States through on-line web based monitoring system called Integrated Fertilizer Monitoring System (iFMS). The required relaxations for Fertilizer production, movement were sought timely from MHA and those were addressed on priority basis. Similarly, Ministry of Railways was conveyed the sensitivity involved for ensuring timely availability of fertilizers to the farmers and the same was addressed on real time basis.
- iii) From April'20 to January'21 nearly 2214 additional Railway rakes were deployed (as compared to the corresponding period of last year) to timely transport the fertilizers to various corners of the country.
- iv) The gap between the assessed requirement and estimated production of urea, has been met through imports, which have been done timely, so as to ensure sufficient availability across the country.
- v) Throughout there has been close monitoring of movement and availability of all the fertilizers through real time coordination with State Governments/Fertilizer companies/Railways etc.”

6.15 During the oral evidence, the Committee brought to the attention of the representatives of the DoF about the shortage of urea during peak season at district level. In this regard, the Committee asked about the reasons for shortage of urea and its non availability when required by the farmers, the Secretary to the Department clarified, “As per the mandate, we supply urea upto the State level. State Governments have their own distribution plan. As per that plan urea is distributed”.

6.16 In regard to the above, when the Committee further enquired during oral evidence whether any monitoring is done by the Department of Fertilizers, a representative of the Department stated as follows:-

“System functions like this. We see the stock availability at state level and its requirement in a particular season. Accordingly, we keep the supply little more than the requirement. In the dash board of the Integrated Fertilizer Management System, colour coded maps become green only when the supply is more than the requirement. We ensure that the supply is more than the requirement of a so that its colour coding remains green. Since the state level movement is controlled by the concerned state, many times some districts get more urea and sometimes get less. Whenever, we get feedback in this regard, we point out to the State Government that we have met its entire requirement yet the districts are reporting shortage. In such cases, we intervene and move the fertilizer through the State Government to the needed places. Our system went live on 01.03.2018. We have year-wise and month-wise data. We can analyze the data where in the district the State has moved less urea. But generally, we give

autonomy to the States. They should decide within the State that how much quantity is needed for individual places depending upon their individual requirements.... Due to little variations in the supply, such complaints are received from some districts. I am not denying what the Hon'ble Member is saying. Sometimes such difficulty arises. Then we intervene and resolve that somehow”.

6.17 When the Committee further asked whether any review is done by the Department with the States, the representative further stated as below:-

“We do the review. Every week we have a video conferencing with all the States. We take feed back from them whether they face any difficulty anywhere. We do not ask any data from the State. Joint Secretary level monitoring is done on weekly basis. Many times our Hon'ble Minister and the Secretary also participate in the video conferencing and review the position. In this manner, the monitoring is done on supply and requirement”

6.18 When the Committee expressed concern and emphasised the need for ground level monitoring so that the farmers are able to get the fertilizers during the crop season when they require it most and regarding the launch of fertilizer gateway to facilitate the farmers, the Department replied as under:

“We are trying at the moment to help the farmer. He needs to get all the information. In case the farmer gets his/her mobile number registered at the time of purchase of fertilizer, we send him/her message regarding the stock position of the retailer from where he/she made the last purchase. This is our new initiative. This is about six or seven months old. We are monitoring the system. On the Dash-Board, there is a 'Kisan Corner' also which provides the stock details of all the retailers of the District. We are still working on the system.”

Balanced Use of Fertilizers.

6.19 On being asked to specify the comparative benefits of Chemical fertilizers and Bio-fertilizers & Compost and what R&D efforts have been made by the Department for the manufacture of organic bio-fertilizers/compost (from traditional manures, decomposed plant materials, etc.) for balanced use of fertilizers as per the requirements of specific types of soil/ crop, the Department in its written reply stated, “No such comparative study has been undertaken by Department of Fertilizers as the subject matter is outside the purview of the Department as per Allocation of Business Rule.”

6.20 During the course of oral evidence, when the Committee emphasized that the farmers are to be educated about how to use fertilisers as per their soil health cards and desired to know about the efforts made by DoF in consultation with Agriculture Ministry to educate the Indian farmers about the use of fertilizers as per their soil health cards and with the help of agriculture universities in various parts of the country, so that urea consumption should come down by at least 30-40 per cent, in a very targeted way, a representative of the Department replied as under:

“Both the questions are revolving around the balanced use of fertilisers. One of the solutions lies with the use of soil health card, as madam has said. Sir, at the moment, with the DBT system, we have integrated soil health card database. So, when the farmer comes to us, we ask his soil health card number. We put that number into our machine – we also ask him which crop he is going to go for – then, the system gives him a recommendation. At the moment, the present policy is that we only educate him as to what he needs. We are not, at the moment, imposing that recommendation on him. Sometimes he goes by that recommendation and sometimes he does not. So, that is one challenge. We are discussing a policy decision whether we should make the soil health recommendation mandatory for him. That is being discussed, but no final decision has been taken.”

6.21 In this regard, when the Committee further asked the efforts so as to directly benefit the farmers, the representative of the Department replied during oral evidence as under:

“The PoS machines are also working in the local language. If he wants to print it in a local language, he can do that also. The retailer, who is a local guy on the spot, is also supposed to explain it to him. This is the first aspect.

The second aspect of going for balanced use of fertilisers is that we need to promote use of organic and bio-fertilizers. That is a policy domain that is with the Agriculture Ministry, but we constantly interact with them to align our policies with theirs. I think, we need to do a lot of work on that.

The third aspect is that if you analyse the whole thing, one of the main factors that is leading to imbalanced in use of fertilisers is very low price of urea as compared to PNK fertilisers. So, until and unless we correct that balance, we cannot help it. At the moment, one bag of urea is coming for about Rs. 242 per 45 kilogram bag whereas other fertilisers are in the range of Rs. 1,000, Rs. 1,200 or Rs. 1,500 per 50 kilogram bag. When there is such a skewed pricing of different fertiliser products, the farmers will obviously go for urea, looking at its immediate impact. When he uses the urea in the crop, it becomes so green and looks very healthy, but it may not be leading to an increase in productivity.

6.22 In this regard, during the course of evidence of the representatives of the Department of Fertilizers on Demands for Grants, 2021-22, Hon'ble Chairperson of the Committee expressed the following view on the need for smaller units producing bio fertilizers locally for the use of farmers:

“I would also like to say that when you are talking about organic or bio-fertilizers, we do not have to only think of huge companies or factories which are producing it. We can also encourage smaller units which can do it locally and the Government can support those units. That is how it was being done traditionally. But now, of course, nobody has time to do it. Unless it is done by somebody as their initiatives or startups, or by some smaller units supported by the Government, then maybe we can reach more people.”

Research activities in Fertilizers sector to achieve self-sufficiency.

6.23 On the issue of initiatives taken by the Department to enhance Research activities in fertilizers sector as to achieve self-sufficiency in various fertilizers types, the Department conveyed in writing as under:-

“Indian Council for Fertilizer & Fertilizer Nutrient Research (ICFFTR) has been constituted and registered under Societies Registration Act of 1860 on 19.08.2019. Fertilizer PSUs viz. NFL, RCF and FAGMIL are founding members of ICFFTR. In order to create initial fund for ICFFTR and to make the same operational, seed money initial corpus non-refundable will be provided by (Rs.2 crore each by NFL & RCF) and (Rs. 1 crore by FAGMIL). In addition to these PSUs, MFL, FACT, BVFCL, PDIL, HFCL and FCIL are also its members. The membership of the Society is open to other organizations, Corporate Bodies / Joint Venture Companies, Institutions engaged in manufacturing and trading fertilizers. The annual subscription fee for each of the founder member of CPSEs under the administrative control of DoF is Rs. 1 lakh. For all other members, there is one-time admission fee Rs.5 lakhs at the time of admission and annual subscription of Rs. 1 lakhs. ICFFTR's registered office is at Lodhi Road, New Delhi. ICFFTR is functioning under the administrative control of DoF, however, DoF will not allocate any funds to ICFFTR.

ICFFTR comprises of Governing Council headed by Secretary, D/o fertilizers and Executive Committee headed by CMD, RCF. The Director General of the Society is the administrative head of the society. Some of the Research & Development activities planned to be undertaken by ICFFTR are as under: -

- a) To undertake research in the area of fertilizer and fertilizer manufacturing technology, use of raw material and innovation in fertilizer products.

- b) To identify and research, eco-friendly nutrients / micro nutrients and pesticide coated slow release fertilizers to ensure reduction of Carbon Footprint of Fertilizer sector and energy efficient operation.
- c) To undertake research in bio fertilizer and its derivatives with appropriate coating or blending so as to protect and increase soil fertility.
- d) To undertake research in organic fertilizer and its derivatives or blending so as to protect and increase the soil fertility.
- e) To undertake research in Fertilizer Sectors & related activities.
- f) To undertake research in the field of agriculture.
- g) To undertake research in the application of science and scientific methods for the manufacture of fertilizers and their utilization in the fields either alone or in conjunction with preparations of other materials.
- h) To make known the results of all research discoveries, patents and investigations made in connection with the above objects.
- i) To adopt such means of making known the products of the Society as may seem expedient.
- j) To allow the member organizations to utilize the research carried out by the ICFFTR.

Indian Council for Fertilizer & Fertilizer Nutrient Research (ICFFTR) has been constituted by fertilizer CPSEs under Department of Fertilizers. The objective of the Council is to undertake research in the area of fertilizer and fertilizer manufacturing technology, use of raw material and innovation in fertilizer products.

6.24 In this regard, on being further asked regarding the status of allocation of a separate Budget Head for Research & Development for fertilizers sector in BE 2021-2022 so as to achieve the goals of Aatma Nirbhar Bharat; the Department in written reply stated as under:-

“The Department is making all efforts for allocation of a separate budget head for Research & Development. However, Ministry of Finance did not agree to the proposal and advised the Department to first seek approval of the Parliament through 1st Batch of Supplementary Demand for Grants. Accordingly, proposal seeking token Supplementary was incorporated in the 1st Batch of Supplementary Demand for Grants but the same was not included by Ministry of Finance. The Department has again incorporated a token Supplementary in the 2nd Batch of Supplementary Demand for Grants. The communication in this regard is still awaited from M/o Finance.”

6.25 As Indian Council for Fertilizer & Fertilizer Nutrient Research (ICFFTR) has been constituted with modest goals for Research & Development activities in fertilizers sector and Secretary DoF is the head of the Governing Council, the Department when asked to furnish specific reasons as to why the DoF is not presently allocating any funds for its Research initiatives, the Department in its written reply stated as under:-

“The Department is making all efforts for allocation of a separate budget head for Research & Development so that ICFFTR could be adequately funded for carrying out its research activities. However, the communication in this regard is still awaited from M/o Finance.

6.26 When asked to elaborate regarding any time bound Research activities being initiated by ICFFTR, the Department in its written reply stated as under:

“ICFFTR has awarded (i) Projects & Development India Limited (PDIL) to undertake a research project on “Use of Phosphogypsum for Production of Calcium Nitrate, Calcium Ammonium Nitrate and Sulphur Nutrient (Hydrometallurgy)”, (ii) Rashtriya Chemicals & Fertilizers Limited) to undertake a research projects on (a) Development, Testing and Pilot Scale Production of Bio-stimulants and (b) Development, Testing and Pilot Scale Production of Organic Fertilizer. These research studies were to be completed within 3 years.

ICFFTR has also entered into MoU with Institute for Competitiveness (IFC) with motive to establish a collaborative relationship in areas of public policy research, international policy benchmarking, capacity building and sector research, with mutual benefit. Accordingly, ICFFTR in collaboration with IFC has undertaken a quick research study on “District-wise identification of industries using technical grade urea or urea based chemicals as a raw material and analysis of consumption pattern of use of technical grade urea or urea by those concern industries”. Report is expected shortly.

Promotion of nano fertilizers

6.27 During oral evidence, when the Committee enquired about any existing schemes to promote the nano technology, the Secretary to the Department replied, “As of now, we do not have any.” On being further asked, if the Department is designing any scheme so that we can promote nano technology and reduce the usage of fertilizers, the Secretary of the Department replied as under:

“Sir, the main challenge with nano technology is the delivery system. The traditional fertilizers are given by hand mechanism but here you need a fertigation. I think we need to promote fertigation in a big way to take advantage of nano technology. There is already an existing scheme to promote fertigation among the farmers. We have to dovetail both these nano fertilizer and fertigation technology and spread it among the farmers. We have to now look at that linkage.”

6.28 When the Committee further asked, if the Department is seeking funds in the Budget for improving nano-technology which may decrease the fertilizer usage by 50 per cent, the secretary to the Depart informed the Committee during oral evidence as under :

“The Indian Farmers Fertiliser Cooperative Limited (IFFCO) has developed the nano fertilizer also. I have seen their brochure. Recently, a notification has been issued under the Fertilizer Control Order. Now, they are gearing up the production. PDIL has also been engaged in it. It has come out for the nano fertilizer in the country. One PSU, that is, RCF has also developed some nano fertilizers which are yet to be tested. This is definitely going to change the fertilizer consumption scenario in the country. It will reduce the import burden on urea to a great extent”.

6.29 In regard to the promotion of nano fertilizers, when the Committee asked about the subsidy scheme for the same. A representative of the Department stated as follows:-

“Sir, the Department of Fertilisers’ domain comes with subsidy policy. Research and extension is with the Ministry of Agriculture. If any subsidy policy has to be designed for promoting nano fertilisers, then it is to be designed by Department of Fertilisers. Our initial discussions with IFFCO shows that their MRP of nano urea is less than even traditional urea and the price of nano urea is not an impediment for the farmers to adopt. So, right now there is no justification for coming with a subsidy scheme for nano urea.”

CHAPTER-VII

PUBLIC SECTOR UNDERTAKINGS (PSU's)

7.1 The following is the budget provision for PSU's under the Department of Fertilizers for 2020-21 and 2021-22: (Rs. In Crore)

	BE 2020-21	RE 2020-21	Expenditure as on 22.1.2021	BE 2021-22
Assistance to PSUs				
For write off of loan, interest and penal interest on Govt. of India loan outstanding (3475)	0.01	0.00	0.00	0.01
BVFCL (6855)	0.01	0.00	0.00	0.01
HFCL (6855)	0.01	0.00	0.00	0.01
FCIL(6855)	0.01	0.00	0.00	0.01
PPCL(6855)	0.01	0.00	0.00	0.01
HURL(6855)	0.01	813.24	0.00	444.58

A provision of Rs.813.24 crore was made in RE 2020-21 and Rs.444.58 crore has been made in BE 2021-22 for Hindustan Uravak and Rasayan Ltd.

7.2 The Department has conveyed that at present, the following nine (9) Fertilizer Public Sector Undertakings (PSU's) comes under the administrative control of Department of Fertilizers:

1. Rashtriya Chemicals & Fertilizers Limited (RCFL), Mumbai, Maharashtra.
2. National Fertilizers Limited (NFL), Noida, Uttar Pradesh.
3. Madras Fertilizers Limited (MFL), Chennai, Tamil Nadu.
4. The Fertilizer and Chemicals Travancore Limited (FACT), Kerala.
5. Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), Namrup, Assam.
6. FCI Aravali Gypsum & Minerals India Limited (FAGMIL), Jodhpur, Rajasthan.
7. Projects & Development India Limited (PDIL), Noida, Uttar Pradesh.
8. Hindustan Fertilizers Corporation Limited (HFCL), Uttar Pradesh.
9. The Fertilizers Corporation of India Limited (FCI), Uttar Pradesh.

7.3 However, due to un-viability of economic operations of the fertilizer Units, GoI in 2002 decided to close the operations of all the fertilizer Units of HFCL and FCIL. Therefore, at present, there are seven (7) working PSUs of Department of Fertilizers. Out of seven (7) working PSUs, FAGMIL is engaged in mining of Gypsum and PDIL is Consultancy and Engineering Organization. Out of five (5) fertilizer producing units, NFL and RCF are profit making company. BVFCL, MFL and FACT are loss making fertilizer PSUs.

7.4 The Department has conveyed that, the Government of India is reviving 5 closed units of FCIL / HFCL by setting up new Ammonia Urea units of 1.27 MMTPA capacity each at Ramagundam (Telangana), Talcher (Odisha),

Gorakhpur (Uttar Pradesh), Sindri (Jharkhand) and Barauni (Bihar) through formation of Joint Ventures of leading PSUs consortia. In this regard, when the Department was asked about the initiatives taken so as to ensure timely completion of the above said projects, informed in writing as under:-

“These revival projects are of national importance and are being closely monitored by Department of Fertilizers as well as by NITI Aayog and Prime Minister Office. Secretary (Fertilizers) takes monthly meeting to review the progress of these revival projects ensuring timely completion of projects at Ramagundam, Talcher, Gorakhpur, Sindri and Barauni.

7.5 In this regard, on being further asked about the initiatives taken for the revival of Korba unit of FCIL and Durgapur and Haldia units of HFCL so as to achieve self-sufficiency in the fertilizers sector and reduce dependency on imports, the Department in a written reply conveyed as under:

“Decision on revival of Korba, Haldia & Durgapur units would be taken after viewing the progress of revival of four (4) units of Fertilizer Corporation of India Limited (FCIL) viz., Talcher, Ramagundam, Gorakhpur and Sindri and one (1) unit of Hindustan Fertilizer Corporation Limited (HFCL) viz., Barauni based on the assessment of demand-supply gap of urea in the country.

Five closed units of FCIL / HFCL viz. Ramagundam, Talcher, Gorakhpur, Sindri and Barauni are being revived by setting up Ammonia urea complex of 12.7 LMTPA capacity each. Decision regarding revival of Korba, Durgapur and Haldia units would be taken after evaluation of demand and production gap on operationalization of these five revival projects.”

7.6 On being asked about the status of setting up of New-Brownfield Ammonia-Urea Complex (Namrup-IV) in the existing premises of the Brahmaputra Valley Fertilizer Corporation Ltd. through equity participation, the Department in its written reply stated as below:

“The allocation of equity participation on nomination basis to CPSEs/ Govt of Assam has been decided during the meeting held under the chairmanship of Hon'ble Minister for Chemicals and Fertilizers on 21.01.2021 as under:-

i. Government of Assam	- 26%
ii. OIL	- 18%
iii. BVFCL	- 11%
iv. NFL	- 28%
v. RCF	- 17%
Total	100%

OBSERVATIONS AND RECOMMENDATIONS

Recommendation No.1 - Enhanced Budgetary allocation at RE 2020-21 to Department of Fertilizers

The Committee are glad to note that the Budgetary Allocation was increased to Rs.138537.30 Crore at RE stage of 2020-21 from Rs.73939.00 Crore allocated at BE stage so as to pay-out the carry-over liabilities in respect of both the urea and P & K fertilizer subsidies, completely. In the Reports of the Demands for Grants 2019-20 and 2020-21 pertaining to the Department of Fertilizers, the Committee strongly emphasized the need for meeting the carry-over liabilities of fertilizer subsidies due to inadequate budgetary allocation. In this regard, the Committee recommended that an additional budgetary allocation may be made by the Ministry of Finance to disburse entire subsidy dues on both urea and P & K fertilizers. Accordingly, the Ministry of Finance allocated Rs.64598.30 Crore at RE stage of 2020-21 in addition to Rs.73939.00 Crore allocated at BE stage to meet the entire expenditure on both the urea subsidy and Nutrient Based Subsidy(NBS). The Committee hope that this additional allocation of funds would have enabled the Department of Fertilizers to pay-out the carry-over liabilities of both Urea subsidy and NBS subsidy as well as Market Development Assistance(MDA) for City Compost completely by the end of 2020-21. According to the Department of Fertilizers, the carry over liabilities in respect of indigenous P&K and City Compost are being fully met and the balance of carry over liabilities in respect of Imported P&K amounting to Rs.102.76 crores only are left and the same is expected to be utilized by March-2021. In regard to urea subsidy, it has been stated by the Department that Carry-over liabilities of imported urea is Rs.561.63 crore and the same

is nil in respect of indigenous urea. However, the Committee note that out of Rs. 99547.42 Crore allocated at RE stage for indigenous and imported urea subsidy only Rs.60189.73 Crore has been utilized by the Department of Fertilizers as on 22 January, 2021. As regards allocation for indigenous and imported P & K fertilizers, only Rs.17925.72 Crore has been spent as on 22 January, 2021 out of Rs.38916.90 Crore allocated at RE stage of 2021-22. In regard to MDA for City Compost, out of the enhanced RE allocation of Rs.72.98 Crore, only Rs.29 Crore has been spent as on 22.01.2021. During previous years the Department was pointing out to the Ministry of Finance over the shortfall in allocation in this regard leading to accumulation of carry over liabilities. Since the requisite amount of budgetary allocation has been made by Ministry of Finance at RE stage of 2020-21, the Committee expect that the Department would act swiftly to utilize the entire RE allocation of 2020-21 to payout the carryover liabilities of subsidy schemes of the Department completely by the end of 2020-21. Complete information about utilization of funds allocated at RE 2020-21 for disbursing indigenous and imported urea subsidy, indigenous and imported P & K fertilizers subsidy and MDA on City Compost and also the status of carry over liabilities on each of them should be furnished to the Committee.

Recommendation No.2 - Budgetary allocation in BE 2021-22 for the Department of Fertilizers

The Committee are concerned to note that there is a huge gap between the proposed budgetary allocation of the Department of Fertilizers for its fertilizer subsidy schemes and the budgetary allocation made by the Ministry of Finance for the year 2021-22. Budget Estimate(BE) of Rs.

Rs.80011.39 Crore has been made for the Department against its proposal for Rs.110310.40 Crore to meet the requirements of various fertilizer subsidy schemes. The Committee note that the allocation for Urea subsidy schemes at BE stage of 2021-22 is Rs. 62797.68 Crore against the proposed requirement of Rs.80650.40 crore and that for Nutrient Based Subsidy Policy is Rs. 20762.00 Crore against the proposed requirement for Rs. 29660.00 Crore. In this regard, as per the submission made by the Department of Fertilizers, BE 2021-22 of Rs. 62797.68 crore for urea subsidy is higher than the BE of 2020-21 which was Rs. 50435.00 crore. Further, BE 2021-22 of Rs.19550.00 for import of urea is based on budgetary requirement. According to the Department, the requirement of urea subsidy depends upon a number of factors like actual consumption of urea, price of natural gas etc. and at the time of RE 2021-22, if required, additional requirement for urea subsidy would be projected to Ministry of Finance. However, the Department has stated that the reduced allocation is not sufficient to meet the fund requirements of P&K Fertilizers and City-Compost and the funds required will be demanded through Supplementary demand and/or through Special Banking Arrangement. In view of the above, the Committee visualize that the reduced allocation will not be sufficient to meet the fund requirements in respect of Fertilizers subsidy schemes and will eventually result in delayed payment to the fertilizers companies which may adversely affect their financial performances. The Committee, therefore, recommend that the Department of Fertilizers should strengthen its budgetary planning so as to get budgetary allocation in commensurate with its requirements, take concrete steps for the timely and optimum

utilization of funds allocated at BE stage and put up timely proposal before the Ministry of Finance for the allocation of required funds at RE stage in case of requirement of additional funds for Urea and NBS Subsidy Schemes. The Committee hope that the Department will follow the above recommendations in letter and spirit during 2021-22 and will make sincere efforts to convince the Ministry of Finance for the allocation of additional fund required under subsidy budget of the Department at RE stage. The Committee also urge the Ministry of Finance to continue the good work done by it during 2020-21 for the elimination of carry forward liabilities and allocate the additional funds required by the Department of Fertilizers for the urea subsidy and NBS Schemes at RE stage of 2021-22 as accumulation of carry forward liabilities and the subsequent need for Special Banking Arrangement for making subsidy payment to fertilizer units is not a financially prudent measure. This recommendation may also be communicated to the Ministry of Finance for its compliance.

Recommendation No.3 - Need for allocation of a separate Budgetary plan Head for Research & Development for self-sufficiency in fertilizers.

The Committee note that there is a strong need to enhance Research and Development activities in fertilizers sector so as to make the indigenous fertilizer production technology an internationally competitive one. Unfortunately, no budgetary allocation has been made for Research & Development in BE 2021-22 of the Department of Fertilizers. The Committee learnt that Indian Council for Fertilizer & Fertilizer Nutrient Research (ICFFTR) has been constituted by the fertilizer CPSEs under the

Department of Fertilizers with the objective to undertake research in the area of fertilizer and fertilizer manufacturing technology, use of raw material, innovation in fertilizer products etc. ICFFTR comprises of a Governing Council headed by Secretary, D/o fertilizers but DoF has not allocated any fund to ICFFTR. In this regard, the Committee are very much concerned to note the discontinuance of the budgetary head for R&D in the Demands for Grants of DoF. According to DoF, it is making all out efforts for allocation of a separate budget head for Research & Development. However, Ministry of Finance did not agree to the proposal and advised the Department to first seek approval of the Parliament through 1st Batch of Supplementary Demands for Grants. Accordingly, proposal seeking token Supplementary was incorporated in the 1st Batch of Supplementary Demands for Grants but the same was not included by Ministry of Finance. The Department has again incorporated a token Supplementary in the 2nd Batch of Supplementary Demand for Grants. The communication in this regard is still awaited from M/o Finance.” The Committee feel that it is very much necessary to financially support ICFFTR in its R & D efforts so as to achieve its objectives and also to encourage the initiatives of others engaged in research and development in various fields of fertilizer sector including development of nano-fertilizers, pesticide coated slow release fertilizers, bio and organic fertilizers, etc. The Committee while deprecating the delay on the part of Ministry of Finance in the inclusion of a separate budgetary head for R & D in the Demands for Grants of the Department of Fertilizers, strongly reiterate their earlier recommendation that the Department of Fertilizers should take up the matter with the Ministry of

Finance at the highest level for the inclusion of a separate budgetary head for R & D and for the allocation of sufficient funds for the purpose from RE 2021-22 onwards so as to boost the R & D efforts of the indigenous fertilizer industry in order to make it internationally competitive fertilizer manufacturing technologies. Sentiments expressed by this Committee may also be conveyed to the Ministry of Finance. The Committee would like to be apprised of the progress made in this regard.

Recommendation No.4- Exemption of Customs duty on import of raw materials for production of fertilizers

The Committee note that the actual production of urea in the country was 244.55 LMT against the sale of 336.97 LMT during the financial year 2019-20. 91.99 LMT of Urea had to be imported to meet the gap between the demand and production. Against the sale of 234.13 LMT of P&K fertilizers (DAP + A/S + Complex + SSP), actual production in the country was 181.36 LMT during the financial year 2019-20. To meet the demands of the farmers 91.74 LMT of P&K fertilizers were to be imported. Further, the Committee note that the actual production of Urea during 2019- 20 has been more than the installed capacity. However, the actual production of P&K fertilizers are very less compared to the installed capacity during 2019- 20. At present, there are 32 large size urea plants in the country manufacturing urea, 19 units producing DAP & complex fertilizers and 2 units manufacturing Ammonium Sulphate as a by-product. However, the country is dependent on imports of different fertilizers either in the form of finished fertilizers or their raw material due to non-availability/scarce availability of resources.

The dependency is upto 90% in case of Phosphatic fertilizers and 100% in case of Potassic Fertilizers. The Committee feel that non-availability of P&K raw materials is the major impediment in achieving self-sufficiency in the production of P & K fertilizers. Even though the Country is facing a huge financial burden on import of both urea and P & K fertilizers, the Committee fail to understand the reasons for levy of Basic Customs Duty on raw materials for manufacture of fertilizers. In this regard, Department of Fertilizers has requested the Ministry of Finance to grant exemption or levy nominal rate of 1% Basic Customs Duty (BCD) on intermediate and raw materials for manufacture of various fertilizers viz. Ammonia, Phosphoric acid, Rock Phosphate, Sulphur, Sulphuric acid, Urea (as input), MOP (Muriate of Potash) (as input). Considering the strategic importance of fertilizers for the country's food security, the Committee feel that there is a need to incentivize indigenous fertilizer production in the form of nil or lower BCD so as to reduce the production cost of fertilizers and to achieve optimum capacity utilization of the fertilizer plants in the country. This will also result in balanced use of fertilizers as it will enable farmers to buy more P & K fertilizers because of their lesser prices. In view of the above, the Committee strongly recommend that the Department may take sincere and vigorous initiatives to impress upon the Ministry of Finance to exempt or levy nominal rate of 1% Basic Customs Duty (BCD) on fertilizer raw materials which may augment the domestic fertilizer production and curtail the expenditure on imports. The Committee would like to be apprised of the measures taken in this regard.

Recommendation No.5 - MRP of P& K fertilizers

The Committee note that the Government has implemented Nutrient Based Subsidy Policy w.e.f. 1.4.2010 for Phosphatic and Potassic (P&K) Fertilizers with the objectives to ensure balanced use of fertilizers, promote growth of indigenous fertilizers industry, improve agriculture productivity and reduce subsidy burden. Under the policy, a fixed amount of subsidy, decided on annual basis, is provided on subsidized P&K fertilizers depending on their nutrient content with an objective to make available these fertilizers to farmers at a reduced price. Under this policy, MRP is fixed by fertilizer companies as per market dynamics at reasonable level. In the report of the third party evaluation conducted by the Department of Fertilizers, it has been observed that 45% farmers reported P&K ingredients are too expensive and 46% of the farmers reported P & K ingredients were not available at MRP. In regard to the above observations, the Department of Fertilizers has said that majority of the farmers do not feel that P&K fertilizers are too expensive or are not available at MRP. The Committee are not convinced with the reply furnished by the Department. However, the Department has issued Reasonableness guidelines wherein the reasonableness of MRP of the final P&K product is being evaluated on the basis of the cost of production of these P&K fertilizers. In this regard, the Committee note that on the one hand the MRP of urea is fixed statutorily by the Government and on the other the fixing of MRP of P & K fertilizers are left to the market forces resulting in higher prices of P&K fertilizers. Thus, farmers find urea cheaper and tend to use more urea than the P & K fertilizers. The Committee, therefore, recommend that the Department of

Fertilizers make an in-depth study of NBS Policy particularly in the context of unreasonable MRPs fixed by fertilizer companies even after getting nutrient based subsidy under the Scheme and take necessary action to ensure reasonableness of MRP of P & K fertilizers according to the subsidy given under the Scheme.

Recommendation No.6- Initiatives to encourage Joint ventures Abroad for meeting the domestic requirement of P&K Fertilizers.

The Committee note that India's dependency on import at present is upto the extent of 25% of our requirement of Urea, 90% in case of Phosphate either as raw material or finished fertilizers (DAP/MAP/TSP) and 100% in case of Potash. The Committee also note that the Government 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. The Committee also learnt that so far, the Department of Fertilizers has undertaken Joint Ventures abroad with five Countries during the previous years. Further, the Department is also working with the goal of having access to acquisition of the fertilizer raw materials abroad. Presently, the Department of Fertilizers has no incentive scheme for fertilizer companies to form joint ventures in other resource rich countries, so as to secure its regular supply. However, in the cases of requests for non-financial support received from companies, the Department has been making efforts to reduce hindrances being faced by them and to render assistance to them to the extent possible through the Indian Missions abroad and the Ministry of External Affairs. According to

DoF, no joint venture project with equity participation from PSUs under the Department of Fertilizers has been set up in the last three years and no such project is proposed in the near future. During the year 2020-21, no joint venture with any country was signed by the Department but a number of major developments regarding bilateral cooperation in the fertilizer sector took place. Since the country has near total dependency on both the P&K fertilizers and their raw materials, the Committee recommend that the Department should make sincere and vigorous efforts for setting up of new Joint Venture projects with long term buy-back arrangement for securing supply of P&K fertilizers and their raw materials. In this regard, the Department may encourage both the public and private sector for coming forward for such joint ventures abroad and render them all assistance for the purpose. Due importance should also be given for the acquisition of P & K fertilizers raw materials abroad and to manufacture the fertilizers in the country so as to boost the production of P&K fertilizers in the country, create employment in the country and to reduce the cost of P& K fertilizers in the country. The Committee also recommend that a definite frame work may be chalked out by DoF in the entire matter of Joint Ventures abroad, acquisition of mines and raw materials, etc. for giving a definite orientation to the public and private companies eager to enter into the field. The Committee feel that setting up of Joint Ventures abroad with buy-back arrangements may prevent any shortages and price fluctuation of P&K fertilizers in the country thereby ensuring savings of precious foreign exchange on the Subsidy Head.

Recommendation No.7 - Formulation of time bound action plan to increase production and use of City Compost.

The Committee note with concern that only Rs.42.00 crore has been allocated for city compost out of total Budgetary allocation of Rs.20762.00 crore for the year 2021-22 under the scheme Nutrient Based Subsidy Policy (M.H.2401). It is only 0.20% of the total Budget of Nutrient Based Subsidy Policy for 2021-22. This percentage was merely 0.12% in each of the year 2019-20 and 2020-21. It is ironical that despite the huge potential for composting as Indian cities have been generating 1.5 lakh tonnes of solid waste per day containing bio-degradable wastes ranges from 30% to 70% and the benefit of compost applied to the soil, the country is able to convert less than 5% of the organic waste into compost. During the discussion, it was suggested to increase it upto 60%. In this connection, it is also pertinent to note here that a task force constituted in 2003 for promoting balanced and sustainable use of chemical fertilizers has suggested bundling bio-fertilizers with urea bags. The Committee, therefore, recommend that the Ministry must take action to increase the proportion of the budgetary allocation for city compost under Nutrient Based Subsidy Policy so as to meet the target of converting at least 60% of the total city waste generated each year in India into city compost. It is further recommended that an action plan must be formulated immediately to achieve this target in a time-bound manner.

Recommendation No.8- Need for Allocation of more funds to give impetus to the production of City Compost.

The Committee note that the average cost of production of urea is about Rs.17690/MT (1st quarter of 2020-21) and about 71% of the cost of production is subsidy burden. It comes out Rs.12559.90/MT (*i.e.* 17690 x .71) for urea, whereas it is only Rs.1500/MT under Market Development Assistance (MDA) for scaling up production and consumption of city compost *w.e.f.* 10.2.2016. This subsidy is not for the farmers. It is for the compost manufacturers and fertilizer manufacturers. Fertilizer manufacturers are allowed for co-marketing of city compost and claim subsidy. Not only this, large quantum of release of MDA funds remain unpaid at any given point of time as is evident from the fact that only Rs.36.00 crore, 32.00 crore, 10.00 crore were released against the sale of compost 294017.40 MT, 324598.45 MT, 306630.43 MT during the year 2020-21 (as on 31.1.21), 2019-20 and 2018-19 respectively. The Committee feel that it is due to lack of adequate funds allocated in the Budget, impractical payment procedure, lack of infrastructural support like the laboratories for testing city compost, lack of awareness amongst the farmers, coordination amongst the Centre and the States/UTs and also amongst the various Ministries of the Union Government *i.e.* Department of Fertilizer of Ministry of Chemical and Fertilizers, Ministry of Housing and Urban Administration and Ministry of Agriculture. It is also learnt that only 12 States/UTs have constituted State Level Steering Committee for coordination and promotion of city compost. Last year, it was only 11 states. Thus, there is an increase of only 01 State/UT in a year. In this regard, the Committee recommend that

concerted efforts should be made by various stakeholders to constitute State Level Steering Committee in all States/UTs.

The Committee further recommend that the payment procedure of Market Development Assistance (MDA) should be simplified in such a manner that the fund be released to the concerned within a reasonable period of time from the date of claim furnished to the related authorities; State Governments/UTs should establish new and, if necessary, augment the capacity etc. of the existing laboratories for testing city compost and local municipal bodies should co-operate with the city compost manufacturers in identifying the landfill sites. The Committee further recommend that the farmers should also be given token incentives for using appropriate proportion of city compost along with the chemical fertilizers.

As regards the creation of awareness amongst the farmers regarding the benefits of the city compost is concerned, the Committee is happy to learn that there are ample awareness amongst the farmers as is evident from the gradual increase in demand of city compost resulting in shortage of city compost in India. There was shortage of 7249.77 MT in 2018-19 and 95668.5 MT in 2020-21 (as on 31.1.2021). However, during the year 2019-20, there was a surplus of 1017.86 MT, which was very nominal.

The Committee, therefore, observe that there is a need to give impetus to the production of city compost to meet the increasing demand of the farmers through allocation of more fund and removal of infrastructure and other bottlenecks coming in the way of converting city waste to city compost particularly when Indian cities have been generating, as has been

mentioned above, 1.5 lakh tonnes of solid waste per day containing bio-degradable ranges from 30% to 70%.

Recommendation No.9- Demand and Availability of Fertilizers.

The Committee note that the Department of Fertilizers has been entrusted with the responsibility to ensure movement and distribution of subsidized chemical fertilizers, from various fertilizer plants and ports in accordance with the State-wise & month-wise requirement assessed by the Department of Agriculture & Co-operation and Farmers Welfare (DACFW). Department of Fertilizers, accordingly, allocates sufficient/ adequate quantities of fertilizers to States by issuing monthly supply plan and continuously monitors the availability. The movement of all major subsidized fertilizers is being monitored throughout the country by an on-line web based monitoring system called integrated Fertilizer Monitoring System (iFMS). The sales to the beneficiary are captured through the Point of Sale (PoS) machines installed at the retailer's end. The State Governments are regularly advised to coordinate with manufacturers and importers of fertilizers for streamlining the supplies through timely placement of indents for railway rakes through their state institutional agencies like Markfed, etc. The Committee also learnt that regular weekly Video Conference is conducted jointly by Department of Agriculture & Cooperation and Farmers Welfare (DAC&FW) and Department of Fertilizers (DoF) with State Agriculture Officials and corrective actions are taken to dispatch fertilizer as indicated by the State Governments. To avoid black marketing and hoarding, the state governments are adequately empowered under the Fertilizer Control Order (FCO), 1985 to take necessary steps.

Department of Fertilizers regularly advises the state governments to take the required steps so that the fertilizer is made available to the farmers at reasonable prices and to keep a strict check on malpractices such as black marketing and hoarding. Eventhough the Department has conveyed that there is no shortage of fertilizers in the country at present, the Committee are constrained to note there are numerous reports of non-availability or delayed availability of fertilizers in different parts of the country particularly during the peak cultivation seasons. According to the Department, as per its mandate, it supplies Urea upto the State Government level and monitor the stock availability at State level according to their requirement for a particular season through iFMS Dash-Boards. The Department endeavours to keep the supply somewhat more than the requirement and the colour code on the dash-board will reflect Green only when the supply is more. The State Governments distribute the Urea and other fertilizers according to their own distribution plans. In case of any feedback regarding shortage of fertilizer is received, the Department intervenes and requests the State Government to take necessary corrective action. The Committee are happy to note that as part of a new initiative, the Department has introduced a 'Kisan Corner' on the iFMS Dash-Board, which provides the stock details of all the retailers of the District and the farmer is being sent a message in his registered mobile number regarding the stock position of the retailer from where he made the last purchase. Since it is very much necessary to ensure the unhindered availability of fertilizers at ground level during peak cultivation season when the farmers needed them most, the Committee feel

that fool proof arrangements should be made to ensure timely availability of fertilizers. The Committee, therefore, recommends that:-

- (i) The Department should take steps to create an institutional mechanism for ground level monitoring so as to ensure unhindered and transparent supply chain for adequate and timely availability of fertilizers to the farmers in the States upto the Block and village levels particularly during peak agricultural seasons when the timely supply of fertilizers is absolutely necessary.**
- (ii) Weekly Joint Secretary level review by the Department of Fertilizer and the Department of Agriculture and Cooperation should review district level availability of fertilizers along with the state level availability. In case of any shortage in any district, immediate steps should be taken to supply fertilizers to that district.**
- (iii) Presently the colour coding in the dash board of iFMS shows the map of a particular State green when the supply of fertilizers are more than the requirement. Rather than State level approach, district level approach should be adopted in this regard i.e. the map should show green on a district map only when the required quantity is supplied to that particular district so that immediate action may be taken in the cases of shortage of fertilizers.**
- (iv) The Department should monitor whether the State Government take necessary action as empowered under**

the Fertilizer Control Order (FCO), 1985 in the cases of artificial scarcity, black-marketing, hoarding and to ensure quality of fertilizers supplied at the local levels. In the cases of violations in this regard, the attention of the State Government should be drawn at Chief Secretary level for taking necessary action in those cases.

Recommendation No.10- Direct Benefit Transfer (DBT) to farmers.

The Committee note that the Government has introduced Direct Benefit Transfer (DBT) system in Fertilizers w.e.f. October 2016. Under the fertilizer DBT system, 100% subsidy on various fertilizer grades is released to the fertilizer companies on the basis of actual sales made by the retailers to the beneficiaries. Sale of all subsidized fertilizers to farmers/buyers is made through Point of Sale (PoS) devices installed at each retailer shop and the beneficiaries are identified through Aadhaar Card, KCC, Voter Identity Card etc. The Department of Fertilizers has successfully implemented Direct Benefit Transfer system across all States/U.Ts by 1st March 2018. The Department has also set up a Project Monitoring Cell to exclusively oversee the implementation of DBT. State Coordinators have also been deployed across all States to coordinate the on-going DBT activities. According to the Department, it is continuously making efforts to improve the system based on the feedback received from various stakeholders which include Development of DBT Dashboards, Development of PoS 3.0 Software, Development of Desktop PoS Version, PoS Software 3.1 Version launched on 30th Sept, 2020 with contact-less OTP based Aadhaar Authentication in the wake of Covid-19

pandemic and SMS gateway to farmers for sending SMS alerts. The Committee has been apprised that the phase-2 of DBT will explore the feasibility of cash transfer to farmer's accounts. An expert committee under NITI Aayog was constituted on 28.9.2017 as per the request of the DoF to suggest a model for the implementation of phase-2. The concept of Direct Cash Transfer(DCT) to farmers has been under discussion at various forums such as PMO, Cabinet Secretariat and Niti Aayog and that a Committee of Secretaries headed by Cabinet Secretary has been setup to develop the broad contours of the DCT framework under which DCT to farmers can be implemented. The last meeting was held on 16.01.2020. The Committee note that the CoS has inter-alia recommended to constitute a Nodal Committee to be co-chaired by Secretaries of DoF and DACFW to formulate and implement Direct Cash Transfer in Fertilizers. Accordingly, a Nodal Committee has been constituted by DoF and the first and second meetings of Nodal Committee were held on 25.06.2020 and 28.10.2020 respectively. The report of the Committee is under finalization. Department had organized a 'Chintan Shivir' where the famers' leaders were also invited to debate and discuss on the entire issue which may facilitate early implementation of the scheme. In this regard, the Committee note that presently there is no consensus on most of the issues relating to DCT to farmers. In the third party evaluation of urea subsidy scheme, it has been suggested that it will not be suitable option that the subsidy could directly be transferred in the accounts of farmers since DBT to farmers is a complex system and that the subsidy amount to the manufacturing/ importing companies should be given as per the

current policy. The Committee note that the definition of farmer is a complex issue. It is, therefore, recommended to amend the definition of farmers to include the actual producers/tillers also. It is solely for availing the benefits of subsidy for fertilizers and not for making any claim on the land. It will serve the very basic purpose of the DCT scheme. The Committee however, is of the strong view that to achieve the real objectives of the scheme, the implementation of the DCT Scheme for payment of subsidy amount directly to the farmers/ producers/ tillers account may be expedited by linking it with the Aadhaar Card, Kisan Credit Card and Soil Health Card which may eventually close the loopholes, if any, in the system and also save subsidy outgo. The Committee, therefore, recommend that the Department may coordinate and make earnest efforts for effective implementation of Direct-Cash Transfer of Fertilizer Subsidy to farmers/ producers, in consonance with the policy formulated by the Nodal Committee constituted in this regard. The Committee would like to be apprised of the action taken thereon.

Recommendation No.11 - Promotion of Balanced use of fertilizers.

The Committee note that the sale of Urea and other chemical fertilizers has increased in the country over the years. The total sale of chemical fertilizers was 568.29 LMT in 2017-2018 which has increased to 615.14 LMT in 2019-2020. In the report of Third Party evaluation of Nutrient Based subsidy scheme it has been stated that NBS Policy did not succeed in controlling the imbalanced use of N, P and K nutrients due to cheaper price of Urea than P&K fertilizers and the efforts for publicizing the balance use of fertilizers is not appropriate. In this regard, DoF has stated that it

organized a joint awareness programme for farmers on 22nd October 2020 in collaboration with DAC&FW and DARE to disseminate knowledge on optimum usage of fertilizer nutrients and to make farmers aware of new developments in the field of fertilizer usage and management. This awareness campaign has been re-designed as outreach programmes through Video Conferences with the State Agriculture Departments and other stakeholders due to Covid-19 pandemic. The Committee feel that mass awareness programmes need to be conducted throughout the country for the education of farmers about the balanced use of fertilizers as presently the farmers generally have very little knowledge on the balanced use of fertilizers as per the soil conditions as well as the cropping patterns. Thus, the Committee recommend the following:-

(i) Department of fertilizers should make more sustained and sincere efforts in coordination with the concerned Departments of the Ministry of Agriculture, State Governments and other agencies in a target oriented manner about the importance of soil testing and promotion of balanced use of fertilizers among farmers throughout the year;

(ii) Joint Awareness Programmes/out-reach programmes should be organized State/ District/ Block wise before the start of every cropping season on optimum and balanced usage of fertilizer nutrients, ill effects of imbalanced use of fertilizers including its impact on soil fertility, new developments in the field of fertilizer usage and management , etc.

(iii) Presently the purchase of quantum of fertilizers according to the soil health card is only optional. The Department may examine in consultation with various stakeholders including the Ministry of Agriculture, state Governments and farmers whether it may be made mandatory to buy fertilizers according to the recommendation made in the soil health card and accordingly a decision may be taken thereon.

Recommendation No.12- Expeditious revival of closed and sick fertilizer Units.

The Committee note that there were nine Fertilizer Public Sector Undertakings (PSUs) under the administrative control of the Department of Fertilizers. Government of India in 2002 decided to close the operations of all the fertilizer Units of Hindustan Fertilizers Corporation Limited (HFCL) and Fertilizers Corporation of India Limited (FCIL) due to un-viability of economic operations of the fertilizer Units. Therefore, at present, there are seven working PSUs of Department of Fertilizers, out of which, FCI Aravali Gypsum & Minerals India Limited (FAGMIL) is engaged in mining of Gypsum and Projects & Development India Limited (PDIL) is Consultancy and Engineering Organization and the remaining five are fertilizer producing units. The Committee also learnt that National Fertilizers Limited (NFL) and Rashtriya Chemicals & Fertilizers Limited (RCF) are profit making companies while Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), Madras Fertilizers Limited (MFL) and Fertilizers and Chemicals Travancore Limited (FACT) are loss making fertilizer PSUs.

Presently, the Government of India is reviving 5 closed units of FCIL / HFCL by setting up new Ammonia Urea units of 1.27 MMTPA capacity each at Ramagundam (Telangana), Talcher (Odisha), Gorakhpur (Uttar Pradesh), Sindri (Jharkhand) and Barauni (Bihar) through formation of Joint Ventures of leading PSUs consortia. Since the revival of the projects is of national importance, the Committee are satisfied to learn that the Department as well as NITI Aayog and Prime Minister's Office are closely monitoring and taking monthly meetings to review the progress of revival of these projects for ensuring their timely completion. Since the country is dependent on import in case of Urea to the extent of 25% while in case of Phosphates it is 90% and in case of Potash it is 100%, there is a need for revival of Korba unit of FCIL and Durgapur and Haldia units of HFCL so as to decrease our dependency on imports and achieve self-sufficiency in the sector. In this regard, the Committee are given to understand that the decision on revival of Korba, Haldia & Durgapur units would be taken after viewing the progress of revival of four units of Fertilizer Corporation of India Limited (FCIL) viz., Talcher, Ramagundam, Gorakhpur and Sindri and one unit of Hindustan Fertilizer Corporation Limited (HFCL) viz., Barauni based on the assessment of demand-supply gap of urea in the country. According to the Department, a decision has now been taken regarding allocation of equity participation on nomination basis to CPSEs/ Govt of Assam for setting up of New-Brownfield Ammonia-Urea Complex (Namrup-IV) in the existing premises of the Brahmaputra Valley Fertilizer Corporation Ltd. In regard to the above, the Committee recommend the following:-

- (i) the Department will make utmost efforts to ensure that the 5 units of FCIL / HFCL at Ramagundam (Telangana), Talcher (Odisha), Gorakhpur (Uttar Pradesh), Sindri (Jharkhand) and Barauni (Bihar) are completed/ made operational in stipulated schedule without any time over-run.
- (ii) the process for revival of the Korba, Haldia and Durgapur units may also be taken up expeditiously after timely assessment of the demand and supply gap so as to achieve self-sufficiency in the sector and reduce subsidy burden.
- (iii) the construction work at Namrup-IV plant of BVFCL should be taken up expeditiously in coordination with all parties concerned within a fixed time bound manner.

Recommendation No.13- Promotion of Nano fertilizers.

The Committee note that Rashtriya Chemicals & Fertilizers Limited (RCF) and The Indian Farmers Fertiliser Cooperative Limited (IFFCO) have developed nano- fertilizers. While former's nano fertilizer is yet to be tested, the latter is gearing up for the production of nano fertilizer. In this regard, a notification has recently been issued under the Fertilizer Control Order, 1985. However, the main challenge with nano technology is the delivery system. The traditional fertilizers are given by hand mechanism but in the case of nano fertilizers, farmers need a fertigation. There is already an existing scheme to promote fertigation among the farmers. Both the nano fertilizer and fertigation technology have to be dove-tailed to spread it among the farmers. It is also less costly than the chemical fertilizers. More so, it will also reduce the fertilizer usage by 50 per cent resulting in saving

of foreign exchange. The Committee therefore, recommend that the Department should design a scheme to promote nano fertilizers in the country in a big way to reduce the usage of chemical fertilizers. A separate budgetary allocation for the promotion of nano fertilizers may also be considered.

Recommendation No.14- Encouragement to small units producing city compost/ organic or bio fertilizers.

The Committee note that the Government is spending huge amount of funds for subsidy Schemes on chemical fertilizers. Even though the chemical fertilizers provide immediate results in the form of increased yield, in the long run their usage leads to many environmental hazards viz reduction in soil fertility, pollution of ground water, etc. Hence, it is very much necessary to encourage large scale production of city compost/ organic or bio fertilizers. In this regard, the Committee recommend that the Government may encourage smaller units which can manufacture city compost/ organic or bio fertilizers locally and the Government can provide financial support to those units so as to encourage more people come forward to set up such units.

New Delhi;
15 March, 2021
24 Phalguna, 1942 (Saka)

Uday Pratap Singh
Chairperson (Acting)
Standing Committee on
Chemicals and Fertilizers

**MINUTES OF THE THIRD SITTING OF THE
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2020-21)**

The Committee sat on Friday, the 19th February 2021 from 1215 hrs. to 1345 hrs. in Committee Room No.3, Extension to Parliament House Annexe Building, New Delhi.

PRESENT

Smt. Kanimozhi Karunanidhi - **Chairperson**

**MEMBERS
LOK SABHA**

2. Shri Deepak Baij
3. Shri Ramesh Chandappa Jigajinagi
4. Shri Satyadev Pachauri
5. Shri Arun Kumar Sagar
6. Shri Pradeep Kumar Singh
7. Er. Bishweswar Tudu
8. Dr. Sanjeev Kumar Singari

**MEMBERS
RAJYA SABHA**

9. Shri G.C. Chandrashekhar
10. Shri Jaiprakash Nishad
11. Shri Arun Singh
12. Shri A.D. Singh
13. Shri Vijay Pal Singh Tomar
14. Shri K. Vanlalvena

SECRETARIAT

1. Shri Manoj Kumar Arora - Officer on Special Duty(LSS)
2. Shri Nabin Kumar Jha - Director
3. Shri C. Kalyanasundaram - Additional Director

WITNESS

I. MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS)

1. Shri R.K. Chaturvedi, Secy.(F)
2. Shir Rajesh Aggarwal, AS&FA
3. Shri Dharam Pal, AS
4. Shri Partha Sarthi Sen Sharma, JS
5. Smt. Aparna S. Sharma, JS
6. Shri. Lal Sanglur, Eco. Adv
7. Shri. Niranjan Lal, Dir
8. Shri Gurumurthy, Dir. (Fin.)

II. PSUs/AUTONOMOUS INSTITUTIONS AND OTHER INSTITUTIONS

9. Shri V.N. Dutt, CMD, NFL
10. Shri Yash Paul Bholra, Director (Fin.), NFL

2. At the outset, Hon'ble Chairperson welcomed the Members of the Committee and the representatives of the Ministry of Chemicals & Fertilizers (Department of Fertilizers) to the sitting. Their attention was invited to the provisions contained in Direction 55(1) of the Directions by the Speaker regarding confidentiality of the Committee's proceedings.

3. After the witnesses introduced themselves, the Secretary of the Department made power point presentation to the Committee regarding salient features of the Demands for Grants 2021-22 pertaining to the Department of Fertilizers.

4. The power point presentation was followed by discussion on several aspects of Demands for Grants of the Department. During the discussion, the Hon'ble Chairperson and Members of the Committee raised questions on several issues such as:-

- (i) Budget provisions during 2020-21 and reduced BE allocation during 2021-22 for the Department.
- (ii) Production/Import/Sale/Consumption of Fertilizers.
- (iii) Increasing import of fertilizers and the need for measures to increase domestic production.
- (iv) Mechanism to Regulate proper supply of Urea upto local levels and prevent its black-marketing.
- (v) Urea and P& K Subsidy Policies. Low price of Urea viz-a-viz P & K fertilizers.

- (vi) Revival of Closed/Sick Fertilizer Plants.
- (vii) Direct Benefit Transfer of subsidy payments.
- (viii) Need to Increase production and usage of City Compost/Organic Fertilizers and Nano Fertilizers.
- (ix) Need for creating awareness among farmers on balanced use of fertilizers.
- (x) Encouragement to smaller units which can produce organic/bio fertilizers locally with the Government support.
- (xi) Rationalization of custom duties on raw materials and intermediates used for the production of phosphatic fertilizers.

5. The Secretary, Department of Fertilizers and other officials responded to the aforesaid concerns/issues raised by the Committee.

6. The Chairperson thanked the witnesses for appearing before the Committee as well as for furnishing valuable information to the Committee. They were also asked to provide required information which was not readily available in writing at the earliest.

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

The Committee then adjourned.

**MINUTES OF THE FIFTH SITTING OF THE
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2020-21)**

The Committee sat on Monday, the 15th March, 2021 from 1500 hrs. to 1545 hrs. in Committee Room No.139, Parliament House Annexe, New Delhi.

PRESENT

Shri Uday Pratap Singh, Chairperson (Acting)

MEMBERS

LOK SABHA

2. Shri Ramakant Bhargava
3. Shri Satyadev Pachauri
4. Dr. M.K. Vishnu Prasad
5. Shri Arun Kumar Sagar
6. Shri Pradeep Kumar Singh
7. Shri Indra Hang Subba
8. Shri Prabhubhai Nagarbhai Vasava

RAJYA SABHA

9. Shri G. C. Chandrashekhar
10. Dr. Anil Jain
11. Shri Ahmad Ashfaque Karim
12. Shri Jaiprakash Nishad
13. Shri Arun Singh
14. Shri A.D. Singh
15. Shri Vijay Pal Singh Tomar
16. Shri K. Vanlalvena

SECRETARIAT

- | | | | |
|----|-------------------------|---|---------------------|
| 1. | Shri Manoj K. Arora | - | OSD (LSS) |
| 2. | Shri N.K Jha | - | Director |
| 3. | Shri C. Kalyanasundaram | - | Additional Director |
| 4. | Shri Panna Lal | - | Under Secretary |

2. At the outset, the Hon'ble Chairperson welcomed the Members of the Committee.
3. The Committee, thereafter, took up for consideration and adoption the following draft Report(s):
 - (i) 'Demands for Grants 2021-22' of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals);
 - (ii) 'Demands for Grants 2021-22' of the Ministry of Chemicals and Fertilizers (Department of Fertilizers);
 - (iii) 'Demands for Grants 2021-22' of the Ministry of Chemicals and Fertilizers (Department of Pharmaceuticals); and
 - (iv) 'Status of Covid-19 Vaccine Production In India' pertaining to the Department of Pharmaceuticals.

4. After deliberations, the Committee adopted the above four Draft Report(s) unanimously without any change/amendment.

5. The Committee also authorised the Chairperson to make consequential changes, if any, arising out of the factual verification of the Report(s) by the Department of Chemicals and Petrochemicals, Department of Fertilizers and Department of Pharmaceuticals of the Ministry of Chemicals and Fertilizers and present the same to both the Houses of Parliament.

The Committee then adjourned.